

# **Common Voice of the Distribution Industry**

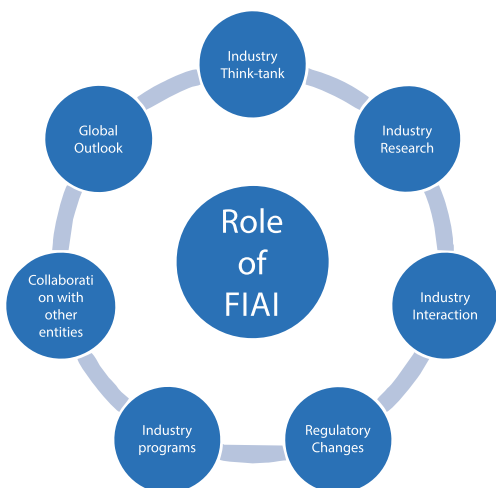
Get complete news & updates on the financial products distribution industry and the latest happenings at FIAI in our monthly newsletter - FIAI Diary





## ABOUT FIAI

Financial Intermediaries Association of India (FIAI) was formed as a financial distributors' body to strengthen the cause, development, education and progress of the industry. FIAI's endeavour is to bring all the national & regional players like National Distributors, Banks and IFA Associations on one platform to pursue the industry development and education agenda.



Some of the key objectives of FIAI are to promote and develop the Indian financial intermediary industry on professional, healthy and ethical lines and to enhance and maintain standards in all areas of operations and to work towards protecting and promoting the interests of financial intermediary and their members

## WELCOME MESSAGE

### WELCOME

The first quarter of the financial year was quite encouraging for the Mutual Fund Industry in spite of uncertain markets and impending issues at the Industry. **The quarter saw consistent flows in Equity mutual funds and increase in retail folios.** The global equity markets continue to tread in an uncertain territory due to the Greece crisis yet the Indian equity markets have shown lot of resilience.

FIAI held its flagship event last month, **FIAI Distribution Conclave last month at BSE, Mumbai.** The theme of the conclave was Vision 2020 for Indian financial Distribution Industry which was discussed on the backdrop of release of the long awaited FIAI CRISIL Distribution Industry report titled **Indian Financial Distribution Industry at the cusp: Vision 2020.** The event saw the presence of all top stalwarts of the Industry & its stakeholders including the Chief Guest from Ministry of Finance, captains of the Industry from Distribution, AMCs & Insurance cos and eminent personalities from the Industry IFA associations, research & training organisations and a large section of media.

The FIAI-CRISIL Distribution Industry report was very well received by the Industry and is being quoted & used in media and other discussions now. As per the report, the Assets under management of **Mutual Fund Distributors** could nearly triple to **Rs 23 lakh crore** (\$368 billion) from Rs 8 lakh crore (\$127 billion) by 2020 led by gains in equity funds as retail and high net-worth investors hop on the economic-growth bandwagon. The **life insurance distribution premium** could also triple from Rs 3 lakh crore to nearly Rs 9 lakh crore and non-life distribution premium from Rs 0.50 lakh crore to **Rs 1.31 lakh crore.** To achieve the objectives of higher capital market product penetration and financial inclusion, the **number of distributors needs to rise 3-5 fold from here.**

Trust Plutus Wealth Managers (India) Private Limited joined FIAI last month as the 25th member of FIAI last month. We extend them a very warm welcome.

FIAI continues to work towards resolving the MF Distributors Service tax issue and various steps have been taken so far to reach at an acceptable solution. FIAI is working towards creating a vibrant financial distribution ecosystem and to work toward achieving the ambitious Vision 2020 for all the stakeholders in the financial distribution fraternity!!!

**Gurpreet Singh**

Principal Consultant - FIAI

# ACTION AT FIAI

## UPDATE ON THE FIAI DISTRIBUTION CONCLAVE



FIAI Distribution Conclave Event was held on June 23rd, 2015 at the International Convention Hall of BSE. The Event was attended by about 200 senior people from the financial Industry comprising of Heads of Distribution Companies including banks, AMC CEOs & Business heads, Senior people from Insurance, other stakeholders from BSE, CAMS, CRISIL, Broking houses etc.

