

# NEWSLETTER

Volume No: 03

March 2022

## From Director's desk

The issue of splitting the position of Chairman & Managing Director/CEO of listed companies has seen renewed media attention following the recent decision of SEBI making it voluntary. However, looking at this issue through a binary mode of voluntary vs. mandatory is naïve. Setting rules for corporate governance is a complex issue. Apart from reasonable understanding of the subjects- economics/finance/law-it is more about behaviour modifications. Box-ticking, the common practice, does not serve much purpose unless backed by a strong sense of ethics and propriety. That is why rules and regulations can do only a 'nudging' in promoting or encouraging desired outcomes in the board rooms. Perhaps market is the best teacher as it would reward the prime companies and punish the laggards. In fact, even though SEBI made it voluntary HUL has announced separation of the two positions soon thereafter, underscoring the usefulness of the step in communicating the correct governance profile to the stakeholders at large.

Russia-Ukraine war has come as a black swan shock disrupting the economic calculus of most nations. The economies have been just limping back from the impact of the Pandemic. With inflation rates and inflationary expectations giving strong warning signals in all major economies, the war has thrown up considerable additional uncertainties to address. With prices of oil and several other commodities surging, imported inflation will add to the misery index of oil importing countries like India. Looks like most of the countries are facing a perfect storm and will have to muddle their way out in the face of these new global developments. It also raises doubts on decoupling between economies post-global financial crisis, as being claimed by some pundits.

SEBI and NISM jointly organised a Conference on the theme "**Investing in Recovery: Challenges and Opportunities for Indian Securities Markets**" during 24-25 February, 2022. This event produced a number of papers on several topical themes. Those papers and the discussions amongst experts produced some major takeaways relating to ESG investing, Social Stock Exchange, market spill-overs, trading behaviour, valuation of new-age companies etc. A quick glance on these themes and outcomes is part of this Newsletter.

**Dr. CKG Nair**  
Director, NISM

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## FINANCIAL MARKETS

### 1. Government sticks to growth and inflation estimates

The nominal GDP expansion of 11.1%, the Budget has projected a real growth rate of about 8% for the next fiscal and the implied GDP deflator, used to compute real expansion from nominal, is pegged at 3-3.5%, the ministry said. This is in sync with the growth rate of 8-8.5% projected by the Economic Survey for FY23 and is close to the Reserve Bank of India's (RBI's) forecast of 7.8%.

### 2. Centre to launch PLI scheme in the 5G space; auction this year

5G technology in particular can offer job opportunities and growth. The required spectrum auctions will be conducted in 2022 to facilitate roll out of 5G mobile services within 2022-23 by private telecom operators.

### 3. Finance ministry to monitor revenue, expenditure on daily basis to check deficit

Keen to keep government deficit within stated targets, the finance ministry will from March 15 start daily monitoring of the revenue receipts, including tax collections, as well as expenditure.

### 4. Stock market shifts to T+1 settlement cycle

The Indian stock market has shifted to the shorter and quicker T+1 or 'Trade plus 1' settlement cycle. In the first phase, 100 stocks based on the lowest market capitalization on the NSE were put under the new settlement cycle. 500 stocks will be added under the new settlement system on last Friday of every month.

### 5. Cabinet gives nod for up to 20% FDI in LIC under auto mode

The cabinet approved a proposal to allow up to 20% foreign direct investment (FDI) in Life Insurance Corporation of India (LIC) through the automatic route, a move that will facilitate the insurer's upcoming initial public offer (IPO). The existing FDI policy has also been "simplified and enhanced" to provide clarity.

### 6. FPIs pull out Rs. 35,506 crore in February, 2022

Continuing the selling streak for the fifth consecutive month, foreign portfolio investors pulled out as much as Rs. 35,506 crore out of the Indian markets in February. FPIs have been pulling funds out of the Indian markets since October 2021 and the quantum of outflow in February 2022 is highest since March 2020.

### 7. BSE gets SEBI's in-principle nod for gold spot exchange

The SEBI has given in-principle approval to the BSE to commence trading in electronic gold receipts (EGR) on the exchange. Besides the spot exchange, SEBI allowed for vault managers to apply to act as custodians of physical gold and for conversion of EGRs into gold. SEBI made EGRs fungible and allowed for interoperability among vault managers to reduce costs.

### 8. Net FDI, FPI and FII data (2020-2021)

Monthly data about FDI, FPI and FII data are out for ready reference and the same can be viewed in RBI Bulletin – point 34 under Foreign Investment Inflows.

