NiSM राष्ट्रीय प्रतिभूति बाजार संस्थान
National Institute of Securities Markets
An Educational Initiative of SEBI

NEWSLETTER

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From Director's desk

Last four weeks have seen the unfolding of serval socio-economic aspirations, economic policies and culmination of some big actions. Through the Economic Survey, Budget and administrative decisions.

Air India [AI], finally, is back in the Tata hangar. The sale of AI, along with the ongoing National Asset Monetisation Pipeline and the LIC IPO, about to see the end of the tunnel, are no ordinary disinvestment policies. They are bold, paradigm shifting changes impacting the direction and philosophy of economic policy; from the era of public sector domination to the era of market imposed discipline. With associated uncertainties on the outcome. How previous efforts at some of these initiatives had been obstructed by entrenched interests are legion. Which tells the degree of difficulty faced in reaching the stage of successful culmination.

AI sale should be judged by the amount of money the exchequer would save and the extent of efficiency enhancement it will achieve. LIC IPO will be judged by its efficiency parameters post listing. These are the benchmarks for evaluating privatization and part-share sale; not just the amount of money raised through divestment, the standard but static measure. Major divestments must be measured in dynamic terms: in terms of the direct cost and benefits as well as in terms of an opportunity cost-benefit analysis. Only then the significance of AI-LIC type sale/divestment events are fully understood.

So is the case with the Union Budget 2022-23. An infrastructure-investment led model, *a la* Keynesian, that believes in a sort of 'pump priming'. But not the 'dig-in the-sand' type, resorted to by countries such as the USA to recover from the Great Depression. Nor of very high magnitude that would pose questions of absorptive capacity. India has got to travel a lot to reach a satisfactory level of infra-intensity. Her infra sector can easily absorb a multiple of the 2022-23 allocation, for many more years.

Critics cry crowding out of private investment, low and slow return and the insufficiency of 'trickling down' to address the Covid induced, increased stress of the poor. Record of the current government on big infra projects, however, demonstrates implementation efficiency. This plus the current comfortable liquidity position, forward and backward linkages [multiplier-accelerator effect] and tax buoyancy will surely blunt the first two criticisms. In any case an infra-led growth will take some time to bite, though efficient execution can open the taps to allow more than just trickling down. Finally, it is efficiency and speed of execution that would decide whether the budget plans 'crowded out' or not and 'looked the other way' or not. Though in the short run belt may remain tight for many in the lower ranges of income.

Another interesting twist in the budget is on fintech; crypto tax and Central Bank Digital Currency [CBDC]. Fintech is disrupting financial sector like never before. It is too early to unfold these new age *avatars* as nobody is clear about the shape of things to come. But one thing is clear: we will have digital currency and paper currency to count and to count on. Enjoy counting the count-down towards 'holding' both of them in your hands. Though in one hand it will be only a code or an encrypted message or something unnamed yet! Fintech is going to surprise us with many more such gifts!

Dr. CKG Nair
Director, NISM

FINANCIAL MARKETS

1. RBI keeps rates unchanged; FY23 GDP growth seen at 7.8%

The MPC has opted to maintain the repo rate at 4.00%. With a 5:1 majority, the Committee also opted to maintain an accommodative stance in order to support economic growth and recovery.

2. Government to offload 5 per cent in LIC, DRHP filed with SEBI

India's biggest state-owned insurer Life Insurance Corporation (LIC), in its prospectus filed with SEBI, has said the net IPO offer will constitute 4.99 per cent of the company's share capital.

3. SBI lists maiden issue of $300 million Formosa bonds on India INX

SBI has issued $300 million Formosa bonds and listed the issuance on India INX GIFT IFSC. This is the first such issuance by any Indian Bank in the Formosa Bond market. SBI through its London branch raised $300 million from Regulation S Formosa bonds at a coupon of 2.49 per cent.

4. NSE largest derivatives exchange for 3rd year, Nifty Bank most traded index option

National Stock Exchange of India (NSE) has emerged as the largest exchange globally in equity derivatives as well as currency derivatives in 2021 by the number of contracts traded based on the statistics maintained by the Futures Industry Association (FIA), a derivatives trade body.

