

NEWSLETTER

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From Director's Desk

Among many other indicators, the rising optimism on capital expenditure, as revealed through corporate surveys and by the IIP, underlines sound growth of the Indian economy even in an unfavourable global environment. A [Business Standard CEO Poll](#) highlights that capex tops their to-do-list in 2023. Naturally, the requirement of credit, manpower, inputs, intermediates, utilities all should increase. However, the trajectory of inflation, though mellowed, is still an important factor. That could dent the high aspirations a bit. Because cost of credit, apart from demand, is the single most important factor in autonomous credit growth. Since the level of inflation has been quite high for the past several months, it is safe to assume that the rising cost of funds has been factored into by the corporate leaders. In any case, it is heartening that autonomous credit is picking up. Autonomous credit demand is healthy; exhorting corporates to borrow [directed credit] is a bad bet to follow. For various reasons.

The public float rule is under further shake up. A standard rule of 25% public shareholding for all listed entities was brought in June 2010 through an amendment to the Securities Contracts (Regulations) Rules, 1957. This was done after considerable internal deliberations and public consultations for years. The basic economic rationale behind having at least a quarter of the shareholding of a listed entity with the public (other than promoters and associates) is that the public float should have enough depth so that market manipulation is not easy. The more the public float, the better. An immediate issue confronting policy makers then was that if a number of listed entities had to dilute their promoter stake to reach the threshold, market prices of those shares could fall. Even the broad stock market itself could decline due to too much supply of scrips, some felt. Therefore, a 3-year time-frame was given to companies to reach this magic number. Ever since, public sector companies have been seeking relaxation of this provision on one ground or another. Several carve-outs have been made from time to time. LIC IPO was allowed with an initial 5% equity divestment.

[The latest carve-out](#) is an additional enabling provision for extending the time lines for PSUs becoming private through divestment etc. Such special treatment may be justifiable to achieve an objective or to address an entity-specific problem. However, it is imperative to keep in mind that the primary economic rationale for having a large public float is to promote market integrity and to eliminate potential manipulation by vested interests. Listed entities with very low public float may face considerable market turmoil as those shares may easily become victims of manipulation. Ownership neutrality in an absolute sense may not be always a virtue. But too many carve-outs can defeat the very objective of going for them.

Dr. CKG Nair

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NiSM Newsletter

Fixed income opportunities despite economic uncertainty

Despite rising inflation and continued economic uncertainty, compelling [fixed-income](#) investments exist in key assets and sectors. The key variable for the markets is, of course, inflation. If it is not endemic and eventually recedes enough this year, the U.S. Federal Reserve may merely tap the brakes when it comes to raising interest rates and tapering asset purchases, allowing the economy to run hot and keeping default risks low. But, if inflation persists and becomes a bigger roadblock, the Fed may continue tightening financial conditions, contracting future growth and increasing default risk. Either case would have a profound impact on asset valuations.

Shares rose and bonds rallied worldwide as [investors](#) tiptoed into the new year with tentative optimism after a brutal 2022, looking to encouraging inflation data for hope that rate hikes might be less aggressive than feared.

1. Core infrastructure sector grows 5.4% in November 2022

Eight core infrastructure industries grew 5.4% in November 2022 from a year earlier, having recovered from their worst performance in last 20 months, according to industry ministry data. Fewer holidays from a year before and the waning effect of an unfavorable base propped up growth. The core sectors had grown just 0.9% (revised) year-on-year in October 2022.

2. India's external debt declines by USD 2.3 bn. in Q2 FY23

India's external debt stood at USD 610.5 bn. in the second quarter of 2022-23, down by USD 2.3 bn. from end June 2022. The external debt to GDP ratio stood at 19.2 per cent as at end-September 2022 as compared to 19.3 per cent at end-June. At end-September 2022, India's external debt was placed at USD 610.5 bn., recording a decrease of USD 2.3 bn. over its level at end-June 2022.

