

NiSM UPDATE

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Masterclass on Financial Markets

2017





FOREWORD

It is quite heartening to see that in the past six months, NISM has carried out many programmes and activities addressing requirements of various stakeholders in the securities markets from investors to intermediaries to regulators.

During the period under review, NISM organized 16 training programmes for professionals from different organizations. These include six programmes for financial market regulators (domestic and international), five Management Development Programmes for market participants, three specialized programmes for officers of the Comptroller And Auditor General of India, Indian Revenue Service and officers of National Commodity and Derivative Exchange, one Masterclass on Financial Market and one conference on Economic Research for market participants

During this period NISM received an official communication from the All India Council for Technical Education (AICTE) for the recognition of our 2-year full time PGDM (SM) programme, to be launched on August 1, 2017.

NISM signed a Memorandum of understanding (MoU) with College of Banking & Financial Studies (CBFS, Oman), which is established by the Central Bank of Oman, for collaborative research.

I hope this gives you an overview of the happenings at NISM.

A handwritten signature in blue ink that reads "S Ghose". The signature is written in a cursive style and is positioned above a horizontal line.

Sandip Ghose
Director, NISM

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EDITORIAL COMMITTEE

Shri. Paritosh Sharma

Dr. Shri Sunder Ram Korivi

Shri. K. Sukumaran

Shri. Nitin Tike



Masterclass on Financial Markets

NISM in association with Eurofinance Training had conducted a 5-day Masterclass on Financial Markets during January 16-20, 2017 at NISM Campus, Patalganga.

The key objective of the programme was to provide:

- a better and deeper understanding of the various aspects of financial markets,
- practical insights on the functioning of financial markets.
- discuss and understand how derivatives are used to reduce or assume the risk.
- discuss and understand contemporary issues in financial markets.
- hands-on experience through simulation lab.

The Master Trainer of the programme is Mr. Paul Kitching. He is an independent training consultant. Paul Kitching was the Strategic Development Manager at the London International Financial Futures Exchange (LIFFE).

Mr. Jitendra Kumar, Member of Faculty, NISM (On Deputation from SEBI), was the Programme Director. The programme was inaugurated by Mr. G. P. Garg, Registrar, NISM.

ACTIVITIES AT NISM

TRAINING PROGRAMMES

During the period January 2017 to June 2017, the School for Regulatory Studies and Supervision had organized 16 Training Programmes and Workshops. These includes:

- Six programmes for Financial Market Regulators (Domestic and International)
- One Masterclass on Financial Market
- Three specialized programme for CAG, IRS, and NCDEX Officers
- One conference on Economic Research
- Five Management Development Programme (MDPs) for market participants

Programme for Regulators (Domestic):

Hands on Simulation Session for RBI Officers

NISM had conducted a half day simulation programme on equity trading for RBI staffs on March 09, 2017. The programme was inaugurated by Director, NISM Mr. Sandip Ghose.

Programme on 'RTI Act' & 'Transparency and Trust Building among SEBI Officers'

NISM had organized a Programme on 'RTI Act' & 'Transparency and Trust Building among SEBI Officers' during March 23-25, 2017 at NISM Campus, Patalganga. The outbound was conducted at Mohili Meadows, Karjat.



Programme on 'RTI Act' & 'Transparency and Trust Building among SEBI Officers'



Hands on Simulation Session for RBI Officers

The objective of the programme was to enhance the skills and sensitizing the officials for effective implementation of the RTI Act. The programmes also aims at developing trust building & team building amongst the officers through management games/activities & outbound programme, etc.

The programme was inaugurated by Mr. Ananta Barua, ED, SEBI. The Methodology adopted during the sessions on RTI was interactive presentations on RTI Act, discussions on Case Laws - important decisions of Appellate Authority, CIC & Hon'ble Supreme Court, Sharing of experiences by the officers and discussion on important issues emerged, group activities on RTI matter and brainstorming on RTI related issues. The training covered almost all important areas related to RTI Act viz. –

Other activities during the programme:

1. Pre-dinner talk

A Pre-dinner talk on “Heart Care and Life Style Diseases” was taken by Dr. Rahul Gupta, Cardiologist, Apollo Hospital in the evening of March 23, 2017.

2. Theatre-based Activities

The participants had participated in various Theatre-based activities conducted under the guidance of trainers of School of Light in the evening of March 24, 2017.

3. Outbound Training

Outbound Training was held at Mohili Resort at Karjat. The training was conducted by trainers from School of Light on March 25, 2017. The participants were exposed to various team building and trust building exercises, management games as well as a lots of adventurous activities.

Programme on 'Macroeconomics' for SEBI Officers

NISM had conducted a 2-day programme on 'Macroeconomics' on May 29-30, 2017 at NISM Bhavan, Vashi, Navi Mumbai. 25 SEBI Officers in Grade A to C attended the programme. One student from HR College, Mumbai also attended the programme.

The topics/areas covered in the programme were General Overview of Indian Economy & GST, Evolution of Macroeconomics & Macroeconomic Indicators, Economy in Short Run & Long Run, Macroeconomics of Currency Market, Fiscal Policy, Monetary Policy & Inflation Targeting, Globalization, Contours of Global Economy, Challenges of New Economic Nationalism etc.

Mr. G. Mahalingam WTM, SEBI also took a session on 'Macroeconomics of Currency Markets'.



Programme on 'Macroeconomics' for SEBI Officers

The other speakers were:

- Mr. Madan Sabnavis, Chief Economist, CARE Ratin.
- Mr. Partha Ray, Professor - Economics, IIM - Kolkata.
- Dr. A.K Mitra, Director, RBI
- Mr. Jitendra Kumar, Member of Faculty, NISM

The programme was concluded with valedictory address by Director NISM, Mr. Sandip Ghose. He emphasized on the need and importance of training and upgrading the domain knowledge as well behavioural aspect on regular basis.

Programme on 'Trading in Equity in Simulated Environment and Algo & HFT' for SEBI Officers

NISM organised a Programme on '**Trading in Equity in Simulated Environment and Algo & HFT**' during June 15-16, 2017 for SEBI Officers at NISM Bhavan, Vashi, Navi Mumbai. 20 SEBI officers and few participants from NISM had attended the programme.

The objective of first day of the programme was to make the participants well versed about the Trading in Equity markets through Simulation Lab at NISM. The second day all sessions were conducted about Algo and High Frequency Trading. The Simulation Lab session was taken by Prof. Latha Chari and her team while Mr. Jignesh Sanghvi, AVP-Credit Suisse took sessions on Algo and HFT Trading.



Programme on 'Trading in Equity in Simulated Environment and Algo & HFT' for SEBI Officers



Programme on 'Trading in Equity in Simulated Environment and Algo & HFT' for SEBI Officers

Programme for Regulators and Market Participants (International):

Programme on 'Corporate Governance' for delegates of National Bank of Ethiopia

A Programme on 'Corporate Governance' was held on March 29, 2017 at NISM Campus, Patalganga. The main objective of the programme was to make participants understand the basic concepts, norms, processes and practices of Corporate Governance in India. The programme also aimed at experience and knowledge sharing.



Programme on 'Corporate Governance' for delegates of National Bank of Ethiopia

Mr. Janardhan Gujran, Chief Manager, NSE made participants aware of the Corporate Governance norms and its regulations in India.

Mr. P.M. Ravikumar, Chairman, SKS Finance gave an industry perspective of Corporate Governance at MFI. Shri Sandip Ghose, Director, NISM emphasized on Board Evaluation

Programme on An Overview of Indian Securities Markets' for BSEC officers

NISM had organized a 4-weeks Residential Programme viz 'An Overview of Indian Securities Markets' for officers of Bangladesh Securities and Exchange Commission (BSEC) during April 17, 2017 to May 12, 2017.

The main objective of the workshop was to expose participants to the functioning of Indian Stock Markets. The workshop also aimed at updating the participants with the recent happenings in the Indian Securities markets by discussing on the topics like in the Securities Markets, regulatory issues and challenges, new investment vehicles in market, etc.

Participants also visited Securities & Exchange Board of India, National Stock Exchange, Bombay Stock Exchange and Central Depository Services Limited to understand the functioning of stock exchanges and depositories. They also had Trading in equity market in simulated environment at NISM Finance lab. The faculties for the programme were drawn from NISM, senior officials of SEBI & RBI, practitioners, academicians and experts from the financial market.



