Azadi Ka Amrit Mahotsav

FICCI

#CAPAM 2022

19 Annual Capital Markets Conference

Amrit Kaal: Roadmap for Capital Markets for India's century

The Experts' Voice

A compendium of articles

Disclaimer

The information and opinions contained in this document has been compiled or arrived at on the basis of the market opinion and does not necessarily reflect views of FICCI. Views expressed are personal.

FICCI does not accept any liability for loss however arising from any use of this document or its content or otherwise in connection herewith.

FICCI

Foreword

We have been celebrating "Azadi ka Amrit Mahotsav", the achievements of 75 years of Independent India. Alongside, the roadmap is being planned for the 100th year of Independence@2047 being named as Amrit Kaal. Given the massive growth potential of our capital markets during the next 25 years, the 19th edition of FICCI's Capital Markets Conference - CAPAM 2022, focusses on the roadmap for Indian capital markets for the next 25 years and its catalytic role in India's overall growth trajectory. Accordingly, the theme for the year is AMRIT KAAL: ROADMAP FOR CAPITAL MARKETS FOR INDIA'S CENTURY.

India's deep and vibrant capital markets have been consistently supporting economic growth, pooling domestic savings and mobilising foreign capital for productive investments. The buoyant trend in Indian capital markets is evidenced by the growing market capitalisation, successful IPOs, burgeoning AUM, heightened interest of foreign investors and increased deployment of household savings into the capital markets. Sustaining this momentum is critical to achieve the vision for India's Amrit Kaal.

Focused deliberations at CAPAM 2022 on developing a blueprint for capital markets over the next 25 years will aim to put forth some meaningful recommendations for the industry as well as the policy makers for seizing opportunities for growth.

On this occasion, we are pleased to present The Experts' Voice, a compendium of articles contributed by members of FICCI's National Committee on Capital Markets. The publication outlines how Indian capital markets could impart greater momentum to economic growth and details the interventions required for enhancing the efficiency of capital markets. Ranging from topics as diverse as role of good governance, decarbonisation and role of technology, these articles capture the recent reforms in the domain, their impact, challenges and put forth possible solutions to ease out such challenges.

We are grateful to Ms Madhabi Puri Buch, Chairperson, SEBI for inaugurating CAPAM 2022 and also launching FICCI's RegTech Initiative on the occasion. The RegTech initiative is aimed to improve compliance and would help listed corporates discharge their obligations wrt all applicable SEBI Regulations. We are privileged to have received her guidance and encouragement for this initiative.

We would also like to take this opportunity to thank the Regulators, senior bureaucrats, and government officials for their participation in CAPAM 2022 and also for their support to the initiatives of FICCI National Committee on Capital Markets through the year.

We also express our appreciation for the members of FICCI's National Committee on Capital Markets who have contributed their valuable time and inputs over the years to strengthen FICCI's policy advocacy. A special thanks to all the members who have contributed to this compendium. In tune with the times, we are releasing the Compendium electronically.

We do hope you will find this publication insightful.

Sunil Sanghai
Chairman

Vijay Chandok
Co-Chair

Himanshu Kaji
Co-Chair

FICCI Capital Markets Committee

FICCI

Contents

Articles

- **Paanch Prana for the Capital Markets** 07
  Sunil Sanghai, *Chair, FICCI Capital Markets Committee and CEO, NovaaOne Capital*
- **Evolving Role of Technology in Financial Markets** 10
  Himanshu Kaji, *Co-Chair, FICCI Capital Markets Committee and Executive Director & Group COO, Edelweiss Financial Services Ltd*
- **Amrit Kaal: Road Map for India's Capital Markets** 14
  Vijay Chandok*, Co-Chair, FICCI Capital Markets Committee and Managing Director, ICICI Securities*
- **Why Shareholders Need to be Good Stewards** 17
  Amit Tandon, *Founder and Managing Director, Institutional Investor Advisory Services India Ltd (IiAS)*
- **Mutual Funds – Tomorrow Beckons** 20
  Anthony Heredia, *Managing Director & CEO, Mahindra Manulife Mutual Fund*
- **Proposed Confidential Filing Process –Beneficial to an IPO?** 22
  Cyril Shroff, *Chairman, FICCI Corporate Laws Committee and Managing Partner, Cyril Amarchand Mangaldas and* ***Yash Ashar,*** *Partner, Cyril Amarchand Mangaldas*
- **Good Governance Key to Super Growth** 26
  JN Gupta, *Co- Founder & MD, Stakeholder Empowerment Services*
- **When India hits a Century!** 29
  Nilesh Shah, *Managing Director and CEO, Kotak Mahindra Asset Management Co Ltd*
- **Amrit Kaal: Roadmap for Capital Markets for India's Century** 31
  Parul Mittal Sinha, *Head -Financial Markets, India & Head of Macro Trading, South Asia, Standard Chartered Bank*
- **Reforms Required in Indian Capital Market for $5- Trillion Economy** 35
  R Govindan, *EVP Corporate Finance and CRO, Larsen & Toubro Ltd.*
- **New-Age Risks and Regulatory Architecture for Amrit Kaal** 39
  Rakesh Valecha, *Senior Director & Head- Core Analytical Group, India Ratings and Research (A Fitch Group Company)*
- **Declassification from Promoter Group – Need for a Robust Regulatory Framework to Streamline a Muddled Exemption Route** 42
  Shardul S Shroff, *Chair, FICCI Stressed Assets Committee and Executive Chairman, Shardul Amarchand Mangaldas & Co and*
  Sayantan Dutta, *Partner, Shardul Amarchand Mangaldas & Co*
- **Capital Markets Set to be Growth Catalyst for Amrit Kaal @ 2047** 48
  Sundeep Sikka, *Executive Director & CEO, Nippon Life India Asset Management*

Initiatives of FICCI Capital Markets Committee 51

Policy Recommendations 54

Paanch Prana for the Capital Markets

Sunil Sanghai, *Chair, FICCI Capital Markets Committee and CEO, NovaaOne Capital*

This year, on the Independence Day our Hon. Prime Minister gave a call for Paanch Prana from the ramparts of the Red Fort and set a target for the nation for the next 25 years. This prompted me to reflect on it from the capital markets perspective. In my earlier article titled as "Indian Capital Markets during Amrit Kaal", I had talked about the expected growth of our capital markets during the Amrit Kaal. Our capital market has the potential to be closer to twice of our GDP in the next 25 years. As per various estimates, our GDP is expected to be around US$ 25trillin by 2047 therefore capital markets could be app US$ 50 trillion.

Given the massive growth potential of our capital markets during the next 25 years, I would like to discuss the five main areas which are required to be focussed on to facilitate this growth. These are like Paanch Pranas for the capital markets.

First Prana - increasing financialization in the country

On the lines of the Jan Dhan yojana wherein bank account of every Indian was opened, we need to deepen financial literacy and responsibly communicate the opportunities offered by the capital market across the country. There is a large potential to channel the untapped pools of financial capital invested in cash, bank deposits or gold into the capital markets. At present, only 5.5% of our population, that is ~ 7.7 crore retail investors participate in the capital markets. This number can potentially increase to almost 75 crores which would be ~ 45% of the country's population in the next 25 years. Technology will have to be significantly leveraged to support such a massive inclusion drive. Technology-driven distribution solution, differentiated product strategy for different segments and ease of transacting including the KYC norms, will have to be the backbone of the market. Promoting growth and distribution of mutual fund across the country could be an answer to this.

Second Prana - the growth of private capital

India has seen attractive returns in both public and private markets. Over a period, our public markets have grown very well. We have a robust primary and the secondary market and the mutual fund industry is also growing. Indian public equity market has given a return of ~14% in the last 10 years whereas private market funds have earned ~16% median net returns. Over the next 25 years, there is an opportunity and a need to establish a strong private market ecosystem.

Private market could include private capital (debt or equity), long term project financing, private trading, and providing liquidity to founders or employees against their shareholdings.

Again, technology and digital platforms can be used to connect private companies with institutional and accredited individual investors to reduce the time to market.

Third Prana - capital markets as a viable alternative to banks

We need to build our capital market as a potential alternative to deploy deeper pool of capital available in the form of savings and deposits with the Indian households. In the US, just 16% of personal financial assets are in the form of cash or savings accounts: in contrast, Indians still hold more than 60% of their wealth in the form of cash or savings account. This is our opportunity to drive savings into capital markets. We can achieve this by deepening the reach of the capital markets, offering products across different assets classes, providing a wider variety of market traded products, and driving massive investor education programs.

Our corporates continue to be significantly dependent on bank borrowings. Also, financing for M&A activities and leverage buy outs is not permitted through the capital markets. Promoting financing of such corporates through the capital markets could lead to more competitive pricing in a regulated environment.

Additionally, equity capital is also needed for small size corporates which are currently unable to tap into the capital markets. Our markets, at present, have ~5000 large to medium size corporates. We believe there are another ~10000 plus medium to small size companies that are fully dependent on the bank financing and

founders' capital. This number will only grow with a growing economy. These companies can be enabled to fund their growth through the capital markets within an adequate regulatory framework.

Fourth Prana - digitisation of most assets class

Our aim should be to digitise all assets which can then be listed/ traded publicly. Here, the first thing that comes to mind is gold. We should focus on the digitisation of the physical gold lying with the households and with various other institutions. Several initiatives are already under way to monetise gold. Gold can also be monetised through a gold derivative exchange supported by a robust infrastructure for the physical movement of the gold. The other class of new assets which can be digitised is real estate where experiment with REITs is already quite successful.

Fifth and final Prana - modernisation and harmonisation of regulation and supervision.

Regulatory framework is the backbone of any market. To capture the expected massive growth and complexity of the market for the next 25

years, we need two fundamental changes in our regulatory framework. First, we would need to harmonise various regulatory disciplines such as banking, insurance, pension, corporate laws, competition commission and capital markets. All these regulatory frameworks at some levels are linked to each other. One option could be to have an umbrella regulatory authority looking after all financial markets related regulatory framework. This will lead to harmonisation of the regulatory framework. Further, we should modernise our regulations, governance, and surveillance system. A regulatory framework embedded with technology would be the solution to handle expected high volume. In conclusion, we do want our capital markets to be one of the largest in the world in the next 25 years and we do have capacity and capability to do that. The five pranas are the building blocks required to make the foundation strong and to help achieve the target.

Evolving Role of Technology in Financial Markets

Himanshu Kaji, *Co-chair, FICCI Capital Markets Committee and Executive Director & Group COO, Edelweiss Financial Services Ltd*

We're witnessing the creative destruction of financial services, rearranging itself around the consumer. Who does this in the most relevant, exciting way using data and digital, wins! - Arvind Sankaran

Introduction

Technology has revolutionized the way financial markets have been traditionally operating. The advent of technology has made the financial markets more transparent, accessible, inclusive and efficient for all market participants. The information symmetry has further enabled the Regulators to track risks and the potential lapses easily. In a way, the evolution of technology has transformed the way consumer have been consuming the Financial Services, making them more consumer centric and specific in the recent years.

"Fintech" is a word used to describe the use of technology to deliver financial solutions. Though this term appears to be recent, the association of technology and financial markets has been a long one with the global financial markets being the largest buyer of the IT products and services. As per the report published by The Brainy Insights, the global fintech market is expected to grow from $ 115.34 billion in 2021 to $ 936.51 billion by 2030, at a healthy CAGR of 26.2%.

Evolution & Trend

Market experts refer to the era of 1800s to 1980s as FinTech 1.0, which was largely about the banks being the sole players in the ecosystem with minimalistic adoption of technology. The 1980s to 2008 period is generally referred to as FinTech 2.0 which was associated with increased digitalisation and banking. FinTech 2.0 era was known for recognizing different regulatory aspects for e-banking taking the financial risks associated into account and lasted until the economic crisis of 2008. The Fintech 3.0 era post the 2008 economic crisis is all about radical shift in adoption and behaviour pattern of consumers for financial services. The aftermath of 2008 crisis saw an increased burden of compliance obligations on the banks, which acted as a catalyst for the growth for other financing institutes, fintech start-ups and other modes of financing like peer-to-peer funding and crowd funding. And the emergence of Covid crisis in 2020, gave a huge impetus to the need for technology adoption in Financial Services. This led to increase in prominence of adoption of technology use cases and platforms, which had low penetration among masses before covid struck. Today, the Fintech Umbrella encompasses broadly eight categories

of services (as below), with adoption of these services seeing a rapid growth over the last few years.

