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INSIDE

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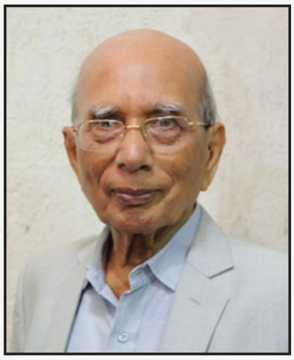

Shri. N. L. Bhatia
President Emeritus

Editorial - October 2023

"Investing Lessons from Deepawali"

Diwali, also known as Deepawali, derives its name from the row of clay lamps (deepa) that are lit outside our homes. These lamps symbolize the inner light that protects us from spiritual darkness.

During Diwali, people adorn themselves in their finest clothes, adorn the interior and exterior of their homes with lamps, diyas, and rangoli, perform ceremonies dedicated to Lakshmi, the goddess of prosperity and wealth, set off fireworks, and come together for family feasts.

Diwali imparts various principles that offer valuable insights and lessons applicable to stock market investing:

1) Light over Darkness: Diwali signifies the triumph of light over darkness. In investing, this serves as a reminder to prioritize transparency and knowledge. Information and transparency are pivotal in the stock market. Before investing in a company, diligently gather as much information as possible, and exercise caution when dealing with investments lacking transparency. You can find this information on the websites of stock exchanges, the company itself, and regulatory bodies like SEBI etc.

2) New Beginning: Diwali marks the initiation of the Hindu financial year. Likewise, each investment in the stock market is a new beginning. Reflect on past mistakes, approach your investments with a fresh perspective, and establish clear financial objectives for the year ahead.

3) Risk Management: While Diwali is a time for celebration, it also involves fireworks, which symbolize taking calculated risks. In the stock market, taking risks is inevitable, but it should be done with careful consideration. Diversify your investments to manage risk and have a clear risk management strategy in place.

4) Gratitude: Diwali encourages gratitude for what you have. In investing, it's important to be grateful for your gains and to be prepared for losses. Gratitude can help you maintain a positive attitude and avoid making emotional decisions during market fluctuations.

5) Cleanliness and Organization: Diwali also involves cleaning and organizing one's home. Similarly, you should regularly review and organize your investment portfolio. Keep track of your investments, rebalance your portfolio when necessary, and stay informed about market developments.

6) Community and Support: Diwali is a time for family and community gatherings. In investing, it's beneficial to seek advice and support from a community of investors, SEBI registered advisors etc. Sharing insights and experiences can help you make more informed decisions.

While these principles of Diwali do not provide specific investment advice, they can guide your approach to investing by promoting discipline, mindfulness, and a long-term perspective. Remember that investing in the stock market always carries risks, and it's important to do your own research and consider seeking advice from financial professionals when making investment decisions.

I **"Wishing you a very Happy & Prosperous Diwali!"** I

Views expressed by contributors are their own and the association does not accept any responsibility.

BSE
Investors Protection Fund

Patience and discipline can lead to **WEALTH CREATION**

- Have clear investment goals
- Stay invested for longer
- Review your investments periodically
- Stay calm during market fluctuations

INVEST RIGHT TOH FUTURE BRIGHT

Issued in public interest by BSE Investors Protection Fund.

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INVESTORS RELATED DEVELOPMENTS IN CAPITAL MARKET MONTH - OCTOBER 2023

(Courtesy: BSE IPF/SEBI)

- **Centralized mechanism for reporting the demise of an investor through KYC Registration Agency (KRAs)**

SEBI vide its circular dated October 3, 2023 has introduced a centralized mechanism for reporting and verification in case of the demise of an investor and thereby smoothen the process of transmission in securities market. Listed companies who want to provide this facility to their investors holding securities in physical form, are required to establish connectivity with KRA through their RTAs. This facility will be available for investors holding securities in physical form only if their PAN is available in the folio. However, such investors of listed companies that have not opted for KRA connectivity can still avail the beneficial measure of this circular, by dematerializing their securities.

