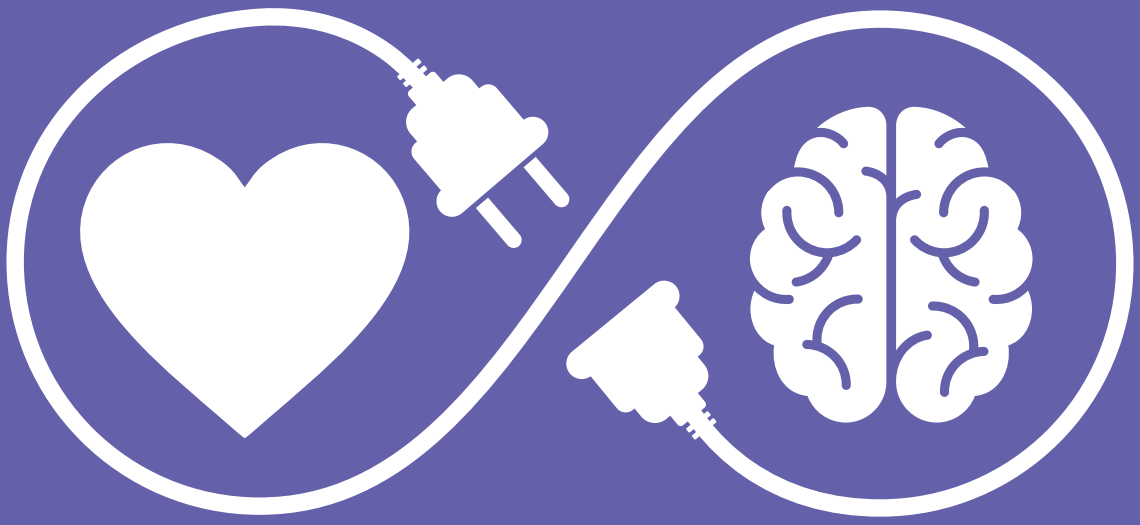
BOMBAY STOCK EXCHANGE BROKERS' FORUM (BBF) | MUMBAI, INDIA
APRIL 2022 | VOLUME: 11 • ISSUE NO. 1 • ₹ 15/-

FORUM VIEWS



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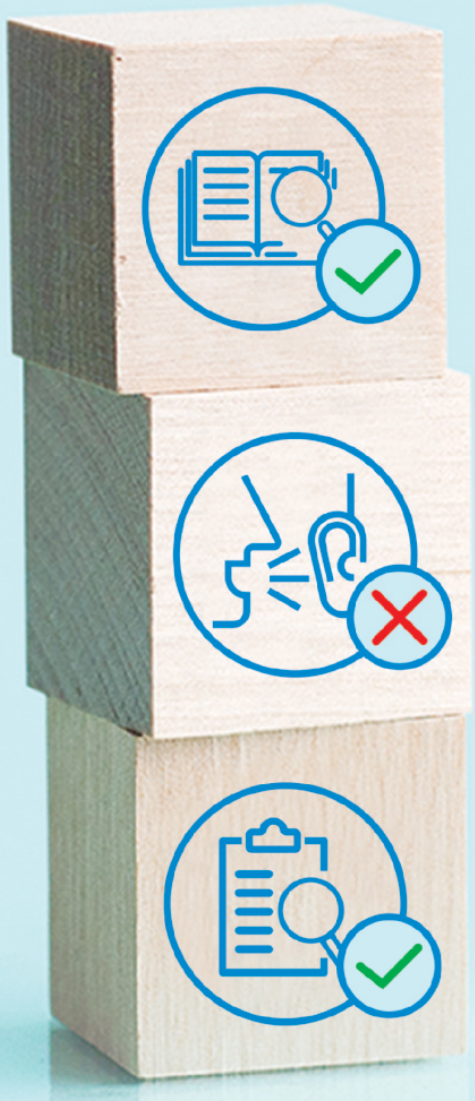

ALWAYS STUDY THE COMPANY CREDENTIALS THOROUGHLY BEFORE INVESTING.

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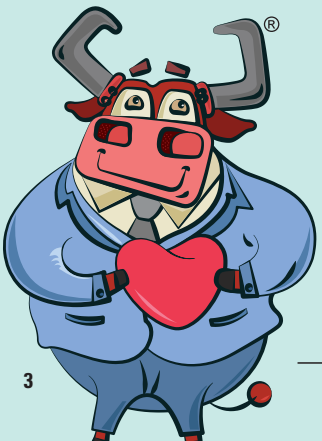

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MESSAGE

The "Forum Views" as a magazine provides enriching content for the market participants including investors. The theme of the 11th annual special edition of the magazine "Conscious Conversations: Business & Beyond – Growth, Competitiveness, Sustainability, Technology" is timely.

As we know, an educated investor is a protected investor. Investor Education is one of the priority areas of SEBI which we achieve through our Investor Education programs such as Financial Education Programs by Resource Persons, Securities Market Trainers (SMARTs) Program, Commodities Derivatives Trainers (CoTs) Program, Regional Seminars jointly with MIIs and Trade Bodies, etc.

SEBI is also conducting nationwide Financial Market quiz and essay competition as a part of "Azadi ka Amrit Mahotsav" to enhance the securities markets knowledge of youth in India. I am sure that with the active co-operation of the members of the Forum in spreading the message about investor education programs being conducted by SEBI, we can collectively have more and more educated investors in securities market.

With best regards,

G P Garg

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BANKOFSINGAPORE

2 March 2022

Dr. Vispi Rusi Bhathena
Chief Executive Officer
Bombay Stock Exchange Brokers' Forum (BBF)
Mumbai

Dear Dr. Vispi Rusi Bhathena,

Congratulations on the 10th anniversary of the Bombay Stock Exchange Brokers' Forum (BBF)

On behalf of Bank of Singapore, I would like to congratulate the Bombay Stock Exchange Brokers' Forum for being a prominent and reliable source of financial information over the past 10 years. The increased coverage of sustainability themes is commendable. I wish the Bombay Stock Exchange Brokers' Forum continued success.

Yours sincerely,

Zubin Dabu
Market Head
Chair, Bank of Singapore ESG Forum

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February 2022

Heartiest congratulations to Dr Vispi Rusi Bhathena, Chief Executive Officer of the Bombay Stock Exchange Brokers' Forum (BBF) and to his great team for the work towards the FORUM VIEWS magazine.

Inspiring, clear and intelligent work conducted over the past 10 years and we're glad to be supporting it.

On behalf of my team at CFTE and myself, we are sending our warmest wishes for the FORUM VIEWS 11th annual special edition; all the best in your future initiatives.

Sincerely,

Tram Anh Nguyen

Co-founder CFTE , Board Member

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31 January 2022

Dear Dr. Vispi Rusi Bhathena, Dear Brokers Forum of India Team,

On behalf of Bitcoin Association, I would like to congratulate the Bombay Stock Exchange Brokers' Forum on the publication of the eleventh annual edition of the Forum Views magazine and for the excellent work the association has done in advocating for stable and efficient capital markets to drive the growth of the Indian economy.

BBF's broad range of initiatives have fostered discussion and co-operation across myriad fields, from policy and regulation to new trajectories for economic innovation, and the association's forward-looking commentary and research has placed it in the center of the conversation about the future of capital markets.

We share BBF's belief in the bright future of the Indian market and always welcome its initiatives and discussion surrounding the future of the country's economy, which offers a unique and powerful potential for growth. Bitcoin Association aims to facilitate the creation of a next-generation Internet and finance system built on the open Bitcoin data protocol, and we support this goal in India through educational initiatives to boost adoption of the BSV blockchain, which will deliver ground-breaking improvements to the world of finance and data across the world.

With a young and talented population skilled in technology, India not only has the potential to develop its capital markets and finance sector, but also to deliver explosive innovation in a variety of new and exciting arenas, including blockchain technology, big data, IoT and artificial intelligence.

From educating students about capital markets to offering investors powerful insights into the latest policies and economic research, BBF has played a crucial role in helping Indian investors meet the demands of rapidly evolving capital markets and elevate the competitiveness of the country's finance and investment industries.

Congratulations on your success, may it continue for many years.

Kind Regards,

Patrick Prinz
Managing Director

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GLOBAL STRATEGY & COMMUNICATIONS

February 14, 2022

Dr Vispi Rusi Bhathena | PhD (h.c.)
Chief Executive Officer
Bombay Stock Exchange Brokers' Forum (BBF)
Mumbai
India

Dear Dr Vispi Rusi Bhathena | PhD (h.c.),

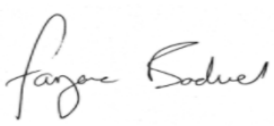
I would just like to congratulate you and your team as you celebrate the 1 1th anniversary of Forum Views magazine.

Strong communication is a vital element in not only getting your message out, but for growing your brand as well. The many awards and accolade s that Forum Views has repeatedly won during its tenure, across various business communication awards, is a clear indicator that your work is of a very high standard.

Your annual special editions build on this further, by continuing to seamlessly pair up Bombay Stock Exchange Brokers Forum's own initiatives with expert insight and commentary across various ongoing worldwide issues and trends. The important role that Forum Views plays in bringing together the Indian financial system and global perspectives is needful.

Well done on all of your achievements across the last decade or so and we wish you all the very best in your future endeavours.

Warm regards,



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Mumbai 400 021 (India)
B: +91 22 22871807 / 08
Email: shaileshvharibhakti@gmail.com

Date: 27th January 2022

Dear Dr Vispi Bhathena,

I am very pleased to know that you are bringing out in April this year, your 11th Annual Special edition of Forum Views. Please accept my compliments on the most outstanding Public Education Service role you are performing.

Congratulations on bringing out this magnificent Publication with the most formidable line-up of Authors from across the world. Best wishes to the Forum and to you always.

SHAILESH HARIBHAKTI
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Chairman's MESSAGE

> To handle yourself, use your head; to handle others, use your heart.
>
> - Eleanor Roosevelt

Dear Readers,

These past couple years have been testing times on personal as well as professional front for all. We may not all recognize their names, but virtually everyone in the capital markets industry owes a debt of gratitude to our regulators, market infrastructure institutions, market intermediaries and our teams - for their endurance, efficacy, and commitment.

As the market becomes both more efficient and, at the same time, more complex, we ask ourselves - How to efficiently manage compliance investments? What roles should regulators/ market infrastructure institutions play? What is the appropriate role for the government in this process? How best to educate people so they can make informed decisions in investing? How to reinvent our business experience - blending strategy, innovation, and technology? There is much work left to be done to find the most efficient and cost-effective ways to use both to provide better lives and enhance business opportunities.

The mission of BBF is to facilitate the capital markets profession in India and promote it globally with the highest standards of ethics, education, and professional excellence for the ultimate benefit of society. Education is critically important to us at BBF - we believe lifelong learning is a key component to uphold our professional expertise and to foster trust in our industry. The key challenge will be our ability to harness this rapidly available information, assess its implications, and reach actionable decisions - all within relevant time frames.

I'm inspired by the incredible work showcased in this publication. This edition pays tribute to the people whose shoulders we have stood upon and provides opportunities for us to learn from their greatness. To our team and contributors, I extend my sincere gratitude.

Finally, I thank the BBF Governing Board, each member of BBF and all our stakeholders for their support and blessings. We shall continually try to surpass your expectations.

Thank you kindly,

Lalit Mundra
Bombay Stock Exchange Brokers' Forum (BBF)

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Let's #breakthebias against women, celebrate their achievements and take action for their freedom and equality.

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FROM THE BBF SECRETARIAT

Hello everyone and welcome to the **APRIL 2022 annual special edition** of FORUM VIEWS (a monthly capital markets & lifestyle magazine).

This is an extensive edition (**396** pages!) - a conglomeration of commentaries from around the globe on the theme **"Conscious Conversations: Business & Beyond - Growth, Competitiveness, Sustainability, Technology".**

At Bombay Stock Exchange Brokers' Forum (BBF), we bring together information, expertise, and abilities of our people to facilitate our Members with the finest feasible assistance.

This is valuable as it increases efficacy for our Members and that ultimately creates value for all the stakeholders. This has been our mission for decades and we remain fully committed to it.

In our efforts to fulfil our purpose, we are guided by meaningful principles and integrity from our Governing Board Members to whom we are sincerely grateful.

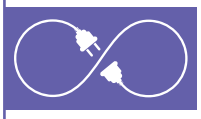
We hope this compilation is an inspiration to all and an encouragement to keep learning and to work to make an impact on the capital markets/ financial industry and the many individuals it serves. We would like to have your views on this magazine and kindly share this edition to your colleagues/ friends. Hope you will enjoy this edition.

We convey our gratitude for your valuable time and trust in our association.

FORUM VIEWS APRIL 2022: Cover Decoded

Conscious Conversations

Denotes: Benefits of **Heart & Brain Coherence** - a state of unity and integration of mind, body and spirit - when our thoughts, intentions and actions seamlessly align. The amalgamation of Emotions, Hustle, Focus, Optimism, Discipline, Risks, Patience, and Persistence are the key elements for successful investment towards wealth creation and holistic health.



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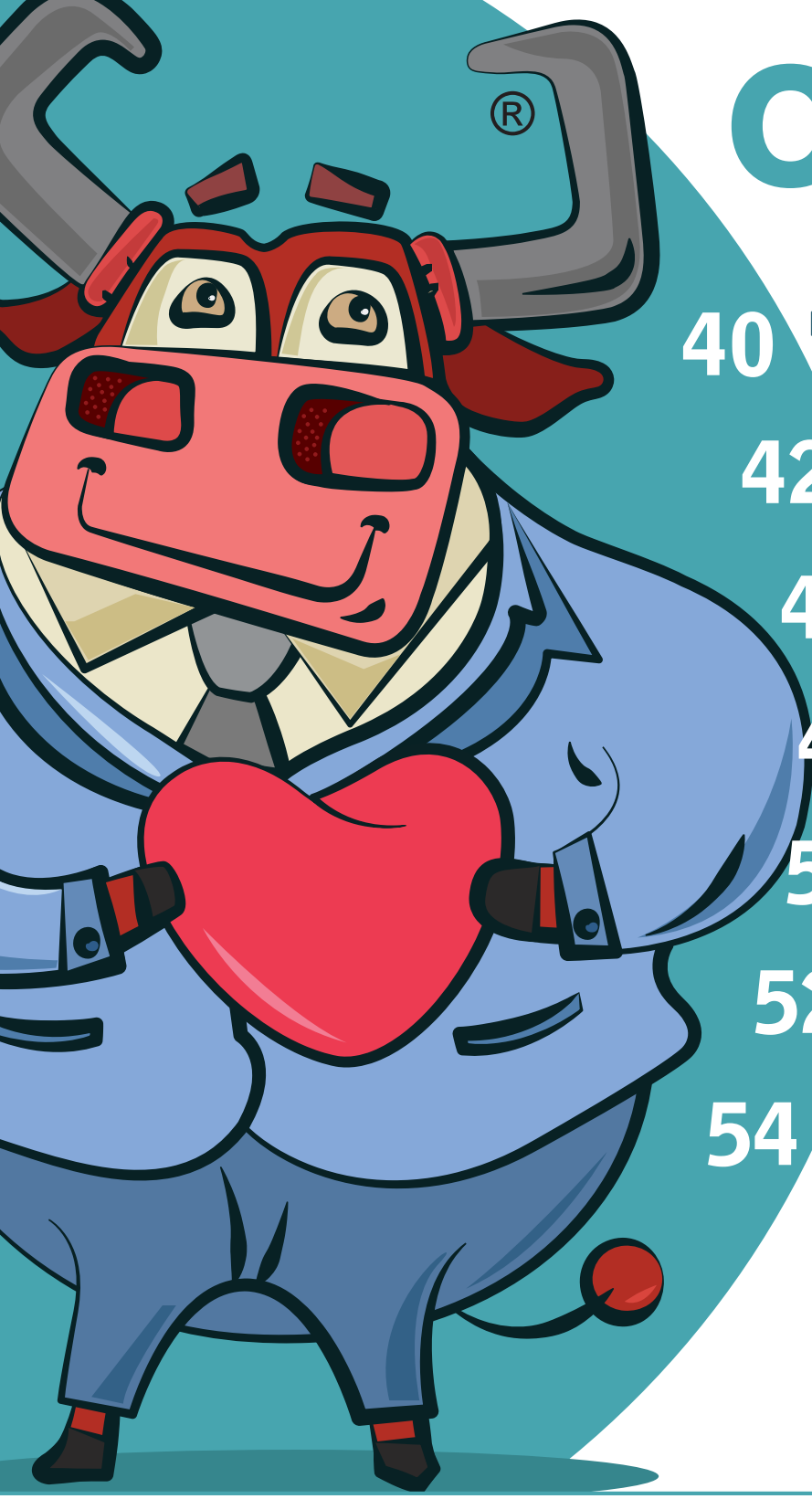

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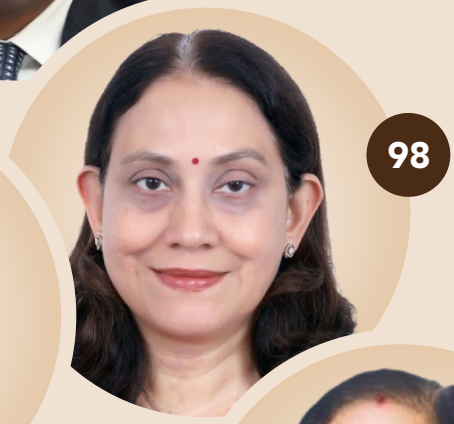

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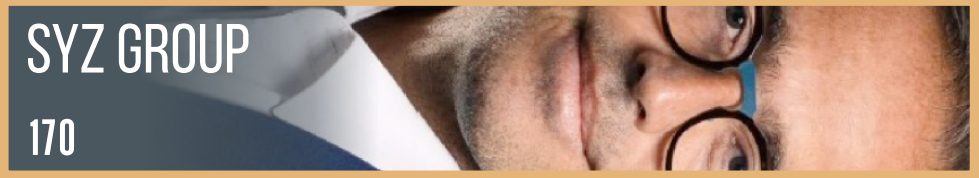

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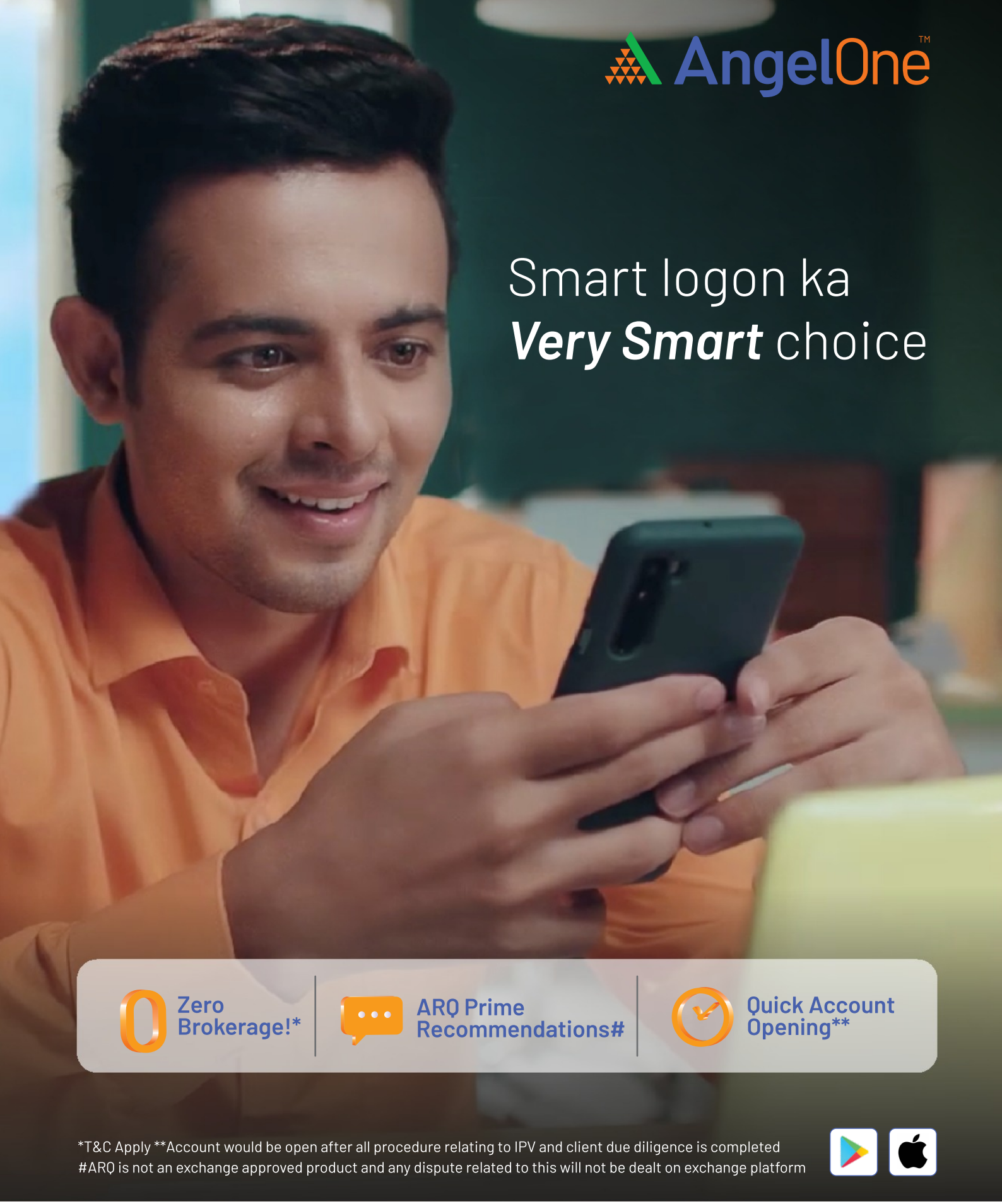

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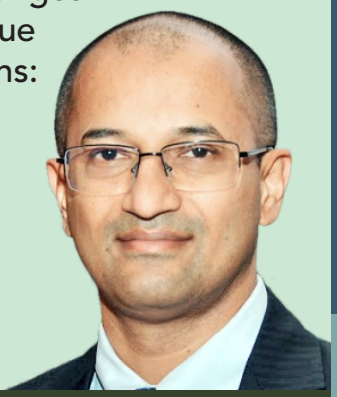

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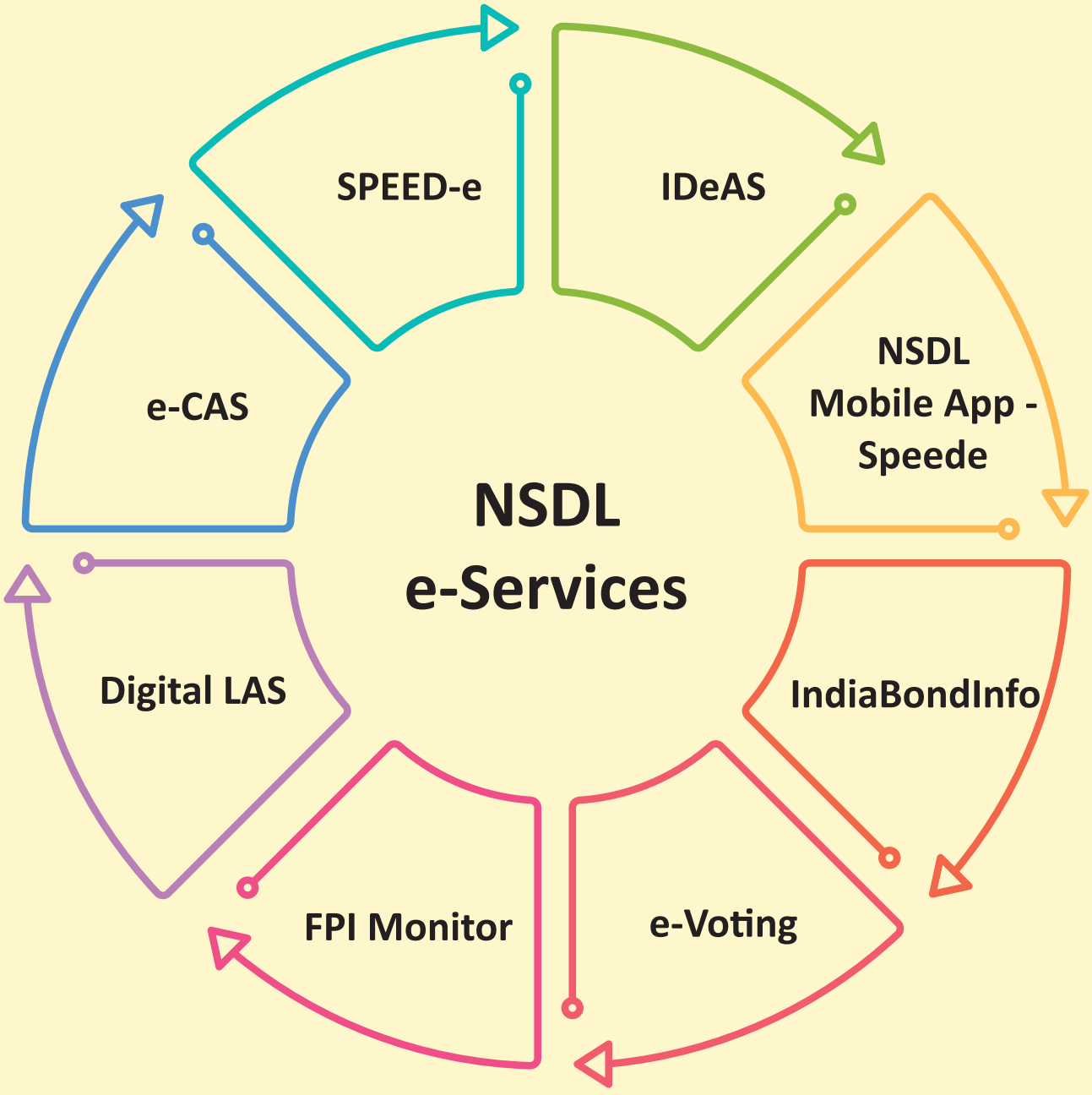

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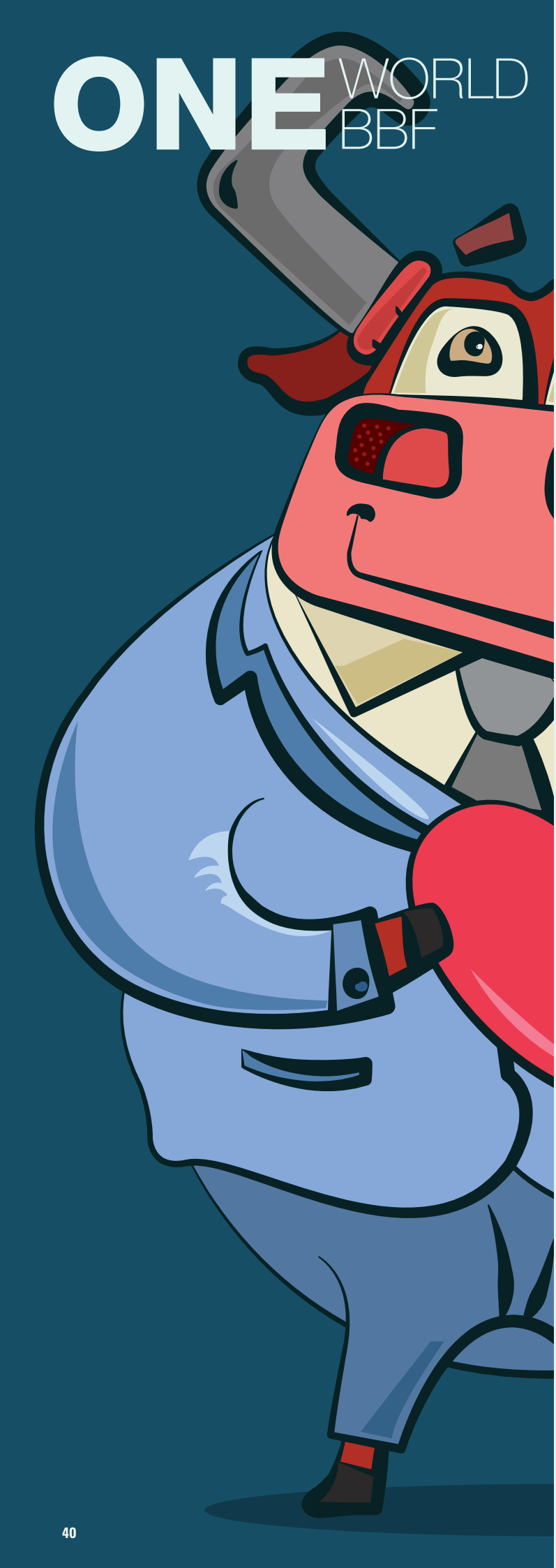

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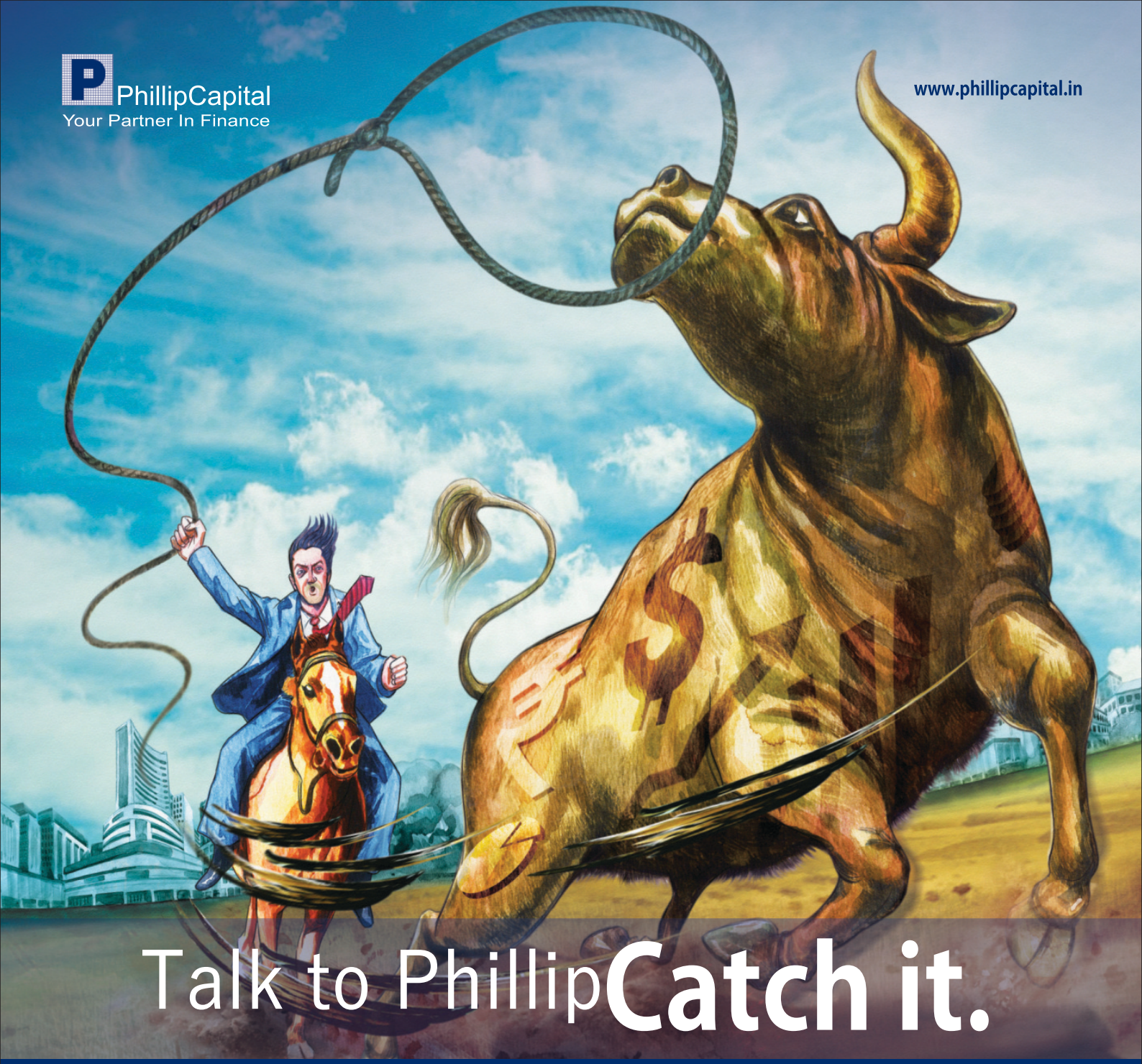

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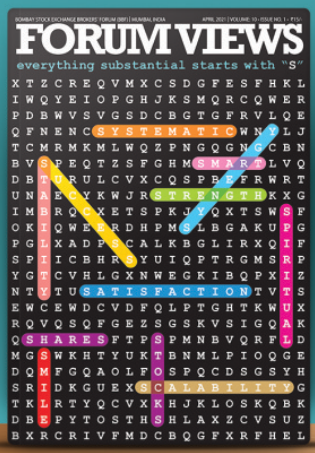

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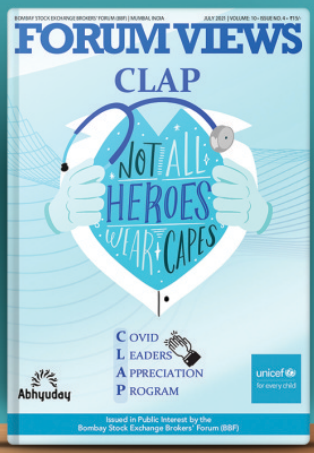

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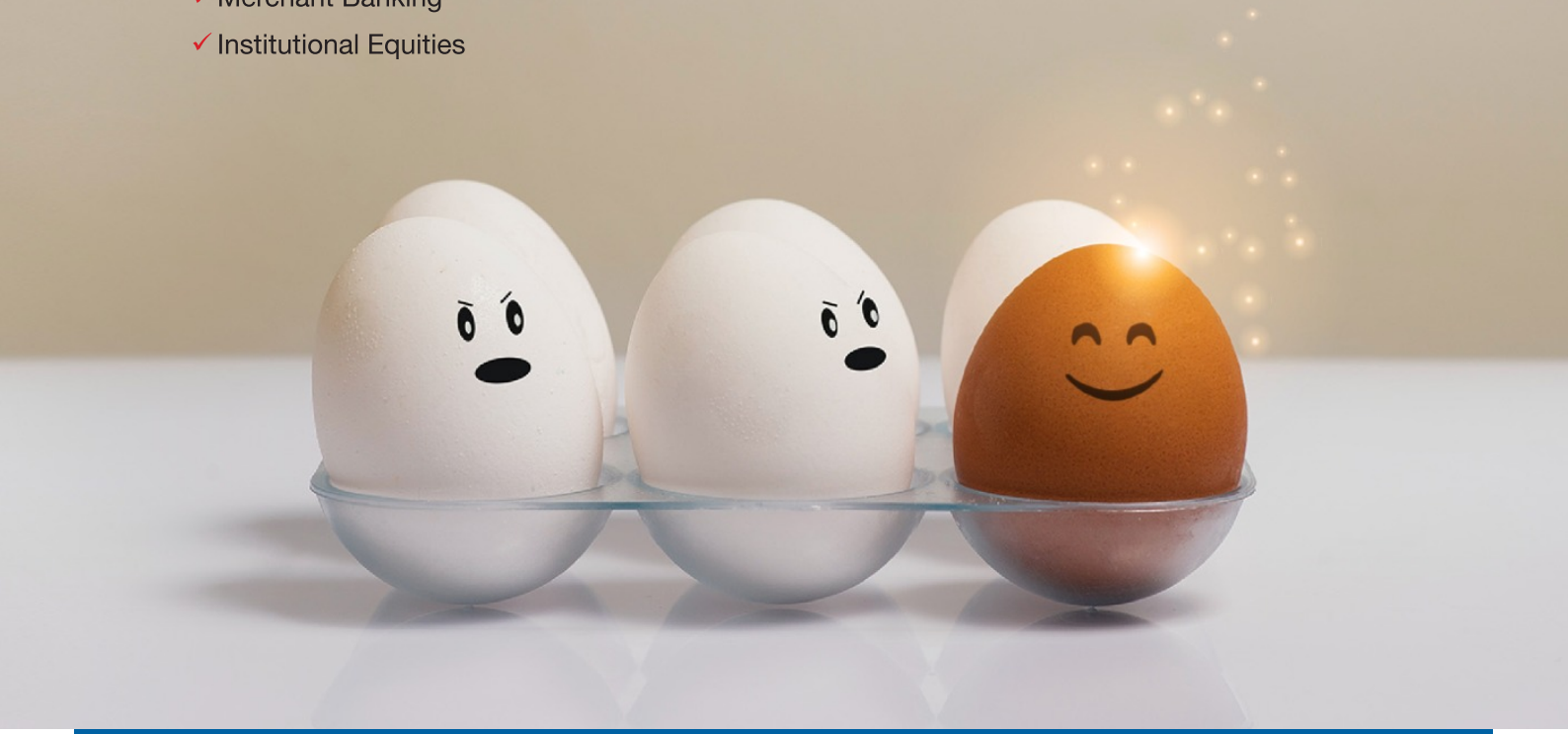

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* Logo placement in alphabetical order

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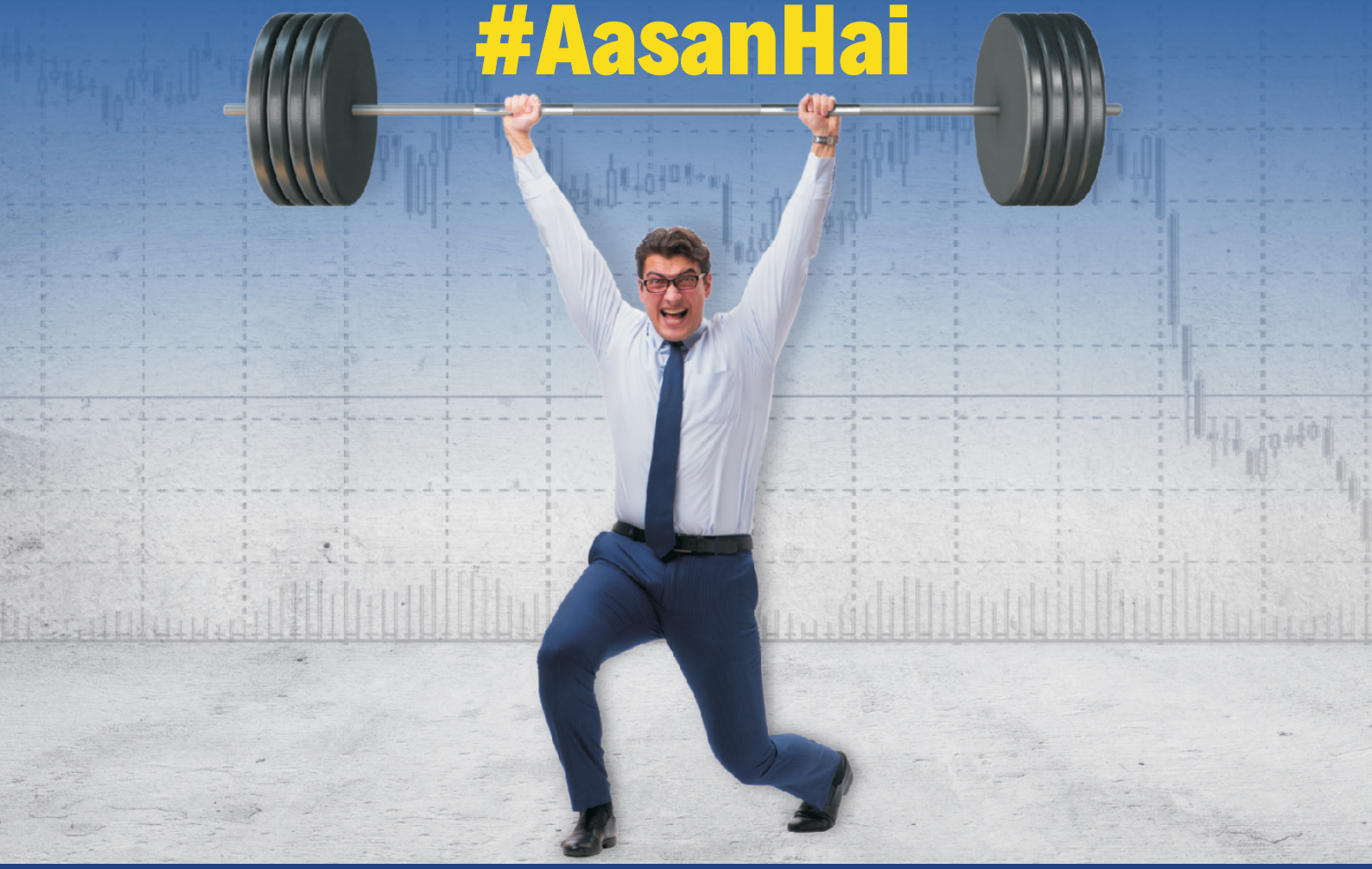

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GLOBAL CONNECTS (MILESTONES)

2022

3rd BBF Global Connects - Japan: India Investment Opportunity (Tokyo, Japan) (Virtual)

2020

2nd BBF Global Connects - Japan: India Investment Opportunity (Tokyo, Japan)

2019

Global Connects Tour (Seoul, South Korea, Tokyo, Japan)
Global Connects: Opportunities in New India (Seoul, South Korea)
International Capital Market Association (ICMA) - AGM (Stockholm, Sweden)
International Council of Securities Associations (ICSA) - AGM (Milan, Italy)
Japan Securities Dealers Association (JSDA) - 15th ASF Tokyo Round Table (Tokyo, Japan)
Asia Securities Forum (ASF) - AGM (Istanbul, Turkey)

2018

10th Anniversary IFIE - IOSCO Conference (Tokyo, Japan)
International Council of Securities Associations (ICSA) - AGM (Taipei, Taiwan)
1st India - Korea Capital Market Cooperation Forum (Mumbai, India)
Asia Securities Forum (ASF) - Tokyo Round Table (Tokyo, Japan)
Asia Securities Forum (ASF) - AGM (Bali, Indonesia)

2017

International Council of Securities Association (ICSA) - AGM (Mexico City, Mexico)
Asia Securities Forum (ASF) - Tokyo Round Table (Tokyo, Japan)
Asia Securities Forum (ASF) - AGM (Tokyo, Japan)

2016

International Council of Securities Association (ICSA) - AGM (Stockholm, Sweden)
Asia Securities Forum (ASF) - AGM (Manila, Philippines)
Asia Securities Forum (ASF) - Tokyo Round Table (Tokyo, Japan)

2015

BBF hosts' the International Council of Securities Associations (ICSA) - AGM (Mumbai, India)
Asia Securities Forum (ASF) - AGM (Seoul, South Korea)
Asia Securities Industry & Financial Markets Association - Annual Conference (Hong Kong)

2014

International Council of Securities Associations (ICSA) - AGM (Paris, France)

2013

Members' Conference (Bangladesh)
1st International Outreach Program (Global Business Connects Tour) (Thailand, Philippines, Indonesia, Singapore, Malaysia)
International Council of Securities Associations (ICSA) - AGM (Sydney, Australia)
2nd International Outreach Program 2013 (Global Business Connects Tour) (Seoul, Tokyo, Hong Kong and Taiwan)
Asia Securities Forum (ASF) - AGM (Taipei, Taiwan)

2012

Maldives Stock Exchange and Maldives Capital Market Development Authority - Financial inclusion event (Maldives)

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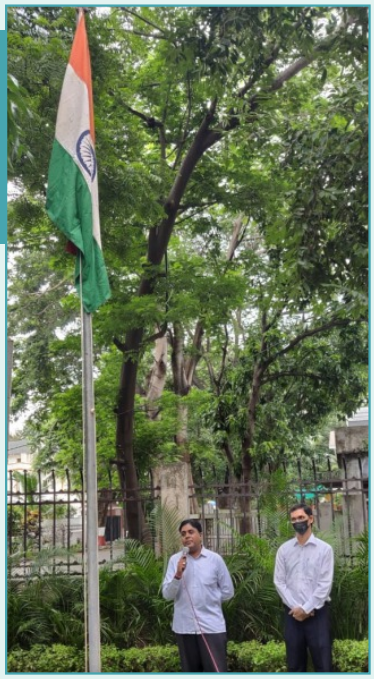
At the "Concluding Ceremony of World Investor Week 2020", held on March 24, 2021 at SEBI Bhavan

SEBI, Whole Time Member, Shri G. Mahalingam presenting an award to BBF as a token of appreciation towards BBF's contribution to the celebration of World Investor Week during 23 - 29 November, 2020.

BBF presence at S. R. Luthra Institute of Management, Surat, Gujarat (15 August, 2021)



Celebrations: BSE SENSEX touches 60,000 mark (24 September, 2021)

BBF conducted an Interactive Q&A session on Segregation of fund and securities (changes coming from 1 Dec) (For BBF Delhi Members) at Malviya Smriti Bhawan, Delhi on Monday, 15-Nov. The aim of this interactive session was to provide practical considerations and insights into the important compliance/ operation aspects. The session was supported by BSE, NSE, CDSL, NSDL, ICCL, NCL.

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BBF stall at SEBI 'BHARAT KA SHARE BAZAAR' section | 40TH INDIA INTERNATIONAL TRADE FAIR (IITF) 2021 | PRAGATI MAIDAN, NEW DELHI

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Securities and Exchange Board of India

iitf India International Trade Fair
NOVEMBER 14-27, 2021
PRAGATI MAIDAN, NEW DELHI

"Bharat Ka Share Bazaar" a virtual and on ground exhibition by SEBI and Securities Market Institutions of India

Bombay Stock Exchange Brokers' Forum (BBF)
extends its humble gratitude to the Securities and Exchange Board of India (SEBI)

In interaction with Mr. Ajay Tyagi (Chairman, SEBI) at the BBF stall

In interaction with Mr. Ashishkumar Chauhan (MD & CEO, BSE Limited)

In interaction with Mr. Vikram Limaye (MD & CEO, NSE)

Lalit Mundra (Chairman - BBF) with Naresh Kumar Rana (Board Member - BBF)

BBF INITIATIVES (GLIMPSES 2021 - 22)

Yunus Qureshi (Head-Operations - BBF) interacting

BBF Stall

CFP Puneet Oberoi addressing on Financial Planning

Adv. Varun Mittal addressing on Market Cap to GDP

Pankaj Gera (Certified Financial Planner) addressing on Asset Allocation

BBF Team with the speakers

In interaction with Mr. Amarjeet Singh (Executive Director, SEBI)

In interaction with Mr. V. S. Sundaresan (Executive Director, SEBI)

In interaction with Mr. G. P. Garg (Executive Director, SEBI)

In interaction with Mr. Nagendraa Parakh (Executive Director, SEBI)

BBF-IFIE WORLD INVESTOR WEEK "INDIA INVESTOR SHOW 2021"

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Securities and Exchange Board of India

BROKERS FORUM

INTERNATIONAL FORUM FOR INVESTOR EDUCATION

OICU-IOSCO WORLD INVESTOR WEEK 2021

INDIA INVESTOR SHOW 2021
23-24-25 November

PROGRAM FLOW

	Day	Date	Timings	Proposed event	Speakers
Day 1	Tuesday	23-Nov	4.00 pm to 5.00 pm	Inaugural session	Master of Ceremony: Mr. Alok Churiwala | Former Vice-Chairman, BBF Special Guests: Mr. Ashishkumar Chauhan | MD & CEO, BSE Mr. Vikram Limaye | MD & CEO, NSE Mr. Arun Raste | MD & CEO, NCDEX Ms. Latika S Kundu | MD & CEO, MSE Mr. Nehal Vora | MD & CEO, CDSL Mr. Samar Banwat | ED, NSDL Mr. Anil Singhvi | Managing Editor, Zee Business Ms. Kathryn Edmundson | ED, IFIE Mr. Lalit Mundra | Chairman, BBF
Day 1	Tuesday	23-Nov	5.00 pm to 6.00 pm	Fireside Chat Series: Preparing investors for known & unknown investment risks	Moderator: Mr. Ashish Rathi | Governing Board Member, BBF Dr V. R. Narasimhan | Dean, School of Corporate Governance and School of Regulatory Studies, NISM Prof. Dr. Sunder Ram Korivi (PhD) | Subject Expert, Arun Jaitley National Institute of Financial Management Ms. Usha Sharma | Head - Member Compliances, Broker Supervision and Investor Services, BSE Limited Mr. Rishi Nathany | Head - Business Development & Marketing, MCX
Day 2	Wednesday	24-Nov	4.00 pm to 5.00 pm	Featured Speech: Capital Markets Vision 2025	Mr. Nilesh Shah | MD, Kotak Mahindra Asset Management Co. Ltd.
Day 2	Wednesday	24-Nov	5.00 pm to 6.30 pm (15-20 mins. each)	Featured Speeches: Straight from the Legends	Moderator: Mr. Alok Churiwala | Former Vice-Chairman, BBF Mr. A. Balasubramanian | MD & CEO, Aditya Birla Sun Life AMC Limited Mr. Prashant Khemka | Founder, White Oak Capital Management Mr. Ambareesh Baliga | Market Analyst Mr. Rahul Rathi | Chairman & Fund Manager, Purnartha Investment Advisers Pvt. Ltd.
Day 3	Thursday	25-Nov	4.00 pm to 5.00 pm	Fireside Chat Series: Global perspectives - New Horizons for Investors	Moderator: Mr. Anurag Bansal | International Affairs, BBF Mr. V. Balasubramaniam | MD & CEO, INDIAINX Mr. Nagendra Kumar | CBO, NSE IFSC Mr. Dipesh Shah | ED (Development), International Financial Services Centres Authority
Day 3	Thursday	25-Nov	5.00 pm to 6.00 pm	Featured Speeches: Women - the new growing investor segment	Moderator: Ms. Priti Rathi Gupta | Founder, LXME Ms. Radhika Gupta | MD & CEO, Edelweiss AML Ms. Lakshmi Iyer | President and CIO (Debt) & Head Products, Kotak Mahindra Asset Management Company Limited (KMAMC)
Day 3	Thursday	25-Nov	6.00 pm to 6.30 pm	Closing session: Learnings & going ahead	Guest of Honour: Mr. G. P. Garg | ED, SEBI Ms. Kathryn Edmundson | ED, IFIE Mr. Parth Nyati | Governing Board Member, BBF Dr. Aditya Srinivas | COO & Chief Economist, BBF

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INDIA INVESTOR SHOW 2021

23-24-25 November

OUR SPEAKERS

Guest of Honour

Mr. G. P. Garg
ED, SEBI

Mr. Ashishkumar Chauhan
MD & CEO, BSE

Mr. Vikram Limaye
MD & CEO, NSE

Mr. Arun Raste
MD & CEO, NCDEX

Ms. Latika S Kundu
MD & CEO, MSE

Mr. Nehal Vora
MD & CEO, CDSL

Mr. Samar Banwat
ED, NSDL

Mr. Anil Singhvi
Managing Editor, Zee Business

Ms. Kathryn Edmundson
ED, IFIE

Mr. Lalit Mundra
Chairman, BBF

Mr. Ashish Rathi
Board Member, BBF

Dr. V. R. Narasimhan
Dean, NISM

Dr. Sunder Ram Korivi (PhD)
Subject Expert, AJNIFM

Ms. Usha Sharma
Head - Member Compliances, BSE

Mr. Rishi Nathany
Head - BD, MCX

Mr. Nilesh Shah
MD, KMAMC

Mr. A. Balasubramanian
MD & CEO, Aditya Birla Sun Life AMC Ltd

Mr. Prashant Khemka
Founder, White Oak Capital Management

Ambareesh Baliga
Market Analyst

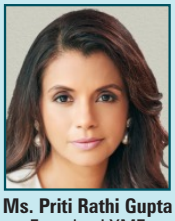
Mr. Rahul Rathi
Chairman & Fund Manager, Purnartha

Mr. Anurag Bansal
International Affairs, BBF

Mr. V. Balasubramaniam
MD & CEO, INDIAINX

Mr. Nagendra Kumar
CBO, NSE IFSC

Mr. Dipesh Shah
ED (Development), IFSCA



Ms. Priti Rathi Gupta
Founder, LXME

Master of Ceremonies

Ms. Radhika Gupta
MD & CEO, Edelweiss AML

Ms. Lakshmi Iyer
President & CIO (Debt), KMAMC

Mr. Parth Nyati
Board Member, BBF

Dr. Aditya Srinivas
COO & Chief Economist, BBF

Mr. Alok Churiwala
Former - Vice-Chairman, BBF

This year's theme: "Investing with Knowledge - Way to Financial Independence"

DAY 1: TUESDAY, 23 NOVEMBER 2021

Inaugural session: 4:00 PM - 5:00 PM (Speeches by)

Mr. Alok Churiwala

Mr. Lalit Mundra

Ms. Kathryn Edmundson

Mr. Ashishkumar Chauhan

Mr. Vikram Limaye

Mr. Arun Raste

Ms. Latika S Kundu

Mr. Nehal Vora

Mr. Samar Banwat

Mr. Anil Singhvi

Fireside Chat Series:
Preparing investors for known & unknown investment risks
5:00 PM - 6:00 PM

Mr. Ashish Rathi

Mr. V. R. Narasimhan

Dr. Sunder Ram Korivi

Mr. Rishi Nathany

Ms. Usha Sharma

DAY 2: WEDNESDAY, 24 NOVEMBER 2021

Mr. Alok Churiwala

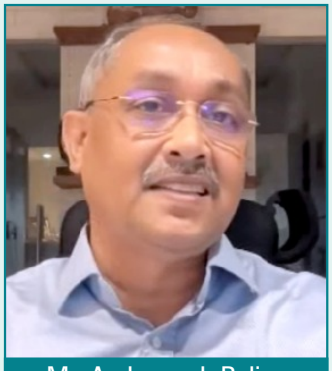
Featured Speech:
Capital Markets: Vision 2025
4:00 PM - 5:00 PM

Mr. Nilesh Shah

Featured Speeches: Straight from the Legends | 5:00 PM - 6:30 PM

Mr. A. Balasubramanian

Mr. Prashant Khemka

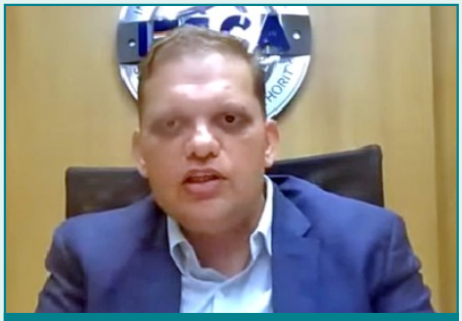

Mr. Ambareesh Baliga

Mr. Rahul Rathi

DAY 3: THURSDAY, 25 NOVEMBER 2021

Fireside Chat Series: Global perspectives - New Horizons for Investors | 4:00 PM - 5:00 PM

Mr. Anurag Bansal

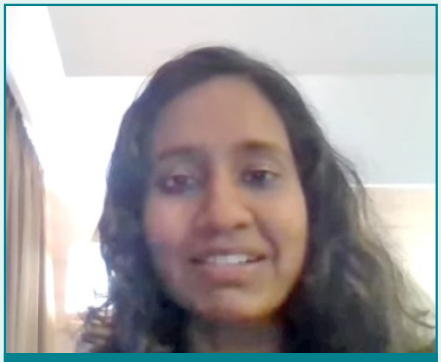

Mr. Dipesh Shah

Mr. V. Balasubramaniam

Mr. Nagendra Kumar

Featured Speeches: Women - the new growing investor segment | 5:00 PM - 6:00 PM

Ms. Priti Rathi Gupta


Ms. Lakshmi Iyer

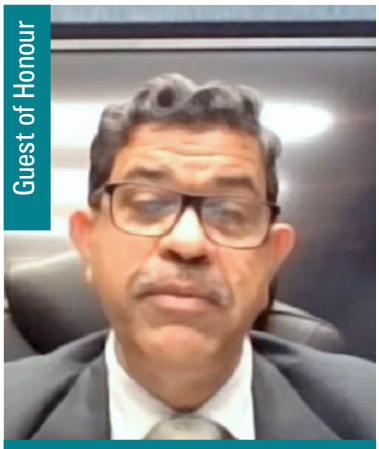
Ms. Radhika Gupta

Closing session: Learnings & going ahead
6:00 PM - 6:30 PM

Mr. Parth Nyati

Mr. Lalit Mundra

Ms. Kathryn Edmundson



Mr. G. P. Garg

Dr. Aditya Srinivas

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Securities and Exchange Board of India
QUESTIONS

Bombay Stock Exchange Brokers' Forum (BBF) presence at the

ASF ANNUAL GENERAL MEETING 2021

The 26th ASF Annual General Meeting in December 2021

(Virtual)

AGENDA

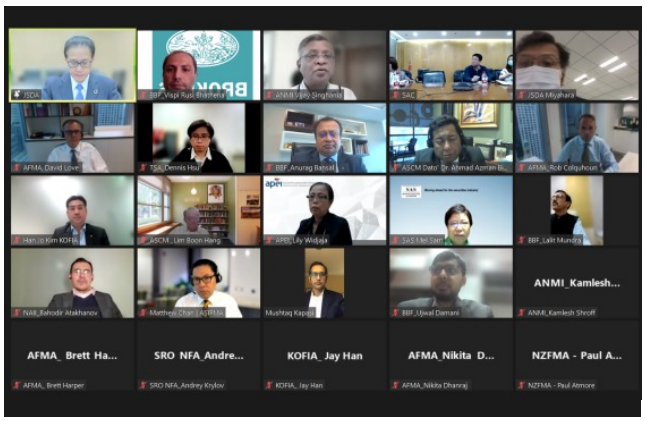
Wednesday, December 8th, 2021 / 15:00 - 17:00 JST

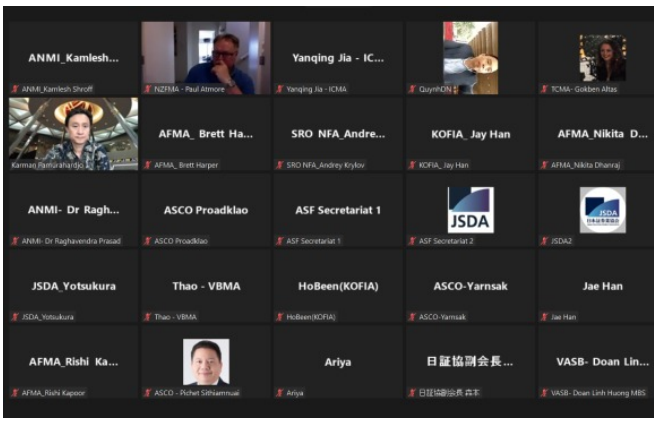
*Following times are in JST (UTC + 9 hours)

14:30 - 15:00	**Registration**
15:00 - 15:05	**Opening of Meeting and Welcome Remarks** **Mr. Toshio Morita,** Chairman and CEO of Japan Securities Dealers Association
15:05 - 15:10	**Admission of New Members for 2020 to 2021** **Mr. Bahodir Atahanov,** Chairman of National Association of Investment Institution
15:10 - 15:55	**Discussion: Challenges and Initiatives towards Sustainable Society in Asia**
15:55 - 16:40	**Discussion: Challenges and Initiatives towards Digital Transformation in Asia**
16:40 - 16:45	**Future AGMs for 2022 to 2025**
16:45 - 17:00	**Any Other Business and Close of Meeting**

In progress: 26th ASF Annual General Meeting in December 2021

ATTENDEES





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India Investment Opportunity

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JSDA Japan Securities Dealers Association

Embassy of India
Tokyo, Japan

SPEAKERS

Mr. Lalit Mundra
Chairman, BBF

Mr. Mario Takeno
Vice-chairman, JSDA

H.E. Sanjay Kumar Verma
Indian Ambassador
to Japan

Mr. Amit Tandon
General Manager, SEBI

Mr. Dipesh Shah,
ED (Development), IFSCA

Mr. Shigeru Ariizumi,
Vice Commissioner,
FSA, Japan

Ms. Mona Kandhar
Minister E & C,
Indian Embassy, Tokyo

Mr. Prithviraj Srinivas
ED - Economist ,
Axis Capital

Mr. Manoj Purohit
Partner, BDO
India LLP

Mr. Atsushi Tomiyama
Principal Economist,
JCER

Mr. Kapil Patidar,
Deputy Secretary,
MoF, India

Mr. Shailesh Bhan
Dy CIO (Equity),
Nippon AMC

Mr. Chintan Haria,
ICICI Prudential AMC

Mr. Ajay Garg
CEO, SMC Global
Securities

Ms. Prerna Soni
VP, Invest India

Mr. Bhushan Kedar
CRISIL Limited

Ms. Lakshmi Iyer
President and CIO
(Debt), KMAMC

Mr. Toshihiko Kurihara
Chief Representative,
JBIC India

Mr. Devin Narang
Country Head - India,
Sindicatum

Mr. Chandrakanta Mitra
Deputy General Manager,
SEBI

Mr. Takagi Ryo
Japan Exchange Group, Inc

Mr. V. Balasubramaniam
MD & CEO, INDIAINX

Mr. Vineet Potnis
StockHolding

Mr. Anurag Bansal,
International Affairs, BBF

Program Flow

Day 1: Friday, 04 February 2022

Timings**	Particulars	Entities/ Persons	Venue
09:30 - 09:40 am	Welcome Remarks	Mr. Lalit Mundra, Chairman, BBF Mr. Mario Takeno, Vice Chairman & Senior Managing Director, Japan Securities Dealers Association (JSDA)	Virtual Meeting Platform - Zoom
09:40 - 09:50 am	Opening Remarks	H.E. Sanjay Kumar Verma, Ambassador of India to Japan	
09:50 - 10:00 am	Inaugural Address	Mr. A M Bajaj, Additional Secretary, Ministry of Finance, India	
10:00 - 10:35 am	Keynote Address	Mr. Amit Tandon, General Manager in charge of Division of FPI&C, Securities and Exchange Board of India (SEBI) Mr. Dipesh Shah, Executive Director, International Financial Services Centres Authority (IFSCA) Mr. Shigeru Ariizumi, Vice Commissioner for International Affairs, Financial Services Agency (FSA), Japan	
10:30 - 11:20 am	Discussion 1 Indian Economy, Markets and Budget 2022 (India post COVID 19)	Session Chair: Ms. Mona Khandhar, Minister E&C, Indian Embassy, Tokyo Mr. Prithviraj Srinivas, Executive Director - Economist, Axis Capital Ltd Mr. Manoj Purohit, Partner - FS tax Leader Tax and Regulatory Services, BDO India LLP Mr. Atsushi Tomiyama - Principal Economist, Japan Center for Economic Research	
11:20 - 01:35 pm	**Fire side chat series: Upcoming Investment Opportunities**		
11:20 - 12:05 pm	1. Equity - a great way to take exposure in Indian markets	Session Chair: Mr. Kapil Patidar, Deputy Secretary, Ministry of Finance, Government of India Mr. Shailesh Bhan, Deputy CIO - Equities, Nippon Asset Management India Mr. Chintan Haria, Head- Product Development and Strategy, ICICI Prudential Asset Management Company (IPAMC) Mr. Ajay Garg, Director & CEO, SMC Global Securities Ltd	
12:05 - 12:50 pm	2. Debt and Sustainable finance: trends, valuations and exposures	Session Chair: Ms. Prerna Soni, Vice President, Head-Financial Investors Initiative, Infrastructure, Real Estate & Energy, Invest India Mr. Bhushan Kedar, Director, Funds and Fixed Income Research, Crisil Limited Ms. Lakshmi Iyer, President and Chief Investment Officer (Debt) & Head Products, Kotak Mahindra Asset Management Company Mr. Toshihiko Kurihara, Chief Representative, JBIC India Mr. Devin Narang, Country Head, Sindicatum Renewable Energy India	
12:50 - 01:35 pm	3. Capital markets Infrastructure	Session Chair: Mr. Chandrakanta Mitra, Deputy General Manager, SEBI Mr. Takagi Ryo, Head, Global Strategy Department, Japan Exchange Group, Inc Mr. V Balasubramaniam, MD & CEO, India International Exchange (IFSC) Limited (INDIA INX) Mr. Vineet Potnis, Business Head - Custody & Securities Services, Stock Holding Corporation of India (StockHolding)	
01:35 - 01:40 pm	Way forward and Vote of Thanks	Mr. Anurag Bansal, International Affairs, BBF	

Day 2 and Day 3: 07-08 February 2022

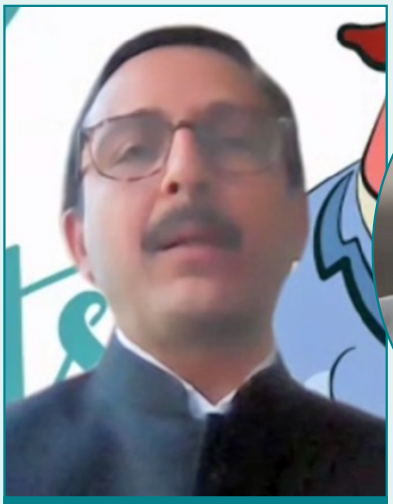
Timings**	Particulars	Entities/ Persons	Venue
10:00 - 12:00 pm	One-on-one Meetings (by appointment)	Indian Speakers/ Institutions	Virtual Meeting Platform - Zoom

**all timings are in Indian Standard time

FRIDAY, 04 FEBRUARY 2022

Welcome Remarks | 09:30 am - 09:40 am

Master of Ceremonies



Mr. Lalit Mundra

Mr. Ujwal Damini

Dr. Vispi R. Bhathena | PhD (h.c.)

Mr. Mario Takeno

Opening Remarks | 09:40 am - 09:50 am

H.E. Mr. Sanjay Kumar Verma

Inaugural Address | 09:50 am - 10:00 am

Hon. Mr. Anand Mohan Bajaj

Keynote Address | 10:00 am - 10:30 am

Mr. Amit Tandon

Mr. Ariizumi Shigeru

Mr. Dipesh Shah

Discussion: Indian Economy, Markets and Budget 2022 (India post COVID 19) | 10:30 am - 11:20 am

Ms. Mona Khandhar

Mr. Prithviraj Srinivas

Mr. Manoj Purohit

Mr. Atsushi Tomiyama

Fire side chat series: Upcoming Investment Opportunities

1. Equity - a great way to take exposure in Indian markets | 11:20 am - 12:05 pm

Mr. Kapil Patidar

Mr. Shailesh Bhan

Mr. Ajay Garg

Mr. Chintan Haria

2. Debt and Sustainable finance: trends, valuations and exposures | 12:05 pm - 12:50 pm

Ms. Prerna Soni

Mr. Toshihiko Kurihara

Ms. Lakshmi Iyer

Mr. Devin Narang

Mr. Bhushan Kedar

3. Capital Markets Infrastructure | 12:50 pm - 01:35 pm

Mr. Chandrakanta Mitra

Mr. Takagi Ryo

Mr. Vineet Potnis

Way forward and Vote of Thanks
01:35 pm - 01:40 pm

Mr. Anurag Bansal

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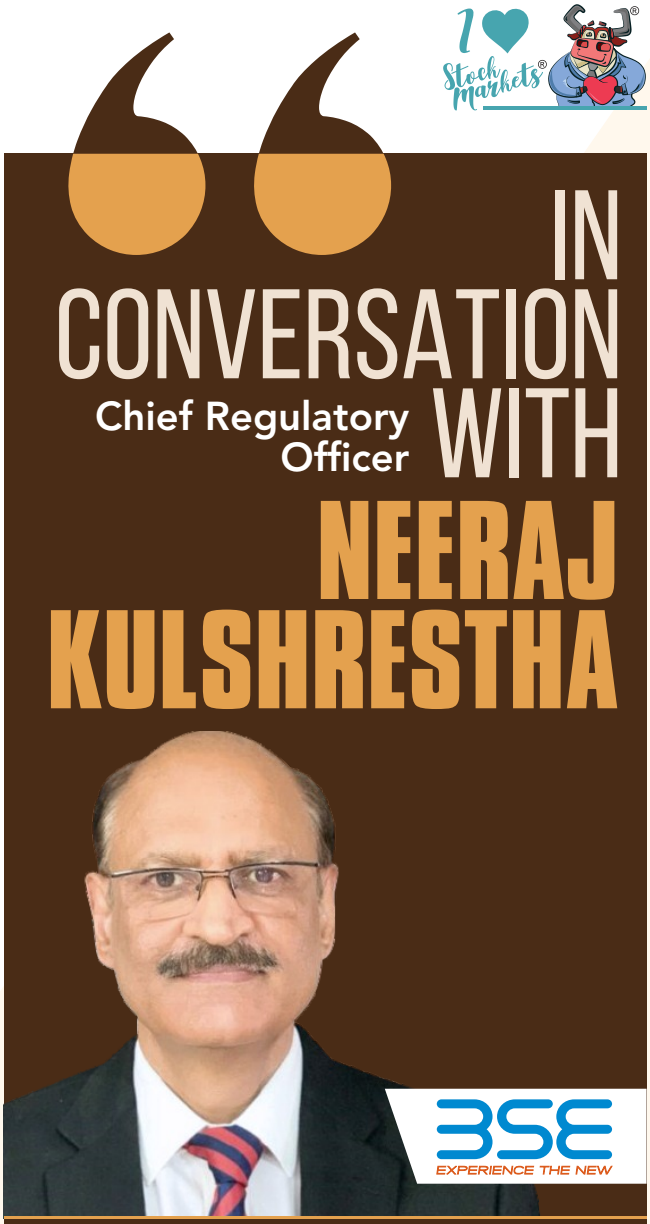

Among the new products, BSE has gained leadership in Mutual Funds, bonds or e-IPOs and has become a significant participant in other products like currency derivatives, commodities. After the success of the BSE StAR MF platform for mutual fund distribution, BSE has also ventured into insurance distribution jointly with EBIX Incorporated, to offer Insurance products.

1 BSE in the New Normal - the era of digitization and automation.

Change is the only constant in Life - BSE has also changed with the times to create a modern exchange which is investment and investor focussed using superior technology to usher a digital platform. BSE today is a financial distribution powerhouse which has the married the traditional portfolio of products with newer products to cover all the financial products.

Among the new products, BSE has gained leadership in Mutual Funds, bonds or e-IPOs and has become a significant participant in other products like currency derivatives, commodities. After the success of the BSE StAR MF platform for mutual fund distribution, BSE has also ventured into insurance distribution jointly with EBIX Incorporated, to offer Insurance products.

BSE is now geared up for launch of a power exchange - Hindustan Power Exchange, jointly with PTC and ICICI Bank. BSE E-Agricultural Markets Ltd. ("BEAM'), a JV between BSE Investments and Frontier Agriculture Platforms Private Limited, operates a nationwide, electronic, institutionalized, transparent commodity spot trading platform to facilitate spot commodities transactions across the value chain. BSE has also received in-principle approval from the regulators to commence Know Your Client Registration Agency (KYC KRA), and trade receivables discounting system (TReDS) businesses, where technology development and mock testing is underway.

In summary, BSE has transformed from a traditional equity Exchange to a more broad-based Exchange covering multiple financial products across asset classes to service investors. This has been possible primarily due to adoption of latest technologies and digitisation and is a continuous process.

2 BSE STAR MF, BSE Commodity Derivatives segment - the way forward.

BSE has been pursuing a proactive strategy to diversify its product portfolio and Mutual funds and the commodity segment are key pillars of this strategy.

Mutual fund are investment products, which introduce investors to capital markets. Hence it is an important product to increase the overall participation of investors in capital markets, thereby contributing to its market development across the country. BSE eased the access to investment in mutual funds by providing a platform which is used by the smallest of distributors to the largest new age distributors. Its plan is to develop a wholesome ecosystem for mutual fund investments by investors.

BSE StAR MF is India's largest Mutual Funds Distribution platform continues to grow at a remarkable pace with total number of transactions

growing by 106% to reach 5 crores transactions during December 2021 quarter from 2.4 crores in the same period last year. Overall, the platform achieved 12.82 crore transactions within the first 9 months of Financial Year 2021-22, as compared to 9.38 crores achieved during the entire Financial Year 2020-21. The continuous growth in the mutual fund segment is in line with our expectations. This segment enables mutual fund intermediaries to process, purchase and submit redemption request of mutual fund units from the clients across India on a fully automated electronic platform.

In the commodity derivatives segment, BSE continues to make rapid inroads and is the second largest Commodity Derivatives Exchange in India. It will keep adding newer products to develop the market, which has very few active products. The average daily turnover for the quarter ended 31st December 2021 increased by 80% to 4,910 crores from 2,730 crores in the same period last year, with market share increasing to 12.5% from 7.4%. The steady growth can be attributed to new and unique products such as Almond, Cotton J34, SUFI Steel futures, and Gold 'options in goods', as well as continual focus on deliveries and innovation. BSE also continues to bring in expertise, depth, and liquidity, by signing MoU's with more physical market participants

BSE has also sought regulatory approval to launch Electronic Gold Receipts (EGR) as a new segment, which will enable the trading of spot gold in India.

In line with its objective to develop the commodities ecosystem, it has also launched a spot platform for commodities to enhance participation through its subsidiary BSE Agri Markets Ltd. (BEAM) to compliment the futures market.

3 Retail investors participation in the markets is at all time high - a lot of first timers have come to the market, but undue corrections would probably shake their confidence.

In 2021, the Indian stock markets touched record highs as all global markets witnessed soaring prices across asset classes. The uncertainties relating to Covid-19 also resulted in high volatility in various products like commodities, rupee etc. However Indian capital markets stood resilient primarily due to robust inflows from investors, both domestic and foreign, who kept faith in the fundamentals of the Indian economy. A significant contribution was from retail investors who have joined capital markets in large numbers in this period, evidenced from the new trading and depository accounts being opened with Exchanges and depositories.

> "The exponential increase in new investors imposes higher responsibility on Exchanges and policy makers to ensure that investors understand the market risks, their interests are protected and there is no mis-selling. With more young investors coming on board, it is important that they understand the risks and be more cautious.

BSE today has a registered investor base of about 10 crore investors.

The number of new investors accounts on BSE have been increasing at a compounded annual rate of 18 % between 2008 till date. Since the start of the pandemic, the investor base has doubled from 4.7 crore to about 9.7 crore now. This rise has been on the back of young investors, who are less than 40 years of age, who now constitute about 74% of the total investor base of 9.7 crores, from 60% of 5 crore investors in May 2020. In numerical terms, the 3.9 crore young investor participated in the growth of investor base, of the total 4.7 crore new investors.

The exponential increase in new investors imposes higher responsibility on Exchanges and policy makers to ensure that investors understand the market risks, their interests are protected and there is no mis-selling. With more young investors coming on board, it is important that they understand the risks and be more cautious.

Our earnest advise to all retail investors is to not to be carried away by the market euphoria, not to invest in stocks without understanding the fundamentals, not to fall prey to fly-by-night operators or seek advice from unqualified people and only invest in safe instruments, good companies or opt for the mutual funds' route to invest, based on their risk profile and investment goals.

4 The IPO frenzy has created its own headlines. Any direction you would like to guide the investors on getting into the IPO arena?

IPOs are an opportunity to participate in the growth of companies who are at early stages of growth and can help investors build wealth. However, retail investors should understand that equity investments also involve risk. Hence investors should have the financial capacity to participate in equities, understand the risks and fundamentals of the Company and they are investing in, and invest for the long terms, and not seek short-term gains. Empirical evidence suggests that returns over longer terms fetch significant returns in equity. Further, investors should understand market risks and that while prices of stocks rise, they can also fall.

5 Looking at the ongoing pandemic, which is marked with great uncertainty, but also a definite positive trajectory for the markets? How do you look at the performance compared to the rest of the peers globally?

Since the lows of March 2020, the S&P BSE Sensex has climbed over 120%, compared with 105% returns on the tech-heavy Nasdaq or 101% by the Taiwanese gauge. It is expected by experts that the pace of economic growth in India will be the highest among major economies. The World Bank estimate for growth in 2022-23 is 8.3%, and this is reflected in the positive trajectory for the markets.

COVID-19 affected the economies of the entire world, including that of India. But our economy has recovered more strongly. The economic toll from the third wave of Covid-19 outbreak in India in January 2022 did not lead to significant business disruption as feared. High-frequency data showed the impact of pandemic were less severe than last year, enabling demand to recover quickly in our consumption-driven economy.

With the Indian government putting focus on structural reforms and capex, we are seeing early signs of increase in private investments. That coupled with monetary stimulus provided by RBI and a positive budget aimed at boosting growth is going to help India remain amongst the fastest growing economies in the world. The economic indicators clearly suggest that the Indian markets shall continue to perform well in in the coming days and achieve newer, greater milestones as we move forward.

6 What role do you see your organization plays in the financial inclusion space?

As explained earlier, Stock exchanges now offer the complete gamut of financial products from mutual funds, bonds, equity to derivatives. These represent the complete range for capital market products required either by a new investor or an experienced investor.

> “BSE is a key facilitator for financial inclusion, where anyone can invest in just one share or unit of a mutual fund or bond as per one’s financial capacity. This encourages wealth creation through micro investments. SEBI has setup a facilitative framework to enable ease of investment which includes - ease of account opening, electronic trading, and electronic settlement. The results can be seen from the large number of accounts being opened.

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The Exchanges have the most important role in providing fair and transparent platforms and ensuring that information asymmetry is eliminated. The use of technology for trading and investments has eased the journey for any investor and with real-time information, they have the necessary tools to make informed decisions. In addition, Exchanges have real-time, sophisticated surveillance frameworks to ensure timely detection of malpractices to enable investor confidence.

7 Given the ongoing pandemic, these are crucial times for any leader today. In this context, what are your priorities at this moment.

Exchanges are in the business of "Trust". Hence at BSE, investor safety and protection are always the top priority, pre or post pandemic.

The key priorities are to enable ease of access to all the participants, to invest in a fair and transparent manner. This requires significant investment by Exchange in technology and information security to provide a platform which is robust, safe and user friendly.

Ensuring market integrity is equally important, which is achieved by having robust surveillance and monitoring.

Indian capital markets remain relatively underpenetrated compared to the population size, despite 10 crore investors, The investors are largely concentrated in the western states and North and Eastern parts of India are less penetrated. Hence another priority is to deepen the investor base and to ensure investors are adequately educated about products and market risks. Hence investor education is an important focus area to encourage an investment culture. For this purpose we work with investor associations, industry bodies, educational institutions to create awareness across the country with specific focus on under penetrated regions.

Last but not the least is to enable more and more products on Exchanges so that investors have a one stop shop for all products.

8 What does work and workplace of the future look to you in the coming months and years?

The pandemic has created an interesting paradigm where work from home helped to overcome the challenges of lockdown and minimise employee risk. BSE has strong technology capability and has managed the situation appropriately with only critical office staff during that period while non critical staff worked from home. However, it also resulted in a fatigue from WFH for most people - who have longed for human interactions rather than WebEx or zoom calls. This resulted in employees joining office with a vengeance.

While the final word on future of workplace has not been said, various models will gradually evolve - the only learning is that organisations have capability now to work from office as well as home. The hybrid working models are here to stay. This throws up several opportunities for organisations to assess their needs and decide on the models that best suits them.

9 What would your key management advice be?

There is no substitute to hard work. Learn to multitask but always prioritise. Never give up.

10 Which management book has influenced you the most?

I am not one for management books because what works for one may not work for all. Also, while books are written for and about successful people, the greater learning is from those who are losers. I am an avid reader of biographies and history. I also keep myself updated on new technologies and products.

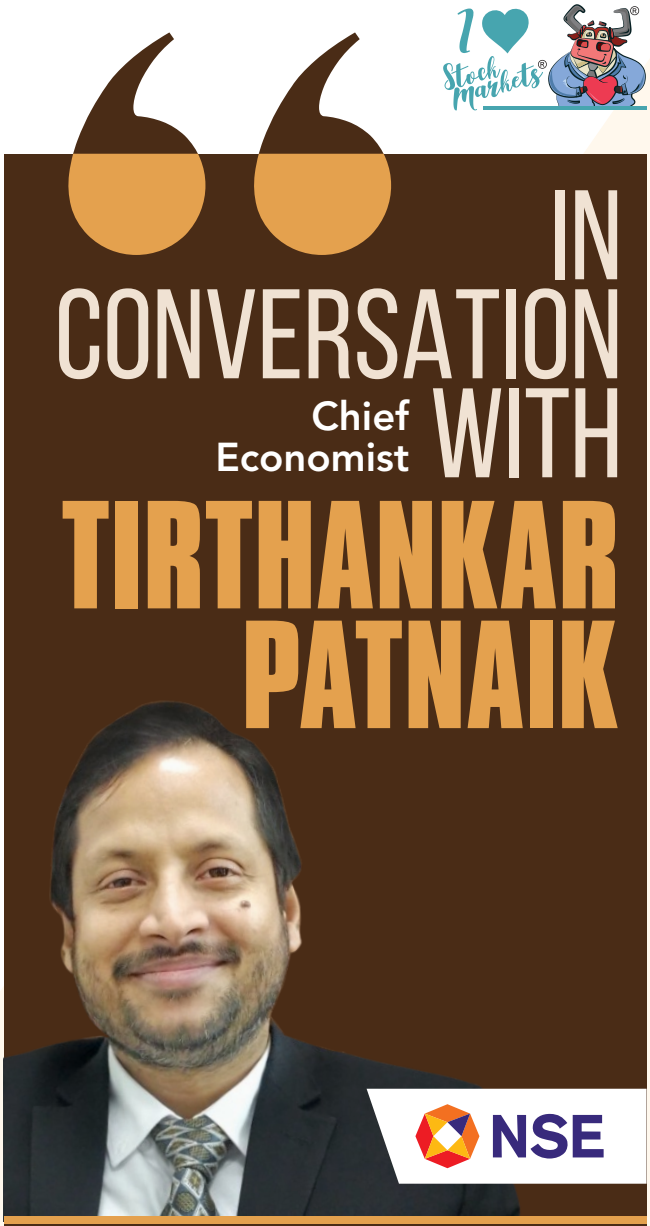
Neeraj Kulshrestha has about 33 years' experience in financial sector, which includes Securities Markets and General Insurance.

He currently heads the Regulatory function of the Exchange since 2019. He was earlier the Head of Business Development and Operations.

He started his career in General insurance in 1988. He joined NSE in 1995 and has handled various portfolios. He was responsible for setting up Derivatives Trading and Clearing on NSE. He was also the CEO of the NSE index company - India Index Services Ltd. and the NSE data company - Dotex International Ltd.

He was an Executive Director with Morgan Stanley India prior to joining BSE.

He has a Bachelors degree in Computer Science from Delhi University and an MBA (Finance) from Indore University.



"There are decades when nothing happens; and there are weeks when decades happen". Lenin's well-known quote is often invoked for situations when global events seem to be getting ahead of us. Arguably the world around has never remained static, even geopolitically (US leaving Afghanistan in '21), but the Russia aggression in Ukraine would rank right up there.

Investors entered 2022 with receding Omicron concerns, rising odds about faster than anticipated tightening by US Fed in the wake of persistent higher inflation and with fewer signs of expected moderation in global growth. However, (1) significant downgrade of global growth estimates for 2022 by various multilateral institutions, (2) more than expected hawkish Fed minutes leading to pricing in of more aggressive rate hikes by Fed amidst rising inflationary pressures coupled with (3) escalating geo-political tensions and uncertainties led by developments between Russia and Ukraine, all thereafter have spooked investors. This in turn has resulted into sharp bout of risk aversion that has been providing strong support to the DXY which in turn has been weighing on EM flows and currency. Alongside, US yield curve has also continued to flatten elucidating the pricing in of increased rate hikes in 2022 that has been pushing the shorter-end yield higher while global risk aversion has been keeping the longer-end yields flat.

As global economic indicators continue to send out further signs of growth moderation, surging concurrent headwinds in the form of faster than expected tightening in monetary policies amongst major central banks coupled with escalating geopolitical frictions have prompted sharp slowdown of capital flows into Emerging Markets. According to the "February Emerging Markets' Capital Flows Tracker" report released by Institute of International Finance, Emerging markets witnessed a sharp decline in inflows from $16.8bn attracted in December to an inflow of mere US$1.1bn recoded in January, lowest quantum of inflow recorded in last 10 months. However, excluding inflows from China, the Emerging Markets have witnessed a capital flight of US$7.7bn in January from an inflow of US$3.5bn recorded in December. Within overall portfolio outflow from EMs (excluding China), investors sold US$3.3bn worth equity and US$4.6bn debt. While FIIs sold Chinese equities too worth US$0.25bn, but there was a significant inflow of US$9bn into China debt. While Indian markets too bore the brunt of intensifying global headwinds, domestic factors such as higher than expected government borrowings along with weak operating profits amidst higher valuations also continued to trigger outflows.

With foreign investors pulling out US$4.8bn worth of Indian equities in January, this not only marked the fourth consecutive month of outflows from Indian equities but also exhibited the highest outflow ever since April 2020. However, regarding the debt flows, FIIs made a comeback in January and recorded US$652m inflows after witnessing US$1.6bnoutflow in December.

In January, within the Indian sectors, FPI selling was most dominated in IT Sector (US$2.1bn) followed by Other Financial Services Sector (US$933m), Retailing (US$622m), Healthcare (US$274m) and

Consumer Durables (US$212m). Headwinds in the form of weaker operating profit margins and high attrition rates signalled by the largest IT companies prompted sharp selling in the IT sector. Retail saw FPI outflows on heavy selling in the recently listed digital companies. Healthcare sector too witnessed outflows on lack of fresh triggers and pressure in the API business. Among other sectors that witnessed heavy FPI selling involved Transportation (US$189m), Pharma and Biotech (US$168m), Household and Personal Products (US$158m), Realty (US$132m) and Oil & Gas (US$118m). However, there was net buying visible in just a few sectors. Automobiles saw net buying to the tune of US$291m. FPIs also bought metal stocks worth $280m, utility stocks worth $182m and Food, Beverages Tobacco Sector stocks worth US$70m.

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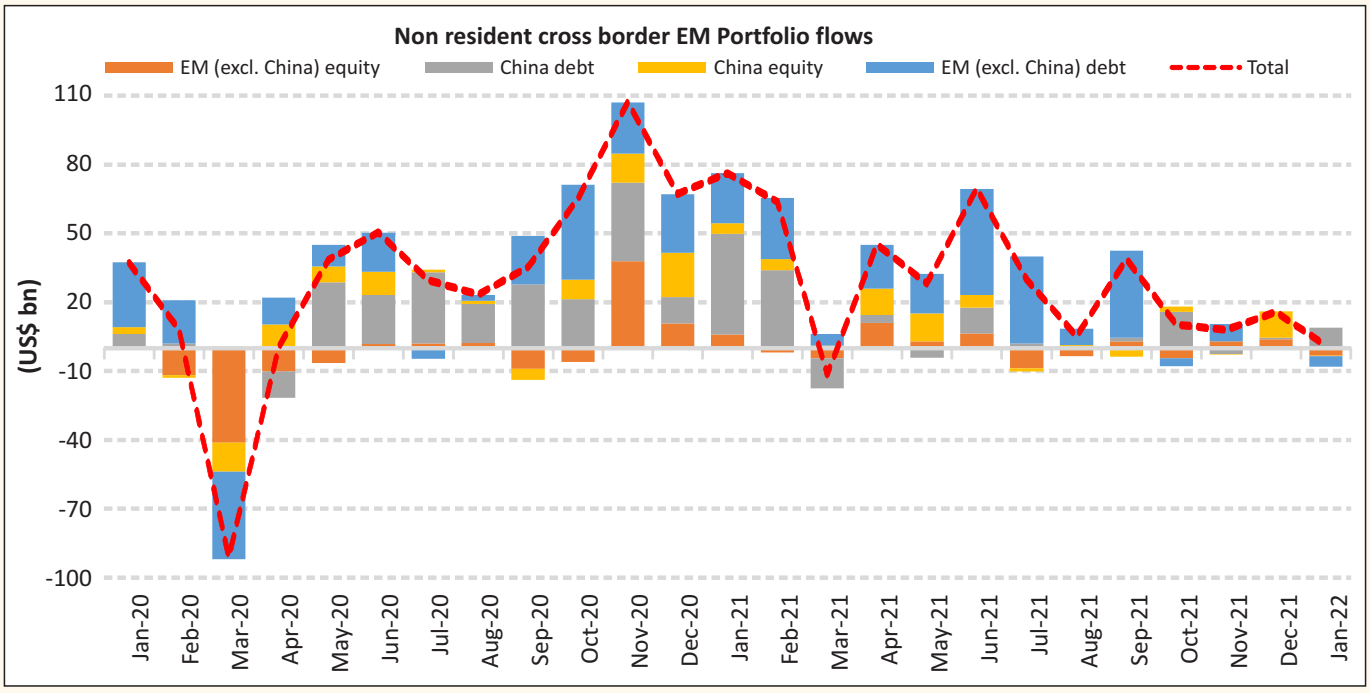
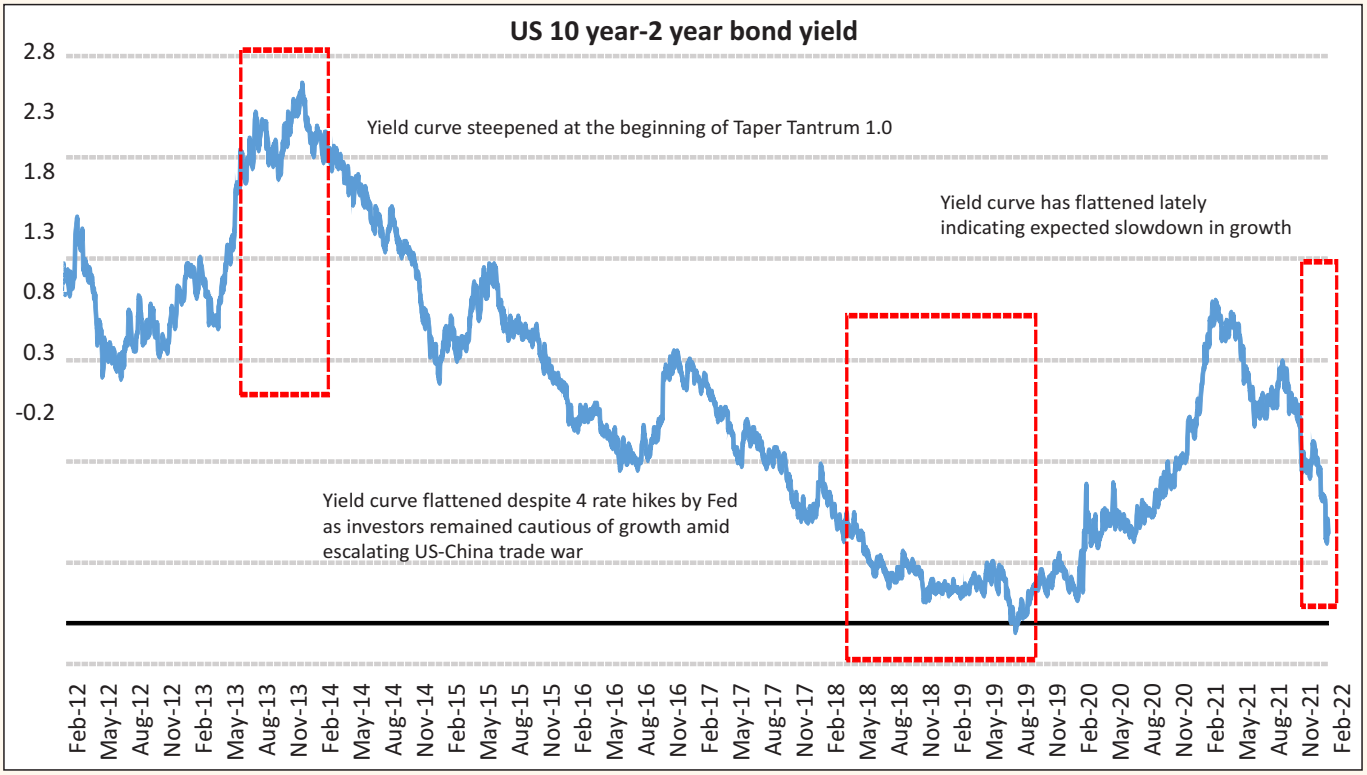
Evidently, continuous rise in inflationary pressures especially across commodities combined with the fear of further capital flight and heightened currency volatility in the wake of growing expectations about aggressive rate hikes by Fed has become a major concern for EM policymakers. As a result, many EM central banks have been coerced to tighten aggressively to curb volatility and prevent massive capital outflows, thereby making debt servicing harder. This comes at a time when growth still needs nurturing and recovery in most of these economies remain incomplete and uneven. In the light of these tensions, Russia-Ukraine conflict is likely to continue having a bearing on commodities by intensifying supply-side distortions in global commodity markets that have remained in place since 2021. As Russia is the major producer and supplier of several commodities such as palladium, platinum, crude oil and gold, further acceleration of these disruptions will continue to push prices sharply higher. At the same time, Ukraine is a major supplier of wheat and corn to the European region. Hence, global food prices will continue to surge sharply in the near term, but the fundamentals suggest gradual softening in the latter half of the year owing to expected moderation in global trade, stronger dollar, and balance sheet reduction by major central banks. Going ahead, while investors are likely to remain cautious in the near term amidst prevalent global uncertainties but gradually over the year, Emerging Market with better macroeconomic vulnerability metrics and appropriate policy response are likely to attract more flows.

Figure 1: Monthly capital flows in Emerging Markets



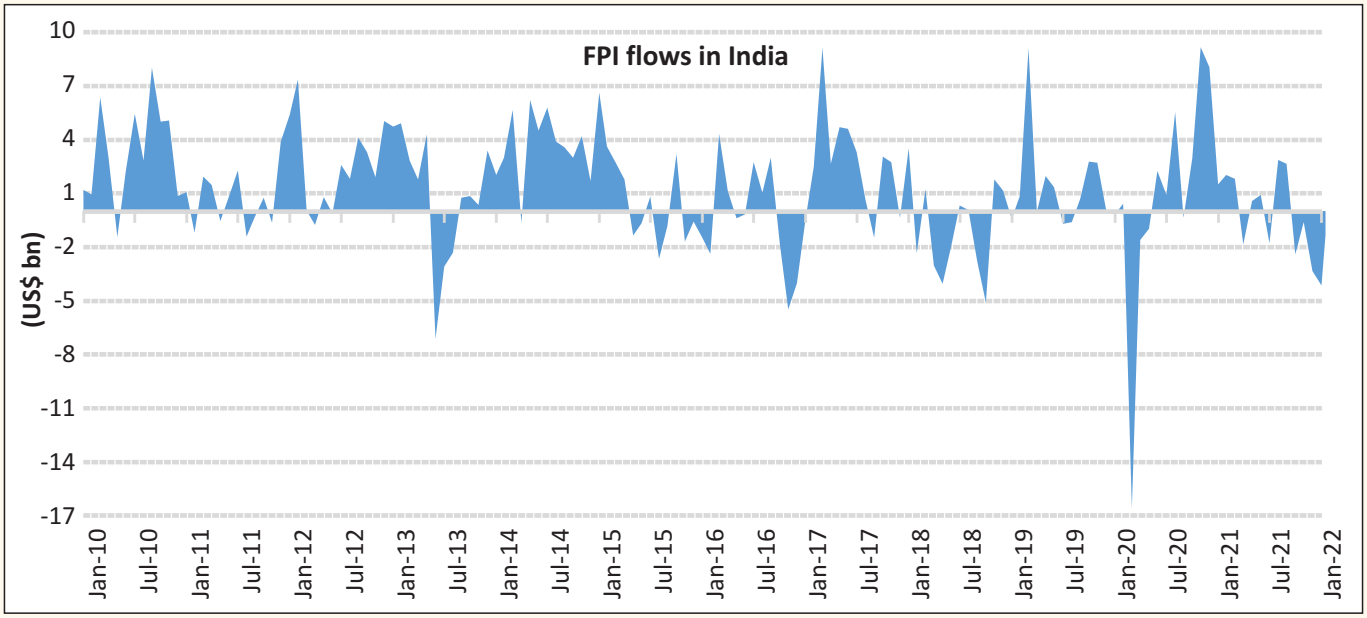
Source: IIF, NSE EPR

Figure 58: US 2Y10Y Yield curve



Source: St. Louis Fred, NSE EPR

Figure 59: FPI Flows in India



Source: NSDL, NSE EPR.

Tirthankar Patnaik is Chief Economist at the National Stock Exchange of India. He has close to 20 years of experience in Indian capital markets, academic research, credit research in macro and sector strategy, quantitative finance and consumer banking.

He started his career as a researcher at IGIDR and worked on a number of academic and corporate projects in the area of econometrics and quantitative finance, followed by a stint in consumer banking analytics as an analyst with the Global Consumer Group of Citibank in India and Europe. His next focus area was equity strategy for institutional clients, initially with Citigroup Global Markets as India equity strategist, and then with Religare Capital Markets Ltd, as the India Strategist and Chief Economist. In his last assignment prior to joining NSE, he was the Chief Strategist and Head of Research for India, at Japan-based Mizuho Bank.

He has a PhD from the Indira Gandhi Institute of Development Research, Mumbai, where his area of research was high-frequency finance and market microstructure. He also has an MSc in Statistics, and a BSc in Mathematics, both from the University of Madras.

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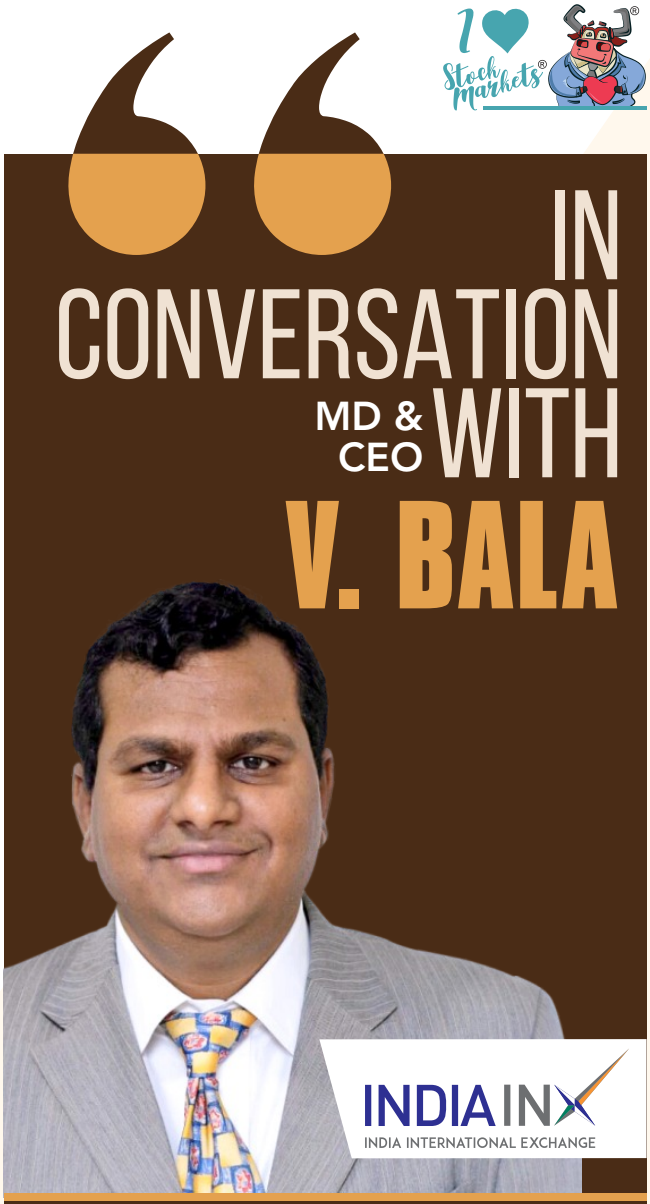

1 Indian economy outlook in terms of attracting investments in IFSC.

Although the Indian economy has faced a serious setback with the Covid-19 pandemic, the country's economy has literally hauled itself out of one of the deepest contractions. Notwithstanding the detrimental effect of the pandemic, India truly has the potential to become the third largest economy of World (after the USA and China) by 2030. The Indian economy, which is Asia's third largest, is estimated to expand 9.2 per cent in FY22 (Union Budget FY23), which is highest among large economies. The sharp rebound and recovery of the economy is reflective of our country's strong resilience and acts as a testimony of our strong position to withstand challenges. Considering this promising economic revival, we are upbeat about the economic outlook of India.

Given that today Indian corporates have governance of global standards, robust domestic demand, and various structural reforms, I think the country is well-positioned to attract fresh investments. Further, with various government incentives to promote manufacturing in the country, foreign investments should continue to flow in. All the above enabling conditions for a revival of investment activity falling in place, we are of the firm opinion, that the Indian economy is comparatively well-positioned on the path of recovery.

India's hope of economic revival is riding high on the back of the country's new bandwagon 'International Financial Services Centre (IFSC)' at the Gujarat International Finance Tech City (GIFT City). GIFT IFSC, which was established as a globally benchmarked IFSC, is India's first dominant gateway for global capital flows in and out of the country. With the pandemic realigning global investment destinations and the current global geopolitical challenges cou-ld well work in favour of India in attracting investments. With global and domestic investors looking for new investment avenues, GIFT IFSC is bound to attract a big chunk of investments.

2 Effect of the world economy on flow of global capital into INDIA INX.

Globally, many economies are rebounding while activity levels are reaching pre-pandemic levels. The global economic growth is set to rebound and estimated to touch 5.5 per cent in 2021 - its strongest post-recession pace in 80 years. Thus, a solid rebound is projected for investment, based on sustained aggregate demand and broadly favourable financing conditions.

Given that today Indian corporates have governance of global standards, robust domestic demand, and various structural reforms, I think the country is well-positioned to attract fresh investments. Further, with various government incentives to promote manufacturing in the country, foreign investments should continue to flow in.

This is where GIFT IFSC is going to provide a new thrust to 'Sustainable Financing' not only with its beneficial tax regulations, but also ensuring robust regulations encouraging greater participation from within India and outside India. In 2021, India was the second-largest emerging green bond market after China. In fact, GIFT is becoming a preferred platform for listing of green bonds.

India International Exchange (India INX), first international exchange at GIFT IFSC, is contributing in a big way by promoting investment and raising of capital at GIFT IFSC. GSM, the primary market

platform of India INX, has evoked significant interest since its establishment in 2018 and has USD 58+Bn medium term notes established and over USD 41 Bn of bonds listing till date, of which USD 4.3 Billion of issuances are listed on the GSM Green platform.

With India continuing its position as a major global investment destination and the competitive advantages of India INX would make the platform as the preferred offshore listing platform of choice for global and Indian issuers. The accomplishment of India INX is set to elevate GIFT IFSC as one of the leading international financial centres at par with London, New York, Hong Kong, Singapore and Dubai.

3 India as International Financial Centre and its attractiveness to foreign investors.

With the pandemic realigning global investment destinations and the current global geopolitical challenges cou¬ld well work in favour of India in attracting investments. As the confrontation between China and the West escalates, India could be a beneficiary of foreign direct investments from the US and Europe. Global investors have started to look towards India as they seek to diversify their investment portfolio away from China, and several private equity investors and venture capital funds have increased their investments in India. Further, Brexit and China's regulatory crackdown have undermined the outlook for the big global financial hubs of London and Hong Kong. Added to this is Singapore's saturation level as an IFSC.

Though India is a late entrant in the IFSC space, GIFT IFSC has made its presence felt in the global financial market arena. Since its launch in 2015, GIFT IFSC never looked back as it continues to gain attention from far and wide. The fast-emerging GIFT IFSC, which has conducive tax regulations such as waiver of several taxes like Goods and Services Tax (GST), dividend distribution tax (DDT), and capital gains tax for entities operating in the IFSC, zero securities transaction tax (STT) and zero commodity transaction tax (CTT) and lower withholding tax on interest payments for listing on Indian IFSC exchanges at 4 per cent (only for interest payments on foreign currency and masala bonds) have rendered GIFT IFSC tax and supportive regulatory framework comparable to any global financial center.

To further promote the IFSC as a 'Global Financial Hub', the budget for FY23 has proposed tax exemptions for income of non-resident from offshore derivative instruments and income received from portfolio management services in IFSC. This will not only boost the trading but also liquidity on the recognized stock exchanges in IFSC. Other tax exemptions for over the counter (OTC) derivatives issued by an offshore banking unit and income from royalty and interest on account of lease of ship boost the IFSC as one stop destination for all businesses within the ecosystem.

> "Green Financing, Fintech Hub, and India International Bullion Exchange (IIBX) are expected to provide a newfound force to position GIFT IFSC in the higher echelon among the global financial centers. Thus, GIFT IFSC is going to act as India's gateway to the world of global finance. The IFSC is expected to act as a catalyst for the country's economic revival and is set to play a key role in "Atmanirbhar Bharat" in achieving country's goal of US$5 trillion economy.

With International Financial Services Centres Authority (IFSCA) at the helm, providing the necessary boost in terms of robust regulatory environment, and the IFSC enjoying right infrastructure and strategic location, sustainable investment got a new thrust. On the back of fortifying macroeconomic fundamentals, resilient and sound financial markets and institutions, and IFSCA putting in place credible and consistent policies, GIFT IFSC is set to attract foreign investors.

The budget proposed allowing world-class foreign universities and institutions in the GIFT IFSC to offer courses in Financial Management, FinTech, etc. free from domestic regulations, except those by IFSCA. The move is greatly expected to facilitate availability of high-end human resources for financial services and technology at GIFT IFSC and cement the IFSC as a world-class 'fintech hub.'

Green Financing, Fintech Hub, and India International Bullion Exchange (IIBX) are expected to provide a newfound force to position GIFT IFSC in

the higher echelon among the global financial centers. Thus, GIFT IFSC is going to act as India's gateway to the world of global finance. The IFSC is expected to act as a catalyst for the country's economic revival and is set to play a key role in "Atmanirbhar Bharat" in achieving country's goal of US$5 trillion economy.

4 Product Offerings by INDIA INX.

India INX provides a common platform for all asset classes - equities, currencies, commodities and interest rates even offer a primary market platform for debt securities. Global Securities Market (GSM) platform of India INX, which caters to the needs of Indian and foreign issuers to raise funds has emerged as the preferred offshore listing platform of choice for Indian issuers with 100% of all Medium Term Notes (MTN) and 99% of all bonds under External Commercial Borrowing (ECB) at GIFT IFSC listed with India INX.

India INX is also the first introducer of Green Securities Platform for issuance of green bonds.

In 2019, India INX had launched its green listing and trading platform 'GSM Green', which serves as a plank for fundraising and trading in green, social and sustainable bonds exclusively. As a part of its role in facilitating green finance, on November 19, 2020, India INX entered an MoU (Memorandum of Understanding) with Luxembourg Stock Exchange (LuxSE) for development and promotion of environment, social and governance (ESG) and green finance in the local market. The pact with LuxSE will provide opportunities for dual listing, enhancing visibility and increase secondary market trading in green. This will facilitate fund raising and listing of green and ESG finance projects. India INX, a subsidiary of BSE Ltd., and BSE signed a MoU with Moscow Exchange (MOEX) and the first Indian Exchanges to do so with an aim of connecting the investors' community and companies in both countries and allowing a capital formation platform on a larger scale.

On the derivative segment, products under equity index derivatives include India50 and S&P BSE Sensex. Commodity derivatives include gold, gold KG, gold & silver quanto, and silver under precious metal while base metals include copper, aluminium, lead, nickel and zinc. The Exchange also offers brent crude oil derivatives contract apart from currency derivatives - INRUSD, EURUSD, JPYUSD, GBPUSD. India INX also offers 131 single stock futures. Further, product offerings under debt securities include depository receipts, REITS, InvITs, apart from foreign currency denominated bonds, masala and green bonds.

Recently, India INX signed an MoU with Kling Blockchain IFSC, an equal joint venture between financial management firm Kling Trading India and Cosmea Financial Holdings to launch the country's first Bitcoin and Ethereum Futures once the products get the necessary approvals from the market regulator IFSCA.

As far as performance of these are products are concerned, India INX maintained its leadership position in IFSC GIFT City and accounts for an overall market share of ~93 per cent in 2021. India INX has witnessed an all-time high daily trading turnover of over USD 30.3 bn (INR 2,21,094 crores approx.) on its derivative segment on March 10, 2021. India INX total turnover in 2021 touched USD 2832.5 billion, almost tripled compared to the previous year i.e., 2020.

In our flagship India 50 Index derivatives, total turnover has significantly increased from US$ 925.9 billion in 2020 to US$ 2805.9 billion registered in 2021, with a market share of ~78 per cent against comparable index in Singapore. In the case of Indian Rupee (USDINR) derivative contracts, which were introduced on May 8, 2020, at GIFT IFSC, India INX enjoys not only promising growth in trade turnover but also market leadership with around 2/3 (~71 per cent) of the total trade turnover since inception of the contract at GIFT IFSC. In due course of time, the platform is expected to become preferred offshore destination for Rupee derivatives (USDINR) like in the case of equity index derivatives.

The phenomenal jump in turnover on its derivatives segment and the growing success on the listing front, acts as a testimony of preferred platform among investors fraternity at GIFT IFSC.

5 International Arbitration is the key issue in getting International Investors - the road ahead.

Though India ranked as one of the top investment destinations for global investors, a fast-growing Indian economy requires a reliable stable dispute resolution process to be able to attract foreign investment. Hence, there have been many amendments and bills proposed in the past six years to make India more arbitration-friendly in the field of ADR. The Arbitration and Conciliation (Amendment) Act, 2021, tries to set India - an arbitral-friendly country. With recent changes in Amendment Acts

(2015, 2019, 2021) on one hand and pro-arbitration approach of the courts on the other, there is reason to look forward to these best practices being adopted in the Indian arbitration law in the near future.

> INX GA offers stocks from the US, Canada, UK, Europe, Australia, and Japan, covering about 80 per cent of the investing universe and eventually provide access to over 130 exchanges across 31 countries worldwide covering global exchanges in America, Europe, Asia Pacific and Africa in the first phase.

For ensuring ease of doing business at GIFT IFSC, one of the key enablers is by providing efficient and effective dispute resolution. To enable the same, the budget proposed for FY23 has paved way for an autonomous dispute resolution mechanism by announcing to set-up an International Arbitration Centre in the GIFT City for timely settlement of commercial disputes under international jurisprudence, which will result in boosting investors' confidence.
Thus, there are exciting times ahead for the Indian arbitration jurisprudence to project India as a country with a credible international dispute resolution mechanism.

6 India INX GA - Opportunities for Indian Retail Investors.

INX Global Access (INX GA), a 100% subsidiary of India INX, is a pioneering venture - the first of its kind from India and GIFT IFSC to offer access to international exchanges and global markets for India based investors under LRS, India INX's members & their clients, and IFSC members and other entities in IFSC. INX GA provides a single-window interface for trading on global markets, managing clearing and settlements as well as custodian services. This eliminates the need for investors to register separately on each global exchange, thereby decreasing the overall costs of accessing global markets from GIFT IFSC.

INX GA offers stocks from the US, Canada, UK, Europe, Australia, and Japan, covering about 80 per cent of the investing universe and eventually provide access to over 130 exchanges across 31 countries worldwide covering global exchanges in America, Europe, Asia Pacific and Africa in the first phase. Herewith, resident individuals including retail investors can use the India INX GA platform to transact and invest in global stocks in an easy and convenient manner under the Liberalised Remittance Scheme (LRS) route. This will provide an opportunity for retail investors to explore diverse trading strategies across Global Exchange Markets.

7 Allowing domestic participants to invest in IFSC and its scope.

On February 16, 2021, Reserve Bank of India (RBI), the central bank of India, permitted individual residents in India to make remittances under LRS, to the IFSC, for the purpose of investment in securities issued by non-resident entities. Under the LRS route, domestic participants (resident individuals) can remit up to US$2,50,000 per financial year, without any prior approval from the central bank.

With the capital market ecosystem in GIFT IFSC fast evolving in terms of new product offerings, allowing domestic participants create a larger liquidity pool for the investors. Further, the various initiatives endorsed by the IFSCA to build connectivity across global platforms such as INX GA would provide domestic investors with unfettered access to global markets. Further, retail Indian investors, seeking a safe medium to advance their global investment objectives, could consider investing via the international exchanges in GIFT IFSC.

8 Given the ongoing pandemic, these are crucial times for any leader today. In this context, what are your priorities at this moment?

The covid-19 pandemic has placed extraordinary demands on leaders in business and beyond. Before Covid-19, business leaders were focused on fostering innovation, driving revenue, and gaining market share. After the onslaught of covid-19, the roles and responsibilities of business leaders have dramatically changed in the past couple of years.

In the current pandemic inflicted business environment, as a business leader in financial services space, my priority is to increase digital competencies, promote business agility and adaptability, ensure sustainability of business operations despite environmental factors, and deeper engagement with my team.

New challenges also throw new opportunities. As a leader my priority is to focus on exploring and

exploiting any new opportunities and further strengthen and develop my organization to tap those new challenges. Last but not the least priority is to keep the spirits of my team high especially when they are navigating health and safety concerns and are also working remotely through the pandemic times.

9 What does work and workplace of the future look to you in the coming months and years?

By many estimations, the workplace has evolved 5-10 years in a span of one year post the outbreak of the pandemic. The abrupt disruption of business processes catalysed by the fact that the workforce could not spend time in close physical proximity has forever changed our viewpoint of the workplace.

I am of the view that technology alone does not define the workplace of the future though it is going to act as a critical element. A hallmark of the workplace of the future will be human employees working in tandem with digital ones. Going forward, workplace of the future is not going to be a place at all rather it will be the ability to work anywhere, anytime and any platform.

Regarding work, extreme digital dexterity will ultimately be the modus operandi for how employees work in future. There will be regular use of Artificial Intelligence (AI) and smart software and robots that will invigorate work strategy to drive a competitive advantage. Automation and AI will affect every level of the business and its people. Hence, management should protect people not jobs. Nurture agility, adaptability, and re-skilling among workforces.

10 What would your key management advice be?

Plan for a dynamic rather than a static future. With everchanging business environment becoming a norm, finding success in this new digitalized business environment, a robust business model requires a holistic and agile approach to digital enablement, which allows an organization to transform processes and services in a strategic way to boost performance and reduce costs.

11 Which management book has influenced you the most?

There are various management books that has influenced me over a period of time. However, one book that continues to mesmerize me is "Kautilya Arthashastra", the science of wealth that contains different micro aspects of governing such as administration, statecraft and military strategy. Though the Arthashastra was originally written by Kautilya for Chandragupta Maurya, there are many takeaways from the book regarding planning, building a systematic organizational structure, value creation, proper management of natural resources, etc. and no divergence from dharma (righteous behaviour) while following his economic principles. The book (15 book series) is the most reputed ancient text on economics. I want to highlight the high relevance of Arthashastra and his economic principles in today's economic world.

V. Balasubramaniam (Bala) is the founding Managing Director and Chief Executive Officer of India International Exchange IFSC Ltd. (India INX) the first International Exchange from India in GIFT City International Financial Services Centre Special Economic Zone which started its operations from January, 2017 and a subsidiary of BSE (Asia's first stock exchange). He also holds board position in the following organizations -

- BSE Institute Limited
- India International Clearing Corporation (IFSC) Limited.
- India INX Global Access IFSC Limited
- India International Bullion Holding IFSC limited
- India International Bullion Exchange IFSC Limited

- In addition to the above, he is also a member of following committees of IFSCA:
  - Committee of Experts on Sustainable Finance
  - Committee of Experts on Investment Funds
  - Committee of Experts on positioning IFSC as a hub for offshore trading in INR
- Prior to this, he was the Chief Business Officer of BSE heading the business development encompassing all business segments viz. Equities, Equity Derivatives, Debt, Interest Rate Futures, Currency Derivatives, Mutual Fund Distribution platform and SME platform. In addition to the markets business, he was also responsible for the listings and data business of BSE and managing the entire trading operations and membership operations.
- He has over 31 years of experience in the Capital Markets industry and has previously worked with Reliance Group as Vice President and was also as co-founder of BSE Technologies Private Limited which was acquired by BSE.
- He was also part of the core team involved in setting up the National Stock Exchange of India. He was instrumental in creating the Capital Market segment, Nifty Index creation, setup of NSCCL as the first clearing corporation in India, NCFM certification creation and the Futures and Options segment inter-alia.
- He has served in the board of Central Depository Services (India) Limited, Futures Industry Association - Asia, Co-Chair of FICCI Capital Market Committee etc.
- He has Masters in Commerce from the University of Mumbai, Rank holder from the Institute of Cost Accountants of India, Diploma from Institute of Chartered Financial Analysts of India and is a Certified Information Systems Auditor.

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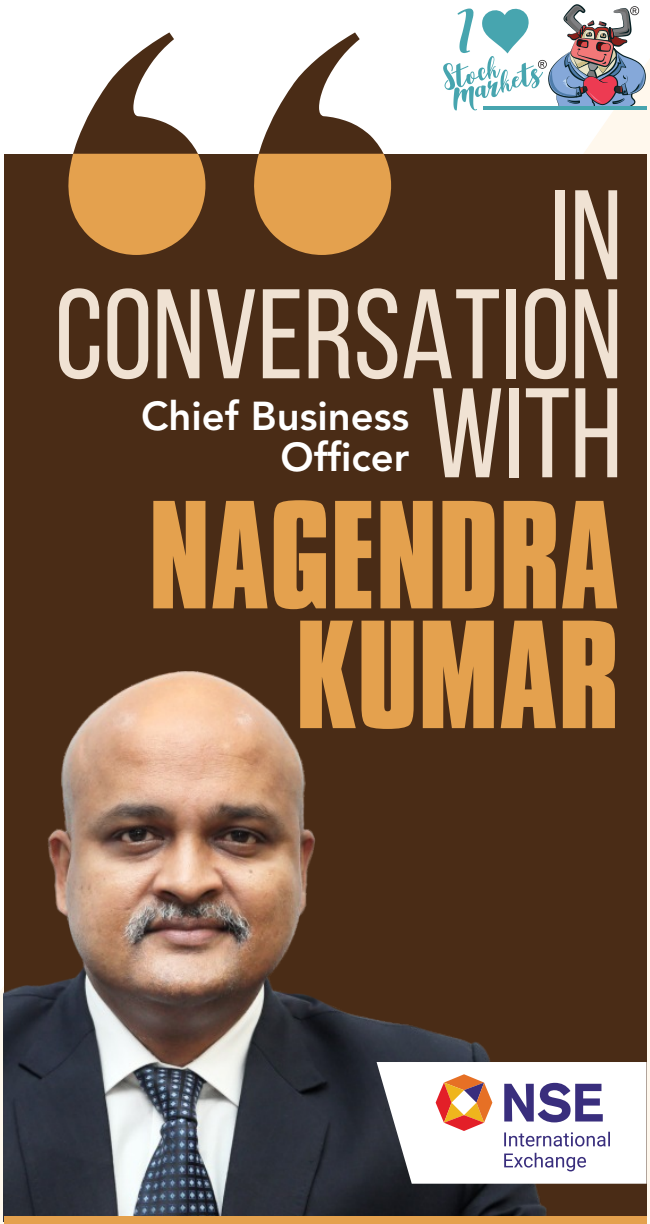


1 India as International Financial Centre and its attractiveness to foreign investors

India's only IFSC is located at Gujarat International Financial Tec-City (GIFT City) in Gandhinagar and it's a Part of the Special Economic Zone (SEZ), treated as a foreign territory. GIFT IFSC is set up to offer ease of doing business, integrated financial eco system, attractive tax regime, internationally accepted law and regulatory framework complying with global best practices. The establishment of IFSC Authority has also come at a very opportune time when global investors are consciously moving out of certain jurisdictions and are actively looking for other investment destinations. India's first International Bullion Exchange is set up in IFSC with the aim to create a world class market infrastructure that would connect India to the rest of the world with superior governance and robust technology. Since launch of IFSC, several initiatives at policy, regulatory and operational levels have helped India's IFSC dream to take shape and gain attention from far and wide. With Unified regulator, IFSCA in place, several measures are being taken to make this place a truly world class IFSC.

2 NSE IFSC - Opportunities for Indian Retail Investors

NSE IFSC Limited had commenced its operations in GIFT City on June 5, 2017. We have seen over a period that Indian retail investors are emerging as a major consumer of financial services. In a move to provide a solution for safe and easy global investment access to Indian retail investors, we are launching trading in Global Stocks soon to diversify their investment in global economies and top performing companies under RBI's liberalized remittance scheme. This innovative model is a first-of-its-kind to offer trade in fractional quantity, settlement guarantee of all trades, investor protection fund, regulatory protection, visibility & transparency of holding and a hassle-free fund remittance at lowest cost. This can also be an interesting business model for Indian retail members to offer global stocks to their clients under a completely regulated framework.

3 Could you please explain a bit more about on your upcoming US Stock product

We are going to offer trading in global equities and planning to offer trading in US Stocks. We see this model as an opportunity for Indian retail investors to invest in world's biggest listed companies. This is the first time US Stocks will be traded on an exchange platform outside US jurisdiction in USD. Through NSE IFSC platform, investors will be able to hold fractional ownership in the US Stocks and will be entitled to receive corporate action benefits pertaining to the underlying US Stock. All the trades will be cleared & settled by NSE IFSC Clearing Corporation and held in investor's Demat accounts opened in GIFT City. Entire transaction process is very much similar the way you buy/sell Indian Securities. In the first phase, we have planned to offer top 50 US Stocks and gradually, we will include global stocks from other foreign jurisdiction and top global ETFs. It may be noted that Investors will be trading and holding their assets in a regulated environment.

In a move to provide a solution for safe and easy global investment access to Indian retail investors, we are launching trading in Global Stocks soon to diversify their investment in global economies and top performing companies under RBI's liberalized remittance scheme. This innovative model is a first-of-its-kind to offer trade in fractional quantity, settlement guarantee of all trades, investor protection fund, regulatory protection, visibility & transparency of holding and a hassle-free fund remittance at lowest cost.

4 Product Offerings by NSE IFSC

NSE IFSC offers longer trading hours of almost 18 hours with twice daily settlement.in various products including Index Derivatives, Stock Derivatives, Currency Derivatives, Commodity Derivatives, Depository Receipts, REITs & InvITs and Debt Securities. Nifty Futures and INR-USD futures are currently very actively getting traded at NSE IFSC. NSE IFSC is the only exchange in IFSC to launch American Depository Receipts (ADRs), with Dr. Reddy's Laboratories Ltd.

NSE IFSC is also implementing a connect model with SGX, wherein Index derivative contracts will be traded at NSE IFSC thereby creating a consolidated liquidity pool for Indian derivative contracts.

5 International arbitration is still a concern for the investors.

We don't see it as a concern anymore. As most of you must be aware, our Finance Minister Smt. Nirmala Sitharaman in her Budget speech 2022 announced the setting up of an International Arbitration Centre at the GIFT City to ensure fast disposal of cases to boost confidence and attract more investors and companies. Based on the budget announcements, the regulator has initiated necessary discussions with the stakeholders to set up the International arbitration center at the earliest.

6 Given the ongoing pandemic, these are crucial times for any leader today. In this context, what are your priorities at this moment?

This pandemic has created an imbalance and introduced us to new challenges which we couldn't have imagined. As a leading MII, our focus was to ensure that our operations were un-interrupted and at the same time ensure that we provide a safe and healthy environment to staff who were coming to work. In terms of priorities, I think offering a flexible work culture depending on the employees need is of utmost importance without comprising on the business operations. In simple terms, when your employee / colleague needs your support, a shoulder is a must.

The pandemic has also exposed us to areas where technology can be used to the maximum extent and we are pursuing that path to seek synergies.

7 What does work and workplace of the future look to you in the coming months and years?

First and foremost, nothing lasts for long. My personal view is that I see lot of workforce wanting to work remotely and this shall make HR teams to come up with additional policies. I also envisage people taking up additional responsibilities thereby exposing new talents in the organization. Third, I expect more budgets getting allocated towards technology and more emphasis on aspects related to data storage / sharing, cyber security etc.

8 What would your key management advice be?

Employees are assets and they make the organization. We need to focus more on them and the results will follow. We should all be aware that in this digital world, there are no entry barriers to any business and the need to continuously innovate is the only way to survive and be ahead of the curve.

Picked this from one of the books I am reading now - we should not just be "best in the world" but the "best for the world" - meaning we need to focus more on social and environmental issues.

9 Which management book has influenced you the most?

Good to Great by Jim Collins. Loved the level 5 leadership chapter.

Disclaimer: Views/ comments expressed are personal and should not be interpreted as views of NSE, NSE IFSC or its group.

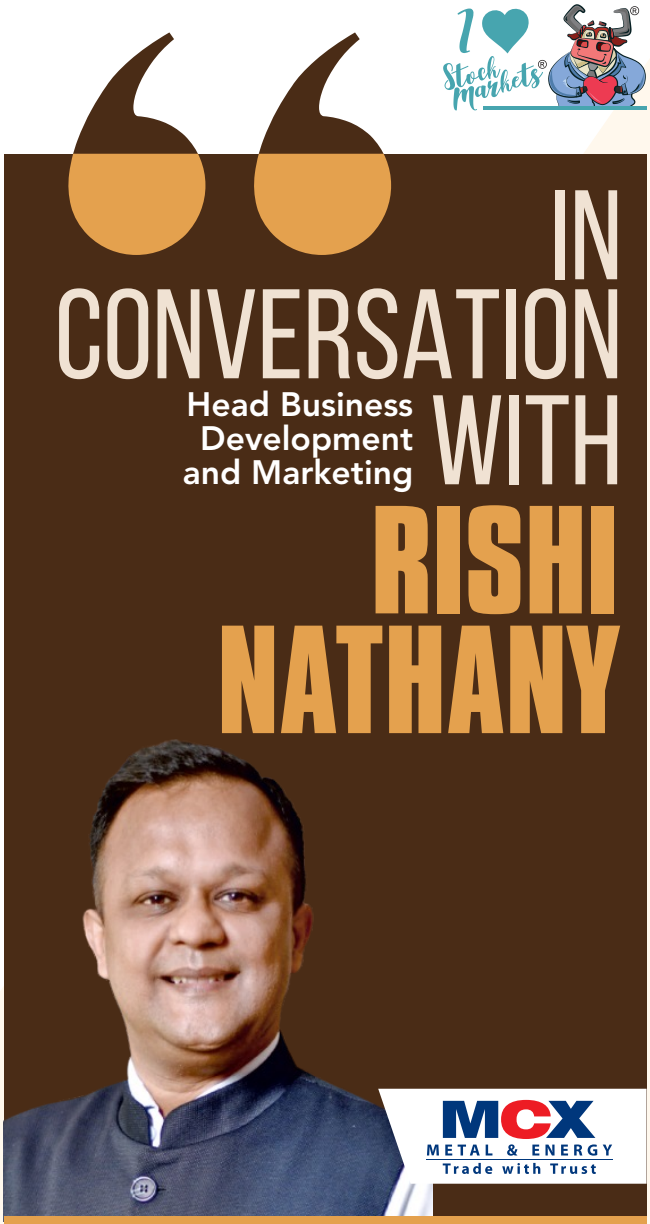
In his current role, **Nagendra Kumar** is responsible for commodities business development at NSE, building business at NSE IFSC and one of the key architects of the NSE IFSC - SGX connect model. He is currently driving the entire initiative of NSE IFSCs venture into trading in global stocks where Indian Retail Investors will be able to trade through the LRS framework.

As part of his commodity business development role, he was responsible for the entire business expansion and has also implemented NSE Refiner Standard by which local refiners will be empanelled to deliver their bars in the exchange platform.

He has over 25 years of experience in the Stock Exchange and Clearing Corporation space. He has been with NSE since 1995 and has experience in almost all the functions of the exchange ranging from operations, membership & listing activities, setting up of clearing house, handling physical delivery of settlements, product development etc.

In his earlier assignments with the Exchange, he was heading the business development function of all asset classes. He was also associated with NSCCL responsible for the clearing and settlement of all asset classes traded and reported at the exchange, conceptualization and implementation of various clearing and settlement solutions.

He has also been associated with some of the leading technology companies and was involved in implementing clearing, settlement & depository solutions across the Globe. He is part various regulatory committees and a part time faculty in some of the leading business colleges.



