

**Headline:** ETF regulations: Sebi Chief says open to suggestions

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# ETF regulations: SEBI chief says open to suggestions

**OUR BUREAU**

Mumbai, October 26

SEBI Chairman UK Sinha has assured market participants that the regulator is willing to listen to them in case changes in regulations of exchange traded funds are required.

Speaking at an NSE event on Monday, Sinha cautioned that product innovation should be done very carefully. He raised concerns on liquidity offered by ETFs and said, "One has to guard against whether the liquidity is illusory or real.

"The ETF may be illiquid; if the ETF is liquid then the underlying may be illiquid, which is true especially in case of debt instruments. Derivatives pose counterparty risk while securities lending

mechanisms could also pose risks."

He added that the apex body of international securities regulators IOSCO raised concerns in 2011 about various product varieties prevalent at that time. In 2013, IOSCO brought out a set of nine principles, which among other things, dealt with concerns on transparency and disclosures related to product types, fees and rules to address counterparty risk and conflict of interest.

He added that the first ETF which was started 12 years ago had grown 12 times. During this period ETFs had served a beneficial purpose as they are like a mutual fund with a secondary market, and addressing liquidity issues, hedging against market move-



**Future plans** UK Sinha, Chairman, SEBI, and Chitra Ramkrishna, MD & CEO, NSE, at the NSE India ETF Conference, 2015, in Mumbai PAUL NORONHA

ments, and providing better price transparency and convenience to overseas entities at lesser cost. On

commodity-based ETFs, Sinha said, new products would be introduced in a few months.

# NSE plans slew of indices to boost ETFs

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The NSE hopes to see the launch of more commodity ETFs in the next few months, Chitra Ramkrishna, MD and CEO, NSE, said here at an event to celebrate 20 years since the launch of the National Stock Exchange. The exchange organised the event to discuss the future of ETFs in India.

An exchange traded fund (ETF) is like a mutual fund which issues units and closely tracks the price of an underlying security (such as stock or a commodity), but can be traded on an exchange platform. India mostly has equity, gold and gilt ETFs, but globally, the ETF industry offers products on other commodities and fixed income securities.

## **Multi-asset class biz**

Ramkrishna said that stock exchanges will become “multi-asset

class businesses as they begin to offer more broad-based indices... The benefit to ETFs is cost rationalisation and this has been consistently coming down. In India, this is under half a per cent, which is higher than the global average. But cost is a function of AUM.”

Ramkrishna said the NSE is working to introduce quality, value and thematic indices to encourage more ETFs and smart beta investing. “Increasing the liquidity of the ETF market and developing mass retail products are necessary, going forward,” she said.

The NSE also felicitated 16 companies that have been part of its benchmark, the Nifty 50 index, through the 20 years of its existence. These are: ACC, Ambuja Cements, Bajaj Auto, Grasim Industries, HDFC, HDFC Bank, Hindalco, HUL, ICICI Bank, ITC, L&T, RIL, SBI, Tata Motors, Tata Power and Tata Steel.