3. Indian private banks' bond buys hit near three-yr high in December 2022

Indian private sector banks are set to post their biggest monthly purchase of government bonds in the secondary market in nearly three years in December, largely due to a rise in deposit growth. Private banks have bought bonds worth a net of 216.20 bn. rupees (\$2.61 bn.) this month, the most since March 2020.

4. India to receive record remittances but experts worry CAD will still widen

India is likely to receive \$100 bn. in remittances this calendar year but experts say the record inflow may not be able to tame the widening current account deficit (CAD). Of \$90 bn. remittances that India is expected to receive in 2022, only \$27.4 bn. has come in the first half of the year.

5. UPI transactions surge to record 783 cr. in December 2022

The December figure of the number of transactions was 7% higher than in November 2022. In value terms, at a shade below Rs. 13 trillion, the amount transacted was up 8% during the same period.

REGULATORY DEVELOPMENTS

1. SEBI issues performance benchmarking guidelines for portfolio managers

SEBI came out with guidelines for portfolio managers pertaining to performance benchmarking, asking them to adopt an additional layer of broadly defined investment "strategies" while managing the clients' funds. Reviewing the requirements related to performance reporting and benchmarking by portfolio managers, the market regulator said this is in addition to the investment approach (IA) – the documented investment philosophy – adopted by portfolio managers while managing client funds in order to achieve investment objectives.

2. SEBI eases OFS norms for non-promoter investors

SEBI has modified certain provisions of the existing offer for sale (OFS) through stock exchanges. Under the fresh guidelines, SEBI has now allowed non-promoter shareholders also to sell their equity shares in a company through OFS. However, OFS is available to companies with a market capitalization of ₹1,000 cr. and above.

3. No full GST recovery from firms under insolvency: CBIC

The Central Board of Indirect Taxes and Customs has clarified that once a firm reaches the insolvency arena, it can't be forced to cough up dues to the government- like GST, in excess of the "reduced amount" determined. The move will bring more certainty for investors and banks.

4. Old VC funds under SEBI scanner; Slice secures PPI license from RBI

SEBI is looking into old venture capital funds (VCFs), floated during the boom days before the 2008 meltdown, and in the years after the crash amid a sea of easy money, for stretching their lifespan well over a decade. The lifespan of a VCF is typically 10 years.

5. SEBI extends suspension of derivatives trade in 7 agri commodities for 1 year

SEBI has extended the suspension of futures and options trading in seven agricultural commodities, including wheat and moong, for one more year till December 2023 in a bid to rein in prices. The other agricultural commodities suspended by SEBI are – paddy (non-basmati), chana, crude palm oil, mustard seeds and their derivatives and soya bean and its derivatives.

6. SEBI to phase out share buybacks via open markets, cut risk with 'direct access'

The SEBI board approved changes to share buyback rules, seeking to gradually phase out such repurchases through stock exchanges, while simultaneously introducing a global-first risk-reduction mechanism that would allow direct market access to clients through crucial periods of downtime on their broker platforms.

7. NSE gets SEBI nod to set up Social Stock Exchange

The National Stock Exchange of India (NSE) has received in-principle approval from the Securities Exchange Board of India (SEBI) to set up Social Stock Exchange (SSE) as a separate segment of the NSE.

8. Judicial member not a must for CCI, rules NCLAT

NCLAT has rejected the contention of the parties who challenged the CCI penalty on the ground that the ruling was not given by a Commission comprising judicial member and hence the entire proceedings are void.

9. Introduction of Investor Risk Reduction Access (IRRA) platform

SEBI asked stock exchanges to set up an Investor Risk Reduction Access (IRRA) platform to give investors an opportunity to square off their position or cancel pending orders in case of disruption of trading services provided by trading members.

10. IRDAI to allow insurers to auto renew FRN of cross border reinsurers

The IRDAI has decided to consider allowing domestic insurance firms to auto renew the file reference number (FRN) of cross-border reinsurers (CBRs), provided the CBRs meet the criteria laid down by the regulator for obtaining such a renewal. Currently, FRNs are allotted by the insurance regulator on an annual basis.