1. **Banking** - Core products include personal current accounts, savings, credit cards and mortgages
2. **RegTech** - Focuses on companies with technology and activities focusing on reimaging and streamlining risk, Know your customer requirements, credit scoring and compliance
3. **InsurTech** - Includes companies selling insurance digitally or introducing new digital business models or reinsurance software
4. Lending - Companies focusing on innovating credit, including commercial to retail and specialist lenders and platforms that facilitate P2P
5. **Business Banking** - Primarily focused on supporting SME businesses with services such as accounting, payroll, invoices and expense management
6. **Payments -** Businesses that provide money transfer, remittance and foreign exchange services
7. **Quote Aggregators -** Provide online comparison systems for consumer quotes such as insurance, loans, credit cards and mortgages
8. **WealthTech -** The largest category, focuses on investment and management platforms, sales and trading analysis tools, personal finance management and crypto exchanges

All the above 8 categories of businesses are seeing technological disruptions in financial services. They key evolutions are as follows:-

1. **Big Data** have helped financial firms in automation, making predictions and decisions by analysing massive amounts of data sets and analytics. This has enabled development of data models with better predictability and performance through data, without being programmed to do so by humans.
2. **Artificial Intelligence (AI) and Machine Learning:** The deployment of AI in finance is expected to increasingly drive the competitive advantages for financial firms by reducing cost and enhancing the quality of financial services and products offered to the consumers. As one of the use cases of this technology, AI techniques are applied in asset management and the buy-side activity of the market for asset allocation and stock selection based on ML models' ability to identify signals and capture underlying relationships in big data, as well as for the optimisation of operational work flows and risk management.
3. **Blockchain:** Blockchains have further strengthened the entire financial technology ecosystem. Blockchain through its Distributed Ledger Technology (DLT) has also transformed regular financial transactions into entirely transparent ones, paving the way for a fully democratized financial landscape. The technology has also been hailed for its tight security characteristics that have led to increased confidence in online financial services.
4. **Robo-advisory services:** The introduction of technology on financial services has also seen the emergence of Robo advisory services. These are digital investment and wealth management service providers that deploy algorithms to give clients investment advice that is hinged on lowering costs and increasing accessibilities.
5. **Hybrid Cloud servers:** A hybrid cloud is defined as an environment that is designed to

store data, make calculations and provide services. It comprises of public cloud, private cloud, and on-premises infrastructure. Hybrid platforms are capable of providing institutions real-time data integration, customization and in-depth analysis of data.

Challenges

Just like two sides to every coin, the advent of technology comes with its own set of challenges. While technology has brought about ease of use, transparency and speed in the financial services, data security breaches and cyber-attacks have also seen a huge rise in the recent times. According to VMware, the first half of 2020 saw a 238% increase in cyber-attacks targeting financial institutions and according to IBM and the Ponemon Institute, the average cost of a data breach in the financial sector in 2021 is $5.72 million. The most common types of cyber threats that are prevalent today in the financial industry are:

1. **Phishing -** A method of tricking users into divulging login credentials to gain access to an internal network. It's estimated that over 90% of all successful cyber-attacks start with a phishing attack, with Finance Industry being the worst hit, by accounting for 25% of the total Phishing attacks in 2021.
2. **Ransomware -** A cyber-attack where cyber criminals lock victims out of their computers by encrypting them with malware. The damage is only reversed if a ransom is paid. Ransomware attacks increased to 55% of total financial firms hit in 2021, compared to 34% in 2020.
3. **DDOS Attack -** In DDOS attack, a victim's server is overwhelmed with fake connection requests, forcing it offline. In 2020, the financial sector experienced the highest number of (DDoS) attacks, wherein the payment processes were majorly hit.

In order to avoid security breaches from such attacks, financial firms have beefed up their IT security practises by using Third Party Risk Management, Multi Factor Authentication, Firewall.

Clearly, financial firms not only need to keep pace with rapidly evolving technology trends, but also bolster their technology infrastructure and security practises to shield themselves from potential cyber-attacks. This certainly comes at a cost, as it requires deployment of both manpower and technology.

FICCI

Way Forward

The Fintech adoption and its growth has a huge untapped potential globally. The demand for fintech has grown fast in recent years and is expected to grow much more throughout the forecast period. This expansion can be attributed to the rising demand for digital financial services such as online payments, digital wallets, mobile banking & online fund transfers for a faster, safe and seamless customer experience, with covid crisis being a major catalyst behind this rise. While technology has enabled financial services firm to achieve higher market penetration at a lower cost, it has also increased the onus of compliance from the regulatory authorities. And with regulatory authorities opening the market to the new entrants, it is expected to drive more competition with emergence of new players offering better value proposition and customer centric tailor-made products and offerings.

But the evolving technology landscape, also brings along new set of challenges pertaining to the data security, privacy and cyber-attacks. Which means financial firms not only need to be abreast with evolving technology trends, but also need to keep tabs on the rising cyber-attacks as any breach may prove expensive both from a regulatory and a reputational standpoint. One of the others challenges for the new financial firms would be on having a customer centric yet a sustainable business model, which would not only cater to the tech savvy customers but also ensure sound unit economics. The emergence of recent funding winter owing to the global macroeconomic conditions, has left many start-ups cash strapped and scrambling for a sustainable business model, with investors becoming increasingly cautious and stringent about their investments. While for the established players like banks, the challenge would be to keep up pace with the new age firms in terms of speed of technology adoption, as banks have been guilty of being slow in catching up with the digitalisation trend.

Overall, the outlook for the technology adoption in the financial services looks robust and upbeat in the future, but the financial firms will have a lot to do to make the most of this opportunity.

FICCI

Amrit Kaal: Road Map for India's Capital Markets

Vijay Chandok, *Co-Chair, FICCI Capital Markets Committee and Managing Director, ICICI Securities*

This year we are proudly celebrating "Azadi ka Amrit Mahotsav", the achievements of 75 years of independent India. Alongside, the Government is laying down the roadmap for the 100th year of Independence@2047 being named as Amrit Kaal.

The role of financial sector, especially, capital markets, would be the key for achieving some of the ambitious goals set by the government for 2047. Before we look forward, it would be pertinent to go back in history on how our markets have evolved from a nascent stage to becoming one of the most dynamic and vibrant markets globally.

This can be attributed to the massive regulatory and governance transformation that has been undertaken over the past few years. It is heartening to note that the government is keen to remove bottlenecks and address all issues that impact ease of doing business.

The market landscape has changed significantly in the last decade with technology playing an important role in broad basing the Indian markets. Further, regulatory support for innovation has helped intermediaries to expand the remit of product offering and reaching out to new investors in remote areas of the country. Capital markets is no longer confined to Tier 1 cities of India but has reached Tier 2, 3, and beyond cities. At the same time, it must be appreciated that the regulatory enforcement regime has ensured that interest of investors is safeguarded and intermediaries following unscrupulous practises are actioned against.

The stage is set to leap into an exciting period of growth and spread of markets. In my view, India would be a leader in financial markets in 2047. However, we need to intensify our efforts and move in sync with global developments to realise this ambition. There should be a coherent strategy to develop the markets and increase market participation. Further, corporates should have ease of access to risk capital for new projects, developments and expansion. Government, regulators and intermediaries have to work jointly to make this happen. Some of the areas that would require our immediate attention include:

- **Investment in technology infrastructure**

New technologies have improved efficiency and speed of service, as well as provide better customer experience. Exponential growth in information technology has prompted companies to leverage digitization technology to transform the financial services industry through customer experience management. Digitization of financial services is an ongoing revolution which needs to

be adopted by firms to expand their product suite and client base. Firms are no longer considered as financial companies but are looked upon as tech companies providing financial solutions.

Application of technology in financial markets is changing the way financial markets traditionally have functioned. Technology is affecting financial markets through various channels be it technology driven financial market platforms for fund raising, online access to investment products, post-trade market for securities, product and process), etc. As scales and processes are growing, it is critical from a risk management perspective to invest in Reg Tech. Firms and the SEBI have to work together to prepare Indian securities market and regulatory framework to adopt for adoption of FinTech & Reg Tech solutions while promoting market integrity, market development, consumer protection and managing change, business models and market disruptions.

The next 25 years would see investment in technology for catering to clients and providing new services and products. We would also witness evolution of Regtech to help firm in managing their compliances and regulators carrying out their regulatory functions.

- **Investment in human resource**

COVID-19 illuminated the fact that organizations require more than just a plan for dealing with the unexpected. Even more pressing is the need to make a fundamental shift in mindset, where the drive to survive is replaced with a desire to thrive. In order to succeed, an organization must become-and stay-distinctly human at its core. Today's environment of extreme dynamism calls for a degree of courage, judgment, and flexibility that only humans and teams led by humans can bring.

Product innovation, product design, sales and customer service require new strategies and a focussed approach. Firms will have to invest for talent acquisition and talent retention. If someone thinks that finance firms need CAs and MBAs only, then that notion has to be discarded. Apart from human resources in Finance, the new age firm needs technocrats, marketing whizkids, and strong compliance professionals to ensure that the firm is able to meet its desired growth objectives. Companies will have to change their HR strategy in sync with the expectations of their millennial employees who are no longer a number on the pay roll but are growth partners of the firm.

- **Product Innovation**

A vibrant capital market needs to cater to requirements of issuers and investors. The proliferation of more consumer choice than ever before spurred by a multitude of digital channels is resulting in constantly changing customer expectations. This, in turn, is fuelling a demand for greater personalization, or the ability to market, advertise to, and even develop products or services that suit individual consumer preferences.

Additionally, financial intermediaries will also have to innovate smarter solutions for industry to access capital markets. Our capital raising regulations have undergone multiple changes during last twenty years to facilitate corporates to access capital markets. However, with the usage of innovative concepts such as peer to peer lending, crowd funding, Dutch Auctions, SPACs, investment banks will have to think of out of the box solutions to service their clients for raising capital. The intermediaries should look to push up the value chain to remain relevant.

While, moving ahead towards 2047, firms will have to think out of the box to stay ahead of the curve to meet these expectations. At the same time, regulations will have to evolve to support such innovations while keeping investors' interests in mind.

- **Increase investor knowledge, awareness, financial literacy and trust in financial markets.**

Decades back, Indian equity markets centred around Mumbai but that it in longer the case. Today, we have over 100 million demat accounts spread all across India which reflects the spread of our markets. Having said that, there is a big opportunity in front of us to take these markets to remote corners of India and increase the investor base. This cannot happen if the masses are not financially literate. SEBI has taken giant strides in increasing investor awareness and as an industry we have to supplement these efforts to educate the population more about financial markets and how it helps them to secure a better future. Investors look upto firms to educate them more about financial products and it would serve our cause better if we can provide them more guidance on these products. A well informed and educated investor is an asset to financial intermediaries.

- **Regulatory Support**

SEBI has been a dynamic regulator and has directed, guided and supported the development of Indian markets since 1992. In order to achieve, the objectives laid down in the road map of 2047, it will have a key role to play. Regulatory infrastructure should envision the proposed changes and incorporate the increased volume in its framework.

The next 25 years would be an exciting journey and the pace of change and development and only nimble footed players would be able to cope up with these changes. It is great to be at the starting blocks in 2022 to lay down the blueprint.

Why Shareholders Need to be Good Stewards

Amit Tandon, *Founder & Managing Director, Institutional Investor Advisory Services India Ltd (IiAS)*

Our regulatory regime is based on a relatively modest degree of delegation to boards. This implies that shareholders collectively drive business, a consequence of this being that they must learn to be good stewards. They must be more demanding of information from companies, more questioning about the processes and governance structures that companies have in place and more clear-headed regarding how they vote. The buck stops with them.

Speaking at an NSE event[1] a few years ago, Marco Brecht, Professor of Finance, Université libre de Bruxelles, highlighted that regulatory attitudes towards obtaining the right balance between managerial discretion and shareholder interests vary across countries. This is despite having broadly similar governance frameworks.

At its core of this balancing act is the age-old principal-agent problem. It arises since there often is a conflict in priorities between the owner of an asset (shareholder) and the person to whom control of the asset (management) has been delegated. Prof Becht went on to illustrate how different jurisdictions approach this, by contrasting the degree of delegation of decisions to boards. There is, in other words, no consensus on what shareholders should vote on and what they delegate.

In the United States, the shareholders delegate most powers to the board, which take all decisions. For example, the remuneration of the executive board is determined by the directors and not by shareholders. There have been attempts to give this right to shareholders, but progress has faltered - the consensus view being that executive compensation is far too complex to be left to shareholders! This has given way to 'say on pay (SOP).' SOP serves as a soft signal, allowing institutional shareholders to react to compensation structures and there by sway the board's perspective. Another instance regarding the primacy of the board is the recent director re-appointment vote in Twitter Inc[2] Egon Durban, failed to secure a majority of the votes cast, but the board did not accept his resignation, asking him to continue. This American approach helps explain the focus on board composition and independent directors not just in governance literature, but in practice.

In Germany, shareholders appoint a supervisory board, that appoints the management, that then takes most decisions, with the consent of the

[3] *https://www1.nseindia.com/research/content/NSE_IGIDR_transcript_2014-15.pdf*

[2] *https://www.sec.gov/ix?doc=/Archives/edgar/data/1418091/000119312522161795/d340224d8k.html*

supervisory board. The degree of delegation in the UK is more moderate because shareholders in the UK retain quite a lot of decisions for which they cast direct votes.

In India this degree of delegation is relatively modest. Shareholders retain most of the decision-making power with themselves, even as there is a strong case for a high level of delegation to the board. The argument in support being that as family's own a large piece of the pie, and typically also manage the business, what is good for them as the largest shareholder should be good for all other shareholders. Conversely, the argument for limited delegation is that business families use their dominant shareholding to push through resolutions that benefit them at the expense of the remaining shareholders. So, having shareholders as the final arbiters on most decisions is desirable. Our regulators fall in this second camp, and most decisions are pushed to shareholders.