## CORPORATE WORLD

### 1. Budget proposes to accelerate corporate exits by reducing timeline

A big relief for companies stuck with long timelines for voluntary winding up. If incorporation and exit is expedited, then it makes India a favorable jurisdiction for investment.

### 2. MCA Notifies LLP (Amendment) Rules, 2022

The Ministry of Corporate Affairs (MCA) notified the LLP (Amendment) Rules, 2022 and inserted new rules concerning the LLP. These rules will come into effect from 1 April 2022. The LLP (Amendment) Rules, 2022, amends the LLP Rules, 2009.

### 3. India's market regulator is looking to standardize green rating

The Indian market regulator has published a consultation paper on its website with a proposed framework to regulate ERPs for securities markets and is seeking suggestions over its proposals.

### 4. Start-Up firms growing in India @ 10% annually

The number of start-ups in the country is increasing significantly, with 10 per cent being added every year. The number of new recognized start-ups has increased to over 14,000 in 2021-22 from only 733 in 2016-17. As a result, India has become the third-largest start-up ecosystem in the world after the US and China.

### 5. Corporate Affairs Ministry to record complaints against companies electronically

In an effort to curb possible instances of fake communications targeting stakeholders, the ministry of corporate affairs (MCA) has directed registrars of companies (RoCs) and regional directors to enter all complaints received against companies and limited liability partnerships (LLPs) in the ministry's electronic registry.

### 6. Renewable Energy Companies welcomes National Hydrogen Policy

Renewable energy companies welcomed National Hydrogen Policy but sought clarity on charges for intra-state wheeling of electricity. The policy is the first concrete step in the direction of creating a favorable regulatory and enabling environment for the green hydrogen and ammonia sector in India.

### 7. Tech Mahindra forays into metaverse with launch of TechMVerse

IT services major Tech Mahindra Ltd has forayed into the metaverse with the launch of TechMVerse, its metaverse practice to deliver interactive and immersive experiences for its customers.

### 8. Hindustan Unilever separates positions of Chairman and CEO & MD

Hindustan Unilever (HUL) has separated the positions of Chairman of the Board and the Chief Executive Officer & Managing director (CEO & MD), which will come into effect from March 31, 2022.

## REGULATORY DEVELOPMENTS

### 1. Madhabi Puri Buch is SEBI chairperson

Ms. Madhabi Puri Buch has been appointed by the Government as the new Chairperson of SEBI with effect from March 01, 2022

### 2. IBBI plans to reduce timelines under voluntary liquidation process

The Insolvency and Bankruptcy Board of India (IBBI) has proposed amendments to regulations governing the voluntary liquidation process to reduce timelines, including bringing down the period for preparation of list of stakeholders by the liquidator to 15 days.

### 3. SEBI rejigs advisory committee on alternative investment policy

SEBI has reconstituted its alternative investment policy advisory committee, which advises the capital markets regulator on a range of issues that impact further development of the AIF space.

### 4. SEBI revises disclosure format for abridged prospectus

SEBI said the move is aimed at simplifying and providing greater clarity and consistency in the disclosures across various documents and to provide additional but critical information in the abridged prospectus.

### 5. RBI cautions public against prepaid payment instruments by unauthorized entities

RBI urged people to exercise utmost caution while using such application/s, dealing with and before parting with their money to any such unauthorized entity.

### 6. New CSR disclosure framework to help in data analytical work, enhance transparency

Companies having a net worth of at least Rs 500 crore or a minimum turnover of Rs 1,000 crore or net profit of Rs 5 crore or more during the immediately preceding financial year have to spend on CSR activities.

### 7. SEBI makes it voluntary for listed companies to separate roles of CMD

Markets regulator SEBI has changed the requirement for top 500 listed companies to separate roles of chairperson and MD & CEO from mandatory to voluntary

### 8. Debasish Panda appointed as IRDAI Chairperson

The Appointments Committee of the Cabinet has approved the appointment of former DFS Secretary Debasish Panda, a retired IAS officer, as the Chairperson of the Insurance Regulatory and Development Authority of India (IRDAI), the insurance regulator.

### 9. Ex-finance secretary Ajay Bhushan Pandey appointed as NFRA chief

The government has appointed former finance secretary Ajay Bhushan Pandey as chairman of the National Financial Reporting Authority (NFRA) for a period of three years.