Programme on 'An Overview of Indian Securities Markets' for BSEC officers

Masterclass Series

Masterclass on Financial Markets

NISM in association with Eurofinance Training had conducted a 5-day Masterclass on Financial Markets during January 16-20, 2017 at NISM Campus, Patalganga.

The key objective of the programme was to provide:

- a better and deeper understanding of the various aspects of financial markets,
- practical insights on the functioning of financial markets.
- discuss and understand how derivatives are used to reduce or assume the risk.
- discuss and understand contemporary issues in financial markets.
- hands-on experience through simulation lab.

The Master Trainer of the programme is Mr. Paul Kitching. He is an independent training consultant.

Paul Kitching was the Strategic Development Manager at the London International Financial Futures Exchange (LIFFE), where he was responsible for the research and definition of new specialist swap and risk transfer contracts. Prior to this, he was Head of Interest Rate Product Development with responsibility for the maintenance of the existing product range and the development of new products.

Mr. Jitendra Kumar, Member of Faculty, NISM (On Deputation from SEBI), was the Programme Director.

The programme was inaugurated by Mr. G. P. Garg, Registrar, NISM.



Masterclass on Financial Markets, NISM Patalganga Campus



Masterclass on Financial Markets, NISM Patalganga Campus

The topics/areas covered in the programme were as under-

- Overview of the Financial Markets
- The Role of Banks as Liquidity Providers
- Overview of Money Markets
- Traditional Cash Securities
- Market Regulation for Banks
- Collateralized Borrowing & Lending: The Repo Market
- Foreign Exchange Risk Management
- Managing the Risk: The Forward and Swap FX Market
- Trading Spot & Forward FX on Risk Manager™ Trading Simulation
- Corporate Finance: The Equity Market
- Trading shares and indices on Risk Manager™ Trading Simulation
- Corporate Finance: Debt Securities
- Bond Analysis: Bond Prices, Yields and Yield Curves
- Introducing Derivatives
- Understanding Forwards & Futures
- Introduction to Options

The participants for the programme were from India as well as neighbouring countries, viz, Nepal & Bangladesh. Participants were from the following institutes:

1. SEBI
2. Bangladesh Institution of Capital Market (Bangladesh)
3. Universal Financial Solutions Limited (Bangladesh)
4. Bank of Kathmandu (Nepal)
5. Global IME Bank Limited (Nepal)
6. Reserve Bank of India
7. Birla Sun Life Asset Management Company
8. Birla Sun Life Insurance Company
9. Aditya Birla Finance Limited
10. The Karur Vysya Bank
11. IDBI Bank Ltd
12. ICICI Bank Ltd
13. HDFC Bank Limited
14. NISM

Mr. Sandip Ghose, Director, NISM delivered the valedictory address and gave Certificate of Participation at the end of the programme.

Specialized Programmes:

Programme on 'Overview & Investments in Securities Markets'

Programme on 'Overview & Investments in Securities Markets' was held during April 11-13, 2017 at NISM Campus, Patalganga for officials of Comptroller and Auditor General of India (CAG).

The prime objective of the workshop was to give an overview of securities market and related concepts, processes, provisions and regulations of securities market.

The methodology adopted in the workshop included Interactive Presentations, Quiz, Case Studies, Field Visit, etc. They also experienced trading in Equity market in simulated environment at NISM Finance lab.

The topics discussed, among others, were Concepts and Terminologies of Securities Market; Primary and Secondary Market; Debt Market; Financial Institutes; Financial Intermediaries; Derivatives; Operation of Stock Brokers, Merchant Banker and Mutual funds, etc.

Programme on 'Investigating Economic Crimes in Securities Markets' for IRS Officers

NISM had organised a programme on 'Investigating Economic Crimes in Securities Markets' for IRS Officers

(in the rank of Pr. Commissioner / Commissioner / Joint Commissioner / Deputy Commissioner / Assistant Commissioner) from various departments (Income Tax/Central Excise/Customs & Service Tax/others) during April 24-28, 2017 at NISM Campus, Patalganga.

The main objective of workshop was to make participants aware about provisions of law, processes and case laws related to securities markets. The workshop also aimed at exposing the participants various financial products and also had trading in Equity market in simulated environment at NISM Finance lab.

The methodology adopted in the workshop included Interactive Presentations, Quiz, Case Studies, field visit, etc. They also had Trading in Equity market in simulated environment at NISM Finance lab.

The topics discussed among other, on Securities Market, Primary Market, Secondary Market, Intermediaries & Institutions of Securities Market, Market Structure & Trading in Securities Market, Scams in Securities Market –Case Study, Market Surveillance, Inspection & Investigation in Securities Market, Enforcement, Investor Dispute Redressal System, Evaluation of Financial Products, etc.

Participants also visited BSE and CDSL to understand the functioning of Stock Exchanges and Depositories.



Programme on 'Investigating Economic Crimes in Securities Markets' for IRS Officers

Programme on “Surveillance-Commodities Derivatives” for NCDEX Officers

NISM organised a programme on “Surveillance - Commodities Derivatives” for NCDEX Officers during May 20-21, 2017 at NISM Bhavan, Vashi, Navi Mumbai. Mr. Jitendra Kumar, Member of Faculty, NISM was the Programme Director.



Programme on “Surveillance - Commodities Derivatives” for NCDEX Officers

The objective of the programme was to enhance the skills of NCDEX officers for effective implementation of market surveillance at NCDEX.

The programme was inaugurated by Mr. Prabhakar Patil, CGM, SEBI

The following areas were covered during the programme:

- Lessons learnt from Global Events on commodities derivatives market
- Legal framework with respect to manipulation/ fraud related to commodities derivatives in India
- IOSCO standard on surveillance with specific focus on Commodity Trading Market Surveillance and Alert Systems Common Forms of manipulation in Securities Markets and Learning for NCDEX

- Case study on various types of equity markets and others High Frequency/Algo Trading Issues
- Types of manipulation, pattern recognition and actions taken & client level surveillance.

The faculties for the programme among others were, Dr. Prabhakar Patil CGM- SEBI, Mr. Rajesh Saraf, Sr. General Manager Surveillance & Supervision BSE, Mr. KRCV Seshachalam, Advocate & Consultant, Mr. Arnab Chakraborti, Head - Compliance & Operations, Kotak Commodity Services , Ms. Rekha Shah Head Analyze & Control Kotak Commodity Services, Mr. V.C Chaturvedi, GM, SEBI, Mr. Suprabhat Lala, Vice President, NSE and other SEBI officers posted in Surveillance Department of SEBI.

The valedictory was done by Mr. Sandip Ghose, Director, NISM. He gave Certificate of Participation to all the participants.

Conference on 'Importance of Economic Research for Capital Markets'

NISM in association with CEPAR, K.J Somaiya Institute of Management Studies and Research had conducted a One-day Conference on “Importance of Economic Research for Capital Markets” on March 03, 2017 at NISM Campus, Patalganga.

The objective of this conference was to deliberate challenges faced by all the stakeholders of capital markets in understanding macroeconomic policies and its implications on financial market in general and capital market in particular. The conference also focused on technology driven innovations & business impact on capital market.

The aim of this conference was to bring together the researchers, economists, academicians, and industry professionals to deliberate the challenges and disruptions faced during conducting quality research. The research based conference is required to support healthy growth of capital markets. The keynote address was delivered by Shri. Dr. R. B. Barman, Chairman, National Statistical Commission, MoSPI, Government of India. He also released a book proceedings of panel discussion on “Creating Optimal Economic Value through Right Mergers & Acquisitions” held on October 8, 2016 at SIMSR.

The other speakers were Mr. Sandip Ghose, Director, NISM, Dr. Siva Kumar, Professor & ACP, SIMSR; Mr. Indranil Sen Gupta, Chief Economist, Bank of America Merrill Lynch , Mr. Brajmohan Mishra, Principal Adviser, Department of Economic and Policy Research; Dr. Ramasastry, Director, IDRBT, Hyderabad; Dr. Asha Prasuna, Professor & Chairperson CEPAR, SIMSR & Dr. K N Murty, Retd. Professor & Dean, School of Economics, University of Hyderabad.

The programme was conducted by Mr. Jitendra Kumar, Member of Faculty, NISM.

