Several Dimensions of Investor Protection: A peek into Policies, Practices & the Road Ahead

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The views expressed are personal & not necessarily those of the institution to which be belongs

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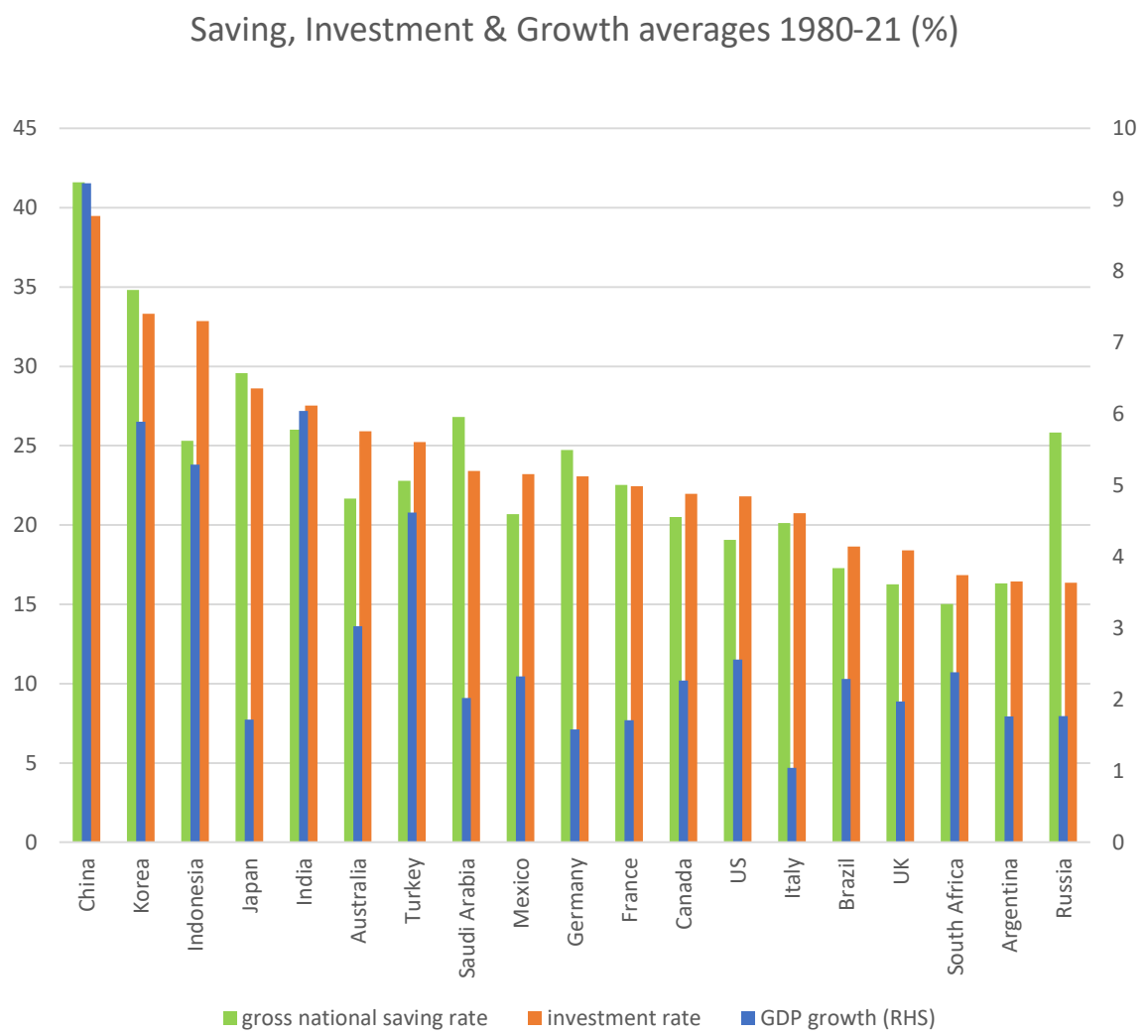
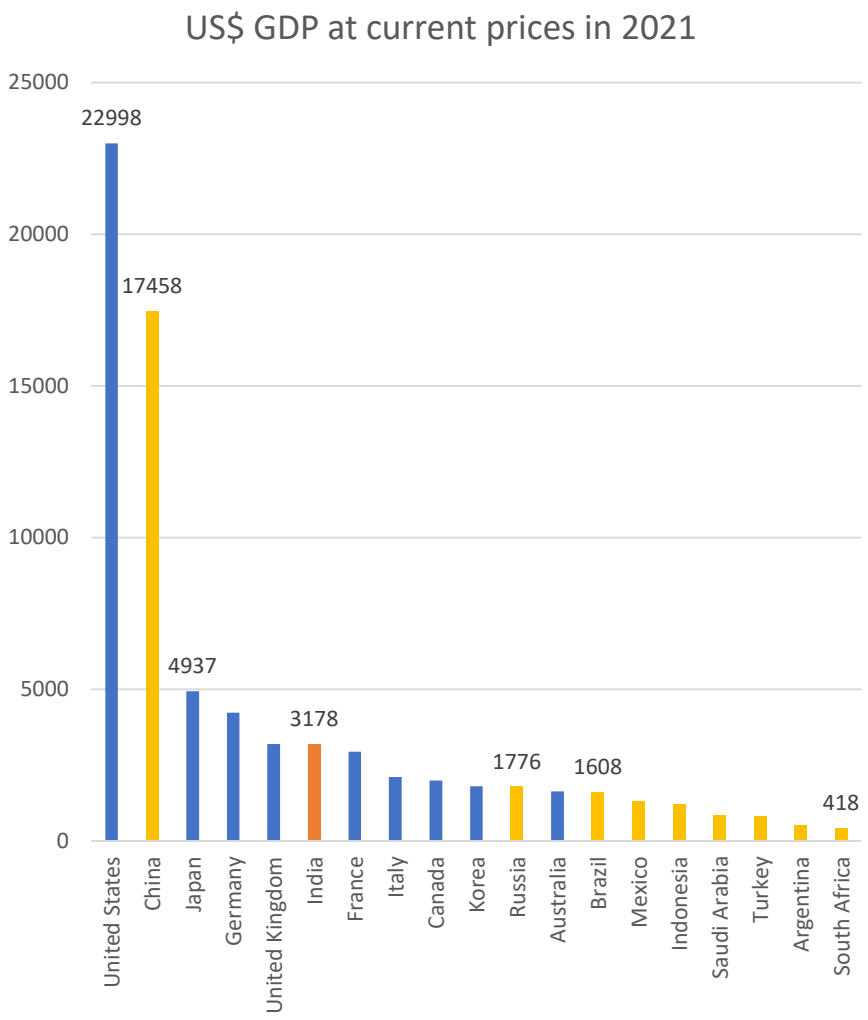
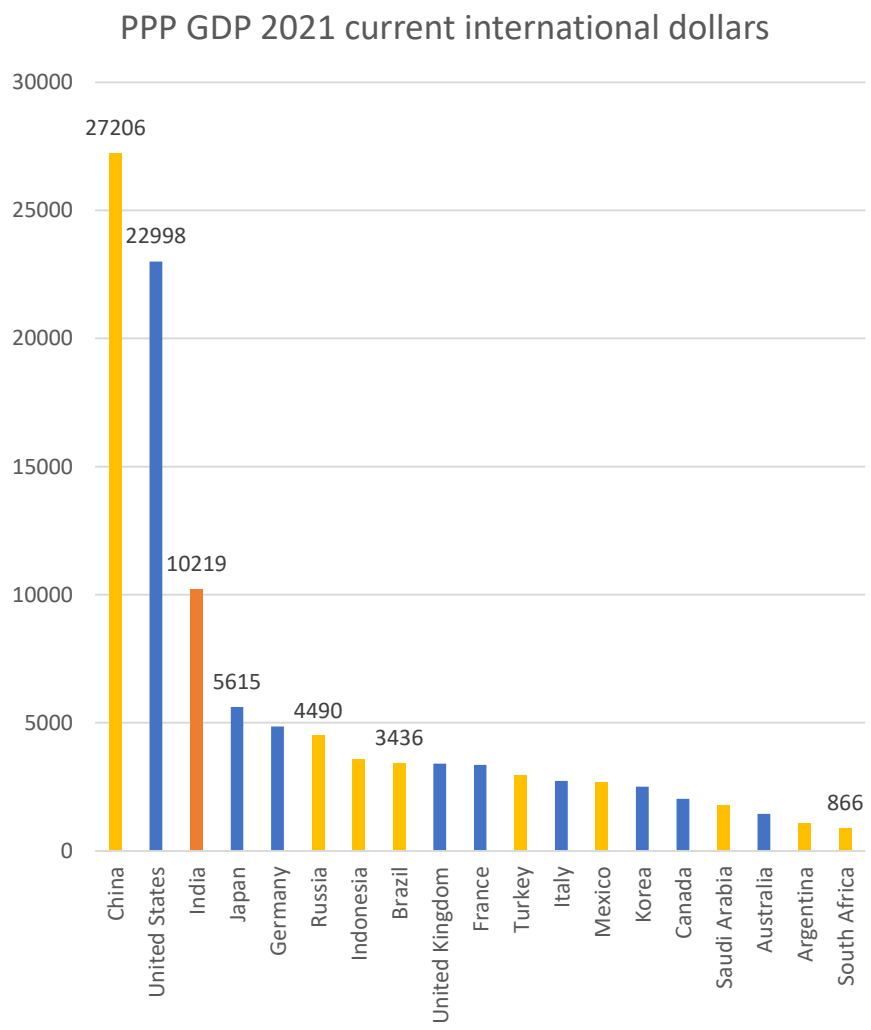
Saving and Investment are key growth drivers