MCX iCOMDEX Commodity Indices are based on commodity futures contracts traded on MCX and conform to the SEBI-prescribed guidelines for the design of commodity indices, as also to the financial benchmarks set by the International Organization of Securities Commissions (IOSCO) in construction, administration and governance.

Indian commodity derivatives markets have come a long way after the futures markets were relaunched in 2003, when the ban on futures was all together lifted, and since then commodity derivative markets have made rapid strides ahead. Subsequent to the naming of SEBI as the regulator for the Indian commodity derivative markets in 2015, various positive developments have taken place in these markets. One of the key initiatives have been the launch of Commodity Options and Indices.
MCX launched its first Options contracts in October 2017 while trading on MCX Index Futures contracts commenced in August, 2020.

Commodity Options

An Option can be defined as a derivative financial instrument that gives the buyer the right, but not the obligation to buy or sell an underlying asset at a specific price on or before a certain date. In very basic terms, it specifies a future transaction at a specified price on a specified asset. The price of an Option is derived from the value of an underlying asset plus a premium based on the time remaining until the expiration of the Option.

Some of the reasons that Options contracts are gaining popularity with market participants is that while an Option gives the buyer the right to do something, it is not necessary that they have to exercise this right, if they are in the money. They can also sell/trade this right in the market and exit their position.

Along with the knowledge of how much one has to pay to buy Options, one is also aware of the risks. The downside risk associated with an Option is limited to the amount that is paid as an upfront premium to buy an Option. Hence Options buyers have complete clarity and more certainty about their risk, as compared many other derivatives instruments.

Commodity Options, which are financial derivatives contracts, are ideally suited for risk-averse groups such as SMEs, given their limited downside risks and the fact that there are no margin calls for buying Options. It is a cost-effective tool, which such smaller participants like SMEs would be more comfortable with, in their risk management strategies.

After the permission from the regulator, MCX launched Gold Options on 17th October, 2017, which was the first commodity Options in our country. Thereafter, Options trading has been introduced in other commodities such as Silver in the Bullion segment, Copper, Nickel, and Zinc in the Base Metals segment and Crude Oil and Natural Gas in the Energy segment.

As seen in the chart (Chart 1), turnover (notional) in MCX Option Contracts have seen a quantum leap since their launch in October, 2017. From an average daily turnover (ADT) of Rs.89 crores in FY17-18, it has jumped up to Rs.6789 crores in FY 21-22, while reaching a high of Rs.35,813 crores on 15th February 2022.

MCX Commodity Indices

After the success of Commodity Options, MCX launched derivative contracts on MCX Commodity Indices. MCX BULLDEX futures was the first Index futures contract launched on MCX on 24th August 2020. This sectoral Index is based on the gold and silver futures contracts traded on MCX. After BULLDEX, futures contracts on METLDEX (based on the copper, lead, nickel, zinc and aluminium futures contracts traded on MCX) and ENRGDEX Indices (based on the crude oil and natural gas futures contracts traded on MCX) were subsequently launched.

MCX iCOMDEX Commodity Indices are based on commodity futures contracts traded on MCX and conform to the SEBI-prescribed guidelines for the design of commodity Indices, as also to the financial benchmarks set by the International Organization of Securities Commissions (IOSCO) in construction, administration and governance.

Commodity Indices are seen as a barometer of the underlying commodities price complex, useful for stakeholders for investing in / tracking / benchmarking any sector or the commodity market as a whole.

Derivatives on commodity Indices provides investors commodity index-based products with significant benefits, including diversification, low costs, competitive performance and, most importantly, the simplicity to participate in commodity markets.

Chart 1- Growth in turnover of MCX Options contracts

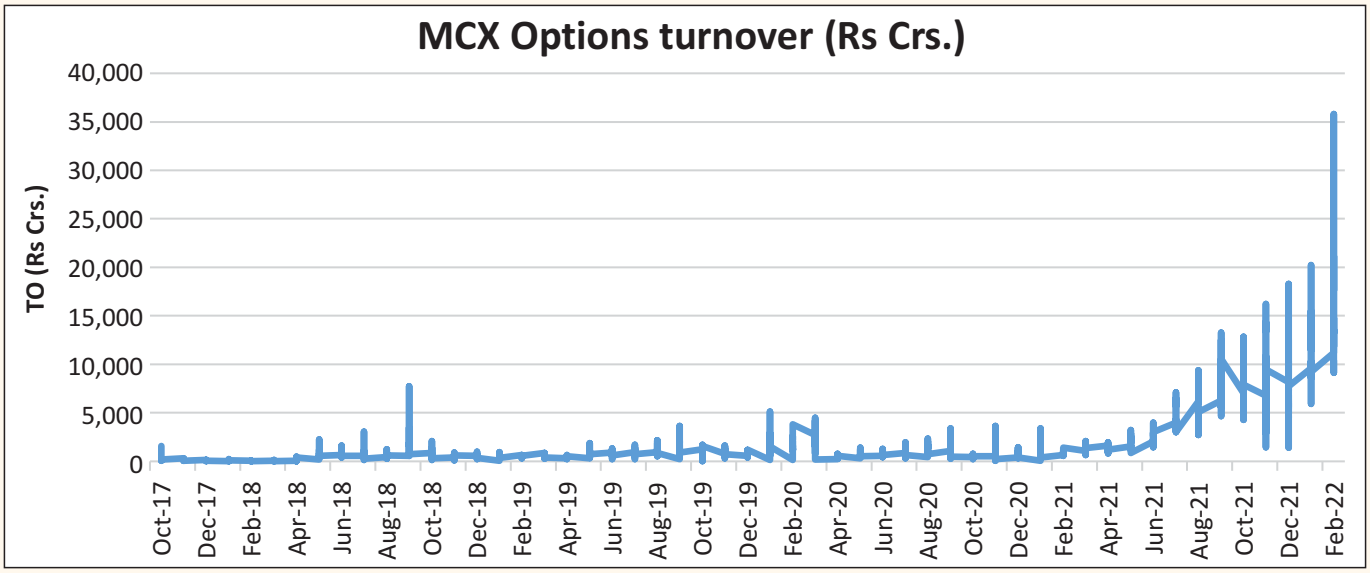
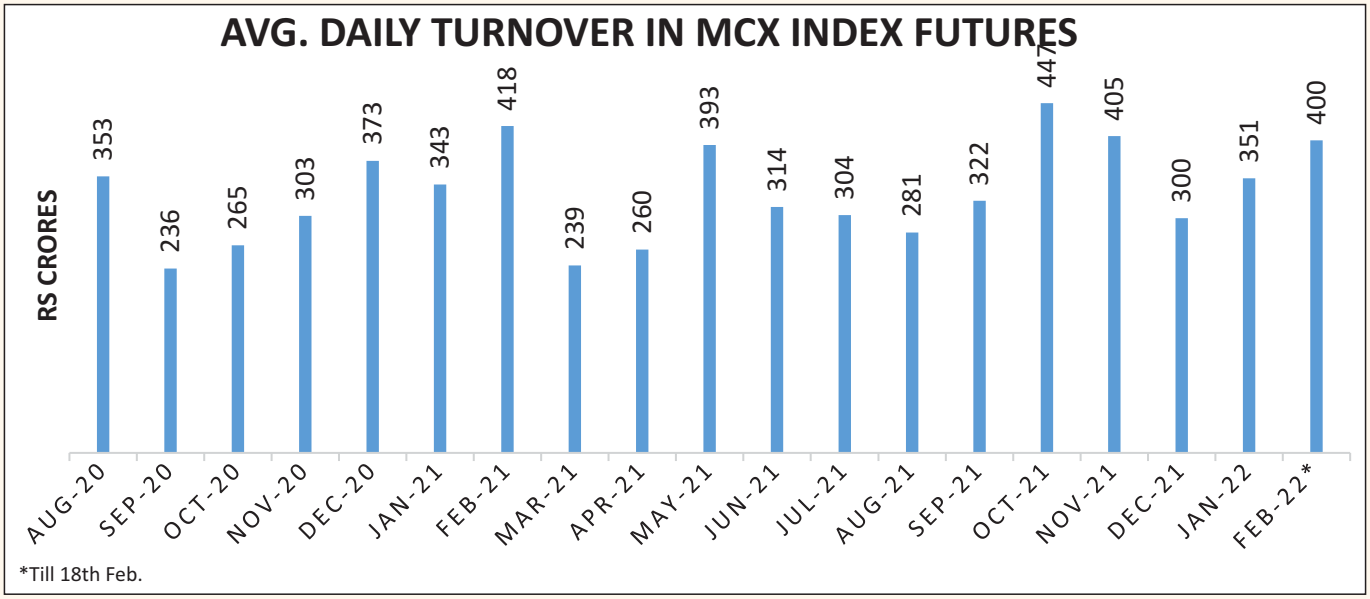


Chart 2- Monthly ADT (Rs Crores) in MCX Commodity Index Futures since launch



Some of the key benefits of trading in Commodity Index futures and Options contracts are:

- **Unique trading and arbitrage opportunity** - Commodity Index futures contracts not only provide an opportunity to hedgers to hedge their position in a more dynamic way as a sectoral basket, but also provide unique trading and arbitrage opportunities for market participants between and across Options, Index futures and the underlying futures contracts, thus enhancing the overall liquidity on the exchange platform.
- **Cross margin benefit** - SEBI has allowed cross margin benefit between commodity Index futures (so far for BULLDEX and METLDEX) and its underlying constituent futures, which helps in reducing the margin outlay and thus the cost of trading.
- **Less risky and more predictable** - Commodity Indices act as robust indicators of the broader markets. Since an Index represents a diverse basket of commodities, investing in Index futures contracts is less risky and more predictable compared to investing in an individual commodity.
- **Wider participant base** - Since commodity Index futures contracts are cash settled, they are ideal for certain participants such as institutional or retail investors who want to participate in the market without wanting to give or take deliveries of the underlying commodities. This helps in widening participation on the Exchange. Moreover, due to the sectoral baskets in which Index futures contracts are available on the Exchange, market participants get a new avenue to invest in the specific commodity segments of their choice at one go, rather than having to take exposure to each of the underlying futures contracts separately.
- **Easier to trade** - Many investors might not have the specialisation or deep knowledge for trading a single commodity futures contract but may rather have a broader view on a basket of commodities. In that respect, trading an Index is easier than a single commodity futures contract. Participants in commodity Index futures can also take advantage of generating returns with less risk as one needs to only know specific news or reports about the particular commodity segment as a whole, rather than of the specific commodity, to get a sense of the price direction.

Certification courses on Index Derivatives and Options on Futures

Commodity Index futures and Options are currently attracting interest from all types of participants, retail or institutional. To help all those interested in these new instruments and to provide deeper knowledge in these products, MCX has launched certification courses on Commodity Index derivatives and Commodity Options for professionals, traders, students, academicians and other aspirants in the commodity markets. The courses are:

- MCX Certified Commodity Index Professional (MCIP)
- MCX Certified Commodity Options Professional (MCOP)

The primary objective of the certification programmes is to enhance the understanding of Commodity Index Derivatives and Commodity Options with the underlying as Commodity Futures and how these financial instruments can be put to use by the market participants for price risk management, portfolio diversification, trading, arbitrage and investments, etc.

Conclusion

The launch of trade in MCX Commodity Index futures and Options is in continuance with SEBI's plan to broaden the horizon in commodities trading through the introduction of new and innovative products that meet the requirements of market participants.

The potential for growth in Commodity Index futures and Options is unlimited when we compare it with the volumes and liquidity in Indian equity derivative markets. A regulatory push in the form of allowing other forms of institutional participation and permission to launch Options on Index futures will go a long way in driving participation, liquidity and volumes into these products.

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

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

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

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

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

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IN CONVERSATION WITH MD & CEO ARUN RASTE

One of the major benefits of agricultural futures contracts is that they provide the agri value chain participants a perfect platform to hedge themselves against various potential risks. However, in the absence of such hedging tool and indicative prices, the entire agri supply chain may be detrimentally impacted.

1 New Farm Laws - will it add to progress of farmers?

First of all, let me say that "CHANGE" is inevitable and we cannot stop indefinitely, in fact, change is imperative for progress. With this background, I evaluate the new farm laws. These reforms were rolled out during the Year 2020 at an unprecedented time with the intent to reform a sector which has been crying out for change - especially pertinent in the backdrop of the pandemic. Wile for whatever reason the bills were repealed, this in itself does not take away from the need for reform in this space.

Agriculture has some endemic issues such as the mismatch of supply and demand from a time perspective (production once a year and consumption through the year), location perspective (produced in one part of the country and consumed elsewhere); variation in quality/grades, fragmentation of markets and land holding, underinvestment in infrastructure - right from markets to storage and logistics infra. These challenges also provide ample scope of public-private partnerships and various technology driven solutions - be it field of production or marketing of farm produce.

I perceive these laws as an attempt to address many of these issues and unshackle the sector from the chains that have restricted its growth for decades. Each of the bills were targeted to put more power in the hands of the producers. While one can always argue on the merits of individual pieces of legislation, one can only be hopeful that the intent behind these legislations is not forgotten and we continue down the path of reforms in this crucial sector.

2 MSP Mechanism - How existing system can be strengthened?

MSP is the price fixed by the government basis the cost of production of a particular commodity with a view to facilitate a minimum profit to the producer. The major objectives of MSP are to support the farmers from distress sales and to procure food grains for public distribution.

Despite best efforts, it is next to impossible to extend benefits of MSP to millions of farmers through the traditional means - procurement by Government at MSP. However, there are market based instruments through which we can increase multifold the reach of the MSP benefit to the farmers. Commodity Derivatives Market offers the price discovery tools which are known as "Futures and Options".

In the context of MSP, Commodity options could be used as the best alternative to the current price support system. Commodity Options being a market-based instrument shifts risks to market participants who are willing to bear them. This is in contrast to the MSP based procurement where the risk shifts from the farmers to the government. It therefore has the potential to serve as an effective alternative to the MSP program. Put options are ideal instruments for farmers and FPOs as buyers of put options can lock-in a price and also benefit from favorable price movements. Government may subsidize the option premium paid by farmers to widen the reach and as an alternative to MSP.

> In one way, the commodity futures and options help farmers and other stakeholders in the agriculture sector to lock in the prices of their future output or inputs, therefore, helping to hedge against the volatility in these prices. This provides a very effective and 'proofing' of future incomes against volatility in commodity prices. Which otherwise, in the absence of derivatives market would expose the participants to the uncertainties of the physical markets.

3 Agriculture future contracts adds to inflation - myth or reality.

Firstly, it shall be noted that inflation is defined as "a loss of purchasing power of the currency that results in an increase general prices". With the rise in prices the real value of money in terms of number of goods it can buy, falls. The major causes of the inflation are levels of production of goods and commodities, supply of the goods, demand of the goods, exports, imports, currency exchange rates, international market reports, weather, government policies, interest rates, national debt etc. When there is inflation in the country, the purchasing power of the people decreases as the prices of commodities and services rises.

On the contrary, a commodity futures contract is a standardised contract, designed to offset price risk associated due to volatility in prices of the underlying commodity. The futures markets are reflectors of the underlying physical market dynamics. In commodities wherein the dynamics warrant physical market prices to rise, the futures markets reflect the same. By their own virtue, the futures contracts are a risk mitigation tool for the market participants with a transparent mechanism of price discovery.

On one hand Inflation causes the prices of the commodity to rise while on the other hand Futures contract protect the value chain participants from unexpected price rise and serve as a tool to minimize the price risk associated with the commodity. So it would be a myth to say that the presence of agricultural futures contracts exacerbates inflation. Rather the very presence of agricultural futures contracts helps in the overall price stability of agri commodities which by nature are quite volatile because of various factors (like seasonality, demand and supply forces, heterogeneity of produce in nature, etc).

The absence of agricultural futures contracts may not just fuel the volatility in the markets and increase inflation but also could force traders to cut the stocks, delay long-term purchases and sales and even limit imports which could be detrimental to the overall market and economy at large. The markets would also remain clueless about any shortfalls or excesses in the absence of agricultural futures contract which could create even more volatility in the prices.

One of the major benefits of agricultural futures contracts is that they provide the agri value chain participants a perfect platform to hedge themselves against various potential risks. However, in the absence of such hedging tool and indicative prices, the entire agri supply chain may be detrimentally impacted. Price discovery might get more localised in the absence of futures prices which could possibly lead to unidirectional price movements hence disrupting the demand and supply forces. This can be illustrated with the following table:

Commodity	Date of imposition of restriction	Spot price on the day preceding the day when restriction was imposed	Spot Price as on 12-Jan-22	% Change	Remark
Chana	17-Aug-21	5,060	4,978	-1.62%	Fall in price may be attributed to the Government extending imports of other pulses till March-2022
Mustard Seed	08-Oct-21	8,650	7,565	-12.54%	Price fall can be attributed to expectation of higher production on increased acreage
Soybean	20-Dec-21	6,468	6,573	1.62%	
Soya Oil	20-Dec-21	1,194	1,196	0.17%	
Wheat	20-Dec-21	2,110	2,115	0.24%	

It may be observed from the above table that despite trading ban there has hardly been any fall in prices except for Mustard Seed. In mustard seed also price fall may be attributed to expectation of higher production on increased acreage. Further, in case of Chana, despite the Government extending imports of other pulses till March-22, there has been minor fall in prices, post futures trading was banned.

This again leads to a conclusion that Futures price reflect the underlying market fundamentals of demand-supply, acreage and upcoming crop size, etc. In fact, futures contracts are the harbinger or messenger of the prices and not the price setters. Futures contracts only facilitate the price discovery process; much like a physical mandi provides the physical platform, exchanges provide an electronic platform on which the futures contracts can be traded for the purpose of price discovery.

Therefore, instead of believing that the presence of agri futures contracts adds to inflation, more emphasis should be put on greater integration of spot and futures market by encouraging higher participation by farmers and other agri value chain participants so that the agri futures contracts aid the function of price discovery more effectively and the intended beneficiaries are able to use this market to hedge their risks.

Furthermore, there are various studies and reports which showcase that derivatives market has no correlation with inflation. Abhijeet Sen Committee (2008) set up by the Government could not find any conclusive causal relationship between futures trading and price rise. RBI had also conducted a detailed study (Annual Report 2009-10) and concluded that commodity prices in India are influenced more by other drivers particularly demand-supply gap, the degree of dependence on imports and international price movements in the commodities. In a comprehensive study on food inflation in India during the period 2003-2012, "Taming food inflation" by Dr. Ashok Gulati, it has been revealed that factors such as fiscal deficit, rising farm wages and transmission of the global inflation in commodities have been the main reasons for food inflation.

4 Role of Commodity derivatives market to reduce uncertainty in Agricultural Income

Farmers have been constantly exposed to income risk due to the volatility of the commodities prices. However, the commodity derivatives markets provide platform to the stakeholders in the commodity value chain to hedge their price risk, apart from providing transparently discovered prices signals. Globally, the commodity derivatives markets have proven to be facilitating efficient price risk management processes for over 170 years.

The existence of a vibrant commodity derivatives market is beneficial for multiple stakeholders in the economy. The commodity derivatives contracts are in fact designed to reduce price fluctuations and income uncertainty.

In one way, the commodity futures and options help farmers and other stakeholders in the agriculture sector to lock in the prices of their future output or inputs, therefore, helping to hedge against the volatility in these prices. This provides a very effective and 'proofing' of future incomes against volatility in commodity prices. Which otherwise, in the absence of derivatives market would expose the participants to the uncertainties of the physical markets.

Futures trading, if widely used by the farmers for hedging their price risk, can act as an effective instrument for alleviating price risk and act as a price insurance mechanism thereby stabilizing their agrarian incomes.

In the absence of a futures market, farmers will be forced to sell their produce in the cash market at the prevailing price, which may be lower than their expected price. Alternatively, they have to store their produce and wait for a higher price at a later period, which is mostly beyond the capacity of small farmers to hold the produce for such a long period as they have to spend on the next crop and meet household expenditure.

Hedging mechanism therefore with the futures contracts allow farmers and other market participants to mitigate the risk of adverse price movements by seeking to achieve prices in advance, thus minimizing price risk and stabilizing agricultural incomes. An illustration of hedging the prices of the commodity using Put Options is provided below:

Rate of Price fixed on 25th November or strike price (per qtl)	Cost to grow RM Seed (Per Quintal)	Premium paid (per Quintal)	Total Cost (per Quintal)	Price Trend	Scenario of RM Seed price on 20th April	Profit/ Loss with Options
5000	3,400	270	3,670	If price decreases by Rs.400 per quintal	4600	1,330
5000	3,400	270	3,670	If price decreases by Rs.200 per quintal	4800	1,330
5000	3,400	270	3,670	If prices remains the same as strike price	5000	1,330
5000	3,400	270	3,670	If price increases by Rs.200 per quintal	5200	1,530
5000	3,400	270	3,670	If price increases by Rs.400 per quintal	5400	1,730

The commodity derivatives provide the guaranteed price to farmers. In the above example, on expiry of such a contract, the farmer can either sell the crop to the seller (writer) of put options (if the prices falls on expiry) or he is free to sell the crop in the market (if the prices goes up on expiry). Therefore, derivatives become an excellent instrument for the farming community to realize the full value of their produce.

5 Role that banking sector can play in encouraging Farmers/ FPOs to use market based instruments

Banks are exposed to commodity markets through their lending activity. They lend as part of their PSL activity (Priority Sector Lending), working capital loans and warehouse receipt lending. Hence they are exposed to both price risk and default risk.

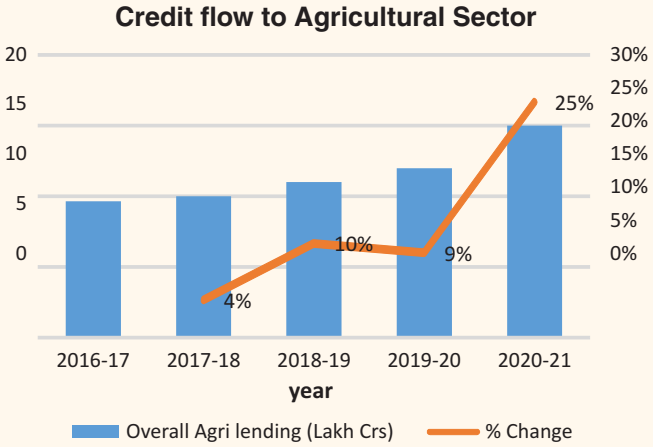
On the other hand, price volatility leaves a farmer uncertain whether he will receive a high price or a low price at the time of sale. Every investment decision a farmer makes during the crop cycle is a difficult one because he does not know whether he will be able to pay back the loan for the investment (i.e. labour, fertilizer, equipment and repairs). The expected commodity price, prices of competing crops and government programs play important roles in determining the area to be planted. Uncertain prices pressure a borrower's ability to repay and thus make agriculture financing a risky proposition for lenders. In the absence of appropriate risk management instruments, financiers are reluctant to finance traders given the cash-flow uncertainty.

Market-based instruments help managing agricultural price risk in a practical and non-intervening way. They are efficient tools for price discovery that mirror the commodity fundamentals transparently. Unfortunately, they have been less embraced in developing countries due to mere lack of awareness of the use of the instruments and the benefits that come with them.

Banks can play a vital role in addressing this issue at the very core by enabling FPOs/ farmers with the opportunity to understand market driven tools like commodity derivatives. The knowledge need gap, myths and inhibitions can only be shunned if the FPOs are empowered to test waters. Some suggestions that can be taken forward:

1. Subsidizing premium on options rather than loan waivers / write offs
2. Promote options premium as an insurance tool to safeguard margins
3. Incentive of lower interest rate/ haircut to hedged FPOs/ farmers
4. Financial Inclusion Fund (NABARD) could be used to subsidizing premium payments for a limited period.
5. Put Options premium could be made a part of the loan scheme- basically it could be built into the entire offering.

On a larger level, this entire proposal requires a policy level intervention, making lending against commodities to be mandatorily hedged, similar to norms prevailing for exposure to currency risk. While the Government increases the amount of lending done to the primary sector every year along with policy on loan waivers that wipes out thousands of crores - it is crucial that they make financial inclusion in the rural markets sustainable by introducing norms that safeguard both the lenders and the borrowers.



Benefits for lenders

- Better performance on portfolio
- Informed borrowers
- Managed delinquencies
- Better credit decisions
- More lucrative product offerings to hedged borrowers
- Captive business for other banking operations like clearing business

Benefits for Borrowers

- Safeguarding margins
- Retaining competitive edge
- Ability to stay buoyant in the market
- Better planning for the next season

Additionally, the instruments to lend against have evolved to become more transparent, more accountable and regulated. Banks being a regulated entity (by RBI), prefer to work with WDRA (Warehousing Development and Regulatory Authority) regulated warehouses to reduce their credit risks, as the collateral that needs to be pledged is stored in these warehouses. eNWR (electronic

negotiable warehouse receipt) is a digital form of warehouse receipt generated by WDRA registered warehouses on repositories platform like NERL (National E Repository Limited) which is regulated by the WDRA. eNWRs are held in unique repository accounts with NERL, which may be considered similar to holding funds in bank accounts. Transfer of ownership of eNWRs is done through simple digital repository account transfers. This method reduces the risks and hassles normally associated with paperwork. Consequently, the cost of transacting in a repository environment is considerably lower as compared to transacting in physical warehouse receipts.

Regulators, banks and the Government encouraged the use of eNWRs for financing stored commodities in WDRA registered warehouses. RBI has enhanced the loan limits from ₹50 Lakh to ₹75 Lakh against pledge/hypothecation of agricultural produce backed by eNWRs. The supreme preference of eNWRs issued by WDRA registered warehouses over physical warehouse receipts now validates the safety of this instrument. Meanwhile, Indian Banks' Association has also issued an advisory to its member banks that the member banks should encourage warehouses to get themselves registered with WDRA and also encourage financing against NWRs/eNWRs issued by warehouses registered with WDRA. eNWR is bringing liquidity and trade at a warehouse level for helping farmers, FPOs and other market intermediaries. As on 31st Dec 2021, 28% of client accounts with NERL are Farmer/FPO accounts and approximately ₹87 Cr. worth of loans had been disbursed against eNWR to farmer/FPO accounts on the NERL platform. WDRA has also made it mandatory for all its registered warehouses to issue any Negotiable Warehouse Receipts (NWRs) only in electronic form on the Repository systems. This has brought in a significant level of transparency and ease of doing business for the entire ecosystem.

Use of exchange traded commodity derivatives to manage price risk alongwith efficient book keeping tools like eNWR if incorporated within the bank's agri lending model will offer a win win solution to both the lenders and FPOs/ farmers.

6 Encouraging the companies with Large Borrowings having commodity exposure to Hedge their Risk

It is encouraging to observe that farmers/ FPOs are hedging their price risk - As a stakeholder they have lesser means and resources yet the awareness about the relevance of market driven tools is propelling them.

1. Supported with a policy level intervention, banks can upwardly influence the interest rates offered to large corporates that are unhedged on their commodity exposure.

2. Credit rating agencies need to incorporate a marker to flag commodity risk carried by an unhedged company.

3. The average annualised volatility in the currency segment over the last five years has ranged from 15-20 percent v/s the annualised volatility in commodities ranges from 25-35 percent. Regulatory guidelines are in place for bank's lending to entities with "Unhedged Foreign Currency Exposure (UFCE)". However, commodity volatility is higher than currency segment and yet there is no such provision for lending to corporates with unhedged commodity exposure. *Reference: Circular DBOD.No. BP.BC. 85/21.06.200/2013-14 dated January 15, 2014.*

A corporate with a high commodity exposure has 70-80 percent of costs constituting of input cost which means their margin equations can be imbalanced due to the volatility in these raw materials. So the risk is not only to the corporate but also to lenders impacting their relationship with the company across various products. Hence, such a risk cannot be ignored as a mere mention in their corporate governance report.

Arun Raste, holds an M.A. in Economics with Post-Graduate Diplomas in Marketing, Communications & Journalism.

He has over 3 decades of experience across BFSI, corporate and social development sectors. In his prior assignment he was associated with the National Dairy Development Board (NDDB) as an Executive Director. He has also served as a Director on the Board of Indian Immunological Limited (Hyderabad), Mother Dairy Fruit &Vegetable Private Limited (Delhi) and IRMA, Anand. In his banking career he worked with private sector banks like IDFC First Bank, Kotak Mahindra Bank and financial inclusion behemoth NABARD handling commercial lending, product development, distribution network, branding, communication and CSR. His previous stints also include working with ACC cement and an NGO IRFT (International Resources for Fairer Trade).

As an NGO delegate, he participated in the UNCTAD summit in Brazil, WTO Ministerial in Mexico, and Hong Kong. He had been invited to speak at prestigious events and presented papers in conferences held at countries like Australia, Belgium, Brazil, France, Holland, Japan, Senegal and the UK. He was also invited by the US State Department for International Visitors Leadership Programme. Apart from representing Asia at the International Fair-Trade Forum he also chaired the think tank of the Asian forum for CSR in SMEs. He has over a dozen publications in national and international journals to his credit.

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1 Role of clearing corporations in ensuring smooth clearing and settlement functions.

The Clearing Corporations have emerged as big players for the stock exchanges to run smoothly. With their risk management mechanism and strict SEBI regulations, Clearing Corporations create trust and transparency, among people who are related directly or indirectly with trading on the stock exchange.

The Clearing Corporation acts as an intermediary, and also assumes the role of the buyer and seller to reconcile the transactions that occur in a trade. This includes all the activities that occur from the moment when the trade starts to the final stage when the trade is settled.

The moment clearing comes to an end, settlement begins. The buyer is obliged to pay the payment within the settlement period and the seller is obligated to deliver the securities within the settlement period. The settlement period depends on the type of securities exchanged.

Settlement Process - In every successful completion of trade, there are three processes involved. They are:

- Trading - The buyer who wishes to purchase the securities will give his order and the seller who wants to sell his opts to execute the sell side of the trade.
- Clearing - Clearing determines the obligation of both the parties in relation to the funds and securities.
- Settlement - At the final stage, the Clearing Corporation acts as counterparty between the buyer and seller, and also gives guarantee to both the parties that in case of default by any party, the Clearing Corporation will take action against the defaulter.

Due to this, trading the security with the stock exchange has become very prompt and user friendly. Transactions regarding securities are done smoothly, and clearing and settlement of the trade is done in very efficiently and without any hindrance.

2 Role of Clearing Corporations in giving prior signals in Brokers default.

SEBI vide circular dated December 17, 2018 had specified an Early Warning Mechanism to prevent diversion of client's securities and consequential action(s) to be initiated by the Stock Exchanges ("SEs"), Clearing Corporations ("CCs") and Depositories which involved sharing of information between them at an early stage so as to take appropriate preventive measures.

One of the leading indicators was, deterioration in financial health of the stockbroker and/or depository participant based on certain parameters. The Stock Exchanges ("SEs"), Clearing Corporations ("CCs") and Depositories had to monitor and flag significant mark-to-market loss on proprietary account/ related party accounts and repeated instances of pay-in shortages.

IN CONVERSATION WITH MD & CEO DEVIKA SHAH

The Clearing Corporations have emerged as big players for the stock exchanges to run smoothly. With their risk management mechanism and strict SEBI regulations, Clearing Corporations create trust and transparency, among people who are related directly or indirectly with trading on the stock exchange.

Alerts triggered at one SE/CC/ Depository through the early warning mechanism shall be immediately shared with the other SE/CC/ Depositories and based on these alerts, the SE/CC and Depository are to jointly take preventive actions.

On analysis of the below early warning signals, if there is a risk that a TM / CM may fail to meet the settlement obligations to CM / CC, where:

a) There is shortage of funds / securities payable to the clients by Rs. 10 crore (SE may have their own criteria) and / or
b) TM / CM has failed to meet the settlement obligations to CM / CC and / or
c) There is sudden increase in the number of investor's complaints against the TM / CM for non-payment of funds and / or transfer of securities,

actions as per the timelines given by SEBI in the circular shall be taken by SEs / CCs.

> "Global cooperation is key to facing global challenges. Clearing Corporations have worked cooperatively throughout this period and recognize the importance of regulators and international standard setters doing the same to ensure the resilience and stability of the global financial markets.

3 Role of clearing corporations in segregation and monitoring of client funds and securities.

Segregation of client collateral refers to the procedures that enable identification and protection of client collateral from misuse by trading or clearing member and protection from default of such member or other clients.

With a view to providing visibility of client-wise collateral (for each client) at all levels - trading member, clearing member, and clearing corporation - a reporting mechanism, covering both cash and non-cash collateral, is specified by the clearing corporations.

SEBI, vide circular dated February 25, 2020, put in place a framework of 'Margin obligations to be given by way of Pledge/ Re-pledge in the Depository System' to mitigate the risk of misappropriation or misuse of client's securities available with the Trading Member (TM) / Clearing Member (CM) / Depository Participant (DP), including use of one client's securities to meet the exposure, margin or settlement obligations of another client or of the TM / CM.

To further strengthen the mechanism of protection of client collateral from
(i) misappropriation/ misuse by TM/ CM and
(ii) default of TM/CM and/or other clients,

SEBI issued a circular dated July 20, 2021 on segregation and monitoring of collateral at client level.

Under the new framework, a Trading Member (TM) and Clearing Member (CM) must report disaggregated information (segment-wise and asset type-wise break-up) of each client collateral. Clearing corporations should specify a reporting mechanism that would provide visibility of client-wise collateral, covering both cash and non- cash, at both the broker and clearing corporation level.

This information would be required to be reported on a daily basis. Besides, a web portal facility would be provided by the clearing corporations/ exchanges to allow clients to view disaggregated collateral reporting by TM/CM.

Clearing members guarantee trade settlement to stock exchanges on behalf of clients. For the purpose of monitoring of at least 50 per cent cash-equivalent collateral at the level of clearing member, the excess cash-equivalent collateral of a client will not be considered for other client or for proprietary account of trading or clearing member.

The new rules for segregating and monitoring are aimed at further strengthening the mechanism of protection of client collateral from misuse by trading member or clearing member and default of such members and other clients.

4 Readiness of Clearing Corporations in dealing with systemic risk in the financial markets - the road ahead.

The stability of the financial system is fostered by identifying, assessing, and managing systemic risks arising from financial institutions. The reliable functioning of market infrastructures providing

services to the financial markets also plays a key role in this respect. These infrastructures - payment systems and securities clearing and settlement systems - are hubs that enable the transfer of payments and securities between the various participants.

> Under the new framework, a Trading Member (TM) and Clearing Member (CM) must report disaggregated information (segment-wise and asset type-wise break-up) of each client collateral. Clearing corporations should specify a reporting mechanism that would provide visibility of client- wise collateral, covering both cash and non- cash, at both the broker and clearing corporation level.

After the global financial crisis, clearing corporations or Central Counter Parties (CCPs) have become the focal point of systemic risk. Globally banks have become stronger because of Basel 3, but clearing corporations had challenges, especially those that started clearing OTC contracts where there is poor liquidity and price transparency.

Most of the focus was on margins and capital, but this is a narrow view of what a CCP needed to manage defaults without creating systemic risk.

A CCP firstly needs cash to meet its settlement obligations to the non-defaulting side when it faces a default by a large counter party. Given the rigid times lines of the clearing process, this liquidity is needed at very short notice. The only credible provider of liquidity in that time frame is the central bank. A CCP needs discount window access at the central bank.

The moment a CCP takes over a defaulted position, it is exposed to market risk on the position until it can unwind the position and restore a matched book position. In periods of market stress, orderly liquidation would happen over a time frame of several days if not weeks. During this period, the CCP needs capital to absorb the market risk and to credibly continue its business as a CCP.

Many CCPs underestimated the importance of operational capability to liquidate positions. It could require access to related markets to lay on proxy hedges; depending on the contract involved, access may be required to index futures, currency futures, foreign derivative markets, spot commodity markets, OTC derivative markets and so on. Many large CCPs had not conducted mock drills of managing very large defaults but could manage small defaults which proved their partial operational readiness.

Regulators took an integrated view of the above and in the recent past, laid down rules and regulations like asserting the importance of having a resilient framework with a Core Settlement Guarantee Fund and a Default Waterfall that safeguards the interest of the market participants, measures to put Standard Operating Procedures in place, a constantly evolving Risk Management Framework involving continuous Stress Testing, a robust Margin Model, etc.

Financial markets react to all kinds of events, which may include those that are politically, economically, or environmentally driven. These events expose them to systemic risk. In times of crises, the impact is amplified and often felt across large parts of the global financial markets and the global economy. This was observed during the 2020-21 COVID-19 Crisis and the ongoing Russia-Ukraine war. Due to the uncertainty in the markets, volatility spiked to extraordinary levels - stocks, interest rates and oil prices are volatile and credit spreads widened. During this unprecedented time of market volatility, financial market participants needed the ability to effectively manage their risks. The centrally cleared markets have proven, once again, to be a safe haven for market participants during this period of extreme stress.

CCPs observed significant increases in Variation Margin ("VM") due to the observed market moves but were able to process these payments as well as clear and settle a higher volume of transactions in a timely manner. Initial Margin ("IM") is held by the CCP to cover the potential future exposure of its participants' portfolios, using at least a 99% coverage standard. CCPs design their IM requirements to cover a variety of potential market moves, however, market moves that capture "extreme but plausible market conditions" are designed to be captured in a CCP's Default Fund requirements.

Market stakeholders, including CCPs and market participants, recognize the importance of markets

remaining open. The continuity of services has always been a cornerstone of the CCP offering and consistently considered in CCPs' processes and planning to provide for business continuity in times of stress. These processes are appropriately tailored to the different characteristics of CCPs.

> "Financial markets react to all kinds of events, which may include those that are politically, economically, or environmentally driven. These events expose them to systemic risk. In times of crises, the impact is amplified and often felt across large parts of the global financial markets and the global economy.

CCPs around the globe have set up BCPs to prepare for different types of events that could disrupt their operations, which are tailored according to their needs and can be implemented to minimise or negate any impact on business services. Consistent with the Principles for Financial Market Infrastructures (PFMI), the BCP shall also be tested on a regular basis. Due to this reason, CCPs conduct different types of testing exercises with only their CMs and clients or together with other exchanges or CCPs or in an industry-wide exercise that includes various market participants - exchanges, CCP, CMs and non-CMs.

In this period, Clearing Corporations apply a dynamic and adaptable working environment to deal with scenarios of instability and provide the much-needed confidence in the minds of the investors and market players.

5 Clearing Corporations are pillars of financial markets.

The road ahead is paved with Clearing Corporations emerging as the pillars of financial markets. For the future, we need to continue to ensure that the financial markets should stay open, especially in a crisis. The implications of a market closure would be too severe for the local and the global financial markets and economies.

Market infrastructures have their own stability fostering role in the event a financial institution faces a crisis. The purpose of system-specific rules and practices is to safeguard the settlement of fund transfers and securities transactions even when the largest counterparties connected to the system are unable to fulfil their obligations.

CCPs, as they do today, must continue to review their margin models, stress testing methodologies and default management protocols to be prepared for the next crisis., It is important for CCPs' to enhance their risk management practices, as appropriate, to address evolving market conditions. CCPs must maintain the flexibility to make these enhancements, leveraging their risk management expertise.

To reduce the exposure to the credit risk of the CCP, CCPs should be able to - in times of stress, such as this, and even without a banking license - (local or foreign) deposit some of their cash in central bank accounts. This could enhance a CCPs' collateral management.

CCPs are a critical component of supporting financial markets, providing financial markets with resilience, safety, and stability by offering market participants an effective and efficient place to manage their risks.

Global cooperation is key to facing global challenges. Clearing Corporations have worked cooperatively throughout this period and recognize the importance of regulators and international standard setting bodies doing the same to ensure the resilience and stability of the global financial markets.

Devika Shah has assumed office as the MD & CEO with effect from January 1, 2018.

She comes with over 30 years of rich experience with BSE & has deep understanding of the exchange and clearing corporation related operations and regulations. During her tenure at BSE, she has headed various functions, in the areas of regulatory & business, including surveillance, investigation & inspection, trading operations, clearing & settlement, listing membership, Investor Protection Fund, business development, accounts, legal & regulatory communications.

She holds a Bachelors in Commerce degree from the University of Mumbai & is a Fellow member of the Institute of Chartered Accountants of India.

IN CONVERSATION WITH VIKRAM KOTHARI

Managing Director

NSE Clearing

> Clearing Corporations in India have always followed very robust risk management framework that has stood the test of time through multiple stress events of heightened volatility. The margin framework has been made even more robust in the recent past, with higher margin period of risk, new margin framework with six-sigma based margins etc. Prudence in risk management is in NCL's DNA and we consider risk management as our central core function, and not a compliance requirement.

1 Role of Clearing corporation after the discontinuation of pool account on the stock exchange platform for mutual funds.

Today for the MF transactions of the distributors, the money from the investors comes directly into CC account whereas for the Broker's MF transactions, the brokers collect the money from the investors and transfer the same to the CC for transfer to the MFs. After the discontinuation of pool account, the money for the Broker's MF transactions, the money will directly come from the investor account into the CC account. Similarly for redemption of transactions coming through brokers, the redemption proceeds will be paid directly by the cc to investors rather than routing it through the brokers.

I believe that the discontinuation of pool account for mutual fund investment through stock exchange platform will be beneficial for the entire ecosystem. A similar mechanism is already in place in the distributor platform, so there is some degree of experience in direct client settlement. Since all these transactions are pure delivery-based and fully funded transactions, direct settlement with the CCs makes sense from both operational efficiency perspective, eliminating additional transfers and back-office work at the broker end, as well as from the perspective of safeguarding client monies.

2 Has Interoperability affected the working capital needs of the broking fraternity.

The implementation of interoperability in India, has been first of its kind in the world. Under the guidance of SEBI, the exchanges and CCs along with the broking fraternity, have managed to implement this landmark reform in record time. Interoperability has improved capital efficiency for brokers by requiring them to maintain collateral at a single CC, netting of settlement of trades done on different exchanges, as well as savings on transaction costs in terms of STT and stamp duty due to netting of trades done on different exchanges. There are also intangible benefits of competition in the post-trade space giving a thrust to the innovation and process efficiency in CCs.

I would also like to take this opportunity to thank the broking fraternity for its support and the trust placed by them in NCL.

3 Readiness of Clearing Corporations in dealing with systemic risk in the financial markets - the road ahead.

Clearing Corporations in India have always followed very robust risk management framework that has stood the test of time through multiple stress events of heightened volatility. The margin framework has been made even more robust in the recent past, with higher margin period of risk, new margin framework with six-sigma based margins etc. Prudence in risk management is in NCL's DNA and we consider risk management as our central core function, and not a compliance requirement. We often go over and beyond regulatory mandate where we feel a need to do so in the interest of prudence. We also maintain a

significant Core SGF which can be used in the unlikely event of margins being inadequate. Thus, any concern of systemic risk - failure of one broker affecting others was always mitigated with the robust risk management framework.

While the broader market is insulated from defaults of individual brokers, there is an emergent need of protecting the clients of defaulting broker from the broker default. This need is being addressed through many regulatory changes implemented recently or under implementation. A crucial regulatory requirement in this regard is the segregation and protection of client collateral which will segregate and protect the client monies placed with CC. SEBI had also issued a consultation paper for risk-based net-worth requirements for brokers, which will ensure that brokers have higher net worth requirement based on the amount of client monies retained by them.

> Technology will continue to play an important role at the workplace, which is a given. I think it is important to understand the expectations of the next generation of the workforce. Instead of the earlier employer-employee relationship where job security, remuneration and loyalty to employer were important; the next generation is more focused upon skills, career development and flexibility.

4 Clearing Corporations are pillars of financial markets.

Settlement guarantee is the bedrock that supports modern anonymous order driven markets. I dare say anonymous trades cannot happen in absence of a financially strong, well-governed and prudently risk-managed institution providing counter-party guarantee. Clearing corporations perform this crucial function and engender market confidence.

5 Given the ongoing pandemic, these are crucial times for any leader today. In this context, what are your priorities at this moment?

The covid pandemic was a difficult phase for everyone. Purely from a technology perspective, we started preparations early and were able to ensure highly secure remote work environment for our staff and quickly adopt the new normal. Same was the case of most of the industry given its technology-centric nature. However, many have suffered illness or loss of loved ones, and keeping the morale high and having a positive outlook during the pandemic phase has been a bigger challenge.

I hope we are in the trailing phase of the pandemic. While remote working has had its share of challenges, there have been some positives as well. Our priority at the moment will be to return to the regular working conditions following appropriate protocols and while retaining the positive learnings from the pandemic period that promote efficiency.

6 What does work and workplace of the future look to you in the coming months and years? AND What would your key management advice be?

Technology will continue to play an important role at the workplace, which is a given. I think it is important to understand the expectations of the next generation of the workforce. Instead of the earlier employer-employee relationship where job security, remuneration and loyalty to employer were important; the next generation is more focused upon skills, career development and flexibility. My management advise will be to focus on skill and career development of employees to attract talent, rather than seeking to reduce turnover.

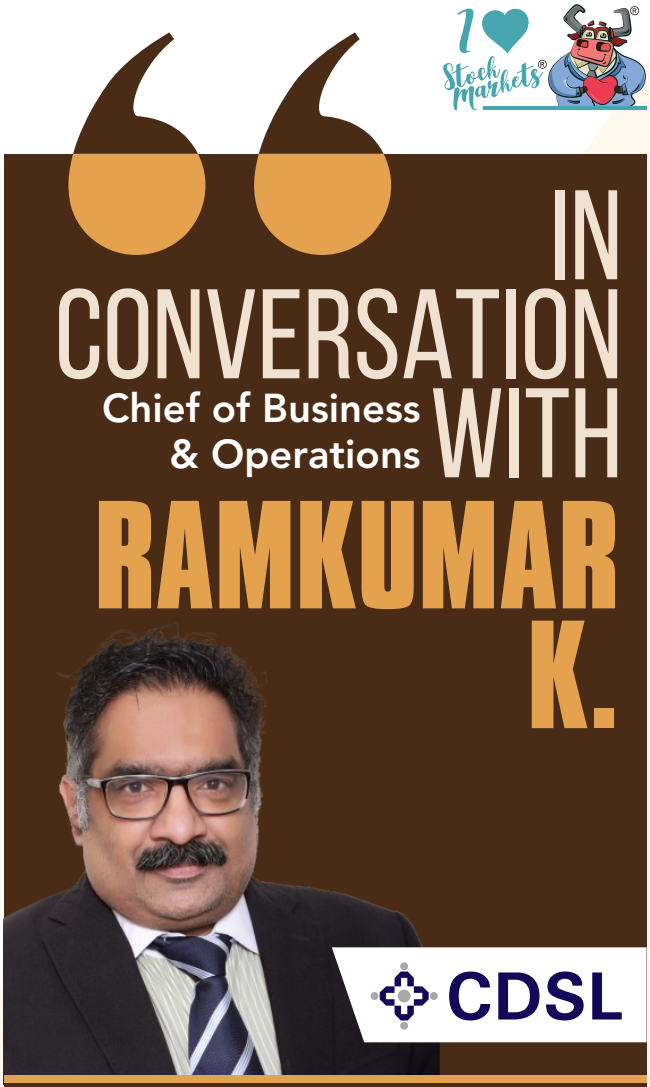
7 Which management book has influenced you the most?

I believe every business is unique and context is critical in management strategy, approach and style. It is important to distinguish management science from anecdotal story-telling that cannot be generalized as good management strategy advice. I would suggest managers to read “The Halo Effect” by Phil Rosenzweig.

Vikram Kothari has worked in areas of product development, operations, risk management and sales in the stock exchange, Custody and Clearing and banking space for more than 25 years.

Prior to his current role as Managing Director of NSE Clearing Limited in India, he has worked with organizations like JP Morgan Chase, HSBC, NSE in various capacities. He has joined NSE Clearing in November, 2017

He is a graduate from Mumbai University and a Member of the Institute of Chartered Accountants of India.



1 CDSL becomes the first depository to open 6-crore active Demat accounts.

In February 2022, CDSL became the first depository to cross the 6 crore demat account milestone. Last year, around the same time - we had celebrated our 3-crore milestone. While the first 3 crore took almost 22 years - the subsequent 3 crore accounts were registered in about a year's time. That is a matter of great pride, not only for CDSL but also for our whole financial eco-system. The growth of demat accounts is primarily a representation of investors' interest in the Indian securities market.

As per the Unique Client Code data available with Exchanges, the number of registered investors in February 2022 is 9.87 crore, which is 57% increase from previous year. The highest increase has been observed in Assam (300%), Arunachal Pradesh (124%), Bihar (116%) and Odisha (106%). Also investors from tier 2, tier 3 and tier 4 cities are now entering the markets. In fact, we have seen new investors registering from practically every pin code in India. Today CDSL is established in 97% pin codes of India. However, this is just the beginning. As a perspective, there were 65.80 crore internet users in India in January 2022. The number of registered demat accounts represent only 15% of the total internet users.

2 eKYC process during the pandemic period led to massive surge of Demat accounts.

Soaring internet penetration, growing financial awareness, adoption of digital payments and the emergence of technology-led platforms providing integrated access to various investment avenues had already prepared the ground for this transition. A convenient onboarding process enabled by eKYC has acted as a catalyst for this change.

Soaring internet penetration, growing financial awareness, adoption of digital payments and the emergence of technology-led platforms providing integrated access to various investment avenues had already prepared the ground for this transition. A convenient onboarding process enabled by eKYC has acted as a catalyst for this change.

Today there is complete automation with eKYC, and this has changed the whole paradigm.

One of the prime reasons is that one no longer needs to wait in queues when making an application for a service or carry around folders of documentation for the same. Thankfully, with the introduction of eKYC, one can now furnish documentation easily online. Simplicity is the first benefit. As it is a digital process performed in real-time, when an individual is registering the demat account, they do not face any challenges. Most organisations today have enabled eKYC that can be completed by an individual easily. Another benefit is speed. For instance, one's basic details like name, date of birth, gender, address, etc. are instantly picked from the Identification Authority of India (UIDAI) server. Thereby, reducing the time required to fill the application form.

When a request for information is made to the UIDAI, it gives a tamper-proof digital document of the identity of the concerned user,.

Overall, the safety and ease of doing business has acted as a driver in the registration of new investors.

3 CDSL path - the road ahead in the era of digital transformation.

From February 1999 when CDSL received its certificate of commencement of operations to February 2022 - where we celebrated our 6 crore demat accounts - the past 23 years for CDSL have been extremely engaging. The growth can be largely attributed to the advancement and sophistication of the technology over this period. From physical forms to opening of a demat account from your mobile phone - the process has become extremely easy. Not only the registration, but even the monitoring and operation of one's demat accounts has become convenient and secured for the investor from the comfort of their homes. Web

applications and digital services such as easiest, eCAS, eNOMINATION, eVoting, etc.

The last few decades have seen huge leaps in innovation and with each industrial revolution, the world has grown more connected, more efficient and more transparent. It should be no surprise that the Digital era is taking us to even greater heights with innovation and data.

4 What role do you see your organisation plays in the financial inclusion space?

Financial Inclusion, broadly defined, refers to universal access to a wide range of financial services at a reasonable cost in a transparent manner, to all groups of people. Digitalisation can be a key enabler of financial inclusion and play a crucial role towards an inclusive recovery from the pandemic

CDSL through its depository participants gives equal access to all citizens by making the opening and operating of demat accounts a hassle-free process. It is secured, fast and convenient. The digital identification through PAN / Aadhaar in the Indian financial eco-system and the widespread use of mobile phones have been able to universalise and democratise the access and usage of financial services.

The new normal involves operating from the comfort of one's home and CDSL will continue to focus on new business innovations and providing digital solutions for the participants in the capital markets. CDSL is ready to address the imminent changes in business and governance, while promoting a healthy combination for long-term initiatives towards financial inclusion.

While we build strategies for our future successes, we continue to focus on e-services and e-governance and the goal to reduce unequal access is our top priority. Our digital services such as easi and easiest provide the investors the option to view and transact their investments from anywhere and at any time. eVoting enables investors to vote for their companies' resolutions online in a convenient, dependable and secure without any inconvenience. Also from a environment sustainability standpoint, CDSL is fully committed in promoting a 'green' eco-system built on the foundation of good and transparent governance through our paper-less services.

5 Key steps implemented towards investor protection and education.

Despite advances in technology and increasing usage of social media, investor education is of paramount importance for investors to know their rights, while dealing in the securities market so as to make informed decisions and make them an Atmanirbhar Niveshak or self sufficient investor.

In line with the above stated objective, during the current financial year we have hosted over 90 webinars and focused on investor education to help investors gaining an understanding about depository services and investing in capital markets. In this regard, we also participated in the World Investor Week in November 2021.

The real development of capital market can be achieved only when there is participation by investors from all walks of life, across the country. Though the Regulator is making all efforts on their part to safeguard the interest of investors, investors are also obliged to exercise due diligence and follow the rules strictly and with caution.

6 Given the ongoing pandemic, these are crucial times for any leader today. In this context, what are your priorities at this moment?

The COVID-19 pandemic was not only a global health crisis; it was also a catalyst for reimagining the way we want to live going-forward. From economic systems to sustainable development, decision-makers have an opportunity to move away from the status quo and make positive changes for the benefit of humankind.

Our foremost priority remains to continue providing uninterrupted services and to ensure that the depository operations of the securities markets continue to operate effectively. We will also continue to innovate our digital services to ensure that our investors can be empowered to operate their demat accounts from anywhere and at anytime, all by themselves. We are focused on our vision of empowering the 'Atmanirbhar Niveshak' i.e, the self-sufficient investor through services that are 'DIY (Do it yourself).

Ramkumar K., has been part of Central Depository Services (India) Limited [CDSL] since September 2000. In these years in CDSL he has been working in various roles and responsibilities across various departments viz. Operations, Training, Admission, Audit, Inspection and Compliance, Business Development and New Projects. Currently, he heads the business and operations for CDSL.

He was instrumental in incubating CDSL Ventures Limited (CVL) under the new KRA regulations issued by SEBI, CDSL Insurance Repository Limited (CIRL) under the insurance Repository regulations issued by IRDAI, CDSL Commodity Repository Limited (CCRL) under the WDRA Regulations, and a few others.

He is a graduate in Physics from Bombay University (now Mumbai University). He is also holds a Masters degree in Financial Management from Mumbai University and is also a Fellow of the Insurance Institute of India (FIII).

IN CONVERSATION WITH MD & CEO PADMAJA CHUNDURU

NSDL has always been the preferred depository with over 89% market share in terms of custody value. In debt securities, it is over 96%. Amongst foreign portfolio investors, NSDL's market share is close to 100%. These are reflective of the trust investors have in NSDL.

National Securities Depository Limited is proudly celebrating 25 glorious years of service to the Indian Securities Market. Operational since November 1996, NSDL now services investors through Participants from over 57000 service centers spread across India and abroad. NSDL demat account-holders are present in every part of India, covering more than 99% postal codes in India. World-wide, NSDL demat account holders are present in more than 160 different countries all over the world.

In October 2021, NSDL crossed a historic milestone of US $ 4 Trillion in the value of assets held in demat accounts. In India, the market share of NSDL in value of demat assets is more than 89%. NSDL continues to enjoy leadership position in FPI holdings (close to 100%) and debt investments held in demat form (96%). These are reflective of the trust investors have in NSDL.

NSDL also has played a major role in pioneering use of technology in securities markets. In 1996, when most banks were operating using paper ledger books and the Indian customers were not exposed to electronic fund transfer systems, NSDL set up a nation-wide electronic network wherein securities could be held in paperless form and transferred instantaneously to anyone across the country.

With a strong legal framework under The Depositories Act 1996, NSDL has established technology infrastructure that enables recognition of the beneficiaries' title and settlement of securities in dematerialised form. This has reduced risk and cost while improving operational efficiency in the functioning of Indian securities markets.

What is most satisfying is that NSDL worked with speed and focus to support this order of growth and ensure that all services to the markets functioned with no disruption whatsoever, even while operating in a work from home scenario for bulk of its employees as also those of market participants. Not only the depository system but all the critical national projects and businesses operated by our subsidiaries functioned smoothly with no interruption. It is also a demonstration of the resilience of NSDL infrastructure and the manner in which it supported continued economic activity.

Apart from the basic demat related services, NSDL offers an array of value-added services to investors and other stakeholder in Indian Securities Market. NSDL is contributing to the Digital India drive in a larger way with its various internet and mobile based initiatives.

NSDL has launched various path-breaking initiatives and services over last 25 years. These have redefined Indian Securities Market, providing maximum convenience and ease of operation to demat account holders and business partners. NSDL remains committed towards making Indian Securities Market more Transparent, Efficient and User friendly by providing best in class technology based trusted digital services.

I have no doubt that Indian investors are savvy enough to ride on the benefits that technology has to offer. It was a great moment to have witnessed the growth in number of demat account holders and

investors trading during the recent months. The global pandemic caused multifold challenges to people and businesses not only in India but all across the world. Yet the Securities Markets in particular, Indian Markets witnessed unprecedent growth in the recent months.

It is a reflection of the resilience, optimism and buoyancy of the Indian economy. There has been substantial increase in the number of new demat accounts opened with a sharp increase in new investors participating in the markets. And the more exciting fact is that the growth is not primarily from the traditionally known locations. Many Tier II and Tier III locations have contributed to this growth.

While NSDL has been principally operating digital platforms for many years, the pandemic taught us the need to examine every physical or paper interaction that remained and digitise the same. NSDL's API-based Instant Demat Accounting Opening service allowed clients to open demat accounts instantly using digital journeys. Likewise, Digital Loan Against Securities service allowed clients to avail loan against their securities in minutes by instantly pledging their securities holdings. NSDL's eAGM service which allowed Indian Corporates to conduct Annual General Meetings through video conferencing was extensively used by who's who of Corporate India. NSDL's digital onboarding platform for unlisted companies allowed companies to easily get admitted in the depository. NSDL's Online Commercial Paper System enabled companies to issue Commercial Paper using end-to-end digital workflows. Issuer portals provided digital enablement of various services to issuer companies.

To make markets safer, several initiatives mooted by SEBI such as margin pledge and repledge system, e-DIS operation with 2 factor authentication, OTP confirmation for off-market transfers, Block Mechanism for early pay-in, were introduced. We are contributing to the Digital India drive in a larger way with its various internet and mobile based initiatives such as IDeAS, STeADY, e-Voting, Mobile App - Speede, FPI monitor, IndiaBondInfo etc.

As part of our commitment to the Securities Market community for providing an open architecture platform enabling the ease of integration with depository services and facilitate the development of innovative products, NSDL is building API based 'Innovation Sandbox' for FinTech firms to create out of box innovative solutions.

NSDL recognizes the potential of Blockchain Solution which is a new emerging technology for decentralized distributed ledger to record real-time transactions across partner network. A Proof of Concept [PoC] work has been done for setting up a private Blockchain solution for electronic voting platform in collaboration with NSE Technology team. The objective of the Blockchain solution was to make decentralized e-Voting Platform which can bring transparency, non-repudiation and verifiability. Taking up the journey ahead and learnings, NSDL is building a market infrastructure platform for Monitoring of Covenants and asset cover for Debenture. The platform will bring Issuers and Debenture Trustees on a common platform to record asset charges, monitor asset cover ratio and various covenants of the issuance, which will bring transparency in the fixed income market.

Digital banking and payments came as a boon for Indian consumers during the pandemic. From a business perspective, it has seen tremendous growth during this time and surely there's a great journey ahead in this area. NSDL Payments Bank is predominantly a Digital bank and tells the same story in its journey so far.

With the vast experience and diverse product range, NSDL is well positioned to enrich the digital enablement of our investors and continue to contribute to the development of India's Financial Markets by providing World-Class market infrastructure.

a) **NSDL-CAS** has been a very popular initiative of NSDL. NSDL CAS is a single statement of all investments in the securities market and includes investments in equity shares, preference shares, mutual funds, bonds, debentures, securitized instruments, money market instruments and government securities held in demat mode. All investments held in single or joint names are mentioned in NSDL CAS. NSDL CAS offers unparalleled convenience to investors in keeping track of their investment portfolio. CAS enables investors to monitor their portfolio effectively and also help them to develop strategies and accordingly take informed decisions. NSDL-CAS is sent to investors electronically using email primarily (e-CAS). Investors also have an online option to opt for e-CAS and update email ID for receiving e-CAS.

   NSDL continues to enhance investor experience, by introducing new features in CAS. NSDL has incorporated facility for viewing

details of insurance policies held in investors' e Insurance Account (eIA) with National Insurance Repository (NIR) of NDML. Additionally, a feature of "Annualized Return" has been incorporated to provide information on return on investors' investments in mutual funds schemes.

> "NSDL recognizes the potential of Blockchain solution which is a new emerging technology for decentralized distributed ledger to record real-time transactions across partner network. A Proof of Concept [PoC] work has been done for setting up a private Blockchain solution for electronic voting platform in collaboration with NSE Technology team.

b) NSDL Mobile App (named NSDL SPEEDe) is a technology initiative of NSDL for investors to enable them to access to their demat account online, from the comfort of their home or office, on anytime, anywhere basis. NSDL Mobile App empowers demat account holder with an ability to monitor their holdings along with the price and values of the securities. NSDL Mobile App is a secured way of tracking the portfolio.

- Additional feature viz., client can exercise voting rights electronically, e-DIS launched wherein demat accountholder can accept or reject electronic Delivery Instructions Slips (e-DIS) submitted by Clearing Members. Also, clients can Submit and View Delivery Instructions.

c) NSDL e-Services - SPEED-e / IDeAS facilitates viewing of demat account as well as submitting instructions for securities settlement to the pre-designated broker.

SPEED-e is a common internet infrastructure that enables the Depository Participants to provide depository services to their clients. The SPEED-e facility is used extensively by Depository Participants (DPs) to offer an electronic instruction submission facility to their clients. This brings convenience to investors which reduces the risk for DPs as well as to investors. It also provides customer delight thus enhancing the overall customer experience. Over the years, various features viz., Statement of Holding (SoH), Account freezing, ISIN/ Quantity level freezing, multiple authorizations by certain users, instructions upload facility, Mutual Fund Redemption, SPICE and SPEED-e / SPICE Direct, Pledge and margin pledge Instruction Submission, Confirmation and Unilateral closure by counter party were added to SPEED-e service.

IDeAS is a secure internet service setup by NSDL to empower its demat account holders to view online their latest balances along with the values and transactions in their demat account. This facility is available to all the clients including Clearing Members who have opened a demat account with any of the Participants of NSDL. IDeAS clients can also download month wise transaction statements for the previous 12 months from the date of activation of IDeAS facility. Over the period, NSDL has enhanced its IDeAS service and enabled various facilities viz., Single Sign-on facility to clients for accessing e-Voting system of NSDL to cast their votes electronically in respect of resolutions of companies to be passed by Postal Ballot or a General Meeting and Interface with Income Tax Department Website to View/Download Tax Credit Statements (Form 26AS) and to provide Electronic Verification Code (EVC) during e-filing of Income Tax Return, facility to opt of eCAS, view eCAS, download eCAS of last 12 months and updation of email ID in demat account to receive eCAS.

d) **SMS:** NSDL sends real time SMS to investors for every debit in their demat account and many other important transactions. These messages help them to monitor their demat account in an effective manner.

NSDL provides free SMS alerts facility to investors for transaction carried out through their demat accounts, change of mobile number, change of address, change of nominee, credits on account of sub-division / IPO, etc. Thus, investors are aware about the important transactions happening in their demat account in almost real time.

a. For initiating margin pledge, confirmation of investors is obtained through a short link sent via SMS at mobile number registered in investor's demat account.

b. eDIS, which is a powerful digital alternate to power of attorney, requires authentication by concerned investor at NSDL's Demat Gateway for sale of securities.

> NSDL Mobile App (named NSDL SPEEDe) is a technology initiative of NSDL for investors to enable them to access to their demat account online, from the comfort of their home or office, on anytime, anywhere basis. NSDL Mobile App empowers demat account holder with an ability to monitor their holdings along with the price and values of the securities. NSDL Mobile App is a secured way of tracking the portfolio.

Well informed Investor is a Knowledgeable and Prudent Investor:

NSDL has always followed that one should not be a just investor, but a Knowledgeable and Prudent Investor'. We continue to engage with the investing community at large in multiple ways to keep them informed and updated. NSDL publishes a monthly newsletter 'The Financial Kaleidoscope' in Hindi and English which reaches to more than a 1.50 Crore investors. More important fact is that this newsletter is actually read by a large number of investors and appreciated too.

This newsletter is published online and also sent to subscribers through email.

Anyone may subscribe to this newsletter at https://nsdl.co.in/e-newsletter.php and read all previous editions of newsletter at https://nsdl.co.in/publications/nest.php.

In addition to this, NSDL has published number of other booklets, FAQ etc. in Hindi and other languages apart from English. All these materials are available on our website for free access.

Besides bulletins and other publications, NSDL has been organizing Investor Awareness Programmes for investors all over the country. The prime objective in conducting these webinars was to connect with public at large, spread the message of financial literacy and help them to understand the basics of investment process. These programs are conducted in association with SEBI, Stock Exchanges, Mutual Funds, Depository Participants, Industry Associations and other MIIs. The schedule of these programs is published on NSDL website and also disseminated through our newsletters.

These programs are conducted on various topics of interest to investors and in different languages. The schedule of the forthcoming programs/webinars is published online at https://nsdl.co.in/Investor-Awareness-Programmes.php. Any investor can register for and attend any program of his / her choice at no cost to them.

Still a large number of our population populations is away from the mainstream market and thus unable to create wealth for themselves. We need to continue to refine our offerings and create an ecosystem whereby more number of investors can join the process of wealth creation.

Padmaja Chunduru is MD & CEO of NSDL since Sept. 2021, after a 37 year stint in banking industry, in SBI and Indian Bank.

At Indian Bank, she has successfully steered the merger of Allahabad Bank into Indian Bank amid the Covid challenges. The Bank completed the merger seamlessly with least disruption to customers, in a record time of 10 months. Significant improvement in all key metrics and the empathetic handling of the cultural integration of two diverse banks was the subject of a case study "Merger of Equals" by Harvard Business School Publishing.

In the Forbes Global ranking of 'Best Employers 2021', Indian Bank has ranked 314th globally. In India, the Bank is among the Top 10 - Best Employers.

She was adjudged "Banker of the Year" by FE for 2019-20 and 'Best CEO' at BT Prime Women Leadership Awards for 2020-2021. She was adjudged "Best CEO- BFSI" in the Business Today-PwC rankings for 2020-2021.

Prior to joining Indian Bank, she was DMD (Digital Banking) with SBI.

From 2014 to 2017, she was Country Head, SBI US Operations at New York, overseeing strategic planning, business growth, risk management and compliance.

A Post Graduate in Commerce from Andhra University, she joined SBI in 1984 as a Probationary Officer. In a career spanning more than 3 decades, with postings in India and USA, she gained rich experience in Corporate Lending and Credit Management, Retail Operations and Digital Banking, Treasury and International Operations.

She has extensive Board experience. She Chaired the Indian Bank Board and was also on the LIC Board from 2018-2021.

IN CONVERSATION WITH Executive Director DIPESH SHAH

1 The International Financial Services Centre(IFSC) in GIFT City is considered a game changer initiative for providing international financial services from India. Your Thoughts?

The International Financial Services Centre (IFSC) in GIFT City is a very unique and special initiative of the Government of India. It is unique because with the establishment of IFSC, we now have a separate financial jurisdiction within the geographical territory of the country which is free from capital control restrictions. The IFSC provides a conducive and facilitative regulatory environment for undertaking international financial services transactions.

India has been one of the fastest growing major economies, in fact on nominal GDP terms we are now the 5th largest economy. A country of such size and dimension has naturally been a major consumer of International financial services, which were hitherto being purchased from offshore jurisdictions. The operationalization of IFSC in GIFT City provides us with a unique window of opportunity to onshore some of these international financial services and in that context, I really see this project as a game changer.

2 Can you throw some light on the evolving financial services ecosystem in GIFT-IFSC?

The IFSCA, which is the unified regulator for IFSCs in India, assumed regulatory powers with effect from Oct. 2020. Since then, our endeavour has been to develop a vibrant financial services ecosystem, infact in the last 1.5 yrs we have come out with more than 20+ regulations/frameworks which are aligned to international standards. With our concerted efforts, I am happy to inform that we now have close to 300 + IFSC entities including those that have applied for SEZ approval.

In the Banking segment, we have 20 + banks including leading global banks like HSBC, Barclays, Citi Bank, JPMorgan & Chase and Standard Chartered. The cumulative banking transactions have crossed USD 150 Billion till Jan. 2022 and the cumulative Derivative trade by Banks in IFSC have crossed USD 184 Billion till Jan. 2022.

On the Capital market side, we have two operational international exchanges that hour open for 20 + hrs for trading. The Avg. daily trading volumes on the exchanges has now grown to USD 13.5 Bn. (Jan 2022) compared to USD 3.4 Bn in Sept. 2020. On the debt listing side, primary listing to the tune of USD 24 Billion has already taken place on IFSC exchanges, including foreign currency bonds, green bonds, etc.

A country of such size and dimension has naturally been a major consumer of International financial services, which were hitherto being purchased from offshore jurisdictions. The operationalization of IFSC in GIFT City provides us with a unique window of opportunity to onshore some of these international financial services and in that context, I really see this project as a game changer.

3 What was the objective and rationale for establishing a unified financial regulator for IFSC in India?

When we study the development models of new age global financial centres such as Hong Kong, Singapore, Dubai and Abu Dhabi, one factor remains commons across all these centres i.e. they all have a unified financial regulator in one form or the other. A global financial centre by its very nature requires focused and dedicated regulatory intervention owing to the complex nature of cross border transactions. Therefore, Government of India through an act of Parliament established the International Financial Services Centres Authority in

2020, vesting it with the dual mandate to develop and regulate financial products and financial services in the IFSCs in India. Under the dynamic leadership of Mr. Injeti Srinivas, our first Chairperson, the IFSC Authority has been able to achieve remarkable success.

4 How do you see the Funds regime evolving in GIFT-IFSC?

The funds ecosystem is evolving very rapidly in IFSC, we already have 21 + funds across all the three categories (Cat-I, Cat-II and Cat-III) which are registered with us and they intend to undertake fund raising to the tune of USD 4.6 Billion. Additionally, 9 more funds have applied to the SEZ authority and they would be submitting their applications to us shortly. Along side funds. we have also registered several PMS providers and Investment Advisors, who are serving global clients from GIFT-IFSC.

More importantly, IFSCA is already in the process of finalizing the new Funds Management Regulations, 2022. They were recently put in public domain for consultation. The proposed regulations are aligned to global standards and one of the key features of the draft regulations is that an applicant can seek single registration for undertaking multiple activities. In other words, a fund manager can undertake host of activities related to fund management viz. manage retail schemes (including Exchange Traded Funds), non-retail schemes (including Alternative Investment Funds), undertake Portfolio Management Services or operate as manager to various investment trusts (REIT and InvIT) by seeking a single unified registration from IFSCA.

5 We are also hearing about Aircraft Leasing & Financing taking roots in IFSC. What are your views?

The development of Aircraft leasing ecosystem in GIFT IFSC in a short span of 1 year has been one of the biggest success stories for the IFSC Authority. When we started work on this project in Dec. 2020, we were surprised to learn that Aircraft Leasing & Financing, which is one of the most profitable business segments in the entire aviation value chain was missing in India and was being procured from offshore jurisdiction.

As more than 80% of the commercial aircraft fleet in India has been sourced under leasing model, we realised that there was a clear-cut business case to bring this important financial service activity to the IFSC. Therefore, with the active support of Government of India, we were able to bring in place a globally competitive regulatory and tax regime for undertaking aircraft leasing activities from IFSC. Currently, we have 13 aircraft lessors already registered with us and 2 more have applied who's application are being processed.

> "In Nov-2021 IFSCA allowed registered broker dealers in IFSC to access global markets. Now an intermediary/broking entity can access global markets through GIFT-IFSC. This new initiative provides a great opportunity to broking firms to set up base in GIFT IFSC for trading global markets at a competitive cost.

6 Can Capital market entity access global market from GIFT IFSC?

In Nov-2021 IFSCA allowed registered broker dealers in IFSC to access global markets. Now an intermediary/broking entity can access global markets through GIFT-IFSC. This new initiative provides a great opportunity to broking firms to set up base in GIFT IFSC for trading global markets at a competitive cost.

View and opinions expressed are strictly in personal capacity and does not reflect the views of IFSCA.

Dipesh Shah has over 20 years of professional experience in International Business, Project Development, Corporate Affairs, Corporate Law & Policy matters.

His most prominent achievement includes setting up and operationalizing India's 1st Smart City and International Financial Services Centre (IFSC).

Before joining IFSCA in Dec 2020, in his last 12 years, tenure at GIFT City, City made substantial progress in getting recognition as India's model Smart City, starting India's first Multi Services SEZ and only approved International Financial Services Centre. He brought in the regulatory and business changes in the GIFT IFSC to bring in Banks, International Exchanges (Inaugurated by Hon'ble Prime Minister of India) and Insurance & re-insurance companies for undertaking offshore transactions.

As Executive Director, he now heads the Development Division at IFSCA. He is a Bachelor of Commerce and is Chartered Secretary from Institute of Company Secretaries of India (ICSI) & Institute of Chartered Secretaries & Administrators, UK and has Post Graduate Diploma in Business Management (PGDM - MBA) from Nirma University, India with specialization in International Business & Finance. He is currently pursuing his Doctoral Program (PHD) in International Financial Services Centre (IFSC).

"GAMIFICATION" OF FINANCE: YOU WIN!... OR... GAME OVER?

PETER EISENHARDT
Secretary General

International Council of Securities Associations (ICSA) (London, UK)

While understanding that personal finance is important, many people see it as a miserable chore best put off for another day. At the same time, many people love to play video games. Can combining personal finance and gaming - in the form of gamification - turn a burden into a form of fun that creates better outcomes?

Financial Literacy

Financial literacy means having the knowledge and skills to make informed and effective decisions on personal financial matters including banking, savings, borrowing, mortgages, investments, pensions, and insurance. Authorities have long recognised the importance of financial literacy given that there is only so much government and employers can do to provide financial support and security. Individuals must take responsibility for savings and investments to build funds for emergencies, health care, education, elder care, and ever-longer retirements.

According to the U.S. Financial Industry Regulatory Authority, fewer than 40% of Americans demonstrate solid financial literacy. One study shows that among millennials-the largest share of the American workforce-only 19% can answer questions on fundamental financial concepts and more than half have no emergency funds. Forty-three percent report using expensive alternatives to banks, such as payday loans and pawnshops.

While understanding that personal finance is important, many people see it as a miserable chore best put off for another day. At the same time, many people love to play video games. Can combining personal finance and gaming - in the form of gamification - turn a burden into a form of fun that creates better outcomes?

Studies show that many people would rather talk about anything other than money, including marriage problems, mental illness, drug addiction, politics, and religion. People find finance boring, uncomfortable, and too difficult given jargon and an overwhelming range of choices.

Gaming

Since the 1972 release of Pong - an arcade version of ping pong - gaming has taken the world by storm. More than 2.5 billion people worldwide play games for an average of more than eight hours per week. The industry has reached $200 billion in revenues, surpassing the values of film and music. During the first year of the pandemic, gaming revenues grew by over 25%. With the advent of the metaverse, gaming has found a new direction for future growth.

Gamification Prizes

Simply put, gamification means adding game mechanics, elements, and experiences to a non-game product to make it more fun, interesting,

appealing, and engaging. Storytelling, avatars, and clever animation and graphics are all part of the experience.

Gamified financial services apps are often designed by behavioural economists to nudge users towards meeting financial goals. Apps often employ "PLB"- Points, Leader-Boards and Badges-to motivate users. Prizes - such as the unlocking of games - are used to encourage users to shift cash into savings. Further prizes are earned when savings stay put.

There is no end to creativity in gamification. "Money Mission" challenges and "Quests" inspire users to save for a range of future needs. One app allows couples to compete to see who can save the most towards a shared goal. Another allows parents to increase their children's pocket money based on how well they answer financial literacy quizzes. Still another encourages sustainability and charitable giving by allowing users to round up purchases to support good causes.

Gamification can help financial firms to better reach and understand the needs of customers. Firms keep and expand their businesses when customers achieve their goals. Gamification has the potential to disrupt finance as new providers win customers from incumbents, challenging them to provide better products at lower cost.

Reaching the Next Level

Personal finance is serious business. Privacy, security, compliance, and operational reliability must remain the priority of the financial firm provider whether the customer interface is staid or exciting.

While gamification apps liven up finance, they must maintain a balance to ensure that customers are always aware than real money is at stake. Overloading a financial app with gaming features does not set the right tone. Fighting an avatar in a video is one thing, but the handling of hard earned money is an entirely different matter. In real life finance, there are no multiple lives, reincarnations, or reset buttons.

Video games can be addictive, reaching the pleasure centres of the brain associated with rewards. It is vital that gamification apps for finance deliver "dopamine hits" to reward only sensible, positive habits, like meeting targets on a savings plan. Gamification must not be designed to encourage speculative trading and resemble an on line gambling app. One app ceased launching digital confetti across screens to announce executed trades, after being warned that it encouraged gambling-like behaviour. Trading performance of customers should not be compared on leader-boards to fuel competition, which can lead to increased speculation and over-trading.

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Advanced Mode

Just as gaming activity increased during the during the pandemic, so did the use of gamification apps to trade shares. There is evidence that speculating in shares replaced gambling on sporting events, which were shut down.

It was at this time that the phenomenon of "meme stocks" emerged. A "meme" is an idea, behaviour, style, or image that is spread through the internet. Meme stocks became popular with new retail investors, who executed trades mostly through gamification apps. Given mass purchases, traditional valuation and fundamental analysis became irrelevant as prices of meme stock soared.

The most famous meme stock was GameStop, a loss-making games retailer which had been sold short by securities firms and hedge funds. In January 2021, GameStop's share price soared by

2,000% as short sellers scrambled to close positions. Retail investors saw this as a rebellion of the "little guy" and a victory over Wall Street.

> **Given explosive growth, crypto-currencies are ripe for promotion through gamification. Recently, the Monetary Authority of Singapore, the U.K. Financial Services Authority, and U.S. Financial Industry Regulatory Authority have all taken action on the advertising and promotion of crypto-currencies to retail investors.**

Controversy ensued as brokers imposed restrictions on the ability to buy - but not sell - meme stocks. Some accused Wall Street firms of pressuring brokerages to stop the run-up in meme stocks. However, required margin calls and capital charges assessed by clearing companies forced trading restrictions. It is true that the operational capabilities of some gamification apps were pushed to the limit.

Meme stocks brought into focus the payment for order flow model used by some gamification apps. Brokerage firms are subsidised for directing orders to specific parties for trade execution, and customers pay zero or reduced commission. Some have concerns that the model leads to other than best execution, and encourages over-trading.

Before long, hedge funds - always hungry for new opportunities - began systematically analysing meme stocks.

In October 2021, the U. S. Securities and Exchange Commission released a 45-page report on GameStop, but failed to announced specific policy recommendations. The SEC staff emphasised its job is to ensure fair, orderly, and efficient markets - not to stamp out price volatility. The report also said, "Underneath the memes are actual companies, with employees, customers, and plans to invest in the future."

Given explosive growth, crypto-currencies are ripe for promotion through gamification. Recently, the Monetary Authority of Singapore, the U.K. Financial Services Authority, and U.S. Financial Industry Regulatory Authority have all taken action on the advertising and promotion of crypto-currencies to retail investors.

Adding up the Score

As business models evolve and psychology becomes more a factor in the distribution of financial products, further gamification of financial services should continue to be attractive to providers. Advances in technology and the rise of more demanding, digital consumers should make gamification a key tool for client acquisition, retention, and product distribution. But as U.S. SEC Chair Gary Gensler has said, "When I see a bird that walks like a duck and swims like a duck and quacks like a duck, I call that bird a duck." What he means is that no matter whether financial services are provided in traditional or gamification formats, customer protection must come first and the same rules and regulations must apply.

Peter Eisenhardt is the Secretary General of the International Council of Securities Associations. He also acts as a consultant for leading investment banks and teaches courses in finance. He was Head of Short-Term Fixed Income Origination at Bank of America Merrill Lynch and worked for J.P. Morgan in treasury, money market trading, bond options trading, repo, credit, and origination.

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ECONOMY, CLIMATE, TAXONOMY: ACHIEVING INDIA'S DECARBONISATION IN AN INTERNATIONAL CONTEXT

MATTHEW CHAN
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Asia Securities Industry & Financial Markets Association (ASIFMA)
(Hong Kong, Hong Kong SAR)

PRIME MINISTER NARENDRA MODI'S COMMITMENT TO A TARGET OF NET ZERO GREENHOUSE GAS EMISSIONS BY 2070, WITH A PATHWAY THAT ENVISIONS A 45% REDUCTION IN EMISSIONS INTENSITY OF ITS ECONOMY BY 2030 IS A WELCOME HEIGHTENING IN AMBITION FROM THE COUNTRY'S PREVIOUS GOAL OF A 33-35% CUT IN ITS EMISSIONS INTENSITY FROM 2005 LEVELS BY 2030. As well as one of the fastest growing economies in the world, India is a significant global carbon emitter and has an important role to play in the global challenge to meets the Paris Agreement's 1.5°C-target, whilst benefiting the Indian economy, and the health and wellbeing of India's growing population. Moving an entire economy to a more efficient and cleaner footing will require substantial investment in green technologies and abatement, and transformation to less carbon-intensive business models. One estimate of the capital required envisions an annual investment of US $200 billion on green infrastructure alone[1], a substantial proportion of India's national GDP. Given the global nature of climate change, as well as the need for inbound investment to meet the capital requirements of India's transformation, the growth and development of sustainable finance to support these investment needs to be seen within a global context, with India's approach harmonised with international developments in green and sustainable finance, including international taxonomy development and scaling and growth of robust, connected carbon markets.

Given the global nature of climate change, as well as the need for inbound investment to meet the capital requirements of India's transformation, the growth and development of sustainable finance to support these investment needs to be seen within a global context, with India's approach harmonised with international developments in green and sustainable finance, including international taxonomy development and scaling and growth of robust, connected carbon markets.

Indeed, India is not alone in requiring such substantial investment in economic transformation, and there is much work to do.

Think Globally: Taking into account the top ten carbon-emitting sectors producing three-quarters of all global greenhouse gases, such a transformation will require the redeployment of US$100-150 trillion towards Climate transition investments globally by 2050 in order to limit for temperature rises to 1.5°C[2]. At the end of 2020, green, social, sustainability and transition bonds reached US$270 billion, with the market reaching a cumulative total of US$1 trillion[3]. Every journey starts with a first step they say and, on this measure, we are barely one-one hundredth of the way towards reaching Paris Agreement goals. Indeed, to avoid temperature rises above 1.5°C, from here, Climate-Aligned finance must scale exponentially across all regions and all sectors of the global economy. From a market structure perspective, the

scale of investment needed also means fundamental reorientation of financial markets and expansion of products beyond use of use-of-proceeds instruments like green loans and bonds to a far broader set of asset classes including green equity and green derivatives, in addition to a more globally coordinated and robust approach to pricing carbon[4].

Climate Finance

The GFMA/BCG 2020 report, Climate Finance Markets and the Real Economy, proposes a starting point for defining Climate and Climate-Aligned Finance: "Climate Finance is defined as financing that supports the transition to a climate-resilient economy by enabling mitigation actions, especially the reduction of GHG emissions, and adaptation initiatives promoting the climate resilience of infrastructure as well as generally of social and economic assets."

Asia's Heavy Burden: Of the US$100-150 trillion in climate finance needed, US$66 trillion is required in Asia reflecting the region's mix of both highly developed and developing economies alongside key international financial centres like Hong Kong and Singapore. Other parts of developing Asia are where all types of manufactures are made for export to the West, and where governments often face the heavy burden of lifting their people out of poverty. Today, the region accounts for around half of the word's carbon emissions. Significantly, it is also susceptible to both physical and transition risks of climate change.

The maths is straight forward. To solve the world's climate challenge, we must solve Asia's climate challenge. And yet, given its significant diversity, we already know Asia's capital markets are especially prone to market fragmentation at the best of times[5] which, indeed, must be addressed if climate-aligned finance is to be efficiently deployed to where it is most needed globally.

Shades of Green: Globally harmonised, objective, science-based taxonomies are also key to scaling Climate-Aligned finance. They are essential for determining whether investments are properly aligned with climate goals and science-based transition pathways, and efforts now under way range from the deliberations of the International Platform for Sustainable Finance (IPSF), with work led by China and the EU to develop the first iteration of its 'Common Ground Taxonomy' work, to recent national efforts in Asia such those in Malaysia[6], Singapore[7], South Korea[8] and Indonesia[9] in Asia to develop their own taxonomies. These sit alongside taxonomies in place within the EU, China, Japan, Russia. Rightly, with regional and sectoral nuances, pathways to climate transition will be different across regions and industries, particularly in emerging economies in Asia; therefore, a single global taxonomy is unlikely to ever be viable.

'Taxonomies are definitions of sustainable finance that aim to be comprehensive classification systems, while definitions of sustainable finance are less ambitious in scope. When appropriately designed, sustainable finance definitions and taxonomies can bring potential benefits. These include improving market clarity. More precise and consistent definitions of which investments are "green" and "sustainable" could facilitate investment by giving confidence and assurance to investors. Other potential benefits include easier tracking of sustainable finance flows in order to measure them, and/or in order to to take a policy action such as setting incentives'

- Organisation for Economic Co-operation and Development (OECD), 2021[10]

A Principled Approach: What can be deployed instead is a consistent set of global taxonomy principles across regions, jurisdictions, and industries. This will ensure activities are aligned with Paris goals, and capital can be confidently and efficiently deployed to climate-transition aligned projects and economic activity, while allowing for regionally specific transition paths. Representing the views of financial institutions deploying and facilitating capital flows across Asia's capital markets, I recently contributed to work by GFMA and the Boston Consulting Group to identify five key principles for future development of consistent and comparable taxonomies, so essential to achieving the interoperability needed to enable climate-aligned finance to flow efficiently between international markets and, in particular, into Asia.

Five guiding principles for all future development and enhancement of global Climate Finance taxonomies:

I. Climate Finance taxonomies should be broadened beyond use of proceeds to capture entity-level activities and all eligible sources of capital.
II. Climate Finance taxonomies should be objective in nature, supported by clearly defined metrics and thresholds aligned to the Paris Agreement, and science-based targets.
III. Climate Finance taxonomies should have a consistent set of principles and definitions, but provide flexibility for regional and temporal variation to align with differences in transition pathways.
IV. Climate Finance metrics should be defined and applied to sectors using science-based targets, balancing ease of use with transparency and robustness to both assess climate impact and support third-party verification.

V. Climate Finance taxonomies should be based on a governance process that is robust, inclusive, and transparent, and has the flexibility for continued evolution.

- Global Financial Markets Association(GFMA) and Boston Consulting Group, 2021[11]

Coordination and Cooperation: To the financial industry, it is now critical that policymakers, standard setters, and market participants agree global principles to guide future work on taxonomies in order to support and scale global climate finance at the pace needed by Paris. Since developing these principles, we have been at pains to raise them to the attention of national policymakers as well as bodies such as the G20, APEC, and ASEAN, since we also believe that only through international coordination and cooperation will we achieve interoperability between climate taxonomies so urgently needed alongside measures such as robust corporate disclosure and data standards if Paris Agreement goals are to be achieved and the climate crisis averted.

Within Asia, collaboration, coordination, consistency, and interoperability is especially key. In October, in the lead up to COP26 and under the auspices of the APEC Business Advisory Council-led (ABAC)'s Asia-Pacific Financial Forum (APFF) Sustainable Finance Development Network (SFDN), the Asia Securities Industry and Financial Markets Association (ASIFMA)[12] hosted a closed-door symposium to assemble officials and private sector actors leading climate taxonomy development within each of the 21 APEC economies, plus representatives of IPSF and ASEAN taxonomy development efforts. This was an important opportunity for information exchange and dialogue on taxonomy development, with topics including ongoing coordination to support interoperability between taxonomies to other measures to avoid fragmentation in climate finance, particularly in Asia. More recently, we contributed to GFMA's Response to the International Platform for Sustainable Finance's Consultation On Common Ground Taxonomy[13], welcoming efforts towards harmonised approaches whilst laying out milestones for future work with more tangible outcomes that industry can move forward with to scale green finance.

Conclusion: Capital markets are global in nature and involve participants from across the value chain of capital, from asset owners and investors-through intermediaries such as asset managers and banks-to real-economy sectors and corporates. India will need to be able to tap effectively into these markets in order to raise the capital require for its own transformation to a lower carbon-intensive economy. On Climate alone, its sustainable finance market will need to scale extensively in the next few years to reach its goals. To that end, seamless and efficient capital flows across its borders will be so critical. A consistent, science-based approach to defining what constitutes meaningful climate transition activity will be so important to attract investment, avoid greenwashing and to scale climate finance to where India and the world needs to be to achieve Paris Agreement goals. We don't have time for fragmented approaches, in India and elsewhere, if we are to make the global climate transition journey successfully and in one piece.

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Matthew is based in Hong Kong and leads ASIFMA's strategic and international policy advocacy on behalf of 160+ member firms comprising international investment banks, asset managers, professional services firms and market infrastructure providers operating across Asia Pacific's capital markets. He also leads ASIFMA's thinking and policy advocacy on Sustainable Finance market development.

His experience spans international commerce, financial services, technology, strategy, corporate governance, sustainability and environmental engineering. Previously, he was Depository Trust & Clearing Corporation (DTCC)'s Institutional Trade Processing (APAC) regional business head and prior to that was Director, Corporate Strategy (Global) & Head of Strategy, Industry Relations and Marketing (APAC) for Omgeo, a joint venture between DTCC and Thomson Reuters. He has also held corporate planning and strategy roles at PepsiCo International and Cadbury Schweppes, and business and policy advisor roles within the Australian Commonwealth Government.

He has Master of Commerce (Strategic Value Management), Bachelor of Arts (Political Science) and Bachelor of Engineering (Environmental - Hons) degrees. He completed the Asialink Leaders Program in 2016, and became a Graduate member of the Australian Institute of Company Directors (GAICD) in 2018. Matthew holds British and Australian citizenship.

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BOND MARKETS AND DIGITAL TRANSFORMATION

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The global bond markets, worth by current estimates over $100 trillion , have stepped up efforts to automate the issuing and trading of bonds. This is driven by technological innovation, the quest for greater efficiency and reduced risk as well as by regulation. The nature of bonds themselves, which tend to be more complex in structure and less easy to trade than equities, means that there are still a few barriers to overcome, not least the availability of reliable data in an all-important standard format. This article from the International Capital Market Association, the organisation at the heart of international bond markets, looks at progress so far, the solutions available and the longer-term future of digital transformation in bond markets.

Issuing bonds

Digitisation of debt issuance continued apace in 2021. ICMA's primary market technology directory listed 45 solutions available as of the end of last year to automate all or part of the debt issuing process, double the number recorded in 2018 when the directory was first launched. New technology offerings have been especially focused on improving data management and communications in bond syndication, the process whereby a group of banks underwrite a deal on behalf of a client issuer and distribute to new bonds to investors.

While new platforms have emerged to streamline these issuance workflows, there are also developments under way to support the issuance, trading and settlement of digital securities based on distributed ledger technology (DLT). These initiatives have the potential to deliver efficiencies by shortening the settlement cycle for new bond issues and automate for instance coupon payments, cutting out intermediaries and reducing cost. At the same time the blockchain approach would reduce counterparty and settlement risk and eliminate among other things manual processes in the middle and back office.

> **Many commentators believe that the technology has potential to revolutionise financial markets, while others are more cautiously optimistic in predicting that the technology will bring about incremental but important improvements in bond market operations.**

The number of DLT-based bond transactions continues to rise in recent months. In December 2021, the Banque de France and a private sector group led by HSBC announced the successful issuance of a digital bond on a blockchain and subscription with a settlement in CBDC. I November 2021, HKMA and BIS Innovation Hub concluded a project to develop DLT-based digital platforms to support green bond issuance, increase transparency and facilitate access for retail investors. Also in 2021, the European Investment Bank issued a £100 million

two-year bond on the Ethereum Blockchain, the first bond to be issued this way. Swiss Exchange SIX issued a CHF 100m digital bond in November last year on its newly created market infrastructure, SIX Digital Exchange, which runs on a private enterprise blockchain. Within APAC, further test cases have been seen such as DBS Bank China's issuance (March 2021) of RMB 2 billion tier-2 capital bonds using blockchain for bookbuilding purposes. Singapore Exchange, Temasek and HSBC ran a successful pilot of a digitalised S$400 million bond issuance by Olam International, a Singapore based company, on a fixed income digital asset issuance platform (August 2020and UnionBank issued PHP 9 billion blockchain bond in the Philippines (December 2020).

Many commentators believe that the technology has potential to revolutionise financial markets, while others are more cautiously optimistic in predicting that the technology will bring about incremental but important improvements in bond market operations. In any case, regulators around the world, interested in the potential legal implications of the technology, are increasingly joining the debate over its use and have adapted laws and regulations.

Trading bonds

Pre- and post-trade processing efficiency gains continue to be the most important drivers of greater electronification and automation within bond markets. This trend, which originated in sovereign bond markets, has naturally expanded to investment-grade non-sovereign markets and further toward emerging and high yield markets.

There are, however, still some limitations on the automation of bond trading. Market turmoil during the height of the COVID pandemic brought with it a reminder of the role of experienced traders and the importance of human intervention in the buying and selling of bonds, when algorithms (or 'algos') are still reliant on backwards-looking data and may deliver unintended consequences when market dynamics fall outside of their usual parameters.

That said, electronification within fixed-income trading continues to grow as a means of bringing together buyers and sellers for mutually beneficial trades, sourcing liquidity and increasing connectivity among participants in niche markets. There are now more than 50 trading venues, order execution management systems (OMS/EMS), and bulletin boards now listed on the ICMA electronic trading directory.

Data is a key requirement for the continued development of electronic trading. Unfortunately, at present market data is fragmented, and there are challenges in sourcing information from multiple providers and trying to present the data in a consistent well-defined format. For example, in the bond market, 'price' could indicate composite price (an average price based on quotes aggregated across various dealers), calculated but not executable, indicative, semi-firm, or other pricing points used for transaction cost analysis. It would benefit market participants to have greater consistency of all market data across providers, as well as a greater ability to aggregate and grade pricing data - for example, to distinguish when prices are indicative or firm. Looking at industry trends over the last 12 to 18 months it is evident that data aggregation analytics and distribution capabilities remain core drivers for mergers and partnerships.

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On price data, EU regulators are considering the creation of a single 'consolidated tape' for bonds, which would bring together information on executed prices for bonds wherever the transactions take place from a single source.

Electronic communication messaging standards, data standardisation and the need for greater harmonisation also feature in ICMA's discussions with its members. The FIX protocol for example enables firms to exchange trade information electronically, although this is commonly customised by individual firms and a uniform way of implementing this protocol does not exist. The different standards in use inhibit the growth of automation, and improvements in electronic methods of communication are needed to improve trading insights and lower post-trade costs.

Although increased share of trading volume has already moved away from deals struck over the phone to electronic platforms, especially in the sovereign rates space with more sophisticated

algorithmic pricing, opportunities could remain for a hybrid model that would bridge liquidity between voice-brokers and e-trading platforms.

Repo and collateral markets

The repo (or repurchase) market is a large and vital component of financial markets - moving cash and securities around the system to where they are needed. Banks and institutions trading repo with each other use different systems and processes to manage their repo transactions. This means that when they exchange information about a repo transaction there are often inconsistencies which have to be fixed manually, which is both inefficient and costly. ICMA, building on the work of ISDA and other trade associations, has produced a standard which allows the market to represent all the parts of the repo life cycle in an unambiguous way known as the Common Domain Model or CDM. With the CDM a company will be using an industry-standard approach to represent the trade in internal IT systems, when exchanging information with other market participants and for regulatory reporting, while understanding the exact trade state within the trade lifecycle and the next steps required - all in one consistent format. The CDM is also being extended to the bond market where the consistent data that it generates can be used as the basis for interoperability between systems, increased efficiency, and innovation.

Technology and ESG data in bond markets

ESG-based investing is a key trend which is expected to accelerate further and transform bond markets fundamentally in the coming years. While most existing technology solutions target bond lifecycle processes, they are generally agnostic to the use of proceeds of a bond or issuers' commitments to sustainability.

A key challenge for broader use of technology applications in sustainable bond markets is ESG data quality and usability, whether at security level or issuer level. Inconsistent reporting, lack of standardisation of key performance indicators (KPIs) and accessibility adversely impact ESG data quality. Beyond bond markets, alignment of taxonomies ie defining which economic activities are classed as sustainable and which are not, across different jurisdiction would be beneficial. Consistent reporting and accounting standards for ESG and non-ESG data are considered equally important.

Notwithstanding these challenges, bond issuers perceive a number of opportunities for FinTech, for example, to automate taxonomy alignment or reduce funding costs. For banks, opportunities include enhanced "demand discovery" in sustainable bonds or improved exchange and alignment of data with investors' needs. From an investor's perspective, FinTech could be used to develop common platforms for oversight, facilitate comparability and provide dynamic insights into ESG performance. For data providers, regular, and more frequent ESG reporting is paramount to harness analytics and create greater transparency.

Conclusion

Digital transformation has taken hold of global bond markets, which traditionally have been slower than equites to adopt new technologies. The pace of innovation is fuelled by the quest for efficiency, liquidity, novel technologies as well as regulation, across the spectrum of bond markets. However, the risk of market fragmentation and data quality issues need to be carefully managed, notably by promoting common standards and best practices to realise the full potential of the digital revolution.

1. USD equivalent notional outstanding, according to ICMA 2020 analysis using Bloomberg data.
2. ICMA has published a compendium of new fintech applications, available at https://www.icmagroup.org/market-practice-and-regulatory-policy/fintech-and-market-electronification/new-fintech-applications-in-bond-markets/]
3. See article on FinTech and sustainable bond markets, published in ICMA's Quarterly Report Q1 2021.

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Gabriel Callsen is a Director within ICMA's Market Practice and Regulatory Policy department, leading ICMA's work on FinTech in the international debt capital markets. He acts as secretary to ICMA's FinTech Advisory Committee and represents ICMA in international forums in relation to distributed ledger technology, focusing on technological innovation in the securities lifecycle. He is also responsible for ICMA's Common Domain Model (CDM) project for repo and bonds.

His background is in Economics and International Relations, and he has previously worked for the European Commission and Tradeweb.

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SECURITIES INDUSTRY - ITS EXPECTED ROLES FOR A BETTER TOMORROW ---WHAT DO THE DATA SUGGEST? TAKING JAPAN AND THE JSDA'S SURVEYS AS A CASE STUDY

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Principal Advisor for
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A Tale of Two Surveys

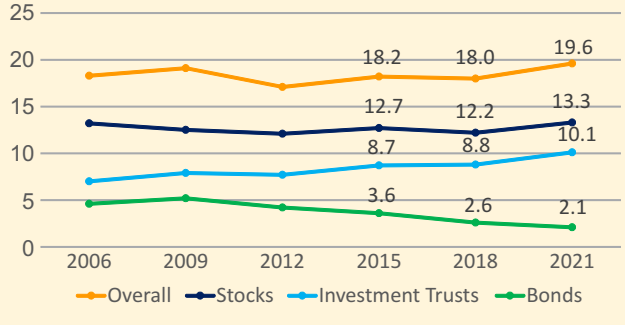
Japan Securities Dealers Association (JSDA) is a self-regulatory organization and trade association for the Japanese securities industry. The JSDA is conducting a diverse array of activities to secure the fair and efficient functioning of the securities market. Research and analysis on people's perception and attitude toward securities investment are also one of its important missions to provide data and information useful for public policy discussions, planning of financial education as well as academic studies.

The JSDA has two major survey programs to fulfill such functions. One is the "National Survey on Securities Investment" (NSSI), which is a face-to-face survey (leaving method) conducted once every three years sampling 7,000 respondents (aged 20 or above) tailored to replicate the distribution of general public's gender, age and resident areas. The respondents are picked up from the general public not limited to those with experience in securities investment. The other is the "Attitude Survey of Individual Investors" (ASII), which is an annual online survey sampling 5,000 respondents (aged 20 or above) who have experience in securities investment. The respondents are chosen securing an appropriate mix of gender and generational compositions. Each survey asks 60 to 70 questions to know the respondents' experience in and attitude toward securities investment.

"The JSDA is conducting a diverse array of activities to secure the fair and efficient functioning of the securities market. Research and analysis on people's perception and attitude toward securities investment are also one of its important missions to provide data and information useful for public policy discussions, planning of financial education as well as academic studies."

Both surveys were carried out in 2021. While last year's survey results showed no profound difference from the previous ones, some signs of change seemed to be found in people's awareness of the importance of asset building and the usefulness of securities investment for that purpose.

Figure 1. Percentage of Individuals Holding Securities

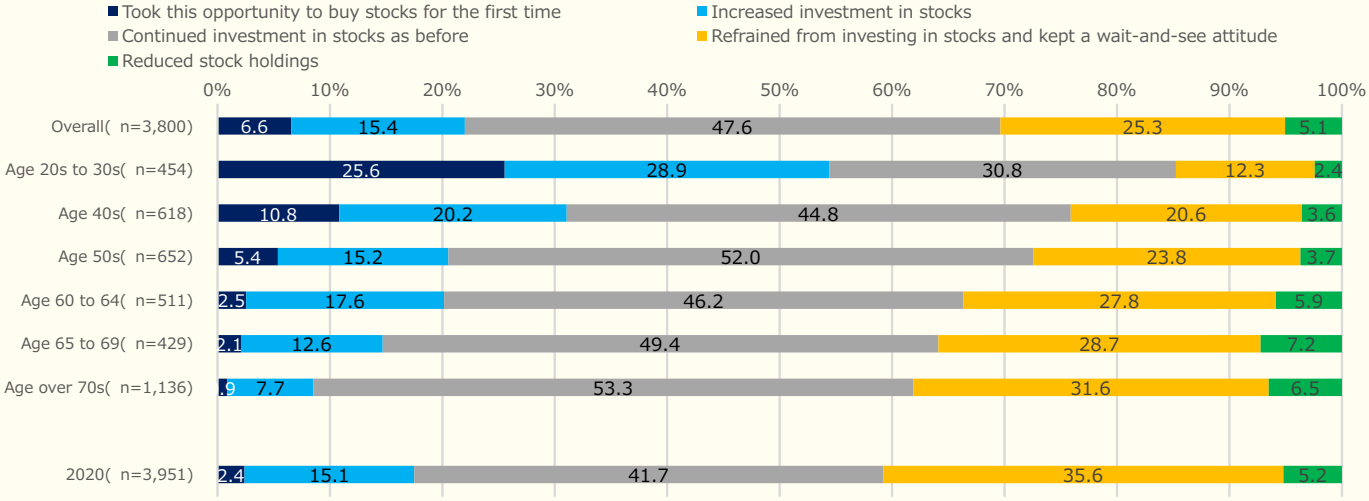


Source: National Survey on Securities Investment (2021) by Japan Securities Dealers Association

The latest NSSI indicated that most (92.2%) individuals hold their assets as bank deposits as in the past. In contrast, the percentage of individuals who hold stocks and investment trusts was significantly lower but showed increases compared to the survey results of three years ago---stocks increased from 12.2% to 13.3%; investment trusts from 8.8% to 10.1%; and total of securities investment from 18.0% to 19.6% (See Figure 1.). Furthermore, the percentage of individuals who are aware of the necessity of securities investment rose from 25.1% to 30.9%. It is also notable that the awareness of tax-exempt schemes to support individuals' asset building (i.e., NISA and DCA NISA[Note1]) appears to have been considerably heightened (NISA: from 51.3% to 57.6%, DCA NISA: from 31.2% to 46.3%).

Bearing in mind the emerging changes in people's consciousness toward securities investment which were observed in these surveys, what are the expected roles of the securities industry to maximize people's welfare and benefits? Answers to this question exist in the JSDA's work plans.

Figure 2. Individual Investors' Behavior during the COVID-19 Pandemic



Source: Attitude Survey of Individual Investors (2021) by Japan Securities Dealers Association

The latest ASII contained a question to stock owners about their investment behavior during the spread of the COVID-19 pandemic. Almost 70% replied positively, that is, 6.6% invested in stocks for the first time, 15.4% increased their stock investment, and 47.6% maintained the status quo. Particularly noteworthy is the large percentage of the younger generation active in securities investment during the pandemic---85.3% of those in their twenties and thirties replied that they recently started, increased or maintained their stock investment (See Figure 2.).

Viewing these findings, it would not be an overstatement to suggest that the pandemic has aroused people's concerns about their daily lives and jobs, and in doing so, provided them with an impetus to think seriously about financial planning in the future and a clearer recognition of the importance of self-reliant asset building as a cornerstone for securing a comfortable life over the course of an individual's ever-growing lifespan. Bearing in mind the emerging changes in people's consciousness toward securities investment which were observed in these surveys, what are the expected roles of the securities industry to maximize people's welfare and benefits? Answers to this question exist in the JSDA's work plans.

Focal Points of the JSDA's Work Plans

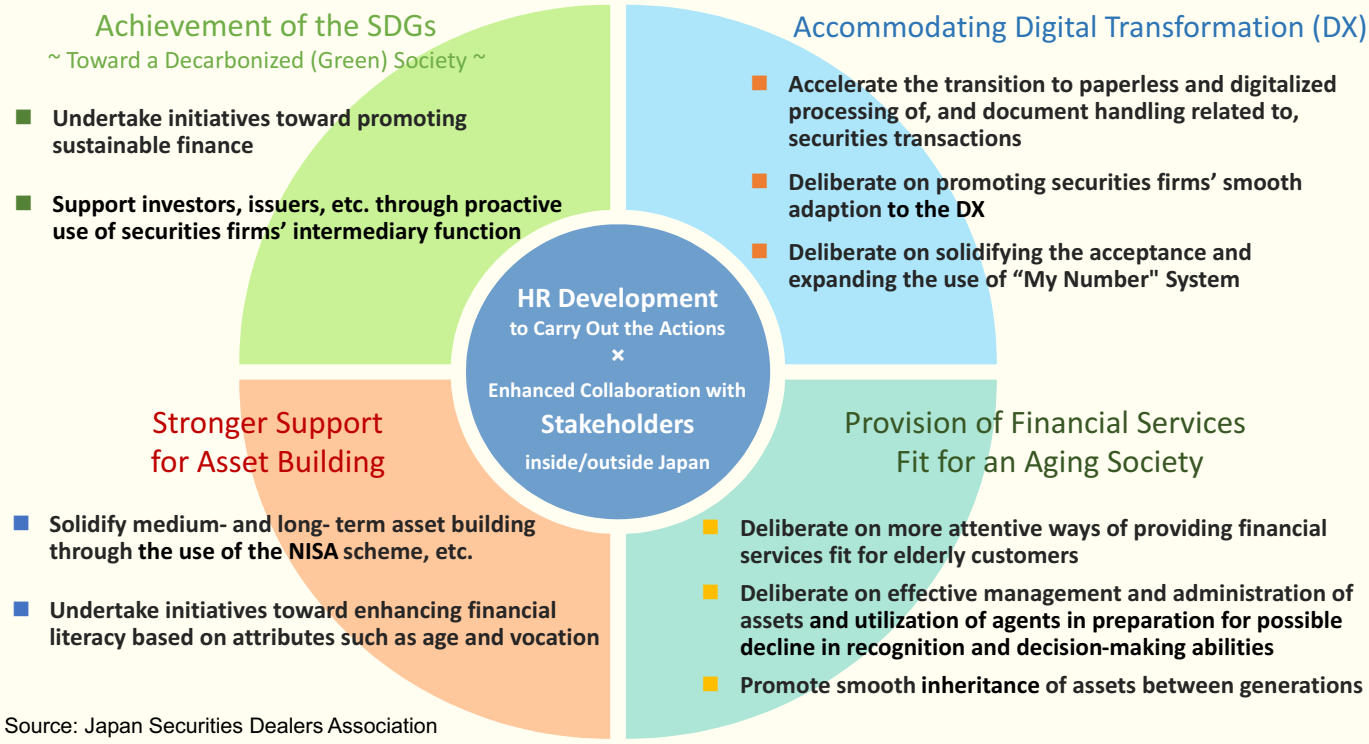
The JSDA draws up its work plans at the beginning of every business year (BY) (July to June). Those for BY 2021-2022 were finalized and made public last July, and are now accessible on the JSDA's website: https://www.jsda.or.jp/en/about/major-tasks/index.html

As it would be lengthy to introduce the whole plans here, "Focal Points of JSDA's Major Work Plans" would be more appropriate to serve as an overview. The Focal Points highlight the JSDA's four priorities, which illustrate the expected major roles to be played and challenges to be tackled by the Japanese securities industry and JSDA at this juncture (See Figure 3.).

Figure 3. Focal Points of "JSDA's Major Work Plans"

— Initiatives toward Addressing Social Issues —

July 1st, 2021



Source: Japan Securities Dealers Association

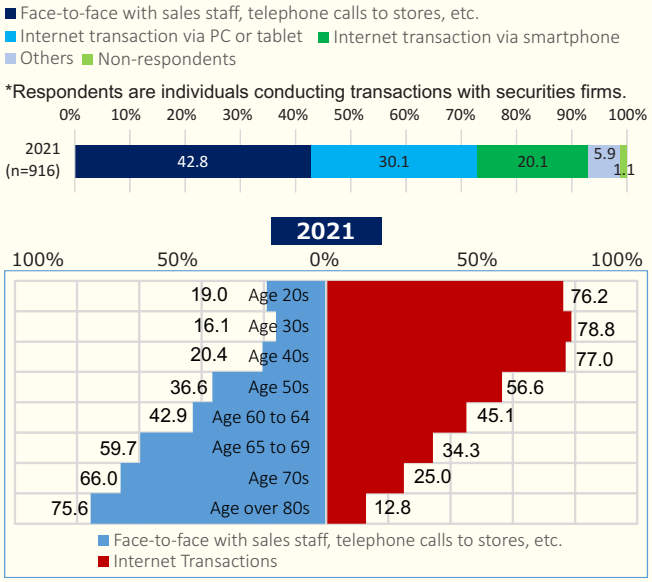
Toward Further Enhancement of Investor Trust and Functioning of Securities Markets

> **The securities industry, as well as market players and stakeholders, are expected to recognize these momentous changes and to ensure that their business and activities contribute to social benefits and global sustainability.**

Among the listed four priorities, the one most closely related to the findings from the aforementioned surveys is "Stronger Support for Asset Building" (lower left on Figure 3). In Japan, as people live much longer than eighty years on average, it is critical to make optimum use of individuals' financial assets amounting to almost 2 quadrillion yen (17 trillion dollars), significant portion of which still remains as cash and bank deposits thus not utilized effectively. Also important is to further encourage people's efforts for self-reliant long-term asset building. To address these significant challenges, the JSDA continues to work on measures to further expand the NISA schemes including DCA NISA, and promotes these schemes to the general public undertaking initiatives toward enhancing financial literacy based on attributes such as age and vocation.

In addition to the support for long-term asset management mentioned above, particular attention is required for securities transactions conducted by elderly people. As Japan enters the era of super-aging society, almost 70% of individuals' financial assets are estimated to be possessed by people over the age of 60. They have to manage their assets effectively to enjoy the rest of their lives paying due consideration to smooth asset transfer between generations. Furthermore, they may need to use adult guardianship when their cognitive capabilities decline. From a perspective of investor protection, more than usual care should be taken of elderly people's securities transactions according to individual circumstances. As such, currently in Japan, "Provision of Financial Services Fit for an Aging Society" is also an essential role expected of the securities industry (lower right on Figure 3).

Figure 4. Transaction Methods with Securities Firms



Source: National Survey on Securities Investment (2021) by Japan Securities Dealers Association

The NSSI evidenced that a considerable portion of transactions with securities firms is conducted through the internet and smartphones and that this tendency is more pronounced in the younger generation (See Figure 4.). Most of securities firms are striving to upgrade their customers' convenience actively employing digital technologies and improving their online tools for transactions and customer service. Listing "Accommodating Digital Transformation (DX)" as another focal area (upper right on Figure 3), the JSDA facilitates the transition to paperless and digitalized processing of securities transactions and supports securities firms' smooth adaption to the DX.

Last but not least, from a wider and global perspective, "Achievement of the SDGs – Toward a Decarbonized (Green) Society" is also upheld as a focal point (upper left on Figure 3). Currently, as the movement toward a decarbonized (green) society is accelerating worldwide, sustainable finance is expected to become a key instrument to underpin concrete progress to problem solving. The JSDA's survey (ASII) also shows that a considerable portion (31.7%) of individual investors is aware of the concept of ESG investment and the percentage of such awareness is higher among people in their twenties and thirties. The JSDA supports investors and issuers through the proactive use of securities firms' intermediary functions to promote sustainable finance. In this sphere, uniform global standards for review and disclosure are being sought and now deliberated at the relevant international fora. The JSDA continues to make appropriate contributions to such global standard setting activities.

Industry to Work for a Better Tomorrow

Human beings on the globe have been coping with COVID-19 for more than two years. If one could depict all that is occurring under the current circumstances in one phrase, it may be appropriate to say that what we are seeing is "acceleration of changes". By this, it does not mean that things like never before have abruptly emerged. Rather it would be more appropriate to say that already-existing trends have been accelerated all at once under the pandemic. These may include not only the accelerated innovation of technology such as AI, EV and gene editing, but also the heightened awareness of ESG. On the negative side, widening disparity may fall into one of these trends. The securities business and finance through the securities market may be urging these changes. The securities industry, as well as market players and stakeholders, are expected to recognize these momentous changes and to ensure that their business and activities contribute to social benefits and global sustainability. Hopefully, such thought could be shared globally among all the relevant parties engaging in the securities business to secure the better tomorrow that the world is seeking.

Note 1. In 2014, the government and industry set up the Nippon Individual Savings Account (NISA), which was modeled after the Individual Savings Account (ISA) in the United Kingdom. Dollar-Cost-Averaging NISA (DCA NISA), a scheme more oriented toward long-term regular investment, was introduced in 2018. As of the end of December 2021, more than 17 million accounts have been opened and more than 26.37 trillion yen (229 billion dollars) invested under the NISA and DCA NISA schemes.

(The views expressed here are solely those of the writer and do not necessarily reflect the views of the JSDA or its members. Any views and forecasts described are based on information available when the article was written in February 2022, and may not reflect subsequent developments.)

Koichi Ishikura has been involved with international affairs since he joined the Japan Securities Dealers Association (JSDA) in September 2005. He was appointed as Chief Officer for International Affairs and Research in July 2014 and Director in July 2015, before assuming his current position in July 2020.

Prior to his service at JSDA, Mr. Ishikura began his career with the Ministry of Finance in 1981 and mainly worked for its International Finance Bureau. During 1990 to 1992, he served as Assistant to the Executive Director for Japan on the Board of the International Monetary Fund (IMF). From 1998 to 2002, he worked at the Japanese Representative Office (Tokyo Office) of the Asian Development Bank as Deputy Resident Director.

DIGITAL RUPEE AND CBDC: WHAT DOES IT MEAN FOR BROKERS AND INTERMEDIARIES?

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Dunbar. Jura. m-Bridge. e-CNY. Digital Dollar. Helvetia. Sand Dollar. e-Naira. From the Caribbean to Australia, it seems like almost everywhere you look these days, central banks are planning, researching, launching and collaborating on central bank digital currency (CBDC) initiatives. In fact, according to the Atlantic Council, the number of countries actively exploring a CBDC has grown from 35 in May 2020, to 87 now - representing more than 90% of the world's GDP. Nine countries have already fully launched a digital currency, and 14 are in the pilot stage with ongoing preparations for a full launch.[1]

We also found out in February that India is pressing ahead with its own CBDC - the digital rupee. While simply being a digital representation of the paper form of currency, this has the potential to vastly reshape the monetary landscape across the rapidly evolving subcontinent - providing a large boost to the increasingly digital Indian economy, democratising access to money and doing so in a cheaper, more efficient manner.

We don't currently have comprehensive details on what the digital rupee will look like in the first instance. For example, will it be wholesale (w-CBDC) or retail (r-CBDC)? Will it be blockchain-based? Will the validation be based on tokens or accounts? Will it be distributed directly by the Reserve Bank of India (RBI) or through participating banks? Answers to these questions will become clearer in the coming months, as this bold new venture makes its way through the legislative design process.

One other important question to ask now, however, is what effect the digital rupee and CBDCs globally will have on the role of intermediaries - the institutions which manage the retail payments domain, facilitate access to foreign markets, and clear and settle cross-border transactions on behalf of their wholesale clients. Much has been said about the ability for CBDCs to 'cut out the middle man'. But does the introduction of CBDCs mean that the traditional role of the 'intermediary' will soon be redundant?

One other important question to ask now, however, is what effect the digital rupee and CBDCs globally will have on the role of intermediaries - the institutions which manage the retail payments domain, facilitate access to foreign markets, and clear and settle cross-border transactions on behalf of their wholesale clients. Much has been said about the ability for CBDCs to 'cut out the middle man'. But does the introduction of CBDCs mean that the traditional role of the 'intermediary' will soon be redundant? Will we soon move to a world where retail customers withdraw their deposits from banks to park them with the central bank instead; where companies sidestep the international banking framework to atomically settle goods, services and payments on a distributed ledger without the involvement of an intermediary at all; and where local investment funds seeking wider access to international markets directly seek out their

counterparties and convert their digital rupees to gain exposure in a foreign currency?

To answer this question, let us consider that in its simplest form, a digital form of fiat currency isn't necessarily revenue-generating by itself; it's more about reducing costs, enhancing access and raising efficiency. It makes the architecture of clearing, settling and processing transactions more efficient, but may not itself generate additional revenue without value-added services. And while CBDCs will change the infrastructure of money, central banks likely have no desire to become financial intermediaries themselves. Indeed, intermediaries have always played a critical role in the banking and market frameworks by providing value-added services, and that will continue to be the case, as demonstrated by the many recent exploratory CBDC projects which have involved the participation of banks. Adaptation to the digitalisation of global currencies and monetary ecosystems will help to identify new business opportunities for intermediaries to serve clients:

"Banks, fintechs and big techs are best placed to use their expertise and creativity to lead innovative initiatives, and integrate payment services with consumer platforms and other financial products….Central banks and payment service providers (PSPs) could continue to work together in a complementary way, with each doing what they do best: the central bank providing the foundational infrastructure of the monetary system and the private PSPs using their creativity, infrastructure and ingenuity to serve customers."[2]

Take digital wallets. If a r-CBDC is distributed via a network of local participating intermediaries, they could design value-added wallet services that take account of both present and future payment needs. Simple examples include providing programmatic CBDC transfer and payment services to authorities, utilities and other merchants, savvy periodic reporting of a customer's CBDC usage for saving purposes, and partnerships which see intermediaries match consumers' micropayments to ESG initiatives, digital assets or other causes. At the business level, land owners producing carbon credits in India through local carbon capture initiatives or abatement projects could use brokers to enter into derivatives to hedge against future carbon price movements, and be paid directly in CBDC when subsequently selling the units - with the underlying documentation and assurance forming part of the smart CBDC contract.

On the institutional side, as lead managers secure new institutional clients for a pre-IPO bookbuild, they could add new code to a smart contract that would atomically transfer the CBDC between wallets and settle the shares when they are issued. Banks could offer automatically programmable bond coupon payment services in CBDC when pitching for new clients. Traditionally manual-based repo services and cash collateral management processes could be made highly efficient, with Treasury and cash management service offerings able to provide clients an instantaneous, whole-of-wallet view of their cash and security holdings across every account. Brokers, clearinghouses and custodians could buttress account segregation types for cash margin with full traceability, strengthening clients' confidence that their funds are legally separated yet operationally commingled. Even the process of collecting margin itself could be expedited; a sizeable market move could see pre-defined parameters met in a cash collateral smart contract, which automatically moves CBDC variation margin to the broker's margin maintenance account, bolstering overall financial stability.

At the international level, brokers and intermediaries will continue to play a critical role in accessing foreign markets for Indian companies, finding demand and supply overseas, and providing, managing and enhancing FX liquidity in multiple currencies on common underlying DLT platforms for imports and exports of goods and services settled in CBDC.

At the international level, brokers and intermediaries will continue to play a critical role in accessing foreign markets for Indian companies, finding demand and supply overseas, and providing, managing and enhancing FX liquidity in multiple currencies on common underlying DLT platforms for imports and exports of goods and services settled in CBDC. It's the same for finding targets for large international private placements, prime brokerage, cash mergers and takeovers and cornerstone investment. A

permissioned node on cross-border platforms would also give brokers the ability to write transactions onto a block itself, enhancing existing clients' confidence about the smart contract code, and potentially drawing new ones. This broker-intrinsic ability to find cross-border business opportunities through established connections and arrangements cannot be easily replaced by a digital currency alone, nor is it intended to be.

In all of these discussions, it's good to know that from 'finding the other side', to liquidity management, AML, KYC and CFT processes, digital wallet management and the provision of innovative, value-added services to both retail and institutional stakeholders, the digital future looks bright for those intermediaries who take the initiative and capitalise on the early mover advantages. Intermediaries stand to gain from a CBDC, and the opportunities are there. Fortune favours the brave. And the innovative.

It's also important to keep in mind that in a CBDC system, central banks probably won't want to take on the digital ID verifications and compliance processes associated with onboarding individuals and entities to the digital platform (AML, CFT and KYC to name a few), nor maintain the only node which would process every transaction (be it retail or wholesale); indeed, these would clog up the system rather messily and blow out the central banks' bottom lines. The RBI would likely choose trusted intermediaries to act as validators on their own nodes, and given the potential upside when it comes to financial inclusion and serving the underbanked in India, this is a large growth area. The process to clear these onboarding hurdles as a prerequisite to joining the CBDC account network could be the domain of intermediaries, as could ongoing account monitoring.

The Bank for International Settlements has stated: "Central banks might accommodate evolving user needs by designing a flexible core system, supporting a diverse ecosystem of intermediaries delivering choice, competition and innovation. As payments become increasingly integrated into digital living, a CBDC available to innovators could combine innovative payment features into a single product in a new and unique way."[3] Across the retail, institutional and international landscapes, accelerating demand for new product and service offerings which can be seamlessly integrated with CBDC wallets and accounts will drive innovation, choice and competition in credit and investment across intermediaries; a net benefit for everyone.

There's no doubt that accelerating digitalisation will overhaul the nuts, bolts and pipes of India's financial infrastructure. But the digital rupee's success will also largely hinge on the innovations and offerings of new financial services that stand on the shoulders of that infrastructure. In all of these discussions, it's good to know that from 'finding the other side', to liquidity management, AML, KYC and CFT processes, digital wallet management and the provision of innovative, value-added services to both retail and institutional stakeholders, the digital future looks bright for those intermediaries who take the initiative and capitalise on the early mover advantages. Intermediaries stand to gain from a CBDC, and the opportunities are there. Fortune favours the brave. And the innovative.

1. https://www.atlanticcouncil.org/cbdctracker/
2. https://www.bis.org/publ/arpdf/ar2021e3.htm
3. https://www.bis.org/publ/othp42.htm

Rishi is part of the team responsible for coordinating AFMA's efforts and initiatives across a range of policy fronts, including ESG, sustainable finance, financial technology, digital assets, data, regulatory reporting, prudential matters, benchmark reform, financial market infrastructure and other Australian market developments. He convenes a number of AFMA committees and working groups, and holds responsibility for AFMA's engagement with the Australian and international fintech system and AFMA's Australian carbon market development initiatives.

He has over 15 years of experience in the institutional financial industry, across roles in global banking and markets, regulators, and industry associations. He has previously held roles directing ISDA's Asia-Pacific public policy initiatives in Hong Kong, and at ASIC and Deutsche Bank in Sydney. He leverages this experience to provide strategic advice on key financial market policy issues in the cash and derivative markets across the exchange and OTC spheres, and bolster AFMA's advocacy and engagement with regulators, trade associations and international fora across the Asia-Pacific region. He is based in Sydney.

EU SUSTAINABLE FINANCE STRATEGY: THE CONTRIBUTION OF DERIVATIVES

STEPHANIE HUBERT
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The mitigation of climate change is one of the major challenges our planet is facing. Through its Green Deal, the European Union aims to become the first climate-neutral continent in the world by 2050, meeting ambitious goals such as reversing biodiversity loss and strengthening resilience to climate change. Reaching these targets will require action from all sectors of the economy, the financial sector being a catalyst for change. Through the various tools it provides, it plays a leading role in helping harness the massive funding needed for the transition towards sustainability. As such, the European Commission assessed financing needs of € 350 billion per year to meet the 2030 emissions-reduction target in energy systems alone and € 130 billion for other environmental goals.

In this context, the European Union (EU) has enacted several pieces of legislation applicable to the financial sector. The focus has been on developing direct financing instruments both from the supply side, with regulations such as the EU Green Bond Standards or the Sustainable Finance Disclosure Regulation - SFDR (which helps identify sustainable products) and the demand side, with the requirement to consider clients' sustainability preferences included in the investment services legislation (MiFID II), the investment funds regulations (UCITS/AIFMD) and the Insurance Distribution Directive.

Derivatives in the shadow of the EU Sustainable finance regulation

These regulatory initiatives took priority, as their inherent focus was a direct contribution to the financing of sustainable activities. A core component of financial markets, derivatives, has however remained in the shadow of these developments. Considering their indirect contribution to the funding of companies & projects and their versatility which may create complexities, their contribution to the transition has not been assessed in detail thus far. So what about derivatives? Can they be useful instruments in transforming the EU economy or is their contribution too indirect and uncertain to be worthwhile?

So far, EU institutions seem to have chosen the latter. For instance, according to SFDR, derivative products cannot per se claim to be sustainable products and a product claiming to be sustainable cannot disclose exposures achieved through derivatives as sustainable investments.

A similar reasoning applies to the Green asset ratio that financial institutions will have to publish according to the Taxonomy Regulation[1], a ratio whose purpose is to disclose the portion of the total assets of the financial institution invested in green activities. Derivatives will be included in the total assets considered but cannot be part of the green assets constituting the numerator. This means that derivatives are considered by nature as unable to contribute to the development of sustainable activities and the institutions offering them could not, even in theory, achieve a green asset ratio of 100%. The EU institutions explained such a rather cautious approach to derivatives by the lack of reliable methodologies in determining the taxonomy-alignment of exposures achieved through derivatives.

This leaves hope that the role of derivatives in the economy and in facilitating the transition to sustainability can be acknowledged and that this is merely a matter of carrying out further work on how to precisely assess this contribution.

Derivatives: old tools, as important as ever for the transition to sustainability

At AMAFI, we have started working with our member firms to think it through, as we believe that derivatives, as a useful tool to the economy in general, remain even more so when it comes to a sustainable economy.

The important role of derivatives in the economy

By allowing companies and investors to minimize the consequences of unfavourable changes in interest rates, exchange rates, prices or even volatility, derivatives enable them to hedge the risks associated with their activities and investment strategies. They do so in one of the most cost-effective and flexible ways, allowing bespoke coverage of specific risks when needed. In this regard, derivatives help companies and clients in their projects and investments, including longer term ones, by allowing the management of some of the uncertainties associated with such time horizon.

Moreover, the ability of an investor to cover the risks of their portfolio directly contributes to their appetite to buy securities in the primary or secondary market, thus to participate in the financing of the issuer concerned. As such, derivatives help provide liquidity in the market of the concerned securities and play a key part in enabling investments, including on the longer term. In other terms, derivatives also play a role in raising capital. They facilitate the risk-taking of investors who commit capital to an issuer's project or activity since they allow them to limit this risk.

Derivatives also facilitate access of debt issuers to the markets by securing the conditions of their fundraising through hedging. They allow issuers to better control their financing costs and thus their capital cost, on which depends their capacity to engage in new developments and projects.

In a world of increasing uncertainties linked to climate risk, derivatives are an essential means for economic agents to hedge their risks and facilitate their financing. These key functions could represent a substantial component of the financial sector's contribution to the EU Green Deal.

The conditions for contributing to sustainability

Their capacity to play this role will depend on the way these products are used. All derivatives do not contribute to sustainability but there are conditions under which they do.

These conditions first relate to the purpose of the derivative, as the same derivative placed in different contexts could result in very different outcomes. Examples of such purpose could be that of a derivative aiming at hedging the risk of a sustainable project or of a derivative encouraging the achievement of ESG targets by linking them with favourable economic terms (a.k.a. sustainability linked derivatives).