## DEVELOPMENT IN RELATED AREAS

### 1. Green bonds are something of an enigma

The Budget has an interesting announcement in the area of sovereign green bonds. A green bond, is like any other debt instrument, except that the proceeds are used to fund projects which are environmentally compliant.

### 2. Over 2 million Indian accounts banned by WhatsApp in December 2021

Over 2 million Indian accounts were banned by WhatsApp, while 528 grievance reports were received by the messaging platform in December 2021

### 3. The Aadhaar (Authentication and Offline Verification) (First Amendment) Regulations

The Unique Identification Authority of India has notified the Aadhaar (Authentication and Offline Verification) (First Amendment) Regulations, 2022. Regulations 16B and 16C are newly inserted regulations which inter-alia contains provisions pertaining to manner of voluntary use of Aadhaar number *viz*, Acceptance of Aadhaar as proof of Identity.

### 4. RBI amends payments systems rules

The RBI issued amended Payments and Settlement Systems Regulations that allows companies wanting to run payment businesses to seek licenses from the regulator. The licensing application should include process flow of the operator, technology platform to be used, security features and inter-operability with other payment system operators.

### 5. J&K govt. approves first-ever FDI policy for UT

The Lieutenant Governor's administration approved a policy on foreign direct investment (FDI) for J&K with a minimum of 51% foreign stake. LG Manoj Sinha, who headed a meeting of the Administrative Council (AC) in Jammu, gave his nod for the Policy for Promotion of Foreign Investment in the industrial sector in J&K.

### 6. Banks to set up 75 digital banking units in 75 districts

Scheduled commercial banks will set up 75 Digital Banking Units (DBUs) in 75 districts of the country. The proposal is aimed at taking digital banking to every citizen.

### 7. Banking sector in good health

India Ratings and Research (Ind-Ra) has revised the outlook on the overall banking sector for FY23 to 'improving' from 'stable', as the banking system's health is at its best in decades. The improving health trend that began in FY20 is likely to continue into FY23 as key financial metrics are likely to continue to show improvement in FY23, backed by strengthened balance sheets and an improving credit demand outlook.

### 8. Digital payments through UPI kick start 2022 on strong foot

UPI transactions kick-started the new year 2022 on a strong note with the highest ever monthly value recorded at Rs. 8.32 lakh crore in January. This is significantly higher than the monthly average of Rs. 6.3 lakh crore in the trailing 12-month period

## GLOBAL FINANCIAL DEVELOPMENTS

### 1. Nasdaq posts biggest daily drop since Feb after 'hawkish' Fed minutes

US stocks fell sharply, with the Nasdaq plunging more than 3% in its biggest one-day percentage drop since February, after U.S. Federal Reserve meeting minutes signaled the central bank may raise interest rates sooner than expected.

### 2. India and UAE sign first free trade agreement

India and the United Arab Emirates (UAE) firmed up a Comprehensive Economic Partnership Agreement (CEPA) during a virtual summit. The Free Trade Agreement (FTA) with UAE will reduce import duties on the majority of Indian exports to the country. This is the first major trade deal that has been implemented by the Narendra Modi government after coming to power in 2014.

### 3. JPMorgan becomes first bank to enter the metaverse, opens a lounge in decentraland

JPMorgan has become the world's first bank to set up shop in the metaverse. The largest bank in the US has opened a lounge in the blockchain-based world Decentraland.

### 4. Global brokerage sees risks to the upside for Nifty

Ample and cheap liquidity could soon be a thing of the past as global central banks claw back to the normal interest rate regime and start unwinding their heavily loaded balance sheets. The US Fed is expected to ease its quantitative easing (QE) by March 2022.

### 5. Financial Regulator of Dubai and India's seek closer cooperation

Dubai's financial regulator and India's International Financial Services Centre Authority (IFSCA) have signed a memorandum of understanding to increase supervision, enforcement and oversight on companies with presence in both jurisdictions. The agreement between the two will also help in the exchange of information relating to financial crimes.

### 6. Japan and India renews Bilateral Swap Arrangement of up to \$75 billion

Japan and India have renewed the Bilateral Swap Arrangement (BSA) of up to \$75 billion with effect from February 28, 2022. The Bank of Japan, acting as agent for the Minister of Finance of Japan, and the Reserve Bank of India (RBI) signed the Amendment and Restatement Agreement of the BSA.