11. RBI cracks the whip on erring co-op banks

The RBI penalized more than 180 erring co-operative banks in 2022, the highest since the government vested more powers with the regulator two years ago. The government amended the Banking Regulation Act (as applicable to cooperative societies) after irregularities in loan accounts at Punjab and Maharashtra Co-operative Bank became a major issue. In June 2020, the government issued an ordinance giving RBI supervisory powers over co-operative banks.

12. SEBI proposes online modes to better resolve complaints

SEBI is planning to strengthen the existing complaint resolution procedure in the securities market by making use of the online dispute resolution mechanism. SEBI has proposed to make the existing market infrastructure institution- (MIIs) administered mediation and arbitration mechanism more accessible and effective for investors. It suggested that these processes be conducted online on an end-to-end basis using technology and assistance of online dispute resolution institutions.

DEVELOPMENTS IN RELATED AREAS

India expected to be world's fastest growing economy in 2023

India is set to be the world's [fastest](#) growing major economy in the year ahead, as a post-pandemic retail boom and bank balance-sheet repairs lure new investment. This is likely to fuel demand for everything from cars to televisions, coal and airliners. The world's fifth-largest economy is expected to grow 6% in the fiscal year ending March 31, 2024, according to a survey by the Indian central bank this month.

While slower than the [current fiscal](#) year's projected 6.8% growth, India's economic outlook contrasts with bleaker 2023 projections in the United States, Europe and most noticeably China where a recent surge in COVID-19 infections is expected to hobble activity next year.

The more upbeat mood is shoring up [spending and investment](#) in India, although the recovery is expected to be an uneven one, benefiting the urban and domestic sectors more than struggling rural and export-oriented parts of the economy.

1. Net FDI, FPI and FII data (2021-2022)

FDI, FPI and FII data are out for ready reference in RBI Bulletin for December 2022 with estimates of latest months along with debt transactions of FDI enterprises – point 34 under Foreign Investment Inflows.

2. Crude oil rises in thin trade on concerns over US storm impact

Oil prices rose in light trade on concerns that winter storms across the United States are affecting logistics and production of petroleum products and shale oil. Brent crude was up 73 cents, or 0.9%, at \$84.65 a barrel by 0122 GMT, while U.S. West Texas Intermediate crude was at \$80.41 a barrel, up 85 cents, or 1.1%. On Friday, Brent rose 3.6%, while WTI gained 2.7%. Both benchmarks recorded their biggest weekly gains since October 2022.

3. After a breakthrough year, proptech and real estate find a strong foundation to build

While India is moving towards becoming a developed country, real estate will be an essential sector to look forward to. The real estate sector in India has vastly grown in the past years even though the sector saw a turbulent time during the pandemic. India's property sector seems to be recovering, and it is rapidly growing, thus making it one of the key sectors contributing to the country's economic development.

4. Metal stocks ring loud with China easing Covid curbs

The Sensex and Nifty advanced by 0.6% each, their second day of gains after taking a beating last week when they had fallen by 2.7% each. Shares of Jindal Steel gained 9% with cash volumes expanding five times their last one-month average and traders squaring off bearish bets.

5. Why a new Chatbot is 'code red' for Google's search business

Experimental Chatbot, ChatGPT has recently made its case to be the tech world's next big disruptor. It can serve up information in clear, simple sentences, rather than just a list of internet links. It can explain concepts in ways people can easily understand. It can even generate ideas from scratch, including business strategies, gift suggestions, blog topics and vacation plans.

GLOBAL FINANCIAL DEVELOPMENTS

1. Dollar retreats as risk appetite improves; Australia, NZ currencies rise

Data released showed that U.S. consumer spending barely rose in November 2022, while inflation cooled further, reinforcing expectations that the Federal Reserve could scale back on its aggressive monetary policy tightening path. In addition, there was news of China potentially taking extraordinary measures to support growth.