- Saving and investment rates are in theory and empiricism found to be key drivers of economic growth.
- The causation pattern varies across countries and is stronger for saving and investment causing growth and a weaker bi-directional causality for many. However, Carrol and Weil (1994, 2000) argue that it is economic growth that promotes savings and not vice versa.
- Notwithstanding the unsettled debate on causation, increasing savings and investment to accelerate growth has been central to economics for long years. Examples; Harrod-Domar model (1939, 1946), neoclassical Solow (1956). The new endogenous growth models have stressed that growth is endogenously determined by a set of variables such as knowledge (Romer, 1986), human capital (Lucas, 1988), government spending (1990), labour and capital productivity (Rebelo, 1991), etc. These models do not negate the role of saving and investment but treat them endogenously.
- For the G20 countries the correlation between saving and growth rates over averages for 1980-21 was 0.72, while that for investment and growth was 0.83. These are high correlations.
- The correlation between saving and investment was 0.86 in line with the Feldstein-Horioka puzzle and its explanations.
- Clearly, lifting saving and investment rate is important for growth and, therefore, we need a culture and regulatory enforcement to protect the interests of savers and investors.

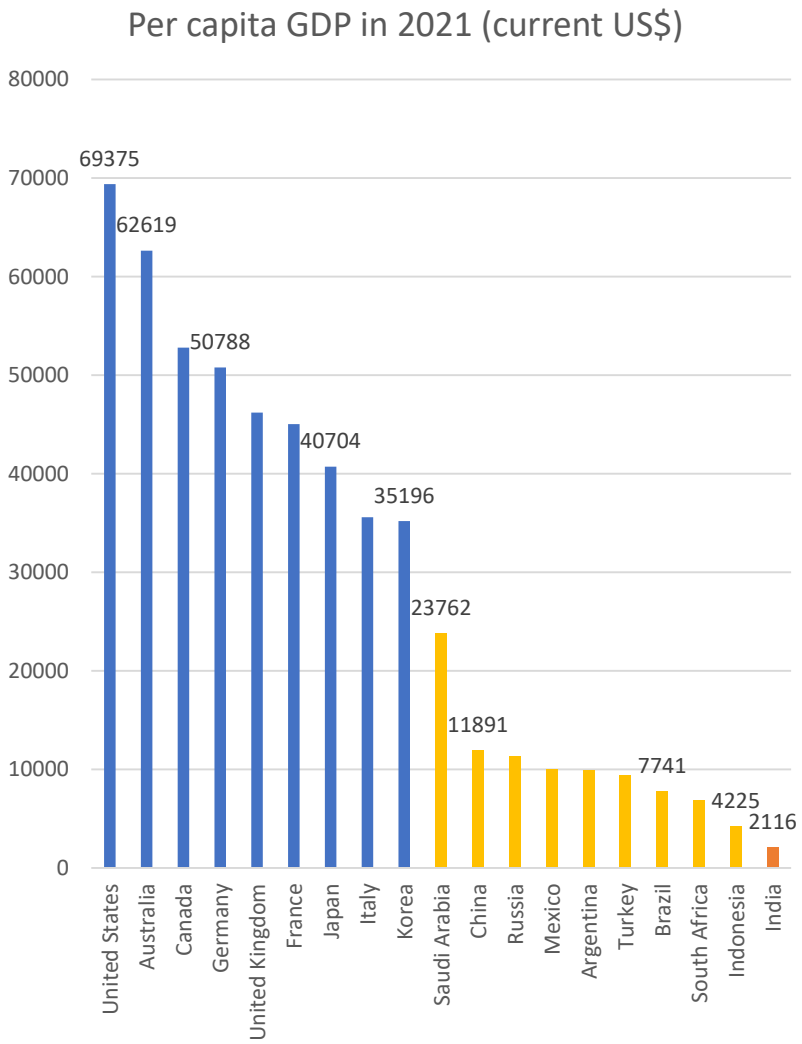
India has become the fifth largest economy in the world overtaking UK, is poised for further gains as it has reclaimed the status of fastest growing G20 economy

