



METROPOLITAN STOCK EXCHANGE OF INDIA

EXCHANGE COMMUNICATION

MARCH 2017



Dear Readers,

Beginning of February, Union Budget provided a rally in the market as the government did a credible job of balancing deficit targets with investment required for economic growth. Lower government borrowing targets hardened bond yields by 40bps and INR too gained 92 paise against USD.

While equity and currency markets rallied in February, bond prices corrected by 3.5%. Later in the month, RBI indicated a hardening of stance and cited inflationary risks from commodity prices and pay commission revision. The expected rise in US interest rates has resulted in a moderate stance from RBI. The falling yield curve in India has seen a bounce back, as possibility of further rate cut appears remote with rise in core inflation.

At MSEI, Mr. Thomas Mathew, a public interest Director on the Board, stepped down at the end of his tenure and new public interest Directors Mr. Dinesh K Mehrotra (Former Chairman of LIC) and Mr. Dilip Patwardhan (Former Chief Executive at FEDAI) were welcomed on the Board.

The management team at MSEI has drawn a three-year business plan with specific business targets which aims at promoting new products and segments in Debt, Equity Derivatives and Currency Derivatives. The exchange has also undertaken a process revamp project under which all aspects of operations ranging connectivity, trading applications, customer services and ease of doing business are being enhanced for members' delight.

MSEI introduced trading in Sovereign Gold Bonds (SGB) in the Capital Market segment of the exchange. Apart from the six tranches of SGB being traded in the exchange platform, the SGB 2016-17 Series IV (Tranche VII) being issued presently shall also be made available for trading shortly.

Happy Reading.

Udai Kumar
MD & CEO

Market Watch	One Month Change
Equity	
SX 40	3.78%
MSCI Emerging Markets	3.33%
MSCI India	4.37%
Currency	
USD	-1.42%
Pound	-1.33%
Euro	-1.58%
Yen	-0.35%
Bond Yield	
5 yr Gol	3.94%
10 yr Gol	7.78%
10 yr US	-4.32%

Source: Bloomberg Period: 1-28 February, 2017

Did you know that MSEI offers a complete product bouquet?

Equity	More than 1400 stocks available for trading
Debt	285 Corporate Bonds 3240 Corporate Bonds available on the deal reporting platform
Currency Derivatives	Future Contracts in USDINR, GBPINR, EURINR and JPYINR Option Contracts in USDINR
IRFs	9 Gol Bonds in maturity buckets of 6 years, 10 years and 13 years
ETFs	50 ETFs available for trading

MY MSEI

It is the new way of doing business on MSEI where ease of doing business is being enhanced for market participants. The entire ecosystem of trading is customised and incentivised for members to avail state-of-the-art connectivity, ease and efficiency. These exchange offerings are tailored towards building strong exchange-member ties and developing ownership of the members towards their exchange.

Least Capital Requirement and its Optimum Utilisation

Lowest admission fee and membership deposit. Membership deposit funds are considered towards regulatory requirement of BMC (Base Minimum Capital). Any fund (cash or non-cash) over and above BMC is available for margin requirements in a fungible manner, based on the instructions provided by the trading members.

Ready-to-use Data Centre for Instant High-Speed Connectivity at No Cost

Instant connectivity at reduced latency to members without any infrastructure cost or time delay. Last mile linkage is provided by passing the time and cost for PoP/P2P networks. The services are being offered through Symphony, an empanelled service provider with the exchange.

On Demand CTCL, Web Trading, Algo and Colocation Connectivity

MSEI is providing CTCL, Web and Algo applications to all members through its vendors – ODIN, NOW and uTrade. Colocation facility is promptly processed by the exchange at no cost, provided minimum volume criterion is met.

Algo Software Development Cost Reimbursed

Exchange offers all its members to get their algo software development cost reimbursed subject to few terms.

Algo Software Test Lab

MSEI provides a test lab for members to test their algo strategies with live market feed.

NISM Examinations

MSEI offers NISM (National Institute of Securities Market) examinations from its Bandra Centre in Mumbai.



KNOWLEDGE CORNER



Abhijit Chakraborty
Chief Operating Officer

Hedge your Interest Rate Risk Effectively

Future contracts on the underlying GoI treasury bonds of different maturity periods are available for trading under the Interest Rate Future Contracts. Presently, two G-Sec Bonds in the 6-year maturity bucket, three G-Sec Bonds in the 10-year maturity bucket and four G-Sec Bonds in the 13-year maturity bucket are available for trading.

