



CHAIRMAN'S REMARKS

BSE Ltd. Annual General Meeting, 25th September, 2015

Ladies and Gentlemen: a very good morning to all of you.

It gives me great pleasure to welcome you all to the Tenth Annual General Meeting of the shareholders of BSE Ltd.

Today marks my sixth AGM as the Chairman of the Board of Directors of BSE and I am pleased to report that BSE continues to strengthen its operations, as well as its position in the market.

This year also marks the 140th anniversary of the unique and remarkable sojourn of BSE, the institution that has more or less shaped the country's capital markets starting from 1875. BSE has grown immeasurably over time in terms of culture, processes, systems and methods. To mature as well as to brave competition, the institution had to break the mould and reinvent itself repeatedly. Yet, after all these years, not only does the stock exchange stand tall, but it also continues to play a pivotal role as an incubator of financial enterprises in India.

I am pleased to announce that BSE has successfully adhered to its four pronged strategy.

Firstly, we continue to lead Indian capital market in terms of 'Product Innovation'.

In the previous financial year, we had launched the Currency Derivatives, Interest Rate Futures, and the new Debt Segment on BSE. In the current financial year, we have launched an Overnight (Liquid Fund) product on the BSE StAR MF platform; and new Interest Rate Futures contracts on 6 year and 13 year Government securities. Product Innovation has become an integral part of our corporate strategy and we believe that this approach helps us in becoming a thought leader in Indian capital market. We have also announced our plans to launch 'Sammaan', a platform for Corporate Social Responsibility. BSE along with CII and IICA launched first-of-its-kind initiative – Sammaan - world's first CSR Exchange in presence of Hon. President Shri Pranab Mukherjee.

The second component of our strategy is to 'Expand our cross-border reach'.

BSE and Deutsche Börse extended their mutual cooperation this year to provide BSE market participants with a 'N7 network connectivity' between India and Deutsche Börse



Access Points in Hong Kong and Singapore. BSE's clearing corporation, ICCL, signed an Agreement with Clearstream, to allow foreign investors to post sovereign securities issued by AAA rated countries as collateral for their trades executed on the BSE platform. This will increase the ease of business for FPIs investing in India. BSE had also earlier signed a MoU with the Bank of New York Mellon, for a similar arrangement. These developments in our business are in addition to the ongoing BRICS Exchanges Alliance, our agreements with Eurex and DGCX for trading the S&P BSE Sensex on their platforms; Asia Index Pvt. Ltd the strategic JV between BSE and S&P Dow Jones Indices for creating, managing and marketing BSE indices, and many more. BSE became the first stock exchange in the world to sign a MoU with GIFT SEZ Ltd, at the Vibrant Gujarat Global Summit in January 2015. BSE intends to develop an international exchange, international clearing corporation and international depository with strategic partners.

International visibility by building alliances with credible international partners will help us grow our business globally as well as domestically.

A third, and critical component of our strategy, is to 'Ensure the success of our derivatives segment'.

While, we will continue to actively evaluate products and asset classes outside our traditional focus areas in order to diversify revenues, we will also continue to compete for market share in the traditional market areas. To accelerate our growth and to remain central to Indian capital markets, we aim to retain and grow our market share in the equity derivatives space on a sustainable basis. We have already achieved around 45% market share in the Currency Derivatives Segment, inspite of being late entrants and we expect to become market leaders in this segment in the near future.

Finally, BSE will continue to work to 'Establish best-in-class infrastructure'.

With the launch of our new trading engine based on the T-7 technology architecture from Eurex, **our order handling capacity increased to 500 thousand orders per second, and our latency reduced to less than 200 microseconds.** All the trading segments of BSE; Equity Cash, Equity Derivatives, Currency Derivatives and Interest Rate Futures have been migrated to this New Trading Architecture platform making BSE the fastest exchange in India. This financial year BSE enhanced its existing infrastructure by providing various new improvements such as the BSE Enhanced Order Book Interface stream which provides order-by-order market data over multicast, the Self trade



prevention check functionality, Direct Pay-out to Clients for BSE StAR MF and introduction of multi-legged orders.

