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**Inaugural Address by SEBI Chairman Shri Ajay Tyagi at 15th FICCI Annual Capital Market Conference (CAPAM) 2018 “Blueprint for Capital Market in New India 2022” on 11th September 2018 in Mumbai**

Ladies and Gentlemen, it gives me great pleasure to address this august gathering today.

# **A**. **Economic Outlook**

During the April-June quarter of the current year, GDP of India grew by 8.2%.

This is the highest growth in two years and strongest since the first quarter of 2016. This was achieved, inter alia, by 13.5% growth in manufacturing, 5.3% in agriculture and 10% growth in investments. Robust corporate earnings figure and the Purchasing Managers' Index (PMI) also indicate that the economy is in a recovery mode.

IMF also projects an overall favorable macroeconomic outlook for India and expects economic growth to rise to 7.3% in FY2018/19 and 7.5% in FY2019/20, on strengthening investment and robust private consumption. With concerted measures being taken to address the twin balance sheet problems of the corporate and banking sector, the outlook is expected to improve further.

As far as economic risks are concerned, increase in international oil prices, tighter global financial conditions, spillover risks from a global trade conflict, and rising regional geopolitical tensions are some of the potential risks.

# **B. Fund Raising Activities**

Let me now give an overview of the fund raising activity happening in the capital market and the interesting trends that I see with regard to IPO market.

A record amount of Rs. 8.8 trillion was raised from Indian capital market during 2017-18 (through equity and debt) against Rs. 7.7 trillion during 2016-17. Rs. 2.3 trillion has already been raised in the first quarter of this financial year. This kind of sustained fund raising from capital market is very encouraging. It definitely signals increased economic activity.

Apart from an increase in aggregate amount of funds raised, the individual size of offerings has also increased over time, thereby indicating increased capacity of the market to finance larger issues. Average size of IPO has increased more than three times from Rs 640 cr. in 2015-16 to Rs 1,900 cr. in 2017-18 and median offer size increased from Rs 490 cr. in 2015 -16 to Rs 780 crore in 2017-18.

One comforting feature of the IPO market is that companies with a certain degree of maturity only are accessing the market, where as for their early stage funding, companies are relying on financing from private and institutional sources. The median age of companies coming out with IPOs during last two years was about 17 years. In contrast, the median age of companies coming out with IPO in US is about 10 years.

Over 70% of the IPOs during last 3-4 years consisted of Offer for Sale, signaling exit by early stage investors like PE/VCF. This is also an indication of maturing of Indian capital market as early stage investors are able to successfully exit from their existing investments so as to be able to channelize their investments for other productive economic activities.

A look at the sectoral composition of benchmark indices, particularly SENSEX, shows that the index is predominantly dominated by the financial sector. The weightage of financial sector in SENSEX increased from 21% in March 2008 to 41% in March 2018 followed by IT sector with a weightage of 12%. During the same decade, the weightage of industrial sector in SENSEX declined from 13.5% to 8%. A look at the top 100 companies by market capitalization shows that the share of financial sector has increased from 15% in March 2008 to 23% in March 2018 and that of industrial sector has declined from 14% to 12%.

To a casual observer, this may indicate a diminishing role of industrial/ manufacturing sector. However, if we look at the sectoral composition of IPOs over time, we discern a different picture. For instance, the share of industrial sector in IPOs has increased from 15% in 2012-13 to 36% in 2017-18. In contrast, the share of consumer discretionary goods and services sector and financial sector in IPOs has declined, respectively, from 44% to 23% and 13% to 11% during the same time period. The IPO market, therefore, appears to be indicating a trend which probably will get reflected in the benchmark indices at a later stage.

Added to this, the number of SME IPOs has gone up from 38 in 2015-16 to 80 in 2016-17. This number further increased to 151 in 2017-18. This is yet another indicator of the increasing role of financial disintermediation that capital market is facilitating.

Data on returns generated by IPOs reflects that price discovery in primary market is probably becoming more fair, reinforcing the fact that better quality companies with reasonably longer duration of track record are accessing the market. During 2016-17, 60% of the IPOs, over a period of 1 year from listing, generated a return exceeding the 19% return generated by NIFTY during the same time period.

# **C. Important measures by SEBI pertaining to Corporates**

During my address at this FICCI event last year, I had articulated that, if public markets have to sustain the current and enhanced capital raising efforts, it is important that markets continue to satisfy some broad conditions.

i. The standard of conduct in the market for all stakeholders (intermediaries, merchant bankers, issuers, auditors, etc.) has to further strengthen and be benchmarked to the best in the world.

ii. Secondly integrity of the markets should be non-negotiable so that it gives a high degree of comfort and confidence to investors.

iii. Lastly, there should be adequate competition with frictionless ease of doing business for all stakeholders

In light of these views, let me now talk broadly about the direction of reforms undertaken by SEBI during the last one year.

Corporate governance standards are foremost for enhanced standards of conduct by corporates. Keeping in view the recommendations of the Committee headed by Shri. Uday Kotak, along with the public comments thereon, SEBI has taken decisions on several measures to further improve corporate governance in India.

For instance, SEBI, inter alia, enhanced the focus on independent directors, prescribed separation of posts of CEO/ MD and Chairperson; enhanced role of the Audit Committee, Nomination and Remuneration Committee and Risk Management Committee; strengthened approval and disclosure of related party transactions (RPTs) and mandated mandatory consolidated quarterly results w.e.f. from FY 2019-20 and mandatory secretarial audit for listed entities and their material unlisted subsidiaries.

While, globally, India already ranks high on the aspect of protection of minority interests as per the Doing Business Report of the World Bank Group, the recent measures on corporate governance by SEBI would add significantly in enhancing investor confidence by way of further enhancing transparency and accountability in the governance of corporate sector in India.

Based on the inputs received from various stakeholders and through wider consultations, SEBI recently reviewed the ICDR, SAST and Buyback regulations. The recent changes to ICDR regulations, inter alia, include rationalization of disclosure requirement, rationalized definition of promoter group and aspects which would further enhance overall ease of doing business.

# **D. Challenges**

KPMG report titled *“Ten key global regulatory challenges for 2018 –action to drive effective change in financial services”* outlines - Cyber-security and Data Privacy; Risk Management, Governance and Controls; Conduct and Culture; Compliance Risk Management; Financial Crimes Compliance; Strategic Risk and Disruptions; Fiduciary and Investor Protection; Data and Analytics; Capital and Liquidity; and Geopolitical Uncertainty as the 10 major regulatory challenges.

While the report intends to guide financial services companies in allocating valuable resources and investment to manage risk, the list also has implications for regulatory policies. In this context, let me highlight 3-4 areas where SEBI is focused on at prtesent.

Cyber security is clearly an area SEBI is actively involved in. A High Powered Steering Committee on Cyber Security (HPSC-CS) comprising experts is providing overall guidance to SEBI in developing and maintaining cyber security and cyber resilience requirements aligned with Global best practices and Industry standards.

Towards enhancing market integrity, SEBI has strengthened the framework for algorithmic trading recently. To further strengthen the rules to deter financial crimes like frauds, market manipulations and insider trading, the Fair Market Conduct Committee constituted by SEBI and headed byDr.T. K. Viswanathan, Formerly Union Law Secretary has since submitted its recommendations which were also put in public domain seeking comments. A view on these recommendations will be taken soon.

With increasing amount of financial transactions, all of us are faced with volumes of data to deal with. The surveillance system of SEBI already has an embedded data warehouse and business intelligence system. Presently, SEBI is focused on further enhancing its in-house analytics capacity to make better use of data analytics for its supervision function. SEBI has recently invited expression of interest from companies for enhancement of analytical capabilities and setting up of private cloud to provide infrastructure, storage and computing capacity to different upcoming projects of SEBI.

# **E. Theme of the Conference**

Year 2022 is a landmark year for all of us as India complete 75 years of Independence.

The vision of New India along with its impact on the economy is bound to reshape our capital markets by 2022. In order to support higher economic growth, there is a need for concerted effort towards further developing the Indian securities market so as to increase market based financing and supply of risk capital. In the coming years, SEBI will continue with its endeavor of providing the right regulatory environment and facilitating development of market infrastructure to meet the financing need of economic activities through the securities market.

In furthering market based financing, corporate bond market has to play an increasingly important role. Further development of a liquid corporate bond market through trading of securitized receipts, increased participation of domestic institutional investors and though other relevant policy and operational measures will continue to engage the attention of SEBI going forward.

Increasing the role of Indian securities market hinges upon a transformational change in the current allocation of household’s savings between physical and financial assets and there is a need to channelize more and more savings to productive financial assets. Policy refinements for enhancing geographical spread of securities market in India will continue. Apart from enhancing investor awareness and improving access to securities market, technology solutions will be explored to achieve the objective of scaling up of delivery channels in the market.

Continued investor confidence is a crucial factor in attracting more investors to securities market. Right governance framework and a transparent and clean market go a long way in meeting these expectations of investors at large. SEBI will continue to focus on further enhancing the overall governance standards in the market, be it for issuers, intermediaries or market infrastructure providers.

In the next wave of capital markets growth, apart from the traditional markets i.e. equity, bonds, and currencies, we expect a lot more focus on the commodity markets. In this context, integration of commodities and securities derivative markets and introduction of new products, including option and index products in the commodity derivatives space is an area which have been actively engaging our attention.

Technology use in the financial sector is already disrupting the traditional regulatory tools forcing regulators to keep pace with the changes. Going forward, increase in use of machine learning and artificial intelligence among other technologies, in the capital markets is a writing on the wall. The complexities in the capital markets are only going to increase with time. SEBI needs to quickly upgrade its regulatory capacity to properly comprehend the nuances of technological changes with a view to staying ahead of the curve.

“Proper level of regulation” is an issue with which a regulator has to constantly grapple with. As for SEBI, the objectives of improving ease of doing business and maintaining market integrity have to be properly balanced. Any imbalance leads to either over regulation or under regulation. While it may not be always possible to accurately quantify the costs and benefits of making a regulation, it will be our endeavor to keep on improving the processes going forward.

Our overall vision is to have bigger, cleaner and safer markets. As of now,

India’s capital markets are 8th largest in the world in terms of market capitalization. Our market cap to GDP ratio is 86%. SEBI is committed to facilitate further growth of markets. SEBI is equally committed to ensure clean and safe markets. We are duty bound to ensure that the market mechanism is not misused or manipulated by the unscrupulous elements. It is but natural to keep focus on safety issues including systemic risks. In reality, all these issues are inter-related.

**Address by SEBI Chairman Shri Ajay Tyagi on “Distressed Assets Market in India” Organized by Indian Professionals Forum and the High Commission of India at London Business School, London on 24th September 2018**

# **Introductory Remarks**

Ladies and Gentlemen, it gives me great pleasure to be present at this event today. I compliment the Indian Professionals Forum and the Indian High Commission for organizing this seminar on a topical subject.

Let me present to you very briefly the state of the Indian economy; the major challenges that are seemingly constraining growth and the role of capital markets in supporting growth and in alleviating challenges, especially those relating to resolution of distressed assets.

# **Indian Economy**

IMF projects an overall favorable macroeconomic outlook for India and expects economic growth to rise to 7.3% in FY2018/19 and 7.5% in FY2019/20, on strengthening investment and robust private consumption.

During the April-June quarter of the current year, GDP grew by 8.2%. This was the highest growth in two years and strongest since the first quarter of 2016. This was mainly achieved as a result of robust 13.5% growth in manufacturing and 10% growth in investments. The Purchasing Managers' Index (PMI) at 52 also indicates a positive outlook.

# **Challenges**

The recent headwinds to the economic growth come mainly from exogenous factors. India is not the only country facing them. The emerging economies have been impacted across the globe.

Increase in international oil prices, tighter global financial conditions, spillover risks from a global trade conflict, and rising regional geopolitical tensions pose economic risks.

During the current financial year, there have been FPI outflows of over USD 9 billion from India and Indian rupee has depreciated about 13% vis-à-vis UD Dollar since the beginning of this calendar year.

While the current account deficit is under pressure, the recent decisions to relax the FPI investment norms and ECB norms and other measures in the pipe-line are likely to have some sobering effect on CAD. As for the fiscal deficit, the Indian Government has on more than one occasion, publicly announced its resolve to stick to the budgeted targets.

Coming to the domestic factors, the fundamental structural constraints to growth can mainly be attributed to the twin balance sheet problem of the corporate and banking sector in India.

The NPA i.e. bad loans as a percentage of total loans, in banking sector increased from 3.4% in March 2013 to 11.6% by March 2018 and could reach 12.2% by March 2019 as per RBI. As a result, credit growth more than halved from 14.8% in 2012-13 to 6.9% in 2017-18.

# **Insolvency and Bankruptcy Code**

While a whole host of policy measures have been taken by the Government and Regulators over time to address the above structural challenges, the enactment of IBC in 2016 is definitely one of the most significant measures taken for resolution of distressed loans.

IBC, in a sense, has started to play an important role in the process of

‘creative destruction’ by facilitating the release of dormant resources from bankrupt entities to be utilized for better and more productive activities.

Mr. Srinivas has already spoken at length on evolution of IBC and way forward and Dr. Sahoo will be later speaking on the development of bankruptcy ecosystem in India and challenges.

I would like to mention in very brief the important changes made by SEBI in its regulatory framework to facilitate the working of IBC on the ground.

With regard to resolution plans approved under IBC, SEBI has provided for appropriate relaxations in certain mandatory requirements under its regulations governing issuance of capital, acquisition of shares and delisting of shares on stock exchanges. Some of these specific exemptions pertain to issuance of preference shares, criteria for classifying promoters, open offer for acquisition beyond a threshold limit, requirement of shareholders’ approval in case of material RPTs, disposing of shares and assets of material subsidiaries, and some of the important corporate governance norms under the Listing Regulations.

In order to enhance market integrity and safeguard interest of investors, additional surveillance measures for the listed companies undergoing insolvency and resolution process have been introduced by stock exchanges.

# **Capital Markets**

Let me now dwell upon the role of capital markets in ably supplementing the growth of Indian economy by providing much needed funds to the corporate sector in a challenging credit environment as also the capital market regulatory framework to facilitate distressed assets market in India.

During FY18, a record amount of USD 142 billion was raised from Indian capital market through equity and debt against USD 124 billion during FY17. This was the highest in the last one decade. In the first quarter of this financial year USD 35 billion has already been raised.

As of now, India’s capital market is 8th largest in the world in terms of market capitalization. Our market cap to GDP ratio is 86%.

# **Corporate Bond Market**

I believe that corporate bond market is expected to play a pivotal role, both in absorbing some of the securities coming out of the process of securitization as also in providing a possible fund raising avenue to prospective investors in distressed assets.

The new insolvency framework itself is likely to significantly boost corporate bond market activities in India. As per BIS data, implementation of bankruptcy reforms has significant impact on issuance and trading of corporate bonds in countries where it has been implemented. For example, in Brazil the outstanding corporate bond as a percentage of GDP increased from

12.7% to 26.3%, in Russia it increased from 8.1% to 13.1%, in China from 18.8% to 33.4% and in UK it increased from 68.4% to 106.8% over 5 years period from the year of reform. For India, the corporate bond as a percentage of GDP was 17.9% in 2016 i.e. the year of notification of the IBC. It would be interesting to watch the impact of IBC on development of bond market in India in coming years.

During FY17, fund raised from corporate bond market touched an all-time high of USD 108 billion, surpassing the amount of bank credit disbursed during the same year. During FY18, USD 92 billion was raised through issuance of bonds.

Some of the significant measures taken recently by SEBI to further deepen the corporate bond market include:

* 1. Staring corporate repo platform on stock exchanges.

* 1. Nudging large corporates with “AA” rating and above to access 25% of their incremental borrowings from the bond market.

* 1. Easing the process for public issuance of corporate bonds, in terms of reduction in mandatory costs and reduction of timelines from issuance to listing.

# **Channels for Investments in Distressed Assets**

As I said earlier, the outstanding amount of NPAs is conservatively estimated at approximately USD 150 billion.

There are multiple channels through which foreign investments can be made in distressed assets in India. The opportunities have multiplied manifold after the implementation of IBC.

Foreign investors can invest through Foreign Direct Investment route to set up an Asset Reconstruction Company (ARC) or as portfolio investors in security receipts issued by ARCs. ARC is a specialized financial institution that buys the NPAs or bad assets from banks and financial institutions so that the latter can clean up their balance sheets. In other words, ARCs are in the business of buying bad loans from banks.

100% FDI is allowed in setting up of ARCs. Also, FPIs are allowed to invest up to 100% of each tranche in security receipts issued by ARCs. RBI has allowed ARCs to hold more than 26% post conversion of debt into equity in companies undergoing restructuring.

As on date, there are 28 ARCs registered with RBI. Of late, the foreign investors have been showing interest in investing in ARCs. Of the 5 ARCs set up since 2017, 2 had foreign shareholding of 90% and 100%, respectively. Such investments would get a further boost as implementation of IBC matures with time.

Currently, more than USD 14 billion of security receipts issued by Asset Reconstruction Companies are outstanding. Of this, 74% are held by banks, 22% by ARCs, 1% by Financial Institutions and around 3% by foreign portfolio investors.

As regards taxation, ‘pass through’ status has been extended to securitization trust where income is taxable directly in the hands of investors.Tax Deduction at Source (TDS) would be as per the applicable rate in force for non-residents.

Evidently, the market for security receipts is ripe for foreign portfolio investors to make their presence felt. SRs have been allowed to be listed and traded on stock exchanges, thereby providing liquidity in the secondary market.

Alternatively, foreign investors can also invest though FDI route in Alternative Investment Funds (AIFs) or as portfolio investors in units of AIFs targeting for investing in distressed assets. Such AIFs generally go under the name of “Stressed Asset Funds” or “Special Situation Funds”

AIFs are funds established or incorporated in India which are privately pooled investment vehicle collecting funds from sophisticated investors, whether Indian or foreign, for investing it in accordance with a defined investment policy for the benefit of their investors. 100% FDI is allowed in setting up of AIFs. Also, FPIs are allowed to invest up to 100% in units issued by AIFs.

With regard to taxation, AIFs also enjoy ‘pass-through’ status where income is taxable directly in the hands of investors.

