

NEWSLETTER

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From Director's desk

This is the first edition of NISM's Newsletter, which will come out on 15th of every month. We are conscious that there are several newsletters reporting market and related developments out there. However, our endeavour is to filter the news-overload and present only the substantive regulatory, corporate and financial market developments; having reasonable shelf-life and functional content for the readers and professionals alike.

There have been some major regulatory announcements during the last few weeks. RBI coming out with 'bank-like' Prompt Corrective Action(PCA) framework for large NBFCs starting October 2022; revamping IPO process by SEBI [amidst unprecedented rush of IPOs, both domestically and globally] and voluntary, exalted corporate governance norms for listed companies by NSE are some of them. Going forward, these changes are going to impact the structure-conduct-performance paradigm in the finance-corporate sector in India.

We are launching the Newsletter in a low-key manner with only condensing major, reported developments in the past four weeks, and by providing links to the original source. Going forward we also propose to strengthen the content with very brief, incisive analysis of the high-impact, dominant themes since they would impact us in major, multiple ways.

Look forward to the NISM Newsletter on our website [www.nism.ac.in] as well as in your email box this date, every month. I assure you that a few-minute recap of the major developments in the financial-corporate-regulatory domain will certainly help in both recalling them and shaping the spirit of your professional and intellectual inquiry.

Wishing you a very Happy New Year 2022!

Dr. CKG Nair
Director, NISM

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1. At Rs 1.19 lakh crore in 2021, IPO bounty breaks all past records

Fundraising through initial public offerings (IPOs) touched a record high in the year 2021. Sixty-Three companies have floated an initial share sale this year, raising ₹1.19 lakh crore from public investors.

2. Ministry of Finance notifies Electronic Gold Receipt as Security under Securities Contracts (Regulation) Act, 1956

“Electronic Gold Receipt” means an electronic receipt issued on the basis of deposit of underlying physical gold in accordance with the regulations made by the Securities and Exchange Board of India.

3. Indian bankers book bumper fees from record \$18 billion in IPO

Indian investment bankers are set for their best year ever, collecting almost 26 billion rupees (\$347 million) in fees from local initial public offerings that have reached an all-time high in 2021.

4. Investment via P-notes drop to Rs 94,826 crore in November, 2021

P-notes are issued by registered foreign portfolio investors (FPIs) to overseas investors who wish to be a part of the Indian stock market without registering themselves directly.

5. India Inc. Raises Over ₹ 9 Lakh Crore (9 trillion) through Equity, Debt Issuances in 2021

Indian companies have mopped up more than ₹9 lakh crore (9 trillion) through equity and debt routes in 2021 to meet their renewed thirst for business expansion in a buoyant stock market brimming with liquidity and helped by recovering macroeconomic indicators after pandemic-ravaged first few months.

6. Promoter pledging declines to of 11.4%, a two-year low

As stock prices have risen over the last few quarters, promoters have been able to release some of the shares out of pledge as the value of pledge has gone up.

7. NSE launches framework for higher corporate governance standards

The National Stock Exchange of India (NSE) on December 21, 2021 launched 'NSE Prime', a new initiative will require companies to meet additional disclosure requirements to provide for higher quality of public information and greater transparency.

1. M&A deals in India near all-time high; led by first-time buyers

The report titled 'M&A: Acquiring to Transform' stated that such merger and acquisition deals were led by more first-time buyers than ever before. M&A deals accounted for more than 80 per cent of the deals closed in 2020 and 2021, as against 70 per cent through 2017-2019.

2. Corporate-promoted NBFCs can have 15% stake in banks

The Reserve Bank of India has allowed non-promoters to hold up to 15% in private sector banks, following the recommendation of an internal working group (IWG) that was set up to review the existing guidelines on ownership and corporate structure for these entities.

3. More than 7 lakh companies incorporated after announcement of Make in India

"Make in India" was one of the unique 'Vocal for Local' initiatives that promoted India's manufacturing domain to the world. It recognizes 'ease of doing business' as the single most important factor to promote entrepreneurship.

4. 35 non-founders in Rs 100-crore ESOP club

At the end of 2021, which saw a record \$36 billion invested in India's startups, 35 non-founders executives were part of the Rs 100-crore stock options club, showing the potential for wealth creation that employee stock options offer.