The Chief Guest of the Evening was Mr. Manoj Joshi, Jt Secretary - Financial Markets, DEA, Ministry of Finance, Govt of India. Mr. Joshi presented the keynote address for the evening. Mr. Sudhakar Ramasubramanian, Director - FIAI gave the welcome address on behalf of FIAI.

The FIAI CRISIL India Financial Distribution Industry report titled Indian financial distribution industry titled Indian Financial Distribution Industry at the cusp: Vision 2020 was unveiled at the event by the Chief Guest, Mr. Joshi along with Mr. Ashish Chauhan, MD & CEO - BSE, FIAI Directors and CRISIL team.

Mr. Manish Jaiswal, Business Head - CRISIL Research made a presentation on the report. A power packed panel discussion on Distribution: Vision 2020 was held where the panelists were Mr. Ashish Chauhan, MD & CEO - BSE, Mr. Nirmal Jain, Chairman and Founder -



IIFL Holding Ltd and Mr. Leo Puri, MD - UTI Asset Management Co. Ltd were the panelists. Mr. Vishal Kapoor, Director - FIAI was the moderator of the panel discussion. Many important visionary statements and important takeaways for growth of the Distribution Industry were registered by the Audience. Mr. Gurpreet Singh, Principal Consultant - FIAI gave the vote of thanks to the dignitaries present to wind up a successful event.

BSE supported the Event as Data Partner, CRISIL was the knowledge partner and CAMS was the data partner for the Event.



## Indian Financial Distribution Industry at the cusp: Vision 2020

March 31, 2015



### A FIAI-CRISIL report on Indian Financial Distribution Industry

#### Indian Financial Distribution at the cusp: Vision 2020

The financial distribution industry in India is expected to see tremendous growth in the coming decade as a galloping economy boosts employment and raises incomes, and the much-vaunted demographic dividend drives investments into the capital markets. India is expected to log high GDP growth, which will push up household incomes and savings significantly. This will catalyze household investments of a 'young' nation where the number of households having annual income in excess of Rs 5 lakh is estimated to rise from around 6.24 crore in 2014 to around 12.14 crore by 2020.

We believe the next six years can very well spell boom time for financial products, specifically mutual funds and insurance plans, given that the economy is shifting to a

higher-growth path. And as average household income rises, money managers and financial planners will have their task cut out: to steer the teeming millions towards financial investments and better potential returns for their hard-earned monies.

India's financial distribution industry has a large footprint, accounting for around Rs. 7.92 lakh crore (\$126.63 billion) of assets under management of mutual funds (MFs) as on March 2015 and Rs. 3.57 lakh crore (\$57.08 billion) of insurance premium collected in 2013-14. Yet, less than 5% of India's household financial savings of Rs. 8.19 lakh crore (\$130.95 billion) was invested in the capital markets in 2013-14. There are three primary reasons for the abysmal level of interest: lack of awareness about financial products, market volatility,

and a conservative mindset arising from low per-capita income. We believe it is in the nation's interest that we have long-term policies for channelling household savings into the capital markets.

Indeed, financial intermediaries and distributors will have a seminal role to play in fully realising that enormous potential. Today, the average working person, because of inadequate awareness and limited knowledge of investments, requires guidance and handholding. While the proliferation of internet helps many find answers to their investment questions, a good lot require the personal touch -- of a friend, philosopher and guide, as it were -- to wade through the complex world of investments and arrive at the optimal choice.

Developing a vast pool of financial advisors and distributors is thus an imperative. This also helps in employment creation and retail penetration, and thereby benefits the economy at large. And since the industry requires specific skill sets, it is equally important to put in place initiatives that will foster such human resource development. Existing distributors are expected to resort to digital distribution to grow the industry significantly and at the same time reduce costs.