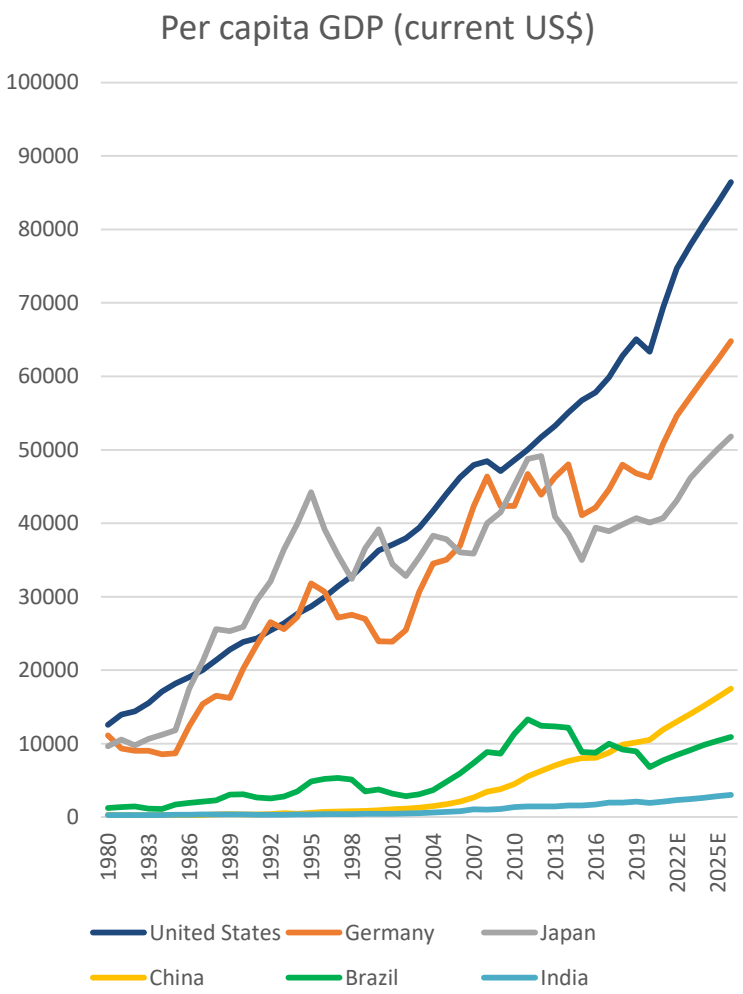




- As per IMF's WEO, India was the sixth largest economy in US dollar terms last year (third largest in PPP terms) and is set to go up the pecking order
- Latest calculations show that India has already overtaken UK to become the fifth largest economy and this position will become clear when the IMF releases its WEO next month.
- India is likely to become the fourth largest economy in 2027 by overtaking Germany and the third largest in early 2030s by overtaking Japan

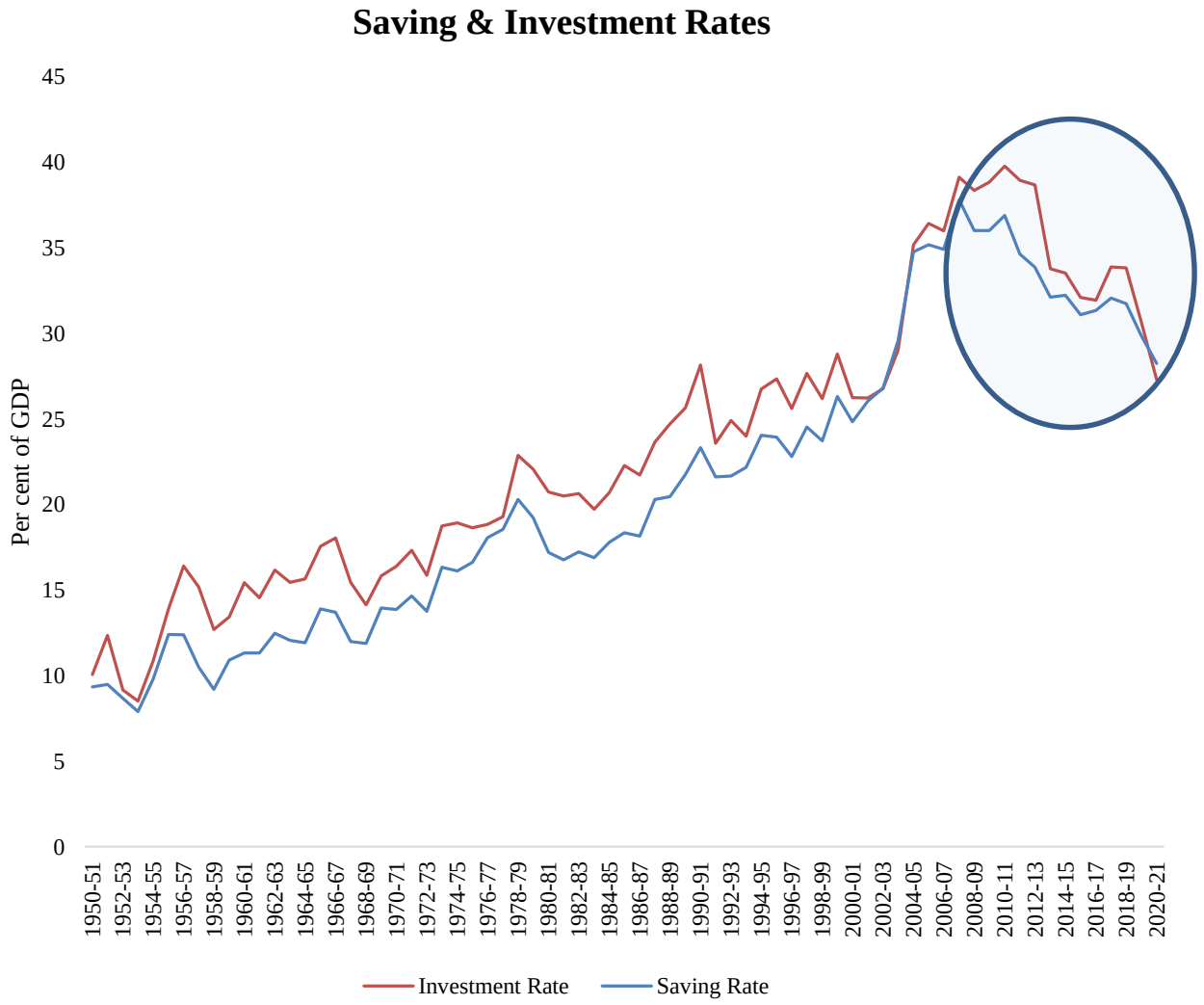
However, the real challenge for India is to improve living standards; India is at rock bottom of G20 pyramid in terms of per capita GDP