Other conditions may relate to the underlying of the derivative. For instance, a derivative with an underlying eligible to the European Taxonomy could qualify as contributing to sustainability under certain conditions.

Another meaningful characteristic when associated with the purpose of the derivative is its counterparty. As an example, one could consider the proportion of the counterparty's turnover derived from sustainable economic activities as defined by the Taxonomy Regulation.

Focus could also be drawn to those derivatives, such as asset swaps, which enable investment into sustainable activities. In this respect, a breakthrough was reached recently in France between the financial industry and the market authority as regards investment funds gaining exposure to ESG assets through total return swaps (TRS). These are now recognised as sustainable products and can be marketed as such, providing notably that the hedging of the TRS leads to the holding of at least 90% of the assets concerned. This illustrates that it is possible to reconcile the use of derivatives with the investors' concern to have a real impact through their investments.

These examples show that finding an appropriate methodology to consider the contribution of derivatives to sustainability is key. This requires more thinking and discussions. As we can see, although the EU has made considerable strides in setting the conditions to transition to a sustainable economy, the work is not finished yet. In fact, the need to dig further into the contribution of derivatives to sustainability echoes a larger reflection about how the full potential of financial markets to the transition can be harnessed.

1. An EU legislation that defines under which conditions an economic activity can be considered as sustainable or transitional.

Stephanie Hubert is the Deputy General Manager of AMAFI (Association française des marchés financiers), the representative body for professionals working in the securities industry and financial markets in France. She is notably in charge of sustainable finance for the Association.

She has more than twenty years of experience in various management roles in the banking and financial industry.

After beginning her career at Credit Agricole Indosuez on the FX and Treasury markets, she held management positions at JP Morgan in London (equity and fixed income markets) and Paris (private banking). She worked at AMAFI as a Compliance Director from 2008 to 2015 before joining AXA Investment Managers, an asset management firm, as the Compliance Head for France. She then became a member of the Executive Committee of ABN AMRO France as the Group Compliance Head locally, before joining again AMAFI in October 2021.

Graduated from EDHEC Business School and from Laval University in Canada with an MBA, she also holds a Company Director certificate from IFA-Sciences Po Paris.

FINTECH OUTLOOK IN TURKISH CAPITAL MARKETS

SERDAR SÜRER
Secretary General
Turkish Capital Markets Association (TCMA) (Istanbul, Türkiye)

The use of technology in the field of finance has become widespread in recent years. Financial technologies, abbreviated as Fintech, affect the production and distribution process of financial services. Advances in artificial intelligence, mobile applications, cloud computing, big data analytics and distributed ledger technology bring new opportunities for the financial sector. These technologies not only change the business models of financial institutions, but also deepen financial access. The Turkish Capital Markets Association closely monitors technological developments and strives to develop the necessary regulations to ensure the resilience of the capital markets.

Especially with the emergence of the Covid-19 outbreak, we observed an increase in the use technology in the Turkish capital markets. Domestic retail investors prefer online (internet) trading while direct market access (DMA) channel is frequently used by foreign institutional investors engaging in algorithmic trading and high frequency trading. As of 2021/09 the share of internet and direct market access volume reached 57% and 23% respectively for equities and 38% and 29% for futures transactions in the domestic market.

Even before the pandemic, electronic participation in general assembly meetings was obligatory for listed companies in Borsa Istanbul. The Electronic General Meeting System developed by Central Securities Depository, made possible for shareholders to exercise their shareholding rights during the pandemic.

In addition to the issues related to the pandemic, I would like to give information about the development of financial technologies in Türkiye.

Advances in artificial intelligence, mobile applications, cloud computing, big data analytics and distributed ledger technology bring new opportunities for the financial sector. These technologies not only change the business models of financial institutions, but also deepen financial access. The Turkish Capital Markets Association closely monitors technological developments and strives to develop the necessary regulations to ensure the resilience of the capital markets.

Moreover, fintechs are altering traditional access to capital models in several ways, such as crowdfunding platforms.

In Türkiye, crowdfunding activity came under the jurisdiction of the Capital Markets Board of Türkiye with the Communiqué on equity-based crowdfunding issued in October 2019. In October 2021 a new Communiqué has been published replacing the previous one. The new regulation covers debt-based crowdfunding in addition to the previously regulated equity-based crowdfunding. As the end of 2021, 6 crowdfunding platforms are authorized by CMB. 3 of them are established by local brokerage companies.

Fintechs are mostly active in the post-trade services such as clearing, custody, and settlement parts of the value chain, and most of the innovation investments are made in these areas. Moreover, Borsa Istanbul Group (Borsa Istanbul, Takasbank, CSD) also attaches great importance to technology and innovation in the financial sector.

Borsa isitanbul focuses on the technological transformation in its post-trade services and developing various projects. The Gold-Backed Digital Asset Transfer Platform was established by Istanbul Settlement and Custody Bank (Takasbank) in 2018 to create an infrastructure that will allow for the execution of transfer of dematerialized gold at certain standards with their physical equivalents kept in safe custody using blockchain technology. The asset to be traded on this Platform is the digital value called "BIGA", which is produced in return for each gram of gold that is physically stored in Borsa Istanbul vaults. BIGA is the world's first physical gold-backed blockchain-based transfer system.

The government announced its goal of establishing a safe fintech ecosystem which provides equal opportunities for companies in line with international good practices in the 11th Development Plan covering 2019-2023. With this vision, a draft national fintech strategy document was open to consultation recently.

Fintechs are also gathering and processing data, and in some cases creating new revenue sources to capital markets institutions through data, analytics, and information services solutions.

Robo-advisory services are not specifically regulated in Türkiye. Nevertheless, investment institutions cooperate with financial technology companies and offer robo-advisory services designed by fintechs to their customers. We expect these innovations to expand the distribution channel and enable a wider audience to access investment consultancy or portfolio management services. Moreover, pension plan providers and mutual funds cooperate with financial technology companies, as the end of 2021, 5 robo-advisor companies are operating. The recent draft National Fintech Strategy Document envisages defining the robo-advisory legislation, which would help further development of this business.

Tech-focused mutual funds are growing.

Parallel to global investor behaviour, we also observe an increasing interest in technology focused investments in Türkiye. Accordingly, many funds with tech-focused investment theme have started to be established by portfolio management companies recently. Those new thematic funds include investing in industries that are expected to grow in the future, such as new technologies, clean energy, biotech, disruptive technologies, fintech and blockchain technologies.

Türkiye targets becoming one of the world's leading countries in financial technology and innovation

The government announced its goal of establishing a safe fintech ecosystem which provides equal opportunities for companies in line with international good practices in the 11th Development Plan covering 2019-2023. With this vision, a draft national fintech strategy document was open to consultation recently. Given the government's efforts to develop financial technology sector and the dynamic nature of the capital markets eager to adopt new technologies, I am confident that Türkiye will become one of the leading countries in financial technology and innovation as foreseen in this draft document.

Serdar Sürer graduated from Anadolu University, Faculty of Economics and Administrative Sciences, Department of Economics, and started his career at Ekinciler Securities in 1996. Serving as the securities manager and mutual funds manager in the same institution, he continued his career at Global Securities as branch manager, from 2000 until 2002. In 2002, he joined the treasury department at Halkbank and served as the manager of the bonds and bills department, and then became director of the money and capital markets department. He worked for Halk Securities between October 2017 and June 2019 as general manager. Lastly, between July 2019 and August 2021, he assumed the positions of assistant general manager in charge of treasury and international banking at Halkbank, and chair of the Board of Directors at Halk Securities. He served as board member at TCMA, the Capital Markets Licensing, Registry and Training Agency and the Central Registry Agency at various times.

BETWEEN SUSTAINABILITY, TECHNOLOGY AND EFFECTIVE COMMUNICATIONS, MEXICO'S FINANCIAL MARKETS ARE MOVING FORWARD

ALFREDO HUERTA CHABOLLA
Member of the Analysis Committee representing Indexity

Asociación Mexicana de Instituciones Bursátiles A.C. (AMIB) (Mexico)

The appeal in favor of the environment is reaching the Mexican Stock Market through our country's Stock Exchanges, the Mexican Stock Exchange "BMV" and the Institutional Stock Exchange "BIVA".

Years ago, the BMV defined the sustainability index that allowed to group a number of issuers of securities as companies linked to continuous work in environmental, social and corporate governance matters and with a very clear vision of their business and potential growth at a national and international level. This has allowed them to be recognized as responsible companies by both domestic and foreign investors and to be able to access to capitals concerned about the future, because of their sustainable practices, in addition to being identified as lower risk companies in times of great uncertainty, such as 2020. Currently this index is known in the market as the S&P/BMV/Total Mexico ESG Index.

It is made up of 30 of the country's largest companies listed in the capital market and many of them have also taken advantage of the opportunity sale with the issuance of long-term public debt.

There is also a platform coordinated by the BMV, Mexico CO2, which is responsible for encouraging the development of environmental markets that seek to promote the transition to a low-carbon economy. Mexico was the first country in the world to issue a sovereign sustainable bond, merging projects with social and environmental benefits.

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The green finance market is growing worldwide. As a result of international agreements against global warming, governments have set clear goals to reduce their polluting emissions and greenhouse gases and, in the process, are involving the private sector, especially the world's entire financial ecosystem.

Companies and investors in Mexico are already very active on this matter. The year of 2021 was a record year for sustainable bond placements in the market, raising just over 36 billion pesos (equivalent to 1.75 billion dollars) on the BMV and around 14 billion pesos (equivalent to 680 million dollars) in BIVA. Some recent examples:

Last October, Fibra Uno successfully placed a sustainable bond for an amount of $8.1 billion pesos (US$400 million) for projects aimed to reduce energy consumption and/or clean energy, among others.

Volaris was the first airline in Latin America to place a $1.5 billion (US$73 million) bond in order to reduce carbon emissions.

Last September, Coca Cola Femsa placed a $9.4 billion (US$473 million) bond linked to the efficient and sustainable use of water.

Last September, the BMV launched a program to promote sustainable companies in Mexico that wish to implement and improve their environmental, social and

corporate governance strategies. This initiative is open to companies seeking funding for the first time through the Mexican Stock Exchange, as well as to those already registered and other institutions in the Mexican Stock Market.

As a result of the Paris Agreement, Mexico has proposed 30 actions to reduce its greenhouse gas emissions, and the BMV signed up to the Alliance of Financial Institutions Towards Zero Net Emissions. Furthermore, for the first time, the Mexican Stock Exchange (BMV) was selected to be part of the Dow Jones Sustainability MILA Pacific Alliance Index, the first stock exchange in the region to be part of this index.

Meanwhile, BIVA issued securities for a Real Estate Investment Trust (Fibras) of SOMA Managment for $6,768.5 million pesos (equivalent to 330 million dollars) and also issued the first social bond for the recovery and reactivation after covid-19 in Mexico and the world, for an amount of 5 billion pesos, in addition to the placement of the first multilateral bond for gender equity for an amount of 2.5 billion pesos.

Also during 2021, the stock market institution launched BIVA Cloud, which offers an innovative and useful platform for the distribution of financial and stock market information, that uses the best data technologies in the cloud to make information always available worldwide.

As for the digital operation now in financial markets, institutions have been preparing for some time to be able to take advantage of any technological window within the regulatory framework. Some institutions are:

GBM, with its GBM+ platform, always proactive, integrates three investment products: Smart Cash, Wealth Management and Trading, "which make the investment process easier for Mexicans by providing a totally digital solution with the possibility of opening accounts in minutes from a cell phone or web site".

As said before, GBM+ offers Smart Cash. This tool provides rates similar to CETES (Mexican government securities with terms of up to one year), with daily liquidity.

The platform holds nearly 60% of the market's accounts and you can open an account starting at $100 (about five US dollars).

Kuspit is another institution that pioneered as a Brokerage House, in terms of approaching normal people who do not have huge capital, and facilitated investments starting at $100 pesos (4.9 dollars), when in the past you had to own 100,000 pesos or more to be able to invest (4,880 dollars).

Kuspit allows "to offer investment services and payment alternatives to the clients of any company that offers other types of services on the web", and has contributed with more than 40% of the recent development of the industry.

Currently, these APIs facilitate this integration, through a communication protocol and can enable two completely different applications to communicate with each other. In such a way, in the API, companies that offer payroll services, collection, payments, e-commerce, trading of goods and services over the Internet - in general any Fintech -, can now offer investment services and payment alternatives for their customers.

By signing up their customers, these may invest in more than two thousand five hundred financial products that are available on the platform, business management of benefits and payroll, in addition to being connected to the SPEI (Interbank Electronic Payment System).

Finally, the debt and capital markets in Mexico need to be spread more widely so that, all investors, from individuals to corporations, can get to know the participating companies and have visibility of the financial performance of each one, as well as through diverse media sources that help society in general to have the opportunity to learn more about Mexican companies.

Indéxity, starts operations with the objective of providing all this information on the financial performance of companies through simple to understand charts that allow investors to review them and make their investment decisions.

Alfredo Huerta Chabolla is an Industrial Engineer graduated from the Panamericana University, specialized in Senior Management at IPADE Business School; Financial Risk Management and Strengthening of Technical Analysis through IFTA (International Federation of Technical Analysts) in New York, Ireland, France and Mexico.

With 25 years of experience as an Independent Stock Market and Financial Advisor, position which is regulated by the National Banking and Securities Commission of Mexico; Instructing to Banking, Non-banking and Industrial Financial Institutions in the areas of treasury, risk management and trading.

In his professional career, he has held positions both in General Management and in Market Strategy Management in different stock market operators. He has participated in various Committees, such as the Investment Committee in Pension Funds for more than 23 years; as well as in the Analysis Committee of the Mexican Association of Securities Institutions.

For 26 years he has participated in the media, on radio, television and documentary with his column "Finance24" and "Business" in the 24 Hours Newspaper. Also, he has participated in occasional interviews in different media such as Televisa, ADN 40, El Financiero and Bloomberg.

He is a professor at the Panamericana University, teaching classes in Business degree and master's degrees (International Finance) in Portfolio, Investment Analysis and Technical Analysis. He has also developed as a lecturer in Private Companies, Associations and various Universities on Economics and Financial Markets.

Now he develops as the Founding Partner of Indexity and HN Markets.

THE INDIVIDUALS ON THE RUSSIAN REPO MARKET: AN OVERVIEW AND THE PERSPECTIVE REGULATORY DEVELOPMENTS

ANDREY KRYLOV
Head of Securities Markets
National Finance Association (NFA) (Russia)

Repo markets play a vital role in contributing to the flow of securities and cash within the financial system on the national and global levels.

For the time being, the Russian repo market and the international repo market were designed for the institutional financial market participants. At the institutional level, the following users could be identified: central banks, governments, banks, hedge funds, insurance companies, pension funds, corporates, corporates, market infrastructures and others.

But not only institutional financial market participants are presented on the repo market. Individuals are also on the market, mainly represented by affluent, HNWIs and Ultra-HNWIs individuals, who have securities in their investment portfolio.

The current Russian market trends aim to actively involve creditworthy individuals in managing their finances, including through investing, and managing the risks associated with this investment, which implies a further expansion of the presence of individuals in financial markets.

I. Overview of the representation of individual investors on the Russian repo market.

According to the data and results of the Russian Repo Survey, conducted by SRO NFA, from 2020, the significant interest from individual investors in managing their securities market portfolios using the repo market could be noted. The total volume of repo transactions with individual investors - residents of the Russian Federation in the internal market increased mostly threefold, as shown in Fig. 1. But not only the trading repo volumes increase significantly, but the number of repo transactions with individual investors also gained around as shown in Fig. 2. Direct repo transactions with individuals on OTC repo markets prevail over the repo transactions on the exchange market. Quantitatively, direct OTC repo transactions are also prevailing on reverse OTC repo transactions and repo transactions on the exchange.

Fig. 2. The number of repo transactions with individuals - residents of Russia

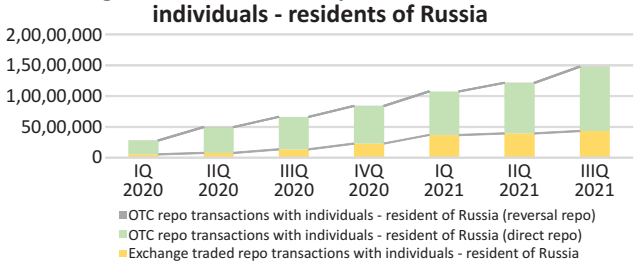
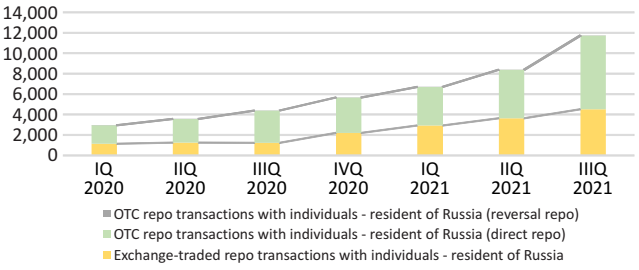


Fig. 1. Total volume of repo transactions with individuals - residents of Russia in the internal market, bln. rubles



The current Russian market trends aim to actively involve creditworthy individuals in managing their finances, including through investing, and managing the risks associated with this investment, which implies a further expansion of the presence of individuals in financial markets.

In a comparative analysis of the number of repo transactions with individual investors - residents of the Russian Federation, in the IIIQ 2021, both on the exchange market (74%) and on the over-the-counter market (50%), transactions with individuals - residents of Russia prevailed over transactions with other counterparties (see Fig. 3 and Fig. 4. below).

Fig. 3. The number of OTC repo with individuals, IIIQ 2021

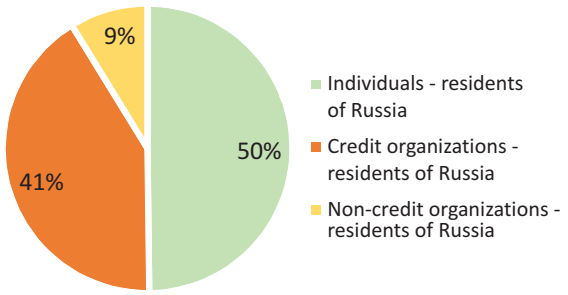
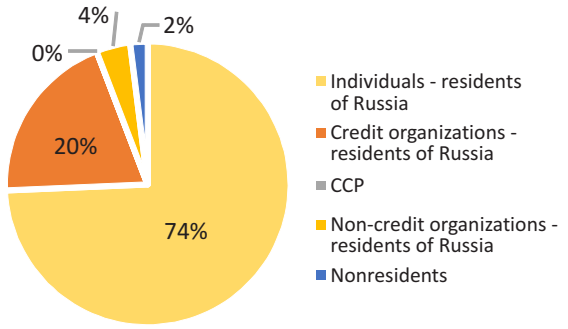


Fig. 4. The number of exchange-traded repo with individuals, IIIQ 2021



> **Close-out netting has been introduced into the legislation of most jurisdictions around the world where the development of the financial market is at a fairly high level. This makes it possible to ensure the stable extensive development of the market, the stability of civil circulation and the stable circulation of capital.**

If in terms of the number of transactions, repo transactions with individual investors- residents of Russia significantly prevailed over transactions with other types of counterparties, then in comparison with the total volume of repo transactions, the shares of the volume of repo transactions with individual investors on the exchange and OTC repo market amounted to 4% and 10% respectively (see Fig. 5 and Fig. 6 below).

Fig. 5. Total volume of exhange-traded repo with individuals on the internal market, IIIQ2021, %

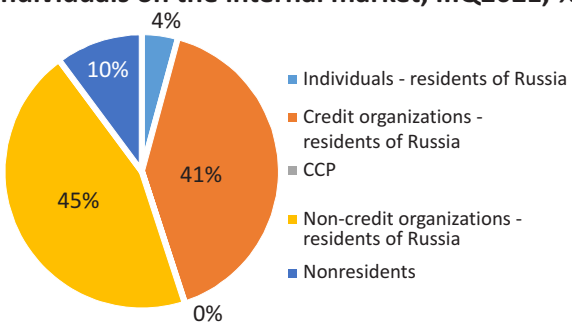


Fig. 6. Total volume of OTC repo with individuals on the internal market, IIIQ2021, %

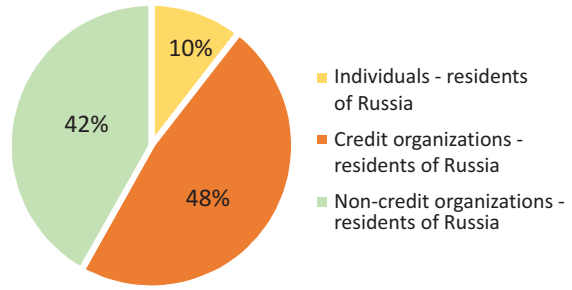
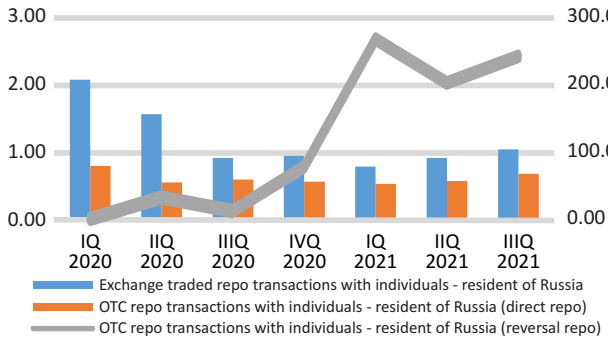


Fig. 7 shows the average size of a REPO transaction with individuals from 2020 to 2021 QoQ. The average size of repo transactions on the exchange market is significantly lower than the average size of reversal repo transactions on the OTC market. That's based on the high number of repo transactions with individuals on the exchange market and a lower number of repo transactions with individuals on the OTC reversal repo market.

Fig. 7. The average size of repo transactions with individuals on the internal market, mln. rubles



II. The introduction of close-out netting for repo transactions with individuals: assessment and perspectives

The increased number and volume of repo transactions with individuals on the Russian repo

market requires considering the possible steps and measures to provide individuals with wider protective measures on the market.

One of the key effective risk mitigation tools on the repo market is close-out netting, which helps to reduce the exposure and counterparty risk, prevent contagion, and enhance market liquidity.

> **The active involvement of individuals in the various financial market sectors changes the market and requires from the regulatory authorities and SROs an additional assessment of the market's consequences on the increased volumes of the individuals on the market.**

Close-out netting has been introduced into the legislation of most jurisdictions around the world where the development of the financial market is at a fairly high level. This makes it possible to ensure the stable extensive development of the market, the stability of civil circulation and the stable circulation of capital. But the globally implemented framework of close-out netting was designed for wholesale and institutional market participants and does not cover the repo or other transactions with individuals.

The professional market participants on the Russian repo market face the problem of not only effectively assessing the credit quality of an individual as a counterparty in such transactions, but also with the worse position of the financial institution-creditor in the event of bankruptcy proceedings against the counterparty - an individual. Individuals are also in a worse position in the event of the bankruptcy proceedings of a financial institution.

The introduction of close-out netting into Russian Federal Law No. 127-FZ dated October 26, 2002 "On Insolvency (Bankruptcy)" and some other regulatory legal acts made it possible to reduce systemic and credit risks as much as possible when Russian business entities make transactions with financial instruments and thereby increase the stability and reliability of the national financial system.

The current regulatory requirements for the application of close-out netting in Russia:

- Master agreement (single contract).
- Time limit (is concluded before the date of appointment of the provisional administration, or before the date of the adoption of a decision by the arbitration court on the introduction of one of the bankruptcy proceedings, or before the date of revocation of the banking license, whichever date is earlier).
- Limited subject composition.
- Repository reporting.

However, the use of close-out netting is limited by subject composition, as stated above. Thus, Article 4.1 of the Bankruptcy Law states that the close-out netting provisions do not apply in cases provided for in Chapter X of the Bankruptcy Law (Individuals Bankruptcy).

The difference in approaches regarding the use of close-out netting puts market participants and individuals in different positions, given that transactions are carried out by participants based on standardized documentation, participants acting as the second party to a transaction with an individual, as a rule, are obliged to provide information on transactions to the repository under the legislation of the Russian Federation.

III. Conclusion

Summing up, it is not beyond the reach of reason to suggest the discussions on the necessity of the introduction of close-out netting for repo transactions with individuals and the necessity of the changes to Russian legislation will continue. The active involvement of individuals in the various financial market sectors changes the market and requires from the regulatory authorities and SROs an additional assessment of the market's consequences on the increased volumes of the individuals on the market.

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

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

GROWING GREEN - THE SINGAPORE ESG WAY

MELINDA SAM
CEO
Securities Association of Singapore (SAS) (Singapore)

The United Nations Climate Change Conference (COP26) summit announced in Glasgow in November 2021 signifies the overall ambition to keep the 1.5 deg C global warming within reach. Is this a tall order or an achievable goal?

Stakeholders must take a serious view to translate the COP26 pledges and agreements into action and take ownership as business leaders.

Governments, businesses and individuals all have an important role to play in protecting our natural world.

How did the term Environmental, Social and Governance (ESG) came about?

The ESG was coined in a landmark study, **Who Cares Win**[1], published by the then United Nations Secretary General Kofi Annan and facilitated by the UN Global Compact in 2004.

It brought global financial institutions together to develop guidelines on ESG issues and connecting the financial markets to a changing world.

It calls for sound corporate governance and risk management systems that are crucial prerequisites to successful implementation of policies and measures to address ESG challenges. These areas are intertwined.

In a **study by WWF Singapore and Accenture**[2] in 2021, 80% of consumers in Singapore care strongly about the environment.

There is a noticeable shift in consumer behaviour with the millennials and younger consumers more likely to research the environmental impact of a product or service and support those brands that show a more responsible stance on sustainability.

Singapore has shown its commitment to global climate action by recognizing the urgency of the climate crisis. It has rolled out the Singapore Green Plan 2030 and the Long-term Low emissions Development Strategy (LEDS).

What can government and business leaders do to progress the goals of sustainability and move towards the circular economy sought by these discerning consumers? One way is to establish a progressive stance on sustainability.

Recent ESG Developments in Singapore

Singapore has shown its commitment to global climate action by recognizing the urgency of the climate crisis. It has rolled out the Singapore Green Plan 2030 and the Long-term Low emissions Development Strategy (LEDS).

Singapore's Finance Minister Mr. Lawrence Wong has announced at the Budget Day in February 2022 that businesses will be able to use high-quality international carbon credits to offset up to 5 per cent of taxable emissions, in lieu of paying the carbon tax.

He also announced a hike in carbon tax to accelerate Singapore's ambition to reach net-zero

emissions by or around 2050 as it transitions to a green economy.

An industry commitment by eight Singapore retailers signed the Plastic Action Retail Bag Charge (PACT) initiative to significantly reduce the production of plastic packaging and single-use bags.

> **The Greenprint Project provides foundational digital infrastructure that aggregates new and existing ESG data from ground-up across multiple sectoral platforms and solutions to facilitate trusted ESG data flows between the financial sector and the real economy - both within Singapore and globally.**

There was a lackadaisical interest on ESG issues in the stockbroking industry some years ago with many businesses either ignoring or not keeping this on its business agenda. Since then, the pace has quickened with heightened interest along with regulatory changes driving the industry.

The Singapore Exchange has introduced new climate and enhanced board diversity disclosures to take effect this year which include:

- **New sustainability reporting requirements** - which include issuers having to subject their sustainability reporting processes to internal review, and having to issue their sustainability reports together with their annual reports unless they have conducted external assurance;
- **New climate reporting requirements** - which stipulate that issuers must provide climate reporting on a "comply or explain" basis in their sustainability reports, from financial year 2022 onwards;
- **Enhanced board diversity requirements** - such as issuers being required to set a board diversity policy that addresses gender, skill and experience, and other relevant aspects of diversity.

Monetary Authority of Singapore (MAS) proposed new rules

Greenwashing presents a risk to industry efforts to advance sustainability considerations in investment processes. Companies in demonstrating their efforts on sustainability may go overboard and make false promises, leading to greenwashing. The MAS will therefore issue new anti-green washing rules for ESG funds to mitigate such risk.

Without reining in the risks, it will erode investor trust and market credibility. Fund managers must ensure their sustainability commitments reflect actual capabilities and practices. Mechanisms must be in place to monitor compliance with the stated ESG investment objectives.

In the portfolio risk management process, MAS expects clear quantitative targets and consistent application of ESG risk assessments with greater client engagement.

- **Environmental risk** - Financial Institutions (FIs) are required to make climate-related financial disclosures that are aligned with the IFRS Foundation's International Sustainability Standards Board. When developing internal risk assessment methodologies, FIs are to quantitatively rate the environmental risks posed by investee companies. These include linking senior management remuneration structures and conducting scenario analysis to enhance portfolio resilience to environmental risks.
- **Liquidity risk** - MAS also expects FIs to manage liquidity risks and meet redemption requests through implementation of liquidity risk management tools and supplemental measures which are crucial for a fair, orderly and transparent market.
- **Technology risk** - As FIs leverage on the use of new technologies including artificial intelligence, data analytics and robotic process automation, there could be a potential increase in cyber risk and data security risks.

While harnessing new technologies to bring greater value to investors, FIs must at the same time be able to respond to a fast-evolving environment and mitigate the chances of risks or misuse of the technologies. MAS is expected to seek public feedback through a consultation process soon.

Singapore Project Greenprint[3]

There is a lack of a centralised and standardized system storing trusted ESG data on companies in Singapore which pose a significant challenge.

To address the financial sector's needs for good data on sustainability to support green finance in Singapore, the Monetary Authority of Singapore will partner the industry to pilot four digital platforms under Project Greenprint[3].

> **Use of ESG ratings is growing fast and investors need confidence that the market is operating with a high degree of integrity. Record amounts of money are poured into funds that use ESG criteria to select holdings, leading to the rise of ratings services aimed at guiding those investments.**

Mr Sopnendu Mohanty, Chief FinTech Officer at MAS said, "The Greenprint Project provides foundational digital infrastructure that aggregates new and existing ESG data from ground-up across multiple sectoral platforms and solutions to facilitate trusted ESG data flows between the financial sector and the real economy - both within Singapore and globally."

This will enable FIs to direct capital towards sustainability projects in a scalable manner harnessing innovation and technology to effectively monitor their sustainability commitments and quantify the risks and impact of their portfolios.

The four common utility platforms will be piloted this year:

- **Greenprint Common Disclosure Portal** - developed in partnership with the Singapore Exchange, aims to simplify the ESG disclosure process by converting data inputs into different reporting frameworks as required under different jurisdictions and purposes. FIs, companies and international investors can access the portal for ESG disclosures and monitoring.
- **Greenprint ESG Registry** - a new blockchain platform to help investors determine which firms are taking genuine and appropriate steps to reduce damage to the environment, fight climate change and adopt good social practices such as forced labour. It aims to tackle greenwashing by recording and maintaining the source of ESG certifications accorded by official bodies in different sectors, as well as data and metrics that are verified by qualified third-party auditors.
- **Greenprint Marketplace** - in partnership with API Exchange, it will connect green technology providers in Singapore and the region to a community of investors, venture capital firms, FIs, and companies to facilitate partnership, innovation, and investments in green technology.
- **Greenprint Data Orchestrator** - will aggregate sustainability data from multiple data sources including ESG data and utilities providers, Greenprint Common Disclosure portal and other sectoral platforms. New data insights will be generated through data analytics services to better support investment and financial decisions.

ESG Ratings

Use of ESG ratings is growing fast and investors need confidence that the market is operating with a high degree of integrity. Record amounts of money are poured into funds that use ESG criteria to select holdings, leading to the rise of ratings services aimed at guiding those investments.

Transparency and consistency of ESG investment ratings have faced increasing scrutiny to help combat so-called "greenwashing." Often ratings can be at odds with each other as analysts assigned different scores to issues like emissions, workers' pay or composition of company workforces.

By adding ESG factors, credit ratings agencies like DBRS Inc, Fitch Ratings and S&P Global Ratings may face new risks and the ratings firms may deviate from their usual methodologies and policies. That creates new potential risks for the ratings agencies, such as failing to follow ratings methodologies and failure to manage conflicts of interest.

The US Securities Exchange Commission (SEC) said the issues have dogged the industry since the 2008 financial crisis. It raises the risks of new conflicts of interest if firms feel pressure to give higher ESG ratings than warranted when the subject is also a client.

IOSCO, the global securities body, set out its first global framework in November last year to study ESG ratings. ESMA, the European Union securities watchdog is also monitoring this ahead of potential EU regulation.

Last year, the Britain's Financial Conduct Authority consulted on whether there should be binding regulation voluntary or "best practice" guidance for ESG raters.

The International Regulatory Strategy Group (IRSG) has called for regulated ESG ratings in Britain. It wanted a principles-based and proportionate set of rules which dovetail with global efforts to bring consistency and standardisation to data and protect investors.

> **There is now a global push for the corporate world to become greener with the aim to cut carbon footprints and be attuned with socially acceptable practices. Sustainability ambitions need to keep evolving as Singapore champions sustainable lending to become a regional sustainable financial hub. Green financing will become an important enabler when banks and lending agencies view infrastructural projects with an ESG lens.**

Ms Herry Cho, Singapore Exchange's Sustainability & Sustainable Finance Head said, "Regulation is going to be key driver of green economy and its transition in the next 5 or 10 years."

To avoid fragmentation in rules, increased efforts are required to improve the quality, consistency, and availability of the underlying data to ensure market confidence in ESG products.

Pushing ahead

There is now a global push for the corporate world to become greener with the aim to cut carbon footprints and be attuned with socially acceptable practices. Sustainability ambitions need to keep evolving as Singapore champions sustainable lending to become a regional sustainable financial hub. Green financing will become an important enabler when banks and lending agencies view infrastructural projects with an ESG lens.
Business leaders need to truly embrace the goals of sustainability and be advocates for nature. This demands passion, zealous drive and setting the right tone at the top of an organization.

It is the continuous investment into infrastructure, intellectual property protection and talent to create opportunities for businesses. Such efforts can lead to more cost and resource efficient production.

To build a deep talent pool in sustainable finance, the MAS and the Institute of Banking and Finance Singapore have identified 12 core technical skills to encourage financial institutions to upskill their professionals and deepen the talent pool in sustainable finance.

Putting ESG at the heart of the Stockbroking Industry

Let us not forget our digital carbon footprint when we decarbonise and progress with green technological innovations. Only then can companies and organizations be the driving force to make real progress towards a sustainable planet where everyone lives in harmony with nature.

To that end, all members of the Securities Association of Singapore have made a pledge - **The SAS ESG Declaration**[4] - to commit to the United Nations' Sustainable Development Goals (SDGs).

1. Who Cares Win - https://www.unepfi.org/fileadmin/events/2004/stocks/who_cares_wins_global_compact_2004.pdf
2. WWF and Accenture Study - https://wwfasia.awsassets.panda.org/downloads/sustainability_in_singapore_wwf_accenture.pdf
3. MAS Project Greenprint - https://www.mas.gov.sg/news/media-releases/2021/mas-and-industry-to-pilot-digital-platforms-for-better-data-to-support-green-finance
4. The SAS ESG Declaration on Commitment to United Nations' Sustainable Development Goals - https://thesas.org.sg/esg-declaration/

Melinda Sam is currently the CEO at Securities Association of Singapore.

Prior experience includes:
Institute of Internal Auditors Singapore, as Executive Director, ifs School of Finance (fka Chartered Inst of Bankers UK), as Business Development Manager, Asia Pacific

VALUE-BASED BUSINESS
A Balance of Life

LILY WIDJAJA
Executive Director

Indonesia Securities Companies Association (APEI)
(Jakarta, Indonesia)

Recently, balance of life has become a very relevant value and even really determines human beings to exist, survive, and adapt to enter the next stage of life. Coronavirus Disease or COVID-19 which has hit the world from early 2020 until now, with its variants that continue to emerge, forces humans to be able to find resistance with all health protocols, including the use of vaccines to offset the threat and attack of the virus. We could idealize to eliminate this viral threat, but when will it happen? This world's problems have not ended, now we are shocked by conflicts and even open wars in the former Soviet Union countries which disrupted regional stability and could trigger a third world war. Problems may always exist between two neighboring countries even far apart or between coalitions of countries as has often happened, but maintaining a balance is the main thing.

Life goes on. We part with loved ones with sadness. We welcome the birth of a child with joy. And life goes on. The term balance in a company's financial statements using the double-entry bookkeeping method can be an analogy to the reality of sustainable (positive-negative, both sides) life. Living in harmony and peace is a matter of understanding the principle of balance and its application, not just a number of facts and calculations that result in profit or loss.

Social Enterprise

It starts with a vision. A vision can be as ideal and fantastic as a dream. May all your dreams come true. We often say these hopes and prayers to others, and others to us.

The term balance in a company's financial statements using the double-entry bookkeeping method can be an analogy to the reality of sustainable (positive-negative, both sides) life. Living in harmony and peace is a matter of understanding the principle of balance and its application, not just a number of facts and calculations that result in profit or loss.

Next is the realization of the vision. There needs to be opportunity, capacity, and commitment. Initially it may be an opportunity to realize the vision. Opportunity can only come true if there is capacity. Financial capacity in particular. Finally, there is a commitment to keeping the vision, which is only possible if there is financial capacity.

Long before the term social enterprise appeared, more than 20 years ago, in 2000 to be exact, I had entered into a business venture with the vision of Investment for Charity. A simple vision: how I can still provide financial assistance to those in need when I am no longer working and do not get a steady income from work. One way is to invest in the real sector where the profits obtained are not returned to shareholders or enriching shareholders, but are used for social purposes in all its forms. Why choose the real sector? Because the real sector creates jobs. And drive the economy.

Creating jobs is an added value to an investment for charity. Honoring human dignity, where a person earns from his work, and not from begging. Employment has been a valid issue for a long time,

and got worse with the advent of COVID-19 which caused many businesses to close. This closed business is actually a business that uses a lot of human labor, which requires their presence in the workplace. The impact of the COVID-19 attack is a decrease in turnover, which in turn reduces the company's financial performance. In this situation, it will be difficult to maintain a workforce, which in reality is also excessive in conditions of declining sales.

Sustainable and visionary business oriented 'beyond profit'. What is meant by beyond profit is not just focusing on profit, but especially sustainability as a going-concern entity that generates benefits, including welfare for shareholders as capital owners, management and employees who run the business, customers who are provided with business services and products, and state income in the form of taxes.

The company posted a loss from year to year. The question is whether to cut loss by closing the business or maintaining the vision by continuing the business? To continue the business, it takes commitment, but especially the financial capacity of the business owner. The next question is whether a company that loses adequately is called an investment for charity? What can the company contribute to society except employment for employees? And the contribution to the economy as a consequence of a business?

COVID-19, like it or not, has indeed presented a challenging situation for some business enterprises. Some businesses, such as hospitals and health-related businesses, have increased sharply. Some of the labor-intensive businesses were significantly affected. This is a dilemma, for business enterprises, especially for investment for charity or now known as social enterprise.

Beyond Profit

A business entity is established with the aim of making a profit, increasing shareholder value. Company management is tasked and responsible for bringing the company to grow and develop as a going-concern entity that can always record an increasing book value. In other words, it is the nature of a business entity to seek profit. Nothing wrong with that.

The question is: what is the vision of a sustainable business? Is it just looking for profit by all means, if necessary in an unethical way? Of course not!

I once used the term 'habitus profit' or 'habit of profit' for an honest and fair business attitude and behavior, which I contrasted with business practices oriented to premature pragmatism in order to maximize short-term profits in an unethical way (Lily Widjaja, Hati Baru, 2007). This habit of profit presupposes a love for business as a legitimate and necessary activity for humans, for human welfare. So the professionalism and moral integrity of business people actually reflect the vision of the noble values of human dignity and the noble values of business itself. What's the point of making a profit if human dignity is trampled on, or in the process of making a profit we have to harm others?

Sustainable and visionary business oriented 'beyond profit'. What is meant by beyond profit is not just focusing on profit, but especially sustainability as a going-concern entity that generates benefits, including welfare for shareholders as capital owners, management and employees who run the business, customers who are provided with business services and products, and state income in the form of taxes.

Value-Based Business

The corporation of the future is a value-based corporation that upholds human dignity. The company's business will synergize with all components of human institutions on this one and the same earth, which will bring values and practices closer to a transformative change, which results in a world that is safer and more prosperous, physically and mentally. Look at the constitutions of all countries, pay attention to the spiritual teachings of all religions, you will find that all of them assume (basics, hopes, dreams) a number of values that are universal in nature, which transcend the boundaries of ethnicity, religion, race, and class!!!

In the light of value-based business, business ethics is very important and urgent, and remains relevant anytime and anywhere. My experience tells me that understanding the right values will automatically lead

us to ethical business practices. Ethical business practices are simply business practices based on honest and fair!

> **In certain ways and forms, in general, the principle of attention to community social values and even environmental sustainability, gender equality campaigns, and various other value campaigns, has become a concern and has even been formally promulgated. Look at the 17 Sustainable Development Goals (SDGs) that are being campaigned and targeted to be achieved by 2030. Will they be realized? We sincerely hope so.**

Recognition of the importance of values in business has actually become a global awareness and practice. It can be said that value-based businesses really get strong support from the world community. The clearest example is the implementation of Good Corporate Governance (GCG) and Corporate Social Responsibility (CSR) by formal/non-formal government/private institutions.

Lastly, the social market economy. In a meeting I attended, top businessmen began to see not only a possibility but a necessity for a social market economy. To put it simply: a social market economy maintains free market competition on the one hand, while taking into account social aspects on the other. In a social market economy, human welfare is no longer a by-product or by-accident of a market economy, but something that is by-designed from a social economy!

Sustainability is a darling topic that gets serious attention. So is Environmental, Social, and Corporate Governance (ESG). These topics cannot be separated from value-based business, where concern is not only focused on profit, but also on environmental, social and governance issues. It is a very encouraging development that the investment world is talking about sustainable finance, sustainable investing, ESG investing, and others in the same breath.

Closing

From the history of ups and downs, human beings are increasingly able to understand themselves and their world, to develop and live in harmony and balance. Even though they are not the same as strong and big, they are not the same as rich and prosperous, because there are always qualitative and quantitative differences. Likewise in business, for company owners who care about the company's vision and mission, especially those who position their company as a social enterprise that is not just pursuing profit, qualitative and quantitative differences in companies can be problematic and causing the close down of business. There is an option to survive in the midst of financial losses, namely to defend the social benefits cleverly and sincerely (cf. Matthew 10:16), while adapting even if it is necessary to revolutionize the business, for the sake of the company's vision and mission.

In certain ways and forms, in general, the principle of attention to community social values and even environmental sustainability, gender equality campaigns, and various other value campaigns, has become a concern and has even been formally promulgated. Look at the 17 Sustainable Development Goals (SDGs) that are being campaigned and targeted to be achieved by 2030. Will they be realized? We sincerely hope so.

Any efforts, especially in business activities, must always be based on and guided by normative values, not just a formula, but really being understood, lived, and owned as a corporate identity.

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

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

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

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

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

SUSTAINABLE CAPITAL MARKETS - THE THAILAND STORY

PROADKLAO RUEANGNITIWIT
Deputy Secretary General
Association of Thai Securities Companies (ASCO) (Bangkok, Thailand)

Sustainability has become mainstream in every dimension across the globe. In the world of corporate governance and investment, the most popular terminology is Environment, Social and Governance, or ESG. For the capital market which is an important sector of economic and social development, it is not only a source of funding for the public and private sectors. But it also helps to balance the financial system and drive economic growth, employment, income distribution. and investment options for the general public. Capital markets and all concerned parties must urgently adjust and improve themselves to meet international sustainability standards in all aspects.

All players in Thai capital markets are at an inflection point where corporates can no longer ignore the importance of ESG factors. Thai investors are paying more attention on actions towards sustainability, believing that these practices would translate into sustained performances in the long run. The story that will be exposed in the following text is the ESG development in Thai's capital markets.

Regulatory Journey on ESG

Thai SEC carried out its mission in many areas in attempt to achieve sustainable capital markets. This will drive capital allocation to economic activities, while taking into consideration social, environmental and governance aspects. **SEC has established an ecosystem that promotes the development of sustainable capital market through key initiatives as the followings:**

Thai SEC carried out its mission in many areas in attempt to achieve sustainable capital markets. This will drive capital allocation to economic activities, while taking into consideration social, environmental and governance aspects.

- **Adopting the Investment Governance Code (I Code)** - The I Code contains investment governance principles and guidance reflecting international standards and best practices for responsible and effective stewardship over investments by Institutional Investors. Implementation of the I Code will enhance confidence by domestic and global markets clients and trust that investment decisions and management are done in their best interest. Moreover, the I Code promotes and contributes to a good corporate governance ecosystem, stimulates responsible and sustainable practices by listed companies, and fosters growth and development of the Thai capital market.
- **Disclosure of fundraisers' information** - SEC encouraged fundraisers to integrate ESG into their operations by issuing rules and a handbook on the "One Report". The purpose is for upgrading the disclosure of fundraisers to reflect business operations under good corporate governance and the impact on social and environment, such as the disclosure of policies, goals, and sustainability performance in both social and environmental dimensions including greenhouse gas emissions, data respect for human rights, etc.

- **Security assessors** - SEC supported the introduction of assessors into the Thai market to facilitate and save costs of issuers of green bonds, social bonds and sustainability bonds in Thailand. Tris Rating Agency was registered as the first security assessor in Thailand, under the Climate Bonds Standard of the Climate Bonds initiative (CBI).
- **ESG Standards** - CBI's seven sets of standards regarding green bonds were translated into Thai. The documents include the Climate Bonds Standard and the Climate Bonds Taxonomy, and standards for five business sectors that are expected to receive attention in the Thai market.
- **Information to investors** - SEC collaborated with the Thai Bond Market Association in developing platform for providing information on sustainability bonds to be used as a data center and a source of data comparison for investors interested in green bonds, social bonds and sustainability bonds.
- **Compulsory ESG course** - ESG course is compulsory for renewal of approval for capital market business personnel.

ESG Capital Raising via Bond Markets

Thailand's ESG bond market - including green bonds, social bonds, sustainability bonds and sustainability-linked bonds - has been exponentially growth over the past 5 years. From the outstanding value of THB 10,139 million (approx. USD 312 million) in 2018 to THB 299,385 million (approx. USD 9,212 million) at the end of 2021. Sustainability bonds is the most popular among the issuers, accounting for 69% of total ESG bonds, followed by green bonds and sustainability-linked bonds at 16% and 12%, respectively.

Looking at the bond issuers, it was found that at the end of 2021, the government sector was the largest issuer of ESG bonds, accounted for 55% of the total value. Followed by 39% were issued by private companies, the rest of 6% were issued by state enterprises.

Despite the growth and significant size in absolute terms, the Thailand's ESG bond market is still very much in its early growth stage, representing only about 2% of the total bond market of THB 14,133,014 Million (approx. USD 434,862 Million). Anyway, the enormous growth potential for this segment going forward. In many years to come, the ESG bond market can expect to see further acceleration of growth as investors and issuers become more confident with the proven investment vehicle and the sense of urgency around financing of SDGs, including climate action, continues to create a conducive policy environment for these types of investments.

"In many years to come, the ESG bond market can expect to see further acceleration of growth as investors and issuers become more confident with the proven investment vehicle and the sense of urgency around financing of SDGs, including climate action, continues to create a conducive policy environment for these types of investments."

Stock Exchange Role in Driving ESG

The Stock Exchange of Thailand (SET) is a key player in driving sustainable capital markets. **Over many pasting years, the Stock Exchange of Thailand has significant developed ESG in several areas.**

- **The Sustainability index for the Thai Capital Market** - SET publishes the SETTHSI Index, a stock price index which highlights the SET - listed companies that passed the Thailand Sustainability Investment (THSI). The SETTHSI Index is both a Benchmark Index and a reference index for issuing other financial products such as mutual funds or ETFs based on the sustainable stock list.

  By the end of 2021, 77 listed companies were on the SETTHSI Index. In addition, it was found that the stocks listed in the SETTHSI Index provided a higher Total Return Index than those in the SET100 Index in both Daily and Holding Period Returns.
- **ESG Ratings** - Stakeholders in the capital market are signifying greater demands for sustainability information disclosures, SET therefore consolidates the Thai Listed Companies' sustainability assessment results (ESG ratings) and publishes this information through website.

- **Sustainability Reporting and Disclosures by Listed Companies** - SET encourages listed companies to disclose their sustainability performance according to the international standards, and in compliance with SEC requirements.
- **Thai Listed Companies on International Sustainability Indices** - SET regularly prepares high-potential listed companies for inclusion on international sustainability indices. As a result, the number of listed companies selected for inclusion in the Dow Jones Sustainability Indices (DJSI) have increased every year. At the end of 2021, 24 companies were selected for the DJSI.

Asset Management Entities in Thailand as a key local institutional investors are well aware that its key role is not restricted only to pursuing the highest returns on investment for the unitholders, but it must also act as a responsible investor who through effective monitoring, contributes to sustainable growth of the country in all aspects - economically, socially, and environmentally.

ESG Investing

Asset Management Entities in Thailand as a key local institutional investors are well aware that its key role is not restricted only to pursuing the highest returns on investment for the unitholders, but it must also act as a responsible investor who through effective monitoring, contributes to sustainable growth of the country in all aspects - economically, socially, and environmentally.

In Thailand, local ESG mutual fund first emerged in around 2017. It is a mutual fund established by the cooperation of many local asset management companies called “Thai CG Fund”, operated under different policy and investment universe, but with the same goal to invest in businesses with good corporate governance.

As of the end of 2022, Thailand has 41 ESG mutual funds with a net asset value of THB 87,496 million (approx. USD 2,692 million), 23 of which are invested in Thailand and 18 overseas.

The next key takeaways for institutional investors on ESG investment:

- Expect to see growing trend of ESG integration investment
- Exclusionary strategies are expected to be less in focused going forward as superior ESG companies in challenging sectors should have more credits and those potential improving ESG companies would also be an alpha enhancement for investment.
- Engagements and feedbacks between investors and issuers are key for ESG investment.

Way forward

Capital markets can have decisive impact on the level and direction on sustainable investment and can towards filing the gap for the SDGs, such as stock exchange has been integrating sustainability values and performance criteria in their activities. Institution investors are having an impact on companies and markets through asset allocation decisions and active ownership practices. Regulator efforts also helped accelerate a transition towards sustainable investment.

Source:

- The Securities and Exchange Commission - Thailand
- The Stock Exchange of Thailand
- Thai Bond Market Association
- Association of Investment Management Companies
- UN Global Sustainable Finance Observatory
- UNCTAD’s World Investment Forum 2021

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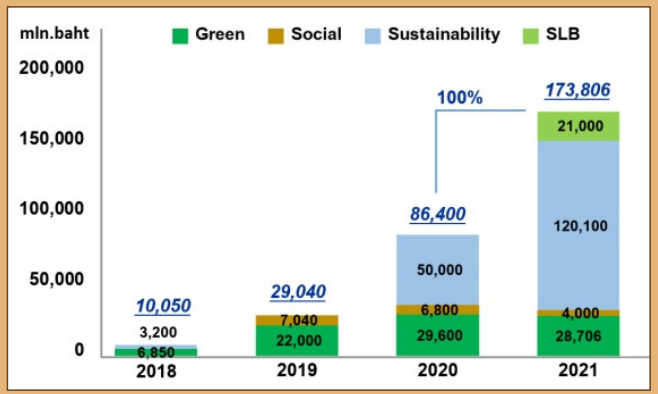
Proadklao Rueangnitiwit is the Deputy Secretary General of Association of Thai Securities Companies (ASCO), starting from 2007. Prior to ASCO, She spent 16 years working in Asset Management and Venture Capital Business in Thailand. She was educated at the Chulalongkorn University with a Bachelor Degree in Law and has a Master Degree in Business Administration from the US.

ESG BOND DEVELOPMENT IN THAILAND

TADA PHUTTHITADA
President
Thai Bond Market Association (ThaiBMA) (Bangkok, Thailand)

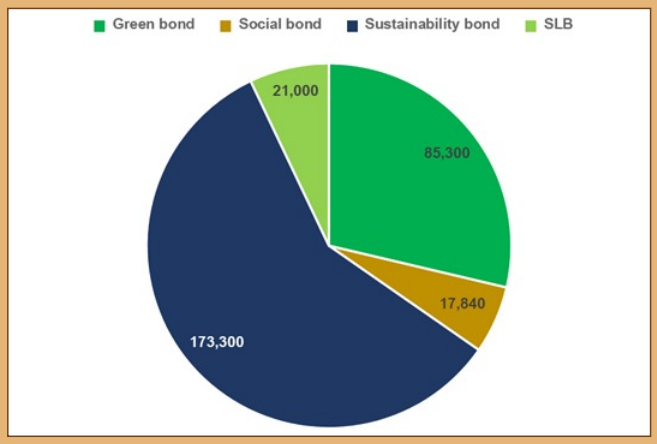
In 2021, the second year of pandemic, Thai bond market proved to be more resilient with outstanding value continue to expand by 6.6% to THB 15.07 trillion (USD 465 billion). There was a strong growth in new bond issuance from both government and corporate sectors. ESG bond was among the top agenda for both issuers and investors as the concern for environment and sustainable business has been flourishing around the world. ESG bonds issuance in 2021 was THB 173.8 billion (USD 5.3 billion), 100% growth from 2020.

Figure 1: ESG bond issuance in Thailand 2018-2021



At the end 2021, the outstanding value of ESG bond reached nearly THB 300 billion (USD 9.2 billion), comprising predominantly of sustainability bond and green bond. Although it remains small at only 2% of overall market, it has been growing steadily over the past few years.

Figure 2: ESG bond Outstanding in Thailand as of 2021



Thailand's Ministry of Finance has become the first and largest issuer of ESGsustainability bond, which is the first of its kind in ASEAN. The proceeds from the MOF sustainability bond were used for 2 government projects- the MRT Mass transit orange line and Covid-19 relief package.

The first attempt of Thai business to issue ESG bond was in 2015 when Bangchak Corporation, a Thai energy company issued "Green" bond totaled THB 3 billion (USD 92 million) to finance its renewable energy business. However, Bangchak's self-labeled green bond raised some criticism due to the fossil fuel business of the company and lack of internationally recognized standards.

In 2018, Two Thai commercial banks began issuing ESG bonds that adhered to international standards. TMB Bank issued green bond under International

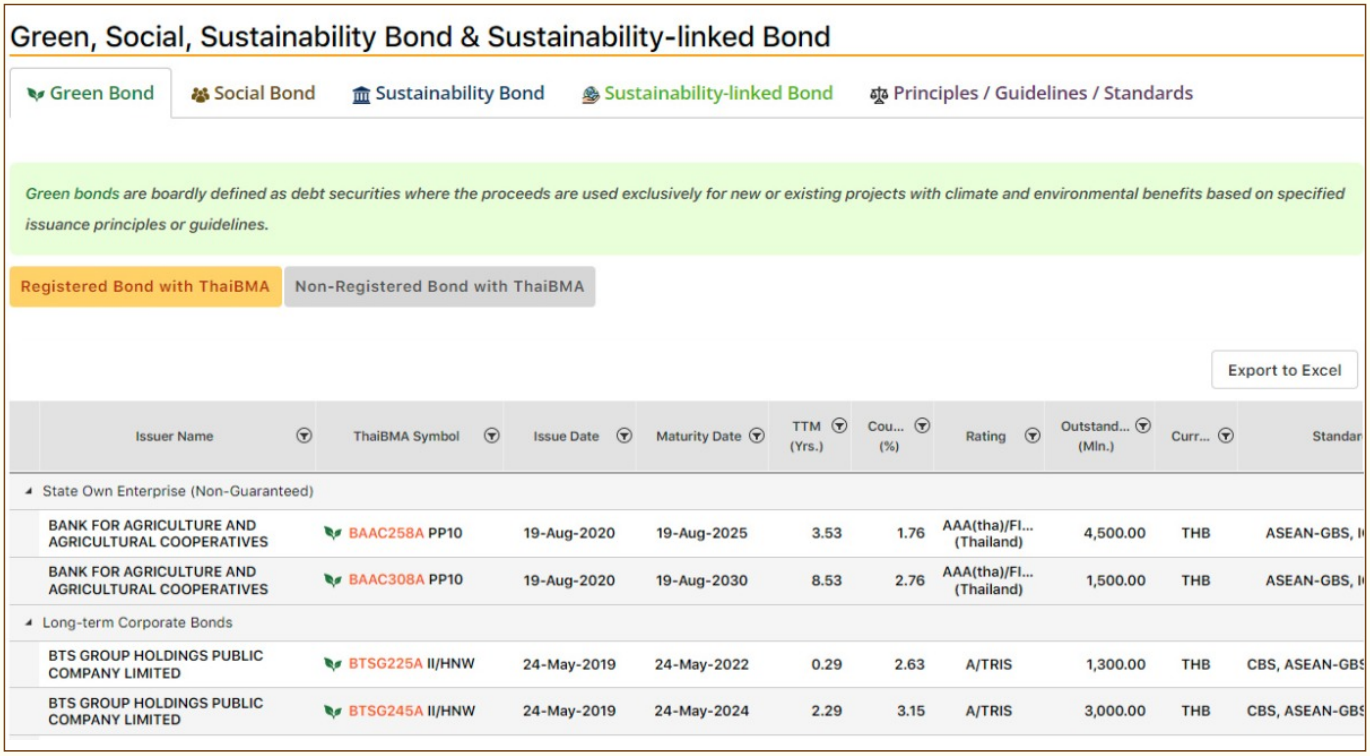
Capital Market Association (ICMA) green bond principles to finance climate-smart projects for businesses, while Kasikorn Bank (KBANK) issued sustainability bond to finance green or social projects. Both bonds were offered to private overseas investors, thereby, information accessibility and market publicity was rather limited.

It was in 2019 that the issuance of ESG bonds had been widely recognized by local investors as several well-known issuers from the real sector came into the market with sizable amount. BTS Group Holdings PCL (BTSG), a mass transit service provider of BTS sky train, issued THB 13 billion (USD 400 million) of green bonds to fund Bangkok's electric mass transit (sky train) project. It became the first local currency green bond under Green Bond Principle (GBP) and SEC regulation. This was followed by THB 10 billion (USD 300 million) green bond issued by Energy Absolute PCL (EA), a renewable energy company to finance renewable energy projects and low carbon technologies. In addition, there was the first gender bond issued by Bank of Ayudhya (BAY) to promote gender equality by providing loan to women entrepreneurs and promote women hiring in local areas.

The government sector tapped into ESG bond market in 2020. Thailand's Ministry of Finance has become the first and largest issuer of ESG-sustainability bond, which is the first of its kind in ASEAN. The proceeds from the MOF sustainability bond were used for 2 government projects- the MRT Mass transit orange line and Covid-19 relief package. Two state-owned enterprises (SOE) have also joined the ESG stream, issuing green and social bond in 2020 for the first time. Bank for Agriculture and Agricultural Cooperatives (BAAC) was the first SOE that issue green bond with the objective to finance afforestation and reforestation projects. Another SOE, National Housing Authority of Thailand (NHA) issued social bonds to finance new and existing affordable and green housing projects. The projects aim to create sustainable and better living for Thai people.

For the corporate sector, apart from the continued issuance of green bond from BTSG - an operator of Bangkok's electric sky train, large and well--established energy companies namely GPSC, PTT and RATCH have entered the green bond market in 2020 to support their renewable energy projects and pollution control. This has demonstrated stronger engagement of the energy industry to take part in the environment conservation and that corporate issuers have increasingly embedded ESG into their financing strategies.

Figure 3: Green, Social and Sustainability Information Platform



Issuer Name	ThaiBMA Symbol	Issue Date	Maturity Date	TTM (Yrs.)	Cou... (%)	Rating	Outstand... (Mln.)	Curr...	Standar
State Own Enterprise (Non-Guaranteed)									
BANK FOR AGRICULTURE AND AGRICULTURAL COOPERATIVES	BAAC258A PP10	19-Aug-2020	19-Aug-2025	3.53	1.76	AAA(tha)/FI... (Thailand)	4,500.00	THB	ASEAN-GBS, I
BANK FOR AGRICULTURE AND AGRICULTURAL COOPERATIVES	BAAC308A PP10	19-Aug-2020	19-Aug-2030	8.53	2.76	AAA(tha)/FI... (Thailand)	1,500.00	THB	ASEAN-GBS, I
Long-term Corporate Bonds									
BTS GROUP HOLDINGS PUBLIC COMPANY LIMITED	BTSG225A II/HNW	24-May-2019	24-May-2022	0.29	2.63	A/TRIS	1,300.00	THB	CBS, ASEAN-GBS
BTS GROUP HOLDINGS PUBLIC COMPANY LIMITED	BTSG245A II/HNW	24-May-2019	24-May-2024	2.29	3.15	A/TRIS	3,000.00	THB	CBS, ASEAN-GBS

The record year for ESG bonds in Thailand was in 2021 whereas total issuance of ESG bond doubled from the prior year and the outstanding of ESG bonds reached nearly THB300 billion (USD 9.2 billion). While MOF continues to be the main player, issuing sustainability bonds worth THB 107 billion to finance mass transportation projects and COVID-19 relief package, there have been new faces of issuers from the corporate sector with more diversity of products.

According to COP26 agreement, Thailand is committed to reach carbon neutrality by 2050 and reach a net-zero carbon emissions target by 2065. To achieve this goal, public and private sectors must work together to move toward low emission sources of energy and environment protection. Therefore, ESG projects and initiatives are expected to expand significantly as corporates transform their businesses to be more environmental and social friendly and integrate ESG into their business strategies.

2021 marked the first year that the new ESG product, sustainability- linked bonds (SLBs) were issued in Thailand. For the issuer, SLB provides greater flexibility in terms of use of proceeds as the bond is linked to overall corporate sustainability performance, rather than to specific sustainable projects. There were 2 issuers of SLBs, and both were from private sector namely Thai Union (TU) and Indorama Ventures (IVL). TU was the first SLB issuer that introduced step-up and/or step-down coupon rates related to the achievement of Sustainability Performance Targets (SPTs). These targets include remaining in the Dow Jones Sustainability Index (DJSI) Emerging Markets and ranking in the top 10 companies for the DJSI Food Products Industry Index; reducing carbon emissions from manufacturing operation by 4% annually; and increasing the monitoring and surveillance of Thai Union's wild-caught tuna supply chains. SLB issued by IVL is tied to IVL's three performances: reducing greenhouse gas emissions by 10% by 2025 (from a 2020 base), increasing recycling of PET bale input to 750,000 ton per year by 2025 and achieving 25% renewable electricity consumption in 2030.

According to COP26 agreement, Thailand is committed to reach carbon neutrality by 2050 and reach a net-zero carbon emissions target by 2065. To achieve this goal, public and private sectors must work together to move toward low emission sources of energy and environment protection. Therefore, ESG projects and initiatives are expected to expand significantly as corporates transform their businesses to be more environmental and social friendly and integrate ESG into their business strategies. Investors will also increasingly apply ESG factors in their investment decision. ESG bond issuance should continue to rise, driven by increasing investor demand, the need of issuers to finance their ESG initiatives and strong support from the government.

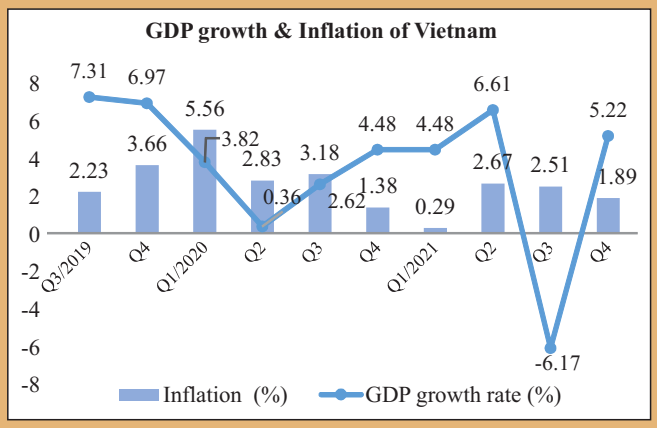
Tada Phutthitada has been the President of the Thai Bond Market Association (ThaiBMA) since 2014. He is responsible for ensuring the organization serves its purposes as a Self-Regulatory Organization (SRO), an information center for the Thai Bond market, including market conventions and Bond Pricing Agency, and as an Association for the benefits of its members and for bond market development.

His earlier assignment was the First Secretary of Minister-Counsellor Office of Economic & Financial in Washington DC between September 1995 and April 1999. Before his posting in Washington DC, he was working in the Fiscal Policy Office, Ministry of Finance as an economist. In 2001, he joined the Public Debt Management Office (PDMO), and since then he was responsible for management and issuance of government securities operations. This had included constructing the government policies about the Bond Market Development to enhance stability in the financial market and the country's economy. He also engaged in International financial cooperation in a number of positions in PDMO. He was the Director of Bond market development Bureau. His last position before joining the ThaiBMA was the Director of Bureau of Policy and Planning at the Public Debt Management Office, Ministry of Finance. He was responsible for planning and managing Mega-projects Financing and infrastructure development for both government and state-owned enterprises, including domestic borrowing, international loan, and other financing tools, as well as the guarantee mechanism.

He obtained his Bachelor of Social Science in Socio-Economic Planning in 1987 at University of Tsukuba, and his Master of Art in Economics in 1989 at Yokohama National University in Japan.

APPEALING VIETNAM INVESTMENT IN THE "NEW NORMAL" CONDITION

TRAN HAI HA
CEO, **MB Securities JSC**
Vice Chairman,
Vietnam Association of Securities Business (VASB) (Vietnam)



2021 was a challenging year for Vietnam with GDP growth plummeting to a 30-year low of 2.58%.

After the remarkable effort to control three first waves of Covid-19 in 2020 without any intense impacts (2020 GDP growth of +2.9% - among the top ten economies globally), Vietnam faced the real challenge when the fourth wave broke out in 2Q2021, resulting in four-month strict lockdowns in several commercial and industrial hubs and movement restrictions. Vietnam experienced the first-in-a-decade quarterly contraction in GDP growth, at -6.17% in 3Q2021.

> **In terms of valuation, looking forward, Vietnam is still markedly undervalued relative to other markets. P/E forward of the Vietnam market is approximately 17.36x, which is lower than other neighboring markets such as Thailand (18.86x), and Indonesia (18.1x). Meanwhile, Vietnam-listed corporates offered an attractive ROE of 18.99% compared to those of 6.8-14% of comparable markets.**

The government had implemented different policies on both social and economic aspects to whether the storm. Firstly, the government has been determined in conducting the vaccination campaign quickly on a nationwide scale. By early January 2022, 72.3% of the population was fully vaccinated, among the top 10% of countries with the highest daily vaccine

doses per capita, laying the foundation for the resume of factories and economic activities even in rising infection-rate context. Secondly, a fiscal package of USD10.05bn was utilized to reduce the financial burden of businesses and individuals, and boost business activities through tax reduction, payment deferral, and supporting grants. Thirdly, since 2020, the policy rates have been cut and maintained at 1.5-2% lower than the pre-pandemic period.

The GDP growth bounced back to 5.22% in Q4/2021, thanks mainly to the resume of manufacturing activities. Total production of industry and construction sector increased by 4.05%, contributing 63.80% to the total added value of GDP. In 2021, Vietnam also successfully received USD31.2bn of registered FDI capital (+9.2% YoY) and USD19.74bn of disbursement in 2021. The export revenue recorded a Y-o-Y growth of 19% to reach USD336.25bn, mainly coming from firm electronics and machinery exports, reflecting elevated global demand and a resilient supply chain. With a firm rebound from the worst contraction and a clear road map to reopen the economy safely, Vietnam is expected to return to a solid growth track quickly.

Resilient economy and favorable market conditions help Vietnam stock market mark a year with full of records

The year 2021 witnessed a record high of Vietnam stock market capitalization, at USD300.3bn with VN-Index surpassing the historic milestone of 1,500 points. The average daily securities trading value reached nearly approximately USD1.15bn per session, +256% Y-o-Y higher than that of the previous year. For the first time, the stock turnover ratio of the Vietnam market in 2021 reached approximately 173%, surpassing 99.8% of the Thailand market - the biggest ASEAN market in terms of market capitalization in 2021.

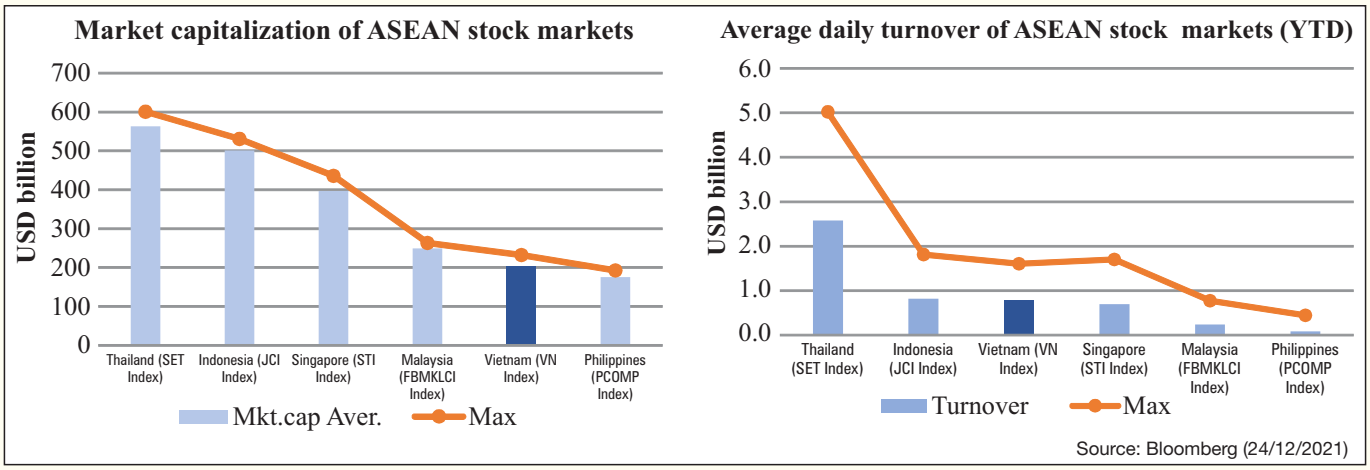
The low-interest rate environment and unattractive returns of traditional alternative assets have promoted retail investors to flock to the stock market. The participation of local retail investors not only offset the negative impact of USD2.7bn of net selling value of foreign investors but also contributed about 85% to the total liquidity of the stock market in 2021. Notably, the number of newly opened accounts during the year was 1.5 million (with 99.6% coming from domestic retail investors), which was 45.3% higher than that of the last four years combined. The number of securities accounts to the total population rose from 1.8% in 2016 to 4.3% by the end of 2021.

In terms of valuation, looking forward, Vietnam is still markedly undervalued relative to other markets. P/E forward of the Vietnam market is approximately 17.36x, which is lower than other neighboring markets such as Thailand (18.86x), and Indonesia (18.1x). Meanwhile, Vietnam-listed corporates offered an attractive ROE of 18.99% compared to those of 6.8-14% of comparable markets.

The bright prospects for the economy and stock market in 2022

The Vietnam economy is expected to return to the fast-growing cycle in the new normal context, supported by the revival of domestic demand and foreign direct investment (FDI); and expansionary fiscal policies. The government and international organizations (Standard Charter, HSBC, IMF) forecasted the GDP growth in 2022 to rebound to 6-6.7%.

Thanks to the quick vaccination coverage with the percentage of the population getting the 1st dose increasing from 56% in early December 2021 to more than 80% in early Feb 2022, Vietnam has accelerated the reopening of the economy since the beginning of 2022. Upon the widespread of the 2nd and 3rd doses all over the country, it is expected that



Source: Bloomberg (24/12/2021)

the government will fully open the economy and commercial flights in 2Q2022. As the normal business activities have been set, domestic consumption and services - the two sectors hit the most by Covid-19 in the 2020-2021 period would quickly revive, reigniting the economic growth.

FDI flows - the key driving forces of Vietnam export since joining WTO in 2007, is expected to bounce back strongly in 2022 as commercial flights resume and Vietnam is still an attractive destination for companies' "China+1" diversification with competitive labor costs and numerous free trade agreements with major economies such as CPTPP, EVFTA, RCEP. It is expected that the FDI registration and disbursement could grow by about 9-10% and 8-9% respectively in 2022.

The release of numerous fiscal stimuli in Jan 2022, including a sizable recovery package of US$15bn (VND350trn) for the 2022-2023 period, 2% cut of VAT for applicable goods and services, would provide a strong momentum to boost domestic demand to the pre-pandemic level and more. In addition, given that the price pressure triggered at a much slower pace than expected in 2021 (inflation rate stood at 1.8% in 2021 - the slowest growth since 2015) due to a weak demand-pull, the pressure in 2022 when economic activity normalizes is expected to be manageable. International institutions (HSBC, IMF) forecast the headline inflation to grow in between 2.3%-2.7%, well below the State Bank of Vietnam (SBV) 4% inflation ceiling, providing room for SBV to maintain a supportive policy to support the economy recovery.

In all, Vietnamese Government has been announcing numerous supporting packages and policies and regulations to boost the recovery of domestic corporates and encourage foreign investment capital flow to the country including flexible and effective adjustment in both fiscal and monetary policies: giving the stimulus package worth USD12.04bn to support the economy and the society; reducing CIT - PIT - VAT taxes across sectors; strongly encouraging policies in renewable energy in Vietnam with the vision of bringing Vietnam to be a green energy destination in the region being as one of the main parts in the commitment of Vietnamese Government in the context of COF 26 by 2050; establishing regulatory framework for digital transformation in Vietnam in the trend of international integration besides signing 15 FTAs such as EVFTA, UKFA, RCEP, CPTPP.

The stock market is also poised for another promising year on the back of regulation reform, digitalization progress, and the privatization process.

The debut of the Vietnam Stock Exchange (VNX) in November 2021 as the merger of Hanoi and Ho Chi Minh stock exchanges marks one of the first steps in the regulation and structure reform plan to bring the stock market to the next development level and move closer to the emerging status. The government also plans to establish the central counterparty clearing house (CCP) under VNX, providing the backbone for the implementation of short selling and intraday trading - the two bottlenecks considered by FTSE and MSCI to upgrade the Vietnam market to a new status (currently short selling is not available in Vietnam and the current settlement process in Vietnam is T+2).

In preparation for exponential growth in liquidity in the coming periods, Vietnam is cooperating with Korean partners to upgrade the trading system, which is expected to be officially launched in 1H2022. The digital transformation trend wide spreads among stock market facilitators, including securities companies introducing more convenient trading products and investment funds offering diversified products. Such technological advancements are expected to promote more citizens joining the market given the strong momentum in 2021 and relatively low number of securities accounts per population (at c. 4.38% at the end of 2021).

Privatization and divestment in State-owned Enterprises (SOE) are also one of the key pillars for the growth of the market in the long term, scaling up the market size and liquidity. Vietnam is one of a few nations having a large number of SOEs being sizable in scale in different sectors that are under privatization and divestment plan (according to the Decision No. 26/2019/QD-TTg). Notable SOEs planning to privatize and IPO in 2022 are in the below table.

State-owned Enterprises	Charter Capital (US$mm)
Vietnam Posts and Telecommunications Group - parent company (VNPT)	2,915
Vietnam Bank for Agriculture and Rural Development (AGRIBANK)	1,330
Vietnam Mobile Telecom Services One Member Limited Liability Company (MOBIFONE)	652
Vietnam National Coal and Mineral Industries Holding Corporation Limited - parent company (TKV)	1,522

Key considerations for foreign investment in Vietnam stock market

Although the Vietnamese market presents lucrative investment opportunities, there might be some key considerations for foreign investors to take into accounts to avoid bigger impediments to investment activities in Vietnam.

> **FDI flows - the key driving forces of Vietnam export since joining WTO in 2007, is expected to bounce back strongly in 2022 as commercial flights resume and Vietnam is still an attractive destination for companies' "China+1" diversification with competitive labor costs and numerous free trade agreements with major economies such as CPTPP, EVFTA, RCEP. It is expected that the FDI registration and disbursement could grow by about 9-10% and 8-9% respectively in 2022.**

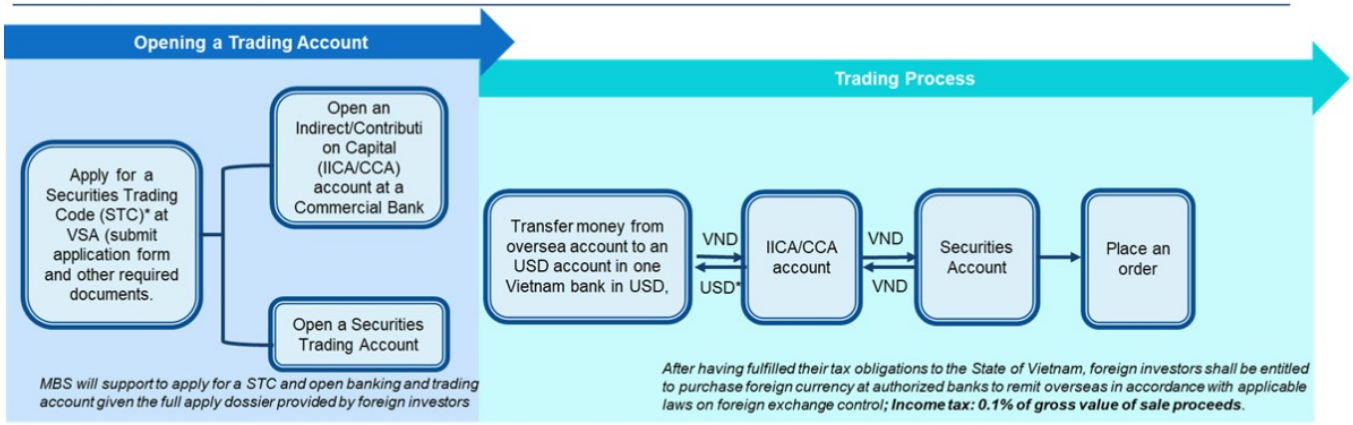
(i) **Limitation on foreign ownership at sectors:** In spite of integration to global economy, numbers of industries have been restricted for foreign investors to acquire or own up to 100% equity ownership under domestic laws or international treaties. Decree 31/2021/ND-CP of the Government dated 26 March 2021 regulates 25 business lines in which foreigners are not permitted to invest in non-public companies, including trading in goods and services subject to state monopoly, press business, public opinion polls, tour business (except international tours) etc. Some other sectors are subject to limits of 5% to below 51% such as banks, non-bank credit institutions, logistics, aviation, transportations etc. Public listed companies might potentially be subject to more foreign ownership limits under international treaties, sector-specific laws, equitization regulations, charters, etc.

(ii) **Information transparency:** The quality of information disclosure and transparency play essential roles in weighing and strengthening the confidence of both domestic and international investors in local firms for both private placement or public capital raising deals. Recently, regulations have become more transparent bringing the local legal framework closer in line with both market practice and international standards. All public enterprises have been publishing its financial statements audited under Vietnam Accounting Standards and heading to the discipline of international accounting standards IFRS. Foreign investors might face challenges in information evaluation in private placement deals during due diligence processes given the natures of the deals and or business cultures.

(iii) **Corporate governance:** Given the history and nature of Vietnam economy structure, most of corporates in Vietnam have been developed from family-business backgrounds resulting in low transparent and managerial corporate governance, corporate and equity capital structure. Corporate governance, in fact, might be executed differently among public, State-owned, limited liability, private joint stock companies in Vietnam. The Government and local authority's bodies have updated and revised related regulations to improve the transparency of corporate governance in local corporates through Law on Securities 2019, Decree 155/2020/NĐ-CP and Circular 96/2020/TT-BTC. Further, in 2019 the State Securities Commission (SSC) issued the Vietnam Corporate Governance Code of Best Practices for public companies (the CG Code), which recommends standards that go beyond the minimum requirements imposed by laws and regulations. Many corporates have been applying a corporate governance scorecard to improve their internal management system and transparency.

(iv) **Trading liquidity:** In general, the liquidity of Vietnam stock market has been improving over times demonstrated in both trading volumes and values. Liquidity on Vietnam's stock market hit a new record on November 19th, 2021 with more than approximately USD2.5bn worth of shares traded on all bourses. The average daily securities trading value for the whole year reached USD1.15bn. However, the liquidity might vary from stocks to stocks at each point of time because of the vulnerability of the market when the market structure contains of more than 90% individual investors having herd mentality and fluctuation to public media news when participating on stock markets.

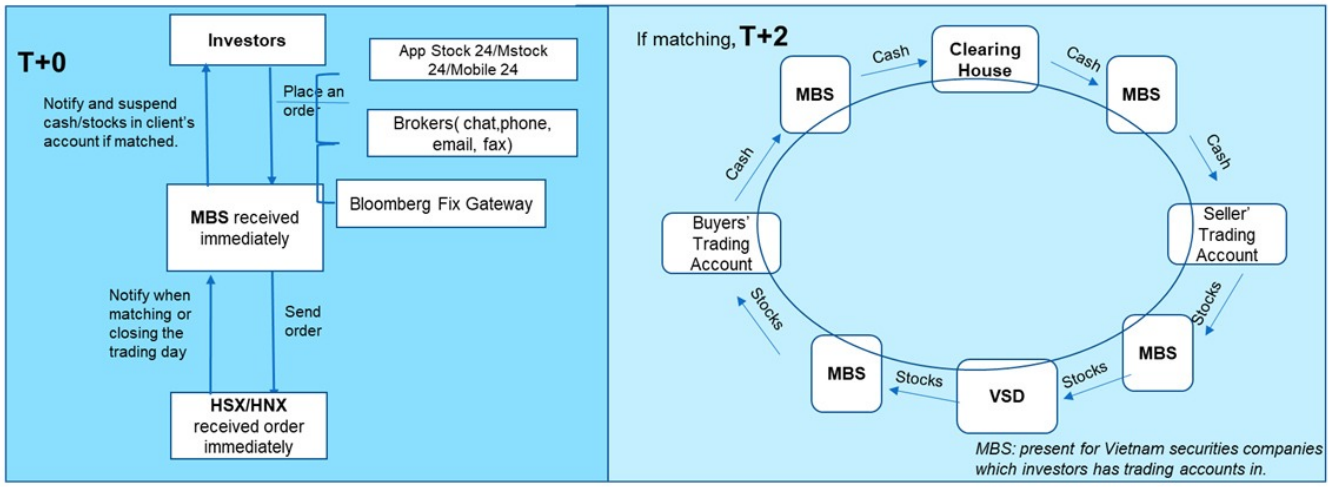
Trading procedure for foreign investors



Besides, foreigner investors can invest in open-end funds in Vietnam by opening accounts in the fund and transfer money from IICA/CCA account.

- VSD: Vietnam Securities Depositary
- MBS: MB Securities Joint Stock Companies
- *STC: each foreign investor has only one Securities Trading Code and only one Securities Trading Account for trading securities in Vietnam Stock Markets.* This code is issued on a perpetual basis and does not expire or require reapplication or renewal.
- IICA/CCA account: A Vietnamese Dong (VND) cash account is mandatory, The IICA/CCA account can only be used for securities-related transactions in Vietnam. A US Dollar (USD) cash account is optional to foreign investors and is used for transfer or remittance of USD funds offshore.

Trading process in underlying market for both domestic/foreign investors



All steps are conducted automatically in securities companies/VSD/Clearing House.
Settlement's principle: Delivery Versus Payment
VSD makes securities settlement in the form of book-entry transfer via the system of depository accounts of selling and buying members and simultaneously adjusts ownership information on depository accounts of buying and selling investors. The settlement bank (Bank for Investment and Development of Vietnam) makes cash payment via the system of cash accounts opened by depository members at the settlement bank based on the cash clearing result sent by VSD.

Tran Hai Ha is currently a Member of the Board of Directors cum CEO of MBS. He graduated from National Economics University with a Bachelor's Degree in Banking and Finance and holds a Master's Degree in Corporate Finance and Management Control at the University of Toulonvar, France. He has nearly 20 years of professional experience in the banking and finance field, of which nearly 10 years of experience in the securities sector.

He has played a key and important role in the management and development of MBS since the restructuring period. The successful restructuring of MBS has opened up a new development future, affirming its position as a major securities company in the Vietnamese stock market. In 2015-2020, he led MBS to achieve many positive results with impressive growth in both scale and efficiencies.

VIETNAM BOND MARKET

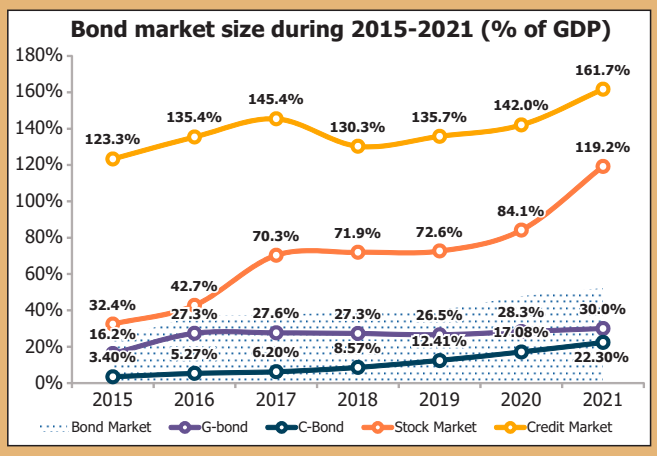
THAO TA BICH
Deputy General Secretary

The Vietnam Bond Market Association (VBMA)
(Hanoi, Vietnam)

Vietnam's bond market began to take shape in the mid-1990s, with the Government issuing a series of construction and national bonds to finance the State budget. Alongside the economy and financial market's development, the bond market has evolved into two main branches: i) Government bond, Government-guaranteed bond and municipal bond markets and ii) the corporate bond market.

Over the past decade, Vietnam's bond market has grown in both size and depth, affirming its role as an important and effective capital raising channel for the State Budget as well as for corporates. Bonds have become an increasingly popular financial product in the financial market and a tool for regulators to operate and implement fiscal and monetary policy, contributing to the country's economic development.

The size of the bond market expanded from just 2.82 percent of GDP in 2001 to 17.6 percent in 2011, to 24.14 percent in 2015 and 52.2 percent in 2021. By the end of 2021, the size of the Government bond (G-bond) market equalled 29.97 percent of GDP, followed by the corporate bond (C-bond) market (22.30 percent of GDP). The size of the Government-guaranteed bond market amounted to 1.97 percent of GDP and the municipal bond market equals 0.17 percent of GDP.



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Four main types of issuers operate in the bond market: i) the State Treasury is authorized by the Ministry of Finance (MOF) as the issuer of Government bonds to finance State budget deficits and refinance due debt principals as stipulated in the State Budget Law and Public Debt Management Law, ii) State-owned policy banks (Vietnam Social Policy Bank (VSPB) and Vietnam Development Bank (VDB) are permitted to issue bonds with Government guarantees to finance State policy-targeted credit schemes, iii) sub-national People's Committees of provinces and municipalities issue municipal bonds to fund respective sub-national government budgets and iv) incorporated entities issue corporate bonds to service productive and commercial investments.

The investor base consists of financial intermediaries (credit institutions, securities firms, insurance companies and investment funds), Vietnam Social Security Agency (VSS), Deposit Insurance of Vietnam (DIV), individual and other investors.

VBMA acts as a platform for information exchanges and updates, to strengthen collaboration among regulators, issuers and investors, provide opinions to regulators for enhancements to the legal framework governing the bond market, deliver support services to its members, deliver training and capacity building for its members and engage in cooperation with global and regional bond market associations.

The Vietnam Bond Market Association (VBMA) is a socio-professional body established in 2009, whose members are bond market investors and intermediaries - some of whom are also corporate issuers. VBMA acts as a platform for information exchanges and updates, to strengthen collaboration among regulators, issuers and investors, provide opinions to regulators for enhancements to the legal framework governing the bond market, deliver support services to its members, deliver training and capacity building for its members and engage in cooperation with global and regional bond market associations.

The Vietnam Securities Depository Center (VSD), Hanoi Stock Exchange (HNX) and Ho Chi Minh Stock Exchange (HOSE) are service providers for bond registration, custody, listing and trading for issuers. Accordingly, HNX and VSD organize and operate platforms for government, government-guaranteed and municipal bond primary issuance, registration, custody listing and trading in the secondary market as well as making interest and principal payments on debt instruments and clearing debt instrument transactions. Corporate bonds can be registered and deposited at the VSD and listed and traded on the HNX and HOSE.

Vietnam Marco Economy and Bond Market in 2021. 2021 was a challenging year for Vietnam as the third wave of the pandemic left a widespread and profound impact on the economy. Despite the good performance in the first half, Vietnam's real GDP growth rate is 2.58%, the lowest level in a decade. For the first time since 2000, Vietnam had a negative GDP growth rate of -6.02% in the 3rd quarter. However, thanks to a rapid vaccination campaign and a timely change in strategy against the pandemic, the economy recovered in the fourth quarter. The Industrial and construction sector was the leader with a growth rate of 4.05%, followed by the agriculture and seafood sector, which expanded by 2.9%. Even though Vietnam has adjusted to a new-normal state, the country can still experience stagnancy in consumption and manufacturing activities. Outlook for 2022 might be better, but the risk of a debt bubble in China, geopolitical tension, and deceleration of developed countries are still looming around the corner.

Table below: Vietnam's key economic statastics

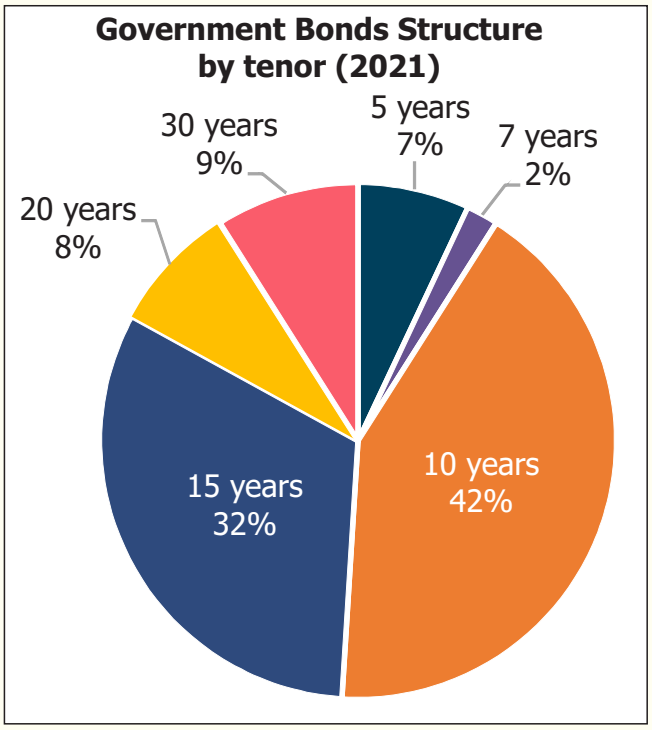
		2019	2020	2021
Real GDP Growth		7.02%	2.91%	2.58%
Inflation		2.79%	3.23%	1.84%
Budget deficit/ GDP		2.67%	3.99%	4.75% (*)
Discount rate		4.00%	2.50%	2.50%
Refinancing rate		6.00%	4.00%	4.00%
Country's credit rating	Moody's	Ba3, negative	Ba3, negative	Ba3, positive
	S&P	BB, stable	BB, stable	BB, positive
	Fitch	BB, positive	BB, stable	BB, positive

GOVERNMENT BOND MARKET

Primary Market

Regarding the Government bond issuance volume, in 2021, the total issuance value was VND 318,213 billion, a 1.77 percent decrease compared to 2020.

Regarding the issuance tenor, 100 percent of issued Government bonds had tenors of five years or more, from which bonds with tenors of 10 years or above accounted for 91.75 percent of the total volume of issued bonds and bonds with tenors of 20 years or above accounted for 17.08 percent. The average tenor of Government bonds in 2020 reached 13.92 years (a decrease of 0.2 year compared to 2020).



Issuing interest rates: Issuing yields decreased at all tenors. Compared to 2020, issuing yields decreased by 35 to 68 bps, in which the figures of 5-year, 10-year and 15-year bonds declined the most. The average issuing interest rate in 2021 was 2.30 percent/year, 0.56 percent/year lower than 2.86 percent/year in 2020.

Secondary Market

Regarding the listed value, the volume of Government bonds listed on the HNX at the end of 2020 was VND 1,372,859 billion by face value, with 194 listed bond codes.

Value and transaction volumes of Government bonds on the secondary market in 2021 increased by 14.3 percent compared to 2020, from which the outright transaction value jumped by 13.8 percent and the repo transaction value fell by 15.4 percent compared to 2020. Repo transactions accounted for 31.4 percent and outright transactions 68.6 percent of the total transaction values of Government bonds.

The average trading volume of government bonds in 2021 was VND 10,592 billion/session, a rise of 15.2 percent compared to 2020's average.

Transactions	2019	2020	2021
Outright	10,32,416	15,93,668	18,14,794
Repo	8,99,628	7,21,469	8,33,208
Total value	19,32,044	23,15,137	26,48,002
Average daily trading value	7,728	9,187	10,592

GOVERNMENT-GUARANTEED BOND MARKET

Primary market:

In 2021, total volume of Government-guaranteed bond issued was VND 21,524 billion, in which, VDB raised VND 10,500 billion (a 52 percent decrease compared to the issued volume in 2020 (VND 21,900 billion)) and VSPB raised VND 11,024 billion (a 152 percent jump compared to the issued volume in 2020 (VND 4,375 billion)).

Issuing maturities: VDB's average issuing maturity in 2021 was 8.94 years (a 3.93 year decrease compared to 2020), and VSPB's average issuing maturity in 2021 was 11.64 years (a 1.07 year decrease compared to 2020).

Secondary Market

The total trading volume of Government-guaranteed bonds in 2021 was VND 161,672 billion, 40 percent lower than in 2020.

> **Vietnam Bond market will inevitably become an increasingly important source of financial resources for both Government and Enterprises. The market is at a critical juncture of development to step up to next level of market development and VBMA and its members are working closely with the regulators for legal framework amendment and update, investor base development, infrastructure development.**

CORPORATE BOND

The total volume of corporate bonds issued in 2021 amounted to VND 658,009 billion, a 42 percent leap verses 2020, of which private placements accounted for VND 627,844 billion and 95.4 percent of the issued volume. Public offerings amounted to VND 32,828 billion and 4.6 percent of the issued volume.

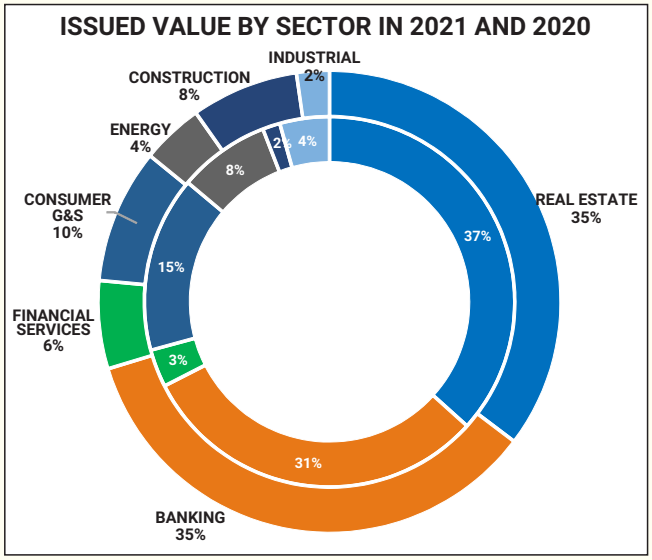
There were four corporate bond issuances in the international market with a volume of USD 1,425 million, a 413 percent rise from 2020.

Types of bonds: In 2021, some 46.42 percent of the issuing volume was bonds issued with collateral, while 53.58 percent was issued without collateral and 0.2 percent was convertible bonds.

Issuing maturities: The average issuing tenor of 2021 was 3.80 years. In which, the average tenor of privately-placed corporate bonds in 2020 was 3.78 years, an increase of 0.4 years compared to 2020. The average tenors of bonds issued to the public reached 5.2 years.

Interest rates: For bonds issued under private placement, the average coupon of corporate bond issuances was 8.42 percent/year, commonly ranging from 8-10 percent/year. For bonds issued to the public, a floating coupon rate was based on the average reference rate of four major commercial banks (Agribank, BIDV, Vietcombank and Vietinbank).

Issuers: In 2021, real estate enterprises and commercial banks had the largest issuing volumes of corporate bonds, accounting for 35.3 and 35.0 percent of the total issuing volume, respectively. Service and manufacturing enterprises accounted for 5.41 and 1.68 percent of the total issuing volume.



Vietnam Bond market will inevitably become an increasingly important source of financial resources for both Government and Enterprises. The market is at a critical juncture of development to step up to next level of market development and VBMA and its members are working closely with the regulators for legal framework amendment and update, investor base development, infrastructure development...

Ta Thi Bich Thao is currently the Deputy General Secretary of the Vietnam Bond Market Association. She was one of the organizers of the first Vietnam Bond Market Forum (VNBF). This enabled her to start building and growing the association from scratch. She is the one who transformed the VNBF into a legally recognized entity in 2009 namely, the Vietnam Bond Market Association (VBMA) under Vietnamese law to enhance its legal and financial capacity for addressing operational as well as policy issues. Her primary responsibilities include contributing to the VBMA development policy and strategy dialogue with the relevant stakeholders, implementing the policy of the VBMA, promoting the VBMA and ensuring good relations with the members and authorities, coordinating the association's governance, including Executive, Standing Committee, and General Meetings.

Under Thao's coordination, the VBMA has become a robust industry association in Vietnam with functions such as facilitating high standards for the debt market professionals community, acting as a market modernization champion and driver, being a collective market information source and a policy dialogue interlocutor for policymakers and regulators. VBMA had a material impact on debt market development in its start-up stage. VBMA produced a written code of conduct, market convention, and master agreements for outright and repo transaction that applicable to its members and employees especially as regards to debt market transactions. The VBMA model back-office manual for debt market transactions is used for reference by VBMA members when they attempt to standardize and improve their back-office operations. VBMA developed novice, intermediate, and advanced course work for mastering the debt market. Topics include Dealer Certificates, Risk Management, CBI, Structured Products, and Application of Bond Futures in Vietnam. Thao had a hand in development of all these courses. She was also instrumental in implementing the market maker agreements which provides reliable fixings for the market. She set up and developed VBMA's bond market information center.

Prior to her current job, Thao started her career with the Vietnam Development Information Center - World Bank Office in Vietnam. She holds a bachelor of International Trade from the University of Commerce and Master of Business Administration degree jointly conferred by North Western University in Switzerland and the National University of Vietnam.

MARKET INFRASTRUCTURE PROVIDERS WILL BE KEY TO DECARBONISING THE GLOBAL ECONOMY

JANE GOODLAND
Group Head of Sustainability

London Stock Exchange Group (LSEG) (London, UK)

In just a few short years sustainable investment has become truly mainstream as investors respond to the world's most pressing sustainability challenges such as climate change, socio-economic inequalities, or human rights issues. A rapidly evolving understanding of the risks and opportunities associated with climate change combined with growing societal pressure to use capital to 'do good', has resulted in billions of inflows to sustainability-themed investment products and companies.

The 2020s have been branded the 'decisive decade' as our collective actions over the coming years will dictate the extent to which nations around the world will be affected by the changing climate, pressure on natural resources, food and water, climate migration and inevitable socio-political relations.

The IPCC's latest report published on 28 February 2022 served as a poignant reminder of the impact to natural ecosystems, economies and livelihoods if crucial emission reduction targets are not met.

In Glasgow just a few months ago, COP26 firmly placed finance at the heart of the market transformation required to tackle climate change and deliver sustainable growth. The convening power of groups such as The Glasgow Financial Alliance for Net Zero (GFANZ), which LSEG is now part of via the Net Zero Financial Service Providers Alliance or NZFSPA, demonstrates the collective willing to reengineer our financial system to mobilise the trillions needed to transition to a net zero world and support the growth of new green industries. Market infrastructure providers such as LSEG and the BSE have a crucial role in getting this done.

> **Decarbonising the whole global economy is critical to minimise the worst consequences of climate change. But despite the laudable aims of those who champion sustainable investing, there is a real risk that without a nuanced approach and stakeholder engagement, the actions taken by some investors could, rather than accelerating sustainable economic models, instead have unintended consequences and actually make it harder for countries and companies to achieve net zero.**

Progress is being made. Climate change is fast becoming integral to how financial institutions make decisions every day, how investors allocate capital and how companies operate. For example, 60 of the FTSE 100 companies have already set out public net zero commitments using the Science Based Targets Initiative. Yet, we don't have long to address these issues. Financing is only the first stage in a sequence of activities that eventually lowers levels of greenhouse gases in our atmosphere.

In assessing the pace of change, LSEG's index provider, FTSE Russell surveyed more than 100 asset owners globally and found that 84% are either implementing or evaluating sustainability into their portfolios, up from just 53% in 2018. Two-thirds noted that mitigating long-term investment risk is a key factor behind their decision making.

As the numbers show, the world's largest asset owners, such as sovereign wealth funds and major pension providers, are moving quickly to quantify the impact of these risks in different global warming scenarios and re-align capital flows accordingly. As a result, more than $50bn is tied to FTSE Russell's climate-transition aligned indices alone. FTSE Russell is rapidly expanding its coverage of climate indices so that investors can choose a 2050 climate-transition aligned equivalent of every major benchmark, whether it be the Russell 1000 in the United States or TOPIX 500 in Japan.

> **And underscoring all of this is the reality that the climate transition is complex and will require a variety of tools, including public disclosure of transition plans, carbon offsets and nascent instruments such as transition bonds.**

Major emerging economies such as India face both risks and opportunities associated with investor's response to climate change and other growing sustainability priorities such as bio-diversity.

The Indian Government has underlined its commitment to achieving net-zero, with Prime Minister Narendra Modi announcing at COP26 that India would eliminate carbon emissions by 2070 and that it would source 50% of the energy needs from non-conventional energy sources by 2030.

And Finance Minister Nirmala Sitharaman, recently announced that the government would launch Sovereign Green Bonds, utilising funds raised to finance new projects contributing to India's ambition in the renewables space and helping drive the net-zero transition. We have also seen SEBI taking steps to improve transparency and awareness within the sector, their recent consultation on the regulation of ESG Scoring is a good example.

Financing the climate transition

Decarbonising the whole global economy is critical to minimise the worst consequences of climate change. But despite the laudable aims of those who champion sustainable investing, there is a real risk that without a nuanced approach and stakeholder engagement, the actions taken by some investors could, rather than accelerating sustainable economic models, instead have unintended consequences and actually make it harder for countries and companies to achieve net zero.

This paradox at the centre of sustainable investment has already led to endowments, portfolios, and pension funds worth just shy of $40 trillion committing to full or partial abstinence from coal, gas and oil stocks. Not only are companies pushed into opaque and unaccountable private markets, it also starves those already investing in emerging green technologies from the capital they need to move away from fossil fuels at speed. This is particularly the case in high-growth emerging markets such as India given its reliance on fossil fuels.

Shareholder support for those with credible climate transition plans is crucial because decarbonisation requires enormous capital reallocation in a short period of time. The International Energy Agency (IEA) found that reaching net zero emissions by 2050 would require annual clean energy investment worldwide to more than triple by 2030 to around $4 trillion[1]. For solar power alone, the energy sector needs to install the world's current largest solar park roughly every day[2].

Issuers with credible plans must be able to access the capital needed to finance the transition to a low carbon economy and enable investors to build transition-aligned portfolios.

Yet, we must recognise that investors pursuing blanket divestment often lack the tools to effectively engage with thousands of portfolio companies to adequately scrutinise the quality of climate transition plans. Arming investors with the insight they need to make more targeted divestment decisions is the most important piece of the climate puzzle. It also carries the greatest investment and reputational risk for asset managers and owners.

That is why LSEG is supporting the new TPI Global Climate Transition Centre by providing data, expertise, and funding over the next five years to create a key part of the post-COP26 architecture for sustainable finance.

The Centre, set to be based at the London School of Economics' Grantham Research Institute from early 2023 next year will dramatically scale the Transition Pathway Initiative's (TPI) independent climate governance assessments of companies from 400 today to 10,000 and make its assessments free and publicly available.

The responsibility also falls to issuers. Investors need companies to make consistent investment grade disclosures areas including like carbon performance and climate transition plans using the same cross-border reporting framework. Put simply, to "shift the trillions" for the transition to a sustainable global economy, investors need reliable data. This requires global, economy-wide adoption of disclosure standards not just covering publicly listed firms but privately held ones too.

> **UK and Indian capital markets have a major role to play in achieving climate goals, and we, as an industry have a moral obligation to support investors through climate transition, while facilitating the growth of the green economy.**

Working in partnership with the UN Sustainable Stock Exchange, LSEG has made real progress in partnering with 30 exchanges around the world to lay the foundation for this with the Task Force on Climate-Related Financial Disclosures, a framework for disclosing an issuer's exposure to climate risks and opportunities for shareholders and other stakeholders. The London Stock Exchange became the first exchange to issue guidance based on UN SSE's Model Guidance on Climate Disclosure in October 2021.

And underscoring all of this is the reality that the climate transition is complex and will require a variety of tools, including public disclosure of transition plans, carbon offsets and nascent instruments such as transition bonds.

Supporting the growth of new green industries

This isn't all about focusing on high carbon sectors. To deliver sustainable economic growth, more economic activity must focus on creating, scaling, and delivering solutions to the world's environmental and social challenges. This means funding the next generation of sustainable battery solutions and sustainable fuel sources such as clean hydrogen.

According to data from FTSE Russell, the green economy is worth almost $7 trillion and has grown at a compound rate of 20% since 2016, significantly outpacing the overall equity market.

Investor demand to fund this growth is also significant. Over £100bn has been raised via London Stock Exchange's Sustainable Bond Market, with issuers raising over £30bn in green bonds in 2021 alone. These bonds ensure that use of proceeds is tied to specific projects that deliver environmental benefit.

However, surrounding rapid growth has been a fervent debate about what 'green' really means. A baseline global understanding will be crucial to implementing global reporting standards and preventing greenwashing. We've seen this debate play out through the development of green taxonomies, a crucial emerging tool that will help direct capital to where it needs to go from the European Union, UK, China and elsewhere. We believe that countries developing taxonomies should build on existing structures to promote interoperability to enable investors to allocate capital to green solutions consistently and at scale.

We also need to recognise and support our green issuers. The Green Economy Mark is a LSEG initiative that identifies London-listed companies and funds contributing to the global green economy. It considers vital environmental objectives such as climate mitigation and adaptation, waste and pollution reduction, and transitioning to a circular economy. Qualifying for a Green Economy Mark requires issuers to generate at least 50% of revenues from green economic activities as measured by FTSE Russell's Green Revenues 2.0 Data Model. 101 companies listed in London worth almost £150 billion already fit this description. Many more are expected to join them in the years ahead.

UK and Indian capital markets have a major role to play in achieving climate goals, and we, as an industry have a moral obligation to support investors through climate transition, while facilitating the growth of the green economy.

1. Net Zero by 2050, A Roadmap for the Global Energy Sector, IEA
2. Net Zero by 2050, A Roadmap for the Global Energy Sector, IEA

Jane Goodland
Group Head of Sustainability
London Stock Exchange Group (LSEG)

IMPRESSIVE GLOBAL RECOVERY NOW THREATENED BY INFLATION CHALLENGES

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The global economy saw an impressive recovery last year from the pandemic-induced recession and demand is still expanding at a robust rate across the major economies. But inflation challenges continue to build and there is a rising risk that monetary policy responses needed to preserve price stability could take a significant toll on global growth in 2023.

The world economy grew by nearly 6% last year, the fastest rate of expansion since 1973. Just as the Covid-19 pandemic prompted an unusually widespread and synchronized downturn, last year's strong recovery was also broad-based, with the US expanding by 5.7%, the Eurozone by 5.2% and China by 8.1%.

These growth rates were all far above pre-pandemic rates. While they were flattered by severely depressed activity levels in 2020, the GDP recovery path was better than we and many initially expected at the height of the pandemic disruption in the first half of 2020. Eurozone GDP recovered to its pre-pandemic (Q4 2019) level in Q4 2021, a full year ahead the forecasts we made in our June 2020 Global Economic Outlook (GEO). US GDP had already recovered its pre-pandemic by Q2 2021 and by Q4 2021 GDP was, remarkably, in line with the pre-pandemic trend.

Vaccines and Policy Support Behind Impressive Rebound in 2021

Three factors were key in securing this swift recovery. The first was the base effect referred to above, namely the simple arithmetic boost to GDP from moving out of nationwide lockdown policies imposed in 2020 to control the Covid-19 virus. Lockdowns saw economic activity shut down virtually overnight across a swathe of sectors in many countries in 2020, particularly services, with leisure and transport disproportionately affected. Lockdowns were not absent in 2021 but were generally much shorter and less stringent, resulting in a strong re-opening premium to growth last year.

The global economy saw an impressive recovery last year from the pandemic-induced recession and demand is still expanding at a robust rate across the major economies. But inflation challenges continue to build and there is a rising risk that monetary policy responses needed to preserve price stability could take a significant toll on global growth in 2023.

This re-opening premium was aided massively by the development and distribution of Covid-19 vaccines. This allowed governments to move away from lockdown measures as a means of controlling the spread of the virus and of preventing health services from becoming overwhelmed. Vaccines have proven very effective at reducing the severity of illness associated with Covid-19 (even though the virus continues to spread) allowing contact-sensitive consumer service industries to re-open and a reduction in 'voluntary' social distancing. Broader adaptations to economic life under pandemic conditions - including working from home modalities, the switch towards on-line retail spending and the establishment of social distancing protocols in producer and consumer locations - also aided the recovery last year.

The third factor was outsize macro policy support. This was simply off the charts by almost any previous benchmarks. Direct fiscal easing measures (tax cuts and higher public spending) announced since the start of the pandemic add up to nearly USD11 trillion globally according to the IMF, equivalent to over 10% of world GDP. These were accompanied by the rapid rollout of sovereign loan guarantees and quantitative easing on a hitherto unprecedented scale from the Fed and the ECB, with the Fed balance sheet expanding by nearly USD5 trillion. Policy easing protected the private sector from the impact of the pandemic as reflected in a 7.5% increase in aggregate US household sector disposable income in 2020 despite a 2.2% fall in US nominal GDP. In Europe, support in the form of job subsidy or 'furlough' schemes helped avoid significant increases in unemployment rates as firms held on to existing workers.

Global Demand Continues to Expand Robustly

Each of these three factors is now waning in importance as a driver of further expansion as the recovery matures and vaccine coverage rates rise. Many of the exceptional fiscal support measures rolled out in 2020 and 2021 have now expired or will end soon. For example, expanded federal unemployment benefits in the US ended in September 2021 and furlough schemes in Europe are starting to be unwound. Some governments are starting to raise taxes this year, including the UK.

Nevertheless, near term prospects for global demand growth continue to look robust. Consumers have generally emerged from the pandemic with finances in pretty strong shape - with incomes heavily supported, consumers have built up sizeable savings buffers over the last two years. Drawing these savings down could fund strong consumption growth in the coming year, or at least allow consumption to be sustained in the face of shocks to real income such as from rising prices. Buoyant labour demand is supporting job growth as service sector activity continues to normalize.

Fears late last year that the highly-transmissible Omicron variant would prove to be a major setback for the recovery look to have been unfounded. High frequency activity indicators for December and January have generally held up well including service sector PMI's and employment growth in the US and Europe. This points to the influence of vaccination in reducing hospitalization rates and ongoing adaptation to 'living with Covid-19'.

Moreover, the resilience of US consumer spending - the single most important source of global demand - was evidenced by a swift recovery in retail sales volumes in January after a dip in December. This is having beneficial spillovers elsewhere as US imports remain buoyant, particularly for consumer goods. For example, very strong export growth has helped cushion China's economic growth from a domestic slowdown led by the property sector in 2021.

Firms will also likely need to rebuild inventories in 2022. Inventories of finished goods including autos, furniture and other durable goods fell to record lows in late 2021 amidst supply-chain shortages. Replenishing stocks will serve to boost GDP over the near term even if final demand starts to wane. Similar dynamics should see output levels increase later in 2022 as supply shortages ease and firms are finally able to deliver on backlogs of orders

Investment also has considerable momentum. Capital goods orders point to ongoing strength in US business investment and manufacturing capex has picked up globally, as firms respond to supply-chain pressures by expanding capacity, including in the electronics sector. In the Eurozone the rollout of funds from the Next Generation EU fund is supporting public investment growth in Italy and Spain. In China the turn in the credit cycle is seeing fixed asset investment start to pick up again, supported by infrastructure.

Firms will also likely need to rebuild inventories in 2022. Inventories of finished goods including autos, furniture and other durable goods fell to record lows in late 2021 amidst supply-chain shortages. Replenishing stocks will serve to boost GDP over the near term even if final demand starts to wane. Similar dynamics should see output levels increase later in 2022 as supply shortages ease and firms are finally able to deliver on backlogs of orders.

But Inflation Challenges Mount

But the global demand recovery has met with serious constraints on the supply-side, including a global shortage of consumer goods and a rapid tightening in the US labour market as labour supply has failed to keep pace with a strong rebound in labour demand. These constraints, along with a sharp rise in energy prices, have caused inflation to hit multi decade highs in the major advanced economies. This is prompting the Fed and some other major reserve currency central banks to bring forward the start of monetary policy normalization. The expectation remains that monetary policy adjustment will be a gradual process whereby interest rates slowly revert towards a neutral level over the next two years. However, there is a material risk that the Fed could be forced into a much more abrupt monetary tightening.

The gradualist view is predicated partly on expectations that consumer goods shortages and related upward pressures on goods prices should start to ease in the second half of this year. The recent surge in goods inflation - which has seen US CPI inflation for core goods (i.e. goods prices excluding energy and food) jump to nearly 12% - was prompted by a massive jump in US consumer demand for durable goods from the second half of 2020. At the peak in April 2021 US consumer durables spending in nominal terms was nearly 40% higher than its pre-pandemic level, easily the fastest rate of increase in the post-war period. This was fueled by huge US fiscal stimulus spending - heavily focused on supporting household incomes - which coincided with severe pandemic-constraints on services spending.

This dramatic jump in goods demand saw global manufacturing supply chains struggle to keep pace, with major bottlenecks emerging in semi-conductor supply, container shipping flows and other parts of the goods logistics chain. These bottlenecks are expected to ease later this year as fiscal support for consumer spending fades, consumers switch spending back towards services and manufacturing capacity expands following the recent step-up in investment. However, there is not much evidence of goods shortages easing so far.

Moreover, US inflation is now broadening to services, including housing rents. While this happening at a much less dramatic pace than the recent goods price shock, movements in services inflation tend to be more persistent. Rising services inflation is partly being driven by a pick-up in wage growth as the labour market has tightened. Labour force participation rates in the US have been surprisingly slow to recover as a jump in retirements and ongoing pandemic-related caregiving demands and health fears have kept workers out of the labour market. Alongside a swift recovery in labour demand and a rise in the voluntary quit rate this has resulted in labour shortages, with firms struggling to fill vacancies.

The recent easing in new virus cases and hospitalisations should allow more people to rejoin the US workforce, helping to limit further upward pressures on wage growth as labour demand growth normalizes later this year. But this is again uncertain. Meanwhile global energy shocks related to the Russia Ukraine war threaten to rates higher for longer.

Risk of More Abrupt Monetary Policy Tightening

The gradual monetary policy normalisation path that most still expect would not be a major drag on the growth outlook. But if inflation fails to fall back significantly in the second half of this year the Fed could be forced to undertake more abrupt policy tightening actions in order to anchor medium term inflation expectations and prevent high inflation from becoming self-reinforcing. This could involve interest rates having to rise back to neutral or even restrictive levels quite quickly. Such a scenario could take a much more significant toll on US and global growth in 2023, particularly if it prompted a significant rise in US ten-year bond yields, which still remain extremely low in real terms. Given the outsize share of the US dollar in global debt, this would see a sharp tightening in global credit conditions, with potentially adverse implications for capital flows to emerging markets and broader financial market volatility.

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Prior to that he worked for eleven years in the Sovereign Group at Fitch Ratings, including spells in Hong Kong as Head of Asia Pacific Sovereigns and in London as Head of EMEA Sovereigns and Global Economics. He was formerly an Economic Adviser at HM Treasury.

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BANKING AND FINANCIAL MARKETS - THE ROAD AHEAD IN DIGITAL TRANSFORMATION ERA

PAOLO SIRONI
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The advent of “platform economies” is a tsunami for the traditional business culture, especially for bankers. Sustainable business performance is no longer based on linear relationships between manufacturers, distributors, and consumers with the logic of incremental production of costs and value. Instead, the main economic levers lie in the ability of new business models to engage users continuously, and usher in a new era of “hyper-personalisation” and “hyper-contextualisation”. Digital platforms can transform entire industrial sectors mainly because they favour the transition from an economy centred on "outputs" (products) to an economy centred on "outcomes" (results). In platform economies, “assets” (products) do not disappear but become peripheral from the point of view of generating value. They focus on the contextualization of user experiences at affordable prices, removing frictions in consumption and user interactions.

Platformisation means that banks will have to be more customer-centric than ever

Banking is not client centric but modelled around products. As an example, also automotive is a very linear value-chain. Car makers assemble the work of manufacturer, allowing final consumers to hyper-personalise their purchase in front of the car dealer by choosing the most favoured colour for the leather seats and the best-in-class navy system, according to their level of wealth. Ultimately, they pay for an all-in relationship to buy a car that enables them to travel from one destination to the other, they don’t have to deal and pay for the individual manufacturers through that relationship. Traditional banking operates as a linear value-chain too. On the one side, the manufactures are the asset managers or the investment bankers helping companies to issue equity or bonds. On the other side, all the clients need a saving account, a payment method, a mortgage, a set of investment opportunities, a retirement solution, and insurance coverage. However, they typically enter multiple relationships with the same bank to fulfil their financial journey by purchasing banking products and solutions at different points in times in very disjoint ways. Even the regulators have followed this model that stratified through the years, for example separating the regulation of financial intermediation between investment products, life insurance products, or retirement products. Yet, the underlying financial uncertainty is always the same, so is the final client.

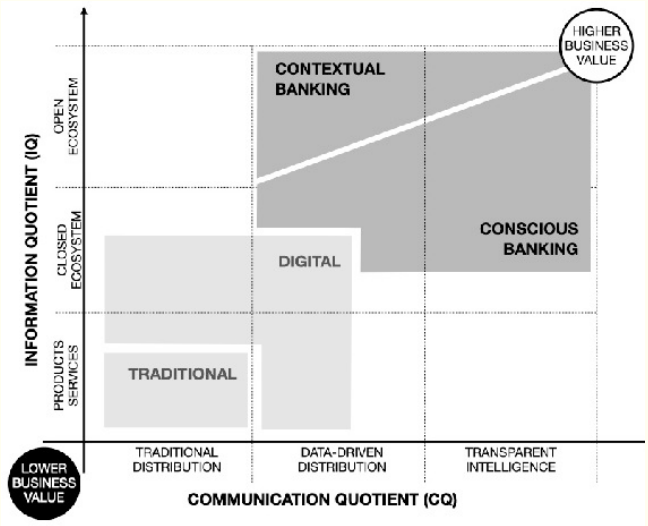
> **Banks must embrace the open organization, tearing down the barriers among the “product-centric” information systems that are typically configured to service specific business units in order to share data and automate end-to-end around “client-centric” relationships.**

On platform economies, client centricity does not mean to hyper-personalise marketing capabilities of individual products because no single banking product is enough to assist client in their financial wellness journey from one life destination to the other. On platform economies, client centricity means embracing a shift from “output economies” (distribution channels of financial products) to “outcome economies” (helping clients to fulfil their personal, financial, business goals over time). The relationship and engagement are the “new products” that must be priced, especially given the evaporation of product margins due to very low or negative interest rates, transparency regulation, the commoditization and simplification of most financial contracts, and the zero-price competition from new contenders. In this complex business environment, digital technology enables the entry of specialised providers that can chip away at banking activities that

do not require access to a large balance sheet, such as payments and wealth management. Similarly, digital platforms can interject themselves between banks and customers, collecting most rents and potentially monopolising access to valuable data. As a result, banks risk losing their position as "first point of contact" for financial services and could be reduced to be merely upstream suppliers of maturity transformation services that have no direct customer access, particularly in retail operations.

The Banking Reinvention Quadrant: a map to navigate the uncharted waters of digital innovation

In the dark of the new digital, financial and economic normal, only a crisp and clear vision can guide all stakeholders in the transformation effort of the banking industry. Also the regulators need to be aligned on the new digital strategies that will ferry the whole industry to more sustainable shores. What is needed is a business map, and a compass to guide the navigation. The map is the Banking Reinvention Quadrant (BRQ), which is the center piece of latest bestseller "Banks and Fintech on Platform Economies" (see figure 1). The compass is the theory of "Financial Market Transparency" to guide inclusive transformation in the best interest of clients. The axes of this quadrant are named the Information Quotient (IQ, y-axis) and the Communication Quotient (CQ, x-axis). What are they?



According to a paper by the research center of the European Central Bank, financial institutions exert market power when they excel in information and communication, that means investing in differentiative **core banking** and **interfaces.** The tension between information and communication defines the emergence of new business models based on very different information systems. These are "Contextual Banking" platform strategies (based on Banking-as-a-Service architectures, opening banking data and insights to be consumed by third parties inside external ecosystems), and "Conscious Banking" platform strategies (based on Banking-as-a-Platform architectures, opening banking innovation to the integration of external banking and non-banking offers to increase the value of banking relationships).

The **Information Quotient** is the "technology" axis and represents the trusted intensity in the use of data and insights on open banking platforms, transforming client engagement out of products and services, into the participation of enriched user ecosystems by eliminating engagement frictions in adjacent industries (e.g., digital payments on food delivery apps). Sliding along this axis represents the level of openness in the use of internal and external data, shifting from traditional core banking to hybrid cloud architectures to scale the participation of partners and complementors. Banks must embrace the open organization, tearing down the barriers among the "product-centric" information systems that are typically configured to service specific business units in order to share data and automate end-to-end around "client-centric" relationships. They also need to transform business culture and align the incentives among all participants, internal business units and external providers of products and services.

The **Communication Quotient** is the "business" axis and represents the trusted intensity in the use of Artificial Intelligence (AI), supporting digital or human relationships and decision-making, and digital interfaces powered by more intelligent analytics (e.g., AI-driven instant credit approval). Most banking clients are not comfortable in banking on digital as much as they are with e-commerce or car-sharing, especially for the most relevant intermediation activities in terms of revenue generation that focus on wealth management (investment and insurance products). Digital technology is a technology of the demand; when on Amazon you typically look for specific products and can easily compare. Instead, these banking revenues are operated in an offer-driven economy (clients are "pushed" financial products way more than they are capable to "pull" themselves from banking shelves). While banks think of selling products, most clients inadvertently buy relationships. That is why intensifying communication capabilities in a hybrid mix of human and AI-enhanced relationships is essential to place an offer-driven industry on a demand-driven technology.

Conscious Banking and Contextual Banking platform strategies share business critical information through cloud-based, open finance platforms, and enrich the communication with clients with transparent, robust, and explicable artificial intelligence solutions. That is why they unlock most of the attainable business value on the BRQ.

The road ahead is not about technology, it's about adjusting the business model with technology

Banking-as-a-Service (BaaS) and Banking-as-a-Platform (BaaP) lie on the same hybrid cloud foundations, built on secured interoperability and

transparent portability across computing environments. The main difficulty for banks is not about technology, but to understand how to unlock value with technology. Mario Draghi's speech in the pressroom of the ECB, few weeks before leaving office in 2019, was absolutely revealing. He said that banks need to "adjust the business model to the digitalization of financial services". The focus is not about digitizing existing operating models and offers. The focus is about updating the business models and the ways of working with the help of technology. This requires understanding the relationships between BaaS and BaaP and the cultural transformation towards the open organization. A recent study by IBM, the Institute of Business Value, demonstrates that hybrid cloud investments can unlock 20 times the potential impact on banking revenues when combined with end-to-end enterprise transformation based on open organizations (culture, platforms, and ecosystems) and operational enablers like a "shift-left" in cybersecurity with DevSecOps.

Banks can compete with big tech in the platform economy

Platforms transform the experiences of consumption of goods and services, and the ways of socializing. Did you take an Uber to go to work? You booked it on a digital platform. During a coffee break, did you read on LinkedIn about my latest bestseller "Banks and Fintech on Platform Economies"? You found it on a social media platform. Was it delivered to your doorsteps by Amazon Prime in less than 24 hours? You ordered it on an e-commerce platform. There is no doubt that platforms are the next game to compete in banking transformation. All payment providers are flexing their muscles to create super apps or orchestrate ecosystems like Square buying Tidal, a specialised music streaming provider, to build a community banking solution around the most compelling business issues of emerging artists.

Already, well-informed institutions are enriching traditional offers with financial and non-financial services according to the prevailing regulatory frameworks, developing platforms that interact with non-banking ecosystems. As a matter of fact, some are orchestrating ecosystem platforms to fight back, competing with first attempts of **Contextual Banking** platform strategies (e.g., DBS Bank marketplaces, State Bank of India YONO, or Bank of Baroda Kisan). On the other hand, well-informed institutions are investing to preserve the integrated provision of financial services for the most communication-intensive activities. They are refreshing digital "merchant banking" models and "trusted advisory" relationships, tailoring new solutions to engage clients with more complex needs. Fintech innovation allows previously separate banking verticals to be re-bundled into stand-alone containers of services. The re-emergence of merchant bank services and holistic financial advice is consistent with the long-held view in the literature that relationship banking can survive competition by increasing relation intensity. They are competing with first attempts of **Conscious Banking** platform strategies (e.g., UBS wealth solutions, or Envestnet advisory platform).

Key message from "Banks and Fintech on Platform Economies"

Bankers need to deep dive a bit further into the real foundations of the industry, which is the scope of my latest bestseller book "Banks and Fintech on Platform Economies". They need to learn new theoretical foundations because the shift is seismic. Like choosing to build a nuclear plant instead of producing energy by burning carbon requires a new theory, similarly "Banks and Fintech on Platform Economies" allows strengthening the theoretical foundations of business action with a novel understanding on how platform economies intersect the idiosyncrasies of financial services intermediation.

Ultimately, it is the opportunity to eliminate the friction in user interactions that makes banking contextualised to become embedded and unlock "new" value in the platform engagement.

Instead, it is the need to demonstrate value - which clients are asked to pay for accessing the financial services platform - that makes banking conscious, to remain sustainably transparent and unlock "hidden" value in the advisory relationships.

Paolo Sironi
Bestselling author
"Banks and Fintech on Platform Economies"

Paolo Sironi is the global research leader in banking and financial markets at IBM Consulting, the Institute for Business Value. He is one of the most respected fintech voices worldwide, providing business expertise and strategic thinking to a network of executives among financial institutions, start-ups, and regulators. He is a former quantitative risk manager and start-up entrepreneur. Paolo's literature explores the biological underpinnings of financial markets, and how technology and business innovation can bolster the global economy's immune system in today's volatile times.

ARE THE DAYS OF TREATING THE "FAANGM" AS AN ASSET CLASS OVER?

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The stock prices of the web giants (Alphabet, Facebook, Netflix, etc.) used to move in tandem. But for several months now, they have been diverging. Is this the end big tech stocks being in synch, or is it an aberration?

The tech-related FAANGM - Facebook (Meta Platforms), Apple, Amazon, Netflix, Google (Alphabet) and Microsoft - have been driving Wall Street for more than 10 years. At the end of December 2021, the combined market capitalization of these web giants exceeded $11 trillion (or nearly one quarter of the US stock market).

Thanks to their immense economic success, these companies, most of which are barely 20 years old, have become the largest market capitalizations in the world. Between them, the FAANGM are valued more than the GDP of Japan, Germany or France.What do these American star companies have in common? First, the fact that they are all part of our daily lives because so many of us are connected to them for several hours a day. So much so that they risk becoming a threat to our privacy.

Another common point: their founders are iconic references of the successful entrepreneur, which encourages investors to bet on the sustainability of their business models and competitive advantages.

