

Speech for Chairman – BSE

13th AGM – BSE ICH – 2nd August, 2018

1. Opening Remarks:

It gives me immense pleasure to welcome you all to the Thirteenth Annual General Meeting of the shareholders of BSE.

The last four years have been an eventful journey full of milestones for the country. The rollout of the Goods & Services Tax, the large-scale mobilization of Jan Dhan Yojana, the Direct Benefit Transfer scheme, the rapid progress in highways and electrification are undoubtedly examples of inspired action towards progress. Recently released World Bank data reveals that India has now become the 6th largest economy relegating France to the seventh position. More importantly, India has regained its position as the World's fastest growing major economy.

The Indian capital market is not left far behind, with Indian equity benchmarks touched new all-time highs. Last week, the S&P BSE Sensex on July 26, 2018 crossed the 37,000 mark for the first time in history during intra-day trading, and on July 27, 2018 the index closed above the milestone. Earlier during the financial year, the Sensex surpassed 33,000 level in October last year, 34,000 in December 2017, and 35,000 and 36,000 levels in January this year.

Moreover, from the BSE perspective, the policies pursued by the Government have resulted in stable macro-economic indicators, structural reforms, improved business climate and liberal FDI regime, resulting in high foreign capital inflows and provided the needed impetus to make India a favored investment destination.

I am glad to share that BSE has strengthened its place in India's financial services space even further. We launched new products and services, and acquired the capabilities we needed for a sustainable future in the fast moving and changing financial services sector.

The Company also partially divested its stake in Central Depository Services, an erstwhile subsidiary company, from 50.05% to 24%. The initial public offering of Central Depository Services Ltd. (CDSL) received bids for 170 times the number of shares on sale, making it the most attractive IPO in nearly 12 years.

2. Performance for the year:

I can say with pride that the year gone by was a good year for BSE. The Annual Report for 2017-18 provides a comprehensive picture of the Company's performance in the last financial year. While I do not intend to review it again, I would like to comment on a few key features.

In Financial Year 2017-18, the BSE StAR MF platform has performed exceedingly well to become the largest mutual fund distribution Infrastructure with close to 20% of market share in Customer Retail Inflows in mutual funds Industry. BSE StAR MF processed over 1.75 Crore transactions amounting to INR 1,18,112 Crore. The BSE StAR MF platform commands a market share of close to 80% amongst exchange distributed funds and accounts for more than 50% of all new retail funds flowing in to Indian MFs. From Financial Inclusion perspective, the BSE StAR MF platform predominantly caters to retail category of mutual funds Industry i.e. 99.73% in terms of transactions and over 76% in terms of value of transactions.

BSE StAR MF is now adding over 1,000 members per month and has more than 200,000 Independent Financial Advisors (IFAs), brokers, broker branches and associates on its Network in over 3,000 cities and towns across India. Almost all the top distributors of mutual funds are part of BSE StAR MF family now.

Similarly, the BSE SME platform continued to be a front-runner with a market share of over 65%, with 60 companies raising over INR 700 Crores from the market. In the last financial year, BSE became the first exchange platform in India to list 200 SME's. Subsequently, we have completed listing of 250 SME's and expect listing of 300 SME's soon. We also intend to widen the scope of our SME platform by facilitating listing of

companies in high-tech sectors like bio-technology and life sciences, 3D printing, space technology and e-commerce.

BSE has also been a leader in listing of Municipal Bonds post the revised SEBI guidelines on Municipal Bonds, with Pune Municipal Corporation and Greater Hyderabad Municipal Corporation raised INR 200 Crore each. These municipal bonds was exclusively on BSE. BSE was also the first exchange to list Green Bonds.

In the currency derivatives segment, the Company's market share increased to 46.3% in FY 2017-18 from 38.1% the previous year. I am proud to inform that in the quarter gone by, i.e. Q1 of FY2019, your company has emerged as the market leader in the currency segment with more than 51% market share. Similarly, the Company's market share in Interest rate derivatives increased to 41.1% from 29.2% in FY2017-18. Going forward, I expect BSE to be the market leader in this segment.

Your Company's wholly-owned subsidiary, India International Exchange (known as India INX) based in the International Financial Services Center at GIFT City, delivered an exponentially increasing growth in trading volume and trading turnover last financial year. Overall, trading turnover grew 884%, from less than USD 1 million in daily trading turnover to more than USD 500 million daily trading turnover. Cumulative Trading Turnover of India INX Derivatives segment has crossed USD 27.4 billion as on March 31, 2018. India INX is the clear market leader with almost 75% market share for the financial year FY2017-18.

3. BSE leveraging technology in the Digital Age

Companies are re-thinking and reviewing processes to cope with changing customer expectations, increasing competitive pressures, challenging macroeconomic conditions and dynamic regulatory environment. Transforming digitally will help in customer acquisition/retention, revenue generation, cost optimization and achievement of operational efficiency.

Your Company also takes pride in being one of the few companies that has ventured in different horizons to harness the benefits of technology with Big Data implementation. The open source Big Data HADOOP platform being used by your company facilitates real time processing by consolidating information from Trading, Risk Management and Clearing and Settlement.

Big Data implementation has helped BSE meet statutory and mandatory requirements to maintain and make available historical information as well as helped achieving significant reduction in hardware and software investment.

The Company has implemented the Big Data capabilities for its real time surveillance and fraud detection. Extending the scope of surveillance beyond the traditional means, the Company has effectively implemented the Social Media analytics using Artificial Intelligence to predict rumors and verification of news floating in the market on BSE listed companies and its impact on the stock market.