Our voting guidelineslists[3] 28 items needing shareholders' approval before managements can act. Some are understandable like permission to raise more equity (- dilutes existing shareholders), approve borrowing limits (contain risk), approve appointing and compensating the

promoters' kith and kin (how many family members are needed to change a bulb?). Others less so. These will include approving hiring and paying branch auditors, signing off on the fees paid to cost auditors, approve a company charging a fee to deliver some documents to a shareholder, or approving the extent of borrowings via non-convertible debentures, even when it is within the borrowing limits approved. It is not clear why all these need shareholder approvals; some of these can safely be delegated to boards.

Deciding whether to vote for or against is never easy with many rules and regulations adding to the complexity. Some approvals need >50% shareholders (simple majority) to support, some >75% (special majority) and still others by a majority of minority, before managements can act. These need a revisit. For example, 'promoters' get to vote on their own salaries. Given that family shareholding is on average at 55%, these resolutions mostly carry. Such resolutions need to be moved to majority of minority.

Second are the byzantine set of regulations that sit alongside. An example beingone-third of the non-independent directors needing to retire each year. This results in some directors retiring every alternate year and in the extreme, every year. This could not have been the intent. Many like these need to be reviewed.

There are then the additional checks that are stipulated. For example, a board committee reviews and approves related party transactions before placing them to shareholders. Or the process that is expected to be followed for appointing an independent director. Based on resolutions placed, it appears that in many companies - not all, pay mere lip service as definitions get stretched by the auditors and

[3] *IiAS Voting Guidelines (iias-cms.s3.ap-south-1.amazonaws.com)*

lawyers. Clear, unambiguous guidance may be needed.

Then there are instances where regulators need to ratify a decision or sign-off, for example appointing the CEO of a bank, a stock-exchange, or a media company (- as investors suddenly discovered), or the Comptroller and Auditor General appointing an auditor in a Public Sector Undertaking. The shareholders in these instances have a role, but not the final say.

Even as the broader eco-system works to mend these anomalies, we must recognize that our regulatory regime is based on a relatively modest degree of delegation to boards. Shareholders are collectively responsible for driving business and must learn to be good stewards. They have to be more demanding of information from companies, more questioning about the processes and governance structures a company has in place and more clear-headed regarding how they vote. The buck stops with them.

A modified version of this blog appeared in Business Standard on 16 August 2022. The article can be accessed here:

https://www.business-standard.com/article/ opinion/why-shareholders-need-to-be-good-stewards-122081501012_1.html

Mutual Funds – Tomorrow Beckons

***Anthony Heredia,** Managing Director & CEO, Mahindra Manulife Mutual Fund*

For decades now, comparatives have been drawn between India and other developed markets, in terms of share of mutual funds within household savings. Perhaps even ownership of equities at a broader level. But ownership or penetration has remained low, despite many bold predictions to the contrary.

Possibly the tide however is finally turning. There is a visible trend seen popularly referred to as 'financialisation of savings' that is contributing to mutual funds now being viewed as a mainstream investment vehicle. This has come about due to a multitude of factors, but key would be the following.

- Massive outreach on awareness that was initially started by the regulatory mandate to pool in half of the investor education funds into a common fund and doubled down by using some of the industries brightest marketing minds to create and execute an unparalleled awareness initiative in the form of 'Mutual Funds Sahi Hai'.
- Taking a proposition like SIP and turning it into a mass consumer product that is simple to understand, and yet immensely powerful in the outcome that it delivers over time
- Broadly delivering on investment performance, which is the core of the product. There is no greater sales pitch for a consumer than a product that delivers on its central premise, as that builds trust and confidence for the future in the consumers mind that they believe is tangible.
- A regulator with a single-minded focus to act always on behalf of investors, and in their interest. As they say, any business that puts the customer first wins in the long run, and whilst active regulation does pose challenges at times, it has served to ensure that the industry never loses sight of its main objective, which is to serve its investors, above anything else.
- Emergence of multiple distribution platforms, which has helped take the message to the masses, without which mutual funds would have remained a concept understood and appreciated by only a few
- And finally, we must acknowledge that the last few years has seen competing avenues, in particular physical assets like real estate or gold become less attractive, and that has played an equally important role in shaping investor preferences.

Where does the industry go from here? Can doing more of the above for long periods of time take the industry to the much talked about '100 lac crore AUM'. Surely yes, but if the time frame that this landmark is achieved needs to be shortened, here are a few things that we must all consider.

- Ease of investing. Much like Ease of business is a much talked about objective, we must look at ways to make the customer journey more simple and secure. Now that we have third party validation of investor information becoming a norm, perhaps the possibility of using validated bank KYC instead of a separate KYC exercise can lead to significant change in on boarding experience for new to MF investors.
- Keep the product template simple. We still live in a world where there is a New Fund offering virtually every week. Given that the current number of schemes available for the customer may already be a recipe for confusion, adding many more to the list over the next few years may end up becoming a self-defeating exercise. And we do not need to look any further than the super simple SIP to understand the true power of keeping the product simple and useful.
- Resist the temptation to debate between active and passive, and instead focus on taking the message to as many people as possible. Saving 20 or 50 bps over long periods is truly material, but what is more significant is how many investors have benefited from the power of long-term compounding, rather than focusing on by how much?
- Expand the use cases for mutual funds. There is no denying the fact that to plan effectively for retirement, you need the combination of the power of equity backed by sound asset allocation. By positioning mutual funds as providing investment option for a few months to a few years, we may be doing ourselves a disservice. And whilst it is a cliché to say that there is a need to move from products to solutions, the industry needs introspection around the need for so many thematic funds, but just a handful focused on retirement. Creating fund products around concrete goals like retirement, which can be complemented by tax and regulatory policy may not just be a game changer for industry growth, but also serve a social cause which is surely the need of maybe not today, but certainly a few years out. Just as we appreciate that our demographics underpin the attractiveness of our capital markets, it does have another side to it, which is that this demographic will begin to age, and the sooner we create effective products that solve for this, the better
- Think of financial inclusion as a future growth driver. Just as financial incentives provided by the regulator to move beyond the top cities played their part, perhaps the time has come to create incentives linked to providing mutual funds to the under served sections of the population. We can all be very proud of the digital infrastructure that our nation has built, which almost has no global parallel. However, the true benefit will only be felt when we are able to use that infrastructure along with policy frameworks that enable access for the less fortunate at reasonable cost.
- Finally, look at the overall population as a target market rather than being anchored to taxpayers. Whilst tax efficiency remains a key attribute, remain anchored to taxpayers as the ideal potential target market may well become an exercise in self limitation. The true magic of mutual funds is the ability of diverse products being available to meet the financial aspirations of every Indian, and we will truly arrive as an industry only when we are able to be relevant to every household. Our mission must be for every household to have a mutual fund account, just as they have a savings account. Only when we get close to that objective, can we proudly say that 'Mutual Fund is indeed an idea whose time has come.'

Proposed Confidential Filing Process –Beneficial to an IPO?

Cyril Shroff, *Chairman, FICCI Corporate Laws Committee and Managing Partner, Cyril Amarchand Mangaldas and*
Yash Ashar, *Partner, Cyril Amarchand Mangaldas*

With increasing prominence of India on the global stage, its vibrant capital market is playing a major role in funding its economic growth. In the financial year 2022 alone, Indian corporates have raised a historic high of ₹ 1.30 trillion through initial public offers ("IPOs"), further public offers and offer for sale (through stock exchange mechanism).[1] Further, fueling fundraising and listing by issuers, the Securities Exchange Board of India ("SEBI") has been constantly reviewing the regulatory regime with increased focused on achieving its twin-targets of facilitating ease of doing business by "listening" to the market requirements and strengthening the robustness of capital market to protect investor interest.

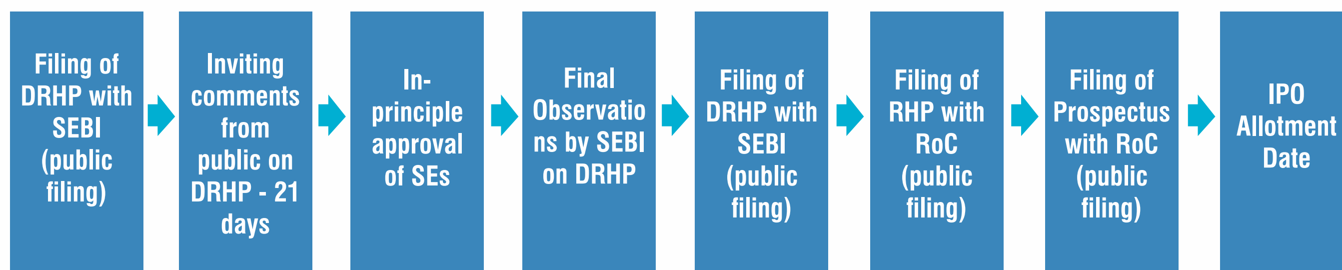
SEBI has been constantly reviewing the existing framework and evolving this for ensuring systematic development of Indian capital markets in line with "best standards" in global trends as well as, Indian needs and requirements. Recently, the extent of review and innovation has ranged from giving in-principle approval for revisiting the well-entrenched Indian concept of 'promoter' to forming advisory committee for revamping existing framework for infrastructure investment trusts and real estate investment trusts; from easing the minimum public float norms for mega-large corporates to forming advisory committee on environmental, social and governance related matters; and from firming the regulatory requirements for loss-making companies to materially changing corporate governance norms relating to related party transactions.

In yet another example of its progressive and dynamic thought process, SEBI had released a consultation paper on May 11, 2022 on 'Pre-filing of Offer Document in case of Initial Public Offerings' ("Consultation Paper") considering permitting pre-filing of the draft offer document by issuers with SEBI on a confidential basis to ease concerns pertaining to disclosure of sensitive information, timing of the IPO etc. The proposed new process of pre-filing is in line with already exiting confidential filing regime available in the developed capital market such as US, UK and Canada and therefore, another progressive step by SEBI to facilitate broadening of the Indian capital market.

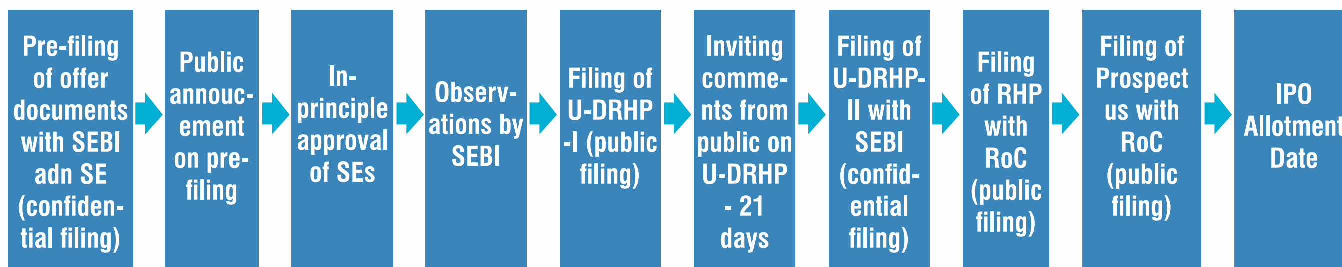
[1] *https://www.primedatabase.com/pub_demo.asp*

Existing IPO Process

Under the existing regime, it takes 6 to 9 months from the date of commencement of IPO process for an issuer to list its equity shares on the recognized stock exchanges in India. The draft offer document which is filed with SEBI for its review within 2 to 3 months from the commencement of the IPO process becomes available for public review and comments from the date of filing itself. This process of public filing is very unique to India and has few, if any, precedents anywhere in the world. Most major jurisdictions provide, that at this draft stage, this be a confidential filing.



Proposed Alternate Process



This process has been proposed as an alternate mechanism by SEBI in order to address concerns of the issuers operating in a highly competitive environment (that are concerned about disclosing sensitive commercial data in public domain) on one hand and of the investors who earlier did not get enough time to examine the RHP prior to making their investment decision on the other. Price range fluidity and flexibility of timing are the need of the hour in this unpredictable market. Responsibly limiting the time for which an issuer and its data is exposed to market will prove to be significant since it eliminates the risk of sensitive internal data and future plans being available to competitors for months in advance with overhanging peril of the IPO not going ahead due to any reason including market conditions and also gives sufficient time to investors to evaluate the financial position of such corporate. Therefore, initially, it may appear that additional steps have been proposed to be introduced to the current IPO process and thereby increase overall timelines, cost and complexities. One could argue that this could delay timelines to approach the markets. However, an in-depth examination of the proposal makes it clear that SEBI is revisiting its regime to make listing in India more attractive for issuers and aligning it with regulatory process established in other markets. For instance, in the USA, the confidential filing process with the U.S.

Securities and Exchange Commission is the standard process followed by corporates.

The key difference between the existing process and the proposed process is that the draft offer document will be confidentially filed with SEBI and stock exchanges and the public will not have access to the draft offer document until the issuer determines a definitive plan for going ahead with the IPO. Although, the issuer will be required to issue a public announcement about such confidential filing. Once SEBI provides its observations on the pre-filed draft offer document, the issuer will be required to file an updated draft (U-DRHP I) which will be available to public for their comments for a period of 21 days. Post which, a second updated draft (U-DRHP II) will be required to be filed with SEBI after taking into consideration comments received and factual updates, if any. Thereafter, the issuer will be able to proceed with the filing of red herring prospectus ("RHP") with Registrar of Companies once it receives a go-ahead from SEBI on U-DRHP II.