2. US stock market: S&P 500, Nasdaq close lower, weighed by growth stocks

Shares of Tesla Inc. tumbled 11.4%, and the electric car maker was the heaviest drag on the S&P and the Nasdaq after a review by Reuters of an internal schedule revealed the company plans to scale back production at its Shanghai plant.

3. Asian markets mixed after S&P 500 ends worst year since 2008

Chinese manufacturing contracted for a third consecutive month in December 2022, in the biggest drop since February 2020, as the country grapples with a nationwide COVID-19 surge after suddenly easing anti-epidemic measures.

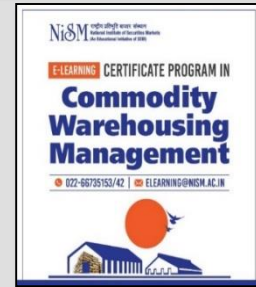
4. Fear of global gas crisis eased by warm start to winter

A warmer-than-expected start to winter across large parts of the world is rapidly easing fears of a natural gas crisis that had been predicted to trigger outages and add to pressure on power bills.

NISM ANNOUNCEMENT

Certificate Program in Commodity Warehousing Management:

The newly launched e-Learning program aims to train the participants with the best practices in the warehousing management industry. The course would enable passionate professionals to handle all functions related to warehousing right from good practices in inward of the commodity to the outward of the same such as storage, price stabilization, minimization of risk, financing, grading and packing.



Securities Markets Primer: The e-Learning course "Securities Market Primer" is designed to help the learners become an informed investor by learning the role of financial markets and financial assets in a well-functioning economy.

Mutual Funds (Basic): In this course one will learn about mutual funds concepts, the process of investing in a mutual fund, benefits of investing in a mutual fund. The course also details about various risk factors associated with investing in mutual funds.



Equity Derivatives (Basic): In this course one will learn about the derivatives market in India, its significance and participants, various types of derivatives products such as forwards, futures, options. The course also details about components of premium, greeks, and risk management in derivatives trading.

Broking Operations Management: In this course one will learn about the way a typical broker and dealer firm organizes its operation within functional areas, potential gaps and exposures that present operational risk. The course also details about the trade lifecycle process, from order and trade execution through clearing and settlement. Apart from these the course covers assets or funds of investors or clients, redressal of investor grievances, internal control or risk management, etc.





NISM Series V-A: Mutual Fund Distributors Certification Examination

NISM Series V-A: Mutual Fund Distributors Certification Examination seeks to create a common minimum knowledge benchmark for all persons involved in selling and distributing mutual funds including individual Mutual Fund Distributors, employees of organizations engaged in sales and distribution of Mutual Funds, employees of Asset Management Companies specially persons engaged in sales and distribution of Mutual Funds.

This Certification covers topics which shall enhance the quality of sales, distribution and related support services in the mutual fund industry. It covers topics related to the basics of mutual funds, their role and structure, different kinds of mutual fund schemes and their features, accounting, valuation and taxation aspects underlying mutual funds and their distribution. This certification teaches financial planning as an approach to investing in mutual funds, and an aid for advisors to develop long term relationships with their clients. It also discusses the concept of scheme evaluation, recommendation of suitable products and services to investors and prospective investors.

Call for Papers – Fourth SEBI-NISM Research Conference



SEBI and NISM are glad to invite academicians, researchers, policy makers, regulators, students and other stakeholders to participate in the Fourth SEBI-NISM Research Conference on “Indian Securities Markets – The Next Agenda”. The conference will be held during March 02-03, 2023 in physical mode at NISM Campus, Patalganga.

The goal of this conference is to continuously improve the research standards in securities markets, facilitate industry-academia interaction and exchange of information and knowledge. The conference aims at providing a platform for every participant to share their unique perspectives, thoughts and knowledge.