Implementation of the Securities Exchange Board of India's move to bring in a self-regulatory organisation (SRO) for mutual fund distributors would aid the industry. Additionally, creation of a single SRO for the entire distribution industry will help monitor and regulate financial intermediaries. This body could establish best practices and guidelines for its members, while keeping the interests of investors in mind, helping drive financial penetration further and spreading investor awareness. However, recent changes in the mutual fund industry including the recently imposed service tax on MF distributor commissions, and distributor commission capping can be a major dampener for the MF and the distribution industry unless resolved soon.

### High potential

Within the financial products universe, mutual funds have the potential to grow the fastest as investors move away from traditional products and explore market-linked ones for long-term wealth creation. The mutual fund industry has potential to grow at 23% annualised over the next six years to an asset size of Rs 37 lakh crore (\$591.57 billion). This is likely to be supported by distribution channels, which are estimated to grow at around the same pace. The pace will be aided by an increase in penetration in order to meet the financial aspirations of the rising middle-class as well as capital market performance. Banks, both private and PSUs, are in a sweet spot to capture the large middle class population across geographies. Independent financial advisors

(IFAs) and national distributors (NDs) through technology-enabled sub-broker models are expected to expand their reach and presence in the B-15 cities (non-metros) to capture the biggest chunk of this growth opportunity.

In the Insurance industry, rise in penetration will be fuelled by increase in population, particularly the working age population, rising income levels, as well as other socio-economic factors such improvement in lifestyle, higher medical costs and nuclear family system. We estimate that although the Life Insurance Corporation of India (LIC) will continue to be far ahead of the private sector in terms of market share, the private sector will grow faster. Traditional products would continue to reign due to pricing disparity. Premium in life insurance is projected to more than double to nearly Rs. 9 lakh crore (\$143.58 billion) by 2020 from Rs. 3.14 lakh crore (\$50.20 billion) in 2014, while premium in the non-life insurance industry is presaged growing two-and-a-half times from Rs. 70,610 crore (\$11.35 billion) in 2014 to nearly Rs. 1.8 lakh crore (\$29.26 billion) by 2020.

As alternative investment funds (AIFs) and portfolio management services (PMS) are niche products, mainly targeting the high net-worth individual (HNI) and ultra-high net-worth individual (UHNI) segments, they form a small part of the overall product pie. India being a developing economy is yet to see significant investment flow in this category. This segment is likely to rise among private sector banks, boutique wealth management firms and national distributors due to the increase in HNI base at the end of 2020. However, this figure may likely be marginal compared with other products.

### Key drivers

**Hands on the deck:** There has been a decline in the number of active distributors in recent years for both mutual funds and insurance. Retaining distributors and retail agents becomes a huge challenge for insurers in particular, considering they invest a lot on training. High level of churn affects long-term plans and costs of companies. With fewer players, the reach across different income and geographical segments is limited and penetration that much more difficult. We believe having players catering to multiple client segments will improve the economics of business. Skill enhancement and training would be imperative to expand the network of distributors. As such, the number of distributors should potentially grow by 3 to 5 times by 2020 to meet the industry potential.