Until then, investors have tended to invest in FAANGM stocks as a single group, sometimes even in "packaged" form. Many analysts point to a strong resemblance to the "Nifty Fifty", this group of around fifty American stocks which were the darlings of savers in the second half of the 1960s. McDonald's, Walt Disney, Coca Cola and other Xerox securities each embodied a piece of the "American dream" and were nicknamed "one decision stocks": there was only one decision to be made, buy these shares and keep them. Their valuations had then soared to stratospheric levels.

"The similarity of the FAANGM with the "Nifty Fifty" was reinforced during the Covid-19 pandemic. With the lockdowns, the FAANGM became even more essential and dominating. They financially "benefited" from "Stay-At-Home" and "Work-From-Home" and their valuation multiples had then soared concomitantly. Over the past ten years, FAANGM prices have mostly moved in sync and outperformed not only the main international stocks index but also the S&P 500 and the Nasdaq."

The similarity of the FAANGM with the "Nifty Fifty" was reinforced during the Covid-19 pandemic. With the lockdowns, the FAANGM became even more essential and dominating. They financially "benefited" from "Stay-At-Home" and "Work-From-Home" and their valuation multiples had then soared concomitantly. Over the past ten years, FAANGM prices have mostly moved in sync and outperformed not only the main international stocks index but also the S&P 500 and the Nasdaq.

FAANGMAN's stock performance begins to diverge

However, the homogeneity of their stock market performance suddenly seems to be over. While Alphabet (Google), Apple and - to a lesser extent - Microsoft are trading near record highs, Facebook, Amazon and Netflix have seen their bull markets come to a halt. For investors, it is therefore a question of becoming much more selective.

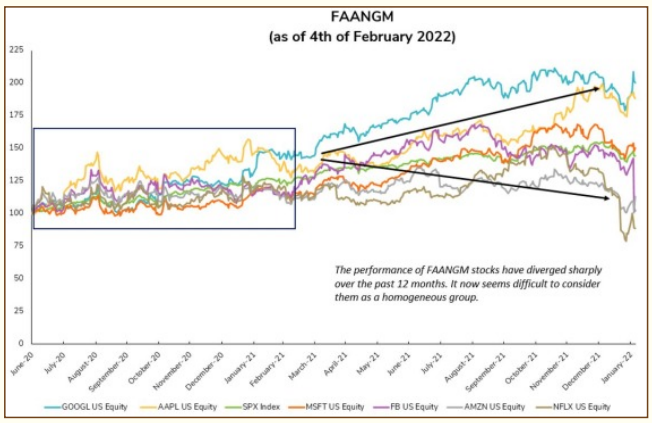
> **A much less specific element seems to explain the various fortunes encountered by the internet giants. This is the fierce competition between the FAANGMAN. Indeed, these companies are far from showing solidarity with each other - quite the contrary. And a single offensive from one of these behemoths can have very significant repercussions on the other giants.**

Admittedly, idiosyncratic elements may explain this divergence in financial and stock market performance.

Netflix recently published quarterly earnings results that greatly disappointed the market and therefore amplified the stock's downward trend (the stock is trading at prices 40% below the 2021 highs). The main reason for the miss: growing competition from platforms such as Disney+, the slowdown in the growth of new subscriptions in a market which is gradually reaching saturation but also the post-Covid effects (end of the "stay-at-home").

In the case of Amazon, the revenue growth rate is slowing down in part because consumers are a little less inclined to favor e-commerce after leaving confinement. Profitability is also suffering from the still very high capital expenditures but also from the costs related to their "1Day delivery" campaign, which requires some refinement to their supply chain.

Meta Platforms, the parent company of Facebook, Whatsapp and Instagram, saw its net profit decline in the fourth quarter and the number of users on its platforms stagnating at the end of the year, which is unprecedented for the social media giant. The company's executives have repeatedly mentioned competition from TikTok but also from other platforms, as they face numerous investigations and complaints for abuse of a dominant position. Investments related to Metavers also weighed on the company's profitability. The stock price fell 22% following the announcement of the earnings results, a decline of more than $250 billion in its market capitalization in a single day, a new record on Wall Street. The stock is trading at its lowest level in 18 months.



But this divergence in performance cannot only be explained by the idiosyncratic and temporary reasons aforementioned.

The online advertising war

A much less specific element seems to explain the various fortunes encountered by the internet giants. This is the fierce competition between the FAANGMAN. Indeed, these companies are far from showing solidarity with each other - quite the contrary. And a single offensive from one of these behemoths can have very significant repercussions on the other giants.

A very recent example: Apple's new App Tracking Transparency (ATT) feature. In April 2021, Apple finally rolled out iOS 14.5 and its dreaded ad tracking control mechanism. ATT allows iPhone users to limit app tracking by cutting off their access to the IDFA (IDentifier For Advertisers), a unique identifier linked to the phone that different apps could previously exchange freely to build a specific advertising profile.

A new feature that has very significant implications for online advertising companies - including the two largest, Facebook and Google.

Indeed, Facebook's applications depend almost entirely on Apple and Google for their distribution. So

when Apple changed its privacy policy last year limiting the ability of app developers to target users through the ATT, Facebook was suddenly deprived of one of its greatest assets.

Google also relies on ad targeting to connect marketers and users on many of its sites, but search advertising is a unique strength: users tend to "self-target" when they make a search query that explains exactly what interests them at that moment.

When it comes to targeting, Google has Android, the most popular operating system in the world, which allows it to set its own rules. And if Google still needs the distribution of iOS, it has a more "intimate" relationship with Apple than with Facebook. And for a "good" reason: Google pays Apple billions of dollars a year to be the default search engine for Apple's Safari browser.

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Experts believe that Apple's changes to iOS have resulted in Facebook losing market share in online advertising - to Google. In other words, advertisers who can no longer get the level of targeting they want on Facebook spend more on Google.

The quarterly results seem to corroborate this view. Last week, Facebook said that Apple's new App Tracking Transparency (ATT) feature caused it to lose $10 billion in revenue last year (or nearly 10% of the $115 billion it made on Facebook). Alphabet, Google's parent company, meanwhile, released exceptional results for the fourth quarter. Full-year 2021 revenue hit $257 billion, up 41% from 2020. Google forecasts 23% growth rate in Q1, while Facebook forecasts expansion only 3% to 11%.

A loss of momentum for Facebook which comes as other internet and technology giants achieve record results in the field of advertising. Amazon made $31 billion in ad revenues last year, TikTok $12 billion, Microsoft $10 billion, Snap $4.1 billion, Pinterest $2.6 billion, etc.

What lies ahead for Meta Platforms (Facebook)?

Mark Zuckerberg has been aware of this threat for a long time. Without owning the device or the operating system, Facebook is not master of its destiny and remains at the mercy of other Internet giants. Here is what he said in 2012: "We depend on Facebook's interoperability with mobile operating systems that we do not control, such as Android and iOS, and any changes to these systems that degrade the functionality of our products or give preferential treatment to competing products could negatively impact the use of Facebook on mobile devices".

In 2014, Facebook acquired a virtual reality headset company called Oculus for $2 billion, giving the company a chance to manufacture the next generation of hardware and integrate its own software.

The acquisition is the basis for Zuckerberg's envisioned future - hence Facebook's renaming to Meta Platforms late last year.

For Zuckerberg, the answer to his real-world problems could be the virtual world. Above all, he wants to free himself from Apple and Google, so that his company is able to set its own rules. A bold but risky bet, which seems to have investors worried - at least for now.

Charles-Henry Monchau joined Bank Syz as CIO in October 2021. Prior to joining the bank, he held senior positions with Dubai Investments (CIO), Deutsche Bank (Head of Asset Allocation in Europe and Middle East), EFG Bank (CIO Europe), Rothschild Bank AG, Lombard Odier and BNP Paribas. He also played a key role in the launch of a digital bank in Switzerland in 2020-2021. Charles-Henry holds an Executive MBA from Instituto de Empresa and an MSc in Finance from HEC Geneva. He is also a CFA, CMT, CAIA and CIIA charter holder.

OUTLOOK 2022: THE JOURNEY TOWARDS A GREEN AND SUSTAINABLE FINANCE

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Hong Kong: International Green and Sustainable Finance Hub

As an international financial center, Hong Kong has the internationalization and institutional advantages of financial services, and plays a pivotal role in the process of transforming the global economy into a low-carbon and sustainable economy. Under the macro background of the development of the Guangdong-Hong Kong-Macao Greater Bay Area, especially, it is an essential financial hub connecting domestic and overseas investment and financing channels and promoting the internationalization of the RMB. At the same time, as an offshore RMB center, Hong Kong is the preferred financing platform for bond issuance and IPO, and is expected to develop into a global green financial center. Hong Kong has made significant progress in building a green financial market in recent years, especially a green bond market. This article will introduce the development history and current situation of Hong Kong's green bond market, putting an emphasis on the overall review of various green bond-related initiatives in Hong Kong in 2021, for benchmarking with other Asian jurisdictions.

International Collaboration: Hong Kong`s Green Finance Governance

In recent years, the Hong Kong Monetary Authority (hereinafter referred to as the "HKMA"), the Hong Kong Securities and Futures Commission (hereinafter referred to as the "SFC"), the Hong Kong Stock Exchange (hereinafter referred to as the "HKEX"), and other institutions, play a key role in formulating or promoting green and sustainable financial measures to strengthen Hong Kong's position as a green financial hub in the Greater Bay Area and internationally.

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- **HKMA - Green Commercial Bank Alliance**
  In November 2020, the HKMA and the International Finance Corporation, a member of the World Bank Group, jointly launched the Green Business Banking Coalition (Consortium) to help banks develop the solutions they need to address climate change in emerging markets. As the founding member of the Asia region and the first regional executive director of the alliance, the HKMA will promote Hong Kong as a green financial hub for commercial banks in Asia. The alliance will jointly organize a number of special programs and activities in the region,

including conducting green finance research, providing unique market analysis and targeted professional capacity enhancement and training, as well as providing practical guidance for banks. These activities will support banks in establishing their green transition pathways, integrating green finance into their core business, and developing new green finance products.

The Hong Kong Special Administrative Region Government's "Government Green Bond Programme" ("Government Green Bond Programme") is a government program to encourage the development of green finance in Hong Kong, especially the green bond market. Proceeds from the program will be used to fund government programs that help the environment, and the HKMA is responsible for assisting the SAR government in issuing bonds under the program.

- **SFC - Strategic Plan for Green and Sustainable Finance**
  In September 2018, the China Securities Regulatory Commission published its Green Finance Strategy Framework, which includes three levels of content: "1" Strengthening the disclosure of environmental, social and governance factors, especially environmental and climate risks, by listed companies, fund managers and investment products and consideration; "2" Promote the development of green or ESG-related investment products, raise investors' awareness of green and sustainable finance, and strengthen the capabilities of all parties in implementing sustainable finance; "3" Promote Hong Kong as an international green finance center.

- **HKEX - Sustainable and Green Exchange "STAGE"**
  In December 2020, STAGE, a sustainable and green exchange established by the Hong Kong Stock Exchange, is Asia's first sustainable financial information platform, promoting green financial products to improve their market attention, information transparency and circulation. HKEX will gradually develop the STAGE information platform and consider expanding its coverage to introduce more asset classes and product types, such as sustainability-related derivatives, ESG-related index products, and other sustainable and green finance products.

- **PRC & HKSAR Collaboration: People's Bank of China & HKMA**
  In September 2021, in order to promote the common development of the bond markets of the Mainland and Hong Kong, the People's Bank of China and the Hong Kong Monetary Authority agreed to the Mainland's basic service institutions and Hong Kong's basic service institutions to carry out the southbound cooperation on the interconnection of the bond markets between the Mainland and Hong Kong ("Southbound Link" for short). The "Southbound Link" will further intensify exchanges and cooperation between the Mainland and Hong Kong, focus on green finance, strengthen financial openness and coordination, support Hong Kong in building a green financial center in the Greater Bay Area, and promote the interconnection of Shenzhen and Hong Kong financial markets. Under the background of the planning of the Guangdong-Hong Kong-Macao Greater Bay Area and the construction of the "Belt and Road", the Hong Kong green bond market is expected to further develop into a green financial center with international influence.

Leading by Example: Hong Kong Sovereign Issuance

The Hong Kong Special Administrative Region Government's "Government Green Bond Programme" ("Government Green Bond Programme") is a government program to encourage the development of green finance in Hong Kong, especially the green bond market. Proceeds from the program will be used to fund government programs that help the environment, and the HKMA is responsible for assisting the SAR government in issuing bonds under the program.

The Government Green Bond Programme aims to:

- Demonstrate the Hong Kong SAR government's commitment to sustainable development and tackling climate change;
- Set a benchmark for green bond products in the market;
- Provide examples for other potential issuers of green financing instruments;
- And Raise public awareness of green finance and Hong Kong's international image.

> **To provide funds for Asia's low-carbon transition, the green and sustainable financial ecosystem need to be full of dynamism and liquidity. Green transition financing has also gradually become a rising star in the market. More and more issuers are raising funds through transition bonds or loans to support their transition to a low-carbon economy and more sustainable business models.**

Timeline of Government Green Bond Program:

- In March 2019, the Hong Kong government released the government Green Bond Framework (the "Framework");
- In May 2019, the Hong Kong government successfully issued the first batch of green bonds worth US$1 billion under the government green bond program. This landmark transaction provides an important new benchmark for other potential issuers in Hong Kong and the region;
- In February 2021, the Hong Kong government successfully issued a total of US$2.5 billion under the newly established "Global Medium Term Note Issuance Scheme", covering a 5-year value of US$1 billion, a 10-year value of US$1 billion and a 30-year value of 5 billion dollars in green bonds. This move has achieved several breakthroughs: "1" the world's largest government class of green bonds denominated in US dollars; "2" the 30-year bond is the longest-term government class of green bonds in Asia, and is also the longest-term bond issued by the government; "3" the global The first government-type "Global Medium Term Note Issuance Scheme" specifically for the issuance of green bonds.
- In February 2022, the government announced the launch of the first retail green bond yesterday, allowing the general public to participate in the growth of green finance. The Framework, a key component of the Government's Green Bond Program, lays out how the government plans to issue Green Bonds to support projects that will enhance the environment and ease the transition to a low-carbon economy. According to the Framework, the proceeds of issuances will be used exclusively to finance or re-finance government public works projects that fall into the following "Eligible Categories", offering environmental advantages and promoting Hong Kong's long-term development:
  - Renewable energy
  - Energy efficiency and conservation
  - Pollution prevention and control
  - Waste management and resource recovery
  - Water and wastewater management
  - Nature conservation / biodiversity
  - Clean transportation
  - Green buildings
  - Climate change adaptation

Driving by Policy - Green and Sustainable Finance Funding Scheme

In order to promote the development of Hong Kong's green bond market, the Hong Kong Monetary Authority first proposed the "Bond Subsidy Pilot Scheme" in the Budget in May 2018 to provide financial assistance to institutions that issue green bonds in Hong Kong for the first time. At the same time, work with the government to amend the legislation to expand the scope of tax-exempt bond investment income under the Qualifying Debt Instrument Scheme. In June of that year, the HKMA established the "Green Bond Subsidy Scheme" in the Hong Kong government's "2018-19 Budget" to subsidize qualified green bond issuers to obtain green certification and attract more companies to issue green bonds in Hong Kong.

In May 2021, the Financial Secretary of the Hong Kong Government announced in the "2021-22 Budget" that the government will integrate the "Bond Funding Pilot Scheme" and the "Green Bond Funding Scheme" into a "Green and Sustainable

Finance Funding Scheme" ("GSF Grant Scheme", the "Scheme"). To subsidize bond issuance expenses and external review services for eligible bond issuers and borrowers, the Hong Kong government will use the Scheme to help attract more bond issuers and borrowers to use Hong Kong's financing platforms and professional services, and make Hong Kong's green finance activities more vigorous as a regional business hub.

According to the "Green and Sustainable Finance Funding Scheme Guidelines", the funding scheme will be implemented on May 10, 2021, for the next three consecutive years, and eligible bonds or loans must be issued on or after May 10, 2021. The funding plan consists of two parts, the general bond issuance fee and the external review fee. General bond issuance fees cover bond issuance fees for eligible first-time green and sustainable bond issuers (e.g., arrangers (underwriters), legal counsel, audits, ratings, listing fees, custody and clearing fees, etc.); external review fees Covers eligible green and sustainable bond issuers and loan borrowers for external review fees related to issuance or borrowing (including pre-IPO external review and post-issuance external review or disclosure), both first-time and non-first-time issuers and borrowers can apply.

Market in Action: Real Estate Sector Takes Lead,Third Party Verification is Key

According to the Hong Kong Green Bond Market Briefing 2020 by Climate Bond Initiatives published in May, 2o21, corporates, particularly the real estate industry, dominated the issuer universe in 2020, accounting for 66 percent of total green debt issuance, surpassing banking institutions for the first time. Financial institutions (FIs) still accounted for nearly 30% of the market, with notable issuances including the first HKD green bond issued by a Middle Eastern issuer (First Abu Dhabi Bank12), Asia's first blue bond issued by Bank of China, and HSBC's inaugural green institutional certificates of deposit.

Accounting firms and professional advisories play a vital role in the green finance issuance process by helping to bring clarification, transparency, and trust to the ever-growing green finance market paradigm. Providing external review benefits the entire green financing process as a whole. Investors can more easily identify unsustainable financial products, compare and contrast different sustainable securities, and differentiate them for facilitating better investment decisions; on the other hand, the market participants, including regulators, governments, etc. could put trust in the sustainable finance market, which contributes to a functioning green finance market. In the future, and the green financing process becomes more and more sophisticated, assurance steps could also be introduced, for checks and balances among green financing stakeholders, further promoting this trust and improving transparency.

Hong Kong: Pioneering the Green and Sustainable Financing in Asia

Hong Kong's advancing financial environment and regulatory measures make it the international hub leading Asia's green and sustainable financing. In the post-pandemic era, the concept of carbon neutrality has become one of the basic logic of the world's mainstream economies. To provide funds for Asia's low-carbon transition, the green and sustainable financial ecosystem need to be full of dynamism and liquidity. Green transition financing has also gradually become a rising star in the market. More and more issuers are raising funds through transition bonds or loans to support their transition to a low-carbon economy and more sustainable business models. Leverage energy transformation with green finance, and use innovative and pragmatic financing methods to promote more and more global capital to participate in China's low-carbon transformation, and help the country and even Asia move towards green and sustainable development.

Cyrus specialises in sustainability advisory, corporate governance, risk management, internal controls and assurance. He helps clients to adopt reporting frameworks such as Global Reporting Initiatives (GRI) and the ESG Guide issued by the HKEx. He provided clients with solutions and recommendations on organization structure, risk assessment framework, governance and performance measurement process, control procedures. He also has extensive experience in ESG data assurance that his clients come from a wide range of sectors. In particular, he advised multiple listed companies to develop and improve their ESG performance/rating.

He has delivered 50+ professional training and advice on sustainability to the companies from various sectors, including real estate, infrastructure, construction, conglomerates, ports operations, logistics and others.

He is also the Deputy Chairman of Sustainability Committee of the Hong Kong Institute of Certified Public Accountants and Councillor and Chairman of ESG Committee of CPA Australia.

BREATHING NEW LIFE TO MARKETING

BALAJI VAIDYANATHAN
Director - Marketing, Central & Eastern Europe, Middle East and Africa (CEEMEA)

Franklin Templeton
(Dubai, United Arab Emirates)

There was a time when financial services marketing was uncomplicated. I remember when my father would stick to a particular bank and branch because a locker was made available at a nominal cost with the account and the branch was just walking distance from the house. It was the same bank that gave me a piggy bank when a children's account was opened - such acts hooked my father to the bank for life. A customer for life was a financial services thing in those days, where staff rarely changed especially at the customer facing front-end. It was like one trusted entity that provided specific financial services related to banking.

Today, competition across financial services is fierce; sales and marketshare hinge on basic points on savings account rates, a friendlier voice on the phone, or an easier-to-navigate app. Not only is there fierce competition, but financial services also has changed structurally. Regulations and businesses that isolated banks by geography and separated investment banks from commercial banks, and insurance companies from mutual fund companies, have disappeared. I am often amazed at the way many competing financial services companies come together to offer solutions to the same customer. All these changes has impacted marketing in the financial services industry and it has been evolving ever since.

Let me explain the shift with a very easy and relatable example - the marketing of consumer goods such as soft drinks, toiletries and FMCG products. The simplicity of the products has also been catalysts for the development of the marketing edge. A consumer's "Most Trusted Brand" list is often made of brands in the mass consumption space - Coca Cola, McDonalds, Gillette, and Cadbury are the kind of names that often top these lists. The products associated with such brands besides the mass appeal also have the economies of scale for serious marketing drive. Further, competitive pressures have played a major role in sharpening the marketing appetites of the packaged goods sector.

> **With boundaries blurring, players are focusing more on customers' core needs, such as housing, mobility, health and leisure, which are also being offered by players from other industries such as real estate agencies, car manufacturers, hospitals, travel agents, retailers and others.**

Cut the chase to financial services and the first most challenging is intangibility. You can't see your money growing in the savings bank; you are unlikely to see the benefits of life insurance go to your family and so on. Although every individual needs financial products and services, there is no straightforward way to target. For instance, Coca Cola can target its marketing to address different target groups, but there is no such straightforward possibility for financial products and services. No such luck when it comes to say a bank account which is needed by both a youngster as much as a retired senior citizen. Positioning financial services was a challenge till technology and emergence of digital medium.

Personalising financial services

One can slot personalising of financial products and services over the past 2 decades into probably three phases - the first was when certain aspects of

financial services, more in-line of product features, were personalised by way of ATM, phone banking and SMS. Suddenly, there was no need for one to visit the bank branch to get their passbooks updated or to withdraw money. The marketing of financial services breathed a new life and suddenly, for marketers it opened new vistas - they could focus on product and service benefits.

> **The shift towards digitising financial services was a boon for marketers as suddenly we could finally wake up to having possible exclusive access and offerings to consumers. Content and contextual marketing was soon the buzzword and from using conventional media to ride on some of our marketing strategies; we had our own media to reach out and communicate.**

Next phase was about tele-services and internet-based services, which further personalised financial products. Closely followed by payment gateways and possible online transactions supported by the OTP model. The more recent phase has been personalisation of financial services after the Aadhaar-based personalisation which has made a seamless financial transaction possible over the internet at the tap of an app on one's mobile phone. Things couldn't have transformed so soon and so fast in any other segment of the economy. Today, financial apps allow one to manage their entire financial lives and that has made it possible for immense opportunities for marketers in the financial services space.

The marketing transformation

With boundaries blurring, players are focusing more on customers' core needs, such as housing, mobility, health and leisure, which are also being offered by players from other industries such as real estate agencies, car manufacturers, hospitals, travel agents, retailers and others. Money rests at the core of making all these immense possibilities come into fruition, which has changed the very nature of financial products, services and communication. Technology companies have further blurred the lines where it is difficult to differentiate between a pure financial institution and a fintech company.

A case study that made many of us sit up was when ICICI Bank came out with the Rs. 2,499 EMI to purchase a Maruti car decades back. This was an unheard-of proposition. It was a marketing move where a financial institution was marketing a product that it did not manufacture. I think this was a watershed moment for financial services which opened up new vistas for marketing of financial products and services. Soon, credit cards, life insurance, car insurance, health insurance, mutual funds and later even pensions found new ways to market themselves in this changing environment.

I am lucky to have witnessed this transformation and continue to witness it each passing day. Suddenly prosaic marketing communication in the financial world changed. The focus shifted towards simplifying product benefits, convenience and even cost comparisons where possible. Of course, my industry was also put to several stringent marketing rules stipulated by regulators. So, while Coca Cola could use Aamir Khan and make 'Thanda Matlab' a household comment; mutual funds could not use brand ambassadors or promise product benefits.

Digital Medium

I must repeat that marketing is not advertising and it requires strategic thinking. Marketing in financial services requires careful planning, setting goals, choosing target market segments, determining or creating a product's differentiation and positioning, and selecting the tactics that will get the product and service noticed and bought by your targets. For us, often the target is mixed - it could be the end consumer and at the same time an intermediary or entity which would distribute it other than us. All of this also means our communication must be focused and symmetrical, we cannot sound to be different to different people.

Yet, the biggest challenge in financial services is lack of exclusivity. There is no way a credit card feature cannot be replicated overnight, or banking service remains exclusive for a long period. Some years ago, when a new bank emerged, it started off by promoting a higher interest on savings bank accounts, to be questioned by the regulator. So, it had to put in terms and conditions to such an offering and it also made the competition match the same. This is way different from say a patented drug where exclusivity exists, case in point - the handful of Covid vaccination makers.

The shift towards digitising financial services was a boon for marketers as suddenly we could finally wake up to having possible exclusive access and offerings to consumers. Content and contextual marketing was soon the buzzword and from using conventional media to ride on some of our marketing strategies; we had our own media to reach out and communicate. There was no restriction on the possible reach - the world was our audience. Technology transformation aided us as we could soon also go beyond the reach; we could even track consumers and their preferences.

> **Today, a successful financial product and service cannot be imagined in the absence of strong digital delivery and reach. To thrive in this environment, the marketing function plays a key role in creating a living business which adapts to speed, scale and achieves total consumer relevance.**

Marketing started to revolve around content and storytelling. We started to create our own content addressing consumer needs. This helped us bridge the communication gap, as we started to talk the language of ease, sans jargon for the consumer. In the mutual fund world, it was possible to communicate about tax savings in a manner that investors could understand. My involvement in the #AskWhatELSS campaign by Franklin Templeton India, which was addressing tax savings through a tax saving mutual fund played on the "what else" question. This worked for us and helped us reach out to targeted audiences digitally, with physical presence to maintain accessibility. Similarly, another campaign that was close to my heart was the "Good EMI" campaign where we positioned the Mutual Fund systematic investment plan (or SIPs) as an EMI that was not a liability but something that could help create an asset over time, an "Acchawala EMI".

In recent years, the digital medium has transformed significantly and turned into a powerful marketing tool. Social handles on popular platforms such as Facebook, YouTube, Instagram, Twitter have made financial services exist on a real time basis to not just communicate but also engage with customers. Artificial Intelligence (AI), big data and digital tools have made what traditional marketing could not - measure effectiveness in much shorter timelines. Suddenly, the role of marketers and marketing initiatives are measurable and quantifiable on the impact of growth.

The role of the marketer itself has been transformed - it's no more about creatives and ads! It has a lot to do with data, analytics and AI. We are an integral part of the innovation ecosystem made of a mix of partnerships, acquisitions and participations. Our skill sets are ever evolving and in line with technological changes. Customer-centricity though remains as our core focus, which is to be developed and built with trust. By bringing in the personal touch through digital interface, we have managed to keep the intangible and commoditised financial services relevant.

Having embraced digital marketing, financial services have been a silent disruptor in the marketing realm. As a sector, we are one of the highest spenders in digital marketing, because we have seen the impact, returns and benefits in pursuing this aspect of marketing. Today, a successful financial product and service cannot be imagined in the absence of strong digital delivery and reach. To thrive in this environment, the marketing function plays a key role in creating a living business which adapts to speed, scale and achieves total consumer relevance.

We have come a long way, but the journey in some ways has just begun. And we still have a long way to go. Enjoy the ride!

Balaji Vaidyanathan is an accomplished global marketing leader with 20 years of insightful experience in brand, advertising, digital, content, and mainline. Based out of Dubai since February 2019, in his current role, he is responsible for building the marketing value proposition, brand digital presence, and strategic footprint across CEEMEA.

Prior to this, he was Deputy Head - Marketing for Franklin Templeton India based out of Mumbai, since February 2010, and managed brand strategy, advertising, investor education and acquisition initiatives and channel partner engagement. In the initial part of his career, he was associated in various capacities with the Edelweiss Group, Lotus India Mutual Fund and the Aditya Birla Group, all based in India.

He has been considered a pioneer in the Mutual Fund industry for leading initiatives on gamification, video content and storytelling to promote investor education in the online space. His deep understanding of consumer marketing and customer life-cycle journeys have won him multiple awards globally across creativity, content, innovation, and effectiveness.

THE SIX BIGGEST FINTECH INDUSTRY TRENDS IN 2022

SHADAB TAIYABI
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(Singapore)

FinTech has been a great galvaniser - of businesses big and small; of varied industries; and of entire economies. The pace of innovation at both regional and global levels has never been faster, and those in the financial services industry must be prepared to keep up or be quickly left behind as consumers and customers turn to offerings that better suit their needs.

As such, it is imperative that industry players pay attention to the biggest FinTech trends of the moment, given their broad impact and potential to affect multiple markets and sectors. In this article, I will be delving into the six trends that I believe to be of high importance, with potentially the most significant implications.

1. Blockchain Will Accelerate Further

Blockchain technologies have recently dominated news headlines, to the extent that the average person on the street would have heard of them in some form or other. Their considerable advantages - including enhanced security as it is immutable, as well as time and cost efficiencies - means that we can expect to see continued innovation in the application of blockchain technologies throughout the financial industry. This includes the digitalisation of traditional assets, creation of new digital assets, digital payment tokens, exchange, clearing, custody, etc., as well as DeFi and NFTs.

Industry players will also be looking to leverage blockchain and distributed ledger technologies (DLT) in existing product offerings, including e-wallets, DeFi and NFTs. To this end, we can already observe incumbent financial institutions using DLT to further develop their digital infrastructure in financial markets and increase the share of digital assets in their portfolios.

FinTech has been a great galvaniser - of businesses big and small; of varied industries; and of entire economies. The pace of innovation at both regional and global levels has never been faster, and those in the financial services industry must be prepared to keep up or be quickly left behind as consumers and customers turn to offerings that better suit their needs.

2. BNPL Will Undergo Significant Scrutiny

Interest-free Buy Now, Pay Later ("BNPL") instalment schemes have received significant attention from both consumers and industry players. The BNPL trend has the potential to significantly alter consumer behaviours - for better or worse.

The increased availability and convenience of credit at the point of purchase of BNPL has been met with open arms, with the potential to accelerate financial inclusion for the underbanked and underserved, while also boosting merchant sales.

At the same time, some industry observers have raised valid concerns that BNPL can lead to consumers significantly over-extending themselves. As such, we can expect to see regulators paying increased attention to the BNPL, with the possibility

of industry players looking to self-regulate by creating frameworks that continue to promote BNPL initiatives while protecting consumer interests.

3. Embedded Finance Will See Considerable Growth

Embedded finance refers to the streamlined integration of financial services into traditionally non-financial platforms, which has increased accessibility to financial products and improved ease of use. Applications include payments, lending, and insurance. Lightyear Capital has released market research that estimates that embedded finance will see explosive growth in the next few years, accelerating from the generation of US$22.5 billion in 2020 to US$230 billion by 2025.

To this end, we can expect to see a proliferation of financial services this year, through multiple non-financial digital channels, to meet customers' needs for convenient and fast transactions.

4. Digital Platforms will Rise

With the growing adoption of financial services, more digital platforms are expected to offer all-in-one and cross-segment financial products and services to their user bases - a prime example of this would be Grab, which now offers payment, insurance, investment and loan services on its platform app.

This will likely be driven from traditional banks offering advanced digital services and expanding their digital presence through the launch of digital banks or partnerships with digital players, with one example being the acquisition of Wealthfront by UBS. Another driver also includes pure digital banks, FinTech companies, and global tech titans venturing into the digital banking space, such as Ant Group's successful push for a digital banking license in Singapore.

5. Green Finance will Fortify its Roots with Data

With governments, organisations, and consumers alike growing increasingly aware of the importance of sustainability, we can expect to see a greater emphasis on ESG investments.

FinTechs that are focused on green and impact analysis will rise to keep pace with customers' growing demands for sustainability-related practices and products. The pull-through impact of ESG disclosure regulations on bigger players, such as banks and FinTechs, through the supply chain will also impact FinTechs, who will increasingly place more emphasis on their ESG risks and impact.

Overall, this means that data will be more important than ever in ESG initiatives. For example, we have seen the Monetary Authority of Singapore launch Project Greenprint, which it describes as "a collection of initiatives that aims to harness technology and data to enable a more transparent, trusted and efficient ESG ecosystem to enable green and sustainable finance."

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I predict that more governing bodies, regulators, and industry bodies will be looking to improve how data is leveraged, shared and utilised in this space. I also see the need for a common taxonomy to ensure that everyone is on the same page.

6. AI/ML Will Drive Demand for Tech Skills

The evolution of work, driven by artificial intelligence (AI), machine learning (ML), and automation will continue to accelerate. With that, there is a rising demand for talent with suitable skillsets across job families in the financial services and technology sectors.

We can expect to see increased adoption of open banking across jurisdictions, with more customer data availability as well as the increased use of AI/ML tools with more predictive capabilities to offer personalised financial product recommendations. The evolution of consumer and merchant behaviour, along with investor confidence, will be key in shaping

the FinTech landscape in the next 5-10 years. In the long term, we expect artificial intelligence to unlock value creation within the financial sector by strengthening customer service, risk management and business competitiveness.

> **FinTech industry is a highly dynamic one that sees constant change, and I fully expect new trends to have taken shape by the end of next year. All in all, I'm excited to see how organisations respond to these constant changes, and how innovation will continue to impact the world in a positive way.**

The FinTech Talent Report 2021, commissioned by the Singapore FinTech Association in partnership with Accenture, found that skills that are most in demand relate to helping businesses and products innovate and commercialise. The top functional skills in demand today include

- development and implementation,
- business development,
- sales and marketing and
- business and project management.

Similarly, the top two roles that companies have hired for and are planning to hire in the next 12 months are:

- software and application development and
- sales, marketing, and business development.

As the FinTech industry evolves, experience in some key emerging skillsets such as Machine Learning Operations, DevSecOps and Open Banking is required. This can make it challenging for organisations to find talents that tick all their boxes. Given that new tech jobs which require advanced skills and familiarity with deep tech (AI, Data Analytics and Machine Learning) are key to catalysing the inflow of investment funds, it is key that finance professionals continue to upskill and develop their capabilities in these areas.

In this fast-evolving FinTech landscape, skills are the new currency. This is corroborated by the findings from the FinTech Talent Report 2021, which showed that 58% of survey respondents cite the lack of relevant skillsets as a key driver of the talent gap.

To retain market relevance and maintain a competitive edge, finance professionals should focus on upskilling and acquiring certain skillsets in key emerging areas. FinTech firms and incumbent financial institutions alike are looking for new ways to work with data to deliver more positive business outcomes, further emphasising the need for professionals to be proficient in their understanding of FinTech and AI.

FinTech Will Continue to Evolve

These six trends - blockchain, BNPL, embedded finance, digital platforms, green finance and the need for tech skills - have incredibly wide-ranging implications and organisations must be judged by their readiness to meet or leverage them. These new technologies/business models also have significant potential to change our everyday lives and to improve financial inclusion, especially for the unbanked and underbanked.

That said, the FinTech industry is a highly dynamic one that sees constant change, and I fully expect new trends to have taken shape by the end of next year. All in all, I'm excited to see how organisations respond to these constant changes and how innovation will continue to impact the world in a positive way.

Shadab is the President of the Singapore FinTech Association (SFA), a cross-industry initiative designed to facilitate collaboration between all market participants and stakeholders in the FinTech ecosystem. SFA brings together a strong community to foster collaboration, innovation and partnerships among members and the industry at-large, with the goal of strengthening Singapore's position as a global FinTech hub. As the elected President since March 2021, he leads the SFA Executive Committee, which sets the strategic direction for its activities related to representation, fostering business growth, facilitating access to capital and opportunities as well as growing the FinTech talent pool.

He has over 16 years of experience working in the financial services industry with over 14 years at FinTech companies. He has a strong track record of growing businesses in the fintech space. He is currently the APAC Head of Fintech and Innovation at Schroders, where he leads Schroders' collaboration with FinTech players and spearheads innovation initiatives in the APAC region.

SUSTAINING FAMILY BUSINESSES

DR. ADIL ALZAROONI
CEO

Al Zarooni Emirates Investments
(Dubai, United Arab Emirates)

Do you want to build a family business that thrives across generations?

Here are five essential questions you need to ask.

Family businesses are the most common type of business in many parts of the world and the main contributor to their respective economies.

70% of businesses worldwide are owned or managed by families, employ 50-60% of the world's workforce and contribute 70-90% of the global Gross Domestic Product, according to the United Nations Conference on Trade and Development (UNCTAD).

Global Fortune 500 Companies that are Family Businesses

15% in 2005
19% in 2013

By 2025: 40% of the world's largest companies

Source: McKinsey (2016)

Family businesses exist in all shapes, sizes, and industries, but all family businesses are unique and there is no consensus on how to define a family business. The definition can vary vastly based on differences in economic policies and structures, population demographics, the socio-political environment, legal environment, and several other factors.

However, a classic family business, where family members retain ownership and control of property, and participate in both strategic and day-to-day decision-making, exists in almost all advanced economies.

> **Family enterprises don't necessarily try to maximize profits at any cost and can have non-financial objectives driving their business decisions. But to measure success, you need to define your business goals clearly and then set performance indicators to ensure they are met.**

Despite their importance in social and economic development, only 30 percent of family firms make it to the second generation while only 3 percent last for over four generations or more.

So how do you make a family business sustainable?
Do you want to create or acquire a company, build its product or service portfolio, grow it with the help of your family members, and then transfer it to your next generation? Here are five essential questions you need to ask.

1. What type of ownership structure do we want?
Although many people believe that all family businesses follow the same ownership structure, this is not the case. There are five common types of ownership models that family businesses can choose from:

- **Owner-Operator** - This is a simple model in which one person owns and runs the business.

- **Nested** - This model is called nested because small groups operate inside large ones and can own some assets jointly while holding other assets separately. The nested model can work well in keeping the family in unison while profits are distributed among branches or business units to avoid problems.
- **Partnership** - Two or more family members are partners/owners in this model and earn a share of the profits. Family members who are not contributing to the company's revenue or growth cannot benefit directly from it.
- **Distributed** - In this model, ownership passes down to most or all the descendants of a family, whether they work for the company or not. This structure may help prevent conflicts between generations, but family members may still disagree on compensation, profit distribution, etc.
- **Public** - In this model, the owner remains behind-the-scenes while professional managers are the face of the business and responsible for its daily operations. This model is effective if the company must fuse external capital significantly and when there are several owners or when the owners do not want to actively engage in daily operations.

The ownership structure can change over time as the family business evolves and in response to changes to the external environment.

2. How will we structure governance?

Family business governance has two aspects including corporate governance and family governance.

Family governance refers to the structures and processes that families use to organize themselves and direct their relationship with their enterprises. Meanwhile, corporate governance refers to systems and processes used by various parties to control and operate a company.

Governance structures can vary greatly depending on the type and scale of the organization, country, and culture. You can design formal governance mechanisms in your family business to offer structured periods of discussion for long-term strategies. You can achieve this with the help of a family assembly, management board sessions, family council meetings and/or family business retreats. You can also have a written family constitution, which includes policies, vision, and values, to help define family members' relationship with the company.

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3. How will we define success?

Family enterprises don't necessarily try to maximize profits at any cost and can have non-financial objectives driving their business decisions. But to measure success, you need to define your business goals clearly and then set performance indicators to ensure they are met.

You can set goals in three broad categories:

- Growth - maximizing financial value
- Liquidity - generating cash flow
- Control - keeping ownership and decision-making within the family and blocking all outside influence

Your business can focus on one or two of these goals, which are in line with your objectives. Of course, they can change over time following any major changes in the external or internal environment.

4. How will we resolve conflicts?

Conflicts are inevitable in any family business, but you can prevent some by deciding early on what information needs to be communicated and to

whom, and who will be involved in decision-making. You may be able to resolve smaller conflicts with family members by agreeing to ad hoc arrangements. But you need to be prepared for situations where conflicts can escalate. You can have a formal dispute resolution process in place, such as:

- Mediation - a professional mediator, a neutral third-party, facilitates discussion between family members, helping them negotiate and reach a resolution
- Arbitration - one or more arbitrators listen to the evidence presented by both sides to make a decision
- Expert Determination - a relevant expert investigates the issue to make a decision

Making a family business grow and flourish is ultimately a learning process. What works for one business may not work for another. As a family business leader, you need to focus on education, learn from experts in the field, and keep experimenting to find answers and solutions that work for your business.

These processes are usually simpler, more cost-effective, private and can lead to more positive outcomes for the family as compared to litigation. However, you may not always be able to opt for them depending on the nature of the dispute, contractual obligations, etc. Additionally, if mediation is unsuccessful or if all parties do not agree with the decision of an arbitrator or expert, you may be forced to take the legal route.

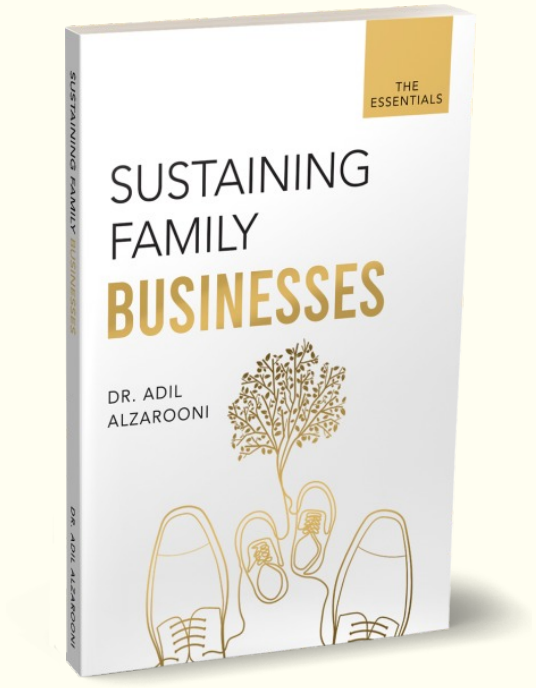
5. How will we handle the transition to the next generation?

Succession planning can be quite a challenging area for many family business owners. Passing on your life's work to someone can be a difficult decision and needs to be implemented with a well-crafted action plan, ideally agreed to in advance.

When planning the transition, you need to consider:

- how assets will be passed down in terms of ownership and use;
- who will be assigned key roles; and
- how you will prepare next-generation leaders.

Making a family business grow and flourish is ultimately a learning process. What works for one business may not work for another. As a family business leader, you need to focus on education, learn from experts in the field, and keep experimenting to find answers and solutions that work for your business.



Dr. Adil Alzarooni is an Emirati business leader and educator based in the United Arab Emirates (UAE).

With over two decades of experience in executive management, investments, sales, logistics, IT security and economic zone development, he has served in various leadership positions within UAE government entities as well as family-owned businesses. He has bolstered his portfolio with directorship positions in a number of firms in diverse sectors including healthcare, education, financial services, logistics, media, technology, food and beverage, fast moving consumer goods (FMCG) and real estate. Currently, he operates two family offices.

He holds a bachelor's degree in engineering from the Etisalat College of Engineering, a master's in business administration from American University of Sharjah and a PhD in family businesses and business systems from the British University in Dubai. He is a passionate educator and an inspiring public speaker in the fields of economic zone development and sustainability of family businesses. He is the co-author of Economic Zones: The Essentials and the author of Sustaining Family Businesses: The Essentials.

FUTURE OF PROPTECH: THE NEXT BILLION-DOLLAR OPPORTUNITIES

RABIAH SHAIKH
Chief Business Officer &
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Proptech is one of the most nascent industries - infact it's a term that didn't exist just a few years ago. Consider this - in 2008, a mere USD 20 million was invested into proptech start-ups. Ten years later in 2018, this number reached a whopping USD 12 billion. Proptech has already produced some highly valued start-ups like Wework, Airbnb, Compass & Opendoor - attracting both top venture capitalists as well as talented entrepreneurs. Across the board, conversations revolving around Proptech are becoming more frequent.

A 20-year Overnight Success

Despite being the world's largest and most valuable asset class (more than USD 200 trillion of real estate globally), the property sector has been a late adopter of technology. New technologies in real estate faced many headwinds as incumbents were slow to embrace them and entrepreneurs often struggled to efficiently distribute their solutions.

However, as we entered a super-cycle of innovation in the last decade, tech-enabled real estate companies experienced a rapid effervescence around them, necessitated by the consumers' increasing adoption of technology, and as an effect, proptech emerged as one of the biggest trends in Real Estate. It did take a while to get started but it continues to rapidly gain momentum. Broadly, there have been three waves of tech innovations in the consumer focused (B2C) residential real estate space and this article revolves around that.

Despite being the world's largest and most valuable asset class (more than USD 200 trillion of real estate globally), the property sector has been a late adopter of technology. New technologies in real estate faced many headwinds as incumbents were slow to embrace them and entrepreneurs often struggled to efficiently distribute their solutions.

The first wave witnessed the emergence of numerous online listing portals like Zillow, REA, Propertyguru, 99acres and Magicbricks. Apart from listings, these players put out a sizeable quantity of content and research on the internet, making a home buyer's initial search and discovery a lot easier than before. Information was now truly democratized though it took nearly 15 years for the age-old newsprint classifieds to be disrupted by the internet.

In the second wave of Proptech that followed, a new breed of tech enabled brokerage players appeared on the radar. With full stack and transaction closure capabilities, and not just providing a virtual handshake between the buyer and seller (or their agents). These companies looked at proptech as an assisted sales process, wherein data, products, leads, and process automations drove the transaction, with an agent acting as a conduit to deliver the whole package. Companies like Redfin and Compass in the US, Purplebricks in the UK and Square Yards in India have achieved massive scale, often outperforming the online classified players.

Now, a new third wave of Proptech opportunities are emerging to disrupt real estate and shake up the core underlying fundamentals on which the industry operates. **Real estate is an expensive asset class, unaffordable to most, highly illiquid and operating mostly in a legally-mired playground.**

This third, and probably the most exciting phase of Proptech will witness startups that grow the green shoots to challenge these very fundamental principles. And this is where most believe the future lies.

Some of these opportunities are:

MortgageTech

Mortgages are complex, time consuming and paper-intensive product lines which are ripe for tech intervention. There exists a huge opportunity in reducing a typical 30 to 45 days' mortgage disbursal cycle to just a few hours; by bringing buyers, sellers, their respective agents, property valuers and lending institutions onto a common platform. There cannot be a better time to do this as many lenders across the world today are starting to accept digital authentication and consumer alternate data aggregation as core components of their backend credit decisioning systems.

There is another large fintech/proptech opportunity in 'Unmortgaging' the mortgage itself. First time buyers face immense difficulty in trying to get on the housing ladder as rising home prices typically outstrip wages. Co-ownership models that work as steppingstones between renting and owning have the potential to disrupt traditional mortgages. In these models, the occupier puts forth some equity to own a percentage of the house and pays 'rent' on the remainder to the capital providers who buy out that remainder. The home buyer has the option to buy more of the house over time by adding more equity while tech facilitates automated valuations and brings transparency of ownership at every stage of the financial understanding.

Tokenization

To tokenize real estate is to fractionalize the ownership of real-world assets digitally on a blockchain. The potential benefits of real estate tokenization are enormous; the most significant one being bringing liquidity to this 'illiquid' asset class. This should also enable higher participation by retail investors, who otherwise don't have enough capital to purchase an entire property and reap the benefits of such an investment. Then of course, there is the promise of lower transactional costs related to blockchain efficiencies.

Real estate crowdfunding platforms have been around for a while now, catering to niche accredited investors. But this space could really take off in a big way when some proptech startups finally build public real estate exchanges where anyone can participate, making ownership transfers possible at the click of a button with a settlement occurring in the background, at a very minor per trade cost. This would enable creation of a massive, liquid and highly transactional market of real estate interests, fundamentally changing how we perceive this industry.

Housing as a Service

The success of Airbnb in short term rentals and Wework in co-working has triggered a fresh wave of technology-based platforms which facilitate the use of real estate assets as a service. This is utilizing living and working spaces more efficiently, while also making them more connected and socially collaborative. Co-living is already making inroads, particularly among students, young professionals and first-time renters. There is a broader trend at play here. Consumers, worldwide, are moving away from asset ownership to an 'on-demand' economy. It is a trend, already dominating the automobile, furniture, heavy equipment and many other industries, but can it become mainstream for family housing too?

The answer is not obvious, but one thing is certain; we are in the midst of some of the largest tech led structural shifts in generations. Housing will continue to be transformed from a product into a service and large tech companies will bring the same efficiencies to real estate that ecommerce players like Amazon brought to shopping.

It's not far-fetched to imagine that tech companies would start owning and renting out a significant portion of the housing inventory in top residential zones worldwide. They would eliminate the friction of the physical interface and enable consumers to avail these services directly from them at the click of a button; whether it be securing a lease, buying a home online, selling it instantly, living in it, sharing space, and so on. The concept of housing as we know it may become extremely different from what we have known thus far.

How all of this unfurls is a function of time but what is certain is that we're at a tipping point.

Rabiah Shaikh is one of the co-founders of India's largest real estate platform, Square Yards. She has spent 15+ years in global real estate covering markets such as Canada, UK, and the Middle East.

She has been instrumental in setting up the UAE vertical from scratch; building strong practices, an aggressive sales culture, and enabling processes. Many practices like its unique sourcing strategy, sales metrics & incentive structures have now become some of the industry benchmarks in the UAE. She is currently working on building the proptech platform for the Middle East.

BUILDING A BIGGER INDIA

SRINIVAS PRITHVIRAJ
Chief Economist
AXIS CAPITAL LIMITED

The race: India will be a USD 3 trillion economy by the end of the current fiscal year, this makes it the 6th largest economy in the world and in a close fight with the United Kingdom for the 5th position. The Indian government aspires for USD 5 trillion economy in the coming years which is about the size of the Japanese economy today. We are already the fastest growing economy among the top 6 and expected to retain relative outperformance over the medium term. So getting to USD 5 trillion is not an 'if' but a 'when' question. To my mind the aspiration should shift from target size to a befitting rank of 3rd largest economy in the world.

- Incidentally, India is already the 3rd largest individual economy in PPP (Purchasing Power Parity) terms i.e. when adjusted for differential in living costs. In an apple to apples comparison, the value of our aggregate output is already the 3rd largest in the world. Which means getting to 3rd largest economy in the world in USD terms is a function of growing the size of our resource base while also protecting the real value of India's output. Speaking plainly a larger share of India's products and services have to become globally desirable to increase its size in market exchange rate terms.
- Our capital stock is already globally desirable providing high real returns that comes on the back of strong growth at reasonable inflation. This combination should persist for us to leap frog to USD 5 trillion over the next few years. To maintain strong real returns India must continue to allocate capital efficiently and improve competitiveness of labour and enterprise. This is a proposition that the government understands very well and is repeatedly borne out in policy action.

Playing to win: The finance minister's FY23 budget speech noted that it was seeding the ground for "Amrit Kaal" which is the path over next 25 years to India @100 years since independence.

- The focus now shifts from just building transport infrastructure to building a seamless **transport network** i.e. linkages between roads, rail, ports and public transport systems. These efforts along with uniform indirect tax code (GST) should further lower logistics costs in the country which is among the highest in the world (14% of GDP vs. 8-10% in developed economies). Economic activity becomes more cost efficient as a result.
- To improve **ease of living** and working, the finance minister announced an update to the government's Ease of Doing business (EODB) efforts. Tax reforms and improved logistical efficiency helped India move up the World Bank's Ease of Doing Business ranking from 142 in 2014 to 63/190 countries in 2020. In the next phase, the government will focus on digitizing public services at subnational level and connect them centrally through IT bridges. This means registration of property, businesses, vehicles could be done from anywhere in the country. These efforts would reduce friction in economic activity.
- **To stimulate enterprise**, the government has cut corporate taxes and is reducing market

intervention. For example, there is a roadmap to reduce the number of public sector entities from about 350 to just 3 or 4 in 12 identified strategic sectors. We can expect a lot of value unlocking as more sectors operate on commercial terms e.g. airlines. Besides, the government is also encouraging greater private sector participation in sectors such as defence and space. Thereby improving productive potential.

- **To price risk efficiently** we've seen a whole host of measures to develop financial markets. The new bankruptcy code has established protocol for resolving insolvency and improved borrower behaviour. Public sector banks have been capitalized and are being consolidated. Managerial reforms are underway in these banks to reduce credit costs. The central bank has encouraged competition in finance by encouraging new entrants. The capital account is being opened up to allow foreign participation. Sustained action against the underground economy, digitization push, inflation targeting and expanding the reach of formal banking has increased financial savings pool. This is still work-in-progress and recent efforts are aimed at keeping up with innovation in the sector e.g. digital banks, digital currency etc.
- **To develop human capital**, India has increased the number of premier institutions of higher learning in recent years. Its program of encouraging participation in primary education by providing meals at public schools have yielded results. In the recently concluded budget, the finance minister highlighted that the government will partner with industry to curate curriculum and work on developing digital content to deliver public education. Broad based improvement in basic education and skill level is still a challenge to be surmounted.

The energy drink: Supply side economics works slowly which is why the government has introduced incentive programs in a dozen sectors (so far) to speed up capacity creation (jobs). These production and investment linked incentives will either create capacity in sectors where India has none or allow existing sectors to expand their geographical footprint. The incentive schemes can be clubbed into two broad objectives:

1. **Import substitution** is the main aim for incentives provided to expand manufacturing capability in semi-conductors, Advanced Chemistry Cell (ACC) batteries, electronics, pharmaceuticals, medical equipment, auto-components, tele-communication & networks, solar PV modules and speciality steel.
2. **Increase scale** in domestic manufacture of technical textiles, processed foods and white goods

We are already the fastest growing economy among the top 6 and expected to retain relative outperformance over the medium term. So getting to USD 5 trillion is not an 'if' but a 'when' question. To my mind the aspiration should shift from target size to a befitting rank of 3rd largest economy in the world.

Navigating the field: The playbook has been laid out but the Indian economy like the rest of the world is emerging out of a pandemic that has shaken confidence. More so in India's case since the economy was in the midst of a slowdown before the pandemic. Credit led consumption which was the main driver of growth had peaked in 2018-19 – structural fall in inflation and interest rates aided by expansion of formal finance had driven credit growth since 2014. But, further improvement in credit absorption needed high quality jobs which requires new investments. The issue with this proposition was that the old economy faced headwinds from technology disruption and reforms in tax administration. This means broad investment revival had to navigate both demand displacement and technology uncertainty. Reforms are inherently disruptive and displace income which is why policy needed to support the economy during its "transition phase".

- Perversely enough the pandemic both accelerated the disruption and also provided an opportunity for large businesses to cope with the disruption. For example, the digital economy got a leg up during the pandemic further eroding the stake of traditional channels. Meanwhile, policy accommodation from global policy makers made it easier for Indian businesses to deleverage and put more focus on new sectors and invest in technology upgradation. It also allowed the RBI and the government to slash interest rates, provide debt moratoriums and raise public sector capex.
- So far so good. But, as the world exits from the pandemic and crisis level policy accommodation is withdrawn, India will still be in its "transition phase". In addition to income displacement owing to reforms and technology disruption, demand will also need time to revive given

pandemic led income scarring experienced by many households and small businesses. Added to all this will be headwinds from commodity price inflation in light of ongoing energy crisis.

- Despite near term demand challenges, FY23 budget showed remarkable resolve from the government to desist from indulging in revenue spending to boost short-term demand. Instead the government stuck to the long-term playbook. Meanwhile the RBI is using every inch of available space to keep interest rates supporting the "transition phase".
- The external environment is going to get more challenging with global central banks withdrawing accommodation and geo-politics keeping commodity prices elevated. Fundamentals suggest that policy makers will have to accept suppressed growth in domestic demand in the interest of macro-economic stability. Broad based investment revival and jobs will have to wait for the economy to absorb higher interest rates, modest currency depreciation and elevated inflation in 2022. Remember that it is a combination of strong growth and reasonable inflation that is the fastest route to USD 5 trillion.

With the playbook at hand, India is on track to grow out of its "transition phase" towards a full blown "manufacturing renaissance phase" over the next few quarters.

Eyes on the prize: USD 5 trillion economy is a mile stone on the way to 3rd largest economy in the world. Let's look at how major sectors in the economy stack up against global leaders.

- In agriculture, India is already the 2nd largest producer with output valued at over USD 520bn. Meanwhile China with a population nearly as large has agriculture output valued at over USD 1 trillion. India's agricultural sector will grow mostly on the back of stronger real per capita income. Meaning impact of higher value added jobs created in other sectors. We should also see increase in value of agricultural output coming from diversification of crop production. In addition, diversification of use such as bio diesel, use of bio waste as thermal fuel and conversion to ethanol are developing trends that will increase the size of the agricultural sector. India and China both export about 7-8% of their agricultural output so external demand is well represented.
- India's manufacturing sector will be over USD 430bn at the end of this year which is the 6th largest and close to the size of manufacturing in South Korea. However, India's manufacturing sector is just one tenth of China's and one fifth the size of manufacturing in the US. The government's USD 26bn production linked incentive scheme offering firms 4-6% pay out on incremental sales could theoretically add over USD 500bn to India's manufacturing output in 5 years. Basically doubling India's manufacturing output. The government has also introduced a USD 10bn incentive scheme for development of semiconductors and display manufacturing ecosystem that will bolster capabilities in the emerging electronics cluster. India exports about 50% of manufacturing output (vs. 60% in China and 40% in the US).
- Services is the largest sector in India; valued at USD 1500bn, it is the 7th largest in the world. Again, output from India's services sector is just one tenth of US and one fifth of China's services output. To a large extent, the size of the services sector is a function of economic activity, income growth and jobs generated in other sectors. India already exports about 16% of its services output which is far higher than US (4%) or China (3%).
- You will notice that external demand is fairly well represented in across sectors in the economy when compared to other countries. Which means diversifying the demand base is not an issue. Growing the economy is primarily a function of scaling up.

With the playbook at hand, India is on track to grow out of its "transition phase" towards a full blown "manufacturing renaissance phase" over the next few quarters. The challenges of 2022 is a slow build-up before the main game.

Prithviraj Srinivas, 16+ years' experience in financial services and more than 13 years' experience in writing macro-economic research in South Asia with deep focus on India. Highly rated by large domestic and foreign institutional clients for incisive research on the economy, policy action, interest rates and exchange rates

He has been with Axis Capital for around 5 years leading the two-member macro research desk (rated among top-6 in Asia Money 2020 & 2021 for India clients with AUM > USD 5bn)

Prior to Axis, he spent 7+ years at HSBCs Asia economics desk covering India and Sri Lanka. He has also spent 1+ year at a third party research firm with Deutsche Bank's money market desk as the primary client and 2+ years with Hewlett Packard

He is a Masters in International Economics and Finance from University of Queensland, Australia and B.com from Christ College (Bangalore University).

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INDIAN ECONOMY - OUTLOOK 2022

ADITI NAYAR
Chief Economist
ICRA LIMITED

The Indian economy has witnessed bouts of volatility since the time Covid-19 struck. It contracted by 6.6% in FY2021, the first time in four decades, following the nationwide lockdown to contain the spread of the virus. Thereafter, it expanded by 13.8% in H1 FY2022 entirely on account of the base effect, with the disaggregated data showing no signs that the recovery gained durable momentum.

A modest broad basing of the recovery was witnessed in Q3 FY2022 relative to Q2 FY2022, with a larger number of high frequency data points reporting an increase in volumes relative to pre-Covid levels (Q3 FY2020). However, this was upended by the rapid spread of the Omicron variant that triggered the onset of the third wave, and the imposition of restrictions by state governments in January 2022. The latterled to a moderation in activity in the contact intensive services segment, mobility and big-ticket consumption.

Fortunately, the impact of the third wave seems to be modest when compared to the second wave, with a relatively faster decline in new infections, earlier lifting off restrictions and better preparedness amongst economic agents- healthcare system, Government, households and producers. Amidst this backdrop, we expect real GDP to grow by 8.5% in FY2022, slightly lower than the NSO's second advanced estimate of 8.9%.

ICRA expects real GDP growth to remain healthy at 8.0% in FY2023, contingent on an early takeoff of the Government of India's capex plans, with downside risks being posed by the geo-political tensions. We believe that growth will likely see a gradual broad-basing as the year progresses and will be more tangible than the base-effect led surge seen in FY2022. The remarkable progress on vaccination should help support private consumption demand and enable a pick-up in contact intensive services during the year. While a pick-up in consumption will manifest in higher capacity utilization levels, the government's capex push and the operationalization of the PLI schemes are also expected to lead to an improvement in investment demand during the second half of the fiscal.

In its Union Budget for FY2023, the government clearly chose to focus on growth over fiscal consolidation. It cut the fiscal deficit by just 50bps to 6.4% of GDP from the 6.9% of GDP projected for FY2022; this was well above market expectations. While it penciled in a modest total spending growth of 4.6% for FY2023, it has budgeted for a much higher capex expansion of 24.5% in FY2023. Moreover, the total capex of the Centre and the central public sector enterprises (CPSEs, including internal extra budgetary resources or IEBR) is expected rise by a healthy 10.4% to Rs.12.2 trillion, over and above a 22.4% growth expected in FY2022. This is expected to support investment demand in the economy and may even 'crowd in' the private sector. However, an early start to such spending will be crucial to maximize the growth impulse of this capex and will remain a key monitorable as the year progresses.

Monetary policy has so far remained growth supportive. The Monetary Policy Committee (MPC) of the Reserve Bank of India (RBI) has repeatedly

stressed that growth is not yet 'broad-based' and 'durable' and has also highlighted the need for policy support until these pre-conditions are met. Besides, its growth projections for FY2023 are surprisingly modest, and suggest limited policy tightening going ahead. The MPC expects real GDP growth to moderate to 7.8% in FY2023 from the base-effect led surge in FY2022. More importantly, its H2 FY2023 projection are quite low at 4.3-4.5%, implying that growth is projected to remain quite weak beyond the base-effect led uptick in H1 FY2023.

Fortunately, the impact of the third wave seems to be modest when compared to the second wave, with a relatively faster decline in new infections, earlier lifting off restrictions and better preparedness amongst economic agents- healthcare system, Government, households and producers. Amidst this backdrop, we expect real GDP to grow by 8.5% in FY2022, slightly lower than the NSO's second advanced estimate of 8.9%.

Further, the MPC expects CPI inflation to average at 4.5% in FY2023, down from projections of 5.3% in FY2022; with a reversion to the mid-point range of the RBI's inflation target of 2%-6% in H2 FY2023. It has highlighted that demand-pull pressures on core inflation remain muted – in line with its commentary on growth. We believe that the RBI's forecasts are somewhat on the lower side and expect CPI inflation to average above 5% in FY2023, owing to pressures on account of continued passthrough of higher commodity prices following geo-political tensions to end consumers.

Given the RBI's tepid expectations for growth and inflation beyond the next 2-3 quarters, we believe that policy tightening would be gradual and shallow. We expect the RBI to give clear signals on any future policy moves and expect policy normalization to take place in the June 2022 policy meeting. We have penciled in two 25bp repo rate hikes in the August and October 2022 meetings, but expect a long pause thereafter to assess the durability of growth.

Borrowing costs are expected to rise in FY2023 and could pose a challenge to the pace of India's growth recovery. The gross and net market borrowings of the GoI are estimated to witness a steep increase to Rs. 14.2 trillion (after adjusting for switches) and Rs.11.2 trillion, respectively, from Rs.10.5 trillion and Rs.7.8 trillion in FY2022. High government borrowings along with expectations of rate hikes by the RBI and signals of multiple rate hikes by the US Fed are expected to push yields higher; we expect the 10-year yield to cross 7.0% in April 2022 and nudge higher thereafter through the course of the year.

Apart from an increase in borrowing costs, India's FY2023 growth outlook would also witness downside risks owing to financial market volatility emanating from the expected monetary policy tightening in the US an across other major economies, owing to high inflationary pressures.US CPI inflation surged to 7.5% in January 2022, the highest since February 1982, and was well above the Fed's 2% longer-run goal. Fed Chairman Powell has highlighted that the US economy no longer needs sustained high levels of monetary policy support. Consequently, the Fed is expected to hike rates multiple times through 2022. The pace and magnitude of rate hikes would weigh in on market volatility across the globe.

While India's current account is expected to revert to a deficit of 1.6% of GDP in FY2022 from a surplus of 0.9% of GDP in FY2021, on account of a surge in the merchandise trade deficit, it will remain well under control. The size of the deficit is expected to rise in FY2023, given the spike in commodity prices amidst the geopolitical tensions, but is expected to remain under 2.5% of GDP. Expectations of a manageable current account deficit along with sufficient buffers in the form of high forex reserves gives us confidence that India will likely be able to limit spillovers from the financial markets to the real economy.

As Chief Economist, **Aditi Nayar** leads Indian economic research as well as state finances research and ratings at ICRA Ltd. Her focus areas include macroeconomic analysis and forecasting, policy assessment as well as fiscal analysis and debt sustainability at the sovereign and sub-sovereign level. She has been a part of several credit rating exercises for sub-sovereign debt in India, including debt raised by state governments, state-owned entities spanning sectors such as irrigation, power, industrial and infrastructure development, pooled finance entities raising funds for urban infrastructure, as well as urban local bodies.

She has an overall work experience of 16 years, out of which 14 years have been with ICRA. Previously she has had a stint with the World Bank as a research analyst where her focus was on fiscal and macroeconomic issues. Aditi has been named as one of the top forecasters of India by Bloomberg in the past.

She has an M.Phil. degree in Economics from the University of Oxford and a Bachelor's degree in Economics and Psychology from Indiana University, Bloomington.

THE ESG LANDSCAPE IN INDIA - OPPORTUNITIES AND CHALLENGES

RAJAN

DR. MUKUND

Chairman

ECUBE INVESTMENT ADVISORS

ESG as a term has entered the lexicon in a big way over the past two years, though it was first crafted over a decade and a half earlier. The "E" in "ESG", Environment, encapsulates a business's natural resource consumption, pollution, carbon emissions and other environmental impacts. The "S", Social, refers to the links and ties a business develops with the community and how it treats its own people."G", Governance, deals with issues such as board effectiveness protocols, audit controls, and approach to senior executive compensation.

Taken together, ESG issues are seen to critically influence the sustainability of businesses. The performance of businesses on material ESG criteria offer insights into their resilience in difficult times. Unfortunately, key ESG indicators for the Indian market do not make for pretty viewing.

An ESG Crisis?

Air pollution kills over a million Indians each year, and 22 of the 30 most polluted cities in the world in terms of air pollution are found in India. Or turning to social indicators, India has one of the lowest levels of female participation in the workforce anywhere in the world at 22.2% - the global average is around 48.5%.And the daily dose of new scandals, with over 13,000 cases brought under the Insolvency and Bankruptcy Code to the National Company Law Tribunal, reflect exceptionally weak corporate governance in many businesses.

Yet, the evidence on ESG is not all negative. Growing public awareness and judicial activism are leading to better ESG practices. The issue of air quality in the National Capital Region offers a good example, with the public outcry against poor air quality precipitating actions like the migration of the Indian auto industry from the Bharat Stage 4 to Bharat Stage 6 fuel emission standards, bypassing Stage 5 altogether.

In its seminal judgment of 2018, on the migration timelines from Bharat Stage IV to Stage VI, which the auto industry sought to delay, the Supreme Court held that there could be no compromise with the health of India's citizens. Ticking off the corporate sector and denying the auto industry the delay it was seeking, the Court underlined that the right to live with human dignity becomes illusory in the absence of a healthy environment.

Regulatory Action

In sync with rising expectations of a better quality of life for communities, the government is promulgating a series of rules and regulations covering a wide range of areas, from plastic waste management and extended producer responsibility to incentives for faster deployment of electric vehicles. The recent budget announcements by the Finance Minister on battery swapping for electric vehicles, energy conservation and the creation of a national carbon market, and issuance of India's first sovereign green bonds are all steps in the same direction.

The government has also designed 'National Guidelines on Responsible Business Conduct', to

mainstream the concept of Corporate Responsibility. These guidelines have been integrated into the Business Responsibility and Sustainability Reports that the Securities and Exchange Board of India (SEBI) has directed the top 1000 listed companies to publish, from this fiscal on a voluntary basis and from the next fiscal on a mandatory basis.

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Stewardship Codes emphasizing ESG requirements have meanwhile been mandated by SEBI, along with the Insurance Regulator IRDAI, and the Pension Fund Regulator PFRDA, for institutional investors across the mutual fund, insurance and pension fund sectors. Going by an indicator like the rising 'against' votes by these investors on AGM and shareholder resolutions, they are beginning to flex their muscles in favour of better ESG practices in their investee companies.

Investor Activism

In similar vein, the 2013 amendments to the Indian Companies Act have strengthened the hands of minority shareholders, for instance mandating approval of related party transactions by special resolution. As a consequence, we are beginning to see minority shareholders assert themselves through actions such as rejecting unreasonably high management compensation packages, or voting out directors up for re-election who they felt did not discharge their responsibilities adequately.

And keeping Indian corporates on their toes are a clutch of stakeholder groups including proxy advisory firms and activist funds that are demanding better accountability. It is worth recollecting the efforts of Elliot Management, the activist fund that took a strong position on the strategy of Cognizant and persuaded the company to use its free cash to buyback shares in 2017; that initial effort has led the cash-rich Indian IT services industry to undertake further share buy-backs over the next four years in excess of Rs100,000 Cr. More such activism can be expected in the near future in the Indian market, with likely collaboration between activist investors seeking to influence change in the companies they target.

Global Warming

Changes in the Indian ESG landscape are also being catalysed by actions of stakeholders overseas. One of the critical drivers of this is the increasing concern about global environmental issues. These impact the whole world, and no single country can on its own successfully address them, so cooperation between nations is a must. The argument is the same as in the case of COVID 19 - nobody is safe until everybody is safe.

Examples include Ozone Depletion and the Loss of Biodiversity, but clearly climate change caused by global warming is the most pressing concern just now. Based on the work of the Intergovernmental Panel on Climate Change, there was a consensus at the recent 26th Conference of Parties on Climate Change or COP26 in Glasgow on the need to go well beyond the 2015 Paris Climate Treaty target of a 2 degrees rise in global temperatures by the turn of the century, to instead target a lower 1.5 degrees rise.

We are seeing the impact of this in the European Commission's recent adoption of a proposal for a Carbon Border Adjustment Mechanism to address the climate change crisis. We are seeing it in the regulatory actions of countries like the UK which recently announced that all UK-listed companies must release net-zero plans by 2023. We are seeing it in the higher sustainability standards which multinational enterprises like Unilever and Nestle, which have declared 2039 and 2050 as their target years for achieving net zero status, are demanding from their supply chain participants from India. We are seeing it in the thrust of lenders on reporting of material climate-related risks by businesses in their

financial filings. We are seeing it in the behaviour of investment funds which are demanding greater carbon disclosure and strong mitigation measures; some have already started decarbonizing their portfolios, like Norges Bank.

India, as the third largest greenhouse gas producer in the world after China and the United States, has a key role to play, and the government is pursuing a twin track. In one track, aligning itself with the other developing countries, it is trying to negotiate for assistance from the developed countries, based on the argument that they have captured much of the available carbon space ahead of the developing world.

India's Climate Commitments

India, as the third largest greenhouse gas producer in the world after China and the United States, has a key role to play, and the government is pursuing a twin track.In one track, aligning itself with the other developing countries, it is trying to negotiate for assistance from the developed countries, based on the argument that they have captured much of the available carbon space ahead of the developing world. There are precedents here from India's experience in successfully negotiating both financial assistance and technology transfer to phase out ozone depleting substances, under the Montreal Protocol to address the Antarctic Ozone Hole. To show good faith, India is also making the right noises, reflected in its commitment at Glasgow to become Net Zero by 2070, and its promotion of the One Sun-One World-One Grid initiative under the International Solar Alliance which India anchors.

Parallely, in another track, the government recognises that the challenge of climate change brooks no delay in actions to mitigate carbon emissions and to adapt to a warming world. Hence the other pronouncements made at Glasgow, including the promise to generate 500 GW of non-fossil fuel-based energy by 2030, with 50% of the energy mix from renewables, while improving the energy efficiency of the economy by 45% over 2005 levels by the same year. These measures, and more to come, are going to lead to a massive transformation of the Indian economy and in Corporate India.

Influential Foreign Stakeholders

Thanks to the interconnectedness of markets, even beyond global environmental issues, overseas stakeholders are influencing the ESG agenda. Customers across the globe, including many millennials, are increasingly demonstrating a preference to embrace purpose-driven brands. This is the reason a market leader like Unilever has resolved that each of its 70,000 consumer products would carry labels showing their carbon footprint.

Activists and non-profits who want to hold Indian companies to account for their ESG lapses are meanwhile conducting international campaigns. At the receiving end have been Indian companies involved for instance in mining or plantation activity, that have allegedly failed to meet threshold standards of corporate responsibility. Likewise, the #MeToo campaign, championed across the world on social media, quickly went viral and felled some prominent Indian personalities.

Indian businesses are also being tasked to perform on the Sustainable Development Goals or SDGs defined by the United Nations, traversing issues ranging from poverty alleviation to addressing climate change. The SDGs have essentially fused the global with the local, and created an interest of the international community in the way in which local issues are now being addressed within countries.

Foreign Investors

Within this evolving international ESG landscape, foreign investors are making their preferences clear. Over $100 Trillion of invested funds around the world have now subscribed to the United Nations Principles for Responsible Investment or the UNPRI. These Principles require investors to incorporate ESG issues into their investment analysis and decision-making processes.

The European Commission has put out regulations that require all asset managers in the European Union to disclose the ESG performance of their investment portfolios, which include many Indian companies. We should expect that Indian businesses that are non-compliant on critical ESG issues will be progressively excluded from the investment portfolios of the largest fund managers in the world.

The Indian market is also likely to see significant impact from foreign investors seeking promising ESG stocks that offer good risk-adjusted returns. This last is a trend that has picked up momentum, and there is now a great deal of academic literature to show that a greater focus on ESG typically yields greater resource use efficiency, lower cost of operations, reduced risk, lower cost of borrowing and greater prospects for valuation rerating. In the Indian market, this is borne out by the consistent outperformance of the MSCI India ESG Leaders Index when compared to the broader benchmark index for most periods of time since its inception in 2007, including the past three, five and ten year periods.

With greater spends on R&D and innovation, forward-looking companies are leveraging emerging business opportunities in new areas like Electric Vehicles, Green Hydrogen, high efficiency materials, biomass to energy, meat alternatives, carbon credits trading and carbon capture and storage.

Best Practices in ESG in India

Forward looking Indian companies recognise these pressures for change. More companies are emerging which are clearly doing the right thing - this is the reason the number of companies rated A or higher on their ESG ratings by MSCI, for instance, has increased from 19% of the pool to 26% in the past five years.

So, what do forward looking companies do differently? First, they accept the need for change. A good example is India's largest private sector company, Reliance Industries, which has acknowledged the climate change issue by setting a target to become net carbon-zero by 2035.

Next, these companies align their understanding of the new expectations stakeholders have from them with their core purpose and vision. They put in place the right governance structures to develop and execute ESG strategies that are relevant for them, spanning what are called "material" issues - material ESG issues will vary across sectors, so climate change may be a material ESG issue for a large fossil fuel based energy consumer like a steel company, but may not have the same relevance for, say, a company that offers web design services.

Increasing numbers of companies, like Infosys, Ashok Leyland and Airtel, are creating dedicated ESG Committees of the Board. Key interventions to strengthen governance typically cover investment in training and strong evaluation protocols; diversity right at the top, including in board composition, with an adequate complement of well qualified Independent Directors and a strong chairperson; and deployment of a well-designed Code of Conduct and an ethics framework that addresses pervasive issues in the Indian context including dignity and respect at the workplace, conflict of interest, bribery, corruption, and the need to have a strong whistleblower mechanism.

We see a greater focus in forward looking businesses on resource use efficiency and embracing circular economy practices that minimize waste and extend life across product life cycles. Through this, they also de-risk as much as possible the volatility we see in raw material and commodity prices. They try and attach a relevant cost to natural resources, including carbon. They prioritize better design to assist product reuse and repair, and recycling of waste.

Such businesses embrace their supply chains in their progressive actions. They recognize that the MSMEs that form a significant part of the supply chain account for close to half the actual resource consumption that takes place within the economy.

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Forward-looking enterprises are also endeavouring to improve diversity within their workforces, recognizing that even beyond the adapting to the social context in which they operate, this can help to strengthen a culture of innovation and transparency. This includes gender diversity, the employment of more representatives of the SC/ST communities, and greater recruitment of the physically challenged. Visionary leaders recognise that such endeavours don't cost much, but deliver outsize gains, including in employee motivation, brand value and reputation.

Such organizations also demonstrate heightened awareness about their responsibilities towards the welfare of local communities. They leverage their CSR spending obligations to become neighbours of choice. Like the Tata Group,they champion corporate volunteering. This enhances the pride their employees feel in the organization, improves employee engagement levels and helps delivers powerful social outcomes.

Integral to the link with compensation is a strong focus on measurement of ESG parameters that are material to their operations, tracking performance over time, and making transparent disclosures. There are multiple reporting frameworks being used, including the Global Reporting Initiative or GRI and Integrated reporting or IR.

Just as global leaders like Salesforce and Microsoft and Indian ESG leaders like Marico are doing, the best companies are now linking ESG performance on critical issues like carbon emission reduction and workforce diversity improvement to appropriately benchmarked executive compensation. As they say, what gets measured gets improved, and linking senior executive compensation to ESG outcomes forces the pace of change.

ESG Measurement

Integral to the link with compensation is a strong focus on measurement of ESG parameters that are material to their operations, tracking performance over time, and making transparent disclosures. There are multiple reporting frameworks being used, including the Global Reporting Initiative or GRI and Integrated reporting or IR.

A universal framework, to be crafted by the new International Sustainability Standards Board announced at Glasgow at COP26, is still some distance away. In the interim, the Business Responsibility and Sustainability Report mandated by SEBI or the BRSR will offer one valuable tool for Indian businesses to communicate their ESG commitment.

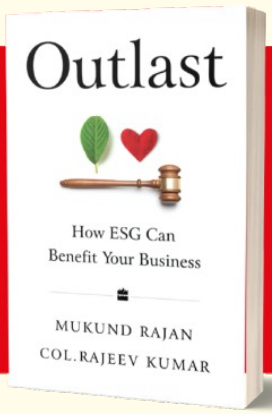
In the past, there have been allegations of non-transparency of data and "greenwashing". With the guidelines issued for the preparation of the BRSR reports, there will be intense scrutiny from a varied set of stakeholders, including regulators, analysts, proxy firms, activists, the media and others, and consequent naming and shaming as well as withdrawal of investments when the gaps are particularly egregious.

In Conclusion

From the best practices above, we can see that what will distinguish business leaders from the rest of the pack in the future will be a genuine commitment to inclusive and sustainable growth, and an authentic ESG narrative that can be stress-tested by diverse stakeholders beyond just the shareholders.

Dr. Mukund Rajan is the Chairman of ECube Investment Advisors, a first of its kind platform created in 2019 to catalyse Environment, Social and Governance (ESG) changes in Corporate India. Prior to this, he held a number of senior executive positions through his 23-year career with the Tata Group, where he served as the first Brand Custodian of the Tata Group, Chief Ethics Officer, Chairman of the Tata Global Sustainability Council, and Member of the Group Executive Council at Tata Sons. His third book, "OUTLAST - How ESG Can Benefit Your Business", co-authored with Dr Colonel Rajeev Kumar, has just been published by Harper Collins.

A panoramic overview of the Environment, Social and Governance (ESG) landscape and the issues that businesses face



INDIA'S BANKING SECTOR- THE ROAD AHEAD: REINVENTING THE BANKING EXPERIENCE - BLENDING STRATEGY, INNOVATION AND TECHNOLOGY

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India's banking sector has emerged as a beacon of strength and innovation. In fact, it has undergone a complete metamorphosis in the last few years. A decade ago, banking sector witnessed high growth led by loans to large industry and infrastructure. A large part of these loans had to be written-off. Banking sector diversified away from industry to more granular retail loans. While Covid-19 was expected to push non-performing loans higher, Banks and Non-Bank Financial Companies (NBFCs) have come out stronger. What changed?

Indian banking sector has achieved scale. Stepping back into history, at the time of liberalization, India's credit to GDP ratio was only 19% of GDP. This had moved up by only 14% between 1950 and 1990, a span of 40 years. However, since then it has increased to more than 55% of GDP. If we add, lending by NBFCs and HFCs, the credit to GDP ratio increases to 75% of GDP. This is comparable to a basket of EMs such as Turkey, Russia and Saudi Arabia but higher than Indonesia and Mexico.

A similar trend is visible on the deposit front. Deposit to GDP ratio was only 34% in 1991 which has now more than doubled to 77%. Notably, in 1950, it was only 8.5%. More importantly, banking sector has been able to increase share of low cost CASA deposits (43.7% as of March 2021) which has enabled reduction in cost of funds for borrowers. Notably, in March 2013, share of CASA deposits was only 33%.

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India's banking sector has come out of impact of Covid-19 with stronger balance sheets. The credit for this goes to regulator. Banks and financial institutions raised capital to ensure that balance sheets have a moat to withstand non-performing loans. In fact, even before Covid-19 hit the world,

Indian banking sector was on the path to recovery with steady decline in non-performing loans. At the peak, Gross Non-Performing Advances (GNPA) of Scheduled Commercial Banks (SCBs) were at 10.2% of GDP in September 2017. If we include the restructured assets, overall stress was at 12.2% of outstanding loans.

More importantly, the maximum impact on the banking sector will be driven by mobile penetration and digitization which is transforming consumer preferences like never before. Thus road ahead for India's financial penetration which has been mostly driven by expansion of physical network will now be on the back of digital networks.

The backdrop has completely changed. GNPA ratio for SCBs now stands at only 6.9%. This was at 7.5% in September 2020 and 8.5% in September 2019. Even if we add the restructuring under Covid-19 framework allowed by RBI, which is at 1.5% of total advances, the overall stress is marginally lower than pre-Covid level seen in 2019.

At the same time, capital to risk-weighted assets ratio of banking sector has reached a new peak of 16.6%. This was at 13.7% in September 2018. Banks have also provided enough in terms of provisions for bad loans. Provision coverage ratio (PCR) now stands at 68.1% compared with 52.1% in September 2018. This goes to show the balance sheets of SCBs are stronger and incremental income is not to be reserved for provisions but can be used as capital for incremental lending. This suggests beginning of a virtuous cycle.

How come Indian banking sector was relatively unscathed by the pandemic? Its to do more with diversification and customer segmentation. A decade ago, as much as 45% of outstanding loans were to industrial sector. This has now come down to 26% of outstanding loans. At the same time share of retail loans has now increased to 27%. Retail loans constitute both secured and unsecured loans. RBI enabled restructuring of loans to MSME and retail sector impacted by the pandemic. Initially, banks also gave moratorium to customers. This helped borrowers to tie over the cash flow impact induced by Covid-19.

Still retail loans of the banking sector have held out well during the pandemic. It is also to do with the fact that formal sector has been relatively insulated from the impact of the pandemic. The impact of the pandemic has been most on the informal sector. Even now, informal economy (measured by trade, hotels and transport component) is yet to fully recover from the pandemic with real output expected to be 8.5% lower than pre-pandemic level (2-year ago). While banking sector GNPLs have not increased, impact can be seen in NBFCs whose GNPA ratio has increased by 0.6% over a 2-year period to 6.5%. But at the same time, NBFCs are very well capitalized to manage incremental stress with a capital adequacy of 26.3%. Two-years ago this was only 19.9%.

This goes to show that Indian financial sector is in a position of strength. In many ways, it is a mirror image of the Indian economy which is poised to be the fastest growing economy in the world. This is on the back of multiple levers such as exports—goods and IT services, Digitisation and Formalisation, mushrooming Start-ups and Production Linked Incentives for manufacturing sector and uptick visible in real estate sector.

Higher economic growth will translate into higher credit growth for the banking sector. Credit growth is already seeing a broad-based revival as seen in consumer and industrial loans. Credit growth to infrastructure sector is now in double-digits compared to an average of only 1% in FY21. Thus, credit deposit ratio of the banking system should continue to improve going forward from current level of 72%

More importantly, the maximum impact on the banking sector will be driven by mobile penetration and digitization which is transforming consumer preferences like never before. Thus road ahead for India's financial penetration which has been mostly driven by expansion of physical network will now be on the back of digital networks.

In the last decade, banking penetration has increased because of expansion in physical branch

network. Branches of SCBs increased from 74,000 in March 2011 to 123,000 in March 2021. India now has 15 branches per 100,000 population. It was less than 11 in March 2011. This compares well with Euro Area at 18 branches per 100,000 people but lower than US where there are 30 branches per 100,000 people. With changing consumer preferences, banks have reduced their physical footprint in developed markets. For instance, Europe had 33 branches in 2011 and US had 35 branches per 100,000 people.

India remains an attractive market for financial sector innovation. Rising mobile internet penetration along with highest mobile data consumption in the world and at one of the lowest cost makes India a compelling case for digital delivery of financial services. The future of the Indian economy and banking is bright.

India has been able to deploy Business Correspondent (BC) network to expand physical presence. In 2010, there were 34,174 BC outlets in Indian villages. This has now expanded to 1.2 million. Accordingly, the basic savings accounts have increased to 649 million now versus 74 million a decade ago. Credit penetration has also seen a multi-fold increase on account of increase in Kisan Credit cards from 24 million a decade ago to 49 million now.

Banking infrastructure has seen a big boost in the last decade with number of ATMs increasing to 240,000 from 87,000. If we include Micro ATMs, the total number of ATMs stand at more than 800,000. In 2011, there were 620,000 Point of Sale (PoS) terminals. Now there are 5.5 million PoS terminals in the country. There were no Quick Response (QR) codes for making payments. Now there are more than 4.6 million QR codes alone.

Similarly, credit cards outstanding now stand at 69 million compared with less than 18 million a decade ago. Debit cards have seen a much higher penetration at 938 million versus 264 million. Credit and debit cards have seen an annual growth of 16% and 15% over a decade. Thus Indian banking system has been instrumental in achieving financial penetration. The credit for this goes to Government, regulator and SCBs.

Technology is changing consumer preferences and financial transactions. UPI payments has emerged as one of the biggest innovation for enabling low cost payments. Overall volume of UPI payments was 18 million in FY2017. In value terms, it was only INR 69 billion. It has increased to a volume of 22.3 billion in FY2021 with value of transactions at INR 41 trillion (18% of GDP). Given the current run-rate, value of transactions are estimated to reach INR 77 trillion (30% of GDP).

UPI payments is just one instance of digital transactions. Going forward, blockchains and other technologies will have a lasting impact on the way banking transactions are done and the way they are settled. Government effort towards digitizing land records will enable faster disbursement of credit for securing a loan on land and for home loans. MSME lending will increasingly move to cash flow based rather than balance sheet based as payments move to digital platforms. The launch of digital rupee by Reserve Bank of India is also a step towards cashless transactions.

To summarise, India remains an attractive market for financial sector innovation. Rising mobile internet penetration along with highest mobile data consumption in the worldand at one of the lowest cost makes India a compelling case for digital delivery of financial services. The future of the Indian economy and banking is bright.

Sameer Narang has over 15 years of experience in Macroeconomics and Investment research spanning both public and private sector. The Economics Research Group at ICICI Bank is responsible for tracking global and domestic Macroeconomics spanning growth, inflation, currencies and monetary and fiscal policy among other areas of interest.

He is a graduate of Delhi School of Economics and also holds an MBA from Indian School of Business, Hyderabad.

INDIAN CAPITAL MARKET VIEW - 2022

NILESH SHAH

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We have witnessed very strong performance of Indian equities since the Covid lows of 2020. This was possible due to attractive valuations during the Covid panic, better than anticipated economic recovery in general and strong corporate profitability in particular and more importantly huge liquidity support all through.

The year 2021 was continuation of the bull-run started from Covid lows in 2020.The year was marked by all-round equity performance. The BSE Sensex index went up by 22% for the year, while the BSE Midcap and BSE Smallcapindices were even stronger with returns of 39.2% and 62.8% respectively. All sectoral indices ended in green for the year. Major outperforming sectors were Metals, IT and Real Estate. These sectoral indices gave returns of 69%, 59% and 54% respectively in CY2021.

In 2022, some of the favourable conditions listed above may have changed significantly. The loose monetary policies and frequent stimuli of the last decade are beginning to reverse in most parts of the globe. Given strong performance of equities over past few quarters, the valuations too have been elevated as compared to the long period averages and there more visible pockets of overvaluation in the market currently. The most recent Covid variant, Omicron did not create much disruption across the global economy though one cannot still conclude whether the pandemic has finally turned into a manageable endemic.

Therefore, we believe that the year 2022 could bring in more volatility in equity markets. The recent market moves are also indicating the same trend. One should not extrapolate the kind of returns generated during 2020 and 2021. The equity market is likely to be choppier and more moderate as compared previous years.

While the local events are important, the global cues on emerging market flows and interest rate cycle will more critical for market direction.

The corporate earnings cycle has turned up quite visibly. Aggregate corporate profitability as a proportion of GDP has recovered from decadal lows witnessed in 2020, and is on the mend. We expect earnings growth for India Inc to remain healthy over the next few years. This is based on the expectations of demand revival post pandemic, policy push for investment cycle revival and the actual large scale deleveraging seen across Indian corporates. Stronger demand will also help alleviating the adverse impact of higher input costs, which has been a worry at this point of time.

The investment themes for 2022 and beyond are -

- Big becoming bigger, strong becoming stronger
- Revival in investment cycle
- Export opportunities

- Real estate and home improvement
- Digitization and
- Financialization

In 2022, some of the favourable conditions listed above may have changed significantly. The loose monetary policies and frequent stimuli of the last decade are beginning to reverse in most parts of the globe. Given strong performance of equities over past few quarters, the valuations too have been elevated as compared to the long period averages and there more visible pockets of overvaluation in the market currently.

We are in an era where consolidation is happening across industries. A decade ago there were dozen plus telecom operators now there are four. Across Industries such as Banks, Steel, Cement, NBFC and Aviation we are seeing consolidation resulting into big companies becoming bigger and strong companies becoming stronger. Survival of the fittest is the law of nature. It's equally applicable in the corporate world.

Over last few years, private investment was on back foot. Now with all time high levels of cash generation/ deleveraging and visibility on economic revival, many companies are looking to invest. Capital Goods companies are likely to do well in the years to come as their operating leverage comes into play with higher volumes.

Global Supply Chain Managers are pursuing China + 1 policy to diversify their sourcing base. With the PLI scheme, India is attracting serious players to become part of Global supply chain management. Multi decade growth which we saw in IT and Generic Pharma sector is likely to be repeated across many sectors supported by PLI schemes like Electricals, Electronics, Textiles, Bulk Drugs, Mobile handsets, chemicals automobiles and auto component etc.

Stars seem to be aligned for Real estate sector. Housing has become more affordable thanks to stagnation in house prices over last few years. Interest rates on housing loans are very attractive now. With RERA, consumer and developer interests are aligned. Real estate and home improvement sector will benefit from both primary and secondary market demand.

Digitization is all pervasive. Companies which expand market, improve productivity or reduce costs through digitization will be winners.

Indians are moving from Real Estate and Gold to financial assets. Companies engaged in providing financial solution from sectors like Banks, Fin techs, Insurance, MFs, and NBFCs will create huge value in the coming years. Digitization in financialization could disrupt existing order.

To sum up, Indian markets have continued to trade at higher valuations given improved economy as well as expectations of further momentum in corporate profitability cycle. However, at current valuations, one cannot rule out corrections and earnings delivery will be crucial for stocks to trade at higher multiples and/or sustain those elevated valuations. The strong outperformance of mid/small caps as against large caps may also see some pressure going forward.

As we all know, volatility is inherent to equity markets, and is unpredictable in the short term. However, long term investors, across markets and market cycles have generally made better returns. A regular and disciplined investing overcomes the ill-effects of market volatility. Prudent asset allocation, long term focus and regular investments are three important tenets of sustainable wealth creation.

Nilesh Shah is Group President and Managing Director of Kotak Mahindra Asset Management Company Limited.

He was part of the team that has received "Best Fund House of the Year" Award at all the mutual funds where he has worked.

He is part time member of the Economic Advisory Council to the Prime Minister.

BROKING INDUSTRY OUTLOOK - THE ROAD AHEAD: RETHINK, REBALANCE, RESET

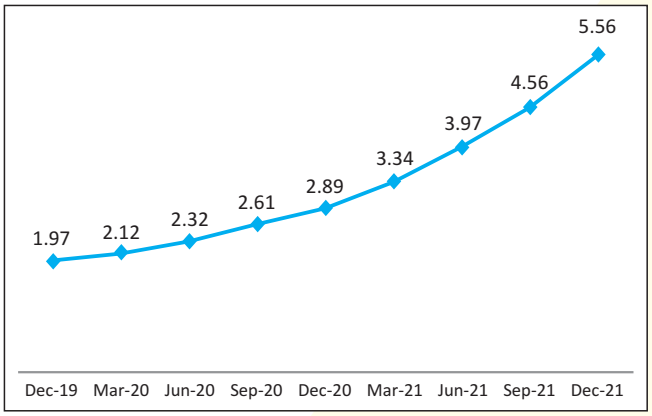
ANURAG BANSAL

Whole-time Director

SMC GLOBAL SECURITIES LTD.

We are in one of the most interesting phases in the history of the broking industry. It took CDSL twenty years to reach 2 Crore demat account holders and less than two years to more than double the number.

Active BO Accounts (In Crores)

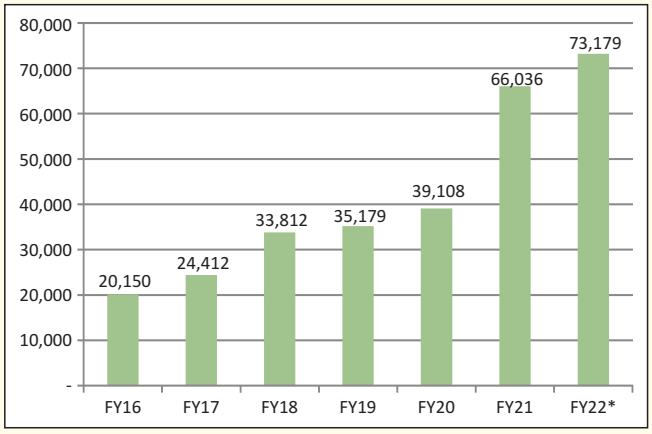


Source: CDSL

Covid has played the role of cupid in the marrying of new investors to the industry. Paired with low interest regime, lower returns from physical assets, government giving emergency service status to the broking industry added icing to the cake. Technology adaption by players and investors alike along with the adoption of smart phones and affordable data charges played pivotal role as well.

Momentum in place: In FY22, the average daily secondary market turnover was the highest in the history signalling high interest from all participants. The benchmark indices inched up the highest in Asia by approx 20% from April 2021 to January 2022. The turnover was reminiscent of the bullish sentiment in the market which prevailed throughout the year. The market rally was largely led by liquidity, supportive monetary policy, strong vaccination drive, prediction that the COVID strains are weakening with strength in recovery of the economy.

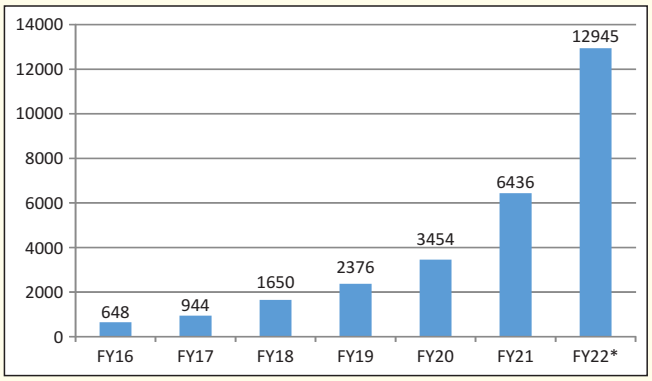
Avg. Daily Equity Turnover NSE+BSE (Rs. in Cr.)



Source: SEBI Bulletin *FY22 data is upto January 2022

Futures & Options: The volumes in F&O segment have seen multi-fold growth. The growth is due to better understanding of the product at retail level. With leverages not available in the cash market, options have seen a phenomenal rise to trade with limited funds at hand. Also, retail participation in algo trading has also led to F&O strategy led products increasing the volumes along with active participation from proprietary desks. Volatility in the market has made the product very lucrative.

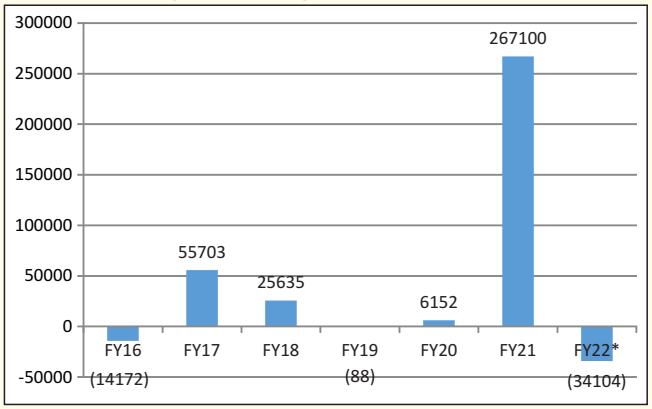
NSE F&O Turnover (Rs. in Lakh Cr.)



Source: NSE Website *FY22 data is upto January 2022

FPIs outflow a worrisome sign: In FY21, FPI inflows were the highest after a hiatus of 3 years where we had negligible inflows. FY22 has seen massive outflow of funds by FPIs especially in the third quarter of the financial year. The high inflation in US, signalling that the interest rates in US will soon be on upward trajectory, has lead to these outflows. The DIIs have till now been resilient and kept the market in balance, however FPIs flow always affects the market sentiment. This could act as a dampener for the markets coupled with expensive valuations; we need to see how the year pans out.

FPI Inflows (Rs. in Cr.)



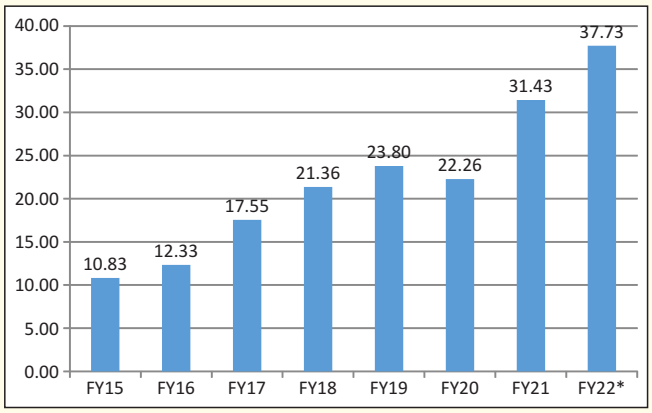
Source: SEBI Bulletin *FY22 Data upto January 2022

IPOs - A fairy tale story: The market saw a record breaking amount of over Rs. 1.05 Lakh Crores being mobilised in the market through number of new equity IPOs in FY22 till January 2022 as compared to a total mobilization of just over 30 thousand Crores in the previous year. Even in December 2021, when markets corrected, we saw about 11 IPOs in that month. An analysis of the listing performance of large IPOs shows that investors have been indifferent to the size of the issues. Among the top 15 IPOs by issue size in 2021, only 6 are trading above their issue prices. The biggest IPO Paytm was a real dampener with 38% fall from its issue price, while Nykaa enhanced the beauty of the IPO market. Investors want a growth story, but also want a balance sheet which brings profits to the table. The IPO party is likely to continue with LIC in the lead, being the mega issue and talk of the industry since it was announced in the budget last year.

Covid has played the role of cupid in the marrying of new investors to the industry. Paired with low interest regime, lower returns from physical assets, government giving emergency service status to the broking industry added icing to the cake. Technology adaption by players and investors alike along with the adoption of smart phones and affordable data charges played pivotal role as well.

Asset under Management of Mutual Funds: The industry added Rs. 6.70 Lakh Crores in 2021, a record absolute asset gain for any calendar year on record. The difference compared to earlier year was that the flows in the equity oriented schemes were higher. In the quarter ended December 2021, with the markets not performing well, inflows continued partly due to SIPs. The mutual fund industry has crossed a milestone of 10 crores folios in this year. ETFs have become the largest MF category benefitting from the strong inflows from the EPFO and other pension trusts, together with new launches and individual investor interest. At the same time liquid funds lose their sheen.

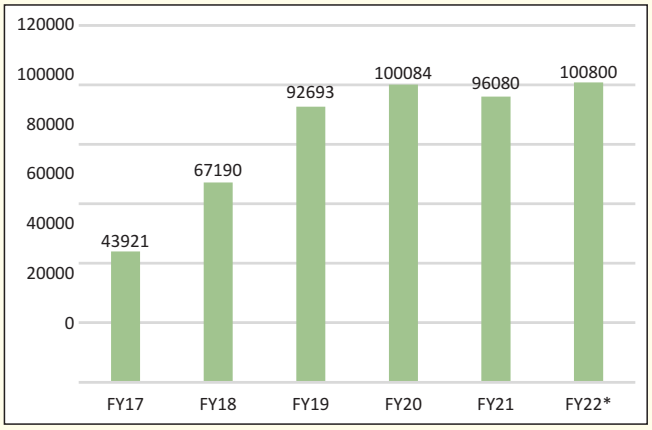
MF AUM (Rs. in Lakh Cr.)



Sources: AMFI Website *FY22 data is upto December 2021

SIP Contribution: The systematic investment plan (SIP) inflows are expected to break all records with FY22 getting over Rs. 1 Lakh Crore in first 10 months alone. Buoyant market has led to the growth of the SIPs. The number of SIP accounts rose to 4.91 Crores in December 2021.

SIP Inflows (Rs. in Cr.)



Sources: AMFI Website * FY22 Data is upto January 2022

Economic Outlook: Recently, Economic Survey has said that Indian economy is in good position to witness GDP growth of 8-8.5% in FY23 due to widespread vaccine coverage, gains from supply-side reforms and easing of regulations, robust export growth, and availability of fiscal space to ramp up capital spending. Yes, undoubtedly India's economy is recovering quickly as evidenced by strong macro data - better-than-expected GDP growth, PMI consistently in expansion zone, improved core sector growth, GST collections of above Rs. 1.3 Lakh Crore for sixth consecutive month and falling unemployment rate. Going forward, over the next three years, it is expected that India is likely to go back to its real GDP growth trend of 6.5% with all three drivers of economy firing. Even it could be seen that discretionary consumption is picking up and it is expected that it would sustain given Indian young demographics with rising incomes and aspiration levels. Besides, Private sector investment is expected to pick up with financial system in good position to provide support for revival of economy.

Thus, going forward, higher capital expenditure, push to infrastructure through the new institutional framework, boost to the manufacturing sector and buoyant exports are likely to be the key drivers of further growth.

Broking Industry Outlook: Never before we have seen this kind of frenzy of VC funding supporting new entrants in the industry who are armed with tech and money muscle.

The new age discount broking firms armed with technological expertise got the maximum benefit and have climbed up the ladder in market share in terms of the number of accounts. The challenge however will be to retain these new investors as we have seen in the past that the new investors quickly shy away if the markets take a down turn. Most of the new investors are young individuals who have been drawn to the markets as quick money was made in last two years. These flat brokerage offerings will also need continuous flow of new investors as that is the only scope to increase revenues which may be difficult as markets are cyclical.

There is also a new trend of advisory model which is being offered in the market, independent of transactional broking. This is gaining traction as investors realize the need for an informed decision making as well.

With new SEBI regulations of peak margin and other such measures, the leveraged business players have no role to play and will have to innovate or perish. At the same time there is a good pick up in MTF books, which will be an important product in the portfolio. This also brings in stability in the market volumes and volatility as we shall not have unnecessary froth or panic situations created by overleveraged entities and lead to a more sustainable growth overall.

The Industry has a bright outlook with economy poised to do well, company growth earnings likely to match up along with capex cycle. We are likely to see new customers from Tier 2 and Tier 3 cities and the new customers will be the young generation who is willing to take risk. New businesses will largely be driven by online trading and advisory will span into a new industry altogether with small portfolio advisory and algorithmic trading books. Discount pricing is here to stay and will co-exist with the full service businesses. Technology will be a bigger game changer than ever. Every entity will have to find a way to retain customers by a unique proposition spanning personalized service, to quality advisory, to easy interface or a combination of the above.

Anural Bansal possesses extensive experience of over 20 years in Capital Markets. He is Whole time director of SMC Global Securities Limited which along with its group companies offers a diverse range of financial services including institutional and retail brokerage of equity, derivatives, commodities, currency, online trading, depository services, distribution of IPOs, mutual funds, fixed deposits & bonds, insurance broking (life and general), clearing services, margin financing, investment banking, portfolio management, wealth advisory, real estate advisory and research.

Facilitating Sustainable Growth

For over two decades, the Adani Foundation has contributed to the holistic development of underprivileged communities. Today, its reach covers 3.7 million people in 2,409 villages across 16 states in India.

Agricultural Initiatives

16,000+ farmers engaged in initiatives covering over 22,000 acres of land.

Animal Husbandry

21,237 cattle covered under artificial insemination and 6,540 calves born, creating assets worth ₹10.18 Cr.

Afforestation Efforts

Afforested over **3,109 hectares** of mangroves resulting in biological carbon sequestration of more than 10 lakh tons and planted over 2 million trees.

Women's Enterprises

1,800+ women through 150+ self-help groups (SHGs) generated a revenue of ₹10.28 Cr.

THE MUTUAL FUND INDUSTRY OUTLOOK - AN ACCELERATION OF TRENDS

RADHIKA GUPTA

MD & CEO
(Vice Chairperson at AMFI)

EDELWEISS ASSET MANAGEMENT LIMITED

In the last few years, the financial services world has witnessed several shades of transformation. Some of the transformation stemmed from a shift towards digitisation while some of it was driven by more informed investors and new investment opportunities. Inarguably, foretelling the future is not something I would like to indulge in. However, in the backdrop of the current landscape, there are definitely a few trends that hold promise and can perhaps endure over the long-term. Some of these include:

The core always matters: It is very easy to get swept away by the equity market euphoria. Further, in the current environment, it is not just the equity markets that can lure you. Cryptocurrencies are also added to the mix. Sharp gains in these instruments can be sometimes misleading as they convey the message that it is easy to make short-term gains and if you don't get into the driver's seat, then you miss the bus. However, investors are increasingly recognising that the core of the portfolio matters the most and thus, should be robust.

Wealth comes from compounding: The benefits of compounding are well-known. Every famous investor worth his or her salt would have at some point glorified the power of compounding. The good thing is that equity markets have been in a structural bull run for over a decade now and those who have exercised patience in their equity investments have seen multi-fold growth in their portfolios. As the benefits of compounding become more evident, an increasing number of investors are likely to invest for the long-term.

Every famous investor worth his or her salt would have at some point glorified the power of compounding. The good thing is that equity markets have been in a structural bull run for over a decade now and those who have exercised patience in their equity investments have seen multi-fold growth in their portfolios.

You should be more discerning when seeking financial advice: We are living in the age of social media and information overload. Financial advice has now become almost ubiquitous with personal finance influencers and even celebrities dishing out advise on investments

and portfolio construction. Inarguably, some personal finance influencers can offer good investment advice. However, investors are increasingly becoming careful about who they take advise from and are seeking help from experts.

You can call these trends or you can call them my wish list for investors. The bottom line is that creating a robust investment portfolio can be easy as long as you don't lose balance, seek advice from experts, and stay invested for the long-term.

The future is phygital: The pandemic has pushed us into a hybrid world that is firmly wedged between the physical and digital realms. Increasingly, people are embracing digital solutions to experience customised and seamless interactions. At the same time, the value of physical interactions is not likely to fade any time in the near future. This means that the future belongs to those firms that can ably leverage digital solutions while staying tethered to the human element.

Balance zaroori hai: If there is one thing that the last 24 months have taught is the importance of maintaining a balance, both in life as well as in investments.-Markets go through cycles, sometimes up and sometimes down. Many investors who were riding the upward movement in their investments were dejected when they saw just a 10% correction in the recent past. Thus, it is important that we bring balance to our life and learn to live in cycles without losing our balance. For that we need to ignore noise.

You can call these trends or you can call them my wish list for investors. The bottom line is that creating a robust investment portfolio can be easy as long as you don't lose balance, seek advice from experts, and stay invested for the long-term.

Disclaimer: Ms. Radhika Gupta is the MD & CEO of Edelweiss Asset Management Limited (EAML) and the views expressed above are her own.

MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY

Radhika Gupta, A graduate from the Management and Technology Program at the University of Pennsylvania (USA); with joint degrees in Economics from the Wharton School & Computer Science Engineering from the Moore School, meet the Captain of our Ship - Radhika Gupta - MD & CEO of Edelweiss Asset Management Limited.

She started her career with McKinsey & Company, and then progressed to become a hedge fund manager with AQR Capital - One of the world's largest Systematic Asset Managers.

She then moved to India to start her own venture named - Forefront Capital Management, an alternative asset management firm, which was acquired by Edelweiss in 2014. An asset management professional with experience across asset classes and investor segments; she successfully led Edelweiss's acquisition of JP Morgan's Mutual Fund business and Ambit Capital's AIF business in 2016.

A true global personality, having travelled across 4 continents, she is the founding President of the University of Pennsylvania Alumni Club, a member of the Global Leadership Council of the Management and Technology Program and the Vice Chairperson of the Association of Mutual Funds in India (AMFI). A keen micro-blogger on Twitter and an avid Bridge player, her unique life story narrated in the video,-'The Girl with a Broken Neck', has garnered over 1.8 L views.

INDIA'S ETF MARKET: THE GROWING POPULARITY OF PASSIVE INVESTING

HSHOG KOEL
Head - South Asia
S&P DOW JONES INDICES

Market Resilience

The financial markets have been witness to numerous market cycles, trends, and crises, from the technology bubble in 2000 to the subprime housing crisis around 2007-08 and the collapse of Wall Street in 2009. 2020 brought the unexpected disrupt or, coronavirus, and the ongoing pandemic changed the way markets and economies reacted. As with many disruptions, the first reaction was detrimental, with negative market reactions, as businesses were scrambling to adapt to the new environment. In March 2020,the S&P 500®dropped significantly, including its steepest one-day fall since 1987[1]. It recovered from the low of 2,237.40 on March 23, 2020,toa high of 4,796.56[2] on Jan 3,2022,a rise of 114%. The S&P BSE Sensex reacted similarly, with index levels falling to 25,981.24 on March 23, 2020,and a quicker recovery on Oct. 18, 2021, with a new high of 61,765.59;a rise of 138%, which has not been surpassed as of Feb. 8, 2022.Many other market indices such as the S&P Europe350®, S&P/KRXAsia 100, S&P Japan500, S&P/ASX200, and S&P China500mimicked the recovery trend in other regions, showing the resilience of global financial markets and their ability to recover while adapting to new conditions.

The Shift to Passive

Investing styles and strategies are adapting to the new market, economic, and political dynamics that are compelling portfolio managers to review their objectives and goals. The growth in passive adoption is evident, with global assets under management having surpassedUSD10trillionand over 9,800 products as of December 2021[3]. India also experienced a significant shift from being almost a purely active market, with minimal concentrated passive interest, to a boom in passive assets and number of passive products. With assets exceeding USD 50billion and over 100 products[4], India's growth in passive investment has ushered in new investor interest for diverse offerings.

The Active versus Passive Debate-Tilting the Scales

The debate of active versus passive has been ongoing. The recurring feature of benchmark outperformance is contributing to the adoption and growth of the passive investment space.

The S&P Indices Versus Active (SPIVA®) scorecard, which reflects on the trends of active fund management visà vis benchmarks, has been a testament to the argument favoring indexing, as the statistics seem to tilt the balance in its favor. According to our SPIVA India Mid-Year 2021 Scorecard, over 86% of active Indian equity large-cap managers were beaten by the S&P BSE 100 over the previous 12-month period, and the numbers were similar for a three- or five-year horizon, with underperformance rates of 87% and 83%, respectively (see Exhibits 1 and 2). The index outperformance in large caps has been a recurring feature over the past few years. A new trend for the mid-/small-cap segment was a surprise for the market. Over the one-year period, 57% of active fund managers underperformed the S&P BSE 400 MidSmallCap Index, and the number was as high as 69% over the five-year horizon. This marks the beginning of opportunities for passive funds in this segment for India.

Exhibit 1: Percentage of Funds Outperformed by the Index (Based on Absolute Return)

FUND CATEGORY	COMPARISON INDEX	1-YEAR (%)	3-YEAR (%)	5-YEAR (%)	10-YEAR (%)
Indian Equity Large-Cap	S&P BSE 100	86.21	86.67	82.72	65.93
Indian ELSS	S&P BSE 200	53.66	76.19	76.19	48.57
Indian Equity Mid-/Small-Cap	S&P BSE 400 MidSmallCap Index	57.14	48.65	69.57	40.30
Indian Government Bond	S&P BSE India Government Bond Index	70.83	51.85	71.43	86.00
Indian Composite Bond	S&P BSE India Bond Index	50.00	97.90	97.87	100.00

Source: S&P Dow Jones Indices LLC, Morningstar, and Association of Mutual Funds in India. Data as of June 30, 2021. Returns are shown in INR. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Exhibit 2: Percentage of Funds Outperformed by the Index (Based on Risk-Adjusted Return)

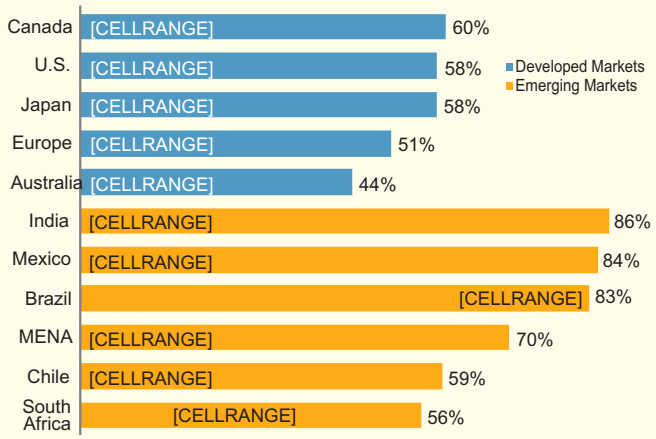
FUND CATEGORY	COMPARISON INDEX	1-YEAR (%)	3-YEAR (%)	5-YEAR (%)	10-YEAR (%)
Indian Equity Large-Cap	S&P BSE 100	68.97	80	72.84	65.19
Indian ELSS	S&P BSE 200	46.34	76.19	80.95	51.43
Indian Equity Mid-/Small-Cap	S&P BSE 400 MidSmallCap Index	55.1	43.24	50	32.84
Indian Government Bond	S&P BSE India Government Bond Index	87.5	100	90.48	92
Indian Composite Bond	S&P BSE India Bond Index	38.67	68.53	60.99	68.18

Source: S&P Dow Jones Indices LLC, Morningstar, and Association of Mutual Funds in India. Data as of June 30, 2021. Returns are shown in INR. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

In a market that has had participants and product providers showcasing alpha in active portfolios for a long time, there is beginning to be an increased awareness on the merits of including indexing in investment strategies.

These SPIVA results are not unique to India, as similar results have been reflected over the one-year period across the SPIVA scorecards. Besides India, SPIVA is also published across another10 markets, namely the U.S., Canada, Mexico, Brazil, Chile, Europe, MENA, South Africa, Japan, and Australia.

Exhibit 3: Percentage of Underperforming Active Domestic Mutual Funds versus Their Appropriate S&P DJI Benchmark



Source: S&P Dow Jones Indices LLC,[5] Morningstar, Fundata, CRSP. Data as of June 30, 2021. Chart is provided for illustrative purposes. Past performance is no guarantee of future results. Regional benchmarks included here are large cap, with the exception of Brazil and Chile where SPIVA results displayed reflect regional broad market indices. Multiple benchmarks exist in all regions tracked by SPIVA. For more information on SPIVA methodology, including a full list of regional benchmarks and results, visit https://www.spglobal.com/spdji/en/research-insights/spiva/.

The Changing Face of Passive

Though passive investing is galloping its way into some allocations, it's still not a significant percentage. Passive assets are concentrated in the developed markets, with the U.S. claiming a majority share, followed by Europe and Japan.

The use of core and satellite strategies based on passive vehicles can be a further catalyst to the growth in using indexing to attain investment objectives. Indexing-whose benefits can include low cost, diversification, flexibility, and transparency-offer a simple solution to gain exposure to a broad spectrum of investment strategies. The core satellite strategy is useful not only for active versus passive allocation but can be used tactically to allocate among indexing areas, diversifying within asset classes, geographies, or themes.

Indian investors tend to have had a firm home bias, which has not changed over the last few decades. The pandemic shifted those dynamics, as the benefit of international diversification became evident. The assets in international schemes grew from INR9,062crores to INR 24,129 crores, a growth of 166%[6]. While U.S. markets led the interest, allocations to emerging markets were also made. In 2021,the Securities and Exchange Board of India revised its limits to permit USD 1 billion per mutual fund, with a total cap of USD 7 billion for the industry. However, the industry has reached those limits and is now seeking a revision for them, as interest and assets are flowing into this segment.

The growth in assets, products, and investor interest compels passive product providers to offer a wider

selection that covers diverse needs. In addition to country exposures, the demand has moved to broadening the scope beyond beta exposures. In addition to its broad offerings, S&PDJI has some more index series, such as the following:

- The S&P MAESTRO 5 Index(Multi-Asset Equal Risk Factor Contribution) is designed to measure the performance of a multi-asset risk parity strategy with a 5% target volatility. It allocates risk equally among seven equity, fixed income, and commodities indices, and further mitigates equity market volatility by dynamically allocating to S&P VIX® futures indices.
- Newer ideas like Growth at a Reasonable Price (GARP), a known and practiced fundamental-driven investment strategy, are also making theirway into indexing. The S&P500 GARP Index is a multi-factor framework with an objective of exposure to growth stocks with good quality and attractive valuation. It seeks a balance between pure growth and pure value.
- Ideas focused on speculative returns have uncertain levels of risk over an uncertain period. This type of outcome-based investing encourages targeting a specific defined payoff profile, with an allowance for a specific defined level of risk, at a specific point in time in the future. The CBOE S&P 500 Target Outcome Indexes work differently, by seeking to incorporate defined exposures into the S&P 500, where the downside protection levels, upside growth potential, and outcome period are all defined prior to investing.
- Social media has evolved to encompass commentary about stocks and financial markets. That, coupled with technological developments, has enabled these views to be analyzed, which results in the interpretation of online community dialogue on a specific company by aggregating an analysis of these messages. The S&P 500 Twitter Sentiment Index Series measures market sentiment using Twitter data, specifically Tweets containing $cashtags, which indicate that the Tweet is referring to a particular stock. Using artificial intelligence technology to analyze the sentiment around these stocks, a sentiment score is generated for the companies within the S&P 500.

The above indices reflect the change in interests and aligning to the new market demand for strategies.

Sustainability and Innovation

The pandemic, alongwith its disruption, also opened windows to many opportunities. Innovation and new ideas are the key words. Sustainability is not a new idea; however, its focus has accelerated with the pandemic and incidents triggered by climate change. Nations and organizations are adopting ESG measures and bringing its importance to the forefront. Its incorporation into investment strategies has further emphasized its importance. The assets in sustainable funds have crossed USD 2.7trillion, with over 5,900 funds.[7] Europe dominates both in terms of assets and products, followed by the U.S. S&PDJI has had a long history of providing ESG indexing solutions, with some prominent indices such as the S&P500 ESG Index, S&P Paris-Aligned &Climate Transition Index Series, and a host of options across core, the matics, factors, and fixed income.

In their quest for innovation, providers of financial strategies are evaluating options like the S&P Kensho Indices, which capture the industries and innovation of the fourth industrial revolution. This new generation of indices, powered by artificial intelligence, is designed to track innovation systematically and is helping market participants adopt a quantifiable framework to understand and measure innovation.

Can Passive Be the new Active?

The strong growth in passive investing is encouraging its prospects. India is seeing a heightened interest and the resultant product issuances. Active outperformance is being challenged by indexing strategies. The road to passive investment styles dominating markets is a long one, but with new milestones, there is optimism to get there.

1. https://www.statista.com/statistics/1104270/weekly-sandp-500-indexperformance/#:~:text=On%20March%2012%2C%202020%2C%20the,one%2Dday%20fall%20since%201987
2. Its highest level as of Feb. 8, 2022
3. https://etfgi.com/news/press-releases/2022/01/etfgi-reports-global-etfs-industry-ended-2021-record-us1027-trillion
4. ETFGI report as of September 2021
5. For more information, please see https://www.indexologyblog.com/2021/11/16/no-time-to-thrive/
6. Source: AMFI. Data from Dec. 31, 2020, to Dec. 31, 2021
7. MorningStar, https://www.morningstar.com/lp/global-esg-flows, Global Sustainable Fund Flows: Q4 2021 in Review

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

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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.

150 million Indians

suffer from a common mental health concern.*

*Less than 25% of them seek help.**

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mpowerminds.com

*Source: National Mental Health Survey of India | #Professionals including psychiatrists, psychologists, counsellors & other support staff.

INTERNATIONAL BANKING THE ROAD AHEAD

DEEPTHI SIRVURI

Head - International & FX

HSBC INDIA

Global ambitions are about opportunity. Finding it. Creating it. Delivering it.

It is about bringing together the people, ideas and capital that nurture progress and growth, helping to create a better world. Being global also means being sensitive to local and global requirements. Respecting diversity, having a keen ear to listen to the stated, and more importantly, seeking to understand the often unstated. People and organisations who exist and thrive in such global environments, share these values and seek each other's partnership.

Individuals who operate in global domains have a unique growth mindset, with diverse needs that span geographies. Hence, they require organisations that not only share these values but also have an international footprint to cater to their needs. Whether it is to do with seamlessly managing their finances or caring for their families, who could be spread across the world, they seek our solutions to enhance their lifestyle.

Individuals who operate in global domains have a unique growth mindset, with diverse needs that span geographies. Hence, they require organisations that not only share these values but also have an international footprint to cater to their needs. Whether it is to do with seamlessly managing their finances or caring for their families, who could be spread across the world, they seek our solutions to enhance their lifestyle. As internationally-oriented people challenge outdated norms across the globe and create superior value, they need a supportive ecosystem that understands what they seek to do and walk with them. Often, initiatives and ideas that positively impact the well-being of communities cannot simply be looked at in immediate cash flow terms but require foresight, nurturing and the backing of visionary people and organisations to grow larger. Think of the commitments visionary organisations have made towards net zero carbon emissions and this becomes more evident.

For many, this journey of being globally-minded citizens, begins with their first trip abroad, either for leisure or studies. Every year, we witness lakhs of students leave their home country and travel overseas for studies. India and China are two countries that are often quoted as sending the maximum number of students overseas for education. It is possible that many of these students would be living abroad for the very first time in their lives. Any child leaving home for an education abroad is cause enough for anxiety, for any parent, in any part of the world. If that child is going to be living in a new country with a new culture, one can only imagine the level of anxiety parents of such children go through. Recent world events have just brought this to the fore. Here is where parents, and their children, would appreciate an ecosystem that could help make the

entire journey far less stressful. A platform or network that could provide sufficient information of the destination countries, and provide tools and enablers for better preparedness, before these kind of journeys even begin, is immensely welcome. Take the example of finances: It would be a tremendous relief to parents if they were able to conveniently set up financial essentials in an overseas destination for their child, before the child leaves home. This convenience could be in the form of setting up an account, providing debit or credit cards, or providing money transfer facilities.

To summarise, it requires truly global organisations to support a tribe that is global. Hence, as more of us become internationally-minded, it is important that we start building relationships with such like-minded international organisations and ecosystems that can support us through our life journeys, no matter where we, or our families, find ourselves in the world.

International money transfer is again a unique requirement for such a global population. Whether one needs to send money overseas, or is a recipient, there are multiple solutions available through local and global financial institutions. However, most international remittances have their own set of procedures and norms, which to many people, are not only daunting but also attract a significant cost. With the rapid digitisation of payment networks across the globe, using a digital mode of funds transfer has become the norm for those who are progressive-minded and used to world-class service. Especially sought after is transparency in the currency conversion rate and charges applied. Any digital solution that provides a mobile-first, transparent and low cost international remittance facility, will undoubtedly see rapid adoption. A few organisations are working towards this goal.

Along with money transfer, there is the need to manage personal finances across the world - seamlessly, digitally and as per one's convenience. Hence, having access to global banking platforms where an individual can view and transact between global accounts, as per necessity, is no longer considered just a delight but a financial essential.

International fund transfers are a key requirement for ethnic diaspora spread across the world. All of us are aware of the vast spread of the global Indian diaspora. As one of the largest migrant populations in the world, their enormous contributions to the prosperity of countries and territories is widely acknowledged and highly respected. Many global Indians are invested both emotionally and financially in the long-term success and development of India. It is why HSBC sought to gain a better understanding of how global Indians view the places where they live, and also the strength and importance of their connections back to India.

The research report threw up some interesting insights about the Indian diaspora:

- Global Indians have significant links to India: 77% feel a strong connection to India and 80% are very interested in the success of India.
- A strong desire to use their skills to bring about change in India is a significant factor for a third of global Indians. This is more the case for second generation Indian immigrants as compared with first generation immigrants.
- Sustainability also matters a great deal to global Indians. 76% say environmental or social initiatives are key considerations for any decision making. They are planning to make a range of sustainable investments in both India and their countries of residence within the next two years.

You can read more about these interesting insights by visiting https://internationalservices.hsbc.com

To summarise, it requires truly global organisations to support a tribe that is global. Hence, as more of us become internationally-minded, it is important that we start building relationships with such like-minded international organisations and ecosystems that can support us through our life journeys, no matter where we, or our families, find ourselves in the world.

Deepthi, has over 18 years of experience across various functions in the Banking industry including leadership roles in Consumer Banking, Wealth Management and Strategy. At HSBC, she is responsible for leading the International Business - Overseas Indians and Indian Residents with International needs, to accelerated growth and creating superior client solutions.

Prior to HSBC, she was heading Citi Bank's cross border business, leading it into a strong client-centered, relationship driven, and digital delivery led growth.

She has built talented, high performance, diverse work teams in her career and is a vocal advocate of equal opportunities, inclusion, and collaborative culture. She is active member and champion of Pride inclusion.

She has a Master's degree in Business Administration, MBA in Finance, and is a Cost and Works Accountant (ICWAI).

SOHIN CHAG
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IMPACT OF INCREASED DERIVATIVES TRADING IN INDIA - THE ROAD AHEAD

"WITH GREAT POWER COMES GREAT RESPOSIBILITY." These lines may be a part of centuries old wisdom but became popular through the epic Marvel movie, SpiderMan. The not so accomplished but immensely wise uncle says these words to Peter Parker as he is experimenting and exploring the potential of his newfound super-powers. But why are we discussing this here? Well, apparently there seems to be profoundly striking similarities between that stage of Peter Parker and the derivatives market in India now. Not just the markets but also its participants, the young booming traders and techies, with their newfound superpowers at their fingertips.

The financial markets have come a long way in their evolution, starting in parallel with the industrial revolution to the era of technology and now standing at the cusp of digital revolution. To understand the impact of derivatives trading in India let us go back briefly to its origins. Any economic or financial advancement usually has a socio-economic purpose attached to it. As the capital markets are supposed to serve the purpose of financing growth and prosperity in any given economy, there was a need of instruments which can be used to mitigate financial risks arising out of it. The simplest form of Derivative-Forwards came into existence with a purpose of ensuring or protecting the financial value of a produce or an asset i.e. its price. From the era of Dutch Tulips to an open outcry market to the uniform and standardised version of Forwards started getting traded on exchanges as Futures, which by this time had become technology driven. Then came the Options, with the miraculous feature of segregating the obligation of any given underlying i.e. the different assets - commodities, equity, debt, currency etc. Their basic design was to facilitate hedging of the risk but now they are widely traded by all the participants ranging from market makers to professional traders.