Upon receipt of intimation about the demise of an investor from a joint account holder(s) or nominee(s) or legal representative or family member(hereinafter, collectively referred to as 'notifier(s)', the 'concerned intermediary' shall obtain the death certificate along with the PAN from the notifier and carry out the steps as specified in the circular, link of which is given below.

Impact on Investors: This is yet another major step taken by SEBI for the benefit of the investors which will facilitate updating of the records about the demise of any investor with different market intermediaries through a common centralised mechanism. Further, the updation through Online mode will provide convenience for the investors to complete the process from their location.

Link of the circular https://www.sebi.gov.in/legal/circulars/oct-2023/centralized-mechanism-for-reporting-the-demise-of-an-investor-through-kras_77534.html

PARAMETERS FOR INVESTMENT IN MUTUAL FUNDS

(Courtesy: Basilstone Consulting Private Limited)

Mutual funds have long been a popular choice for investors looking to grow their wealth while minimizing risk. The world of mutual funds is vast and complex, with numerous options to choose from. However, it's essential to examine various parameters, some of which are mentioned below, in order to make informed investment decisions.

Investment Objective	• Mutual funds often help in achieving certain financial goals if planned in a proper manner. • Defining an investment objective when starting the investment journey would help the investor to accordingly select the mutual fund. • This strategic approach ensures that the mutual funds choosen are tailored to meet investor's needs, ultimately paving the way for a successful investment.
Expense Ratio	• Total Expense Ratio refers to the percentage of Net Asset Value that the investor pays to the Asset Management Companies for mananging the funds. • Index Passive Mutual funds usually have a lower expense ratio when compared to actively managed funds.
Risk Tolerance	• Mutual Funds schemes publish a risk level of the scheme in the form of risk-o-meter. • Several factors can influence an individual's risk tolerance, including their age, financial goals, investment time horizon, and personal preferences, etc.
Time Horizon	• It refers to the length of time an investor plans to hold their mutual fund investments.
Exit Load	• Exit Load is a fee charged by Mutual Fund House if investors exit within a certain period from the date of investment.
Track Record of Fund Manager	• Fund manager is the individual responsible for managing the investments/ fund deployment of mutual fund.

“Achieving financial goals with mutual funds requires a well-thought-out strategy tailored to investor's unique circumstances."

POINTS TO BE KEPT IN MIND WHILE SELECTING AN INVESTMENT AGENT

Jayesh Chitalia
Journalist

We often wonder that though the financial markets offer so many tools, options, modes and resources for investments, there are still a huge number of citizens that have stayed away from the investment market. Though of utmost importance and a necessity, why is the number of insurance policy holders so low as compared to what it actually should be..? Why are investors not showing a keen interest in the mutual fund schemes..? Pension forms an essential source of income in a person's retired life but then why are millions of people without a pension plan..? The answer lies in the fact that most people are still stuck with the traditional modes of investments like schemes for small savings, bank fixed deposits and gold. While it is true that this trend is slowly changing, yet a very small number of investors opt for financial instruments for their savings needs.

HOW SHOULD ONE'S INVESTMENT AGENT BE..?!

Call it an investment agent or a broker or a middleman, they all earn their bread and butter through commissions or fees and so it is natural for them to keep their interests in mind too. Hence, it is necessary for the investors to be aware and alert. At times, in the guise of free advice, investors fall for the trap laid by the so called swindlers. They get their free advice but in return, may run the risk of ruining their own portfolio. That is why investors need to be cautious when they choose their investment advisors. Let us discuss a few points to be kept in mind while selecting an investment agent.

POINT 1:

REASONABLE RETURNS ALONG WITH SECURITY OF THE PRINCIPLE AMOUNT

When an investment product or a scheme is offered by an investment agent, the investor should focus more on the risk factor as well as the track record of returns offered by that scheme or the product. A genuine investment agent is the one whose primary focus is to keep his client's investments safe and secured. Meaning thereby, that that an agent should not create a situation whereby he puts his client's investment capital at risk in pursuit of earning higher returns. The definition of reasonable return would change from person to person. However, insist that your agent discloses all the aspects of risk and return with respect to that scheme or product before investing your money in it.