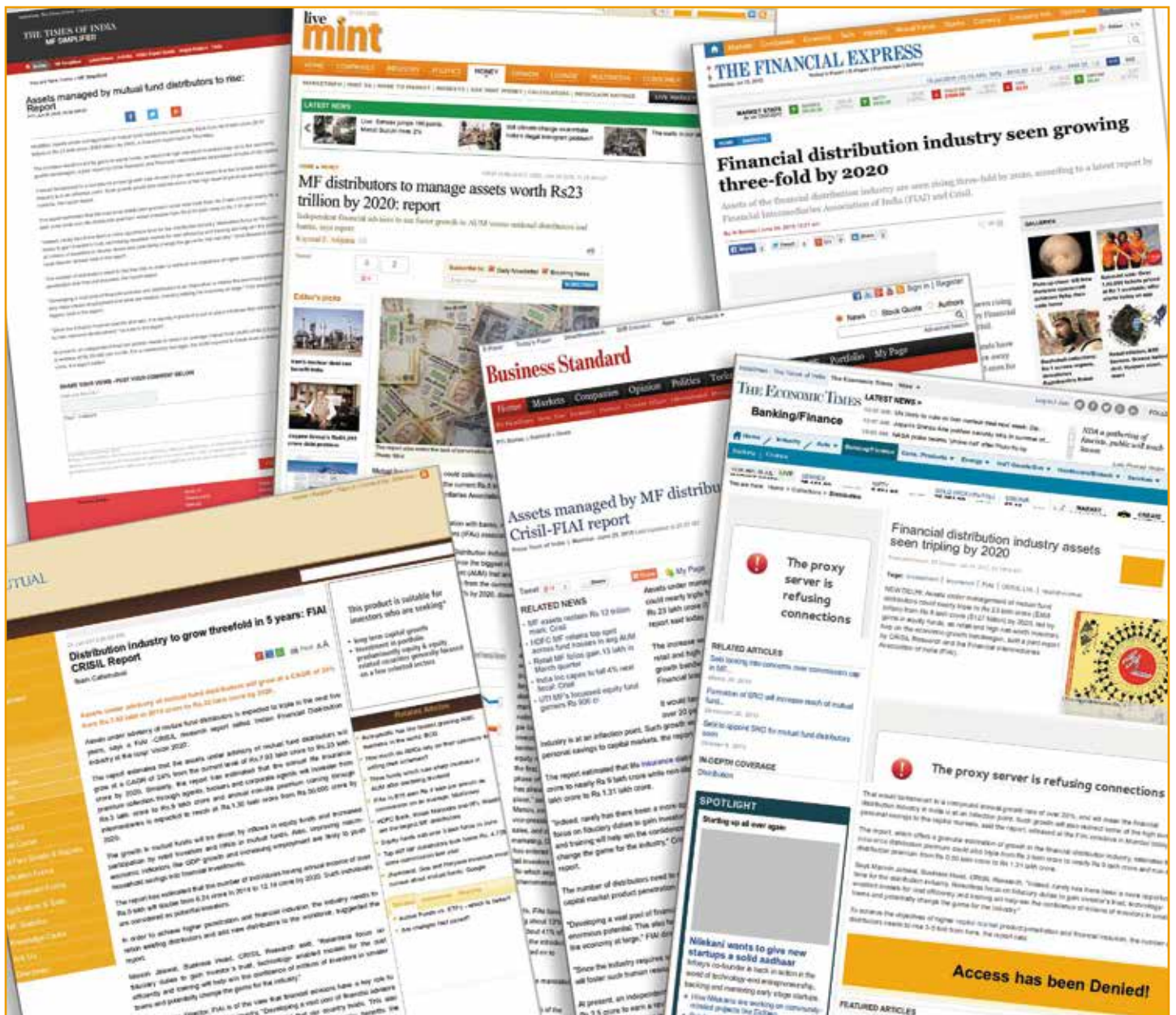
**Awareness:** Low financial literacy levels and lack of awareness, unless addressed well, will inhibit the industry's growth. Financial products continue to be 'push' products in India and regular connect plays a

huge role in fostering trust, retaining investors and attracting more investment. Asset allocation and financial planning help in goal planning and meeting various objectives. However, till such time investors remain unaware of such concepts, money will continue to flow into gold and real estate. Development of new distribution channels, government support through schemes such as the inclusion-driver Jan Dhan Yojana and greater focus on retirement planning through introduction of schemes on the lines of the 401(k) in the US will help the mutual fund industry realise its potential.

**Business Viability:** Rising employee costs (fixed and variable) and real estate prices also threaten the distribution industry's growth - particularly the national and regional players. The industry is currently grappling with changes in its business model, such as capping of commission and inclusion of distributors under the service tax regime, which could be a major dampener for the industry. This can affect players who haven't adopted a scalable model. While automation cuts costs, complex

systems can add to costs when business plans are revised.