Since the inception of derivatives trading in India in the millennium year of 2000 and Options trading a year later, it has known only one direction - UP. The growth in derivatives trading has been a cornerstone for the Indian financial markets into the maturing stage that it is now. Initial days of derivatives trading were broadly dominated by financial institutions, proprietary firms and treasuries of corporations. Most of its participants were wholesale in nature, which may be attributed to closed regulation, limited access, lack of financial literacy to as simple as relatively low per capita income and very low level of

formal financialization of the economy. Amidst all these came the Global Financial Crisis which had many economic, political, social and psychological factors serving as a precursor but the trigger was DERIVATIVES. Up to what extent can surely be debated even today but they surely were a massive trigger responsible for almost all financial markets to blow out of proportion, especially the developed ones along with its real economies. India was relative immune to the cascading effects of the GFC thanks to the conservative regulation and lesser amount of integration with the global financial markets that came as a blessing in disguise. As Dr. Raghuram Rajan suggests it was the time of 'Saving Capitalism from the Capitalist.' Or rather the collective capitalist greed!

Regulators have taken cognisance of the same and along with introduction of more and more complex derivatives and on various asset classes they have also brought about sensible regulation. Launching of weekly options on prominent indices, introduction of options on various commodities etc. are some among many such step that encouraged more and more participation with lesser entry barriers in terms of capital required.

As they say the fallen shall rise again, After 2010, derivatives trading in India saw an explosive growth thanks to the easing out of the above mentioned factors along with being less impacted with the ill effects of the GFC. This coincided with the emergence of digitization and Smartphones. Economic policies focused towards financialization of the economy, ground level financial inclusion and emergence of a massive middleclass with increased disposable or should we say investable income fuelled this growth in derivatives market participation further. Derivatives in currency and commodities were launched and were well received by all the participants. By the late 2010s the Indian Derivatives Market which relied more on institutional participation was now thriving with broad-based retail participation. This was coupled with Data and Software technology being more accessible, affordable and broad-based. This led Indian Financial Markets entering into a whole new era where the amount of trades executed through Algorithms overshadowed manually executed trades vastly across exchanges, platforms and participants and when I say vastly I mean Big Time! On top of all these, the Covid pandemic paired with discount brokers through their mobile application driven investment and trading platforms literally triggered the democratization of derivatives trading in India.

The Road Ahead

Like a rising tide lifts all boats and if it is to be believed that fast paced economic growth brings prosperity across economic classes with financial markets at its heart; derivatives markets are the booster engines attached to it. But like every booster if not calibrated and controlled prudently can lead to disasters. Regulators have taken cognisance of the same and along with introduction of more and more complex derivatives and on various asset classes they have also brought about sensible regulation. Launching of weekly options on prominent indices, introduction of options on various commodities etc. are some among many such step that encouraged more and more participation with lesser entry barriers in terms of capital required. But they were also coupled with prudent regulatory steps such as physical delivery on expiration of various contracts and revised more robust margining systems which are extremely crucial to keep the 'boosters' in check.

The Pitfalls

We usually don't require a licence to just walk! Do we? If we were to drive or ride a bullock cart we might need some hands-on training and no big deal. If we were to drive a car we would definitely need a licence. Now what if we were to drive a Formula 1 car or an aeroplane? We would surely need robust training even to get a licence from concerned authorities, right! Becoming a good and successful F1 driver or a Pilot comes way after that. I am sure the readers of this article are smart to figure out where this analogy is going.

One very recent example that also made it to the news along with an uproar on social media is many traders and/or investors who had positions in 450 Hindalco PUT which as reported could not be squared off due to no takers on the other side of the order book. The next day they had to suffer huge losses due to abnormal pricing in the auction market. From the regulatory point of view what better can be done is out there for debate, but a better hedging strategy may have been deployed with a better, more fundamental understanding of options and modus

operandi of options settlement. A lot of traders also burnt their fingers during the recent market volatility amidst the US Federal Reserve Policy expectations and the Russia-Ukraine geopolitical unrest. Understanding derivatives and its fundamentals (especially for secondary and tertiary derivatives such options which also has factors like preciseness, better known as IV or Implied Volatility and time decay, better known as Theta etc. to be considered) along with its risks beforehand, goes miles in making an efficient trader. Pitfalls of excessive usage on a larger scale are well documented and well known. The GFC and the very recent settlement of crude oil contracts on negative price are historic Black Swan events.

The Opportunities

Derivatives apart from being risk management and hedging instruments also serves as instruments to optimize (if not maximise) returns on deployed capital and/or investments. Derivatives on diverse asset classes with a variety of expiries enhance the flexibility of the risk-taking as well as the risk-averse capital. This has led to Derivative market (Futures and Options) volumes lately being higher than cash market volumes. Thus effectively, saying that the cash market is now a derivative of the derivatives market would probably not be an overstatement. Further opening up, advancement and formalization of debt markets in India should also lead to developing of debt derivatives markets in India which theoretically is supposed to be larger than any asset class. So far, the majority of derivatives trading has been dominated by National Stock Exchange for Equities and Multi Commodity Exchange for Commodity segments. With emergence of robust energy markets, India is now exponentially growing with formal exchanges operating in areas of Electricity and Gas trading. Other Exchanges like Bombay Stock Exchange stepping up their game in newer segments would also make the derivative market place more exciting and robust in the coming future.

To conclude with, Millions of Millennials like Peter Parker, today are exploring their newfound superpower of wealth creation, as professional traders working for/ with institutions and also individual traders. This makes it imperative for them and for a system as whole to grasp and internalize the golden words that we started with.

"WITH GREAT POWER COMES GREAT RESPOSIBILITY."

Sohin Chag is Senior Manager at Marwadi Shares and Finance Ltd., MCIBPL, Rajkot. Having played a key role in setting up the options trading desk, he is now involved in managing the proprietary trading operations. With more than 10 years of experience in trading, research & analysis, risk management as well as training, he has also worked as course coordinator and visiting faculty, developing and delivering various certificate courses at Marwadi University. He has worked briefly as Senior Analyst with Pratham Investments, Baroda.

He is a keen follower of International Financial Markets with diverse interests ranging from International Economics & Regulation, Political Economy, Behavioral Finance to Bio-Sciences and Psychology.

He is a Bio-Science graduate with an MBA in International Finance from Edith Cowan University. He was awarded residential fellowship for Doctorate Programme in Management by Nirma University. He has also recently earned a Masters Degree in Clinical Psychology.

Yashesh Ajmera currently heads the compliance at Marwadi Chandarana Group, a leading arbitrage and trading firm. In his role as the compliance officer, he overlooks compliance with all the regulatory bodies including SEBI, recognized stock exchanges and depositories. Having worked with a law and a practicing company secretary firm, he has seen a swath of corporate law and legal needs of varied corporations. He leverages this varied background to address challenges, combining critical thinking with knowledge of laws and provisions to build impactful solutions. He is an avid reader and a squash player.

Derivatives turnover growth since 2010 with Options turnover growth being the most startling in the last 5 years

YEAR	INDEX FUTURES		STOCK FUTURES		INDEX OPTIONS			STOCK OPTIONS			TOTAL	
	VOLUME (contracts)	VALUE (₹ Crores)	VOLUME (contracts)	VALUE (₹ Crores)	VOLUME (contracts)	VALUE (₹ Crores)	PREMIUM T/O (₹ Crores)	VOLUME (contracts)	VALUE (₹ Crores)	PREMIUM T/O (₹ Crores)	VOLUME (contracts)	VALUE (₹ Crores)
2021-2022	8,05,56,709	73,04,356	23,86,41,509	1,91,66,317	15,28,31,78,042	1,40,56,59,227	48,88,545	61,15,72,631	5,14,31,068	9,46,550	16,21,07,83,782	1,48,33,15,543
2020-2021	12,55,67,609	89,13,961	24,59,85,046	1,76,92,006	7,70,59,10,172	58,29,32,349	25,94,068	32,36,58,085	2,59,20,021	5,68,906	8,32,94,34,599	63,13,33,100
2019-2020	9,47,77,881	67,01,072	25,73,80,338	1,49,19,551	4,58,66,92,584	31,14,47,325	10,82,514	19,83,77,569	1,23,23,407	2,29,034	5,13,72,28,372	34,53,91,355
2018-2019	6,98,24,522	55,68,914	25,55,33,869	1,61,47,011	2,65,24,57,487	20,33,02,405	6,54,100	18,69,86,542	1,25,82,375	2,00,010	3,16,71,83,212	23,75,90,974
2017-2018	5,76,74,584	48,10,454	21,47,58,366	1,55,97,520	1,51,50,34,222	13,49,21,876	4,60,654	12,64,11,376	96,55,009	1,48,218	1,91,38,78,548	16,49,84,859
2016-2017	6,65,35,070	43,35,941	17,38,60,130	1,11,29,587	1,06,72,44,916	7,27,97,288	3,50,022	9,21,06,012	61,07,486	95,570	1,39,97,46,129	9,43,70,302
2015-2016	13,63,16,892	44,54,326	23,02,10,955	77,26,502	1,59,04,36,233	4,82,46,310	1,99,481	9,84,21,835	34,39,103	35,326	2,05,53,86,008	6,38,66,252
2014-2015	12,93,03,044	41,07,215	23,76,04,741	82,91,766	1,37,86,42,863	3,99,22,663	-	9,14,79,209	32,82,552	-	1,83,70,41,131	5,56,06,453
2013-2014	10,52,52,983	30,83,103	17,04,14,186	49,49,282	92,85,65,175	2,77,67,341	-	8,01,74,431	24,09,489	-	1,28,44,24,321	3,82,11,408
2012-2013	9,60,98,070	25,27,080	14,77,11,667	42,23,871	82,08,72,192	2,27,81,450	-	6,67,78,193	20,00,427	-	1,13,14,60,122	3,15,32,828
2011-2012	14,61,88,740	35,77,998	15,83,44,617	40,74,671	86,40,17,736	2,27,20,032	-	3,64,94,371	9,77,031	-	1,20,50,45,464	3,13,49,732
2010-2011	16,50,23,653	43,56,755	18,60,41,459	54,95,757	65,06,38,557	1,83,65,366	-	3,25,08,393	10,30,344	-	1,03,42,12,062	2,92,48,221
2009-2010	17,83,06,889	39,34,389	14,55,91,240	51,95,247	34,13,79,523	80,27,964	-	1,40,16,270	5,06,065	-	67,92,93,922	1,76,63,665

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To know more, visit **www.bhartifoundation.org**

This creative is made by an alumna of Satya Bharti School

COMMODITIES OUTLOOK 2022

Commodities Market Specialist, Economist, Senior Editor and Policy Commentator

G. CHANDRASHEKHAR

The global commodities market covering energy products, industrial metals, precious metals and agriculture is gradually wriggling out of the tumultuous period of 2020 and large part of 2021. Following large-scale vaccination and revival of economic activities, the year 2022 has commenced with hope and a sense of cautious optimism about the future.

But before we begin to examine commodities market outlook for 2022, it may be instructive to note the emergence of a mega trend that's going to have a profound impact on the way we lead our life; and in the process, exert impact on the commodities market.

That mega trend is the 'Sustainability' issue that has gained critical importance after the United Nations adopted in September 2015 a set of 17 Sustainable Development Goals to be achieved by 2030. This mega trend of the post-industrial revolution is substantially driven by the adverse effects of global warming and climate change on the environment. Sustainability calls for responsible use of finite natural resources, protection of the environment and thereby the quality of human life.

Countries are rapidly restructuring to move towards decarbonisation of the economy and net-zero emission. Decarbonisation essentially involves use of low-carbon energy sources and increased use of renewable energy including solar, wind, hydro and biomass. This progress will exert a dramatic impact on several commodities with some gainers and some losers.

A fundamental transformation of the energy sector is on the cards. The use of carbon emitting fossil fuels (crude oil, coal, natural gas) will gradually wane. The mobility or transportation sector is already rapidly moving towards Electric Vehicles. EVs are metals intensive and non-polluting. Expansion of electro-mobility will have profound impact on various base metals such as copper, aluminium and nickel as also rare metals like lithium and cobalt. Among precious metals silver will benefit.

Commodities Outlook 2022:

Interestingly, all the six key drivers of the market - economic growth, geopolitics, monetary policy, currency, weather and funds - have worked in tandem to exert their influence on the commodities market in some way or the other during 2021; and they are likely to continue to hold sway in 2022 although the strength of some drivers may undergo change this year.

2021 saw gradual unlocking of the economies. Although not at pre-Covid levels, economic activities recommenced on a modest scale and accelerated during the year.

Suddenly, pent up demand of the previous several quarters began to kick-in, but supplies were unable to meet the demand surge.

The process was kick-started when many central bankers around the world pumped liquidity in the economy through highly accommodative monetary policy and dropped interest rates to attractively low levels. Too much money started to chase limited

supplies. As a result, the price of commodities - such as copper and iron ore - reached record levels, while some others like crude oil reached multi-year highs. Supply disruptions including shipping challenges exacerbated the price impact. Financial investors entered the market.

No wonder, inflation took root, initially dismissed as transitory and later acknowledged as persistent. So, central bankers, starting with the US Federal Reserve, are back at work to ensure policy normalization.

There's now growing consensus that growth in 2022 may moderate as compared with 2021 which will have implication for commodity demand. So, investors are rebalancing their portfolio.

However, different central bankers are likely to respond to inflation differently. For instance, China's central banker People's Bank of China may reduce rates to cushion economic slowdown, while our own RBI may be forced to hike rates to rein in inflation.

There's now growing consensus that growth in 2022 may moderate as compared with 2021 which will have implication for commodity demand. So, investors are rebalancing their portfolio.

Policy normalization announced by the US Fed involving tapering and rate hikes will reduce liquidity and push the cost of money higher. With steady flow of positive macroeconomic data, the US dollar has strengthened. As rate hikes have been factored in already, the dollar's upward journey will be slow from here on.

Weather concerns haunted the global agricultural markets with the dreaded La Nina reducing the harvest size of major crops in South America in 2021. A repeat of dry conditions in recent months in Brazil and Argentina is causing anxiety. Northern hemisphere may witness normal weather in the second half of 2022.

Energy: Currently, geopolitical tensions (mainly Russia-Ukraine war) have raised the risk of energy products supply disruption. The crude oil market has reached multi-year highs, with Brent crossing $ 130 a barrel early March. Currently, crude oil has a hefty 'risk premium'. If geopolitical tensions abate, a price correction in the entire energy complex can be expected with a sharp reduction in the risk premium and exit of speculative capital.

Supplies are set to expand in 2022, but at a slower pace. At the same time, demand growth too will be slow, as the Chinese economy faces headwinds.

Crude oil will continue to stay at elevated levels in Q1 and possibly early part of Q2 on current reckoning. Subject to reduction of geopolitical risk, crude oil will likely see a correction towards $ 80 a barrel and then towards $ 75 in the last quarter. Natural gas market also is set for a correction as supply disruptive factors ease gradually.

Precious metals: Although gold started 2021 with a bang at around $ 1950 a troy ounce, it struggled to decisively breach the $ 1800/oz mark for most part of the year. In 2022 gold received an unexpected boost following the Russian invasion of Ukraine. The market has moved above $ 1900/oz. When the war frenzy abates, a correction in gold will be imminent. The metal may return to $ 1800/oz levels. In the second half of the year, it may fall towards $ 1750-1700 range because of subdued demand, rising US real yields, strong dollar and rising stock market. Not gold but the US dollar will be seen as safe haven. As for silver, given its industrial application, demand is set to increase. Use in EVs and solar capacitors will drive demand. Strong industrial demand may push the market to deficit and propel prices higher.

Base metals: Several base metal prices reached all-time highs in 2021 and the trend has continued into the early weeks of 2022. Geopolitical tensions involving Russia and Ukraine have exacerbated the situation in early 2022. However, economic growth is expected to weaken in almost all metals consuming countries during the year. Clearly, the complex is caught between supply bottlenecks and demand concerns.

It is well recognised, industrial metals market is substantially a China story, and the Asian major is set for a slowdown this year. Environmental issues and energy challenges are set to stymie growth prospects, and thereby metals demand.

At the same time, energy transition and electro-mobility are likely to drive demand for base metals such as copper and aluminium higher, not just in 2022 but beyond.

Views are personal.

G. Chandrashekhar, Economist, Senior Editor and Policy Commentator, is a commodities market specialist. He is an independent member of SEBI-CDAC and SEBI-RAC.

PRECIOUS METALS - OUTLOOK

CHIRAG SHETH

Principal Consultant: South Asia

METALS FOCUS

Unlike the extraordinary gains seen during 2020, gold experienced choppy conditions and saw a subsequent correction in 2021. Last year, gold's attempt to break higher failed multiple times and the price eventually fell to a low of $1,691 in August. In 2022, the yellow metal was trading within the $1,770-1,860 band initially, but geopolitical tensions soon pushed it above $1,900. Interestingly, even with an increasingly hawkish tone among monetary policymakers, gold has held up relatively well, with strong support emerging in the high $1,700s. This is partly because elevated inflation has kept real yields still negative, justifying holding gold an inflation hedge. A rapid recovery in gold demand across most key physical markets have also helped, thanks to relatively low prices and festive and wedding related buying in India and China. More recently, escalating tensions over Ukraine have also fuelled some fresh investment inflows.

So far in 2022, inflation, and its implications for US interest rate expectations, have continued to dominate investor sentiment towards gold. With inflation surging to multi-decade highs and appearing stickier than previously expected expectations about faster monetary tightening have grown rapidly. Compared to the September 2021 FOMC meeting (when only half of the Committee expected one rate hike before end-2022), the latest projections (in their December "dot plot") point to three hikes this year. More recently, an increasingly hawkish tone by policymakers has seen yet more aggressive tightening priced in by financial markets. The Fed fund futures, for instance, are now suggesting probability of six 25 basis point rate hikes before end 2022.

Against this backdrop, both the dollar and nominal Treasury yields have strengthened notably, which have in turn weighed on the upside for the gold price. On the upside, gold has been capped due to a combination of a stronger economic recovery, rising nominal yields and the potential for rate hikes and stimulus unwinding across the globe, as inflation rises. On the downside, geo-political tensions, the ongoing risk of new waves of infection and virus variants, fears of stagflation and negative real rates have offered support.

As we look ahead, many uncertainties still remain. Risk of more waves of COVID-19 outbreaks, supply-chain challenges and geopolitical tensions make forecasting trends over the next 12 months a hard task. Crucially, rising inflation and the extent to which it is transitory will have a profound impact on monetary policy decisions and in turn asset prices. In the near future, this should be the main driver of precious metals investor activity, especially for gold. In the US, CPI inflation recently topped 7.5%, the highest since 1982. Prices have also been accelerating in other major economies. The mismatch of high demand, in the aftermath of unprecedented fiscal and monetary stimulus, and restricted supply, caused by supply chain frictions

in a world still affected by COVID-19, has been pushing prices higher.

Assuming the world continues to progress towards normality, many of these factors will dissipate. Markets seem to agree with this thesis, as does Metals Focus. One, two and five-year US break-evens, a measure of inflation expectations, are all considerably lower than current inflation. However, these have been rising and stand at multi-year highs. Meanwhile, although salaries have been lagging, they too are starting to rise, in part due to labour shortages across a number of sectors. The risk of a feedback loop, resulting in higher inflation for longer is real.

More recently, an increasingly hawkish tone by policymakers has seen yet more aggressive tightening priced in by financial markets. The Fed fund futures, for instance, are now suggesting probability of six 25 basis point rate hikes before end 2022.

Considering its traditional perception of being an inflation hedge, the case for investing in gold would thus seem compelling. Yet, the gold price has struggled and flows into ETPs, futures etc have been disappointing in recent months. Gold's relationship with inflation, however, is not straightforward or consistent over time. For example, a historical review of rolling correlations of gold against US inflation and inflation expectations shows that while the link tends to be positive, it is not consistently so and very often not statistically significant. In Metals Focus' view, inflation feeds into gold mainly through real rates and yields, with which it has a far stronger and more consistent link. In our opinion, this is why the recent rise in inflation has not translated in stronger investor inflows.

The consensus increasingly sees faster than previously expected policy rate increases, which will neutralise the impact of higher inflation on real rates. This is also reflected in US treasuries. Having said all this, real rates/yields remain deep in negative territory. This continues to make for a supportive environment for gold, particularly when combined with exceptionally high equity valuations. We therefore expect healthy inflows into the metal over the next few months, but caution that later in 2022, when a US policy rates rise meaningfully, the tides will probably turn for gold.

While we acknowledge that headwinds to gold investment have risen and could grow further later on, some of last year's price correction seems overdone. As we write, Fed fund futures suggest that the probability of six interest rate hikes before end-2022. Importantly, with the threat of the pandemic still looming and geo-political tensions rising, there is a risk that sooner than expected rate hikes could derail economic momentum, particularly when supply side driven inflationary pressures and rising energy costs have already affected consumer sentiment.

In our view, this suggests that the speed of US policy normalisation may fall short of consensus expectations. Any sign of change in this could spark buying, especially given that speculative longs are also relatively thin in gold at the moment. In addition, many tail risks exist and gold inflows could readily materialise, should these threats loom closer. That said, price gains into early 2022 should be modest; without a more dramatic bullish event or macroeconomic shift actually occurring, it is difficult to see sufficiently widespread allocations to gold by institutional investors to drive a stronger rally. Selling into price strength by longs waiting for an opportunity to exit should also limit the upside.

Looking beyond the first half of 2022, the investment case for gold will also turn increasingly bearish. While there are growing tail risks (ranging from new virus variants to a problematic property sector in China or inflation spiking much higher), none of these form part of our base case. On the assumption that the global economic recovery gains a stronger foothold during 2022, this should lead to greater confidence in the solidity of current high equity valuations. More importantly, it will become increasingly clear that a new interest rate hiking cycle is approaching. With nominal and real yields firmer, holding zero-yielding assets such as gold will become increasingly unappealing to investors. Liquidations by institutional investors should see prices start to retreat in late 2022. By Q4.22, gold is expected to fall to an average of $1,750, the lowest quarterly figure since Q2.20. Gold's price strength in early 2022, however, will still lead to a slight 1% rise in the annual average to $1,820.

The scope for meaningful support from gold's fundamentals is also limited over the next 12 months. On the supply side, mine production this year has already reattained pre-COVID levels, as mines ramp up to full production following COVID stoppages and as commissioned projects reach design capacity. Even with lower recycling, growth in mine production will be sufficient to drive total supply to a new record high in 2022. On the demand side, after a recovery from COVID-driven losses in 2021, jewellery is the only demand component that will see meaningful growth again in 2022. Even so, a still high gold price (especially in many local currency terms) and structural changes related to changing consumer appetites or government interventions, will continue to weigh on jewellery sales. Overall, therefore, the market is expected to remain in a major surplus in 2022.

Importantly, with the threat of the pandemic still looming and geo-political tensions rising, there is a risk that sooner than expected rate hikes could derail economic momentum, particularly when supply side driven inflationary pressures and rising energy costs have already affected consumer sentiment.

In terms of silver, its high beta should also allow the metal to outperform gold, with its price ratio expected to narrow this year. This comes about as the global economic recovery gains a stronger foothold and monetary and fiscal conditions become more normal. This will also be driven by a rise in nominal and real yields, increasing the opportunity cost of holding silver. The bedrock to silver's fundamental story is industrial demand, rising each year and enjoying record highs. On top of a post-COVID recovery and ongoing growth in global GDP, structural forces boosting offtake include vehicle electrification, the proliferation of 5G technologies and ongoing investment in photovoltaics, which should allow demand to keep growing in the face of any substitution and thrifting (which tends to materialise a year or two after a rally).

For platinum and palladium, developments in the PGM market have been entirely overshadowed by the escalating Russian/Ukrainian crisis. News of Russia's full-scale invasion of Ukraine fuelled an aggressive rally across all precious metals. It is impossible to predict how long the conflict will last. In the context of our near-term PGM price forecast, we have maintained a wide price range, particularly for palladium, given the importance of Russian mine supply. This also reflects an expected improvement in autocatalyst demand as the chip shortage eases.

It is worth remembering that both platinum and palladium struggled in Q4.21 due to semiconductor challenges that weighed on the automotive sector. In the future, as the chip shortage unwinds, inventories are rebuilt, and pent-up demand is satiated, gasoline vehicle production will grow 11% in Q4 q/q, generating the first quarterly deficit since Q4.20. Overall, this generates a full-year average of $2,320 for palladium. For platinum, we expect a 2022 average of $1,100. As rate hike expectations are adjusted, we expect near to medium-term support for gold, which will also benefit platinum. Still, rate hikes will put pressure on both metals' prices later in the year, in the case of platinum, limiting the upside that an improving auto industry will offer.

Chirag has over 17 years of experience in precious metals trading and research and has worked with UBS, LM Commodities and UTI Securities. Chirag is responsible for precious metals research and consultancy work for Metals Focus, focusing on South Asia and South-East Asia. Chirag was also part of the Niti Aayog Sub-committee on transforming India's gold market and is on the product advisory committee of the National Stock Exchange of India, Multi Commodity Exchange and Bombay Stock Exchange on precious metals. Chirag holds a Bachelors in Management and a post-graduate in management and finance.

Harshal Barot is a senior consultant with Metals Focus, based in the Mumbai office. He has a decade's experience as a precious metals analyst and is a regular contributor to Metals Focus work on prices and macroeconomics. He is also jointly responsible for Metals Focus' precious metals research and analyses other South Asia markets, focusing on Sri Lanka and Nepal.

This article is co-authored by **Harshal Barot**

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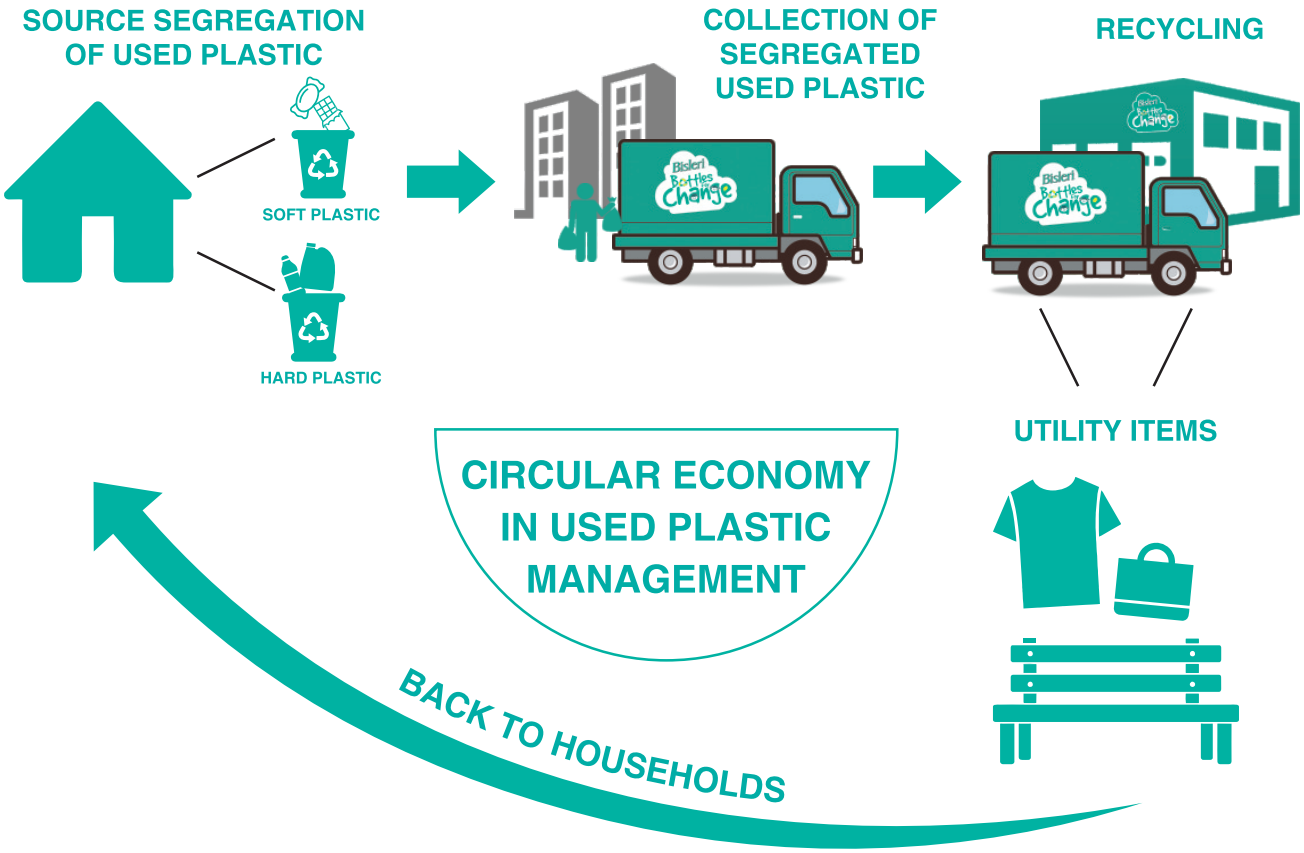

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2022 FIXED INCOME OUTLOOK: OPPORTUNITIES & CHALLENGES

LAKSHMI IYER

President and Chief Investment Officer (Debt) & Head Products

KOTAK MAHINDRA ASSET MANAGEMENT CO. LTD.

The year 2021 revolved around the waves of the pandemic and the speed of vaccination drive globally. The central banks centred their policy stance based on the developments around pandemic to keep the economy unperturbed and resorted to **"take it easy policy".**

The Beginning of 2022 has seen the quick rise of cases in form of Omicron and even quicker recoveries. This might hint at the victory of vaccines over pandemic. However, time will tell us how effective the vaccines are over future variants. For now, the pandemic seems to have gone down the priority list of the central banks with inflation topping the list!

US inflation ticked 7.5% mark which is the highest in over four decades. The last time we saw such high inflation was in way back in 1982. The Fed funds rate was 15% then compared to 0.25% currently. Does this mean we will see steep rate hikes this year? Well, going by the FED minutes at least 5 hikes are on the cards. Easier said than done, we haven't witnessed such a massive liquidity injection with the US Federal reserve balance sheet tripling to ~ $9 trillion in about 10 years. Around $7 trillion of government debt is maturing over the next 3 years. In an event of rate hikes, the re-pricing of asset classes is likely to happen. On the contrary, China has unexpectedly cut key benchmark rate as official figures showed its economic growth had slowed. Thus, central banks have been **"united in easing" and "divided in hardening".**

Closer home, the central banker has been walking on a tight rope giving growth a priority while keeping an eye on inflation, geopolitical events and omicron. This has been reemphasized in the monetary policy which concluded on February 10, 2022. The RBI MPC voted for a status quo on key policy rates and majority members voted in favour of accommodative stance to continue. The RBI also reiterated that an accommodative stance would continue as long as necessary to revive and sustain growth on a durable basis and continue to mitigate the impact of COVID-19 on the economy, while ensuring that inflation remains within the target going forward. The policy stance was way dovish than street expectations which was a need of the hour to arrest the abrupt rise in yields. Inflation for FY 2023 is forecasted at 4.50%. However, this could surprise on the upside, especially in light of rising crude oil prices amid rising geopolitical tensions. Liquidity management may remain the focal point for RBI. 14 day variable rate reverse repo (VRRR) and repo is expected to be the key liquidity management tool. With 14 day repo allowance now available, it could see overnight rates gradually gravitate towards repo rate. Also; with this move, banks need not worry about potential cash flow mismatches in case they intend to lend in VRRR for a longer tenor.

The bond markets have factored in rate hikes. The interest rate swap (OIS) curve was reflecting excessive bearishness (~75-80 bps of repo rate hike) and now assuming ~50 bps or repo rate hike.

The same is discounted in the 1/2/3 year yield curve as well. The yield curve is one of the steepest ever we are seeing currently. The liquidity normalisation process which is underway, and the resultant uptick at the short end of the curve, could mean some flattening of the yield curve in the offing. Thus, long end yields can now find a strong anchor notwithstanding global headwinds.

The RBI MPC voted for a status quo on key policy rates and majority members voted in favour of accommodative stance to continue. The RBI also reiterated that an accommodative stance would continue as long as necessary to revive and sustain growth on a durable basis and continue to mitigate the impact of COVID-19 on the economy, while ensuring that inflation remains within the target going forward.

RBI is expected to follow the three step process towards policy transition:

a) Continue to normalise liquidity from the banking system through the liquidity management tool (VRRR for now)
b) Narrow the gap between the Repo & the Reverse repo (currently at 65 bps, 25 bps pre pandemic)
c) Hike repo rates if inflation goes beyond RBI's tolerance limit and/or to align with global events if any

Challenges

Towards end of FY 2022 we saw back to back auction cancellations, which rendered some support to long end bond yields especially. For FY 2023, we are staring at ~INR 30,000 cr of weekly supply of government bonds. This is a huge size given the tepid appetite currently existing. No clarity on India bonds inclusion in offshore benchmark may keep foreign demand lukewarm too. In such a scenario, Operation Twist (OT) kind of tool (buy long bonds and sell short tenor bonds) could be deployed to ease out potential supply pressures. Global cues - especially FOMC moves could act as potential headwinds. Crude oil prices may intermittently continue to haunt.

Opportunities

We have been stating for some time that fixed income carry will continue to play a dominant role in investors portfolio. We maintain the same view even as world begins to depart from easy money policy. Investors could do well by continuing to earn the carry in fixed income and invest in line with the intended investment horizon. The steep yield curve at the current juncture offers investors to participate in high carry as well as run down opportunities.

To summarise

- Budget day bond yields reacted in furore (more than expected gross borrowing)
- Monetary policy day we saw bond prices soar (status quo on rates)
- Someday there is fear, another day there is fear
- What then should be way forward for the investor dear?
- Key is to stick to asset allocation far or near
- Greed and fear cannot be emotions that make your portfolio steer
- Try to match your intended investment horizon with the portfolio duration
- Helps ride through volatility and reduce unwanted palpitation
- Rates will eventually rise, will show in the bond price
- Focus on carry, makes you feel less weary

Have a car(ry)eful 2022!

Lakshmi Iyer heads fixed income and products team at KMAMC. She has been with the organisation for over 20 years.

Joining KMAMC in 1999 as a fund manager, she was responsible for credit research, deal execution, managing fund performance across all debt funds and assisting sales in client interaction. In addition to that, she has been a portfolio specialist, and managed product related initiatives such as product pricing and coordination with the funds management and sales team in that role.

Prior to joining Kotak, she worked with Credence Analytics Pvt Ltd, as a research analyst where she was tracking corporate bond markets in India and generating research reports. She was also instrumental in conceiving various financial software tools in collaboration with software and technical teams.

She holds an MBA degree in finance from Narsee Monjee Institute of Management Studies.

She loves exploring new places for travelling, is a big food lover, and is an ardent movie buff.

VICTOR

US DOLLAR (USD), EURO (EUR), JAPANESE YEN (JPY), POUND STERLING (GBP), INR OUTLOOK & WAYS TO BENEFIT FROM FX VOLATILITY

Co-Founder and Country Head

RITESH

MYFOREXEYE FINTECH PVT. LTD.

USDINR has seen a consistent uptrend over a long-term time horizon (specifically since 2008). An exchange rate which has witnessed an average interest rate differential in excess of 4% annualized, one can argue that such an uptrend is a natural progression. Will this uptrend continue is a billion-dollar question?

Our Central Bank has a huge influence on the Rupee (for obvious reasons of managing the fiscal and trade deficits) and keeping the exchange rate volatility under check. Such a control on the rupee (curbing the natural market volatility forces of demand and supply) tends to create situations of over-valuation. History has proved (time and again) that such artificial control of the exchange rate tends to create bubbles which eventually ends up bursting. A glance on the long term USDINR daily chart shows an extremely uncanny similarity. Every 4-5 years, the USDINR witnesses a significant change in its trading level in a short period of time (3 - 6 months). Observe the ellipses highlighted in blue. Such large moves in quick time tends to indicate a correction/adjustment of the so-called over-valuation (bubble bursting). Check the following table for details of such large USDINR moves:

Start level	Start month	End level	End month	% change
39.98	Apr-08	52.17	Mar-09	30%
53.73	Apr-13	68.85	Aug-13	28%
63.33	Jan-18	74.4	Oct-18	17%

Observe the trendline (green line) connecting the long-term dollar support regions. This trendline indicates long term support around 73-74. Also notice the 377-day Simple Moving Average (red line) - this has indicated crucial turning points in history.

Fed's aggressive stance on interest rates will have a substantial impact on FII inflows into India (unless RBI increases rates at a similar pace). With lower dollar inflows, higher dollar index and higher crude prices, rupee will certainly face the heat. My sense is that Q2 and Q3 of 2022 will be the period when USDINR will substantially change its trading range.

FII inflows on account of LIC IPO will keep the Rupee buoyant and strong in Mar'22. From Apr'22 onwards, we feel the Indian Rupee is going to have a challenging time. In the last 6 months, dollar index has surged from 92 to 99 and it is expected to continue outperformance in 2022 due to Fed's more hawkish stance on interest rates compared to its European and Asian counter-parts. In this period, our beloved Rupee has changed from 73.25 to 76.90. US Fed's stance on quick unwinding of economic stimulus and their tone for increases in the interest rate trajectory (to contain the ever rising and sticky inflation) is getting more hawkish in each subsequent meeting. This will have a substantial impact on FII inflows into emerging markets including India. With lower dollar inflows, higher dollar index and higher crude prices, rupee will certainly face the heat. My sense is that Q2 and Q3 of 2022 will be the period when USDINR will substantially change its trading range, probably move towards 79-80. After 2018, could it be 2022 instead of 2023? Quite likely. Prepare for high volatility.

EURUSD has witnessed a substantial decline in the last year or so, primarily due to improved economic activity (and consequently higher inflation) in the US compared to the European countries. Increased expectations of multiple interest rate hikes in the US this year to tame decades high inflation has significantly benefited the dollar. Conversely, the European Central Bank (ECB) has been dovish on interest rates for a long time, pressurizing the euro. In its 3 February meeting, ECB dropped the line "highly unlikely that interest rate will increase in the near future" (for the first time since the pandemic emergency purchase program began), giving an indication that inflation is creeping in and they are watchful for a corrective action. The euro jumped on this gradual change of stance. With dollar's outperformance on interest rates gradually diminishing, euro will probable have limited downside.

The conflict between Russia and Ukraine has worsened and in the flight to safety EURUSD has plunged to its lowest levels since May'20. On the daily technical chart, momentum indicators are heavily oversold. An upward moving trendline (green line in the chart) connecting the previous euro lows of 2017 and 2020 comes at 1.08 - 1.09. In the previous occasion when EURUSD had plunged below the 1.10 mark (Covid-19 induced risk aversion), it had found base support around 1.08.

Going ahead in 2022, looks unlikely that EURUSD will have too much of a downside below 1.07 - 1.08. If euro does revive, there are multiple resistances around 1.13 - 1.15. With Indian Rupee likely to remain weak and EURUSD having limited downside (and larger possibility of upsides), we could see EURINR making higher highs and higher lows.

The above assessment runs a risk if the ongoing tensions between Russia and Ukraine worsens. On persistently rising geo-political concerns (rising crude prices are an uncomfortable fall out), there could be flight to safety and the dollar might continue to gain (weakening other currencies including the euro).

Going ahead in 2022, looks unlikely that EURUSD will have too much of a downside below 1.07 - 1.08. If euro does revive, there are multiple resistances around 1.13 - 1.15. With Indian Rupee likely to remain weak and EURUSD having limited downside (and larger possibility of upsides), we could see EURINR making higher highs and higher lows.

GBPUSD recovers, GBPINR

2021 was a mixed year for cable, during the first half of the year it was relatively stable and gained slightly against US dollar, but lost its footing during the second half. The key drivers for weaker pound were a spike in Covid-19 deaths, uncertainty about US and UK stimulus unwinding. In 2022, the key drivers for the pair will be UK's economic recovery which is expected to outshine the US. IMF's growth forecast for the UK is 6.8% compared to 6% for the US. The Bank of England (BoE) has been quicker than the US Fed to hike interest rates, there has been one hike of 0.15% in Nov 2021 and a subsequent 0.25% in Feb 2022 bringing the rate to 0.5% from 0.1% earlier. This comes in the backdrop of inflation running at a 30 year high of 5.5% and highest government budget deficit in over 50+ years which currently stands at 14.9% of the GDP. At UK, employment rates, wage growth and manufacturing activity is back to pre-pandemic levels. The case for US economy too does look similar, inflation rate is at 7.5%, the interest rate is still at 0% although there's expectation of 3-4 rate hikes in 2022 and all other economic indicators have rebounded at a quick pace to pre-pandemic levels.

Going ahead the hike in US interest rates, Ukraine-Russia conflict in the short term, high commodity inflation, an unexpected rise in global covid cases and any Brexit related issues will be bearish for the pound.

On the weekly technical chart, 144-week simple moving average (red line), currently stands at 1.3120. Such a moving average has been a good indicator of turning points in the past. GBPUSD usually stays between +/- 2-3% of this indicator. The 1.30 mark (green horizontal line) is a psychologically crucial level, a break of which could trigger a large

downside on the Pound (less likely event). In the short term, if Russia-Ukraine crisis worsens further and there is a flight to safety, a weaker Pound (and stronger dollar) should find support around 1.30-1.31. If the tensions subside, there are multiple resistances in the 1.36-1.38 region.

Since Rupee is expected to be on a weak footing in 2022 and GBPUSD having found a base support, we anticipate not much of downside for GBPINR. If global risk appetite improves and GBPUSD recovers, GBPINR might inch towards higher highs and witness less of downsides.

Japanese Yen has been consistently under pressure throughout the year 2021, weakening from 102-103 levels to currently around 115-116. Going ahead in 2022, in the short term, developments surrounding the Russia-Ukraine saga would continue to influence the Yen considering its safe haven status. In the medium term, economic performance and interest rate trajectory will have greater impact. With US inflation on fire and the Fed turning increasingly hawkish, a quick increase in the funds rate will favour a dollar rally. In Japan, on the contrary, there are no inflation worries for Bank of Japan (BoJ) and hence no fears of a weaker Yen. As Fed starts to raise rates and eventually reduce their balance sheet size, and with BoJ continuing their quantitative easing, such monetary policy divergence will keep pushing the Yen lower. Japan is the only major economy to report a larger budget deficit in 2022 compared to 2021. Moreover, a bleak manufacturing outlook and persistently higher crude oil prices paint a bearish Yen picture.

Technically, the USDJPY pair could face resistance at 116.35 (Jan'22 high) and 118.66 (Dec'16 high). Since Q2 2021, MACD has indicated a negative divergence (it has moved sideways without making fresh peaks despite higher highs in the prices), suggesting a possible minor cool off before the next big up-move. An upward moving trendline (green color) connecting the dollar lows of Jan'21 and Sep'21 comes around 113.10-113.30 - any break of this trendline could send the dollar plummeting to new lows (less likely scenario as of now).

With expectations of a weaker Rupee in Q2 & Q3 2022, as well as a weaker Yen, JPYINR pair will witness a gradual up-move due to a larger weakness in Rupee compared to the Yen.

The above assessment could get negated if risk aversion intensifies (worsening Russia-Ukraine tensions, reemergence of Covid, etc) and there is a flight to safe assets (to Yen as well). In that case, JPYINR could surge.

Ritesh Victor, Co-Founder and Country Head at Myforexeye Fintech Pvt Ltd is a forex market veteran with more than 20 years of collective experience in forex markets, derivatives and technical analysis. He has wide-ranging experience as the Head of forex and treasury, forex risk management consultant, technical analyst and as a research manager. Prior to Myforexeye, Ritesh was the Chief Treasury Officer at Trident Group (a $1bn+ global conglomerate and one of the world's largest terry towel manufacturer/exporter). Mr. Victor is the key note speaker on forex markets and risk management for webinars/ seminars conducted by exporter/importer industry associations like FIEO, EPCH, GEMA, TEA, etc. An avid student of forex markets and technical analysis of currencies, he has authored numerous technical reports, forex training modules and risk management presentations. He has also worked extensively on back testing, asset allocation and optimization of technical indicators.

ROLE OF NBFCS IN THE GROWTH OF SMALL AND MICRO ENTERPRISES (SME) AND ROAD AHEAD

ASHOK MITTAL
Founder & CEO
PrestLoans

Introduction

Non-Banking Financial Companies (NBFCs) are also known as shadow banks. There are more than 9,500 NBFCs registered with Reserve Bank of India (RBI).

The Non-Banking Financial Companies (NBFC) sector in India has seen many highs and lows to reach where it is today. Their scale of operations and diversity in financial intermediation are testimony to their adaptability in transforming their business models, understanding needs of a growing economy and the fast changing regulatory norms. NBFCs complement banks in the credit intermediation process by offering diversified, tailor-made financial products through innovative service delivery mechanisms. Furthermore, they facilitate financial inclusion by providing credit to unbanked sections of the population in different geographical areas and different business segments whether its Manufacturing, trading or services; whether it's in B2B (wholesale) or B2C (retail) business. Over the years, NBFCs have assumed systemic importance due to their inter-linkages with the banking sector, capital market and other financial sector entities. NBFCs' credit to Gross Domestic Product (GDP) ratio increased from 8.6 per cent in 2012-13 to 12.2 per cent in 2018-19 before moderating slightly to 11.6 per cent in 2019-20 in the wake of the pandemic as per Reserve Bank of India reports.

India has always been home to a vibrant spectrum of microenterprises even before that term became popular in mainstream economics. The small business sector in India is deeply rooted in familial customs and niche skills. Today, that sector has been recognized as a legitimate business sector with its own set of nuanced workings. This sector now includes 51 million microenterprises, each with its specific need for credit. These microenterprises were traditionally not financed by banks due to the need of too many financial documents and credit records. Non-Banking Financial Corporations (NBFCs) are offering more interesting propositions to these microenterprises. NBFCs are playing an increasingly important role in the growth of microenterprises.

In terms of distribution of number of companies, non-systemically important non-deposit taking NBFCs (NBFCs-ND) with an asset size of less than ₹500 crore have a large share 9,100 or 83% of total NBFCs. A non- deposit taking NBFC with asset size greater than ₹500 crore is considered systemically important (NBFCs-ND-SI). In terms of total count they are only 292 however in terms of assets, NBFCs-ND-SI constituted around 83 per cent of the total assets of the sector.

Challenges

The NBFC sector which was booming as a favorite investment destination till 2017 witnessed some challenges in the form of Demonetization, implementation of GST which were somehow met by the industry successfully. However, NBFCs faced liquidity and trust issues in September 2018 when some large NBFCs witnessed huge ALM (Asset and Liability Management) gap coupled with other serious concerns; this not only resulted in larger investors and banks to stop providing liquidity to other NBFCs but also created panic in the market. The market also witnessed several more NBFCs getting downgraded by rating agencies and having corporate governance issues.

The IL&FS default in September 2018 impacted market confidence and resulted in liquidity stress and higher borrowing costs for NBFCs. The Reserve Bank strengthened its regulatory oversight over the sector, and NBFCs also took proactive steps in correcting asset-liability mismatches. NBFC credit grew even after the IL&FS default, though at a slower pace, aided by bank borrowings and supportive policy measures. However, just as the NBFC sector was finding its bearings, the COVID-19 pandemic struck and exacerbated the challenges faced by the sector.

The Non-Banking Financial Companies (NBFC) sector in India has seen many highs and lows to reach where it is today. Their scale of operations and diversity in financial intermediation are testimony to their adaptability in transforming their business models, understanding needs of a growing economy and the fast changing regulatory norms.

Why microenterprises favor NBFCs

Microenterprises are generally categorized under the riskier borrower segments of banks. While many banks have their own MSME (Micro, Small and Medium Enterprises) divisions, their drive towards evaluating the low-credit health applications of microenterprises is limited. The reason for the low-credit health is the non-availability of the traditional means of collateral. NBFCs are however, more innovative towards the evaluation of the credit risk. Factors like the business stability (which may be undocumented), family repute, product idea or market monopoly are hard to weigh on a credit scoring scale. NBFCs today carry the expertise and the technology to evaluate these seemingly unquantifiable parameters and arrive at an informed decision about the credit health of microenterprises. The banks generally fail to make such judgments or find the loan application to be too risky by their measures.

Due to this difference in the approach towards lending, the banks' total share in the loan market fell from 49% to 28% according to a report (https://www.bcg.com/documents/file15284.pdf) by the Boston Consulting Group. The same report also states that the share of NBFCs rose from 21% to an impressive 44%. This happened in just three years, between 2014 and 2017.

NBFCs are also being favored by the younger entrepreneurial populace, which has taken a liking to the lesser bureaucracy and flexibility of NBFCs. The same report states that NBFCs had the lion's share of the market for loans to persons aged between 21 and 35, at 49%.

Why NBFCs favor microenterprises

Most microenterprises seek loans under project finance, equipment finance or loan against property (LAP). In these three categories, LAPs are the most popular amongst microenterprises, where the business owner's residential or commercial property is put up as collateral. The rate of delinquency for microenterprises are in the range of 7.4% to 8.1% as against the much more discouraging figures of 12.25% to 22.3% for large corporates. This is ironic because, microenterprises get routinely turned down to their perceived credit health issues, the keyword here being 'perceived'. NBFCs favor microenterprises because they have the analytics to tell them the real story and not just consider the presence of large office space or employee strength.

NBFCs are also generally working with lesser opex, more flexibility and greater agility. These factors lead to NBFCs being comfortable with the microenterprise lending arena, which would generally discourage a bank. Microenterprises also offer partnership options or profit-sharing options to NBFCs that seem attractive because of the entrepreneurial spirit that NBFCs yearn to kindle. These kind of benefits are different from the traditional money-lending advantages, that NBFCs make ample use of.

The introduction of the Goods and Service Tax (GST) is a move that has placed the transactions of many undocumented microenterprises on the map. NBFCs are able to view the business activity of a microenterprise with much greater clarity than before.

NBFC 2.0 are attracting more microenterprises

The marriage of financial technology and the existing set of financial services that NBFCs provide is churning out more futuristic companies that are said to be a part of NBFC 2.0. These companies are using a mix of different analytics' tools to conduct their credit health check. By checking the website traffic of the microenterprise, the social media activity, the track record of the entrepreneurs, the innovation introduced in the product or service, NBFC 2.0 is processing loan applications at a much quicker pace. This is helping the growth of microenterprises which in turn feeds back to the growth of NBFCs. NBFCs are also

growing in terms of technology and expertise and not just size. This growth is helping them become better at providing financial services to microenterprises.

In the last few years Reserve Bank of India (RBI) has come out with various guidelines to improve the working of NBFCs.

- Merging of housing finance companies with RBI: the housing finance companies or home loan companies which were regulated by National Housing Bank (NHB) have now been brought under RBI for regulation purpose.
- A new category of NBFCs Account Aggregators (AA) have been introduced, this category is expected to have better data of all borrowers and provide the same digitally for better underwriting and information flow.
- New scale based regulation for NBFCs: RBI has proposed to regulate NBFCs based on the asset size; they are named as Base Layer, Middle Layer, Upper Layer and Top Layer; a short definition of the same as below: -

Base Layer

The Base Layer shall comprise of (a) non-deposit taking NBFCs below the asset size of ₹1000 crore and (b) NBFCs undertaking the following activities- (i) NBFC-Peer to Peer Lending Platform (NBFC-P2P), (ii) NBFC-Account Aggregator (NBFC-AA), (iii) Non-Operative Financial Holding Company (NOFHC) and (iv) NBFCs not availing public funds and not having any customer interface.

Middle Layer

The Middle Layer shall consist of (a) all deposit taking NBFCs (NBFC-Ds), irrespective of asset size, (b) non-deposit taking NBFCs with asset size of ₹1000 crore and above and (c) NBFCs undertaking the following activities (i) Standalone Primary Dealers (SPDs), (ii) Infrastructure Debt Fund - Non-Banking Financial Companies (IDF-NBFCs), (iii) Core Investment Companies (CICs), (iv) Housing Finance Companies (HFCs) and (v) Infrastructure Finance Companies (NBFC-IFCs).

Upper Layer

The Upper Layer shall comprise of those NBFCs which are specifically identified by the Reserve Bank as warranting enhanced regulatory requirement based on a set of parameters and scoring methodology. The top ten eligible NBFCs in terms of their asset size shall always reside in the upper layer, irrespective of any other factor.

Top Layer

The Top Layer will ideally remain empty. This layer can get populated if the Reserve Bank is of the opinion that there is a substantial increase in the potential systemic risk from specific NBFCs in the Upper Layer. Such NBFCs shall move to the Top Layer from the Upper Layer.

In new development the tech-enabled of Fintech NBFCs are using India stack 2.0 with extensive use of GST data and other data available through government sources.

The companies are fast adopting Video KYC, Video PD and digital signatures for faster and better services to their customers.

Conclusion

NBFCs will continue to do better in the microenterprises' arena compared to their banking counterparts. They already have a competitive market share that is only expected to grow as microenterprises become more familiar to the nation and the economy.

The quickness to respond, utilization of technology, analysis of non-standard credit health aspects and desire to innovate will make NBFCs, preferred choice for credit for microenterprises.

In my view three (03) Vs shall decide the dominance of NBFCs who adopt them faster, these are (1) Voice (2) Video and (3) Vernacular. And extensive use to technology shall put NBFCs far ahead of banks or convert them to digital banks.

Ashok is a seasoned professional having a rich experience of more than 30 years in Capital and Commodities Market, Banking, Financial services and Foreign Exchange. He has been a part of a Harvard Business School executive program called "Managing and Transforming Professional Service Firms". He is a gold medallist commerce graduate from M.D.S. University, Rajasthan and has done Masters in Banking Management (MBM) and CAIIB. He was the CEO of an Agri Financing NBFC; prior to which he was heading commodities and currencies business at Emkay Commotrade Ltd as CEO and Karvy Comtrade Ltd as Country Head. He has also had the experience of working with Union Bank of India and UCO Bank.

He has been a regular in business media channels for more than a decade now, providing strategic inputs while also having a strong presence & networking with print and electronic business media. He has conducted more than 200 public seminars on various financial services segments and has been an eminent speaker in many National Seminars of various organisations like PHD Chamber of commerce, FICCI, Assocham, Exchanges and ICFAI to name a few. He has been in the Jury for Best Market Analyst Awards conducted by Zee Business for three consecutive years in 2012, 2013 and 2014. Ashok has been awarded by eminent personalities like Mr Pranab Mukherjee, Mr Narendra Modi and Mr Amit Shah. He is passionate about setting up and expanding businesses from scratch. (https://prestloans.com/)

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MERCHANT BANKING IN INDIA - THE ROAD AHEAD

DANGI

LALIT KUMAR

Chairman

LIBORD GROUP

(a) Preamble

Merchant Banking performs a role of an institution which offers raising finances & structuring the Company's financial models. The concept of Merchant Banking first originated from Europe in the 17 and 18 centuries in France and Italy & later on in UK. Merchants began to finance foreign trade by acceptance of the bill and with time they started using other services such as underwriting the issues, loan syndication, portfolio management, etc., but Merchant Banking was at nascent stage largely upto World War II & it started taking shape after World War II.

With the advent of the industrial boom in India, there has been a growing need of Merchant Bankers. Businesses often require specialised banking services which are concentrated in nature. Hence, commercial bankers set up their merchant banking subsidiaries to cater financial services for the corporate sector.

Merchant banking in India began in 1967 by National Grindlays; later, Citi Bank started it in 1970. In the year 1972, SBI became the first commercial bank to set up a distinct division for merchant banking. Then it was followed by ICICI in 1973, and then various banks started these services such as PNB, Bank of India, UCO Bank, IBBI & IFCI etc.

Merchant Banking obtained a legal status in India when Securities Exchange Board of India (SEBI) was enacted in 1992. "SEBI" made it compulsory to register as a Merchant Banker with SEBI to perform the activities of Merchant Banking & from that year the role and activities of Merchant Bankers blossomed. There are 220 Merchant Bankers in India as on today.

(b) Functions of Merchant Bankers

Merchant Bankers have almost all functions which help any industry to deal in securities market & raising finance. Some of them are as under:

i. **Raising finance:** Merchant bankers supports industries to collect funding through debenture issuances, stocks, bank loans, etc. Both domestic and foreign markets are used. The funds generated by this may be used to launch a new project or company, or also to extend and modernize the current enterprise.

ii. **Promotional activities:** Merchant bankers perform the role of industrial business promoters. They allow developers to create innovations, define ventures, produce feasibility studies, receive permits from public bodies, and opportunities. At times, merchant bankers may also assist with technological, and joint projects.

iii. **Project management:** In the project management cycle, they assist corporates in a variety of areas. They guide the position of the plant, the writing of the plant study, feasibility reports, and the project finance preparation, sources of support, policy benefits, and concessions.

iv. **Advice on modernization and expansion:** Advice on amalgamation, mergers, partnerships, international alliances, market diversification, up-gradation of technologies, joint ventures, etc.

v. **Managing public issue:** They serve as consultants on the terminology, form, and timing of corporate securities issues and helps them to be tailored to customers and provides the issuing companies with transparency and versatility.

Merchant Banking obtained a legal status in India when Securities Exchange Board of India (SEBI) was enacted in 1992. "SEBI" made it compulsory to register as a Merchant Banker with SEBI to perform the activities of Merchant Banking & from that year the role and activities of Merchant Bankers blossomed. There are 220 Merchant Bankers in India as on today.

vi. **Credit syndication:** They offer professional services during project planning, loan applications required to collect short- and long-term credit from various institutions and companies, etc.

vii. **Special assistance to entrepreneurs and small companies:** They offer guidance and resources for market prospects for start-ups and small businesses, discounts, grants, and government policy, and help them make the best of this opportunity open to them.

viii. **Portfolio management services:** They give guidance on investment choices to customers, typically institutional investors. They purchase and sell shares and offer fund investment services for them.

(c) Features of Merchant Banking

Merchant Bankers have rich features being a very important intermediary in the Capital Market & also a catalyst in the Corporate World. There are many important features like:

(a) Staff at the Merchant Bankers are highly qualified to take on any complicated matter of corporate finance & restructuring.

(b) MB are always updated with current environment of financial world over which gives an edge to get finance structuring at a very competitive rate.

(c) MB are engaged in inventing new financial models which help to give good return to investors & also better for the issuers.

(d) MB are always quick in taking decisions.

(e) MB's are backbone of Capital Market and are governed by self rules and regulations hence reliability on MB's by the corporate world is the highest.

(d) Reasons for growth of Merchant Banking

There are many reasons that accelerated the growth of Merchant Bankers in India. Some of the reasons are:

(i) Globalization: After the 1991 reforms, the Indian economy saw a drastic change as it opened gates for foreign companies. It helped in getting funds from abroad; thus, it led to the growth of merchant banks.

(ii) Elevated Competition: Because of the globalization of the economy, the market scenarios became lucrative, and business options became favorable for various individuals. This pivoted the Indian corporate sector, and a huge expansion was seen in this sector. This motivated the Merchant Bankers to play an important role by offering specialized services to corporate.

(iii) Switch in consumer trends: There was a huge transformation in the industrial and corporate sectors because of the foreign players in the market.

The major benefit was that the Indian masses started getting better quality products as the Indian companies also started working on quality to match the foreign products. In such prevailing environments, financial products and instruments became more prominent.

(iv) Government Reforms: Government intervention was reduced, and privatization was increased. It also raised the limits of investment and lessened direct interventions that led to an increase in the proposition of foreign players.

(v) Demand for Funds

Industries started expanding which increased gap of supply and demand. All financial institutions had experienced constrain of resources to meet ever increasing demands from corporate sector enterprises. In such circumstances corporate sector had the only

alternative to avail of the capital market service for meeting their long term financial requirement through capital issue of equity shares and debentures. Growing demand for funds put pressure on capital market that enthused commercial banks, share brokers and financial consultancy firms to enter into the field of merchant banking and share the growing capital market. As a result, all the commercial banks, nationalized and public sector as well as in private sector including foreign banks in India have opened their merchant banking windows and competing in this field.

Digitalisation has increased the pace of services by Merchant Bankers. It is possible only due to digitalisation that MB's are able to complete the entire process of raising funds through capital market in short span of time. This also helps in getting bids in time, shortened the allotment process.

(vi) Public Savings

There was high Public Savings untapped which was channelized by the Merchant Bankers in the system.

(vii) Skilful Agency

A merchant banker with their good skills, updated information and knowledge provide this service to the corporate units and advise them on such requirement to be complied with for raising funds from the capital market under different enactment viz. companies act, income tax act, foreign exchange regulation act, securities contracts corporate laws and regulations.

(e) Services of Merchant Banking in the era of digitization

We are witnessing every day the advancement of Banking Sector. In order to keep up with the industry, rapid adaptation of digitalisation is one of the main priorities. Digital transformation in all forms is the current global movement faced by all. Digitalisation has increased the pace of services by Merchant Bankers. It is possible only due to digitalisation that MB's are able to complete the entire process of raising funds through capital market in short span of time. This also helps in getting bids in time, shortened the allotment process. Digitalisation has shortened each and every step in execution of any function by MB's whether it is issue opening, auction, private placement, data transfer, data collection, decision support, artificial intelligence. MB's are able to provide faster & accurate services in the era of Digitalisation.

Upon completion of digitalisation in the investment banking division, the services become seamless with the help of emerging technology and the services are shifted to online platforms with lots and lots of data stored and driven from the backend.

With the advancement in technology, investors and investment bankers are now prone to the usage of Artificial Intelligence, the Internet of Things, Blockchain and other technologies as a part of their everyday job.

(f) Role of Merchant Bankers in Start ups

Merchant Bankers are playing key roles in assisting start ups in India which are going to be the back bone of India's powerful infrastructure in time to come. They are assisting start ups in many ways such as :

(i) Valuation of Start ups
MB's prepare valuation reports for start ups on the basis of future earnings and on that basis start ups are able to raise funds from the investors since this valuation gives bench mark about the value of that business to the investors.

(ii) Fund Raising
Support Fund raising to Start Ups in the form of Angel Capital, Seed Capital, Venture Capital, Leverage Capital and Private Equity;
Merchant Bankers (MB) supports their clients in procuring funds via the issuance of debenture, bank loans, shares, etc.

(iii) Promotional & Management Activities
Merchant Banker's activities play a pivotal role as a promoter of industrial enterprises. They provide assistance to entrepreneurs in conceiving ideas, pinpointing projects, preparation of feasibility reports availing government permission, and incentive, etc.

(iv) Project Management
Merchant bankers use several ways to render their service to start ups in financial related project management.

(g) Regulations for Merchant Banking

Merchant Banking is regulated by SEBI through SEBI (Merchant Bankers) Regulations, 1992. Any entity which is fit and proper can become a Category

I Merchant Banker which fulfils the criteria of net worth, experience etc. The net worth for Category I Merchant Banker as on today is Rs. 5.00 crores

SEBI issues circulars regularly for monitoring the Merchant Banker and improvement in the functioning of issuance of securities and debts & for protection of investors.

Merchant Banker has to comply with the SEBI (Merchant Bankers) Regulations, 1992 and also have to comply with various other requirements in discharging their duties. Some of the important Regulations are as under:

(i) Companies Act, 1956 and Applicable Provisions of Companies Act, 2013
(ii) Listing Obligations and Disclosure requirements (Regulations), 2015
(iii) SEBI (ICDR) Regulations, 2018
(iv) SEBI Buy Back of Regulations, 2018
(v) SAST Regulations, 2011
(vi) SEBI Infrastructure and Investment Trusts Regulations, 2014
(vii) SEBI (Issue and Listing of Non - Convertible Securities) Regulations, 2021

(h) Challenges & Opportunities in Merchant Banking

Merchant Banking industry also faces a lot of challenges and opportunities. Some of them are listed below:

(a) Challenges

(i) Stringent compliance and Reporting Requirements;
(ii) Handling Investors Grievances during Pre-& post funding requirement;
(iii) The Funding Process could be investigated by the Board and Other Regulatory authorities
(iv) The MB could not receive start-up funding
(v) The MB will always have the risk of mixed chance of success;

(b) Opportunities:

(i) Underwriting of Debt and Equity;
(ii) Placement and Distribution;
(iii) Corporate Advisory Services;
(iv) Cross Border Financing;
(v) Portfolio Management Services;

(i) Conclusion

Merchant Banker have played a very vital role in raising the finance which can be viewed from the data below:

Amount raised (Rs. In Crores)					
Year	**Public Issues**	**Rights Issues**	**QIP**	**Overseas Issues**	**Debt Investments**
From 1991 to 2020	9,49,176	3,10,704	3,69,185	10,540	2,22,151
2021	1,05,362	25,335	39,240	Not Available	22,287

It clearly shows that Merchant Bankers are heart of the industry in India.

Lalit Kumar Dangi is a Gold Medalist Chartered Accountant, Gold Medalist Cost Accountant & Company Secretary.

At present he is the Chairman of Libord Group of Companies which is in the business of Non-Banking Finance Company, Stock Broking, Wealth Management, Resolution of Stressed Assets, Category I Merchant Banker, Registered Valuers and all other Financial and Management Consultancy. Libord has managed more than 120 Public Issues and has done thousands of Valuations.

He has written more than 500 articles which were published in news papers and magazines like Economic Times, Business India, Navbharat Times, Financial Express etc. He has also delivered more than 600 lectures on Capital Market, Companies Act, FEMA, Income Tax, Merger and Acquisition, Public Issue Management and many more.

He was a Council Member of the Institute of Chartered Accountants for 6 years. He is attached with many social and religious organisations.

AIFs - A PLAUSIBLE INVESTMENT OPTION FOR SAVVY INVESTORS

NEERAJ AGGARWAL
Commercial Director
VISTRA ITCL (INDIA) LIMITED

Over the past decade, market dynamics have changed significantly. Investor appetite for greater returns, increased exposure to global investment options and the desire for portfolio diversification has led to sophisticated investors seeking alternative investment avenues beyond traditional investment options.

For investors with a higher risk appetite, the risk mitigation framework with which traditional mutual fund products are structured often prove to be restrictive. It is here, that alternate category of funds such as Alternative Investment Funds (AIFs) have a great appeal for savvy investors seeking additional alpha. For example, some investors may want to invest in venture capital or private equity (PE) and may not have the requisite expertise. AIFs offer a number of products and structures that allow such investments.

What are AIFs?

With a structure that is close to mutual funds, Alternative investment funds (AIF) in India are the equivalent of Private Funds in the United States and similar to AIFs in the European Union.

As per the Securities Exchange Board of India (SEBI) an AIF is a privately pooled investment vehicle that collects money from investors for investment in accordance with a defined investment policy. There are three categories of AIFs. Category I AIFs include venture capital funds, SME funds, Angel funds, social venture capital funds and infrastructure funds. Category II AIFs cover private equity funds, real estate funds. Category III AIFS include PIPE funds.

AIFs in India were formally introduced in India in 2012, primarily to boost asset classes such as venture capital, private equity and real estate funds. It also helped in bridging gap between capital requirements of fast-growing companies and financing from traditional sources such as banks and financial institutions.

It started with handful fund managers in 2012 however with beginning of 2022, there are 878 funds across all category of AIFs serving this industry.

These funds are managed by fund managers from versatile backgrounds including stock brokers, wealth managers, advisory firms, global fund managers and mutual funds etc.

AIFs in India are managing AUM of more than INR 5 lakh crores against AUM of approx. INR 4 lakh crores managed by PMS managers.

Since inception, AIFs have stood the test of time. Even during the pandemic, the Indian AIF space witnessed impressive resilience. In FY 21, the category III bucket alone grew by 3% underlining the need for capital protection that investors seek during times of uncertainty.

Lifecycle of an AIF

Structuring → Raising → Closings → Investments → Exits

Why AIFs - The Driving Force

Alternative investments represent approximately $13 trillion (or 12%) of the global investible market and as per CAIA association, this industry is expected to grow 18-24% of global investible market by 2025.

AIFs offer ease in creating focused portfolios with flexibility across asset classes. It offers excellent risk adjusted returns and along with reasonable alfa. The main target of alternative investing is to mitigate risk by diversified investments.

As per SEBI data, assets of AIF in India have grown over 32% year on year to INR 5.35 lakh crores at the end of September 2021. AIFs are expected to emerge as powerful tool for wealth creation and as per report of PMS Bazaar AUM of AIFs are expected to cross INR 50 Lakh crores in next 10 years.

Category	Commitments (Rs. Crore)	Num of AMCs	Fund Size (Rs. Crore)
CAT -I	48,394	204	237
CAT -II	4,28,661	504	851
CAT -III	57,953	170	341
	5,35,007	878	

SEBI has recently amended the regulation to introduce Special Situation Funds, a sub-category under Category I AIF, which shall invest only in 'stressed assets'. The introduction of Special Situation Fund shall assist the Stressed Asset Industry in India and shall create new investment avenues for investors.

Who Can Set Up AIF?

An applicant who is fit & proper can form an AIF after meeting stipulated norms prescribed by SEBI. AIF can either be set up as:

- Trust
- LLP
- Body Corporate

The most common structure to establish an AIFs in India is through Trust, which is administered by a trustee company. The reason for the popularity of the trust structure is that it is the most tax efficient of all the available structures. An additional benefit of the trust structure is that the segregation of multiple schemes under the same registration (within the same category) is easier to manage.

AIFS in International Financial Services Center (IFSC) at Gift City

India's first IFSC has been operationalized in Gujarat at GIFT City since April 2015. IFSC would enable AIFs to explore wider avenues of funding and provide the needed boost to distressed asset platforms and debt- oriented investment structures to set up their bases in India. The exemption from diversification norms, leverage limits, co-investment norms and tax incentives make IFSC GIFT city more favourable when compared to other popular fund jurisdictions.

AIFs offer ease in creating focused portfolios with flexibility across asset classes. It offers excellent risk adjusted returns and along with reasonable alfa. The main target of alternative investing is to mitigate risk by diversified investments.

With India emerging as an attractive investment destination for alternative investment funds, domestic and international fund managers are seeking comprehensive one-stop solutions that provide complete hand holding from the drafting and filing of fund application with SEBI to complete fund administration. A Trustee is first point of contact for creation of Fund.

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

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

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

SME AND START-UP PLATFORM - THE ROAD AHEAD

AJAY THAKUR
Head - BSE SME & Start-up
BSE LIMITED

The SMEs and Start-ups play a catalytic role in the development process of the economy as they constitute a major part of the industrial activity in the economy. This is reflected in the form of their increasing number and rising proportion in the overall product manufacturing, employment, technical innovations and promotion of entrepreneurial skills. The role of SMEs and Start-ups in creating employment, to the economy, industrial production and exports cannot be undermined. The entrepreneurial talent in India needs to be groomed and leveraged to create an economy where SMEs and Start-ups can scale up as per their business capabilities and not constrained by financial and regulatory hurdles. The role of financial institutions like banks and stock exchanges will be to continuously do the hand holding and awareness among the SMEs to help them in raising funds both from debt and equity. While much of the focus has been towards enhancing the debt funding to SMEs, it has become necessary to diversify the range of the financing options available to SMEs. This is because of the recognition of the impact that an over-reliance on debt finance can have on the ability of the firm to withstand economic downturn. It's very important to have a vibrant market which can help these SMEs to access different source of finance to ensure transition of SMEs into large corporates. Today, the equity markets and the capital markets in general, have become more robust. Capital market regulations in India are among the best in the world. In order to create and conserve SMEs and Start-ups a specialized capital market segment has been put in place that can provide equity capital to SMEs and Start-ups for their growth with relaxed eligibility criteria and post listing compliance requirements. Today SME Platform of the BSE has become very successful and provide opportunity to the SMEs to raise the equity capital for their growth and expansion

The guidelines for SME Platform came in place on 18th May 2010 and the first ever SME Platform was floated by BSE on 13th March 2012. Listing on a stock Exchange and accessing public funds provide various benefits:

1. Provides the SMEs with equity financing opportunities to grow their business - from expansion to acquisition
2. Equity capital puts finance into the business without committing the company to inflexible repayment schedules or debt covenants
3. Equity Financing lowers the Debt burden leading to lower financing cost and healthier balance sheet
4. Expands the investors base, which in turn helps in getting secondary equity financing, including private placement
5. Enhances company's visibility. Media coverage provides SME with greater profile and credibility leading to increase in the value of its shares
6. Listing helps in enhancing the credibility of the companies and increase transparency which helps in creating trust among stakeholders.
7. Listing helps in unlocking the value of the company and wealth creation.
8. Greater incentive for the employees as they can participate in the ownership of the company and benefit from being its shareholders
9. Provide the investors entry and exit into the company through the Exchange Platform
10. It gives the opportunity to the company to raise

funds multiple times post listing through various options

11. The promoters can also use the listed shares as collateral to raise debt funds

Listing requirement for SMEs

1. Paid up Capital: The post issue paid up capital of the company (face value) shall not be more than Rs.25 crore
2. Net Worth: Positive Net worth
3. Net Tangible Assets: Rs 1.50 Crores
4. Track Record: The company or the partnership/ proprietorship/ LLP firm or the firm which have been converted into the company should have a combined track record of at least 3 years.

   Or

   In case it has not completed its operation for three years then the Company/ Partnership/ Proprietorship/ LLP should have been funded by way of loan/equity by Banks or Financial Institutions or Central or State Government or its undertaking, or its Group Company should have been listed for at least two years either on the Main Board or SME Board of the Nationwide Exchange.
5. The company or the firm or the firm which have been converted into the company should have combined positive cash accruals (earnings before depreciation and tax) in any of the year out of last three years and its net worth should be positive
6. The Company should mandatorily facilitate trading in Demat securities and enter into an agreement with both the depositories.
7. The Company should mandatorily have a website.
8. The Company should have no change in the promoters in the preceding one year from the date of filing its application on BSE for listing on SME segment.

Migration from BSE SME Exchange to the Main Board of BSE:

1. The company has the option to migrate on the main board in case the post issue face value capital exceeds more than Rs.10 crores and has to compulsory migrate on to the main board in case the post issue face value capital crosses Rs.25 crores.
2. Shareholders' approval to be sought by special resolution passed through postal ballot - In postal ballot, the votes cast by shareholders other than promoters in favor of the proposal to migrate to Main Board should be at least two times the number of votes cast by shareholders other than promoter shareholders against the proposal to migrate to Main Board.
3. To fulfill the eligibility criteria for migration to Main Board - The companies seeking migration to Main Board of BSE should satisfy the eligibility criteria as specified in 26 of SEBI (ICDR) Regulations, 2009 either at the time of initial listing on SME platform or at the time of seeking migration to Main Board. However, same will not be applicable where the company had sought listing on SME platform by following the book building process and as per the requirements prescribed in 26(2) of SEBI (ICDR) Regulations, 2009.

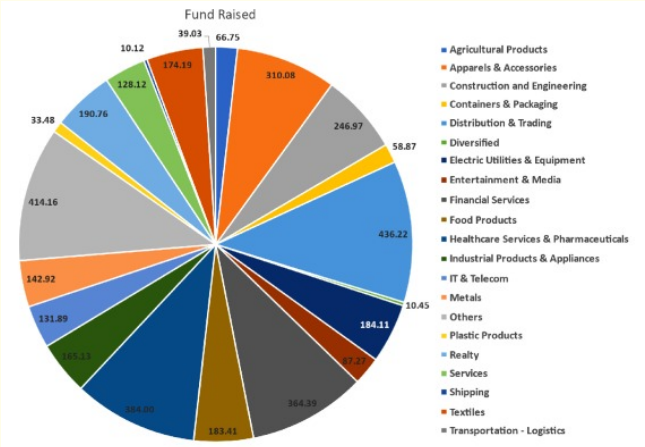
Statistics on BSE SME Platform:

No. of Companies Listed on SME	363
Total Amount of Money Raised (Rs. Cr.)	3841.66
No. of Companies Migrated to Main Board	131
Mkt Cap of Companies. Listed on SME as on 7th Jan 2021 (Rs. Cr.) (including companies migrated to main board)	50000.94
Currently Listed	232
Mkt Cap of BSE SME currently Listed Cos. (Rs. Cr.)	16956.52

Sector Wise Distribution:

Sector	Count	Percentage Contribution
Agricultural Products	9	2.48
Apparels & Accessories	25	6.89
Construction and Engineering	18	4.96
Containers & Packaging	11	3.03
Distribution & Trading	53	14.60
Diversified	2	0.55
Electric Utilities & Equipment	17	4.68
Entertainment & Media	12	3.31
Financial Services	30	8.26
Food Products	13	3.58
Healthcare Services & Pharmaceuticals	24	6.61
Industrial Products & Appliances	19	5.23
IT & Telecom	16	4.41
Metals	10	2.75
Others	41	11.29
Plastic Products	6	1.65
Realty	19	5.23
Services	15	4.13
Shipping	1	0.28
Textiles	18	4.96
Transportation - Logistics	4	1.10
Total	**363**	**100.00**

Sector-Wise Fund Raising:



Startup Eco-System

India in last decade has experienced a phenomenal growth in Start-ups and become the third largest destination globally. The period was marked by inception of thousands of start-ups, unicorns and emergence of leaders in the areas of e-commerce, robotics, Edu-tech, health-tech, biotech and fin-tech. These start-ups with innovative ideas need right channel and guidance in terms of acceleration and scaling of requisite funds. One of the most pressing growth challenges faced by policy makers is how to further prepare the ground for start-ups to grow and create meaningful impact. BSE therefore launched the Start-up Platform on 22 December 2018 so as to offer a simple cost- effective, yet deeply impactful mechanism that enables both start-ups and investors.

The role of SMEs and Start-ups in creating employment, to the economy, industrial production and exports cannot be undermined. The entrepreneurial talent in India needs to be groomed and leveraged to create an economy where SMEs and Start-ups can scale up as per their business capabilities and not constrained by financial and regulatory hurdles.

Guidelines for Start-up Platform

- The Startup should be in existence for minimum period of two years.
- The net-worth should be positive.
- They should be registered as Startup, or their paid-up capital should be Rs.1 crore.

Since inception 14 Start-ups got listed, raised an amount of Rs 60.90 Crs and Market Cap of these Start-ups is Rs 302.60 crs.

Capital market literacy/incubation programs for potential SMEs and Start-Ups

1. **Promoter Outreach** - As part of the awareness drive, BSE has reached out to more than 36,000 SME promoters and explained them the benefits of listing.
2. **Awareness Seminars** - BSE has conducted over 2500 awareness seminars across India and 400 webinars in association with Govt Bodies / Industry Associations / Professional Bodies.
3. **Memorandum of Understanding (MOUs)** - BSE has signed MOUs State Government of Maharashtra, UP, Haryana, West Bengal, Telangana and Chhattisgarh to create awareness about the SME / Start up platforms.
4. **Other Institutions** - MOU executed with HDFC Bank, IIT Alumni Council, Gujarat Student Start-Up, and Innovation (i-Hub) and Yes Bank to create awareness for their SME / Start up Clients.

Global Investor Meet - Conducted Global Investor Meet in Malaysia, Singapore and Dubai to showcase SME and Start-Up Platforms to create awareness among the global investors.

Ajay Thakur, A professional with around 26 years of experience in Capital Market spanning India's biggest Custodian to India's biggest and largest Stock Exchange. The key roles have been setting up the depository by the regional stock exchange, developing derivatives and equity market and setting up SME and Startup Platform. He is the Executive Committee Member of Indian Merchant Chamber, Jury Member of India SME Forum and Member of Advisory Committee of GLA University.

In his career of 26 years he has worked in various capacity with organizations viz. Stock Holding Corporation of India, Vadodara Stock Exchange and BSE.

He joined BSEin December 1996 as Head - Arbitration and Business Development. He wasinstrumental in developing the derivatives segment of BSE and also actively involved in opening of regional centers across the country. Presently as Head - BSE SME and Start up, responsible for the development of these segments of BSE.

He is credited for launching the first ever SME Platform and Startup Platform in India on 13thMarch, 2012 and 22 December, 2018 respectively. BSE today is the largest SME Platform in India with 318 companies listed and 57 companies are in pipeline.These 318 companies listed represent 17 sectors which has raised an amount of Rs. 3304.22 crores with market capitalization of Rs. 18,528.71 crores.BSE has got4 Startups listed in its Startup Platform which has raised 19 crores with market capitalization Rs 54.37 crores. There are another 5 Startups which are in pipeline to get listed. The success of these platforms has been recognized and appreciated by national and international organizations.

In one of the annual issues of 2013, Asian Development Bank (ADB) has appreciated the effort of BSE SME for promoting SME listing in India. IOSCO also in its research report of July 2015 mentioned that BSE SME platform is the most cost effective platform for SME listing in the World. BSE SME has received SKOCH achiever award from the hands of then, Minister of State for finance Shri Jayant Sinha in the year 2015. BSE has beenalso awarded as the best SME exchange in India by Shri Kalraj Mishra,then Minister for MSME in 2016 and from SP Jain Institute of Management and Research as CHANGE AGENT in the year 2018.Mr. Ajay thakur is also on various committees viz, India SME Forum and CII MSME Committee.

BSE has signed MOU with various State Government viz Government of Uttar Pradesh,Government of West Bengal and Government of Haryana to create awareness about BSE SME and Startups Platform. BSE has also signed MOU with HDFC Bank to create awareness aboutBSE Startup Platform.

DOES FY'23 HOLD OUT A STRONG PROMISE FOR RATING COMPANIES?

AJAY MAHAJAN
MD & CEO
CareEdge (CARE Ratings Ltd.)

After an extended and uncertain pandemic, business prospects for the credit ratings industry are finally looking up. However, a lot still depends upon advances in domestic consumption and investment environment.

Given the uncertain times the world has witnessed over the past two years, it would not be a stretch to say the pre-pandemic course of world economies has suffered a major speedbump. Almost every sector has faced an impact strong enough to push them into understanding and exploring ways to get back on track and prepare better for emergencies. Credit rating industry is no different.

The business prospects in this sector are broadly underpinned by the performance of the economy and the credit markets. On both fronts, challenges have presented themselves in abundance. Businesses -- small or large - have been operating under stress. Some even have had to shut shop. And though the numbers frequently point to recovery, multiple waves of the virus kept growth and sentiment on the edge.

There has been a fair degree of adaptation to the upheavals caused by the pandemic and the economy has come off its lows even though activity levels for many sectors are yet to return to pre-Covid era. Muted demand due to reasons ranging from a savings-driven approach to closure of services to contain the virus has hampered the pace of recovery, but also kept private investment at bay.

The growth in the credit markets i.e., the fresh fund raising by businesses is inextricably linked to investments and economic activity. The low fund raising by the commercial sector in the country has impacted the business volumes of the domestic rating agencies in recent times. The slowdown in consumption, subdued investments and apprehensions over the future has hurt demand for funds by businesses and in turn the business volumes of the rating agencies.

Having said that, the Indian economy is still amongst the fastest-growing economies in the world. Propelled by public spending and aided by proactive reform measures of the government, the country has done a laudable job at ensuring the economy does not slip into a state of hopelessness. As per the first advance estimates of

the national income released by the National Statistical Office, the Indian economy is projected to grow at 9.2% in 2021-22, surpassing pre-Covid level in actual terms, mainly on account of improved performance, especially in farm, mining and manufacturing sectors. The government's thrust on capital expenditure and infrastructure building that has been reinforced in the FY23 Union Budget is expected to stimulate demand and progressively bring in private investments.

The business prospects for the rating industry in FY23 are brighter given that the domestic economy is in the recovery and revival mode. The central government's budget focus and allocations for infrastructure building is expected to facilitate a rather broad-based upswing in activity. This, in turn, would provide the impetus for a revival in private investment and consequently fundraising by the commercial sector. Overall, it is good news for the rating industry.

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Lacklustre FY22

The state of the domestic credit markets is gauged from the fundraising from the various sources and the participation in terms of sectors and entities.

The picture so far in FY22 has been rather mixed and is seen to be concentrated in certain segments. While fundraising from the corporate bond markets was tempered, it has been higher in case of commercial papers. Bank credit demand by corporates, although restrained, has improved from a year ago.

Corporate bond issuances during the first nine months of FY22 was 26% lower than a year ago. Besides that, the issuances were restricted to the higher-rated corporates and the finance sector. Over 90% of the issuances have been restricted to entities rated AA - (high credit worthiness) and above and around three quarters of the issuances have been by entities from the finance sector.

Commercial paper issuances during the first nine months of FY22 have seen a 36% increase from the corresponding period of FY21. The finance sector accounted for 60% of the issuances and sizable issuances have been for short tenure of 7-10 days directed towards IPO funding.

Bank credit offtake has progressively picked up pace in FY22. In the first 10 months of FY22, the demand was 8.2% higher than a year ago, which is a significant improvement from the growth of 5.9% in the same period last financial year. The demand for bank credit, however, has not been broad-based across segments as of end-December 2021.

The annual growth in credit demand by the retail and agriculture sector at 8.1% and 10.8%, respectively, has been higher than that of industry (3%) and services (6.5%). The lower credit offtake by the commercial sector is partly due to the deleveraging by borrowers as well as their low appetite from fresh investments. The selectiveness of banks to lend to only certain segments is also a contributing factor.

Bank loan ratings are an important business segment of rating agencies and the sustained weakness in bank credit offtake by industry and services has been pressuring business volumes of rating agencies.

Credit Quality on the Mend

In an encouraging sign, the credit quality of rated entities has seen a steady improvement. This can potentially stimulate fundraising by them and thereby the business of the rating industry.

The credit quality of the rated entities as measured by CareEdge credit ratio (ratio of upgrades to downgrades) in H1 FY22 has been the strongest in three and half years and the robust credit quality is expected to be sustained in H2 FY22.

Good Tidings in FY23

The business prospects for the rating industry in FY23 are brighter given that the domestic economy is in the recovery and revival mode. The central government's budget focus and allocations for infrastructure building is expected to facilitate a rather broad-based upswing in activity. This, in turn, would provide the impetus for a revival in private investment and consequently fundraising by the commercial sector. Overall, it is good news for the rating industry.

All facts and figures in place, the business prospects for rating industry in FY23 as of date appears to be moving the right direction, but a lot would be conditional on the extent of advances in the domestic consumption and investment environment and the resultant demand for funds from the credit markets.

It nevertheless needs to be mentioned that the anticipated revival in the investment climate would be gradual and would be contingent on the resurgence and sustainability of demand in the economy.

We foresee a further strengthening in bank credit demand with higher activity levels and easing concerns over the pandemic as the vaccination drive becomes more widespread. The supportive or easy monetary policy of the Reserve Bank of India that keeps interest rates low would also aid credit offtake from banks.

Contrary to the policy actions of its counterparts in advanced economies who are in the process of withdrawing the emergency monetary policy support extended at the onset of the pandemic have begun (or will soon begin) raising interest rates, the RBI has indicated it would continue with its accommodative monetary policy well into FY23. In doing so, they are seeking comfort from their inflation projections that are expected to be moderate and well within their target range of 4% to 6%. (average of 4.5% for FY23). The growth in bank credit would necessarily increase the volume of bank loans that need to be credit rated.

In case of corporate bonds, the cost of funds could be higher in FY23 and this could have a bearing on funds raised. Given the higher quantum of borrowings by the government in FY23, yields are likely to be pressured.

Higher GSec yields would raise the yields of corporate bonds, too. This could increase the cost of borrowings for companies from the debt-capital markets. That said, the higher rated companies would continue to tap the corporate bond markets as the spread between GSec and corporate bonds has been range-bound and even narrowed despite the sharp rise in GSec yields in recent months.

The improvements in the credit quality has improved the risk perception of corporate bonds viz. of the higher rated entities. If the hoped for rebound in economic activity and investments materialises, corporate fundraising from the debt markets especially by the higher rated entities could be higher in FY23. The volume of corporate debt ratings then would see a commensurate increase in the coming financial year.

All facts and figures in place, the business prospects for rating industry in FY23 as of date appears to be moving the right direction, but a lot would be conditional on the extent of advances in the domestic consumption and investment environment and the resultant demand for funds from the credit markets.

With over 30 years of experience in the financial services sector, **Ajay Mahajan** heads the ship at CareEdge (CARE Ratings Ltd.) as its Managing Director and Chief Executive Officer. An alumni of BITS Pilani and a gold medallist from the prestigious Faculty of Management Studies, New Delhi, he has served as a banking and capital markets expert at top corporations. He began his career at Bank of America and rose the ladder to become the MD & Country Head of Global Markets Group. Deeply committed to his craft, he has also donned top management roles at YES Bank and UBS. His last assignment before joining CareEdge was a seven-year stint at IDFC Group where he played a crucial role in transforming the company from just an infrastructure-financing business to a multi-product wholesale banking business comprising corporate credit, SME credit, government banking, and financial markets among others.

ARE VENTURE CAPITALISTS ACTING AS A START-UP ECOSYSTEM CATALYST?

VANDANA TOLANI
Founder & CEO
CONVANTO

The past two years have been a game changer for businesses across the board, forcing them to build resilience and retool for the post-pandemic world. To stay relevant to customers and investors during this 'great reset,' the global start-up ecosystem had to keep up with fast-changing technical developments.

Despite a challenging year for many, the top five global start-up ecosystems have retained their supremacy, with Silicon Valley leading the list for the second year in a row, followed by a tie for second place between London and New York city. The cities of Beijing and Boston are placed fourth and fifth, respectively.

North America went on to lead the Worldwide Rankings, with 50 percent of the Top 30 ecosystems from the continent, followed by Asia, and Europe.

Without accounting for the value of exits prior to 2018, the global start-up sector has an Ecosystem Value of approximately USD 3.8 trillion, which is more than the GDP of most G7 countries.

More than triple the number revealed in 2017, there are now 79 ecosystems worth more than USD 4 billion.

Unicorns will have been created in 91 ecosystems by the year 2020.

The Start-up Ecosystem in India

The Department for Promotion of Industry and Internal Trade (DPIIT) has recognised roughly 61,400 start-ups in India, according to the Economic Survey 2021 22, with at least 14,000 being recognised in financial year 2022. The evaluation is an overall economic report card that determines the performance of a variety of industries and gives suggestions for future actions. It also contains a GDP growth prediction.

According to the poll, at least one new venture has opened in each of India's districts, indicating that the number of start-ups in India has increased significantly in the last six years, with the majority of them in the IT/knowledge-based industries.

“India's startup scene has expanded within the last six years. The number of new recognised firms has increased considerably, from 733 in 2016-17 to nearly 14,000 in 2021-22."

India has surpassed the US and China as the third in the world start-up ecosystem, according to the survey. In 2021, 44 Indian enterprises will be classified as unicorns, taking the total number of unicorn businesses in India to 83, the majority of which are in the service sector.

A Catalyst for the Start-up Ecosystem: Venture Capitalists

Given the worldwide market downturn, Indian entrepreneurs secured record funding in January, totaling up to USD 3.5 billion over 130 deals, a decadal high and indicating continued investor interest.

The amount of money invested in venture capital has started to rise. Venture capital investments in India climbed to USD 3.6 billion from July to September

from USD 1.5 billion the previous quarter, boosted by large deals such as Flipkart's USD 1.3 billion round. Large IT investors concentrated on India during this time.

They not only provide much-needed funding, but they also provide guidance and coaching to firms at various stages of growth to help them reach their full potential. The strategic direction of the firms in which venture capitalists invest has a big influence.

Investors aid in the growth of a firm by improving the product line, introducing new technologies, monitoring and controlling the financial model, and therefore boosting the competitiveness of start-ups. After Covid-19, start-ups are in trouble because of lack of funds as well as changes in the industry, such as changing consumer behaviour and habits, such as working from home and purchasing products and services. While there have been considerable roadblocks, the new post-covid world has flooded venture capitalists' desks with unicorn-worthy ideas. Many early-stage start-ups have great products but lack the requisite strategic plan of action to implement them. Many VCs help start-ups build and nurture their products by providing specialised staff and experience.

Many VCs engage with start-ups in a variety of ways, including tracking OKRs, visualising KRAs, creating a framework, and setting benchmarks.

This is another area that requires special attention, particularly in the new normal.

The following are some of the variables that cause venture capitalists to function as start-up catalysts:

Providing assistance to operations
A large number of early-stage start-ups have excellent goods but lack the necessary strategy or plan of action to put them into action. With their specialised personnel and expertise, many VCs assist start-ups in developing and nurturing their products.

Tracking OKRs, mapping KRAs, building a roadmap, and setting benchmarks are just a few of the ways many VCs work with start-ups.

This is also an area that requires particular attention, especially in the new normal.

Relationships:
VCs have a strong motivation to share their expertise with the new enterprises in which they invest because of their ownership tie. VCs are known for taking an active role in the new companies they fund, and have even been referred to as part of a company's human resources (Florin, Lubatkin, & Schulze). This is due to the high amount of risk involved with VC funding, as well as the fact that VCs want to not only preserve their investment but also secure a good return.

Promotion:
Simply having an excellent product or service isn't enough. The goal is to get that product/service out there. Venture capitalists play an important role in engaging with entrepreneurs and providing them with tools, relationships, and assistance to guarantee that marketing and sales expenditure is successful. Apart from that, one of the most important roles of a venture capital fund is to promote start-ups.

Creating a Financial Bridge
With the current pandemic-driven economic crisis, start-ups are having a difficult time staying afloat and managing their working capital. Venture capitalists can help these up-and-coming businesses achieve their aims and impact the world.

Professionalisation
Although one of the major functions of venture capitalists is to commercialise a concept, they also provide professionalism to the firm, which is necessary for the next stage of development. Venture capitalists like to adhere to their primary investing philosophy and often invest in industries that they are familiar with. Their staff contributes expertise and experience to assist the start-up improve its business strategy.

"VCs will concentrate on their home markets since travel limitations will remain in place, and people will be adjusting to new digital consumer behaviour in both the professional and personal spheres, from education to banking transactions, health care, and eating habits."

Visibility and reach
A venture capitalist's investment will raise the concept's awareness and help them achieve their target market group. Because most start-ups are struggling to stay afloat due to the post-pandemic downturn, venture capitalists can help them grow their sales and raise funding.

Sustainability
Start-ups must rejig their business models and scale down their operations due to a variety of factors, including the threat of closing down and lowered valuations. In these unpredictable times, venture capitalist money may be able to provide long-term stability. Venture capitalists have been focused on their portfolio firms rather than looking for fresh ideas, thus start-ups that have already been financed in the previous year have been able to weather the storm.

Global Presence

Start-ups gain from venture funders' worldwide connections, allowing them to position themselves in international marketplaces rather than simply being a domestic brand. Some start-ups with the proper product may surely benefit and reach out to global markets in these times of shifting consumer and business behaviour.

Start-ups gain from venture funders' worldwide connections, allowing them to position themselves in international marketplaces rather than simply being a domestic brand. Some start-ups with the proper product may surely benefit and reach out to global markets in these times of shifting consumer and business behaviour.

Start-ups are having a hard time recruiting venture investors, according to a KPMG survey. From close to USD 6 billion in strong investments by venture capitalists in the last quarter of 2019, to nearly half in the second quarter of 2020 in the post-covid economy, start-ups are having a difficult time attracting venture capitalists. It's mostly due to a shift in consumer behaviour and expectations brought on by the economy, travel limitations, and minimalism.

Though numerous transaction structures are available today owing to industry consolidation, a start-up should search for a venture investor who can provide downside protection and a medium-term commitment with both resilience and substantial funds to help them weather the storm and emerge victorious.

According to KPMG's Q2'20 Venture Pulse Report, VC-backed firms in Asia raised USD 16.89 billion in 1011 transactions, with biotech companies receiving a fair part of USD 3.7 billion. While sectors and businesses catch up in Q1 and Q2 2020 as economies open up both domestically and globally, Q4'20 could provide some relief to start-ups struggling to get capital and scale up. Because there will still be constraints on travel and individuals adjusting to new digital consumer behaviour in both the professional and personal spheres, from education, banking transactions, health care, and eating habits, VCs will concentrate on their local markets. This has caused businesses to adapt and adjust in order to meet the needs of changing consumer behaviours in a variety of industries.

As the current trend demonstrates, start-ups with a go-local motto and a mission to do well by doing good for society, adding value to work in the economy, environment, healthcare, and education are attracting venture capitalists to help them commercialise their ideas and make them a viable global opportunity.

The macroeconomic course of the economy is influenced by venture capitalists. They are the pioneers of new venture profitability and innovation. New projects, on average, are more likely than established enterprises to be creative. Existing firms have processes in place that are too restrictive to allow for growth. While large corporations must grow their innovation operations, small businesses must create their own. New businesses, on the other hand, require funding and support throughout their first phases. This is where venture capital, as an economic stimulant, comes into play.

Silicon Valley in the United States, and to a lesser degree Shanghai in China, demonstrate how venture capitalists, via their fundraising efforts and sharp economic and financial acumen, can be a valuable addition to the economies of their respective nations.

So, absolutely, venture capitalists serve as a stimulus for the start-up ecosystem.

Vandana had her own Family Office in Singapore and Jakarta. She worked as an Investment Banker & Advisor to Family Offices and Angel investors in Jakarta, Indonesia, helping start-ups from a diverse background. After 15 years of staying in Singapore and Jakarta, she came back to India. That is when she created Convanto. Today, Convanto is one of the most well-known boutique investment banks in India and led by a female founder.

She is also a Venture Advisor with Loyal VC, the INSEAD-led Canadian VC Fund, having a core portfolio of over 160 investments in more than 35 countries. She is also a Partner with a Silicon Valley-based Venture builder. She relates to 300+ investors globally, picking up global deals while being sector agnostic. Our ticket size is $1-$50 million.

She has been awarded as one of the Top 10 Women Leaders in Wealth Management 2021 and her brand Convanto comes under the top 10 women entrepreneur brands along with NYKAA, top 10 consulting firms by a female founder and Women entrepreneur of the year 2021.

In 2022, she was awarded as Top 10 Futuristic women. In February 2022, Convanto got awarded by Kiran Bedi at Tech Startup Conclave 2022 for the Best Financial Institution for supporting startups organized by AICRA-All India Council for Robotics & Automation.

THE EVOLVING ROLE OF INSURTECH IN INDIA: TRENDS, CHALLENGES AND THE ROAD AHEAD

HONIS SINGH

Chief Executive Officer

TARUN KUMAR

FINEXURE CONSULTING

The last few years have seen some prominent changes in the insurtech space in India. From Policy Bazar, which is one of the first insurtech players through their aggregation platform to a number of players addressing different problem sets within this space. This sudden burst of activity in the last few years is mainly because the insurance industry has been jolted out of its sleep, while some of them still prefer the sleep, to majority have realized the need to innovate to build / maintain competitive advantage. Globally insurers have been early adopters to technology but through the years, no business innovation has been seen. This is mainly due to the obsolete technology in use and the cost of updating the same. A critical event like COVID -19 forced the insurance industry to either adopt a digital plan or perish; it also jolted the elephant awake. The slew of activity and emergence of new techplayers within the insurance industry is proof of the changing times.

Insuretech or insurtech refers to the use of technology in order to create efficiencies within the insurance eco space. The Indian insurance industry is predominantly a regulated industry as most of the other countries in the world with a market size of around USD $ 280 billion. Our penetration is around 4.2% out of which life insurance penetration is 3.2 % and the rest is General Insurance, The overall density is around US$ 78. With the 58 insurers, these figures may look small compared to global averages but the trend of growth in positive since the last few years. As per the BCG report released in 2021 on the Indian Insuretech environment, "The Indian Insurance industry has seen significant progress with life and non-life insurance growing at 17 percent and 14 percent CAGR respectively, in the past five years. The total number of lives covered doubled from 12 crores to 23 crores during this period".

However, there is still scope for growth as for a Trillion dollar economy and conventional channels of distribution have been unable to plug the gap. India is estimated to have a $650 Bn protection gap. The market data shows that direct sales by insurers still remains a prominent channel for distribution in India. Insurance has traditionally been a channel sales driven segment. Insurance has traditionally been a channel sales driven segment. In spite of having multiple classes of intermediaries for the Indian market with different rules and regulations for each: Brokers, Agents, Web aggregators, corporate agents + banks, Insurance Marketing Firms, the market penetration of Insurance for a $ Tn+ economy like India remains at nearly 50% of the global average. There could be ways to approach this challenge

1. Have more regulated intermediaries (brokers, corporate agents etc.) who can have a business model of achieving penetration to underserved markets. The go to market can be digital/ physical/ phygital.
2. Market Creation: Create newer instances/ channels for distribution of insurance products.

The latter is where Insuretech will play a critical role in the development of insurance in this country, as customers increasingly prefer the digital way.

The current insurtech map of India speaks of Value chain players and New Age Business Models. While the former caters to administration models, analytics, product development, underwriting and risk management, claims management, sales and CRM. The new age business modes consists of comparison sites, direct on demand portals, Insuretech ecosystems, health and wellness, Micro insurance and commercial partners.

The Indian insurance industry is predominantly a regulated industry as most of the other countries in the world with a market size of around USD $ 280 billion. Our penetration is around 4.2% out of which life insurance penetration is 3.2 % and the rest is General Insurance, The overall density is around US$ 78. With the 58 insurers, these figures may look small compared to global averages but the trend of growth in positive since the last few years.

The current trend has seen action in the health insurance and value added services, employee benefits and the wellness space. There are 50+ players in this segment. The pandemic has driven growth of the digital platforms, which have seen an increase in demand for health insurance, telemedicine and consultation. Employers are seeking to redesign their life and health benefit offering in order to attract and employ best talent. The last year and a half has seen new players like Paz Care, Nova Benefits, loop health One Assure and Even try to innovate on the Employee benefits offering to Employers and provide value added services. These players are working towards improving the coverage offering , creating subscription based access to employee health insurance for small organisation who otherwise cannot get a group cover , improving claims management - automating and easing the claims process by reducing TAT , offering outpatient managed services , dental coverage etc. These help in increasing penetration through product innovation, providing a more holistic basket of offering besides building a data repository that will help in better underwriting and claims management. The new age health tech startups are growing in numbers, which is not only helping in creating, create new opportunities through use of technology but also help increase and improve customer lifecycle management. Adaptation of digital mode by the consumers strengthens our belief that digital is the way forward. Adoption of machine learning and block chain within the health tech segment is helping the sector in creating operational efficiency within underwriting, claims management, CRM.

Motor insurance commands more than 40% of insurer's portfolio. Having a motor insurance is compulsory under law; it was until recently cumbersome to buy a policy especially wrt filling up the proposal form with a host of questions. Today a DIY approach to buying a motor insurance has disrupted the way insurance is being bought by consumers. The insurers have been proactive in taking advantage of the digital space. Enabling purchase through online market places, easing payment mechanism and selling through global technology companies have yielded benefits to the insurers. Insurers have realized that they are better placed if they offer consumers innovative motor insurance policies in the easiest possible way. Insurers have been moving away from their traditional approach and experimenting with technology and have realized that it is time to move beyond chat bots and virtual assistant, and telesales centers to offer consumers a full stack of services from quote generation, authentication, premium collection, and claims intimation - submission and tracking. Product innovation is the key. There is a lot of work being done on risk based solution products. Insurers have started designing products based on telematics behavior so that premiums are scientifically calculated and lower premiums offerings can be enjoyed by consumers. Pay as you use and Pay how you use helps consumers pay considerably less than a conventional plan. Option of purchasing a single policy for a fleet of vehicles would ease administration.

Claims Management and Fraud mitigation: There is immense pressure on insurers to adapt and integrate AI into their operations especially in easing claims administration and faster claims settlement. Automation improves efficiency, reduces costs, filing of claims from anywhere, anytime, minimize fraud and enhance client satisfaction.

Embedded insurance refers to bundling of insurance coverage within a product or service itself, offered at the point of sale or service. Conventional channels of

distribution have been unable to plug the gap. Industries like hospitality, travel, tourism, mobility, and housing are set to reinvent themselves as digital ecosystems. Embedded Insurance, via bundling of insurance products with the core offerings of industry players can help to increase insurance penetration. Global precedents have shown that the embedded insurance model works well for enterprises to differentiate the core product/ service offering, act as a source of revenue and offer a source of competitive advantage. India is estimated to have a $650 Bn protection gap. Enterprises, Regulators, Distributors and Insurers alike need to work together and create an environment where it is easier to innovate in this space. Embedded insurance will enable insurers to address the protection gap and increase penetration seamlessly through B2B2C. Embedded system also substantially reduces acquisition costs. There are 3 models an insurer can choose from:

- Related embedding: offering insurance in the partner's own digital universe.
- Linked embedding: turning the partner's point of sale into an insurance sales channel.
- Bundled embedding: Customer buys multiple services including the insurance with one click. It is popular in the automotive industry where car finance, car service, and car insurance are bundled in an all-inclusive offer. The bet today is on embedded insurance

Conclusion: how do you create an ecosystem for insurance companies? Choosing low hanging fruits through i.e the API structure, these enable insurers to expand partner network and drive additional business. Partner network is a vast area and not limited to just agent, web aggregators or brokers. It involves risk and loss assessment professionals, claims surveyors, repair /garage houses, fintech/ insurtech, banking, investments, financial advisors etc.

You have APIs single point of sales (marketplace) where your API is hosted or multiple Point of sales where APIs from multiple companies are hosted and you are one such insurer. The information that is hosted on these API's differ in type. In single point API you need to support basic information for the transaction to be completed but when you are on multipoint API the challenge is to be as transparent as possible on pricing , coverage's to have the competitive edge . Your API is of no use if it does not create a "win-win" monetization scenario for yourself and your partners. Hence it's just not the API concerned its also how to create a competitive advantage using APIs

The writing on the wall is clear for traditional insurers, to sustain competitive advantage it's time to change and adapt. Use of IoT, AI, ML and Big data and connected devices which are driving other sectors will drive Insurance too. To understand risk better insurers have to rely on Data analytics and Predictive Models, Underwriting can immensely benefit from Artificial Intelligence and Machine Learning can help insurers underwrite risk effectively. Embedding insurance through wearables can play a crucial role in underwriting in both Life and Health Insurance. Telematics and IoT devices can help track driving habits. IoT and AI can help in fraud detection. The advantages of adoption to technology outweighs any disadvantages if any as its helps insurers drive excellence across the value chain, personalize product design, become , proactive risk managers.

The current insurtech map of India speaks of Value chain players and New Age Business Models. While the former caters to administration models, analytics, product development, under-writing and risk management, claims management, sales and CRM. The new age business modes consists of comparison sites, direct on demand portals, Insuretech ecosystems, health and wellness, Micro insurance and commercial partners.

While disruption is not always welcome in a regulated industry, there is no looking back now.

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REAL ESTATE OUTLOOK 2022: KEY TRENDS INFLUENCING INDIA REAL ESTATE MARKET

RAJANI SINHA

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India's Real Estate industry, specifically Residential, is seeing a strong bounce back from the pandemic induced crisis. There are a number of factors like low interest rates and fall in housing prices that have supported this housing demand. During the pandemic, with the need to work from home and schooling from home, households felt the need for bigger and better houses. This phenomenon was seen, not just in India, but globally, and consequently, housing demand saw a strong upward trend in the last two years.

For India's Top 8 cities, the annual residential sales in 2021 improved to 95% of 2019 level (pre-pandemic period). Lower prices and interest rates resulted in an improvement in housing affordability. State government stimulus measures, like the limited period stamp duty cut announced by Maharashtra and some other states like West Bengal and Karnataka, also provided impetus to housing sales in this pandemic affected period.

Now, the critical question is whether this bounce back in real estate industry will sustain in 2022 and beyond. While the demand has been improving, there are challenges for the sector. Interest rates in the economy are expected to start rising in 2022. Raw material prices and labour costs have also risen, putting upward pressure on construction cost. Bank credit to the housing sector still remains weak. So far as sustainability of the real estate sector growth is concerned, it is important to understand that the pick-up in the sector in India is different from that in many other countries globally. In countries like US and China, there are concerns of property price bubbles forming as the rise in housing demand has been accompanied by a sharp rise in housing prices. In India, however, the housing prices have remained stable in the last few months, making the recovery more sustainable. With the housing demand being led mainly by end-users, there has not been any speculative price rise in the industry.

Another aspect that we have to note is that in countries like China, the housing sector is highly leveraged. The recent defaults by Chinese real estate behemoths like Evergrande and Kaisa are cases in point. In India, on the contrary, there has been a clean-up of balance sheets of the real estate players in the past few years, with many of them deleveraging. For the top 10 real estate developers, the debt-equity ratio has fallen from 1.40 in 2016 to 1.17 in 2021. The slowdown in the sector in the last few years has resulted in only players with better financial health surviving. Structural reforms like RERA and GST in recent years, have led to consolidation and formalisation of the sector. Therefore, we can say that the real estate sector in India is currently in a healthier position and that increases the probability of the growth momentum being sustained.

As far as interest rate is concerned, it is expected to start inching up given the inflationary concerns in the economy. But the interest rate hike is likely to be gradual given the growth uncertainties of the economy. Hence, a gradual increase in interest rates in the next few months may not affect the housing growth momentum. A fairly critical aspect in this turnaround story will be household income, which in turn, will depend not just on the overall economic growth, but also on the quality of growth. A large part of India's housing story is led by affordable housing, and for this category to do well, it is critical for the income at the bottom of the pyramid to grow. Broadly, real estate

market growth momentum is likely to sustain in 2022, provided there are no further major disruptions from the COVID crisis.

Structural reforms in the sector like RERA, GST, and clean-up of the balance sheet of developers along with formalization of the sector will support the industry revival. The critical aspect for industry players, both on the demand side as well as supply side, will be to learn from the excesses of the past as the sector moves towards a fresh recovery cycle.

The pandemic has impacted the real estate sector in many ways and going forward we expect to see the following trends in the sector:

- **Residential Price Increase:** After a prolonged period of falling and then stabilizing, residential prices are likely to rise again. In 2022, we expect a gradual and small increase of around 5% capital value growth. Raw material prices are rising, and with healthy demand, the developers may pass on some of the raw material price increase to end-users. We do not, however, expect a sharp increase in prices as investors and speculators are still out of the real estate market.
- **Office Sector Demand led by Information Technology Sector:** The office sector was severely impacted as corporates moved to work from home during the pandemic. However, as the Covid concerns abate, the pick-up in office leasing demand will be led by the Information Technology sector. The IT sector has added strongly to its workforce during the pandemic. Based on the hiring in the past 1-2 years, Knight Frank research estimates the top 5 IT companies' incremental demand for office spaces to be nearly 1.08 mn sq m (11.67 mn sq ft) in the near future.
- **Co-working to Benefit:** In the uncertain times created by the Covid-19 pandemic, businesses want to remain flexible on most cost components. With this preference for flexibility, the co-working sector will benefit. Agility, a keyword associated with the co-working sector, will drive the demand rebound for flexible office spaces despite the return to normalcy.
- **Warehousing to Benefit from E-commerce Boom:** The pandemic has provided a strong thrust to the e-commerce sector. Increasing e-commerce penetration will drive growth in the warehousing sector. As per Knight Frank research, the share of e-commerce in warehousing demand will increase to 36% in FY 2023 from 31% in FY 2021. Overall warehousing transactions are projected to grow by 20% (YoY) in FY 2023. In this scenario, speed and technology will emerge as key considerations for occupiers' warehousing strategy.
- **Fast Paced Digital Consumption to Drive Data Centre Growth:** With the imminent implementation of 5G technology and data localization norms, the need for data storage to be closer to its users assumes greater importance. This trend will require the country's data centre capacity to scale up quickly. We estimate that approximately 290 MW of IT load will be added in 2022 to the market, to take the total-built IT capacity in India to 735 MW by the end of the year.
- **REIT Resilience:** While the office market was adversely impacted by pandemic induced disruptions, REIT portfolios were relatively less impacted due to good quality and diversified tenant roster. Net Operating Income (NOI) and Net Distributable Cash Flows (NDCF) of REITs have remained relatively steady throughout the pandemic period. The relative strength of the underlying cash flows is apparent when seen in the backdrop of the extreme volatility experienced by overall office leasing volumes during the same period. REITs' resilience during the pandemic and growing popularity with retail investors will help pave the way for other commercial real estate REITs in the warehousing, data centre, hospitality and retail property sectors in the near future.

To conclude, the healthy pick-up in real estate sector demand is likely to continue in 2022 as Covid concerns abate and economy recovers. Structural reforms in the sector like RERA, GST, and clean-up of the balance sheet of developers along with formalization of the sector will support the industry revival. The critical aspect for industry players, both on the demand side as well as supply side, will be to learn from the excesses of the past as the sector moves towards a fresh recovery cycle.

Rajani is the Chief Economist and Head of Research at Knight Frank. She has around two decades of experience in the field of macro-economic research. Apart from real estate sector, she has varied experience of economic research in corporate sector and financial services. Prior to Knight Frank, she has worked with Aditya Birla Group and financial institutions like Kotak Bank and J M Morgan Stanley. She regularly writes opinion pieces for business dailies on varied economic issues and loves to give lectures on Economics at Educational Institutions occasionally. She is an alumna of Delhi School of Economics and Lady Shri Ram College.

INVESTMENT SECTORS TO WATCH FOR 2022 - THE ROAD AHEAD FOR ORGANISATIONS GRACING GREEN ENERGY FOOTPRINTS

RAJAT AGARWAL

Asia Equity Strategist

SOCIÉTÉ GÉNÉRALE

India has emerged even stronger from the pandemic. The economic growth is slated to be amongst the highest globally this year and Indian equities are one of the best performing post the pandemic. More importantly it is amongst the most favoured equity market by the foreign investors, despite being perceived as one of the most affected countries in the world. However, as the world is gradually recovering from the crisis and as the low base effect for growth wanes, investors' focus would turn towards the sustenance of the growth and long-term structural drivers.

India has some distinct advantages of rich demography, low corporate and household debt ratios, higher profitability and an underpenetrated equity market. All these factors raise the expectation of both the quantum and duration of growth. Foreign investors have been active in India for more than three decades, but Indian growth story caught the attention in early 2000s. The corporate earnings trebled in that decade and India received record foreign inflows.

There is an implicit promise of "growth" that attracts investors. But growth is not given, something that we saw over the past decade. Corporate earnings growth was the missing link in India's growth story for most part of past decade, during which the earnings grew significantly below the trend growth of 12%. For the sustenance of the equity market momentum, we would need an expansion of the earnings pool and not just the earnings growth. This is where the capital expenditure cycle becomes increasingly important for India to realise its promise of growth. After a strong capex driven earnings cycle in 2003 - 2012 period, the capital expenditure cycle entered a prolonged period of stagnation. A whole host of factors including excess supply, poor corporate governance, low profitability due to high interest rates and sharp rise in the non-performing loans led to the slowdown of the capital expenditure, particularly the private sector capex. This would have to turnaround for corporate earnings to regain growth momentum.

In order to identify the investment sectors for 2022, we focus on sectors which are still nascent and have the potential to turn into the drivers of growth for next couple of years. For this, it is important to look into history of Indian economy. India found its competitive advantage in the services sector in contrast to export led manufacturing path chosen by other Asian tigers. Even the exports sector in India is dominated by services sector, constituting close to 60% of the total exports. At this stage of growth, India needs to expand in more dimensions and find new levers of growth to realise its demographic dividend. There are three sectoral themes to watch that will shape the course of growth for Indian economy and markets: manufacturing, digitalisation and green technology.

India has primarily been a consumption driven economy with more than half of the GDP relying on consumer related sectors. But the lack of a strong domestic manufacturing sector also means high reliance on imports to fulfil the consumption needs.

India's ambition of "Make in India" is of paramount importance for an "Atmanirbhar Bharat" (self-reliant India) and to realise the USD 10 trillion economy objective. Over the past three years, a number of reforms and government initiatives have been taken to boost domestic manufacturing. The corporate tax reform made Indian tax rates amongst the most competitive to regional peers. The expansion of performance linked incentive (PLI) schemes to fourteen sectors has the potential to boost production by INR 30 trillion and generate 6mn jobs. It can give the much-needed boost to the domestic manufacturing in areas which have traditionally been dependent on imports. The government also aims to increase the participation of the domestic industry in the defence sector. Under the self-reliance initiative, 68% of the defence capital allocation has been reserved for Indian industry, 10 percentage points higher than what it was two years ago.

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The second is the internet sector. India has been and will remain a consumption driven economy. But over the years the nature of consumption globally has changed from products to experiential with the advent of smartphones and increased penetration of internet. India is a young, dynamic and aspirational country. It is one of the largest consumer markets in the world. It is currently undergoing a digital revolution and is poised to take-off as one of fastest growing internet markets in the world.

While India somewhat missed the internet revolution of 1990s, but currently with more than two-third of population having internet access, increased smartphone penetration and rising incomes, it is one of the most promising markets not just for the domestic companies but also for the international internet companies. Most of the large global technology companies have entered Indian markets and made significant investments over the past decade.

Technology is no more a privilege for the upper class but has entered all walks of life. Internet is not just a source of information anymore. It has become transactional, and the adoption of technology is no more a choice but a way of doing business. India currently has the one of the highest volumes of the digital payments in the world and the unified payments interface (UPI) transactions volume is fast outpacing the credit card transactions. The digital transformation of business is not about niche startups but the large traditional business groups are also making big investments into it.

Indian unicorns are the third highest valued unicorns in the world today after US and China. More than valuations, the significance of startups lies in adding a whole new sector in India and providing employment to close to a million people, directly and indirectly. While we have only few players in the listed world as of now, this sector has certainly moved past the first phase of development. We could see a period of consolidation but nevertheless internet revolution will be a game changer not just for the services sector, but also hardware, consumer durables and semiconductor sector.

The rising temperature and associated economic costs have made green transformation the most important global theme. India is the third largest carbon di oxide emitter in the world, even though it ranks much lower on the per capita basis. It cannot afford to go slow on green transformation given the high economic cost and its ambitious growth aspirations. It has now set a deadline of 2070 for itself in the recent Glasgow climate summit (COP26) and made two significant announcements. First it increased its renewable energy capacity target from 450 MW to 500 MW by 2030 and second, it also set an ambitious target of meeting 50% of its energy requirements through renewable energy by 2030.

India's energy consumption has more than doubled since 2000, driven by rising population and rapid economic growth. Until now, the growth has been driven mainly by the services sector rather than the more energy-intensive industry sector, and the rate at which India has urbanized has been somewhat

slower than in other emerging countries. This might change with urbanization and industrialization increased contribution to the growth ahead. By 2040, a little less than 50% of the population is expected be living in urban areas, and cities are expected to contribute 70% of GDP. This will not only raise demand for energy-intensive building materials but also result in a transition in household energy increased use of electricity. As per the US Energy Information Administration, India will have the fastest-growing rate of energy consumption globally through 2050. As per these estimates, it would need to add energy capacity equivalent to that of the entire EU over the next two decades.

It has made significant progress and is on track to meet its 2015 Paris Agreement target of 175GW capacity of renewable energy by 2022. Currently, non-renewable energy, mostly through fossil fuels, constitutes two-thirds of total generation. The modern renewable energy share is only close to 20%, split mostly between solar and wind energy. The rest includes hydro energy, biofuels and nuclear energy. This means that there is a long road ahead for meeting the 2030 target of achieving 50% of renewable energy and subsequently net zero target of 2070.

There are three main dimensions of green transformation in India: power, mobility and Industry. Power remains the most important given the nascent stage of development of the mobility and industrial sector.

The renewable energy push is about increasing the contribution of non-fossil fuels in the energy pie, led by solar and wind energy, in which India is already the third and fifth largest player in the world respectively. It also aspires to raise the production of green hydrogen to a cumulative five million tonnes by 2030 and aims to become an export hub of the fuel. The mobility is the second dimension of green transformation. 2021 was a breakout year for electric vehicles globally and India certainly has a very long runway of growth in this field given the EV penetration of less than 1% in the passenger vehicle segment. Assuming India sells twice the number of today's volume over the next ten years and half of the new vehicles sold are EVs, we could easily see a growth of 40-50% per annum for a decade. Like Internet, this is another new sector which is not just a large employer but would lead to the development of a whole new ecosystem. Availability of commercially viable renewable energy would then lead to increased adoption by the industrial sector.

Having talked about the growth aspects, it is also important to realise there would be several bumps on the road ahead to the green transformation. Green theme is a capital intensive theme and as per CEEW Centre for Energy Finance (CEEW-CEF) study, it would require close to USD 10 trillion of investment for net zero emissions by 2070. It implies that green transition would not be possible without green dollars. Green bond issuance is yet in very early stages in India and might largely be an option for the large high rated corporations. This would mean that the smaller and lower rated corporates would have to increasingly rely on bank loans for funding. The current aggregate banks' outstanding credit to non-conventional energy sector is just 7.9% of the credit to the power generation sector. While this would be a big opportunity for banks who have been largely devoid of corporate credit growth for quite sometime, the opportunity would entail significant challenges in credit assessment and raising low-cost funds to make the projects viable. Here, policy support in form of taxation benefits, priority lending and deepening of the green bond sector would be key for financing the sector.

The other challenges would arise from the increased inputs costs because of sharp rise in the global demand for green commodities and also in the development of infrastructure. More than three fourth of the solar power capacity has been installed in the large solar parks as against rooftop solution. Solar and wind parks development come with their own set of challenges like land acquisition and environmental concerns.

But, with all the policy initiatives and incentives, we think that this growth theme would certainly encourage private corporate sector to embark on the capital expenditure cycle and this would certainly mean good times for the infrastructure sector as a whole. Despite all the challenges, it is imperative that India would continue to move ahead on its green transition journey. And this is why we say that India's green transition though long and arduous is a compelling growth story.

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CYBERSECURITY ESSENTIALS FOR CAPITAL MARKETS FIRMS IN THE DIGITAL AGE

PAHWA
SUNEET
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INTRODUCTION

Cybersecurity is no longer an optional aspect that business leaders can ignore and put it on IT department. It is an important pillar of doing business successfully, irrespective of the industry the organization belongs to. As we have seen from numerous examples and cases in past decade, Cybersecurity (or lack of it) impacts anyone from analyst handling daily operations to the CEO and Board Executives. Over the past few years, I have seen shift in mindset of CxOs towards Cybersecurity - from treating it as a cost center to understanding that cybersecurity roadmap must be based on a business-backed strategy; from only saying that "cybersecurity must be X% of IT budget" to understanding exactly where to spend and how to spend that budget.

Cybersecurity is very critical in Capital markets, as unlike other sectors, the financial market is composed of many tightly interwoven units. For instance, trading venues, brokers, clearing houses, technology providers and other financial services companies. If attacker is successful in penetrating into the network of any of the individual player, it is very easy to bring down the whole service (or disrupt the operations for few hours), leading to financial losses, loss of customer trust, brand reputation, regulatory fines.

This article explains what made this shift in the mindset, and how organizations in Capital market can evolve their Cybersecurity posture.

DRIVERS FOR THE MINDSET SHIFT

There are 3 key drivers for the mindset change of the leaders in the Capital market.

Increase in the sophistication of Cyber-attacks across the value chain of Capital Markets

In recent years, there has been an increase in Cyber-attacks around the globe. If we look at some of the units of Capital market (also known as Capital Market Infrastructure Providers), there is evidence that some of organizations within each unit have been impacted by the cyber-attack at some point. As an example of Stock Exchange, in early 2021, National Stock Exchange (NSE)[1] was reportedly hit by cyber-attack. Similarly, in late 2020, New Zealand stock exchange faced the DDoS attack, bringing down its operations for few hours. Moving on, as an example of brokerage firms, India's second largest brokerage firm, Upstox[2], was hit by ransomware attack that resulted in compromise of 2.5 million customers in 2021.

A recent article published in Cybercrime magazine estimates that cybercrime will cost about USD 10.5 trillion by 2025[3].

Ransomware attacks have been the most prevalent attack-type in the financial services industry. The financial implication of a ransomware is not just the value of the ransom paid, but also remediation cost that includes loss due to productivity, network cost, device/infra cost and the lost opportunity. The average remediation cost for ransomware was around USD 2.10 million in 2021[4] in financial service sector.

Thus, the direct and indirect cost involved in the cyber-attacks have prompted business leaders to invest in cybersecurity and see it as a business enabler, instead of considering it as a cost center.

Technology adoption due to shift in the business needs

Over past few years, there has been shift in the business needs, prompting many organizations in financial industry to invest in the technology. In parallel, to match up the growing requirements put forward by regulatory bodies, organizations in Capital Market have to invest in new technology. Migration to Cloud is a great example of how organizations are leveraging cloud technology to manage fluctuating business demands (financial transactions, for instance). NSE has 100% subsidiary, called NSE IT, that takes care of IT needs for the stock exchange, and it offers services in areas such as digital transformation, analytics, and provide solutions for underwriting, claim management etc. RegTech is another area where so many start-ups and established service providers are investing in.

Financial impact of the cyber-attack goes beyond the actual attack. CxOs have acknowledged that Cybersecurity is no longer an IT issue alone; it has become a Boardroom topic.

Though technology enables organizations to serve the demands of customers and business partners, if the technology isn't integrated well within the infrastructure, it may lead to the cyber-attack due to open vulnerability. Another challenge that is often overlooked is the legacy technology that may not support latest features of multi-factor authentication or may not integrate well with other modern solutions deployed elsewhere within the organization. Hence widening the attack surface.

Business driven Technology adoption thus requires leaders to hire right talent who understands the technology and security aspect and can manage risks.

Evolution of Data Security norms and regulations

Many countries, including India, have either released their local data privacy laws or they will release the laws in near future. For instance, Joint Parliamentary Committee submitted its report on India's Data Protection Bill to Parliament in Dec. 2021[5], after months of deliberation with leaders in public and private companies across the country.

In order to comply with the clauses of data regulations (including GDPR and other regional ones), organizations have to invest in technology. For instance, in order to manage company data, one needs to implement solutions based on network protocols/encryption standards that meet the regulatory requirements. Some organizations that have budget and technical know-how may also opt for automation of data protection processes to gain visibility over the sensitive data flow, and such organizations have well-established DPO office that ensures regulatory requirements are met. From the supply side, as the result, we have seen many consulting firms and large service providers offering services around data protection and conducting data privacy impact assessments or DPIA to understand the data privacy posture, and provide DPO as a Service.

In the context of data privacy, rise in cryptocurrency have also pushed business leaders of Capital markets to understand the privacy laws in this context - understanding the role of participants, understanding the clauses such as data storage and consent management provide opportunity for business leaders in Capital market to adopt new technologies to address any cybersecurity or data privacy risks that may arise.

These 3 drivers may not be collectively exhaustive in summarizing the drivers for mindset shift. However, they do represent broader picture.

HOW CAN ORGANISATIONS IN CAPITAL MARKET EVOLVE THEIR CYBERSECURITY POSTURE?

Organizations in Capital Market must take risk-based approach to manage cybersecurity risks. This approach largely comprises of 5 key activities - some are one-time activities that require frequent review, and some are periodic activities. Based on the findings of these activities, the organizations must review any change to the way cybersecurity is being handled. Each of these activities are discussed below:

Benchmarking

Benchmarking activity will allow organizations to compare their current state with that of peer-set or cross-industry organizations of similar size and complexities. Cross-industry benchmarking often helps in learning about best practices that may often be overlooked by peers in the same sector. An outcome of the benchmarking exercise is often the quantitative analysis of where you are in each of the categories versus your peer group, followed by recommendation to improve the weaker area. Generally, all the leading consulting firms and large SI players have their own framework for carrying out the benchmarking. However, if any organization would like to custom build its own framework, think about key risk areas that you face within your organization, and develop questionnaires for those areas. Some of

the examples of those areas are third-party risk (or vendor management), in-house application development, investment in defense/monitoring systems, reporting structure, effectiveness of BCP/DR plan etc. The questionnaire, thus developed, will be highly customized your own needs and would help BU heads to self-assess the practices.

To summarize, benchmark will help organization to understand its current maturity of handling cybersecurity.

Risk prioritization

The next logical step is to prioritize the risk and know your most critical assets (or Crown Jewels). One of the pre-requirements to carry this exercise is that the organization must have complete asset inventory, along with mapping of the owners. Based on the outcome of this exercise, an organization will have complete view of what are those critical assets, how does downstream and upstream data flow in/out of these critical assets, where these critical assets lie and what security controls are in place.

With this view, business leaders can work on the investment plan and prioritize/channelize the budget investments. Prioritized cyber investment will help organizations to allocate more spending towards critical assets, and hence business leaders can justify the cybersecurity budget in front of the Board members.

Technology investment

As stated above, risk prioritization exercise will help organizations to understand where the critical assets are, and the level of security controls implemented to protect those critical assets. Based on this analysis, CISO and business leaders can take informed decision about where to invest. As an example, if the organization feels there is a need to improve the data management practices, for better handling of regulatory clauses, business leaders allocate a fixed portion of the budget to data management solution. There may be the case for investment in real-time event-based monitoring or the case for bringing in AI based capabilities to manage fraud, organization will be in position to take informed decision.