POINT 2:

SUGGESTS INVESTMENTS BASED ON YOUR PROFILE

An Investment advisor or an agent should be the one who can advise you and make you invest in schemes and products that are suitable to you, keeping in mind the factors that influence your profile like your total income expenses, liabilities, needs of your dependents, future expenses and risk taking ability among others. The agent will consider his commission too, but at the same time it is necessary that he also focuses on your investments' security while safeguarding your interest so that your capital is not washed off or that it just remains a mere piece of paper.

POINT 3:

AFTER SALE SERVICES

Once a product or a service is sold, the after sale services are important too. An investment agent shouldn't be someone who feels that his work is done once he gets his commission The agent on your investment. should continue to serve you post your investment too. He should be there to guide you if you have any confusions with respect to your investments, should ensure that you get all the necessary documents of that investment or in an event that you need to sell your investments he should always be there by your side. If he is the one to think, "I am not going to get any commission now. So why bother!' then he isn't the one to go to. Say for example that your insurance agent helps you get a Mediclaim but in the event of your hospitalisation, isn't around to help you process your claim, then what is the meaning of having such an agent..?

POINT 4:

KEEPS YOU INFORMED ABOUT NEW INVESTMENT AVENUES

Your investment agent should be smart enough to keep himself updated about new schemes and products that are launched in the market. Also, he should inform you about such products if he feels that they suit your needs based on your profile. With his experience, he should be able to guide you with respect to whether or not you should invest in such newly launched schemes or products. In short, he should be such that without worrying about his own commission, he comes forward to assist you in every respect. If he is interested in selling his own products then he may be good but not ideal.

POINT 5:

KEEPS YOU UPDATED ABOUT YOUR INVESTMENT PORTFOLIO

Your investment agent is ideal if he keeps a periodical record of your investment portfolio in terms of its valuations and fluctuations, say monthly, quarterly or yearly and keeps you posted about the same. If the agent deems necessary, he can also suggest you to make some changes in your existing portfolio. It is best if the agent takes care of your investments with respect to its valuation over time along with the need to shuffle or rebalance your portfolio.

POINT 6:

HELPS YOU WITH THE TAX PLANNING TOO

It is also important that your investment agent, who is already aware of your income status, helps you with the tax planning too, when the year ending is round the corner. Rather than investing in the age old traditional products like insurance policies just to save taxes, he would be better able to guide you with respect to the other investment options available, where along with saving taxes, you also get an opportunity to earn good returns. Albeit, after considering the risk factor and your investment's security.

POINT 7:

QUALIFICATION OF YOUR INVESTMENT AGENT IS ESSENTIAL TOO

It is true that your investment agent or advisor helps you with your investments, but you need to check whether he is qualified to do so or not. For example, for every investment advisor, agent or a share broker, it is necessary that he has the required experience along with the essential educational qualifications in his subject, certificates of which can be obtained by clearing the relevant examinations. Or else you may regret being misled by someone who either isn't properly qualified for this job or is a charlatan, luring you into false promises of doubling your money.

WHAT SORT OF AN INVESTMENT AGENT SHOULD ONE AVOID..?!

Investor awareness seminars are regularly conducted by the Government, various Mutual fund houses, Insurance companies and even Investment agents themselves throughout the country; numerous articles are written on the subject and even television programs are aired. Yet, after all these persistent and concrete efforts, the result and response from the general population is not up to expectations. There has to be some strong specific reason behind this reaction, rather, the lack of reaction, from the people. Let us discuss a few likely reasons behind this irrational behaviour. It will be good if the investors along with the agents and the authorities take a cue from this. And you, as an investor, also check that your investment agent is not like this!