5. More women join the stock market party on D-Street

The proportion of women investing in equities increased from about 16% to 24% across India in the past two years. Since the pandemic began, there has been a huge influx of women investors in the stock market.

6. $6 billion in 2 weeks: India Inc. bonds a big hit overseas

Indian companies raised $6 billion selling offshore bonds during January 1-14, the most in the first fortnight of a year, showing the confidence of international investors in India's economy despite looming uncertainties globally.

7. Finance Ministry frees FPIs from 10-day time rule for reporting about new clients

The Finance Ministry has exempted Foreign Portfolio Investors (FPI) from providing information about new clients within ten days of their joining. Experts feel that the move will provide FPIs a much-needed breather.

8. India better positioned to navigate any financial turbulence: UN body

India is in a better position to navigate financial turbulence due to Fed monetary tightening compared to its situation during the “taper tantrum” episode after the 2008-2009 global financial crisis even though it remains vulnerable, the United Nations said in its "World Economic Situation and Prospects" report.

7. Equity mutual funds get a record inflow in December

Fear of missing out, lack of alternate investment options and a trend of buying on every correction led to investors allocating ₹25,077 crores to equity mutual funds in December.

CORPORATE WORLD

1. Indian start-ups' valuation grows 2 times to $330 billion in 2021

The start-up ecosystem saw a 2X gain in cumulative valuation from 2020 to 2021, with an estimate of $320 - $330 billion, demonstrating the sector's development and recovery throughout the pandemic.

2. Indian IT firms gear up to tap Metaverse opportunities

India's top software exporters are racing to prepare for a surge in demand for technology services aimed at the Metaverse, which is widely regarded as the next phase of the internet. Industry leaders Tata Consultancy Services, Infosys, HCL Technologies and Wipro are among those piloting new initiatives, building proof-of-concept and virtual laboratories.

3. A Quick take on Q3 results

With rise in EBIDT of 9.9% and total revenue of 26.4% Indian corporates post a Q3 earnings with 550 companies beating the estimate, 345 companies posting a negative earnings and 28 companies staying neutral. While companies such as Inox Leisure, Radico kaithan, United Breweries, Gujrat Hotels, Reliance Industries, and many others have shown a huge jump in profit for this quarter; companies like Zee entertainment, Hathway networks, Ceat, Apollo Tyres, Shakti pumps, and many others have not performed well and have booked a net loss

The breadth of earnings remains weak with 42% of companies likely to post a year-on-year decline in earnings, while 38% are expected to post higher than 15% earnings growth. The initial trend was driven by Reliance Industries (RIL), the country's largest company by revenue and market cap, and technology bellwethers such as Infosys and Tata Consultancy Services. Together, they contributed 52.1% to the topline and 58.1% to the net profit of the sample. Excluding them, revenue and profit growth moderated to 18% and 13.4%, respectively. With more earnings from a range of sectors, the overall trend could change. Expected weakness in sectors such as automobiles, cement, FMCG, hospitality, metals and mining may cause aggregate performance to be more cautious. The overall results for the economy, looks quite good, particularly in a COVID-19 affected year. The link above is a source to various reports of corporate business earnings in Q3.

4. BFSI solutions help Indian IT firms ace digitization race

Banking, financial services and insurance (BFSI), continues to be the top-performing vertical helping Indian IT service providers differentiate their offerings.

5. CCI looks to ease market share disclosure norms for mergers

The Competition Commission of India (CCI) is planning a revamp of the disclosure requirements when entities seek approval for merger deals to make the process less burdensome.

6. Goldman, Morgan Stanley bring debt sales amid rush to beat the Fed

Goldman Sachs is selling bonds in as many as six parts. The longest portion of the offering, a 21-year security, may yield around 1.4 percentage points above Treasuries.

REGULATORY DEVELOPMENTS

1. SEBI Chairman launches "Saa₹Rthi" – SEBI's Mobile App on Investor Education

This is an initiative of SEBI with a view to empowering investors with knowledge about securities market. With the recent surge in individual investors entering the market, and more importantly a large proportion of trading being mobile phone based, this App will be helpful in easily accessing the relevant information.

2. SEBI notifies the SEBI (Vault Managers) Regulations, 2021

The notification defines vault manager and vaulting services which will be provided by vault manager and also provides that any person intending to carry on the business as a Vault Manager Shall make an application to the SEBI for grant of a certificate of registration.