As of now, three domestic funds, together with a corpus of around USD 380 million, have got registered with SEBI as Category II AIFs with an objective of investing in stressed assets. Recently, two more applications from domestic funds, together with a corpus of USD 160 million, have been received by SEBI.

It is an opportune time for foreign investors with requisite expertise to make investments in distressed companies using the AIF vehicle. By virtue of holding large investments, they can take management positions in such companies and influence the decision making to direct the revival of the asset/ company by way of financial restructuring, improving the processes involved / corporate governance and day to day management.

# **Conclusion**

To conclude, let me share with you some of the major findings of a recent survey titled *“Decoding the Code: Survey on Twenty One Months of IBC in India”* byPwCabout distressed asset market in India. The survey was conducted among private equity funds, asset reconstruction companies and strategic investors, both in India and abroad.

* 1. 60% of the survey respondents are likely to allocate more than $100 million to distressed deals which is significantly above the average M&A deal size over the last decade.

* 1. 83% viewed the introduction of IBC as the most favorable recent amendment in the regulatory laws aiding investments in the Indian distressed asset space.

* 1. 80% were in favor of distressed deals in manufacturing sector spanning industries such as metals, chemicals, pharma, cement and discrete manufacturing.

* 1. More than 50% were evaluating deals in the infrastructure, power and real estate sectors.

I look forward to a fruitful engagement with you all in the space of distressed asset investments in India. I also look forward to any suggestions that you may have to further improve the investment eco-system in India.

**CAPITAL MARKET REVIEW**

1. **Introduction**

The overall gross domestic product (GDP) growth projection for 2018-19 is retained at 7.4 per cent. The real GDP growth surged to a nine quarter high of 8.2 per cent in Q1:2018-19. Agricultural growth also picked up, supported by robust growth in production of rice, pulses and coarse cereals alongside a sustained expansion in livestock products, forestry and fisheries. In contrast, services sector growth moderated, while the construction activity maintained strong pace for the second consecutive quarter.

Retail inflation, measured by the y-o-y change in the CPI, fell from 4.9 per cent in June 2018 to 3.7 per cent in August 2018, dragged down by a decline in food inflation. During August-September 2018, systemic liquidity alternated between surplus and deficit. On the financing side, net foreign direct investment (FDI) flows improved in the last quarter. By contrast, FPIs were net sellers in both the equity and debt segment in September 2018 owing to higher US interest rates, risk-off sentiment in EMEs and escalation of trade wars. India’s foreign exchange reserves were at US$ 400.5 billion as on September 28, 2018.

India’s overall exports (Merchandise and Services combined) in August 2018 were estimated to be USD 27.8 billion, exhibiting a positive growth of 8 per cent over July 2018. Overall imports were estimated to be USD 45.2 billion, up by 3 per cent. The Indian Rupee fell to record lows against the US Dollar in September 2018 amid renewed global trade war worries.

Indian stock markets exhibited mixed trend in September 2018. India’s equity benchmarks Sensex and Nifty, remained positive in the first half of the month, however, ended the month with a decline of around 6 per cent. Notwithstanding the volatility in the secondary securities market, September 2018 proved to be vibrant for the Indian IPO market. SME platform, too, witnessed a rise in activity with 14 issues during the month.

Against this backdrop, SEBI is committed to work towards bringing greater transparency, better risk management for issuers and investors and more efficient capital raising. Going forward, SEBI will continue its on-going process of reforms in the primary market to improve issuer and investor confidence.

The following sections of the review highlights the trends observed in the Indian securities market during September 2018.

1. **Trends in Resource Mobilisation by Corporates**

**Exhibit 1: Funds Mobilisation by Corporates (₹ crore)**

|  |  |  |
| --- | --- | --- |
| **Particulars** | **Aug-18** | **Sep-18** |
| ***A. Funds Mobilisation through Public Issue*** | ***1,254*** | ***9,273*** |
| I. Equity Public Issue |  |  |
| a. IPOs (i+ii) | 1,254 | 2,478 |
| i. Main Board | 1,131 | 2,168 |
| ii. SME Platform | 123 | 309 |
| b. FPOs | 0 | 0 |
| c. Equity Right Issue | 0 | 0 |
| d. Public Issue of Debt | 0 | 6,795 |
| ***B. Funds Mobilisation through Private Placement*** | ***44,043*** | ***35,214*** |
| 1. QIP/IPP | 2,888 | 0 |
| 2. Preferential Allotment | 4,239 | 3,412 |
| 3. Private Placement of Debt | 36,916 | 31,802 |
| **Total Funds Mobilised (A+B)** | **45,297** | **44,487** |

**Note: Current month data are provisional**

**Source: SEBI, NSE, BSE and MSEI**

The primary segment of the equity market continued to be an important source of resource mobilisation. New equity issues, including the public debt issues, increased significantly during September 2018. In financial year 2018-19 (till Sep 30, 2018), 72 SME IPOs raised ` 1,293 crore from the market ***(Annex Table 4)***. This helped India rank 2nd globally in the numbers of IPOs so far in this year. India was placed third last year.

In the face of the global economic concerns, a good GDP print and strong domestic liquidity have facilitated the boosting of investor confidence thereby prompting Indian companies to go public.

Primary market resource mobilisation through public issues, both equity and debt, jumped manifold in September 2018 with 20 issues mobilising ₹ 9,273 crore. Out of 16 IPOs, 14 IPOs amounting to ` 309 crore were listed on SMEs platform of the BSE and the NSE.

In September 2018, there were total 22 preferential allotments worth ₹3,412 crore that got listed at BSE, NSE and MSEI as compared to 34 preferential allotments (amounting to ₹4,239 crore) in August 2018 ***(Annex Table 11)***. Corporate sector mobilised large amount of resources by way of private placements of corporate bonds. The companies mobilised ` 31,802 crore through 204 issues in September 2018 ***(Annex Table 12)***.

1. **Trends in the Secondary Market**

**Exhibit 2: Snapshot of Indian Capital Market**

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Aug-18** | **Sep-18** | **Change during the Month** |
| **Index in Equity Market** | | | |
| Sensex | 38645 | 36227 | -6.3 |
| Nifty 50 | 11681 | 10930 | -6.4 |
| Nifty 500 | 9992 | 9116 | -8.8 |
| BSE 500 | 15846 | 14446 | -8.8 |
| Nifty Bank | 28062 | 25120 | -10.5 |
| Nifty IT | 15811 | 15838 | 0.2 |
| BSE Healthcare | 15945 | 15025 | -5.8 |
| BSE FMCG | 12772 | 11503 | -9.9 |
| **Market Capitalisation (` crore)** | | | |
| BSE | 1,59,34,696 | 1,44,86,402 | -9.1 |
| NSE | 1,57,30,918 | 1,42,92,302 | -9.1 |
| **P/E Ratio** | | | |
| Sensex | 24.9 | 24.1 | -3.2 |
| Nifty 50 | 28.4 | 26.4 | -6.9 |
| **No of Listed Companies** | | | |
| BSE | 5,233 | 5,232 | 0.0 |
| NSE | 1,916 | 1,912 | -0.2 |
| **Gross Turnover in Equity Segment (` crore)** | | | |
| BSE | 67,896 | 62,477 | -8.0 |
| NSE | 7,05,869 | 6,88,319 | -2.5 |
| **Gross Turnover in Equity Derivatives Segment (` crore)** | | | |
| BSE | 1.01 | 0.93 | -7.1 |
| NSE | 2,00,46,132 | 2,24,58,641 | 12.0 |
| **Gross Turnover in Currency Derivatives Segment (` crore)** | | | |
| BSE | 7,08,157 | 6,80,050 | -4.0 |
| NSE | 7,48,882 | 9,59,941 | 28.2 |
| MSEI | 3,767 | 3,991 | 6.0 |
| **Gross Turnover in Interest Rate Derivatives Segment (` crore)** | | | |
| BSE | 10,592 | 7,489 | -29.3 |
| NSE | 18,423 | 19,346 | 5.0 |

**Source: NSE, BSE and MSEI**

The Indian stock markets took a sharp turn downwards during the month of September 2018 and consequently ended in the red for September 28, 2018. The benchmark indices, viz., S&P BSE Sensex and Nifty 50 lost about 6 per cent each in September 2018. The Nifty 50 closed at 10,930 while the Sensex closed at 36,227 on September 28, 2018. The decline of India’s equity benchmark indices turned out to be their worst monthly performance since February 2016, as fears for exports in a worsening environment for global trade weighed on the benchmark. However, further decline was prevented owing to buying interest in shares of information technology (IT) firms. S&P BSE IT and Nifty IT were the only sectoral gainers in the current month.

Both S&P BSE Sensex and Nifty 50 touched their intraday high, in the beginning of the month on September 3, 2018, of 38,934 and 11,752, respectively and at the same time both the indices touched their intraday lows of 35,986 and 10,850, respectively on the last trading day of the month, viz., September 28, 2018.

**Figure 1: Movement of Sensex and Nifty**

At the end of September 2018, market capitalisation of both BSE and NSE decreased by 9.1 per cent to stood at ₹1,44,86,402 crore and ₹ 1,42,92,302 crore respectively. The monthly cash segment turnover also witnessed a downfall in this month. The turnover at BSE decreased by 8 per cent to ₹ 62,477 crore in September 2018 while at NSE, the decrease in turnover was comparatively less at 2.5 per cent and stood at ₹ 6,88,319 crore. The P/E ratios of S&P BSE Sensex and Nifty 50 were 24.1 and 26.4 respectively, compared to 24.9 and 28.4 respectively in August 2018.

**Figure 2: Trends in Average Daily Values of Nifty 50 and NSE Equity Cash Segment Turnover**

**Figure 3: Trends in Average Daily Values of Sensex and BSE Equity Cash Segment Turnover**

While at BSE, large caps declined, they fared better than small and mid-caps. The S&P BSE Small Cap plunged more than 15 per cent this month, the highest downfall among all the BSE indices under consideration. Both BSE Consumer Durables and BSE Bankex observed a decline of 12 per cent in September 2018, followed by BSE Capital Goods, BSE Power and BSE FMCG, all three reporting a loss of 9.9 per cent.

Further, among BSE indices, BSE Metal recorded the highest daily volatility (1.8 per cent), followed by BSE Healthcare (1.4 per cent), BSE FMCG, BSE Power, BSE Consumer durables and BSE Small Cap, each registering a volatility of 1.3 per cent. BSE Teck and BSE Sensex, with a daily volatility of 0.8 per cent, were the least volatile indices for the month of September 2018.

**Figure 4: Performance of BSE Indices**

As regards NSE indices, Nifty IT was the only sectoral gainer in September 2018 – up by 0.2 per cent. During September 2018, Nifty Small 100 witnessed the highest dip of around 20 per cent followed by Nifty PSU Bank (18.6 per cent), Nifty Midcap 100 (13.9 per cent), Nifty Media (13.8 per cent) and Nifty Midcap 50 (13.5 per cent). Nifty Pharma lost only 4 per cent during the month.

At NSE, daily volatility of all three indices, viz., Nifty PSU Bank, Nifty Pharma and Nifty Small 100 was 1.7 per cent each, followed by Nifty Midcap 50 (1.5 per cent). Nifty Next 50, Nifty Midcap 100 and Nifty FMCG recorded a daily volatility of 1.4 per cent each. Nifty 50 (0.8 per cent) was the least volatile among the NSE indices under consideration.

**Figure 5: Performance of NSE Indices**

1. **Trends in Depository Accounts**

At the end of September 2018, there were 177 lakh demat accounts at NSDL and 161 lakh demat accounts at CDSL. At NSDL, till September 2018, 6,060 companies signed up to make their shares available for dematerialisation while at CDSL, 6,840 companies signed up.

**Trends in Derivatives Segment**

1. **Equity Derivatives**

Over the years, the Indian equity derivatives segment has grown exponentially and is continuing to maintain its momentum in the current financial year as well. Among the three exchanges in the derivative market ecosystem, viz., NSE, BSE and MSEI, NSE is dominating the market with almost 100 per cent share in equity derivatives. There is negligible trading taking place at BSE and MSEI.

During September 2018, the notional turnover at NSE increased to ₹ 2,24,58,641 crore, up by 12 per cent from the previous month. Index options accounted for 86.1 per cent of the total notional turnover in the F&O segment at NSE. Although the notional turnover of index futures increased by 37.0 per cent in September 2018, that of stock futures decreased by 5.2 per cent over the previous month.

**Figure 6: Trends of Equity Derivatives Segment at NSE (₹ crore)**

Further, monthly notional turnover of put options on index increased by 6.0 per cent, and monthly notional turnover of call options on index also increased by 23.6 per cent. In addition, monthly notional turnover of put options on stock and call options on stock decreased by 7.9 per cent and 16.4 per cent respectively over previous month. The open interest in value terms in the equity derivative segment of NSE decreased by 16.7 per cent to ₹ 2,84,743 crore at the end of September 2018 from ₹ 3, 41,915 crore at the end of August 2018.

BSE’s share in equity derivative segment has waned with the total notional turnover being mere `42.5 crore in 2018-19 so far. In September 2018, the equity derivatives segment turnover of BSE was ₹0.9 crore compared to ₹ 1 crore in August 2018, while the open interest in terms of value stood at ₹0.2 crore as on September 28, 2018.

**Exhibit 3: Trends in Equity Derivatives Market**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Description** | **NSE** | | | **BSE** | | |
| **Aug-18** | **Sep-18** | **Percentage Change Over Month** | **Aug-18** | **Sep-18** | **Percentage Change Over Month** |
| **A. Turnover (` crore)** | | | | | | |
| (i) Index Futures | 3,94,229 | 5,40,040 | 37.0 | 0.0 | 0.0 | NA |
| (ii) Options on Index |  |  |  |  |  |  |
| *Put* | 81,84,551 | 86,75,528 | 6.0 | 0.0 | 0.0 | NA |
| *Call* | 86,26,841 | 1,06,62,247 | 23.6 | 0.0 | 0.0 | NA |
| (iii) Stock Futures | 15,44,987 | 14,64,394 | -5.2 | 1.0 | 0.9 | -7.1 |
| (iv) Options on Stock |  |  |  |  |  |  |
| *Put* | 3,93,971 | 3,62,772 | -7.9 | 0.0 | 0.0 | NA |
| *Call* | 9,01,553 | 7,53,661 | -16.4 | 0.0 | 0.0 | NA |
| **Total** | **2,00,46,132** | **2,24,58,641** | **12.0** | **1.0** | **0.9** | **-7.1** |
| **B. No. of Contracts** | | | | | | |
| (i) Index Futures | 40,86,103 | 58,32,447 | 42.7 | 0 | 0 | NA |
| (ii) Options on Index |  |  |  |  |  |  |
| *Put* | 7,81,61,817 | 8,71,33,996 | 11.5 | 0 | 0 | NA |
| *Call* | 8,02,37,798 | 10,41,42,054 | 29.8 | 0 | 0 | NA |
| (iii) Stock Futures | 2,15,81,854 | 2,16,40,734 | 0.3 | 16 | 14 | -12.5 |
| (iv) Options on Stock |  |  |  |  |  |  |
| *Put* | 52,49,072 | 50,36,142 | -4.1 | 0 | 0 | NA |
| *Call* | 1,13,69,088 | 98,97,504 | -12.9 | 0 | 0 | NA |
| **Total** | **20,06,85,732** | **23,36,82,877** | **16.4** | **16** | **14** | **-12.5** |
| **C. Open Interest in Terms of Value ( ` crore)** | | | | | | |
| (i) Index Futures | 35,080 | 23,666 | -32.5 | 0.0 | 0.0 | NA |
| (ii) Options on Index |  |  |  |  |  |  |
| *Put* | 87,500 | 75,624 | -13.6 | 0.0 | 0.0 | NA |
| *Call* | 64,252 | 63,796 | -0.7 | 0.0 | 0.0 | NA |
| (iii) Stock Futures | 1,30,521 | 1,04,528 | -19.9 | 0.2 | 0.2 | -9.0 |
| (iv) Options on Stock |  |  |  |  |  |  |
| *Put* | 8,396 | 6,328 | -24.6 | 0.0 | 0.0 | NA |
| *Call* | 16,166 | 10,800 | -33.2 | 0.0 | 0.0 | NA |
| **Total** | **3,41,915** | **2,84,743** | **-16.7** | **0.2** | **0.2** | **-9.0** |
| **D. Open Interest in Terms of No of Contracts** | | | | | | |
| (i) Index Futures | 3,90,766 | 2,82,242 | -27.8 | 0 | 0 | NA |
| (ii) Options on Index |  |  |  |  |  |  |
| *Put* | 9,45,783 | 8,81,743 | -6.8 | 0 | 0 | NA |
| *Call* | 6,79,574 | 7,31,773 | 7.7 | 0 | 0 | NA |
| (iii) Stock Futures | 18,00,625 | 16,73,343 | -7.1 | 3 | 3 | 0.0 |
| (iv) Options on Stock |  |  |  |  |  |  |
| *Put* | 1,13,254 | 1,02,705 | -9.3 | 0 | 0 | NA |
| *Call* | 2,22,478 | 1,87,225 | -15.8 | 0 | 0 | NA |
| **Total** | **41,52,480** | **38,59,031** | **-7.1** | **3** | **3** | **0.0** |

**Source: NSE and BSE**

1. **Trends of India VIX at NSE**

India VIX closed at 17.0 at the end of September 2018 from its closing at 12.6 in the previous month. The India VIX touched intraday high of 18.3 on September 25, 2018 and intraday low of 13.7 on September 3, 2018.

**Figure 7: Trends in India VIX at NSE**

1. **Currency Derivatives at NSE, BSE and MSEI**

In September 2018, the monthly turnover at the currency derivatives segment increased at NSE and MSEI while at BSE the turnover witnessed a decline. At NSE, the turnover grew by 28 per cent to stood at ₹9,59,941 crore. The turnover at MSEI was `3,991 crore, a rise of 6 per cent from August 2018. At BSE, the currency derivatives segment turnover was ` 6,80,050 crore in September 2018. NSE accounts for major share of 58 per cent in 2018-19 so far.