### 7. Global regulators going 'full steam' to tame cryptocurrencies

The Financial Stability Board, which groups regulators, central banks and finance ministry officials from the G20 economies, is looking at what needs to be done with crypto assets. Crypto assets are currently treated differently across the world, ranging from bans to no rules at all even though they are traded by international firms. The European Union is approving a comprehensive set of standards for authorizing and supervising participants in crypto asset markets.

### 8. Russia-Ukraine Conflict Stock Market Volatility Increases

Markets focused on the Russia-Ukraine conflict, The S&P 500 Index managed a 0.8% positive return that masked dramatic intraday swings in stock prices and was bolstered by a more than 2% rally.

## NISM ANNOUNCEMENTS



Admissions of forthcoming batches of Post-Graduate Diploma in Management (Securities Markets) PGDM (SM), LLM. (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) has been released on the NISM website as well as in other platforms. Lookout for details at: [www.nism.ac.in](http://www.nism.ac.in)

### NISM-Series-XXII: Fixed Income Securities Certification Examination:

This certification covers many important aspects of Fixed Income Securities Markets in India including the basics of Indian debt markets, types of fixed income securities, pricing of bonds, yield measures, term structure of interest rates and the risks associated with investing in Fixed Income Securities. This book also covers the Money Market, Government Debt Market and Corporate Debt Market in India.



NISM launched Self-paced e-Learning course for prevention of Money Laundering and Terror Financing and other serious financial crimes. (click on the image for more details).



NISM has launched a six month certificate program in Commodity Warehousing Management (click on the image for more details).

A nine-month long elearning programme spreading over three semesters to enable graduate/post students for a career in the BFSI sector (click the link for more details).



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



## NISM NEWS



Mr. P K Malhotra, Former Union Law Secretary, Ministry of Law and Justice, addressed NISM students and faculty members on February 18, 2021 under Leadership Lecture series<sup>7</sup> on the topic “Alternate Dispute Settlement Mechanism in the Securities Market.”



The Third SEBI-NISM Research Conference on “Investing in Recovery: Challenges and Opportunities for Indian Securities Markets” has been conducted during 24-25, February 2022 at the NISM Patalganga campus in a hybrid mode. Shri Ajay Tyagi, Hon’ble Chairman SEBI, Shri Nikhil Rathi, Chief Executive, FCA, UK, Dr. CKG Nair, Director, NISM, Shri S K Mohanty, Whole Time Member, SEBI and Shri Sunil J. Kadam, Registrar, NISM. graced the inaugural session. Dr. Nair welcomed all the participants and emphasised the importance of applied research in securities markets. Shri Tyagi during the inaugural address stated the recent developments of Indian securities markets. Further, he stressed the significance of research in the valuation of high-tech companies.

The conference had four panel discussions viz. New era of investing and reporting, Passive Investing, Social stock exchange- the way forward, and Valuation of new-age tech companies. Eminent speakers from the industry took part of the panel discussions. The panel on “Sustainable

Finance – New Era of Investing and Reporting” deliberated on the idea of why sustainable finance is the need of the hour and how globally as well as in India, there is a shift towards a more sustainable approach for the growth of companies keeping in mind the ESG (Environment, Social and Governance) Approach. The panel suggested focusing on the 3Ps (Planet, People, and Profit), instead of the conventional Profit. The panel on “Passive Investing” stressed upon the need of Passive Investments, its advantages, and how they are suited to the modern investment outlook of retail investors.

The panel on “Social Stock Exchange – The Way Forward” were of the view that Social Stock Exchange is a novel concept in India and is meant to serve private and non-profit sector providers by channeling greater capital to them. Participants in the social stock exchange would be enterprises having social intent and impact as their primary goal. SEBI has published two reports on its website on social stock exchange. There are only three functional stock exchanges in the world. India is going to start the social stock exchange platform very soon. Social Stock exchanges would aid in bridging the gap between demand (the social sector) and supply side (investors). The intermediary structure for the collective needs shall be strong enough for the success of the process. From playing the role of regulator to the market maker to influencer; there are many challenges that SSEs will have to face and will be able to overcome them at the same time.

