

# NEWSLETTER

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## From Director's Desk

A 7.2% [GDP growth](#) for the full fiscal 2022-23 generated considerable vibes, mostly positive, in the [media](#). It was 'surprising' to some commentators, 'impressive' to others. But as usual intellectual [opinions](#) and discourses cannot stop with the obvious. They have to go beyond. Therefore, some are anxious, whether under an unfavourable global environment such high growth can be sustained. Some did a sectoral analysis and came to both positive and negative conclusions in terms of which sector is growing and which sector they would like to see growth and so on. But the trajectory of [economic growth](#) is clear. It has picked up momentum. May be all sectors and sub-sectors are not going as per potential but that rarely happens since some headwinds are likely to operate against some sectors. Like weather on agriculture; energy prices and supply chain constraints on manufacturing etc. Broadly, everyone should be happy with the broad contours of realised growth greater than 7% and with the fact that it is back on the rail with a clear positive momentum. In short, though the growth may be surprising to some, it is far from accidental!

The extend of information shared by the Foreign Portfolio Investors (FPI), particularly regarding their ultimate beneficiaries, has been a regularly concern for several years. There were times when many wanted to ban the participatory notes (PN) route to portfolio flows, given its opacity. The policy-regulatory ambivalence comes from the need for having a reasonable level of foreign investment and its stability. However, it appears that SEBI has bitten the bullet of seeking substantive information on the beneficial owners behind FPI. It has come out with a [discussion paper](#) proposing to tighten the disclosure requirements under FPI regulation. The additional disclosure would include granular data of ownership, economic interest, or control rights on a full look-through basis. Though it is limited to concentrated flows as of now, when implemented through amendment to FPI Regulations, it will plug a major loophole in the regulatory structure. A country of India's magnitude and approach to governance should not be worried about part of the FPI flows, whose beneficial owners want to hide behind the veil of secrecy, not coming in. India deserves and wants to have good quality FPI flows not FPI flows of any type at any cost. Known money is always better for the system than unknown money.

## Dr. CKG Nair

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## Financial Markets

### India's GDP numbers higher than expected

India's [gross domestic product](#) (GDP) growth for FY23 is estimated at 7.2 per cent. The growth in real GDP during 2022-23 is estimated at 7.2 per cent as compared to 9.1 per cent in 2021-22. The GDP growth during the fourth quarter of 2022-23 was at 6.1 per cent.

GDP growth at 7.2 per cent for [fiscal](#) 2023 indicates the economy has done better than expected. Importantly, this growth comes on a higher base - due to upward revision of fiscal 2022 data. The economy may slow to 6 per cent this fiscal due to spillover effect of [exports decline](#) from a slowing world and some impact of interest rate hikes on interest sensitive sectors. Even at 6 per cent, India will be the fastest growing [G-20](#) economy.

With the expansion relative to the respective pre-[Covid](#) levels of FY2019 improving to a robust 17.3 per cent in Q4 FY2023 from 15.3 per cent in Q3 FY2023, the underlying momentum of the Indian economy remains healthy.

#### 1. India's fiscal deficit for FY23 narrows to 6.4% of GDP, meets govt target

The Central government's fiscal deficit for the last financial year ended March 31, 2023 narrowed to 6.4 percent of gross domestic product (GDP), from a year earlier, and also met the government's target, aided by buoyant tax receipts and some fiscal headroom from lower payments.

#### 2. Credit card spending in April 2023 rises 25.87%, but monthly growth lowest

Credit card spending witnessed a lackluster performance in April 2023, being the lowest in past thirteen months or more. Additionally, the growth rate of card issuances, when compared year-on-year, was the lowest in the past five months. Credit card spending, however, increased by 25.87 percent year-on-year, reaching Rs 1.3 lakh cr.

#### 3. UPI transactions at record high of Rs 14.3 trn in May 2023, spike in 10 days

Unified Payment Interface (UPI) transactions in May 2023 scaled a new high of Rs 14.3 trillion in terms of value and 9.41 billion in volume. It is a 2 per cent rise in value (Rs 14.07 trillion) and 6 per cent in volume (8.89 billion) compared to April 2023.

#### 4. FDI waters seek their own level

Foreign direct investment (FDI) into India shows a downward trend, posting its first decline in a decade in the previous financial year. This is on a high base of 2021-22, which saw startup valuations climb to heights that were unsustainable.

#### 5. GST collection rises 12% to 1.57 lac. cr. In May 2023

During the May 2023, revenue from import of goods was 12 per cent higher and the revenues from domestic transactions (including import of services) are 11 per cent higher than the revenues from these sources during the same month last year.