**Figure 8: Trends of Currency Derivatives at NSE, MSEI and BSE (₹ crore)**

1. **Interest Rate Futures at NSE, BSE and MSEI**

During September 2018, the aggregate turnover in the interest rate derivatives (IRD) segment across both the exchanges (BSE and NSE) declined by 7.5 per cent. In 2018-19 so far, no trading has been observed at MSEI in this segment. The monthly turnover in IRD segment of NSE rose by 5 per cent, whereas that of BSE fell by 29.3 per cent. With a strong growth in trading volume, NSE has acquired a dominating share in the IRD segment in India in the current financial year (until September 2018) unlike 2017-18, where BSE had a leading share. The share of NSE in interest rate derivatives rose to 65 per cent in 2018-19 so far as compared to 41 per cent in 2017-18.

**Figure 9: Trends of Interest Rate Futures at NSE and BSE (₹** **crore)**

1. **Commodities Derivatives Markets**

**A. Market Trends**

At the end of September 2018, MCX Comdex closed at 4009.9, registering an increase of 3.9 per cent over the closing value of 3859.1 at the end of August 2018. On Y-o-Y basis, the MCX Comdex increased by 19.6 per cent, mainly on account of increase in prices of all the traded commodities, except lead, zinc and silver. NCDEX Dhaanya closed at 3167.5, an increase of 1.6 per cent over the closing values of 3117.8 at the end of August 2018. On Y-o-Y basis, the NCDEX Dhaanya index increased by 6.0 per cent mainly due to increase in prices of all the traded commodities except chana and turmeric. **(Figure 10)**.

MCX Comdex recorded an intra-day high of 4022.1 on September 24, 2018 while 3820.7 on September 07, 2018 was its lowest intra-day level. NCDEX Dhaanya recorded an intra-day high of 3190.2 on September 12, 2018 and an intra-day low of 3106.1 on September 18, 2018 (Details in Table 66).

**Figure 10: Movement of Commodity Derivatives Market Indices**

**Source: MCX and NCDEX**

During September 2018, among the three component indices of MCX Comdex, Energy and Metal indices increased by 7.9 per cent and 3.3 per cent respectively, while MCX Agri. index decreased by 3.0 per cent. MCX Energy index which is composed of crude oil and natural gas, surged on account of increase in their futures prices by 7.6 per cent and 5.4 per cent, respectively. The uptrend in MCX Metal index was driven by the gain in futures prices of copper (9.4 per cent), followed by zinc (5.1 per cent) and brass (1.3 per cent). The downtrend in MCX Agri. index in September 2018 was due to decline in futures prices of mentha oil (10.6 per cent), followed by cotton (4.5 per cent), rubber (3.0 per cent) and crude palm oil (0.2 per cent). An increase of 1.6 per cent for NCDEX Dhaanya index may be attributed to the increase in futures prices of 4 of its components viz. jeera (2.4 per cent), guar seed (2.3 per cent), turmeric (1.2 per cent) and cotton seed oilcake (0.5 per cent). Significant decrease in prices of barley (8.7 per cent), chana (5.6 per cent), RM seed (4.6 per cent), coriander (3.8 per cent), wheat (2.0 per cent), refined soy oil (1.4 per cent), soybean (0.8 per cent), castor seed (0.3 per cent) and maize rabi (0.2 per cent) resisted further increase of Dhaanya index.

Daily volatility during September 2018 of MCX Comdex and NCDEX Dhaanya indices was recorded at 0.7 per cent each. Among the component indices of MCX Comdex, MCX Energy recorded highest volatility of 1.3 per cent, followed by MCX Metal (0.9 per cent) and MCX Agri. (0.5 per cent). The daily volatility and variation over the previous month for indices on commodity derivatives is shown in the Figure 11 below:

**Figure 11: Variation (point-to-point) and daily volatility of commodity indices in September, 2018 (per cent)**

**Source: MCX and NCDEX**

**B. Turnover**

During September 2018, among the four national commodity derivative exchanges, NCDEX and NMCE recorded a decrease in turnover, whereas MCX and ICEX have recorded an increase in turnover.

The total turnover at all the four national exchanges in September 2018 stood at `6,34,549 crore, an increase of 8.9 per cent over the turnover of ₹5,82,499 crore during the previous month. The agricultural segment contributed `46,858 crore (7.4 per cent), while the non-agricultural segment contributed `5,87,691 crore (92.6 per cent) to the total turnover during the month. Among, the non-agricultural commodities segments, bullion, metals and energy are traded at MCX, whereas, diamond futures of gems & stones segment, steel long of metal segment and castor seed, guar seed, isabgul seed, raw jute, rubber, RM seed of agri. segments are traded at ICEX.

The total turnover (futures + options) at MCX increased by 13.8 per cent during September 2018 to `5,94,184 crore, over total turnover of `5,22,137 crore recorded in August 2018. The turnover of all the options contracts increased from ₹11,041 crore in August 2018 to ₹46,624 crore in September 2018, an increase of 322.3 per cent.

The contribution to the total turnover at MCX from metal segment was at 37.9 per cent followed by energy (30.4 per cent), bullion (22.6 per cent) and agricultural (1.2 per cent). The options contracts contributed 7.8 per cent to the total turnover.

The consolidated turnover (futures + options) at NCDEX decreased by 34.5 per cent to `38,261 crore during September 2018, from `58,383 crore in August 2018. The guar seed options contracts recorded turnover of ₹13 crore during September 2018.

The total turnover at NMCE (up to 21st September, 2018) decreased by 34.5 per cent to `1,014 crore from `1,547 crore recorded for last month. Consequent upon merger of NMCE with ICEX w.e.f. September 24, 2018, all the agri. contracts of NMCE started trading on ICEX. Since the merger, the agri. segment of ICEX recorded turnover of `159 crore during last five trading days of September 2018.

The total turnover at ICEX in diamond contracts increased by 1.1 per cent to ₹318 crore in September 2018 from ₹314 crore during last month. Total turnover in steel long contracts increased by 419.5 per cent to ₹613 crore in September 2018 from ₹118 crore during last month. The aggregate turnover at ICEX (diamond + steel long + agri. contracts taken together) was recorded at ₹1,090 crore in September, 2018.

The turnover of agricultural commodities was the highest at NCDEX (`38,261 crore) followed by MCX (`7,424 crore), NMCE (`1,014 crore) and ICEX (₹159.2 crore). The turnover of agricultural and non- agricultural commodities at national exchanges is shown in Figures 12, 13 and the details in Tables 67 to 72.

**Figure 12: Trends in Turnover of Agricultural Commodity Derivatives (₹crore)**

**Figure 13: Trends in Turnover of Non- Agricultural Commodity Derivatives -**

**Futures and Options (₹ crore)**

**Figure 14 : Movement of Futures Prices (M-o-M) for Commodities Traded on Domestic Exchanges during September 2018**

Source : MCX, NCDEX, NMCE, ICEX

1. **Trading in Corporate Debt Market**

Indian companies raised a total of ` 1,23,019 crore during September 2018 through the corporate debt route. BSE noted 2,840 trades with a traded value of ₹ 37,395 crore as compared to 3,534 trades worth ₹ 43,548 crore in August 2018. At NSE, 4,388 trades were noted with a traded value of ` 85,624 crore in September 2018 as compared to 5,036 trades with a traded value of ₹ 92,455 crore reported in August 2018.

**Figure 15: Trends in Reported Turnover of Corporate Bonds (₹** **crore)**

1. **Trends in Institutional Investment**
2. **Trends in Investment by Mutual Funds**

The total net investment in the secondary market by mutual funds was ₹ 30,325 crore in September 2018, compared to the total net investment of ₹ 39,839 crore in August 2018. During September 2018, mutual funds net invested ₹11,638 crore in equity as compared ₹ 4,095 crore net investment in August 2018. In addition, mutual funds net invested ₹ 18,686 crore in debt securities as compared to ₹ 35,744 crore investment in August 2018.

During September 2018, there was a net outflow of ₹2,30,159 by the mutual funds industry as against a net inflow ₹1,74,649 crore during August 2018. During the month, Growth / equity oriented schemes mobilised ₹ 11,250 crore, followed by Exchange traded funds (` 2,377 crore), Balanced schemes (₹ 730 crore), and Fund of funds schemes investing overseas (₹ 7 crore). However, income / debt oriented schemes saw liquidation to the tune of ₹2,44,522 crore in September 2018 as compared to ₹1,64,305 crore mobilised in August 2018. The cumulative net assets under management of all mutual funds decreased to ₹22, 04,423 crore at the end of September 2018 from ₹ 25, 20,430 crore at the end of August 2018.

As on September 30, 2018, there were a total of 1,901 mutual fund schemes in the market, of which 1,236 (65 per cent) were income / debt oriented schemes, 537 (28.3 per cent) were growth / equity oriented schemes, 27 (1.4 per cent) were balanced schemes, 72 (3.8 per cent) were exchange traded funds and 29 (1.5 per cent) were fund of funds investing overseas**.**

**Figure 16: Trends in Mutual Funds Investment (₹ crore)**

1. **Trends in Investment by the Foreign Portfolio Investors (FPIs)**

Foreign portfolio investors turned net sellers in September 2018. FPIs withdrew ₹21,035 crore from Indian securities market during September 2018 compared to an inflow of ₹ 5,146 crore in August 2018. FPI’s liquidated (net) ₹ 10,825 crore worth of equity securities in September 2018, compared to a net investment of ₹ 1,775 crore in equity in August 2018. In addition, FPI also liquidated (net) ` 10,198 crore worth of debt securities, as compared to a net investment of ` 3,414 crore in August 2018. Similarly, FPIs continued to liquidate their holdings of hybrid securities in September 2018 as well amounting to ₹ 11 crore.

The assets of the FPIs in India, as reported by the custodians, at the end of September 2018 was ₹31,38,334 crore, out of which the notional value of offshore derivative instruments (including ODIs on derivatives) was ₹79,548 crore, constituting 2.5 per cent of the total assets of the FPIs.

**Figure 17: Trends in FPIs Investment (₹ crore)**

***Note:*** *Data on**investment by FPIs in Hybrid securities has been compiled since December 26, 2017.*

1. **Trends in Portfolio Management Services**

The total AUM of the portfolio management industry decreased to ` 14.8 lakh crore at the end of September 2018 from ` 14.9 lakh crore at the end of August 2018. The AUM of discretionary and non-discretionary services increased by 1.7 and 4.9 per cent respectively in September 2018, while, that of advisory services decreased by about 4 per cent.

The discretionary services offered to the Employees Provident Fund Organization (EPFO)/Provident Fund (PF) constituted 60.6 per cent of the total AUM of the portfolio managers.

Number of clients under discretionary services category were the highest with 1,28,312 clients, followed by non-discretionary category with 6,090 clients and advisory category with 2,465 clients.

1. **Trends in Substantial Acquisition of Shares and Takeovers**

During September 2018, three open offers with offer value of ₹ 1,319 crore were made to the shareholders as against only one open offer with offer value of ₹ 2 crore in August 2018.

**Figure 18: Details of Open Offers Made under the SEBI (SAST) Regulations (₹ crore)**

**REVIEW OF GLOBAL FINANCIAL MARKETS**

**Overview of the Global Financial Markets:**

The world economy continued to grow during September 2018, albeit at a muted pace as reflected by the PMI figures. Economic activity expanded in the US, the Euro Area, Japan, the UK and Russia. However, the Brazilian economy seems to be facing uncertainties before the Presidential election scheduled in October 2018. The global manufacturing production increased at the slowest pace in two years. Business activity in the service sector rose at a slightly faster pace than manufacturing production.

The United States experienced strong recovery. The GDP growth in the second quarter of 2018 was 4.2 per cent (quarter-on-quarter) at an annualised rate. The labour market continued to strengthen. Considering the labour market conditions and inflation expectations, the Federal Reserve hiked its benchmark interest rate to a range of between 2 per cent and 2.25 per cent. Economic activity in the Eurozone has been muted on the back of the looming trade tension between the US and China and budget concerns in Italy. The European Central Bank, however, is going to wind down its programme of quantitative easing by halving monthly bond purchases, to € 15 billion (US$ 17.5 billion), from October 2018. The spread on Italy’s ten-year government-bond yield over its German equivalent increased. The rating agency Fitch changed its outlook on Italy to negative from stable. In the UK Brexit worries continue to dominate the outlook. However, the PMI indicators show that the manufacturing and services grew at a relatively faster pace in September 2018. Business activities in Japan remained muted during September 2018 on account of two natural disasters – a typhoon and an earthquake in the first week of the month.

As regards emerging nations, India stood out on account of its higher rate of growth. The Indian economy grew 8.2 per cent (year-on-year) in the second quarter of 2018, above 7.7 per cent in the previous quarter. On the other hand, although the Chinese economy has been expanding at a robust rate, the growth tempo has been relatively slower in the second quarter of 2018. Besides, the trade war between China and the USA is slowly unravelling. The US announced tariffs on a further US$ 200 billion of Chinese imports and, in response, China introduced a retaliatory tariff list covering US$ 60 billion of US imports, with additional tariffs ranging between 5 per cent and 10 per cent. The Russian economy, which recovered from a recession, is trying to combat with various challenges. Interest rates were raised in Russia to 7.5 per cent from 7.25 per cent to combat inflationary pressures and currency volatility. As regards the Brazilian economy, although economic activity is recovering from the setback in the second quarter of 2018, supported by improving business and consumer sentiment, uncertainty continue to prevail as the nation is going to witness its presidential election in October 2018. The South African economy slipped into recession in the second quarter of 2018.

There are two leading challenges facing the world economy. The first is escalating oil prices which hit a four-year high in September 2018. The second challenge is the ongoing trade war between the top two economies in the world which is having negative impact on world trade which, in turn, is affecting the economic growth of nations across the globe. In addition to these two challenges, the Federal Reserve’s rate hike is also fuelling the capital flight from the emerging economies as investors are chasing yield in the U.S.

**Equity Markets:**

Global equity markets have ended in positive territory in September 2018, as reflected by the MSCI global index, despite mounting political, trade and monetary policy headwinds. The US equity market remained in positive territory despite escalating trade tensions between the US and China and the US Federal Reserve’s (Fed) decision to raise interest rates for the third time in 2018. Two US companies have crossed US$ 1 trillion market capitalisation for the first time in the world. Eurozone equities remained broadly unchanged during the month under review. Uncertainties emanating from trade war and Italian budget concerns weighed on market sentiment. The UK equity markets too were broadly flat during the month, on the back of ongoing global trade tensions, Brexit-related uncertainties, a weak currency and rising crude oil prices. The Japanese market, on the other hand showed robust performance although the country was hit by two natural disasters in the first week of September 2018.

Among the developed market indices, Nikkei 225 of Japan increased by 5.5 per cent at the end of September 2018 compared to its previous month’s closing, followed by the Dow Jones Industrial Average (1.9 per cent) and CAC 40 index of France (1.6 per cent). On the other hand, Dax index of Germany fell by 0.9 per cent followed by Nasdaq Composite index of the USA (0.8 per cent) and Taiex index of Taiwan (0.5 per cent) (Table A1).

The emerging market economies experienced a mixed trend during the month under review. The MSCI EM index fell by 0.8 per cent at the end of September 2018 from its previous month’s closing. Both Brazil and Russia posted positive equity returns during the month. The Indian market, however, was among the weaker performers which dealt with increasing inflation, a widening trade deficit fuelled by spiralling oil prices and liquidity issues in the NBFC sector.

Among the major emerging nations, Russian Traded index increased by 10.3 per cent at the end of September 2018 compared to its previous month’s closing, followed by Shanghai SE Composite index of (3.5 per cent) and Bovespa index of Brazil (3.5 per cent). On the other hand, Nifty 50 index of National Stock Exchange of India fell by 6.4 per cent followed by S&P BSE Sensex (6.3 per cent) and FTSE/JSE All Share index of South Africa (5.0 per cent) (Table A1).

**Table A1: Performance of Stock Indices**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Country** | **Name of the Index** | **Closing Value as on** | **Closing Value before** | | | | **Annualised Volatility (%)** | **P/E Ratio** |
| **September 30, 2018** | **1-Month** | **3-Month** | **6-Month** | **1-Year** |
| **BRICS Nations** | | | | | | | | |
| Brazil | BRAZIL IBOVESPA INDEX | 79342.4 | 76677.5 | 72762.5 | 85365.6 | 74293.5 | 19.3 | 18.5 |
| Russia | RUSSIAN TRADED INDEX | 1762.0 | 1597.8 | 1670.3 | 1771.9 | 1552.9 | 23.3 | 6.2 |
| India | Nifty 50 | 10930.5 | 11680.5 | 10714.3 | 10113.7 | 9788.6 | 10.2 | 26.2 |
| India | S&P BSE SENSEX INDEX | 36227.1 | 38645.1 | 35423.5 | 32968.7 | 31283.7 | 10.1 | 28.4 |
| China | SHANGHAI SE COMPOSITE | 2821.4 | 2725.3 | 2847.4 | 3168.9 | 3348.9 | 15.2 | 13.3 |
| South Africa | FTSE/JSE AFRICA ALL SHR | 55708.5 | 58668.5 | 57611.0 | 55474.5 | 55579.9 | 14.0 | 17.2 |
| **Developed Markets** | | | | | | | | |
| USA | NASDAQ COMPOSITE INDEX | 8046.4 | 8109.5 | 7510.3 | 7063.4 | 6496.0 | 14.3 | 48.4 |
| USA | DOW JONES INDUS. AVG | 26458.3 | 25964.8 | 24271.4 | 24103.1 | 22405.1 | 13.1 | 18.8 |
| France | CAC 40 INDEX | 5493.5 | 5406.9 | 5323.5 | 5167.3 | 5329.8 | 11.1 | 17.5 |
| Germany | DAX INDEX | 12246.7 | 12364.1 | 12306.0 | 12096.7 | 12828.9 | 13.1 | 14.4 |
| UK | FTSE 100 INDEX | 7510.2 | 7432.4 | 7636.9 | 7056.6 | 7372.8 | 10.6 | 16.7 |
| Hong Kong | HANG SENG INDEX | 27788.5 | 27888.6 | 28955.1 | 30093.4 | 27554.3 | 16.6 | 10.5 |
| South Korea | KOSPI INDEX | 2343.1 | 2322.9 | 2326.1 | 2445.9 | 2394.5 | 11.6 | 15.0 |
| Japan | NIKKEI 225 | 24120.0 | 22865.2 | 22304.5 | 21454.3 | 20356.3 | 14.9 | 29.0 |
| Singapore | Straits Times Index STI | 3257.1 | 3213.5 | 3268.7 | 3428.0 | 3219.9 | 11.3 | 11.6 |
| Taiwan | TAIWAN TAIEX INDEX | 11006.3 | 11063.9 | 10836.9 | 10919.5 | 10383.9 | 11.8 | 15.2 |

**Source:** Bloomberg

**Chart 1: Stock Market Trends in Select Developed Markets**

**Source:** Bloomberg

**Note:** All indices have been normalised with base as March 31, 2018.

**Chart 2: Stock Market Trends in Select Emerging Markets**

**Source:** Bloomberg

**Note:** All indices have been normalised with base as March 31, 2018.

**Fund Mobilisation by Issuance of Equity and Bond:**

As per the data available from World Federation of Exchanges, during August 2018, US$ 42,441 million was mobilised through issuance of equity and bonds at Korea Exchange followed by Deutsche Börse AG of Germany (US$ 31,922 million) and Singapore Exchange (US$ 23,633 million).