Suggestions on the proposed alternate process

Whilst the proposed alternate process is an interesting new initiative and would facilitate issuers operating in highly competitive sectors to access markets, we believe that the suggestions below would further assist in achieving two prong objectives of SEBI:

(i) SEBI may consider making it a more flexible and consultative process by not requiring the issuers to include all disclosures which are currently required to be included in the draft red herring prospectus under the regulations in the first draft of pre-filed draft offer document and allowing the issuers to pre-file updated drafts as and when possible. For instance, issuers may be permitted to pre-file draft offer document after including business and other facts based chapters and then allow submission of updated drafts subsequently with restated financials as and when they are ready. It may also consider permitting the issuers to finalise the offer structure and other procedural aspects at a later stage (say, at the stage of filing of the U-DRHP I, or immediately prior). The final observations from SEBI could, of course, be subject to review of the additional information not included in the pre-filed draft offer document. Further, SEBI may do away with the requirement for investment bankers to submit a due diligence certificate at draft offer document stage (and require it to be submitted only at RHP stage) since no investments would be made basis the draft offer document.

(ii) This revised timeline would raise challenges to the overall process including timing of road shows. Given this, it may be better for the regulator to remove the requirements of undertaking relating to marketing from the investment bankers at the pre-filing stage and provide maximum flexibility to the issuers and investment bankers.

(iii) Requirement of making a public announcement of pre-filing should be removed. It will allow issuers to file their pre-filed offer document confidentially (in its true sense)without the undesired effect of conditioning the market for the IPO. It will

also enable such corporates to decide on whether or not to proceed with the IPO purely basis feedback received from SEBI and market conditions, and without any fear of reputational loss in case they do not proceed with the IPO. This is also in line with the practice in other overseas jurisdictions, where a public announcement is not required for a draft offer document.

(iv) SEBI may consider reducing the overall timelines by providing its initial clarifications within two weeks of filing of the pre-filed draft offer document and final observations within two weeks from receipt of the response from underwriters. Further, like in case of Singapore, SEBI may consider requiring U-DRHP I to be placed for the public comments for 14 days (in place of 21 days) which is reasonable for genuine complaints.

(v) Apart from this, SEBI may consider requiring public to provide comments, if any, within the prescribed timeline (and not after) to stop unscrupulous elements from taking advantage of the system to prolong the process. Separately, once the U-DRHP II is filed with SEBI, it may consider providing its approval within 5 working days of such submission. We believe that such steps are necessary to maintain viability and attractiveness of the alternate IPO process.

(vi) SEBI may consider incorporating reduced timelines along with an increased time-gap between filing of the RHP with Registrar of Companies and opening of the IPO, in the current process in order to make the current process more effective and efficient.

In the current volatile market, where the market can deal any hand with a poker face leading up to

the IPO, the proposal of permitting confidential filing will provide to be very beneficial for India and its capital market making it a more attractive destination for listing. On the flip side, new timelines may be construed as disadvantageous since they may decrease the time available to issuers and the investment banks to have the time to market the issue, get investor feedback and for the pricing to be completed.

Given the direction in which the Indian economy and global capital market are headed, the speed of execution and maintenance of corporate governance standards are going to be two opposing forces where both the market regulators and the concerned stakeholders (including issuers and underwriters) will have to work hand in hand to ensure that one is not achieved at the cost of the other. Mature global markets have already proven that a pre-filing process has its advantages and does not in any way disadvantage the regulatory review process. With the key tweaks in place and following a consultative process with the key stakeholders in the market, this could be yet another step by SEBI which proves to be a game-changer for the Indian capital market in the long run.

FICCI

Good Governance Key to Super Growth

JN Gupta, *Co- Founder & MD, Stakeholder Empowerment Services*

Introduction

The objective of this piece is not to elaborate as to why and how a vibrant, strong, resilient capital market is necessary for shaping India as an emerging economic powerhouse, as enough has been written on this ad nauseam. The article focusses on current impediments and way forward to remove these impediments.

A Capital market ecosystem has four dominant stakeholders: Issuers, investors, intermediaries and regulators. This piece examines role of each of these players and the task cut out for them. Needless to say, that while each player has important role yet no one can individually play its role effectively unless others play their role.

Transition phase

Not many participants in the current Capital market ecosystem would have a memory of the Indian Economy and capital markets of the regulated era from freedom in 1947 till late 1980's, when India was a highly Regulated and Licenced economy where government micro managed almost each economic activity. From 1990's India transited to a more open economy.

Capacity of Indian entrepreneurs to take Business decisions became world class yet their attitude towards good governance did not keep pace and our mindset remained colonial - unless there was a written rule, there was no rule. Therefore, it was failures in the system which often dictated rule making. Did regulatory failure cause more regulations or absence of written regulations caused more failures resulting in written regulations, it appears to be a "chicken and egg story".

While during licence raj, businesses had no option but to be on the right side of licensing powers, however, in a free economy this bonhomie ended and the regulator was seen as an adversary and the one who put spokes in the free run. This is the crux of the complicated cumbersome regulatory structure and the root cause of trust deficit and it has its genesis in the myopic vision where most businesses believe compliance as avoidable cost and burden and anything beyond compliance is a wasteful exercise. Thus, compliance in letter is often the preferred option.

Regulators:

Enough noise has been created in the past and will continue to be created for ensuring a regulatory system which is conducive for business. In a nut shell, regulatory system must facilitate "Ease of doing Business"

Indian regulatory system is regularly criticised for being cumbersome, complicated, too prescriptive and micro managed. While the criticism of the system on the face of it - appears to be true, yet can we say that it is the sadist nature of the regulator which is responsible for this? The moment we pinpoint the regulator for this, we are forgetting that other players in the eco system are failing the regulator, resulting in complex regulatory system. Just like in a "Play", if an actor is forgetting his lines regularly, not only he gets reprimanded by the director, but also jeered by his co-actors. In a capital market eco system, while the 'Play Director' (Regulator) reprimands but the co-actors investors, fellow issuers, intermediaries seldom play their role in pointing the failures of others.

At this stage, it will be worthwhile to introduce a hypothesis "complexity of a regulatory system is directly proportional to the trust deficit in the eco-system”

Judicial System:

This gap of spirit and letter of law is a deterrent to growth of the capital market and the biggest impediment in the path of shaping the Indian Capital market to be among the best in the world. Unfortunately, our judicial system has failed stakeholders miserably.

Firstly, judicial system invariably treats Regulator as a litigant and the counter party as a victim. Whereas, in most cases Regulator is the voice of voiceless victims, fighting for their rights against the wrongdoers. Secondly, unfortunately there appears to be either gap in knowledge or lack of application or even intent? Else how can one explain as to how and why two retired Chief Justices of High Courts, presiding over the Hon'ble SAT, cannot decide whether Articles of Association prevail over the general of the provisions of the Companies Act, as long as not contrary. It becomes all the more bizarre when Hon'ble Supreme Court had unequivocally ruled the supremacy of Articles. Lastly, procedure and time lines are better not commented upon. One is supposed to run businesses for decades with uncertainty of legal outcome, which can jeopardise continued existence. Telecom companies had to wait for almost 15 years to realise how vulnerable they are due to crystallised liability or time taken at NCLT/NCLAT for debt resolution. Hindustan Zinc divestment was decided almost in 20 years, Vedanta Tuticorin plant has been closed for 5 years without any finality?

Justice delayed is justice denied. Sweeping reforms need to be undertaken to speed up the matters.

Investors:

It is ironical that while most laws are enacted keeping investor interest in focus, yet it is investors themselves who fail to protect their own interests, as if they have outsourced the job of protecting their interests to regulators and other intermediaries like Exchanges, Depositories and Brokers, fully knowing that in many cases, conflict of interest risk is prevalent. One may ask - What percentage of investors actually play their stewardship role? At present, institutional investors are voting, not because they have realised virtues of voting, but because regulators have mandated so.

It is a case of classical problem - I know my rights but I am unwilling to carry on my duty. Agile investors conscious of their duty is a must for a healthy and vibrant capital market.

Issuers:

Role of issuers is at the core of Capital Market. It is the issuers, who create securities which are the

reason for existence of securities market, yet their behaviour (which has improved vastly in last one decade) needs a drastic change. Good governance rather being on the side-line, needs to come at the Center-stage. The Issuer must understand that compliance is the bare minimum they need to do. And this attitude of targeting just the bare minimum by them, is not going to help build investors' confidence.

They must follow Gandhian thought about customers of a business in the same manner to investors.

Bridging trust deficit vital to ease of doing business

It is time to test the hypothesis that complexity of law is directly proportional to trust deficit. Take the example of Independent directors, appointment etc. - is it akin to rocket science? Certainly not, if one understands spirit of the law, which is simple. Yet our legal luminaries in their wisdom find way out &churn out different interpretations. Each different interpretation is an attempt to thwart proper implementation of the law, necessitating a clarificatory and additional

written law. And the cycle and journey of mistrust and deficit starts. Imagine if issuers understood law and implemented in spirit, would we need multiple clarifications?

Why are interpretations not made keeping in view, investors' perspective?

After all, it is the investor who is at the centre-stage in the capital market.

Trust deficit can only be removed if all the stakeholders rather than viewing each other as adversaries, play a complementing role. Only then will the journey towards ease of doing business be fast and smooth.

FICCI

When India hits a Century!

Nilesh Shah, *Managing Director and CEO, Kotak Mahindra Asset Management Co Ltd*

When I started my career in 1990s, India's economy was 200 billion dollars. By 2021, it was 3 trillion dollars. The market cap also increased in a similar way. By 2030, we expect 3 trillion to be 6 trillion dollars. The market cap will follow in a similar way. Therefore, what we have seen in 30 last years, we should achieve in the next 8 years. If you compare 200 billion to 3 trillion it is fifteen times and 3 trillion to 6 trillion is two times but the size of the opportunity is huge. Now, we must do in 25 years what we have accomplished in 75 years.

When Rahu Kaal is on, whatever you do goes wrong. India's Rahu is oil price and Ketu is Covid. From 2014 to 2021, we have seen oil price crossing 100 dollars twice and seen COVID. In Rahu Kaal, India was the tenth largest economy in 2014 and was the sixth largest in 2021. Today it is the fifth largest, ahead of the United Kingdom. Our market share in terms of GDP has increased from 2.6% to 3.2%. FDI investment share has increased from 2% in 2014 to 7% today. If we have achieved so much even in Rahu Kaal then you can imagine the kind of growth that we can get in the next 25 years when Rahu Kaal is gone.

Over the years, our inflation has moved from a high inflation trajectory to moderate inflation. If someone says inflation in India is the highest in 8 years, one must note that it is lower than US inflation in the last 11 months. This used to be higher than US inflation in the last 30 years. In the 90s, we had to pledge gold due to low forex reserves. Today we are amongst the top 5 forex holders in the world. Infrastructure was very weak earlier. If someone had to go from Mumbai to Pune earlier, it used to be an overnight journey. Today. It's a 4-hour journey. Earlier, if someone had a business idea, funding wasn't available. Today, if you have an idea, you get funding from PE/VC-funded entrepreneurs.

In the last three decades, we have laid a foundation. Earlier India was a coach in the global economy, today we are an engine. In 2021, we were the fastest growing major economy in the world. The same would happen in 2022 and 2023. Markets too should reflect the growth of the economy in the long term. Growth in the economy will improve the profitability of the corporate sector. Markets are slaves to earnings. Market ups and downs will happen but when we look at the indices 25 years from now, they would have gone very far.

We always wanted to see a day when FIIs are selling while we are buying and markets don't fall. Thanks to retail investors, that day has come. In March 2020, FII sold around 48,000 crs, and Nifty fell from 12,500 to 7,500. From October 21 to June 22, FIIs sold Rs 250,00 crs and markets barely fell 10-12%. This was the power of DIIs who invested in a falling market to help us face FII selling. We are seeing FIIs coming back to India now. People are now not afraid of FII selling. We have a monthly SIP book of 12,000 crs and Rs 60,000 cash ready to be deployed in Equities by Balanced advantage funds.

There is far more confidence in India's growth story because we are coming out like an oasis in the desert. Inflation is lower than the global average. India offers a unique combination of growth. Our earnings growth is likely to be superior to our peers. Secondly, our corporate governance standards are far better than many of our peers. And third, returns which are green, that is we are more conscious about environmental and social impact. This combination of **3G, growth, governance and green** becomes a very tempting offer for local as well as global investors.

The themes that could drive this growth could be banking & financial services. Banks generally grow 1.5x to 2x times the economy because there is no growth without credit. There is consolidation in the banking sector. Your deposits or your loans are likely to be from five to six banks. NPAs are fully provided and our banking and financial system is fairly solid. Margins have increased due to a rise in interest rates, and valuations have become reasonable due to a lack of performance in the recent past. Therefore, this sector can drive growth in the next 20-25 yrs.

Manufacturing is the next sector which could do well. Due to China +1 policy, a lot of companies in the world are thinking of investing in India and trying to buy from India. The energy crisis in Europe is also giving opportunities to Indian companies. What we did in IT services, in generic pharma and two-wheeler automobiles, we are likely to repeat that in many other sectors like technical fibres, electrics & electronic components, auto components etc. Manufacturing could see the kind of renaissance that we saw in the IT sector, generic pharma sector, or chemical sector. Good companies which can meet global supply and cover local markets can be beneficial over the long term.