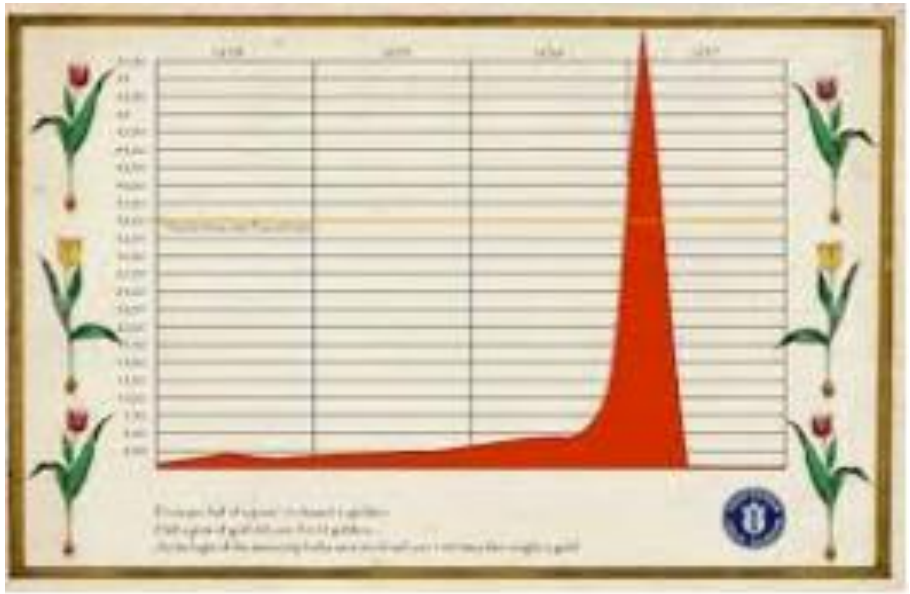
- Size illusion should not make us complacent about the challenges we have
- India ranks 149th in terms of the per capita GDP in US$ terms; stands last amongst G20 economies; even Indonesia has double our per capita GDP
- Convergence of per capita income is not happening in the world
- There is need to borrow from endogenous growth models and step up not just productivity but human capital formation, institutional quality in emerging markets
- Investor protection is one important facet that determines institutional quality

Our saving and investment rates have declined of late, potential to grow even faster by lifting saving and investment



- India's gross domestic saving rate had risen 4.8 times from a low of 7.9% of GDP in 1953-54 to a high of 37.8% in 2007-08 but since then has dropped by 9.6 ppt to 28.2% of GDP in 2020-21
- India's gross domestic investment rate had risen 4.7 times from a low of 8.5% of GDP in 1953-54 to a high of 39.8% in 2010-11 but has since then dropped by 12.5 ppt to 27.3% of GDP in 2020-21
- Falling saving and investment rates has been one of the important factors which has dragged India's growth down. India's GVA growth has slipped from an average of 8.5% during 2003-04 to 2010-11 to 5.0% during 2011-12 to 2020-21.
- There are several factors that have caused saving and investment rates to fall, but if we were to lift back these rates in order to grow faster, a more assured climate of stable positive real returns to savers and investors and protection against various types of frauds is a *sine qua non*.

Excess returns not the only driver of saving and investment, safety and stability of paramount importance



Amsterdam Tulip Mania 1634-1637

- Financial history is replete with financial frauds that keep occurring at every nook and corner in all geographies at all times
- Theses along with episodes of systemic problems and financial crises from time to time have enervated human faith in savings and investment, keeping them at below optimal level and thus retarding growth and economic progress
- The Great Depression 1932; the Suez Crisis 1956; the International Debt Crisis 1982; the East Asian Economic Crisis 1997-2001; the Russian Economic Crisis 1992-97, the Dot Com bubble of 2000the Global Financial Crisis 2007-09, the euro-zone crisis of 2009-11, the Covid-19 pandemic crisis from 2020 are few well known crises that eroded investors wealth
- But there have been millions of episodes of financial frauds, bankruptcies due to mal practices that have been silent killer of savings and investments.

Investor protection is a multi-dimensional concept

- Investor protection is about protecting the interests of investors so that they get their dues
- It is a much broader concept than making refunds of shares, unclaimed dividends, and matured deposits/debentures, among other things, to investors, distribution of disgorged amounts amongst rightful applicants

It includes:

- financial development with a view to develop safe financial products to improve menus choices for savers and investors
- fee structures that affect intermediation costs,
- Trading strategies and market integrity.
- Risks disclosures with associated with investment products.
- Conflict of interest disclosures
- Safeguarding whistleblowers
- Preventing predatory lending that masks true debt position of a retail customer

Corporate governance is key to investor protection. What is meant by Corporate Governance?

- Corporate governance is a multi-faceted concept. It is difficult to define it succinctly and precisely
- but broadly, it reflects a complex set of processes, customs, policies, laws and institutions affecting the way a corporate firms is directed, administered or controlled.
- Corporate governance includes the relationships among the many stakeholders involved and the goals for which the corporation is governed.
- It reflects the separation between ownership and control
- Principal-agent relationship governs corporate governance. Shareholders are the principal stakeholders and the board of directors, executives, employees and even customers, creditors and suppliers are the agents.
- Good corporate governance is the source of trust amongst shareholders

Corporate governance is about the ways in which the suppliers of finance to the corporations (viz., shareholders) assure themselves of getting return on their investment; i.e. controlling shareholders or managers are forced to return profits, not invest in bad projects and not steal capital.
- Andrei Shleifer and Robert Vishny (1996)

Looting, Tunneling and Corporate Frauds

- Why corporate governance matters is because in firms with weak corporate governance structures, controlling shareholders, often business families indulge in 'looting, tunnelling and corporate frauds'
- **George Akerlof and Paul Romer. "**Looting: The Economic Underworld of Bankruptcy for Profit", Brookings Paper on Economic Activity, 1993, p1- 73 drew attention to four episodes – the financial sector collapse in Chile, the US Savings & Loans crisis, the boom and bust of the Dallas and Texas real estate, and the boom and bust of the US junk bond market on the back of takeover waves. They found the common thread was firms having **incentive to go broke for profits at society's expense (the loot)** instead of to go for broke (to gamble on success). **Bankruptcy for profit** occurs due to poor accounting, lax regulation, low penalties for abuse.
- **Tunneling** is an unethical business practice in which majority shareholders or high-level company insider transfer a company's assets to privately-owned firms or utilise profits in such activities that benefit them at the expense of minority shareholders. [Johnson, Simon; La Porta, Rafael; Lopez-de-Silanes, Florencio; Shleifer, Andrei (2000). "Tunneling". American Economic Review. 90 (2): 22–27]
- **Cash flow tunneling:** diversion of ongoing cash flow in favour of majority stakeholders through practices such as transfer pricing where the majority/ substantial shareholder sells inputs to the company at a price above the prevailing market price or purchases the firm's output at lower prices.
- **Asset tunneling:** '*asset tunnelling out*' by underpriced asset sale to affiliated firms; or '*asset tunneling in*' by a company acquiring major assets of affiliated firms at a price more than its market value.
- **Equity tunneling:** Majority shareholders hike their stake in a firm at the expense of minority shareholders by practices such as insider trading, dilutive offerings, loans to insiders and equity-based incentive/compensation that exceeds market standards.
- **Corporate Frauds:** Corporate fraud is a more generic term covering actions undertaken by an individual or company that are done in a dishonest or illegal manner, designed to give an advantage to the perpetrating individual or company. These actions include theft of cash or assets or information, false spending or fraudulent billing