The areas covered during the conference were:

- The need of Research in Capital Market
- Research opportunities in Contemporary Economics and Capital Markets: Some Thoughts
- Monetary & Fiscal Policies-Implications for Capital Markets
- Technology, Innovations, Disruptions
- New Financial products and Regulatory Challenges
- Global Capital Markets & Economic Research
- Counter-factual Simulations-using Macroeconomic Model

The participants for the programme were mix of academicians, regulators, practitioners and students. Certificate of Participation was given to all the participants at the end of the programme. The Conference proceedings will be published with ISSN number and be made available for future reference and use.



Conference on 'Importance of Economic Research for Capital Markets'

Management Development Programme (MDPs)

Programme on 'Treasury Management–Trading strategies in Indian Fixed Income Market'

The Training Programme on 'Treasury Management – Trading strategies in Indian Fixed Income Market' was held on February 18, 2017 at NISM Premises, Vashi, Navi Mumbai.



Programme on 'Treasury Management–Trading strategies in Indian Fixed Income Market'

The broad objective was to provide a better and deeper understanding on various concepts of Indian Fixed Income Market, and detailed understanding on various trading strategies implemented.

The topics/areas covered in the programme were Introduction to Indian Fixed Income Market; Analysis of various Fixed Income instruments and yield curve analysis including various risk parameters; factors, including global factors impacting Indian Fixed Income Market and how to react to flash news; Various Trading strategies like Spread Trading, Off the run versus on the run trading strategy, Yield curve strategy; Notional neutral strategy, Delta neutral strategy, Trading strategy including Bull Steepening/Flattening and Bear Steepening/flattening of yield curve; Regulatory aspects on valuation of Fixed Income securities including maintenance of SLR and CR, Interest Rate Derivatives including Overnight Indexed Swaps (OIS/ ND-OIS) and how OIS market impact government bonds market; Trading Strategies in Interest Rate Futures (IRF) Market and how to hedge Fixed Income Portfolio with IRF, etc.

The participants for the programme were mix of practitioners and academicians.

Visit to NISM Campus, Sinhgad Institute of Management



Visit to NISM Campus, Sinhgad Institute of Management – February 28, 2017

The students and faculty of SIOM visited NISM Campus, Patalganga on February 28, 2017. Mr. G.P. Garg, Registrar, NISM has given a detail presentation about NISM and roadmap for collaboration SIOM & NISM can collaborate for capital market education. Mr. Jitendra Kumar, Faculty, NISM has taken session on Indian Capital Market and Regulatory framework. He has also discussed about various certification of NISM and encouraged students to do some of the certifications in the area of their interest.

Workshop on 'Indian Stock Market and Financial Planning' for Engineers at NIT (Trichy)

NISM has conducted a **Workshop on 'Indian Stock Market and Financial Planning'** on March 03, 2017 for engineers at National Institute of Technology during Pragyan'17 – the annual techno-management organization. The objective of this workshop is to convey the importance of Financial Planning and various nuances of Indian Stock Market.

Programme on 'Fixed Income Securities – Analysis & Pricing'

The training programme on **'Fixed Income Securities – Analysis & Pricing'** was held during April 27-28, 2017 at NISM Bhavan, Navi Mumbai for both regulatory bodies and market participants.



Programme on 'Accessing Capital Market through Municipal Bonds in India'

A workshop on 'Accessing Capital Market through Municipal Bonds in India' was held during May 11-12, 2017 at NISM Bhavan, Navi Mumbai for both regulatory bodies and market participants.

The prime objective of programme was to provide a better and deeper understanding of the various aspects of the Municipal Bond Market in India.

The topics discussed include Analysis of Regulatory and Legal Frameworks applicable to Municipal Bonds in India.; Issuances of Municipal Bonds in India – Issue Process & Challenges; Analysis of Accounting Standards applicable for Municipalities in India; Development of Municipal Bond Market in India; Listing of Municipal Bonds – Exchange Perspective; Issuances of Municipal Bonds in India - Rating Perspective; Municipal Bond Market in Developed Economies; Accessing the Capital Market through Municipal Bonds-The Way Forward; etc.



Programme on 'Fixed Income Securities – Analysis & Pricing'

The main objective of programme was to provide participants a good understanding on the various aspects of the Fixed Income Securities Market in India.

The topics discussed include Introduction to Fixed Income Securities; Duration, Convexity, Yield Curve Analysis, Issue Process; Analysis of Fixed Income Securities; Global Macro Economy & its Impact on Indian Financial Market; Fixed Income Derivatives & Investment in Fixed Income Securities – Risk & Reward; Money Market Industry in India; Securitization Industry in India; Pricing and Valuation of Fixed Income Securities; etc.

The speakers for the programme were the person of eminence including senior professionals having experience of handling key positions in the Debt Market in India.



Programme on 'Accessing Capital Market through Municipal Bonds in India'

In association with National Stock Exchange, NISM organized a series of four seminars at Mumbai, Chennai, Kolkata and Bangalore on the topic of Board Evaluation under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Recently, SEBI had issued a guidance note in this regard by way of a circular covering various aspects of board evaluation process. The main objective of the program was to create awareness about the SEBI circular and understand ongoing updates in this regard.

The seminars were conducted as follows:- On February 20, 2017 at Chennai, on March 7, 2017 at Mumbai, on March 10, 2017 at Kolkata and on March 24, 2017 at Bengaluru.

At all the above seminars, regulatory perspective was shared by SEBI, NSE and NISM whereas in the panel discussion representatives from industry, company secretaries, board of directors and investors association shared their views on the board evaluation process.



The seminars were conducted as follows:- On February 20, 2017 at Bangalore

The speakers from SEBI included eminent personalities such as Mr. P. K. Nagpal, Executive Director, Mr. Sujit Prasad, Chief General Manager, Mr. A. Sunil Kumar, Regional director. The speakers from NISM included Mr. Sandip Ghose, Director and Prof. Sunder Ram Korivi, Dean SSE.

The panel members consisted of Mr. M.B.N. Rao, Ex-Chairman & MD of Canara Bank and Indian Bank, Mr. C. Siva, Company Secretary, Rane Holdings Limited, Mr. Shyam Sekar, Ex-president of Tamilnadu Investor Association, Mr. P. K. Khaitan, Senior Partner of Khaitan & amp; Co,

Mr. Subhasis Mitra, Executive Director & Company Secretary of CESC Ltd, Mr. B.B. Chatterjee, Executive VP & Company Secretary, ITC Ltd, Shri. Suresh Senapaty, Director, Shri. M. Sanaulla Khan, CS Wipro Ltd, Shri. J.N.Gupta, Co-founder and MD, Stakeholder Empowerment Services, Dr. V. R. Narsimhan, Chief Regulatory Officer, NSE moderated the panel discussions.

The seminars received good response and participation from the company secretaries of listed companies.



The seminars were conducted as follows:- On February 20, 2017 at Chennai

ACADEMIC ACTIVITIES

Term III of PGPSM and PGCSM commenced in right earnest. Placement related activities also gathered momentum, with around 30 of 59 students placed by the end of the month, and a continuing pipeline of recruiters. Notable recruiters were: 63 Moons (formerly Financial Technologies), Bloomberg Quint, Federal Bank, IHS Markit, ICICI Pru Mutual Fund, IndiaBulls Securities, Monitree, Phillip Capital, Practical Finance, Religare Securities, SBI Mutual Fund, SES Governance, Syntel etc., to name a few.

Our students also received exposure through the International Conference on Certification and Capacity Building in Financial Markets held at Patalganga between January 19-21.

As part of marketing initiatives, NISM is to take part in the first of its kind Career Fair at Nagindas Khandwala College, Malad, one of the top institutes in commerce education in Mumbai.

Pradiptarathi Panda presented a paper on Circuit Breakers (co-authored with Latha Chari and Sunder Ram Korivi) at the Somaiya Institute's International Conference on January 13. The paper on Circuit Breakers has also been accepted for publication in the prestigious journal Pragyan, which is published by NIBM Pune, with suggestions for some modifications.

Sunder Ram Korivi co-authored a case study on Amtek on Corporate Bond Defaults, with his PhD student, Ms Shagun Thukral. The same has been accepted for publication by Emerald group of publications, with modifications.

We received Mr David Gibbs of Chicago Mercantile Exchange (CME) for inputs on education in the commodities space. On February 20, Prof. Korivi attended the international front, attended a seminar at the Trident-BKC, by the Association of Chartered Certified Accountants (ACCA), the global accounting body, for possible collaborations. Also initiated a dialogue with Macquarie University of Australia for a possible collaboration.