Among the BRICS nations, a total of US$ 20,113 million was mobilised through issuance of equity shares and bonds in National Stock Exchange of India Limited (US$ 20,113 million) followed by Shanghai Stock Exchange (US$ 11,762 million) and Shenzhen Stock Exchange (US$ 6,778 million) (Table A2).

**Table A2: Fund Mobilisation by Issuance of Equity and Bond in Major Exchanges** (US$ Million)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Country** | **Exchange** | **Jul-18** | | | **Aug-18** | | |
|  | **Equity** | **Bond** | **Total** | **Equity** | **Bond** | **Total** |
| Developed Markets | USA | Nasdaq - US | 3,944.1 | NA | **3,944.1** | 569.6 | NA | **569.6** |
| USA | NYSE | 6,118.0 | NA | **6,118.0** | NA | NA | **NA** |
| UK | LSE Group | 5,084.3 | 30,969.6 | **36,053.9** | 1,532.0 | 11,540.2 | **13,072.2** |
| France | Euronext | 3,872.4 | - | **3,872.4** | 594.9 | - | **594.9** |
| Germany | Deutsche Boerse AG | - | 46,647.0 | **46,647.0** | - | 31,922.4 | **31,922.4** |
| Spain | BME Spanish Exchanges | 2,693.3 | 32,795.1 | **35,488.4** | 1,760.5 | - | **1,760.5** |
| Japan | Japan Exchange Group Inc. | 1,497.5 | 10,637.6 | **12,135.1** | NA | NA | **-** |
| Singapore | Singapore Exchange | 260.3 | 25,729.9 | **25,990.2** | 13.3 | 23,619.6 | **23,632.8** |
| Australia | Australian Securities Exchange | 3,479.9 | NA | **3,479.9** | 1,532.3 | NA | **1,532.3** |
| Hong Kong | Hong Kong Exchanges and Clearing | 10,662.8 | 4,747.5 | **15,410.3** | 11,517.9 | 11,882.7 | **23,400.6** |
| Korea | Korea Exchange | 302.3 | 46,078.8 | **46,381.0** | 346.5 | 42,094.5 | **42,441.0** |
| BRICS | Brazil | BM&FBOVESPA S.A. | - | 665.4 | **665.4** | NA | NA | **-** |
| Russia | Moscow Exchange | NA | 27,846.5 | **27,846.5** | NA | NA | **NA** |
| India | BSE India Limited | 619.4 | 297.7 | **917.1** | 557.4 | 360.5 | **917.9** |
| India | National Stock Exchange of India Limited | 2,308.5 | 22,296.1 | **24,604.6** | 625.9 | 19,487.1 | **20,113.0** |
| China | Shanghai Stock Exchange | 20,757.3 | NA | **20,757.3** | 11,761.5 | NA | **11,761.5** |
| China | Shenzhen Stock Exchange | 4,818.3 | 1,279.7 | **6,098.0** | 1,946.4 | 4,831.2 | **6,777.7** |
| South Africa | Johannesburg Stock Exchange | 313.9 | 2,311.2 | **2,625.1** | 76.9 | 2,690.3 | **2,767.2** |

**Note:** Fund mobilisation data for equities are (i) excluding investment funds and (ii) including Alternative and SME Markets except the following exceptions:

1. Australian Securities Exchange: including investment funds
2. BME: Including investment companies listed (open-end investment companies).
3. Bolsa de Valores de Lima: Includes 26 foreign companies with shares negotiated under a special modality
4. Euronext: includes Belgium, England, France, Netherlands and Portugal
5. Korea Exchange: including Kosdaq market data
6. LSE Group: includes London Stock Exchange and Borsa Italiana
7. Nasdaq Nordic Exchanges include Copenhagen, Helsinki, Iceland, Stockholm, Tallinn, Riga and Vilnius Stock Exchanges
8. NSE India: including “Emerge” market data
9. Singapore Exchange: market capitalization includes domestic listings and a substantial number of foreign listings, defined as companies whose principal place of business is outside of Singapore. Inactive secondary foreign listings are excluded.

For Funds mobilised through issuance of bonds, due to different reporting rules & calculation methods, turnover figures are not entirely comparable. The sale & purchase of a share are counted as one transaction

NA = Not Available

**Source:** World Federation of Exchanges

**Market Capitalisation of Major Exchanges:**

Market capitalisation of most of the major exchanges in the world fell during the month under review. As regards developed market exchanges, market capitalisation of Nasdaq Stock Exchange of the USA went up by 6.2 per cent in August 2018 from its value in the previous month, followed by Korea Exchange of South Korea (2.1 per cent) and New York Stock Exchange of the USA (1.1 per cent). On the other hand, market cap of BME Spanish Stock Exchange fell by 6.6 per cent followed by LSE Group (5.0 per cent) and Singapore Exchange (3.4 per cent).

As regards, BRICS nations, market capitalisation of BSE India Limited increased by 0.5 per cent in August 2018 from its value in the previous month, followed by National Stock Exchange of India Limited (0.4 per cent). On the other hand, market cap of Johannesburg Stock Exchange of South Africa fell by 10.6 per cent followed by Shenzhen Stock Exchange of China (8.0 per cent) and Shanghai Stock Exchange (5.0 per cent).

**Table A3: Domestic Market Capitalisation of Major Exchanges** (US$ Million)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Country** | **Exchange** | **Jul-18** | **Aug-18** |
| **Developed Markets** | USA | Nasdaq - US | 11,271,905.50 | 11,970,874.01 |
| USA | NYSE | 23,967,449.43 | 24,239,300.26 |
| UK | LSE Group | 4,367,328.81 | 4,147,279.45 |
| Pan Europe\* | Euronext | 4,461,634.66 | 4,369,966.24 |
| Germany | Deutsche Boerse AG | 2,202,236.81 | 2,147,467.86 |
| Spain | BME Spanish Exchanges | 870,235.71 | 812,411.42 |
| Japan | Japan Exchange Group Inc. | 6,076,402.33 | 6,050,365.70 |
| Singapore | Singapore Exchange | 733,016.01 | 708,258.43 |
| Hong Kong | Hong Kong Exchanges and Clearing | 4,199,416.42 | 4,103,649.84 |
| South Korea | Korea Exchange | 1,608,889.66 | 1,642,031.33 |
| Australia | Australian Securities Exchange | 1,477,163.11 | 1,448,832.59 |
| **BRICS** | Brazil | BM&FBOVESPA S.A. | 876,656.81 | NA |
| Russia | Moscow Exchange | 636,344.08 | NA |
| India | BSE India Limited | 2,236,776.30 | 2,247,643.13 |
| India | National Stock Exchange of India Limited | 2,211,279.86 | 2,220,805.17 |
| China | Shanghai Stock Exchange | 4,480,259.16 | 4,254,450.10 |
| China | Shenzhen Stock Exchange | 2,944,978.39 | 2,708,709.99 |
| South Africa | Johannesburg Stock Exchange | 1,097,980.86 | 981,673.86 |

**Note:**

**\*** Euronext is the first pan-European exchange, spanning Belgium, France, Ireland, the Netherlands, Portugal and the UK.

NA = Not Available

**Source:** World Federation of Exchanges

**Equity Derivatives:**

As per the latest data available from the World Federation of Exchanges, during August 2018, the following performance was recorded in equity derivatives markets across the globe (Table A4 and A5):

**Single Stock Options:**

* Among exchanges in the Americas, Nasdaq Stock Exchange of the USA recorded 63,566,309 contracts traded on stock options, followed by Chicago Board Options Exchange (42,434,119 contracts) and International Securities Exchange (31,427,930 contracts).
* Among exchanges in the Europe - Africa - Middle East, Nasdaq Nordic Exchange recorded trading of 1,492,256 contracts, followed by Euronext (5,552,760 contracts) and BME Spanish Exchanges (818,250 contracts).
* Among exchanges in the Asia – Pacific, the Nationals Stock Exchange of India recorded trading of 17,309,073 contracts, followed by Hong Kong Exchanges and Clearing (10,358,547 contracts) and Australian Securities Exchange (7,215,468 contracts).

**Single Stock Futures:**

* Among exchanges in the Americas, Bolsa de Valores de Colombia recorded 5,860 contracts traded on single stock futures.
* Among exchanges in the Europe - Africa - Middle East, EUREX recorded trading of 60,599,723 contracts, followed by Borsa Istanbul (4,141,774 contracts) and Athens Derivatives Exchange (558,666 contracts).
* Among exchanges in the Asia – Pacific, Korea Exchange of South Korea recorded trading of 43,323,961 contracts, followed by National Stock Exchange of India (22,324,608 contracts) and Thailand Futures Exchange (3,349,462 contracts).

**Stock Index Options:**

* Among exchanges in the Americas, Chicago Board Options Exchange recorded 41,787,572 contracts traded on stock index futures, followed by CME Group (15,162,569 contracts) and Nasdaq of the USA (351,024 contracts).
* Among exchanges in the Europe - Africa - Middle East, EUREX recorded trading of 6,845,309 contracts, followed by Tel-Aviv Stock Exchange (2,948,775 contracts) and Euronext (1,514,465 contracts).
* Among exchanges in the Asia – Pacific, National Stock Exchange of India recorded trading of 163,699,594 contracts, followed by Korea Exchange (48,973,344 contracts) and Taiwan Futures Exchange (TAIFEX) (17,305,565 contracts).

**Stock Index Futures:**

* Among exchanges in the Americas, CME Group recorded 39,417,676 contracts traded on stock index futures followed by CBOE Futures Exchange (5,826,373 contracts) and Bolsa de Comercio de Buenos Aires (116,904 contracts).
* Among exchanges in the Europe - Africa - Middle East, EUREX recorded trading of 43,393,530 contracts, followed by Borsa Istanbul (5,164,296 contracts) and Nasdaq Nordic Exchanges (3,105,755 contracts).
* Among exchanges in the Asia – Pacific, Japan Exchange Group recorded trading of 23,432,715 contracts, followed by Singapore Exchange (14,664,763 contracts) and Hong Kong Exchange and Clearing (10,794,362 contracts).

**Currency Derivatives:**

As per the latest data available from the World Federation of Exchanges, during August 2018, the exchanges across the world showed the following trends in trading of currency derivatives (Table A6):

**Currency Options:**

* Among exchanges in the Americas, CME Group recorded 1,608,009 contracts traded on currency options, followed by Mexican Derivatives Exchange (MexDer) (17,500 contracts) and ICE Futures US (822 contracts).
* Among exchanges in the Europe - Africa - Middle East, Johannesburg Stock Exchange recorded trading of 5,070,583 contracts, followed by Tel-Aviv Stock Exchange (1,120,146 contracts) and Borsa Istanbul (413,150 contracts).
* Among exchanges in the Asia – Pacific, BSE India Limited recorded trading of 59,987,416 contracts, followed by National Stock Exchange of India (49,297,157 contracts) and Taiwan Futures Exchange (TAIFEX) (8,286 contracts).

**Currency Futures:**

* Among exchanges in the Americas, CME Group recorded 18,703,784 contracts traded on currency futures, followed by Mexican Derivatives Exchange (MexDer) (542,203 contracts) and ICE Futures US (530,313 contracts).
* Among exchanges in the Europe - Africa - Middle East, Borsa Istanbul recorded trading of 9,215,612 contracts, followed by Johannesburg Stock Exchange (3,990,412 contracts) and Dubai Gold & Commodities Exchange (1,772,727 contracts).
* Among exchanges in the Asia – Pacific, National Stock Exchange of India recorded trading of 56,747,406 contracts, followed by BSE India Limited (37,207,835 contracts) and Korea Exchange (6,526,918 contracts).

**Interest Rate Derivatives:**

As per the latest data available from the World Federation of Exchanges, during August 2018, exchanges across the world showed the following trend in trading of interest rate derivatives (Table A7):

**Interest Rate Options:**

* Among exchanges in the Americas, CME Group recorded 42,974,033 contracts traded on interest rate options.
* Among exchanges in the Europe, Africa and Middle East, Nasdaq Nordic Exchanges recorded trading of 742,317 contracts, followed by Johannesburg Stock Exchange (17,260 contracts) and EUREX (23 contracts).
* Among exchanges in the Asia – Pacific, Australian Securities Exchange recorded trading of 103,869 contracts, followed by Japan Exchange Group (80,887 contracts).

**Interest Rate Futures:**

* Among exchanges in the Americas, CME Group recorded 155,779,241 contracts traded on interest rate futures, followed Mexican Derivatives Exchange (MexDer) (42,400 contracts) and Bolsa de Valores de Colombia (18,205 contracts).
* Among exchanges in the Europe - Africa - Middle East, EUREX recorded trading of 2,612,628 contracts, followed by Nasdaq Nordic Exchanges (845,622 contracts) and Johannesburg Stock Exchange (707,022 contracts).
* Among exchanges in the Asia – Pacific, Australian Securities Exchange recorded trading of 9,492,892 contracts, followed by Korea Exchange (3,070,266 contracts) and National Stock Exchange of India (964,141 contracts).

**Commodity Derivatives:**

As per the latest data available from the World Federation of Exchanges, during August 2018, exchanges across the world showed the following trend in trading of commodity derivatives (Table A8):

**Commodity Options:**

* Among exchanges in the Americas, CME Group recorded 12,925,004 contracts traded on commodity options, followed by ICE Futures US (1,077,357 contracts).
* Among exchanges in the Europe - Africa - Middle East, London Metal Exchange recorded trading of 572,304 contracts, followed by EUREX (391,020 contracts) and Euronext (173,028 contracts).
* Among exchanges in the Asia – Pacific, Zhengzhou Commodity Exchange recorded trading of 400,154 contracts, followed by Singapore Exchange (274,585 contracts) and Multi Commodity Exchange of India (102,578 contracts).

**Commodity Futures:**

* Among exchanges in the Americas, CME Group recorded 79,095,635 contracts traded on commodity futures, followed ICE Futures US (6,500,508 contracts).
* Among exchanges in the Europe - Africa - Middle East, London Metal Exchanges recorded trading of 15,028,658 contracts, followed by Euronext (1,668,485 contracts) and Borsa Istanbul (1,373,409 contracts).
* Among exchanges in the Asia – Pacific, Shanghai Futures Exchange recorded trading of 119,978,851 contracts, followed by Zhengzhou Commodity Exchange (118,098,729 contracts) and Multi Commodity Exchange of India (18,047,650 contracts).