## CORPORATE WORLD

#### 1. India's manufacturing PMI hits 31-month high, as factory orders surge on robust demand conditions

Manufacturing sector in India continues to grow from strength to strength as data showed that factory output expanded at the quickest pace in the last 31 months on strong demand and

output. The Manufacturing Purchasing Managers' Index, compiled by S&P Global, rose to over a 2-1/2 year high of 58.7 in May 2023 from April 2023 - 57.2.

### 1. Green fixed deposit norms kick in from June 1, 2023

Effective June 1, 2023 banks that accept green deposits will have to inform the Reserve Bank of India (RBI) how they would invest the funds. The move is aimed at enhancing transparency and ensuring that the money goes to its intended cause. The RBI's framework is intended to encourage regulated entities (REs) to offer green deposits to customers, protect the interest of the depositors, aid customers to achieve their sustainability agenda and help augment the flow of credit to green activities/projects. Green deposits are sort of an Environment, Social, Governance (ESG) investment for those who wish to see their money being used by environmental-friendly companies.

### 2. P-notes investment in Indian markets at 4-month high of ₹95,911 cr. in April 2023

Investment in the Indian capital markets through participatory notes (P-notes) increased to ₹95,911 cr. in the end of April from ₹88,600 cr. in March 2023. This includes the value of P-note investments in Indian equity, debt, and hybrid securities.

### 3. AIFs may face borrowing curbs for making investment

Category I and II AIFs may borrow for the purpose of meeting shortfall in drawdown only if it is done as a last recourse, and the amount borrowed should not exceed 10% of the investment proposed to be made in the investee company.

### 4. New deal, Green innovation a major driving force

Over the 250 years since the first industrial revolution, the timelines of every new innovation cycle appear to be shrinking. After the last cycle, dominated by digital innovation, we are entering a new phase where sustainability considerations are taking centre-stage. Big drivers for this include the shared trauma of communities across the world as a result of the adverse impact of Covid 19, growing anxieties about unchecked global warming, and major new investments being made to solve these kinds of challenges.

## REGULATORY DEVELOPMENTS

### 1. SEBI Proposes treating all Material Information as Price Sensitive

SEBI to review the definition of 'Unpublished Price Sensitive Information' in its effort to bring uniformity and regulatory certainty to existing regulations. All events that are considered material under Regulation 30 of Listing Obligations and Disclosure Requirements would now come under the purview of price-sensitive information for the purpose of preventing insider trading practices.

### 2. SEBI puts in place guidelines for Investor Protection Fund, Investor Services Fund

The SEBI has issued comprehensive guidelines for Investor Protection Fund (IPF) and Investor Services Fund maintained by stock exchanges and depositories. The guidelines cover the constitution and management of the IPF, contribution to IPF by exchanges as well as depositories, and utilization of IPF. In addition, SEBI has issued a Standard Operating Procedure (SOP) indicating the process and timelines for the declaration of default of a trading member, processing of investor claims out of IPF, and review of claims. The new guidelines will be effective from 29 June 2023.

### **3. SEBI issues model tripartite agreement between the issuer and share transfer agents**

A model tripartite agreement for the issuing firm, the current share transfer agent, and the new share transfer agent has been issued by the market regulator Sebi. In collaboration with various issuing firms and the Registrars Association of India (RAIN), this model Tripartite Agreement has been worked out.

### **4. IRDAI relaxes norms for surety bonds to expand market for such products**

IRDAI has relaxed norms for 'surety bonds' to increase availability and expand the surety insurance market. The solvency requirement applicable for such products has been reduced to 1.5 times from 1.875 times and the 30% exposure limit on each contract underwritten by insurers has been removed. The amendments follow the recent notification removing the cap on premiums that could be underwritten in a financial year by mono-line insurers transacting only surety insurance business. The changes aim to increase liquidity for contractors, foster a healthy business environment and boost the infrastructure sector.

### **5. Regulators will drive the ESG agenda**

SEBI made ESG reporting using the BRSR (Business Responsibility and Sustainability Reporting) framework mandatory for the top 1,000 listed companies from FY23 onwards.

### **6. SEBI mandates risk disclosures for F&O trades, to protect retail investor**

While investors are expected to make investment, decisions based on their own due diligence and risk appetite, it is important to empower them with detailed information about the risks associated with trading in derivatives. Hence the proposed step.