Latha Chari, Pradiptarathi Panda and Sunder Ram Korivi, wrote a paper Impact of Market Wide Circuit Breaker on Trading Activity and Volatility – Empirical Evidence from Indian Markets, which was accepted for publication in Prajnan, published by National Institute of Bank Management.

Prof. Korivi received a letter of appreciation from CBFS-Oman, for reviewing a book chapter in “Banking Sector in Oman: Strategic Issues, Challenges and Future Scenarios”.

On March 17, the CFA-NISM Seminar on Global Investment Performance Standards (GIPS) and AMC Code was conducted at the Sofitel Hotel, BKC with over 100 participants from industry in attendance. Jonathan Boersma and Trevor Persaud were the international speakers. Prof Korivi delivered the welcome address and was also a panelist.

A Bloomberg event on Economic outlook of India was attended by Latha Chari, Meraj Inamdar and Pradiptarathi Panda. Prof. Korivi attended the EXIM Bank Lecture by Prof Barry Eichengreen on March 27. The Morningstar Awards function on March 15 also provided insights into the workings of the Mutual Fund sector in India.

Term III of PGPSM and PGCSM were completed on schedule by March 31, as per the Academic Calendar. The ICICI batch students have commenced their training at BKC. Classes for PGDQF are progressing well at Vashi Campus.

A case study by Prof Korivi and others, titled “Too Little Too Late? Role of Credit Rating Agencies in the Amtek Auto Default” has been accepted for publication by Emerald Emerging Markets Case Studies.

The 5th Convocation was held at Patalganga in a grand manner on April 8. Ashish Chauhan, MD & CEO of BSE was the Guest of Honour and Shri S Raman, WTM-SEBI, presided.

Successful candidates from all the programmes of SSE from the batches of PGPSM, PGCSM, PGDQF, PGDDS, PGPFERM and CSL were felicitated. We are pursuing the strengthening of our Alumni network with renewed vigour.

We touched base with the HR Department of Kotak Securities and finalized the modalities of the Kotak Management Trainee programme to be held at Patalganga from May 15-June 11. We also touched base with ICICI for discussing modalities for the next batch.

Prof. Korivi and Hruda Ranjan Sahoo visited the Ministry of Urban Development (MoUD), Delhi on April 13 to submit a proposal for training under the aegis of YASHADA. Prof Korivi delivered sessions on Finance for Directors for the offices of CIDCO, under the aegis of the Institute of Directors at Matheran on April 28-29. This opens up possibilities for training programmes in the area of Municipal Bonds and related areas. He also promoted the upcoming MDP by NISM on Municipal Bonds, to be held on May 11-12. These activities highlight our credentials on Municipal Financing.

Prof. Latha Chari and Meraj Inamdar visited our Chennai premises to review the technical specifications for remote-operating the SMART Lab sessions from Mumbai to other locations.

Akhlaque Ahmad presented his paper on Option Pricing Models at the Asian Quantitative Finance Association's Conference at Seoul, South Korea from April 21-23. Merajuddin Inamdar presented his paper on Circuit Breakers at the IGIDR-IBS Conference at Hyderabad on April 21-22.

We touched base with Prof Abraham Koshy of IIM-A and G Pradeep Kumar of KBC Union AMC and Vice President of AMFI for taking the Mutual Fund research project ahead.

We received an official communication from the All India Council for Technical Education (AICTE) for the recognition of our 2-year full time PGDM (SM) programme, to be launched on August 1, 2017.

On May 15, we launched the 1-month fulltime Kotak Management Trainee Batch (PGCCM-X, Batch III), comprising of 66 MBAs. Additionally, 5 Summer Interns from various Graduate and Undergraduate B Schools joined this finishing school programme, essentially on-boarding for broker-dealer profiles. A unique pedagogic feature was a Book Review on 'Gurus of Chaos', a book of the stock-picking genre, authored by Saurabh Mukherjea.

The feedback from the HR Department of Kotak Securities was highly motivating. We are in the process of receiving a repeat request in respect of 53 Graduates for a 5-day programme, in September 2017. In end-May, we launched Batch V of CSL with 8 participants. SMART Lab sessions took place for 240 students from Petroleum University, Dehra Dun. SMART Lab sessions were also conducted for the officers from Securities Exchange Commission, Bangladesh.

Throughout May and June, the faculty team was also fully engaged in selection processes for the PGPSM and PGDM programmes on a pan-India basis.

A PhD student of Prof. Korivi, Shagun Thukral, worked on a research project for Climate Bonds Initiative of UK, on the legal-regulatory framework for Green Bonds in India. We signed an MoU with College of Banking & Financial Studies (CBFS, Oman), which is established by the Central Bank of Oman, for collaborative research. Prof. Korivi was also an external examiner at the Viva Voce of a PhD thesis at the School of Management, IIT Bombay.

The National Seminar on Capital Markets – Thinking Beyond Equities, was conducted on June 6, 2017, at Kolkata in collaboration with the Institute of Cost Accountants of India. The event was a grand success. Director Shri Sandip Ghose addressed the gathering during the Inaugural Session and Prof Korivi chaired a technical session on Securitization, REITS and InvITs. Papers by Prof. Latha Chari, Meraj Inamdar, Pradiptarathi Panda and Prof Korivi were selected for the Research

Bulletin Vol. 43, Issue I, released on the occasion. For the National Seminar, the work done by Shri Sandip Ghose, Prof Latha Chari and Prof Korivi were acknowledged by ICAI. The event gained coverage by AIR, Doordarshan and Business Standard.

Following the successful relationship with the Institute of Cost Accountants of India for 3 years in a row, an MOU, for education, research and training activities was signed on June 30, 2017, at Salt Lake, Kolkata, as part of the Global Summit for Management Accountants.

The June 2017 issue of Prajnan, published by National Institute of Bank Management, carries the article by Pradipta Panda, Latha Chari and Sunder Ram Korivi, titled “Impact of Market Wide Circuit Breaker on Trading Activity and Volatility – Empirical Evidence from Indian Markets”.

Other Institutional Developments

CFA Institute and NISM propose the conduct of a Curriculum Development workshop in April 2017 as a Faculty Development Programme for members of faculty from various B Schools and Commerce colleges in India.

Prof Korivi participated in the Seminars on Board Evaluation in cooperation with NSE at Mumbai on March 7 and at Bangalore on March 24. He has also lectured at the MCA's Indian Institute of Corporate Affairs on Raising Capital.

On the international front, we received Abizer Merchant of Macquarie University, Australia to identify potential areas of cooperation. We also received Thomas Ma and Bobby Lamy of the CFA Institute to explore collaborative opportunities.

Prof. Korivi was a member on the panel of experts for designing the curriculum on Insurance Management, at IGNOU, Delhi. He also delivered a session at Symbiosis Law School on the Insolvency and Bankruptcy Code. In May 2016, he held internet-based sessions for the students of Indian Institute of Corporate Laws pursuing their Certificate in Corporate Laws. A detailed presentation was made to the delegation from Securities Industry Development Corporation (SIDC), Malaysia.

FEATURED ACADEMIC PROGRAMME

POST GRADUATE DIPLOMA IN QUANTITATIVE FINANCE (PGDQF)

The Post Graduate Diploma in Quantitative Finance (PGDQF) is one of a kind course in India, because of the blend of two colossal educational pillar of this country. The two colossal educational pillars are NISM which is a initiative by Securities and Exchange Board of India, and Mumbai School of Economics. The University of Mumbai (Est. 1857). It is an extremely unique opportunity to obtain first-hand knowledge, both theoretical and practical, from an institute established by SEBI, the market regulator and prestigious Mumbai School of Economics (University of Mumbai). PGDQF is a one-year full time Post-Graduate Diploma aimed at creating the next generation Quant, Financial Engineers and Risk Management specialist.

The course is apt for students interested in banks, broker dealers, hedge funds, pension funds, asset managers, technology firms, regulators, accounting, consulting and law firms, and universities across the globe.

This field of quantitative analysis has brought innovation, efficiency and rigor to financial markets and to investment processes.