Capital Goods could also lead the next leg of growth. We believe companies in this sector have now started receiving orders not only from the government but also from the private sector. Capacity utilization has started crossing the pre-COVID level. On the export market, some multinational companies are probably looking at the blistering pace of growth as they shift their sourcing from China to India. So, overall industrial and capital goods is one sector where there could be a great opportunity in the years to come. We are at an advantage as all three customers; the government, the private sector and exports are firing. The government was earlier giving orders and the tax revenues are fairly solid, they are sitting on three to four lakh crore of cash to spend, the private sector capex has been revived in renewable energy in commodities, and the exports market has opened up. So Capital goods are likely to be firing all three agents.

To summarise, stay invested in India Story. Be a regular investor as little drops make an ocean. Be a long-term investor as mango trees don't give delicious mango in a hurry. Be a disciplined investor. Follow your asset allocation, and never put all your eggs in one basket.

Amrit Kaal: India's Twin Goals of Industrialisation and Decarbonisation

Parul Mittal Sinha, *Head - Financial Markets, India & Head of Macro Trading, South Asia, Standard Chartered Bank*

As the RBI rightly put it in its August 2022 monthly bulletin;"India's time has arrived. We must seize the initiative with both hands." The world has also come to recognize India's economic resilience given the macro stability displayed during two black swan events - COVID and Russia-Ukraine war. Various agencies project India's nominal GDP clocking the USD 5 trillion mark by 2027, with a sustained growth trajectory in the coming decades making India overtake the US in purchasing power parity terms to become the second largest economy by 2048.

Hence, the economic opportunity is large and requires urgent efforts to be reaped. In specific, plugging the infrastructure gaps becomes crucial to fortress India's economic progress given the 3x growth multiplier. More importantly, the policymakers are rightly focused on the twin goals of industrialization and decarbonisation in order to propel the economy to a sustainable growth path. This helps align the economic goals during "Amrit Kaal" with the government's "Panchamrit" commitments, together involving the creation of "sustainable infrastructure".

It is crucial to note that financing needs to achieve the net zero goals by 2070 are widely estimated atc. USD 10-15trillion. This would require tapping of both global and domestic capital pools. Traditionally, banks have been the key financiers of India's growth story. Capital markets which serve as an alternative to bank finance especially for long term funding would play a key role in the coming decades to help achieve the financing targets at a reasonable cost.

The government, SEBI and RBI must be lauded for taking concerted efforts towards laying down the policy roadmap for the economic and energy transition envisioned in the coming decades. This article complements the same by enlisting key policy imperatives to bolster infra and climate finance.

Climate finance needs - a capital challenge yet an opportunity

The last two years have clearly illustrated the policy urgency to address climate change issues globally as well as locally. Hence, while the focus on infrastructure is apt given our economic ambition, it needs to be "sustainable" as c.70% of global greenhouse-gas emissions emanate from infrastructure construction and operations(World Bank).

Importantly, the financing targets to achieve the net zero goals are elevated and would require a step up in financing by a high multiple from current levels.

The Council on Energy, Environment and Water (CEEW) estimates a cumulative investment of USD 10.1 trillion by 2070. Of this, USD 8.4 trillion investment is needed to meet power sector transformation - shift to renewable energy - alone.

Industry (reduction in coal and ramping up hydrogen usage) will require USD 1.5 trillion, and the mobility sector is estimated to need USD 198 billion.

The Standard Chartered Bank (SCB) study, "Just in Time" estimates that India will need USD 12.4trillion, with a high reliance on large pools of global capital as self funding the energy transition would lead to a huge dent on household consumer spending.

We at SCB aim to be a key partner in funding the great Indian dream and have committed to mobilise USD300 billion in green and transition finance by 2030, with India as key focus market.

Key policy imperatives to boost infra and climate finance

As noted above, given the elevated infra and climate finance targets, India would need to access funding across investment segments and not primarily rely on banks / NBFCs, thereby the role of capital markets becomes crucial. Capital markets here further should be looked holistically, and we should target global investor capital pools which has long showed their keenness to invest in the India growth story.

The global & domestic liquidity needs to be channelised towards infrastructure financing via undergoing structural, regulatory changes and mechanism for incentivising end investors. India regulatory bodies and policy institutions enablers could specifically provide boost to infrastructure financing.

Infra as a sector requires relatively long tenor and patient capital which globally is focused investment theme for investors community such as insurance and pension funds. Enablers from regulatory perspective providing relaxation on rating thresholds, maximum permissible investments, instrument structure and form of legal entity could help widen domestic investor base significantly. In addition to this, we have foreign investors access India credit via the FPI (Foreign Portfolio investment) route and / or ECBs (External Commercia borrowings). Regulatory changes allowing issuers to access funding via this route along with uniformity on Withholding tax (WHT) rates (specifically for structures such as InVIT and REIT) could enhance further investment by global investors.

In addition to institutional liquidity, the focus is needed on tapping the retail liquidity. The relatively high GDP growth rate, increasing disposable income and traditionally higher saving rate makes retail liquidity as one of the distinguishing factors for the Indian economy. Further, the mechanism of infrastructure specific debt funds or ESG debt funds with tax incentives akin to equity funds could increase domestic investor allocation for building infrastructure over the course of next few decades.

Rising role of global capital markets in funding the ESG targets

Various Indian corporates have tapped global markets to raise Environmental, Social & Governance (ESG) funding even as domestically such issuances have been low. Currently, ESG /

green bonds has been one of the core investment products for the global investors with Indian issuers raising more than USD 13 billion since 2019 from foreign currency issuances. We have recently seen select Indian issuers access domestic bond market in form of green bonds albeit the issuance volume has been relatively small vis-a-vis foreign currency instruments. In this regard, the announcement in the 2022-23 Union Budget with respect to government borrowing via 'Green Bonds' is also expected to enable a price anchor for ESG bonds eventually.

Hence, there is an urgent need to focus on a mix of ESG policy proposals focused on tapping both global and domestic liquidity pools.

Climate finance - key policy proposals

The RBI must be complimented for taking cognisance of the industry's requirements and publishing a discussion paper and survey on climate risk along with sustainable finance on its website in July 2022. The focus of the paper is on addressing the regulatory risks involved.

Alongside, in a recent speech, an RBI Deputy Governor acknowledged that, "going by international experience, beyond the regulatory measures, there is a need to create conducive conditions for ESG bonds - greater transparency, credible checks against green washing including through arrangements for independent audits, and a robust taxonomy for the market and bonds".

Furthermore, we enlist the key policy proposals to bolster ESG finance as under:

- **Regulatory incentives to banks (to reduce ESG project pricing)**

  RWA (Risk-weighted asset) benefits for ESG investments by banks either via lending or bond markets. For instance, under European Union Capital Requirements Regulation (CRR) Article 501a, banks can seek to reduce RWA (by 25%) for green assets that provide essential public services.

- **Tax incentives for retail / institutional investors**

  Harmonising the long-term capital gains tax in equity and debt ESG funds (unlike the case in non-ESG funds)

- **Incentives to reduce hedging cost for FPIs**

  The RBI may consider a special swap window for issuers raising foreign currency capital (towards green / ESG end use) to swap into INR by giving them access to preferred rates

- **Green and sustainability-linked loans and bonds grant schemes**

  Several governments and central banks have rolled out grant schemes to support cost of external ESG verification and Second Party Opinions on eligible financings. This aims to cover the additional costs associated with due diligence and ongoing monitoring in line with market principles such as LMA's Sustainability-Linked Loans Principles and ICMA's Sustainability-Linked Bond Principles. As examples, the Hong Kong Monetary Authority (HKMA) and the Monetary Authority of Singapore (MAS) have rolled out such schemes.

- **Preferential funding cost**

  The RBI may consider offering preferential interest rate to banks against eligible green and sustainable assets to boost climate finance.

  For instance, Bank of Japan has set up a climate lending facility which offers interest-free funds for one-year terms to banks to support eligible climate loans. These can be rolled over until 2030.

  In China, banks are able to tap on a 25bps cost of Liquidity waiver for Green Use of Proceeds loans that comply and align with the Green Industry Guidance Catalogue (a consolidated version of PBOC Green Industry Catalogue and CBIRC standard).

- **Regulatory / tax incentives to promote sustainable deposits**

  Tax exemptions / favourable tax treatment to retail and institutional investors on taking up Sustainable Deposits. This will help increase liquidity for assets ringfenced to support the UN SDGs. Favourable CRR treatment for such deposits will also support Banks' cost of funding for onward lending to green and sustainable assets.

- **Revision in Priority Sector guidelines**

  Within renewable energy, the RBI may consider expanding the definition to include hybrid (wind and solar) along with battery storage sub-sectors. An increase in the limit per borrower would help as well.

  In conclusion, the RBI's Discussion Paper and survey on climate risks along with sustainable finance are timely and must be lauded. We urge the policymakers to take the next step forward and consider policy proposals to bolster green finance from banks and capital markets.

Reforms Required in Indian Capital Market for $5- Trillion Economy

R Govindan, *EVP Corporate Finance and CRO, Larsen & Toubro Ltd.*

The government announced its vision of becoming a $5 trillion economy by 2025.And despite getting hit by Covid, India's economy has rebounded reasonably well as compared to other emerging markets. In 2014, India was the 10th largest economy in the world, compared to6thlargest today and in 2023, we expect to become 5th largest by overtaking UK. From the 7th largest automobile producer, we are now the4thlargest and in 2023, we expect to be 3rd largest by overtaking Japan. In steel manufacturing, we moved up from 4th largest manufacturer to the 2nd largest manufacturer. In mobile manufacturing, from 12th largest in 2014, we now stand at 2nd after China. India's share in global FDI has gone up from 2% to 6%. The government has put into place some core policies and very constructive programmes toward the goal like the Green Energy Plan, Production Linked Incentive Manufacturing, Digital India, Fiscal budget consolidation framework, Jan Aadhar Mobile, IBC, RERA, Goods and Services Tax, Focus on Ease of Doing Business, Corporate Tax Cuts, Aatma Nirbhar packages, Labour Laws and FY22 Union Budget focussed on Infrastructure. 'Make in India' and 'Make for India' have instilled a sense of patriotism to make India, sell Indian and brand India. The world is watching India's growth.

Capital markets play a crucial role in the economic development of a country. They provide financial resources required for the long-term sustainable development of the economy. An efficient Capital market is one which can allocate savings to its most productive investment at least cost. It should offer a range of financial instruments and institutions for varied categories of investors and foster innovation. A highly efficient capital market is crucial to achieve a $5 trillion economy. Reforms in the Indian capital market took place in the wake of the liberalisation and deregulation reforms that happened in the 1990s including Constitution of SEBI, opening of NSE, adoption of trading platforms, dematerialisation of shares, equity and index derivatives trading and so on. As a result of these reforms, the equity market underwent a complete and radical transformation. Today, it is one of the best functioning components of the Indian financial system providing capital to many firms. Traditionally, Small and Medium Enterprises (SMEs) have relied on bank finance to meet their requirements, as they face several impediments in accessing the equity market, such as admission cost and listing requirements, lack of liquidity, educational gaps and limited ecosystems, all of which require attention by regulators and policy makers alike. The BSE SME platform and the NSE SME platform "Emerge"were established in 2012 to address these issues. Since the inception of these platforms, 633 small and medium companies have mobilised about Rs8000 crore of equity capital till 2021-22. These developments promote investment in SMEs and encourage an enhanced allocation of risk and risk taking, thereby supporting growth. Despite all of this, it is important to note that while India's stock market

capitalisation to GDP has witnessed a phenomenal rise, it is still lower than several other major economies, suggesting an untapped potential of equity markets in unlocking growth.

The growth of new age Fintech companies today contribute to creating a new ecosystem in ease of access to capital. In the recent period, innovations in the realm of digital payments and FinTech - such as alternative lending, platform-based insurance, online trading, electronic remittances, crowd funding, robo advisory services have improved access to retail money. An increase in digital financial inclusion is expected to boost real GDP growth. Digital lending can serve as an alternate source of financing for capital strapped Micro, Small and Medium Enterprises (MSMEs) that lack traditional collateral. Easing of MSME credit limits will have a positive influence on general employment and equity. With increase in acceptance of digital solutions across all sectors, the regulatory authority should focus more on creating a standard credit guideline, educating on the digital literacy, developing strict Data privacy norms and provide strong regulatory support.

While the equity markets are fairly well developed, the bond and currency markets have potential to be more efficient. The lack of a deep long-term bond market hampers the ability of firms to finance large scale infrastructure investment. There is room to strengthen the investor base in Corporate bond markets, with the demand being mainly confined to institutional investors. Among institutional investors, the demand is further constrained by prudential norms which in today's context need a relook into so that the market can price risk as per market forces & also allocate debt capital to smaller & lesser rated companies to deeper the Debt Capital Market. Foreign investors who could play a role in deepening the bond market have investment limits as well.