5. India to play huge part in building metaverse: Meta CEO Mark Zuckerberg

The next generation is going to look in terms; where all the creators and developers going to come from, India is going play a huge part, India is on track to have the largest app developer base in the world by 2024, and already has one of the largest spark AR developer communities.

6. Gaming Inc. - Trends, COVID-19 impact and forecast

The global gaming market was valued at USD 173.70 billion in 2020 and it is expected to reach a value of USD 314.40 billion by 2026, registering a CAGR of 9.64% over 2021-2026. Due to nationwide lockdown, people stay home and some turn to game platforms to pass the time. Gaming companies have reached new heights in player investment.

7. SEBI allows accredited investors to charge advisory fees

For accreditation, an individual or entity has to make an application to an accreditation agency, which can be subsidiaries of recognized stock exchanges and depositories.

8. Government to be largest shareholder in Vi

The conversion of debt will lead to dilution of the holdings of all the existing shareholders of the firm, including the promoters. Post-conversion, it is expected that the government will hold around 35.8 per cent of the total outstanding shares of the company.

REGULATORY DEVELOPMENTS

1. SEBI suspends trading in 7 agricultural commodities

The Securities and Exchange Board of India (SEBI) has suspended futures and options trading in agricultural commodities such as wheat, moong dal, and soya bean until next December in a bid to rein in prices.

2. SEBI approves several new measures to reform IPO market disclosures

The Securities and Exchange Board of India approved several new measures to further reform the initial public offering market in the country.

3. RBI proposes new norms for capital requirement for banks

The Reserve Bank of India (RBI) on Wednesday proposed to replace existing approaches for measuring minimum operational risk capital requirements of banks with a new Basel-III standardized approach. 'Operational risk' refers to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

4. IBBI empowers adjudicating authority to pick IPs from panel to curb delays

Board has prepared an algorithm to place insolvency professionals on a panel in a particular order. The IP with lowest volume of ongoing processes gets a score of 100, will be at the top of the panel. To avoid administrative delays in the appointment of a resolution professional (RP), the Insolvency and Bankruptcy Board of India (IBBI) plans to provide a list of such qualified professionals to the adjudicating authority to choose from.

5. CCI approves acquisition of shareholding in Air India by Tata Sons

The proposed combination envisages acquisition of 100% equity share capital of Air India Limited (Air India) and Air India Express Limited (AIXL), and 50% equity share capital of Air India SATS Airport Services Private Limited (AISATS) by Talace Private Limited (Talace).

6. SEBI – IOSCO Enhanced Multilateral Memorandum of Understanding (EMMoU)

There has been a significant increase in globalization and interconnectedness of financial markets, as well as advancements in technology that have changed the way the securities markets operate.

7. RBI - Restriction on storage of card data

RBI has extended time limit for implementation of this guideline till 30th June 2022 since many of the participants were found to be not system ready for transition.

8. RBI introduces tough PCA framework for large NBFCs, effective October 2022

An NBFC under the framework, caused by triggering the first threshold, will face restrictions on dividend distribution and promoters will be asked to infuse capital and reduce leverage.

9. NCLT having no powers to force parties to settle insolvency matters outside: Supreme Court

Company law tribunal cannot compel parties to settle dispute in insolvency proceedings under IBC.

DEVELOPMENT IN OTHER RELATED AREAS

1. Public Sector Banks successfully roll over AT-1 Bonds Due in FY22: ICRA

The rollover of the AT-1 bonds by public banks at competitive rates compared to their earlier issuances is a positive for the capital ratios and also reduces the recapitalization burden of the GoI.

2. IFSCA granted approval to IIBEL for operating as Bullion Exchange and Bullion Clearing Corporation

The IFSCA has envisioned the International Bullion Exchange as a 'Gateway for Bullion Imports into India', wherein all the bullion imports for domestic consumption shall be channelized through the exchange.

3. Information Brochure: Insolvency Professional - A Key To Resolution

Before the Insolvency and Bankruptcy Code, 2016 (IBC/Code), the legal and institutional machinery for dealing with financial stress and default had not kept pace with changes in the Indian economy. A study informing the new development in recent years.

