

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





WELCOME

Last month was quite an action-packed month for the Mutual Fund (MF) Industry and FIAI. The MF Industry growth for last quarter was quite robust as the average assets under management touched Rs. 13.16 lac crs; up seven percent from last quarter. While there were concerns of investors and Distributors on the credit side of debt fund portfolios of few fund houses which may impair returns of those funds, the issue seemed to have come under control now.

FIAI initiated the fourth phase of Arthik Gyan drive last month. Arthik Gyan is FIAI's flagship financial literacy & awareness drive for spreading financial Literacy in the country. The aim of this phase is to make it bigger, better and more impactful financial literacy drive ever for the youth in the country.

As a new initiative, FIAI is partnering with The Economic Times in The Economic Times Financial Literacy Camps titled Money Gurukul as an Alliance partner under its Arthik Gyan banner. As you are aware, FIAI's core aim is to grow the financial products Industry in India and works for the development of financial awareness and literacy in the country. Thus this alliance partnership of supporting Economic Times in their work to spread financial awareness in the country fits well in our aim to create a large scale financial awareness in the country.

FIAI held its AGM last month. The progress of several initiatives done this year, FIAI's Vision 2020, the way forward & initiatives for rest of the year were some of the items discussed in the meeting.

FIAI also held meetings with Finance Ministry and AMFI on resolving the Distributor commission issue and we are hopeful of a solution soon. FIAI continues to focus on Industry growth and the welfare of all the stakeholders of the Industry.

Gurpreet Singh

Principal Consultant - FIAI

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

THE KEY OBJECTIVES OF FIAI ARE:

INDUSTRY DEVELOPMENT:

Promotion & development of the Financial Distribution Industry on professional, healthy and ethical lines.

INDUSTRY STANDARDS:

To ensure, promote and maintain a high professional and ethical standards in all areas of operation of financial intermediaries and their members and to enhance and maintain standards with a view to protecting and promoting their interests.

SUGGESTIONS:

Engaging with and proposing suggestions & initiatives to the industry players, associations and regulators for the growth of the industry.

TRAINING & EDUCATION:

Sharing of knowledge and giving a forum for enlightenment & exchange of ideas within the industry.

ENGAGING OTHER STAKEHOLDERS:

Actively engaging with certification bodies including NISM and FPSB for distribution to agree professional standards and accreditations for financial advisors in India and to drive its implementation across the intermediary fraternity.

DEBT MARKET OUTLOOK



Mr. Nilesh Shah

MD, Kotak Mahindra Asset Management Co. Ltd

The RBI cut key policy rate by 50bps was against expectation of 25bps. The overall policy tone was dovish and the RBI clearly mentioned

that monetary policy had to be accommodative to the extent possible.

With Banks slowly gearing up to the rate transmission, and the US Fed action having been deferred to a later date, the monsoon performance remained the only key factor. The late uptick in rains may have mitigated some element of concern for RBI.

These factors seem to have given the necessary elbow room to RBI to give a growth orientation to its policy. It must also be appreciated here that with global economy bracing for slowdown – led by China; and with recession in Brazil; the islands of opportunities were fast sinking. In its midst, only India remains a bright spot, which is being ably highlighted by the political leadership. But that needs to translate on the ground as policy reforms, deregulation and improvement in the ease of doing business.

However, while the RBI has stated that they will maintain an accommodative policy stance, the onus now shifts to the government and the banks to pass on the cumulative 125bps of rate cuts in the form of lower lending rates.

RBI has clearly indicated that they have front loaded the rate cuts and would now wait for banks to lower base rates in order to ensure monetary transmission. The median base lending rates of banks have fallen by only about 30 bps despite extremely easy liquidity conditions. This is a less than half of the 75 bps of the policy rate reduction during January-June, even after a passage of eight months since the first rate

action by the Reserve Bank. Bank deposit rates have, however, been reduced, suggesting that further transmission is possible.

With ongoing global market developments (reflected in subdued external demand and sharply correcting commodity prices) and a fledgling domestic recovery clouding the outlook, the RBI may well have to cut again next year. We think that the period after the FY16/17 budget would be an opportune moment to take stock of the outlook for growth, inflation, fiscal policy, and structural reforms. If growth and inflation both remain subdued then, at least another 25bps rate cut and continued efforts to ease liquidity could be on the cards, in our view.

This reduction in the repo rate will give impetus to growth and persuade banks to transmit the aggregate 125 bps repo rate at a faster pace. The scope and size of rate cuts in 2015 has sizably reduced the cost of capital and created an enabling environment to stimulate growth, demand and investment cycle. This will also likely help reduce asset quality pressure on banks. The government promptly announced the review of the small savings rate framework which indicates rising consensus between policy makers to bring down the interest rates in the economy.