IRFs allow investors to protect the value of their bond portfolio or trade on the volatility of interest rate expectations. Trading in IRF is capital-efficient and affordable as investors can get 50x exposure to their margin and transaction charges are also minimal at ₹10 per crore of traded volume. Since the underlying are G-Secs, IRFs are effective hedging tools for all fixed income assets such as Corporate Bonds & Debentures and Fixed Deposits. Banks, Corporates, Debt Mutual Funds and Insurance Firms can effectively use IRFs for hedging and treasury operations.

Consider an SLR portfolio of ₹100 crore consisting of GoI securities of different maturities and yields with an average tenure of 6 years and average yield of 7%. In the month of February, average bond yields increased by 40bps which resulted into average 2.5% drop in bond prices. Thus, the loss (MTM) incurred on the ₹100 crore portfolio would be ₹2.5 crore.

The investor would require to make loss provision of ₹2.5 crore on his investment. However, this loss could have been averted if the investor had sold the 10-year maturity IRF contract worth ₹100 crore. The fall in price of the 10-year IRF contract in February series was 3.5%. Thus, the investor would have earned ₹3.5 crore on his IRF position compared to ₹2.5 crore on his bond portfolio, which not only protects his bond portfolio value but also generates an alpha return.

EXCHANGE UPDATES

Removal of auto reduction of MSTQ (maximum single transaction quantity):

MSEI has removed the barrier of auto reduction of MSTQ. In view of this, even if 90% of the margin is utilised, the member will be able to place the order for the entire MSTQ set in the system.

Live trading from DR Site:

Exchange successfully conducted live trading from its Disaster Recovery Site on 16th and 17th Feb. All operations were conducted smoothly.

Investor Grievance and Arbitration: The exchange in order to facilitate faster resolution of arbitration complaints of investors has newly empanelled arbitrators at its four Regional Arbitration centres – Ahmedabad, Hyderabad, Indore and Kanpur in addition to the existing arbitration centres in Mumbai, Kolkata, Delhi and Chennai. This not only increases the exchange's reach to market participants, but also makes it convenient for investors and market players to redress their grievances, with the exchange.

Reduction in time consumed for onsite inspections:

MSEI has categorised the active members for inspection based on their past performance and current status of compliances and accordingly scope of the inspection is decided, thus the effective time for onsite inspection of the members has been reduced significantly.

Reduction in volume of data to be provided by the member and better compliance:

MSEI inspection department intimates the scope of inspection to the members in advance, which results in members to provide limited and specific data to the exchange and can focus on specific areas for which the inspection is conducted accordingly to ensure better compliance.



IMPORTANT CIRCULARS

Integrated Reporting by Listed Entities

SEBI has issued an amended integrated reporting structure to be followed by listed companies to stock exchanges vide circular no. SEBI/HO/CFD/CMD/CIR/P/2017/10.

Investor Grievance

SEBI has comprehensively amended the Investor Grievance Redressal Mechanism vide circular no. SEBI/HO/DMS/CIR/P/2017/15.

Graded Surveillance

SEBI has introduced graded surveillance measures vide circular MSEI/SURV/4942/2017 dated February 23, 2017.

PHOTO GALLERY



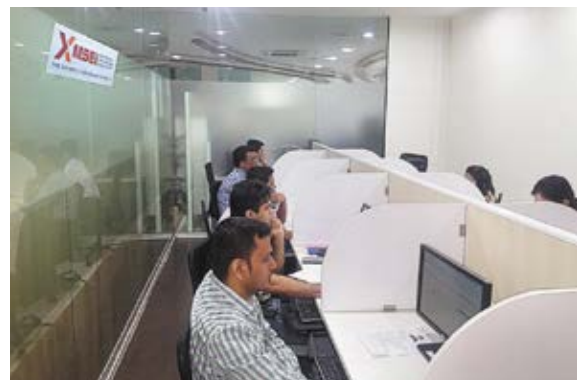
Mr. Dilip Patwardhan (Former CEO at FEDAI) being welcomed to the Board by Chairperson Prof. Mrs. Ashima Goyal



Mr. Dinesh K Mehrotra (Former Chairman of LIC) being welcomed to the Board by Chairperson Prof. Mrs. Ashima Goyal



Business planning meet being attended by senior management



NISM Exams being conducted at the Bandra Centre, Mumbai



METROPOLITAN STOCK EXCHANGE OF INDIA LIMITED

Vibgyor Towers, 4th Floor, Plot No. C-62, Opp. Trident Hotel, Bandra-Kurla Complex, Bandra (E), Mumbai 400 098. Tel: +91-22-6112 9000

For any query, contact your relationship manager or the customer service team at: customerservice@msei.in/022-6112 9010