With these improvements – and a strategic roadmap aligned with Eurex for technology and business – we expect to be in a much stronger position to compete on a global scale, and provide our customers with a more efficient and accessible marketplace.

Financial Performance

I will not go into details of the financial results here, since they are readily available in the Annual Report circulated to you, but I would like to comment on a few key statistics before speaking on the businesses we operate, and the overall environment.

In FY 2014-15, BSE recorded a total income of ₹ 625 Crore, which translates into an 18% increment over the previous year. Our profit for the year rose to ₹ 156 Crore this year from ₹ 135 Crore last year showing an increase of 15%.

In light of these results, the Board has recommended a dividend payment this year of ₹ 5 per share of ₹ 1 face value.

There were significant Secondary Market Developments that took place this year.

Regulatory decisions continue to have a critical impact on our business, and there were a number of important developments this fiscal:

Kamath Committee Report on Clearing Corporations

The Committee constituted under the Chairmanship of Dr. K. V. Kamath submitted its report to SEBI in August. The Report, inter-alia, recommends interoperability of clearing corporations, subject to intent of market participants and appropriate risk framework.

Online information of pending investor complaints against a listed company

BSE has started providing the list of pending investor complaints against the listed company online, through the “Listing Centre” Module. This initiative enables the listed companies to access the updated status of pending investor complaints against them, thereby facilitating expeditious resolution of complaints.



SARAL AOF

BSE launched the SARAL Account Opening Form i.e. the SARAL AOF to implement SEBI's bid to facilitate an easy and simplified account opening process in securities market.

Risk Based Supervision

SEBI initiated a process of formalizing its risk based approach towards supervision of market intermediaries. To that effect, BSE has developed an integrated system to collate the data from various source systems of BSE and provided access to SEBI to view the final rating and detailed data.

Further Simplification of registration requirements for Stock Brokers

SEBI amended the Stock Broker and Sub-Broker Act to enable a SEBI registered member of one or more stock exchange or clearing corporation to seek membership of a stock exchange or clearing corporation of which he is not a member by making an application to such stock exchange or clearing corporation, without the requirement to seek fresh SEBI registration with respect to such stock exchange or clearing corporation.

Revised Investment Limit for Foreign Portfolio Investors (FPIs)

As a measure to incentivize long term investors, it has been decided in consultation with Government to enable reinvestment of coupons in Government securities even when the existing limits are fully utilized.

ICCL established a dedicated Core SGF and Default Waterfall in line with international best practices

The provisions of SEBI circular with respect to the Core Settlement Guarantee Fund, Default Waterfall & Stress Test have been implemented by ICCL with effect from December 1, 2014, which was the timeline set by SEBI. ICCL is the only clearing corporation in India to cap the maximum Limited liability for non-defaulting members at a fixed amount of ₹ 10 lakh. ICCL is also the only clearing corporation in India to have kept the Clearing Members' Contribution to the Default Fund as "Nil". This, along with the unique ₹ 370 Crore default insurance cover makes ICCL the safest Clearing Corporation in India.

The Capital Markets

I would like to now turn to the Indian capital markets. FY 2014-15 witnessed an upswing in stock market returns. The S&P BSE SENSEX ended FY 2014-15 at **27,957.49** as compared to 22,386.27 in FY 2013-14, an increment of nearly 25%.



Key Business Statistics

The Primary Market

The Primary market activity was strong in FY 2014-15. 6 companies came to the market through the IPO process this fiscal year compared to 2 companies in the previous year.

BSE continues to have the largest number of listed companies of any exchange globally, with over 5,000 listed companies.

Membership

During FY 2014-15, 69 new membership applications were received at BSE as compared to 37 in the previous year. This is an important indicator of the health of BSE as it depicts the steady growth of our membership ranks.

Corporate Services

The Corporate Services segment of BSE registered healthy growth of 90% in revenues from the previous year on account of Direct Listings, new SME listings, QIP Issues Public Issues of Debt Instruments & Mutual Funds Listings.

BSE StAR MF Platform

The BSE StAR MF platform has emerged as the largest online platform in mutual funds with 85% market share.

SME Platform

From its first day of operation, the BSE SME platform has been the market leader. With an overwhelming 92% market share, the BSE SME platform has 108 companies listed so far, 35 of them this year. Significantly, 7 companies have moved to the main board.