We continue to reiterate our view of extending duration on ones fixed income portfolio. The phased increase in FPI limits in sovereign would likely augur positive for gilt yields. There is evident demand from the foreign investors, thereby acting as a strong cushion for gilt yields going forward. The additional limits for SDLs (State Development Loans) would help in reducing spreads in that segment (currently at around 40bps).

We would urge investors in duration category funds to remain invested. Those seeking fresh investments may look to allocate equally between duration and corporate bond accrual strategies. The current corporate bond spread offer lucrative investment opportunities in the fixed income space.

INDUSTRY NEWS

CAFEMUTUAL CONFLUENCE

Cafemutual held its fourth edition of Cafemutual Confluence 2015 (CC15) on September 11, 2015. The theme for this year's CC15 was 'Being Future Ready'. The event had very interesting panel discussions and sessions by eminent speakers.

Mr. M J Akbar, noted journalist & Chief Spokesperson BJP addressed the issue uppermost on the minds of most Indians - under Mr. Modi, will India achieve its full potential? The panel discussions on 'how Digitalization is changing our day-to-day lives and how this will impact all stakeholders in the MF business' and 'What can the industry do to enhance the number of distributors

and activate the inactive ARNs' were quite interesting. FIAI supported the event as Distribution partner



SAT (SECURITIES APPELLATE TRIBUNAL) DECISION ON MF DISTRIBUTORS SRO

SAT has set aside Sebi's decision of granting in-principle approval to IMFI to be the Self Regulatory Organisation for mutual fund distributors. SAT directed the capital markets regulator to start the selection process afresh.

FIAI promoted OFD (Organization of Financial Distributors) had also applied for the SRO license when the process was initiated in 2013

ACTION AT FIAI

LAUNCH OF ARTHIK GYAN PHASE IV

FIAI has initiated the fourth phase of Arthik Gyan drive from **Sept to Nov 2015** to **make it bigger better and more impactful** financial literacy drive this year. Arthik Gyan is FIAI's flagship financial awareness drive for spreading Financial Literacy. The current drive will support financial literacy at the school level to support the NFLAT exam being held in November 2015. FIAI members will provide trainings across the country from its Member Organizations' branches & volunteers for Training students for this exam and thus achieving a big CSR agenda.

FIAI will be planning to cover more students in more institutions across the country through our member network. The approach in the program is to proactively reach out to various institutions across the country for spreading financial awareness in youth.



Standardised training modules have been prepared with the use of Audio visual tools, presentations and interactions. Along with this we will be ready with E-book app launch which includes study material and mock test papers for NFLAT test.

FIAI Members who are participating in this drive this year are Aditya Birla Money Mart Ltd, Axis Bank Ltd, Axis Capital Ltd., Bajaj Capital Ltd, IFAN Finserv Pvt Ltd, Karvy Stock Broking Ltd, Kotak Mahindra Bank Ltd, NJ India Invest Private Ltd, Prudent Corporate Advisory Services Ltd & Standard Chartered Bank.

ACTION AT FIAI

MEETINGS WITH FINANCE MINISTRY

FIAI team held two meetings last month with Finance Ministry to discuss and present the critical issue of Service Tax on MF Distributor commissions pertaining to the Distribution Industry. We are hopeful of resolving the issue very soon

MEETING WITH AMFI



FIAI team met the AMFI team last month to congratulate the new Chief Executive of AMFI Mr. C VR. Rajendran and to bid farewell to Mr H. N. Sinor, the outgoing Chief Executive.



Various Industry issues like MF distributor commission Service tax issue and the Sumit Bose Committee report were also discussed on the meeting.

FIAI AGM



FIAI conducted its AGM last month which was attended by most of its members. The progress of several initiatives of this year were appraised to the members including the upcoming Arthik Gyan, Distribution Industry report with CRISIL, Distribution Conclave, interaction with regulators and finance

ministry etc. Client Associates was formally welcomed as a FIAI member in the meeting.

FIAI vision 2020 was also discussed and agreed with the members. The way forward and initiatives for rest of the year were also discussed.

ACTION AT FIAI

FIAI PARTNERS WITH THE ECONOMIC TIMES FOR MONEY GURUKUL



The Economic Times Financial Literacy Camps titled Money Gurukul, have been designed to help organizations connect their employees with the gurus of financial markets. These

financial literacy forums/ investor meets would have experts from various fields of finance - Insurance, Investments, Stock Markets, specialists of Financial Planning sharing their insights and giving the attendees an understanding of the basics of finance, clarify the doubts and myths on financial planning, savings and investment and inform them about various tools of investment available. Spread across 12 cities in India, the primary mission of these initiatives is to enhance the level of financial and economic literacy of individuals thus promoting professional development and well being at an organizational level.