RBI's participation into credit repo markets is key to strengthen liquidity in Bond market. Highly rated Corporate Bonds can be allowed as an investment against Liquidity Adjustment Facility (LAF). RBI presently accepts securities issued by Central & State Government only for LAF repo transactions with Banks & Primary Dealers (PDs). Accepting Corporate Bonds in LAF repo transactions can incentivize Banks & PDs to make markets in and carry an inventory of Corporate Bonds.

The Reserve Bank's Prudential Framework coupled with the Insolvency and Bankruptcy Code (IBC), provide a framework for time-bound resolution through collective decision making by the creditors. Since inception, 480 cases have seen resolution till March 2022. The average resolution took 528 days from the day the claim was admitted, and there were another 1,852 open cases as of March 2022, of which 66% of cases were more than 270 days old. There is a need to expand the ambit of pre-packaged IBC mechanism, presently available to MSMEs, to larger corporates. This mechanism combines the cost-effective nature of out-of-court settlements with the legal sanctity available in the IBC framework. Also, another major hurdle faced by

the IBC process is lack of adequate infrastructure. Although efforts have been made in recent years to increase the number of National Company Law Tribunal (NCLT) benches and to train more insolvency professionals, the capacity needs to be enhanced further.

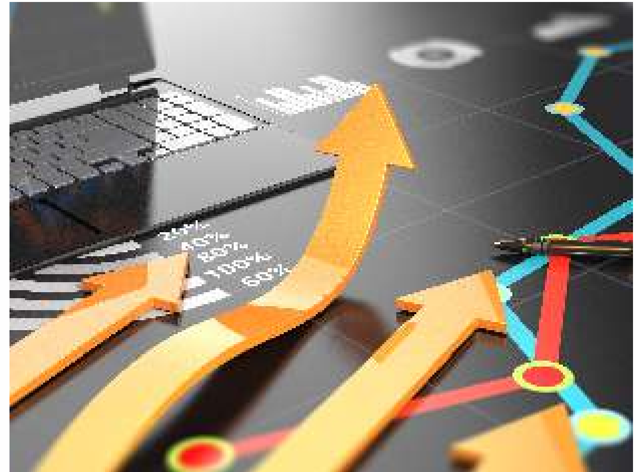
Currently, there is no single platform for both primary and secondary issuances of Bond like in Equity markets. Electronic Bidding Platform (EBP) is used for primary issuances of corporate debt. And while the EBP platform helps in greater transparency and efficient price discovery, it falls short on certainty of the issuance. Concept of Anchor Investors up to 60% on the EBP platform can enhance certainty of issuance, like in Equity issuances. This will provide additional confidence to issuers and allotment assurance to anchor investors.

Agriculture, a key sector for our economy sees R&D expenditure of less than 1 per cent of agriculture GVA. This is substantially lower than some of our peers like Brazil. Lower Technology adoption and focus on subsidy led production in agriculture sector is an area of concern, that requires structural reform. Capital for Water, Irrigation and Power are other critical areas for agriculture. The local Municipalities can play a big role in these provided a strong framework for raising capital by local bodies can be put in place. Additionally, tax increment financing by way of value-added instruments can also be explored, as was done in case of river front development near river Sabarmati in Gujarat.

Infrastructure is key to the long term sustainable economic growth of any country. As India strives to take a long journey towards the path of higher economic growth, there is a need to develop commensurate infrastructure to support the growth. India's National Infrastructure Pipeline (NIP) envisages an infrastructure investment of INR 111 lakh crore over the five-year period (FY 2020-25), and the scale at which it has been currently envisaged under NIP can only be made possible through a re-imagined approach, and a look beyond the traditional sources or models of financing. SEBI did a tremendous job of introducing a new investment vehicle in India i.e. REITs and InvITs, which remain pivotal to the country's urbanisation drive as they fulfil a crucial role in bridging the financing gap. By leveraging their ability to recycle capital, both vehicles essentially fulfil the same objective - to catalyse development through repeated rounds of investment by tapping into a variety of private capital sources, both domestic and international, as well as mobilising retail savings towards the development of critical projects. The regulatory authorities have eased norms and compliance regulations to encourage more retail participation in this Hybrid Instruments. However, it has been observed that mainly the large institutions are the major participants in this Instruments and seen a very less participation from retail investor. Hence the Regulators need to focus more upon Investor awareness, incentivising retail investors by providing tax exemptions, making it an investment avenue options for a host of bodies like public charitable trusts, Cooperative Societies and others by amending their regulatory

governing norms. The investment limit under PF Act in these instruments can also be increased from 5% to 15%. SEBI also needs to promote strong investor led or board managed InVITs to provide comfort to large number of investors & increase retail participation. Professionally, rather than sponsor managed InVITs are the need of hour.

Going forward, the economy's growing reliance on the digital ecosystem will also be helpful in harnessing the benefits of low-cost resource allocation and distributive efficiency. Care however needs to be taken to protect the stakeholders from digital frauds, data breaches and digital oligopolies. Recognizing the vastly altered financing requirements of start-ups and unicorns, a policy framework for attracting risk capital may be put in place. While the financial sector withstood the pandemic shock well, the climate change risks and frequent natural



calamities call for inclusion of green finance and other sustainable growth objectives in financial sector policies. These measures are expected to pave the way for a more developed and efficient financial system, which in turn should help in greater financial inclusion, reduce vulnerability to shocks and set the country for to reach the envisaged $ 5 trillion .

New-Age Risks and Regulatory Architecture for Amrit Kaal

Rakesh Valecha, *Senior Director & Head- Core Analytical Group, India Ratings and Research (A Fitch Group Company)*

The post COVID-19 Indian economy, driven by increasing digitisation, imminent roll-out of 5G and a gradual transition to green energy, presents exciting opportunities for business and society to adapt to a new way of life.

However, the opportunities also present new-age risks that need to be actively managed. Corporate India has responded well, but there is no scope for complacency as the challenges become more pronounced each year.

The green economy transition is an inevitable one, although there could be bumps in the interim, and each economy will have to handle this in a way that strikes a balance between growth and sustainability through lower carbon emissions. On top of it, is increasing digitisation which provides better access to financial services to the bottom of the pyramid, but exposes entities to increasing prevalence of cyber risks. Digital usage accelerated amid COVID-19, and so did the risk of cyber breaches.

Both climate risk and cyber breaches could prove disruptive for businesses. While these may still be far in the horizon, their impact is being increasingly felt. It is therefore imperative to not only get them assessed through credit and equity analysts, but also create a regulatory landscape which provides directional guidance to entities on how to institutionalise risk management and mitigation.

Cyber Risk: Cyber risk has always been prevalent with technology, but with the geo-political developments, there are no safe countries and there are no safe industries. According to McAfee Corp., the global cost of cybercrime topped USD 1 trillion in 2020, up almost 50% from 2018. The proliferation of reported and unreported attacks continues at an alarming rate for several reasons including the potential for a financial pay-out, increased availability of tools to commit cybercrime, limited criminal enforcement to date, and a growing digital footprint.

An IBM/Ponemon (Cost of a Data Breach) study shows that the average cost of a breach of fewer than 100,000 records was USD 3.86 million and a mega breach, one of over 50 million records, was USD 392 million. The study also indicated that the global financial sector took 177 days to identify a breach and another 56 days to contain the breach. Attacks are becoming more sophisticated, not least due to the involvement of well-funded organised crime groups and nation-state actors.

Cybersecurity risk has become a growing "non-financial" risk for financial institutions especially

for banks, over the years, typically occupying one of the top risks for many financial firms. High-profile data breaches including those at several of the largest and most sophisticated banks serve as sobering reminders of this ever-present risk factor.

While cybersecurity risk often falls under the ambit of non-financial risk, there is a very real and growing financial impact that requires investments, to mitigate the risks and costs associated with fines, direct breach costs, reputational damage, supply chain interruptions, and lost business when a breach occurs.

The risk remains around margins, but a true picture will emerge only if there are increasing disclosures by underlying entities. Fitch Ratings Ltd (parent entity of India Ratings and Research) had conducted a study on the correlation between cybersecurity scores from "Security Scorecard" and credit ratings assigned to banks and concluded that in general, entities which have higher credit ratings tend to be better at managing this risk and developed market banks exhibit better cyber hygiene than emerging market ones, although some banks in emerging markets also tend to do better. Size on the other hand does not necessarily indicate better cyber hygiene.

In India, disclosures by entities on cyber risk management remain limited. BRSR (Business Responsibility and Sustainability Reporting) disclosure mandated by SEBI for the top 1,000 listed entities FY24 onwards could provide investors better information to assess and incorporate this risk into their analysis. This will bring the discussion on this critical aspect to the forefront meaningfully. However, what will be critical would be how detailed these disclosures are and how this moves to the next leg of small, listed and unlisted entities (especially those from financial services),given the disproportionate impact it could have on their financial health.

The RBI also has articulated the need for a policy on cyber security for regulated entities (Res), and it would be appropriate if these REs provided is closures on the number of breaches, extent of losses and the corrective measures taken, besides the investments made to manage the risks. This would help investors take informed decisions on incorporating this risk into their analysis. These events are likely to be treated as event risks; however, with better disclosures, investors may be able to assess and evaluate this in detail as part of the Risk Control and Risk Appetite aspect of Governance.

Climate Risk: Climate change has gained significant traction post the pandemic with COP26 providing a further impetus. The granular disclosures envisaged under BRSR would provide a better view of the steps that each entity is taking in its journey towards sustainability.

Ind-Ra has been the first domestic rating agency to launch the ESG Relevance Disclosures for entities which have listed securities on their balance sheet. The focus here is to identify and communicate which of the factors under ESG are stemming from Key Rating Drivers and have either moderately or significantly impacted the credit rating assigned/reviewed. Since launching these disclosures on 1 January 2022 for the credit

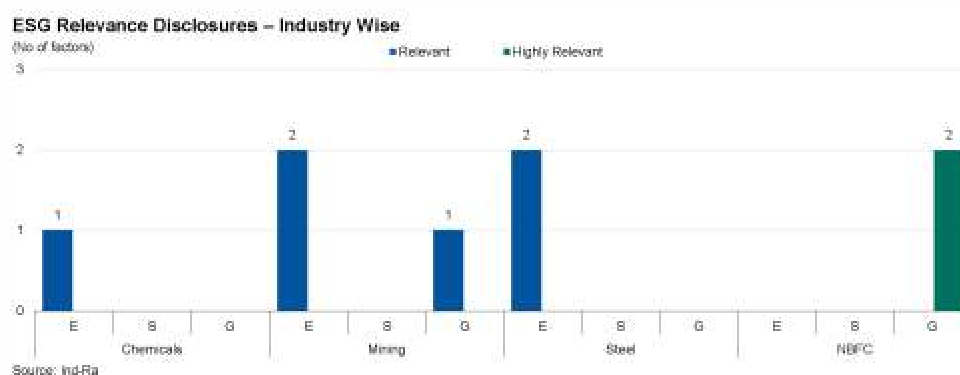
ratings reviewed, there were five entities (with eight factors) where ESG factors were relevant to the rating (refer chart below).

This will help investors identity the ESG relevance risks for credits in their portfolios. While the impact of Environmental issues remains low, we expect corporates to increasingly focus on "E" aspect over the next five to seven years as the regulation and financial consequences rise. This may result in higher relevance of "E" in the credit ratings as disclosures under BRSR increase and regulators consider how to measure the greenness of particular sectors and companies.

Investors would increasingly seek to understand the risks emanating from ESG and it will be critical for market participants and regulators to make this process transparent. Greater clarity on what is being measured by ESG Ratings i.e. whether it is the impact that ESG has on the physical and transition risks on the entity or the contribution that the entity is making to the ESG transition, would materially address investor concerns on ESG frameworks.

Ind-Ra through its ESG Relevance Disclosure measures the former, given the time horizon of three to five years. SEBI has taken the lead in releasing a consultation paper on "ESG Rating Providers" and the final guidelines should go a long way in addressing concerns on standalone ESG Ratings. The RBI on the other hand, has also released a discussion paper on "Climate Risk and Sustainable Finance" on how REs should have a governance and policy framework to assess "Climate Risk".

Figure 1



Regulatory Synergies for a Healthy "Sustainable" Bond Market: The global issuance of ESG linked bonds has picked up significantly in the past two years. In India, there have been select issuances of green bonds, but largely by entities focused on renewables and financial institutions looking to fund green projects. The market for instruments tagged as green, social, sustainable or sustainability linked bonds will provide a further impetus in the ESG transition. For the market to evolve, improved disclosures by borrowing entities facilitated by a coordinated regulatory landscape will help investors assess and prices these risks appropriately.

FICCI

Declassification From Promoter Group – Need for a Robust Regulatory Framework to Streamline a Muddled Exemption Route

Shardul S Shroff, _Chair, FICCI Stressed Assets Committee and Executive Chairman, Shardul Amarchand Mangaldas & Co and_
_Sayantan Dutta__, Partner, Shardul Amarchand Mangaldas & Co_

Introduction:

In 2005, the two warring brothers - Mukesh Dhirubhai Ambani and Anil Dhirubhai Ambani - after a long-drawn dispute finally entered into a family agreement which divided the Reliance Group businesses between them - Reliance Industries Group (retained by Mukesh Ambani) and Anil Dhirubhai Ambani Group (ADAG - under Anil Ambani). The family settlement was also implemented through a scheme of demerger of certain businesses from Reliance Industries Group to ADAG. Despite being brothers, they severed their relationship contractually and since then in all public offer documents, they have excluded each other from the promoter group disclosure requirements and this entire reorganization was referred to as 'reorganization of the Reliance Group' in the offer document filed by Reliance Power Limited (an ADAG company) in relation to its initial public offer in 2008.