Faculty Members, researchers, policy makers, regulators, students and other stakeholders are invited to submit full papers related to the specified themes only. (click on the image for more details)

The Third Annual International Capital Markets Conference 2022 on “Role of Capital Markets for Sustainable Growth of Economy”



The Third Annual International Capital Markets Conference on the “Role of Capital Markets for Sustainable Growth of Economy” was held during 15-16, December 2022 at the NISM Patalganga campus. The conference was organized by NISM in collaboration with the Systemic Risk Centre (SRC) at the London School of Economics (LSE). Prof. Viral Acharya, [pictured left] Stern School of Business, New York University, delivered the keynote address.

Mr. Amish Mehta, MD&CEO, CRISIL [pictured right] delivered the inaugural address.

The following link gives a full report for the Conference:

<https://www.nism.ac.in/news/the-third-annual-international-capital-markets-conference-2022-on-role-of-capital-markets-for-sustainable-growth-of-economy-15-16-december-2022-jointly-organised-by-src-lse-nis/>

The link for the photographs of the Conference:

https://drive.google.com/drive/folders/1UqZC GyT4JslDp9zMnsRve0XOTYRTSVsd?usp=share_link



Online Conclave for Arbitrators of Equity Stock Exchanges (Western Region)

NISM, in association with NSE, BSE and MSEI conducted an online conclave for Arbitrators of Western Region of Equity Stock Exchanges during December 15 – 16, 2022. Mr. P. K. Malhotra, former Union Law Secretary and former Member, Securities Appellate Tribunal spoke about the issues and challenges in Arbitration in Securities Market. He discussed applicable provisions of law, benefits of arbitration compared to litigation, mediation, etc. Mr. S Raman, former Whole Time Member, SEBI delivered the inaugural address. In his address, Mr. Raman highlighted the need for a good financial system and efficient regulators. He also elaborated on the pioneering role played by exchanges in the growth of securities markets in India. Mr. Ansuman Dev Pradhan, Deputy General Manager, SEBI; Mr. Ashish Rathi, Whole Time Director, HDFC Securities; Mr. S. Badri Narayan, Practicing Chartered Accountant; Ms. Nayana Ovalekar, Chief Regulatory Officer, CDSL and Mr. Hiteshkumar Desai, General Manager – Broker Supervision, BSE spoke in detail on various aspects of the securities market ecosystem. During the 2-day conclave, Justice (Retd.) I. S. Shrivastava and Shri. Lal Singh Bhatti shared their valuable experiences with fellow arbitrators.

FOOD FOR THOUGHT – FROM NISM BRAINS

- **Dr. CKG Nair:** “Behind SEBI’s CIS failure” featured in Financial Express on December 30, 2022.
Foisting the regulation of collective investment schemes on SEBI perhaps dimmed the sheen of success in its core functions. The success of SEBI that got its mandate legally extended to cover CISs in 1999. However, that grafting was done forgetting a basic regulatory principle: regulation and supervision must go together.
<https://www.financialexpress.com/opinion/behind-sebis-cis-failure/2931038/>

- **Mr. Ajit Balakrishnan:** “Women leaders: A way to IPO success?” featured in Business standard on January 02, 2023.
Celebrating the success of women in leadership positions augurs well for the Indian society. This is borne out by the success of several women leaders in the Government and corporate hierarchy as well as by research studies, highlighted in this article.
https://www.business-standard.com/article/opinion/women-leaders-a-way-to-ipo-success-123010100705_1.html

- **Dr. CKG Nair jointly with Dr. M S Sahoo:** “Delays, even with no jurisdiction” featured in Business Standard on January 11, 2023.
If the Adjudicating Authority/tribunal take a fast but wrong view on matters it has to decide; it enables the parties to appeal. However, taking a view on a matter that is beyond its purview is too costly for the system. Such a step delays the matters, delays appeals and the entire legal process and adding to costs in multiple ways.
https://www.business-standard.com/article/opinion/delays-even-with-no-jurisdiction-123011101562_1.html