Besides offering an opportunity to gain new knowledge and strategies that can take one's financial literacy to the next level, the camps will give a chance to the attendees to spend time with noted financial experts while hearing about new ideas and opportunities and products as well. They will also enjoy the chance to network with esteemed colleagues and top-notch speakers in the financial literacy field and find innovative solutions to existing challenges.

FIAI will partner with The Economic Times in this initiative as an Alliance partner under its Arthik Gyan banner. FIAI's core aim is to grow the financial products Industry in India and works for the development of financial awareness and literacy in the country. Thus this alliance partnership of supporting ET in their work to spread financial awareness in the country fits well in our aim to create a large scale financial awareness in the country. The Money Gurukul events for October are scheduled for 15th October in Mumbai and 28th October in Chennai.

INDUSTRY UPDATES

KEY DEBT MARKET INDICATORS

DATA FOR MONTH: OCTOBER 2015

Benchmarks	As on 30- Sept -15	As on 31-Aug-15	As on 30-June-15	Change (Month)	Change (Quarter)
364 Day Tbill	7.15%	7.54%	7.72%	-0.39%	-0.57%
91 Day Tbill	7.08%	7.40%	7.68%	-0.32%	-0.60%
10-year Benchmark	7.54%	7.78%	7.86%	-0.24%	-0.32%
3 Months Certificate Of Deposit (CD)	7.15%	7.48%	7.80%	-0.33%	-0.65%
3 Months Commercial Paper (CP)	7.30%	7.77%	8.00%	-0.47%	-0.70%
AAA Corp Yields - 1 Yr	8.25%	8.40%	8.60%	-0.15%	-0.35%
AAA Corp Yields - 3 Yrs	8.30%	8.50%	8.75%	-0.20%	-0.45%
Bank Rate	7.75%	8.25%	8.25%	-0.50%	-0.50%
RBI LAF-Repo rate	6.75%	7.25%	7.25%	-0.50%	-0.50%
RBI LAF-Reverse Repo rate	5.75%	6.25%	6.25%	-0.50%	-0.50%
Foreign Exchange Reserve(\$ bn)	349.98	351.92	355.22	-1.94	-5.24
Brent Crude Oil (\$/bbl)	46.46	48.32	60.53	-1.86	-14.07
Gold (\$/oz)	1114.00	1135.00	1171.00	-21.00	-57.00
US Fed Funds Rate	0.25%	0.25%	0.25%	0.00%	0.00%
US 10-yr Gilt	2.05%	2.22%	2.35%	-0.17%	-0.30%
CRR	4.00%	4.00%	4.00%	0.00%	0.00%

Source: Various (BSE, NSE, SEBI)

DOMESTIC MARKETS - KEY INDICES

% Returns as on 30th September, 2015.

Indices	Close	1 Month	3 Month	1 Years	3 Years	5 Years	10 Years
S&P BSE Sensex	26,154.83	-4.89	-5.85	-1.79	11.69	5.05	11.71
CNX Nifty	7,948.90	-4.03	-5.01	-0.20	11.68	5.29	11.81
S&P BSE 100	8,077.41	-3.49	-4.57	0.77	12.29	5.14	11.79
S&P BSE 200	3,352.02	-2.22	-4.21	3.08	13.23	5.38	11.80
CNX 500	6,646.10	-1.88	-3.64	3.59	13.82	5.78	11.31
CNX Mid Cap	12,984.50	3.18	-0.19	13.72	18.28	6.85	13.04
S&P BSE Small Cap	11,020.83	-1.22	-0.49	5.33	15.47	3.61	8.70
S&P BSE Midcap	10,799.20	6.56	1.12	19.86	20.00	8.19	14.90
CNX Nifty Junior	19,609.75	4.99	-1.09	15.33	21.05	8.83	13.96

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 30th September, 2015.

Indices	Close	1 Months	3 Months	1 Year	3 Years	5 Years	10 Years
S&P BSE Auto	17,391.08	-6.65	-7.06	-2.00	18.61	12.25	16.99
S&P BSE Bankex	19,681.55	-8.28	-6.20	11.73	14.39	6.67	14.39
S&P BSE FMCG	7,751.72	-0.19	-0.48	2.86	12.63	14.33	16.10
S&P BSE Healthcare	17,779.17	21.00	7.33	24.42	32.80	22.74	18.79
S&P BSE Metal	6,833.72	-36.45	-26.80	-40.10	-13.39	-17.16	-0.01
S&P BSE Oil & Gas	8,694.68	-12.13	-11.81	-18.96	0.13	-3.89	8.10
S&P BSE Realty	1,396.60	-10.19	-1.18	-11.68	-8.88	-18.47	NA
S&P BSE TECK	6,255.63	7.08	5.58	5.69	22.29	10.56	11.34
CNX Consumption	3,449.80	3.31	-2.38	6.36	17.70	12.30	NA
CNX Infra	2,825.20	-7.06	-13.19	-6.48	3.80	-5.67	4.33
CNX Media	2,382.80	-0.18	6.48	17.53	15.14	4.23	NA
CNX Dividend Oppt	1,858.30	-13.93	-7.81	-8.94	4.28	3.08	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.

