SENSEX	NIFTY	USD	GOLD	CRUDEOIL
58191.29	17314.65	82.42	51960.00	7627.00

SEBI's top measures and their impact on the markets

On Friday, the Securities and Exchange Board of India (SEBI) unveiled a series of measures after a scheduled meeting of its board. In her first press conference, Sebi's new chief Madhabi Puri Buch said liberalising rules and keeping the market accountable through disclosures and transparency would be the key objectives of the regulator. Here is a ready reckoner of the key measures the regulator announced and their implications for the markets.

Want money? Make disclosures

Measure: Sebi proposed that companies seeking to raise money through an Initial Public Offering (IPO) of shares disclose key performance indicators that are not included in their financial statements. More importantly, the issuing company must disclose its price per share in past fund-raising rounds, giving potential investors a clear picture of their valuations. Funds raised going back three years need to be disclosed. This is significant after the losses investors made on recent IPOs by start-ups that raised questions about their valuations.

Impact: The additional disclosures will enable investors to make an informed decision on whether to participate in an IPO or not. This also makes IPO managers accountable in explaining on how valuations are arrived at by giving a historic comparison of valuations. Start-ups will find it easier to convince investors of their potential because they would be able to put forth the unique parameters that are more representative of their business beyond traditional metrics.

Fund manager under the radar

Measure: Sebi included mutual fund units under its prohibition of insider trading rules and said it would prescribe a separate chapter laying down the guidelines for the industry. A separate code of conduct would be released for designated executives in respect of fund houses. Sebi would get to monitor the transactions of fund managers closely under this rule. The measure comes after some fund managers were found to have transacted in the equity market through mutual fund units based on privileged information, sparking worries that such a practice may be rampant at other fund house. Buch said the regulator will ensure adequate surveillance and punitive actions.

Impact: The move would result in changes in the investment mandate of MF schemes or the conversion of an open-ended scheme to a close-ended one. This is also likely to reduce churn in schemes with the flipside that fund managers may lose some of their discretion in managing the schemes. Sebi will, however, have to assess whether privileged information has an impact on the net asset value of the fund even though it may move share prices in the market.

Bonding with SEBI

Measure: The regulator has proposed that online bond platforms be registered with it as brokers under the debt segment. Sebi said it would issue a procedural circular soon, dealing with specifics and the mechanics of online bond platform providers. For the retail investor, the platform interface would be the touchpoint but the backend of transactions, including settlement, would be through exchanges. Sebi has also proposed reducing the face value of listed debt securities to enhance retail participation.

(Cont.)

Impact: Independent online bond platforms that mushroomed during the pandemic have so far been in a regulatory vacuum. By coming under Sebi's ambit, bond platforms would gain more credibility. Instances of mis-selling have also worried market participants, with some online platforms offering structured deals to retail participants unaware of the underlying risks.

Speeding up payment, settlement

Measure: The capital markets regulator announced a set of measures to expedite processing of payments and the settlement of instruments. Fund houses would be required to process redemption in three working days instead of the current 10, and dividend pay-outs in seven working days instead of the current 15. In derivatives, Sebi will allow netting of cash segment settlement and physical settlement of the Futures and Options segment upon expiry.

Impact: The derivatives measure will reduce margin requirement for brokers after expiry, giving them some relief. It aligns the cash and derivatives markets, which will result in reduction of price risk.

Pre-filing of offer documents

Measure: Sebi has allowed an optional pre-filing of offer documents on stock exchanges for IPOs. This pre-filed document would be confidential between the issuer, exchanges and the Sebi. The document available to the public would have Sebi's observations in it, giving potential investors an early peek into the regulator's reservations, if any, on the IPO.

Impact: Potential investors in IPOs may get the regulator's observations earlier as these would be incorporated in the offer document. This reduces the overall lead time for IPOs.

More the merrier in offer for sale

Measure: Sebi has allowed non-promoter shareholders with less than a 10 percent stake to participate in an Offer For Sale (OFS) by a company provided they have a minimum Rs 25 crore worth of shares to sell. This mechanism will be available to real estate investment trusts (REITs) and infrastructure investment trusts (InvITs). The cooling period has been reduced to two weeks from the current 12 weeks.

Impact: The move allows all non-promoters to participate in an OFS, subject to conditions. This would encourage greater participation in an OFS by companies. It also provides large institutional funds another route to trim their holdings in companies after repeated complaints over 'leakage' when such investors sought to sell a part of their stakes through the bulk and block deal windows.

