



CFA Society
India

India Insights

April 2022

Thought Leadership In Action



EDITORIAL

Hello readers

It is our great pleasure to bring to you our fifth edition of India Insights. We started this e-zine in April 2021 to share CFA Society India's contribution to local advocacy efforts in ESG, Sustainable Investing, ethics, corporate disclosures, and other development areas of finance and investing in India. With our readers and volunteers support and guidance our advocacy e-zine is now entering into its second year.

In the last quarter we submitted our comments on SEBI's Consultation Paper on 'ESG Rating Providers for Securities Markets' and Consultation Paper on 'Algorithmic Trading by Retail Investors'.

CFA Society India appreciates SEBI's wide-ranging efforts in the recent years, from the Business Responsibility and Sustainability Reporting (issuers), ESG disclosure schemes (asset managers), to ESG ratings and other related products (ESG data providers).

Regulatory oversight of ESG ratings is essential to ensure clarity & consistency in disclosures and transparency in methodology. We also believe that it is not enough for ESG rating providers to communicate what the ratings represent to asset managers – indeed, asset managers are in a good position to understand the difference. It is equally important for asset managers to communicate it downstream to investors in clear language.

We appreciate the SEBI's effort to bring out regulations in Algo trading for retail investors to safeguard the investor interest. We strongly believe that there is a need to make sure that Algo strategy should only be provided by participants under the purview of SEBI.

In the month of March, under the Women in Finance initiative we celebrated the womanhood through #WomenInFinanceHeroes campaign, Tete a tete with Trailblazers and 2nd Essay Writing Competition for women candidates and members. The winning essays are listed on the last page along with the detailed report on the Roundtable on ESG Disclosure Standards.

Best Regards,

Volunteer Editors

Shamit Chokshi, CFA

Nimisha Pandit, CFA

CONSULTATION PAPER ON ESG RATING PROVIDERS FOR SECURITIES MARKETS.



To bring transparency in the ESG ratings, SEBI has proposed a regulatory framework for ESG ratings providers (ERPs). CFA Society India concurs with SEBI's views that there is an imminent need for ESG ratings and assessments to be subject to regulatory oversight and supervision.

However, given the evolving nature of the industry, we feel regulations should be broad and principle-based than prescriptive ones. And they should be adapted to the current market structure to accommodate both large providers as well as smaller entities.

Our key suggestions on SEBI's consultation paper are:

- Reframing the provision to focus on the "use of the ESG ratings" by listed entities rather than where they "avail the ratings from".
- Drafting a separate set of regulations for ERPs which are broad and principle-based and mandates measures related to governance, transparency, prevention of conflict of interest, and due diligence, but at the same time does not place undue compliance burdens on smaller entities.
- The prescribed net worth of INR 10 crores is too high and may impede entry of smaller players and innovation. SEBI could consider a two-tier structure for ESG rating providers and define the net worth requirements basis the service type/ users of the ESG ratings.
- Additional provision w.r.t transparency for ERPs to disclose
 - o Breakup of percentage of actual data and estimated data on which the ESG rating is based
 - o The time stamping of the data on which the ESG rating is based.

Our complete response to SEBI can be accessed [here](#).
To read SEBI's proposal, please click [here](#)



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CONSULTATION PAPER ON 'ALGORITHMIC TRADING BY RETAIL INVESTORS'



In December 2021, the SEBI put out a consultation paper on Algorithmic Trading by Retail Investors. Recognizing the need to regulate this growing market is a positive step towards safeguarding investors' interest.

Following are some of our key suggestions to the SEBI on proposed mechanism:

- Instead of considering every order generated from API as an Algo order, APIs can be categorized at broker level as Decision making APIs Vs Execution APIs. The focus should be on regulating execution APIs, instead of decision-making APIs. There needs to be differentiation in API based workflow and Algo based workflow.
- Instead of requiring stockbrokers to take approval of all algos from the Exchange, we suggested shifting focus to self-regulation through auditor certification to avoid delays and IP infringement risk.
- We believe that the major risk emanating from Algo trading is that many Algo providers are unregulated. We suggested that SEBI should only allow participants such as RIA, RA etc. who are under the SEBI ambit, to provide Algo strategy related services.

Our complete response to SEBI can be accessed [here](#).
To read SEBI's proposal, please click [here](#)

ESSAY WRITING COMPETITION: A WOMEN IN FINANCE INITIATIVE



CONGRATULATIONS TO THE WINNERS OF THE 2ND ESSAY WRITING COMPETITION



1ST

Payal Seth, CFA



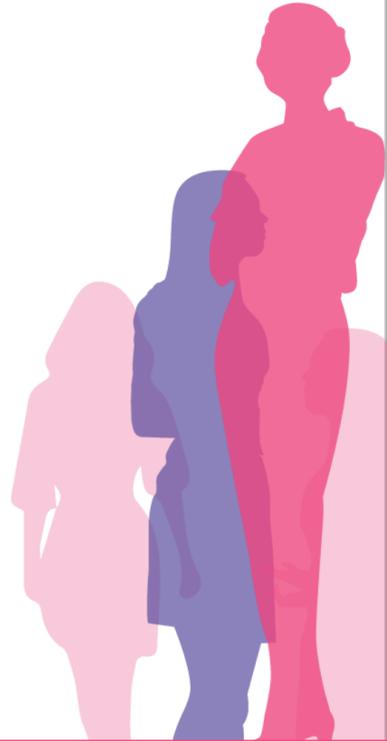
2ND

Jayashree Jena



3

Aditi Mehta & Vaishnavi Raichur



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For the International Women's Day, CFA Society India held its second Essay Writing Competition to celebrate the spirit of women professionals in finance. Through their essays, the participants shared their vision on the Future of Investments.

Participants were required to pick any of the given below themes and evaluate how it will change the investment world. The themes were:

- Emergence of technology and its role in shaping the future investment world.
- Advent of ESG investing and sustainable finance.
- Diversity and inclusion at the workplace

Winners of the competition were announced in a Women's Day Special webinar: Tete a tete with Trailblazers. The winners are:

1. Payal Seth, CFA
2. Jayashree Jana
3. Aditi Mehta & Vaishnavi Raichur

The winning essays are listed on the last page of the e-zine.

OTHER ADVOCACY INITIATIVES

EVENTS, PROGRAMS & COMPETITIONS

- #CGInv 2021 | Do Promoters Really Want Independent Directors? – [Link](#)
- #CGInv 2021 | Independent Directors in Asia Pacific – [Link](#)
- #CGInv 2021 | The Corporate Governance Landscape In India – [Link](#)
- #CGInv 2021 | Shareholders Corporate Governance Checklist – [Link](#)
- #IFIS 2021 | Green Bonds - Opportunity In India – [Link](#)

RESEARCH PUBLICATIONS & BLOGS

- Report: CFA Society India and CFA Institute Roundtable on ESG Disclosure Standards – [Link](#)

WINNING ENTRIES OF ESSAY WRITING COMPETITION: A WOMEN IN FINANCE INITIATIVE

- Emergence of technology and its role in shaping the future investment world – by Payal Seth, CFA – [Link](#)
- Advent of ESG investing and sustainable finance – by Jayashree Jana – [Link](#)
- Diversity and Inclusion in the workplace – by Aditi Mehta – [Link](#)
- Advent of ESG investing and sustainable finance – by Vaishnavi Raichur – [Link](#)

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