'Promoter group' is a concept which has been defined in the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (the SEBI ICDR Regulations) in an inclusive manner. Regulation 2(1)(pp) of the SEBI ICDR Regulations defines 'promoter group' as including the following:

- "the promoter;
- an immediate relative of the promoter (i.e. any spouse of that person, or any parent, brother, sister or child of the person or of the spouse); and
- in case promoter is a body corporate:
  - a subsidiary or holding company of such body corporate;
  - any body corporate in which the promoter holds twenty per cent. or more of the equity share capital; and/or any body corporate which holds twenty per cent. or more of the equity share capital of the promoter;
- in case the promoter is an individual:
  - any body corporate in which twenty per cent. or more of the equity share capital is held by the promoter or an immediate relative of the promoter or a firm or Hindu Undivided Family in which the promoter or any one or more of their relative is a member;
  - any body corporate in which a body corporate as provided in (A) above holds twenty per cent. or more, of the equity share capital; and
  - any Hindu Undivided Family or firm in which the aggregate share of the promoter and their relatives is equal to or more than twenty per cent. of the total capital;
- all persons whose shareholding is aggregated under the heading "shareholding of the promoter group"."

According to this Regulation 2(1)(pp) of the SEBI ICDR Regulations, an immediate relative of the promoter (in case the promoter is an individual) will be treated as a member of the promoter group of a company. The scope of 'immediate relative' is of course narrower than the scope of 'relative' as included in Section 2(77) of the Companies Act, 2013 read with Rule 4 of the Companies (Specification of definitions details) Rules, 2014.

In accordance with the SEBI ICDR Regulations, certain information and confirmations about the members of the promoter group are required to be disclosed in the offer documents - name, relationship to the promoter, shareholding in the issuer, whether such promoter group member has been debarred from accessing the capital markets or such person has been declared as a wilful defaulter or a fraudulent borrower by the Reserve Bank of India and reporting of transactions in securities of the issuer by such promoter group member. Such information about each of the promoter group members is not always available in the public domain and accordingly, specific confirmations are obtained from each of these members of the promoter group through certificates issued by the respective promoter group persons on their letterhead.

Declassification of promoter group entities:

However, the relationship between the individual promoter and her/his immediate relative i.e., her/his spouse, or any parent, parents-in-law, or brother, brother-in-law, or sister, sister-in-law, or child is not always very amicable. An individual promoter may be involved in a long-drawn divorce case when the company promoted by such promoter is filing a draft red herring prospectus. The promoter may have separated from her/his parents due to a breakdown of the

relationship or due to a family settlement or family severance. Such promoter may even have severed ties with her/his siblings through a family settlement or family severance arrangement. Further, there could be no love lost between the promoter and her/his immediate relatives without having entered into any family settlement or family severance arrangement either and in such cases, the required cooperation from such immediate relatives is almost never forthcoming be it for providing the certificate confirming the requisite information or for complying with the various post-listing reporting and other obligations applicable to all promoter group entities of a listed company.

Such non-cooperation by the members of the promoter group or refusal to respond to such requests for providing the requisite information jeopardise the initial public offer being undertaken by an issuer. Like the dispute and subsequent family settlement between the Ambani brothers, there are many examples of promoters of issuer companies being involved in family settlement or family severance arrangements or long-drawn marital disputes (divorce cases) or in bitter family disputes without any arrangement amongst them. All such instances make naming these immediate relatives

as members of the promoter group misleading, logistically an impossible task as well as sometimes wrong as there is no guarantee that such persons will cooperate and provide accurate information about herself/ himself.

Current regulatory guidance:

Historically, when faced with such situations, the issuer companies have reached out to SEBI to exclude such persons from the list of promoter group entities. As per guidance from SEBI, the issuer companies are required to send letters to such estranged members of the promoter group and if no response is received, two more reminders are sent after a reasonable gap of time. If no response is received after all three correspondences, a specific exemption application is filed with SEBI along with the draft red herring prospectus seeking to not classify certain immediate relatives as members of the promoter group of the issuer. Traditionally, SEBI, after due enquiry and review of the relevant documents (including evidence of such repeated correspondence), have provided such exemption to these issuer companies.

However, this practice was changed by SEBI's Social Stock Exchange and Policy Division through an email guidance to the Association of Investment Bankers of India (AIBI) on April 26, 2022. Pursuant to such email, SEBI specified that in case an issuer seeks exemption from inclusion of certain immediate relatives in promoter group due to family reasons, such exemption application shall be necessarily accompanied with either of the following: (i) reference/ affidavit from the relative stating in clear terms that the person does not want to be part of the promoter group; or (ii) a memorandum of understanding duly signed between the promoter and such immediate relative. It further stated that such an immediate relative against whom the exemption is being sought, should not be holding any interest in the issuer company including through equity or debt in the issuer company or as a vendor or supplier or client etc. to the issuer company. Most importantly, SEBI also changed the timeline of such exemption and insisted that such exemption shall be applied to and obtained from SEBI prior to filing of the DRHP. According to SEBI, in case, any of the above-mentioned documents (i.e., either of an executed reference / affidavit or a memorandum of understanding among the family members) is missing, such relative would continue to remain part of the promoter group.

Interestingly, SEBI also specified that the book running lead managers or the issuer company may notify such immediate relatives that a response from such immediate relative is imperative in the matter and failing to respond to such notice would make such immediate relative a member of the promoter group by default and all requisite information about such member of the promoter group would be included in the offer document and all publicly available information published by the issuer. It should be noted that SEBI makes it abundantly clear that if no response is obtained, such immediate relative should be added as a

promoter group member in the offer document, and this does not remain a case for exemption anymore.

Issues with current regulatory regime:

A host of new issues and confusions have cropped up due to this email from SEBI to AIBI. Let us discuss each of these issues and possible solutions to them.

Lack of sanctity of a Regulation: SEBI had replaced the SEBI (Disclosure and Investor Protection Guidelines), 2000 by the SEBI ICDR Regulations in 2009 as the Regulations carry a higher sanctity and enforcement compared to the guidelines. Now, such a big change in eligibility and process for obtaining an exemption from promoter group classification has not even been notified through an amendment to the SEBI ICDR Regulations. No such change to the Indian capital markets which impact not just the investment bankers but also the issuer companies and the investors should ever be notified through emails to the AIBI. Such changes should always be made through an amendment to the SEBI ICDR Regulations which is publicly available, carry more sanctity and enforcement values and streamline the process for all stakeholders.

Need for creation of a robust framework for disclosure and treatment of family settlements: It is commendable that SEBI has acknowledged the existence, necessity and reality of family settlements in Indian business families. However, instead of creating a short guideline through an email to the AIBI, it is imperative to create a robust framework for disclosure and treatment of family settlements by SEBI. Generally, family settlements are confidential in nature and parties are never comfortable sharing such family settlements for regulatory or public review. In such a case, a disclosure framework should be created for disclosure of at least a few specific operative terms and conditions of every family settlement involving parties who are promoters or shareholders or non-independent directors of listed or to-be-listed companies. Name of the parties, the specific severance between the parties, the separation of businesses and any continuing obligations of the parties should be disclosed in the offer documents or to the public (even if the entire family settlement is not disclosed for regulatory or public review). Specific and clear eligibility criteria should be formulated for such exemption and such criteria should include - (a) absence of any transaction with the issuer company on a continuous basis; (b) absence of any position in the issuer company as a director, as a manager or even as an employee on a continuous basis; (c) absence of any shared properties or assets between the parties; (d) an opinion from a lawyer confirming the validity and legal enforceability of the family settlement; (e) to the extent, businesses need to be reorganised through an arrangement or merger or demerger consequent to such family settlement, completion of such reorganisation through approved schemes of arrangement or merger or demerger and receipt of such final order prior to making the application for such exemption; and (f) existence of a clause in the family settlement that such severance or separation or settlement is irrevocable in nature with respect to the parties involved and if in the future, there is a reconciliation between the parties which dissolves such family settlement, an undertaking to revert to full-blown disclosure with respect to such promoter group members. In a situation where the family settlement is dissolved post listing of the issuer, the issuer will be required to make all the disclosure that it would have otherwise made in the offer document in relation to these promoter group members to the stock exchanges (i.e., including their name,

shareholding, confirmations on whether they have even debarred from accessing the capital markets or whether they have been classified as a wilful defaulter or a fraudulent borrower by the Reserve Bank of India and reporting of their transactions in securities of the issuer by such promoter group member etc.).

Specific provision for promoters who are involved in marital disputes (including divorce proceedings): If the promoter of an issuer is involved in a marital dispute with her/his spouse, exclusion of such spouse from the promoter group classification should be allowed so long as there are ongoing proceedings and disclosure of such proceedings in the offer documents. Until a divorce is granted, the spouse continues to be a member of the promoter group in accordance with the SEBI ICDR Regulations. However, given the nature of the marital discord, often such estranged spouses are non-cooperative in providing the requisite information in relation to himself/ herself or promoter group entities related to him/her for disclosure in the offer document. This leads to unnecessary complications, delay and hardships for the promoter who is already going through a marital dispute before a court of law and probably being tried and penalised again before SEBI while undertaking a public offer thus becoming a victim of double jeopardy.

Absolute clarity on when to apply for exemption: Currently, the email to AIBI specify that no exemption will be given in cases where any of the two documents (i.e., (a) an executed reference / affidavit and (b) a memorandum of understanding among the family members) is missing and such immediate relative would continue to remain part of the promoter group. However, there could be a situation where an immediate relative may be in a severed relationship with the promoter without having entered into any memorandum of understanding with the relevant family members and due to such severance, no reference / affidavit is forthcoming. In situations like these, the issuer company may not be able to obtain all the requisite information about such estranged immediate relative that are required to be disclosed in the offer documents. It should be made abundantly clear that in such situations: (a) such estranged immediate relative should still be classified as a member of the promoter group of the issuer; (b) all relevant information about such promoter group member should be disclosed in the offer document to the extent such information could be obtained from publicly available sources; (c) a risk factor should be included in the offer document stating that such promoter group member has not provided all information and to the extent, disclosures have been made about such promoter group member, those have been made from publicly available sources; and (d) it should be made abundantly clear that no exemption application should be made to SEBI with respect to such promoter group member.

Provision for penalty for the promoter and the issuer company if found that such family settlement was done fraudulently and solely to avoid disclosure requirements: Given that there is always a chance that a promoter may draw up a fake family settlement arrangement among the family members for the sole purpose of not

naming certain immediate individuals as member of the promoter group in order to hide certain disclosures about them, there is a need to specifically provide for a penalty for such fraud and consequent misstatement in the offer document. While the above changes will streamline the practice, process and the disclosure regime regarding the declassification of promoter group, adding this specific sanction would deter any misuse of it.

Allied changes in other statutes and regulations: While SEBI has acknowledged the existence, necessity and reality of family settlements in Indian business families and consequent declassification of certain immediate relatives from the domain of promoter group, the Companies Act, 2013 does not provide for any such provision for declassification from 'relative' as defined in Section 2(77) of the Companies Act, 2013 read with Rule 4 of the Companies (Specification of definitions details) Rules, 2014. While such immediate relatives will be excluded from the promoter group disclosure, they will continue to be disclosed as 'relatives' under the Companies Act, 2013 in absences of any such provision acknowledging a family settlement. Also the accounting standards do not acknowledge a family settlement either and it is still not clear whether such exempted immediate relatives would still continue to be disclosed as related party relationships in the financial statements. There is a need to take a holistic approach towards the treatment, disclosure and reporting of the family settlements in Indian business families under the applicable laws, regulations and standards.

Capital Markets set to be Growth Catalyst for Amrit Kaal @ 2047

Sundeep Sikka, *Executive Director & CEO, Nippon Life India Asset Management*

Looking back as we celebrate 75 years of India's independence, there has been significant improvement across various development parameters. India has surpassed UK as the fifth-largest economy andour per capita income i.e.,~USD 2,300 has almost doubled in the last decade. We have also seen tremendous growth and improvement in our exports, literacy rate, healthcare and manufacturing capabilities.

Supported by a conducive regulatory environment, capital markets have played a crucial role in India's growth story. Capital markets facilitate to mobilize long-term savings from small individual household and channel them into long-term investments. It acts as strong bridge for financialization of an economy. In India too, healthy capital markets have ensured productive use of capital and have enabled investors to optimize their investments. This is reflected in our numbers as well.

Capital Market -Supporting economic growth and financial stability

India's Equity Market Capitalization at ₹275 trillion, has become 45x over the last two decades. In March-2022, India's equity market entered into the world's top five club in terms of market capitalization for the first time.

Companies offer IPO through capital market to raise money and get access to liquidity by offering their shares to the public. This process helps both Corporate to raise fund from public market and provides opportunity to individual investors to participate in India's growth story. In FY22, Indian companies cap a record year for IPO fundraising. A total of ₹1.12trillionwas mobilized by 52 Indian corporates during the year. The FY22 IPO amount was over 3.5 times ₹31,268 crore raised in the previous year.