3. Reserve Bank of India caps upper limit of offline payment transaction at Rs. 200

The Reserve Bank of India released a framework for such payments, wherein it stated that the upper limit of an offline payment transaction will be Rs. 200/-, the overall limit Rs. 2,000/- on a payment instrument at any point in time until the balance in the account is replenished.

4. SEBI 'signals' a new trend: Summons etc. to come *via* WhatsApp, Telegram and signal

SEBI will now send show cause notices, summons and orders to securities law offenders *via* instant messaging platforms such as WhatsApp, Telegram and Signal, making the process speedier and efficient.

5. RBI sets up Fintech Dept.

The Reserve Bank of India has set up a fintech department to facilitate innovation, and help identify and address challenges & opportunities in the new-age sector. All matters related to inter-regulatory and international coordination on fintech shall also be dealt with by the department.

6. SEBI cuts time period for filing settlement applications to 60 days

SEBI has cut the timeline for filing Settlement applications to 60 days from the current 180 days in its effort to make the system more efficient and fast.

7. SEBI strengthen regulatory framework for Collective Investment Schemes

To strengthen the regulatory framework for CIS, SEBI proposed mandating a minimum of 20 investors and a subscription amount of at least Rs 20 crore for each such scheme. It also suggested that a CIMC or its promoters should meet certain criteria with respect to track record and net-worth.

DEVELOPMENT IN RELATED AREAS

1. ULIPS bought after Jan 2021 will be tax exempt only under certain conditions

The Central Board of Direct Taxes (CBDT) has issued a notification on January 19, 2022, explaining the methodology to find out the tax exemption status of ULIPs. Budget 2021 had proposed to remove the tax-exempt status on the proceeds of ULIPs if the annual premium exceeded Rs 2.5 lakh.

2. No fresh IT claims after resolution plan approved under IBC: Bombay High Court

Bombay High Court has ruled that the tax department cannot raise fresh claims after a resolution plan is approved. There is still ambiguity over what would happen to pending tax demand for the company under IBC.

3. Banks to transfer 15 NPAs worth ₹50,000 cr. to NARCL

Banks have finalized plans to transfer 15 Non-Performing Asset (NPA) accounts worth ₹50,000 crores to the National Asset Reconstruction Company Ltd. (NARCL), or the 'bad bank' set up to help resolve the stress by the end of this financial year.

4. 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.

GLOBAL FINANCIAL DEVOPLMENTS

1. UK inflation rises to highest in nearly 30 years

British consumer price inflation rose more than expected to 5.4% in December, its highest in almost 30 years putting pressure on the Bank of England to raise interest rates again next month.

2. Global economy growth pegged at 4% in 2022, 3.5% in 2023: UN report

The growth momentum in 2021, following a contraction of 3.4 per cent in 2020, started to slow down by the end of the year, comprising in big economies such as the US, China, and the European Union. Besides the ongoing COVID-19 pandemic, rising inflation in major developed economies and a number of large developing countries present additional risks to recovery.

3. EUR/USD Is Under Pressure After Hawkish Signals From Powell

EUR/USD is currently trying to settle below the support at 1.1200 while U.S. dollar is gaining ground against a broad basket of currencies. Recent comments from Fed Chair Jerome Powell indicated that the Fed was ready to raise rates aggressively to fight inflation.

4. India records highest - ever monthly exports at $37 billion in December

India exported goods worth $37.29 billion in December as demand for items such as engineering products, petroleum items, and gems and jewellery continued to soar. India's merchandise exports in April-December were nearly $300 billion, up 48.85 per cent year-on-year and 26 per cent against the same period in 2019.

UNION BUDGET 2022 – Key Highlights

The Finance Minister, Smt Nirmala Sitharaman presented the Union Budget for the fiscal year 2022-23 in the Parliament on 1st February 2022. The term #AatmanirbharBharatKaBudget is being used to present the Union Budget of 39.45 trillion rupees for the coming fiscal year focused on stepping up investment on infrastructure and digitalization to put growth on a firmer footing as the economy recovers from the COVID -19 pandemic. The Budget 2022 focuses on 4 pillars: PM-GatiShakti, Inclusive Development, Productivity Enhancement & Investment, Sunrise Opportunities, Energy Transition, and Climate Action, Financing of Investments. Union Budget 2022-23, aims to lay a strong foundation to steer the Indian economy towards Amrit Kaal for the next 25 years, from India at 75 years to India at 100.