4. Decoding India's inflation numbers

Indian retail inflation rose to 5.80% in December 2021. In November, the retail inflation had firmed up to 4.91% year-on-year, up from 4.48% in October. India's retail inflation came in at 5.59% in July post which the headline reading had treaded lower.

5. Net FDI, FPI and FII data (Jan 2017 to Oct -2021)

Monthly data about FDI, FPI and FII are out for ready reference and the same can be viewed in RBI Bulletin: Home> Time series Publication> Monthly RBI Bulletin> External Sector> Point 34 (Foreign Investments Inflows).

1. Share buybacks by companies worldwide reach three-year high: Data

According to the data from financial content platform Dealogic, companies have globally paid \$68 billion through share buybacks between January to November this year, the highest since 2018. The data showed Europe led this year's buybacks, with a total of \$27.12 billion, followed by Japan's \$16.36 billion, while U.S. firms have spent about \$8 billion.

2. World economy to top \$100 trillion in 2022 for first time

The world's economic output will exceed \$100 trillion for the first time next year and it will take China a little longer than previously thought to overtake the United States as the No.1 economy, a report showed on Sunday as on December 26, 2021.

3. India displaces UK to be 3rd top country hosting unicorns

With 54 unicorns in total, India has displaced the United Kingdom (UK) to bag the third top spot in list of countries with most number of such companies.

4. Central Bank allows Alternative Reference Rate (ARR) for External Commercial Borrowings and Trade Credits

In order to facilitate smooth transitioning from Libor linked overseas borrowings to market related benchmarks, the Reserve Bank of India has allowed widely accepted ARR for ECBs, and trade credits. It has also raised the ceiling for all in cost borrowings.

5. Global Markets in 2021: Recoveries, reflation and wrecking balls

The global financial market stood as dramatic as the first year of the COVID-19 pandemic. The bulls took the charge surging energy and food prices and turbo-charged inflation, rattling the bond markets. MSCI's 50-country world index has added more than \$10 trillion, thanks to COVID-19 recovery signs and the central bank stimulus that has continued to flow.

6. International Finance Forum releases Global Finance and Development Report 2021

The report aims to provide an annual assessment of global economic trends and prospects, financial development and innovation, and address long-term challenges and policy issues based on cross-country data, and eventually, promote international discussion and cooperation.

7. IPO frenzy 2021: Nasdaq and Shanghai Stock Exchange lead in listings

The number of IPOs as well as funds raised globally were at record highs, says the World Federation of Exchanges.

8. Hawkish Fed signals rate hike

Fed minutes released pointed to a faster-than-expected rise in US interest rates due to concerns about persistent inflation. Fears of restrictions on movement in the wake of a sharp spike in Omicron cases are also keeping investors on tenterhooks.

NISM ANNOUNCEMENTS

Admissions of forthcoming batches of Post-Graduate Diploma in Management (Securities Markets) PGDM (SM), LL.M. (Investment and Securities Laws), Post Graduate Program (Portfolio Management / Investment Advisory / Research Analysis, PGP (PM/IA/RA), Post Graduate Certificate in Management (Data Science in Financial Markets) PGCM(DSFM), Certificate Program in Commodity Warehousing Management (CPWM) will be released on the NISM website as well as in other platforms shortly. Lookout for details at: www.nism.ac.in



Rebooting Financial Regulation: Ways and Means (Conference by NISM & SRC/LSE). click on the image for more details.

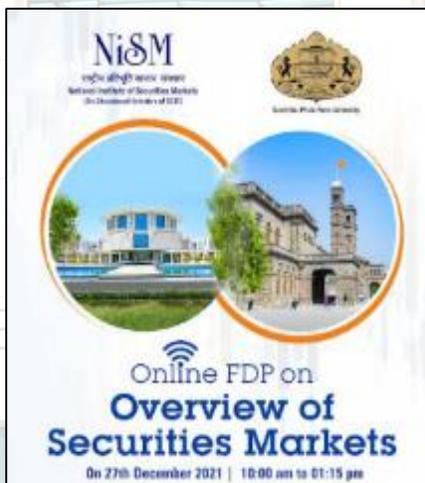
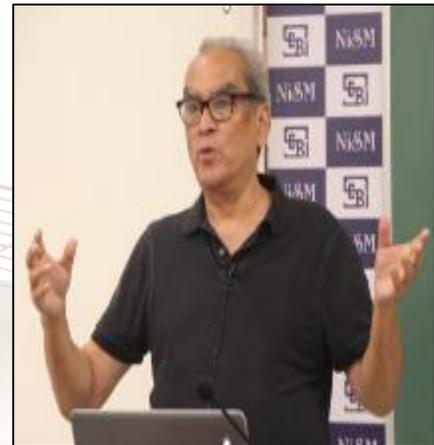


SEBI Nation-Wide Financial Markets Quiz & Essay Contest 2021-22 (click on the image for more details).