**Technology:** As investors become more tech savvy, the pace of integration of newer technologies will also become easier. Recent initiatives to extend financial inclusion through mobile banking and trading and initiatives to enable tablet-based investments are precursors to the great role technology will play in years to come. Appropriate technology can also help reduce transaction costs. A reduction in physical costs (paperwork, labour) enables the distributor to focus on value additions for the client, bring in efficiency of time and enable the distributor to increase volume. In addition, technology can play a major part in compliance of rules and regulations in maintaining up-to-date database in keeping with norms. Thus new-age technology models, with ease of transaction and better reporting, can lead to better results for industry growth by distributors.



## FIAI Members meeting



FIAI held its members meeting last month where many critical issues pertaining to the FIAI members and overall Distribution Industry issues were discussed. FIAI welcomed its new member, Trust Plutus Wealth Managers (India) Private Limited in the meeting.

## FIAI Welcomes New Member



We welcome Trust Plutus Wealth Managers (India) Private Limited which joined FIAI last month as the 25th member of the body.

Trust Plutus is a wealth

advisory company that offers wealth solutions across products and asset classes. Our strength lies in the experience, exposure and expertise that our promoters, management group and team members bring in. The collective wisdom of our team combined with product agnostic approach ensures that we are able to offer solution to Client's financial needs.

# INDUSTRY UPDATES

## KEY DEBT MARKET INDICATORS

DATA FOR MONTH: JULY 2015

Benchmarks	As on 30-Jun-15	As on 31-May-15	As on 30-Mar-15	Change (Month)	Change (Quarter)
364 Day Tbill (Primary)	7.72%	7.90%	7.90%	-0.09%	-0.18%
5-year Benchmark	8.06%	7.88%	7.81%	0.16%	0.25%
10-year Benchmark	7.86%	7.86%	7.74%	0.22%	0.12%
30-year Benchmark	8.12%	7.96%	7.87%	0.08%	0.25%
91 day Bank CD	7.80%	8.25%	8.35%	-0.10%	-0.55%
Annualised 1-yr AAA spreads	8.00%	0.36%	0.64%	-0.25%	-0.65%
Annualised 5-yr AAA spreads	8.60%	0.38%	0.40%	0.00%	-0.15%
5-yr OIS	8.75%	7.19%	7.05%	0.25%	0.15%
Bank Rate	8.25%	8.50%	8.50%	-0.25%	-0.25%
RBI LAF-Repo rate	7.25%	7.50%	7.50%	-0.25%	-0.25%
RBI LAF-Reverse Repo rate	6.25%	6.50%	6.50%	-0.25%	-0.25%
Foreign Exchange Reserve(\$ bn)	355.22	351.87	343.00	2.75	12.22
Brent Crude Oil (\$/bbl)	60.53	63.77	54.81	-0.89	5.72
Gold (\$/oz)	1171.00	1180.25	1187.00	-20.40	-16.00
US Fed Funds Rate	0.25%	0.25%	0.25%	0.00%	0.00%
US 10-yr Gilt	2.35%	2.03%	1.92%	0.22%	0.43%
CRR	4.00%	4.00%	4.00%	0.00%	0.00%

Source: Various (BSE, NSE, SEBI)

## DOMESTIC MARKETS - KEY INDICES

Returns % as on 30 June, 2015.

Indices	Close	CYTD	3 month	1 years	3 years	5 years	10 years
S&P BSE Sensex	27780.83	1.02	-0.63	9.31	16.79	9.67	14.44
CNX Nifty	8368.50	1.04	-1.44	9.95	16.58	9.77	14.23
S&P BSE 100	8464.09	1.13	-1.66	9.32	17.02	9.30	14.33
S&P BSE 200	3499.51	2.08	-1.08	12.01	17.83	9.44	14.21
CNX 500	6897.20	1.82	-1.16	11.71	18.24	9.47	13.68
CNX Mid Cap	13009.65	3.38	0.06	17.24	20.93	9.91	15.40
S&P BSE Small Cap	11075.35	-0.73	-1.64	11.24	18.43	6.67	9.52
S&P BSE Midcap	10679.99	5.38	0.60	22.32	23.42	10.77	12.27
CNX Nifty Junior	19825.45	6.15	1.97	20.25	25.18	11.96	16.00

Source: BSE & NSE. Returns are calculated on absolute basis for less than one year and on CAGR basis for one year or more.