Highlights:

- A transformative budget to help steer the economy from India @75 to India @100.
- PM-GatiShakti is a transformative approach, driven by roads, railways, ports, airports, mass transport, waterways and logistics infrastructure. PM-GatiShakti master plan is based on 7 engines of growth.
- Infrastructure oriented 25000 km National Highway network expansion and 1400cr to be allocated for 123MW hydro and 27 MW solar projects.
- Rs 73 Lakh Crore as direct payment of MSP. 2.37 Lakh Cr MSP for 163 Lakh Farmers for Grain Procurement.
- 5 Major rives interlinking projects to be executed, the rivers are Daman Ganga Pinjar, Par Tapi Narmada, Krishna Godavari, Krishna Pennar and Pennar Cauvery.
- Issuance of e-passports to be rolled out in 2022-23 to enhance convenience for citizens.
- Housing projects allotted Rs. 48,000 crore for FY2023 under #PMAY urban and rural.
- Jal Jeevan Mission to receive Rs. 60,000 crore. The goal is to provide 3.8 crore households with water tap connections in FY 2022-23.
- Credit guarantee trust for micro and small enterprises will be revamped with a required infusion of funds. This will give 2 lakh crore more for MSMEs.
- Central Bank Digital Currency to be issued by RBI during 2022-23 using block chain technology for faster and secured transactions. Digital rupee to be issued using block chain and other technologies; to be issued by RBI starting 2022-23. This will give a big boost to the economy. Income from transfer of virtual digital assets to be taxed at 30%.
- To set up an umbrella body for Defence Equipment Certification. Defence Research and Development (R&D) will be opened up to industry, startups, and academia.
- Tax incentives for startups to be incorporated until March 31, 2023.
- GST revenue buoyant despite the pandemic. Record Rs 1.40 lakh crore gross GST collections in January 2022, highest since inception.
- Tax rate for cooperative societies reduced to 15% from 18.5%. Reduce of surcharge of cooperative societies from 12% to 7% for those having income below 1 crore.
- International arbitration centre will be set up in GIFT city to provide faster dispute resolution, World-class University to be allowed in GIFT IFSC free from domestic regulation.
- Both Centre and States govt employees' tax deduction limit to be increased from 10% to 14% to help the social security benefits of state govt employees.
- Five institutions will be designated as centers of excellence to work on India-specific urban planning with an endowment of Rs.250 crores each.
- e-Bill to be introduced to Contractors and Suppliers for Govt procurements.
- National Mental Health programme will be launched. 23 mental health institutions will be initiated. For mental health counseling, a National Tele Mental Health Program will be launched.

- Special mobility zones with zero fossil fuel policy to be introduced. A battery swapping policy will be introduced, and interoperability standards to be formulated for urban centers. Special zones to be set up for EV charging stations.
- IBC to be amended to facilitate the cross-border insolvency process.

The Union Budget 2022 is based on the overall theme of emphasis on structural reforms and enabling factors along with focus on capital expenditure. On the Policy side, continuing the Government's resolution of building an "Atmanirbhar Bharat", the Budget 2022 is guided by the synergy of multi-modal approach which focuses on the four priorities of (i) PM GatiShakti, (ii) inclusive development, (iii) productivity enhancement and investment, sunrise opportunities, energy transition and climate action, and (iv) financing of investments.

On the tax side, the proposals of the Finance Bill are woven around the themes of providing a transparent tax function, reinforcing the Government's faith in the taxpayers, widening the tax base, and clarifying the intent of the law. Some of the key direct tax proposals include the introduction of tax provisions for taxation of Virtual Digital Currency, rationalising the surcharge applicable on the sale of long-term unlisted securities, and various amendments relating to clarifying the intent of law. Likewise changes on customs rates structures are geared towards promoting domestic manufacturing. Other customs amendments briefly consist of restricting the validity of advance rulings; widening the scope of 'proper officer' under customs adjudication; digitalization under IGCRD Rules etc. Further amendments in GST regulations includes removal of two-way communication process for availing input tax credit; clarification on applicability of interest in case incorrect availment of credit; mechanism with respect to the transfer of electronic cash balances within distinct entities (different registration under same PAN) etc."