The panel on “Valuation of New Age Tech Companies” evaluated in depth on the challenges of valuing the New Age Tech companies. Since they are disruptive and new; one cannot value them using traditional models like discounted cash flow. These companies often fail to communicate effectively with the public retail market, and the need to regard investor relations as a major customer service. Experts also highlighted that companies today often talk about metrics like valuation, gross merchandise value (GMV), and lifetime value, while other important ones like return on capital (ROC), free cash flow (FCF), and customer service take a back seat. It was also pointed out that valuation of companies are being marked up every two months and these benchmarks are being used to price the public offering. A key suggestion to eliminate such misalignment of incentive was banning offer for sale (OFS) in an initial public offering (IPO) if the company is loss-making.

Dr. N R Bhanumurthy, Vice-Chancellor, Dr. B. R. Ambedkar School of Economics University (Base University), Bengaluru, and Mr. Amarjeet Singh, Executive Director, SEBI graced the Valedictory session. During his address Mr. Singh said that the conference is aptly timed and complimented the efforts taken by NISM and SEBI in coming out with a joint research conference of immense relevance. Dr. Bhanumurthy delivered his address on the significant areas for research in the field of securities markets. He mentioned that the linkages between real sector and financial sector research are missing and there is a need to establish an effective linkage. He further stated, Fiscal policy plays a significant role in the financial markets. Dr. Bhanumurthy appealed to the research scholars to do research on the interlinkages between fiscal policy and financial markets. He also reminded that the recent budget has given more importance for financial inclusion. He highlighted that most of the Jan-Dhan accounts have been opened through public sector banks. He further mentioned that the scholars must pursue their research on sustainable finance. He also highlighted the need for creating a data base on securities markets so that scholars will not face any difficulties during their research pursuits.

During this conference there were 11 technical sessions and 31 research papers were presented.

## FOOD FOR THOUGHT – FROM NISM BRAINS

- Ms. Mitu Bhardwaj jointly with Ms. Rasmeet Kohli authored an article on “Are Indian shareholders getting shortchanged?” featured in Mint on February 18, 2022.  
<https://www.livemint.com/money/personal-finance/do-preferential-issues-shortchange-the-small-investor-11645115114573.html>
- Dr. V Shunmugam jointly with Mr. Naveen Pratap Singh authored an article on “Sustaining the retail boom in capital markets” featured in Business Line on February 21, 2022.  
<https://www.thehindubusinessline.com/opinion/sustaining-the-retail-boom-in-capital-markets/article65071214.ece>
- Mr. M Krishnamoorthy jointly with Dr. V R Narasimhan authored an article on “Are MFs serious about SEBI’s Stewardship Code?” featured in Business Line on February 27, 2022.  
<https://www.thehindubusinessline.com/opinion/are-mfs-serious-about-sebis-stewardship-code/article65084621.ece>
- Dr. CKG Nair jointly with Dr. M. S. Sahoo authored an article on “The context matters more than the conduct” featured in Business Line on March 01, 2022.  
<https://www.thehindubusinessline.com/opinion/the-context-matters-more-than-the-conduct/article65143829.ece>
- Dr. V Shunmugam jointly with Mr. Naveen Pratap Singh authored an article on “Reaching ‘net zero’ by leveraging finance” featured in Business Line on March 08, 2022.  
<https://www.thehindubusinessline.com/opinion/reaching-net-zero-by-leveraging-finance/article65204146.ece>
- Dr. CKG Nair jointly with Dr. M. S. Sahoo authored an article on “Insolvency proceedings’ deadline problem” featured in Business Line on March 11, 2022.  
[https://www.business-standard.com/article/opinion/insolvency-proceedings-deadline-problem-122031001676\\_1.html](https://www.business-standard.com/article/opinion/insolvency-proceedings-deadline-problem-122031001676_1.html)
- Dr. Ranjith Krishnan jointly with Mr. A Sekar authored an article on “ESG – Marching towards Sustainable Development Goals” featured in The Management Accountant Journal published by The Institute of Cost Accountants of India in March 2022 issue (Page Nos 17 to 21).  
[https://icmai.in/upload/Institute/Journal/TMA\\_March\\_2022.pdf](https://icmai.in/upload/Institute/Journal/TMA_March_2022.pdf)
- Mr. Mohd. Meraj Inamdar jointly with Dr. Minaxi A Rachchh authored an article on “Advent of ESG Ecosystem in India” featured in The Management Accountant Journal published by The Institute of Cost Accountants of India in March 2022 issue (Page Nos 36 to 39).  
[https://icmai.in/upload/Institute/Journal/TMA\\_March\\_2022.pdf](https://icmai.in/upload/Institute/Journal/TMA_March_2022.pdf)

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