Indices	Close	1 Months	3 Months	1 Year	3 Years	5 Years	10 Years
Shanghai Composite (China)	3,052.78	-5.62	-28.63	29.14	13.50	2.82	10.20
Nikkei 225 (Japan)	17,388.15	-0.36	-14.07	7.51	25.10	13.08	2.51
Nasdaq (USA)	4,620.16	-2.45	-7.35	2.82	14.00	14.28	7.94
S&P BSE Sensex	26,154.83	-4.89	-5.85	-1.79	11.69	5.05	11.71
Dow Jones Ind Avg (USA)	16,284.70	-8.63	-7.58	-4.45	6.60	8.50	4.42
All Ordinaries (Australia)	5,058.60	-6.12	-7.20	-4.50	4.70	1.77	0.97
FTSE 100 (UK)	6,061.61	-7.68	-7.04	-8.47	1.82	1.62	1.02
Hang Seng (Hong Kong)	20,846.30	-11.69	-20.59	-9.10	0.01	-1.39	3.05
Bovespa (Brazil)	45,059.34	-9.89	-15.11	-16.74	-8.67	-8.49	3.62
RTS Index (Russia)	786.35	-0.13	-15.86	-30.10	-18.93	-12.56	-2.45

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)

	Sept – 2015			01-Jan-15 To 30-Sept-15		
	Debt	Equity	Total	Debt	Equity	Total
FII	691.52	-6,475.15	-5,783.63	39,395.50	21,047.10	60,442.60
Mutual Funds	16,634.30	9,320.20	25,954.50	3,45,023.70	55,031.70	4,00,055.40

FOREX Currency movements against INR

Source: bloomberg.com

	30-Sep-15	31-Aug-15	30-Jun-15	30-Sep-14	% Change (Month)	% Change (Quarter)	% Change (Year)
1 US\$	65.74	66.48	63.65	61.75	1.13%	-3.18%	-6.07%
1 Euro	73.80	74.50	71.20	78.20	0.95%	-3.52%	5.96%
100 Yen	54.80	54.75	52.07	56.36	-0.09%	-4.98%	2.85%
1 Pound	99.53	102.31	100.12	100.27	2.79%	0.59%	0.74%

MUTUAL FUND MONTHLY DATA

Amount in Rs. Crore (Source: SEBI)

TYPE		AS ON 31ST AUGUST 2015			FOR AUG 2015 MONTH (RS.CR.)		
		No. of Schemes	No. of Folios	Assets (Rs. Cr.)	Sales (Rs. Cr.)	Purchases (Rs. Cr.)	Net Sales (Rs. Cr.)
A	Income/ Debt Oriented Schemes (i+ii+iii+iv)	1,603	74,36,500	8,22,584	11,38,178	10,80,502	-57,676
i	Liquid/ Money Market	54	3,33,570	2,34,141	10,99,657	10,29,168	-70,488
ii	Gilt	49	64,491	15,886	324	468	144
iii	Debt (other than assured return)	1,493	7038,391	5,71,089	38,197	50,865	12,669
iv	Debt (assured return)	0	0	0	0	0	0
v	Infrastructure Development	7	48			0	0
B	Growth/ Equity Oriented Schemes (i+ii)	458	3,33,74,869	3,82,723	7,454	16,611	9,157
ii	ELSS	55	66,63,875	39,409	314	711	396
	Others	403	2,67,10,994	3,43,314	7,140	15,900	8,761
C	Balanced Schemes	26	21,77,259	34,660	374	1,798	1,424
D	Exchange Traded Fund (i+ii)	49	6,97,026	13,355	891	1,280	389
i	GOLD ETF	13	4,54,417	6,323	82	1	-81
ii	Other ETFs	36	2,42,609	7,032	809	1,278	469
E	Fund of Funds Investing Overseas	31	1,37,107	2,184	80	36	-44
Total (A+B+C+D+E)		2,167	438,22,761	12,55,506	11,46,976	11,00,226	-46,750

Source: SEBI

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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Website: www.fiai-india.org

Suggestions & feedback: Email: info@fiai-india.org



Financial Intermediaries Association of India

MEMBERS



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