



CFA Society
India

India Insights

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EDITORIAL

CFA Institute in April 2022 released its 2022 Investor Trust Study based on a survey of 3,588 retail and 976 institutional investors across 15 markets, including 200 retail and 75 institutional investors in India. The high level of trust among Indian investors is a positive finding in the Trust Study.

Post the release of the study, CFA Society India and CFA Institute together convened a roundtable with market participants on the Trust Study to discuss Indian retail investor-focused findings and participant's experiences during the pandemic. The participants stressed the need for alignment with their clients and the importance of human connection as an enabler of trust.

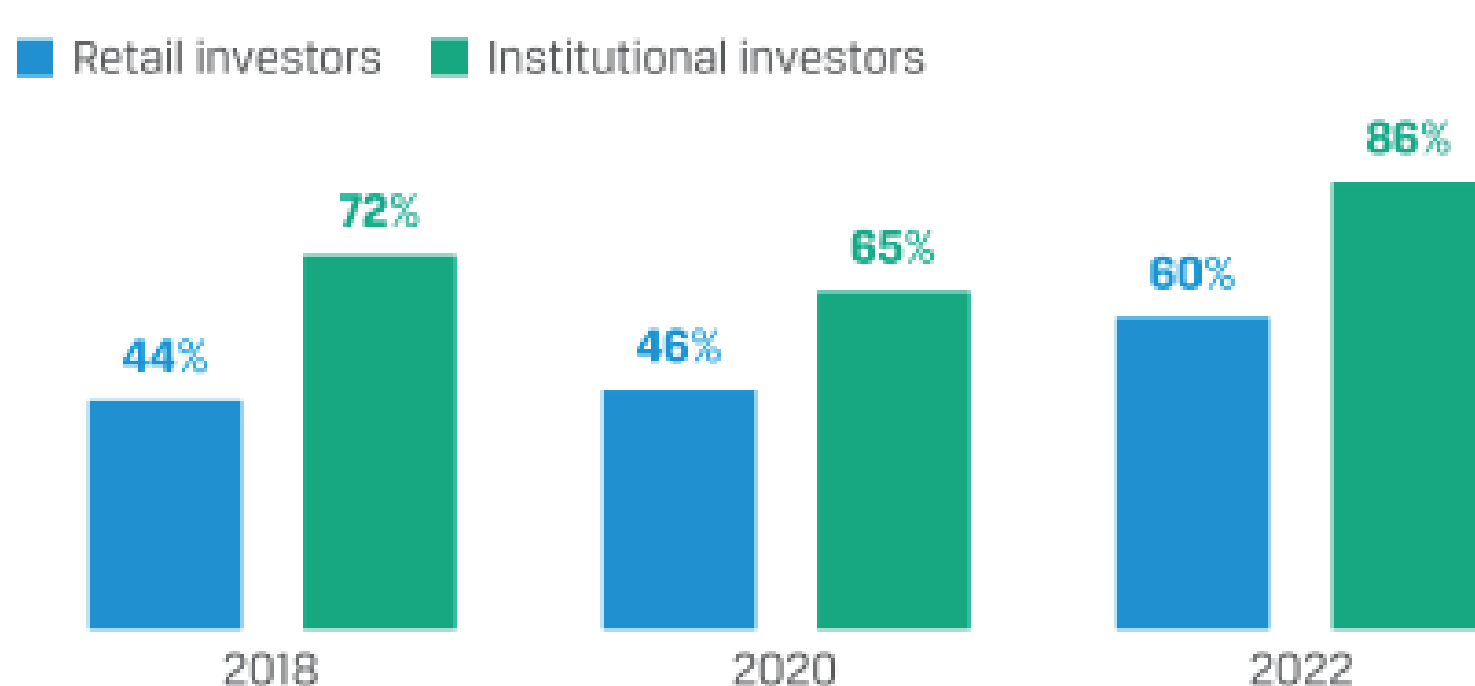
This newsletter covers the key findings of the report and key points discussion during the roundtable.

Last year SEBI had issued revised Business Responsibility and Sustainability Reporting (BRSR) guidelines, mandatory for the top 1,000 listed companies by market capitalisation from FY 2022-23. We are pleased to see voluntary adoption by some companies in the annual reports for the year ended March 2022. CFA Society India had responded to SEBI's consultation paper on BRSR and it is heartening to see some of our recommendations being part of final guidelines and getting reflected in annual reports of early adopters. A quick summary of our key recommendations is included in this newsletter.

