



METROPOLITAN STOCK EXCHANGE OF INDIA

EXCHANGE COMMUNICATION

MAY 2017



Dear Market Participants,

It has been a bullish start to FY18 for the markets. The Indian equity market has reportedly given best returns in a decade during the first quarter of the calendar year. However, it is interesting to note that maximum price change in the month of April happened in benchmark bonds over other asset classes. Importantly, the net FII inflow in Debt was \$2.2bn compared to outflow of \$0.3bn in Equities, in the month of April.

The BEER ratio is also at play as moderate interest rate has reduced WACC resulting in improved valuation for equities. Coupled with improving corporate earning visibility, rally in equity continues to add strength.

SEBI has approved single broker entity to trade in stock exchange and commodity exchange. This is a welcome step for the market, as compliance and infrastructure cost is reduced for brokers and greater capital and

business efficiencies can be achieved. The high price correlation between commodities and currencies can now be efficiently used by market participants.

At MSEI, every effort is underway to provide ease of operations, execution efficiency and knowledge sharing for market growth. I invite your active usage of all the exchange offerings.

Best Wishes

Udai Kumar

MD & CEO

Market Watch

Securities	One Month Price Change (%)
Equity	
SX 40	0.82
MSCI Emerging Markets	1.83
MSCI India	0.47
Currency	
USD INR	-0.81
GBP INR	3.22
EUR INR	2.16
JPY INR	0.08
Bonds	
5 yr Gol	-1.29
10 yr Gol	-2.06
10 yr US	0.89

Source: Bloomberg

Period: 1-30 April, 2017

MSEI offers best ROI to brokers

- Lowest membership fee
- No Annual fee
- Free CTCLs and Algo Strategy Software
- 100% utilisation of cash and non-cash deposits
- Lowest Transaction charges across Equity, Debt and Currency

MSEI offers the best platform for Equity Block/Bulk Deals with benefits of no slippage, better price and least transaction charges.

Passive Trades are Free in Interest Rate Future, Currency Options, Equity Cash and Equity Derivative segments.

MSEI has live Debt Reporting Platform for 3240 Corporate Bonds, with nil transaction charges.

MY MSEI

MSEI is pleased to offer the following advantages to its members:

- On demand ODIN, NOW and uTrade application software provided at no cost to members
- Algo Test Lab facility with live feed, at no cost to members
- Customised algorithm software cost reimbursement to members
- Instant connectivity to exchange data centre, reducing the leased line connection timeline
- 100% utilisation of member deposits, thus improving business ROI of members
- Lowest transaction charges in CDS, ECM, EDS and Debt segments
- Passive Orders free in Currency Options, IRFs and Equity and Far Month Currency Future Contracts

No Annual Costs

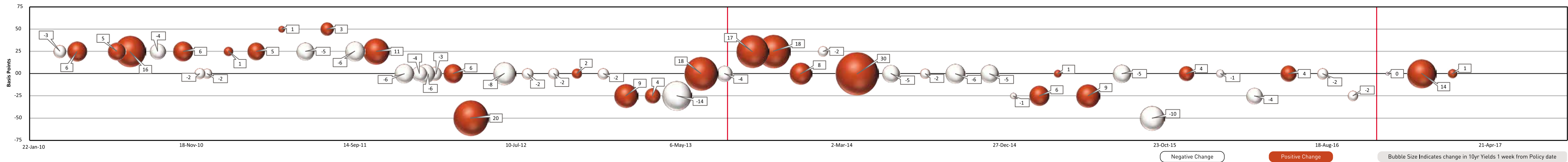
Charges	Particulars	MSEI (In Lakh)	Exchange 1 (In Lakh)	Exchange 2 (In Lakh)
Annual Subscription Charges - ECM	Corporates Non-Corporates	Nil Nil	INR 1 INR 0.5	INR 0.50 INR 0.50
Advance Transaction Charges - EDS		Nil	INR 1	Nil
Advance Transaction Charges - CDS		Nil	INR 0.5	Nil

Least Membership Cost

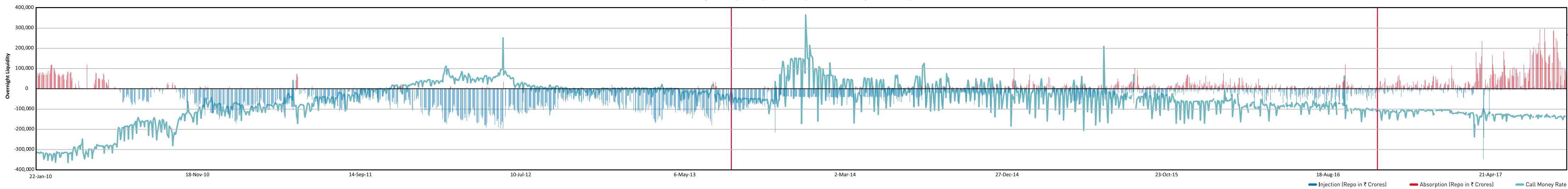
Segment	Particulars	MSEI (In Lakh)		Exchange 1 (In Lakh)		Exchange 2 (In Lakh)	
		Exchange	CCL	Exchange	CCL	Exchange	CCL
CDS	Cash Non Cash	INR 10 Nil	INR 25 INR 25	INR 2 INR 18	INR 25 INR 25	INR 10 Nil	INR 50
ECM	Cash Non Cash	INR 10 Nil	Nil Nil	INR 85 Nil	INR 15 INR 25	INR 10 Nil	INR 10
EDS	Cash Non Cash	INR 10 Nil	INR 25 INR 25	INR 25 Nil	INR 25 INR 25	INR 10 Nil	INR 50