**Table A4: Stock Options and Stock Futures Traded in Major Exchanges**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Exchange** | **August 2018** | | | | | | **Trading Days  Aug 2018** |
| **Single Stock Options** | | | **Single Stock Futures** | | |
| **Number of Contracts Traded** | **Notional Turnover** | **Open Interest** | **Number of Contracts Traded** | **Notional Turnover** | **Open Interest** |
| **Americas** | | | | | | | |
| BATS Global Markets - US | 28,343,984 | NA | NA | NA | NA | NA |  |
| Bolsa de Comercio de Buenos Aires | 2,610,526 | - | - | - | - | - | 22 |
| Bolsa de Valores de Colombia | NA | - | - | 5,860 | 10 | 10,462 | 21 |
| Chicago Board Options Exchange | 42,434,119 | NA | 185,361,000 | NA | NA | NA | 23 |
| International Securities Exchange | 31,427,930 | NA | NA | NA | NA | NA |  |
| MexDer | 79,880 | 29 | 145,881 | - | - | 300 | 23 |
| Miami International Securities Exchange | 11,451,184 | NA | NA | NA | NA | NA |  |
| Nasdaq - US | 63,566,309 | NA | NA | NA | NA | NA |  |
| **Total Region** | **179,913,932** |  |  | **5,860** |  |  |  |
| **Asia - Pacific** | | | | | | | |
| Australian Securities Exchange | 7,215,468 | 14,236 | 7,631,670 | 151,396 | 199 | 496,037 | 23 |
| BSE India Limited | NA | NA | NA | 16 | 0 | 3 | 21 |
| Hong Kong Exchanges and Clearing | 10,358,547 | 35,401 | 10,186,900 | 100,829 | 438 | 24,111 | 23 |
| Japan Exchange Group | 46,400 | NA | 158,266 | NA | NA | NA | 23 |
| Korea Exchange | 1,586,949 | NA | 437,045 | 43,323,961 | 25,640 | 3,145,090 | 22 |
| National Stock Exchange of India | 17,309,073 | 190,386 | 335,732 | 22,324,608 | 225,479 | 1,800,630 | 21 |
| TAIFEX | 15,305 | 80 | 4,284 | 2,037,021 | 19,673 | 165,364 | 23 |
| Thailand Futures Exchange | NA | NA | NA | 3349462 | NA | 2115980 | 22 |
| **Total Region** | **36,531,742** |  |  | **71287293** |  |  |  |
| **Europe - Africa - Middle East** | | | | | | | |
| Athens Derivatives Exchange | 360 | 0 | 795 | 558,666 | 86 | 413,250 | 22 |
| BME Spanish Exchanges | 818,250 | 839 | 8,603,850 | 111,331 | 80 | 1,165,430 | 22 |
| Borsa Istanbul | 133,570 | 18 | 221,521 | 4,141,774 | 567 | 383,706 | 18 |
| Budapest Stock Exchange | - | - | - | 10,978 | 69 | 6,685 | 22 |
| Dubai Gold & Commodities Exchange | NA | NA | NA | 233,772 | 375 | 588 | 22 |
| EUREX | 23 | 15,749,300 | 61,956 | 60,599,723 | 9,283,920 | 13,259 | - |
| Euronext | 5,552,760 | 21,644 | 17,514,400 | 124,345 | 430 | 176,279 | 23 |
| Johannesburg Stock Exchange | 262,621 | 15 | 1,380,520 | 297,738 | 319 | 756,616 | 22 |
| Nasdaq Nordic Exchanges | 1,492,256 | 2,274 | 4,196,560 | 74,494 | 74 | 562,535 | 23 |
| Oslo Bors | 173,926 | 271 | 334,682 | 31,475 | 34 | 63,233 | 23 |
| Tehran Stock Exchange | 42 | 0 | NA | - | - | - | 17 |
| Tel-Aviv Stock Exchange | 31,262 | 220 | 38,169 | NA | NA | NA | 22 |
| Warsaw Stock Exchange | - | - | - | 95,213 | 201 | 24,589 | 22 |
| **Total Region** | **8,465,070** |  |  | **66,279,509** |  |  |  |
| Total | **224,910,744** |  |  | **137,572,662** |  |  |  |

**NA:** Not Available

**Source:** World Federation of Exchanges

**Table A5: Index Options and Index Futures Traded in Major Exchanges**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Exchange** | **August 2018** | | | | | | **Trading Days  Aug 2018** |
| **Stock Index Options** | | | **Stock Index Futures** | | |
| **Number of Contracts Traded** | **Notional Turnover** | **Open Interest** | **Number of Contracts Traded** | **Notional Turnover** | **Open Interest** |
| **Americas** | | | | | | | |
| Bolsa de Comercio de Buenos Aires | - | - | - | 116,904 | 3,072 | - | 22 |
| Bolsa de Valores de Colombia | - | - | - | 27 | 0 | 257 | 21 |
| CBOE Futures Exchange | NA | NA | NA | 5,826,373 | NA | 515,659 | 23 |
| Chicago Board Options Exchange | 41,787,572 | NA | 24,721,100 | NA | NA | NA | 23 |
| CME Group | 15,162,569 | 2,707,440 | 5,010,320 | 39,417,676 | 5,470,430 | 4,681,440 | 23 |
| ICE Futures US | NA | NA | NA | NA | 120,371 | 1,489,510 | 23 |
| International Securities Exchange | 97,094 | NA | NA | NA | NA | NA |  |
| MexDer | 334 | 9 | 3,150 | 48,401 | 1,213 | 47,762 | 23 |
| Nasdaq - US | 351,024 | NA | NA | NA | NA | NA |  |
| **Total Region** | **57,398,593** |  |  | **45,409,381** |  |  |  |
| **Asia - Pacific** | | | | | | | |
| Australian Securities Exchange | 987,127 | 45,288 | 1,058,670 | 931,302 | 103,797 | 415,187 | 23 |
| BSE India Limited | NA | NA | NA | - | - | NA | 21 |
| Bursa Malaysia Derivatives | 1,362 | 0 | 311 | 198,403 | 4,217 | 23,331 | 21 |
| Hong Kong Exchanges and Clearing | 3,231,362 | 330,332 | 3,609,790 | 10,794,362 | 1,199,070 | 642,951 | 23 |
| Japan Exchange Group | 2,630,265 | NA | 2,189,250 | 23,432,715 | 914,576 | 1,705,400 | 23 |
| Korea Exchange | 48,973,344 | 3,172,980 | 3,439,930 | 6,887,105 | 331,698 | 654,355 | 22 |
| National Stock Exchange of India | 163,699,594 | 2,451,430 | 1,625,360 | 4,275,476 | 58,229 | 390,766 | 21 |
| Singapore Exchange | 992,848 | NA | 2,018,470 | 14,664,763 | NA | 2,161,650 |  |
| TAIFEX | 17,305,565 | 307,161 | 687,776 | 7,283,707 | 344,207 | 176,277 | 23 |
| Thailand Futures Exchange | 84,946 | NA | 51,788 | 3,361,497 | NA | 311,829 | 22 |
| **Total Region** | **237,906,413** |  |  | **71,829,330** |  |  |  |
| **Europe - Africa - Middle East** | | | | | | | |
| Athens Derivatives Exchange | 9,144 | 41 | 6,909 | 45,589 | 205 | 8,272 | 22 |
| BME Spanish Exchanges | 241,810 | 2,685 | 1,080,070 | 562,742 | 51,950 | 125,264 | 22 |
| Borsa Istanbul | 24,062 | 43 | 16,620 | 5,164,296 | 9,108 | 449,337 | 18 |
| Budapest Stock Exchange | - | - | - | 31,827 | 41 | 16,089 | 22 |
| Dubai Gold & Commodities Exchange | NA | NA | NA | 4,787 | 50 | 337 | 22 |
| EUREX | 6,845,309 | 33,280,300 | 960,205 | 43,393,530 | 33,774,800 | 1,346,660 | - |
| Euronext | 1,514,465 | 97,324 | 962,967 | 2,844,526 | 224,847 | 578,871 | 23 |
| Johannesburg Stock Exchange | 571,903 | 184 | 993,826 | 971,022 | 22,679 | 593,018 | 22 |
| Nasdaq Nordic Exchanges | 671,116 | 12,057 | 708,957 | 3,105,755 | 54,787 | 569,583 | 23 |
| Oslo Bors | 46,863 | 456 | 70,673 | 188,802 | 1,904 | 45,061 | 23 |
| Tel-Aviv Stock Exchange | 2,948,775 | NA | NA | NA | NA | NA | 22 |
| Warsaw Stock Exchange | 26,856 | 169 | 19,144 | 279,204 | 3,467 | 64,240 | 22 |
| **Total Region** | **12,900,303** |  |  | **56,592,080** |  |  |  |
| **Total** | **308,205,309** |  |  | **173,830,791** |  |  |  |

**NA:** Not Available

**Source:** World Federation of Exchanges

**Table A6: Currency Options and Futures Traded in Major Exchanges**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Exchange** | **August 2018** | | | | | | **Trading Days  Aug 2018** |
| **Currency Options** | | | **Currency Futures** | | |
| **Number of Contracts Traded** | **Notional Turnover** | **Open Interest** | **Number of Contracts Traded** | **Notional Turnover** | **Open Interest** |
| **Americas** | | | | | | | |
| Bolsa de Comercio de Buenos Aires | - | - | - | - | - | - | 22 |
| Bolsa de Valores de Colombia | 1 | - | 1 | 67,000 | 2,617 | 14,349 | 21 |
| CME Group | 1,608,009 | 186,202 | 805,065 | 18,703,784 | 1,853,349 | 1,839,735 | 23 |
| ICE Futures US | 822 | 78 | 1,288 | 530,313 | 45,367 | 96,575 | 23 |
| MexDer | 17,500 | 166 | 19,795 | 542,203 | 5,360 | 534,688 | 23 |
| **Total Region** | **1,626,332** |  |  | **19,843,300** |  |  |  |
| **Asia - Pacific** | | | | | | | |
| BSE India Limited | 59,987,416 | 58,782 | 347,259 | 37,207,835 | 41,191 | 1,031,478 | 21 |
| Hong Kong Exchanges and Clearing | 6,291 | 625 | 10,126 | 252,160 | 24,807 | 38,851 | 23 |
| Korea Exchange | NA | NA | NA | 6,526,918 | 65,801 | 698,258 | 22 |
| National Stock Exchange of India | 49,297,157 | 48,701 | 2,278,647 | 56,747,406 | 55,994 | 4,072,262 | 21 |
| Singapore Exchange | - | NA | - | 1,652,824 | NA | 97,711 |  |
| TAIFEX | 8,286 | 235 | 7,791 | 66,794 | 1,871 | 11,791 | 23 |
| Thailand Futures Exchange | NA | NA | NA | 71,507 | NA | 21,335 | 22 |
| **Total Region** | **109,299,150** |  |  | **102,525,444** |  |  |  |
| **Europe - Africa - Middle East** | | | | | | | |
| Borsa Istanbul | 413,150 | 321 | 299,798 | 9,215,612 | 8,260 | 442,151 | 18 |
| Budapest Stock Exchange | 300 | 0 | 14,300 | 476,082 | 532 | 813,951 | 22 |
| Dubai Gold & Commodities Exchange | 19,202 | 1 | 3,097 | 1,772,727 | 10,188 | 288,440 | 22 |
| Johannesburg Stock Exchange | 5,070,583 | 5,477 | 5,936,737 | 3,990,412 | 3,821 | 1,664,596 | 22 |
| Tel-Aviv Stock Exchange | 1,120,146 | 11,507 | 600,928 | NA | NA | NA | 22 |
| **Total Region** | 6,623,381 |  |  | 15,454,833 |  |  |  |
| **Total** | **117,548,863** |  |  | **137,823,577** |  |  |  |

**NA:** Not Available

**Source:** World Federation of Exchanges

**Table A7: Interest Rate Options and Futures Traded in Major Exchanges**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Exchange** | **August 2018** | | | | | | **Trading Days  Aug 2018** |
| **Interest rate options** | | | **Interest rate futures** | | |
| **Number of Contracts Traded** | **Notional Turnover** | **Open Interest** | **Number of Contracts Traded** | **Notional Turnover** | **Open Interest** |
| **Americas** | | | | | | | |
| Bolsa de Valores de Colombia | - | - | - | 18,205 | 1,662 | 13,981 | 21 |
| CME Group | 42,974,033 | 26,205,100 | 50,189,500 | 155,779,241 | 74,355,900 | 29,329,000 | 23 |
| MexDer | NA | NA | NA | 42,400 | 238 | 137,046 | 23 |
| **Total Region** | **42,974,033** |  |  | **155,839,846** |  |  |  |
| **Asia - Pacific** | | | | | | | |
| Australian Securities Exchange | 103,869 | 7,503 | 65,169 | 9,492,892 | 2,879,150 | 4,021,920 | 23 |
| BSE India Limited | NA | NA | NA | 565,212 | 1,495 | 10,025 | 21 |
| Hong Kong Exchanges and Clearing | NA | NA | NA | 29 | 5 | 456 | 23 |
| Japan Exchange Group | 80,887 | NA | 12,333 | 897,112 | NA | 143,014 | 23 |
| Korea Exchange | NA | NA | NA | 3,070,266 | 315,112 | 467,949 | 22 |
| National Stock Exchange of India | NA | NA | NA | 964,141 | 2,601 | 93,108 | 21 |
| Singapore Exchange | NA | NA | NA | 28,907 | NA | 22,591 |  |
| **Total Region** | **184,756** |  |  | **15,018,559** |  |  |  |
| **Europe - Africa - Middle East** | | | | | | | |
| EUREX | 23 | 7,218,370 | 875,715 | 2,612,628 | 47,081,100 | 5,658,090 | 0 |
| Euronext | - | - | - | - | - | - | 23 |
| Johannesburg Stock Exchange | 17,260 | 95 | 61,660 | 707,022 | 4,774 | 836,037 | 22 |
| Nasdaq Nordic Exchanges | 742,317 | 81,240 | - | 845,622 | 92,546 | 2,024,360 | 23 |
| Warsaw Stock Exchange | - | - | 4 | - | - | 101 | 22 |
| **Total Region** | **759,600** |  |  | **4,165,272** |  |  |  |
| Total | **43,918,389** |  |  | **175,023,677** |  |  |  |

**NA:** Not Available

**Source:** World Federation of Exchanges

**Table A8: Commodity Options and Futures Traded in Major Exchanges**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Exchange** | **August 2018** | | | | | | **Trading Days  Aug 2018** |
| **Commodity Options** | | | **Commodity Futures** | | |
| **Number of Contracts Traded** | **Notional Turnover** | **Open Interest** | **Number of Contracts Traded** | **Notional Turnover** | **Open Interest** |
| **Americas** | | | | | | | |
| Bolsa de Valores de Colombia | NA | NA | NA | 108 | 0 | 381 | 21 |
| CME Group | 12,925,004 | 619,415 | 11,395,200 | 79,095,635 | 4,391,720 | 19,525,200 | 23 |
| ICE Futures US | 1,077,357 | 28,407 | 1,294,260 | 6,500,508 | 147,834 | 2,009,240 | 23 |
| **Total Region** | **14,002,361** |  |  | **85,596,251** |  |  |  |
| **Asia - Pacific** | | | | | | | |
| Australian Securities Exchange | 3,475 | 322 | 21,669 | 47,094 | 2,279 | 89,706 | 23 |
| Bursa Malaysia Derivatives | 3,950 | NA | 14,225 | 852,195 | 11,740 | 263,933 | 21 |
| Hong Kong Exchanges and Clearing | NA | NA | NA | 32,203 | 1,217 | 706 | 23 |
| Indonesia Commodity and Derivatives Exchange | NA | NA | NA | 13,255 | NA | 129 |  |
| Multi Commodity Exchange of India | 102,578 | 1,559 | 5,735 | 18,047,650 | 72,154 | 337,203 | 22 |
| NZX Limited | 8,610 | 25 | 21,828 | 22,317 | 90 | 43,429 |  |
| Shanghai Futures Exchange | NA | NA | NA | 119,978,851 | 12,200 | 4,477,330 |  |
| Singapore Exchange | 274,585 | NA | 699,854 | 1,159,269 | NA | 695,565 |  |
| TAIFEX | 4,883 | 36 | 469 | 22,169 | 315 | 1,232 | 23 |
| Thailand Futures Exchange | NA | NA | NA | 463,870 | NA | 56,175 | 22 |
| Zhengzhou Commodity Exchange | 400,154 | 59 | 115,479 | 118,098,729 | 777,066 | 3,420,040 | 23 |
| **Total Region** | **798,235** |  |  | **258,737,602** |  |  |  |
| **Europe - Africa - Middle East** | | | | | | | |
| Borsa Istanbul | NA | NA | NA | 1,373,409 | 192 | 100,400 | 18 |
| Budapest Stock Exchange | - | - | - | - | - | - | 22 |
| Dubai Gold & Commodities Exchange | NA | NA | NA | 49,307 | 460 | 3,167 | 22 |
| EUREX | 391,020 | 3,689 | 784,046 | 261,873 | 16,703 | 1,049,000 | - |
| Euronext | 173,028 | 2,199 | 311,763 | 1,668,485 | 21,969 | 538,063 | 23 |
| Johannesburg Stock Exchange | 42,784 | 30 | 57,272 | 283,417 | 4,315 | 148,208 | 22 |
| London Metal Exchange | 572,304 | 44,193 | 459,618 | 15,028,658 | 1,184,150 | 2,076,720 | 22 |
| LSE Group | NA | NA | NA | 235 | 16 | 295 | 22 |
| **Total Region** | **1,179,136** |  |  | **18,665,384** |  |  |  |
| **Total** | **15,979,732** |  |  | **362,999,237** |  |  |  |

**NA:** Not Available

**Source:** World Federation of Exchanges

**Bond Markets:**

Markets for fixed income securities were less volatile during September 2018, compared to the previous month. However, a number of factors impacted the yields across the world. The hike of interest rate by the Fed increased the possibility of capital outflow from emerging markets. The Central Bank of the Russian Federation increased its interest-rate for the first time in four years, by 0.25 percentage points to 7.5 per cent on the back of increasing inflation.

In the US, the yield on the benchmark 10-year Treasury note hit 3.0 per cent on the back of a Fed-rate hike and a strong economy. In the UK, bond prices fell amid uncertainty relating to Brexit and the yield on 10-year old government bond rose to 1.57 per cent at the end of September 2018 from 1.43 per cent at the end of August 2018. Bond yields in Japan moved in a narrow range, driven by the central bank’s yield curve management policy. The yield on 10-year old Japanese government bonds stood at 0.31 per cent at the end of September 2018 against 0.11 per cent at the end of August 2018.

**Chart 3: Movement of 10-year Government Bond Yields in Developed Nations**

**Source:** Bloomberg

As regards the emerging nations, the yields of 10-year government bonds of Brazil went down to 11.8 per cent at the end of September 2018 from to 12.2 per cent at the end of August 2018. The yields of 10-year old Indian sovereign bonds were stable at 8.0 per cent at the end of September 2018 (Chart 4).

**Chart 4: Movement of 10 year Government Bond Yields in BRIC Nations**

**Source:** Bloomberg

**Currency Market:**

Currencies of the emerging market economies continued to depreciate against the US Dollar mostly on the back of external factors like policies adopted by the US, trade war and surging crude oil prices. The MSCI emerging market currency index, a basket of 26 currencies from emerging economies against the U.S. Dollar, went down about 0.6 per cent at the end of September 2018 from its end August 2018 value (Chart 6).

The INR continued to depreciate during September 2018. At the end of September 2018, the INR had depreciated by 11.4 per cent against the US Dollar from its level at end-March 2018. The authorities have taken, inter alia, the following measures to stall further sliding of the Rupee:

* External Commercial Borrowing is to be raised up to US$ 50 million with a minimum average maturity period of one year.
* Masala bonds are to be exempted from withholding tax.
* Restrictions are to be removed with respect to FPI exposure limit of 20 per cent in corporate bond portfolio to a single corporate group or company or entity and 50 per cent of any issue of corporate bond.
* Mandatory condition for infrastructure loans pertaining to external commercial borrowing will be reviewed to reduce pressure on Rupee in the forward market.

The Peso, the Argentine currency, on the other hand, lost more than 50 per cent of its value against the Dollar in 2018. To combat this depreciation, the government of Argentina introduced a package of emergency measures like hiking the main interest rate from 45 per cent to 60 per cent, imposing new taxes on exports to reduce budget deficit, etc.

