

Headline: Redefining Indian Economy

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DOCTOR'S PAGE: FUTURE VISION: In this hectic world that we live in many diseases creep in and unknowingly we fall victim and lead to killing disabilities. **PAGE 21**

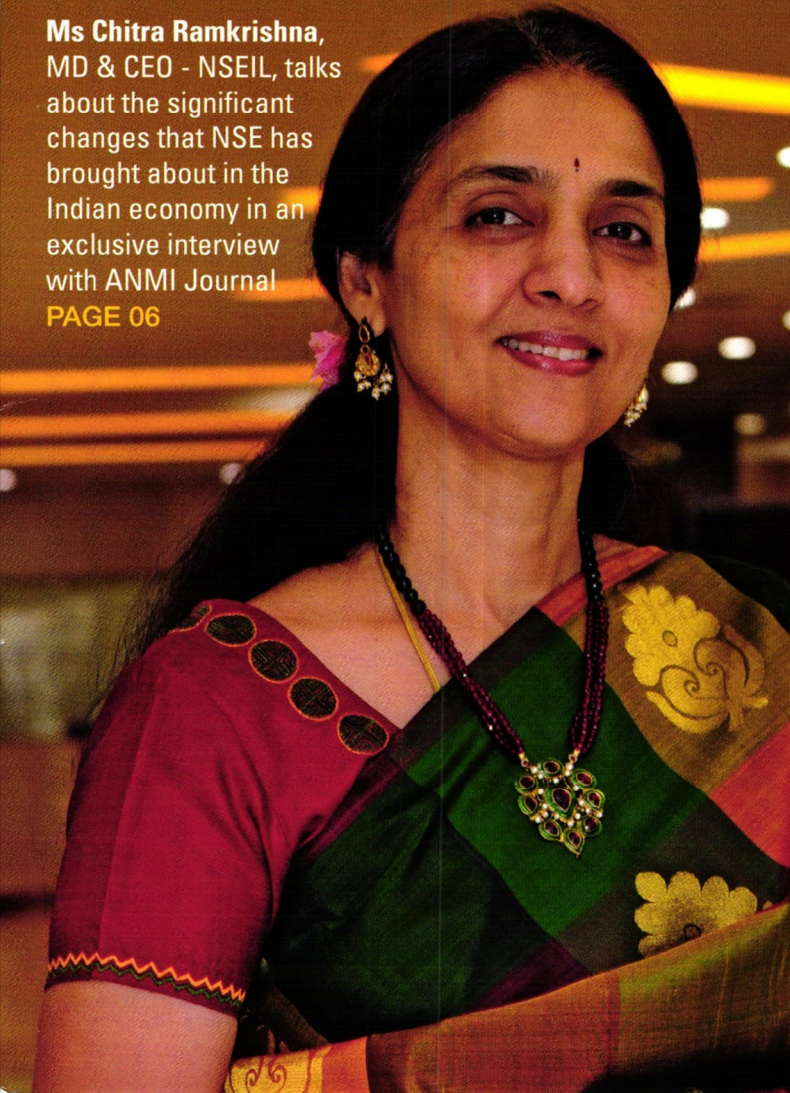
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PAGE 06



ARTICLE – I:
THE NPA STORY:
NPAs in the banking
system have started
increasing sharply
since the end of
2011. When the
growth... **PAGE 10**

ARTICLE – II:
THE DAYS TO COME:
The Union budget of
2016 is highly awaited
with everyone
expecting... **PAGE 14**

ARTICLE – III:
**REACHING TO THE
MASSES:** Calcutta
Stock Exchange (CSE)
has undertaken...
PAGE 16





18



10



06



39



21

FROM THE EDITOR'S DESK

Editorial	3
President Writes	5

INTERVIEW OF THE MONTH

Redefining Indian Economy:	6
Ms Chitra Ramkrishna, MD & CEO - NSEIL	

ARTICLES

The NPA Story: NPAs in the banking system...	10
The days to come: The Union budget of 2016...	14
Reaching to the masses: Calcutta Stock...	16

REGULAR FEATURES

Tax Talk	18
Doctor's page	21
Regulatory Spotlight	24
Compliance Calendar	34
Data Sheet	35
ANMI Activities	37
CEO Mantra	44

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INTERVIEW

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NSE has always taken a lead role in shaping trading practices in Indian stock markets. What in your opinion should be the way ahead to improve the various services from brokers and exchanges?

