



To,

6<sup>th</sup> January, 2021

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**Sub: CONSULTATION PAPER ON COMPLIANCE STANDARDS FOR INDEX PROVIDERS**

At the outset, we, at Indian Association of Investment Professionals (IAIP), a member society of the CFA Institute, appreciate the opportunity to submit our response to the **CONSULTATION PAPER ON COMPLIANCE STANDARDS FOR INDEX PROVIDERS**.

IAIP is an association of over 2000 local investment professionals who are CFA charterholders and about 4000+ professionals who have cleared exams, eligible and awaiting charter. The Association consists of valuation professionals, portfolio managers, security analysts, investment advisors, and other financial professionals, that; promote ethical and professional standards within the investment industry, facilitate the exchange of information and opinions among people within the local investment community and beyond, and work to further the public's understanding of the CFA designation and investment industry.

CFA Institute is a global non-profit association of investment professionals with over 164,000 members in over 165 countries. In India, the community of CFA charterholders is represented by the Indian Association of Investment Professionals (CFA Society India).

Through our global research and outreach efforts, CFA Societies around the world endeavour to provide resources for policy makers, financial services professionals and their customers in order to align their interests. Our members engage with regulators in all major markets.

With regards to the above-mentioned consultation paper, we would like to propose a few suggestions consistent with our objective to promote fair and transparent global capital markets and to advocate for investor protection.

We would be happy to hear and discuss the merits / demerits of suggestions proposed by other practitioners and request to be included in the deliberation process.

Our responses to the proposed initiatives by SEBI are mentioned below:

**A. Details of our Organisation:**

- 1. Name:** Indian Association of Investment Professionals (CFA Society India)
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**B. Key Contributors:**

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**C. Suggestions / Comments:**

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<b>Sr. No.</b>	<b>Question</b>	<b>Comments/ Suggestions</b>	<b>Rationale</b>
7.1.1	Whether the above Compliance Standards for Index Providers would provide for greater level of disclosure and transparency, promote the reliability of benchmark determinations, and address benchmark governance and accountability mechanisms?	Yes, asking Index Providers to adhere to above Compliance Standards is a good move.	<p>Globally, regulators haven't asked index providers to be compliant. Global Index Providers have voluntarily taken the decision to comply to IOSCO Principles. But for a market like India, it's a reasonable decision to increase transparency in the passive investments space.</p> <p>In the field of fixed income and other indices where input data comes from OTC markets, more transparency is required so that investors can better gauge the markets. This is especially important during times of market volatility where a lot of fluctuations was witnessed in security prices, leading to benchmarking and portfolio management complications. So, regulators may need to focus on this aspect of input data, which is broadly covered in the IOSCO Principles.</p> <p>Finally, we believe that the common compliance standards for index providers would create a level-playing field and greater participation from global players, and lead to more innovative products, consumer choice, and efficiency in the marketplace.</p>

7.1.3	Whether there is need for a formal regulatory framework for Index Providers?	There's no need to have a formal regulatory framework	Principles such as those of IOSCO are very detailed and comprehensive, and are good enough for Index Providers.
7.1.4	Whether SEBI should specify certain indices as significant and apply the regulatory framework to only those indices as is done in some international jurisdictions as mentioned above?	No, it is better to apply the regulations at the index provider level, rather than for a limited number of significant indexes.	<p>The requirements of IOSCO compliance for index providers with third party verification is comprehensive, and provides assurance on governance and disclosures to market participants.</p> <p>Indian markets are still maturing; the headline equity indexes cover a narrow segment of the equity universe, and other equity indexes (covering mid- and small-cap companies) are gaining traction. Benchmarks of other asset classes are also evolving. All these make the question of determining significant benchmarks premature.</p>

Thank you again for the opportunity to comment on this important regulatory framework. If you or your staff have questions or seek further clarification, please do not hesitate to contact Mr. Rajendra Kalur, CFA at +91 98196 30042 or at [advocacy@iaipirc.org](mailto:advocacy@iaipirc.org).

Sincerely yours,

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 Director - Research and Advocacy Committee  
 Indian Association of Investment Professionals, Member Society of CFA Institute