Establish Cybersecurity program

Establishment of Cybersecurity program must begin by understanding the current state maturity (from Benchmarking findings), and compliance assessment against applicable standards and regulations, for example studying the risk framework released by SEBI is a good starting point. Once the CISO understands the compliance state against such standards and regulations, s/he will be in better position to act on the few (or all) of the following:

- Updating the policies, procedures and standards as per the applicable standards and regulations
- Assess the reporting structure to ensure that organization is in position to make quick decision during critical cyber incidents
- Frequency of doing vulnerability assessment and penetration testing
- Updating the technology stack (for instance SOAR, IAM, SIEM solutions, NGF etc.) and ensuring integration of new technology with the existing technology stack
- Evaluating the need to invest in RegTech to automate processes within the organization
- Ensure that employees across organization are undergoing periodic cybersecurity training and awareness. These training may be based on general awareness such as password policy or phishing campaigns, or specific trainings based on the tools and solutions in use.

Information sharing

Information sharing is the most critical step, especially for organization in Capital market. This is because of interwoven units mentioned above in the introductory section. CISOs must ensure to participate in industry forums, ensure to exchange views with industry bodies, so that they can keep themselves updated about the threat landscape. Additionally, it is important to establish consortium with CERT-IN, leaders from private companies, Industry bodies and leaders from public sector can meet every quarter, and additionally this consortium must be able to provide near real-time update on the any active threat or cybersecurity attack.

1. Cyber Attack on Indian Stock Exchange, Cybersecurity Insiders, https://www.cybersecurity-insiders.com/cyber-attack-on-indian-stock-exchange/
2. ETNow Digital - https://www.timesnownews.com/business-economy/companies/article/india-s-2nd-largest-brokerage-hit-by-cyberattack-hackers-steal-data-of-25-million/744123
3. A special report: Cyberwarfare in the C-Suite, https://cybersecurityventures.com/cybercrime-damages-6-trillion-by-2021/
4. The state of Ransomware in Financial services 2021 - Sophos, https://www.sophos.com/en-us/medialibrary/PDFs/Whitepaper/sophos-state-of-ransomware-financial-services-2021-wp.pdf
5. India's (Personal) Data Protection Bill, IAPP - https://iapp.org/news/a/a-look-at-proposed-changes-to-indias-personal-data-protection-bill/

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He has worked with leading firms such as McKinsey & Company, Data Security Council of India (DSCI - A NASSCOM initiative) in the past and currently he is working with Wipro limited as Senior Practice Manager in Strategy & Risk Practice.

ANTI-MONEY LAUNDERING - IS THERE A PERFECT STRATEGY?

SHRADDHA SHAH

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After an exhaustive coverage of the Indian and global Anti-money Laundering & Combating the Financing of Terrorism (AML & CFT) regulatory regime last time, this particular piece of writing is dedicated towards providing a guidance on how to derive a strategy that will enable implementation of an effective framework within the organization. Due to the enormousness of the topic, this is contained to operators within the Indian capital/securities market industry.

Securities Market providers would range from those that largely interact with retail investors, such as retail stock brokers, wealth/fund managers and financial advisors, to those serving a largely institutional market like clearing members, prime brokers, global custodians, sub-custodians and depository banks including depositary participants. This is by no means an exhaustive list.

Are the risks real?
Are we really vulnerable?
Should I suspect all my clients as criminals/money launderers?
AML is just about an ID and Address proof?

These are some of the questions I have come across during my interactions with many of my experienced industry colleagues. While I do share their sentiment to a large extent and I have justified the reasons below, the answer is yes, we are vulnerable.

At the forefront, I would like to optimistically believe that we are adequately cushioned due to the robustness of Indian capital markets operating framework and maturity of the regulations in the securities trading sector, and below mentioned controls become the source of my belief and optimism;

1. No cash dealings/transactions
2. Non-acceptance of bank/demand drafts (so we exactly know the source of funds)
3. Non acceptance of funds from a third party account (so we know who exactly are we dealing with)
4. Non acceptance of bearer/benami shares (no anonimity)
5. Prohibition on benami transactions/accounts (no anonimity)
6. Mandatory identification of ultimate beneficial owners (go to the end of the chain)
7. No outsourcing of KYC or AML functions
8. Online transactions through a well regulated banking system
9. Additional requirements for foreign nationals trading in stock markets
10. Stock exchanges trading in only Indian securities
11. Limited offering of unregulated/complex products (eg. Crypto assets)

As you would see, certainly there are safeguards that the operating infrastructure offers, and hence one may sometimes wonder, what is the residual risk here?

These safeguards have been there, however they are dynamic in nature and the global environment keeps changing rapidly. These do not entirely eliminate the perpetrator of a crime from accessing the securities market for laundering illicit proceeds of crime. Our role

as a vigilante/protector of the integrity of our financial system from such perpetrators is in finding a strong foothold within the global changes. Let me attempt to simplify this.

First and foremost, our role as AML professionals is not to launch an investigation into an individual/ client, a transaction or to even conclude any possibility/ probability of a crime. Investigating & concluding a crime is the role of the Financial Intelligence Unit (FIU) and the authorities. What one is definitely expected to do is be alert, identify abnormalities and report a suspicion to the FIU.

First and foremost, our role as AML professionals is not to launch an investigation into an individual/client, a transaction or to even conclude any possibility/probability of a crime. Investigating & concluding a crime is the role of the Financial Intelligence Unit (FIU) and the authorities. What one is definitely expected to do is be alert, identify abnormalities and report a suspicion to the FIU. This report must carry within it all the available details that a financial market intermediary is obligated & expected to know. To fulfill this role, one needs to ensure one has all the necessary equipment, resources & infrastructure available to do justice to this position of immense responsibility.

Reporting a suspicion is easier said than done. Sophisticated, intelligent (and expensive) online AML tools (suspicious alerts generating systems) are readily available all over the marketplace. These plug and play offerings have the capacity to generate thousands of alerts a day. Too many alerts and an expensive system may not necessarily ensure that there is enough control as those may still not be effective in identifying the real risk. These systems do not know your business, your customer categorization and what is 'unusual', unless you feed it in. Alert closure and audits on these processes also leave an increased business overheads. **The bridge that an AML professional has to build is on this gap between 'alerts' & 'meaningful alerts' by making the best use of the technology available in hand.** This is something that will need to be structured and fed into the system. I am attempting to share the bare minimum parameters that the business needs to analyze and review much before the thought of investing in any AML monitoring system.

An effective AML Risk Management Framework of an organization would broadly comprise of identifying and managing the below risks;

1. Customer Risk
2. Geographical Risk
3. Payments Risk
4. Products, Service & Distribution Channel Risk
5. Transaction Risk

If an organisation is licensed and operating in India under the Indian regulatory framework, dealing in recognized stock exchange and listed products, operating through a network of SEBI licensed distributors and utilizing the well regulated online banking system for payments, then what essentially this narrows down to are the risks enlisted in point no. 1 and 5 above.

Knowing ones customer and their transaction profile well, and decentralizing this awareness with the AML business team within the organization will go a long way in managing the real risks posed to a business. Additionally this will also minimize the overhead system & resources costs to a large extent. With a focus on these two broad aspects, let us delve into how to get started.

I Customer Classification/Segmentation and II Transaction Monitoring

I. Customer Classification/Segmentation

Why is KYC (Know Your Client) so important? Should one suspect every client as a money launderer? No, one is not expected to suspect every client to be a money launderer. However in an event a suspicion/red flag were to arise, one needs to be well equipped with knowledge about the customer to confidently eliminate any such suspicion. The (KYC) regime exists to help the customers to eliminate such suspicions during the lifetime of the customer. It is one of the strongest defense if the situation were to turn tide against the organization. The below stated customer level data & segregation would be required within the organization, without which, even a world-class technology may not be of any value addition.

Let's divide this 'knowledge about the customer' into quantitative and qualitative aspects of information in the possession of the organisation;

Quantitative

1. Source of Wealth (history of wealth generated over a period of time)
2. Source of Funds (the account from which the money is sent to your system)
3. Cross border- cross country flow of funds/source of funds, if any

4. Customers Business Operations (including products & geographical reach)
5. FATF High Risk & Prohibited Countries List
6. Regulated/Unregulated markets operating in
7. Country of Residency & Country of Business Operations
8. Politicians or Politically Exposed or any powerful/influential position which may be at a risk of being susceptible to bribery and corruption and crime
9. CIBIL, MCA, SEBI debarred lists, other regulatory screening checks
10. Annual Income & Net worth information
11. KYC Documentation
12. Sanctions Screenings

Qualitative

1. History of investments, assets, savings, banking practices
2. Size of transactions - i.e. intended transactions - transaction profiling (one needs to know the 'usual' to find the 'unusual')
3. Size of business proportionate to business revenues
4. Behavioural aspects

In years of my rich & rewarding experience as a principal officer with the FIU, I could safely conclude that this intelligence about a customer is more often than not, already available within the organization. However, it is just not present in a formally documented manner that could be utilized for implementing an effective AML framework. This is the basic information that the automated system will thrive on to give you an expected quality of output. With the help of all of the above information any system would easily arrive at an inherent risk rating for a customer (for eg., High, Medium, Low). Enhanced or Simplified Due Diligence standards could then be applied based on such classification. For example if 2% of the customers fall in High Risk Category and 98% in Low risk, one would have already paved the way for the level of monitoring required to be implemented within each categorization.

The quality of output of a system always depends on the quality of the input. This customer segmentation will go a long way in determining how much time you would and need to spend on reviewing alert. One could still argue that this level of detailing may not be available in a small sized retail business set up. Bare minimum documentation standards have been well laid out by the industry regulators and these should be non-negotiable for the business. Customer education and awareness would be critical challenge and an aim in such situations. In my observation, one of the strengths that the smaller businesses have and could ride on, is their personal rapport with most of their customers. A small step forward would be to record it in a manner that would serve the monitoring needs well.

In anticipation of any regulatory inquiry, one must be able to help the authorities by demonstrating a reasonable understanding of the customer. This backed by clear KYC documentation and the history of the customer interactions and relationship, one would have arrived at most important defense in the fight against money laundering i.e. 'customer knowledge'.

II - Transaction Monitoring

With the 'customer knowledge' aspect well handled, we have successfully minimized customer risk & geographical risk. Let's target what is important at a transaction level. The capital market industry in India would be more vulnerable to the 'layering' stage of money laundering also overlapping the offence of 'market abuse'. The 'placement' stage of money laundering in which illicit cash is introduced in the financial system is through the banking system. The heavy lifting here is done by the Banks by acting as the first line of defense in identifying the source of such 'cash'.

Market abuse is a general term used to describe a wide range of types of unlawful behavior in the financial markets including market manipulation, wash trading, insider trading, misappropriation, layering, unauthorized pooling, spoofing, front running and the like. Market abuse risk is relevant in AML/CFT context for two principal reasons. Firstly, some forms of market abuse may constitute predicate offences for money laundering under applicable national laws. Secondly, certain controls which financial institutions may be required to implement to comply with market abuse laws, in particular, the surveillance trading activity, may also be of use in monitoring for suspicious activity for AML/CFT purposes. Such commonalities and efficiencies are to be encouraged so long as both market abuse and AML/CFT obligations are fully met.

Setting up Scenarios & Red Flags

FIU in India, Regulators (SEBI in India), Stock Exchanges have released guidance circulars from time to time that enlists the red-flag indicators/scenarios in identifying market abuse. The regulators always emphasize on adopting a 'risk based approach' which means you know your business the best and thereby you know the risks posed to your business the best. Plenty of indicative scenarios are enlisted keeping various intermediaries in mind and an AML professional would have to identify the ones applicable & relevant to ones businesses.

A point to note here would be that for a money launderer, market abuse may not be the intent,

however in trying to complicate the audit trail, distract the surveillance officers and misguide the investigation, large scale layering maybe resorted to (sometimes even including multiple financial institutions) which could end up as a market abuse alert.

Common suspicious activity indicators

1. Making a large purchase or sale of a security, or option on a security, shortly before news or a significant announcement is issued that affects the price of the security, which may be suggestive of potential insider trading or market manipulation.
2. A request is made to execute and/or clear a buy order and sell order for the same security or similar or correlated securities (and/or on behalf of the same beneficial owner), in close chronology.
3. Accumulation of stock in small increments throughout the trading day to increase price.
4. Engaging in prearranged or other non-competitive securities trading, including wash or cross trades of illiquid or low-priced securities.
5. Marking the closing price of a security.
6. Front-running suspected with regard to other pending customer orders.

Setting up Thresholds (quantitative transaction monitoring limits)

Once the relevant scenarios applicable to the business are selected, the next step would be threshold setting. This will depend on the size/volume of the business and as much on the transaction profile of a customer (for eg., an INR 1 Crore worth of transaction could be relatively high or low for a customer depending upon his financial profile & the usual size of transactions in the capital market) **You ought to know the usual to identify the 'unusual'.** Higher or Lower thresholds may be set for one particular scenario depending on the customer profile.

Threshold Review

If a particular threshold is giving out too many or very few alerts, then those need to be validated based on tunable (flexible) parameters. Have a periodic quality check process to verify threshold limits selected and analyze alerts generation capacity for each threshold.

Alerts Closure

Once the thresholds are set for each scenarios, alerts will get generated and the below are the 4 main tools available to an AML professional for reviewing a particular alert and concluding it as suspicious

1. appears unusual compared to the transaction profile information of the client
2. has no clear economic purpose and is not what is intended transaction as per the transaction profile
3. appears illegal/unlawful eg., any market abuse indicator
4. does not commensurate with the overall customer's profile or business activities;

Well documented rationale for closing an alert as non-suspicious is a very critical aspect of the obligation of record-keeping by financial institutions. One needs to make sure the system has all such capabilities to assist you in meeting these obligations in a non-fussy manner.

Reporting a Suspicion & Record Retention

An alert which arouses a suspicion needs to be escalated within the set reporting channels of the organization by keeping the business partners in full confidence and on-board with ones reasons for suspicion. There will be multiple rounds of discussions and also reaching out to the client to gather more information about a particular transaction to eliminate all possibilities of a mistake. The discussion with a client would need to be done in a routine and sensitive manner without giving out any leads about a probability of reporting a suspicion as that could lead to the offense of "tipping off a customer". At times client could provide reasonable rationale for an unusual transaction which should be documented in detail.

Once the transaction is concluded as suspicious, the regulatory timeline triggers and one has 7 days from such conclusion to file a 'suspicious transaction report'. The in-house system should have the capability to transport all data into the reportable format and should ideally facilitate interface with the FIU's online reporting mechanism.

Records of all such reports need to be maintained in anticipation of any regulatory enquiries during the lifetime of the client and 5 years after the cessation of the customer relationship.

Continuous Fight against Money Laundering

India has indeed come a long way in developing an infrastructure for facilitating a powerful legislation, mandating a regulatory framework and reporting standards, yet a lot needs to be done and the AML profession will evolve to be a very dynamic and an important one in years to come.

Shraddha is a senior private banking & capital markets compliance professional with 16 years of experience in SEBI regulations and PE/FDI transactions, financial crime & sanctions, transaction/trade surveillance and has worked in India, Hong Kong & Singapore. She is a Company Secretary and LL.B by qualification.

BYOMKESH PANDA

Ex-Indian Economic Service

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THE CENTRAL BANK DIGITAL CURRENCY (CBDC) PROJECT OF INDIA

A. Emergence and proliferation of digital money is one of the greatest monetary innovation since the introduction of paper money. Digital money has started to replace paper money as the dominant form, just as a couple of centuries ago token-based paper money had gradually diminished the role of precious metal coins. Breakthroughs in financial technology (Fintech), ranging from card payments, e-money, mobile payments, to the more recent cryptocurrencies, stable coins, abandoned private digital crypto-currency of Meta (Facebook) like Diem/Libra, portend transformative changes to the monetary and financial systems. In the digital age of smartphone and high powered tablets and laptops; digital money and finance have advantages of convenience, functionality and material constitution over paper money.

B. Digital money and crypto-currencies have posed risks to price stability, smooth operation of payment systems and to the conduct of monetary policy by the Central Banks.

Under such a scenario, the prospects of adoption of a Central Bank Digital Currency (Hitherto also referred as "CBDC") has become imperative.

The Hon'ble Finance Minister has announced in the Budget Speech that the introduction of Central Bank Digital Currency (CBDC) will give a big boost to digital economy. Digital currency will also lead to a more efficient and cheaper currency management system. It has been proposed to introduce a CBDC under the name of Digital Rupee, using blockchain and other technologies, to be issued by the Reserve Bank of India starting 2022-23.

C. CBDC is a digital money which is proposed to be issued by the Reserve Bank of India (RBI) and will carry sovereign guarantee. The form of CBDC is an electronic/digital currency. However, it can be converted or exchanged at par with similarly denominated paper Rupee currency notes/metal coins and also with traditional central bank deposits. On the legal side, it is the legal tender currency issued by the Central Bank of India, the RBI. In short, CBDC is nothing but digital legal tender money. One may decline to accept payment through a crypto-currency like Bitcoin or Ethereum; but payments through CBDC will be mandatorily acceptable under law. It is identical with fiat currency and fully exchangeable/convertible one-to-one with the fiat currency. Only difference is in form and medium. CBDC is the instrument by which central bank accounts would be accessible by the public in the same way as commercial bank deposit accounts.

The CBDC can also act as a new class of asset whose value is strictly equivalent to that of other forms of currency issued by the Reserve Bank of India, that is free of any liquidity or credit risk (Unlike stablecoins like USDT Tether or the abandoned Diem) and that can be moved through blockchain-type protocols.

D. Why Digital Rupee/CBDC?

Arguments have been made that since digital money transactions are going on smoothly through modes

like UPI payments, credit or debit cards, internet banking etc.; what is the requirement or relevance of an additional digital payment option? Digital payments have been growing rapidly in the country with annual growth rate over 50%. The digital retail payment systems are running 24/7 seamlessly. In such scenario, questions regarding any potential added utility of Digital Rupee/CBDC are bound to arise. Therefore, it has been labelled as just a global fad by many observers.

CBDC is a digital money which is proposed to be issued by the Reserve Bank of India (RBI) and will carry sovereign guarantee. The form of CBDC is an electronic/ digital currency. However, it can be converted or exchanged at par with similarly denominated paper Rupee currency notes/metal coins and also with traditional central bank deposits.

The answer lies in two layers:

1. Since everything is going digital, why will fiat money - cash remain physical (paper currency)? Digital transformation has swept over Indian financial system in a big way. The Digital India campaign of the Government has also given a boost to internet connectivity and online delivery of financial services. In such a scenario of rapid digital evolution of monetary and financial sector, there is no logic or argument for cash/currency to stay in physical form.

2. That CBDC is visualised as a tool of monetary policy for the Reserve Bank of India. CBDC is a legal tender and a central bank RBI's liability in digital form denominated in the sovereign currency. The form is of electronic currency which can be converted or exchanged at par with similarly denominated cash and traditional central bank deposits. CBDC is the legal tender that is liability of the Central Bank (RBI) directly to the holder. Also called digital fiat currencies or Digital Base Money (DBM), the CBDC will act as a digital representation of a country's fiat currency, and will be backed by a suitable amount of monetary reserves like gold or foreign currency reserves. It is nothing but the digital counterpart of Rupee currency/coin.

E. Benefits of Digital Rupee/CBDC adoption:

The Digital Rupee (Indian CBDC) can be visualised as having numerous benefits to users as well as the monetary and financial system.

(i) Traditional financial systems function with involvement of a large of intermediaries that shoot up the costs and fees through intermediary charges. It is expected that the Digital Rupee/CBDC will result in saving of payment of fees to intermediaries.

(ii) Financial Inclusion: CBDC is an effective method for banking the unbanked sections. According to the World Bank Global Findex, around 20% of people in India are unbanked. It has been argued that Digital Rupee can help create an inclusive financial system. Only a smartphone mobile application, internet banking and text-based banking services will be required setting up to ensure a smooth and stable CBDC-based payment system.

(iii) It has been claimed that the introduction of CBDC will make the global payment system a lot more resilient. Currently, the payment system is concentrated in the hands of a limited number of entities like Society for Worldwide Interbank Financial Telecommunications (SWIFT) and Clearing House Interbank Payments System (CHIPS). Using a Distributed Ledger Technology-based Digital Rupee can have a very positive effect here. The Digital Rupee will enable smooth integration into global payment and clearance systems.

(iv) According to IMF, a properly executed CBDC can counter new digital currencies. Privately-issued digital currencies (PDCs) can be a regulatory nightmare. A domestically-issued CBDC which is, denominated in the domestic unit of account, would help counter this problem. Digital Rupee CBDC will give Reserve Bank of India greater control over monetary management.

(v) CBDC settlements are to be made through Reserve Bank of India itself and it reduces settlement risks in the financial system.

(vi) Economist Kenneth Rogoff in The Curse of Cash (2016) has held that paper currency has at least two significant drawbacks: It facilitates the growth of the illegal economy, with the corresponding losses in terms of missing tax revenues, without mentioning other social negative spill-overs; and it hampers the effectiveness of the monetary policy, being the basis of the existence of the zero lower bound

on the nominal interest rate. Digital Rupee will overcome these lacunae of physical cash.

(vii) The CBDC will dissipate the concerns of counterfeiting and frauds. Even smart contract based CBDC will go a long way in inserting contractual obligations across users.

The CBDC can also act as a new class of asset whose value is strictly equivalent to that of other forms of currency issued by the Reserve Bank of India, that is free of any liquidity or credit risk (Unlike stablecoins like USDT Tether or the abandoned Diem) and that can be moved through blockchain-type protocols.

F. Potential repercussions:

It has been argued by some Economists that Digital Rupee/ CBDC is not free of potential ramifications which may affect the financial stability of the country. These observers have advised further research and caution on the matter. The issues flagged are as under:

(i) Disintermediation Risks and Liquidity Risks - Effect on Finance and existing Commercial Banks:

Disintermediation is the withdrawal of funds from intermediary financial institutions, such as banks and savings and loan associations, to invest them directly. It has been argued that disintermediation may occur if the retail CBDC will turn out to be a better option and it will crowd out deposits. The holding of retail CBDC will increase and bank deposits will be substituted with retails CBDC. Hence, banks will face paucity of deposits, leading to higher cost of funds, and therefore, lending will turn costlier. Under such high cost of borrowing and lending, there will be certain impact on credit freeze and the equilibrium volume of credit in the economy may be lower. There might be financial crunch and liquidity problems caused by deposit outflows.

However, if appropriate adjustments are made by the RBI and commercial banks, the risks and adverse probabilities would be miniscule/non-existent.

(ii) Risk of Run on Commercial Banks/Financial Instability:

It has been stated that the CBDC is an attractive alternative with theoretical zero credit risk. With CBDC, households and businesses would have an incentive to transfer their bank deposits to CBDC in a systemic crisis situation, unless there were a ceiling on the outstanding amount of CBDC. In step with declining confidence in the banking sector, this might happen, despite the depositor guarantee scheme and any higher interest rate on bank deposits. The main difference of bank money with CBDC would be its apparent superiority and widespread availability as a flight-to-safety vehicle.

Such aspects are expected to be kept in view while implementation of the Digital Rupee/CBDC project.

G. Way Forward:

Apart from the above, the issues of design of the digital architecture and security of payments through Digital Rupee/CBDC will pose certain challenges. A permissioned Blockchain system will require tremendous computing and digital data storage capacities. Further, the value transfer systems will require robust data as well as privacy protection protocols. The Reserve Bank of India is working relentlessly to work out the best format, structure and execution strategy for the Digital Rupee.

It is hoped that Digital Rupee/CBDC would result in a paradigm shift of Indian monetary system and would enable the Indian financial system to evolve in tandem with innovative disruptions in the FinTech sector.

[Views expressed by the Author in this Article are purely and completely personal. The academic views of the Author have no impact or bearing on the position and views of the Government.]

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His areas of professional interest are BEPS and taxation of Digital Economy, tax issues related to Crypto currencies and Blockchain, Comparative Tax laws, evolution of Law of Transfer Pricing in India, innovations in financial sector etc. Presently he is pursuing a Ph.D on the topic "Impact of CBDC on India". His book "Blockchain, Bitcoin and Other Crypto-currencies" is at an advanced stage of publication.

His general interests include research in Sanskrit language, study and practice of Ornithology and running Marathons.

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FROM UNCERTAINTY TO ACCEPTANCE: CHARTING CRYPTO'S ROAD AHEAD IN INDIA

SUMIT GUPTA
Co-Founder & CEO
CoinDCX

India has always had a vibrant tech landscape and is the third-largest start-up ecosystem in the world. The nation's tech sector raised US$6.3 billion in just the second quarter of 2021 alone, affirming India's position as a hotbed of innovation and technological advances.

When it comes to innovation, we only need to look at India's crypto space to understand how the plethora of cutting-edge advancements in digital assets are transforming the country's digital economy. Despite regulatory uncertainties, crypto start-ups in India received 73 percent more funding in the first half of 2021 than in the whole of 2020. Undeterred by regulatory pushbacks and threats of outright bans, 2021 was the year of India's crypto unicorns, where we saw CoinDCX, and another industry peer surpass valuations of US$1 billion.

With the promising road ahead for crypto in India, there has been notable progress on both the innovation front and on the regulatory side. India's recent decision to tax crypto instead of imposing a blanket ban on digital assets, as well as making inroads to introduce a central bank digital currency (CBDC), are promising signs of the nation's growing welcoming stance towards the future of finance.

The State of Crypto

There is no mistaking the influence and impact that crypto has had on the global economy and the effect it will continue to have as the sector continues growing. Crypto's phenomenal success in the year in 2021 saw cryptocurrencies hit US$3 trillion in market capitalization, set multiple new highs, and gained institutional support from policymakers and traditional financial institutions. 2021 was crypto's year of reckoning, with digital assets achieving institutional legitimacy. Coupled with the fascination around non-fungible tokens (NFTs) and the promise of the metaverse, crypto as an industry is set to gain mainstream acceptance in 2022.

Even with crypto's muted performance at the start of 2022, the market has been on the road to recovery as leading cryptocurrencies rebound, thawing possibilities of a crypto winter. JPMorgan also voiced confidence in the sector and anticipates greater crypto adoption in the long term. The market made further headway after Russia's surprising move to recognise crypto as a form of currency, setting in motion plans to regulate digital assets. As the 11th largest economy and one of the biggest crypto adopters in the world, Russia's move will likely shift scales and have a ripple effect in the larger crypto sector-just as we saw when the US Securities and Exchange Commission (SEC) approved the first Bitcoin ETF which sent crypto rallying.

With the mainstreaming of crypto, some of the biggest banks from the likes of DBS and Commonwealth Bank are making inroads into the sector. Coupled with traditional financial institutions from the likes of PayPal, Visa, MasterCard and BlackRock already introducing new crypto offerings, crypto has emerged as the cornerstone to the new digital economy.

Setting Up India's Crypto Moment

As the world's second-largest crypto adopter, India is outranking most of the world's largest and most

developed economies. Investors are bullish about crypto's potential in India, pouring US$587 million in funding in 2021 - reaching the highest amount ever raised - of which CoinDCX and other industry peers accounted for nearly 60 percent of the capital raised.

With the promising road ahead for crypto in India, there has been notable progress on both the innovation front and on the regulatory side. India's recent decision to tax crypto instead of imposing a blanket ban on digital assets, as well as making inroads to introduce a central bank digital currency (CBDC), are promising signs of the nation's growing welcoming stance towards the future of finance.

Looking ahead, India's crypto ecosystem is also slated to grow to US$241 million by 2030, creating over 800,000 jobs. Adding to that, with more than four in five people being aware of crypto in India and 19 percent of urban Indians intending to invest in virtual currencies, more people are placing their trust in crypto. As one of the most populous countries in the world, this number of crypto adopters translates to a massive number of users. With the majority of crypto investors in India being millennials and the younger generation progressively set to move into roles where they become decision-makers and leaders, the importance that digital assets' hold will undoubtedly grow in the years to come.

On top of that, India's historical foundations as a tech capital gives the nation added leverage as it embraces the digital asset sector. As a hotbed for tech innovation, India's natural tech ecosystem has created a conducive environment for digital assets to flourish in and a great opportunity to bank on as the nation sets its sights on becoming a US$5 trillion economy by 2025.

Smart Policymaking is Key to Innovation

Today, the Reserve Bank of India (RBI) has set up a fintech division to keep pace with the crypto industry- a promising sign of the maturation of the sector that will give greater transparency and credibility to the industry. This is a welcome sign that bodes well not only for India's crypto ecosystem, but also for our digital economy at large.

The crypto community has also been welcoming and encouraged by the recent introduction of the 30 percent tax rate on crypto-related transactions which serves to bring greater legitimacy to the industry. While this is so, the high tax rate is unfortunately also a double-edged sword, hindering the progress of the sector. Being a nascent industry and an innovative sector pushing the boundaries of possibilities, such a hefty tax rate would inevitably impede wider adoption.

Beyond that, there are still opportunities to provide greater clarity when it comes to tax deductible at source (TDS) - especially in terms of how the tax will be applied and deducted in the case of crypto-to-crypto trades.

Looking Ahead

In the global economic race, shying away from technological progress will only shortchange the potential of the Indian economy. With the rapidly evolving digital finance frontier, it is imperative to find ways to keep pace with the sector. As such, institutional support and acceptance, as well as regulatory policies and guidelines will serve to legitimize the digital asset sector and encourage greater innovation and adoption.

As Prime Minister Narendra Modi envisions India to become the third-largest economy in the world in the next three years and calls for a united front to regulate cryptocurrencies, a digital-led growth strategy would be paramount to keep the nation on track to its US$5 trillion economic dreams while ensuring guardrails to imbue trust in the digital asset economy. India is already well-positioned in the tech sector and will, no doubt, have the upper hand to become a crypto powerhouse if the country chooses to champion the future of finance.

Views are personal in nature.

Sumit Gupta is Co-Founder and Chief Executive Officer (CEO) of CoinDCX, India's first crypto unicorn and the safest cryptocurrency exchange. As a pioneer in India's crypto industry, Sumit has been instrumental in bringing the emerging asset class to the consciousness of India's mainstream. In his role, Sumit is responsible for the overall strategy and growth of CoinDCX, and is the driving force behind the company's vision to onboard 50 million Indians into crypto.

As co-chair of the Blockchain and Crypto Assets Council (BACC), a part of IAMAI, whose members are crypto exchanges operating in India, Sumit is an influential industry figure who advocates actively for better understanding and adoption of crypto. When Bitcoin began gaining traction in 2014, Sumit saw the potential of leveraging blockchain technology to enable financial inclusion and saw crypto's potential to supercharge India's growing innovation economy. Together with his team at CoinDCX, he is committed to democratizing access to crypto for India, empowering Indians to manage their digital wealth in an increasingly digital and decentralized future.

ROLE OF FINTECH IN THE FINANCIAL MARKETS

DHIRAJ RELLI
MD & CEO
HDFC SECURITIES LTD.

“The young generations are the next growth engine for investment funds, exchanges, custodians, broker platforms, and the broader economy. They are rejecting traditional investment ideas and are excited about tools and technologies that can grant them instant liquidity, easy and safe access to the markets, analytics, and speed and availability of information.

India is emerging as a global superpower in fintech innovations. At 87%, India’s fintech adoption rate is the highest in the world, all due to a vibrant and huge young population. The country has the world’s largest Gen Z and millennial population, and these digital natives have been one of the driving factors of fintech adoption.

Incidentally, the pandemic brought a huge number of young Indians into the stock market. Over 13 lakh new Demat accounts were added by brokerages every month between April 2020 and May 2021. Most of them were young first-time investors leveraging the rapid surge in the equity markets to gain some additional income.

The rapid penetration of the internet and smartphones even in the Tier-II and Tier-III cities supported their endeavours.

Evolving Consumer Needs Driving Innovation in the Financial Markets

The young generations are the next growth engine for investment funds, exchanges, custodians, broker platforms, and the broader economy. They are rejecting traditional investment ideas and are excited about tools and technologies that can grant them instant liquidity, easy and safe access to the markets, analytics, and speed and availability of information. Instant gratification is important to them, and they are now used to digital transactions.

Needless to say, the financial markets are at an inflection point. Driven by evolving consumer needs and a conducive policy framework in India, fintech is set to change the way investors participate in the financial markets; just like it has revolutionised other sectors like banking, payments, and lending.

Fintech-Driven Innovation in All Facets of the Capital Market Value Chain

Today, established capital market players have realised that collaboration is the way forward, rather than competition. The industry is facing many challenges in terms of competition, technological advancements, and regulatory pressures. High structural costs, heavy capital charges, and stagnant revenues have been challenges for years. Innovation is not an option for these firms anymore. To drive efficiencies and increase proximity with indirect and direct customers, they need to collaborate with fintech players.

The latter has the flexibility, technological prowess, and customer proximity to address challenges across the entire value chain of the capital markets. Incumbents in return will offer expertise, regulatory licensing, connectivity, scale, and infrastructure. With state-of-the-art tools and technology stacks, fintech innovations have brought huge benefits to retail investors and traders.

Improving the Core Market Infrastructure

The traditional relationships between broker-dealers and clients have changed today. Previously, strict requirements for capital and risk-weighted assets brought down brokers' and investment banks’ returns on

equities. This has forced them to re-evaluate their methods to engage with customers. The need of the hour is creating safer and more transparent access to liquidity and assets. Through fintech, it has been possible to leverage new technologies, such as the cloud and APIs, to seamlessly manage market infrastructure. It is this infrastructure that is the backbone of the capital markets, connecting asset owners and intermediaries.

So, where a few years ago, most Indians couldn't afford brokerage services or electronic trading, today they can easily do so.

New technologies like AI, machine learning, and data analytics have made remote onboarding of new customers effortless. Digital KYC procedures have replaced traditional verification methods, where customers can sign-up for trading and investments by presenting digital copies of IDs. Many players in the Indian BFSI sector are geo-tagging the applicant's location to see whether their details match the data processed by the platform. Facial recognition and document verification processes can further be used to look at the authenticity of documents.

Secure Trade Execution

Retail traders are now demanding online platforms to source trading strategies. They desire tools that can help them identify and analyse potential trading opportunities. Already, we are witnessing a range of technologies like algorithmic trading and robot advisors that can enhance trading execution speeds by automatically approving profitable strategies, based on a set of conditions. Going forward, these algorithms will become smarter, not only through the synthesis of market data and price feeds but also via alternative data sources like market sentiment, social media chatter, and weather forecasts.

Distributed-ledger technology (DLT), especially DeFi, promises to be one of the most valuable frontiers for the financial markets. Derivatives trading that typically included contracts with a clearinghouse or intermediary can now be executed via smart contracts in an open market. From tokenising financial assets to securing transaction histories, blockchain can enhance market efficiency and transparency like never before. The technology can significantly reduce trading costs by removal of intermediaries and enabling faster transfer of securities.

The regulation of blockchain is currently unclear. With the right amount of government support and industry participation, India could become a global hub for blockchain innovation by 2023, says a survey by PwC. As of 2021, the nation had the world's highest number of crypto owners. This gives hope that more financial market infrastructure firms will invest in DLT, to create new market models. This will help in the democratisation of both processes and access to the financial markets.

Post-Trade Digitisation

To maximise capital efficiency and mitigate operational risks, it is necessary to optimise post-trade operations. This includes automating manual-intensive processes that still exist in our industry like regulatory compliance, securities lending, and collateral management. Fintech solutions can help manage large-scale stress testing and reporting processes. Regulatory technology (RegTech) is a key growth area in this regard in India, where technology and software are intelligently managing fraud detection, digital KYC, anti-money laundering, and more.

With the RBI coming down heavily on financial institutions for non-compliance, and the average cost of a data breach in the country standing at a whopping ₹16.5 crore in 2021, such technologies will be more important than ever across the financial services sector.

It is the age of the super-apps. Millennials today can buy and sell on the stock markets, get investing advice, invest in pension schemes, mutual funds, and track their expenses, all from a single mobile app. But fintech in the capital markets is beyond just a "Gen Z targeted smartphone frenzy." It has the potential to revamp the definition of financial inclusion, where huge swaths of the population who previously had limited ways to generate wealth can gain market access, and support in nation-building.

The good thing is that partnerships are growing, and fintech start-ups are attracting more talent from the broker and investment banking sector, to create the next wave of innovations. The future looks exciting and promising for Indian investors.

With a career spanning over two decades, **Dhiraj Relli** brings to the table a wealth of experience in the Banking, Wealth Management and Financial Services space. As the Managing Director and Chief Executive Officer, he oversees all aspects of the company's Institutional, Retail Business and Operations. A member of the HDFC family since 2008, he has served as Senior Executive Vice President and Head of Branch Banking at HDFC Bank, where he managed Retail Branch Banking spreading across 800 branches in different geographies.

Prior to this, he worked as the Country Head, Branch Banking, with Centurion Bank of Punjab, and also held various posts with ICICI Bank, and other well-known financial services organisations. He is a member of the Trading Member Advisory Committee, National Stock Exchange and Member of the Advisory Committee of Bombay Stock Exchange.

A B.Com. (Honours) graduate f A B.Com. (Honours) graduate from Delhi University, he is a qualified Chartered Accountant from The Institute of Chartered Accountants of India and also did an Advance Management Program from the prestigious Indian Institute of Management, Bangalore.

PASSPORT TO GLOBAL EQUITY INVESTING - OPPORTUNITIES AND CHALLENGES

BHARAT PAREEK
Head - Product & Segment

ICICI SECURITIES PRIVATE WEALTH MANAGEMENT

Apple, Google (Alphabet), Intel, Facebook (Meta Now), Amazon, Netflix, Microsoft, Mercedes, Toyota, Twitter - a multitude of large global brands have become important parts of our everyday lives. We love the brands, the products and the experience - doesn't it make sense to own a piece of these remarkable companies too?

Let's understand why should an Indian investor sitting here in India, delve into international markets really:

1. Participate in the growth story developing globally

With access to international markets, you have the option of investing into the leaders & innovators across the globe. This helps you participate in the growth story of other leading economies - e.g. the US is home to large giants like Facebook, Amazon, Apple, Netflix, Google (collectively termed as FAANG stocks). To simply gauge the size of the US market which is the world's largest stock market - US stock market is almost 16x of the Indian stock market. And Apple Inc. (which touched a $3 trillion market cap in early 2022) is just smaller than the GDP of the top 4 countries - simply put, on its own it is bigger than the 5th largest economy in the world!

2. Diversification of currency risk is one of the main drivers.

Rupee has historically depreciated almost 2% - 3% per annum against leading currencies like the USD and EUR in the past 10 years. This means any Indian investor investing in foreign securities denominated in these currencies, may have seen his investment appreciate by 2% - 3% per annum merely due to the currency movement when converted in RUPEE.

3. Diversification

Since the winners across the geographies keep on changing and the underlying factors affecting various regions may be distinct from each other, there is a strong reason for diversifying one's portfolio across economies. So, even if the economy takes a dip, the value of your portfolio will be affected only to a limited extent.

4. Accumulation of foreign currency

If you're looking at accumulating global currency like US Dollars for kids' education, foreign travel or other offshore investments including but not limited to real estate, global investing helps you create that corpus in the foreign currency and grow it efficiently.

5. Safety of funds

Developed economies like the US have extra tough customer protection laws to save customers from any wrongdoing by the brokerage house or the account provider. For example, brokers like Interactive Brokers offer a coverage of up to $500,000 (almost Rs. 3.7 crore) against failure of broker-dealer.

“Apple, Google (Alphabet), Intel, Facebook (Meta Now), Amazon, Netflix, Microsoft, Mercedes, Toyota, Twitter - a multitude of large global brands have become important parts of our everyday lives. We love the brands, the products and the experience - doesn't it make sense to own a piece of these remarkable companies too?

6. Fractional shares

One unique aspect of US bourses is it allows fractional ownership of shares. Fractional shares let investors purchase select stocks based on a dollar amount they want, rather than the price of a whole share. This makes investing globally in US stocks affordable (e.g. you can own a fraction of Tesla shares for just $1, where each share costs almost $900 which is around Rs. 68,000 OR you can own a fraction of Amazon share for just $1, where each shares costs almost $3200 which is around Rs. 2,40,000). Hence the minimum ticket size for taking an exposure to US securities is low.

> **As they say, smart investing is all about maximising returns with a focus on optimising risks. With a judicious mix of securities - both domestic and global, you stand a good chance of multiplying and increasing your returns while partaking in an exciting avenue like global investing.”**

Things to Note:

1. Associated cost

Banks charge remittance fees for sending money abroad, which depends on your bank and usually ranges from $10 - $20. Since, you send money abroad for investing in the international markets, there will be currency conversion charges levied by your domestic bank for both outward and inward remittances - these may range from 1% - 2% and may vary from bank to bank.

From Oct 2020, a 5% tax deduction at source is also applicable for any foreign remittance above RS. 7 lakhs every financial year.

Some brokers may even levy money for every withdrawal and these charges are usually in the range of $10 - $20 per withdrawal.

2. LRS limit:

The RBI released guidelines under Liberalised Remittance Scheme (LRS) permit Resident Indians to remit up to $250,000 per financial year without any special permissions. And your investments in global securities are also governed by this limit.

3. Taxation:

There is no Tax Deduction at Source (TDS) for your stock market gains in the U.S. So when you make money and send it back to your Indian bank account, your broker does not deduct any tax on it. You pay Short-term Capital Gains Tax or Long-term Capital Gains Tax in India, whichever is applicable. Short-term Capital Gains apply if the security is held for less than 24 months and if you hold it for 24 months or more, Long-term Capital Gains will apply.

However, there is a 25% TDS which is applied only to your dividend and interest earnings. Since U.S. and India have a Double Taxation Avoidance Agreement (DTAA), it means that you pay tax only once.

You should consult your tax advisor if you wish to get any further details.

4. Any other Point to be kept in mind?

Small but important point is home bias.

Indian investors usually have better knowledge and know how when it comes to their own market or economy. Nuances of other economies like political environments, regulations, macro policy among others may not be well known to Indian investors - so it is an important aspect of investing to know the country specific and company specific details when you decide investing in global companies.

So, here’s the conclusion:

Benefits that global investments provide certainly dwarf the challenges you may face when you invest in global stocks directly from India. Moreover, countries like the US are not only the most dominant and home to the largest corporations in the world but you have choice beyond US in Europe, Japan and Asia. So, it makes great sense to invest globally instead of ‘limiting’ yourself to just your own country.

As they say, smart investing is all about optimising returns with a focus on reducing risks. With a judicious mix of securities - both domestic and global, you stand a good chance of diversifying the risk of country, currency and growth potential and increasing your returns while participating in an exciting avenue like global investing.

Bharat Pareek, heads products and segment for ICICI securities Private Wealth Management. Bharat has over 21 years of rich experience across financial markets and has worked with some of the most prestigious names in the industry i.e. HDFC AMC and Reliance Industries Ltd. He specializes in varied domains across fund management, proprietary trading, corporate treasury and resource mobilization. He holds a CA and a CFA degree.

JAIDEEP HANSRAJ
MD & CEO
KOTAK SECURITIES

“The Indian capital markets have seen unprecedented growth in recent years not just in terms of valuations but also new investors. This has also coincided with new brokers entering the markets. Competition pushes everyone to do better. The next few years will herald the biggest changes in the Indian markets yet.

WHAT'S NEXT?

The Indian capital markets have seen unprecedented growth in recent years not just in terms of valuations but also new investors. This has also coincided with new brokers entering the markets. Competition pushes everyone to do better. The next few years will herald the biggest changes in the Indian markets yet.

Customer First

For the longest time, the broker with the largest physical footprint, could reach the most number of people. This has changed with the advent of technology. The level playing field has put the focus on being customer first. The new age brokers are leading the change with customer centricity in every decision. The next big development at any broker is no longer a pure bottom line call. How does this help the customer? Does this make their life easier? These are the pertinent questions being asked before locking in the roadmap. Customer education and simplified onboarding journeys form a vicious loop of growth. We are still scratching the surface in terms on penetration. This laser focus on the customer will only help open up the markets to an even larger base over the long term.

Regulations

The regulators have also been cognizant of the changing times. Regulatory changes have defined a significant part of every broker's roadmap in the last few years. These changes are driven with a singular agenda, protecting the customer. SEBI is cracking down heavily on non-compliance of these regulations and shrinking the head room a broker has for irresponsible behavior. Much like in the banking space, as long as we can ensure the customers and their investments are protected, the investor confidence will grow and brokers working towards best interests of the customers will be rewarded.

Rise of Fintechs

The recent years have also seen a meteoric rise of independent applications who cater to a particular need of the customers. These applications integrate with brokers so that the customers can continue to enjoy a seamless experience. The regulators have been cognizant of this and came out with a white paper. While to some it has brought panic, a white paper is an encouraging sign that the regulators are open to listening and want to know what the street wants. The first implementation will

be far from ideal but I have no doubt that over time all parties will work together harmoniously, so that customer interests are protected without stifling innovation.

> **Brokers will see more and more of their balance sheets being filled through Third Party Products and Third Party Applications. The inevitable bear phase which will raise its head at some point in the future. The sturdiness of the brokers will be put to test in terms of customer centricity at the back end, i.e. risk management. If the last decade belonged to the discount brokers, the next will belong to the truly customer first brokers.**

Mis-selling

The Covid years have seen an unprecedented rise in Option volumes. Options are the highest leverage instruments available to retail customers. Their complex nature means it's easier to mis-sell. There's no regulated vehicle, like PMS for equity, for a transparent fund management mechanism in Options. Technology can ensure much stringent checks and balances and while this may lower direct retail participation, it would be for the better for protecting the long term interests of the clients.

Bottom Line

Every broker at the end of the day is vying for revenues and market share. The plethora of brokers with little differentiation, will inevitably lead the price sensitive Indian investor to the broker which caters to most of their needs with the highest ease and at the lowest cost. Brokers will see more and more of their balance sheets being filled through Third Party Products and Third Party Applications. The inevitable bear phase which will raise its head at some point in the future. The sturdiness of the brokers will be put to test in terms of customer centricity at the back end, i.e. risk management. If the last decade belonged to the discount brokers, the next will belong to the truly customer first brokers.

Jaideep is the Managing Director and CEO at Kotak Securities has assumed charge with effect from 15th July, 2019. Previously, he was CEO - Wealth Management and Priority Banking, Kotak Mahindra Bank.

He is a Banking and Financial Services veteran with over three decades of experience. He brings with him a strong domain expertise in investments and capital markets along with a proven track record of building and scaling large businesses.

With more than two decades in the Kotak Group, he has handled multiple portfolios. He joined the Kotak Mahindra Group in July 1993. In a short span of four years, he was elevated as Chief Executive of Kotak Mahindra International Ltd. (a subsidiary of Kotak Mahindra Finance Limited) in Dubai.

In October 1999, he took over as the Head of Kotak Securities' Private Client Group (PCG) and in September 2004, he assumed charge as Head of Kotak Wealth Management. Under his leadership and to his credit the Kotak Wealth Management Business has emerged as a leading wealth management firm in India and has won several accolades and recognition across the industry. He also led growth and expansion of Private Banking, Priority banking as well as NRI Banking at Kotak Mahindra Bank Ltd.

He has been consistently working towards providing cutting edge customised financial products that help the clients in long-term wealth creation, preservation and growth. He strongly believes that digital is the way forward and is making significant contribution in positioning Kotak Securities as digital first organisation.

He is also a part of Kotak Mahindra Bank's Group Management Council that drives and oversees the Kotak Mahindra Group's growth charter.

LIC IPO TO ADD VIBRANCY INTO THE INDIAN PRIMARY MARKET IN 2022

AJAY MENON
Whole-time Director & CEO - Broking and Distribution

MOTILAL OSWAL FINANCIAL SERVICES LTD. (MOFSL)

Most of these startups barring a few saw euphoric subscription and got listed at substantial premiums. They traded with good positive momentum in 2021 but fate turned from the start of 2022 as the secondary market turned volatile on concerns surrounding the potential interest rate hike by US Fed.

Rs 1.2 lakh core: Highest ever IPO fund raise in a year

2021 turned out to be a record breaking year for the primary (IPO) market with parallel buoyancy in secondary market. The primary market witnessed a very exciting journey with a total of 64 companies raising Rs1.19 lakh crore through IPOs in 2021, making it highest ever fundraise in a particular calendar year. Such excitement was last seen in 2017 when firms raised Rs67,147 crore through 36 IPOs.

Paytm: Largest IPO so far

The year saw several new-age digital plays getting listed (Paytm, Nykaa, Policy Bazaar, Zomato, etc.) on the bourses, defying the traditional valuation matrices. They attracted many investors especially the retail newbies with lucrative growth stories though they came with hefty valuations. Infact these new age digital firms raised the highest fresh capital during the year with companies like Paytm raising Rs 18,300 cr and Zomato raising Rs 9,375 cr. Paytm became the biggest IPO ever so far, surpassing Coal India which had raised Rs15200 crore in 2010.

Markets scale New Highs in Oct'21

With the kind of abundant liquidity that was available in the market with institutions and further supported by retail investors in 2021, both the market flourished together and scaled new highs. Though towards the last few months of the year, with some concern on valuation and tightening of liquidity, secondary market witnessed a pullback as large new age companies IPO attracted the liquidity towards the primary market.

Most of these startups barring a few saw euphoric subscription and got listed at substantial premiums. They traded with good positive momentum in 2021 but fate turned from the start of 2022 as the secondary market turned volatile on concerns surrounding the potential interest rate hike by US Fed.

Global Volatility impacted performance in 2022

Nifty has corrected ~12% from its peak of 18,600 in Oct'21, led by various global factors. The focus has now shifted to potential interest rate hike by US in March Fed meeting as inflation has persistently remained high, while oil has crossed USD100/bbl. The recent Geopolitical flare up pertaining to Russia-Ukraine has further impacted the near-term sentiments. FIIs have been persistently sellers in the market since Oct'21 and have sold to the tune of Rs1.8 lakh crore since then. This has impacted the performance of the recent IPO stocks with almost half of the 64 IPOs in 2021 slipping below their issue price, while more than two-third of the IPOs have slid below their listing price.

Despite challenges - IPO pipeline remains strong

So far, we believe the primary market would continue with its buoyancy in 2022 as well, as the humungous liquidity flows and good listing by many IPOs has instilled confidence in investors for IPOs. Lot many IPOs are lined up for the year 2022 which would keep the excitement high among retail investors, including one of the biggest IPOs of India - that of LIC, which is expected to come in March this year. Further many more new age companies are likely to come up with IPOs in the coming months including Oyo, Ola, Pharmeasy, Delhivery, Byjus, MobiKwik and Ixigo. So far, three companies have hit the market since the start of the year - including AGS Transact Technologies, Adani Wilmar, and Vedant Fashions.

There are about 29 crore LIC policy holders which is nearly 4x the current number of demat accounts in India. Even if a fraction of them subscribe to the IPO, it would result in the entry of large number of retail investors into the Indian capital market. Of them, even a small portion become active investors, it would provide huge leg-up to the market volume. The success of LIC IPO will go a long way in establishing the equity investing culture within the masses in India.

LIC IPO - Landmark event in India's capital market history

India is likely to witness one of its biggest IPOs - that of LIC, which is expected to come in March this year as it is critical for the government to achieve its disinvestment targets for FY22, even after it was pared down from Rs1.75 lakh crore to Rs78,000 crore. For FY23, government has pegged the target even lower at Rs 65,000 crore. So far, it has raised only Rs 12,029 crore from the disinvestment in some PSUs and through privatisation of Air India. Balance amount it plans to fetch through LIC IPO, thus making it crucial for the government to conclude next month despite volatility.

According to the DRHP filed with SEBI, the government has proposed to divest 5% of LIC's equity (31.6 crore shares) through the offer for sale, which is likely to fetch around Rs65,000-70,000 crore. LIC is the world's largest insurance company with domestic market share of 66% in new business premium for FY21. LIC's asset base crossed Rs 38 lakh crore while its investments crossed Rs 36 lakh crore in fiscal 2021.

LIC IPO - Potential to expand India's retail investor base

The government has reserved 5% and 10% for employees and policyholders, respectively. These two categories would be part of the overall 35% set aside for retail investors. Along with this special reservation, the government plans to additional incentive like special discount for its Unit holders and employees which could create higher interest and increase participation in the IPO.

If we reflect back at the Coal India IPO, the participation by retail investors in it had been historic and unprecedented. The retail offering was oversubscribed 2.1 times and more than 1.7 lakh retail investors applied for its shares, translating into total bids for 45.86 Crore shares worth Rs11,235 crore.

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Ajay Menon is the Whole-time Director & CEO - Broking and Distribution of Motilal Oswal Financial Services Ltd. (MOFSL). He is a CA and also certified in Series 7, 24 and 63 of FINRA Regulations

He has over 24 years of vast experience in Indian Capital Markets. He has been the cornerstone of MOFSL's strong track record and a driving force behind the operational excellence of the group.

He has always demonstrated his aptitude and passion for creating and building several cutting edge technology initiatives to provide the best experience to the customers. He has been instrumental in laying the foundation of the group with a strong focus on Compliance and Risk Management. Under His stewardship, MOFSL has excelled by delivering superior business results even during volatile market conditions. His multi-product strategy helped the organization sustain its revenue in the changing scenario. He has been highly instrumental in garnering various accolades and awards for the MOFSL group.

PRADEEP GUPTA
Co-Founder &
Vice Chairman

ANAND RATHI FINANCIAL SERVICES

BUSINESS, TECHNOLOGY AND BEYOND

Technology and digital transformation has been the key buzz word since a couple of years now, with large to small scale business shifting their operational activities to cloud and online for better productivity and ease of business activity. Owing to the pandemic and the lockdown that took into effect, working remotely became a necessity and organizations across sectors and sizes adopted to the new norms of remote working and digitization in their processes and offerings. With growing uncertainty of the times and the likely realities of the "new normal," more and more organizations are now charting the course for transforming and moving toward cloud computing and digitization. Even looking at the global counterparts, Microsoft CEO Satya Nadella said that the company had seen two years of digital transformation in two months as even their customers had started adopting cloud solutions.

The global pandemic has somewhere pushed and accelerated the rate of adoption of cloud computing. It has acted like a catalyst and enabled flexibility with respect to cloud computation and acceptance. Gartner, in its research report stated that the worldwide end-user spending, post the pandemic, on public cloud services is forecast to grow 18.4% in 2021 to total $304.9 billion.

Some of the key reasons that businesses have adopted to this accelerated digitization is remote working, online education, focus on environmental sustainability, evolution of business operation with focus of Artificial Intelligence (AI), Virtual reality (VR), chatbots, digital payments, etc. increasing drastically.

Even the union budget presented by our FM focused a substantial portion on digitization. Right from the road map for issuance of e-Passports using embedded chip and futuristic technology proposed to be rolled out in 2022-23, focused on enhancing convenience for the citizens in their overseas travel, to introduction of blockchain technology via digital rupee. Digital rupee to be issued using blockchain and other technologies which is proposed to be issued by the RBI starting 2022-23, this is expected to give a big boost to the economy.

At present the digitised banking has reached over ~420 million people in India, making space for digital financial inclusion. This bosting and creating a huge socio-economic behavioural changes towards digital finance. It is allowing India's rural and semi-rural population to be open to using digital gateways securely. Due to this inclusion, along with the government's relentless work towards a digital India, the country's digital payment value is expected to grow more than double to $135.2 billion by 2023, according to an ASSOCHAM - PwC study.

Even if we look at Software as a service space for India, it has been growing rapidly, with projection expected to grow at ~30% CAGR over 2020-25 and double their share in the global market to 8%-9% by 2025. India now has 13 software as service unicorns as compared to one in 2018, with India being the third largest ecosystem globally, after USA and China.

> **"With growing uncertainty of the times and the likely realities of the "new normal", more and more organizations are now charting the course for transforming and moving toward cloud computing and digitization.**

Table 1.Worldwide Public Cloud Services End-User Spending Forecast (Millions of U.S. Dollars)

	2019	2020	2021
Cloud Business Process Services BPaaS)	46,066	51,027	55,538
Cloud Application Infrastructure Services (PaaS)	58,91	80,002	1,00,636
Cloud Application Services (SaaS)	1,20,686	1,45,509	1,71,915
Cloud Management and Security Services	22,664	25,987	29,736
Cloud System Infrastructure Services (IaaS)	64,286	91,543	1,21,620
Desktop as a Service (DaaS)	1,235	2,079	2,710
Total Market	**3,13,853**	**3,96,147**	**4,82,155**

BPaaS = business process as a service; IaaS = infrastructure as a service; Paa$ = platform as a service; Saas = software as a service
Note: Totals may not add up due to rounding. Source: Gartner (August 2021)

We have also seen a few challenges also on the way such as finding the right skilled resources in the technological sector, the IT department would be needed to be more agile, proactive instead of depending on reactive models. There is also a challenge of compliance and data security to a certain extent which the companies would have to tackle during migration to cloud.

The recent push in digitization and technological advanced in digital payment getaways like RuPay, BHIM are aiding to the push in financial inclusion across the country.

The digital transformation of India has rubbed off on the BFSI sector, with them leveraging the technology for process automation and improvement in ease of transactions online to enhance customer connect. New-generation finance companies are leveraging partnership networks across the value chain of lead generation, client on-boarding, acquisition and retention, credit/loan disbursement, and much more than ever before. Firms now assess individual consumer insights and create alternative advisory models using artificial intelligence (AI), machine learning (ML), and big data analysis, which helps in giving its customers customised services and offerings basis their needs and requirements.

We have also have been witnessing a lot of financial institutions looking at blockchain not only in terms of quick and secure transaction but also for risk management, reducing of frauds etc. Blockchain has helped the financial sector in creating a more transparent space with the added security benefit. The platforms cryptographic algorithm brings in extra layer of security during exchange of information amongst parties. It also aids in lowering costs due to digitization and automization of various tasks increasing efficiencies. The capital market faces a lot of strict rules and regulations, we are witnessing more and more financial institutions realising the potential of blockchain technology and cryptocurrencies. As the major players in these industries conduct tests to discover innovative use cases and opportunities, we'll begin to see more blockchain-based solutions for transparent, accessible, and reliable financial transactions. This is a space we need to keep a close eye on as it is expected to change the way the way and parameters on which we do business in the capital market space.

India to a great extent has covered digital literacy grounds, digital financial inclusion remains the need of the hour for the country. We have already crossed the market capitalisation of $3.46 trillion, making us the 10th largest stock exchange in the world. We are also one of the fastest growing economies and I believe with the expansion in the technological and digital space, providing ease of doing business to banks and NBFC's we are just going to grow multifolds.

I believe that the participation of the whole country in digital finance will pave the way for economic growth in line and accordance to our global counterparts. Digital financial inclusion has and continues to be the key in ensuring is the key to ensuring democratic and unrestricted percolation of digitalisation's benefits, which will form the base for inclusive development in the country's overall growth trajectory.

Pradeep Gupta, the Co-Founder and Vice Chairman of Anand Rathi Group (ARG), which is one of India's fastest growing full service investment bank, providing a wide range of financial services to institutions, corporates, wealthy families and individuals.

Established in 1994, Anand Rathi is one of India's leading financial services firm offering Wealth Management, Investment Banking, Corporate Finance & Advisory, Brokerage & Distribution services in the areas of equities, commodities, mutual funds, structured products, insurance, corporate deposits, bonds & loans to institutions, corporations, high-net worth individuals and families.

He has vast industry experience in running enterprises with varied business interests. He started his professional journey with a family-owned textiles business. His interest and love for financial markets drew him towards starting his financial services firm and he stepped into financial services with Navratan Capital & Securities Pvt. Ltd. and later joined hands with Mr. Anand Rathi to establish the AnandRathi Group.

With over two decades of rich experience in financial markets, he has played a pivotal role in laying the foundation of the Institutional Broking and Investment Services arm of the group. His ground-breaking spirit has driven the firm's dynamic growth, rapidly expanding its footprint. With his business acumen, the Anand Rathi Group has setup branch network and business partner's network across India.

He is also an active member of the Rotary Club of Bombay.

Under his dynamic leadership the group has bagged prestigious awards and accolades at various fronts.

THE YELLOW METAL... "ON BULL RUN AGAIN"

AYUSH AGGARWAL
Chief Investment Officer

SMC PRIVATE WEALTH, DIRECTOR - SMC GROUP

"Contrary to the expectations, gold has managed to remain stable so far this year even as central banks prepare to dial back stimulus and inflation-adjusted bond yields rise. Meanwhile, recent equity market volatility and geopolitical concerns surrounding Russia and Ukraine have boosted the demand for safe-haven gold.

The sleeping beauty of 2021, Gold has suddenly woken up in 2022 as investors' love for pure gold has risen once again. Gold closed last year nearly 4% lower, its first yearly loss in three years, despite inflation hitting the highest level in nearly four decades!

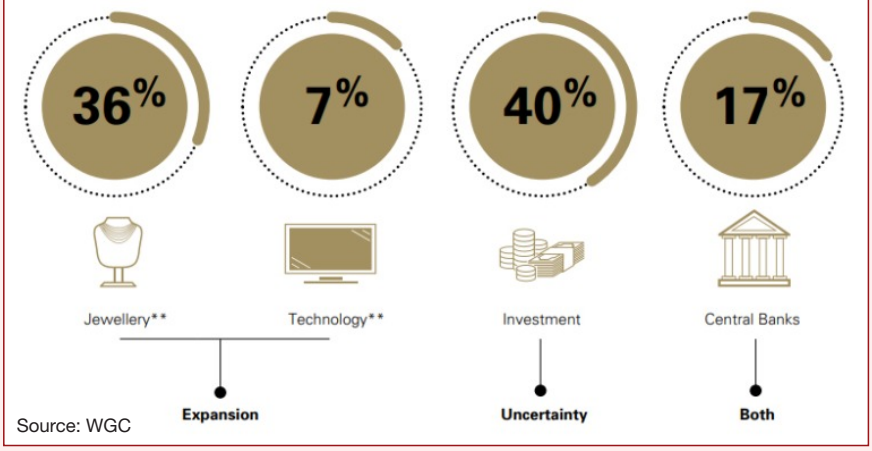
News of monetary tightening as growth rate was as per expectation and economies that no longer needed further stimulus; eroded the buying appeal of gold. Since the metal does not pay any interest, it succumbed to the rising yields as central banks worldwide resorted to policy tightening measures to contain inflation.

World was expecting a dull start for gold as the Bank of England already raised interest rate and more announcements were expected from Fed and other central banks amid the reopening of the world economy.

Contrary to the expectations, gold has managed to remain stable so far this year even as central banks prepare to dial back stimulus and inflation-adjusted bond yields rise. Meanwhile, recent equity market volatility and geopolitical concerns surrounding Russia and Ukraine have boosted the demand for safe-haven gold.

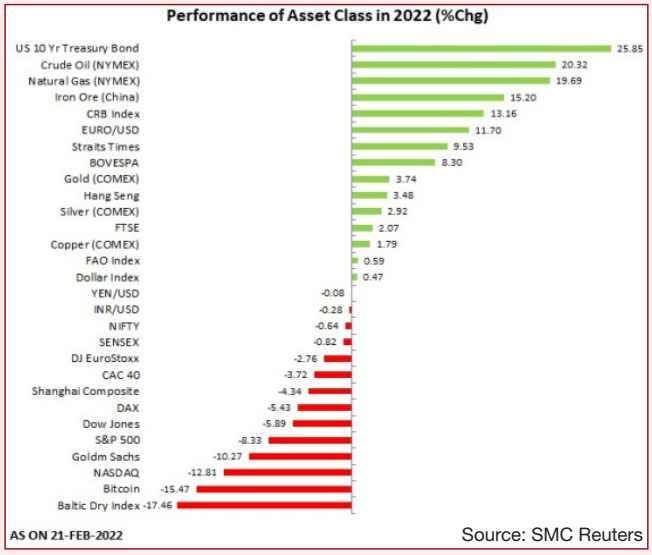
The beauty of this metal is that it is diversified as jewellery, investment, technology and Central Banks reserve which keep the demand intact. The distribution is shown in the below picture.

Gold is bought around the world for multiple purpose - as a luxury good, a component in high-end electronics, a safe-haven investment, or a portfolio diversifier*



Source: WGC

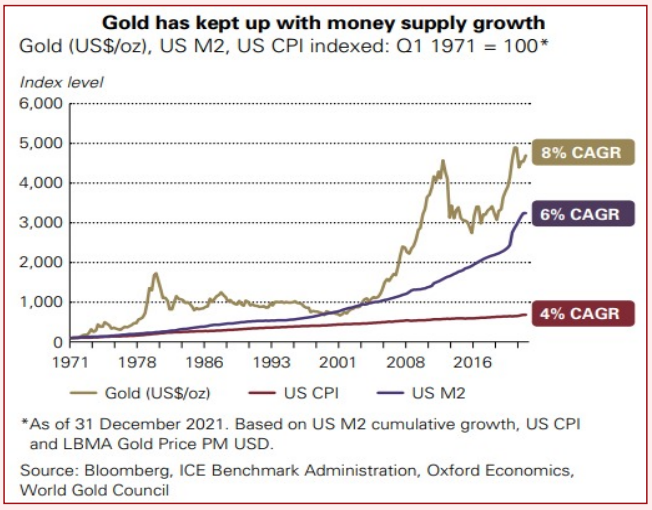
We have seen an attractive return in gold in 2022 so far, but the major attraction is the US treasury and commodities return. Equity indices have given either mediocre returns or negative returns which of course makes commodities and treasury attractive; including gold.



Factors Responsible for Current Rally

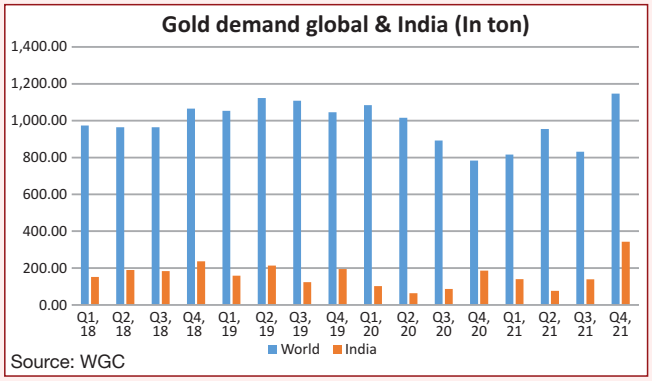
Geopolitical Tensions: Gold touched an eight-month high, reached $1990 per ounce after Russian news reports of mortar fire in eastern Ukraine boosted demand for the safe-haven metal. The Ukraine crisis has given extra momentum to bullion bulls who have been gravitating towards gold as an inflation hedge, evidenced by the recent surge of inflows into bullion-backed ETFs. Unfortunately, if war happens, it will bring more sanctions, sour relationships, trade tussles, which may hamper the growth of the world economy. In anticipation of these fears, Gold has seen inflows. If war fears subsidize then we may see cool off in gold prices and vice versa.

Higher Inflation Worldwide: Gold has also historically performed well amid high inflation. In years when inflation was higher than 3 per cent, gold's price increased 14 per cent on an average. Further, in the long run, gold outpaced US inflation and moved closer in pace to money supply, which has significantly increased in recent years, according to WGC.

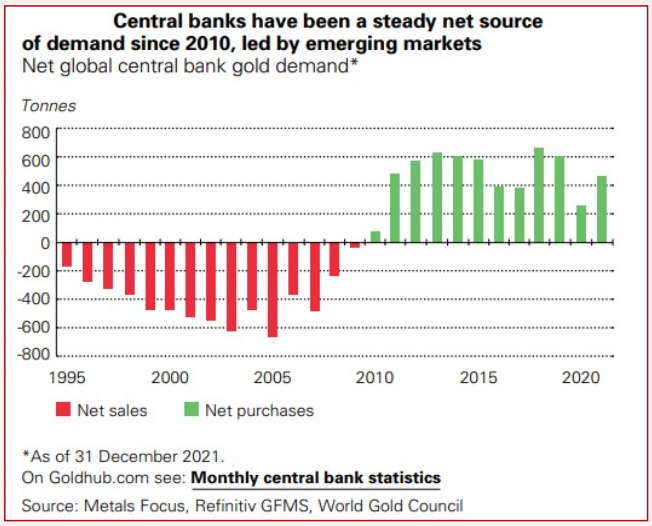


Omicron Still Haunting the Economy: With lockdowns following Omicron in Europe, the UK and the U.S., the production lines which are all scheduled for the just-in-time inventory model will get affected and capacity utilization which only recently got back to normal would start drifting lower. It is already giving commodities a sharp rise amid increasing demand. The policy on interest rates will be contingent on the pandemic situation. Until then, the Fed is expected to work towards draining the excess liquidity that has the potential to add to the spiraling inflation rate.

Rebound in Gold Consumer Demand: Full-year 2021 gold demand (excluding OTC) increased to 4,021t, propelled by Q4 demand which jumped almost 50% to a 10-quarter high.



Central Bank Gold Demand: It rebounded in 2021, which may remain an important source of demand in 2022 as well.



Seesaw Moments in the Equity Market: Since 2019, we have observed gold reacted the most on the equity market. So a fall in the equity market then we see an increase in the gold purchase, as witnessed in 2019 and it is happening currently in 2022 as well. The Indian stock markets have seen a sustained net daily dollar outflow for the entire stretch of December 2021 with the first net daily

inflow coming in on December 28. After giving a solid return in 2021, the equity market is going through a rough phase and outflow is being witnessed everywhere owing to interest rate hike news, geopolitical tensions between Ukraine and Russia, rise in the dollar index, a downward revision of world GDP, Omicron etc. There are risk factors that can pressure the market, such as geopolitics turmoil around the world, including the US-China or the US-Russia relations.

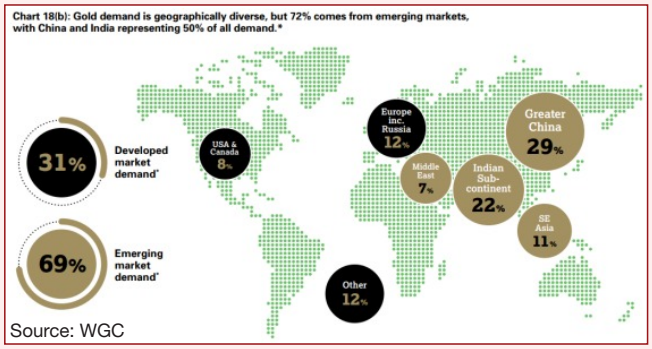
> **Gold touched an eight-month high, reached $1990 per ounce after Russian news reports of mortar fire in eastern Ukraine boosted demand for the safe-haven metal. The Ukraine crisis has given extra momentum to bullion bulls who have been gravitating towards gold as an inflation hedge, evidenced by the recent surge of inflows into bullion-backed ETFs.**

Factors that May Limit the Upside in Gold

Reopening Of The World Economy: Gold prices have declined more than 4% in 2021 after rising 48% over the previous two years as the global economic recovery reduced demand for the safe-haven metal. Early in 2021, as newly developed Covid-19 vaccines were rolled out, investor optimism fuelled a reduction in portfolio hedges. This negatively impacted gold's performance and resulted in outflows from gold exchange-traded funds. Now the world has known how to fight with Covid variants and it is less likely that it will go in major lockdown and thus economic activities will keep on prospering. It will limit the price rise in gold.

Expected Rise in the Dollar Index and Hike in Interest Rate: At present dollar index is trading in an arrangement with the upside bias but we can expect a rise in the dollar index up to 100-102 on an expected hike in interest rate. If it happens then it will again hit the demand for gold as we know that a stronger dollar makes bullion more expensive for buyers who hold other currencies. The US Federal Reserve is projected to hike interest rates about three times this year. Gold has historically underperformed in the months leading up to a Fed tightening cycle. However, not all central banks may move as quickly as the Fed. For example, the European Central Bank said it is "very unlikely" that interest rates will rise in 2022, although the Bank of England increased the interest rates.

Treasury on the Northward Journey: For 10-year US treasuries, an increase in yield is expected, rising to 2.1 percent by the end of 2022. Gold and treasuries are considered to be safe-haven assets, there is a positive correlation between gold and bond prices, while a negative correlation between gold prices and bond yields.



Source: WGC

Technical Outlook

Source: Reuters

CME Gold: CME Gold's future APR (Annual Percentage Rate) made three inside up bullish reversal patterns after making a low of $1778.80. Currently, it is trading above the $1980 level. The most reliable technical indicators are signaling a bullish trend. The moving average convergence divergence (MACD) is above the resistance line which is signaling a bullish pattern on a medium to long term basis while the Relative Strength Index (RSI) 14 value is above 70 which are also signaling for buying in the medium to long term basis. The weekly resistance is seen around $2025 levels, if it breaks and sustains above this level then again it may trade higher towards $2050/$2070 levels in coming months. The immediate support is around $1960, if it sustains and trade below this level will see the downside move towards the major support levels of $1920/$1860 levels respectively. Overall the prices are expected to move positively in the coming weeks.

Source: Reters

MCX Gold: MCX Gold's future APR has been on the up-trend since the beginning of February. It made three inside bullish patterns after making a low of 47479. Currently, it is trading above the short term as well as the long term moving averages on the monthly chart. We have also observed the prices trading above the weekly resistance line of 52600 and well sustained above it. The Relative Strength Index (RSI) 14 is above 60 levels which signaled an upside moment in the coming months. If the prices continue to trade above their resistance, then there is a good chance of further upside to 54900/55900. The short-term support is seen around 51900, breaking this level expects the downside to move towards the next support level of 50600/49750 respectively. Overall, Gold signals uptrend and is trading higher from its support levels.

Source: Reuters

MCXBULLDEX: MCXBULLDEX Mar future trading above the weekly resistance line of 15600 levels and well sustained above it. A moving average crossover (EMA (13) above EMA (21)) along with the MACD crossing over the zero line signals a positive momentum in prices.

Now the immediate resistance is seen around 16100 levels, if it breaks and is sustained above it then can move towards the next resistance around 16800/17200 levels very soon. The short-term support is seen around 15200 levels, sustainable trade below this level can see the downside move towards 14800/14550 respectively. Buy on dips will be a good strategy from its support levels on a weekly as well as monthly basis.

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Conclusion

Under the current circumstances, it is could be wise to have the asset allocation for gold between 5-10%. Rally is likely to continue until we see a solution for these geopolitical tensions. Even if we see some correction, the next round of buying is expected in the second half of 2022.

References:
https://www.forbes.com/advisor/in/gold/factors-to-help-you-decide-your-gold-allocation-in-2022/
World Gold Council

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.

TOP FIVE DIGITAL TRENDS TO WATCH OUT FOR IN 2022

PRABHAKAR TIWARI
Chief Growth Officer
ANGEL ONE LTD.

"As an emerging technology, it will enable a digital identity, allowing individuals and companies to interact, socialize as well as monetize their virtual transactions through crypto and blockchain. Meta-reality holds great potential for the financial segment, where digital wallets and AI-enabled chatbots, and Robo advisors will enable seamless financial data and transaction management.

The digital transformation, which has been underway for the past couple of years across sectors, has drastically accelerated multi-fold in the last year. Mckinsey termed 2021 as the year of transformation, where almost all industry segments transitioned to digital mediums to stay abreast and plan for the future. Ever since there has been a continued momentum of digitization across the country where one in two corporates in India prioritizes having a digital transformation strategy.

The digital transformation led by the integration of digital technologies into business functions across parameters leads to fundamental changes in the business operations of the companies. It offers a range of benefits to organizations across industries by enabling them to modernize legacy processes. It further results in accelerated efficient workflows, strengthening of security and increased profitability.

Driven by new-age innovations, over 62% of the large corporates and middle-market companies are in the formative stages of digitalization. With ongoing technical advancements, heaps of data, and advanced analytics, the unremitting growth in the digital landscape will become more commonplace. About 90% of the companies are doing business on cloud technology. With technologies like the cloud, companies are migrating their data and replicating existing services to a digital format.

However, digital transformation is beyond offering digital services. It can be transformative across the company wherein a robust technology framework in place can funnel the services and data to build insights that bring change to every aspect of the organization. As companies gear up for another year of development, here are the digital trends that are going to dominate the market and make companies re-think their digital transformation strategies:

Accelerated adoption of the metaverse

One of the major trends witnessed in the digital ecosystem is metaverse, and it is likely to ramp up in the coming year. A meta-universe essentially creates a three-dimensional virtual universe by combining technologies such as virtual and augmented reality. Here users can have their digital avatars and interact with each other and their surroundings virtually. As an emerging technology, it will enable a digital identity, allowing individuals and companies to interact, socialize as well as monetize their virtual transactions through crypto and blockchain. Meta-reality holds great potential for the financial segment, where digital wallets and AI-enabled chatbots, and Robo advisors will enable seamless financial data and transaction management.

The businesses that believe in adopting the latest technologies are already building spaces in the metaverse. Some are enabling people to own virtual assets on the blockchain and trade the non-fungible tokens (NFTs). Businesses are all set for a radical transformation led by metaverse.

Growth in blockchain-backed crypto & NFTs

In the era of blockchain 3.0, blockchain technology is revolutionizing the way companies manage their assets, both tangible and digital. Equipped

with blockchain technology, crypto as well as non-fungible tokens (NFTs) has instilled a new mechanism of virtual transactions in the global economy. NFTs are digital assets, supported by blockchain technology, owned as code. Organizations across industries seek safer, secure, linked, and transparent financial transactions. In the digital world, crypto, NFTs, and trading platforms supplant all of these. Secured by blockchain, these digital tokens and currencies can be exchanged, sold, and bought securely and easily. This trend will further accelerate across industries in the coming years.

In India, blockchain has received a push for large-scale adoption of NFTs by brands with the budget announcement of RBI's own digital currency using blockchain. In February, Finance Minister Nirmala Sitharaman announced the work on RBI's Central Bank Digital Currency (CBDC) as India's official digital rupee. The introduction of a digital rupee, developed on blockchain technology, will boost the adoption of NFTs.

Encompassing markets beyond tier one

With increasing smartphone proliferation and internet penetration, more industry players are focusing on reshaping their products and offering to reach the underserved market. 5G and IoT are enabling faster connectivity and accessibility. As a result of this, the rural and sub-urban segments are showcasing a heightened level of preference for digital lending. With ongoing digitization, more digital trading, banking, and credit solutions are made accessible to people living in remote areas. As a result, individuals across tier 2, tier 3, and tier 4 cities will have enhanced access to financial solutions, further unlocking the potential of improved economic activity. For instance, India's equity market penetration is just over 6%, which means there is a lot of scope for digital brokers and fintech companies to reach the untapped potential in tier 2, tier 3 cities & beyond. With their easy-to-access solutions, there will be a multi-fold attempt at the end of these companies to reach more potential clients.

The rise in super apps

Another major development in today's digital world is the development of super apps. The idea of super apps has existed for a while. It is said the term was coined by BlackBerry founder Mike Lazaridis in 2010 when he defined super apps as a closed ecosystem for many apps that people use every day because they offer seamless, integrated, contextualized and efficient experience. Today, from healthcare, food delivery, retail segment to banking, all segments are working towards offering super apps, making multiple services accessible at the touch of a button on a single app. This all-expansive technology is being used by varied industry segments, including the finance sector. In the finance segment, these super apps make everything from banking, investment, trading, taxation to transactions available on a single platform. The future of digitization is driven by consumers, especially the tech savvy millennials and GenZ, who seek safe and efficient tech-enabled solutions.

Continued focus on cybersecurity

The outbreak of COVID-19, followed by country-wide lockdowns across the world resulted in companies moving into remote working environments. It hasn't been limited to working on remote systems but has led to the integration of technologies across functions. As organizations move towards fast-scale technology adoption, cybersecurity threats are evolving at an even faster pace. As a result, today, most industries, especially financial institutions have to focus on one thing - cybersecurity. With the increasing number of digital transactions, the frequency of cyberattacks and ransomware is also increasing proportionately. As a result, corporate investors and stakeholders are advocating for enhanced cybersecurity. To best protect against all potential threats, industries are expected to invest heavily in the installation of cutting-edge fraud prevention systems, KYC, and passwordless security. Alternatively, AI will further the growth of digitalization, accelerating detection and immediate security action.

In a nutshell, the digital revolution has completely transformed how individuals and businesses across the globe interact with each other. Sitting atop the enhanced connectivity, futuristic technologies like AI and ML will continue to grow and change the whole digital landscape.

Looking ahead, it is evident that digital technology will play a key role in business strategy and performance.

Prabhakar Tiwari is the Chief Growth Officer at Angel One Ltd. In his role, he holds the baton for Brand Building, Performance Marketing, and Sales at the digital brokerage firm. He is further responsible for client acquisition, sales transformation, and PR initiatives of Angel One.

Under his leadership, Angel One has seen rapid improvements in its digital maturity metrics and market share gains with a strong focus on performance marketing and tech integrations including web/app analytics and AI/ML-based retargeting strategies.

He has been pivotal in the brand's emergence as the largest listed retail stock broking house in India, in terms of active clients on NSE, backed by several award-winning campaigns including 'Aage Badhne ka Smart Sauda', '#ShagunKeShares', 'Ek Nayi Shuruaat', 'Very Smart campaign', 'Budgetkamatlab' campaign and the Rebranding campaign to name a few.

Through the rebranding campaign, he successfully repositioned the company as a Fintech brand that is a one-stop solution for all financial needs of individuals. Smart Sauda 2.0/Very Smart Campaign was another successful campaign led by him in 2021. The campaign targeted the new-age investors like GenZ and Millennials and encouraged them to be part of the Capital Market.

Prior to Angel One, he has worked with several prominent companies including Marico, PayU, and CEAT alongside others. The core of his professional expertise is built around leading digital & tech-oriented organizations, driving consumer innovation, and ensuring disciplined execution.

VIRAL SHAH
Executive Vice President

IIFL WEALTH

REIMAGINING INVESTING IN COMMODITIES - INDIAN PERSPECTIVE

Commodity price changes over the last year...

- Heating Oil: +90%
- WTI Crude: +80%
- Brent Crude +79%
- Coffee: +73%
- Gasoline: +70%
- Aluminum: +70%
- Nat Gas: +69%
- Wheat: +59%
- Corn: +35%
- Cotton: +34%
- Lumber: +34%
- Soybeans: +18%
- Sugar: +15%
- Copper: +13%
- Gold: +12%
- CPI: +7.5%
- Silver: -4%

Its 2022 & commodity markets are the buzz word in the investment community as this segment has outperformed all asset classes including bonds & equities. However, better part of the portfolios in India have not been able to participate in the commodities story since the two main commodities - Gold & Silver have been one of the worst performers in the last 1 year.

So how does one invest in commodities in India? Do we have the right products to be able to offer to institutional & retail clients? How does the developed financial markets structure commodity linked investment products & offer customized solutions to the client? Do we need to reimagine our own investment strategy?

Commodity Linked investments in the global markets surged to USD 660billion plus~ in 2021.

Commodity Indices ~ ETF

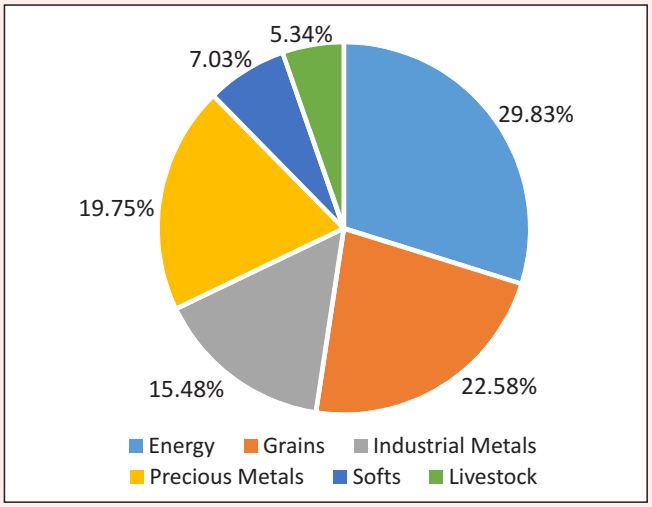
Commodity indices ~ like NIFTY & other sectoral indices provide an opportunity for many active as well as passive market participants to invest in commodity markets. Some of the benefits that they provide can be outlined as under

- Exposure to multiple commodities without worrying about the delivery date, different contract size & allocation to single commodity groups
- The Bloomberg Commodity Index ~ BCom is one of the most followed indices for clients wanting to invest in commodities. Globally some of the top 10 funds /ETF's which track commodities follow the BCOM index
- The nature of the index provides an ability for clients to benefit from backwardation in the commodity markets. As is the case currently, almost 22 commodities are in a state of backwardation which is unprecedented but provides a unique carry structure for long only investors of these indices to benefit from a positive roll
- Annual rebalancing ~ since the index rebalances annually, many outperformers in the commodities group are substituted with lower performers providing a natural profit booking within the index
- Structured products on the index can be designed with higher leverage as well

"Although Indices - Bullion, Metal & Energy have been launched in India - we still don't have any MF's launching any such products that will allow the retail investors to get such a comprehensive exposure to the commodity basket. Hopefully with higher volumes & liquidity - commodity indices in India will get as popular as in the developed commodity markets.

Although Indices - Bullion, Metal & Energy have been launched in India - we still don't have any MF's launching any such products that will allow the retail investors to get such a comprehensive exposure to the commodity basket. Hopefully with higher volumes & liquidity - commodity indices in India will get as popular as in the developed commodity markets.

The constituents of the Bloomberg Commodity Index:



> **Various fund houses have started creating innovative fund offerings which try to generate alpha over and above the returns of the commodity indexes by allocating funds based on the fund manager's instincts without the constraints of being anchored to a benchmark weightage.**

Principal Protected Notes (PPN)

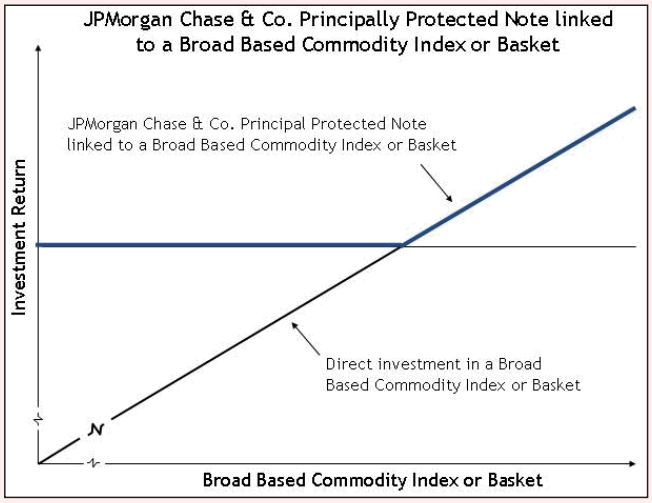
Global investments banks frequently issue principal protected notes which allow clients upside exposure to multiple asset classes like Equity Commodities Bond.

Normally the exposure to these multi asset classes is through Options in these indices or single commodities depending on the structuring. In this regards, OPTIONS on commodities & commodity indices need to be fully liquid for large institutions to buy such exposure & for the seller of these options to trade / hedge their delta through other instruments. In India, many AMC's & some banks do provide liquidity for far dated Nifty Options but since banks are not allowed in the ETCD - Exchange Traded Commodity Derivatives (ETCD) segment, such products cannot be manufactured.

PPN's dramatically alter the risk perception of the client since commodities are cyclical in nature. Hence even if the notes ~ which are typical of a duration of 1-3 years does not play out well - he will get his principal back. Depending on the manufacturer of the note, the participation ~ potential upside on these notes can be adjusted from 80% to 200% with some tweaking to the underlying options position.

The regulators in India should allow for banks / NBFC's to write / buy 1-3 year OPTIONs contract so that such products can be offered to the HNI clients through a PMS / AIF route.

The payoff structure of a JP Morgan Chase & Co. PPN published in a US SEC filing:



Thematic Funds

Various fund houses have started creating innovative fund offerings which try to generate alpha over and above the returns of the commodity indexes by allocating funds based on the fund manager's instincts without the constraints of being anchored to a benchmark weightage. Commodities as an asset class can easily be utilized as building blocks of a portfolio to mirror thematic macro plays. The biggest benefit that commodities offer is that they allow a fund manager to go long as well as short due to the available of single commodity futures contracts.

Another advantage offered by investing directly into the commodities instead of commodity companies is that by simply investing in the underlying commodity one can eliminate the risks of financial

stress or poor management that may be seen in the commodity company. For example, a fund manager may have a long view on zinc but he may be constrained by the poor quality of the financials of the zinc producer which could potentially increase the unsystematic risk of the portfolio or may not meet his investment policy.

> **Growth & development of the commodity linked investment segment in India depends is set to take off. Under the right policy & regulatory set up, more product innovation can come around. Its time to re-imagine.”**

Fund managers abroad use various instruments to build commodity exposures. These vary from single commodity futures, physical commodities, commodity index futures, commodity ETFs, commodity swaps and the stocks of mining companies.

According to a recent World Bank Group report, over three billion tons of minerals and metals will be needed to deploy the wind, solar, and geothermal power, as well as energy storage, required for achieving a below 2°C future. As an example, if a fund manager wants to play the decarbonization theme, along with the obvious green energy and electric vehicle sector, a fund can take an exposure into the metals like copper, aluminium, nickel and silver which are direct beneficiaries of this decarbonization move.

Approach applied by the First Trust Global Tactical Commodity Strategy Fund:

Growth & development of the commodity linked investment segment in India depends is set to take off. Under the right policy & regulatory set up, more product innovation can come around. Its time to re-imagine.

Viral Shah is an expert in the commodity & FX derivatives segment in India with more than 18 years of experience in trading, broking, business development, risk management & wealth management functions. He has participated in some of the major global derivatives exchanges. Viral in his current role at IIFL Wealth Management Ltd. has been able to carve out a niche for the firm in the commodities market. He has been able to integrate asset classes into the wealth management set up - both from the flow business & the investment products.

Viral has also been at the forefront of the rapidly changing regulatory & business environment in the commodities space - especially in Metals complex.

He has been an active participant in various exchange & regulatory panels to develop the commodities ecosystem. He is also actively promoting the use of commodities as part of portfolio allocation through various instruments available in India.

INVESTMENT PROCESS

Through the investment process, the portfolio management team seeks to maximize the return of a highly diversified commodity portfolio targeted to a specific volatility range.

Select 10 to 35 distinct commodities based upon liquidity as measured by open interest. The list of commodities considered for inclusion can and will change over time.

Model and forecast the expected volatility level of each commodity using daily historical data.

Generate a set of portfolios that seek to maximize returns given specific levels of volatility.

Rebalance monthly (or more frequently subject to market conditions) to the asset weighting that the portfolio managers believe are most optimal given the desired risk range for the portfolio.

The commodity futures selected for the portfolio are those with a realized volatility profile that the portfolio management team believes is far more stable than a traditional portfolio construction approach.

CHAI FOR CANCER™

Raise a cup, Drink to a cause!

Chai for Cancer is the awareness-cum-fundraising initiative of Friends of Max, the world's largest support group for patients diagnosed with two rare cancers - Chronic Myeloid Leukaemia (CML) and Gastrointestinal Stromal Tumour (GIST).

The shortage of medical facilities, restriction of movement combined with economic recession have affected all of us, but even more so, cancer patients. With support from generous friends and hundreds of individual donors, Chai for Cancer-Season 8 has managed to raise more than 20 Lakhs so far.

Every last paisa of the funds raised through the Chai for Cancer campaign, goes towards covering the patients' diagnostics and travel costs, supporting their children's education and other seemingly small unmet needs.

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To know more and to support our cause visit

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Whole-Time Director & CEO
5PAISA

EQUITY INVESTING COMES IN VOGUE IN INDIA. ARE WE READY?

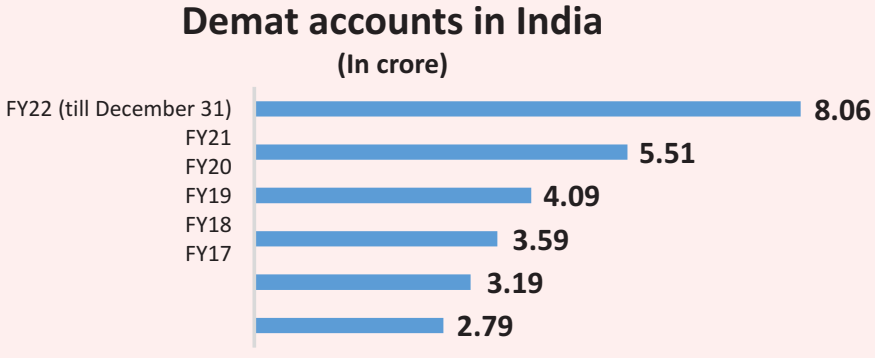
When I started my career in 2002, Indian stock markets were concentrated in the hands of institutional investors ie both FIIs & DIIs and retail was limited to few metros and mostly urban investors. Fast forward two decades, and the face of equity investing has changed completely in India. Investing in capital markets is being democratized, owing to the combined efforts of all industry participants, with the regulators adopting a proactive stance (as against a reactive one earlier).

Today, retail investors are an important force to reckon with. Retail investors, directly and via domestic institutional investors have the power to not just drive the markets, but also challenge and reverse poor corporate governance decisions taken by large listed entities. Several factors have fueled this transformation.

Factors driving the equity cult in India

Deepening of the brokerage industry with players of all size and varied business models vying to attract the existing customers and taking investing to lesser-explored markets and populace is one important factor. In their quest for growth, customer centricity and cost efficiency, these players have played a pivotal role in democratizing equity investments. Retail investors today get to trade live in markets and have tools to optimize charting, robotics, etc at their disposal; somethings which were unheard of back in 2002. Likewise, continued focus of the regulators to protect the interest of individual investors and drive greater awareness about investing has helped significantly. Demonetization, rapid digitalization, inexpensive internet reaching the country's hinterlands and the COVID-19 pandemic have added more fuel to this fire.

A look at the growth of demat accounts in the past two years makes the picture clearer.



Source: SEBI, NSDL, CDSL

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Upcoming initial public offering (IPO) of life insurance behemoth - Life Insurance Corporation (LIC) is the most recent trigger to this trend. Sample this - LIC has about 25 crore policyholders, around 3 times the number of demat accounts. With policyholders getting LIC shares at discounted prices in the IPO, they are rushing to capture this opportunity, as are the brokerages.

> **Topmost of these will be adoption of superior corporate governance practices and an unequivocal focus on prioritizing interests of the customers. In an increasingly competitive environment, customers are spoilt for choice and these two factors will be crucial in driving customer loyalty and longevity. Innovation is another important tool of growth, customer retention and cost rationalization.**

One has to realize that the rise of the retail investor has only begun in India. Just 5.7% of Indians own a demat account as against 32% Americans. A rising per capita income of Indians (pegged at $10,000 15-20 years hence from $2,000 currently) will further propel equity investing in India.

In this scenario, we believe that incrementally more and more retail investors will warm up to equities and demat accounts could grow 3X - 4X in the long term.

How can discount broking firms capitalize on this opportunity?

Clearly, the opportunity landscape is vast for the brokerage industry. Players across the entire value chain - low-cost brokerages, fintechs, full service brokerages all can grab a pie of this opportunity as the pie itself keeps expanding. Within the brokerage space, discount broking firms are likely to grow at a much rapid pace than traditional full service brokerage firms. Focus on simplifying equity investing, providing low-cost investing solutions for all sections of retail investors and penetration into relatively nascent markets will drive this fast-paced growth of discount brokers.

While the short-term growth of most brokerages is likely to be impressive, long-term sustainability of these companies hinges on few key factors.

Topmost of these will be adoption of superior corporate governance practices and an unequivocal focus on prioritizing interests of the customers. In an increasingly competitive environment, customers are spoilt for choice and these two factors will be crucial in driving customer loyalty and longevity. Innovation is another important tool of growth, customer retention and cost rationalization. The past few years have demonstrated that companies offering innovative solutions to customers by leveraging technology and also by adopting differentiated approach have stayed ahead of the curve. Innovation has to extend to marketing strategies as well, with the purpose of creating superior experiences for the customer. In today's digital age, mutually-beneficial partnerships between traditional brokerages and new-age industry players are going a long way in creating superior value for the customer. In short, only those companies who are looking at the forest and not the trees and are committed to become the best version of themselves on all aspects will be able to build long-term, sustainable moats and ride this wave successfully.

In conclusion, we believe these are some of the best times for brokerages, especially discount brokers. The strategy and execution ability of individual companies will determine who takes the lead over the rest.

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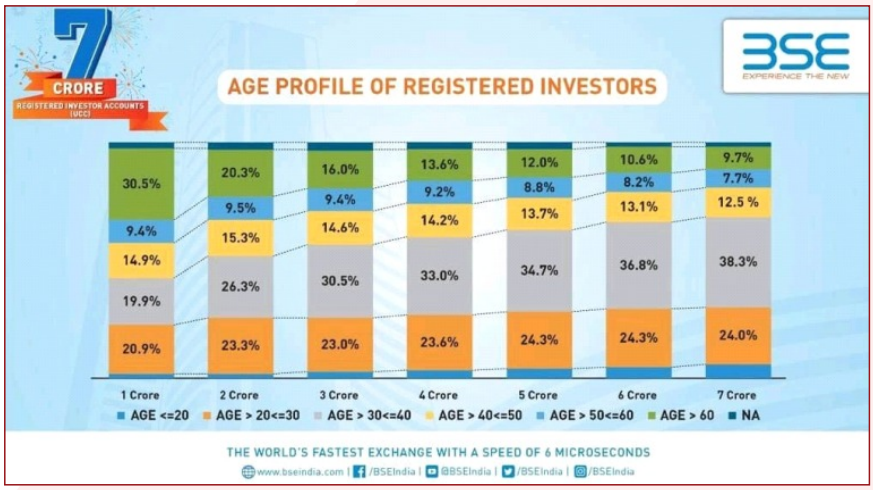
IS THERE A FUTURE FOR FULL-SERVICE BROKING?

NIRAV GANDHI
Chief Operating Officer
JM FINANCIAL SERVICES LTD.

With the advent of discount broking, especially the momentum it has gathered in the last 5 years, questions have been raised whether this is the future of broking business going forward. With the Do it yourself (DIY) model, does one really need a brick-and-mortar model to acquire and service the clients? Do the new millenials really need the full-service model? In this writeup we shall attempt to dwell on these issues especially when the established brokers see a need to tweak their strategy to survive in the marketplace.

Let us begin with the recently published data from BSE Ltd.



One area which strikes out is the change in the demographic composition of clients over the years. While 19.90 % of the clients were in the 30 to 40 age group in the year 2000 when there were 1 crore accounts in BSE , today, it is a complete reversal where the young constitute most of the new clients (38.3 %) , a 100 % increase in the current demographic composition. How has this come about? Digitalisation of systems, initiatives of the Government to digitize services, the entrepreneurial spirit of young graduates and the arrival of PE firms. Till 2016, the client on boarding process was tedious with multiple signatures and reams of pages of the Account Opening Kit. At times, it could take days to open an account with a broker. With the advent of Aadhar E sign in 2015, there was a revolution in the client on boarding process where the digital signature was considered legitimate and at par with physical signatures. The tech savvy brokers and entrepreneurs tweaked their KYC process to completely digitize the journey albeit with a few paper signatures still required which too subsequently got eliminated with change in regulations and new features like E DIS introduced by the Depositories. As new innovations took place like Digi locker, penny drop facility, face match etc; the KYC journey became seamless with accounts being opened in less than 10 minutes. The effect of this was more pronounced in the lock down period where millions of clients were added digitally which otherwise would not have been possible with the old model. The advent of technology has enabled

> **“As new innovations took place like Digi locker, penny drop facility, face match etc; the KYC journey became seamless with accounts being opened in less than 10 minutes.**

the population of Tier 2, 3 and 4 cities to come in the mainstream of investing and opened up new vistas of wealth generation for them.

This paradigm shift in client onboarding led the boom in new client acquisition fuelled through digital marketing like Google, Twitter, Facebook ads, You Tube channels, influencers etc. Tech Savvy new age brokers leveraged the digital marketplace to their fullest and enrolled millions of clients. At the same time, several brokers continued with their old model of relationship-based broking and not joining the band wagon of client acquisition through digital means or pursuing a discount model which required burning money in the initial few years and preferred to lay emphasis on the bottom line rather than the top line.

However, the landscape has since changed dramatically, and questions are being raised whether the traditional or the full-service brokers (FSB) will survive or remain a small dot on the horizon. It is said that the top 10 brokers constitute 80 % of the clients and the ones figuring in the top 10 are a mix of discount brokers and Bank based brokers. Together, they constitute a large chunk of volumes on the markets.

So, the question which crops up is whether the Full-service brokers can survive and compete in the market place. If you hear from the full-service brokers, they maintain that a bulk of their clients prefer to call and engage with them and are not comfortable with the faceless mobile screen or desk top terminals. They need to be advised on a regular basis about their investments, they need someone to handhold them throughout and want to speak to a human voice and not a BOT which never gives the solutions they seek. Not all are comfortable with the internet trading though they may use their mobile phones to review their portfolios created on watch lists through several off the shelf mobile apps available in the market. As far as client on boarding is concerned, they too have bought the off the shelf product for digital KYC and there is no differentiation in that area which has now become commoditised. There is no relative advantage in this area except for the difference in client acquisition where the discount brokers spend heavily on social media and paid influencers to acquire clients which they may not spend and therefore are content with referrals and word of mouth with their advisory services.

The full-service brokers through their relationship managers give time to the clients and give a patient hearing whereas there are no one on the other side in the case of discount brokers and the clients are bombarded with mails and SMS's which they don't have the time and the inclination to go through all of them. Full-Service brokers go beyond the traditional Buy and Sell which is done by discount brokers. They have a research and advisory desk, and their product offerings are tailor made for their clients. Though they charge higher brokerage, clients are willing to pay for that extra service. They too have caught up with the new products which are algo or rule based and through API's, they too integrated their front office systems with such products available in the marketplace. They too have caught up with the latest trends and aligned themselves to the ever evolving trends in the industry.

Full-service brokers claim that the new clients are left alone to decide for themselves, and they rely on the free information available on the internet to take an investment decision. In a recent article by a leading discount broker, 99 % of the clients have not made money. The full-service brokers claim that this is due to absence and dearth of quality advisors and even good advice for guiding them leading to such situation. This is where the FSB score as ultimately one needs to make money and transaction costs are not the sole factor in deciding the platform to trade. FSB also claim (though yet to be verified) that an average life of a trader with the Discount broker is not more than 4 months and they have to continuously add new clients.

In short, they offer everything which a discount broker offers and all have narrowed the gap in the past two years. They have expanded their product offerings and have gone beyond the traditional products. Where they score is the personal advice and research and the human touch for which they charge a premium and there are enough people to pay and avail of this. This is also borne by the fact that even after the advent of the discount brokers, the FSB and the small brokers have thrived during this time. Many have adopted the so called Phygital model offering a mix of the best of both models with differentiated pricing. The only place where they cannot score is the client acquisition front which they admit the Discount brokers and the bank brokers have an edge primarily due to spend on social media.

What do the Discount brokers or the brokers who have gone completely digital have to say?

If you speak to them, they claim that the gigantic addition in new clients is due to them and they have caught the fancy of the new millennial. This is also borne out by the recent published numbers where the concentration of new clients are in the young age bracket. The ease with which they offer their services commencing from the onboarding, the super feature rich transaction platform like the Mobile trading app

and trading tools like automated rule driven buy sell decisions, the research advisory given in their apps through curated portfolios and the post trade reports are all there at one place. Through their offerings, they have tried to fill the gap with what the clients wanted and what they were getting. Though they had an edge in client onboarding in the initial years, the gap has narrowed down recently. They have adopted an asset light model where they have taken a conscious decision to avoid recurring fixed costs on branches and Relationship managers as they hurt more in the cyclical downturn. They prefer to leverage technology to the hilt and hire a small set of people to run their operations but who are highly skilled and efficient in their field. With a compact team which is very agile, the offerings are tweaked to time the market quickly addressing the needs of their clients. In fact, so much is the reliance on technology, a leading discount broker has people recruited at the helm from giant technology companies sensing that the broking space is more about how tech can have a competitive advantage in the industry.

As to the claim of inadequate advice and research, they counter that they have enough tools like robo advisory, curated portfolios, portfolio health check-up, rule-based trading engine and algo products in the marketplace including anyone who can make their trading strategy using their API's (the rise in options trading can be partly attributed to this) . They claim that their clients hardly need any support from them as they have designed their systems to self-service the client adequately and all the needs are taken care of through technology. In short, they offer everything what a young investor would need, offering them high-tech products when they mature to a better and confident trader and not leaving out the ones who just prefer advice through curated portfolios with a low-cost execution model. The new discount brokers claim that their support team can also be outsourced and need not have an army of people and with a low-cost revenue structure, they have created a pay to use service for the clients so while they pay very little in the core offering of trading, the allied services are chargeable and are on the higher side. Many of the earlier traditional brokers have junked their existing models of branches and sub brokers and adopted the discount model tweaking their strategy to survive and thrive in the future.

On the other side, there are several Bank based brokers who have created a niche in the broking space by adopting a hybrid model of a call and trade service and self-service through their mobile app/desktop-based trading platforms. These are the pull factors for the clients and with a backing of established brands, they have been able to create a niche for themselves in the industry competing with the traditional brokers and the discount brokers. They have adopted a mix strategy by giving a flavour of discount broking but backed with all the tools of a full-service broker. The results of such a strategy seem to be equally fruitful as evident from the published financial information.

The other than bank-based brokers realise that to survive and remain relevant in future, going digital is no longer optional and they have to adopt the path of digitalisation to remain meaningful in the future. While they do not have the cash to burn as they do not have the backing of angel investors or PE Firms, they prefer to be profitable rather than chase growth at the expense of profitability. They have their own niche set of clients including the mass affluent who prefer to stick to them rather than just enamoured by low cost of brokerage. They claim that even in the USA, the share of online shopping remains just 5 % even though the likes of Amazon and other giants exists. Even though Charles Schwab came in the 1990 's , the US still has many brokers who offer the entire gamut of services and have not ventured into discount broking and lately new models have come up like Robinhood who also exist side by side.

Concluding, there seems to be a niche market for everyone. There is space for everyone to grow. India has tremendous potential with the equity savings rate continuing to remain low, there is ample room for growth and a slice of the market to capture. While some may offer low-cost broking as a strategy, some have client service and research as a competitive strategy and there is a room for everyone although in the recent past, there have been several regulatory changes and the cost of running the business has increased tremendously. Therefore, it is important to be well capitalised to survive the competing landscape. Recently we have touched 5 crore unique broking Codes and 6 crore demat accounts. This still forms a small percentage of the overall investing population and there is room for all to exist albeit only for those who change with the times. Will those left behind catch up, or will there be a new business model disrupting the existing players? But the biggest beneficiary is and will be the investor who is spoilt for choices.

The jury is not yet out. Which one would you prefer to go with?

Views expressed are purely personal.

Nirav Gandhi is a at a senior position in a leading financial services company having over 30 years of experience in the financial services industry.

FINDING NEMO! FINDING TECH - THE ORDER OF THE WORLD IS FINTECH?

PRIYA MS
PIC Responsible Officer

SHAREKHAN LIMITED
(by BNP Paribas)

“The term Fintech (Financial Technology) refers to software and other modern technologies used by businesses that provide automated and improved financial services. The term Fintech is also defined as a financial service and solution, based on technological advancements.

A ship in the harbour is safe, but that is not what ships are built for. - William Shedd.

In other words, technology of high potential is of little value if the potential is not exploited. As the shape of 2020 is increasingly defined by the Covid pandemic, digitalisation is like a ship loaded with innovation based technology that has a huge capacity for transforming mankind’s battle against an infectious disease.

This pandemic has truly proved that resilience is the order of the day. We learnt that abnormal has indeed become the new normal!

The Covid pandemic has proved to be a “great accelerator” in fast-tracking the existing global trend towards acceptance of modern emerging technologies ushering in transformations in lifestyle, work patterns, social interactions and way of doing business. The pandemic was a true catalyst and harbinger of growth, adoption and increasing use of digitalization. The pace of changes in technology has driven the business organizations to learn, adapt and adopt modern digital transformation. Digitization across the board made it easier to survive these roll coaster times more easily. Capital Markets were no exception across the Globe.

New trends have emerged in various spheres such as mobile banking, data analytics, growth of Artificial Intelligence (AI) driven services, expansion of Fin Tech platforms, Cloud Computing and more.

A Glimpse through the Fintech World!

India being one of the fastest-growing economies with a vibrant Stock Market it continues to witness tremendous growth in the Fintech platforms. The term Fintech (Financial Technology) refers to software and other modern technologies used by businesses that provide automated and improved financial services. The term Fintech is also defined as a financial service and solution, based on technological advancements. A simple definition of Fintech is an industry consisting of organizations that use sophisticated financial technology to trigger fast financial services without long procedures. Fintech companies integrate different technologies such as AI, blockchain, data science into traditional financial sectors to make them safer, faster and more efficient. In the recent times, Fintech is one of the fastest-growing tech sectors, with companies innovating in almost every area of finance; from payments - loans to credit scoring and stock trading.

Fintech offers several services, such as funding, payment services viz. e-wallets, e-aggregators, e-trading, e-insurance and cryptocurrencies such as Bitcoin.

Fintech has redefined the way financial and wealth management solutions are structured. It is not just a buzzword or a temporary trend that has emerged out of the blue. It is a movement to address the prevailing need gaps in the financial services space. Fintech goes way beyond banks, loans and insurance. It has expanded its influence to other sectors such as stock trading and investment. Today, Fintech has made it easy even for users, who lack the requisite experience, to do stock trading.

A taste of its history!

The history of technological innovation in the financial sector began with the emergence of checks as a means of payment (1945). Subsequently, the Bank of America produced the first credit card (1958) followed by the issuance of a debit card as a transaction tool. In the 1990s, supported by the advancement of the Internet, Internet banking was launched. In the 2000s, Fintech developments of mobile payments and crowd-funding were introduced. Advances in e-finance and mobile technology for financial companies, which drove the innovation of Fintech, emerged after the global financial crisis in 2008. This development was characterized by integration in e-finance innovation, Internet technology, social networking services, social media, artificial intelligence and big analytic data. This shows that Fintech is a fast-growing industry.

Fintech challenges many traditional financial institutions, such as banks, to develop their business models in a more practical direction. In addition, start-ups saw this as an opportunity to enter the financial services industry. Fintech is primarily a culmination of economic sharing, regulation, policy, information technology, data privacy norms and initial capital coupled by some tech stalwarts with some genius ideas. In the recent past, regulatory developments have also provided some impetus to such companies by applying principles of consumer protection and risk management while recognizing innovation.

Fintech is a relatively modern concept. The biggest innovation in the financial industry was also the creation of the Automated Tele Machines (ATM). Previously, since 1838, financial transactions were carried out using telegraphs. The banking industry has developed information technology to improve its processes.

Fintech has a variety of business models that consider security, speed, and innovation in the financial services sector. Fintech is considered to modulate financial technology because it can provide added value to financial services. Innovations in the Fintech sector have had an impact on other Fintech business models, such as the payment model. Several innovations have emerged in the form of electronic wallets, electronic money, and payment gateways. The mobile payment system currently operates in a complex and multidimensional network with the same shared infrastructure, and competes to produce and deliver value to customers. Many financial planning applications are available on smartphones. Users can also determine their financial plans on tech platforms. There are multiple market aggregators which have specialized tech based portals which collect various information on financial service options for users.

Fintech in the Broking Space!

Fintech has redefined the way financial and wealth management solutions are structured. It is not just a buzzword or a temporary trend that has emerged out of the blue. It is a movement to address the prevailing need gaps in the financial services space. Fintech goes way beyond banks, loans and insurance. It has expanded its influence to other sectors such as stock trading and investment. Today, Fintech has made it easy even for users, who lack the requisite experience, to do stock trading.

Mobile apps offered by Fintech-enabled brokerages allow clients to trade in shares or currencies and even participate in IPOs. Investors mostly used to trade through brokers, relationship managers, or by using software suites on their desktops. However, with increased penetration of smartphones and availability of cheaper data plans, trading through mobile apps started becoming popular even in remote cities. Forward-looking Fintech-powered brokers have also played their part by spreading awareness. Among the many popular solutions, one is black-box trading, also known as algo trading. It is basically a set of instructions to trade or 'a digital version of a trading strategy'. These could be based on time, price, quantity, or a mathematical model. It rules out shortcomings of the manual trading system by keeping human emotions at bay. At the same time, traders can eliminate delays and enter or exit a trade as and when there is a cue. These algos offer opportunities for wealth creation.

The consumer's data including personal, financial and health information is often collected to generate insights about buying, acquisition and retention patterns. Protecting this data and providing it to relevant third parties in a secure manner is an ever-growing challenge for the Fintech industry. However, a lot of emphasis is now being given to speedy and secure encryption, cyber security norms, systems audits to ensure customers can have the best experience using its services.

Some flip sides!

As it is commonly said "Every Coin has two sides."

The pace of growth and innovation in the Fintech sector is flourishing rapidly. However, it does come at a cost - rise in cyber security, data breaches, data privacy breaches, online frauds etc. With more companies going online and venturing into Fintech, protecting consumer's privacy is often neglected. According to a recent survey by one of the largest Audit firms' approx 60% of respondents identified information security and privacy as threats to the rise of Fintech. The consumer's data including personal, financial and health information is often collected to generate insights about buying, acquisition and retention patterns. Protecting this data and providing it to relevant third parties in a secure manner is an ever-growing challenge for the Fintech industry. However, a lot of emphasis is now being given to speedy and secure encryption, cyber security norms, systems audits to ensure customers can have the best experience using its services.

Finding Nemo!

While we know that data privacy is a major concern using Fintech, Fintech driven solutions have opened a host of opportunities for innovation, transformation, profits and ease of doing business across the financial space.

The famous character "Nemo" in the movie "Finding Nemo" signifies the need to look beyond and expand your horizon to the innovation of your True Self!

An uncanny resemblance!

DISCLAIMER: The views, thoughts, and opinions expressed in the text are purely personal and belong solely to the author and not to the author's employer/organization/affiliates in any way. It is not intended to be used by anybody as a recommendation/legal opinion/advice.

Priya MS, has over 15 years of experience managing the Compliance, Legal and Secretarial functions. Strong track-record of overseeing, developing and maintaining a robust compliance system across multiple businesses. Her strength lies in speedy product approvals and seeking new business licenses including rigor on compliance surveillance and health checks.

Prior to joining Sharekhan Ltd, she was associated with Avendus Wealth Management Pvt. Ltd as Vice President - Compliance & Company Secretary where she was heading the Compliance and Secretarial function for the wealth management business. Before that, she was also associated with Union KBC Asset Management as Associate Vice President - Compliance, Legal and Company Secretary where she was primarily spearheading the legal and secretarial functions and with ING Investment Management, where she was responsible for Mutual Fund and Portfolio Management Compliances.

She holds a Law Degree from the University of Mumbai, Qualified Associate Member of the Institute of Company Secretaries of India and B.Com graduate. She has also cleared the ICSA- UK- Corporate Governance paper.

LAV CHATURVEDI
ED & CEO
RELIANCE SECURITIES LTD.

Still, we have long way to go as India only has approx. 4% penetration in population investing in stocks compared with 55% in US, 33% in UK and over 13% in China. Also, regulatory landscape has been completely transformed and we are now one of the most robust and safest capital markets in the world, thanks to our regulators.

CAPITAL MARKETS - FROM REFORM TO TRANSFORM!

Broking industry in last couple of years have gone through multiple levers of transformation. From an average of 4 lac new demat accounts opened every month in FY20, it jumped to 20 lac per month in 2021 and has further increased to around 29 lac per month in November 2021, that is more than 7 times of the monthly average the pre-COVID year of FY20!! Cumulative demat accounts which stood at 3.6 crore as of March 2019, were 7.7 crore as of end November 2021. So, in fact, what was achieved in over two decades in the market has been achieved in the last about two-and-a-half years. Almost 75 per cent of new accounts are under-30 investors.

Still, we have long way to go as India only has approx. 4% penetration in population investing in stocks compared with 55% in US, 33% in UK and over 13% in China.

Also, regulatory landscape has been completely transformed and we are now one of the most robust and safest capital markets in the world, thanks to our regulators.

I would like to focus on three key themes that would help achieve sustainable growth of our Capital Markets to USD 5 trillion along with 10% GDP penetration.

1. Universal Capital Market License

Borking license regime can be aligned similar to Small Finance Bank license regime. Just as Small Finance Bank license gets to progressed to Universal Bank License over period of time, subject to track record, capitalization and other performance parameters, along the similar lines even broking license can be progressed to Universal Capital Market license that may include Advisory, Passive Asset Management, Wealth Management, Managed Accounts and capital market related funding activities, subject to track record, adequate capitalization and meeting other performance metrices.

Merits of such regime would be:

1. This will help address conduct risk which has clearly impacted broking industry due to few bad instances.
2. It also provides players with soundtrack record to expand naturally in their area of expertise.
3. It will help ease of doing business as one entity won't have to apply and wait for multiple licenses.
4. It will help ensure that players with impeccable track record, robust governance construct and strong and consistent performance metrices get to grow and be market leaders.
5. New entrants get motivated to follow the suit.
6. Most importantly this will help move from rule-based regime to principal-based regime by ensuring market dynamics sets the level playing field.

2. Universal KYC across all financial intermediaries

- To ensure ease of doing business and democratization of financial services, there should be the concept of One KYC, where once KYC done to open a bank account of a customer, can be used for accounts open with any other financial intermediaries such as Mutual Fund, Broker, etc.
- This will help exponential growth of retail participation in capital markets and help raise risk capital for economic growth.

3. Differentiating between Intraday and Carry Forward Trades

Intraday products create liquidity, volume, and depth in the market. It also helps to bring down impact cost. So intraday products have a defined role in orderly functioning of market. It acts as a shock absorber for the market. No where in the world including SGX trade in Singapore, there is a margin charge equal to carry forward trades. For intraday products 33.33% or 1/3rd of total margin (for position trades) is usually sufficient.

Since Exchanges and members have no capabilities to differentiate between intraday and carry forward trades, entire margin stipulated for carry forward trades is also collected for intraday trades. Since intraday positions are closed before market hours, levy of two-day margin acts as a deterrent. This often channelizes clients to switch to option buying to extract leverage.

Exchanges should come out with margin framework for intraday products in commensuration with the risk they carry.

Broking fraternity is widely providing intraday facility whereas the same is not recognised by exchanges and they are not differentiating the margining for the overnight position and intraday position.

Exchange shall take cognizance of intraday product being widely offered by brokers and accordingly shall apply less margin for the intraday trades as compared to overnight position.

Along with above three transformational points, two other points worth addressing are:

1. Settlement of running account maintained by clients if no transaction in the 30 calendar days.

For the clients having credit balance, who have not done any transaction in the 30 calendar days since the last transaction, the credit balance shall be returned to the client by TM, within next three working days irrespective of the date when the running account was previously settled. This contradicts to the running account mandate taken from client where customer has opted for Quarterly settlement option in accordance with the earlier circular. It is difficult to make customer explained about such contradiction. Wherever customer has opted for monthly option, credit balance in client ledger anyhow will be paid to the client if there is no trade in client account in 30 calendar days.

The clause 5.4 either be deleted or '30 calendar days' shall be modified to '30/90 calendar days based on the settlement preference opted by client'

2. Fund Raising by Brokers

It has been clarified that Stockbrokers may borrow funds by way of issuance of CP and by way of unsecured long-term loans from their promoters and directors.

For providing the margin trading facility, a stockbroker may use own funds or borrow funds from scheduled commercial banks and/or NBFCs regulated by RBI. A stockbroker shall not be permitted to borrow funds from any other source.

Other source of borrowing such as by way of Debentures (NCDs or MLDs) are available for brokers in the normal course of business and are safer as compared to other sources permitted by RBI.

Borrowing by way of Debentures (NCDs or MLDs) should also be also allowed to broker as source of funds for the purpose of providing Margin Trading facility, as these are longer term funding and are much safer and more stable compared to Commercial Papers (CPs) that are allowed.

Lav Chaturvedi is the ED and CEO of Reliance Securities. In his current role, he is responsible for leading Broking & Distribution, advisory services, alternate investments and corporate lending portfolios for the company.

A distinguished leader, Lav is the Co- Chairman of the renowned capital markets committee- ASSOCHAM, where he will work closely with members of the Indian broking community. He comes with a rich experience and in-depth understanding of the financial markets and has been responsible for establishing new businesses, incubating and monitoring new initiatives for acquisitions and working closely with regulators, ensuring set up of a robust policy and risk management framework. He also laid down the building blocks for Asset Management franchise across India covering Portfolio Management Services (PMS) and Alternate Investment Funds (AIF).

Prior, to joining Reliance, he has worked overseas with organisations like IPS Sendero, subsidiary of Fiserv (a Fortune 500 Company) USA, SBU Bank New York and Arthur Anderson.

Lav has done his Master's in Business Administration (MBA) from Syracuse University, New York and is a chartered financial analyst from the CFA Institute, USA.

SANDEEP NAYAK
CEO Retail Broking & Executive Director
CENTRUM BROKING LTD.

THE POWER OF RETAIL IN INDIAN EQUITY MARKETS

Household savings have grown in India over the last couple of years after the onset of the pandemic. The data released by the Government on national income, consumption expenditure, savings and capital formation for the fiscal year ended 31 March 2021 shows that even though the GDP contracted in FY2020-21 due to the pandemic, household savings grew almost by 12% over the previous year. The response of individuals to the massive shock of income loss during the pandemic has been a measured one, of managing the crisis through choice of cutting back on personal consumption expenditure and increasing savings and more so in the form of financial savings.

Household Sector Savings

(₹ lakh crore)

Item (at current prices)	2016-17	2017-18	2018-19	2019-20	2020-21
Gross Domestic Product (GDP)	153.92	170.90	189.00	200.75	198.01
Household Sector Savings (a-b+c+d)	27.87	32.97	38.45	39.29	43.91
a. Gross financial saving	16.15	20.56	22.64	23.99	31.09
b. Less: Financial liabilities	4.69	7.51	7.71	7.87	8.05
c. Saving in physical assets	15.95	19.44	23.09	22.74	20.48
d. Saving in form of gold/silver ornaments	0.47	0.47	0.43	0.43	0.38

Source: Ministry of Statistics and Programme Implementation

Savings are up and more financial savings are preferred to physical assets

From the above table on Household Sector Savings, it is quite evident that savings rate in the year the pandemic hit us went up to 22% of GDP and financial savings went up to almost 16% of the GDP

Financial Year	2016-17	2017-18	2018-19	2019-20	2020-21
Household Savings as % of GDP	18%	19%	20%	20%	22%
Financial Savings as % of GDP	10%	12%	12%	12%	16%
Physical Assets Saving as % of GDP	10%	11%	12%	11%	10%

Monthly Systematic Investment Plan (SIP) consistently going up

The Indian retail investor has come of age and has continued investing in monthly systematic investment plans (SIPs) despite the covid crisis. The number of SIP accounts crossed the 5 crore mark in January 2022. The data of SIP accounts is presented in the table below:

Month	Total No. of outstanding SIP Accounts (in lakhs)	No. of New SIPs registered	SIP AUM (₹ crore)	SIP Contribution (₹ crore)
Apr 21 - Jan 22	**504.84**	**221.95**	**5,76,588**	**1,00,800**
Apr 20 - Mar 21	**372.54**	**141.30**	**4,27,916**	**96,080**

Source: AMFI

During the last five years, retail investors have shown a high level of maturity and consistently invested through the SIP route. The table below evidences the gumption of the investor and the invested amount has been gradually rising over the last five years. The pandemic did not cause any major disruption in this trend.

“In the equity derivatives market, individual retail investors contribute about 29% of the turnover and constitute the second largest segment after proprietary trading of brokers.

Month-wise SIP Contribution

Month	FY 2021-22	FY 2020-21	FY 2019-20	FY 2018-19	FY 2017-18	FY 2016-17
Total Investment in the FY	100800	96080	100084	92693	67190	43921
March		9,182	8,641	8,055	7,119	4,335
February		7,528	8,513	8,095	6,425	4,050
January	11,517	8,023	8,532	8,064	6,644	4,095
December	11,305	8,418	8,518	8,022	6,222	3,973
November	11,005	7,302	8,273	7,985	5,893	3,884
October	10,519	7,800	8,246	7,985	5,621	3,434
September	10,351	7,788	8,263	7,727	5,516	3,698
August	9,923	7,792	8,231	7,658	5,206	3,497
July	9,609	7,831	8,324	7,554	4,947	3,334
Jun	9,156	7,917	8,122	7,554	4,744	3,310
May	8,819	8,123	8,183	7,304	4,584	3,189
April	8,596	8,376	8,238	6,690	4,269	3,122

Source: AMFI

> **In the face of these challenging times, retail investor has faced the situation admirably and has not capitulated like we have seen in similar challenges in the past.**

New Found Retail Power: Retail Investor Cushioning Exit of FII/DIIs

In the past we have not seen so much resilience from the Indian Retail investor. The retail segment has demonstrated its ability to cushion Foreign Institutional selling and in the last 21 months strongly emerged as the class of investors driving the market.

Foreign and Domestic Institutional Flows (Rs bn) in secondary markets during FY2020-21 and CY2021

Category	FY21			CY21TD		
	Buy	Sell	Net	Buy	Sell	Net
Cash Market	29,119	29,315	(196)	34,494	35,024	(530)
DII	10,810	12,296	(1,486)	14,836	14,101	734
FII	18,308	17,019	1,290	19,658	20,923	(1,264)

Source: NSE. Note: DII - Domestic Institutional Investors includes Banks, Insurance companies, Mutual Funds, BFCs and Domestic Venture Capital Funds, AIFs, PMS clients; FII - Foreign Institutional Investors includes Foreign Portfolio Investors, Foreign Direct Investors and Foreign Venture Capital Investors

Retail investors' flows (Rs bn) in secondary markets during FY2020-21 & CY2021

Category	FY21			CY21TD		
	Buy	Sell	Net	Buy	Sell	Net
Cash Market	69,587	68,904	684	73,113	71,686	1,428

Source: NSE. Note: Retail investors include individual domestic investors, NRIs, sole proprietorship firms and HUFs

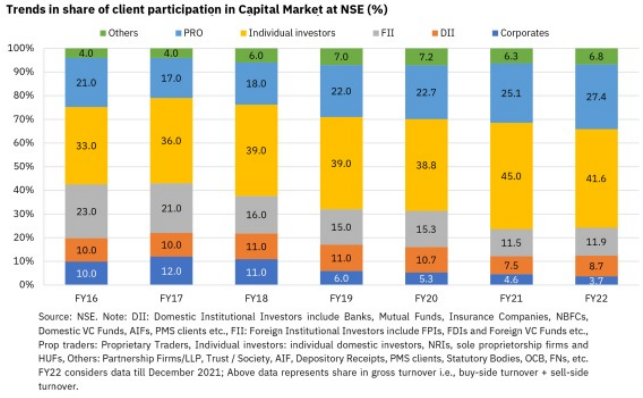
In the cash market, in FY21, DIIs and FIIs net sold Rs.19,600 crores and in CY21 sold Rs.53,000 crore whereas the retail investor made net purchases of Rs.68,400 crores in FY21 and Rs.1,42,800 crores in CY21. The retail investor power has ensured markets do not fall when the institutions are selling. There are many months in which Nifty index has gone up despite FII/DII net selling. The table below shows the Retail Investor Power:

TRADING MONTH	NET FII Flow (CR)	NET DII Flow (CR)	NET FII/DII Outflow (CR)	NIFTY RETURNS
APRIL'20	▼ ₹5209	▼ ₹824	▼ ₹6033	▲ 14.7%
OCTOBER'20	▲ ₹14537	▼ ₹17318	▼ ₹2781	▲ 3.5%
JULY'21	▼ ₹23194	▲ ₹18393	▼ ₹4801	▲ 0.3%
OCTOBER'21	▼ ₹25572	▲ ₹4471	▼ ₹21101	▲ 0.3%
DECEMBER'21	▼ ₹35493	▲ ₹31231	▼ ₹4262	▲ 2.2%

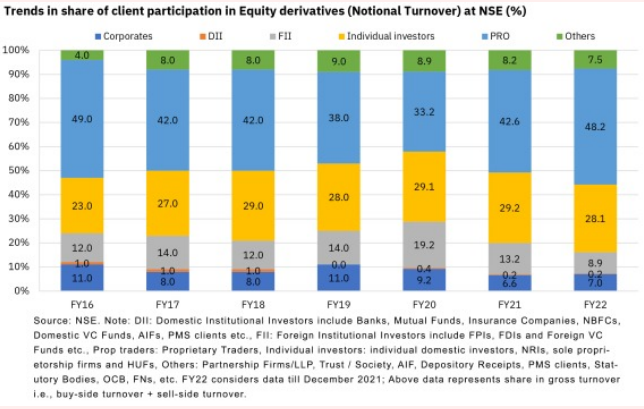
INSTANCES WHERE NET FII/DII ACTIVITY HAS BEEN NEGATIVE. HOWEVER, NIFTY HAS STILL GIVEN POSITIVE RETURNS DUE TO THE POWER OF RETAIL

Retail Investors Share of Equity Market Turnover is rising

The individual retail investor contributed 45% of the cash market turnover in FY21 and 41.6% of the cash market turnover in FY22 till December 2021.