Investor Protection Fund

BSE, through its Investor Protection Fund (IPF), regularly conducts Investor Awareness Programmes (IAPs) throughout the country and during the FY 2014-15 conducted a total of 2308 Investor Awareness Programmes. In order to create Capital Market Awareness with Post Graduate college students, the IPF Secretariat conducted more than 200 programs with Universities and Educational Institutions across India.



Secondary Market

BSE registered a high of 46.5 crore orders on 15th September 2014, which included 37.13 crore orders in equity, 8.97 crore orders in equity derivatives and 37.44 lakh orders in currency and interest rate.

Equities and Equity Derivatives

In the secondary market, a significant upturn was witnessed in the equity turnover volumes with the average daily value of equity turnover increasing by 69.3%.

The derivatives segment of BSE crossed 1 billion derivatives contracts on BSE's new trading technology BOLT Plus. BSE was named as one of the top 5 exchanges globally in index options in 2014.

Currency Derivatives

BSE has become the largest exchange in the world in terms of number of Currency Options contracts traded and 3rd largest in the world in 2015 so far, in terms of number of currency futures contracts traded as per the WFE data.

Interest Rate Derivatives

This infant segment on BSE is witnessing attracting increased market participation and its open interest has now increased to more than 85,000 contracts. As more institutional members are getting registered, BSE is optimistic about increased activity in this product.

Debt Segment

The Fixed Income Market offers great potential for growth of BSE in the Indian economy. In FY 2014-15, BSE witnessed an astounding turnover increase of 350% in Government Securities and Treasury Bills, 78.62 % increase in Non-Convertible Debentures (NCDs) and Bonds, and an increase of 98.49% in reporting of OTC trades in Corporate Bonds.

Other Significant Developments

Board and Management Changes

Since the last Annual General Meeting, eminent professionals like Mr. Thomas Bendixen, Mr. Dharendra Swarup, Dr. Krishnaswamy Kasturirangan, Ms. Usha Sangwan, Ms. Rajeshree Sabnavis and Dr. Sriprakash Kothari have joined the Board of BSE.



Mr. Neeraj Kulshrestha has joined us as the Chief of Business Operations in BSE.

Amalgamation of United Stock Exchange of India Limited (USE) with BSE Limited

The Hon'ble High Court of Bombay passed the order dated April 24, 2015 approving the merger and the authenticated copy of the Court order was filed with Registrar of Companies on May 14, 2015 to give effect to the merger.

Subsidiary Companies

BSE has 10 subsidiary companies. These companies are critical to BSE's diversification, restructuring and growth.

BSE Listing and Corporate Governance

The SECC Regulations, 2012 allows, subject to certain regulatory conditions, an Exchange to list its equity on other exchanges. BSE plans on taking the necessary steps to become a publicly traded company through the listing of its shares upon receipt of the necessary regulatory approvals. Though we are yet to be listed, BSE has worked hard to establish operational standards and corporate governance standards at par with a listed company.

Public Events

BSE witnessed many high-profile visits from the government and industry from India and abroad. The dignitaries include the Hon'ble Minister of Finance Shri Arun Jaitley, the Hon'ble Minister of Railways Shri Suresh Prabhu, the Hon'ble Minister of State for Finance Shri. Jayant Sinha, US Congresswoman Ms. Tulsi Gabbard, the Bollywood Legend Mr. Amitabh Bachchan, among many others.

Concluding remarks

Ladies and gentlemen, as I conclude my remarks, I would like to remind you once again that we continue to operate in a difficult global economic climate. However if the Indian economic growth story remains steady, generating corporate growth and profit, the future of Indian stock exchanges and investors in Indian stocks will be bright.

On behalf of the BSE board, I would like to thank the Govt. of India, SEBI, RBI, the Govt. of Maharashtra and other state governments and various govt. and statutory agencies for their continued support and advice. I would also like to place on record our sincere gratitude to our shareholders, board of directors, strategic partners, customers and investors for their continued support to the institution. Last but not the least, I would like to compliment and



thank all the employees of BSE for their unstinted dedication and efforts towards meeting the objectives of the exchange.

Thank You.