Program Highlights

- One-year full time residential programme divided into four trimesters.
- The faculty consisting of academicians and practitioners, has the capability to deliver a high-quality knowledge and skill-sets as a solid foundation.
- Use of technology such as Databases (Bloomberg, Prowess), Application Software (Python, VBA, Matlab, R) & SMART (Simulated Market Algorithm Related Trading).
- Library is dedicated towards finance, securities markets with up to date collection of books and scientific journals.
- State-of-the-art infrastructure conducive to contemplative learning



Following organizations have recruited through the campus placement programmes



NISM CERTIFICATION

1. Revision of NISM Certification Examinations

To incorporate the market changes and as part of the periodic review, NISM has updated and launched the following certification examinations:

- (a) NISM-Series-III-A: Securities Intermediaries Compliance (Non-Fund) Certification Examination w.e.f. March 24, 2017
- (b) NISM-Series-III-B: Issuers Compliance Certification Examination w.e.f. April 20, 2017.
- (c) NISM-Series-V-A: Mutual Fund Distributors Certification Examination w.e.f. April 14, 2017.
- (d) NISM-Series-X-A: Investment Adviser (Level 1) Certification Examination w.e.f. May 6, 2017.
- (e) NISM-Series-X-B: Investment Adviser (Level 2) Certification Examination w.e.f. May 16, 2017.
- (f) NISM-Series-V-C: Mutual Fund Distributors (Level 2) Certification Examination w.e.f. May 16, 2017.
- (g) NISM-Series-XI: Equity Sales Certification Examination w.e.f. May 16, 2017.
- (h) NISM-Series-IV: Interest Rate Derivatives Certification Examination w.e.f. June 1, 2017.
- (i) NISM-Series-XIII: Common Derivatives Certification Examination w.e.f. June 1, 2017.

2. Revision of NISM Continuing Professional Education (CPE) Programs

To incorporate the market changes and as part of the periodic review, NISM has updated and launched the following CPE Programs:

- (a) NISM-Series-IX: Merchant Banking Certification Examination w.e.f. February 20, 2017.
- (b) NISM-Series-III-A: Securities Intermediaries Compliance (Non-Fund) Certification Examination w.e.f. April 17, 2017.

(c) NISM-Series-IV: Interest Rate Derivatives Certification Examination w.e.f. June 1, 2017.

(d) NISM-Series-X-A: Investment Adviser (Level 1) Certification Examination w.e.f. June 30, 2017.

3. Launch of CPE programs

Launch of CPE program for NISM-Series-X-B: Investment Adviser (Level 2) Certification Examination

NISM announced the launch of the CPE program for NISM-Series-X-B: Investment Adviser (Level 2) Certification Examination for associated persons registered as an investment adviser and partners and representatives of investment advisers under SEBI (Investment Advisers) Regulations, 2013 and offering investment advisory services as mentioned in the SEBI Notification No. LAD-NRO/GN/201-14/42/118 dated January 27, 2014. The CPE program has been made available w.e.f. March 31, 2017.

Corporate Solutions Offerings

Corporate Solutions

Developing Market Professionals

NISM is successfully providing innovative solutions to financial sector institutions to assist them in assessing knowledge levels of their human resources, defining training needs and developing and implementing training programs that help their employees to become more proficient in their existing functions and also provide them with opportunities to expand their know-how in other specialized areas within the financial markets domain. Our offerings are mentioned below:-

- **Off-the-Shelf Training Solutions**

NISM announces various open programs for Corporates, Banks, Stock Brokers and other financial market intermediaries. These programs cover specialized subjects for functions across the financial market spectrum. The program schedule is published on the NISM website from time to time.

- **Customised Training Solutions**

NISM also offers specialized training programs to Corporates, Banks, Mutual Funds, Stock Brokers and other financial intermediaries. These programs are customised and tailor-made according to their specific requirements.

- **Assessment Solutions**

NISM offers customized internal assessments to assist financial sector organizations in mapping essential employee skills against desired objectives. These assessments enable financial sector organizations to evaluate the skills of various employees; identify suitable roles and responsibilities for them based on their knowledge; and to identify training needs across the organization. We further develop and implement training solutions to meet these needs.

- **On-Boarding Programs**

NISM provides On-Boarding Programs for Entry Level Recruitment at Financial Institutions. These programs help market institutions gain access to resources that are already trained in academic knowledge and practical skills and are job ready.

Corporate Solutions Activities for April 2016 to April 17

The programs conducted for the year 2016-17 include:

- **Off-the-Shelf Training Programs (Open Programs)**

Date/s	Name of Program	Venue
06 & 07 August, 2016	Fundamental Analysis	Navi Mumbai
30 & 31 July, 2016	Option Trading Strategies	Navi Mumbai
20 & 21 August, 2016	Technical Analysis	Navi Mumbai
27 August, 2016	Understanding & Analyzing Mutual Fund Performance	Navi Mumbai
26 & 27 November, 2016	Technical Analysis (NISM & Sakal - SILC)	Pune
21 & 22 January, 2017	Technical Analysis (NISM & Sakal - SILC)	Pune
3 & 4 June, 2017	Technical Analysis (NISM & Sakal - SILC)	Pune

▪ **Customised Training programs**

Date/s	Name of Program	Financial Intermediaries	Venue
13 November, 2016	Commodity Options	Kotak Commodities	Mumbai
19 November, 2016	Program on Equity Derivatives	HDFC Securities	Navi Mumbai
19 November, 2016	Program on Equity Derivatives	HDFC Securities	Delhi
26-27 November & 4 December 2016	Derivatives Trading & Advanced Strategies	Kotak Securities	Mumbai
1 December, 2016	Understanding Financial Markets	Canara HSBC OBC Life Insurance	Delhi
8 December, 2016	Understanding Financial Markets	Canara HSBC OBC Life Insurance	Mumbai
10-11 December 2016 & 18 March 2017	Derivatives Trading & Advanced Strategies	Kotak Securities	Kolkata
17 & 18 December 2016 & 5 March 2017	Derivatives Trading & Advanced Strategies	Kotak Securities	Mumbai
15 January 2017	Understanding Financial Markets	Canara HSBC OBC Life Insurance	Delhi
14 & 15 January 2016 and 18 & 25 March 2017	Derivatives Trading & Advanced Strategies	Kotak Securities	Delhi
19 January 2017	Understanding Financial Markets	Canara HSBC OBC Life Insurance	Bangalore
20 January 2017	Understanding Financial Markets	Canara HSBC OBC Life Insurance	Mumbai
22 January 2017	Understanding Financial Markets	Canara HSBC OBC Life Insurance	Kolkata
18 & 19 February 2016 & 19 March 2017	Derivatives Trading & Advanced Strategies	Kotak Securities	Bangalore
27 February to 6 March 17	Training Program in Securities Markets	HDFC Securities	Navi Mumbai
28-29 April 2017	Understanding Financial Markets- Trainer the trainers	Canara HSBC OBC Life Insurance	Delhi
6 June 2017	Program on Financial Markets and it Impact	Canara HSBC OBC Life Insurance	Delhi
8 June 2017	Program on Financial Markets and it Impact	Canara HSBC OBC Life Insurance	Chennai

▪ **Assessment Testing for Financial Intermediaries**

Date/s	Name of Program	Financial Intermediaries	Venue
July 2016	Online Assessment for employees engaged in Derivatives	Kotak Securities	Across India

FEATURED CERTIFICATION EXAMINATION

About NISM-Moody's Certificate in Derivative Market Strategies (CDMS)

- NISM-Moody's Certificate in Derivative Market Strategies (CDMS) is an internationally recognized certification that validates the knowledge and skills required to enter into and progress in a variety of roles that employ derivatives.
- With the NISM-Moody's CDMS in hand, individuals will be recognized for their specialized knowledge and qualifications in the advanced concepts of both exchange-traded and over-the-counter (OTC) derivative investments and their applications.
- Successful completion of one of the following NISM Certification Examinations is a pre-requisite for enrolling for the CDMS.
- NISM Series-I: Currency Derivatives Certification Examination; or
- NISM Series-VIII: Equity Derivatives Certification Examination; or
- NISM Series-XIII: Common Derivatives Certificate Examination

The examination was launched on January 20, 2017.

Course Details

CDMS will extend one's knowledge of derivatives products and introduce OTC derivatives and their various product characteristics and applications. The course normally takes 80-100 hours of study. On an average candidates who are full-time employed are able to complete the course material in 6 months. Candidates who have more time to study, on average, can complete the course in 3-6 months.

Exam Format

Exam Format	Proctored Computer Based
Exam Length	3 Hours
Question Format	Multiple Choice
Questions Per Exam	100
Attempts Allowed Per Course Enrollment	3
Passing Grade	60%
Assignments	None
Enrolment Period	1 year

How to register and take the examination

To find out more and register for the examination, please visit <http://www.nism.ac.in/certification/joint-certification1/cdms>

More than **6** lacs certificates issued to market participant till date.