Divestment boosts

Measure: Sebi has removed the requirement of a 60-day volume weighted average market price for open offer price calculations in the case of listed public sector entities. The move comes as the government pushes for divestment in the companies it owns. Sebi explained that strategic divestment requires several price-sensitive details to be made public at various stages. This makes shares of PSUs susceptible to volatility.

Impact: The move could help enhance the value the government can derive for its stake in listed PSUs. Excessive volatility in stock performance at times could be detrimental to the valuation of a company, especially PSU stocks that tend to have a higher level of volatility.

Easy induction of directors

Measure: Companies can now appoint independent directors through an ordinary resolution if they meet the threshold for the such a move as well as the threshold for a majority of minority shareholders. Currently, appointments, reappointments and removal of such directors requires a special resolution.

Impact: This makes the process of appointment and removal of independent directors easier for companies.

What are the new nomination regulations?

Investors subscribing to mutual fund units on or after October 1, 2022 should provide nomination in the prescribed format or opt out of nomination through a signed declaration form.

Physical forms should carry the wet signature of all unit holders and online forms should be validated using e-Sign facility or 2 factor authentication (2FA).

Also, existing investors holding mutual fund units (solely/jointly) should opt for or out of nomination by March 31, 2023. Non-complying folios will be frozen for redemption.

Top 3 fund houses add close to Rs. 60,000 crore assets last quarter

AMFI data shows that majority of the fund houses have witnessed positive growth in terms of assets size last quarter.

In fact, 8 fund houses have added Rs.5000 crore or more to their AUM kitty.

In absolute terms, SBI MF recorded the highest AAUM growth with addition of Rs. 35,133 crore. HDFC MF and ICICI Prudential MF followed SBI MF with addition of Rs. 13,964 crore and Rs. 10,723 crore to their AUM kitty, respectively. Overall, the top three fund house added close to Rs. 60,000 crore of assets last quarter.

Fund houses with addition of over Rs.5000 crore were UTI MF (Rs. 9,316 crore), Mirae Asset MF (Rs. 8,530 crore), Edelweiss MF (Rs. 6,729 crore), Canara Robeco MF (Rs. 5,896 crore) and Nippon India MF (Rs. 5,263 crore).

Fastest growing fund houses in % terms (Top 10 list mentioned below)

With 421% quarterly rise in AAUM, WhiteOak Capital MF is the fastest-growing fund house. Navi MF (28%), quant MF (27%), Shriram MF (22%) and Union MF (16%) are the next fastest-growing fund houses.

Mutual Fund	Average AUM (Sep Qtr 2022)	Average AUM (Jun Qtr 2022)	Absolute Growth	% Growth
SBI	6,82,607	6,47,474	35,133	5.4%
ICICI Prudential	4,76,191	4,65,468	10,723	2.3%
HDFC	4,29,271	4,15,307	13,964	3.4%
Nippon India	2,85,054	2,79,431	5,623	2.0%
Aditya Birla Sun Life	2,82,580	2,81,527	1,053	0.4%
Kotak	2,82,058	2,82,002	56	0.0%
Axis	2,48,343	2,45,510	2,833	1.2%
UTI	2,33,595	2,24,279	9,316	4.2%
IDFC	1,19,870	1,16,928	2,942	2.5%
DSP	1,11,341	1,06,682	4,659	4.4%

(Amt in Crs.)

SEBI includes mutual fund units in Insider Trading regulations

Capital market regulator Securities and Exchange Board of India (SEBI) in its board meeting on September 30 decided to include mutual fund units in the SEBI (Prohibition of Insider Trading) Regulations, 2015.
On July 8, Sebi had issued a consultation paper with a proposal **to include mutual fund units under the purview of insider trading regulations**. The regulator doesn't want those aware of unpublished price-sensitive information to unfairly exit a scheme.
Sebi's decision stems from some instances it had observed in recent years when **senior officials of a mutual fund house** or part of the mutual fund industry eco-system had sold their units when they got a whiff of turbulence within the fund house.
Although the SEBI (Prohibition of Insider Trading) Regulations, 2015 prohibits fund managers and portfolio managers and senior executives of the fund industry to buy and sell when they have inside information, there was no bar on them to sell mutual fund units.
Further, SEBI's code of conduct prevents MF officials from dealing in shares and bonds that their in-house schemes hold in their portfolios. Although it doesn't have such restrictions for MF units, it stops employees from selling schemes in case certain events are likely to occur.