## DOMESTIC MARKETS - KEY SECTORAL INDICES

Returns % as on 30 June, 2015.

Indices	Close	CYTD	3 months	1 year	3 Years	5 years	10 years
S&P BSE Auto	18712.17	0.44	-2.84	22.71	25.51	17.88	20.31
S&P BSE Bankex	20982.18	-2.22	0.56	20.07	20.76	14.54	17.88
S&P BSE FMCG	7789.06	0.29	0.18	17.56	16.46	17.76	19.64
S&P BSE Healthcare	16564.32	12.74	-3.88	43.82	33.77	22.67	19.23
S&P BSE Metal	9335.29	-13.18	-1.38	-28.74	-4.69	-8.37	5.70
S&P BSE Oil & Gas	9859.23	-0.36	5.88	-11.58	6.87	-1.74	11.26
S&P BSE Realty	1413.26	-9.12	-15.09	-31.96	-5.37	-14.81	NA
S&P BSE TECK	5924.88	1.42	-5.30	12.50	20.98	12.79	12.13
CNX Consumption	3534.05	5.83	3.63	20.55	22.02	15.46	NA
CNX Infra	3254.40	7.06	0.15	-3.51	10.43	-0.76	8.37
CNX Media	2237.85	-6.25	2.24	5.68	20.85	5.80	NA
CNX Dividend Oppt	2015.75	-6.64	0.06	-3.41	9.20	8.46	NA

Source: BSE & NSE. Returns are calculated on absolute basis for less than one year and on CAGR basis for one year or more.  
\*Return for CYTD (Year To Date) is calculated on absolute basis.



# GLOBAL MARKETS – KEY INDICES

Returns % as on 30 June, 2015

Indices	Close	CYTD	3 months	1 year	3 Years	5 years	10 years
Shanghai Composite (China)	4277.22	32.23	14.12	108.81	24.31	12.50	15.01
Nikkei 225 (Japan)	20235.73	15.96	5.36	33.46	30.94	17.10	5.69
Nasdaq (USA)	4986.87	5.30	1.75	13.13	19.31	18.87	9.25
S&P BSE 100	8464.09	1.13	-1.66	9.32	17.02	9.30	14.33
Dow Jones Ind Avg (USA)	17619.51	-1.14	-0.88	4.71	11.00	12.60	5.51
All Ordinaries (Australia)	5451.20	1.16	-7.01	1.29	9.64	5.04	2.58
Bovespa (Brazil)	53080.88	6.15	3.77	-0.16	-0.79	-2.82	7.68
FTSE 100 (UK)	6520.98	-0.69	-3.72	-3.31	5.38	6.29	2.37
RTS Index (Russia)	934.54	18.69	6.39	-31.59	-11.55	-6.33	2.67

Source: bloomberg.com. Returns are calculated on absolute basis for less than one year and on CAGR basis for one year or more.  
\*Return for CYTD (Year To Date) is calculated on absolute basis. Sorted on basis of 1 Year returns.

## INSTITUTIONAL ACTIVITY

(Rs. Crores)

	June-2015			01-Jan-15 To 30-Jun-15		
	Debt	Equity	Total	Debt	Equity	Total
FII	1,736.58	-3,344.44	-1,607.86	39,346.80	39,080.40	78,427.20
Mutual Funds	54,180.20	9,447.60	63,627.80	274,633.70	29,736.40	304,370.10