Yes it has been a tremendous journey so far, considering the fact that the market has really moved a long way from the point when NSE started in 1992. Prior to 1992, India's financial markets were considered a closed brokers club desperately needing reform and modernisation. Today, we have a unified regulator. This brings lot of hope in the market in terms of potential products. A whole plethora of possibilities have opened up. We have recently witnessed successful launch of few asset classes and segments like currency, interest rate, ETF, SME segment among others. Now lot more is expected in terms of, say, municipal bonds, REIT, commodities etc. Structurally also we are witnessing lot of changes. EPFO has made a beginning while many other funds can also make a debut.

Do you think rationalizing taxes and statutory costs in transaction costs is long overdue in India? Will we lose out in competition to other world markets?

I think India's regulatory framework is very robust. Numbers show that market has somewhat adjusted to the current tax regime, although there is always a scope for introspection and improvements. For example, we have seen almost a fourfold growth in daily average turnover in equity market since 2004- the year when long term capital gains tax was removed for STT paid transactions. Also a 20% increase in delivery based turnover is recorded during the same period. I also would like to highlight that a 20% reduction in STT in 2013 has contributed to more than 40% increase in cash market volumes between 2012 and 2014. We are sure that the policy makers are aware of these and India can only move forward from here on.

Rules and compliances are dynamic and need modifications for better governance. What would be your recommendations for better market governance at present?

Governance norms are always evolving. Like, this year we have implemented women director policy, listing regulation, new insider trading norms, e-ipo framework, new OFS processes, centralisation of KYC, PAN card based monitoring of client trades etc in the last one year. Going forward too we can expect to see similar actions for better governance. NSE has always

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taken the lead for implementing such best practices and will continue to do so.

Talking of Nifty 50 which is more than 20 years old and Nifty Futures at 15 years, do you think it is time to rebrand them for enhancing user confidence?

All indices go through modifications after a pre specified period. Recently we have aligned branded all our indices with the prefix Nifty. This exercise alone has synchronised our efforts and has given the entire family of indices a global uniform identity. We have recently introduced many new indices like indices based on group companies, quality parameters etc. In this month only we have made modifications in Nifty composition framework so that DVR s can be accommodated. So now, after the latest modifications, while Nifty 50 continues to have 50 companies, but it now incorporate 51 securities. All indices which are now more than 50, are well researched to suit the purpose of different users.

What have been NSE's experience for algo or algorithm trading in light of certain concerns shown by Regulators world over. Do you think algo trading will be a preferred platform in the near future?

We can take pride from the fact that Indian regulator was one of the first regulator who have framed the algo trading norms. Many other countries have followed our model too. So we are well prepared and Indian

market is spread between algo and non algo categories. Both have different set of users who are hardly in conflict with one-another. I always say business model changes over time and people also move on. Though many firms have opted for algo trading in India, still more than half of total volume is contributed by non algo players. It's a choice that people have to make. We as an infrastructure provider, have mechanisms in place for all players.

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Do you consider that speed of transactions will be a deciding factor and preference for market intermediaries to choose exchanges? What technological advancements do you think is necessary for further improvement?

NSE systems are working to the satisfaction of its users for more than two decades now. That's the key. As long as the end users are efficiently using the system, I think we are doing our job. Speed is a relative term and has to be spoken with the traffic. In a decongested free environment one can reach a faster speed. As far as technology is concerned, we take pride in the fact that ours is an indigenously scalable technology that is also fairly robust and resilient. We keep on doing modifications whenever there is a requirement or a regulatory guideline.