Soon, investing in mutual funds through online mode will require OTP: SEBI

Soon, investors will require to key in OTP to invest in mutual funds through online mode. In a circular, SEBI said that two-factor authentication will also be implemented for subscription of mutual funds. Currently, it is applicable at the time of redemption. For switches and SIP, OTP will be required only at the time of registration, clarified SEBI.
SEBI said, "In case of subscription and redemption of units, Two-Factor Authentication (for online transactions) and signature method (for offline transactions) shall be used for authentication. One of the Factors for such Two-Factor Authentication for non-demat transaction shall be a One-Time Password sent to the unit holder at his/her email/ phone number registered with the AMC/RTA. In case of demat transaction, process of Two-Factor authentication as laid down by the Depositories shall be followed. It is also clarified that in case of mandates/systematic transactions the requirement of Two-Factor Authentication shall be applicable only at the time of registration of mandate/systematic transactions."
This will be applicable from April 1, 2022.

A Balasubramanian re-elected as chairperson, Radhika Gupta elected vice-chairperson of AMFI

A Balasubramanian, MD & CEO of Aditya Birla Sun Life Mutual Fund, has been re-elected as the Chairperson of Association of Mutual Funds in India (AMFI), at the recent Board Meeting of AMFI post the 27th AGM held in September 2022. The Board unanimously re-elected Balasubramanian as the Chairman of AMFI and Radhika Gupta as the Vice-Chairperson of AMFI to hold office until the conclusion of 28th Annual General Meeting.
As the Chairman of AMFI, A Balasubramanian would also continue as the ex-officio Chairman of AMFI Financial Literacy Committee till the conclusion of the next AGM.

Majority of people invest in mutual funds simply to create wealth i.e. without any goal

A recent study done by Kuvera.in, a direct plan mutual fund distributor reveals that 51% Indians invest in mutual funds simply to create wealth. They don't have any financial goals in mind. The study further shows that 45% of the total respondents invest in mutual funds by keeping some financial goals in mind like retirement or children education. Just 2% invest in mutual funds for tax savings, shows the research.
However, the findings show different results when we distribute the results across age groups. While 55% respondents in the age group of 36-45 invest in mutual funds to achieve their financial goals, 59% in the age group of 44 and above invest to grow their wealth. Region-specific trends show that investing for 'financial goals' is important for people in Chennai (62%) and Hyderabad (52%) while growing wealth appealed to most in Delhi (61%), Ahmedabad (55%), Bengaluru (54%), Kolkata (53%) and Mumbai (53% percent).

Among other key findings are:

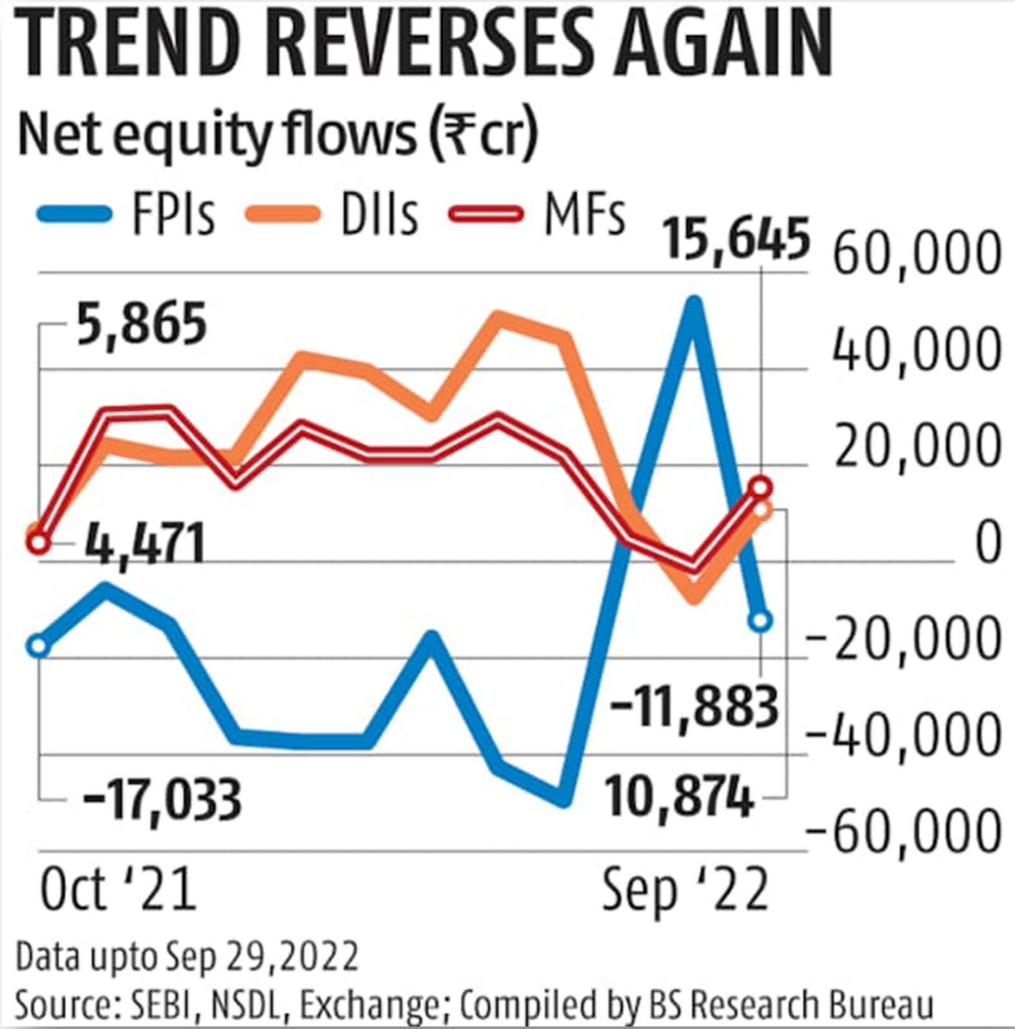
- Index funds are yet to pick up as only 25% of the total respondents invest in them
- 5 out of 10 women do SIP of more than Rs.10,000. Interestingly, 61% of the total male respondents do SIPs of over Rs.10,000
- A good 79% of those at 44 years and above prefer growth funds
- 11% and 6% of respondents younger than 25 years of age prefer sector funds and value funds, respectively
- 43% said past performance of the fund is a key determinant for investing in mutual funds
- 50% looked at other criteria like reputation of the fund house, fund criteria and fund manager's investment style to select funds
- Just 1% of respondents track all these determinants to select funds
- Respondents in south India - Chennai, Hyderabad and Bengaluru accord more importance to the fund house, fund criteria and fund manager's investment style over past performance

The survey comprised a list of eight questions in which 5,559 people participated with 1028 from Delhi, 912 from Mumbai, 524 from Bengaluru, 476 from Kolkata, 420 from Chennai, 360 from Hyderabad, 188 from Ahmedabad and 444 from Pune. There were 528 women respondents. 47% percent of survey respondents fell in the age group of 25-35 while 26% percent were in 36-43 age bracket. The rest were below 25 years of age or 44 and above.

Finance Ministry considers measures like auto debiting other a/cs of issuer to curtail cheque bounce cases

The finance ministry is considering multiple ways such as dipping into other accounts of a cheque issuer and prohibition of opening of new accounts of offenders to effectively deal with cheque bounce cases. These cases have been clogging the legal system.
Many suggestions were made at a high-level meeting recently called by the ministry to deal with the high incidence of cheque bounce cases, reported PTI. Some of the steps suggested before taking legal recourse included debiting another account of the cheque issuer if his or her account is short of funds to honour the instrument, as per PTI sources. Other suggestions included treating cheque bounce as default of loan and thus reporting it to credit information companies for necessary downgrade of score, the sources said, adding a proper legal view would be taken before these suggestions are accepted. If these suggestions are implemented, it would help enforce cheque honouring by the payer without the matter going to court and also compel him/her to make payment by creating a deterrent through technology. These measures would help promote ease of doing business and dissuade people from wilfully indulging in issuance of cheques even though their accounts have insufficient funds.