## FOREX

Currency movements against INR

Source: bloomberg.com

	30-Jun-15	31-May-15	31-Mar-15	30-Jun-14	% Change (Month)	% Change (Quarter)	% Change (Year)
1 US\$	63.65	63.82	62.50	60.18	0.27%	-1.81%	-5.45%
1 Euro	71.20	69.85	67.51	82.00	-1.90%	-5.18%	15.17%
100 Yen	52.07	52.02	52.11	59.28	-0.10%	0.08%	13.85%
1 Pound	100.12	98.63	92.45	102.32	-1.49%	-7.66%	2.20%

## MUTUAL FUND MONTHLY DATA

Amount in Rs. Crore (Source: SEBI)

TYPE		AS ON 30TH MAY 2015			FOR MAY 2015 MONTH (Rs.Cr.)		
		No. of Schemes	No. of Folios	AUM \$ (Rs. Cr.)	Purchase (Rs. Cr.)	Sale (Rs. Cr.)	Net Sales (Rs. Cr.)
<b>A</b>	<b>Income/ Debt Oriented Schemes (i+ii+iii+iv)</b>	1,326	72,18,163	7,93,158	10,35,190	10,45,767	-10,577
i	Liquid/ Money Market	52	3,24,952	2,53,900	9,99,172	10,14,830	-15,657
ii	Gilt	45	66,298	15,652	1,102	226	875
iii	Debt (other than assured return)	1,222	68,26,865	5,22,178	34,916	30,711	4,205
iv	Debt (assured return)	0	0	0	0	0	0
v	Infrastructure Development	7	48	1,429	0	0	0
<b>B</b>	<b>Growth/ Equity Oriented Schemes (i+ii)</b>	441	3,22,71,536	3,65,166	14,019	3,943	10,076
i	ELSS	55	65,58,558	39,652	505	280	225
	Others	386	2,57,12,978	3,25,514	13,514	3,663	9,850
<b>C</b>	<b>Balanced Schemes</b>	26	20,56,945	28,749	1,450	248	1,202
<b>D</b>	<b>Exchange Traded Fund (i+ii)</b>	48	7,04,802	14,005	894	1,313	-419
i	GOLD ETF	13	4,65,926	6,688	0	85	-85
ii	Other ETFs	35	2,38,876	7,317	894	1,228	-334
<b>E</b>	<b>Fund of Funds Investing Overseas</b>	31	1,42,885	2,469	20	58	-38
<b>Total (A+B+C+D+E)</b>		<b>1,872</b>	<b>4,23,94,331</b>	<b>12,03,547</b>	<b>10,51,573</b>	<b>10,51,329</b>	<b>244</b>

# BECOME A FIAI MEMBER

**FIAI invites all National Distributors, Banks and IFA Associations** to become its members to be able to successfully pursue the objectives of the body in interest of the entire industry & distributors at national level.

## Membership Benefits

- ▶ FIAI provides an excellent opportunity to participate in the process of building a think tank that puts forth well-researched and independent points of view on topic relevant to the financial products distribution / advisory practice.
- ▶ Members will be able to suggest and participate in building of the research subjects and the underlying reports.
- ▶ Members will get access to the updates of regulatory and business changes.

- ▶ The FIAI members will be privy to our reports immediately prior to submission with regulatory bodies.
- ▶ Members will have the opportunity to engage with eminent people and organisations through a range of events.
- ▶ Members will be able to reach remote areas by the use of the planned FIAI regional/ zonal offices.
- ▶ FIAI will undertake services for promotion of financial business of its members and the development of the securities market.
- ▶ FIAI will undertake studies /surveys on important matters and access to such report will be helpful for the business practices of its members.

## Registration Process

To become a member, kindly contact us...



## CONTACT FIAI

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**Registered office:** Navjivan Society, Office No. 1209, Building No. 3, Lamington Road, Mumbai - 400 008.  
Website: [www.fiai-india.org](http://www.fiai-india.org)

Suggestions & feedback: Email: [info@fiai-india.org](mailto:info@fiai-india.org)



Financial Intermediaries Association of India

# MEMBERS

Aditya Birla Money



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AXIS CAPITAL



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Ideas create, values protect

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