Some examples of major corporate scandals

AROUND THE GLOBE

- **Herstatt, West Germany, 1974:** Bank had bad governance structures on risk management. Counterparty banks did not receive their USD payments from whom Herstatt had received DEM earlier. Government forced liquidation.
- **Enron, US, 2001 Accounting Fraud:** Window dressing of financial statement to conceal losses, lack of internal controls, conflict of interest, unethical behavior, failure of auditors. Several Directors and Executives were sentenced to prison
- **Xerox Corporation, US, 2002 Accounting Fraud:** SEC found that it violated the Generally Accepted Accounting Principles (GAAP) accounting norms leading to non-disclosure of true and fair value of operating results
- **Lehman Brothers, US, 2008 Financial Fraud:** governance structures failed to check high leverage of that reached 32 at one stage and with sub-prime crisis unfolding it undertook huge losses on its CDS turning bankrupt
- **Volkswagen emissions scandal, Germany, 2015:** The US Environmental Protection Agency (EPA) found that VW cars being sold in US had a "defeat device" - or software - in diesel engines that could detect when they were being tested, changing the performance accordingly to improve results. The German car giant has since admitted cheating emissions tests in the US. VW recalling millions of cars worldwide

IN INDIA

- **Satyam Computer Services Ltd., 2009 Accounting Fraud:** Unethical behavior, unconvinced role of independent directors, misrepresentation of audit and accounting figures, insider trading. It turned out to be India's largest corporate scandal till 2010. In 2018. SEBI barred PwC from auditing any listed company in India for 2 years.
- **Kingfisher Airline Ltd, 2012, tunneling:** Kingfisher acquired huge debt in taking over Air Deccan and started accumulating losses, avoiding paying taxes and defaulting on bank loans, salaries, etc. There have been allegations of tunneling with loans being siphoned off
- **IL&FS, 2018 Financial fraud:** through a complex web of corporate structure with the core investment company at the centre to evade regulation and supervision and 255 other group entities. The IL&FS collapse in October 2018. SIFO investigation found lapses in Deloitte's audits

Global Initiatives on Corporate Governance

- **Cadbury's Report (1992):** Titled *Financial Aspects of Corporate Governance*, the report was issued by "The Committee on the Financial Aspects of Corporate Governance" chaired by Adrian Cadbury. It sets out recommendations on the arrangement of company boards and accounting systems to mitigate corporate governance risks and failures
- **Sarbanes-Oxl**ey Act (2002): In the backdrop of the Enron and WorldCom scandals, the Act was passed by the U.S. Congress to help protect investors from fraudulent financial reporting by corporations. It mandated strict reforms to existing securities regulations and imposed tough new penalties on lawbreakers.
- **Dodd-Frank Act (2010):** has provisions on executive compensation and golden parachutes. independence requirements for members of issuers' compensation committees, prohibiting the listing of securities of issuers that have not developed and implemented compensation claw-back policies.

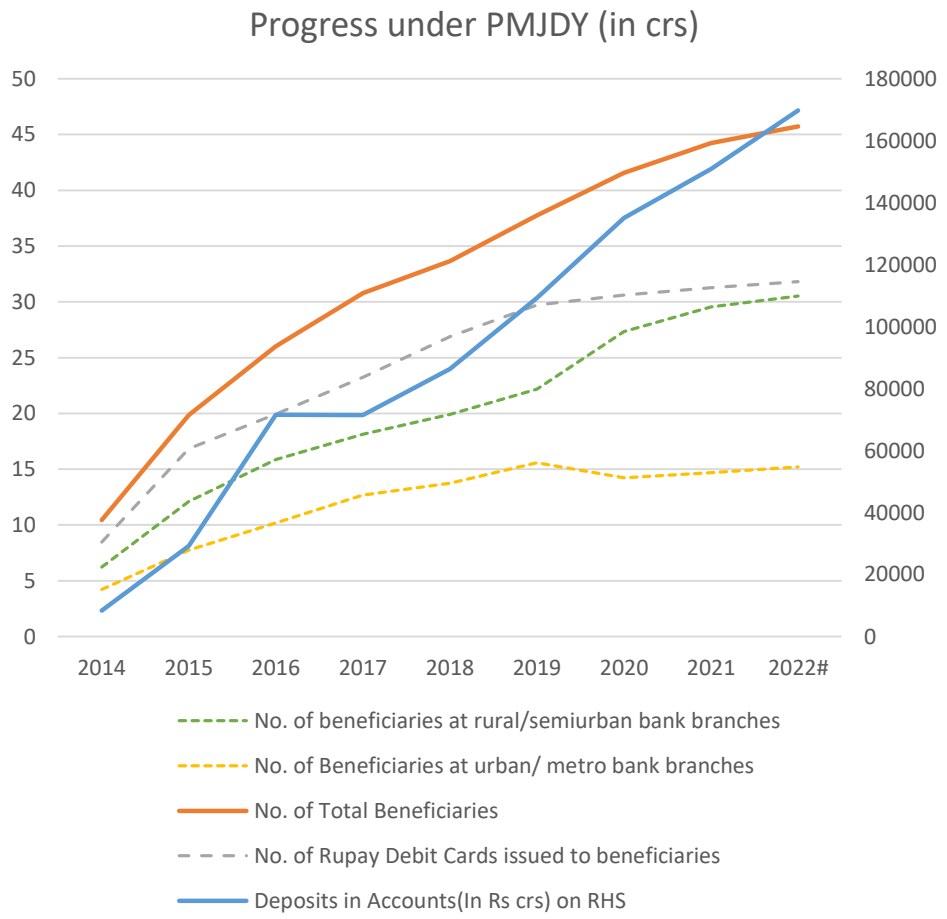
One important dimension of investor protection is financial inclusion

Progress on PMJDY

Year-end*	No. of beneficiaries at rural/semiurban bank branches	No. of Beneficiaries at urban/ metro bank branches	No. of Total Beneficiaries	Deposits in Accounts(In lakhs)	No. of Rupay Debit Cards issued to beneficiaries
2014	62348872	42133597	104482469	835340.12	84630731
2015	121039913	77344620	198384533	2922556.25	168451374
2016	158598812	101723287	260322099	7155790.47	199301288
2017	181156759	126794503	307951262	7150116.52	232260470
2018	199166328	137401999	336568327	8632079.3	268713803
2019	221818326	155832343	377650669	10925861.75	297303820
2020	273431711	142395265	415826976	13508488.59	306206039
2021	295400052	146935015	442335067	15093936.35	312784172
2022# in crs	**30.53**	**15.19**	**45.72**	**169825.81**	**31.81**

* data reported relates to Wednesday and is last avaible data in the month of December