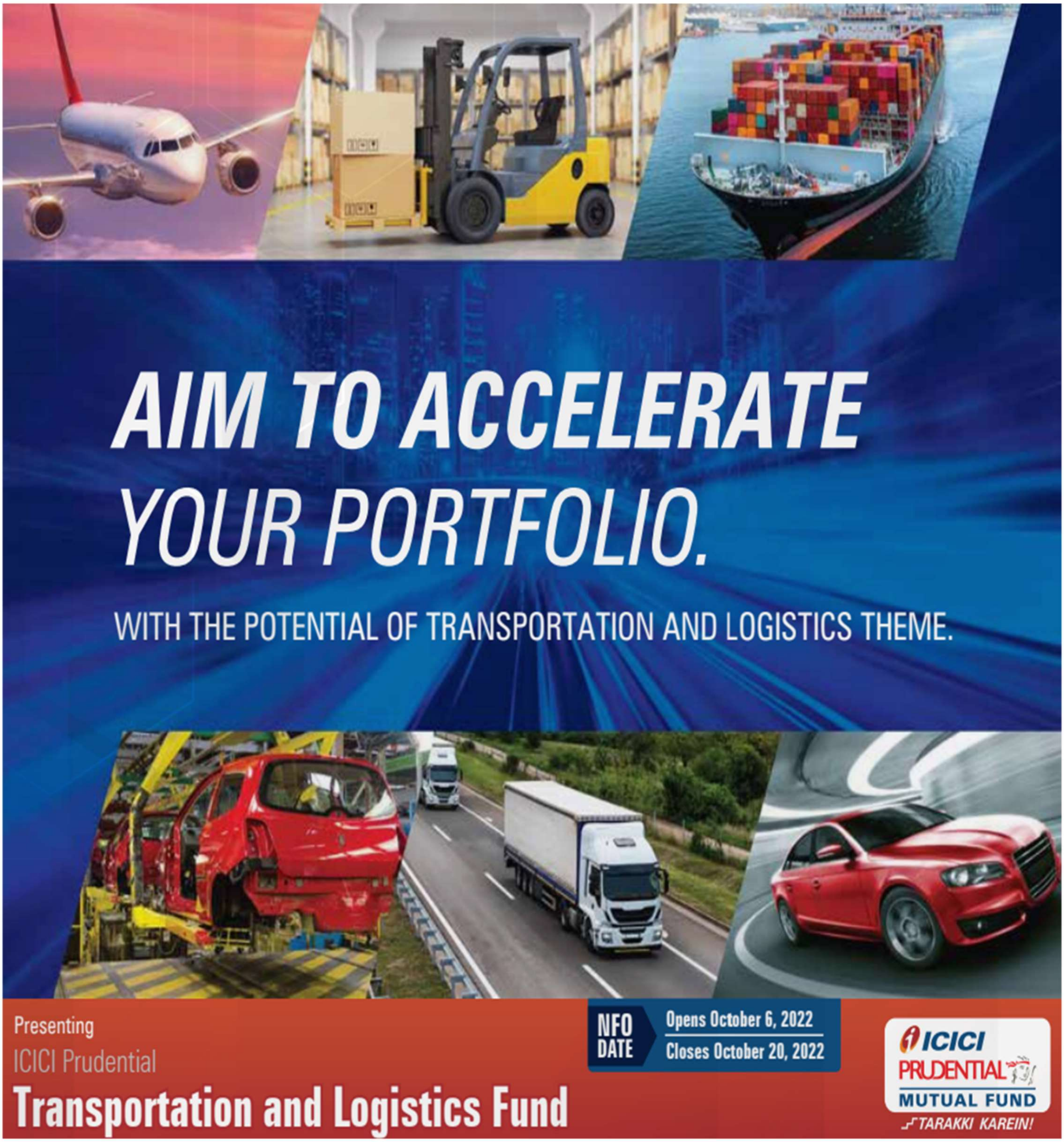
Mutual funds, DIIs turn net buyers as market falls; FPIs net sellers



Taking advantage of the weakness in the equity market, mutual funds and domestic institutional investors (DIIs) have stepped up their buying in September as foreign portfolio investors (FPIs) turned net sellers. Up to September 29, mutual funds had pumped in over Rs 15,600 crore into domestic stocks against Rs 1,100 crore net outflow in August.

DIIs also displayed a change in stance as they invested a net Rs 11,000 crore into the equity market till September 29. This compares to the Rs 7,000-crore net redemptions in the previous month. FPIs had turned net buyers in July after pumping out money from India for nine-straight months and this (buying) lasted only for a couple of months. This month (till September 29), they have taken out a net Rs 12,000 crore from the equity market. Overall, the equity markets received a net inflow of Rs 1.7 trillion during the first six months of FY23 despite FPIs pulling out Rs 58,700 crore.

Analysts said FPIs went back to being net sellers due to 'relentless' rate hikes and weakness in the Indian currency. Experts believe that selling by FPIs should not be a problem. "Domestic institutional and retail investor buying should offset the effect of FPI selling unless there is a steep fall. If the markets fall by 10-15 per cent, then retail investors may panic. Till then, monthly investments in mutual funds should be able to support the market," said UR Bhat, co-founder, Alphaniti Fintech.



(Source: - Economictimes, Livemint, Cafemutual, AMFI, IBJARates, Moneycontrol etc.)