NISM ANNOUNCEMENTS

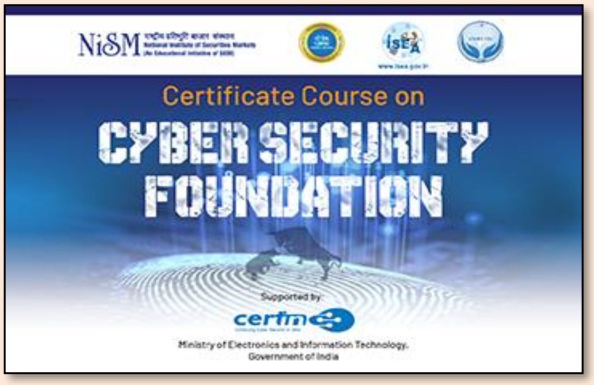
Online Orientation Programme for Member of Audit committee on February 18, 2022. (Click of the image for more details)

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) has been released on the NISM website as well as in other platforms. Lookout for details at: www.nism.ac.in

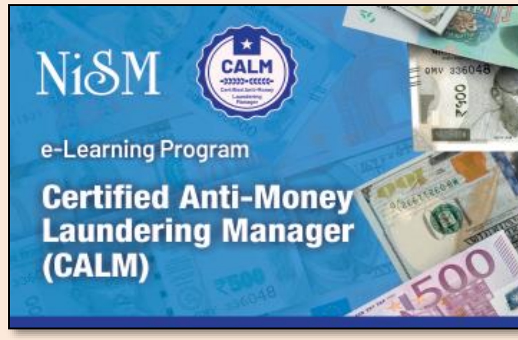
SEBI-NISM Research Conference on "Investing in Recovery: Challenges and Opportunities for Indian Securities Markets" on 24-25 February, 2022. (click on the image for more details).

NISM Series-X-A: Investment Adviser (Level 1) Certification Examination: This certification covers all important topics to enhance the quality of investment advisory and related services in the financial services industry. It covers topics related to the basics of investment advisory and time value of money. This certification discusses about different kinds of investment products—equity, debt, derivatives and managed portfolios such as mutual funds, portfolio management services and alternative investment funds.

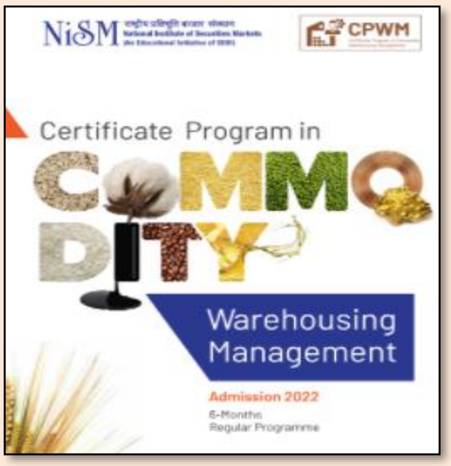
NISM Series-X-B: Investment Adviser (Level 2) Certification Examination: The certification covers all important topics to enhance the quality of investment advisory and related services in the financial services industry. It covers topics related to aspects of insurance planning, insurance products and risk management. Various retirement products and their features along with the role of Investment Advisers in retirement planning are also discussed. The certification also provides an in-depth understanding of estate planning tools and taxation aspects of different financial securities.



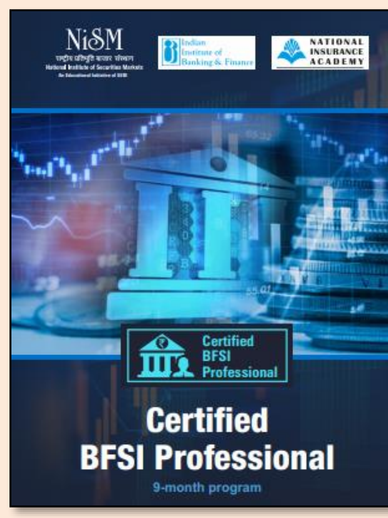
NISM in collaboration with ISEA, CERT-In/C-SIRT-Fin and C-DAC under the aegis of MeitY launched a Self-paced eLearning Course to help individuals and organisations to keep them protected from potential cyber threats. (click on the image for more details



NISM launched Self-paced eLearning 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

The second in the series of Faculty Development Programmes (FDP) of NISM in collaboration of Savitribai Phule Pune University (SPPU) was held on Monday January 15, 2022 *via* online zoom platform.