The Lira, the Turkish currency depreciate by around 43 per cent during August 2018 on the back of a weak economy. In an effort to halt the slide of the Lira, the government reduced taxes on Lira deposits and increased them on foreign-currency holdings.

At the end of September 2018, the Pound Sterling appreciated by 0.6 per cent against the US Dollar from its closing value in the previous month. The Euro also marginally appreciated by 0.2 per cent during the same period. The Japanese Yen and Swiss Franc however depreciated by 2.2 per cent and 0.6 per cent, respectively.

**Chart 5: Movement of the Major Currencies against US$**

**Note:** All currencies have been normalised keeping March 31, 2018 as base.

**Source:** Bloomberg

**Chart 6: Movement of the US Dollar Index and MSCI EM Currency Index**

**Note:**

1. All currencies have been normalised keeping March 31, 2018 as base.
2. The U.S. Dollar Index is an index of the value of the United States dollar relative to a basket of foreign currencies. The Index goes up when the U.S. dollar gains value when compared to other currencies. The index is maintained and published by Intercontinental Exchange. It is a weighted geometric mean of the dollar's value relative to following select currencies: Euro, Japanese Yen, Pound Sterling, Canadian Dollar, Swedish Krona, Swiss Franc.
3. The MSCI Emerging Markets (EM) Currency Index tracks the performance of twenty five emerging market currencies relative to the US Dollar.

**Source:** Bloomberg

**HIGHLIGHTS OF DEVELOPMENTS IN INTERNATIONAL SECURITIES MARKET**

The regulatory developments in the securities market during September 2018 are given below.

1. **International Organization of Securities Commissions(IOSCO)**
2. **IOSCO guidance addresses conflicts of interest and conduct risks in equity capital raising**

Conflicts of interest and associated conduct risks stemming from the role of intermediaries can harm the integrity and efficiency of the equity capital raising process, damage investor confidence and weaken capital markets as an effective vehicle for issuers to raise funding. To help regulators identify and address these risks, IOSCO published the final report on Conflicts of interest and associated conduct risks during the equity capital raising process, which sets out guidance for regulators to address conflicts of interests that may occur when intermediaries manage an equity securities offering.

Implementation of the guidance is expected to materially improve the equity raising process, which includes enhancing (i) the range and quality of timely information that is made available to investors during the process; (ii) the transparency of allocations; (iii) the efficiency and integrity of the overall process, boosting investor confidence and rendering capital markets a more effective channel to raise financing.

*Source:* [*http://www.iosco.org/news/pdf/IOSCONEWS510.pdf*](http://www.iosco.org/news/pdf/IOSCONEWS510.pdf)

1. **IOSCO issues policy measures to protect investors of OTC leveraged products**

IOSCO issued a final report providing measures for securities regulators to consider when addressing the risks arising from the marketing and sale of OTC leveraged products to retail investors. Simultaneously, the Board issued a public statement on the risks of binary options and the response of regulators for mitigating the risks and harm to retail investors transacting in these products. The Report on Retail OTC Leveraged Products includes three complementary toolkits containing measures aimed at increasing the protection of retail investors who are offered OTC leveraged products, often on a cross-border basis. The report covers the marketing and sale of rolling-spot forex contracts, contracts for differences (CFDs) and binary options.

The toolkits set out guidance for regulators on: (i) Policy measures that can help to address the risks arising from the marketing and sale of OTC leveraged products by intermediaries; (ii) Educating investors about the risks of OTC leveraged products and the firms offering them; and (iii) Enforcement approaches and practices to mitigate the risks posed by unlicensed firms offering the products.

*Source:* [*http://www.iosco.org/news/pdf/IOSCONEWS511.pdf*](http://www.iosco.org/news/pdf/IOSCONEWS511.pdf)

1. **European Securities and Market Authority (ESMA)**
2. **ESMA finds deterioration in liquidity in stressed financial markets for both sovereign and corporate bonds**

ESMA published a working paper examining liquidity in EU fixed income markets, providing a broad overview of market liquidity in EU sovereign bond and corporate bond markets. The study, reporting on different aspects of market liquidity, shows that the situation differs significantly between sovereign and corporate bonds. ESMA has found that sovereign bond market liquidity has increased recently, potentially due to the effects of supportive monetary policy. However, in parallel, it has seen evidence of several episodes of deteriorating secondary market liquidity for corporate bonds, especially between 2014 and 2016.

In terms of drivers, the issuance size plays a crucial role in both categories, with market liquidity more abundant for bonds that have a benchmark status and are issued in larger volumes in the sovereign segment with outstanding amounts being the main bond-level drivers in the corporate segment.

*Source:*[*https://www.esma.europa.eu/press-news/esma-news/esma-finds-deterioration-in-liquidity-in-stressed-financial-markets-both*](https://www.esma.europa.eu/press-news/esma-news/esma-finds-deterioration-in-liquidity-in-stressed-financial-markets-both)

1. **ESMA monitors volatility in financial markets**

ESMA has published an article setting out the [details of its analysis of volatility](https://www.esma.europa.eu/sites/default/files/library/esma_50-165-632_report_on_trends_risks_and_vulnerabilities_no.2_2018.pdf#page=76)in financial markets. The potential of market volatility to undermine financial stability as well as to impose unexpected losses on investors, is a subject of concern for securities market regulators, and is a key element of ESMA’s market monitoring.

Relatively low or high levels of volatility increase the likelihood of stressed financial markets. The two years between February 2016 and January 2018 were characterised by low yields and low volatility, a trend that came to an abrupt end in February 2018 when equity market volatility spiked as markets were globally affected by a strong correction.

ESMA finds that the main drivers of the long period of low volatility are related to lower equity returns correlation, search-for-yield strategies, and stable macroeconomic and corporate performances. A prolonged period of low volatility may lead to a more fragile financial system, promoting increased risk-taking by market participants.

While the assets under management (AuM) may still be considered rather small, the number of products following volatility targeting strategies is sufficiently broad to become a key factor driving volatility spikes like those that occurred in the first week of February 2018.

*Source:* [*https://www.esma.europa.eu/press-news/esma-news/esma-monitors-volatility-in-financial-markets*](https://www.esma.europa.eu/press-news/esma-news/esma-monitors-volatility-in-financial-markets)

1. **ESMA finds high level of diversity in national markets for structured retail products**

ESMA has carried out a study of the EU market in [structured retail products](https://www.esma.europa.eu/sites/default/files/library/esma_50-165-632_report_on_trends_risks_and_vulnerabilities_no.2_2018.pdf#page=52), from an investor protection perspective.

The research breaks down the EU market geographically into national retail markets and found a high degree of heterogeneity in the types of product sold.

The report identified that although a wide array of different structured products are available to retail investors across the EU, each national market is concentrated around a small number of common types, namely capital protection products, yield enhancement products and participation products.

The analysis was carried out both at an EU-wide level and also specifically in the French, German and Italian retail markets and suggested that the search for yield had been a common driver of several changes in the distribution of product types.

*Source:*[*https://www.esma.europa.eu/press-news/esma-news/esma-finds-high-level-diversity-in-national-markets-structured-retail-products*](https://www.esma.europa.eu/press-news/esma-news/esma-finds-high-level-diversity-in-national-markets-structured-retail-products)

1. **ESMA consults on stress testing rules for money market funds**

The Money Market Funds Regulation (MMFR) requires managers of money market funds (MMFs) to conduct regular stress tests as part of their risk management and regulatory disclosure. Funds must put in place sound stress testing processes, including identifying stress events, or future changes in economic conditions, and assess the impacts these different scenarios may have on (the net-asset-value and/or liquidity of) the MMF.

ESMA, to capture coherently MMFs’ risks, has developed draft guidelines for their stress testing. The consultation paper is the first step in developing detailed specifications for these stress tests by proposing common parameters and scenarios which take into account the following hypothetical risk factors:

* liquidity changes of the assets held in the portfolio of the MMF;
* credit risk, including credit events and rating events;
* changes in interest and exchange rates;
* redemptions;
* spread changes of indexes to which interest rates of portfolio securities are tied; and
* Macro-economic shocks.

*Source:*[*https://www.esma.europa.eu/press-news/esma-news/esma-consults-stress-testing-rules-money-market-funds*](https://www.esma.europa.eu/press-news/esma-news/esma-consults-stress-testing-rules-money-market-funds)

1. **World Federation of Exchanges (WFE)**
2. **The World Federation of Exchanges calls for global reform of Leverage Ratio**

WFE published its response to the four global standard-setting boards assessing the effectiveness of [incentives to centrally clear over-the-counter (OTC) derivatives](http://www.fsb.org/wp-content/uploads/P070818.pdf). WFE welcomes the work that has gone into implementing important post-crisis reforms to OTC derivatives markets. Whilst agreeing that reforms have generally contributed to incentives to clear, WFE urges concerted action to resolve the persistent issues with the way the leverage ratio treats segregated client initial margin.

WFE agrees with the report's analysis that, left unmodified, the leverage ratio poses disincentives to client clearing, as the current calculation fails to recognise the exposure-reducing impact of segregated client collateral held by a bank. This can render the provision of client clearing uneconomical, driving participants from the market and reducing access to hedging products, potentially increasing risk in the system. The solution is reforming the treatment of client initial margin under the leverage ratio by introducing an offset.

WFE believes that the Committees must now work together to deliver a globally consistent approach to the incentives regime and remediate the deficiencies identified in the report. WFE also call for a future study at the global level that considers the regime for clearing both OTC and exchange-traded derivatives.

*Source:*[*https://www.world-exchanges.org/home/index.php/news/world-exchange-news/the-world-federation-of-exchanges-calls-for-global-reform-of-leverage-ratio*](https://www.world-exchanges.org/home/index.php/news/world-exchange-news/the-world-federation-of-exchanges-calls-for-global-reform-of-leverage-ratio)

1. **Australian Securities & Investments Commission (ASIC)**
2. **ASIC reports on climate risk disclosure by Australia’s listed companies**

An ASIC report on climate risk disclosure by Australia’s listed companies has found more can be done to improve consistency in disclosure practices across listed companies, with very limited climate risk disclosure outside of the top-200 companies. ASIC encourages listed companies and their directors and advisors to:

* adopt a probative and proactive approach to emerging risks, including climate risk;
* develop and maintain strong and effective corporate governance which helps in identifying, assessing and managing risk;
* consider how best to comply with the law where it requires disclosure of material risks;
* disclose meaningful and useful climate risk related information to investors – the voluntary framework developed by the Taskforce on Climate-related Financial Disclosures can assist in this regard.

*Source:* [*https://www.asic.gov.au/about-asic/news-centre/find-a-media-release/2018-releases/18-273mr-asic-reports-on-climate-risk-disclosure-by-australia-s-listed-companies/*](https://www.asic.gov.au/about-asic/news-centre/find-a-media-release/2018-releases/18-273mr-asic-reports-on-climate-risk-disclosure-by-australia-s-listed-companies/)

1. **ASIC reports on review of ASX Group’s technology governance and operational risk management standards**

ASIC released a report on the recent review of the Australian Securities Exchange Limited (ASX) Group’s technology governance and operational risk management arrangements. The review benchmarked ASX Group’s technology governance and operational risk management arrangements against internationally recognised standards. It found ASX Group’s practices were more comparable to those of other global exchanges but lagged behind the better practices in the broader financial services sector.

ASX Group recognises the areas for improvement identified in the review. It is undertaking an extensive work program to implement all of the recommendations and already had improvements in progress in almost half of the identified areas before the review started or before the recommendations were finalised.

*Source:* [*https://www.asic.gov.au/about-asic/news-centre/find-a-media-release/2018-releases/18-264mr-asic-reports-on-review-of-asx-group-s-technology-governance-and-operational-risk-management-standards/*](https://www.asic.gov.au/about-asic/news-centre/find-a-media-release/2018-releases/18-264mr-asic-reports-on-review-of-asx-group-s-technology-governance-and-operational-risk-management-standards/)

1. **Monetary Authority of Singapore (MAS)**
2. **MAS consults on measures to strengthen cyber resilience of financial institutions**

MAS issued for consultation proposed requirements for financial institutions (FIs) in Singapore to implement essential cyber security measures to protect their IT systems. These requirements will help FIs strengthen their cyber resilience and guard against cyber attacks.

FIs will be required to implement six cyber security measures:

* address system security flaws in a timely manner;
* establish and implement robust security for systems;
* deploy security devices to secure system connections;
* install anti-virus software to mitigate the risk of malware infection;
* restrict the use of system administrator accounts that can modify system configurations; and
* strengthen user authentication for system administrator accounts on critical systems.

*Source:* [*http://www.mas.gov.sg/News-and-Publications/Media-Releases/2018/MAS-consults-on-measures-to-strengthen-cyber-resilience-of-financial-institutions.aspx*](http://www.mas.gov.sg/News-and-Publications/Media-Releases/2018/MAS-consults-on-measures-to-strengthen-cyber-resilience-of-financial-institutions.aspx)

1. **MAS introduces new corporate structure to enhance fund ecosystem in Singapore**

MAS has finalised the features of the new corporate structure for investment funds, the Variable Capital Company (VCC). The introduction of the VCC structure will position Singapore to become a key fund domiciliation hub, and strengthen Singapore’s position as a full-service international fund management centre. The new VCC legislative framework will:

* Provide greater flexibility.
* Achieve cost efficiencies.
* Cater to the needs of global investment funds.
* Enhance safeguards.

*Source:*[*http://www.mas.gov.sg/News-and-Publications/Media-Releases/2018/MAS-introduces-new-corporate-structure-to-enhance-fund-ecosystem-in-Singapore.aspx*](http://www.mas.gov.sg/News-and-Publications/Media-Releases/2018/MAS-introduces-new-corporate-structure-to-enhance-fund-ecosystem-in-Singapore.aspx)

1. **World's First Cross-Border, Open-Architecture Platform to Improve Financial Inclusion**

The ASEAN Financial Innovation Network (AFIN) announced the launch of API Exchange (APIX), an online Global FinTech Marketplace and Sandbox platform for financial institutions (FIs). APIX is the world’s first cross-border, open-architecture platform which will enable:

i. FIs and FinTech firms to connect to one another through a globally curated marketplace;   
ii. collaborative experiments in a sandbox among financial industry participants; and  
iii. adoption of APIs to drive digital transformation and financial inclusion across Asia-Pacific.

*Source:*[*http://www.mas.gov.sg/News-and-Publications/Media-Releases/2018/Worlds-First-Cross-Border-Open-Architecture-Platform-to-Improve-Financial-Inclusion.aspx*](http://www.mas.gov.sg/News-and-Publications/Media-Releases/2018/Worlds-First-Cross-Border-Open-Architecture-Platform-to-Improve-Financial-Inclusion.aspx)

1. **MAS Outlines Enforcement Approach to Deter, Detect and Investigate Breaches of Rules and Regulations**

MAS published an Enforcement monograph to provide greater clarity and transparency into how MAS deters, detects, investigates and takes action against breaches of the rules and regulations it administers.  This monograph builds on the earlier monograph on Capital Markets Enforcement published in January 2016. The revised monograph sets out the following: 1) the approach that the MAS takes towards enforcement; 2)the role that enforcement plays in the wider objective of financial industry oversight; and 3)the key areas of MAS’s enforcement practice and powers across the financial industry.

*Source:* [*http://www.mas.gov.sg/News-and-Publications/Media-Releases/2018/MAS-Outlines-Enforcement-Approach-to-Deter-Detect-and-Investigate-Breaches-of-Rules-and-Regulations.aspx*](http://www.mas.gov.sg/News-and-Publications/Media-Releases/2018/MAS-Outlines-Enforcement-Approach-to-Deter-Detect-and-Investigate-Breaches-of-Rules-and-Regulations.aspx)

**POLICY DEVELOPMENTS AND ACTIONS TAKEN**

**Policy Developments during September 2018**

**1. Amendment to SEBI (Credit Rating Agencies) Regulations, 1999 and modification to SEBI Circular dated May 30, 2018:** SEBI has amended the Securities and Exchange Board of India (Credit Rating Agencies) (Second Amendment) Regulations, 2018, and permitted Credit Rating Agencies to undertake the rating of financial instruments under the respective guidelines of the following financial sector regulators/ authorities: Securities and Exchange Board of India, Reserve Bank of India, Insurance Regulatory and Development Authority of India, Pension Fund Regulatory and Development Authority, Ministry of Corporate Affairs and Insolvency and Bankruptcy Board of India. CRAs are also allowed to undertake research activities, incidental to rating, such as research for Economy, Industries and Companies.

Details available at <https://www.sebi.gov.in/legal/circulars/sep-2018/amendment-to-sebi-credit-rating-agencies-regulations-1999-and-modification-to-sebi-circular-dated-may-30-2018_40366.html>

***Source: SEBI/HO/MIRSD/DOS3/CIR/P/2018/130 dated 19 September, 2018***

**2. Know Your Client requirements for Foreign Portfolio Investors (FPIs):** SEBI decided that Beneficial ownership criteria in Prevention of Money-laundering (Maintenance of Records) Rules, 2005 should be made applicable for purpose of KYC and not for determining eligibility of FPIs. The clubbing of investment limit for FPIs should not be done on the basis of beneficial owner (BO) as per PMLA Rules. Accordingly, there will be a separate set of norms for determining conditions where Non-Resident Indians (NRIs) and Overseas Citizens of India (OCIs) and Resident Indians (RIs) are constituents and also the basis for clubbing of investment limits.

As per the new KYC norms, FPIs are to comply with the following Know Your Client (KYC) requirements: -

1. Identification and verification of Beneficial Owners – For Category II & III FPIs
2. Periodic KYC review
3. KYC documentation for Category III FPI
4. Exempted documents to be provided during investigations/ enquiry
5. Data security
6. Period for maintenance of records
7. Timelines for compliance

Details available at <https://www.sebi.gov.in/legal/circulars/sep-2018/know-your-client-requirements-for-foreign-portfolio-investors-fpis-_40408.html>

***Source: CIR/IMD/FPIC/CIR/P/2018/131 dated 21 September, 2018***

**3. Eligibility conditions for Foreign Portfolio Investors (FPIs):** SEBI decided that Beneficial ownership criteria in Prevention of Money-laundering (Maintenance of Records) Rules, 2005 should be made applicable for purpose of KYC and not for determining eligibility of FPIs. The clubbing of investment limit for FPIs should not be done on the basis of beneficial owner (BO) as per PMLA Rules. Accordingly, there will be a separate set of norms for determining conditions where Non-Resident Indians (NRIs) and Overseas Citizens of India (OCIs) and Resident Indians (RIs) are constituents. Accordingly, it has been decided to put in place the following eligibility norms. Non-Resident Indians (NRIs) and Overseas Citizens of India (OCIs) shall have the same meaning as assigned to them under regulation 2 of the Foreign Exchange Management (Transfer or issue of security by a Person Resident outside India) Regulations, 2017.