Hand held devices and use of mobile technology is gaining acceptances every day. What are your plans for the future?

It's a relatively new phenomenon. It's a vehicle that can

ensure faster financial inclusion. And today the market is almost doubling on a year on year basis.

What will be as country's premier market NSE's endeavour to increase retail participation?

We are doing our bit continuously. Last year alone we conducted 1500 awareness programs touching the length and breadth of the nation. The market regulator, SEBI also often ask exchanges to work out such programs and from time to time they partner us too. It's a process and cannot possibly happen overnight. Even in 2011 / 2012 when many were worried about retail investor going away from the market, we were consciously at work to open new SIP ETF accounts along with some of the large retail brokers and that really played out very well and we did have lakhs of new accounts being opened in ETF since then. We need to address the needs of the segment through right product set.

How do you read the current world economic scenario? When do you think will be a possible turn around?

It's a cycle. There are pain points as well as peaks. Like IMF has said India can grow at a pace of 7.5% and even more perhaps in coming days. Investment is a long term issue and not just overnight. Investors who have remained calm have always earned a decent return. Nifty has given around 17% return in last 3 year or so. I can see definite signs of the economy growing further.

What has been the performance for EMERGE? What needs to be done to make it further attractive? What are your plans to encourage start-ups enter the primary market?

What we started about 3 years back is now growing into something nice. We want to play the role of a catalyst and wanted the system to become self sustainable. Our connects with large number of SMEs have encouraged many to list on our platform and more significantly they have become an example on how to showcase their products / services to the larger audience using the exchange market. This of course is beyond the core utility of raising capital through listing. Many of these tiny entities' IPO's are oversubscribed and few have progressed to the mainboard. Now that many institutions like SIDBI has started doing merchant banking for them, we are expecting the market to grow even faster. We feel we are almost there, creating an environment. If we are

able to showcase 50 of the best in engineering, chemicals, pharma, by listing them on NSE, I think then we are on course, doing what we set out to do.

Investor education has been a far cry for all concerned. What in your opinion needs to be done for bringing in more investor participation in the markets?

As I said it's a continuous process. We have conducted about 1500 programs last year alone. We are connected to the national and state boards, governments to roll out basic fundamental programs to educate the young minds. So today right from schools to doctoral programs NSE has made its presence felt. All these are contributing to financial inclusion and deepening.

What are NSE's plans for increasing global footprint?

We are present in few geographies. Nifty is traded in 3 countries while products, mainly ETFs, based on Nifty is available in about 15 countries. We have recently entered into agreements with Mauritius govt, London Stock Exchange etc. At present we are talking to few more for similar engagements.

You have recently joined hands with London Stock Exchange for setting up a trading platform at GIFT City Gujarat. What will be its salient features?

Tie up with LSE is multi-dimensional. The Gift City is an important project for the country and NSE has



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signed MOU to set up an international exchange there. We are expecting some announcements from the authorities to complete the working framework. Like the government has already formulated, Gift will be treated as an SEZ dedicated to financial products and services- the first of its kind in India. The international finance centre will offer host of products across spectrum and trading is expected to be denominated in international currency. Soon we expected to put all these pieces together.

What are your views on the road map for a fruitful NSE ANMI association?

No doubt that ANMI has played a very constructive role for its members so far. NSE and ANMI can continue to work together towards achieving better governance norms, transparency in financial market place. Going forward, we can also have a common minimum program which will address issues like financial literacy, investor awareness etc among others.

What will be NSE's Vision 2020?

If you look at the way we have defined our forays in education, our forays in financial literacy, our forays in investor protection, our forays in defining the kind of appropriate products for the market, at the bottom of all of this you will find that single-minded purpose of ensuring the larger financial wellbeing of people. That's the purpose of NSE. Together with ANMI and its members, we will continue the success story.