In the equity derivatives market, individual retail investors contribute about 29% of the turnover and constitute the second largest segment after proprietary trading of brokers.



The Fascinating Story of Happiest Minds - The Power of Retail

Another classic case that demonstrates the power of retail is the fascinating story of Happiest Minds Technologies Limited. The shareholding pattern and price movement of the company is showcased in the table below:

Happiest Minds Technologies Limited - The Power of Retail - Price driven entirely by the Retail Investors

Category of the Shareholders	No. of shareholders	Total no. shares held (in lakhs)	Share holding %	No. of shareholders	Total no. shares held (in lakhs)	Share holding %	No. of shareholders	Total no. shares held (in lakhs)	Share holding %	Change in shareholding from listing
Shareholding at quarter end	Quarter ended 30 Sep 2020			Quarter ended 30 June 2021			Quarter ended 31 Dec 2021			
I) Institutions										
a. Mutual Funds	14	94.95	6.47	13	47.86	3.26	12	18.86	1.28	-80%
b. Foreign Portfolio Investors	21	105.84	7.21	56	91.54	6.23	79	101.82	6.93	-4%
c. Financial Institutions/ Banks/ AIFs	8	13.13	0.89	6	11.15	0.76	3	6.52	0.45	-49%
Sub Total I	43	213.92	14.57	75	150.55	10.25	94	127.20	8.66	-41%
II) Non-Institutions		-			-			-		
a. Individual share capital upto Rs. 2 Lacs	1,73,236	249.04	16.96	3,38,322	338.03	23.02	5,96,513	387.66	26.40	56%
b. Individual share capital in excess of Rs. 2 Lacs	22	116.70	7.95	21	52.78	3.59	19	47.51	3.23	-59%
c. Shares held by Employee Trust	-	-	-	1	48.41	3.30	1	44.40	3.03	
d. NRIs	1,136	28.58	1.95	4,120	33.13	2.26	6404	33.99	2.32	19%
e. Clearing members, Bodies Corporates, Trusts	1,173	78.27	5.32	989	63.61	4.33	999	45.76	3.11	-42%
Sub Total II	1,75,567	472.59	32.18	3,43,453	535.97	36.50	6,03,936	559.32	38.09	18%
Public Shareholding (I+II)	1,75,610	686.52	46.75	3,43,528	686.52	46.75	6,04,030	686.52	46.75	
Promoter Shareholding	6	782.12	53.25	6	782.12	53.25	6	782.12	53.25	
Total Share Capital	1,75,616	1,468.64	100	3,43,534	1,468.64	100	6,04,036	1,468.64	100	
Happiest Minds Share Price		30-09-2020			30-06-2021			31-12-2021		
IPO Price Rs.166		Rs.348.85			Rs. 1,004.10			Rs.1,296.60		
Change % from IPO price		110%			505%			681%		

The IPO of Happiest Minds was issued in September 2020 at a price of Rs.166. It opened at a 112% premium and as on 31/12/2021 was up almost 700%. The issue was priced at 30x PE on FY20 earnings. The stock currently trades at 98x trailing twelve month earnings at quarter ended 31/12/2021. Post listing, the institutional shareholders have kept reducing their holdings, while retail investors have increased their holding each quarter. Retail investors in the quarter of listing held about 17% which increased by 9% to more than 26% while institutional holders reduced their holding from almost 15% to a little less than 9%. This was accompanied by a price move of 681% till 31/12/2021. This is a classic case of retail investors powering the price and valuation of a scrip.

Conclusion: The retail investor has increased savings and investment in financial assets. We have seen the retail investor come of age and become an important driver of the Indian equity markets. In the last four months, post the acceptance that the US Central Bank will withdraw from its easy money stance, India has seen an outflow of almost USD 10 billion from foreigner sales in Indian equity markets.

In the face of these challenging times, retail investor has faced the situation admirably and has not capitulated like we have seen in similar challenges in the past. What will be keenly watched is how the Power of Retail sustains, should we see the arrival of a bear market triggered by Central Bank withdrawal from easy monetary policy or for any other reason? The retail investor has matured and may lady luck continue to be with her! Bravo Retail Investor!

Sandeep Nayak is the CEO Retail Broking & Executive Director at Centrum Broking Limited. He has over two decades of experience in capital markets including Equity Broking, Private Client Services, Wealth Management, Portfolio Management and Distribution. His previous assignment was Head- Retail Broking and Wealth Management at HSBC Investdirect Ltd. He started his working career at Kotak Mahindra and worked there from 1995-2010 in different roles across the group and spent more than 10 years in the capital market business at Kotak Securities where he was instrumental in setting up the online and retail brokerage. Sandeep is a Chartered Accountant (ICAI, with an all India First Rank and is a multiple Gold medallist). He is also a Cost Accountant (with an all India First Rank).

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VINEET BHATNAGAR
CEO
PHILLIP INDIA

Blockchain technology has gained tremendous acceptance due to its intrinsic strengths to tackle a secured, transparent and cost-efficient flow of transactions. It started with the revolution of Bitcoin and other cryptocurrencies and has now expanded into many more sectors.

BLOCKCHAIN IN FINANCIAL SERVICES

Blockchain has emerged as a key financial technology trend and can even be called a disruptive technology for financial services. Large Cryptocurrencies such as Bitcoin and Ethereum are becoming more widely accepted, with financial institutions starting to offer crypto products for their clients. The increasing familiarity with the crypto products also means that financial institutions are starting to see the advantages of utilizing the underlying technologies for cryptocurrencies - the blockchain or the distributed ledger technology (DLT).

The financial services industry observes millions of transactions worth trillions of dollars every day where transparency, security, and cost-efficiency are a high priority. Blockchain technology has gained tremendous acceptance due to its intrinsic strengths to tackle a secured, transparent and cost-efficient flow of transactions. It started with the revolution of Bitcoin and other cryptocurrencies and has now expanded into many more sectors.

Several major financial institutions have commenced pilot use of blockchain technology for transactional purposes- focusing on making processes more efficient by replacing the traditional financial instruments with standardized digital assets.

While banks are utilizing blockchain's innovation to keep a more robust record framework, insurance companies are looking at it to offer speedy settlement of cases using the decentralized blockchain framework. Blockchain offers startups a chance to compete with major traditional banks, promoting financial inclusion. Many people are looking for a substitute for banks because of restrictions like minimum balance requirements, and banking fees. Blockchain will provide a substitute that uses digital identification and mobile devices, free from the hassle of traditional banking.

Blockchain tenders a decentralized platform, which will enhance the transparency in stock market operations. Blockchain will also reduce the complex procedure of multi-person involvement. Through smart contracts, blockchain can be utilized to keep a record of transactions.

Most of the blockchains deployed by financial institutions are **centralized.** This requires the operating financial institutions to grant access, and often the operating financial institutions stipulate different privileges on the private blockchains. However, this is perfectly fine for the purpose - efficiency and speed. And indeed, private blockchains do not have to deal with consensus mechanisms (because participants are known with defined rights) and therefore are a lot faster than consensus-based public blockchains.

In fact, most of the crypto exchanges (such as Binance or Coinbase) are operated as centralized exchanges - even though their products are often

residing on decentralized infrastructures such as Ethereum or Bitcoin blockchains.

Ethereum is the first blockchain to have smart contracts, which are contracts that self-execute when the conditions are met. Contracts are a massive part of the financial services industry, and companies spend considerable time on them. A self-executing contract or smart contract could make this process much more resourceful. For example, an insurance company could use self-executing contracts or smart contracts to speed up the claims process. Whenever a client files for an insurance claim, it would be reviewed automatically by the codes programmed into the blockchain. If it's valid, the self-executing contract would execute and make payment to the client.

Major stock exchanges are discovering the potential of blockchain to allow almost quick stock settlements by decreasing operational cost and transaction time. It mechanizes compliance through smart contracts with a superior level of security and transparency. US Exchanges are uses blockchain technology to issue and share private securities, while the London Stock Exchange (LSE) is exploring blockchain opportunities with cross-industry groups of institutions to change the way securities are being traded in Europe. Many major stock exchanges are exploring the potential of blockchain.

Blockchain is far away from being mainstream in the Indian **Banking, Financial Services and Insurance (BFSI)** sector, and there are many challenges that it has to overcome. There is some level of regulations for it in each step of banking, making it quite ambiguous while application. Similarly, it will take a while, like any other technology, from the awareness stage to getting it adopted in an organization. Many Indian banks have also co-joined their efforts to reap the benefits of blockchain technology and DLT by partnering and investing in the fintech sector, for example, ICICI Bank, Axis Bank, and Yes Bank joining the Interbank Information Network launched by JP Morgan, SBI tied up with JP Morgan to use their blockchain technology; and Axis bank working in with Ripple to use it's blockchain technology to reduce transaction costs, time taken for payments and to make cross-border payments faster and more resourceful. Blockchain technology is also being used for digital lending, and a recent example of that is the HDFC Bank, SBI, ICICI Bank, IDFC First Bank, and South Indian Bank investing in the fintech company to provide DLT solutions in the financial sector.

Decentralized finance (DeFi) is a collective term for financial products and services, that is open to anyone that can be connected to the internet. The services or products are available 24/7 without any centralized or third parties to provide or deny access.

Traditional Market Players in DeFi - the Oracles

Smart contracts are not truly 'smart' - it is not AI, nor does it have intrinsic knowledge of finance. Using the example of loan services, in a DeFi environment, the credit risk managers no longer serve a platform or an organization. Instead, they serve the smart contracts by communicating risk data for the smart contracts to make the right information. Similarly, in decentralized insurtech, external data can be fed to the smart contracts for the smart contracts to automatically execute the agreements embedded within.

The infrastructure that fed external information into the blockchain is known as "oracles". And as these oracles perform data or predictive tasks off-chain, they can earn or lose reputation depending on their performances.

As more traditional financial assets are tokenized, the need will increase for oracles that can provide off-chain data to the on-chain smart contracts. The most obvious is price-feeds - but climate data, predictive engines are equally in demand. And for these, "garbage in, garbage out" - a dependable, trustworthy data feed is critical for long-term success.

However blockchain is becoming a significant part of startups and the business world, as some tech entrepreneurs believe, **"Data is the new soil.** While we are at present in the second phase of understanding the significance of data, data decentralization will play a significant role in the future with blockchain taking central focus." But, the future is bright, as more and more organizations in the country are keeping a handy watch on it. With hiccups of new early stages and struggles, blockchain can take off high and become the new aspect of financial security and transparency.

The financial services industry innovate and investigate new technologies to improve their products and services. If the incumbents don't change their offering and innovate, newbies will disrupt their business as we have already seen with a variety of FinTech startups that are building new ways to handle your financials.

Blockchain, or **distributed ledger platforms (DLP)** for that matter, offer a lot of benefits for financial institutions. Whether we call it Blockchain or not is just semantics. The truth of the matter is, the time has come to change for financial institutions and advantages from the possibilities of distributed and decentralized networks and technologies.

Vineet Bhatnagar, is the CEO of Phillip India. He has over 30 years of experience in the financial markets that range from commercial banking, investment banking, and risk management in the financial and commodities business, He has a BE in Electronics & Telecommunications and PGDBM from IIMA. Vineet has been associated with HSBC, Prime Securities Refco-Sify and MF Global.

BROKING GOES MAINSTREAM

NITHIN KAMATH
Founder & CEO

ZERODHA/ RAINMATTER

I was at the Blossom Book House in Bengaluru last week buying some comics for my son, when a 20-year-old recognised me (behind a mask!) and got really excited. In my head, I thought to myself, "hmm… why?". And this reaction pretty much defines how the last two years of the business have been for me. The broking business, and in turn, Zerodha, are now mainstream.

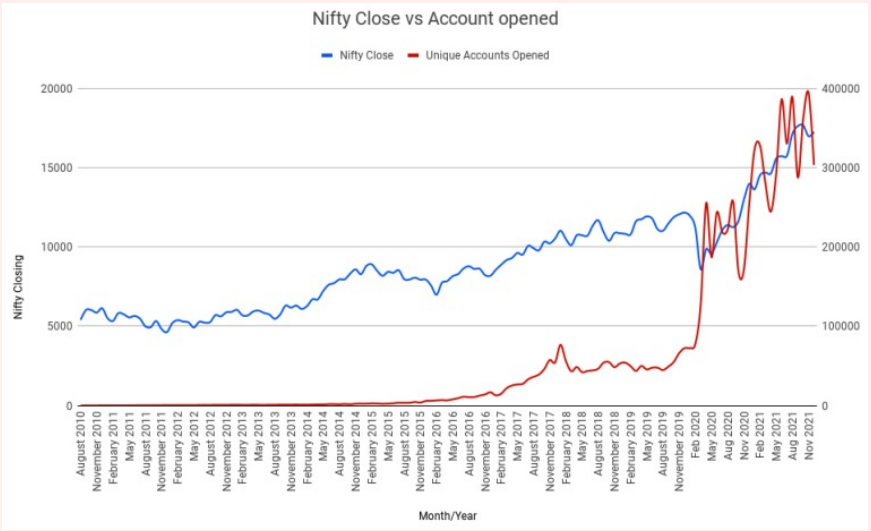
From personal trainers to cab drivers, to prominent business people, almost everyone seems to be slowly and steadily increasing their exposure to stock markets. I have, like many others, been questioning what all of this growth means for the capital markets, and in turn, for the country. I thought I should answer a frequently asked question around user growth, share some learnings, and as we head into the new year, maybe also take a shot at predicting the future of the broking businesses.

I would like to remind everyone that I have been horribly wrong with many of my predictions about our industry in the recent past. Actually, I have never been so wrong as I have been in the last couple of years, while thankfully ending up on the right side in terms of business outcomes. I have been right because, even though my predictions were wrong, my decisions inadvertently stuck to the trend. If I were a trader and Zerodha was a stock, maybe I would have tried to do the impossible, which is to time the market, and may have tried to exit early. I am reminded over and over that the only way to create wealth when investing is to be able to sit tight, ride long term trends, and let the magic of compounding do its thing.

"It took us six years to get the first 100,000 customers and nine months for the next 100,000. It took us eight years to reach 1 million customers and only 1.5 years for the next 1 million.

The user growth

This chart of our monthly user growth plotted against the Nifty broadly shows our journey over the last eleven years.



Nifty vs our account openings

It took us six years to get the first 100,000 customers and nine months for the next 100,000. It took us eight years to reach 1 million customers and only 1.5 years for the next 1 million. It took us almost ten years to get to 2 million customers, which was around the time COVID hit, and then we added our next ~6 million customers in just 18 months. Just for added context, we added 400,000 customers in October 2021, while it took us seven years to add our first 400,000. So yes, the last 18 months have been spectacular, not just for us, but broking businesses around the world.

The divergence wasn't just between the underlying markets and user growth correlation. I can't remember the last time in the last 20+ years of trading the markets when so many new users made so much profit so quickly when markets recovered. This, I think, was another tipping point for the industry, not just in India but across the world. The stock market became cool for a certain younger segment of the society when they were stuck at home and had some extra disposable income to invest, which they could now, fully online.

I think that this trend of user growth at Zerodha is maybe a better gauge of the actual market sentiments than the overall exchange data that everyone tracks. This is because all our user acquisition is organic without any marketing or advertising pushes from us. In addition, we actually charge a small account opening fee on user signups to cover our compliance costs. Most importantly, we do not incentivise people to sign up by offering random freebies. So, our new users come to us of their own accord, with a clear intent to trade or invest.

The journey

Until mid-2015, we offered the same 3rd party white-labelled trading platforms that many other brokers also offered at the time. The first serious uptick in our user growth started when we launched our in-house platform, Kite, in late 2015. Our gut-based decision to offer 0 brokerage on all equity delivery trades in Dec 2015, along with love for the newly launched Kite, gave the business virality for the first time.

However, the tipping point was when users could finally open an account fully online using (Aadhaar linked) digital signatures around mid-2016. Until then, like banks, brokers with the most offline branches acquired the most users as opening an account involved printing and signing several dozen sheets of an account opening booklet.

Online onboarding disrupted the status quo. The convenience of opening an account online has been one of the biggest reasons for the massive increase in retail participation over the last few years. Within a year of launching online account opening, we went from opening 5000 new accounts a month to almost 30,000 new accounts a month. Of course, the launch of the Kite mobile app, Coin (our direct mutual fund platform), the success of Varsity, Rainmatter partnerships and other initiatives were why users were coming to us in the first place, all via word of mouth.

From the beginning of our business, user growth at Zerodha has been a mirror image of the Nifty mid-cap index. That changed in February 2020. For the first time, we saw a divergence. We went from opening 70,000 accounts a month towards the end of 2019 to almost 250,000 a month by April 2020, all while the markets collapsed due to COVID.

The divergence wasn't just between the underlying markets and user growth correlation. I can't remember the last time in the last 20+ years of trading the markets when so many new users made so much profit so quickly when markets recovered. This, I think, was another tipping point for the industry, not just in India but across the world. The stock market became cool for a certain younger segment of the society when they were stuck at home and had some extra disposable income to invest, which they could now, fully online. Quick profits also triggered greed, which helped market participation increase faster, probably the fastest ever in the history of capital markets. IPOs listing at lucrative premiums also caught the fancy of this younger audience. Many opened new trading accounts for extended family members, hoping to get lucky with an allotment by applying to IPO through multiple accounts. Many of these accounts that were initially opened for IPO also transitioned into direct investing and mutual funds.

The plateau

While the growth over the last 18 months has been spectacular, we are starting to see a slowdown. This plateau coincides with the markets topping out. While the broader indices are not very far off from highs thanks to a few heavyweights, there are significant drawdowns underneath the indices. The general user behaviour we have seen in the past is that if the investments don't recover quickly from a drawdown, most users become inactive fairly quickly. So, if the markets don't bounce back quickly, the plateau could soon turn into a steep drop. It took the Indian capital markets almost ten years to add the same number of trading accounts in a year after the previous peak made in 2007, just before the financial crisis.

The younger users trading with smaller amounts of money, making smaller mistakes, can learn without losing as much capital as older folks did trading with the majority of their life savings. So maybe this new breed of users will not become inactive when there is a drawdown in the account, unlike in the past. And as long as this audience is active, they will continue to influence others to invest in the markets through social media.

This time could be different though

While I can look at the past and anticipate what could happen if the markets don't bounce back, it could potentially be different this time. The best part about the huge user addition over the past two years has been that the majority of these users are under 40 years. These users are trading with comparatively smaller amounts of money compared to their future earning potential. I don't think we have ever seen such an influx of young people as we have seen this time around In the history of capital markets around the world.

The younger users trading with smaller amounts of money, making smaller mistakes, can learn without losing as much capital as older folks did trading with the majority of their life savings. So maybe this new breed of users will not become inactive when there is a drawdown in the account, unlike in the past. And as long as this audience is active, they will continue to influence others to invest in the markets through social media. It will be interesting to see the behaviour whenever markets have a large drawdown of over 20%.

The growth in users bodes well for India. Maybe finally, our dependency on foreign capital to determine our fate and fortune will reduce over the next decade. Philosophically, this is also one of the key reasons why we do what we do as Zerodha. We believe that our country can be truly financially independent if more Indians back Indian entrepreneurs by investing in their companies vs keeping money in gold, real estate, or FDs. Wealth creation could happen locally and more inclusively.

Future of broking

Broking is as unpredictable and as cyclical as an industry can get. Except for those two months last year, user growth has been dependent on how the underlying markets perform. New user growth is extremely important for brokerage businesses because, as I mentioned earlier, existing users tend to become inactive quickly whenever there is a drawdown in their portfolios. Brokerages have to keep adding new customers just to be able to maintain the same revenue. It almost feels like being on a treadmill, having to constantly run just to stay where you are.

With venture capital (VC) chasing the brokerage industry, the competition is also now picking up the pace like never before. The industry works on wafer-thin margins, and unlike international broking firms, there aren't as many options to generate revenue in India. At such low margins, the only brokers who will be able to scale well are those who will be able to survive the next three years. Scaling well does not only mean getting large enough for economies of scale to kick in but being ready technologically to handle the scale when it materialises. The technology required to run a brokerage firm is extremely complex due to the numerous dependencies from exchanges, depositories, clearing corporations to banks and to the vast and ever-changing regulatory and compliance requirements. What users see on the outside, the trading platforms, are just the tip of the iceberg.

As the competition gets tougher, the cost of acquisition per user is going up. The biggest challenge with the now defacto discounted pricing model is that it is quite tough to generate revenues.

Instant signups also have a flip side; users aren't as sticky anymore. The industry is already finding it tough to generate enough lifetime value (LTV) to cover the cost of acquisition (CAC). Thankfully, at Zerodha, we don't spend any money on marketing or advertising or promotions, so we don't really have a CAC to worry about or compete on. Moreover, we are in no hurry to grow faster. We believe that if we focus on the quality of products and services, the rest will happen on its own. This mantra is what has worked for us over the last decade.

While everyone focuses on adding more users, I think brokers who can find ways to retain existing customers by finding ways to reduce the money mistakes they commit will do better than their counterparts. This potentially means foregoing revenue in the short term. It is maybe finding the right product for the users and nudging customers away from higher-risk products, while this is the antithesis of popular business models in the industry.

I do feel that we have maybe hit the near term peak in terms of an industry, and it will likely get worse before we hit the next new peak. This is because the increased competition will mean new customers getting distributed amongst multiple players. To do well in a low-cost business model, you need to be able to scale, which becomes tough when customers get distributed. Consolidation within the industry is tricky because of regulations. We are also probably close to hitting the near term peak in terms of tapping the target audience or customers with disposable income with an intent to trade or invest. With large drawdowns in international tech-first brokerage firms (Robinhood is ~40% below its IPO price and ~75% below 52-week high), new funding may not be that easy as well.

Who will do well

While everyone focuses on adding more users, I think brokers who can find ways to retain existing customers by finding ways to reduce the money mistakes they commit will do better than their counterparts. This potentially means foregoing revenue in the short term. It is maybe finding the right product for the users and nudging customers away from higher-risk products, while this is the antithesis of popular business models in the industry. It may sound weird coming from me, but I believe that most Indians aren't ready yet for equity as an asset class. Maybe the right product is a fixed income product where the risk is lower than equity but returns higher than bank fixed deposits. From there, equity can be introduced gradually as risk tolerance increases. Another approach might be building an advisory-first platform. These are things that I spend a lot of time thinking about.

The ultimate investment

Full-time trading can be mentally taxing, and when you're stressed, it ultimately shows up physically.

I had also shared this recently. The number of people developing severe heart issues in my extended circle going up was a rude reminder for me. It's very easy to get caught up in the hustle and bustle of things and take your health for granted. This is even trickier given that many of us are working from home. So please do take care of your health, your ultimate investment.

Nithin bootstrapped and founded Zerodha in 2010 to overcome the hurdles he faced during his decade-long stint as a trader. Over the last decade, Zerodha has changed the landscape of the Indian broking industry. With 4 million customers and contributing to over 15% of the exchange retail trading volumes, Zerodha is the largest retail brokerage in India today.

A tech-first company now, Zerodha offers innovative trading & investing solutions that appeal to a wide audience in a bid to reach those sections of society that have stayed away from the capital market so far.

He also started Rainmatter, an R&D fintech incubator and fund that has partnered with some of the best investment-tech startups in India. Rainmatter is focussed on creating an ecosystem for spurring innovation in the financial technology industry in India.

More recently, he has also set up the Rainmatter Climate Foundation - an Indian climate fund providing funding to startups and grassroots organizations working on solutions to mitigate climate change.

Outside of work, he enjoys spending time with his family, playing the guitar, poker, basketball, and swimming.

PUNEET MAHESHWARI
Director

UPSTOX (RKSV)

THE EUPHORIA AROUND IPOS IS HERE TO STAY

It goes without saying that investors who wish to participate in firms' offerings and be a part of their wealth creation story often capitalize on Initial Public Offerings (IPOs). The primary markets witnessed 2021 as a watershed year due to a whopping rise in IPO listings that seem to be generating significant interest and a buzz among investors, be it millennials or individuals from tier 2 cities. A record $9.7 billion was raised by India Inc. via 72 IPOs in YTD 2021, which is the highest in the last 20 years. Strong tailwinds were provided by initial optimism from recovering economies, COVID-19 vaccination rollouts, and rolling liquidity from government stimulus programmes. In India, a robust pipeline of future public listings is expected over the next two years. There were two Indian e-commerce companies listed in 2019. In 2021, the country saw four e-commerce companies - Zomato, CarTrade, Easy Trip, and Nykaa go public.

With a long queue of organizations eyeing to make their debut on the Indian stock market, the year 2022 is also contemplated to walk on similar lines. The growth is expected to pick up pace with new IPO listings likely to exceed Rs 1.5 lakh crore. The Indian IPO boom has been fueled by a number of factors, including record-breaking secondary market levels, positive investor sentiment, significant long-term investment capital, ease of investing in IPOs (including funding), active institutional investors, less appealing investment alternatives, promising Indian IPO stories, and a regulator that is extremely attentive and responsive.

The excitement has been heightened by a rising trend in listing day gains along with an increased appetite for investment within Indian companies by global investors. With China's crackdown on technology companies, investors are looking for new opportunities across Asia, contributing to a record jump in IPOs from India to South Korea that shows no sign of slowing down. India's share market capitalization is expected to rise to $5 trillion by 2024 from the current $3.5 trillion. That's likely to make the South Asian country the fifth largest in the world by market capitalization, surpassing the U.K. and the Middle East.

“Every year fund mobilization through debt markets has plummeted, while equity fund raising has constantly moved upward. The stock market bull-run with liquidity at its core has resulted in record amounts raised through Initial Public Offerings (IPOs).

Investor behavior and demographics

Zomato's IPO launched in 2021 sparked a buzz. This IPO swept up a few other tech ventures such as Nykaa, an e-commerce platform, and Policybazaar, an online insurance marketplace. Thanks to the already generated buzz, both surged on their debuts. These IPOs made it clear that taking risks and investing in IPOs is something that the investors are comfortable with, and also that they are closely watching the IPO space

and have the spending capabilities to invest in the equity market. The trust and risk-taking ability of investors seem to be on the rise as more individuals are now taking advantage of the lucrative opportunities the IPOs offer.

As more and more unicorns emerge from our ecosystem, it appears that worldwide investor confidence in the Indian digital startup sector has only grown. A major part of this confidence originates from the fact that Indian unicorns have reaped the benefits of their early-stage investments by prioritizing corporate governance, building strong management teams, and developing policies and procedures that are in line with international norms.

The euphoria, however, paused with the launch of Paytm's IPO. The digital payments firm's initial public offering fell 27% on the first day of trading and hasn't gone close to hitting its offer price since. Despite the failure, which can be attributed to a lack of a clear route to profitability and an exorbitant valuation, other Indian tech companies are unlikely to be barred from going public in the coming years. What everyone ought to have learnt from this is that one will need to be cautious about how they price themselves and whether or not they believe the hype too much.

Another impact of the IPO euphoria was the massive increase in retail participation in the Indian equity market. India also witnessed a record number of demat accounts opening since 2020. There was further acceleration of financial inclusion by the ever-growing number of first-time investors in the country. According to BSE data, there were over 9 crore registered retail investors as of December 18, a 4.06 per cent increase on a month-to-month basis and a whopping 55 per cent increase on an annual basis. The rise reverberated in tier 2 and tier 3 markets as well. India certainly witnessed an upsurge in the levels of financial inclusion in remote locations of the country.

Furthermore, as more and more unicorns emerge from our ecosystem, it appears that worldwide investor confidence in the Indian digital startup sector has only grown. A major part of this confidence originates from the fact that Indian unicorns have reaped the benefits of their early-stage investments by prioritizing corporate governance, building strong management teams, and developing policies and procedures that are in line with international norms.

Looking ahead

Undoubtedly, India is a booming market and the current euphoria is here to stay. However, both headwinds and tailwinds are expected to affect IPO activity in the near future. A number of factors are at play, including geopolitical tensions, inflation risks, new waves as well as variants of the ongoing COVID-19 pandemic, all of which impede full economic recovery. Despite this, relatively high valuations and market liquidity are keeping the 2022 IPO window open for the time being.

2022 could be a record-breaking year for initial public offerings, especially with the much-anticipated IPO of Life Insurance Corporation (LIC). Furthermore, the markets regulator has given numerous companies permission to proceed with their IPO plans. New-age organizations continue to be interested in the IPO listing, and it is anticipated that additional names will emerge in 2022. However, in light of the global situation, I believe we will just have to wait and see how IPOs are welcomed by investors in the coming months.

Puneet Maheshwari is currently Director at Upstox. He has over a decade of experience in the field of finance.

Prior to joining Upstox, he worked for over three years as AVP at Omnesys Technologies (Thomson Reuters). He has worked in both business development and product development for a variety of algorithmic trading systems. His portfolio of business development included algorithmic trading, institutional trading, DMA, and retail trading.

He is in charge of expanding Upstox's customer base and making sure the company's product and service offerings are always ahead of the curve. He is a pioneer in spotting innovative business prospects that allow Upstox to expand vertically and horizontally. He has significant marketing and business development experience with financial technology companies, putting him in a unique position to oversee Upstox's sales efforts.

He holds a Bachelor of Commerce degree from St. John's College, Agra, as well as an MBA in Finance.

VISION, STRATEGY, OBJECTIVES, GOALS - TACTICAL OR OPERATIONAL PLANS - A ROAD TO SUCCESS FOR BELIEVERS

ASHUTOSH NAIK
Chief Compliance Officer

GROWW

Be it asset management, broking or CASA deposits a clear goal, backed up with clear strategy to access public or public funds, precedes all the tactical or operational action plans. Tactical planning is the step taken after a business or team creates a strategic plan to break that plan into smaller objectives and goals.

I have a little placement problem - whether 'strategy' comes first or whether 'objective' holds a place before it. If either of them claims a lead in a queue, still I guess 'goal' will claim to start the line. You wanna backpedal the queue of these nouns more and you may realise that it starts with a 'Vision' or a better word 'Drishti'.

While BSE and Sensex are so much part of our life, it was Shri Premchand Raichand's (the then cotton & bullion king) Drishti to establish a stock exchange in year 1875. While the vision then was to create and develop a market for trading in stocks, the current vision of BSE is to emerge as the premier Indian stock exchange with best-in-class global practice in technology, products innovation and customer service.

While it is noticed that vision's do develop at different stages, based on these vision(s) the goals, strategies, objectives, operational and tactical plan of actions are framed and either scrapped or developed.

The journey from being part of Drishti-Kon (visionary) club of bhumiputra founders to Uni-Corn club of achievers, India is witnessing an un-precedented growth of believers.

While being in financial and securities related compliance for more than 21 years, have noticed that the organisation(s) of repute have greatly demonstrated a common goal of 'investors interest first'. With this goal in mind, the strategies to achieve the goal has been generally found to be concrete, effective and revenue generating. By having this goal, an organisation itself practices a self-governed way of functioning and the guidelines issued by regulators help in supporting the self-governed way.

A clear vision and goal, helps to create long-term strategies and there may be lesser impact of any market or regulatory changes.

Be it asset management, broking or CASA deposits a clear goal, backed up with clear strategy to access public or public funds, precedes all the tactical or operational action plans. Tactical planning is the step taken after a business or team creates a strategic plan to break that plan into smaller objectives and goals.

In asset management space, the overall strategy planned by an organisation could be to launch equity and debt funds, to meet the interest of various type of investors. Within this strategic plan, there may be a tactical plan (a sub plan) to launch debt plans in next 6 months, considering the overall volatile equity market situations (meeting specific objective of current demand of investor for fixed income products).

The operational plan will be to lay out a road map to achieve the tactical goal. To meet the tactical plan to launch debt funds, the fund house will

have to operationally plan to decide the type of product to be launched eg liquid / debt fund, short term or medium term, open or close ended, the process involved to launch including regulatory approval and way of marketing the product.

> **Being in compliance, I have been privileged to get involved from strategic level of discussion - be it discussing the road map for organisation, plan to launch products, business framework in line with regulatory requirements, obtaining licenses and so on.**

In a fintech industry, the goal may be to go full-tech and a strategic plan to give paperless solution to clients. The strategic plan is broken into tactical plans like plan for doing complete online KYC, plan for DIY (Do It yourself) mode of investments and plan for automating the entire back-end process.

The operational plan for doing online kyc will include the plan for appointing service providers including, the KRA agency, the onboarding flow layout plan etc

While strategic plans will be long terms plan and may not change, the tactical plans are prepared, updated, or even scrapped depending upon the changing needs of investors and / or amendment in regulations or practices.

For a person who is evaluating joining an organisation, it can be evaluated whether the organisation seems to have a vision, for example a vision of making investment very simple and democratic for millions of Indian Investors. The strategic plan drawn by the organisation can be discussed, like the way in which it is planned to reach the millions of Indians - going total digital, offering simple products on the e-platform which a retail investor can understand, tech ability to handle the scale and creating a seamless trading experience for customers.

An organisations success depends on how well it is able to convert strategies into tactical plans and thereafter into operational plans. All three are inter-related and compliment each other in leading the organisation to road of success.

We have witnessed one of the top-most mobile company (the mobile phone which was close to heart of every Indian - when we migrated to mobile), they had all the tactical and operational plans in place, but somehow there long term strategy failed and lead to its downfall.

In financial service space, a good strategic plan would involve understanding the need of customers, understanding the potential of investors who want to access public markets / fund, the type of product which large number of investors would endorse, the ease of investment which can be offered, the potential to educate customers and remain engaged with them, the ability to service investors, the ability to greatly invest in technological infrastructure and creating process and control to meet operational and regulatory requirements.

An ability to visualise and meet the changing requirements with respective to a particular function or business plan will determine the tactical capability to handle un-expected changing situation or environment.

An operational plan involves involvement of various officials and department in an organisation and its an ongoing process to meet the overall strategy and vision of any organisation. Creation, documentation, explanation and testing of an operation plan is the basic to develop processes. The organisations can develop their own plan or can take advice on outside consultants to develop a smoot and effective operational plan.

Being in compliance, I have been privileged to get involved from strategic level of discussion - be it discussing the road map for organisation, plan to launch products, business framework in line with regulatory requirements, obtaining licenses and so on. On tactical and operational side, got associated in preparing a process for a particular objective or creating day to day compliance and administrative policies.

Hope this article gives an insight on the three layers of planning.

Ashutosh Naik, a compliance professional with more than 21 years of experience in managing regulatory, governance, legal and strategic matters, he heads the compliance, legal and secretarial function of Groww Group.

Before joining Groww, he was heading compliance at IIFL Wealth Management and was one of key persons involved in launch and growth of various businesses including mutual fund, alternative investment fund, distribution, research, portfolio management, advisory, lending and broking, both in India and Offshore. He led the compliance role in launching and managing compliance of various AIF Schemes, leading to the creation of the largest AIF in India. He led the secretarial role for IIFL Wealth Group companies and successfully assisted the group in listing IIFL Wealth on Stock Exchange(s).

He is a member of Institute of Company Secretaries of India and has a bachelor's degree in law.

INSIGHTS

SUSTAINABILITY APPROACH TO BROKING BUSINESS

DR. V. R. NARASIMHAN
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The broking business world over in general and in our country in particular is undergoing swift and substantial changes. It is necessary to visualise these changes and adapt sustainability approach to broking business. The changes that should be noticed are:

a. While the number of broking entities getting newly registered are reducing - in fact it is near zero, the newer ones who have joined the industry have surpassed several senior broking entities in terms of number of clients, volumes achieved, etc. sheerly by deploying technology and streamlining client acquisition/onboarding processes.
b. The newer broking firms are highly capitalised and are run on institutional lines rather than family business lines.
c. The well settled traditional broking firms (attached to banks or NBFCs) are using their capital for better and more efficient technology.
d. The idea that legal structure to chain investors to stock exchanges/clearing corporations through contractual relationship with brokers is being thoroughly shaken by introducing daring (often not palatable to traditional broking firms) regulatory changes illustrated by circulars issued by SEBI (some of which is given below)
    i. Segregation and Monitoring of Collateral at Client Level
    ii. Discontinuation of usage of pool accounts for transactions in units of Mutual Funds on the Stock Exchange platforms.
    iii. Settlement of Running Account of Client's Funds lying with Trading Member.
    iv. Collection and Reporting of Margins by Trading Member (TM) / Clearing Member (CM) in Cash Segment
e. With the advent of Aadhar facilitated KYC process (e-KYC process), role of intermediaries in KYC completion is getting narrowed down.
f. The invasive technology being deployed for trading order placement, offering algo trading facility to retail investors, online /mobile payment facility, online/mobile depository services, etc. are challenging relevance of broking services for extending operational assistance in trading and settlement.

At present, stock broker's role is to route the orders and trades between client and stock exchange, facilitate margin collection and settlement, creation of product awareness and conduct product suitability test and to some extent absorb first level of settlement risk. But, in authors' understanding the most important and critical role is to expand the market to underserved / unserved regions (geographical and demographical) which perhaps will help sustaining relevance of broking services.

Increasing use of technology by Market Infrastructure Institutions to reach the ultimate customer/investor, disruptive technology being used by new generation broking entities and millennial generations turning to be potential clients, unfettered access to information and product knowledge, etc. demand newer approach and outlook towards stock broking business - such newer approach should be based on 'sustainability' considerations rather than continuing

the familiar business model. Need to think out of the box has arrived.

The recent spate of 'broker default to investors' wherein investors have lost substantially in terms of their wealth and trust on broking business also drive broking entities to approach the business with a fresh sustainability outlook. Sustainability essentially will mean that the enterprise will sustain and if required by branching into newer products and services.

Factors that would contribute to sustainability of broking enterprise needs to be identified. Some of them are visualized here under:

Exploring offering alternate services to enhance commercial value of customer relationships: Broking firms have established strong relationship with investors and the relationship is cemented with trust and unfailing service. Investors may be viewed as clients. Therefore, broking firms may consider the relationships as the most valuable asset and explore how best to deliver different services to these clients. Thankfully, the pandemic has taught all clients to place orders for products and services 'online', make payments on online and accept delivery at home through logistics vendors. Since the concept of this channel is well tested and established, broking firms may explore possibilities of delivering different products and services to these clients. This may require setting sister entities, identifying, testing and proving alternate product/service delivery business model. These clients are the 'market' for household needs, customized personal requirements, services to be delivered in a personalized fashion, etc. Creativity, understanding strengths of the firm, assessing client needs are the foundation stones for this 'diversification' initiative.

Good governance: The substance of broking business is to assure punctual order transmission (or placement if not received online), communication about trade consummation, prompt completion of settlement aspects of the trade and most importantly settle client's account till the last pie and last security. Management and Board of broking firm has to ensure that People, Processes, Technology and methods deployed are all focused on effective and efficient discharge of core business services. In addition and more importantly, the management should focus on effective use of capital invested and preserving enterprise value by developing alternate cash flow opportunities or more cost effective and efficient methods of earning the current levels of cash flow. This may mean innovation in technology or processes. A conscious effort for this innovation is necessary to sustain the business enterprise.

Technology: With increasing competition, uncertain client loyalty, ease in shifting accounts from one broking firm to another conveniently, customer expectations relating to pre-trade and post trade services in addition operational aspects of trade, customized solutions, etc. will require broking firms to deploy suitable technology. Technology comes with cost - initial cost, cost of maintenance and cost of renewal. As this cost is fixed in nature, firm will do well to have a large customer base to leverage on fixed cost and make the operations cost efficient. However, technology comes with the risk of 'technical glitch' which may paralyse transaction processing. Further, technical glitch has a huge bearing on the reputation of the firm. It may also involve huge amount of cost due to race for advancement in technology and reskilling people in the company. Therefore, it is imperative that the broking houses make the right choices in the trade-off between adopting new technology and the cost and reputation risk associated with such new technology.

Indian capital market is witnessing a paradigm shift. Large number of new investors coming into the market provides huge opportunity for the brokerage houses. At the same time, new set of firms are challenging the old order and setting up new rules of the game. In view of the above, the brokerage houses are required to embrace the change and stay nimble footed to take advantage of the changing business opportunities.

Brand building: Millennial clientele recognise products and services based on brands. Investment in brand building attached with appropriate USPs and lead amongst peers is a pre-requisite to succeed in the business. Brand recall requirement is now applicable to services as well unlike the earlier era where brands were more associated with products/commodities. More and more brokerages are making available free educational contents through social media platforms, YouTube, blogs, etc. This helps the brokerage firms to build their brands and increase their recall value. Accordingly, brokerage firms may be required to make investments in such areas which would help them to build their brand without any expectation of generating direct returns from such investments.

Capital: Investment in technology, brand and good governance will push the firm towards better capitalization. Intuitively management of a well-capitalized firm will work for sustainability and more importantly well capitalized firms are liked by regulators, customers and vendors. However, stock broking being a highly regulated entity with restrictions on the way in which capital may be utilized, firms will have to find ways of efficient use of capital by spreading it among investments in technology, treasury investment and investment for innovation, research and development.

Growing into a conglomerate: Broking firms in India are permitted to engage in several securities related businesses like depository participants, portfolio management, investment advisory, etc. In order to insulate the firm from dependence on single revenue generating activity, it is desirable that multiple revenue generating business lines are taken up. In this context, broking firms may have to look at holding company structure, wherein broking is done by one of the subsidiaries and other businesses are done through other entities. This will help in mitigating regulatory and enforcement action risk. When the firm presents a conglomerate perception, it will be able to attract experts to join the Board and help in installing sound governance practices.

Advocacy and regulatory rapport: Stock broking is a dynamic and highly regulated business. It is necessary that a broking firm joins industry body or develops appropriate rapport with regulators to present or represent investor / industry requirements from time to time so that regulatory transformations are well calibrated and smoothly implemented. If such rapport is not built, regulators may respond with shock which may result in disruptive regulatory changes.

Increasing Number of Retail Participants: There has been exponential rise in the number of demat accounts opened since the onset of the covid pandemic. The total number of demat accounts have more than doubled during the last 2 and half years. It appears that large number of new investors are joining the securities market. It is necessary that the brokerages do not do anything that will rock the boat with too aggressive and short term business models but work on building their confidence in the 'firm'. It is therefore vital that the brokerage houses take steps to endear the clients as if the firm is a part of their life and train clients to recall services of the broking firm for most of their needs. One needs to observe the way in which big business giants like RIL and ITCs have steered their business models away from risky businesses to more sustainable businesses.

Change in Business Environment: Earlier, traditional brokerage houses used to provide large variety of services viz. trading, advisory, research, asset management, etc. This enabled the traditional brokerage houses to charge higher amount of commission from the clients. Education and research materials are made freely available on various social media channels, applications, YouTube channels, blogs, etc. There are fintech firms which are providing only advisory services. Similarly, adoption of robo advisories is also being witnessed on a large scale. Therefore, new age clients are no longer dependent on the brokerage houses to provide them research and advisory services. Accordingly, the head room for charging commission from the clients is getting shrunk day by day. In view of the above, brokerage houses need to adopt technology to keep their cost to the minimum in order to stay profitable.

To conclude, Indian capital market is witnessing a paradigm shift. Large number of new investors coming into the market provides huge opportunity for the brokerage houses. At the same time, new set of firms are challenging the old order and setting up new rules of the game. In view of the above, the brokerage houses are required to embrace the change and stay nimble footed to take advantage of the changing business opportunities. In other words, the old adage of survival of the fittest never been as relevant as today for the brokerage houses in the capital market.

Dr V.R. Narasimhan started has 40 years of work experience in Financial and Capital Markets in India. He was former Dean with National Institute of Securities Markets (NISM), an educational initiative of SEBI.

He started his career as a lecturer. Thereafter he worked with AP State Finance Corporation (APSFC), Public Enterprise Management Board, Government of Andhra Pradesh, SEBI, National Securities Depository Limited (NSDL), Kotak Mahindra Bank and NSE (National Stock Exchange).

While he was working with India's first securities depository NSDL, NSDL he was responsible for spreading the demat concept amongst all issuers and investors in the country and also played key role in developing new products and services like setting up National Skill Registry for NASSCOM, biometric based investor registration system called MAPIN (now abandoned), conceptualization of Central Record Keeping Agency for PFRDA etc.

While he was with Kotak Mahindra Bank, he played multiple roles including setting up Kotak Mahindra Pension Fund Company, setting up Kotak Commodity Derivatives Exchange, Group head for capital market compliance etc.

He served NSE as its Chief Regulatory Officer from 2013 till 2018 and retired from its service.

He is a postgraduate in Commerce, MBA (Finance) and a Ph. D and a member of Institute of Company Secretaries of India.

INSIGHTS

CORPORATE GOVERNANCE - ACCOUNTABILITY TOWARDS ALL STAKEHOLDERS..... ESPECIALLY INVESTORS

KHUSHRO BUILSARA
Head

BSE'S INVESTOR PROTECTION FUND (IPF)

Investors are the pillar of the financial and securities Market. They determine the level of activity in the market. They put their hard-earned money in stocks through primary and secondary markets to help enable companies to raise funds for their activities, grow the market, and thus the Economy.

We have seen recently a new category of investors entering into the securities market to create an alternative source of income due to the uncertainty about the job they are doing or the business they are engaged in. One can say that they are the first generation in history that have grown up totally immersed in a world of digital technology, which has shaped their identities and created lasting political, social, and cultural attitudes - hence they are often referred to as 'millennials'. It is very important to protect the interests of these first time investors who are putting faith in the Capital Market. Securities and Exchange Board of India (SEBI) along with all Market Infrastructure Intermediaries (Stock Exchanges, Depositories etc.) have a huge responsibility of regulating the various market intermediaries and infrastructure institutions to safeguard the interests of these investors and ensuring a safer and user-friendly environment for them and for all investors in general.

Why do we need a good corporate governance culture?

In all the Investor Awareness Programs done by the BSE IPF, it is always suggested to investors to make their own study and research while deciding to invest in the shares of a particular company. In order to analyse any company on its fundamentals one has to dig into its financials and non-financial attributes, for which one has to research on the various information and data available about the company in public domain. BSE and other Stock Exchanges, as first level regulators disseminate a wide range of information through their websites about the overall functioning of a company virtually on a real-time basis. As most readers are aware, under SEBI's Listing Regulations all listed companies (even only debt listed companies) are required to provide important information about their financials, shareholding pattern, corporate governance reports etc. to the Stock Exchanges on a periodical basis and this information reaches the Exchange websites within seconds of it being uploaded on the Exchanges listing portals.

A natural question that comes to mind is "What if this information and data submitted by the companies supresses the true picture of the functioning of the company and is misleading?"

Here comes the role and importance of Corporate Governance .....

Corporate governance in India is a collection of internal controls, policies, and procedures that form the basis of an organization's activities and its relationships with various stakeholders, such as clients, management, staff, government, and industry bodies. Such ethical corporate governance initiatives should provide a basis for upholding the values of accountability, fairness, ethics, and honesty. Auditing and Corporate governance is an organization's soul and must be adhered to when engaging in any corporate activity.

The need for Corporate Governance in India is because it is an essential determinant of industrial effectiveness and competitiveness - more so because like South Korea, Japan we have largely promoter driven companies. There are many questions posed today about the way an organization is regulated. Enhanced organizational efficiency and improved economic outcomes are assured by better governance. Corporate governance in India lays the framework for its actions, resource management, creativity in products/services, and overall corporate strategies.

One can say that they are the first generation in history that have grown up totally immersed in a world of digital technology, which has shaped their identities and created lasting political, social, and cultural attitudes - hence they are often referred to as 'millennials'.

Corporate governance in strategic management describes the Board of Directors' accountability to all shareholders of the company, i.e., stockholders, employees, providers, sellers, consumers, and society in general, towards providing the company fair, effective and transparent management.

SEBI Code of Corporate Governance

Under the chairmanship of Kumar Mangalam Birla, SEBI (Securities and Exchange Board of India) created a committee on corporate governance in India to actualize the need of corporate governance and promote good corporate governance in India.

Subsequently several committees over the years released reports on improving corporate governance which finally culminated in SEBI (Listing and Obligation Disclosure Regulation), 2015 - referred to as Listing Regulations. SEBI in its endeavour to put in place the best international practices in this regard, continuously reviews the corporate governance framework and brings in appropriate changes in the form of amendments to this regulation, from time to time.

These guidelines basically focus on the core subjects like appointment of Board of Directors, Audit Committee, their composition and terms of references guiding on their roles and responsibilities, administration of the company by management, role, and responsibilities of key personals etc.

Lack of Corporate Governance affects Investors the most.

Corporate frauds are usually the direct result of either lack of, or poor corporate governance observed at the top management level, which commonly occurs for the same reason as any other fraud scheme - greed. However, amid the highly competitive global business environment of the modern world, it may also occur for other reasons. Many corporate frauds consist of fraudulent accounting schemes used to make a company appear more profitable than it actually is.

On 7 January 2009, at the height of the global financial crisis, B. Ramalinga Raju, the Founder and CEO of Satyam Computer Services announced, in a letter to the company's board, that he had lied about the operations and financials of the company on a grand scale. Eventually, when the dust settled, it turned out that the company had booked fictitious revenue of Rs 5,300 crore over six years from 2002 to 2008. The total amount of financial irregularities amounted to Rs. 7800 crores odd. This is one of the best examples of gross failure of the entire audit system of the company and who suffered the most in this case…. The shareholders of Satyam Computers.

There is a big list of such corporates as Yes Bank, DHFL, Jet Airways, Kingfisher, Sahara, ILFS, Cox and Kings and so on, who have failed in Corporate Governance and ultimately defrauded the hard earned money of shareholders only.

Yes..... for investors, this is the time to pay special attention to corporate governance.

Irrespective of the mandatory laws in India, there is no stoppage of corporate frauds and therefore regulators are always debating about having a stringent approach to penalise the culprits involved in the scams in order to protect the genuine investors and impose a strong level of deterrence on the listed companies, while balancing the same with a tendency to over regulate and impose restrictions on companies having sound corporate governance practices and controls in place. The most important thing is the attitude of the top management in following the regulatory compliance framework in spirit and not only in the letter of the law.

Few key investor related measures for investors in the securities market to enable ease of investment while protecting investors:

- E KYC- Online KYC Process resulting into easy and speedy process of opening of trading & demat accounts.
- Aadhaar authentication and E-sign signature framework
- Making Power of Attorney (PoA), not a compulsory document. Only required for availing internet trading facility.
- Accepting of securities by way of pledge framework, thereby protecting the investors from potential misuse of their shares lying with the brokers.
- Basic Services Demat Account (BSDA) - Demat account at reduced costs for those retail Investors, having negligible exposure in the capital market transactions.
- Mutual Funds Product labelling on the basis of risk associated with each of scheme which every fund house has to disseminate, introduction of "Flexi Cap Fund" as a new category under Equity Schemes and uniformity in applicability of net asset value (nav) across various schemes upon realization of funds etc.
- Launching of a mobile App by SEBI - SAARTHI with a view to empowering investors with knowledge about securities market.
- Further strengthening the already existing investor grievance redressal and arbitration mechanism to settle the claims of investors against trading members in a most efficient and time bond manner.

Though regulators are doing their best, investors in this modern dynamic world of securities market should become more vigilant and proactive in getting real knowledge about the things happening and get educated on all fronts to protect themselves.

Investor Charters for Stock brokers, Mutual Funds and Investment Advisors.

While dealing with the Stock Brokers, the investors come across various activities such as opening of account, KYC and in person verification, complaint resolution, issuance of contract notes and various statements, process for dematerialization / rematerialization etc.

In order to spread awareness amongst the investors, SEBI has recently issued an Investor Charter for Stock Brokers inter-alia detailing the various services provided to Investors, Rights of Investors, various activities of Stock Brokers with timelines, Dos and Don'ts for Investors and Grievance Redressal Mechanism. Stockbroker is the market intermediary with whom general investors deals the most in the process of investing in securities market. By issuing an Investor Charter specifically for Stockbrokers, SEBI has clearly put in place the various duties/obligations of stockbrokers towards the investors whom they are serving. Investors will be benefited with this initiative taken by SEBI. SEBI has also issued similar charters for the investors of mutual fund schemes and availing services of Investment Advisors.

Though regulators are doing their best, investors in this modern dynamic world of securities market should become more vigilant and proactive in getting real knowledge about the things happening and get educated on all fronts to protect themselves.

That's why it is always true that ..... **A Well Educated investor is a Well Protected investor!!!**

Article co-authored by Mr. Ravindra Palande, DGM, BSE IPF.

Khushro Bulsara is a qualified Chartered Accountant, Cost Accountant, Company Secretary and LL.B. Since July 2020 he has been heading BSE's Investor Protection Fund (IPF). Before this, he was the Chief General Manager with BSE Ltd (formerly Bombay Stock Exchange) heading the Listing Compliance & Legal Regulatory functions.

In his 30 years of work experience, he has spent over 24 years with BSE and has rich experience with several departments of the Exchange such as Surveillance, Inspection, Clearing & Settlement, Debt, Derivatives, Mutual Fund business and of course, Listing Compliance. He was responsible for setting up the Exchange's popular Mutual Fund platform called StAR MF in 2009 and since 2012 he was heading the listing compliance and legal regulatory departments at BSE.

He has been a member of the Index Committee of Asia Index Pvt Ltd. a joint venture of S&P Dow Jones LLC and BSE, which manages all the S&P BSE co-branded Indices. He is also a member of the Listing Advisory Committee and the Internal Listing Committee of the Exchange.

He was a member of the Accounting Standards Board of the Institute of Company Secretaries of India (ICSI) for the year 2019 and represented BSE on the IMC Corporate Governance Committee, 2019-20. He was also a member of the Committee appointed by SEBI to study existing regulatory framework of related party transactions and recommend changes therein.

INSIGHTS

EMERGING TRENDS IN INVESTING

UNMESH KULKARNI
Managing Director Senior Advisor
JULIUS BAER INDIA

Investing is close to everyone's heart - channeling one's savings or surplus funds into assets that yield income or which grow over time. For some, investing means preservation of wealth while keeping pace with inflation, while for many others it is creating wealth over the long-term (or even the short-term) by taking higher amount of risk.

And that's where the science of risk tolerance and asset allocation comes in, which helps investors identify the right allocation mix of low-risk and high risk assets for themselves, based on their investment objectives as well as their willingness and ability to accept the risks associated with the investments.

Traditional investing

If one looks at the traditional avenues that have dominated the investment pattern of Indians, a substantial part of the allocation has been going into fixed income and equities, among the financial assets. The fixed income allocation largely comprises fixed deposits, debt mutual funds and bonds, while the equity allocation comprises stocks, equity mutual funds and unit-linked insurance schemes. On the other hand, among physical assets, real estate has been the dominant asset class, followed by gold.

By and large, the traditional approach of managing financial assets - asset allocation across Indian fixed income and equities - has stood the test of time and helped investors manage their wealth based on their individual objectives and risk appetite. However, with the evolution of the capital markets, enhanced experience and sophistication of investors and some learnings from the western countries, some discernible trends are emerging in investor preferences.

Specialised and focused approach to equities

Equity Mutual Funds have been the mainstay as far as allocation to "managed" equity solutions is concerned. The bull market of 2021 resulted in the largest-ever flows into Equity Mutual Funds. However, alongside Funds, equity investors have also been increasing allocation to specialist managers - large, established players as well as boutique houses - through discretionary portfolio management schemes. The discretionary PMS industry (non-EPFO/PF monies) in India has grown 3.5 times over the period CY 2019 to 2021, indicating a significant build-up of interest in specialist managers among equity investors, predominantly HNIs. The concentrated nature of the portfolios, flexibility in portfolio construction as well as bespoke opportunities are driving many savvy investors to allocating higher proportions of their growth capital to PMS schemes.

Wealth creation through alternatives

Alternative investments are clearly finding a bigger place in investor allocation, with the emergence of more financial products as well as investors seeking opportunities outside the traditional fixed income and equity asset classes.

Although Private Equity (PE) is not new to India, the growth of the private equity and venture capital industry has picked up significantly over the past few years. India is now clearly emerging as a hub of PE-enabled entrepreneurship, with a large number of start-ups mushrooming across a wide range of sectors, including consumption, healthcare, fintech and other services. With the advancement of the internet and e-commerce, the traditional forms of distribution are being supplemented by tech-enabled models, leading to a wider reach and faster customer acquisition.

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With the support of the vibrant equity markets, many unlisted businesses that have crossed the initial phase of their business cycle have made their way into the listed space, creating huge wealth for the promoters as well as the private equity investors. In 2021 itself, India produced more than 40 unicorns (company valuation in excess of $ 1 billion). High net worth investors (HNIs) are now looking more favorably at this product class as a long-term wealth creation opportunity. Asset Managers and Wealth Managers have sighted this trend well, and are supplementing their product suites with private equity funds, pre-IPO / late-stage PE Funds, venture capital funds (equity and debt) as well as buyout / special opportunities funds. Additionally, HNIs are also increasingly willing to take a more entrepreneurial approach with respect to their growth capital, and are seeking opportunities to participate directly in the unlisted space (early stage / late-stage), depending on their risk appetite. A point to note here is that investors need to view the unlisted space as a high-risk domain (that could potentially lead to capital erosion in case the business models of some of the companies fail) and decide their allocation appropriately, and not get sucked into the valuation euphoria that typically emerges in a bull market.

Yield alternatives

The last couple of years have seen interest rates collapse across the world, including in India. Investors, who were earlier earning 7-8% p.a. return in their fixed income portfolios in India, are currently confined to a 4-6% p.a. return, which is not even keeping pace with inflation. This has led to a general 'hunt for yields' among investors, outside of the traditional fixed income avenues.

There is a growing appetite for long-short and similar equity hybrid strategies (Alternative Investment Funds) that aim to take measured risk (through long-short / hedging / arbitrage) in order to generate a 'fixed income plus' type of return profile.

Structured credit / venture debt is another emerging area of interest with HNIs who are seeking to earn higher fixed income returns (with higher credit and/or illiquidity risk) through investment in funds providing financing to businesses in the form of specialized credit or early-stage venture capital.

With the Government increasingly focusing on the infrastructure sectors and allowing infrastructure developers to free up capital and monetize assets, Infrastructure Investment Trusts (InvITs) are becoming a new product-class opportunity for investors looking for yield investments. InvITs, by regulation, are required to distribute 90% of their cash earnings to investors, thereby becoming a stable cashflow generation vehicle. The underlying assets are largely deployed in completed and revenue-generating assets, which improves the risk profile of the product. Besides, the biggest advantage for investors is that the InvITs are listed on the stock exchanges, thereby creating regular liquidity.

Similar to InvITs, REITs have also emerged as an attractive yield-alternative. The commercial real estate sector, especially properties occupied by reputed and well-established corporates (including multinationals), provides a good yield-opportunity for investors, apart from the asset-class diversification benefit. REITs, being listed on the

exchanges, provide liquidity to investors; besides, the government has also been taking initiatives to increase retail participation by reducing the minimum investment amount.

HNIs are increasingly taking the LRS route to remit monies to global investment houses and private banks for managing their wealth outside India. On the other hand, domestic asset management companies (Mutual Funds) have seized the opportunity and have launched several International Funds and ETFs domestically, that invest in global funds and securities, across geographical markets and global investment themes.

The real estate sector, on the whole, is likely to see a revival as the Indian economy picks up further, post the pandemic woes, especially with the government's focus on infrastructure and capex. The stagnant prices of real estate over the past few years (akin to time correction) and the benign interest rate environment are emerging as triggers for a favourable cycle for the sector. The last decade was a somewhat lost decade for real estate, and investors were shying away from the asset class. With the revival of the sector on the cards, investors are likely to see more investment opportunities, whether through REITs (commercial real estate) or through RE growth/debt funds focusing on housing projects.

Passive investments

Another noticeable trend, of late, among investors is the need to build a passive portfolio. Historically, in India, active management of funds has been more rewarding for investors, given the asymmetry of information as well as the overall illiquid characteristic of Indian equity markets. However, there have been intermittent periods wherein Fund Managers have found it difficult to outperform indices.

A number of index funds and exchange-traded funds (ETFs) have been launched in the past couple of years across various indices (Nifty, Nifty Next 50, Sensex, etc.), market cap (incl. mid-cap), themes (momentum, low volatility) and even specific sectors. It is still early days, and the assets under management of many of these index funds are currently very modest; however, 'index-investing' is likely to pick up as an investment trend going forward and supplement the actively managed investment strategy.

International investments

Historically, the 'home-bias' has been very strong amongst Indian investors. High inflation and high nominal GDP growth in India has kept Indian equity investors focused on domestic equities through the years, ignoring global equities, although the liberalized remittance scheme (LRS) was introduced close to a couple of decades back. In the last 3-4 years, there has been an increased acceptance among Indian investors to look for investment opportunities outside India. Increasing awareness about global markets and companies, steady rupee depreciation, a desire to own some of the most profitable companies of the world and a realization to diversify across geographies as a de-risking strategy is now drawing more and more investors to building a global allocation in their portfolios.

Over the period Dec 2019 - Dec 2021, while the Nifty 50 appreciated by 42.6%, the S&P 500 returned 47.5%, the Nasdaq Composite returned 74.4%, while the Korean and Taiwan indices returned 35.5% and 51.9% respectively. During this period, the INR depreciated by 4.4% against the USD.

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Responsible, Sustainable and Impact investing

Responsible investing refers to incorporating environmental, social and governance (ESG) factors into one's investment philosophy and decision-making, in order to better-manage risks and generate sustainable long-term returns.

It includes assessing the underlying investee company's disposition with respect to (1)

environmental factors such as climate change, pollution, biodiversity, etc., (2) social factors such as product safety, working conditions, employee diversity and community engagement, and (3) governance factors such as executive compensation, accounting practices, board dynamics and business ethics.

Impact investing aims to generate a positive social or environmental impact. Impact investments are satellite investments; this strategy particularly caters to those investing with a purpose beyond financial returns and who would like to have a positive effect on people's lives. Impact investing is done through either engagement as a shareholder (e.g., private equity) or the direct financing of companies or projects (e.g., bonds).

Global studies have shown that corporates that are ESG leaders usually come with sustainable cash flows, good financial health and the ability to return capital to shareholders. Besides, it is also seen that equity performance is positively influenced by good sustainability practices, and companies with high ESG ratings tend to show higher profitability, higher dividend yields and higher valuations over time.

The ESG concept is fast spreading in investment management in the developed countries. It is relatively new in India, but is now gradually gaining more attention of businesses themselves, as well as policy makers (government and regulators) and the investor community (fund managers, wealth managers and investors).

Indian mutual funds have taken the lead and launched ESG schemes focusing on companies ranking relatively higher on ESG parameters. Currently there are 10 ESG Mutual Fund schemes in India, with aggregate AUM of about Rs. 12,500 cr. (as of December 2021). While this is still a tiny fraction of the overall Indian MF industry AUM, it has been growing rapidly since the past couple of years (from Rs. 2700 cr. AUM in December 2019), and is expected to grow further, with more Asset Management Companies likely to participate in promoting ESG.

And if one were to be guided by the trends in the western investment world, ESG could very well become a mainstay of the overall investment philosophy of Indian investment managers over the next 5-10 years, as more awareness is created around responsible and sustainable investing, and with more regulatory backing for the concept. Investors should keep a close watch on the developments, and may want to consider embracing responsible and sustainable investing in their investment philosophy.

Impact investing aims to generate a positive social or environmental impact. Impact investments are satellite investments; this strategy particularly caters to those investing with a purpose beyond financial returns and who would like to have a positive effect on people's lives. Impact investing is done through either engagement as a shareholder (e.g., private equity) or the direct financing of companies or projects (e.g., bonds). In India, impact investment is increasingly drawing interest from corporates as well as HNIs. Some domestic and international fund managers also have created a pooled platform (AIFs) to tap impact investments from a larger audience of HNIs.

Unmesh Kulkarni is Managing Director Senior Advisor and Head - Markets, Investment & Wealth Management Solutions, and is responsible for managing the overall investment solutions and markets platform of Julius Baer India.

He has about 25 years of experience in the wealth management industry, having worked with Julius Baer and DSP Merrill Lynch for more than 21 years. He was one of the founding members of Merrill Lynch's wealth management business in India.

His extensive experience includes business strategy, product management, investment strategy, markets, client relationship management, investment advisory, international markets and investment communication.

He is a B.Tech (Hons.) from IIT Kharagpur and a PGDM (MBA) from IIM Calcutta.

INSIGHTS

FINANCIAL LITERACY IN INDIA WITH DIGITAL TRANSFORMATION AND ROAD AHEAD

KRISHNA KANHAIYA
Chief Financial Officer
MIRAE ASSET INVESTMENT MANAGERS (INDIA) PVT. LTD.

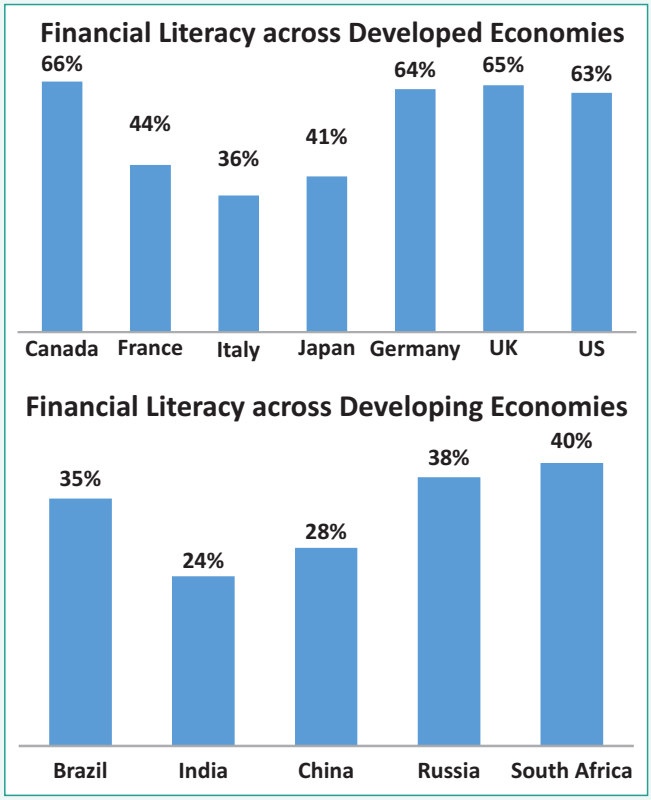
Introduction

Economic growth and development of any country depends upon the strong financial system. Financial system comprises, a set of sub system of financial institution, financial markets, financial instruments, and services, which help the formation of capital. It provides a mechanism through which saving is transformed to investment.

For centuries, India has been a "saving" country that conventionally or unconventionally invests in cash or its kind. However, this saving may not be in formal manner. The most preferred investment avenues for the people of our country from generations are in gold and real estate. Gold is one of the most conventional investment in India and is often considered as an alternative to fiat money, and well accepted as a medium of exchange. India is the second highest consumer of gold, as the yellow metal is considered auspicious and has high emotional value. One of the reasons for the investment in gold and real estate compared to other financial products could be financial exclusion and lack of financial literacy regarding different financial products.

Governments since independence have made conscious efforts to promote financial literacy as its directly related to financial inclusion, which in turn, plays major role in fostering economic growth of the country. The regulatory bodies RBI, SEBI, IRDA and PFRDA are working together for the improvement of financial literacy and inclusion in the country.

It is alarming to note that financial literacy in India lags behind that of many countries. According to a survey conducted by the Standard & Poor's Ratings Services (S&P Global Fin Lit Survey), even after India accounts for around 20% of the total world population, yet only about 24% of Indian adults understand key financial concepts, including risk diversification, inflation and compound interest. This is lower than the worldwide average of financial literacy, but roughly in line with other BRICS and South Asian nations.



Source: S&P Global Fin Lit Report 2014

Why Financial literacy is important?

As financial markets have become complicated, there is information gap between markets and the traditional investor, leading to difficulties in making correct financial choices. India is among one of the world's most efficient and regulated financial markets. It has one of the highest savings rates in the world. While people in India prefer to save, the savings are not invested in a wise manner. A majority of Indian population do not use modern financial products. Unless an individual becomes informed and literate about the changes in the financial markets and products and protects himself/ herself from financial distress, wealth creation for the common man and the economy will remain a distant dream.

Financial literacy will equip an individual with the knowledge about personal management of finances and strategies that are crucial for financial growth and success

Financial literacy will equip an individual with the knowledge about personal management of finances and strategies that are crucial for financial growth and success. It gives the individual the dual benefit of protection from financial frauds as well as planning for financially secure future. It gives consumers the necessary knowledge and skill required to assess the suitability of various financial products and investments available in the financial market. This benefit to the consumers translates itself in benefits to the economy as a whole.

Financial Literacy Education Initiatives:

In India, a large number of stakeholders including financial regulators, financial institutions, educationists and other agencies are involved in spreading financial literacy. Efforts are continuously been made so as to improve the level of financial literacy in India. Increasing consumer financial literacy may be a long-term project but it is already yielding dividends Some of the initiatives undertaken are as follows:-

Securities Exchange Board of India (SEBI)

The Securities Exchange Board of India (SEBI) has addressed the issue of financial literacy for investors and acted by mandating that all mutual fund companies set aside a percentage of the assets under its management (AUM) for investor education and awareness initiatives. Also, there are multiple workshops organised by SEBI Certified Resource Persons on different topics like savings, financial planning, retirement plans, investments etc. to the target segments across India.

Reserve Bank of India

An initiative under "Project Financial Literacy" has been undertaken by the Reserve Bank of India (RBI). The objective of this project is to disseminate information regarding the basic banking concepts to various target groups, including school and college students, women, rural and urban poor and senior citizens. It is disseminated to the target audience with the help of banks, local government agencies, schools and colleges through presentations, pamphlets, brochures, films and also through the RBI"s official website

Insurance Regulatory and Development Authority (IRDA)

The Insurance Regulatory and Development Authority has also taken a number of initiatives in the field of financial literacy. Awareness programmes have been organised regularly to convey about the rights and duties of policyholders, mechanism available for dispute and grievance redressal etc. through National Strategy for Financial Education (NSFE).

Rise of Financial Literacy in India

Individual Wealth across different asset classes in India

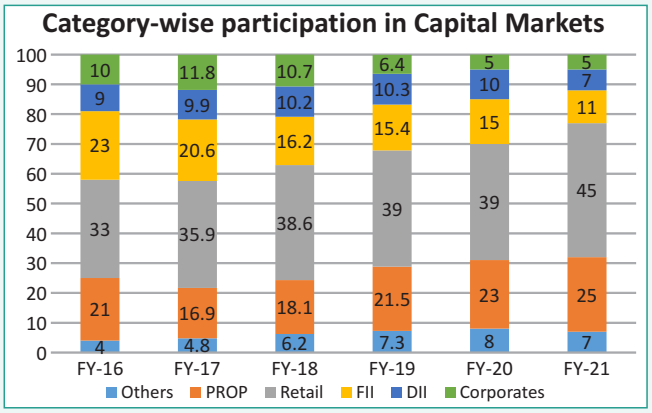
Financial Year	FY 20	FY 19	FY 18	FY 17	FY 16	FY 15	FY 14	FY 13
Physical Assets	**44%**	**40%**	**40%**	**41%**	**43%**	**43%**	**48%**	**46%**
Gold & precious	27%	22%	22%	24%	25%	24%	28%	30%
Real Estate	17%	17%	18%	17%	18%	19%	19%	15%
Financial Assets	**56%**	**60%**	**60%**	**59%**	**57%**	**57%**	**52%**	**54%**
Equity	14%	19%	19%	17%	15%	16%	13%	13%
Debt	42%	41%	41%	42%	42%	41%	39%	42%
Total Assets	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Karvy Wealth Report 2013-2020

In the past decade, India has seen a significant change in the way individuals make investing and saving decisions. At the end of FY-13, individual wealth invested in physical assets stood at 46% whereas wealth in financial assets stood at 54%. Out of the 46% invested in physical assets, gold and others precious metals & gems account a share of 30% in 2013 and out of the 54% invested in financial assets, equity as an asset class constituted a share of 13% in 2013. A burgeoning middle-class, along with structural reforms in the financial, infrastructure sectors and increasing awareness about financial markets by financial regulators, the individual wealth across different asset classes has witnessed a significant change in 2019-2020 compared to asset-wise break-up in 2013. At the end of FY-19, individual wealth invested in physical assets stood at 40% whereas wealth in financial assets stood at 60%. Out of the total individual wealth across all assets, the share of gold and others precious metals & gems had reduced to 22% compared to equity which has increased from 13% in 2013 to 19% in 2019. The

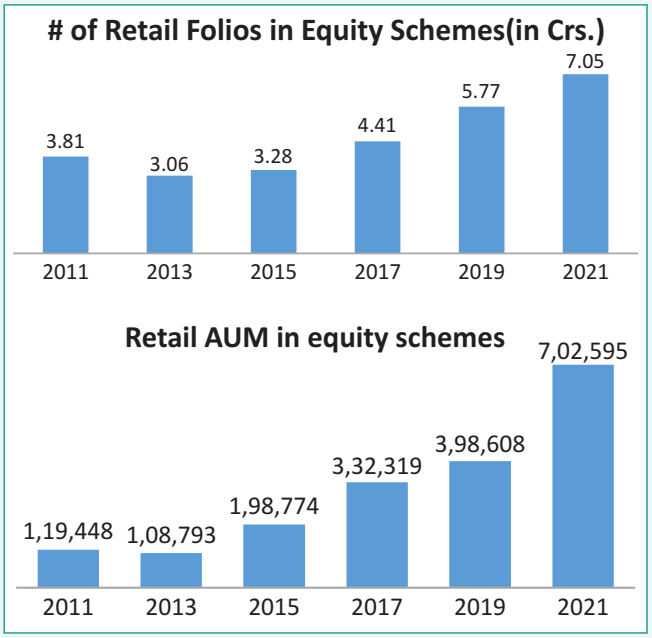
share of equity in FY20 is lower compared to FY19, as markets had witnessed a drawdown on 23rd March 2020, at the start of pandemic in 2020.

Increase of Retail Participation in Capital Markets and Mutual Funds



Source: NSE

With increased awareness about financial products in the past decade, Indian markets have witnessed a rise of retail investors flocking to the stock markets. India's markets are now dominated by retail investors, who now form 45% of trading turnover on the stock exchange. As per data released by NSE, individual investors have slowly moved up from a 33% market share since 2016, to 45% in 2021. In addition to capital markets, equity mutual funds in India have also seen a steep rise in number of retail folios and assets under management in the past decade. The number of retail folios investing in equity schemes have increased 85% from 3.81 crore folios in Sep 2011 to 7.05 crore folios in Sep 2021. The assets under management have grown at a CAGR rate of 19.4% from Rs. 1,19,448 Cr in Sep 2011 to Rs. 7,02,595 Cr at the end of Sep 2021.



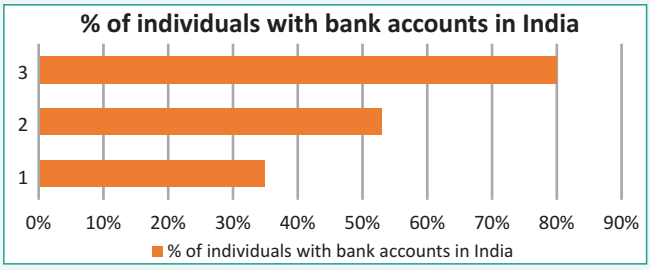
Source: AMFI; Data as of Sep 30, 2021; Data mentioned is only pertaining to equity schemes

Drivers of the Rise of Retail Investment in Capital Markets & Mutual Fund

Firstly, the penetration of the internet to the remotest corners of the nation opened up a whole new world of online access for Indians. This also meant improved accessibility to investment education, market news and growing awareness of various forms of investment. In addition, a significant percentage of investors from tier 2 and 3 cities gained access to newer asset classes and means of portfolio diversification. The entry of investors from smaller towns and cities has played a pivotal role in the changing investment landscape in India. Also, low interest rates have made traditional investment avenues, such as fixed deposits and debt instruments, less attractive. Investors are, therefore, looking at new avenues that will offer inflation-proof returns.

Increased used of Banking products in India

With increase in working population, growing disposable income and increased awareness about banking products, the demand for banking and related services is on a rise. As per the latest available World Bank's Findex 2017 Report, the proportion of adults with a formal bank account in the country has risen from 35% in 2011, to 53% in 2014, to 80% in 2017. India has also made extraordinary progress in reducing the country's gender gap in account ownership, from nearly 20% in 2014 to 6% in 2017 Much of this improvement can be attributed to the flagship initiative of the Government of India towards financial inclusion, namely the Pradhan Mantri Jan Dhan Yojna (PMJDY), supported by the conducive ecosystem created by the financial sector regulators.

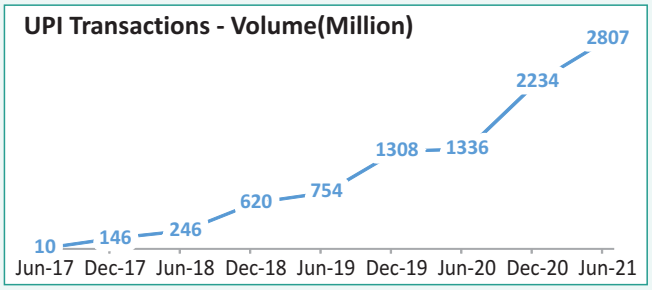


Source: World Findex Report, 2017

Increased Digital Financial Literacy among masses

Over the past decade or so, three major trends have contributed to the creation of a robust foundation for digital financial inclusion in India. Two of these major initiatives were directly driven by the central government. The first was the introduction and rapid development of the Aadhar card and its use as a validation tool. The second was the mandate to open basic bank accounts to support Direct Benefit Transfer of cash under various government schemes. This has resulted in millions more citizens becoming a part of India's formal banking system. The third major

shift was the development of the revolutionary Unified Payments Interface (UPI) infrastructure by the National Payments Corporation of India (NPCI) to facilitate inter-bank peer-to-peer (P2P) and person-to-merchant (P2M) payment transactions. Volume of transactions has increased at CAGR of 309% from 10 Million transactions in June-17 to 2,807 million transactions recorded at the end of June-21.



Source: UPI Statistics, NPCI

Digital Transformation

Digitalisation in India is no longer a luxury, existing as an add-on feature to functions like banking, shopping, traveling and others. It has now percolated to almost all walks of life, transforming businesses and governments to become a new way of life. From paying a vegetable vendor through a United Payment Interface (UPI) to paying taxes online, New India is adapting to a digital lifestyle at a rapid pace. The RBI's annual Financial Inclusion Index for the period ending March 2021 is 53.9 as against 43.4 for the period ending March 2017.This indicates that over half of the country's 1.3 billion population is online and has ease of access to online services. This large-scale digital onboarding has naturally put increased focus on doing business online, bellying the importance of digital literacy in New India's digital financial inclusion.

The government of India through its program like Digital India programme, have empowered a large part of the population with basic digital literacy. However, there now exists a need to channelise this newly acquired literacy into economic activities for the whole population to come under the ambit of digital financial inclusion. It would enable them to become a part of the larger digital economy. Imagine a second-generation cloth trader in a metropolitan selling his wares to consumers in different parts of the country. He is now able to securely receive digital payments and display his wares virtually due to this working knowledge of the internet. His business is now not limited to his locality. This is a feat that has been achieved only through the application of his digital knowledge. The impact has been an expansion of his business outreach and an increased number of orders. The usage of his digital literacy created a bridge for his inclusion in the new digital finance system. This degree of inclusion is now the need of the hour for the whole of India to advance its economy and lifestyle. It can help them operate with banks, NBFCs and other financial institutions digitally.

Currently, digitised banking has reached over 420 million people in India, making space for digital financial inclusion. It is allowing India's rural and semi-rural population to be open to using digital gateways securely. Due to this inclusion, the country's digital payment value is expected to grow more than double to $135.2 billion by 2023, according to an ASSOCHAM - PwC, 2019 study. While this growth has been commendable, it still needs to see large-scale percolation across class and economic barriers for people across classes to use their digital literacy skills to use such digital finance features.

The digital transformation of India has rubbed off on the NBFC sector too. The digital literacy skills of the population are enabling NBFCs to leverage technology for process automation to enhance customer connect. New-generation NBFCs are leveraging partnership networks across the value chain of lead generation, client onboarding, underwriting, credit/loan disbursement, and collection more than ever before. Lenders may now assess individual consumer insights and create alternative credit rating models using artificial intelligence (AI), machine learning (ML), and big data.

Road Ahead

While India to a great extent has covered digital literacy grounds, digital financial inclusion remains the need of the hour for the country. Participation of the entire country in digital finance will pave the way for economic growth in line with the global trends. Digital financial inclusion is the most effective step towards inclusive development. Eventually, financial inclusiveness will give the freedom to dream and live on one's own terms. It will provide wing to the hopes of millions of Indians across the country.

Krishna Kanhaiya has over 22 years of experience in finance across various industries including over 16 years in Financial Services. He has been associated with Mirae Asset since its inception. As the CFO of Mirae Asset Investment Managers (India), he is responsible for Finance, Human Resource, Information Technology and Administration functions. He is the board member of Mirae Asset Capital Markets (India) and Mirae Asset Financial Services (India).

In past, he has also worked with DBS Cholamandalam AMC Ltd., Ispat Industries ltd., Ambuja Realty Group and Hindustan Engineering and Industries limited. He is a Chartered Accountant as well as Cost and Management Accountant. He has received many awards/ recognitions including CA CFO for the year 2020 by ICAI, Fund Management CFO of the year 2020 (South Asia) by Acquisition International Magazine, CFO Power List - 2019, Most influential HR Leaders in India by World HRD Congress in association with Times Ascent.

INSIGHTS

WHY WOMEN NEED FINANCIAL PLANNING MORE THAN MEN?

PRITI RATHI GUPTA
Founder

LXME - India's 1st Financial Platform for Women

Financial Planning is extremely important for every individual, irrespective of whether they are men or women. When we talk about Investing or Financial planning as a whole it should be a gender agnostic concept. And yet as per a survey conducted by DSP and Nielsen, in 2019, only 33% take their own investment decisions, compared with 64% men. Of these, only 30% did so of their own volition, while most were prodded by their spouses or parents.This speaks volumes on how little women are exposed to the world of investing.

Financial planning, money management, and investments have traditionally been male-dominated and male-oriented. Even with women excelling in all fields of life and becoming increasingly independent, their financial planning still takes a backseat. This roots from lack of confidence in self with handling money. Women have not been encouraged to actively manage money as the ecosystem has primarily targeted men. The incumbent financial services ecosystem is largely male dominated and hence focused towards men. It's a case of reaching out instead to the ready market as opposed developing one. Also most Indian households are still not very encouraging towards the women in their home to be aware and take charge of financial matters.

There are various reasons as to why Women shy away from gaining important life skill of money management. The deep-rooted orientation that "Men manage money much better" has created a huge barrier in the minds of women that investing or financial planning is complicated and only a male brain can decipher it. Added to this is also years of conditioning that what matters is earning your money. Traditionally men have been the bread earners. Hence, matters of money have always been left to men starting from saving to investing. Though this pattern is slowly changing due to the rising participation of women in workforce, there is very little stress on how managing your money and investing is the only path to wealth creation. Hence women work hard at earning and saving their money but usually stop there. While the society around women is changing and making way for a more progressive work culture, women also need to adapt and start investing.

Women are born money managers. When armed with the right attributes of being risk-aware, disciplined, making informed decisions, and staying calm under stress, women can go from managing home budgets to smart investors.

Women are born money managers. When armed with the right attributes of being risk-aware, disciplined, making informed decisions, and staying calm under stress, women can go from managing home budgets to smart investors.

Men and women undergo different life experiences which differs their knowledge and attitude towards risks. More than men it is women that have a greater need to actively manage their finances. Let's take a look at five key reasons why financial planning is critical for women.

Financial Planning is extremely important for every individual, irrespective of whether they are men or women. , it is a bit more important for women to know their way around money and learn how to save, invest and spend it cautiously.

1. Financial freedom

In order to be truly independent, every woman must aim to have financial freedom and become self-sufficient or capable of meeting her financial needs. For this, women need to start building their own wealth with a sound investment plan. As a rule of thumb, remember to start early to reap the benefits early. Women are born money managers, they have the potential to bring societal changes as they begin to invest back into the community and their children.

2. Career Breaks

According to research done by the insurance agency AIG Life, women are nearly 3 times more likely to have to take time off work to look after children. As caregivers in the family, women tend to take more breaks from their careers than men. This could be due to childbirth, taking care of the elderly, or even relocating with their spouse. This break would indicate a certain period without an income, which is bound to disrupt regular savings and investments. This makes it very important for them to plan our finances more carefully.

3. Lesser earnings

It is an unfortunate yet well-documented fact that for the same job, women are paid less than men. According to the World Economic Forum's Global Gender Gap Report 2021, in India, the income of an average woman is below 20.7% of that of an average man. The pay gap increases even more with seniority. Naturally, this means lower savings and a lower retirement corpus. There exist situations where women have chosen to take up a job that pays them less so that they have a better work-life balance. With lesser income, financial planning becomes very important for women.

4. Longer life expectancy

Women have a longer life expectancy than men. In India, the average male life expectancy is 67.4 years and the female life expectancy is 70.2 years. This means that women live longer than men post-retirement and hence need a bigger corpus to survive. Sometimes even working women tend to depend on their husbands to manage money. In the case of their husband's early demise, widows find it difficult to manage their finances. Financial planning thus becomes more important for women.

5. Life goals

The woman of today is more aspirational and driven. They have many professional as well as personal life goals. It may range from travelling the world to starting their businesses. All of these goals need to be backed by adequate finances, where investment planning helps. With the right financial plan, women can ensure that they meet their goals in the timeframe needed, without relying on others to back their dreams.

As mentioned earlier, though Financial Planning is extremely important for every individual, irrespective of whether they are men or women. , it is a bit more important for women to know their way around money and learn how to save, invest and spend it cautiously.

Women must take charge of their financial wellbeing and excel in money management, just as they do in other fields.

Priti Rathi Gupta is the founder of LXME, a financial planning platform for women, and the Managing Director and promoter at AnandRathi Group, which offers financial and advisory services including wealth management, investment banking, brokerage and distribution of equities, commodities, mutual funds and insurance.

She launched LXME with an aim to bridge the gap between women and finance; the goal of the platform is to empower women across life stages to invest and take charge of their money. Ms Gupta currently has 1,00,000 women in the LXME ecosystem, and her target is to build a community of up to 10 million financially-independent women in the next five years.

An alumnus of Harvard Business School, she has also completed a Post Graduate Programme in Family Managed Business from S.P. Jain Institute of Management and Research and has completed her B.Com from H.R. College of Commerce and Economics.

INSIGHTS

WAR: A CONSTANT PHENOMENON

ANUP GUPTA
Managing Director
SYKES & RAY EQUITIES

Do you know Russia Attacked Ukraine?

Response A: was long overdue
Response B: President Putin will not tolerate nonsense from anyone. He is very powerful.
Response C: how does it affect you?
Response D: tell me where will there be opportunities to invest.
Response E: will the oil prices increase further?
Response F: So? America has been putting its army everywhere in the world. That time you did not get excited

There is a point here; if there is peace in the world, why are America's Soldiers everywhere in the world? And if any other nation mobilizes its army, why does America have problems.

Some say the U.S. has Army for peace…. And I wonder?

The story goes on in all media and news channels. Both have their reasons and justifications. Some support, others boycott. Some are concerned, others least bothered.

Politicians come, politicians go. But for their zeal for power a loved husband, father, son, brother never return home. Innocent lives are lost for no fault of theirs, assets are destroyed... and I could go on.

Some say it was their destiny

Some say a soldier at war never dies. They have become AMAR. A good word to console ourselves, but so painful for the family. How can we ever repay the price of every tear the family sheds as long as they live.

When we humiliate someone, or when we are humiliated by someone. Whenever our ego gets hurt, when we do not get what we want, especially when we were the most deserving. A volcano erupts within us, we become a victim of anger, and the anger we do not confine it to ourselves. It is passed on to our spouse, children, employees, friends.

Some say this is just the beginning; we are heading for World War III.

For all the wars of the Past, Present, and Future some of the questions to ask are

1. Who is the winner?
2. Who is responsible?
3. Why are Soldiers prepared and trained just to take a bullet from across the line?

4. Why do Civilians suffer?
5. Who creates the boundaries?
6. What is our true motherland when the grass is green on both sides?
7. What is freedom?

During the Dharam Yudh, Lord Shree Krishan has shared the best knowledge to overcome the Wars within, so relevant to everyone even in today's time. Do read the Holy Bhagwat Gita which beautifully summarises, 'the only thing constant in this world is change'.

Spoke about the wars between nations

But that's not the reason I chose to write this article.

What about the constant Wars within us.

The War of Humiliation

When we humiliate someone, or when we are humiliated by someone. Whenever our ego gets hurt, when we do not get what we want, especially when we were the most deserving. A volcano erupts within us, we become a victim of anger, and the anger we do not confine it to ourselves. It is passed on to our spouse, children, employees, friends.

The War to choose

To choose between what we like and what is correct, to choose between fulfilling our desires and being satisfied. To choose between being a consumer to being a contributor. To choose between time spend with family or friends. To choose between social media and education. To choose between the financial risks of investment.

The War to Success

The hard work put for every achievement at the cost of doing other things. The war of performance to stay on top. The war for seniority. The high of appreciation, fan following, recognition. The guilt of displeasing others on your path of success and above all, the fear of failure.

The War of Sacrifice

Every time we succumb to injustice a small portion within us dies. Every time we choose to be silent on issues some portion within us dies. The war within when every time you postpone your own desire to fulfill a responsibility.

The War of Health

What to eat what not to eat, how much to exercise, when to do yoga, when to sleep, how many hours of sleep, when to get up, what tonics and supplements to take, when to do health checkups. What precautions to take to prevent infections. Priorities between keeping good health or working to create wealth.

We live in so many dimensions; life is a constant roller coaster, surprises every day, disruptions every day. We learn to adapt, we survive, we live.

And there is nothing wrong in this, despite all the challenges, despite all the wars within and outside we have learned to live longer.

So let war be a constant phenomenon. We will participate in them happily. And when someone says again there is a war happening, remember that you live with it every day, within you.

During the Dharam Yudh, Lord Shree Krishan has shared the best knowledge to overcome the Wars within, so relevant to everyone even in today's time. Do read the Holy Bhagwat Gita which beautifully summarises, 'the only thing constant in this world is change'.

The second time I had the privilege of meeting His Holiness, The Dalai Lama, I asked him why there is so much hate and war and no peace? His Holiness replied and I quote, "People have to read and understand The Scriptures and then there will be peace".

Anup Gupta, Managing Director of Sykes & Ray Equities has a long experience of 30 years in the field of Financial Services. The SRE group offers all financial services under one roof. The passion for value add service in the interest of Investors made the group diversify into the field of Education and they have trained thousands of Students to become Financial Planners. He always believes and advocates to work for the interest of the investor. He keeps pursuing education, practices Vipassna and enjoys sharing his experiences in the field of Finance and the Art of Living.

INSIGHTS

PARABLES OF INVESTING

KRANTHI BATHINI
Director - Equity Strategy
WEALTHMILLS SECURITIES PVT. LTD.

The art of getting rich consists not in industry, much less in savings, but in a better order, in timeliness, in being at the right spot.

- Ralph Waldo Emerson (1803-82)

First and foremost, there is no investment rule that always works. If there was one single rule, which always worked, everybody would in time follow it and, therefore, everybody would be rich. But the only constant in history is the shape of the wealth pyramid, with few rich people at the top and many poor at the bottom. Thus, even the best rules do change from time to time.

Expect the Realistic Returns on Investments ...!!

If one of our fore fathers had put the equivalent of just one USA dollar on deposit in the year 1000 A.D. Being more modest than today's online trading community and mutual fund investors, who expect their funds to appreciate by more than 15% per annum forever, if my ancestor would have wisely opted for a deposit with just 5% annual compound interest and left his capital on deposit up to now. Well unfortunately, I didn't have the good fortune to have such wise ancestor, since this tiny US dollar would have increased by now to 1600 million trillion (a quintillion). If I today invested this small fortune at just 6%, I would enjoy an annual pre-tax income of US $ 100 quintillion- three million times the current world GDP. It becomes clear from this calculation that dreams of very long term returns of even 5% real return per annum are totally unrealistic.

Understand the underlying risk of Investments.

It's a bitterly cold day. you have lost all feeling in your nose. Your ears are hurting. You hunch your shoulders together to bury your head under the raised lapels of your greatcoat.

You turn a corner, and you see a frozen pond. Can you risk taking a short cut across? Or would it be safer to walk to the bridge half a mile down the road?

You notice a man on the other side of the pond. He gingerly steps on to it. It holds the weight of one foot. He carefully places the other foot on the ice.

A young women behind follows his lead. As you watch, some children arrive with skates, and more adults follow them. Soon, the whole village is having a party on the ice. Each person had given the next person the confidence to join the party. The more people clamber on to the ice, the safer it feels. It's logical, isn't it? Or is it? Something makes you stop. You turn around. You walk away. Behind you, you hear the crack and the first scream.

Stock market follow the same psychology. As an increasing number of heavy bodies add themselves to the ice, human nature makes them feel that the safety factor is increasing. But the clear-thinking observer realises that their added weight means the opposite is true. Each fresh body on the ice makes it more - not less- likely that the ice will crack. The global investment business today is a business exactly the same way. It is manned by salespeople, and they all have products they want you to buy. They make sure that what they sell is attractive. They tell you uplifting

stories of how buyers of their services have generated wealth for themselves. They attract you to the ice. There are lots of people on it, so it must be safe.

The point is that risk is required for reward, but risk is not just quantified in spreadsheets. It's measured by the acceptance of doubt, and a willingness to make decisions that don't make sense to many others, specifically because the gap between your check and consensus is where outperformance lives. In the most competitive markets, it's where any results lives .One of the Navy Seals from Bin Laden raid wrote a book about his life in the military . Technical skill are important to be an effective soldier, he wrote but "one of the key lessons learned early on in a seal's career was the ability to be comfortable being uncomfortable "same in investing.

Investing is a process not a simple transaction, one should aware about the parables of investing to make investment journey comfortable to create Wealth.

Thy Know what's Happening in Markets !!

Most individuals don't know what's what. They're outsiders. Their information is second or third hand. they don't understand the language. They don't understand the culture. They believe what they read. They believe what our investment advisors make up. Foreign investors tend to buy when everything looks bright - in other words, as the worst possible time. They buy when markets reach their peak, through most studies evident that foreign investors are frequently responsible for the final spike in an end of a boom market. They are responsible directly and indirectly. They increase their own purchases in the final phase if an investment mania, because they are anxious not to be any later getting into the game. Meanwhile domestic become accustomed to the foreign money flowing in, and start to believe that the cash will continue to flow and rise in perpetuity. Domestic investors expect foreign capital to boost prices, so they invest more themselves. One of the most reliable symptoms of a boom coming to an end is the sight if speculators focusing on a few issues, usually in just one sector. Frequently, the last speculative move upward is accompanied by a surge in stocks of low quality and low price, the 'cats and dogs 'or of 'new era' stocks, like those of internet or e commerce or start up loss making companies. The peak is immediately followed by a sharp fall. That last vertical climb is followed by another vertical line - downward.

Learn the Art of Financial Engineering:

In the world of Investing, there are Truths, there are lies, there are statistics, there are facts. The world we live in is no longer simple, but it is complex.

If you have a broken tap, you call a plumber. If you have a broken tooth you go to the dentist. However, when it comes to planning and investing finances, most people avoid taking an expert's help even though your lifestyle, wealth, retirement income and ability to compound and multiply your wealth depend on how expertly you use your investment. Nothing is free in economic parlance hire a right advisor and besides try to learn the art of investment.

There are 60,000 economists in the US only, many of them employed full time trying to forecast recessions and interest rates and if they could do it successfully twice in a row, they'd all be millionaires by now. Investing in stocks is not a get quick rich program it's a process , booms and glooms are shades of this process . If any one want to make this process fruitful should be diligent doing their homework and prudent in taking investment advises & selecting in Investment Engineers.

Be flexible while Investing.

Investing is not easy. Why? Because most of matters can't be easily defined as black or white. It's a vague, shifting shade of grey. For example: Tune out the noise. Also, read as much as possible. Be patient. Also, don't be stubborn. Have conviction. Also, change your mind when necessary. Be contrarian. Also, listen to smart people. Fail quickly. Also, never give up. Focus on the big variables that matter most. Also, don't miss important details. Trust your gut. Also, beware of your own biases. Never overpay for an investment. Also, be willing to pay a premium for great investments. Stay within your circle of competence. Also, learn where the world is going. Run a tight budget. Also, invest heavily in what matters most. Give work 100% of what you have. Also, don't burn out. Think long term. Also, be present in the moment. Execute on your plan. Also, improvise and be flexible. Deliberate. Also, move quickly when opportunity presents itself.

Investing is a process not a simple transaction, one should aware about the parables of investing to make investment journey comfortable to create Wealth.

Kranthi Bathini, is working as Equity Strategist at WealthMills Securities Pvt. Ltd. based at Mumbai with 2 decades of experience in capital markets, his views on capital markets & on economy are widely covered by international & domestic financial news agencies.

INSIGHTS

FINANCIAL DEVELOPMENT: FUNDAMENTAL ISSUES

PIYA MAHTANEY

ECONOMIST/ AUTHOR

Even as the world is recovering from a pandemic that is taken its toll on the global economy another bout of uncertainty appears to be looming on the horizon. This arises from the impending question about whether there will be war between Ukraine and Russia. Perhaps and hopefully by the time this article is read that matter would be settled in a manner that mitigates current apprehensions. That said, the global economy continues to grapple with the imperatives of sustainability and this in conjunction with a geopolitical environment is in a state of flux. The factors and implications arising thereof exercise an important influence on the structure and quantum of investment, however in this context a critical aspect often overlooked is financial development. Whether for the FII or for the retail investor a better understanding of the link between investment and financial development is entailed for more clarity in weighing investment choices particularly if investment timelines stretch beyond the short term.

The two integral aspects of financial development that this exposition for Econ Buzz will focus on is the inextricable link that creating a sustainable financial system has with addressing issues of sustainability and the crucial role of financial development in developing countries

In one way the post crisis era has been cathartic because it brought into clear focus that the need for a sustainable financial system is a global imperative that cannot be ignored or undermined anymore. The inquiry report by UNEP report (2015) defines sustainable financial system as,` one that creates, values and transacts financial assets in ways that shape real wealth to serve the long-term needs of an inclusive, environmentally sustainable economy," timing is important and there has probably never been a better time ever since the end of the second world war to herald the changes required for a transformative financial landscape (globally) that is better aligned to the emerging challenges

However, the measures initiated so far can at best be described as tinkering on the periphery of the existent financial system. As elucidated earlier the financial system is largely oriented towards reaping the dividends of the short term however stepping up economic growth and sustaining it requires an approach that does not scuttle the long term. The opportunities are tremendous, but for the requisites in terms of investment to be met by the financial system both in the international and national contexts it will have to proceed beyond the `business as usual approach' that continues to underpin investment priorities. Enabling sustainable development is inextricably linked to having financial systems which are based on a premise of calculation that is fundamentally different from what is currently existent.

Expanding financial inclusion is one of the most crucial imperatives of financial development given that over 2 billion individuals globally lack access to the formal financial system. Inclusion is the beginning of a process that entails a number of measures that are required to expand not just access but the availability of savings and investment products that meet at least some of the requirement of those that

have been underserved by the formal financial system. It does not take complex theorizing to understand the crucial role that financial development plays in poverty alleviation and the broader objectives of sustainable development. Empirical evidence demonstrates that credit constraints shackle the poor and is an important if not the main reason for this is a lack of access to financial capital. Thus by increasing access to credit to financial development has a poverty alleviating impact through its direct and indirect effects which means that besides improving the means of livelihood financial development enables better education and health outcomes .

There is substantive empirical evidence which demonstrates that a higher level of financial development results in a reduction of income inequalities. However, there is also a view that improvements in the financial system benefits the affluent sections of the population more given that the poor lack access to finance from the formal sector of the financial system and continue to be unduly dependent on the sources of finance from the informal segments.

Before proceeding to explain the crucial role that financial development has in economic progress it would be useful to understand the aspects that constitute financial development. Notably financial development is not about efficiency in one dimension, and neither is it only about stability at all costs in non crisis situations. Achieving financial development entails managing and addressing the trade-offs that arise between the various aspects of the financial system. One of the weaknesses of the current assessments of a country's financial system is that the criterion or basis for doing so has mainly been the size of the banking sector. Besides the banking sector the financial system also comprises equity and bond markets, a non banking segment, and in less developed nations an informal segment. Financial development is usually measured using the ratio of private credit to GDP and by a lesser extent the ratio of stock market capitalization to GDP. Furthermore most evaluations of a country's finance sector, (particularly the banking sector) do not assign any or much importance to other indicators such as efficiency in the allocation of capital, adherence to principles of corporate governance and risk diversification. The immediate reason for this is that there is a conspicuous lack of good (as in appropriate) cross country and cross time measures that can accurately measure these parameters. Clearly the attempts to construct better and more comprehensive measures of financial development have been too few and far between. It has been generally observed that assessments which exclude (partially or in entirety) those factors or variables which have a discernible role in influencing the performance of the banking and non banking constituents be this at the level of the institution, the region or the nation results in erroneous projections, misleading inferences and possibly inherently flawed policy formulation. We have seen this fact play out in a dramatic way through the crisis of 2008 and even before that the nineties witnessed a spate of country or region specific crises.

The global financial development report (2012) has made an important attempt empirically to specify criteria on the basis of which a country's financial system can be evaluated. The report clarifies that it is not attempting to construct a composite index of financial development however this 4x2 framework will enable comparisons and a better understanding of the evolution of financial systems worldwide. In brevity the 4 aspects or criteria that are included in this framework system are as follows:

I. Financial depth or the size of financial institutions and markets,
II. Access or the degree to which the individuals can and do use financial institutions and markets
III. The efficiency with which financial institutions and markets provide these services
IV. The stability of financial institutions and markets.

Notably specifying these criteria is the beginning of an exercise in benchmarking financial systems across the world, a sphere in which there remains considerable work to be done both in terms of the quality and the quantum of data collection and measurement criteria. Each of these criteria are measured separately for financial institutions and markets which includes (equity and bond markets) using several variables some of which are proxies and others more precise. This framework provides a basis for evaluating the financial system that is certainly much more comprehensive than previous exercises

and it would enable useful insights about the way financial systems function, the complexities underpinning it and some of its more inscrutable features. Achieving favorable outcomes in one dimension or performing well in so far as one aspect of the financial system is concerned is interlinked to the performance is so far as the other criteria are concerned.

There is substantive empirical evidence which demonstrates that a higher level of financial development results in a reduction of income inequalities. However, there is also a view that improvements in the financial system benefits the affluent sections of the population more given that the poor lack access to finance from the formal sector of the financial system and continue to be unduly dependent on the sources of finance from the informal segments. (The informal segment accounts for a fair proportion of the financial sectors in developing nations.) According to a study about finance, inequality and poverty (Beck, Kunt and Levine, 2007) financial development increases the income share accounted for by the poorest quintile(in terms of income of the poorest 20 per cent of a country's population). More specifically 40 per cent of the overall impact of private credit on the income growth of the lowest income quintile is the outcome of reductions in income inequality is and 60 per cent is due to the overall growth effect of private credit.

Therefore financial development plays an important role in poverty reduction not only by increasing economic growth rate but through its impact on both income distribution and poverty alleviation. (In the study this fact holds true even after controlling for real per capita GDP growth along with other country specific variables). For instance over the period 1961-2000 if Brazil had the same level of private credit as Canada the income share of the lowest income quintile would have declined by only 0.1 per cent annually instead of 0.7 per cent in which case the income share of the poorest twenty per cent of the population would have been 3 per cent instead of 2.4 per cent in 2000. Observably the impact that financial development has on the distribution of income depends on the other aspects of a country's financial reform process along with the efficacy with which its institutional and supervisory infrastructure works. This will also determine whether the gains arising from financial development accrue more to the poor or to the affluent sections. Although the precise impact that financial development has on alleviating poverty may be a matter of debate, however its role in enabling individuals to get a better education, to use their capability and entrepreneurial skills that will enable them to have a more rewarding livelihood and better circumstance. Furthermore the prevalence of underdeveloped financial systems underpins the persistence of poverty and underdevelopment and the outcomes of this are adverse for those who are poorer. This a fact that applies even at the firm level wherein reduced lending or tighter credit condition affects SMEs much more than larger firms. Beck in his working paper asserts that, ``At all stages of development financial development improves capital allocation, boosts aggregate growth and helps the poor through this channel… Finance does not just raise aggregate fi rm performance uniformly; it also transforms the structure of the economy by affecting different types of firms in different ways."

Conclusion

The need for financial development is exigent in low income developing countries and necessary in emerging economies too where despite progress in certain dimensions of financial development there is a need for broader and deeper financial systems that are consistent with the increasing investment requirements that a wide gamut of economic imperatives would entail. Furthermore, a broader view of financial inclusion or access which translates into initiatives directed towards bridging the complete lack of appropriate investment options for the lower income groups would generate tremendous opportunities particularly in the realm of financial services including intermediation.

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

The books that I have authored are as follows:

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

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

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

INSIGHTS

INSIGHTS FOR FAMILY BUSINESS

DR. HITESH SHUKLA
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Tata, Godrej, Dabur, Murugappa, Wal-Mart, Heineken, SC Johnson, Ford, and Merck are a few promising enterprises that have been around as centurion family businesses. These family businesses are multinationals creating values for stakeholders and employing tens of thousands of people across the globe. Glancing at such family business helps other enterprises to understand the dynamics of the family business, create a roadmap for sustainable growth, legacy, longevity, governance, and promote healthy relationships within the family. The family business can also learn to grow without sacrificing their family identity and thereby maintain harmony in the family relationship through such virtues. The secret sauce of success is developing the fabric of social and intellectual capital beyond financial capital and also creating an enabling environment of trust that has a positive impact on the local community, which enjoys with its customers, suppliers, partners, shareholders, and other stakeholders along with the family owners.

For a family business to succeed for generational continuity, the family needs a purposeful involvement. It is observed that each generation of the business family has added entrepreneurial contributions to strengthen the previous generation's work. The leader ensures a fine balance between the continuity of core values with appropriate policies, processes, and structures and the activities and practices relevant to the market. The individual owners are united and behave responsibly towards the family and business continuity. The business and family are more likely to be well managed and well-governed.

A governance system creates an identity, sensible direction, and discipline for the owners, family, and business. Here, the governance system built bridges to link the interests of various stakeholders. It prepares the family business for unforeseen circumstances and smooth leadership transitions. Some family businesses also create a family employee council to help the family employee develop top leadership roles.

The Board of Directors does better with a diverse voice, and the family business board benefit, keeping in view the expectations of management, owners, family, and other interest groups. The governance system draws a clear line between family and business to manage their relationship. In the long run, it creates a business that works as an institution, which is viewed as a service to society.

The family values keep the sense of legacy and pride alive, which in turn help to harmonize family and business interests. Values associated with integrity foster unity and respect among families. Most researchers found that successful family enterprises put values into action which reflected in their day-to-day behavior. Through the family board and directors, great family businesses transform values into the business.

Flexibility is the sacrosanct core strength of such a firm. Each generation is expected to focus on continuous improvements and changes in products and services; considering the upheaval in the market, the processes and governance of family and business also need to change at regular intervals. The ultimate objective of the change is to be relevant with the changing time. However, such families never change their unchangeable, i.e., the purpose of doing business and the family's core values.

For a family business to succeed for generational continuity, the family needs a purposeful involvement. It is observed that each generation of the business family has added entrepreneurial contributions to strengthen the previous generation's work.

A successful family enterprise creates a system that constantly reminds family individuals about - who they are? And, what do their family and business stand for? A balance between individual dreams and shared dream is essential to the psychological well-being of individuals, family as a whole, and the harmony of the business. They also create a platform that helps NextGen learn formally and informally from family, business, and beyond. It is the responsibility of the senior generation to make way for the NextGen towards the family business without forcing them to join the firm.

The longevity of a family firm depends on its capacity to act in the short term while taking the long term view. Accumulated know-how of generations, pride of belongingness, along transferring a shared sense of social and corporate responsibility is a significant challenge for the generational family business. Selecting the leadership succession within the family or hiring an executive from outside always creates a dilemma; setting requirements for family members to hold top management positions becomes a sensitive issue. Aligning business interest with family and individual interest, drawing a line between business resources and personal wealth, investing surplus into the own business or outside are also crucial issues to manage. For this purpose, there need to establish the family office. Successful family businesses focus on expanding the NextGen's horizon, skills, and mindsets for developing their talents and attitude within the family and beyond; creating a gender playing field is also necessary; the relevant example includes Apollo Hospitals and Fidelity Investment.

A family council is a forum that cares individuals to express personal feelings and expectations. It is considered a sounding board of healthy relationships. Family councils enable everyone to be on the same page while at the same time nurturing a sense of belongingness. Family members who are not involved in the decision-making process might cause an unhealthy relationship as they felt no involvement in the decision process and also felt ignored. The excellent family learned to live with differences and manage disagreement; family members learned to let go keeping the more significant interest in mind.

Money is a sensitive issue in the family business that leads to disagreement and discomfort, resulting in conflict in most cases. A protocol for ownership and other financial matters should be in written form and under the knowledge of individuals to develop healthy relationships.

Family is looking for a way to create responsible owners, if not executives, to maintain the quality of management of the business. Keeping the NextGen motivated and connected to the business and roots of the family is a challenge because they get better opportunity for employment and investment outside the business. Long-surviving family businesses have driving forces (Miller & Le Breton-Miller, 2005), i.e., 4Cs. **Continuity** - long-term strategic vision, **Community** - solid values and cohesive team closely connected with local society, **Connection** - developing mutual respect and benefits and **Command** - acting quickly and independently to renew and adapt the business.

It is observed that great families prepare themselves for uncertainty. They discuss; What else do we need to keep the family together? What are the differences, disagreements, and disputes going to take place? How can we manage them? What will happen to the family and business in the death of a key person?

To see all that discussed hereinabove in practice, we need to study Merck, a German

Pharmaceuticals, a family-managed business at 13th Generations, has a legacy of 354 years, is an example of a generational family enterprise. The family governance, structure, value, strategic vision, leadership, and ownership are clearly defined by the family. Merck had developed a family constitution firmly rooted in family values; the family boards are in place to help the business grow and prosper. The family placed a strong focus on striving for excellence, both at the individual and business level. They believe in meritocracy for their business. The Merck family had separated ownership from the day-to-day operation of the business.

The family values keep the sense of legacy and pride alive, which in turn help to harmonize family and business interests. Values associated with integrity foster unity and respect among families. Most researchers found that successful family enterprises put values into action which reflected in their day-to-day behavior. Through the family board and directors, great family businesses transform values into the business.

The successful family business is strategizing for long-term survival. A key component of their long-term sustenance strategy was to keep the business healthy, efficient, profitable, and growing. This would ensure that the business continued to be an attractive rewarding investment for family owners, and a significant incentive for them is to remain united. However, they always found that keeping everyone together is a challenge. They live in different places, having different lifestyles and expectations that affect their emotional bonding. Leaders of the senior generation found it challenging to nurture family togetherness, passion for the family values and culture to be inherited by successive generations.

Grooming the NextGen is an integral part of the family business. They focus on building individual capabilities and excellence. Hard work and merit are the core values they instill in the young generation. Only committed and motivated members of the NextGen, who are eager to contribute to the business, come to the family business and reins to pass on to their NextGen.

Aligning the interest of the family and business systems is a difficult one. Family is a social system that runs collectively and treats everyone equally for growth and development. At the same time, business is a merit-oriented system that works for profit and believes in the hierarchy. In the long run, balancing these two systems needs to be learned by the family leaders. This ensures that both the business and family systems are complementary. They follow the parallel planning process framework presented by Carlock and Ward (2010).

Leadership succession must have broad exposures, rich experience, a steward's mindset, strong business acumen, and family leadership capabilities to steer the business ably.

To conclude, generational families need formal planning, decision-making, conflict resolution, and an effective governance mechanism. This system provides fair and objective decisions regarding employment, board representation, dividend, and investment policies.

In a family enterprise, individuals should develop entrepreneurial attitudes and actions across generations to thrive and shared vision that takes care of individual interests along with family and business interest.

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He advises families on topics such as long-term success; ownership, and family governance; developing next-generation; succession transitions; conflict resolution, ownership and business strategy; professionalizing the family business and life and career planning, and many other issues important to family enterprises.

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> **Compliance with law and regulation must be managed as an integral part of any corporate strategy. The board of directors and management must recognize the scope and implications of laws and regulations that apply to the company.**

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ACHIEVING RISK MANAGEMENT AND COMPLIANCE STANDARDS - FEAR OF LAW OR FEAR OF PENALTY? - HOW TO ACHIEVE A CULTURE OF COMPLIANCE

A. Objective of compliance & Risk management

The Risk Management and Compliance function is intrinsic to the operations of any organisation, we will focus stock broking organization in this article (hereinafter referred as 'Organization'). Stock broking business involves handling of clients funds, securities and financial transactions. Such businesses require trust, fairness, financial security and transparent price discovery and for meeting this expectation regulator have to prescribe detailed regulatory framework to ensure compliance monitoring and supervision. Compliance and risk management gains higher importance to operate under such regulatory framework. Any lapse in complying with applicable laws, codes of conduct and standards of good practice may attract risk of legal or regulatory sanctions, financial loss, or loss to reputation etc. Following are some of the risk of non-compliance:-

1) Penalties and fines
2) Criminal Charges
3) Reputational Damages
4) Access to market & Product delays
5) Road block in funding
6) Non-receipt of license from regulators, etc.

Organization should establish effective policies and operational procedures and controls in relation to their day-to-day business operations in order to achieve compliance with all relevant regulatory and legal requirements. Better risk management techniques provide early warning signals so that the risk may be addressed in time besides identifying fraud.

Organization have become more innovative on how they structure their businesses in order to maximize profits and provide different services to their clients. For example, there has been unbundling of services to clients, partnering with other firms to meet all the needs of their clients. The complexity of their business has increased, which makes the compliance and risk management function both increasingly important as well as more complex.

B. Recent regulatory trend

The recent regulatory communications have tightened compliance and reporting rules as it aims to address the risk of brokers not acting in their customers' interests, which apply regardless of a brokerage's size. Further, some of these communication also aims to address the issues relating to risk management. Regulatory communication like introduction of peak margin, segregation & monitoring of collateral at client level, introduction of margin pledge mechanism, nomination of eligible trading and demat account, guidelines on technical glitch to prevent business disruption etc. were issued to protect the interest of investors and to ensure efficient risk management at stock broker's end.

C. Compliance culture and board level assurance

Compliance with law and regulation must be managed as an integral part of any corporate strategy. The board of directors and management must recognize the scope and implications of laws

and regulations that apply to the company. They must establish a compliance management system as a supporting system of risk management system as it reduces compliance risk to a great extent. Compliance with the requirements of law through a compliance management programme can produce positive results at several levels.

Compliance and risk management gains higher importance to operate under such regulatory framework. Any lapse in complying with applicable laws, codes of conduct and standards of good practice may attract risk of legal or regulatory sanctions, financial loss, or loss to reputation etc.

The Board of Directors plays a pivotal role in ensuring good governance and Compliance culture. The contribution of directors on the Board is critical to the way a corporate conducts itself. A board's responsibilities derive from law, custom, tradition and prevailing practices. In the present times transparency, disclosure, accountability, issues of sustainability, corporate citizenship, globalization are some of the concerns that the Boards have to deal with. In addition, the Boards have to respond to the explosive demands of the marketplace. This two dimensional role of the Board of Directors is the cornerstone in evolving a sound, efficient, vibrant and dynamic corporate sector for attaining of high standards in integrity, transparency, conduct, accountability as well as social responsibility. Historically, boards have been perceived to focus primarily on value creation for shareholders. But with renewed attention to statutory compliance, regulators now also want boards to focus on value management and value protection by doing a formal review of compliance obligations. As a result, corporations are looking to replace informal compliance frameworks with well structured, documented and demonstrable compliance structures that help management monitor and report compliance risk and exposure as well as compliance status to the Board.

D. Compliance tools: Tracking, Awareness, systems for tracking and assurance

Embedding compliance with all key legislation in the organisation is a function of certain critical activities and stems from collaboration across key functions such as Legal, Compliance, Risk Management, Business and Internal Audit. These functions all form part of the "three lines of defence". The success of any compliance management and monitoring programme depends on the existence, functioning and integration of these lines of defence in the performance of their duties.

Management Assurance	• Assists in setting and executing strategies. • Provides direction, guidance and oversight • Promotes a strong risk culture & sustainable risk return thinking. • Promotes a strong compliance culture and management of risk exposure. • Ongoing monitoring and management of risks.
Risk Management, Legal & Compliance	• Formal, robust and effective risk management within which the organisation's policies and minimum standards are set. • Objective oversight and the ongoing challenge of risk mitigation, management and performance while reporting is achieved across the business units. • Overarching risk oversight across all risk types. • Compile and maintain a legislative universe for the organisation. • Facilitate the risk prioritisation of all pieces of legislation in the regulatory universe. • Initiate new legislative requirements within the organisation. • Analyse and send out alerts on the new law to inform the organisation of the new requirements. • Facilitate an executive review of the legislation by Legal analysts. • Facilitate the completion of the Compliance Risk Management Plan ("CRMP") • Update compliance monitoring plans on the CRMP. • Escalate compliance matters to management. • Undertake quarterly compliance reporting.
Internal Audit & other Independent Assurance Providers	• Independent and objective assurance of overall adequacy and effectiveness of governance, risk management and internal controls within the organisation. • Ability to link business risks with established processes and provide assurance on the effectiveness of mitigation plans to effectively manage organisational risks.

The compliance monitoring programme and framework needs to be comprehensive, dynamic, and customizable, allowing the organization to identify and assess the categories of compliance risk to which it may be exposed. Following are the essentials of successful Compliance Risk Management Program:

Active board and senior management oversight	An effective board and senior management oversight is the cornerstone of an effective compliance risk management process.
Effective policies and procedures	Compliance risk management policies and procedures should be clearly defined and consistent with the nature and complexity of an institution's activities.
Compliance risk analysis and comprehensive controls	Organizations should use appropriate tools in compliance risk analysis like self-assessment, risk maps, process flows, key indicators and audit reports; which enables establishing an effective system of internal controls
Effective compliance monitoring and reporting	Organizations should ensure that they have adequate management information systems that provide management with timely reports on compliance like training, effective complaint system and certifications
Testing	• Independent testing should be conducted to verify that compliance-risk mitigation activities are in place and functioning as intended throughout the organization.

E. New Developments- Governance and Risk Compliance (GRC)

Until fairly recently, compliance was seen as a separate business practice, along with governance and risk management. However, over the past decade, these three disciplines have developed a considerable number of overlapping activities, such as internal audits, incident management, operational risk assessment, or compliance with regulatory programs. Today, many companies take an integrated approach to these three areas, referring to them collectively as Governance, Risk Management and Compliance (GRC). GRC is the integrated collection of capabilities that enable an organization to reliably achieve objectives, address uncertainty and act with integrity. Effective GRC implementation helps the organization to reduce risk and improve control effectiveness, security and compliance through an integrated and unified approach that reduces the ill effects of organizational silos and redundancies. GRC professionals are increasingly being given a seat at the company strategy table, the revenue generating side. Decision-makers need them to interpret risk profiles and provide intelligence on how to increase revenue and sales. The emphasis, more and more, will be on linking GRC to business performance.

Companies also have a responsibility to establish a corporate culture and tone at the top that promote a value-based rather than compliance-based mindset to governance.

F. Conclusion

The complexity of the risk landscape and the penalties for non-compliance make it essential for organizations to conduct thorough assessments of their compliance risk exposure. A good ethics and compliance risk assessment includes both a comprehensive framework and a methodology for evaluating and prioritizing risk. With this information in hand, organizations will be able to develop effective mitigation strategies and reduce the likelihood of a major non-compliance event or ethics failure, setting themselves apart in the marketplace from their competitors. Thus, policy-makers best serve the public interest when they allow for flexibility in setting compliance and risk management rules. Companies also have a responsibility to establish a corporate culture and tone at the top that promote a value-based rather than compliance-based mindset to governance. Management, internal auditors, boards of directors and external auditors share the responsibility of executing their respective roles with healthy skepticism, transparency and robust communication.

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> **Consequences of non-compliance with governance standards are not limited to legal strictures of monetary fines and penalties, but rather they have far reaching consequences that can decimate the entire business and operations of the company, including its moral fabric, reputation and goodwill.**

ALINA ARORA
Partner

SHARDUL AMARCHAND MANGALDAS AND CO.

COMPLIANCE: THE ROAD AHEAD FOR SUSTAINABLE BUSINESS ENVIRONMENT

Compliance is Critical

"Corporate integrity" has become a buzz word amongst corporates in the current times. No matter the industry or company size, all businesses must ensure corporate integrity and ethics by adherence, in form and spirit, to applicable laws and regulations that set out the contours for good corporate governance.

Consequences of non-compliance with governance standards are not limited to legal strictures of monetary fines and penalties, but rather they have far reaching consequences that can decimate the entire business and operations of the company, including its moral fabric, reputation and goodwill. Whilst the costs and challenges for adherence to all compliances and regulatory filings are galore (some media reports suggest that there are more than 25,000 compliances and regulatory requirements to be followed by a company at the central level alone), they are likely to pale in comparison to the consequences of non-compliance.[1]

Trends of the Covid Era

In recent times, frequent lockdowns and remote working due to COVID-19 precipitated unique challenges - both for companies which struggled in making timely compliances, and for governmental authorities, which found it difficult to enforce regulations due to exigencies created by the pandemic.

The pandemic and the ensuing chaos increased the risk for financial crimes and fraud, putting organisations at even greater risk.[2] The pandemic exposed legacy technology and process deficiencies, along with the need for improved compliance systems, to deal with the altered working landscape of online-first and remote work. Further, companies, which faced revenue crunch and other financial pressures because of the COVID-19 pandemic took to reducing their compliance budget capping leading to poor compliance practices. Moreover, the financial impact of pandemic resulted in situations where employees would be pressured into unethical decisions due to the opportunity afforded by compliance challenges, rationalising such behaviour on the unique conditions of pandemic.

Compliance officers, all across the board, were required to devise unique structures to ensure effective compliance mechanisms are maintained in a remote-working environment while struggling with reduced budgetary allocations. A recent survey reveals that a majority of respondents occupying senior managerial posts globally are of the opinion that standards of integrity have either stayed the same or worsened during the COVID-19 pandemic.[3] A significant proportion of respondents to such survey (approximately 41%) also claimed that COVID-19 pandemic has made it more difficult to carry out business with integrity.[4]

Future Challenges for the Compliance Function

The decline in COVID-19 cases and easing of restrictions is expected to bring about a sharp economic recovery.[5] We, in our discussions with various government departments/regulators, were given to understand that, as the economy rebounds, the government will introduce regulations, which were kept in abeyance as companies were struggling with the pandemic. As an example, the central government is looking to promulgate the Data Protection Bill in the near future which would result in additional compliance related rules/regulations to be implemented by various companies for protection of consumer data. Furthermore, it is likely that regulators may bring out regulations tailored to address the enhanced albeit unique risks of financial crimes/irregularities that have emerged as a result of remote working environment and an exponential increase in online transactions. Corporates should take a forward looking, proactive and balanced approach to equip themselves to address and comply with newer regulations on the anvil without any potential disruptions and/ or risk to business.

Consequences of non-compliance with governance standards are not limited to legal strictures of monetary fines and penalties, but rather they have far reaching consequences that can decimate the entire business and operations of the company, including its moral fabric, reputation and goodwill.

A Balanced Approach to Compliance

It is a well-recognised fact that the cost of implementing effective compliance mechanisms is onerous, especially in the regulated sectors, and the same has been exacerbated due to the unique challenges of pandemic. Evolving regulations further complicates this process. It is also expected that as businesses move to a post-pandemic world, frauds committed in the past two years will be unearthed which may lead to expensive fraud investigations for companies.

Having said that, we must keep in mind that non-compliance is a very expensive proposition, especially for entities in regulated sectors. We have noticed an increasing trend of strict financial penalties being imposed by regulatory agencies every year. Further, we must bear in mind that, 'expense' as we all know, does not refer only to monetary loss. The true cost of non-compliance is the reputational damage that it can cause, both for the organization and compliance personnel alike. Further, a lax approach to compliance may result in deterioration of the entity's relations with the regulator resulting in continuous scrutiny.

Businesses that fail to update compliance processes, systems, and technologies to meet the challenges of a chaotic, rapidly changing regulatory environment could be in for a shock. While it is prudent to strive to enhance efficiencies and reduce overheads on compliance mechanisms, there truly is not an option of compromising on the quality of compliance mechanisms. Therefore, dynamic and balanced evolution of compliance systems of corporates will therefore be the need of the hour.

Proposed Steps to Balance Cost and Compliance

Keeping in mind the twin challenges of ensuring cost-effectiveness and comprehensiveness of compliance mechanisms, please find few steps below that may help businesses walk that tight rope:

1. Create a compliance lifecycle that ensures your compliance resources match your regulatory challenges. In this regard, agile compliance teams are instrumental in ensuring incremental improvement and shall help the organization better manage costs.
2. Automate labour-intensive, repetitive processes, such as change management and tracking of enforcement actions ("EAs"). Automating the tracking of EAs may be helpful in planning and preparing for the important actions which have the most significant impact on the business. The more important actions can be prioritized through the tracking process.
3. Set up appropriate standard operating procedures and other methods to automate processes and set up targets for continuous and incremental improvement in relation to onboarding new technologies, such as artificial intelligence. This will help the company meet the timely demands of complicated regulations, such as anti-money laundering and consumer privacy laws.[6] Companies may prefer to implement solutions offered by the RegTech players, i.e. entities which offer technological solution for regulatory compliances, which have emerged in the last two three years.
4. While technology will be the panacea for cost-effective compliances, technologies like artificial

intelligence, block-chain etc, as they stand today cannot and will not solve everything on the compliance front. These technologies must be continuously monitored by the relevant experts (expert in the loop model), to mitigate the risks of delivering too many false positives which may make them unreliable for compliance decision-making processes.

5. Companies must invest in regulatory tracking and dissemination of relevant information so analysed efficiently, to relevant stakeholders.

It is a well-recognised fact that the cost of implementing effective compliance mechanisms is onerous, especially in the regulated sectors, and the same has been exacerbated due to the unique challenges of pandemic. Evolving regulations further complicates this process.

In our experience, one of the important reasons for failure of compliance programmes is the resentment of relevant employees who adopt a tick-the-box approach towards compliance processes. It is therefore imperative, that companies should set the tone at the top and imbibe a culture of compliance in the company. Compliance training programs should emphasise on the rationale and importance of compliance and the negative impact on companies and employees that have failed to adhere to compliance, corporate governance and ethics. Such comprehensive understanding and the tone at the top encourage the employees to be more diligent and complaint in the conduct of business mitigating the detrimental risk of non-compliance.

These steps may be helpful to companies to adhere to the best practices in compliance and avoid the negative repercussions which may be faced due to non-compliance.

Conclusion

The COVID-19 pandemic thrust upon the world a unique working style, which blind-sided the extant compliance mechanisms. As the companies adapt their compliance mechanisms to deal with the new normal, there is an imminent risk of the government and regulator introducing further changes to the regulatory landscape. It is important for the compliance functions of entities to manage the transition, through a careful balancing of the pragmatism of cost-efficiencies of compliance and the need for ensuring that the compliance systems are effective.