NISM certification examinations conducted **200+** centers across India.



NATIONAL CENTRE FOR FINANCIAL EDUCATION (NCFE)

1. NCFE website in Kannada language was launched. NCFE website is now available in 8 languages viz. English, Hindi, Tamil, Bengali, Marathi, Telugu and Gujarati and Kannada. NCFE website is also being continuously updated by adding more videos and content.
2. NCFE conducted Financial Education Training Programs at four different locations across India.
 - 1) S.V. Public School Jaipur, Rajasthan on 3rd- 4th February, 2017.
 - 2) Rani Public School, Kozhikode, Kerala on 22nd- 23rd February, 2017.
 - 3) Titiksha Public School, Delhi on 2nd - 3rd March, 2017.
 - 4) Delhi Public School, Ghaziabad, Uttar Pradesh on 24th – 25th March, 2017.
 - 5) Aditya Birla Public School, Chhittorgarh, Rajasthan on 5th – 6th April, 2017
 - 6) O.P. Jindal School, Raigarh, Chhattisgarh on 28th - 29th April, 2017
 - 7) Aditya Birla Public School, Kovaya, Amreli, Gujrat on 15th - 16th June, 2017

Around 322 teachers were certified as “Money Smart Teacher” in the six programs. Over the two days, eight sessions were conducted covering topics such as banking, investments, insurance, pension, financial planning, financial inclusion schemes, grievance redressal process, etc.

3. Money Smart School Program (MSSP) is an initiative of NCFE to provide financial education along with existing school curriculum. As of now around 300 schools have registered for this program. One set of Financial Education workbooks, 1 CD having soft copies of FE workbooks in printable format and curriculum have been sent to these schools. Question papers have been prepared for evaluation of students.

The schools upon completion of the comprehensive curriculum are certified as “Money Smart School” and the students who participated are given merit and participation certificates. Till date around 15 schools have completed the curriculum and evaluated their students.



Financial Education Training Program in Titiksha Public School, Delhi



Financial Education Training Program in Rani Public School, Kozhikode, Kerala

4. Financial Education workbooks were developed for the students of Meghalaya after incorporating the changes suggested by Meghalaya board. The Board asked for 6000 copies of books from class 6th to 10th and accordingly NCFE had sent the required number of books developed for Meghalaya.
5. National Financial Literacy Assessment Test (NFLAT & NFLAT Jr.): First round of NFLAT and NFLAT Jr. (online and offline examination) for school students from class VI to X was over by January, 2017. List of students and schools who qualified for second round of Competition was announced. Out of around 2,40,000 registered students, approximately 1,81,000 students appeared in the exam. NFLAT 2016-17 second round together with award ceremony of regional and national winners was successfully conducted from 21st to 23rd April 2017 at NISM Campus Patalganga. Out of 15 regional winner schools (3 each from all the 5 regions of Central, East, North, South, West), 3 were declared national winners. The awards to national winners from NFLAT 2016-17 and NFLAT Jr. 2016-17 were given away by Shri Ajay Tyagi, Chairman, SEBI. During the felicitation ceremony of the winners on 23rd April, 2017, an announcement was made by Shri Ajay Tyagi, Chairman, SEBI, to conduct NFLAT throughout the year.
 - Accordingly, NCFE has made the online testing platform for the upcoming NFLAT 2017-18 open from 1st May, 2017 for the students through their respective schools.
6. NCFE organized “Programme on training of FLC Counsellors” at Kolkata on February 9-10, 2017 and NISM New Campus, Patalganga on February 16-17, 2017. The programme was supported under Financial Inclusion Fund (FIF) managed by NABARD. In total about 80 FLC Counsellors/ Bank Staffs from different banks participated in the programmes. Programme in Kolkata covered four states i.e. West Bengal, Bihar, Jharkhand and Assam while the Programme at NISM New Campus, Patalganga had participants from three states i.e. Maharashtra, Gujarat and Goa. The broad topics which were covered in the programs are Core Concepts of Financial Literacy, Cashless/ Digital Transactions, Banking, Investment, Insurance, Frauds, Grievance redressal mechanism, Government Schemes on financial inclusion and Financial Planning etc.
7. Three Audio Visuals (AVs) have been developed on financial literacy topics
 - First AV is based on 5 messages from FAME (Financial Awareness Messages) booklet provided by RBI.

- Second AV is based on BHIM, *99#
 - Third one is on Cashless Family. The overall theme is to promote digital literacy in banking or cashless transactions.
8. NCFE organized “Principals' Conclave on Financial Education as a Life Skill” at NISM Campus, Patalganga from April 14 to 16, 2017. The aim of Principals' Conclave was to discuss the need and importance of inclusion of financial education in school curriculum and identify issues and challenges at panel discussions comprising, school principals, teachers, senior policy makers, industry experts. Around 40 Principals from different schools across the country participated in the Principals' Conclave. The theme of the Conclave was Financial Education as a Life Skill.

9. NCFE is installing interactive kiosks and informative digital display screens to deliver financial education. Content in these devices is centrally managed and updated and are installed at places where it is easily accessible, like bank branches or post offices, FLCCs, School, Colleges etc.

RBI had shared the site details of 100 locations in 5 states i.e. Maharashtra, Karnataka, Chhattisgarh, Odisha and Himachal Pradesh (20 locations per state). The work is currently under progress.

10. Financial Education in School Curriculum: Goa Board of Secondary and Higher Secondary Education introduced Financial Education in their school curriculum. 500 copies each of Financial Education workbooks of class IX and X (especially designed for Goa) were sent to SCERT, Goa on their request.



Financial Education Training Program in Aditya Birla Public School, Chhittorgarh, Rajasthan



Exam held during Money Smart School Program (MSSP)



Programme on Training of FLC Counsellors at NISM Patalganga Campus

Stock Markets: Perceptiveness for BRICS Countries and USA (Part-I)

– Pradiptarathi Panda, Research Associate, NISM

Markets all over world are divided into two types: one is a segmented market (a market effectively closed to outside investors) and the other is an integrated market (a market accessible by investors, and domestic investors are able to diversify their portfolios outside the country). The local economy measures the risk of a segmented market where as the world economy measures the risk of an integrated market. This could result in capital market integration and economic integration (Bekaert et al, 1998). Many foreign investors are attracted to invest in emerging markets to get the benefit of diversification (Bekaert and Harvey, 2000). The growth in aggregate investment increases due to financial and economic liberalisation (Henry, 2000).

The official liberalization of BRICS¹ countries commenced from 1991; Brazil (May 1991), Russia (January 1994), India (February 1992), China (July 1993) and South Africa (1996). Over the years, the share of BRICS countries' market capitalisation to World market capitalization is 14.69%, in which China has the maximum share (9.71%) followed by India (2.34%), Brazil (1.13%), South Africa (0.63%) and Russia (0.89%). USA has the highest contribution to the World market capitalisation (38%) (Source: Bloomberg).

From Table – 1, we find that the USA market is overvalued as its market capitalization to GDP is more than 117.35%. Brazil, India and China markets are undervalued as their market capitalization to GDP are below 50%.

Table-1: Market capitalisation as a % of GDP

Date	Brazil	Russia	India	China	S. Africa	USA	World
31-12-2015	18.78	19.1	74.24	68.51	101.73	135.72	82.66
31-12-2014	33.82	17.28	83.64	52.32	138.26	145.6	85.41
31-12-2013	43.41	36.52	60.76	36.37	131.31	132.88	82.06
31-12-2012	53.17	39.32	68.61	36.41	130.09	104.28	71.34
31-12-2011	48.23	40.31	54.54	36.93	106.98	96.7	63.65
31-12-2010	67.43	65.53	95.34	54.73	142.66	103.12	79.69
31-12-2009	82.76	61.7	95.3	57.15	135.13	95.29	76.29
31-12-2008	35.59	25.44	52.06	33.91	84.72	72.06	50.64
31-12-2007	102.33	116.46	146.52	110.2	152.25	122.01	104.22
31-12-2006	65.06	143.59	86.02	36.42	141.3	126.06	98.21
31-12-2005	52.1	87.96	65.47	15.37	123.55	119.96	87.11
31-12-2004	48	58.08	53.45	20.01	107.44	123.28	82.56
31-12-2003	39.09	59.34	45.21	26.99	95.85	117.35	79.13

Source-Bloomberg

¹ The term BRIC (Brazil, Russia, India and China) was coined by O'Neill (2001) in his Goldman Sachs Global Economic Paper "Building Better Global Economic BRICs". South Africa joined this group in December 2010 and BRICs turned into BRICS

These overvalued markets attract investors towards undervalued markets, because there is potential to get higher returns. India and China both are emerging countries, as per International Monetary Fund (IMF) and Morgan Stanley Capital International (MSCI). One of the reasons is, both these countries are undervalued in terms of Market capitalization to GDP ratio and second reason is, these countries' GDP growth rate are the highest all over world.