mid-June 2022



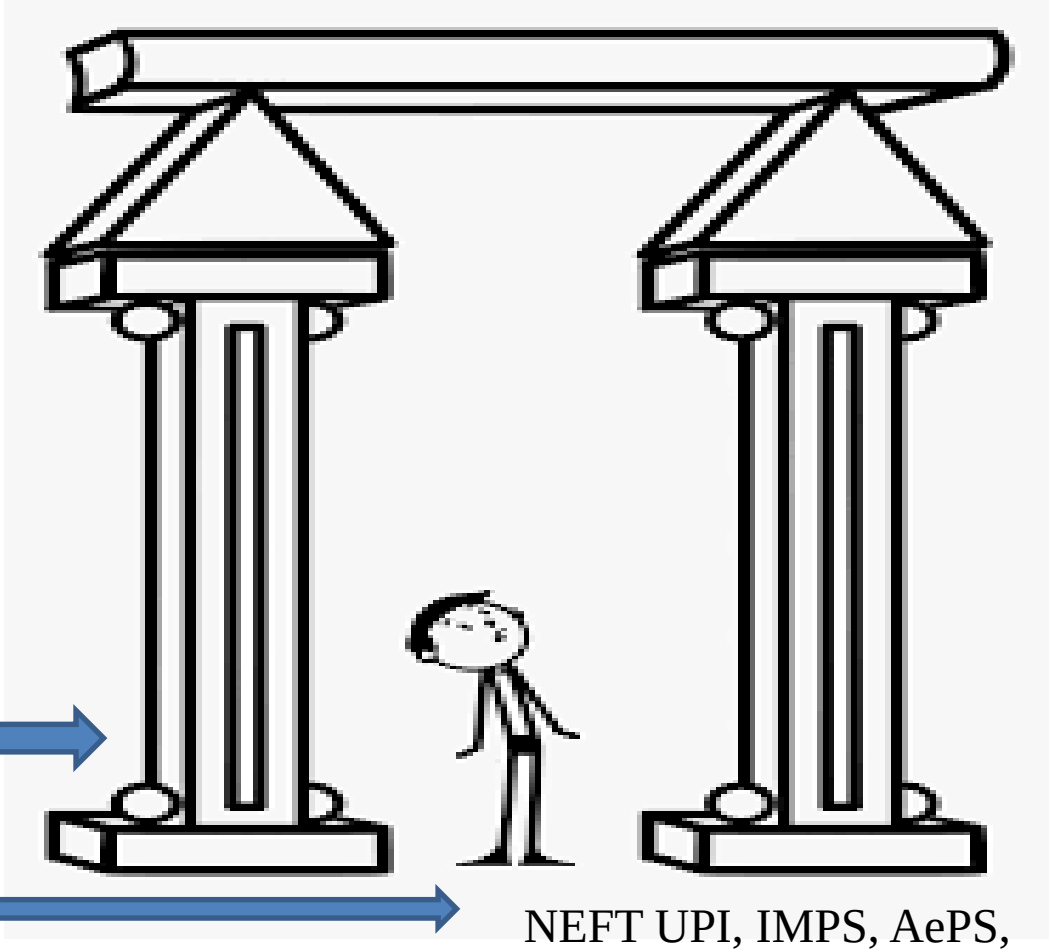
RBI has transformed the payment systems in India by developing digital payment infrastructure that stands on two pillars

- The Digital India programme is a flagship programme of the Government of India with a vision to transform India into a digitally empowered society and knowledge economy. “Faceless, Paperless, Cashless” is one of professed role of Digital India.

- RBI has enabled this vision through Payment Systems in India have transited to largely digital modes with two main pillars

- Wholesale (RTGS)

- Retail (NEFT, UPI, IMPS, AePS, NACH, BBPS, CTS, Card Networks)



24X7 RTGS

NEFT UPI, IMPS, AePS, NACH, BBPS. CTS, Card Networks

India's Retail Payment Revolution…(2)
Unified Payment Interface (UPI)

- Unified Payments Interface (UPI): It is a system that powers multiple bank accounts into a single mobile application (of any participating bank), merging several banking features, seamless fund routing & merchant payments into one hood. It also caters to the "Peer to Peer" collect request which can be scheduled and paid as per requirement and convenience. Each Bank provides its own UPI App for Android, Windows and iOS mobile platform(s).
- National Payments Corporation of India (NPCI) launched Unified Payments Interface (UPI) with member banks on 25th August, 2016.

India's Retail Payment Revolution…(11)
e-RUPI

- NPCI in association with the Department of Financial Services (DFS), National Health Authority (NHA), Ministry of Health and Family Welfare (MoHFW), and partner banks, have launched an innovative digital solution – 'e-RUPI'.
- It is a seamless one-time payment mechanism that enables users to redeem the voucher without a card, digital payments app or internet banking access, at the merchants accepting e-RUPI.
- This contactless e-RUPI is easy, safe and secure as it keeps the details of the beneficiaries completely confidential. The entire transaction process through this voucher is relatively faster and at the same time reliable, as the required amount is already stored in the voucher.

Have we leveraged digital technology for financial Inclusion? Where do we stand globally?

Select parameters of financial inclusion from FINDEX database	INDIA				LOWER MIDDLE INCOME COUNTRIES				WORLD			
	2011	2014	2017	2021	2011	2014	2017	2021	2011	2014	2017	2021
Financial institution account (% age 15+)	35%	53%	80%	77%	30%	42%	56%	58%	51%	61%	67%	74%
Financial institution account, female (% age 15+)	26%	43%	77%	77%	25%	36%	52%	56%	47%	58%	64%	72%
Financial institution account, male (% age 15+)	44%	62%	83%	77%	36%	48%	61%	61%	55%	65%	71%	76%
Owns a credit card (% age 15+)	2%	4%	3%	5%	3%	4%	3%	4%	15%	17%	18%	24%
Owns a debit card (% age 15+)	8%	22%	33%	27%	11%	21%	28%	27%	31%	41%	48%	53%
Made a deposit (% with a financial institution account, age 15+)		47%	42%	29%		55%	48%	39%		74%	64%	65%
Has an inactive account (% with an account, age 15+)		33%	38%	35%		23%	27%	24%		9%	13%	10%
Mobile money account (% age 15+)		2%	2%	10%		4%	7%	14%		2%	4%	10%
o/w: Store money using a mobile money account (%)				57%				7%				4%
Has access to the internet (% age 15+)				28%				38%				63%
Own a mobile phone (% age 15+)				66%				73%				86%
Borrowed any money (% age 15+)		48%	42%	45%		49%	44%	46%		50%	47%	53%
Borrowed from a formal financial institution (% age 15+)	8%	9%	8%	12%	9%	11%	10%	12%	9%	22%	22%	28%
Used a mobile phone or the internet for online purchase (% age 15+)			3%	8%			5%	10%			24%	39%
Made a utility payment: using a financial institution account (% age 15+)		3%	6%	7%		4%	8%	9%		17%	22%	25%
Received wages: through a mobile phone (% of wage recipients, age 15+)		2%	2%	13%		2%	4%	12%		1%	11%	7%
Received govt. transfer or pension into account (% age 15+)			7%	9%			7%	8%			11%	16%

Source: FINDEX Report, 29th June 2022, World Bank

- Financial Inclusion is a national priority
- India pushed financial inclusion agenda first through 1969 bank nationalization policies that led to rapid expansion of branch network into rural India and helped in lowering poverty and inequality
- However, directed lending was not a viable long-run solution and deterioration in credit culture, especially through ‘loan melas’ that spoiled credit discipline came in way of viable banking that can improve financial reach.
- PMJDY launched in 2014 gave a new thrust to financial inclusion by rapid opening of basic bank accounts (no-frills to begin with)
- Digital retail payments opened a new vista for digital financial inclusion
- However, India stands out on some aspects of digital financial inclusion, while it lags behind in others; implying there are still miles to go on the road to digital financial inclusion

Digital/ Cyber Frauds on the rise

- There are no hard authentic statistics on cyber frauds/ digital crimes
- Surveys suggest that nearly 70% of business leaders feel their cybersecurity risks are increasing
- Over 60% of businesses experienced phishing and social engineering attacks.
- Worldwide spending on cybersecurity was estimated at US$156.24 billion in 2020 (Mordor Intelligence, 2020).
- The three sectors with the biggest spending on cybersecurity are banking, manufacturing, and the federal/central government, accounting for 30% of overall spending (IDC, 2020).
- Cybercrimes cost the world nearly $600 billion each year, equivalent to 0.8% of the global GDP (Mordor Intelligence, 2020).
- The top 5 worst crypto hacks are Coincheck ($500 million, 2018), Mt. Gox ($460 million, 2011), Bitfinex ($72 million, 2015), Binance ($40 million, 2019), and Bittrex ($18 million, 2018) (Coin Insider, 2021).
- Official data for India suggests that total cyber crimes are on the increase (Table on RHS sourced from answer to unstarred PQ No. 4576 on 30th March 2022).
- Incidents reported to CERT-in have increased from 2.08 lakhs in 2018 to 11.58 lakhs in 2020 and likely higher in 2021.