- **Dr. Kirti Arekar:** “Impact of microfinance on enhanced wellbeing and self-help group women in post –COVID scenario” featured in Model Assisted Statistics and Applications - Volume 17, issue 4 in C Category of Australian Business Deans Council Journal List on January 2023.
In the past few years, Microfinance has been usually contemplated as an effective strategy instrument in the fight against poverty. The SHG women situation in India has been particularly difficult during COVID-19. It had distressing consequences on SHG women life, their income generating activities and livelihoods. Therefore, the question arises whether microfinance credit leads to poverty reduction and improve their decision-making ability in the post-Covid era. To address this question, the present study explores and identify the impact of Microfinance, Micro Credit and Savings on the Decision making ability of SHG women in the post COVID era.
<https://content.iospress.com/journals/model-assisted-statistics-and-applications/17/4>

- **Dr. Meraj Inamdar:** “Exploring the potentials of Smart Data Analytics in the Banking Industry” featured in The Management Accountant Journal published by The Institute of Cost Accountants of India in January 2023 (page no: 68 to 69)
The Indian banking industry is undergoing significant changes due to advancements in technology and increasing adoption of smart data analytics. One of the key trends driving the industry’s future is the increasing digitization of banking services, facilitated by the growth of digital payments and mobile banking. The use of digital payments has resulted in the collection of a large volume of data on customer behavior and preferences, which is being

used by banks to assess their credit worthiness and manage the risk. The article explains various smart data analytical tools useful for the banking industry.

https://icmai.in/upload/Institute/Journal/TMA_Jan_2023.pdf

- **Dr. Jatin Trivedi:** “Do European, Middle-East and Asian Stock Markets Impact on Indian Stock Market? A Case Study Based on NIFTY Stock Index Forecasting” featured in Scientific Annals of Economics and Business, Vol. 69, Issue 4.

This paper estimates NIFTY index from Indian stock market by considering a cluster of MSCI European, Middle East and Asian stock market indices. In the forecasting process, we obtain group of independent variables to test its relative impact over dependent variable (NIFTY) considering a sample size of daily observations from January 2000 to December 2021 abstracted from Bloomberg. We run OLS regression, Quantile estimations with additional parameter of VIF and BKW. We found significant impact association with China (Asian index) and Saudi Arabia (Middle East index) during the forecasting process compared to rest of sample indices that exceed unexpectedly out of VIF limits. Further, we recorded strong association of independent variables despite of statistical significance (<1%) in OLS regression estimation.

<http://saeb.feaa.uaic.ro/index.php/saeb/article/view/1605>

- **Dr. Jatin Trivedi:** “Risk and Prospective Returns: The Case of European and Asian Financial Markets” featured in IUP Journal of Accounting Research & Audit Practice.

The paper examines the use of different GARCH type models to capture the impact of normal movement and the impact during a crisis (e.g., Covid pandemic) for capturing the volatility of randomly selected stock markets in European and Asian countries. This case is based on daily data from DAX – Germany, IBEX- Spain, CAC – France, BEL – Belgium, ATX – Austria, SZSE – China, NIKKEI – Japan, KOSPI – South Korea, JKSE – Indonesia, and HANG SENG – Hong Kong. It is found that GARCH is the most robust model to estimate volatility even during a crisis period; EGARCH demonstrates persistence in volatility and capturing leverage effects; EGARCH also remains the best quality model, apart from the symmetric model. Further, the models captured difference in magnitudes of European and Asian stock markets with different volatility movement patterns. Some Asian markets showed more adverse performance European markets during the same time-period creating differences in asset pricing, risk magnitudes and prospective returns. The study demonstrates the relative effect on asset prices and changes in values of investors and determines the parameter for risk and returns in Europe and Asia.

https://iupindia.in/AccountingResearch_AuditPractices.asp

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