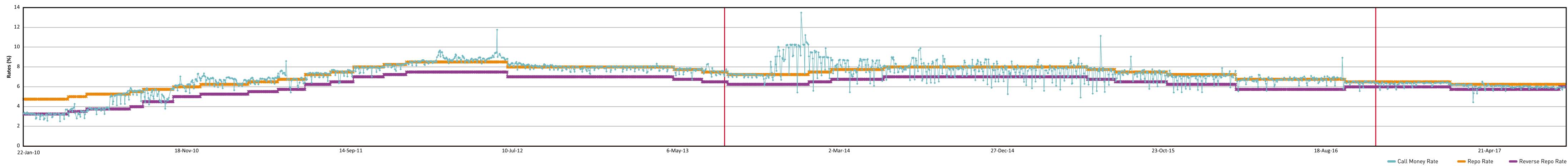
Policy Impact: One Week Change in Benchmark (10 yr) Yield Post Repo Rate Change



Overnight Liquidity: Absorption and Injection by RBI



Liquidity and Policy: Call Money Rates and RBI's Repo-Reverse Repo Band



RBI Gov: D Subbarao
FM : Pranab Mukherjee: 1/2009 - 6/2012 | Manmohan Singh: 6/2012 - 7/2012 | P. Chidambaram: 7/2012 - 5/2014

RBI Gov: Raghuram Rajan
FM : P Chidambaram: 7/2012 - 5/2014 | Arun Jaitley: 5/2014 - present

RBI Gov: Urjit Patel
FM : Arun Jaitley: 5/2014 - present

- Liquidity injection/absorptions are clear drivers to increase/decrease in call money rates
- When call money rates have stayed within the Repo – Reverse Repo band, change in policy has been infrequent

- Once call money rate have fallen outside the Repo – Reverse Repo band, RBI has adjusted the policy rates to accommodate the direction of call money rates
- The liquidity scenario has moved from Absorption to Injection from June 2010 and has been so till

3Q2016. Since then it has been dominated by Absorption and strongly continues to be so

- Currently, the liquidity scenario looks similar to first half of 2010, a scenario that led to successive rate hikes by RBI

- Call money rates have stayed within the Repo – Reverse Repo band for most part since April 2016
- The Repo – Reverse Repo band is currently at its narrowest (25 bps) since 2010. Any Repo cut would need simultaneous cut in reverse repo

When RBI declares no change in its stance*, policy rate cut/hike leads to decrease/increase in the benchmark yield (**Shifts in yield Curves**).
When RBI changes its policy stance*, policy rate cut/hike leads to increase/decrease in the benchmark yield (**Twists in yield Curves**).

*Stance - Accommodative (If economic data is supportive, Policy rates can be changed)
- Neutral (Even if the economic data is supportive, Policy rates may not change)
- Dovish (Overall expectations is inflation to remain low)
- Hawkish (Overall expectations is inflation to remain high)

Continued absorption policy by RBI may lead to an increase in call money rates. As call rates cross the liquidity band, policy action of a rate hike becomes a possibility. The scenario of a rate hike could mean a stance change of RBI, leading to a twist in the yield curve and a fall in benchmark yields.

EXCHANGE UPDATES

New Trading Software Versions

- New Version of trading software (11.6.13) was released in the market in Equity Capital Market (ECM), Equity Derivatives Segment (EDS) and Debt Market Segment (DMS) of the Exchange.
- Another new addition to the trading software is the latest versions of the CTCL software:
 - CTCL software Non FIX API version 11.9 is applicable to CTCL users - ECM
 - CTCL software Non FIX API version 11.8 and FIX API version 11.6 are applicable to CTCL users - EDS

PAN-based Self Match Prevention Functionality (SMPF) in CDS

Currently, SMPF prevents order matching between a buy order & a sell order entered by a member for same client code in the same order book. As an enhancement to the mechanism, it is now proposed to perform the self-trade prevention check based on Permanent Account Number (PAN) of clients. Using the PAN details available in the Exchange records, the aforesaid check will help prevent matching between a buy and a sell order of a client placed by different members in the same order book. All other characteristics of the SMPF mechanism will continue to be applicable. Refer Exchange Circular No. MSEI/SURV/5063/2017 dated April 11, 2017.

Web-based Module for Online filing of Shareholding Pattern

With a view to make the compliance filing process more convenient and faster, the Exchange has launched a user-friendly web-based module for submission of Shareholding Pattern as required under SEBI (LODR) Regulations 2015. In this regard, Exchange has issued a Circular MSEI/LIST/CIR/2017/085 dated March 27, 2017 to inform all its listed companies.



IMPORTANT CIRCULARS

1. Securities and Exchange Board of India (SEBI) has issued a circular for Revision in the regulatory framework for schemes of arrangement vide Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017.
2. Securities and Exchange Board of India (SEBI) has issued a circular for Companies exclusively listed on De-recognised/Non-operational/Exited Stock Exchanges placed on the Dissemination Board vide Circular No. SEBI/HO/MRD/DSA/CIR/P/2017/27 dated March 27, 2017.
3. SEBI has issued a circular regarding review of the framework of position limits for Interest Rate Futures contracts vide Circular No. SEBI/HO/MRD/DRMNP/CIR/P/2017/32 dated April 18, 2017.
4. Exchange has issued a circular for conducting Periodic Call Auction for Illiquid Securities with effect from April 10, 2017 vide Circular No. MSEI/SURV/5050/2017.
5. SEBI has issued a circular regarding acceptance of Central Government Securities by Clearing Corporation towards core Settlement Guarantee Fund (SGF) contribution by clearing members vide Circular No. CIR/MRD/DRMNP/33/2017.



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