### **7. The next steps in climate efforts**

Considerable excitement has been generated on the adoption by consensus of the UN General Assembly resolution (A/RES/77/276) of March 29, 2023, which seeks advisory opinion from the International Court of Justice (ICJ) on "the obligation of States in respect of Climate Change". The resolution is considered a landmark because it was co-sponsored by 133 member countries. Though advisory from the ICJ is not legally binding on nations, it carries a certain moral authority.

### **8. SEBI proposes institutional mechanism to prevent fraudulent trades in AMCs**

Capital market regulator Securities and Exchange Board of India (SEBI) has recommended an institutional mechanism like in Market Infrastructure Institutions and Qualified Stock Brokers for preventing market abuse and fraudulent transactions in asset management companies (AMCs).

### **9. SEBI asks REITs, InvITs to hold securities of SPVs, Holding Cos in demat form only**

To encourage ease of doing business and improve transparency, SEBI asked REITs and InvITs to hold the securities of holding companies and special purpose vehicles (SPVs) in dematerialized form only. The investment manager of the REIT (real estate investment trust) and InvIT (infrastructure investment trust) will have to ensure the same.

### **10. RBI pushes for stronger governance at public sector banks**

The role played by the banks in supporting the economy and maintaining resilience along with improved financial performance in the face of several adverse shocks in recent times is praiseworthy. However, the Board of Directors of banks have been urged to further strengthen the governance and assurance functions (risk management, compliance and internal audit) so that the banks are able to identify and mitigate risks at an early stage, added an RBI statement.

## DEVELOPMENTS IN RELATED AREAS

### 1. Net FDI, FPI and FII data (2022-2023)

FDI, FPI and FII data are out for ready reference in RBI Bulletin for May 2023 with estimates of latest months along with debt transactions of FDI enterprises – point 34 under Foreign Investment Inflows.

### 2. The AI boom delivers a trillion-dollar baby

The release of OpenAI's ChatGPT late last year, tremendously accelerated the pace of AI development. The biggest technology companies have all announced their own AI efforts and plan to spend tens of billions of dollars on these plans. A meaningful part of this spend will go to companies like Nvidia, which sell the chips supporting AI development. While gaming and HPC & Cloud are Nvidia's two largest end-markets, accounting for 46 percent and 39 percent of sales respectively, AI development as an end-market is sure to emerge as a big thrust for it.

### 3. Supreme Court invites bids for AI tools for transcription of court proceedings

A bid document released by the court recently said eligible companies must be incorporated under the Companies Act or be a government entity with two years of proven experience in providing such systems either nationally or globally. The tools would first be used for matters adjudicated on by the Constitution benches and later for rest of the matters, subject to approval and directions of the concerned court.

## GLOBAL FINANCIAL DEVELOPMENTS

### US Congress approves debt deal, averting a US default

A [default](#) would limit the government's ability to borrow more money or pay all of its bills. It would also threaten to wreak havoc overseas, affecting prices and mortgage rates in other countries. America can breathe a sigh of relief, a sigh of relief because of avoiding such default.

The Senate voted 63-36 to [approve](#) the bill that had been passed on Wednesday by the House of Representatives, as lawmakers raced against the clock following months of negotiations between Democrats and Republicans.

The timeframe to pass the bill through Congress was extremely tight with little room for error, putting enormous pressure on the leadership of both the parties as the threat of default loomed.

To get the bill over the finish line, lawmakers raced the clock to prevent a default ahead of June 5, 2023 the date the Treasury Department warned it will no longer be able to pay all of the nation's obligations in full and on time – a scenario that could trigger global economic catastrophe.

### 1. Amazon's AWS to invest \$12 billion into India's cloud infra

Amazon Web Services (AWS) on May 18, 2023 announced its commitment to invest \$12.7 bn. (over Rs 1 lk. cr.) into India's cloud infrastructure by 2030 in its efforts to meet growing customer demand for cloud services in the country.

### 2. Japan's inflation stays above BOJ's target, key gauge hits four-decade high

Japan's core consumer inflation stayed well above the central bank's 2% target in April 2023 and a key index stripping away the effects of fuel hit a fresh four-decade high, keeping alive

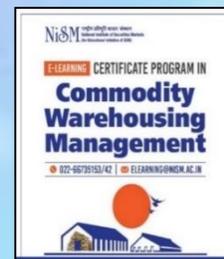
expectations of a tweak to its massive stimulus this year. While raw material costs have peaked, a steady rise in services and food prices highlight broadening inflationary pressure that may prod the Bank of Japan (BOJ) to revise up this year's price forecast in July 2023.