With increase in cyber threats and attacks, Constant enhancement in the Cyber Security Framework and Information Security Management System has been your Company's top priority. In this regard, I am pleased to inform you that, during the last financial year, BSE implemented a Next Generation Cyber Security Operations Center. This new Cyber Security Operations Center will not only help BSE to keep up with the latest threat intelligence but also leverage this information to improve internal detection and defense mechanisms. This would go a long way in ensuring critical infrastructure protection and will pave a way to help BSE and its investors a secure working environment, and also protecting our national interests.

4. Financial Performance

Coming to financial performance, I am proud to share your Company delivered a steady performance with the turnover on a consolidated basis increasing to INR 69,892 Lakh, reflecting an increase of 13 percent over the previous Financial Year.

In light of these results, the Board of Directors have recommended a final dividend of ₹ 31 per equity share of the face value of ₹ 2/- each fully paid up for the Financial Year taking the total dividend to ₹ 36 per equity share, subject to the approval of the shareholders.

Last year, the board of directors also approved a buyback proposal of Rs. 166 crore for purchase of the company's fully paid-up equity shares of face value of ₹ 2 each from the shareholders/beneficial owners of the company at a price not exceeding ₹ 1,100 per equity share from the open market through stock exchange mechanism according to regulations laid down by SEBI. The Buyback process was completed on July 9, 2018. BSE bought back 20.19 Lakh shares in this process resulting in reduction in the issued capital of BSE by 3.70%.

The buyback represents highly accretive use of cash by the company. It will supplement earnings growth from operations, for higher Earnings per Share, in the near future. We are also reinvesting our cash flows at accelerated pace in new projects and new businesses. I am confident that these will bear fruition and growth in earnings over the next few years.

5. Going Forward

In the coming years, we aim to have a growth rate exceeding that of the Indian economy. For this we will continue to pursue a multi-pronged strategy.

Number of opportunities have arisen from policies directed at the growth and development of capital markets in India. A significant opportunity has arisen in this regard by grant of permission by SEBI to integrate trading in equities, currency and commodities on a single platform by October 2018. With this directive, BSE will offer trading in commodities derivatives from October 1, 2018. Initially your Company will enter the commodity derivatives segment with launch of non-agri products such as bullion, base metals, crude oil, and natural gas.

Free membership for the segment has also been offered to the members. The Company is ready with all the necessary technologies, clearing and settlement framework and already informed its trading members that once commodity derivatives are launched, their trading would be conducted on the exchange's BOLT Plus, its new generation trading system.

This move is expected to offer participants in various markets with a highly regulated, safer and more transparent trading, clearing and settlement framework when implemented fully. This also has the potential to transform India's capital markets in the coming years and make available the spectrum of products to the common investor.

Digital platforms like in the case with StAR MF has served as an opportunity for distributors to rapidly expand and reach potential investors. The digital platform has enabled BSE to establish a strong presence in mutual fund distribution. As a logical next step, we intend to augment this framework further by also venturing into insurance distribution. The Company has formed a joint venture company named BSE Ebix Insurance Broking Services Private Ltd. with Nasdaq-listed Ebix Inc. to develop an insurance distribution network in India.

Marketplace Technologies, a wholly owned subsidiary of BSE, has tied up with Swift India to act as its Service Bureau providing a gateway to standardized, cost-effective, robust and secured infrastructure to all market participants. As the Indian regulators are encouraging the adoption of global messaging standards like ISO 20022 to bring operational efficiency in Indian securities market, the partnership with Marketplace is expected to provide easy access to industry players like asset management companies, broker dealers to connect to SWIFT India network.

The Company will also continue to strengthen its investment in India INX. We are of the firm belief that IFSC in India can bring about transformational change by pursuing globally competitive business model that synergize and complement well with the domestic offerings. This will help strengthen the overall capital markets ecosystem in India. We also

intend to strengthen our position as a preferred exchange in India and expand our cross-border reach by entering into strategic alliances.

6. Public Events

With a view to promote an investment culture among the masses, the Company undertook several initiatives to promote investor education. BSE has always been on a forefront to back various initiatives by regulators and various international forums that align with responsible business practices.

Your Company, through its Investor protection funds (IPF), regularly conducts Investor Awareness Programmes throughout the country. BSE was instrumental in conducting 4,433 Investor awareness programs during FY 2017-18. 826 programs were directly conducted by IPF itself while 3,607 programs were conducted using Investors Services Fund. We also exclusively conducted 190 Regional Investor Seminars with our regulator SEBI in various cities across the country.

The Company also hosted more than 230 events ranging from international delegations to educational programs to round-tables on important national and international topics. Some of the significant events were the Annual IOSCO Conference, which was held for the 1st time in India and attended by delegates from across the globe; Inauguration of the renovated International Convention Hall by Shri Nitin Gadkari, Hon'ble Minister of Road Transport and Highways, Shipping and Water Resources, River Development & Ganga Rejuvenation, Government of India.

I am also proud to inform you that your Company has secured a "Trademark" for its building, the Phiroze Jeejeebhoy Towers, and joined an elite club of distinguished structures around the world.

7. Concluding Remarks

On behalf of the BSE board, I would like to thank the Government of India, the Government of Maharashtra, Government of Gujarat, other state governments, GIFT City

Limited, and various regulatory and statutory agencies for their continued support and advice.

I would, also in particular convey my deepest appreciation for all our regulators – SEBI, RBI and IRDA for constantly encouraging us in our endeavor in creating a robust, progressive and vibrant capital markets in India.

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.

Before I end, I must convey my sincere thanks to all our employees and business associates for their dedicated contribution to the Company's performance. To my colleagues on the Board, I convey my gratitude for their wise counsel and guidance.

We deeply value the continued patronage of our many customers. And finally, let me thank you, our valued shareholders, personally and on behalf of the Board, for your unstinted support over the years.

Thank you.