NRIs/ OCIs/ Resident Indians (RIs) shall be allowed to be constituents of FPIs subject to the following conditions: -

1. Contributions by NRI/ OCI/ RI including those of NRI/ OCI/ RI controlled Investment Manager should be below 25 per cent from a single NRI/ OCI/ RI and in aggregate should be below 50 per cent of corpus of FPI.
2. NRI/ OCI/ RI should not be in control of FPI.

FPIs can be controlled by investment managers (IMs) which are controlled and / or owned by NRI/ OCI/ RI if following conditions are satisfied: -

1. IM is appropriately regulated in its home jurisdiction and registers itself with SEBI as non-investing FPI; or
2. IM is incorporated or setup under Indian laws and appropriately registered with SEBI.

A non-investing FPI may be directly or indirectly fully owned and/ or controlled by an NRI/ OCI/ RI. The restriction that NRI/ OCI/ RI should not be in control of FPI shall also not apply to FPIs which are ‘offshore funds’ for which no-objection certificate has been provided by the SEBI in terms of SEBI (Mutual Funds) Regulations, 1996. These restrictions in regard to eligibility conditions will not be applicable to FPIs investing only in mutual funds in India. Existing FPIs and new applicants shall be given a time period of two years from the date of coming into force of the amended regulations or from the date of registration, whichever is later in order to satisfy these eligibility conditions. In case of temporary breach, a time period of 90 days will be given to ensure compliance with above conditions.

Details available at <https://www.sebi.gov.in/legal/circulars/sep-2018/eligibility-conditions-for-foreign-portfolio-investors-fpis-_40409.html>

***Source: CIR/IMD/FPIC/CIR/P/2018/132 dated 21 September, 2018***

**4. Applicability of Circulars issued for Commodity Derivatives markets:** After taking over the regulation of commodity derivatives market, SEBI has issued various circulars applicable to Commodity derivatives exchanges. As per the amendments in *Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations,* 2012 as notified on [April 02, 2018 in](http://egazette.nic.in/WriteReadData/2018/184469.pdf) the Gazette of Indi[a,](http://egazette.nic.in/WriteReadData/2018/184469.pdf) there would be no separate category of ‘Commodity Derivatives Exchanges’ with effect from October 1, 2018. Accordingly, it is clarified that all the norms issued for Commodity Derivatives Exchanges till date shall be applicable to Commodity Derivatives Segments of Recognised Stock Exchanges/Recognised Clearing Corporations to the extent applicable.

Details available at <https://www.sebi.gov.in/legal/circulars/sep-2018/applicability-of-circulars-issued-for-commodity-derivatives-markets_40515.html>

***Source: SEBI/HO/CDMRD/DMP/CIR/P/2018/133 dated 28 September, 2018***

**Regulatory Actions taken by SEBI**

**Orders of Adjudicating Officer:**

* SEBI passed an order, dated 05 September 2018, in the matter of Incap Financial Services Ltd imposing a total penalty of ₹ 50,000 (Rupees Fifty Thousand Only) on Chandrakanta S Mandowara for the violation of regulation 7(1) of SAST Regulations.
* SEBI passed an order, dated 06 September 2018, in the matter of Saianand Commercial Limited imposing a total penalty of ₹ 6,00,000 (Rupees Six Lakh Only) on Ashok Shivlal Rupani and others for the violation of regulation 30(4) of LODR Regulations read with clause 36 of Listing Agreement read with section 21 and section 24 of SCRA.
* SEBI passed an order, dated 06 September 2018, in the matter of Saianand Commercial Limited imposing a total penalty of ₹ 2,00,000 (Rupees Two Lakh Only) on Sopan Maruti Shelar for the violation of regulation 13(3) and 13(5) of PIT Regulations read with regulation 12(2) of PIT Regulations.
* SEBI passed an order, dated 06 September 2018, in the matter of Falcon Tyres Ltd and Dunlop India Ltd imposing a penalty of ₹ 10,00,000 (Rupees Ten Lakh Only) each on Stephens Financial Services P Ltd, Sonali Kumar Roy and Satya N Singh for the violation of section 11C(3) and 11C(5) of SEBI Act, 1992.
* SEBI passed an order, dated 07 September 2018, in the matter of Incap Financial Services Ltd imposing a total penalty of ₹ 50,000 (Rupees Fifty Thousand Only) on Vijay Purushottam Das for the violation of regulation 13(1) of PIT Regulations.
* SEBI passed an order, dated 10 September 2018, in the matter of Shakti Pumps (India) Ltd. imposing a total penalty of ₹ 1,52,00,000 (Rupees One Crore Fifty Two Lakh Only) on Benko Trading Private Limited and 33 others for the violation of regulation 3 (a), (b), (c), (d), 4(1), 4(2) (a), (b), (e) and (g) of PFUTP Regulations.
* SEBI passed an order, dated 12 September 2018, in the matter of RCL Foods Limited imposing a penalty of ₹ 1,00,000 (Rupees One Lakh Only) each on Mr. Ratan Chand Lodha and Ms. Shobha Lodha for the violation of regulation 13(4A) read with regulation 13(5) of PIT Regulations.
* SEBI passed an order, dated 12 September 2018, in the matter of Gujarat Arth Ltd. imposing a total penalty of ₹ 10,00,000 (Rupees Ten Lakh Only) on Shivram M. Meena for the violation of regulation 7(1) read with regulation 7(2) of the Takeover Regulations and regulation 13 (1) of the PIT Regulations.
* SEBI passed an order, dated 14 September 2018, in matter of Sumangal Industries Limited imposing a total penalty of ₹ 1,00,00,000 (Rupees One Crore Only) on Sumangal Industries Limited, Mr. Subrata Adhikary, Mr. Sajal Bhattacharya, Mr. Indusekhar Chakraborty, Ms. Madhumita Adhikary, Mr. Somnath Adhikary, Mr. Gopal Chandra Adhikary, Ms. Sarbani Adhikary, Mr. Astick Kumar Roy and Ms. Debika Adhikary for not complying with the directions issued vide order dated 09 July, 2013.
* SEBI passed an order, dated 18 September 2018, in respect of Premium Industries India Limited imposing a total penalty of Rs 6,70,000 (Rupees Six Lakh Seventy Thousand Only) on Premium Industries India Limited for its failure to obtain the SCORES authentication and also to redress investor grievances pending therein.
* SEBI passed an order, dated 18 September 2018, in the matter of Karmbhoomi Real Estate Limited imposing a total penalty of Rs 50,00,000 (Rupees Fifty Lakh Only) on Karmbhoomi Real Estate Limited and its directors for the violation of Section 12(1B) of SEBI Act and Regulation 3 of the SEBI (Collective Investment Scheme) Regulations.
* SEBI passed an order, dated 19 September 2018, in respect of Cardinal Capital Partners imposing a total penalty of Rs 3,00,000 (Rupees Three Lakh Only) on Cardinal Capital Partners for the violation of Regulation 7A and Regulation 13A of FII Regulations and SEBI Circular CIR/IMD/FIIC/1/2010 dated April 15, 2010 and regulation 10(c) of FII Regulations corresponding to Regulation 23(1)(c) of FPI Regulations.
* SEBI passed an order, dated 19 September 2018, in the matter of inspection of books and records of S K Infosolutions Pvt Ltd imposing a total penalty of Rs 5,00,000 (Rupees Five Lakh Only) on S K Infosolutions Pvt Ltd for the violation of:
  + Regulation 9A (1)(b) of SEBI(Registrars to an Issue and Share Transfer Agents), Regulations,
  + Instruction 1 under heading “Agreement to be entered into with Issuer / body corporate” of RRTI Circular No. 1(94-95) dated 11/10/2014,
  + Clause 9 (1) of SEBI (Prohibition of Insider Trading) Regulations and
  + Regulation 18 (2) and clause 2 of Code of Conduct read with Regulation 13 of RTA & STA Regulations.
* SEBI passed an order, dated 19 September 2018, in respect of Gujarat Meditech Limited imposing a total penalty of Rs 2,00,000 (Rupees Two Lakh Only) on Gujarat Meditech Limited for the violation of the provisions of Regulation 7(3) of SAST Regulations.
* SEBI passed an order, dated 19 September 2018, in respect of Gold Dust Trading Co. imposing a total penalty of Rs 4,00,000 (Rupees Four Lakh Only) on Gold Dust Trading Co. (Prop. Shri Harjit Jantri Singh) for the violation of the provisions of Regulation 29(1) and Regulation 29(2) of the SAST Regulations, and Regulation 13(1) and Regulation 13(3) of the PIT Regulations.
* SEBI passed an order, dated 19 September 2018, in the matter of Excel Castronics Ltd. imposing a total penalty of Rs 4,00,000 (Rupees Four Lakh Only) on Sampati Financial Services Ltd. for the violation of Regulation 13(1) read with 13(5) of PIT Regulations and Regulation 29(1) read with Regulation 29(3) of SAST Regulations.
* SEBI passed an order, dated 21 September 2018, in the matter of GCV Services Limited imposing a total penalty of Rs 1,00,000 (Rupees One Lakh Only) on Prakash B. Dhebhar HUF for the violation of regulation 3(3) and 3(4) read with 3(5), 7(1) read with 7(2) of SAST Regulations and regulation 13(1) PIT Regulations.
* SEBI passed an order, dated 21 September 2018, in the matter of Falcon Tyres Ltd imposing a total penalty of Rs 35,00,000 (Rupees Thirty Five Lakh Only) on Falcon Tyres Ltd for the violation of Section 11C (3) of SEBI Act.
* SEBI passed an order, dated 21 September 2018, in the matter of Excel Castronics Ltd. imposing a total penalty of Rs 4,00,000 (Rupees Four Lakh Only) on Payal J Madiyar for the violation of Regulation 13(1) read with 13(5) of PIT Regulations and Regulation 29(1) read with Regulation 29(3) of SAST Regulations.
* SEBI passed an order, dated 24 September 2018, in the matter of Binny Limited imposing a total penalty of ₹ 1,00,000 (Rupees One Lakh Only) on Tiger Farms & Enterprise Pvt. Ltd. for the violation of regulation 13(2A) of PIT Regulations.
* SEBI passed an order, dated 25 September 2018, in respect of Shashikant Patel (noticee) imposing a cumulative penalty of ₹ 1,50,000/- (Rupees one Lakh Fifty Thousand only) on the Noticee under Section 15A (b) of the SEBI Act, 1992 for the violation of provisions of Regulation 13(4) and 13(4A) r/w Reg. 13(5) of SEBI (PIT) Regulations, 1992 and provisions of Regulation 31(2) r/w Reg. 31(3) of SEBI (SAST) Regulations, 2011, and under Section 15HB of the SEBI Act, 1992 for the violation of provisions of clause 3.3-1 of code of conduct specified under Schedule-I of Part A read with Regulation 12(1) of SEBI (PIT) Regulations, 1992 and a penalty of ₹ 2,00,000 (Rupees Two Lakh only) on the Noticee under Section 15G of the SEBI Act, 1992 for the violation of Regulation 3(i) of PIT Regulations, 1992 by dealing in securities when in possession of unpublished price sensitive information which is appropriate in the facts and circumstances of the case.
* SEBI passed an order, dated 26 September 2018, in the matter of Vertex Spinning Ltd. imposing following penalties on 12 Entities for the violation of following provisions of SCRA and SAST Regulations.

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| **Sl. No.** | **Name of the Entity** | **Nature Violations** | **of** | **Violation of**  **Act /**  **Notification /**  **Regulation** | **Penalty Amount in Figuresand Words** | **Penalty Imposed under** |
| 1 | Cheta Dogra | Received shares in off market without payment of  consideration | | Section 16 of SCRA, 1956 read with SEBI  Notification  G.S.R 219 (E) dated March 02, 2000,  Section 13 and Section 18 of SCRA, 1956 read with Section 2(i) of SCRA, 1956. | ₹ 10,00,000/-  (Rupees Ten lakh only) | Section  23H of  SCRA |
| 2 | Chetan Dogra, HUF | ₹ 10,00,000/-  (Rupees Ten lakh only) |
| 3 | Daffodil Tradex Pvt., Ltd. | ₹ 10,00,000/-  (Rupees Ten lakh only) |
| 4 | Subah Multimedia Pvt.,  Ltd. | ₹ 10,00,000/-  (Rupees Ten lakh only) |
| 5 | Shraddha Entertainiment  Pvt., Ltd., | ₹ 10,00,000/-  (Rupees Ten lakh only) |
| 6 | Tulip Expotrade Pvt., Ltd., | ₹ 10,00,000/-  (Rupees Ten lakh only) |
| 7 | Green Cottage and  Resorts Ltd., | Transferred shares in offmarket without receipt of consideration | | ₹ 5,00,000/-  (Rupees Five lakh only) |
| 8 | Zoom Colonizers Pvt.,  Ltd., | ₹ 5,00,000/-  (Rupees Five lakh only) |
| 9 | Phenomenal Crafts Pvt.,  Ltd., | ₹ 5,00,000/-  (Rupees Five lakh only) |
| 10 | Yellow Consultants Pvt.,  Ltd., | ₹ 5,00,000/-  (Rupees Five lakh only) |
| 12 | Mithhilesh Sharma | Non-disclosure for change in shareholding pattern above  2% | | Regulation 7 (1A) of SEBI  (SAST)  Regulations,  1997 read with Regulation 35 of SEBI  (SAST) Regulations, 2011. | ₹ 2,00,000/-  (Rupees Two lakh only) | Section  15 A (b) of  SEBI Act |

* SEBI passed an order, dated 26 September 2018, in the matter of Parichay Investments imposing a total penalty of ₹ 6,00,000 (Rupees Six Lakh Only) on Amul Gagabhai Desai for the violation of provisions of Regulation 7(1) read with 7(2) of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 (“SAST 1997”) and Regulations 13(1), 13(3) read with 13(5) of SEBI (Prohibition of Insider Trading) Regulations, 1992 (“PIT 1992”).
* SEBI passed an order, dated 26 September 2018, in the matter of Parichay Investments imposing a total penalty of ₹ 6,00,000 (Rupees Six Lakh Only) on Dhirenkumar Dharamdas Agarwal for the violation of provisions of Regulation 7(1) read with 7(2) of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (“SAST 1997”) and Regulations 13(1), 13(3) read with 13(5) of SEBI (Prohibition of Insider Trading) Regulations, 1992 (“PIT 1992”).
* SEBI passed an order, dated 26 September 2018, in the matter of Ravi Kumar Distilleries Limited imposing a total penalty of ₹ 5,00,000 (Rupees Five Lakh Only) on Gulistan Vanijya Private Limited for the violation of certain provisions of sections 11C(2) and 11C(3) of SEBI Act.
* SEBI passed an order, dated 27 September 2018, in the matter of Falcon Tyres Ltd imposing a total penalty of ₹ 1,00,000 (Rupees One Lakh Only) on Falcon Tyres Ltd for the violation of Clause 35 of SEBI Act.
* SEBI passed an order, dated 27 September 2018, in the matter of Sharepro Services (I) Private Limited imposing a total penalty of ₹ 1,00,000 (Rupees One Lakh Only) on Technojet Consultants Limited for non-compliance with SEBI order dated 22 March, 2016.
* SEBI passed an order, dated 27 September 2018, in the matter of Sharepro Services (I) Private Limited imposing a total penalty of ₹ 1,00,000 (Rupees One Lakh Only) on Oseaspre Consultants Limited for non-compliance with SEBI order dated 22 March, 2016.
* SEBI passed an order, dated 27 September 2018, in the matter of Pithampur Steels Ltd. imposing following penalties on four Entities for the violation of following provisions of SCRA and PIT Regulations.

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| **Sl. No.** | **Name of the Entity** | **Nature Violations** | **of** | **Violation of**  **Act /**  **Notification /**  **Regulation** | **Penalty Amount in Figures** **and Words** | **Penalty Imposed under** | |
| 1 | Yard Securities Pvt., Ltd., | Transferred shares in off market without receipt of  consideration | | Section 16 of SCRA, 1956 read with SEBI  Notification  G.S.R 219 (E) dated March 02, 2000,  Section 13 and Section 18 of SCRA, 1956 read with Section 2(i) of SCRA, 1956. | ₹ 5,00,000/-  (Rupees Five lakh only) | | Section  23H of  SCRA | |
| Failure to make disclosure to the  Company upon change in 2% of shareholding | | Regulation 13 (3) of SEBI  (PIT), 1992  Regulations  read with  Regulation 12 of SEBI (PIT) Regulations, 2015. | ₹ 1,00,000/-  (Rupees One lakh only) | | Section 15 A (b) of SEBI  Act | |
| 2 | Nitin Sharma | Received shares in off-market without payment of consideration | | Section 16 of SCRA, 1956 read with SEBI Notification  G.S.R 219 (E) dated March 02, 2000,  Section 13 and Section 18 of SCRA, 1956 read with Section 2(i) of SCRA, 1956. | ₹ 5,00,000/-  (Rupees Five lakh only) | | Section  23H of  SCRA | |
| 3 | Highlight Leafin Pvt., Ltd., | ₹ 5,00,000/-  (Rupees Five lakh only) | | Section  23H of  SCRA | |
| 4 | Sachin Sharma | Failure to make disclosure to the Company & BSE upon change in shareholding | | Regulation 13 (4) of SEBI  (PIT), 1992  Regulations  read with  Regulation 12 of SEBI (PIT) Regulations, 2015. | ₹ 1,00,000/-  (Rupees One lakh only) | | Section  15 A (b) of  SEBI Act | |

* SEBI passed an order, dated 27 September 2018, imposing a total penalty of ₹ 3,00,000 (Rupees Three Lakh Only) on SMS Techsoft (I) Ltd for the violation of the provisions of Clause 54 of the Equity Listing Agreement read with Section 21 of the Securities Contracts (Regulation) Act, 1956 in respect of the failure on the part of the Noticee to maintain its functional website.
* SEBI passed an order, dated 27 September 2018, in the matter of Unregistered Investment Advisory Services imposing a total penalty of ₹ 6,00,000 (Rupees Six Lakh Only) on Mr. Nitin Gangwal and Mr. Sudhir Bangur for the violation of Regulation 3(1) of the SEBI (Investment Advisers) Regulations, 2013 and Section 12(1) of the SEBI Act, 1992.
* SEBI passed an order, dated 27 September 2018, in the matter of M/s Cybele Industries Ltd. imposing following penalties on five Entities for the violation of following provisions of PIT Regulations.