Crime Head-wise Cases Registered under Cyber Crimes during 2017-2020

SL	Crime Head	2017	2018	2019	2020
1	Tampering computer source documents	233	257	173	338
2	Computer Related Offences	10108	14141	23734	21926
3	Cyber Terrorism	13	21	12	26
4	Publication/transmission of obscene / sexually explicit act in electronic form	1768	3076	4203	6308
5	Interception or Monitoring or decryption of Information	4	6	9	7
6	Un-authorized access/attempt to access to protected computer system	2	0	2	2
7	Abetment to Commit Offences	0	1	0	1
8	Attempt to Commit Offences	4	13	14	18
9	Other Sections of IT Act	1503	980	2699	1017
A	**Total Offences under I.T. Act**	**13635**	**18495**	**30846**	**29643**
10	Abetment of Suicide (Online)	0	7	7	10
11	Cyber Stalking/Bullying of Women/Children	542	739	771	872
12	Data theft	307	106	282	98
13	Fraud	3466	3353	6229	10395
14	Cheating	1896	2051	3367	4480
15	Forgery	99	260	511	582
16	Defamation/Morphing	12	18	19	51
17	Fake Profile	86	78	85	149
18	Counterfeiting	1	2	5	9
19	Cyber Blackmailing/Threatening	311	223	362	303
20	Fake News on Social Media	170	97	188	578
21	Other Offences	1086	1713	1974	2674
B	**Total Offences under IPC**	**7976**	**8647**	**13800**	**20201**
22	Gambling Act (Online Gambling)	45	20	22	63
23	Lotteries Act (Online Lotteries)	11	2	9	26
24	Copy Right Act	89	62	34	49
25	Trade Marks Act	11	0	1	5
26	Other SLL Crimes	29	22	23	48
C	**Total Offences under SLL**	**185**	**106**	**89**	**191**
	Total Cyber Crimes (A+B+C)	**21796**	**27248**	**44735**	**50035**

Government initiatives to buffet cyber-security

- **CERT-In:** National Computer Emergency Response Team is a nodal agency for coordination of all cyber security efforts, emergency responses, and crisis management.
- **Cyber Swachhta Kendra:** it is platform launched in 2017 where internet users to clean their computers and devices by wiping out viruses and malware.
- **Cyber Surakshit Bharat Initiative:** launched in 2018 with an aim to spread awareness about cybercrime and building capacity for safety measures for Chief Information Security Officers (CISOs) and frontline IT staff across all government departments
- **The Information Technology (Amendment) Act of 2008**: allowed central and state governments to issue directions for transmission, interception and storage of information under Sec 69 with safeguards
- **National Critical Information Infrastructure Protection Centre:** to safeguard critical information relevant to national security, economic development, and public health, the Center was established and covered four 'Critical Sectors': (i) Energy & Power, (ii) Finance, Insurance, and Banking, (iii) Telecommunications and (iv) Transportation
- **National Cyber Security Strategy 2020:** aimed at improving cyber awareness, conduct cyber audits, etc.
- **RBI Guidelines for cyber security framework in banks:** covers avoiding unauthorized software, vendor risk management, forensics, etc.

BUT despite the right to privacy being protected as an intrinsic part of the right to life and personal liberty under Article 21 and as a part of the freedoms guaranteed by Part III of the Constitution, **India still does not have a Data Protection Law**. The Draft bill has been circulated and hopefully we will have an Act soon.

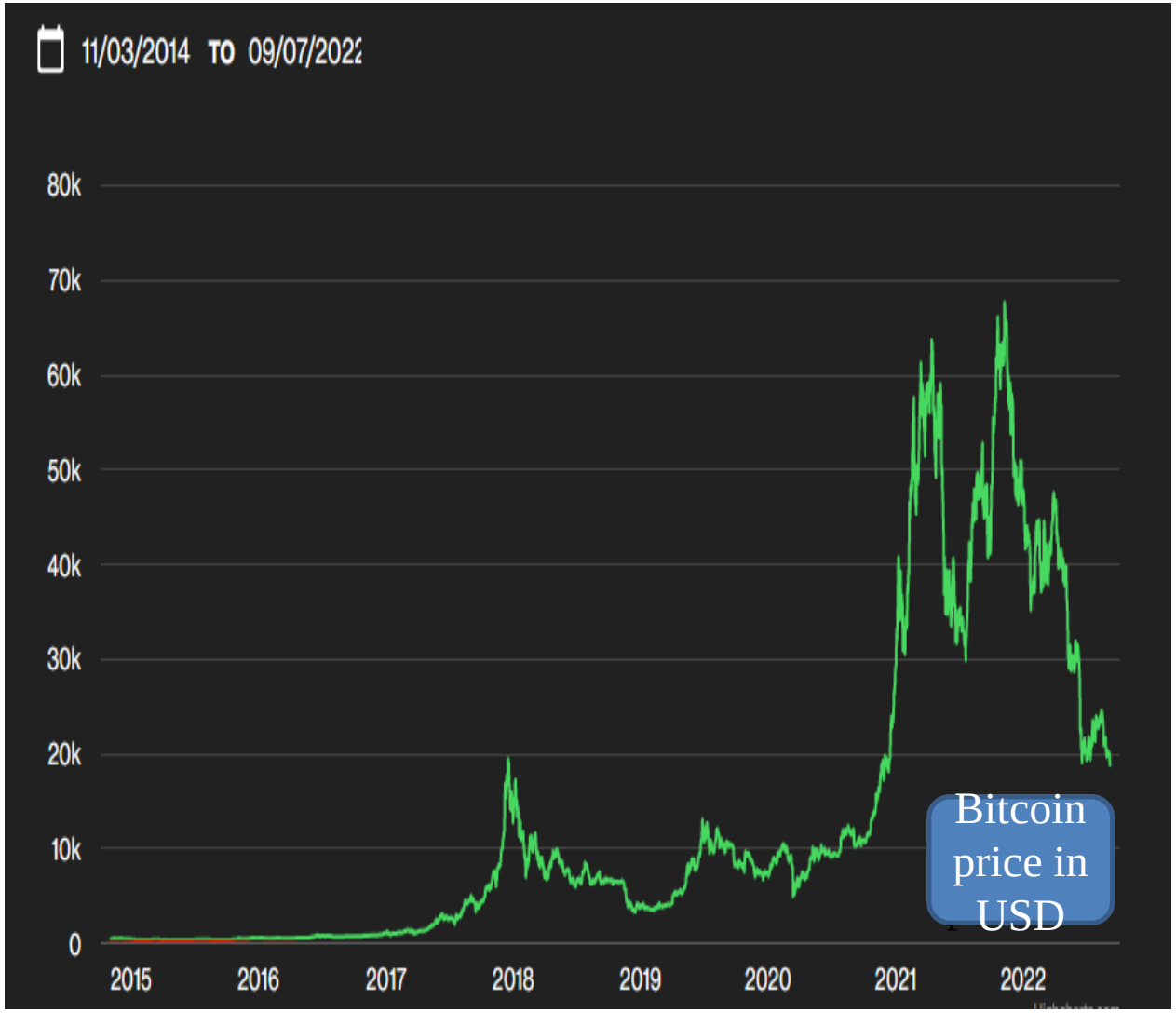
Investor protection against digital frauds