With India's IPO market maturing and start-ups here now being able to easily list, fund raising in the private markets is becoming easier too. There are many unicorns which got listed in recent years including Paytm, Zomato, Nykaa etc. With 72k+ startups and 100+ unicorns, India has emerged as the third largest ecosystem for start-ups globally - after the US and China. The Indian startup ecosystem has expanded quite rapidly mainly through private investments, supported by incubators, accelerators, and government initiatives.

On the other hand, bond market in India is also progressing well with market size of ₹40 trillion, 4 times of what it was a decade ago. However, to put scale in perspective, it is still only ~15% of India's Equity market capitalization and has a huge growth potential. Many corporates are using bond market route to raise large amount of capital at reasonable rate given they have opportunity to invest in growth and future projects.

Growing Financial Inclusion and Participation of Individuals

Over the past few decades, India's capital markets have grown leaps and bounds, and individual investors have always played an important role in it. However, with only 9.6 Cr demat accounts and ~3 Cr unique mutual fund investors in a country with more than 140 Cr people, broader retail participation in capital markets in India remains low as compared to developed nations. For context, India has ~9.5% Investor accounts to population ratio vs. 46% for USA and 44% for China, highlighting that continue to have huge growth potential.

India's household savings has averaged ~19% of GDP over the last few years. Physical assets such as real estate and gold account for ~59% of the savings mix, while financial assets form balance 41%. Within financial savings too, investment in capital markets forms less than ~3.5% of the assets. While India's capital markets have significantly matured over the last few years, we still have a long way to go.

Enablers in Place for Further Growth

India is well placed to enhance capital market penetration given various enablers in place:

Digitization

India's strengthened digital infrastructure, backed by availability of affordable smartphones and internet connectivity has enabled Indians to embrace digital applications. Today, India has ~ 69 Cr active internet users, more than 50% of which are from the rural pockets. Improved digital penetration has made access to information and digital services easier across the country. As a result, fintech/ digital players have played a key role in the increasing penetration of retail stock trading accounts in India.

Increasing Financial Literacy

Investor awareness initiatives undertaken by regulators, industry bodies, and AMCs have played a very important role in promoting investments in capital market. AMFI's popular media and communication campaign called "Mutual Funds Sahi Hai" with an aim of positioning mutual funds as a preferred investment option resulted in addition of 50 lakh new mutual funds investors within 12 months. Incrementally, it is important to keep driving investor awareness initiatives to get higher retail participation in the capital markets.

Conducive Regulatory Environment

Regulatory initiatives focused on protecting investor interest have bode well for the industry and should continue in the future. Some of these regulations include registration and regulating intermediaries of the business, recording and monitoring the work of custodians, depositors, participants, foreign investors and credit rating agencies, progressive caps on expense ratios and regulator-defined scheme categorization. SEBI's "Regulatory Sandbox" framework will also encourage adoption and usage of fintech that would have a profound impact on the development of the capital market.

Growing Affluence

Consumer affluence in India is undergoing a rapid shift, especially in smaller towns. Over the next few years, growth in income could transform

India from a bottom-ofthe-pyramid economy to a truly middle-class led one, which in turn backed by technology and increased financial awareness can lead to broader capital markets participation.

Hyper personalized Investments & Technological Advancements

Today advanced Artificial intelligence and Machine Learning technologies enable investment platforms and distributors to offer hyper-personalized investment solutions to every individual - at scale. This feature can help bring in more investors in to the gamut of capital markets and it will help new investors create and manage their investment portfolio depending on their personal requirements.

Conclusion

Despite the momentum that Indian markets have shown over the last few years, our growth potential remains intact, especially in the light of trends highlighted above. Increased market participation and capital mobilization will create an environment conducive for productive growth of the Indian economy. It will play a key catalyst in helping us achieve the target that our Prime Minister Shri Narendra Modi has set for us -turn India into a developed nation by 2047. Strong domestic capital markets will reduce our dependency on foreign funds for growth and truly make us a self-sufficient / Atmanirbhar nation.

Initiatives of FICCI Capital Markets Committee

1. Interaction with Ms Madhabi Puri Buch, then Whole Time Member, SEBI – 21st September 2021

FICCI had organized a closed-door meeting with Ms Madhabi Puri Buch on 21st September 2021 to highlight some issues being faced by mutual fund distributors and also to provide suggestions for further growth of the capital markets.

2. Interaction with Ms Babita Rayudu, Executive Director, SEBI – 17th November 2021

FICCI had organized a closed-door interaction with Ms Babita Rayudu, ED, SEBI on 17th November 2021.

Members of the Capital Markets Committee and Corporate Laws Committee were present at this closed-door interaction. Focused discussions were held on several issues affecting industry as well as the capital market ecosystem.

3. Interaction with Ms Manmeet Nanda, Joint Secretary, DPIIT, Ministry of Commerce and Industry – 20th January 2022

FICCI had organized a closed-door interaction with MsManmeet Nanda, Joint Secretary, DPIIT, Ministry of Commerce and Industry on 20th January 2022.

Members representing the capital markets and private equity industry highlighted challenges being faced by foreign investors and the industry in relation to the applicability of the Press Note 3. Members also made suggestions on clarifications required to ease some of the issues and bring in more clarity in interpretation of the law.

---

4. Interaction with S Ravindran, then Executive Director, SEBI – 27th January 2022

FICCI had organized a closed-door interaction with Mr S Ravindran on 27th January 2022 to highlight industry's concerns related to amendments to SEBI (LODR) Regulations pertaining to related party transactions.

5. **Meeting with Mr Injeti Srinivas, Chairperson, International Financial Services Centres Authority (IFSCA) - 28th March 2022**

Mr Cyril Shroff and Mr Sunil Sanghai, Co-chairs, FICCI Task Force on IFSC interacted with Mr Injeti Srinivas, Chairperson, IFSCA to discuss focus areas and key initiatives to be undertaken during the year. Discussions were also held on wide-ranging business opportunities for insurance and reinsurance companies, AIFs, banks, fintechs, fund-houses, exchanges at GIFT-IFSC.

6. **Meeting with Mr Ashis Mittal, Manager, Credit Risk Group, Department of Regulation, Reserve Bank of India – 9th June 2022**

FICCI made a presentation to the Regulator on recommendation submitted on classifying loans against mutual funds as a separate asset class, distinct from equity shares.

- **Suggestions on SEBI (LODR) Regulations - Separation of Role of Chairman and CEO/MD**

  Based on concerns raised by industry, FICCI had highlighted the challenges in mandatory separation of the roles of Non-Executive Chairperson and Managing Director/Chief Executive Officer for listed companies, and had requested for a reconsideration of the provision in its representation to SEBI as well as the Government, at the highest levels. It was submitted that as we nurture a vision for Indian companies to become serious global players, imposition of this clause would deprive the company the opportunity of benefitting from the visionary leadership that guided the company's growth. This will negatively impact pillar of Indian economy - family-owned businesses and take away India's strategic advantage. It was further submitted that there are sufficient checks available in the current governance framework prescribed under Companies Act as well as under SEBI Regulations to address this issue.

  FICCI gratefully acknowledges that our recommendations in this regard were accepted and the provision has been made applicable to listed companies on a voluntary basis, as per decision taken in SEBI Board Meeting on 15th February 2022, as per PR No. 5/2022.

- **Relaxation from compliance with certain provisions of the SEBI (LODR) Regulations, 2015 - Sending physical copies of Annual Reports to shareholders**

  In line with MCA Company Law Committee Report of April 2022 and also in view of the long-term benefits of paperless communication as well as its positive impact on the environment, FICCI had requested SEBI to grant an exemption to listed companies from the requirement of sending physical copies of notices and documents to members.

  FICCI gratefully acknowledges that our recommendations in this regard were accepted and relaxations have been provided to listed companies from requirements of sending hard copy of annual reports to shareholders upto 31st December 2022.

- **Suggestions on Business Responsibility and Sustainability Reporting format (BRSR)**

  FICCI has submitted recommendations to SEBI on the BRSR framework pertaining to some implementation challenges being faced by industry with respect to principle of materiality, alignment with global frameworks, further clarity in definitions of some reporting parameters, disclosure of competitively sensitive data, applicability etc.

- **Suggestions on Applicability of the Foreign Exchange Management (Non-debt Instruments) Amendment Rules, 2020 and Press Note 3 (PN 3) dated April 17, 2020**

  FICCI had earlier submitted a representation to Mr Piyush Goyal, Hon'ble Minister for Commerce & Industry and Secretary, DEA, Ministry of Finance highlighting concerns of foreign investors and industry in relation to the applicability of the Amendment Rules and the Press Note on

investments from Hong Kong. It was submitted that including investments from Hong Kong within the ambit of the Amendment Rules and the Press Note would adversely impact the inflow of foreign investment via Hong Kong to India where foreign investors have used Hong Kong as a holding structure to route their investment to various countries including India.

FICCI has been constantly engaging with the Government on the matter and post the interaction with Ms Manmeet Nanda, JS, DPIIT, Ministry of Commerce and Industry on 20th January 2022, a detailed representation was submitted highlighting the issues being faced by industry as well as foreign investors due to ambiguity in the definition of beneficial owner. It has been requested to clarify that if a foreign investor is a fund/ pooled investment vehicle, prior government approval for FDI will not be required under PN 3, so long as the investment manager of such fund/ pooled investment vehicle is not incorporated in or a resident of one of India's neighbouring countries. Alternatively, if an underlying ownership test must be applied, then it should be clarified that if a foreign investor is a fund/ pooled investment vehicle prior government approval for foreign direct investment will not be required under PN 3, so long as the investment in that fund/ pooled investment vehicle by entities incorporated/ persons resident in India's neighbouring countries is below the threshold of 25% of the total capital of such foreign investor.

- **Suggestions on Overseas Listing**

The permission for direct listing of securities issued by Indian public companies in certain foreign jurisdictions was granted as part of the stimulus package announced by the Hon'ble Finance Minister Smt. Nirmala Sitharaman in May 2020. Subsequently, there were media reports during August 2021 quoting Hon'ble FM that the government departments have fairly completed the process for implementation of overseas listing and the taxation rules were close to being finalised. However, the implementation guidelines are still awaited.

FICCI has submitted representations to the Hon'ble Finance Minister highlighting the need for speedy implementation of this provision. It has also been submitted that the decision to list in India or abroad should vest with the company based on where it expects to derive higher valuation. This would of course be subject to fulfilment of several conditions including compliance with India's FDI policy in force, disclosure requirements prescribed etc. as well as in compliance with norms prescribed by the overseas Securities Regulator. The option to list abroad would obviate the need for companies to be incorporated abroad solely for listing purposes and also ensure that Indian businesses continue to be governed by the current framework of the Companies Act and FEMA. Unlisted Indian companies should be allowed to tap the offshore capital markets by listing in permissible jurisdictions without the requirement of prior listing in India and enabling guidelines should be expeditiously issued under FEMA and Income Tax Act.

- **Suggestions on Applicability of Open Offer in case of PSU Disinvestment**

In line with the Government's commitment to its policy of disinvestment, FICCI submitted a representation to Dr BK Karad, Hon'ble Minister of State for Finance requesting for a review of pricing formula and the requirement of open offer for CPSEs under disinvestment.

- **Suggestions on Norms for Lending Against Mutual Fund Units**

  FICCI has submitted a detailed note to RBI highlighting the rationale and suggestions for norms for loans against mutual funds. It has been highlighted that loans against mutual funds are treated at par with loans against shares and conditions prescribed under RBI Notification titled 'NBFC - Lending Against Shares' dated 21 Aug 2014 are complied with for lending against mutual funds also. Over the last few years, MF industry in India has emerged as one of the fastest growing and competitive segments of the financial system. SEBI has taken various measures to establish a comprehensive and credible regulatory regime for the industry, which has not only improved accessibility of MF products but also enhanced protection of investors. The thrust on increased awareness and protection of investors' interest has encouraged the flow of domestic savings to MFs away from alternative financial and physical modes of savings. The investments are actively managed by professional portfolio managers. In view thereof, FICCI has requested for categorization of Mutual Funds as a separate asset class, distinct from shares.

- **Suggestions on Consultation Papers issued by SEBI**

  Based on inputs received from committee members, detailed submissions have been made through the year on the following Consultation Papers issued by the Regulator from time to time:

  1. Review of delisting framework pursuant to open offer
  2. Review of SEBI (Share Based Employee Benefits) Regulations, 2014 and SEBI (Issue of Sweat Equity) Regulations, 2002
  3. Review of the SEBI (Settlement Proceedings) Regulations, 2018
  4. Review of Price Band and Book Building Framework for public issues
  5. Review of capping of ISINs for Corporate Bonds
  6. Review of certain aspects of Public issue framework under SEBI ICDR Regulations, 2018
  7. Review of certain provisions related to Preferential Issue guidelines
  8. Market Making in Corporate Bonds
  9. Disclosures for Basis of Issue Price
  10. Streamlining the timelines followed in Open Offer and Buyback Tender Offers
  11. Pre-filing of offer document in case of IPOs
  12. Online Bond Trading Platforms

Follow Us

#CAPAM2022

www.ficci-capam.com