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| **Sl. No.** | **Name of the**  **Entity** | **Violations** | **Penalty Amount** |
| 1 | Joy Kutty P. A. | Regulation 13(3), 13(4A) read with 13(5) of PIT Regulations. | ₹ 3,00,000/-(Rupees  Three Lakh only) |
| 2 | George P Joy | Regulation 13(1), 13(4A) read with 13(5) of PIT Regulations. | ₹ 1,00,000/-(Rupees  One Lakh only) |
| 3 | Annamma P Joy | Regulation 13(3), 13(4A) read with 13(5) of PIT Regulations. | ₹ 1,00,000/-(Rupees  One Lakh only) |
| 4 | Thomas P Joy | Regulation 13(1), 13(4A) read with 13(5) of PIT Regulations. | ₹ 1,00,000/-(Rupees  One Lakh only) |
| 5 | Cybele  Industries Ltd | Regulation 13(6) of PIT  Regulations. | ₹ 3,00,000/-(Rupees  Three Lakh only) |

* SEBI passed an order, dated 27 September 2018, in the matter of M/s Sky Industries Ltd. imposing a penalty of ₹ 3,00,000 (Rupees Three Lakh Only) on M/s Skay Finvest Pvt Ltd and a penalty of ₹ 2,00,000 (Rupees Two Lakh Only) on Gauri Anand Merchant for the violation of regulation 31(1), 31(2) and 31(3) of SAST Regulations.
* SEBI passed an order, dated 27 September 2018, in the matter of Sharepro Services (I) Private Limited imposing a total penalty of ₹ 1,00,000 (Rupees One Lakh Only) on Aditya Forge Limited for non-compliance with SEBI order dated 22 March, 2016.
* SEBI passed an order, dated 27 September 2018, in the matter of Unregistered Investment Advisory Services imposing a total penalty of ₹ 2,00,000 (Rupees Two Lakh Only) on Aditya Forge Limited for the violation of Regulation 3(1) of IA Regulations.
* SEBI passed an order, dated 27 September 2018, in the matter of Ravi Kumar Distilleries Limited imposing a total penalty of ₹ 5,00,000 (Rupees Five Lakh Only) on Albright Electricals Private Limited for the violation of sections 11C(2) and 11C(3) of SEBI Act.
* SEBI passed an order, dated 27 September 2018, in the matter of Ravi Kumar Distilleries Limited imposing a total penalty of ₹ 5,00,000 (Rupees Five Lakh Only) on Heranba Finvest Services Private Limited for the violation of sections 11C(2) and 11C(3) of SEBI Act.
* SEBI passed an order, dated 28 September 2018, in the matter of Shekhawati Poly-Yarn Limited imposing a penalty of ₹ 2,00,000 (Rupees Two Lakh Only) on Amax Network Private Limited under section 15A(b) of SEBI Act, 1992 for violation of the provisions of Regulation  13  (1)  of  SEBI  (PIT)  Regulations,  1992  and Regulation 29(1)  read  with Regulation 29(3) of SEBI (SAST) Regulations, 2011.
* SEBI passed an order, dated 28 September 2018, in the matter of Astec Life Sciences Limited imposing a penalty of ₹ 2,00,000 (Rupees Two Lakh Only) on Hridaynath Consultancy Private Limited under section 15A(b) of SEBI Act, 1992 for violation of Regulations 29 (1) and 29 (2) read with 29 (3)of SEBI (SAST) Regulations, 2011.
* SEBI passed an order, dated 28 September 2018, in the matter of SMS Techsoft (I) Ltd. imposing a penalty of ₹ 2,00,000/- (Rupees Two Lakh only) on Aashish Developer for violation of Regulations29(1) r/w 29(2)of SAST Regulations, 2011 and Regulation 13(1) of PIT Regulation 1992 r/w  Regulation  12  of  SEBI  ( Prohibition   of   Insider   Trading) Regulations, 2015.
* SEBI passed an order, dated 28 September 2018, in the matter of M/s. Parichay Investments Ltd. imposing a penalty of ₹18,00,000/- (Rupees Eighteen Lakh only) on Mr. Krunal Gopaldas Rana for violation under 7(1) of SAST Regulations and 13(1) PIT Regulations as a single violation.
* SEBI passed an order, dated 28 September 2018, in the matter of M/s. Parichay Investments Ltd. imposing a penalty of ₹6,00,000/- (Rupees Six Lakh only) on Mr. Sanjay Jethalal for violation under 7(1) of SAST Regulations and 13(1) PIT Regulations as a single violation.
* SEBI passed an order, dated 28 September 2018, in the matter of M/s. Parab Infra Ltd. imposing a penalty of ₹2,00,000/- (Rupees Two Lakh only) on the Noticees Acelight Hospitality Ventures Private Ltd. (Noticee 1), Parab Financial Consultations Private Ltd. (Noticee 2) and Parab Infra Ltd. (Noticee 3) under section 15A (b) of the SEBI Act, 1992 jointly and severally for the violations of provisions of regulation 29(1) r/w 29(3) of SAST Regulations, 2011 by Noticee 1 and Noticee 2 and regulation 13(6) of PIT Regulations, 1992 by Noticee 3.
* SEBI passed an order, dated 28 September 2018, in the matter of M/s. Parichay Investments Ltd. imposing a penalty of ₹6,00,000/- (Rupees Six Lakh only) on Ms. Kripa Sanjay Soni for violation under 7(1) of SAST Regulations and 13(1) PIT Regulations as a single violation.
* SEBI passed an order, dated 28 September 2018, in the matter of M/s. Parichay Investments Ltd. imposing a penalty of ₹3,00,000/- (Rupees Three Lakh only) on Ms. Shweta Dhiren Agarwal for violation under 7(1) of SAST Regulations and 13(1) PIT Regulations as a single violation.
* SEBI passed an order, dated 28 September 2018, in the matter of M/s. Parichay Investments Ltd. imposing a penalty of ₹1,00,000/- (Rupees One Lakh only) on Shri Mahesh Somabhai Desai for violation under 7(1) of SAST Regulations and 13(1) PIT Regulations as a single violation.
* SEBI passed an order, dated 28 September 2018, in the matter of M/s. BGIL Films and Technologies Limited imposing a penalty of ₹3,00,000/- (Rupees Three Lakh only) on Mr. Rakesh Bhatia  under section 15A(b) of the SEBI Act, 1992 for the violation of the provision of Regulation 12(2) of SEBI PIT Regulations, 1992 read with Clause 2.1 and Clause 7(ii) of Schedule II of the code of Corporate Disclosure Practices for Prevention of Insider Trading.
* SEBI passed an order, dated 28 September 2018, in the matter of M/s. BGIL Films and Technologies Limited imposing a penalty of ₹3,00,000/- (Rupees Three Lakh only) on Mr. Rakesh Bhatia  under section 15A(b) of the SEBI Act, 1992 for the violation of the provision of Regulation 12(2) of SEBI PIT Regulations, 1992 read with Clause 2.1 and Clause 7(ii) of Schedule II of the code of Corporate Disclosure Practices for Prevention of Insider Trading.
* SEBI passed an order, dated 28 September 2018, in the matter of SMS Techsoft (India) Limited imposing a penalty of ₹2,00,000/- (Rupees Two Lakh only) on Mr. Sunil Dadha under Section 15A(b) of the SEBI Act for violation of Regulation 13(1) of the PIT Regulations and Regulation 29(1) read with 29(3) of the SAST Regulations.
* SEBI passed an order, dated 28 September 2018, in the matter of Ladderup Finance Limited imposing a total penalty of ₹2,00,000/- (Rupees Two Lakh only) on Indianivesh Capitals Limited and Indianivesh Financial Advisors Ltd. under Section 15A(b) of the SEBI Act for violation of Regulation 29(1) read with 29(3) and Regulation 29(2) read with 29(3) of the SAST Regulations respectively.
* SEBI passed an order, dated 28 September 2018, in the matter of M/s. Somani Cement Company Limited imposing a penalty of ₹2,00,000/- (Rupees Two Lakh only) on Shri Umashankar Agarwal in terms of the provisions of Section 15A(b) of the SEBI Act for violation of  regulations  4(1)  and  4(2)  (a)  of  the  PFUTP  Regulations.
* SEBI passed an order, dated 28 September 2018, in the matter of M/s. Ravi Kumar Distilleries Ltd. imposing a penalty of ₹5,00,000/- (Rupees Two Lakh only) on Gaungour Suppliers Private Limited under  the  provisions  of  Section  15A(a)  of  the SEBI   Act for its failure   to   submit the desired   details/information/ records/documents sought by  the  IA vide  summons dated  January  29, 2014  and  June  03,  2014,  which  resulted  in  violation of  the  provisions  of sections 11C(2) and11C(3) of the SEBI Act.
* SEBI passed an order, dated 28 September 2018, in the matter of Regency Hospital Limited, imposing a penalty of ₹15,00,000/- (Rupees Fifteen Lakh only) on M/s. Regency Hospital Limited, ₹ 25,00,000/-(Rupees Twenty Five Lakh only) on Dr. Atul Kapoor and ₹ 25,00,000 (Rupees Twenty Five Lakh only) on Dr. Rashmi Kapoor under the provisions of Section 15 HA of the SEBI Act.
* SEBI passed an order, dated 28 September 2018, in the matter of Sharepro Services (I) Private Limited, imposing a penalty of ₹1,00,000/- (Rupees One Lakh only) on Vivid Global Industries Limited under the provisions of Section 15 HB of the SEBI Act.
* SEBI passed an order, dated 28 September 2018, in the matter of KGN Industries Limited, imposing a penalty of ₹2,00,000/- (Rupees Two Lakh only) on Mr. Arif Memon under section 15A(b) of SEBI Act.  The entity had made delayed disclosures to the company under regulation 13(4) and 13(4A) of PIT Regulations in respect of nine acquisitions and the delay was in the range of 3 to 24 days. Further, the entity had failed to make complete disclosures required under 13 (4) and 13 (4A) to BSE and the disclosures made by him were delayed by 02 to 25 days in respect of 11 acquisitions.
* SEBI passed an order, dated 28 September 2018, in the matter of M/s. Mangalam Drugs & Organics Limited imposing a penalty of ₹50,000/- (Rupees Fifty Thousand only) under Section 15A(b) of SEBI Act, 1992 and ₹1,00,000/- (Rupees One Lakh Only) under section 23H of SCRA on Mangalam Drugs & Organics Limited.

**Orders of Chairman / Whole Time Members:**

* SEBI passed an order, dated 05 September 2018, in the matter of Cell Industries Limited (CIL) directing that Recovery proceedings be immediately initiated against CIL and its directors for their failure or delay in compliance with Final Order dated May 12, 2016. Additionally, SEBI may initiate any other proceedings as mentioned in para 33(g) of the final order dated May 12, 2016, as deemed fit in the facts and circumstances of the case.
* SEBI passed an order, dated 07 September 2018, in the matter of Surana Corporation Limited directing Mr. K.E. Devarajan to ensure that internal records of the Surana Corporation Limited reflect the correct data in respect of the transactions covered in this order and any consequential changes thereof and publish the forthcoming quarterly filings before the stock exchanges reflecting the changes. Mr. Vijayraj Surana, Mr. K.E. Devarajan and Mr. S. Guruswamy were directed not to, directly or indirectly, access the securities market, by issuing prospectus, offer document or advertisement soliciting money from the public and are further restrained and prohibited from buying, selling or otherwise dealing in or associating with the securities market, directly or indirectly in whatsoever manner, starting from the date of this order till the expiry of 5 (five) years from the date of compliance of directions. They were further restrained from associating themselves or holding any position with any listed public company and/or any public company which intends to raise money from the public, either directly or indirectly, or with any intermediary registered with SEBI, starting from the date of this order till the expiry of 5 (five) years from the date of compliance with the directions
* SEBI passed an order, dated 10 September 2018, in the matter of Vinati Organics Limited exempting the proposed Acquirers, viz. Vinod Saraf Family Trust and Kavita Vinod Saraf Family Trust, from complying with the requirements of Regulation 3(2) and Regulation 5 of the Takeover Regulations with respect to the proposed acquisition/exercise of voting rights in respect of the Target Company, viz. Vinati Organics Limited, by way of proposed transactions as mentioned in the Application.
* SEBI passed an order, dated 12 September 2018, in the matter of BSP Infrastructure & Construction Limited (BICL) directing BICL and its directors to refund the money collected with an interest of 15 percent per annum. They were further restrained / prohibited from accessing the securities market and buying, selling or otherwise dealing in securities in any manner whatsoever, directly or indirectly, for a period of four years from the date of effecting the refund.
* SEBI passed an order, dated 12 September 2018, in the matter Vaastav ALR International Limited (VAIL) directing VAIL, Shri Bappaditya Mukherjee, Shri Atish Samanta Ray, Shri Netai Pramanik, Shri Anup Kumar Maiti, Shri Dibyendu Sekhar Maity, Shri Shilajit Ghosh and Shri Dilip Jana to refund the money collected with an interest of 15 percent per annum. They were further directed not to, directly or indirectly, access the securities market, by issuing prospectus, offer document or advertisement soliciting money from the public and were further restrained and prohibited from buying, selling or otherwise dealing in the securities market, directly or indirectly in whatsoever manner, from the date of the order, till the expiry of four years from the date of completion of refunds to investors. They were also restrained from associating themselves with any listed public company and any public company which intends to raise money from the public, or any intermediary registered with SEBI from the date of the Order till the expiry of four years from the date of completion of refunds to investors.
* SEBI passed an order, dated 17 September 2018, in the matter of SBEC Sugar Limited directing Umesh Kumar Modi, Kumkum Modi, Jayesh Modi, Longwell Investments Pvt. Ltd., A to Z Holding Pvt. Ltd., Moderate Leasing & Capital Services Ltd. and SBEC Systems (India) Ltd to jointly and severally make public announcement to acquire the share of the target company in accordance with the provisions of Takeover Regulations. They were also directed to pay interest at the rate of 10% per annum along with the offer price, from the date when they incurred the liability to make the public announcement till the date of payment of consideration, to the shareholders who were holding shares in the target company on the date of violation and whose shares are accepted in the open offer, after adjustment of dividend paid, if any
* SEBI passed an order, dated 24 September 2018, in the matter of Seashore Securities Ltd. (SSL) directing SSL, Mr. Pravat Kumar Dash, Ms. Jyotirani Sarangi, Mr. Sudhanshu Shekhar Pati, Mr. Prashanta Kumar Dash, Ms. Sapna Jenab and Mr. Gopal Chandra Sahu to refund the money collected. They were further prohibited from accessing the securities market for four years. They were also directed not to associate themselves from any listed public company and any public company which intends to raise money from the public.
* SEBI passed an order, dated 25 September 2018, in respect of CPR Capital Services Ltd. and others restraining CPR Capital Services Ltd., Mr. Pawan Kumar Garg, Mr. Anuj Garg, Mr. Dinesh Kumar, CPR Commodities Services Pvt. Ltd., Ms. Shashi Garg, Mr. Vijay Pal Singh and Ms. Anita Mann from accessing the securities market and are further prohibited from buying, selling or otherwise dealing in securities, either directly or indirectly, or being associated with the securities market in any manner whatsoever, till further directions.
* SEBI passed an order, dated 27 September 2018, in respect of Rich Infra Developers India Limited (RIDIL) directing RIDIL, Harvinder Pal Singh, Gurpreet Singh Sidhu, Parampreet Singh Sidhu and Baljinder Preet Singh to refund the money collected. They were further restrained from accessing securities market for four years. They were also restrained from holding position as directors or key managerial personnel of any listed company for a period of four years.
* SEBI passed interim order, dated 28 September 2018, in the matter of J Kumar Infraprojects Limited (JKIL) directing exchange to appoint an independent forensic auditor, inter alia, to further verify Misrepresentation including of financials and/or business by JKIL, if any, and misuse of the books of accounts / funds including facilitation of accommodation entries or compromise of minority shareholder interest by JKIL, if any.
* SEBI passed interim order, dated 28 September 2018, in the matter of Vital Communications Limited (VCL) directing VCL, Vijay Jhindal, Shubha Jhindal, MFL, Rajinder Kumar Garg, CBS, Anupama, Brut, CAPL, COPL, Cosmo, Fashion, Flare, Heritage, Perfect, Rajat, TTCPL, TTEXPL, TTELPL, Wisdom, SVS and TTMPL to disgorge the unlawful gain of ₹4,55,91,232/- (Rupees Four Crore Fifty Five Lakh Ninety One Thousand Two Hundred and Thirty Two Only). There were also directed to pay interest as ascertained by SEBI and were further restrained from accessing securities market for a period of five years.
* SEBI passed interim order, dated 28 September 2018, in the matter of Kavit Industries Ltd. restraining Kavit Industries, Jayesh Raichand Bhai Thakkar, Amit Tarachand Shah, Jigar Motta, Chirag Thakkar, Bhavesh Desai, Nikhil Bhut, Kalyani Rajeshirke and Kiran Soni from accessing securities marker for three years. They were further prohibited from holding any position as Director or Key Managerial Person of any other listed company for a period of 3 years.

***Note: The information provided above is indicative only. For details, please log on to***

<http://www.sebi.gov.in/enforcement/orders.html>