- Don’t take the security of your trading accounts for granted. You need to protect your trading accounts with banks.
- Check your information frequently online on your trading accounts, Your accounts can be wiped off by malicious activity from online cybercriminals.
- Cases of hacking trading account have been there with cybercriminals obtaining information to gain unauthorized access to the account. They then steal assets and securities.
- In cases, investors may receive an email that appear as genuine. Hackers imitate authentic links, attachment or URL. Once the investor clicks on it, without his knowledge, a backend program or virus gets launched that begins to steal information from investor’s computer to the thieves’ computer. The virus or program monitors your computer activity, logs your keystrokes, thus allowing the thieves to obtain investor’s credentials for hacking some or all of your financial accounts, including your trading account.
- After hacking your trading or financial accounts, sophisticated cyber-criminals have algorithms by which the hacked money or securities are transmitted to multiple accounts through expanding trees, making it difficult to trace and recover them
- Change your passwords frequently keeping strong passwords
- Read your account statements carefully and see if there are missing statements.
- Never save your password on the web or your computer. They can be stolen.
- Look for unauthorized transactions, transfers and unfamiliar deposits
- Unauthorized modifications to account information such as a change in email, mobile number or address
- Sudden notifications from your brokerage company indicating a change to your trading account that you did not authorize
- Unfamiliar savings account added to your trading account
- Be careful about phishing by taking care where you are clicking
- Do not use a public computer for trading.
- Update your computer security and virus and run antivirus licensed software frequently and automatically. Also, install antispam and spyware detection features of these software. Remember to configure the software for automatic updates and patching.

Mobile protection against digital frauds

- Smartphones are great entertainment, means for socialization as well as effective business and financial transactions enabler
- They have enabled your bank accounts to be encapsulated on a mobile, not just to know what your balance and transaction history is, but also to enable you to undertake banking and trading activity. But with this risks of digital frauds have increased enormously. So what should investors do?
- **Lock your phone for extra protection:** Lock your phone with facial ID, a fingerprint, pattern or a pin that can be particularly in the event of loss or theft.
- **Secure your accounts on your phone:** by using strong passwords and depend on **two-factor authentication** on the apps that offer it, which doubles your line of defense.
- **Use a VPN:** Don't jump into using public WiFi networks without the protection of VPN. A VPN masks your connection from hackers allowing you to connect privately. This is particularly important when one uses networks at airports, hotels, cafes, shops..
- **Stick to the official app stores**: e.g. Google Play and Apple's App Store have measures in place to help prevent potentially dangerous apps in their app stores. Apps outside these official stores can be malicious apps that can run in the background and compromise your personal data like passwords, credit card numbers, and more—practically everything that you keep on your phone. Further, when you are in the app stores, look closely at the descriptions and reviews for apps before you download them. Some malicious apps and counterfeits can still find their way into stores. Remove old apps and update ones you keep.
- **Back up:** Take the backup of data on your phone. It can not only help transfer your data to your new phone, but also helps retrieve data if your phone is lost or stolen or your data is hacked. A secure copy of that data can be stored in the cloud offered by a reliable company, often by reputed mobile phone manufacturers themselves. Both iPhones and Android phones have straightforward ways of backing up your phone regularly.
- **Lock or wipe your phone remotely:** In case of an emergency following mobile loss, learn how to lock or wipe your data remotely. Wiping out can be a good option if your phone data is backed up regularly. Apple provides iOS users a step-by-step guide for remotely wiping devices. Google also offers similar guide for Android users.
- Protect your phone: with so much of you finance exposed to a click on your phone, install mobile security software to keep your data, your trading account and payments secure.

Digital Assets space myriad with mix quality



- Technology is advancement, but how one uses the technology and regulates its applications where needed ultimately determines whether we progress or regress
- Digital space has many constructive assets that are making our society less cash incentive. The entire wholesale and retail payment system revolution is aided by digital technology
- Yet, speculative elements are gaining credence within te digital asset world
- Cryptocurrencies and even stable coins are one big area for investor protection
- Global regulation behind the curve on cryptos as consensus evades

ESG investing

Environmental: Sustainability and resource efficiency		Social: More Equitable societies and respect for human rights		Governance: Accountable governance and transparent operations	
Pollution and Waste		Gender & Diversity Policies		Corporate Behavior	
Climate Change		Safety & Quality Controls		Corporate Governance	
Energy Efficiency		Human Rights & Labor Standards		Accounting Practices	
Natural Resources		Privacy & Data Security		Board Practices	
Example Issues					
Greenhouse Gas Emissions	Energy Efficiency	Health & Safety	Labor Rights	Board Independence	Executive Pay
Example Metrics					
CO2 Emissions per Unit Produced	Energy Use Per Square Meter	Employee Accidents Relative to Total Hours Worked	Number of Active Controversies	Independent Members Relative to Affiliated Members	Executive Pay Ratio & Disclosures

Source: Leonard Rickey

- ESG Investing (also known as “socially responsible investing” or “impact investing,” or “sustainable investing”) refers to investing which prioritizes optimal environmental, social, and governance (ESG) factors or outcomes. ESG investments are made with consideration of the environment and human wellbeing. Inherent in it is the belief that financial performance of organizations are increasingly affected by environmental and social factors.
- Worldwide there has been a boom in ESG investing in recent years. Firms and investors increasingly recognize the interdependencies between social, environmental, and economic issues. The pandemic in 2020-22 has prompted many investors to turn to ESG funds for increased resiliency.
- But the key issue is how to distinguish fluff from fundamentals in ESG investing to avoid a boom and bust cycle in this space.

The Road Ahead on Investor Protection

- Government policies. Regulatory policies, we in IEPFA and funded research chairs as also private sector, including NGOs can rejig its priorities with changing times to deal with many new dimensions of investor protection that are fast emerging with changing times, technology and practices
- New thrust areas can include the following:
- Digital financial inclusion with safety
- Protecting investors in a digital world
- Focusing on emerging digital assets
- Keeping a watch on ESG investing
- Setting up and using RegTech and SupTech for investor protection
- Monitoring intra-Day trading and leveraged margin trading with close eyes