Diversification for foreign investors in these countries will give economic value. Market capitalization to GDP ratio determines whether a market is undervalued or overvalued. A result of greater than 100% is said to be overvalued market, while a value of around 50%, is said to show undervalued market.

$$\text{Market Capitalisation to GDP ratio} = \frac{\text{Stock Market Capitalisation}}{\text{Market GDP}} \times 100$$

Table-2: Annual Growth Rate (AGR) and Average Annual Growth Rate (AAGR)

	Brazil	Russia	India	China	South Africa	USA
Year	IBOVESPA Index	INDEXCF	NIFTY	Shanghai Composite	FTSE/JSE all shares index	S&P 500 Index
1998	-33%	-47%	-18%	-4%	-9%	27%
1999	152%	235%	67%	19%	67%	20%
2000	-11%	-5%	-15%	52%	-3%	-10%
2001	-11%	64%	-16%	-21%	28%	-13%
2002	-17%	35%	3%	-18%	-11%	-23%
2003	97%	61%	72%	10%	12%	26%
2004	18%	7%	11%	-15%	22%	9%
2005	28%	83%	36%	-8%	43%	3%
2006	33%	68%	40%	130%	38%	14%
2007	44%	12%	55%	97%	16%	4%
2008	-41%	-67%	-52%	-65%	-26%	-38%
2009	83%	121%	76%	80%	29%	23%
2010	1%	23%	18%	-14%	16%	13%
2011	-18%	-17%	-25%	-22%	0%	0%
2012	7%	5%	28%	3%	23%	13%
2013	-15%	2%	7%	-7%	18%	30%
2014	-3%	-7%	31%	53%	8%	11%
2015	-13%	26%	-4%	9%	2%	-1%
2016	39%	27%	3%	-12%	0%	10%
2017*	2%	-17%	18%	1%	1%	10%
AAGR	17%	30%	17%	13%	14%	6%
CAGR	9%	17%	12%	5%	12%	5%

*data as of July 2017 Source-Bloomberg and Authors calculation

The average annual growth rate (AAGR) from 1998 to 2017 for Brazil and India is 17%, for Russia it is 30%, China 13%, South Africa 14% and USA 5%. The compound annual growth rate (CAGR) for Brazil is 9%,

Russia 17%, India 12%, China 5%, South Africa 12% and USA 5% as given in Table-2. This indicates the rate of returns from BRICS countries stock markets are much higher than USA market.

Table-3: Sessions of the Markets

	Pre-Open	Normal Trading	Closing	Post-Closing
Brazil*	18:15-18:30	18:30-02:25	02:25-02:30	-
Russia	12:15-12:30	12:30-21:15	21:15-12:30	-
India	9:00-9:15(9:00-9:08; 9:08-9:12;9:12-9:15)	9:15-3:30	15:30-15:40	15:40-16:00
China	06:45-06:55	7:00-9:00 for AM and 10:30-12:30 for PM	-	-
South Africa**	10:30-12:00	12:30-20:20	20:20-20:30#	20:30-21:45##
USA	7:00-9:30	9:30-15:45	15:45-16:00	16:00

Source-Bloomberg

* 18.30-02.25 is odd-lot timing, ** opening match auction-12.00-12.30, # closing auction call phase for South Africa, ## closing match auction

There is a lunch break from 9:00-10:30 in China market

Table - 3 provides details of sessions of the markets for BRICS countries and USA. Trading in a stock markets involves buying and selling of securities. Market is a platform where investors/traders can buy and sell different financial instruments. Sessions in an equity market differ from country to country. Most of the countries follow pre-open session for price discovery (deciding a fair price in which more number of shares can be traded), after this are the normal trading hours, followed by closing sessions and post-closing sessions. An interesting thing here is the lunch break during market hours of China stock markets. There are a few markets all over world having a lunch break. Now, the question arises, why is there a need for pre-open session in stock markets, or, why the previous day's closing price cannot be the opening price for the next day?

The reason is, after a market closes, all announcements, whether corporate announcement, macroeconomic announcement or sensitive news from other countries come. Investors get time to digest all these news flows from one closing session to the next day's opening session. As a result of which, investor will punch higher prices if news is favourable and lower prices if news is unfavourable, which could result hitting the circuit limits and there will be huge fluctuations in markets. To reduce volatility and maintain liquidity in the markets, most countries have a preopen session. This preopen session discovers fair prices, at which the highest number of shares can be traded. In the first few minutes, a market receives orders (preferably limit orders; market orders and limit orders are allowed during pre-open session.

Stop loss orders are not allowed) and after that, it decides the fair price in which the highest number of shares that can be traded. Order execution will not happen during the pre-open session. The normal trading session will continue with the matching of buy and sell orders. There are two different types of deals prevalent in a market, called as Block deal and Bulk deal. While Block deals are not shown in this window, Bulk orders are shown in the normal trading window.

The closing session calculates closing price of the day. Closing price is not the last traded price. It is the weighted average price for last 15 minutes or half an hour, depending on the market practice. In the post-closing session, if some positions are still open, they are allowed to be squared-off in a single price (i.e. closing price).

Table-4: Clearing and Settlement Process

Country	Exchange	Equity
Brazil	BM&FBOVESPA	T+3
Russia	MICEX	T+2
India	BSE	T+2
	NSE	T+2
China	Shanghai Stock Exchange	Varies security to securityT+5
South Africa	JSE	T+5
USA	Various, vide SEC Rule	T+2, w.e.f. Sep. 5, 2017

Source-Bloomberg

Clearing and settlement is a post-market activity. Most of the countries follow T+2 rolling settlement process, whereas South Africa follows T+5 and Brazil follows T+3.

BRICS countries are growing faster than the rest of the world and can provide excellent opportunities for investors to achieve a higher return on their investments along with the benefits of diversification. The real GDP growth rate for BRICS countries in the year 2016 is negative for Brazil (-2.46%) and Russia (-0.2%) and positive for India (8%) and China (6.7%) where as it is low in case of South Africa (0.28%) and USA (1.6%). The share of BRICS countries population to World population is 41.8% in which China shares (19%), India (17.3%), Brazil (2.8%), Russia (2.0%) and South Africa (0.7%). (further details follow in Part-II of this article)

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REGULATORY CHANGES

INITIATED BY SEBI

Procedures for Exchange Listing Control Mechanism

SEBI/HO/MRD/DSA/CIR/P/2017/9

1. Regulation 45 of the SECC Regulations provides for listing of stock exchanges on any recognised stock exchange, other than itself and its associated stock exchange. As per Regulation 45(2) of the SECC Regulations, the Board may specify such conditions as it may deem fit in the interest of the securities market.
2. In order to address any conflict arising out of aforesaid provisions of listing of a stock exchange on any recognised stock exchange, other than itself, and also to ensure effective compliance with the applicable laws, it has been decided that:
 - I. The Listing Department of the listing stock exchange (i.e. a stock exchange on which the listing is done) shall be responsible for monitoring the compliance of the listed stock exchange (i.e. a stock exchange which is getting listed) as in the case of listed companies.
 - II. The Independent Oversight Committee of the listing stock exchange shall exercise oversight at the second level to deal with the conflicts, if any. The listed stock exchange may appeal to the Independent Oversight Committee of the listing stock exchange, if aggrieved, with the decision on disclosure of the listing stock exchange as referred under para 2 (I).
 - III. An independent Conflict Resolution Committee (CRC) constituted by SEBI, with an objective for independent oversight and review, shall monitor potential conflicts between listed and listing stock exchange on a regular basis.

The listed stock exchange aggrieved by the decision of the Independent Oversight Committee of the listing exchange may appeal to the CRC.