### 3. Fitch Ratings puts United States' AAA rating on watch pending debt ceiling deadline

Fitch put the country's 'AAA' rating, its highest rank, long-term foreign-currency issuer default rating (IDR) on rating watch negative to a possible downgrade, prior to reaching the agreement between parties to raise the debt ceiling.

## NISM ANNOUNCEMENT

**Certificate Program in Commodity Warehousing Management:** This 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 the commodity eco-system 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 understanding the role of financial markets and financial assets in a well-functioning economy.

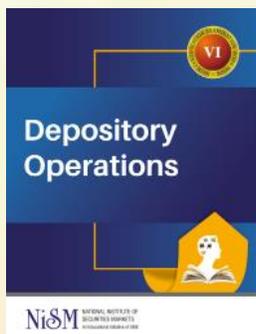
**Mutual Funds (Basic):** In this course one will learn about mutual fund concepts, the process of investing in a mutual fund, benefits of investing in a mutual fund. The course also details various risk factors associated with investing in mutual funds.



**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-VI: Depository Operations Certification Examination:** NISM Series-VI: Depository Operations Certification Examination seeks to create common minimum knowledge benchmark for associated persons engaged or employed by a registered depository participant in dealing or interacting with clients; dealing with securities of clients; handling redressal of investor grievances; internal control or risk management; activities having a bearing on operational risk; maintenance of books and records pertaining to the above activities. The certification covers the various functions of depositories, their depository participants, and the regulatory framework under which the depository system functions in India.

### Online Certificate Course in Investment Management



The course aims at providing a better understanding of the investment decision making process and strategies for investment, with emphasis on equities and equity derivatives. The course helps to develop fundamental skills for successful investment by providing insights into how models can be applied in the real-world dynamic environment with the objective of maximizing returns and minimizing risk. It also provides an exposure to trading simulations through the NISM Algo and Trading Analytics Lab. This programme is to begin shortly.

## NISM NEWS

### Inauguration of Post Graduate Program in Securities Markets (Portfolio Management / Investment Advisory / Research Analysis) 2023-24 batch



The inauguration Ceremony was held in hybrid mode (in-person event live streamed online simultaneously) on Saturday May 27, 2023 at NISM BKC office, Mumbai, India. Dr. Rachana Baid, Dean (Academics) NISM welcomed the participants, introduced the program structure, delivery mode and drew attention to the diversity of the cohort in terms of location (India & overseas), work experience, etc. Mr. Sunil J. Kadam, Registrar, NISM in his opening address highlighted the

PGP program context and its relevance especially in the dynamic and complex world of capital markets driven by technology. Dr CKG Nair, Director, NISM inaugurated the program by congratulating all the successful participants, sharing his experience, insights and emphasized the need for well-trained and skilled capital market professionals to serve all market participants.

### Inauguration of Certificate Program in Custodian Services – First Batch



NISM has launched a Certificate Program in Custodian Services jointly with ICICI Bank Ltd. at the Patalganga campus. The inauguration ceremony was held in hybrid mode (in-person event live streamed online simultaneously) on Monday June 5, 2023 at NISM Campus, Patalganga, Raigad, India. Dr. Kapil Shrimal, Program Director (CCS) welcomed the participants from ICICI Bank Ltd., introduced about the program structure, delivery mode and briefed about the session plan for next three weeks. Dr. Rachana Baid, Dean (Academics) NISM inaugurated the program by congratulating all the participants, and shared with them the role and importance of custodian in capital markets and emphasized the need for the program in the growing custodian business of capital market. Mr. Avinash Kansal (Head – Capital Markets and Custody Group) from ICICI Bank Ltd. addressed the participants online, highlighted the benefits of the program for their career growth, and motivated the participants to make the best use to this three weeks' program. Other officials from the ICICI Bank Ltd. also interacted with the participants.

### Faculty Development Program (FDP) with Aditya Birla Sunlife Mutual Fund (ABSLMF) AMC at MIT College, Pune



A Faculty Development Program (FDP) was conducted in collaboration with Aditya Birla Sunlife Mutual Fund (ABSLMF) AMC on the topic of "Investing in Capital Markets" at MIT College, Pune on May 31, 2023.

The theme of the FDP was "Investing for Amrit Kaal – India@100 Years." The attending faculty members were briefed and taken through five sessions on the Importance of investing in Capital Markets to achieve various financial goals, beat inflation and make India ready for Amrit Kaal through sustainable investment. A total of 108 faculty members from different streams attended the program.