NISM jointly with Systemic Research Centre of the London School of Economics (LSE-SRC) organized a two-day conference on "Rebooting Financial Regulation: Ways and Means" on January 20 and 21, 2022. Several experts on securities markets from India and abroad graced the occasion and shared their rich experience with the participants. Dr. CKG Nair, Director NISM and Dr. JP Zigrand, Director, SRC– LSE gave the opening remarks. Dr. Nair during his address deliberated on the topic, Regulatory Architecture: Inadequate attention on 'second-order' structures by citing examples from his rich experience. Dr. Kevin James, Economist and SRC Co-Investigator gave a presentation on Growth, Financial Markets, and Regulation: We Need a New Drug.

Dr. Peter Andrews, Senior Adviser, Oxera and SRC Associate spoke about Clear and Measurable Tools for Enhancing Regulatory Accountability and Mr. Ajit Balakrishnan, Entrepreneur and Columnist unveiled an interesting analysis on 'The Coming Algorithmic Financial Regulatory Era'.

On the second day Shri Ananta Barua, Whole Time Member, SEBI addressed on the topic, Balancing Objectives of Financial Regulation: Development, Regulation & Investor Protection. Dr. Eva Micheler, Associate Professor in Law at LSE Law School and SRC Co-Investigator on The Role of toxic corporate culture, citing tell-tale examples of embedded toxicity.

Dr. Amil Dasgupta, Prof. of Finance, LSE deliberated on the topic Institutional Investors and Corporate Governance: Some thoughts on India. Dr. M. S. Sahoo, Distinguished Professor, National Law University, Delhi and former Chairperson Insolvency and Bankruptcy code of India, elaborated on the success of Insolvency reforms in India and how it was marketed.

FOOD FOR THOUGHT – FROM NISM BRAINS

- Ms. Mitu Bhardwaj jointly with Ms. Rasmeet Kohli authored an article on "The trends and concerns pertaining to Intial Public Offers in India" featured in Mint on January 20, 2022
  https://www.livemint.com/money/personal-finance/the-trends-and-concerns-pertaining-to-initial-public-offers-in-india-11642611175171.html

- Dr. CKG Nair jointly with Dr. M. S. Sahoo authored an article on "Scrap reservations in IPO" featured in Financial Express on January 24, 2022.
  https://www.financialexpress.com/opinion/scrap-retail-reservation-in-ipos/2413485/

- Dr. Pardiptarathi Panda jointly with Dr. Babita Panda authored an article on "Indian markets awaits cues from Budget 2022, Fed stance" featured in Policy Circle on January 26, 2022.
  https://www.policycircle.org/opinion/indian-markets-await-budget-2022-cues/

- Dr. CKG Nair jointly with Dr. M. S. Sahoo authored an article on "Fixing the financial architecture" featured in Business Standard on February 7, 2022.
  https://www.business-standard.com/article/opinion/fixing-the-financial-architecture-122020701856_1.html

- Ms. Mitu Bhardwaj authored an article on "Shareholder Activism and Good Governance" featured in ICSI Chartered Secretary Journal published by The Institute of Company Secretaries of India in January 2022 issue (Page Nos 128 to 130).
  https://www.icsi.edu/media/webmodules/linksofweeks/ICSI-January_2022.pdf

- Dr. Ranjith Krishnan jointly with Mr. Mitulkumar Suthar authored an article on "Study of COVID-19 Disclosures by Nifty 50 companies" featured in ICSI Chartered Secretary Journal published by The Institute of Company Secretaries of India in February 2022 issue (Page Nos 110 to 117).
  https://www.icsi.edu/media/webmodules/linksofweeks/ICSI_February_2022.pdf