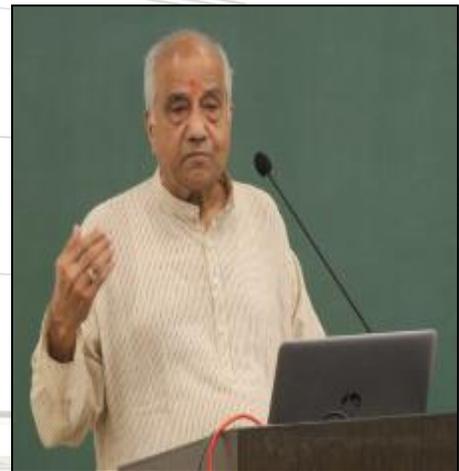
SEBI-NISM Research Conference on "Investing in Recovery: Challenges and Opportunities for Indian Securities Markets" on 24-25 February, 2022. (click on the image for more details).

Mr. Ajit Balakrishnan, Chairman and CEO of Rediff.com, addressed NISM students and faculty members on December 8, 2021 under Leadership Lecture series⁴ on the topic “New Tech, New vistas for Securities Management.”



The first in the series of Faculty Development Programmes (FDP) of NISM in collaboration of Savitribai Phule Pune University (SPPU) was held on Monday December 27, 2021 via online zoom platform.

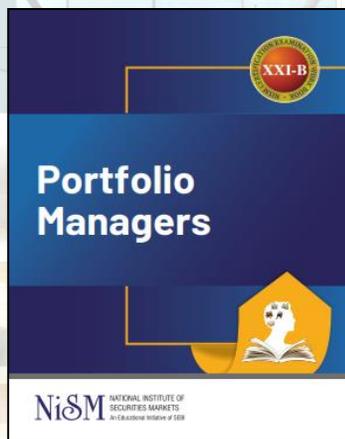
Justice B. N. Srikrishna, former Judge of Supreme Court of India, addressed NISM students and faculty members on December 28, 2021 under Leadership Lecture Series⁵ on the topic “Data privacy and Financial Transactions.”



Prof. Richard Whish, Professor, Kings College, London. Addressed NISM Students and Faculty members on December 29, 2021 under Leadership Lecture Series⁶ on the topic “The value and challenges of regulating Big Tech and digital Markets.”

FOOD FOR THOUGHT – FROM NISM BRAINS

- Dr. CKG Nair jointly with Dr. M. S. Sahoo authored an article on “Code of conduct (code) for the committee of creditors (CoC)” featured in Business Standard on January 13, 2022.
https://www.business-standard.com/article/opinion/a-code-for-the-committee-of-creditors-122011301511_1.html
- Dr. CKG Nair jointly with Dr. M. S. Sahoo authored an article on “Insolvency resolution proceedings in slow motion” featured in Business Standard on December 21, 2021.
https://www.business-standard.com/article/opinion/insolvency-proceedings-in-slow-motion-121122101379_1.html
- Dr. CKG Nair jointly with Dr. M. S. Sahoo authored an article on “Time to Institutionalise valuation profession” featured in Business Line on December 29, 2021.
<https://www.thehindubusinessline.com/opinion/time-to-institutionalise-valuation-profession/article38065633.ece>
- Dr. Ranjith Krishnan jointly with CS Abhinav Kumar K P authored an article on “Independent Directors – increased expectation and benchmarking standards” featured in the souvenir of National Convention of the Institute of Company Secretaries of India (ICSI) held on January 6 to 8, 2022.
https://www.icsi.edu/media/webmodules/06012022_ICSI_SOUVENIR_Final.pdf



Recent publication of NISM

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