## FOOD FOR THOUGHT – FROM NISM BRAINS

- **Dr. Ranjith Krishnan jointly with Ms. Usha Ganapathy Subramanian:** “SEBI to realign UPSI definition with material events to curb insider trading” featured in Mint on May 30, 2023.

The regulations not only prohibit trading, while in possession of UPSI, but also prohibit communication about UPSI to outsiders unless required for legitimate purposes on a ‘need-to-know’ basis.

<https://www.livemint.com/money/personal-finance/sebi-proposes-to-redefine-upsi-to-deter-insider-trading-aligning-it-with-material-events-disclosure-for-greater-transparency-11685468934515.html>

- **Dr. CKG Nair jointly with Dr. M. S. Sahoo:** “Disclosures and disconnects” featured in Financial Express on June 02, 2023.

The current disclosure-based regime does not distinguish between the issuers who comply with regulations in both letter and spirit, and those who comply in letter only. Therefore, the disclosures, right from the DRHP onwards, should be used by the regulator to create a dynamic information folio of all issuers [the large ones and groups of the existing listed companies to start with to address capacity constraints in Sebi] and, based on the quality of disclosures follow a reward-and-punish approach, rather than only punishing the violators.

<https://www.financialexpress.com/opinion/disclosures-and-disconnects/3110776/>

- **Mr. Kuldeep Thareja, Ms. Mitu Bhardwaj & Ms. Rasmeet Kohli:** “Time to color the risk to help out Investors” featured in Mint on June 05, 2023.

This article explains how lack of understanding about the risks of the various financial products in proportion to individuals risk-taking capacity, results in investors losing their hard-earned money. SEBI had prescribed the color codes for the different mutual fund schemes based on their perceived risks, which later evolved into Risk-o-meter. These colour codes helped investors select schemes as per their risk aptitude. Following the similar approach, the authors propose that all other financial market regulators also come up with colour coding for products based on perceived risk. Regulators may also publicize and warn investors about risk associated with unregulated products too.

<https://www.livemint.com/money/personal-finance/mitigating-financial-risks-a-case-for-color-coding-of-investment-products-by-regulators-11685901773822.html>

- **Dr. Rachana Baid jointly with Mr. Ajay Tyagi:** “Checking RPT abuse” featured in Financial Express on June 05, 2023.

Curbing the abuse of related party transactions can’t be left just to the company management—the other stakeholders need to be much more alert and vigilant. Given the possible benefits from RPTs, no known jurisdiction in the world imposes outright bans on such transactions.

<https://www.financialexpress.com/opinion/checking-rpt-abuse/3113108/>

- **Dr. CKG Nair & Dr. Rachana Baid:** “MFS must perform before the push for a performance-based fee structure” featured in Mint on June 06, 2023.

SEBI proposes performance-linked fees and revisiting total expense ratio of asset management companies. But underperformance of equity schemes raises questions about the superiority

of professional management. A benefit-o-meter approach may be needed to categorise various mutual fund products.

<https://www.livemint.com/money/personal-finance/mfs-must-perform-before-the-push-for-a-performance-based-fee-structure-11686072968691.html>

- **Dr. Ranjith Krishnan jointly with Ms. Usha Ganapathy Subramanian:** “Re-engineering the Decisional process in management through Fintech” featured in The Management Accountant Journal published by The Institute of Cost Accountants of India in June 2023 (Page Nos. 27 to 31).

Technologies like Artificial Intelligence, Big Data, Internet of Things (IoT), RFID, Distributed Ledger Technology, Cloud Computing, Robotic Process Automation and Smart Contracts are taking the world by storm. As technology leaps forward and takes forms which were unheard of and unthought of even a decade back, businesses are eager to harness these by all means they can to improve the way they function and thrive.

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- **Mr. Shiba Prasad Mohanty:** “Fintech in India: Opportunities and challenges to the emerging financial ecosystem” featured in Policy Circle on May 09, 2023

The growth of financial services has been phenomenal due to the development of technology. A number of fintech players in India emerged from nowhere to grab the opportunities presented by the digitisation of the economy and managed to become major players in the financial system. Fintech players amalgamate technology with innovative business models that are interconnected with banks. The fintech ecosystem received a major boost from blockchain technology, which works as a centralized distributed ledger mechanism, eradicating the threat of data theft and retrieving the information as and when needed. When it comes to the banking and financial services industry, fintech ensures last-mile connectivity to the end-user.

<https://www.policycircle.org/governance/fintech-vs-techfin-india-2023/>

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