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She is at the forefront of the corporate investigations field, acting as a trusted advisor to companies involved in the largest and most complex cases. She advises companies, boards and audit committees on conducting investigations and interacting with relevant investigative and enforcement agencies in India, as well as on matters of corporate governance and compliance. She focuses her practice on the investigation of business crimes, particularly matters involving corruption, money laundering and fraud.

She regularly advises clients on cross border mergers and acquisitions (involving public and private targets), corporate restructurings, private equity investments, joint ventures and other strategic alliances, and is a trusted advisor to several insurance companies and private equity firms operating in the insurance sector.

Global Investigations Review, 2021 recognised her among the Top 100 women practitioners for Investigations practice across the globe. Chambers and Partners Asia Pacific 2021 ranks her as a "top lawyer" in the White Collar Crime Practice. She is also acknowledged by Euromoney's Expert Guides 2018 as an "Expert for White Collar Crime" in India and by Euromoney's Expert Guides 2019 in "Women in Business Law". She was the lead counsel for an internal investigation that was awarded the "IBLJ Star Deal of the Year Award 2020" by India Business Law Journal.

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CA MANOJ AGARWAL

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HOW TO ACHIEVE CULTURE OF COMPLIANCE WITHIN YOUR ORGANISATION

Before I write about compliance and how to achieve the culture of same in one's organization, let us first understand what do we mean by compliance, why it's important, who are responsible for implementation and what we should do to implement it?

As per a layman's wisdom compliance is the action or fact of complying with a wish or command.

As per Merriam Webster, compliance is the act or process of doing what you have been asked or ordered to do: the act or process of complying

It can also be the act or process of complying to a desire, demand, proposal, or regimen or to coercion

As such to put it in the real perspective, Compliance refers to adhering to established norms, which take the form of external laws, internal policies, and ethical values. Values depend on the organization but can take the form of things like reputation and employees' ethics and goals. In essence, norms are rules.

Culture of compliance provides the "foundation" that shapes employee decisions in the moment. "Culture informs compliance decision-making through explicit and implicit reference to organizational values, norms and assumptions."

Let me explain the same by way of example:

Lets speak about a company, named ABC Ltd. The company's business was to provide Share broking activity to its clients. As per SEBI regulation, the client is required to keep margins with the broker in order to avail exposure (ie, to do trading activity). The client can keep margins with the brokers in the form of Funds or securities or in combination of that. In order to facilitate smooth activity into client's accounts, SEBI regulation permitted brokers to have Power of Attorney on client's Demat account which can only be used for the purpose of meeting client's delivery / margin obligation.

Hence, by virtue of this, ABC Ltd was also having POA of client's which got executed in its favor. Now instead of using POA **only** for the purpose of meeting client's obligation, ABC ltd used POA to transfer client's shares into its own beneficiary account, irrespective of whether client's margin obligation was there or not, and pledged those shares with Financial Institution for the purpose of raising Loans, which was against the intent of the POA clause.

***w e f 1st Sept' 20, margins in the form of securities can only be given by way of creating pledge in favor of brokers, in order to stop misappropriation of clients securities.**

This has resulted into huge loss to the client and also brought disrepute not only to the person (Employee) associated with the firm but also to the firm and brand.

On the basis of above example, it can be seen that there are broadly two types of compliance

1. Corporate
2. Regulatory

Both corporate and regulatory compliance consist of a framework of rules, regulations and practices to follow. But the question is how to inculcate the spirit / culture of compliance within organization? Hence in my view, the culture of compliance can be set in following ways:

1. Set the Tone from the Top: It is very important that compliance guidelines be set from the top. In a good compliance culture, compliance is **a focus of management and is integral to company operations.**

Management plays a critical role in implementing a culture of compliance. "Employees will pick up on the lead of their bosses. If the bosses take compliance seriously, the employees are far more likely to take it seriously. If they don't, the employees won't. It's as simple as that."

Local and senior management are visible role models that employees look up to for guidance for ethical behavior. "The variable that had the biggest positive impact in deterring unethical behavior was the positive example set by senior and local management."

So, managers' own actions must model ethical behavior and the employer's code of conduct. This sends a message to everyone that managers, and thus the company, take compliance norms seriously.

Hence, A sufficient tone at the top requires executives and senior leadership to:

- Be informed about compliance risks and solutions.
- Make sure the compliance team has enough resources.
- Get other team members on board.
- Monitor progress personally.

2. Engage Employees from the Start: An organization with a strong compliance culture has a general awareness of compliance best practices and the risks associated with non-compliance, right from the lowest level in the hierarchy of the management. All employees are made aware about the risk of non-compliance and the **ZERO** tolerance level.

However, the big question is how to engage employee? In order to engage the employee its very important for any firm to distinguish between "Genuine Mistake" and "Intentionally made mistake".

There should be a positive Compliance Culture which **allows people to admit that there may be gaps in their knowledge or that they have made a mistake.** Cultivation of such honesty in staff at all levels allows an organization to take corrective action at the earliest and it may prevent recurrence of non-compliance going forward.

Similarly, the employee should also be made aware about the repercussion of Intentional non-compliance if observed by the organization.

3. Strong Whistle blow policy: Employees should feel comfortable speaking up when a firm's values aren't being upheld, or when the law is being violated. Employees need a reliable mechanism to communicate their concerns, maybe a confidential website or through a compliance officer / Internal Audit. There should be multiple ways for employees to report concerns. Though whistle blower policy shall be strong, there needs to be equally deterrent punishments for false reporting, to safeguard the interest of innocent employees.

Additionally, employees need motivation from policies, management, and fellow employees that reporting an issue will be free from potential retaliation. It is believed that the worse the conduct will be, the less likely it would be reported, especially if committed by management. Companies must show employees that their complaints will be taken seriously and will be kept confidential.

4. Make the Compliance Team Real and Relatable: There should be sufficient staff in compliance team, possessing requisite qualification with respect to business of organization. The compliance team should be responsible for following:

- Implementing Policies, Procedures, and Standards of Conduct.
- Forming committee to decide the merits of the case
- Training and Education.
- Effective Communication.
- Monitoring and Auditing.
- Disciplinary Guidelines.
- Detecting Offenses and Corrective Action.
- Establish an Anonymous Reporting System.

Hence, in order to have effective compliance culture one should always practice **3Cs** - **collaboration, comprehension and communication.**

5. Ethics: Companies have ethical and social responsibilities just as much as legal ones. Ethics comprises a lot of things, but for compliance programs it means two major things:

a) employees thinking and acting according to the organization's values and
b) speaking up when those values aren't met.

"Compliance programs perceived to be values oriented were more effective than those perceived to

exist only to protect the firm from legal hazards. In order to have good compliance within firm, the firm should "walk-the-talk" i.e, it should not only make employee aware about the compliance culture, but also should practice it in Spirit. Companies should identify their core values and ensure all stakeholders-executives, managers, and individual employees-uphold them. Values are key in linking employee behavior with external laws and internal policies.

There can be many elements to a culture of compliance. Compliance programs that incorporate culture can promote ethical behavior that help businesses achieve organizational and regulatory goals. Compliance is also the act of complying with a command, desire, wish, order, or rule. It can also mean adhering to requirements, standards, or regulations. Both of these compliance definitions are important for any organization.

6. Embed Compliance, Integrity and Values in Everything You Do: This is also one way to set good compliance culture in any organization. The same can be achieved by practicing following:

- Value Diversity.
- Awareness and Acceptance of Differences.
- Dynamics of Differences.
- Accept Responsibility.
- Adaptation

7. Ensure Compliance Teams Guide, But Don't Dictate: The compliance team should be there to guide the business / employee but should not cross "Laxman Rekha", where they start dictating the way employee should achieve compliance. The employee should be allowed to follow and adhere to compliance on the basis of broad principle set by the organization in consultation with the compliance.

8. Clear Compliance Processes Are Vital: The firm should clearly put down the do's and don't, have crystal laid down process for any activities, and the implication of not following the same. Whenever there is any policy violation, the management should take immediate action else policy violator will feel that - an organization has created a culture where corrupt behavior is acceptable, he/she can become desensitized to the conduct such that it becomes commonplace and no longer shocking. At a minimum, companies must enforce their own policies if they want employees to do the same.

9. Make the Most of Technology: In the world of modern age, where regulation is becoming complex and critical, one should make the best use of Technology to ensure effective implementation of compliance standard. There should be sufficient tools deployed to identify exception in various process & policies and management should be aware of that. Online monitoring of non-compliance is key for success in any organization.

10. Training: Creating and maintaining a continuous compliance culture requires a sustainable effort. At a minimum, training should be periodic for all directors, officers, relevant employees, agents, and business partners and should cover policies procedures, and relevant laws that come into contact with respect to any business. The "how" is just as important as the "what" for training.

Conclusion:

There can be many elements to a culture of compliance. Compliance programs that incorporate culture can promote ethical behavior that help businesses achieve organizational and regulatory goals. Compliance is also the act of complying with a command, desire, wish, order, or rule. It can also mean adhering to requirements, standards, or regulations. Both of these compliance definitions are important for any organization.

As mentioned in my starting para, while there is no clear definition of compliance, but if one adhere to above 10 pointers, then at least one can be rest assured that the culture of the compliance is inculcated among employees and a kind of act like ABC Ltd could be avoided.

Last but not the least, awareness is the best way of compliance rather than imposition. Awareness to each employee that he shall not travel beyond what is permitted by the Law of the Land.

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Before joining Kotak Securities Limited, in his previous stint he has worked with Tata Consultancy Services limited and HDFC Securities Limited.

He loves sharing knowledge on Securities Market in various investor forums and also gives guest lectures in NISM. His hobby includes singing and listening to music.

> Under the erstwhile regulatory framework, all companies were required to state the object towards which the funds raised are to be utilized, in the offer document during an IPO, and were permitted to allocate up to 25 percent of the proceeds from the IPO for general corporate purposes (GCP).

SANDEEP PAREKH
Managing Partner

FINSEC LAW ADVISORS

POLICY CHANGES IN PUBLIC ISSUE REGULATIONS: TOWARDS INVESTOR FRIENDLY IPOs

In November, 2021 the Securities and Exchange Board of India **(SEBI)** released a Consultation Paper **(Consultation Paper)** inviting public comments on proposed changes to the existing framework governing initial public offerings **(IPOs)** under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 **(ICDR Regulations, 2018)**. The recommendations were largely directed towards bringing about greater transparency in the market, and can be viewed as an attempt to recalibrate the framework to cater to emerging trends, including the rise of new age technology companies their models of inorganic growth, and the shift in the nature of corporate ownership. Pursuant to this, SEBI has, in its meeting held on December 28, 2021, approved certain changes to the ICDR Regulations, 2018. Subsequently a Press Release **(Press Release)** was issued summarizing these decisions. Later on, January 14, 2022, an amendment **(Amendment)** was introduced to the ICDR Regulations, 2018 incorporating the changes approved by SEBI.

Limiting the deployment of funds towards unidentified purposes

Under the erstwhile regulatory framework, all companies were required to state the object towards which the funds raised are to be utilized, in the offer document during an IPO, and were permitted to allocate up to 25 percent of the proceeds from the IPO for general corporate purposes **(GCP).** This can be seen as an un-demarcated portion of the money raised which doesn't have to specifically be used for a project. Based on the recommendations made in the Consultation Paper, the Amendment has introduced a new sub-regulation 2A in Regulation 62 of the ICDR Regulations, 2018 that prescribes a combined limit of 35 percent of the total proceeds of the fresh public issue on the funds that can be deployed towards unidentified purposes, including GCP and inorganic growth initiatives, such as intended acquisitions or strategic investments. This limit has been proposed against the backdrop of the practice of disclosing objects of a public issue as 'Funding of Inorganic Growth Initiatives' by new age technology companies, that are asset light and prioritize acquisition of new businesses, customers, technology, etc, as a substantial milestone in their growth trajectory over traditional objectives such as investment in fixed assets and capital expenditure. However, this limit of 35 percent will not be applicable in the event that these inorganic growth initiatives are identified, and specific disclosures in relation to the same are made. While not a blank cheque IPO like the American concept of Special Purpose Acquisition Company or SPAC, this does increase the flexibility of companies to grow inorganically through freshly raised funds.

This limit is likely to improve flexibility of companies, incentivize companies to make specific disclosures about the utilization of proceeds from the public issue towards prospective growth initiatives, and enable investors to make more informed choices

about their investment, after a thorough assessment of the value of the acquisition or strategic investment and the risk factors involved. However, the limitation may also have an impact on a company's flexibility to determine growth strategy, and may raise the cost of funding for companies who may prefer to keep their detailed strategy private. Bearing in mind that such growth initiatives are considered highly strategic before being finalized, certain relaxations may need to be introduced to balance transparency with the issuer company's flexibility and competitiveness in the market. While the benefit would be available to all companies, it is likely most useful for asset-lite new age companies which don't need too much capital, but instead need the firepower to acquire companies and their innovations.

In light of the increasing issue sizes of recent IPOs and the substantial amount allocated to GCP, it was proposed in the Consultation Paper that the proceeds earmarked under GCP may be brought under monitoring, and the utilisation of the GCP amount may be required to be disclosed by the issuer company to the monitoring agency on a quarterly basis. Incorporating the proposed changes to the ICDR Regulations, 2018 the Amendment seeks to introduce monitoring of the utilizations of such funds, and mandatory disclosures in the Monitoring Agency report.

Capping Offer for Sale by Significant Shareholders

Discussing the shareholding pattern in new age companies where it might be difficult to identify a promoter, it was proposed in the Consultation Paper that, in case of companies where there are no identifiable promoters, significant shareholders (i.e. shareholding having more than 20 percent holding in the company) shall be permitted to divest only upto 50 percent of their shareholding through the offer for sale (OFS) mechanism during the IPO, and that the remaining shareholding shall be subject to a lock in period of 6 months from the date of the IPO. Introducing these proposed changes to the ICDR Regulations, 2018, the Amendment incorporated Regulation 8A. This capping of shares that can be offered by existing significant shareholders to the public by way of an OFS is likely to facilitate efficient price discovery, and inspire greater confidence in the investors. The proposal in the Consultation Paper and the resulting Amendment is premised on the gradual shift in the nature of corporate ownership, from a traditional promoter held model to a dispersed shareholding model, without any identifiable promoters. In the absence of a distinct promoter group, and consequent minimum promoter contribution and post-issue lock in requirements, the proposal is a positive step towards ensuring that the divestment of shareholding in such companies does not disrupt market forces and price discovery, and is not viewed as a loss of confidence in the issuer company. A percentage-based bifurcation between the pre-issue holding that can be offered for sale by way of an IPO and the holding shall be locked in seems to balance the competing interests at play, i.e., preventing undue price fluctuations in the market, and the significant shareholders' objective of ensuring a timely and profitable return of its investment through the OFS.

However, this might prove negative for private equity investors who usually stay invested in the company for several years looking for an exit through IPO route. An alternative to this could be to limit the scope of this Amendment to cover only the controlling shareholders that have a significant say in the company's management, similar to promoters. Promoters of a company are required to maintain a minimum promoter's contribution of 20 percent which would be locked in for a period of 18 months from the date of allotment in the IPO. Thus, SEBI can look at imposing the same rule for controlling shareholders as well.

The SEBI Press Release mentions an additional restriction which restricts shareholders other than significant shareholders to sell only up to 10 percent of the 'pre-issue shareholding of the issuer'. Further, the Amendment does not make a distinction between traditional promoter run

companies and the new age professionally managed companies which increases the scope of these limits and lock in to promoter run companies as well.

All in all, the recent changes outlined in the Amendment seem promising and well-intentioned in terms of catering to the emerging trends in public issuances and the unique challenges that they pose to market stability and investor protection.

Lock-In Period for Anchor Investors

Under the previous framework, a certain percentage of the IPO could be allocated to Anchor Investors prior to the issue opening date. These shares were subject to a lock-in period of 30 days to inspire confidence in the issue and improve price discovery. The Consultation Paper mentions that a longer anchor period may inspire additional confidence amongst the investors, and accordingly proposed that the prescribed lock-in period may be extended from the present limit of 30 days to an extended period of 90 days for 50 percent of anchor investors in a public issue. This proposal has been incorporated in through the Amendment by making changes to sub clause (j) of clause 10 in Part A of Schedule XIII of the ICDR Regulations, 2018.

Monitoring of Funds used for General Corporate Purposes

Under the previous framework, issuer companies were permitted to allocate up to 25 percent of the fresh issue portion of the IPO towards GCP, which virtually exempt the issuer companies from disclosing the specific purposes or object towards which such funds shall be utilized. Moreover, the portion of the IPO allocated towards GCP would fall outside the purview of the monitoring agency that tracks and discloses the utilization of the sale proceeds. In light of the increasing issue sizes of recent IPOs and the substantial amount allocated to GCP, it was proposed in the Consultation Paper that the proceeds earmarked under GCP may be brought under monitoring, and the utilisation of the GCP amount may be required to be disclosed by the issuer company to the monitoring agency on a quarterly basis. Incorporating the proposed changes to the ICDR Regulations, 2018 the Amendment seeks to introduce monitoring of the utilizations of such funds, and mandatory disclosures in the Monitoring Agency report. Additionally, these reports are to be submitted on a quarterly basis instead of annually. This Amendment can be viewed as one of SEBI's many attempts to prevent the misuse of funds and ensure greater accountability and transparency in the market.

Additionally, the SEBI Press Release makes additional changes with respect to the monitoring of funds raised from public issue. Regulation 41 of the ICDR Regulations, 2018 mandates appointment of a monitoring agency if the issue size if more than INR 1,000 million to monitor and report utilization of issue proceeds. Post the recent amendment in ICDR Regulations, 2018 monitoring report for utilization of issue proceeds will be now for the entire 100 percent of the proceeds as opposed to the current 95 percent, and funds utilised for GCP shall also be included within the scope of the monitoring report.

All in all, the recent changes outlined in the Amendment seem promising and well-intentioned in terms of catering to the emerging trends in public issuances and the unique challenges that they pose to market stability and investor protection.

Sandeep Parekh is the managing partner of Finsec Law Advisors, a financial sector law firm based in Mumbai. He worked as an executive director at the Securities and Exchange Board of India, and has been a faculty at the Indian Institute of Management, Ahmedabad. He has worked for law firms in Delhi, Mumbai and Washington, D.C. Sandeep is admitted to practice law in New York. He has published op-eds in the Financial Times and the Economic Times. He is the author of a well-received book "Fraud, Manipulation and Insider Trading in the Indian Securities Markets".

He is an independent director on the board of HDFC Bank Ltd. He was the Chairman of SEBI's Proxy Advisory working group and was a member of SEBI's Mutual Fund Advisory Committee.

Mihir Deshmukh is an associate with Finsec Law Advisors. He regularly publishes articles on various regulatory developments, and has co-authored op-eds in the Financial Express.

> Though the western world has been using the term 'FinTech' for some time, it has only recently become a buzzword in India. Notwithstanding this, FinTech has, since quite some time, gathered momentum in the country.

BHAVESH VORA
Sr. Partner

BY & ASSOCIATES | CHARTERED ACCOUNTANTS

FINTECH - EVOLVING ECOSYSTEM

FinTech

The term "FinTech" is a contraction of the word's "finance" and "technology". It refers to the technological start-ups that are emerging to challenge traditional banking, players in financial services sector and covers an array of services, from crowd funding platforms and mobile payment solutions to online portfolio management tools and international money transfers.

FinTech has significant implications on the entire financial system in India. The multiplicity of firms and a mosaic of business models complicate the classification of the various types of activities, products and transactions covered under the FinTech spectrum. The issues revolving around FinTech is whether it brings new opportunities, newer ways of doing business or it disturbs the existing business and its participants, thereby creating a gap between 'Old' and 'New'. It is important that fintech integrates with old system and together with all the stakeholders create new ecosystem.

A couplet of Alberto Moravia may summarise FinTech:

"Ideas should be received like guests, - in a friendly way,
but with the reservation that they are not to tyrannise their host."

FinTech in India

Though the western world has been using the term 'FinTech' for some time, it has only recently become a buzzword in India. Notwithstanding this, FinTech has, since quite some time, gathered momentum in the country. However, as of now, the FinTech risks are being looked at more in terms of what is associated with the traditional IT systems, such as cybersecurity risks. While the IT related risks are no doubt multiplying manifold under FinTech, the whole gamut of issues under the FinTech umbrella, particularly those of regulatory concern, have to be responded to on priority. It is, therefore, necessary to examine these issues and outline the contours of an appropriate regulatory framework as FinTech treads across several activities that are within the scope of different financial sector regulators.

Types of FinTech Products

Some of the major FinTech products and services currently used in the market place are Peer to Peer (P2P) lending platforms, crowd funding, block chain technology, distributed ledgers technology, Big Data, smart contracts, Robo advisors, E-aggregators, etc. These FinTech products are currently used in international finance, which bring together the lenders and borrowers, seekers and providers of information, with or without a nodal intermediation agency.

Payments Clearing & Settlement	Deposits, Lending, Capital Raising	Market Provisioning	Investment Management	Data Analytics & Risk Management
Mobile and web-based payments, Digital currencies, Distributed ledger	Crowd-funding, Peer to peer lending, Digital currencies, Distributed Ledger	Smart contracts, Cloud computing, e-Aggregators	Robo advice, Smart contracts, e-Trading	Big data, Artificial Intelligence & Robotics

Regulatory Environment in India

The regulatory landscape of the fintech sector in India is highly fragmented. There are no particular set of laws and regulations governing fintech services and products in India. With no definite set of rules for fintech services, it becomes difficult to drive the regulatory landscape, but policymakers realized it is imperative to regulate the fintech sector in India and accordingly started initiatives.

SEBI with the intent to promote innovation in the securities market, has issued framework for Regulatory Sandbox. The objective of sandbox is to grant facilities and flexibilities to the entities regulated by SEBI so that they can experiment with FinTech solutions in a live environment.

Recently RBI, in an internal circular said that, it has decided to set up separate FinTech department to further focus and facilitate innovation in the Indian fintech sector. Accordingly, a new department has been created with effect from 4th January, 2022, by subsuming the fintech division of DPSS (Department of Payment & Settlement Systems). This new department along with promoting innovation in the sector will also identify the challenges and opportunities associated with it and address them in a timely manner. This new department will deal with matters related to the facilitation of constructive innovations and incubations in the fintech sector, which may have wider implications for the financial sector / markets and fall under purview of the Central Bank.

Future of FinTech

1. Digital currencies (DCs)

Digital currencies (DCs) are digital representations of value, currently issued by private developers and denominated in their own unit of account. They are obtained, stored, accessed, and transacted electronically and neither denominated in any sovereign currency nor issued or backed by any government or central bank.

The implications of DCs for financial firms, markets and system will depend on the extent of their acceptability among users. If use of DCs were to become widespread, it would likely have material implications for the business models of financial institutions. DCs could potentially lead to a disintermediation of some existing payment services infrastructure.

At the moment, DCs schemes are not widely used or accepted, and they face a series of challenges that could limit their future growth. As a result, their influence on financial services and the wider economy is negligible today, and it is possible that in the long term they may remain a product for a limited user base on the fringes of mainstream financial services.

The regulatory perimeter around DCs is a complicated issue and regulation may depend on the definition of DCs in particular jurisdictions. The cross-border reach of DC schemes may make it difficult for national authorities to enforce laws. Approvals and clarifications are still to be awaited for this product.

2. Block Chain Technology

Block chain is a distributed ledger in which transactions (e.g. involving digital currencies or securities) are stored as blocks (groups of transactions that are performed around the same point in time) on computers that are connected to the network. The ledger grows as the chain of blocks increases in size. Each new block of transactions has to be verified by the network before it can be added to the chain. This means that each computer connected to the network has full information about the transactions in the network. Block chain potentially has far-reaching implications for the financial sector, and this is prompting more and more banks, insurers and other financial institutions to invest in research into potential applications of this technology.

The market participants in other securities markets are exploring the usage of Block chain or Distributed Database technology to provide various services such as clearing and settlement, trading, etc. Indian securities market may also see such developments in near future and, therefore, there is a need to understand the benefits, risks and challenges such developments may pose at the systemic levels.

3. Crowd Funding

Crowd funding is a way of raising debt or equity from multiple investors via an internet-based platform. Securities and Exchange Board of India (SEBI) has released a paper and defined crowd funding as “solicitation of funds (small amount) from multiple investors through a web-based platform or social networking site for a specific project, business venture or social cause.” Some jurisdictions have chosen to enact special legislative regimes to determine the conditions under which this service can be made available to retail investors. The platform matches borrowers / issuers with savers / investors. Platform providers offer a range of information about the potential borrowers / issuers, ranging from credit ratings (for most peer-to-peer loan arrangements) to business model to verification of information and AML checks of firms that want to raise equity capital. An interplay between the Crowd Funding model and regulations of SEBI on Collective Investment Schemes (CIS) may result in Crowd Funding for Investing being governed by the CIS Regulations. However more clarity on product and mechanism is to be obtained before deciding on regulatory aspects.

4. Smart Contracts

Smart contracts are computer protocols that can self-execute, self-enforce, self-verify, and self-constrain the performance of a contract. Development of smart contracts in relation to financial services could have a large impact on the structure of trade finance or derivatives trading, especially more bespoke contracts, and could also be integrated into Robo-advice wealth management services. The widespread adoption of smart contracts in financial services could be facilitated by the establishment of distributed ledger technology.

5. Big data

As more business activity is digitised, new sources of information are becoming available. Combining these data sources with the availability of increased computing power is delivering faster, cheaper, and more comprehensive analysis for better informed decision-making. For example, wider use of increasingly large datasets could deliver material improvements in credit risk assessments. Financial institutions may desire to monetize aggregated data by selling them or bundling them with other products and services offered.

6. Robo advice

"Robo-advice" is the provision of financial advice by automated, money management providers, thereby disintermediating human financial advisors and reducing costs. It can offer more investor choice, especially for low- and middle-income investors who do not have access to the wealth management divisions of the banks. Robo Advisors are said to be currently handling assets under management estimated at $20bn and such business is growing rapidly. They use client information and algorithms to develop automated portfolio allocation and investment recommendations that are meant to be tailored (to a greater or lesser degree) to the individual client. Robo advisors are regulated just like independent advisors who set up offices and meet clients on a regular basis in USA. They typically register with the U.S. Securities and Exchange Commission and are deemed "fiduciaries" who must put their clients' interests above their own.

7. E-trading

Electronic trading has become an increasingly important part of the market landscape, notably in fixed income markets. It has enabled a pickup of automated trading in the most liquid market segments. Innovative trading venues and protocols, reinforced by changes in the nature of intermediation, have proliferated, and new market participants have emerged. This, in turn, has had implications for the process of price discovery and for market liquidity. It could also lead market structures to evolve from over-the-counter to a structure where all-to-all transactions can take place. The development of e-trading platforms contributes to improving the efficiency of market orders and to reducing average trading costs.

Source: Report of working group on FinTech

Concluding Remarks

The digitisation of physical processes and rapid development of "Intelligent FinTech" is taking place in the Indian Economy, which was only accelerated by the Covid-19 related restrictions. Further, rapidly changing regulations due to the evolving nature of the sector also poses cost-related challenges for users and businesses. However, FinTech industry continues to face certain challenges like risk of data security and privacy leak, platform downtimes, lack of financial literacy and awareness in India, as well as differential adoption rates among MSMEs that dominate the economy.

Demographic of India with increase usage of internet & smart phones in India are bringing phenomenal transformation in finance technology firms known as 'Fintech'. This growth has to be evaluated and monitored so that regulator and society can keep up with underlying technological and entrepreneur flux. Regulator need to be creative, nimble and tech savvy. It is important to create regulatory framework which is fair, equitable, broad based and benefits all kinds, be it rich or poor, illiterate or literate. The best way to achieve this is to integrate 'old' with 'new' and make new "New".

Bhavesh Vora is a practicing Chartered Accountant with over 30 years of rich experience having specialization in providing end to end consultancy services to Capital Market Segment, Derivatives, Non-Banking Finance Companies, Portfolio Management Services, Stock Broker's Regulations.

He has delivered lectures to organizations and forums of the like of [RBI] Reserve Bank of India Limited, [NSE] National Stock Exchange of India Limited, [FIMMDA] Fixed Income Money Market and Derivatives Association of India, [ANMI] Association of National Exchanges Members of India, BSE Brokers' Forum, etc. on the aspects of Accounting Standards, NBFCs, Regulatory Compliances, etc.

He has also Co-Authored guidance notes on "Audit of Accounts of members of Stock Exchange along with "Internal Audit of Stock Broker" and "Next Gen CAs - Getting Future Ready" published by ICAI and also co-authored BCAS' prestigious publication "NBFC-A Treatise".

Presently, he holds key positions as President 'of "Investor Education and Welfare Association", a SEBI recognized association, 'External Expert' in the Regulatory and Oversight Committee of [MSE] Metropolitan Stock Exchange of India Limited, 'Trustee' of [BSE - IPF] Bombay Stock Exchange Limited - Investor Protection Fund, member of various committees of ICAI & BCAS, Advisor to the Chamber of Tax of Consultants (erstwhile as 'President').

Also being an avid reader, his hobbies include reading Management and Spiritual Books, and has an inclination towards imparting education.

A step towards dignity, a step towards empowerment!

Along with the loss of lives, the pandemic spurred the loss of millions of livelihoods.

As per data from the Centre for Monitoring Indian Economy (CMIE), over 40 million people lost their jobs since April 2020.

Through our STeP programme, we are preparing a young, skilled, job-ready workforce.

Over **10,000 youth** have already been trained and placed in the healthcare, BFSI, e-logistics and digital marketing industries during the pandemic.

This is not just their, but an entire family's chance to step above the poverty line.

Join hands with Smile Foundation to support skilling and employment of underprivileged youth

To collaborate/extend support, please write to cp@smilefoundationindia.org

*or call **8692868508** | www.smilefoundationindia.org | /smilefoundationindia.org*

> While trading in the stock market, knowing about the various fees and charges, including brokerage charges, and how these charges are respectively calculated can come in handy.

S P TOSHNIWAL
Founder & CEO

WWW.PROSTOCKS.COM

WHAT ALL CHARGES DOES AN INVESTOR / TRADER NEED TO PAY TO TRADE IN THE STOCK MARKET?

While investing in stock markets can be a lucrative option, it can tag along some risk options too. So, while trading in the stock market, knowing about the various fees and charges, including brokerage charges, and how these charges are respectively calculated can come in handy. Investors and Traders have to incur charges, taxes, levies, etc to transact in Stock Market.

These can be bifurcated in four categories:

a. **Statutory levies:** These are charges levied by Central/ State governments
b. **Regulatory levies/charges:** These are charges levied by SEBI and Exchanges
c. **Brokerage:** can be charged as mutually agreed between Stock Broker and client (subject to maximum permissible by the Exchange) and brokerage rates should be mentioned in a tariff sheet.
d. **Other mutually agreed charges:** These charges can be collected through bill and/or ledger but not through Contract Note.

A.What can be collected from the Client through the Contract Note:

Sr. No.	Description of Levies	Nature of Levy	Paid to Whom
1	Securities Transaction Tax (STT)	Statutory Levies	Central Government through Exchanges
2	GST on Brokerage and Exchange Transaction Charges	Statutory Levies	Central Government
3	Stamp Duty on Contract Notes	Statutory Levies	Computed and Collected by the Exchanges through Stock Broker and paid to State Government
4	SEBI Transaction Fee	Regulatory Levies	SEBI through Exchanges
5	Exchange Transaction Charges	Regulatory Levies (Exchange being quasi Regulator)	Exchanges
6	Investor protection Funds	Regulatory Levies	Exchanges / Clearing Corporation
7	Brokerage	Brokerage	Collected by Broker subject to prescribed limits by SEBI / Exchanges
8	Clearing Fees	Cannot be collected	Clearing Fees is neither statutory levy nor Regulatory levy/charge, hence cannot be collected from client in Contract Note.

B. What can be collected from the Client through Bill and/or ledger but not through Contract Note :

Demat Charges, API Charges, Clearing Fee, application usage charges and or any other mutually agreed charges between Stock Broker and Client can be collected through Bill but not Contract Note. Only specific charges mentioned in above table can be collected through Contract Note.

Prescribed Rates of Charges

Charges	Equity Intraday	Equity Delivery	Equity Futures	Equity Options
Brokerage	Per Executed Order e.g. Rs 15 or based on value of trade	Per Executed Order e.g. Rs 15 or based on value of trade	Per Executed Order e.g. Rs 15 or based on value of trade	Per Executed Order e.g. Rs 15 or based on value of trade
	or ₹899 Per Month (Unlimited trading in an exchange for a month) or such other monthly unlimited brokerage plan			
Securities Transaction Tax (STT)	₹2,500 per Crore (on Sell trade)	₹10,000 per Crore (on Buy and Sell)	₹1,000 per Crore (on Sell trade)	₹5,000 per Crore (on Sell trade*)
Exchange Transaction Charges	NSE ₹345 per Crore BSE ₹345 per Crore	NSE ₹345 per Crore BSE ₹345 per Crore	NSE ₹200 per Crore BSE ₹50 per Crore	NSE ₹5300 per Crore BSE ₹2500 per Crore
SEBI Charges	₹10 per Crore	₹10 per Crore	₹10 per Crore	₹10 per Crore
GST	18% on Brokerage + Exchange Transaction Charges	18% on Brokerage + Exchange Transaction Charges	18% on Brokerage + Exchange Transaction Charges	18% on Brokerage + Exchange Transaction Charges
Stamp Duty	0.003% (₹300 per Crore on Buy and Zero on Sell)	0.015% (₹1500 per Crore on Buy and Zero on Sell)	0.002% (₹200 per Crore on Buy and Zero on Sell)	0.003% (₹300 per Crore on Buy and Zero on Sell)

CHARGE STRUCTURE EXPLAINED

Mandatory and Regulatory Charges

Securities Transaction Tax (STT):
Securities Transaction Tax is collected by exchange from the broker on behalf of the client and paid to the Income Tax Department of Government of India.

Exchange Transaction Charges:
Exchange transaction charge is the income of stock exchange and stock exchange charges to the stock broker at prescribed rates. Stock Broker can charge these charges to client on actual basis.

SEBI Fee:
Securities and Exchange Board of India (SEBI) is market regulator. SEBI collects charges from stock broker through stock exchange at prescribed rates. Stock Broker can collect these charges from the client on actual basis.

Stamp Duty:
Stamp duty on the value of trade is collected by exchange from the broker on behalf of the client and paid to various state Governments of India.

Goods and services tax (GST):
GST is charged at 18% on brokerage and transaction charges. GST is not payable on SEBI fee, STT and Stamp charges.

Optional Charges

Call & Trade:
Most online flat fee stock broker charges additional brokerage per executed order when order is placed by client through call and Trade desk of Stock Broker. This generally ranges from Rs 10 to Rs 50 per executed order depending on broker. Traditional stock brokers generally do not charge this fee.

Documentation Charges and Franking Charges:
Most Stock Brokers open free Trading & DEMAT accounts, however some do collect account opening fee ranging from Rs 300 to Rs 500.

DP charges:
Most flat fee Stock Broker charges ₹20 per scrip on sell side for equity delivery position (plus 18% GST).

Annual Maintenance Charges (AMC):
When it comes to AMC, only a handful of Brokers provide true AMC free Trading & DEMAT account. Brokers usually collect an AMC ranging from Rs 300 to Rs 2,000 per annum.
API Charges:

Majority flat fee Stock Brokers collect API charges that range from Rs 1,000 to Rs 4,000 per month.

Professional Clearing Fee:
Clearing fee is the fee paid by stock broker to clearing member and cannot be collected through Contract Note. Stock Broker can collect clearing fee from client through bill or ledger at agreed rates.

S P Toshniwal, Chartered Accountant by qualification and passion for technology, founded ProStocks, India's one of the fastest growing online stock broking company. He was CEO of Mangal Keshav Securities Limited, India's first brokerage house to have foreign bank as partner, prior to starting www.prostocks.com.

> On 3rd December 2018 SEBI issued a circular for Cyber Security & Cyber Resilience Audit compliance for market intermediaries

AMEY R. NAIK
Co-Founder

SAGA TECHNOLOGIES

SIMPLIFYING THE CYBER SECURITY & CYBER RESILIENCE AUDIT COMPLIANCE

On 3rd December 2018 SEBI issued a circular for Cyber Security & Cyber Resilience Audit compliance for market intermediaries. Since stockbrokers and depository participants perform significant functions in providing services to holders of securities, it is desirable that these entities have robust cyber security and cyber resilience framework in order to provide essential facilities and perform systemically critical functions relating to securities market.

To whom it is Applicable

- Depository participants
- All Stockbrokers (Type I, Type II, Type III)

Activities to be Involved

Activities to be performed	Audit					
	BSE / NSE / MCX			CDSL / NSDL		
	Type I	Type II	Type III	Type I	Type II	Type III
Identification of Assets	Once in fiscal year	Once in fiscal year	Once in fiscal year	Once in fiscal year	Once in fiscal year	Once in fiscal year
Data Protection	All Year Round	All Year Round	All Year Round	All Year Round	All Year Round	All Year Round
Vulnerability and penetration Testing	Once in fiscal year	Twice in a fiscal year	Twice in a fiscal year	Once in fiscal year	Twice in a fiscal year	Twice in a fiscal year
Monitoring and Detection	All Year Round	All Year Round	All Year Round	All Year Round	All Year Round	All Year Round
Response and Recovery	After incident within fiscal year	After incident within fiscal year	After incident within fiscal year	After incident within fiscal year	After incident within fiscal year	After incident within fiscal year
Training and Education	Once in fiscal year	Once in fiscal year	Once in fiscal year	Once in fiscal year	Once in fiscal year	Once in fiscal year
Periodic Audit	Once in fiscal year	Once in fiscal year	Twice a fiscal year	Once in fiscal year	Once in fiscal year	Twice a fiscal year
Incident Report (In case of Incident)	Immediate + Quarterly	Immediate + Quarterly	Immediate + Quarterly	Immediate + Quarterly	Immediate + Quarterly	Immediate + Quarterly
Incident Report (In case of NO Incident)	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly

Amey is experienced Cyber Security Professional with a demonstrated history of working for more than a decade, in the information technology and services industry. Skilled in the Business Development, Cyber Security, Solutions Architecture, Service Delivery, Problem Analysis, Communications, ITIL, and Customer Relationship Management (CRM). Strong techno professional qualification with a CISA, CCNP, CEH, CCIO. He conducts regular training for various association members.

> **Section 147 of the Income Tax Act, 1961, the Income Tax Department has the power to reassess an individual's previously filed income tax returns.**

NEHA AHUJA, LLM

ADVOCATE

GIST OF RE ASSESSING SECTIONS OF INCOME TAX ACT, 1961

Section 147 of the Income Tax Act, 1961, the Income Tax Department has the power to reassess an individual's previously filed income tax returns. The Assessing Officer could pick your income tax return for reassessment subject to some pre-defined criteria by sending a notice under section 148 for income Escaping Assessment.

An individual could receive a notice under section 148 in case the assessing officer believes that such an individual's income chargeable to tax might have escaped assessment.

In the case of Savita Kapila v. Assistant Commissioner of Income Tax to answer the question of the validity of notice and consequent proceedings against a dead person. In the said case, it was held that,

"The sine qua non for acquiring jurisdiction to reopen an assessment is that notice under section 148 should be issued to a correct person and not to a dead person."

A petition was filed challenging a notice issued by the Income Tax Officer under Section 148 of the Income Tax Act, 1961, all consequential proceedings that emanated from there, including orders passed by the Assessing Officer.

Section 151(1) of the Income Tax Act, 1961 contains the provisions for issue of notice.

Section 149 of the Income Tax Act, provides that the notice under section 148 could be issued within a period of 4 years from the end of relevant AY (assessment year) in case the income so escaped doesn't exceed INR 1 lac.

In case the income so escaped is more than INR one lac the notice under the said section could be issued within a period of 6 years from the end of relevant AY subject to provisions contained in section 151.

The notice under section 148 could be issued within a period of 16 years from the end of relevant AY in case the income that has escaped assessment relates to assets located outside India.

Further, if the assessment has been completed under section 143(3) or 147 no further action could be taken under section 147 after expiry of 4 years from end of relevant AY unless income chargeable to tax has escaped assessment for such AY due to failure on assessee's part to file the return under section 139 or 142 or 148 or fully and truly disclosing all the material facts required for the assessment, for that AY.

Neha Ahuja, Advocate

Working as an Advocate in the field of Tax, Intellectual Property, Capital Markets & Securities, Anti-Corruption, Investigation, Manufacturing, Consumer Products, Industrial Products & Durables, Communications (Telecom & Broadcasting), Energy (Power, Coal, Oil & Gas), Mining, Civil and Criminal litigation. Specialized in Criminal Litigation. Consulting various law firms in India.

Visiting faculty at Jai Hind College of Commerce and Science for the subject of Law. Lectures given on the following Acts and Bills: Contract Law, 1872, Companies Act, 2013, Reserve Bank of India Act, 1934, Banking Regulation Act 1949, Negotiable Instruments Act 1881, Indian Insurance Act 1938, IRDA Act 1999, Consumer Protection Act, 1986, Ombudsmen Act 1975, Indian Stamp Act 1899, Indian Registration Act 1908, Lokpal and Lokayukta Bill.

Worked as a Constitutional expert on several books published by Lexis Nexis namely "India Needs GST" 3rd Edition. Also, written textbooks at college level on the subject of IPR & Cyber Law published by Vipul Prakashan.

Editor for Law Textbooks on the subject of Contract Law, 1872 and Negotiable Instrument Act 1881 published by Reliable Publication.

Completed her Bachelors in Banking and Insurance (BBI). There after obtained a Masters degree in Commerce (Mcom) and then completed Legum Baccalaureus (LLB) and LLM.

COMPLIANCE REQUIREMENT FOR THE MONTH OF APRIL - 2022

CA KAMLESH P. MEHTA
(FCA, DISA)

M/S. KAMLESH P. MEHTA ASSOCIATES

Authorities	Particulars	Due Date
PMS	PMS- Uploading of Activity Report- through SEBI portal for the month of March, 2022	07.04.2022
All Members of exchnages/PMS/ RA/ IA / DP	Publishing the data on complaints received against them or against issues dealt by them and redressal thereof on website (Investor Charter compliance)	07.04.2022
All Exchanges	Contingency Drill / Mock Trading Session (Subject to circular to be issued by respective exchanges)	09.04.2022
Depositary	Investor Grievances (Report) •CDSL & • NSDL	10.04.2022
All Exchanges	Submission of Surveillance Obligations report for the quarter ended 31.03.2022	15.04.2022
All Exchanges	Reporting for Artificial Intelligence (AI) and Machine Learning (ML) applications and systems offered and used by market intermediaries for the quarter ended March, 2022.	15.04.2022
NSE/ MCX/ BSE/ NCDEX/ NSDL/ CDSL	Reporting of Cyber Security Incidents for the quarter 1st January, 2022 to 31st March, 2022	15.04.2022
PMS	Self certificate by distributor for code of conduct	15.04.2022
NSE	Issue of STT statements for the F.Y. 2021-22 to clients	30.04.2022
NSE/ BSE/ MSE	Statement of accounts for funds and securities to all clients for the period 1-1-2022 to 31-03-2022 (For non running accounts)	30.04.2022
NSE/ BSE	Submission of Margin Trading Compliance Certificate & Networth certificate for the half year ended March 31, 2022 (For those who have availed Margin Trading Facility)	30.04.2022

MCX/ NCDEX	Quarterly Statement of accounts for funds & Commodities to all clients for the period 01/01/2022 to 31/03/2022	30.04.2022
CDSL/ NSDL	Submission of tariff structure to CDSL/NSDL	30.04.2022
Income Tax	TDS Payment for the Month of March 2022 for Corporate and Individual	30.04.2022
NSE/ BSE/ MSE/ MCX/ NCDEX	Issuance of Global Report to clients for the trade executed during the F.Y. 2021-22	30.04.2022
CDSL/ NSDL	Risk Assessment Template for the period from 01.10.2021 to 31.03.2022 (Subject to circular to be issued from CDSL / NSDL)	30.04.2022
PMS	Submission of Corporate Goverance report on PMS SEBI portal	30.04.2022
CDSL/ NSDL	Annual Statement of DP Holding to clients	30.04.2022
NSE/ BSE	Submission of Details of AP Inspections undertaklen during the quarter ended 31.03.2022	30.04.2022
BSE	No. of STR filed with FIU-IND for the month of March 2022. (Including NIL STR)	Before 30.04.2022
NSE/ BSE	Uploading of clients mapped with Authorised Persons (AP) before the next 2 trading days of subsequent week.	Weekly basis
NSE/ BSE	Reporting of client level cash and Cash Equivalent Balances by trading members to the clearing members on weekly basis (within next four trading days of subsequent week)	Weekly basis
All Exchanges	Submission of Bank statement to exchange on weekly basis (within next four trading days of subsequent week)	Weekly basis
All Exchanges	Requirement of sending a complete 'Statement of Accounts' for funds, securities and commodities in respect of each of its clients (within next four trading days of subsequent week)	Weekly basis
All Exchanges	Reporting of client level Cash and Cash Equivalent Balances and Bank account balances (within next four trading days of subsequent week)	Weekly basis
All Exchanges	Uploading of Clients' Funds, collateral and other details lying with the member broker. (Enhanced Supervision within three trading days of subsequent week)	Weekly basis
All Exchanges	Uploading of day-wise Holding statement in the specified standard format to exchange (within four trading days of subsequent week)	Weekly basis

Note: The Compliance Calendar is indicative in nature. For real-time updates, kindly refer to 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 27 years in the field of capital market compliance consultancy, depository services audit, management consultancy, system and Cyber audit and Commodity market compliance consultancy.

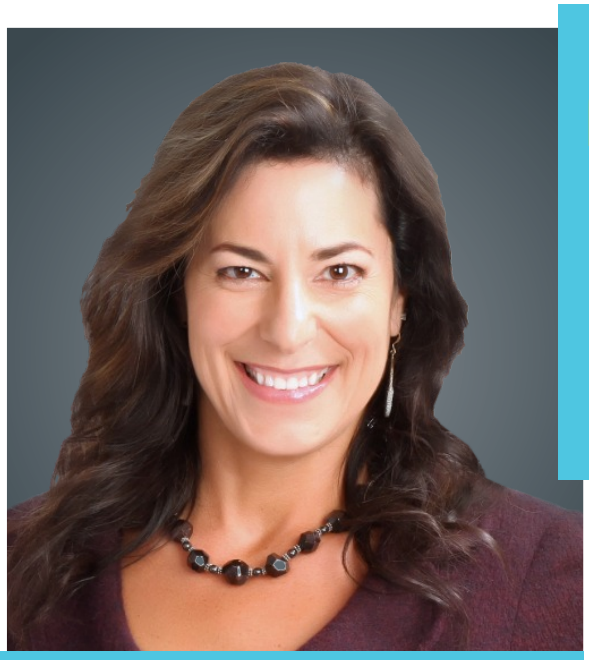
He is a Proprietor of CA firm M/s. KAMLESH P. MEHTA ASSOCIATES & Partner of MEHTA SANGHVI & ASSOCIATES located at Borivali, Mumbai.

He is also providing compliance calendar to BSE brokers forum and ANMI regularly and same is published in their journal.

He is a regular speaker of the various seminars for broking and DP compliances organized by WIRC and study circle group.

For further assistances kindly contact at kamleshmehtaca@gmail.com & kpm@kamleshpmehta.com

Founder



Jean Marie Speaks
(United States/ Europe)

EMOTIONAL INTELLIGENCE (EQ) IN ACTION

Our world changed overnight. Life as it was is now different. The pandemic and the great resignation have shined a light on what is no longer working, inside and outside of work. These times have required us to be more agile, curious, empathetic and compassionate. These times more than ever demand high emotional intelligence.

What is Emotional Intelligence?

Emotional Intelligence (EQ) is the ability to be with and handle our emotions and the emotions of others. It is the ability to express, interpret and respond to emotions. It is the intelligence required to accept criticism, say no with grace and deeply listen without judgment. It is having the self-awareness to know why we do what we do and to recognize the impact our behaviors have on others.

Whether you are a leader in your life, your work or your community, leadership requires high emotional intelligence. One of the greatest behaviors that can take us off our game is when we get triggered by others from what they do, say or who they are. We can also get triggered by what happens in our environment from the pandemic to the stock market to the weather. Emotions play a huge role in business and in life whether you are parent, a business owner, an executive director or an investor.

> **"Emotions are a far more important driver of success than IQ. What made Warren Buffett such a great investor was not just superior intellect, but emotional fortitude to stay true to his strategy during deep drawdowns," says Michael Batnick, director of research at Ritholtz Wealth Management.**

I'M JEAN MARIE DIGIOVANNA

"Emotions are a far more important driver of success than IQ. What made Warren Buffett such a great investor was not just superior intellect, but emotional fortitude to stay true to his strategy during deep drawdowns," says Michael Batnick, director of research at Ritholtz Wealth Management.

The key to managing our emotions starts with self-awareness. Great leaders are extremely self-aware and can manage reactions and responses in the moment, especially when triggered.

It's not easy as it requires the ability to stop in the moment, look within and recognize what we are doing, how we are feeling and the impact it has on others. How we respond when we are set off by a situation or person and how we move through it can make or break a relationship or situation.

Like flying a plane, the only way to get better is to get more time in the air. The same goes for improving our muscle of emotional intelligence. The good news is there are plenty of opportunities in our life that trigger our emotions but it's important to have the right tools to handle them.

I will introduce to you a tool I teach in my Renaissance Leadership program that can help master your emotions but the first step before utilizing any tool is to first notice when you are triggered. In other words when your emotions are taking over. The best thing you can do in that moment is stop and wait before responding. Our first response is emotional because it comes from the reptilian part of our brain. This is the time we do not want to respond right away. The next step is to then notice how you are reacting.

EMOTIONAL INTELLIGENCE IN ACTION

Powerful Questions to reflect on when you get triggered by a person or situation

IF YOUR REACTION IS TO...

FIGHT

ASK YOURSELF...

- WHAT AM I REALLY UPSET ABOUT?
- WHAT CAN'T I BE WITH?

FLEE

ASK YOURSELF...

- IF I DON'T ATTEMPT TO RESOLVE THIS, CAN I LET IT GO?

FREEZE

ASK YOURSELF...

- WHAT IS THE WORST THING THAT COULD HAPPEN IF I DO ADDRESS THIS?
- IF I DON'T ADRESS THIS?

PLEASE

ASK YOURSELF...

- WHAT DO I NEED TO SAY NO TO?
- BY SAYING NO TO THAT, WHAT AM I SAYING YES TO?

Take action

What is one action you are willing to take on to move through this?

I will let go of...

I will speak up about...

I will accept...

I will take on...

* MOVE THROUGH TRIGGERS WITH EASE AND CLARITY *

www.jeanmariespeaks.com

©Jean Marie DiGiovanna: Renaissance Leadership

sketchnote by NikaKim

This EQ in Action reflection tool, when utilized in the moment you are triggered, will help you move through your emotions and bring you to a place of clarity. From there we create more aligned and healthy actions and have more conscious conversations. Like any muscle, it takes time to strengthen but over time, it becomes easier.

There are typically four ways we react when we get emotionally triggered by a person or situation - We either want to fight (react with high emotion), flee (avoid the situation), freeze (feel overwhelmed by it) or please (make sure everyone is happy). Most of us have a primary "go-to" response but that can change depending on the situation or person we are triggered by.

Which response is your typical "go-to" when you are triggered?

Based on your trigger response, there are reflection questions we can ask ourselves to help move through the emotion with grace and ease. I put these reflection questions into a tool called “Emotional Intelligence in Action”.

Here's how it the tool works: Next time you get triggered, stop and notice your immediate response. Do you want to fight, flee, freeze or appease? Depending on how you initially react, there are specific questions to reflect on.

If your reaction is to...

FIGHT: Ask yourself…What am I really upset about? What can't I be with?
When we can name the emotion and acknowledge what is difficult without judging ourselves, it has less power over us, and we can move through it more objectively.

FLEE: Ask yourself... If I don't attempt to resolve this, can I let it go?
Not every situation needs to be addressed head on. If you can let it go, great. If not, look to see what you need to do to address it.

FREEZE: Ask yourself... What is the worst thing that could happen if I do address this? If I don't address this? Freezing is a natural response when we are overwhelmed. Explore both sides of the situation. Based on that, what is one next step you can take forward. Each step taken moves us forward and through.

PLEASE: Ask yourself... What do I need to say NO to? By saying NO to that, what am I saying YES to? When we please, we often say YES to too much. This YES/NO question is a powerful tool I learned 20 years ago in my Coaching Certification program with the Coaches Training Institute. When your automatic response is to PLEASE, is it at the cost of your own well-being or the well-being of the people you lead? Notice your driver.

This EQ in Action reflection tool, when utilized in the moment you are triggered, will help you move through your emotions and bring you to a place of clarity. From there you can create more aligned and healthy actions and have more conscious conversations. Like any muscle, it takes time to strengthen but over time, it becomes easier. Soon enough you will be able to handle any situation that comes at you with grace and ease.

If we don't utilize tools such as these to help us move through triggers, the energy we expend avoiding, fighting, freezing or pleasing will drain us, impact our health and get in the way of us being a great leader.

Next time you get triggered, I invite you to reflect on these questions and notice if it frees up more of your energy so you can be the best leader for your family, your community and your colleagues at work.

Are you ready to put your emotional intelligence into action?

Jean Marie DiGiovanna is an international keynote speaker, leadership educator, certified executive coach and best-selling author. With her body of work on Renaissance Leadership and over 25 years of experience across the globe, she helps leaders, and their teams shift the way they think, lead and communicate rapidly creating a culture of increased trust, collaboration and innovation.

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

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

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

Join other leaders across the globe to mastermind and learn and practice cutting edge leadership tools in “The Leadership Lab” at www.JointheLeadershipLab.com. To learn more about her Keynote & Renaissance Leadership Programs: https://www.jeanmariespeaks.com.

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Consulting & Coaching

NeuroChangeSolutions (NCS)
(Frankfurt Rhine-Main Metropolitan Area, Germany)

WHAT NEUROSCIENCE CAN TEACH US ABOUT ORGANIZATIONAL CHANGE

Would you agree that most people have experienced high levels of stress or uncertainty over the past two years?

The global moment of change, COVID, digitalization and remote work, have accelerated the need for resilience and adaptation in the personal lives and business world. The demands for technological change bring also a new opportunity: it gives us permission to develop more human capabilities such as creativity, empathy, innovation and collaboration.

The future of work demands new skills like constant learning (see the last WEF „Future of Job's report" for 2025), a higher level of employee autonomy, efficient collaboration and a more conscious and empathetic leadership.

But, how do we get there?
Change is not easy because it forces us out of our comfort zone. Moreover, since change by definition is doing something new, it makes us enter the terrain of the unknown, break habits and do things differently.

> **Understanding how we operate neurologically and physiologically in the face of change processes can help organizations create organizational cultures of change aligned with the vision and purpose of the organization. At the individual level you can think of neuroscience like an "instruction manual" for our internal technology.**

I'M
MARIA LUISA ENGELS

We can speak of two types of changes: external and internal. The external, when a person is fired because of a company restructuring and internal, when the same person decides to leave the job to occupy a position more suitable to his desires and qualifications.

That is to say, we can change in a reactive way, responding to dramas, illnesses, external situations, or in an active way designing the type of change we want to achieve.

Unfortunately most of us are like firefighters, constantly putting out fires and reacting to problems, distractions and unforeseen events in our environment.

In this article I will talk about active change, from the inside out, and how applied neuroscience can help us to achieve it.

From the neuroscience point of view the same principles are applicable at the individual level as at the collective level since an organizational culture is made up of the individuals that compose it. Why is this important to know? Because the current and upcoming changes require a collective aligned effort.

Understanding how we operate neurologically and physiologically in the face of change processes can help organizations create organizational cultures of change aligned with the vision and purpose of the

organization. At the individual level you can think of neuroscience like an "instruction manual" for our internal technology.

> **Tomorrow's successful companies need employees who can self-motivate. It's the kind of intrinsic motivation that makes people go the extra mile, that makes them absorbed in their project and loose track of time and their environment.**

THREAT AND REWARD

Ready for the first lesson? The organizing principle of the brain says "maximize reward and minimize threat" (E. Gordon, 1998). This principle is not unique to humans but to all species. It is a universal evolutionary principle. We avoid situations that may pose danger and recreate or seek rewarding situations. This is not a metaphor. MRI technology studies show that the same regions are activated regardless of whether the threat is physical or social (Liebermann and Eisenberger, 2008).

It is this principle that governs our motivation, engagement and attention

HARDWIRED FOR NEGATIVE

We are much more sensitive to threat than to reward. The need to adapt to our environment has made us more receptive to possible dangers (this is why most of the news on TV are negative).

In a state of survival or stress, a part of our nervous system is activated (parasympathetic system) that prepares us to attack, flee or hide. The side effect is that in the face of danger we become selfish, competitive (remember, we are trying to survive, even if not from a predator but perhaps from a boss or a difficult client).

When we feel threatened we can only change in a reactive way, in response to external situations. In the face of threat we not only alter physiologically (accelerated pulse, anxiety, frustration) but we also become mentally blocked.

There is a direct correlation between emotions derived from high stress and cognitive performance, especially in the area responsible for decision making, creativity, emotional regulation, planning and abstract thinking (so called high executive brain functions, K. H Pribram). For example, how many times did you react to a person, who perhaps made you angry and later regretted what you did? This is an example of cognitive blocking to stress emotions. Only after the emotion disappears are we able to see what could have been a better way to act.

In other words: we cannot collaborate, be creative or be the engine of change when we feel threatened. It is necessary to learn emotional self-regulation (an aspect of resilience) in order to have high cognitive performance.

Here is the paradox: we need to create change but we are immersed in high levels of stress, multiple challenges and distracting factors that do not allow us to change actively. To make things more complicated, that stress has become the „new normal“, we are so used to it that we don’t perceive it as a stress anymore.

RESILIENCE AND ORGANIZATIONAL CHANGE

The first step of change is therefore to become aware of our individual threats (overwork, digital distractions, a difficult colleague, our own thoughts). The second is to learn our emotions and regulate them in the moment or after the situation in order to maintain optimal mental performance.

THE IMPORTANCE OF PSYCHOLOGICAL SAFETY

According the "Aristotle Project" runned by Google psychological safety is the most important element that makes a team effective. A psychologically safe environment is one where individuals feel included and safe enough to express new ideas even if they are risky. These environments create cohesive teams and practice constructive dissent. A manager who knows how to create psychological safety has the tools to move his team from a state of threat to a state of creativity more quickly in the face of external challenges, making them more capable of adapting and changing effectively.

TRUST

In psychologically safe teams there is mutual trust between the management and the team members. Trust is the basis for collaboration and it is the leaders who have to take the first step by incorporating inclusive behaviors themselves, taking risks and

asking for help from the experts in their team. We often send mixed messages. For example we say something but our body language says something else or we don't implement it consistently. These subtle inconsistent messages are perceived by our team and cause mistrust.

ROLE MODEL AND EMPATHY

Our brain is predominantly social. In fact, there is a circuit called "default mode" because it is activated when we do not focus our attention on anything special. This area is located in the mid and lateral cortex, areas responsible for self reflection and thinking about others.

This means, our brain is designed to be empathic, to understand others and to imitate behaviors (in fact if you observe a baby, it is already able to identify emotions in others and imitate their parent's gestures).

A management that role models the behaviors it wants to create in its employees, that demonstrates a coherence between thinking, communication and behavior, is much more likely to be followed by its employees.

COMMUNICATION AND MOTIVATION

I mentioned earlier about reward and threat as key drivers of motivation and engagement. So we can talk about a reward and a punishment motivation.

Most organizations use external motivators of both types „if you do not finish the project until tomorrow you will not get a promotion!" (punishment) or „if your project is accepted you will get a salary increase!" (reward). However, these are not the most effective forms of motivation because they disappear as soon as the motivator disappears.

Tomorrow's successful companies need employees who can self-motivate. It's the kind of intrinsic motivation that makes people go the extra mile, that makes them absorbed in their project and loose track of time and their environment.

How to create that kind of motivation? The first thing to know is that this type of motivation is not possible under high stress. **There some conditions that we can influence:**

1. a slightly positive emotional state is required, (like when we are thinking about our next vacation),
2. a certain sense of autonomy (feeling that we have some control over the process) and
3. a sense of purpose (our work has meaning).

Management and leaders can contribute to this type of motivation by creating positive environment, communicating the purpose of the work and the importance that its achievement has for the company.

THE LEARNING ORGANIZATION

Learning is natural to human beings. We are curious by nature. The human neocortex and especially the frontal lobe is much more developed in humans than in other species allowing us to formulate questions such as "What if...? "What would it be like if...? And imagine things that do not exist yet.

Interestingly the ability to learn is a function of the level of stress we perceive. High levels of stress hinder learning and contextual memory.

An organization that actively responds to change is a learning organization and this implies that all its components (employees, management) are also learning.

Active change is only possible from an emotional composed state, when the high execute functions work optimally. Psychological safe cultures will have a competitive advantage creating engaged collaborative and innovative workforce and ultimately a happier culture.

Maria Luisa spent 20 years in the automotive industry holding senior positions in finance and tax.
Since 2017 she works as a neuroscience based corporate consultant, coach and speaker in areas such as resilience, leadership, psychological safety and change. To her clients count global companies in automotive, health care or IT industries.

Her purpose is to support teams and individuals to create conscious and sustainable change by using neuroscience based principles as a catalyst for change.

She is also part of a global network of NeuroChangeSolutions corporate consultants to teach organizations, employees and professionals how to apply the neuroscience of change to increase employee engagement, collaboration, creativity, productivity, and ultimately - business results as well as sustainable changes on a personal level.

She has 2 Master's Degrees , is certified Coach, NCS and HeartMath trainer and holds a certification in the Foundations of Neuroleadership by the Neuroleadership institute. She provides her services in German, English and Spanish.

Website: www.marialuisaengels.de

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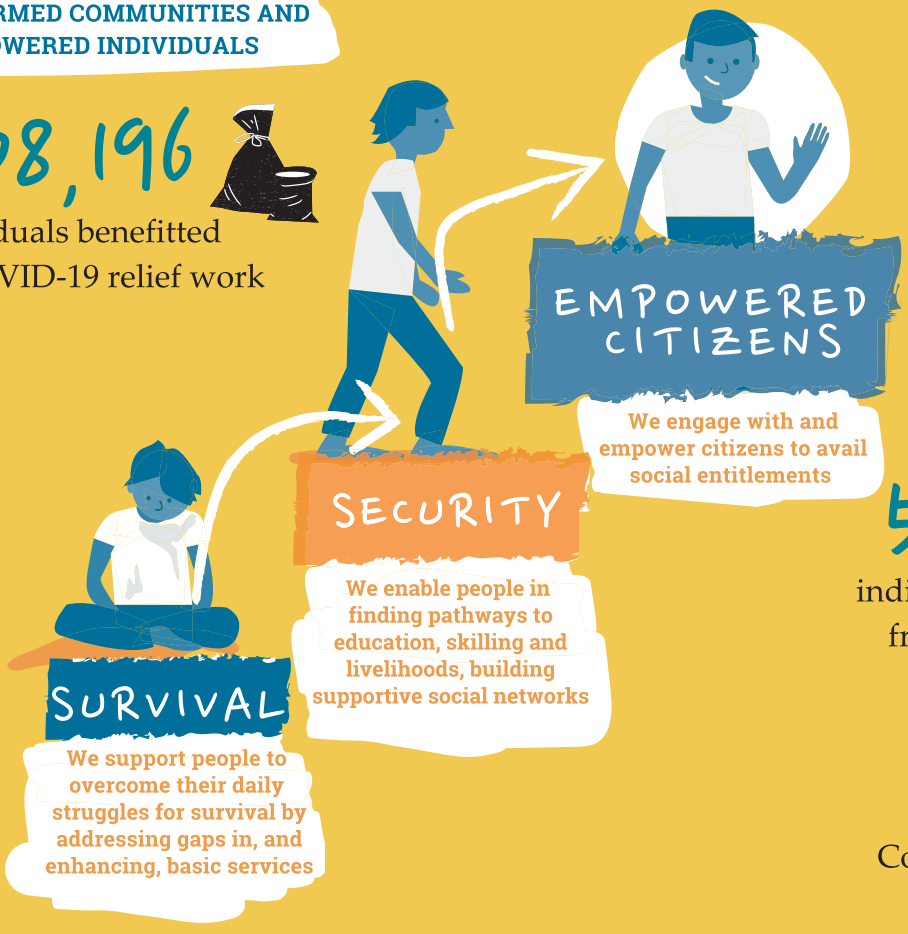
2,08,196
individuals benefitted from COVID-19 relief work



28
Civic Action Groups functional

5,031
individuals benefitted from civic actions

60
Community Childcare Centres

35%
reduction in people spending more than Rs 30/day on water

202
students supported in education

443
supported in their livelihood journey

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Founder & CEO

Women Empowered Global
(Colombo, Sri Lanka)

WELL-BEING: INSPIRING CREATIVE CHANGE - UNLOCKING YOUR VISION

> **The only thing that is worse than being blind is having sight but no vision.**
>
> - Helen Keller

I'M SENELA JAYASURIYA

What is vision - A vision is vital to a person's sense of direction and being. Living a life without vision could be compared to a petrol car running on an empty tank. Vision gives clarity and acuity to one's purpose and wellbeing, be it in their self-actualization goals, relational values or business and professional growth and achievements.

Having a vision is synonymous with having access to sight. Helen Keller's statement about vision above is famously quoted by many and could be interpreted to remind us the importance of living a life with vision, and not having one is equivalent to living life without sight.

Different types or levels of vision

The human existence is experiential and complexed. It is a journey of evolution, innovation and progress. We play many roles in our life. You could be a business owner, a corporate head, a parent, spouse, child and several other roles simultaneously with obligations and commitments in various aspects.

A clear vision offers more clarity and peace to help one navigate the drivers and external forces of life and business. With the multitude of events, commitments and goals, having a vision and understanding how to integrated a work-life balance with a self-care routine can help in your desire to maintain a healthy level of psychological and social well-being. This is not rocket science; in fact, it's just common sense.

As a global leadership expert and coach, I work with clients from around the world to help them discover their vision and authentic leadership style, and help them communicate and refine it to yield effective and impactful results for the larger team, business and community that surrounds them. It starts with your sense of personal vision - for your own life. A leader without a personal vision and aspirations is a leader that lacks motivation and drive. It is simply not a sustainable method to operate in leadership, without a sense of self-accountability, inner clarity and self-direction for the future.

Let's look at the different levels of vision.

- What is your vision for yourself?
- What is your vision for your relational side of life in your personal and business relationships?
- What is your vision for your business or organization?
- What is your vision for your fitness and health?
- What is your vision for your spirituality and well-being?
- What is your vision for your personal finances and wealth generation?
- What is your vision for the sustainability, expansion and economics of your company?
- What is your vision for the culture and values of your team?

I strongly believe that life pivots when we start asking powerful questions. The questions I've asked above

each have a follow-up question too, in order to help my clients from different cultures and experiences, gain more clarity with sessions to design action steps to empower them with the transformation they seek.

> **Having a vision is synonymous with having access to sight. Helen Keller's statement about vision above is famously quoted by many and could be interpreted to remind us the importance of living a life with vision, and not having one is equivalent to living life without sight.**

Having inner clarity and peace will give you a more confident assurance when you make decisions in leadership and in your life. The choices we make daily, contribute towards the outcomes that we need to face and live with in the future. The more inner clarity we have, we can navigate with more awareness and mindfulness.

Why growth pains are important
Growth pains or labor pains produces new life. In business, this is symbolic with new growth opportunities. When we think about growth pains in life, it implies that the person or organization is experiencing temporary difficulties and challenges at the beginning of a particular stage of development.

We live in a time where flexibility, innovation and agility are essential to navigate turbulent and dynamic new normal realities. With several market place disruptions, and disruptions to how people are connecting socially, emotionally and spiritually, especially in the context of post-covid, being cognizant about what drives our inner world which impacts our outer world will be of significant value and second nature to achieving effective results in our life, interpersonal connections and business.

Some common growth pains in an organization includes

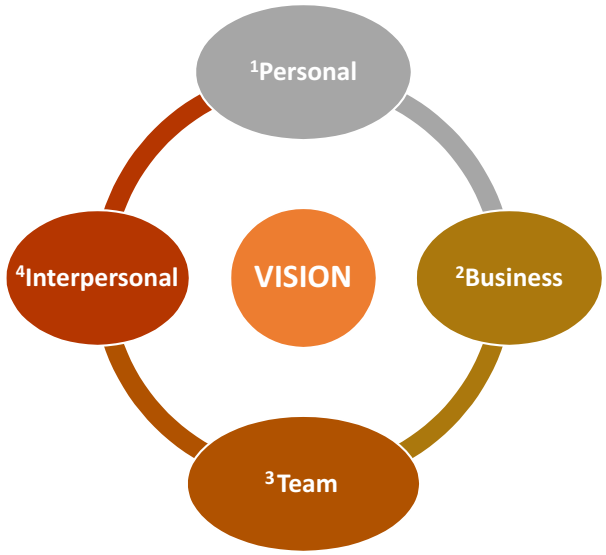
- Finding the right talent
- Maintaining a collaborative and inclusive workforce and culture
- Communication issues or the lack thereof
- Poor leadership and advocacy for needed change management from the top
- Lack of accountability, trust and transparency
- No clear goals
- Lack of a clear vision and sense of belonging
- Missed opportunities due to poor decision-making and misaligned innovation

The list goes on. The opposite of having a clear vision means being doubtful and confused and being reluctant to take action due to a lack of consensus and conviction about what you want, what is required and what is necessary.

Especially during these times, the leadership in organizations need to look for ways to adapt to change and disruption with resilience, clout, innovation and alignment across the organization.

Let's consider how we could navigate the new normal realities from the lens of 4 different aspects -

Figure 1: The lenses of vision to navigate new normal realities



1. Personal vision
What is your new normal-vision for your life, fitness, spirituality, mindset, skills & continuous learning?

2. Business vision
What is your vision post-pandemic as it relates to innovation, growth, expansion and profitability?

3. Team vision
What is your vision for your management dynamic, culture, values, performance capabilities and strengths, aligned workforce and communication?

4. Interpersonal vision
What is your vision as it relates to improving the human side of networking; where we live in a time of technology, automation and digitization which offers connection but a lack of true connectedness?

"Challenges in life challenges us to grow". That's something I remind my coaching clients around the world. While we cannot control the external forces that may cause us to deviate from pre-determined plans and set goals, having our eye on the vision can help us find alignment again, to recalibrate and get back on the course.

"Having inner clarity and peace will give you a more confident assurance when you make decisions in leadership and in your life. The choices we make daily, contribute towards the outcomes that we need to face and live with in the future. The more inner clarity we have, we can navigate with more awareness and mindfulness.

Having a vision is like having the big end goal in mind, the ultimate big picture. Setting a benchmark and working towards it with mindfulness and self-awareness will take you closer to where you want to be. It will also help you to look at getting an accountability partner to "check-in" with you on your vision planning and goal-setting, to hold you accountable and help you discover your blind spots if any.

In conclusion, I would say, have a clear vision if you want to make a creative change and have a proactive handle on the changes you seek. This could make the difference for your journey to lead your life, and your business and navigate new opportunities.

Awarded the "Exceptional Women of Excellence" at the Global Women Economic Forum held in Delhi, India.

Senela Jayasuriya, Awarded "Exceptional Women of Excellence" and "Iconic Women Creating a Better World for All" by the Women Economic Forum and recipient of the "Women Icons Asia Award" and the "Sri Lanka Women Leadership Award". She is a multi-award winning Global CEO, Keynote speaker and Leadership expert, specialized in Diversity, Equity & Inclusion (DEI) and Innovation. She is the Founder & CEO of Women Empowered Global and the Founder of 1 Million Women in Power, as well as the Managing Director of Diverse, an innovation consulting company specialized in innovation strengths assessments and innovation coaching. She is also an Ambassador to the United States Presidential Service Center, focusing on initiatives to promote inclusive workplaces and promote more Women on Boards. Board Director of McQuire Rens Global Consulting. Former Country Head for British firm HQ in UK, with a background in HR, Marketing & Global Brands, CRM, Global business & Business performance. Former Communications Lead for a Fortune 100 company.

She is a Six 'I's® of Innovation Certified Global Practitioner and Innovation coach; speaker and member of the International Society of Professional Innovation Management (ISPIM). She is also a Global Trainer Advisory Board Member and Recognized Coach of the Personal Agility Systems™, as well as a Certified Transformation Coach. Connect or collaborate www.senelajayasuriya.com

Toybank—Development through Play:

Founded in 2004, The Opentree Foundation's award-winning project Toybank, provides safe play spaces to at-risk children for their mental wellbeing and well-rounded development. Our Play2Learn programs build children's cognitive skills, 21st century life skills, socio emotional well-being and resilience.

Our Play2Learn Program is delivered through:

Play2Learn Centers

Digital Play2Learn Kit

Our Reach:

- **60,000+ children** playing and learning
- **415+ Play2Learn Centers** across **12 districts** in Maharashtra
- **585 Digital Support Groups** guide children, teachers & parents
- **1035 Digital Play2Learn activities** for meaningful engagement
- Digital program reach children in **4 States & 1 Union Territory**

(Data as of 31st January 2022)

Our Impact:

- **10x increase** in curiosity levels
- **5x increase** in honesty levels
- **2x increase** in attention

(3-Year research conducted at Toybank's Play2Learn Center in Malad-Malwani Slums from 2017 to 2020)

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Founder & CEO

Uma -- Be Bold. Be You. Be Uma.
(New York, United States)

> **From a work perspective this could be flexible hours, work from home, and regular breaks. And from a personal standpoint, although I have a young family and a rather hectic work and travel schedule, I make sure to carve out some "me" time, which could be anything from connecting with friends, cultural exploration, or just going for walks.**

I'M RITA KAKATI-SHAH

BUSINESS AND LIFESTYLE: THE ART OF SLOWING DOWN TO DO MORE

I am often asked how I fit in all that I do. My response is actually quite simple: you have to slow down in order to do more. This is a philosophy I pass down to my teams and very much follow myself too. From a work perspective this could be flexible hours, work from home, and regular breaks. And from a personal standpoint, although I have a young family and a rather hectic work and travel schedule, I make sure to carve out some "me" time, which could be anything from connecting with friends, cultural exploration, or just going for walks.

Part of this thinking came from my journey of being an entrepreneur and business owner. When you are an entrepreneur you wear many hats, especially to start with. You may well be the CEO, COO, CFO and CTO all rolled into one, plus chief HR manager too. On one side you become a pro at so many things, but on the other you are just doing too much, and no matter how much you start to delegate or schedule your time, you always feel rushed. In fact, according to a research report, 26% of women and 21% of men feel that they are "always rushed". Part of the reason we all feel so rushed particularly in the corporate world, is that we can never really switch off due to technology enabling constant access. If you think back in time, remember the days of the flip phone, when employees had no choice but to switch off when they left the office, and emails and work tasks were restricted to the office only. There is also the case of juggling multiple responsibilities outside of work, such as household or childcare, that can quickly take its toll, particularly on women.

Being overly rushed can also quickly lead to a whole host of issues such as feeling overwhelmed, a state of panic, stress and ultimately being burnt out. This not only affects your productivity at work but has a really unfortunate impact on your overall health and wellbeing too. A study by Harvard Business School, suggests having working parents both inside and outside the home is not only economically and professionally better for families, but better for the overall wellness and upbringing of children, helping to shape society.

By encouraging employees to work with hours that better fit their lives, companies can benefit from retaining talent, enhanced employee wellbeing and reduced turnover. Managing Director of PWC's Office of Diversity, Jennifer Allyn, said stepped-up flexibility

policies have helped cut turnover from 24 to 15 percent a year. Firms estimate that the cost of hiring and training a new employee can be 1.5 to 2 times a departing worker's salary, so reducing turnover by 200 employees could mean $30 million in savings. Sharon Allen, Deloitte's chairwoman, said her firm's flexibility policies saved more than $45 million a year by reducing turnover. The Work, Family & Health Network published a study based on a randomized controlled experiment in the IT division of a Fortune 500 company that found that workers who participated in a program that emphasized flexibility and encouragement, reported reduced burnout, perceived stress and psychological distress, and higher levels of wellbeing and job satisfaction than those who did not participate.

"You cannot always control the stresses that come your way, but mindfulness teaches you to control how you respond to it. Being aware of this, is the first part of becoming mindful, and then having a consistent routine or mantra, whether it is meditating first thing in the morning, at a set time during the day, or in the evening. Taking a deep breath and repeating a positive affirmation to yourself can be a great way to set the precedence for your day.

The reality however is that we all live in a world with many deadlines and incessant demands for our time and attention, which inevitably makes us feel rushed. Here are some tried and tested strategies to help:

1. Practice "less is more", so start by slowing down to do more professionally at work, and personally with at home with family.
2. Encourage flexible hours, set weekly goals with set deadlines, and then bestow trust on your teams to deliver.
3. Judge productivity by output and quality, not perceived face time.
4. Take regular breaks. This not only increases circulation, but gets your creative juices and motivation flowing.
5. Take time for your hobbies. If you don't have one, then there is no time like the present!
6. Take your entitled vacation, and when you do so, carve out time for cultural exploration and self-reflection.
7. Practice mindfulness.

Mindfulness is an important part of the "slow down to do more" practice. Becoming more aware of your surroundings in the present moment and using that time to accept your thoughts and how you feel about it is key to this process, which can really help with addressing impulse reactions and stress. At the end of your work day, do you look at your workload and feel stressed at how little you managed to get done, or pat yourself on the back by acknowledging everything you did get done?

You cannot always control the stresses that come your way, but mindfulness teaches you to control how you respond to it. Being aware of this, is the first part of becoming mindful, and then having a consistent routine or mantra, whether it is meditating first thing in the morning, or set time during the day, or in the evening. Taking a deep breath and repeating a positive affirmation to yourself can be a great way to set the precedence for your day.

Rita Kakati-Shah is a multi-award-winning gender, diversity, inclusion, and career strategist, advisor to Fortune 500 companies, author, and TV show host. With over 25 years of experience in finance, healthcare, and strategic consulting, Rita founded Uma, an international diversity and inclusion coaching, consulting, and corporate training platform that empowers confidence, inspires success, and builds leadership and resilience in women and minorities around the world.

She began her career at Goldman Sachs in London, where she was awarded the Excellence in Citizenship and Diversity Award. After a decade in finance, she went on to lead Business Development globally in CNS healthcare. She is also a Distinguished Alumna of King's College London, serves on the King's Business School Advisory Council, and is a three-time winner of the Stevie Awards for Women in Business. She is also an honoree of the President's Lifetime Achievement Award from US President Joe Biden, as well as recipient of multiple international awards in recognition of advancing gender equality, diversity and inclusion, and empowering women, girls, and youth around the world.

A highly sought-after international speaker and guest lecturer at academic institutions and global policy forums, Rita's thought leadership has been featured in multiple international media platforms and publications, including The Wall Street Journal, Yahoo Finance, Fox News, CBS News, and Fast Company. Rita's latest book, The Goddess of Go-Getting delves into topics of empowerment and inclusion, discussing business, leadership and themes in this article in more detail.

President

During the current crisis, businesses have worked faster and better than they dreamed possible just a few months ago. Maintaining that sense of possibility will be an enduring source of competitive advantage.

I'M

DR. HALA EL MINIAWI

Professional Speaker,
Life Coach & Author

Global Union for Innovations, Development And Education (GUIDE)
(Dubai, United Arab Emirates)

BUILDING BACK A RESILIENT RECOVERY

With the unprecedented changes occurring in the world, the downfall in the economy, job markets and all types of industries, resulting in a great loss of lives, finance and consequently loss of motivation, there is a great need for vision, dialogue, new perspectives and reshaping new ways of adaptation in the post pandemic era.

1. Rapidly recover revenue

Speed matters: it will not be enough for companies to recover revenues gradually as the crisis abates. They will need to fundamentally rethink their revenue profile, to position themselves for the long term and to get ahead of the competition. To do this companies must SHAPE up.

Start-up mindset. This favors action over research, and testing over analysis. Establish a brisk cadence to encourage agility and accountability: daily team check-ins, weekly 30-minute CEO reviews, and twice-a-month 60-minute reviews.

Human at the core. Companies will need to rethink their operating model based on how their people work best. Sixty percent of businesses surveyed by McKinsey in early April said that their new remote sales models were proving as much (29 percent) or more effective (31 percent) than traditional channels.

Acceleration of digital, tech, and analytics. It's already a cliché: the COVID-19 crisis has accelerated the shift to digital. But the best companies are going further, by enhancing and expanding their digital channels. They're successfully using advanced analytics to combine new sources of data, such as satellite imaging, with their own insights to make better and faster decisions and strengthen their links to customers.

Purpose-driven customer playbook. Companies need to understand what customers will value, post-COVID-19, and develop new use cases and tailored experiences based on those insights.

Ecosystems and adaptability. Given crisis-related disruptions in supply chains and channels, adaptability is essential. That will mean changing the ecosystem and considering nontraditional collaborations with partners up and down the supply chain.

Rapid revenue response isn't just a way to survive the crisis. It's the next normal for how companies will have to operate. Assuming company leaders are in good SHAPE, how do they go about choosing what to do? I see three steps.

Identify and prioritize revenue opportunities. What's important is to identify the primary sources of revenue and, on that basis, make the "now or never" moves that need to happen before the recovery fully starts.

This may include launching targeted campaigns to win back loyal customers; developing customer experiences focused on increased health and safety; adjusting pricing and promotions based on new data; reallocating spending to proven growth sources; reskilling the sales force to support remote selling; creating flexible payment terms; digitizing sales channels; and automating processes to free up sales representatives to sell more.

“Rapid revenue response isn’t just a way to survive the crisis. It’s the next normal for how companies will have to operate. Assuming company leaders are in good SHAPE, how do they go about choosing what to do? I see three steps.

Once identified, these measures need to be rigorously prioritized to reflect their impact on earnings and the company’s ability to execute quickly

During the current crisis, businesses have worked faster and better than they dreamed possible just a few months ago. Maintaining that sense of possibility will be an enduring source of competitive advantage.

Develop an agile operating model. Driven by urgency, marketing and sales leaders are increasingly willing to embrace agile methods; they are getting used to jumping on quick videoconferences to solve problems and give remote teams more decision-making authority. It’s also important, of course, for cross-functional teams not to lose sight of the long term and to avoid panic reactions.

2. Rebuilding operations

The coronavirus pandemic has radically changed demand patterns for products and services across sectors, while exposing points of fragility in global supply chains and service networks. At the same time, it has been striking how fast many companies have adapted, creating radical new levels of visibility, agility, productivity, and end-customer connectivity.

Building operations resilience. Successful companies will redesign their operations and supply chains to protect against a wider and more acute range of potential shocks. In addition, they will act quickly to rebalance their global asset base and supplier mix. The once-prevalent global-sourcing model in product-driven value chains has steadily declined as new technologies and consumer-demand patterns encourage regionalization of supply chains. I expect this trend to accelerate.

Accelerating end-to-end value-chain digitization. Creating this new level of operations resilience could be expensive, in both time and resources. The good news, however, is that leading innovators have demonstrated how “Industry 4.0” (or the Fourth Industrial Revolution suite of digital and analytics tools and approaches) can significantly reduce the cost of flexibility.

Rapidly increasing capital- and operating-expense transparency. To survive and thrive amid the economic fallout, companies can build their next-normal operations around a revamped approach to spending. A full suite of technology-enabled methodologies is accelerating cost transparency, compressing months of effort into weeks or days.

Embracing the future of work. The future of work, defined by the use of more automation and technology, was always coming. COVID-19 has hastened the pace. Employees across all functions, for example, have learned how to complete tasks remotely, using digital communication and collaboration tools. In operations, changes will go further, with an accelerated decline in manual and repetitive tasks and a rise in the need for analytical and technical support.

Reimagining a sustainable operations competitive advantage. Dramatic shifts in industry structure, customer expectations, and demand patterns create a need for equally dramatic shifts in operations strategies to create competitive advantage and new customer value propositions.

Taking action. To keep up during COVID-19, companies have moved fast. Sales and operation planning used to be done weekly or even monthly; now a daily cadence is common. To build on this progress, speed will continue to be of the essence. Companies that recognize this, and that are willing to set new standards and upend old paradigms, will build long-term strategic advantage.

3. Rethinking the organization

Who we are. In a crisis, what matters becomes very clear, very fast. Strategy, roles, personal ownership, external orientation, and leadership that is both supportive and demanding-all can be seen much more clearly now. The social contract between the employee and employer is, we believe, changing fundamentally.

How we work. Many leaders are reflecting on how small, nimble teams built in a hurry to deal with the

COVID-19 emergency made important decisions faster and better. What companies have learned cannot be unlearned-namely, that a flatter organization that delegates decision making down to a dynamic network of teams is more effective.

> **Those organizations that are making the shift from closed systems and one-to-one transactional relationships to digital platforms and networks of mutually beneficial partnerships have proved more resilient during the crisis.**

How to grow. Coming out of the crisis, organizations must answer important questions about growth and scalability. Three factors will matter most: the ability to embed data and analytics in decision making; the creation of learning platforms that support both individual and institutional experimentation and learning at scale; and the cultivation of an organizational culture that fosters value creation with other partners.

Those organizations that are making the shift from closed systems and one-to-one transactional relationships to digital platforms and networks of mutually beneficial partnerships have proved more resilient during the crisis. "Every business is now a technology business, and what matters most is a deep understanding of the customer, which is enabled by technology," remarked a retail CEO.

4. Accelerate digital adoption to enable reimagination

Over the past few months, there has been a transformation in the way we interact with loved ones, do our work, travel, get medical care, spend leisure time, and conduct many of the routine transactions of life. These changes have accelerated the migration to digital technologies at stunning scale and speed, across every sector. "We are witnessing what will surely be remembered as a historic deployment of remote work and digital access to services across every domain," remarked one tech CEO. He is right. Through the COVID-19 recovery, too, digital will play a defining role.

To address these challenges, leaders will need to set an ambitious digital agenda-and deliver it quickly, on the order of two to three months, as opposed to the previous norm of a year or more.

There are four elements to this agenda:

Refocus digital efforts to reflect changing customer expectations. To adapt, companies need to quickly rethink customer journeys and accelerate the development of digital solutions. The emphasis will be different for each sector. For many retailers, this includes creating a seamless e-commerce experience, enabling customers to complete everything they need to do online, from initial research and purchase to service and returns.

Use data, Internet of Things, and AI to better manage operations. In parallel, companies need to incorporate new data and create new models to enable real-time decision making. In the same way that many risk and financial models had to be rebuilt after the 2008 financial crisis, the use of data and analytics will need to be recalibrated to reflect the post-COVID-19 reality.

Accelerate tech modernization. Companies will also need to greatly improve their IT productivity to lower their cost base and fund rapid, flexible digital-solution development. First, this requires quickly reducing IT costs and making them variable wherever possible to match demand. This means figuring out what costs are flexible in the near-to-medium term,

Increase the speed and productivity of digital solutions. To deal with the crisis and its aftermath, companies not only need to develop digital solutions quickly but also to adapt their organizations to new operating models and deliver these solutions to customers and employees at scale. Solving this "last mile" challenge requires integrating businesses processes, incorporating data-driven decision making, and implementing change management. There are different ways to do this.

Dr. Hala El Miniawi is an HR consultant in human resources management and development, where she has contributed to the training of administrative and business leaders in many government and private organizations in the United Arab. She is the CEO of the GUIDE UK. Dr. Hala has published a series of nine books on intellectual development that have been displayed in book fairs in Arab and foreign capitals.

Global Head of Learning and Development

Lulu Financial Holdings
(Abu Dhabi, United Arab Emirates)

> **Emotional competence such as being passionate, resilient, inspiring, influencing, optimistic, and collaborative are the foundation of success.**

I'M GAURAV WARMAN

EMOTIONAL COMPETENCIES LEAD TO INCREDIBLE SUCCESS

The world loves success. Achieving dreams gives a feeling of joy. However, success seldom comes easy. Every success is built upon tremendous failure, pain, and sacrifices. That's why the world respects and follows successful people. They inspire the world to dream and hope. We love to hear about successful people and their stories. Every story is unique and insightful. This article will focus on the incredible outcomes of emotional competencies with the help of a true story. It will inspire you to develop your emotional competencies to succeed in your professional and personal space.

First, let us uncover the incredible story of Dubai and its ruler - Sheikh Mohamed bin Rashid Al Maktoum. It is worth noting how they defied the odds in the journey to greatness.

In 2022, UAE celebrated its 50th anniversary. In a journey of five decades, Dubai took the world by storm for its fastest transformation as a tourist destination. From a small desert country, it became the 4th most visited place globally. This transformation helped Dubai reduce the dependency on oil and diversified the revenue sources with tourism. It is interesting to know how it all started.

In the 1980s, senior delegates from the GCC nations came together for a meeting to discuss the political and military developments in the region. During this meeting, His Highness Sheikh Mohammed Bin Rashid Al Maktoum, Vice-President and Prime Minister of the UAE and Ruler of Dubai, presented an out-of-the-box idea. He said, "Why don't we develop our region, Dubai, for example, as a tourism destination for people from all over the world?".

Suddenly, there was complete silence in the room. Then, after a few moments, the uneasy silence was broken by the loud laugh of delegates present in the meeting.

A senior minister said, "what will those tourists find in a hot and humid desert of Dubai without much cultural heritage?" the minister continued, still laughing. Soon, the other ministers were laughing mercilessly. It was very insulting for the ruler of Dubai to face such ridicule publicly. However, the reaction from the delegates didn't deter him, and he remained calm and composed. On the contrary, it made him "even more determined" to pursue his idea.

His idea became a reality a decade later, with the first Dubai Shopping Festival beginning on February 16, 1996. In the first year, Dubai attracted around 1.6 million visitors, while the festival generated a revenue of over Dh2 billion.

Today, in its 25th year, the festival continues to be a driver of tourism that has generated hundreds of billions of dollars and attracted millions of tourists to the UAE.

Dubai today receives an average of 16 million international tourists a year. In addition, the MasterCard's Global Destination Cities Index 2019 ranked Dubai as the world's 4th most visited city for the 5th consecutive year.

The story of Dubai and its ruler inspired the world time and again with many bold moves. His philosophy has always been to challenge the status quo. Go the extra mile. Turn the challenge into an opportunity.

Lessons from this story are worth adopting. First, the Dubai ruler displayed a set of emotional competencies such as passion, resilience, thinking out of the box, influencing, and staying optimistic despite criticism. Other senior delegates failed to see the big opportunity. The story indicates success is not an outcome of only intelligence. The right balance between intellect and emotional competencies leads to success. Research suggests that emotional competencies matter more than intelligence in most cases. Emotional competence such as being passionate, resilient, inspiring, influencing, optimistic, and collaborative are the foundation of success.

> **"There lies a space between stimuli and our response. In this space is our power to choose our response. In our response lies our growth and freedom."**
>
> - Victor Frankl

The Dubai story connects well with the term Emotional Intelligence. It gained popularity in the 1995 best-selling book Emotional Intelligence, written by science journalist Daniel Goleman. He said, "Emotional intelligence is the ability to understand and manage your own emotions, as well as recognize and influence the emotions of those around you".

Research provided useful insights on emotional intelligence, such as

- 'EQ is more than twice as predictive of performance than IQ.
- '80 to 90% of the professional competencies that differentiate top performance are related to emotional intelligence.
- 'For those in leadership roles, over 4/5 of the difference is due to emotional competence.

The good news is that unlike the intelligence quotient, which is fixed, emotional intelligence can be developed with awareness, education, and practice over time. This implies many more people with reasonable intelligence can achieve incredible success with emotional competence.

The essence of emotional intelligence is based on a simple yet powerful quote by Victor Frankl, "There lies a space between stimuli and our response. In this space is our power to choose our response. In our response lies our growth and freedom."

This simply means that we have a choice to respond in every stressful situation. We can either get carried away by the impulsive reaction or choose a more balanced response by considering the consequences. Unfortunately, an impulsive reaction may do a lot of damage that people regret later. To learn more about emotional intelligence, you must understand a framework that includes four core competencies reported by Daniel Goleman.

1. Self-awareness
2. Self-management
3. Social awareness
4. Relationship management

Self-Awareness: It describes our ability not only to understand strengths and weaknesses but to recognize our emotions and the effect they have on us and the people around us, such as family, colleagues, business partners, and customers. It includes awareness of our values, perceptions, beliefs, personality types, and leadership styles. Most importantly, we must be aware of our demons, such as anger, greed, and fear.

Self-management: It refers to the ability to manage your emotions, particularly in stressful situations, and maintain a positive outlook despite setbacks. Setbacks create extreme shocks for the people, sometimes difficult to handle. When impulses are not appropriately managed, it may lead to financial and psychological issues. Ultimately, it may negatively impact our happiness.

Some of the most valuable techniques of self-management during challenging situations are

- Take a break
- Do breathing exercises to calm down the nerves
- Consult experts who can guide you

- Read more books
- Regular meditation helps to control your impulses
- Surround yourself with optimistic and progressive people

Social awareness: It is about knowing the emotions of people around you. You can identify people's emotions by observing their body language, such as facial expressions, hand movements, tone, posture, and energy levels. You can get more insights into their feelings by probing them and talking to them. Scientists say people who can identify the emotions of others are more empathetic. Empathy is one of the most desirable qualities of leaders. Empathetic people are better leaders.

Relationship management: It is not only about rapport building. Relationship management involves having a sense of teamwork and collaboration, being an inspirational leader, and learning how to resolve conflicts. Relationship management also involves initiating and leading people in a new direction and strengthening others' abilities through feedback and guidance.

At last, I would like to share some of my personal achievements resulting from developing emotional competencies.

I rose to the position of Global Head of Learning and Development for a large organization based in Abu Dhabi. Successfully managing learning and development process for a huge workforce present across 11 countries.

My passion for cycling helped me to complete major long-distance cycling rides

- In 2013, I cycled 400 km from Pune to Kolhapur and back.
- In 2014, I cycled 700 km from Mumbai to Goa.
- In 2015, I cycled 1200 km from Mumbai to Jaipur for a charity and raised INR 400000 for the mid-day meal of underprivileged children.
- In 2016, I cycled 1800 km from Mumbai to Golden Temple, Amritsar, for a charity and raised INR 700000 for the education of underprivileged children.
- In 2020, I cycled from Kanyakumari to Kashmir for 4550 km to raise awareness on mental health. I delivered 100 seminars across schools, colleges, universities, and organizations to educate 16000 lives.

Every dream looks impossible in the beginning. Sometimes, intelligence becomes a trap rather than of help. It may keep you away from dreaming. However, there is a saying, if your mind can conceive it, your heart can believe it, then you can achieve it. To conclude, I must say, you don't need to be intelligent like Albert Einstein to be successful. You can achieve incredible success by developing emotional competencies such as self-awareness, self-management, social awareness, and relationship management. I hope this article was helpful. I wish you good luck in your future endeavors.

Gaurav Warman is a Talent Development Practitioner with 15 years of experience in large organizations across Asia, Middle East, and APAC region. In his current position as Global Head of Learning and Development at Lulu Financial Holdings in Abu Dhabi (UAE), he is successfully managing the talent development requirements for a large and diverse workforce across 11 countries. He has also worked with companies such as L&T Mutual Fund, Reliance Capital Asset Management and ICICI Prudential Life Insurance among others. He has delivered over 1200 workshops, trained more than 45000 professionals, and developed over 300 training programs.

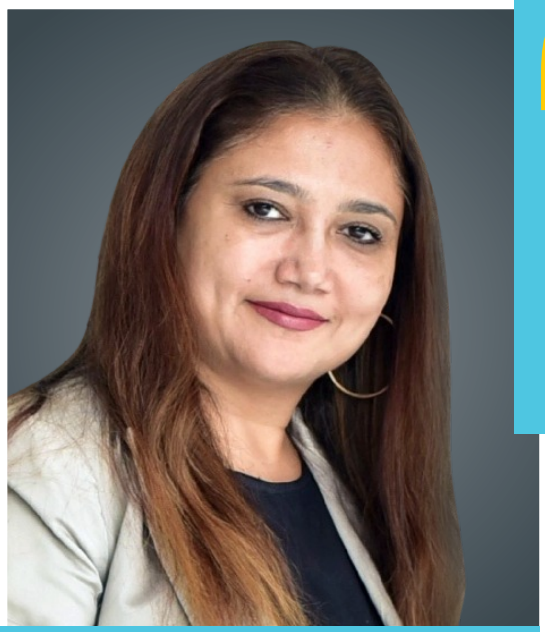
He is passionate about topics such as behavioral psychology, leadership, and personal effectiveness.-He loves reading, listening to music, and cycling long distance rides.

He specializes in Executive Coaching I Talent Development I Leadership Development I Learning & Development I Career Management I Digital Learning I Instructional Design I Quality Management I Project Management I Keynote Speaking.

Qualifications and Professional Certifications:

- Post Graduate Diploma in Management (2004-06) equivalent to master's degree
- MBTI Certified Practitioner, The Myers and Briggs Company, USA
- Kirkpatrick Certified Professional, KP-USA
- Certified Trainer, Oscar Murphy International (OMI), Singapore
- Certified in Emotional Intelligence by SHRM & FEIL
- Award in Human Resources (Level 7), CIPD, UK
- Project Management Professional (PMP), PMI-USA
- Certified Financial Planner(CFP)
- Chartered Wealth Manager (CWM), AAFM, USA
- Award in Financial Planning (AWF), CII, UK

Chief Human Resources Officer



Godrej Housing Finance & Godrej Fund Management

MANAGING MENTAL WELL-BEING IN THE NEW NORMAL

> **Working from home, reshuffling schedules, and juggling household responsibilities hasn't been an easy adjustment for any of us. Making time for oneself amidst the chaos of virtual meetings, being mindful of how you use your home space and carving out a routine for self-care is important.**

I'M RUHIE PANDE

As we gradually move through one of the most tumultuous times in human history, the burning question on everyone's mind is --- Are we going to adapt and eventually live with COVID-19? From a financial, spiritual,mental, and social standpoint, the pandemic has permanently altered the way we interact with one another and our environment at large. Building a resilient economy starts with acknowledging the costs associated not just with the burden of poor physical health, but the billions of dollars that are a byproduct of disregarding the very severe impact of mental ill health as well. To address this at an organizational level, employee well-being needs to become a permanent fixture of a company's long and short-term goals. With a number of enforced lockdowns, significant threat to life, cognitive weariness and a shaky work-life balance, 55% of employed professionals in India have reported feeling stressed at work. The wide gap between what employees need in terms of holistic well-being and what employers are currently offering is one that needs to be urgently addressed.

Like any skill, I believe that well-being is a practice that we can all learn and model.

When organizations finally go beyond rolling out annual surveys and create a purpose-driven culture all year-round, they are likely to see a notable boost in productivity, happiness, and engagement. Plenty of articles already talk about an organization's role in employee well-being, and so I'd like to dial it back to focus on what we can do as individuals to support and enhance our own mental health.

Working from home, reshuffling schedules, and juggling household responsibilities hasn't been an easy adjustment for any of us. Making time for oneself amidst the chaos of virtual meetings, being mindful of how you use your home space and carving out a routine for self-care is important. Over the past two years of working either remotely or in a hybrid setting, separating 'work' and 'life' can get overwhelming and I'd like to shed light on a few key strategies that I picked up along the way.

A routine is your best friend

Whether you choose to meditate, take your pet for a walk, cook a healthy breakfast, having a set pattern every day helps you gear up for the workday. Without clear boundaries, both in terms of a work-life balance and your actual workspace at home, your mental and physical well-being may be at stake. Now of course, this is easier said than done. Not every employee has access to a work desk, an ergonomic chair, stable internet and most importantly --- privacy. Creating an intentional routine that enables a sense of balance right at the start of your workday is what is essential. It's critical that we take this time out and create a schedule to unwind, we may feel that we aren't stressed but believe me stress manifests itself in various ways.

Have you taken a mini break yet?

How often do you find yourself sitting in your chair (or

on the couch for some) for hours on end? Most of us don't even realize that we haven't got up for hours during a hectic workday. In an office on the other hand, mini breaks are almost natural! Be it a quick coffee with a colleague, a short walk after lunch or stopping by a friend's desk to have a chat, mini breaks were never intentionally chalked out. I recently learned an interesting fact about how the human brain functions and since we're on the topic of mini breaks, now is the best time to mention that remote employees need to work in a rhythm of 52 minutes, followed by a 17 minute break! While it's not always possible to break for 17 minutes every hour, having a set of quick rejuvenation exercises is one way to avoid burnout.

"While there isn't a set of rules to live by while working from home, the key is to learn from the past, adapt to the present and plan (in moderation) for the future. With every facet of our lives intermingling, we need to focus on making mental well-being a priority, both in our professional and personal lives.

By combining a working day off with a weekend, we can take a mini break and go back refreshed and rejuvenated. This does a lot to boost morale, creativity and in turn productivity of people and teams.

Spend time with your loved ones

Working from home and having our family members around instead of our colleagues is something that we all had to grow accustomed to. Given the amount of time spent at home, it might seem redundant to try and carve out time to spend an evening watching a film or catch up over a cup of coffee. One way to do this is to communicate your work hours to your family to avoid putting a strain on your relationships. On the plus side, 45% of employees say that working from home has made their family closer. So, the next time you've had a long day and need a mental break, do try and hit pause for a while!

Connect with your community

First things first, what defines a community? Is it a group of people with a similar set of interests? Or is it a sense of belonging and connectedness that we feel for one another? But irrespective of what community means to you, having a strong community has a profound effect on our collective mental health. I came across an early study on the psychological impact of the pandemic which showed that loneliness severely impacted the way we felt and acted. From a well being standpoint, poor social connection, and isolation due to multiple lockdowns and social distancing measures has taken a toll on people's ability to cope with life's challenges. Managing your mental health in the new normal is intrinsically tied to being part of a larger community, and by that logic, a larger purpose.

While there isn't a set of rules to live by while working from home, the key is to learn from the past, adapt to the present and plan (in moderation) for the future. With every facet of our lives intermingling, we need to focus on making mental well-being a priority, both in our professional and personal lives. Organizations have a certain sense of responsibility to put measures in place in order to keep their people healthy and safe. At Godrej Housing Finance, organizational well-being is a driving force for the people-centric decisions we make, day in and day out. From announcing a long weekend so that our teams can spend time with their families and pursue their hobbies to collaborating with an NGO to provide employees with an opportunity to connect with children from shelter homes and schools, the aim is to keep the lines of communication always open and really listen to what your people need.

We aren't Superhero's

We don't have to hold on to our emotions and push ourselves to get through these times alone or feel like we should totally be in control. I recall a senior leader answer to how he was responding to COVID "I don't know if I am the right person to answer this as I am still figuring out my way through this time". It's okay to not be okay, help is just a call away so reach out to that colleague, friend, family, or neighbor. For all you know they may need help too.

How are you taking care of your well-being in the new normal?

RuhiePande, a seasoned HR professional, is passionate about coaching, leading HR transformation strategy and diversity. She has an MSc in Industrial and Organizational Psychology from Birkbeck College, London. Ruhie brings with her, 2 decades of exceptional experience of building and enabling engaged and capable people power across a diverse set of industries. In her career in Human Resources, she has worked with some of the best companies in India across sectors like financial services, Real Estate, Fashion Retail, Information Technology and FMCG.

Currently she allays the role of Chief Human Resources Officer with the 125-year-old international conglomerate Godrej Group, for their newest company, Godrej Housing Finance. She joined this division as employee #1 and has been instrumental in handpicking and onboarding the CXO or the co-founder team and now is working on the key levers of the people strategy to enable a best-in-class financial institution.

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> **The conscious changes being adopting the online media of working, adapting to the work from home, shifts in marketplace and their core businesses, etc. But, with these conscious changes came the 'effect-based' changes.**

I'M TULASI RAJAN SUSHRA

MOVING FORWARD: POST COVID ORGANISATIONAL CHANGES ON INDIVIDUAL MINDSET

The entry of Covid-19 came as a sudden shock for the population of the world, and it turning into a global pandemic, where the world would face a shutdown, was the last thing expected by the people around the world. Furthermore, when the lockdown was imposed as a safety protocol, to safeguard the interests of the general public health, the people did not anticipate and prepare themselves that it might become the new norma, instead they took this up as just a phase, more so as a paid vacation, as they had to follow work from home protocols. This made new changes in the lives of the people-both in terms of professional and personal.

Irrespective of the organization's domain of work there always has been the 'whats' and the 'hows' clearly stated in order for the smooth functioning of the organizations to achieve their pre set goals. However, with the advent of Covid, the organizations started to save money by laying off their staffs in order to sustain themselves, with this, people faced insecurities in various aspects like people did not know if their jobs were secure, how to cope with the change in working style, when can they get back to how things functioned priorly, how can they secure their jobs, what about their side hustles, and so on.

To get acquainted with the new way of life, the organization and its people had to make certain conscious changes in order to be relevant. The conscious changes being adopting the online mediums of working, adapting to the work from home, shifts in marketplace and their core businesses, etc. But, with these conscious changes came the 'effect-based' changes. Its birth happened during the peak time of covid affecting the businesses but its impacts on individual mindsets can be witnessed and understood more so post covid.

People now believe and focus on creativity, they now find ways to create and curate changes. The situations owing to the pandemic ignited the ways and means to continuously be creative in the working style to keep the work going. The aim for an individual and an organization is to achieve the organizational goals priorly set, but the situation of the world did not allow the smooth functioning of the organization to achieve these goals. The sole way out was increasing efficiency and morale of the people in the organization by implementing creative changes, and encouraging the people to be creative and implementing creative changes in their work life, to complete their assigned works and having a balanced life.

As they say, there is always some positive in the negative, so is the case with the organizational changes due to the pandemic. Performance pressures have always been a part of the professional life but the pandemic has somewhere contributed to make it the new and the obvious normal. It has normalized the feeling of pressure as everything that possibly can go wrong and be difficult to handle has happened so due to the situation now an individual is more confident to deal with the pressures. During the start of the pandemic, all the work was shifted to online medium. It took a while for the people to adjust to the change, as many people, even if working in the sector, were not sure how to work in their field from an online medium. The end result was positive as the people now can work in any situation and under pressure, and they are sure to deliver their best. So we can say that due to Covid, the people have become more confident with themselves, motivating them to do their best.

“Organizations have always been a mix of the young generation and elders. The young generation has always been quite up to date and techno savvy, the elder generation is the one that faces the problems to adjust and get acquainted to the technological advances and work with it as well. Regardless of this fact, both generations of the organization have faced problems, some more than the other, but both have had to adjust to the new normal.

An individual has become more welcoming of new means, methods and ideas. To be relevant change is of crucial importance. However, to accept change is always a tough task and as the people have been conditioned and accustomed to a way of life that was pre pandemic, adjusting to a new normal proved to be quite the task for the people in organizations. Organizations have always been a mix of the young generation and elders. The young generation has always been quite up to date and techno savvy, the elder generation is the one that faces the problems to adjust and get acquainted to the technological advances and work with it as well. Regardless of this fact, both generations of the organization have faced problems, some more than the other, but both have had to adjust to the new normal. This situation made them realize their adaptability to changes and made them more and more welcoming of change, be it in any form or manner, now the people have developed the skill of adaptability.

Apart from these changes, people now have become more growth oriented. People now focus on their personal and professional growth rather than just earning money out of work. People have now started focusing more on themselves, as they have come to realize that if they themselves are not in a good shape, physically and mentally, they would not be able to give their best in their respective jobs, which won't be beneficial for either them as individuals or the organization in general. Becoming more conscious about themselves and their surroundings, the population has become more self aware making them more efficient and effective in their work.

Organizations now have tried to become efficient in their work style, by adapting to environmentally sustainable style of work. This work style has been embedded in the minds of people as well, as they have started moving towards an environmentally sustainable lifestyle. Organizations have adapted to this work style by reducing the number of meetings held to discuss topics, trying to shift to an agile management style, and many other changes. Individuals too, have started to reduce, reuse, and recycle their supplies, it may have started as a method of cost cutting, but has longer and positive repercussions on the environment and society.

Tulasi Rajan Sushra, is an academic instructor - Business Communication at Ontario, CA. She is pursuing her BBA (Hons.) from Pandit Deendayal Energy University. She is a freelancer and a regular contributor to international journals.

Certified Wellness Coach

Precision Nutrition

> **The worst part is that you never lost any weight even post attempting everything such as working-out every morning, counting calories and eating a "perfect" diet. This makes you feel terribly demotivated and you fall into a vicious cycle of binge eating and erratic lifestyle.**

I'M DEVBRATH GUHA

THE NEGATIVE EFFECT OF HORMONE IMBALANCE

Are you tired of concealing your belly or that over bulky upper arms or are embarrassed at your plump cheeks and also bumpy lines that make you look 10 years older than your biological age?

Do you get out of breath simply by climbing up a couple of steps?

Do you get hot flashes at one of the most unpleasant times (like when offering a discussion at the workplace or in the middle of a meeting)?

Are your joints sore and also achy most of the time?

The worst part is that you have actually attempted whatever to reduce weight such as working out every morning, counting calories and eating a "perfect" diet, quitting on carbs, fats, alcohol, meat - just as the physician ordered and even stopped eating altogether. Yet despite your best shots, the scale never seemed to budge. This write-up is for you if you can associate with the above conditions.

The depressing truth is despite just how much you try; you will never have the ability to shed stubborn stomach flab and feel energized till such time that your 5 major fat-loss hormones are out of balance. And it does not matter just how few carbs you eat, just how much you work out, or the number of supplements you take. The good news is when you bring these 5 fat-loss hormones back into balance, it doesn't matter what diet plan you try, your body melts the fat off your stomach, butt, and also arms. Excited. So be with me till the end of this post to understand much more.

The 5 Hormonal Blocks that I'm going to share with you right now will remove so much confusion from your life and it will finally make sense why you haven't been able to lose your excess weight.

Thyroid

You've probably heard of your thyroid before- a tiny, little gland located in the front of your neck. Your thyroid's function is to take in iodine, which is found in selected foods, and convert it into two thyroid hormones- T3 and T4. These thyroid hormones are then released into the bloodstream where they manage your metabolic process. When your metabolism is functioning normally, it turns calories and fat right into energy and sends this power to your cells. But when your thyroid hormones are NOT operating correctly, it means that your metabolic rate does not operate effectively either, and also as opposed to burning calories like it ought to, your metabolic process stores those calories as fat.

This is why, if you have issues with your thyroid hormones, you can starve yourself and work out all day but you're still going to encounter weight loss resistance and feel frustrated because even though you're doing activities that normally would burn calories when your thyroid hormones are out of whack, they tell your metabolism to keep storing

those calories as fat. This can leave you feeling exhausted because over the course of the day you're doing all activities that require energy but your body isn't releasing that energy.

If your TSH levels are greater than the typical range, it implies that your thyroid is not making sufficient thyroid hormone. You simply need to get your thyroid gland to produce even more T3 as well as T4 hormones to be released to your bloodstream. The fastest way to generate more T3 and also T4 hormones is to obtain more iodine right into your diet regimen given that your thyroid's main function is to take iodine, after that transform it to T3 and also T4.

"Stress is known to damage your gut, so the better you handle it, the healthier your gut will be. Ditch those so called fake "health foods" found in the market and start consuming real food to fix your hormones thereby seeing your stubborn fat melt away.

The modern diet does not have much iodine and also for this reason you need to supplement your diet plan with iodine-rich "Kelp". Kelp is a seaweed that is high in iodine levels. Also include more nuts in your diet such as Cashew, Pecan, Pistachios that are abundant in Copper, Iron, Zinc, Magnesium, and Selenium (only in Brazil nuts) as these necessary minerals help transport T3 and T4 into your bloodstream.

Cortisol

You have 2 adrenal glands that rest above your kidneys that produce a hormone called cortisol also referred to as "stress hormone" considering that it's launched when you experience stress and anxiety. Cortisol is very essential to your survival as it assists you to run away from a threat. Remember the Sabretooth tiger running behind your forefather while he was zooming across the forest, thank his cortisol for saving him that day. Yet when your cortisol levels are always high, considering that you experience a lot of daily stressors like a demanding boss, arguments on social media sites, bad road traffic, or a rocky relationship. Don't expect your metabolism to do its job when the tiger is running behind you. So, when cortisol levels are up, your metabolism shuts down to carry more blood to your limbs aiding you to run much faster. Even though your anxiety could be because of something "harmless" such as someone gossiping about you, your mind can't separate between "harmless" stress and real danger, so it takes power from anywhere in the body that it views as "non-essential" which includes your metabolic process, your digestion system, as well as also parts of your brain and sends this energy to places like your leg muscles and heart (to pump blood faster).

The only way to keep your Cortisol levels in check is by controlling stress. Whenever you are feeling stressed, anxious, or down in the dumps take a deep breath -- or six of them. While we all feel overwhelmed or melancholy from time to time, our breath can help us regulate those feelings and the physiological underpinnings. Studies show that as few as six deep breaths can lower blood pressure, and levels of the stress hormone cortisol can plunge with 15 minutes (or less) of slow diaphragmatic breathing. The key is to: 1) breathe through your nose; 2) slow down your breathing (10 - 15 seconds per breath cycle); 3) breathe deeply (i.e., into your abdomen); and 4) exhale completely (i.e., when in doubt, breathe out).

Add red ginseng or Asvagandha (500 mg) daily as supplementation to control your stress levels, help the body burn fat, and better mental performance.

Estrogen

Estrogen is also referred to as a "sex hormone". When estrogen levels are too high, or too low and aren't in balance with progesterone (one more important female reproductive hormone), it can easily lead to weight loss resistance. One of the sure-shot indicators of unpredictable estrogen levels is that you'll observe a lot more fat getting stored in your belly and hips. For many females, erratic estrogen issues start in their mid-thirties and then continue before, during, and after menopause. A woman exits her prime reproductive years which is typically between the ages of 30 and also 35 years post which the equilibrium in between estrogen and progesterone can grow increasingly out of order. Her estrogen levels will certainly start to peak while her progesterone levels start to drop easily. And as a lady enters their 40s this imbalance between estrogen as well as progesterone just worsens which can negatively affect their thyroid hormones. It's for this reason that so many women are being pushed towards hormone therapies once they enter their 40s and 50s.

You need to take into consideration supplementing your diet regimen with diindolylmethane (or DIM for short) if you are someone with a whacked-out Estrogen level. DIM is a natural compound that's

located in broccoli, cauliflower, and various other cruciferous vegetables. DIM brings about a "positive shift in estrogen by breaking down estrogen in the liver into "much healthier hormonal metabolites" that are linked with lower risk of various cancers and estrogen/progesterone imbalance symptoms such as irregular periods, fibroids, fibrocystic breast disease.

Insulin

Insulin is a hormone that's produced in your pancreas which assists in glucose metabolism. Undoubtedly, the beast hormone that creates weight gain is excess insulin. Insulin aids your body transform the carbs you consume into sugar (sugar) and after that signals your body to store this sugar as glycogen in your muscles. The problem though is that your muscles can only store a small amount of glycogen at any given time. To complicate matters further, your macular fat (fat stored in muscle cells) doesn't allow the insulin secreted from your pancreas to carry the glucose into your muscles. If you're attempting to lose weight the fact that your body has no choice but to store extra glycogen as fat is not great news.

If you are someone who wishes to keep your insulin levels in a normal, healthy range, you should reduce eating simple carbs, processed foods, and refined sugars as these things can spike your insulin levels. Also, add half tsp of Ceylonese or Kerala cinnamon powder to your soup or curd or dal and see a significant reduction of insulin spikes leading to lowering of Body Mass Index.

Leptin

Leptin's job is to tell your brain when you've had enough to eat. Your fat cells make leptin and release it into the bloodstream. Leptin goes to your brain and informs it just how much energy you have, through your fat stores, to support your metabolism and how much you need to eat. This is why Leptin is often referred to as your "fullness hormone". Because when Leptin is functioning normally, you feel satisfied after each meal and don't overeat. And you don't suffer from those gnawing cravings that can strike out of nowhere. That's how Leptin is supposed to function. But when you start putting on excess weight you can't burn fat no matter how hard you try. Your fat cells start producing more-and-more leptin and your brain becomes bombarded with leptin signals non-stop until it starts to ignore these signals entirely. This is called leptin resistance and your brain becomes increasingly resistant to leptin. you can guess what happens. You stop feeling full, you start overeating the wrong foods, you get almost addict-like-cravings for salty, sweet, or crispy junk foods and it results in you putting on even MORE weight, which in turn makes your leptin resistance even worse.

Ultimately you spend every day feeling hungry, angry, and depressed because it seems like you can't stop overeating no matter how hard you try. Intermittent fasting along with liver biotransformation/ detox by having 1000 mg Milk Thistle supplement daily will have the greatest effect on a fatty liver thereby dealing with stored fat. Fast Daily & Eat Responsibly is the mantra for better leptin levels.

If you care for your health and wish to improve your energy levels along with balancing your hormones, immediately stop eating whole-grain bread, whole-grain cereals, whole-grain crackers (more of that wheat that's killing you), soy milk. tofu or "veggie burgers" (non-fermented soy can be harmful to your hormones), orange juice (loaded with too much fructose that raises your triglycerides), apple juice, skim milk or homogenized milk, margarine/ dalda, pre-packaged "diet", sports drinks, protein bars (most are candy bars in disguise!), overly processed meal replacements (with more junk than healthy ingredients), rice cakes (massive blood sugar spike), pasta (more wheat to age you faster), diet ice cream or diet desserts, so-called "energy" drinks, low-fat foods (usually replaces fat with more sugar), low-carb processed foods, soybean oil, corn oil, canola oil and instead add "fermentable fibers" to your diet, which are also called prebiotics (sweet potato, yam) and eat a lot of fermented foods like kefir, sauerkraut, and Gharkadahi (yogurts found in your grocery store simply milk with sugar and are NOT healthy). You can also supplement with probiotics, but make sure to start slow and build up.

Lastly, better manage your stress through better sleep patterns, exercise, and breathing techniques. Stress is known to damage your gut, so the better you handle it, the healthier your gut will be. But, most importantly, you should get rid of those "health foods" mentioned above causing you all those problems, and start consuming everything else that shall help you burn stubborn belly fat, fix your hormones, fight against diabetes, and help you look and feel years younger.

Devbrath Guha is a certified wellness coach who works with middle-aged ladies helping them to lead a fitter life. He has done his Diabetes Management course from British Medical Journal and Fortis. He is a Precision Nutrition certified nutrition coach, American College of Sports Medicine certified Weight Management Nutritionist, Sports Nutritionist, and Keto nutritionist, NESTA approved Sports Nutrition and Diet Specialist, K11 and Pearson Assured certified, Personal Trainer.

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Founder & Managing Director

> People may choose to become vegan for many reasons, one of the major ones being an ethical belief that all living creatures have a right to live a happy life.

I'M PRITI K SHROFF

Prana Kitchen at Prisim Healing Institute

LIVING A VEGAN LIFESTYLE

Veganism, widely understood to be a diet which allows only plant based foods and avoids all foods of animal origin, is a concept that has grown immensely in the last few years. In fact, research shows that there has been a 350% increase in vegans around the world in the last decade. However, according to its definition by the Vegan Society in England, veganism is "a philosophy and way of living which seeks to exclude - as far as is possible and practicable - all forms of exploitation of, and cruelty to, animals for food, clothing, or any other purposes." This clearly indicates that being a vegan is much more life encompassing than just a diet.

People may choose to become vegan for many reasons, one of the major ones being an ethical belief that all living creatures have a right to live a happy life. A vegan diet has been seen to promote various health benefits - reversal of disease and a lower risk of developing disease, making it a vital life change for those who care strongly about their health. Another reason can be a deep caring for the environment as what we eat and how we live can have a big impact on the environment.

At first glance, a vegan diet may seem restrictive and difficult to follow long term. On hearing about the health benefits, people often decide to become vegan without having all the necessary information. That ensures that they will soon drop out and go back to their normal lifestyle and eating habits. However, if they are able to go through the initial difficulties and get the needed information, they can easily understand and follow the philosophy of living a vegan life.

In a conversation between Ms Parmita Shroff, Raw Vegan Chef & Certified Yogini, with Indian actress Ms Amyra Dastur, Parmita busted some myths centered around veganism, and also shed some light on how a holistic approach is necessary for good health.

1. What is vegan? Is it just a dietary preference or does it extend beyond it?

Parmita: Being vegan is not just a fad diet but a lifestyle. It consists not only of the food we eat, but making conscious choices like using vegan cosmetics, clothing, slipper, car upholstery, products, etc - considering the impact of our food choices on all sentient beings develops a sense of interconnectedness. Our awareness grows when we make more conscious choices. How we treat other sentient beings is a reflection of how we treat our self and attend to our own needs. The simple question of what's on my plate led to the bigger question of what's on my heart & mind.

2. You are passionate about yoga and plant food - do you see any inter-relation?

Parmita: Yes ofcourse. In yoga the first rule- yama : is ahimsa : non-violence . This non-violence through cruelty free dietary choices results in cultivation of compassion. The Buddha says you are what you eat. When we get more conscious of what we consume we come closer to a holistic understanding of health that is beyond the western science definition - absence of bad health. Our scriptures state prana (aka life force arises from food). Consuming fresh local food is a way to evoke prana shakti. Our modern lifestyle heavily depends on convenient foods or rather I can say food like products. One way to check if you are consuming high vibrational food is to see if it has a label - if it does, then that is a product. Real foods have no labels; they are the ingredient itself.

Also, the word yoga come from the root word yajur to join - so yoga brings about a balance in the mind, body and spirit. Eating vegan food helps to raise our awareness to make conscious choices - once we are on the path, we tend to be more aware of what we are consuming - emotionally, mentally, physically, media / content etc. Awareness is the first step towards healing. Often the root cause of disease is stress caused by our inability to accept. We understand our triggers and work with them with compassion. So noticing what in your lifestyle is high stress or not in accordance with your natural vibrational frequency - doing less of that and more of what bring you joy - this is the cultivation of compassion. So through eating a vegan diet apart from it being physically more nutritional and a more sustainable choice (environmentally) & more ethical, it brings about an inner harmony, which is the purpose of yoga.

3. So would you then term veganism as a spiritual practice?

Parmita: Yes ofcourse! It requires commitment, patience, perseverance to put the feelings of all sentient beings above our momentary self -pleasure that our taste buds feel when we indulge in non-vegan foods. It doesn't happen over- night but slowly. If you make yourself aware and educate yourself with documentaries / books - Cowspiracy, Seaspiracy, Forks over knives, etc., you will be able to make more informed choices. I would also term it spiritual because by prioritizing the needs of other sentient beings over yours - you are overcoming ego and cultivating compassion. This leads to a deeper sense of interconnectedness.

4. Will you get enough calcium, protein from vegan foods?

Parmita: YES vegan food does give us all the calcium and protein we need! Most people drink milk for calcium. We get milk from the cow who eats plants. We eat chicken, beef etc for protein, but the livestock also feeds on plants. Everything derives its nutrition from wholefoods. In fact, milk is a silent killer. Drinking milk often leads to osteoporosis. The role of calcium is to neutralize acid In the body - the problem is not that we don't have enough calcium, it is that we consume extremely acidic foods. The average pH of our saliva is 7- which is alkaline - this means 75% of our diet should be alkaline - 3:1 ratio of alkaline to acidic foods. We do the opposite. Red meat, non-veg, dairy are all severely acidic throwing it further off- balance. All cooked food becomes more acidic by the virtue of cooking which is why plantfood is the best. However since raw fresh

fruits, vegetables, nuts, sprouts and seeds don't suffice and suit everyone, wholegrains, lentils, millets and pulses are suggested too.

Protein too is used by muscles for growing children and for repairing wear and tear. Unless you are a high-performance athlete who is undergoing wear and tear everyday, you get sufficient protein through plantfood - soy beans, tofu, chickpeas, lentil, etc. For calcium instead of milk it's better to have sesame seeds. Milk is not adult food- once a baby is weaned off his/her mothers' milk there is no requirement for it. We are the only mammals in the world who drinks the milk of other species - that is just intrinsically not in sync with nature. All in all, we hear of more cases of diseases causes by excess protein - tumors, cancers etc rather than lack of protein - kwashiorkor. You can have a nutritionally dense diet on vegan foods.

5. Are all "vegan foods" healthy?

Parmita: Thanks for asking this question. Often people mistake all things labelled vegan to be healthy. Here I'd like to remind the audience of what I mentioned earlier that only fresh foods are capable of transferring that life force energy to you. Dead foods - which are all food products that have gone through processing are not able to transfer prana shakti. So while Oreo biscuits may be vegan they are also filled with artificial chemicals, stabilizers, preservatives, permitted food colouring etc which are obviously not healthy. Also overly fried foods - vada pav, meindu vada etc or over processed foods - white flours, refined oils, refined salt, refined sugars, though vegan, are not healthy as they are stripped of their nutritional content. So to keep it simple nope all vegan foods are not healthy but these can be used as a transition food - for eg. Mock meat made from soy or store bought coconut yoghurt / tofu, until you are able to switch completely to veganism.

6. Can vegan foods help cure diseases?

Parmita: Dis-ease aka discomfort and lack of harmony. Before something manifests as a physical disease it persists in our auric field for a long period. Through the process of a vegan lifestyle you become more aware and inquire deeper. This inquiry results in self - realization. Plant food has proven to reverse cancers due to the bioavailability of nutrients in the food. Think of it as a lock and key mechanism. Raw vegan foods have more living enzymes that help cure, where as in cooked food those enzymes are denatured. Alternatively 99% of most diseases stem from our beliefs and not merely our biology - Dr. Bruce Lipton wrote a lovely book on this.

Ayurveda - science of life too prescribes a change of lifestyle. Just food alone may not suffice as we see that we need a holistic approach to health (wellness of mind body and spirit). So for disease reversal too that same approach should be applied - how you move / exercise, the attitude with which you eat, how you sleep, how energetic you feel, how often you connect with nature, how your body eliminates toxins through sweat/poop/urine, etc all is to be considered.

Ultimately, if your goal is not just to be disease free but feel radiantly alive, Plant food (raw vegan foods) is your best bet! The foundation of this lifestyle is built on compassion and that compassion overflows into all aspects of your being. The interconnectedness you feel help improve your own relation with your true self, and the relationship you have with yourself sets the tone for all other relationships.

Parmita Shroff is an investment banker who quit her job to open a raw vegan café 'Prana Kitchen' at Prisim Healing Institute. She opted for yoga as a subject in school where she was exposed to Sri Ramana Maharishi's Ashram, Tiruvanmalai, Sri Aurobindo Ashram and Maitri Mandir. She also undertook the Yoga Diploma Course from Kaivalyadhama to deepen her understanding of yogic sciences. She volunteered at a permaculture farm in Pondicherry, South India. This sowed the seeds that have sprouted into the lifestyle she wishes to share with us. Prana Kitchen is an offspring of her journey into wellbeing. It's a constant work-in-progress which is evolving, growing, changing and maturing with her.

At Prana Kitchen @ Prisim Healing Institute, we believe in the holistic approach to health; harmony between mind, body and soul. To bring about this inner balance, we offer various alternative therapies and detox programmes which include sound healing, aura therapy, yoga, acupuncture, acupressure, massages by the blind, hydrocolonics and more. A vegan lifestyle enhances and accelarates this holistic balance within us.

Prisim Healing Institute is an alternative health center that believes in healing one individual at a time.

We have various complementary therapies that help an individual to reach to their optimal health.

- 10 Day Detox Programme
- Brahma Satya Energy Healing
- Aura Scan & Analysis
- Aura Cleanse & Chakra Alignment
- Crystal Healing Workshops & Crystal Grid
- Yoga & Zumba
- Sujok & Acupuncture
- Sound Therapy
- Art Therapy & Zentangle
- Emotional Catharsis
- Fairy / Angel Card Reading
- Healing Meditations - Chakra Meditation, Naadabrahma etc.
- Numerology
- Hypnotherapy / Past Life Regression
- Clearing of Spaces
- Reconnective Healing & The Reconnection
- Heartlight Ascension
- Raw & Vegan Foods by Prana Kitchen

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