3. This circular is being issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.
4. This circular is also available on SEBI website at www.sebi.gov.in

INITIATED BY IRDAI

Investment in Units of "Real Estate Investment Trusts (REIT) & Infrastructure Investment Trusts (InvIT)"

IRDAI/CIR/F&I/INV/056/03/2016-17

1. Insurers can invest in Units of REITS / InvITs which conform to the following
 - I. The REIT/InvIT rated not less than "AA" shall form part of **Approved Investment**. REIT/InvIT rated **less than AA** shall form part of **Other Investment**.
 - ii. An Insurer can invest not more than **3%** of respective **fund size of the Insurer** (or) not more than **5%** of the units issued by a **single REIT I InvIT**, whichever is lower
 - iii. No investment shall be made in REIT/InvIT where the Sponsor is under the Promoter Group of the Insurer

iv. Investment in Units of InvIT will form part of "Infrastructure Investments" for the purpose of Pattern of Investments under IRDAI (Investment) Regulations

v. Investment in Units of REIT will form part of "Investment property" as per Note 6 to the Regulation 9 of IRDAI (Investment) Regulations, 2016 read along with Master Circular- Investments

2. The Investment in Units of REIT/InvITs shall be valued at Market Value (last Quoted price should not be later than 30 days). Where Market Quote is not available for the last 30 days, the Units shall be valued as per the latest NAV (not more than 6 months old) of the Units published by the trust 3. The Category Codes (Col) applicable for Investment in the Units of REITs and InvITs are:

Units of REITs / InvITs - Approved Investments

D40: Units of Real Estate Investment Trust (REITs)- ERIT

D41: Units of InvIT - EIT

Units of REITs / InvITs - Other Investments

E29: Units of Real Estate Investment Trust (REITs)- ORIT

E30: Units of InvIT - OIT

4. The Concurrent Auditor in his Quarterly Report to the Audit Committee/Board of the Insurer shall confirm compliance to the above norms and disclosure requirements.

INITIATED BY RBI

RBI/2016-17/296

DCBR.RAD (PCB/RCB) Cir.No.4/7.12.001/2016-17

Guidelines on Merchant Acquisition for Card Transactions

Co-operative banks have been permitted to install both onsite/offsite ATM networks and can issue debit cards on their own or through sponsor banks based on certain eligibility conditions.

Also, all co-operative banks have been allowed to enter into credit card business on their own or co-branding arrangement with other banks, subject to fulfilment of the guidelines prescribed in this regard.

Keeping in view the need for encouraging digital channels for financial transactions in co-operative banks, it has been decided as under:

1. All co-operative banks not intending to act as Point of Sale (POS) acquiring bank are permitted to deploy third party POS terminals without prior approval of Reserve Bank of India (RBI) subject to the bank fulfilling the following criteria:
 - (a) The co-operative bank should be licensed by RBI and CBS compliant;
 - (b) The bank's CRAR should not be less than 9% in the preceding financial year;
 - (c) The bank should have made a net profit in the preceding financial year;
 - (d) The bank's board should consist of at least two professional directors;
 - (e) A customer grievance redressal mechanism duly approved by the bank's board should be in place;
 - (f) The bank should have a board approved policy on merchant acquisition for card transactions;
 - (g) There should not be any restrictions imposed on the bank for accepting deposits/withdrawals by Reserve Bank of India.
 - (h) The bank should obtain consent of their merchant customers before offering third party POS terminals and disclose the process of settlement.
 - (i) The bank should report to respective Regional Offices of RBI within a month with necessary documents after the operationalization of third party POS terminals.

2. All co-operative banks intending to act as POS acquiring bank are permitted to deploy their own POS terminals with prior approval of RBI subject to the bank fulfilling the following criteria:
 - (a) The co-operative bank should comply with criteria mentioned above at 1(a) to (g) of Para 1. The bank's IT systems & CBS should have been subjected to an IS Audit not earlier than six months from the date of application to confirm that the system is adequately secure.
 - (b) Assessed net-worth should be more than ₹ 25 crore as per the last RBI inspection;
 - (c) Gross NPAs should be less than 7% and net NPAs should be less than 3% in the preceding financial year;
 - (d) No monetary penalty should have been imposed in last two financial years and during the year of submitting the application;
 - (e) There should not be any default in the maintenance of CRR/SLR during the preceding financial year;
 - (f) The bank should be a member of authorized card network, such as RuPay, Visa, MasterCard etc.
3. The banks shall comply with instructions and guidelines on Merchant Acquisition for card transactions and POS issued by Department of Payment and Settlement Systems, RBI from time to time.
4. The co-operative banks desirous to deploy their own POS terminals and act as POS acquiring bank may approach the respective Regional Offices of RBI for necessary permission in this regard, with requisite information/documents.

INITIATED BY PFRDA

All Stakeholders in the National Pension System

PFRDA/2017/8/PD/2

1. As per the extant guidelines, subscriber can change his/her existing Pension Fund (PF), the investment option (Active or Auto choice) as well as asset allocation ratio (allocation among asset class Equity/Corporate Bonds/Government securities /Alternate investment) once in a financial year. This scheme preference is applicable to the existing pension corpus as well as to the prospective subscription. Similarly in the NPS - Corporate Model where the choice of Pension Fund and Investment Options is exercised at Corporate level, the Corporates also have the option to change the pension fund and investment option and also asset allocation ratio once in a financial year.
2. In order to provide more choices in terms of investment option and asset allocation the following has been decided:
 - (i) The subscribers/corporates will have the choice for change of the investment option (Active or Auto choice) as well as asset allocation ratio (allocation among asset class-Equity/Corporate Bonds/ Government Securities/ Alternate Investment) **two times in** a financial year.
This scheme preference will be applicable to the existing pension corpus as well as to the prospective subscriptions. The option will be available separately for Tier I and Tier II accounts.
 - (ii) The choice of change of Pension Fund shall remain once in a financial year.
4. The changes will come into effect from 01st April 2017.

NISM Certification Examinations		Duration (in mins)	Max Marks	Pass Marks (%)	Negative Marks	Certificate Validity (in years)	Fees (₹)
01	NISM-Series-I: Currency Derivatives	120	100	60	25%	3	₹ 1500
02	NISM-Series-II-A: Registrars to an Issue and Share Transfer Agents - Corporate	120	100	50	25%	3	₹ 1500
03	NISM-Series-II-B: Registrars to an Issue and Share Transfer Agents - Mutual Fund	120	100	50	25%	3	₹ 1500
04	NISM-Series-III A: Securities Intermediaries Compliance (Non-Fund)	120	100	60	25%	3	₹ 1500
05	NISM-Series-III-B: Issuers Compliance	120	100	60	25%	3	₹ 1770
06	NISM-Series-IV: Interest Rate Derivatives	120	100	60	25%	3	₹ 1500
07	NISM-Series-V-A: Mutual Fund Distributors	120	100	50	-	3	₹ 1500
08	NISM-Series-V-B: Mutual Fund Foundation	120	50	50	-	3	₹ 1200
09	NISM-Series-V-C: Mutual Fund Distributors (Level 2)	120	100	60	25%	3	₹ 1770
10	NISM-Series-VI: Depository Operations Certification Examination	120	100	60	25%	3	₹ 1500
11	NISM-Series-VII: Securities Operations and Risk Management	120	100	50	25%	3	₹ 1500
12	NISM-Series-VIII: Equity Derivatives	120	100	60	25%	3	₹ 1500
13	NISM-Series-IX: Merchant Banking	120	100	60	25%	3	₹ 1500
14	NISM-Series-X-A: Investment Adviser (Level 1)	120	100	60	25%	3	₹ 1500
15	NISM-Series-X-B: Investment Adviser (Level 2)	120	100	60	25%	3	₹ 1500
16	NISM-Series-XI: Equity Sales	120	100	50	25%	3	₹ 1770
17	NISM-Series-XII: Securities Markets Foundation	120	100	60	-	3	₹ 1770
18	NISM-Series-XIII: Common Derivatives	180	150	60	25%	3	₹ 3000
19	NISM-Series-XIV: Internal Auditors for Stock Brokers	120	100	60	25%	3	₹ 1770
20	NISM-Series-XV: Research Analyst	120	100	60	25%	3	₹ 1500
21	NISM-Series-XVII: Retirement Adviser	120	100	60	25%	3	₹ 1500
22	IBBI - Limited Insolvency Examination	120	100	60	25%	Valid for life time	₹ 1500

NiSM Patalganga Campus



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