POINT 1:

NOBODY IS INTERESTED IN NOMINAL INCOME

Investment agents are not interested in small investors having nominal funds to invest. The thought process of the investment agents behind this is that they have to put in an equal amount of effort as for a large investor and yet not be able to charge high fees or earn a huge commission. In our country, the need of a middle-man is still high. It is not easy for a common investor to fill up the complicated investment forms, stand in a queue and complete all the necessary formalities required for a successful transaction. For this, they need an investment agent to help them out. However, these agents are not much interested in helping out small investors, because unlike the big investors, commission income to an investment agent from a small investor is very nominal. Small investment agents initially show some interest in working for the small investors, but since they too aim high, once their business grows, they start neglecting the small investors.

POINT 2:
NO AFTER SALE SERVICE

The follow-up for the small investors is a very rare phenomenon. Sarcastically speaking, after sale services could be considered a luxury for small investors. Once the investment is done and the agent gets his commission, he then loses his interest in the small investors' thinking that he won't be able to get much now, keeping these investors in the lurch. Investing bit by bit, when these small investors accumulate a decent enough amount, they would still have to struggle for an agent's services. And the agent too would show some interest in an investor, only when he is going to get good commission through that investor. Or else, who cares!

POINT 3:
LOT OF MIS-SELLING

When it comes to small investors, the investment agents only care about their own commission. Which is why they sell their own products without even bothering to know whether that product is actually needed or would be useful to that investor. This results in a lot of mis-selling of investment products. Be it in the name of saving taxes or for probability of earning higher and better returns in the future or for one or the other reason, these agents' almost force these gullible investors into buying unsuitable products. Without exaggerating one bit, it wouldn't be wrong to say that a lot of mis-selling of the investment products happen in our country with millions of people involved in it, which goes unnoticed for the time being and then is forgotten over time.

POINT 4:
RISK IN GIVING TRUE ADVICE

An investment agent, who is only interested in his commission income, thinks that it is risky to give true advice to the investors as it could hamper his own business. Their true advice is more for their own interests than the investors'. In short, instead of guiding the investors, some of these agents mislead them for their own benefits and in doing so, they take utmost care that the investor doesn't get a whiff of their deeds. Just like a money minded doctor, who prescribes a CT scan to a patient when his problem can be diagnosed merely by an X-ray by saying that it is better to be safe than sorry or recommends a surgery even when it is not required; there is no shortage of money minded investment agents too. This is the bitter truth. However, not all investment agents are bad. There are good agents too. But the investor needs to check for himself based on his own experiences.

INSTEAD, GET THE BEST SERVICES BY PAYING A FEE!

Lastly, keep in mind that it is best if the investment agent or an advisor charges some fees for the advice that he gives which also covers his responsibilities. Or else, you might end up putting your investments at risk if you get lured by these free tips and advices. These so called middleman or agents are not any saints that they would keep on giving you important tips and information for free; they too have to run their houses. Hence, when it comes to your hard earned capital worth thousands or millions, it is always better to get the best possible investment advice by paying a fee.

Also, remember to check that your agents are registered with or approved by the respective insurance agencies or mutual fund houses. So in event of any wrong doing by the agent, you can always register a complaint against him with these organisations.

RIGHTS AND OBLIGATIONS OF INVESTORS

(Annexure-2 by SEBI)

(**Courtesy-** Security and Exchange Board of India)

Rights of Investors

- Get Unique Client Code (UCC) allotted from broker.
- Get a copy of KYC and other documents executed from intermediary.
- Get trades executed in only your UCC.
- Place order on meeting the norms agreed to with the Member.
- Get best price.
- Get the contract note for trades executed.
- Ask the details of charges levied.
- Receive funds and securities on time.
- Receive statement of accounts from trading member.
- Ask for settlement of accounts.
- Get statements as per agreed schedule.

Obligations of Investors

- Execute Know Your Client (KYC) documents and provide supporting documents.
- Understand the voluntary conditions being agreed with the trading member.
- Understand the rights given to the Trading Members.
- Read Risk Disclosure Document.
- Understand the product and operational framework and deadlines. Pay margins in time.
- Pay funds and securities for settlement in time.
- Verify details of trades, Verify bank account and DP account for funds and securities movement.
- Review contract notes and statement of account.