Best Regards,
Volunteer Editors
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ENHANCING INVESTORS' TRUST

EXHIBIT 5 TRUST IN FINANCIAL SERVICES AMONG RETAIL AND INSTITUTIONAL INVESTORS



The 2022 CFA Institute Investors Trust Study, the fifth in the biennial series, found that trust levels in financial services among retail and institutional investors have increased significantly since 2020, and are at an all-time high.

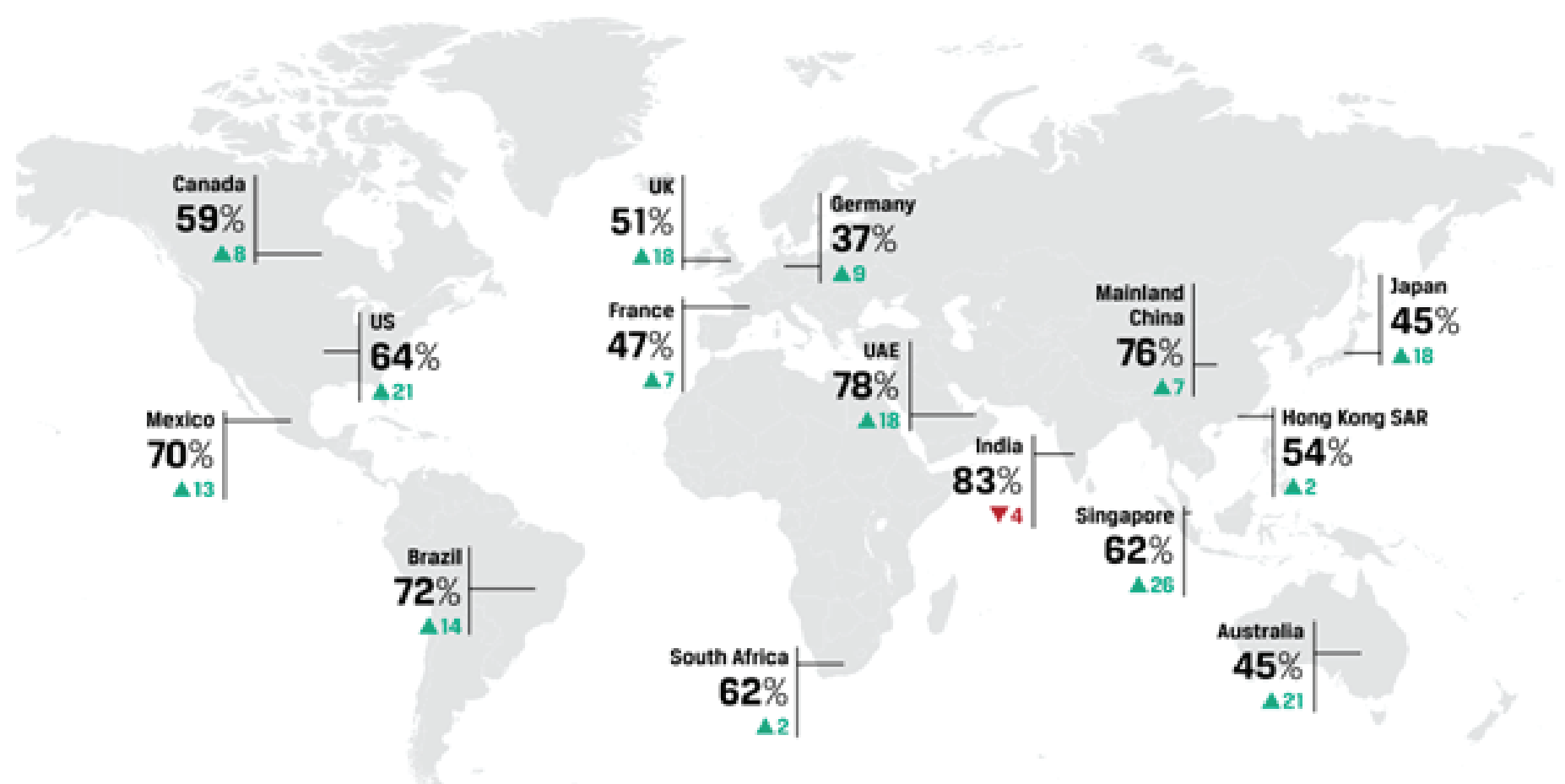
Key findings:

- Trust in financial services has increased to 60% among retail investors and 86% among institutional investors.
- Main factors contributing to the higher levels of trust in 2022 vs 2020 appear to be, strong market performance, fee compression, technology-enabled transparency, greater access to markets, and new personalized products.
- Trust in financial advisers is at 56%, and trust in investment management firms is at 53%. The most trusted segment of the financial services industry among retail investors is consumer banks and at the opposite end of the spectrum are robo-advisers.
- For retail investors, most important attribute while deciding to hire a financial adviser is "Trusted to act in my best interest" at 34%, followed by "Ability to achieve high returns" at 21%.
- 69% of retail investors who have an adviser trust the financial services industry as compared to 47% of investors who do not have an adviser.
- India, the United Arab Emirates, and China are the top three highest-trust markets. While Australia, Germany and Japan remain at the low end of the trust spectrum.

The complete report can be accessed [here](#).

ROUNDTABLE ON EARNING INVESTORS' TRUST

EXHIBIT 15
TRUST IN FINANCIAL SERVICES BY MARKET



Note: The exhibit shows the percentage of respondents selecting 4 or 5 on a scale of 1 (completely distrust) to 5 (completely trust).

In May 2022, CFA Institute and CFA Society India convened a roundtable on the Trust Study to discuss Indian retail investor-focused findings as well as the various aspects of trust and the experience of market practitioners during the pandemic. The participants (numbering eight) included registered investment advisers, mutual fund distributors, and private wealth managers.

India specific findings of the study:

- Although trust levels have marginally declined in India, it continues to have the highest trust level of any market. Within financial services, the trust levels are consistently high across industries with robo-advisers scoring the lowest (71%).
- W.r.t. retail investors with advisers, gaps remain between what investors believe is important and what advisers are delivering. Easily understandable investment reports and employing investment professionals with credentials are of the highest importance; while the fees charged was less important criterion.
- Investors view technology as a tool for enabling and multiplying trust. Indian respondents are most likely to prefer technology over a person to execute their strategy. But the same respondents also value human advice over robo-advice.
- The importance of having an adviser who shares one's values ranked the second highest in India among the markets surveyed.

To read the note on roundtable, please [click here](#).



Following are some of the points discussed during the roundtable:

- Participants debated the link between market performance and trust levels. Outcomes drive sentiment and influence views on trust.
- Significant market events, especially involving misconduct by market participants affect trust negatively. The participants felt that there could be repercussions on trust, if these issues turn out to be systemic.
- The participants confirmed that the findings regarding technology and robo-advice resonated with them. Some investors are comfortable with technological tools for search and due diligence, but they still want to consult an adviser or visit a branch before making a significant financial decision.
- The participants echoed having a shared context is important for trust. In some settings, being in the same space as the client (in terms of language, culture, or other factors) is a precursor to having meaningful conversations.

[To read the note on roundtable, please click here.](#)



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UPDATE ON CFA SOCIETY INDIA'S RESPONSE TO SEBI'S CONSULTATION PAPER ON BRSR.



Owing to the growing importance of climate change and societal issues, in 2020 SEBI sought recommendations to enhance the disclosures pertaining to ESG parameters. The revised disclosures, known as 'Business responsibility and sustainability reporting (BRSR)', shall become mandatory from FY 23. The new format has more granularity in its disclosures and shall help investors with better information. We are pleased to see that some of the points which we had advocated in our response to SEBI's consultation paper are part of the revised disclosure guidelines. The points include:

- Issuers must consider implementing internal and/or external processes to evaluate the controls around ESG disclosure and measurement and to test the accuracy of ESG disclosures before they are released to the public.
- Disclosures on risk assessment, incidents reported, measures taken to prevent them on addressing health and exposure related hazards for workers.
- Gender and category wise details of a) Number of employees b) Details of median remuneration/salary/wages paid.
- Reporting of complaints on human rights related issues according to various categories, internal mechanisms in place to redress grievances, mechanisms to prevent adverse consequences to the complainant.
- Disclose of SIA (social impact assessment) and sharing the report in public domain.
- Harmonisation with international standards of reporting.

Our complete response to SEBI can be accessed [here](#).
To read SEBI's proposal, please click [here](#)



OTHER ADVOCACY INITIATIVES

EVENTS, PROGRAMS & COMPETITIONS

- Webinar| ESG Talent Development Trends and Strategies – [Link](#)
- Webinar| Enhancing Investors Trust Strategies – [Link](#)

RESEARCH PUBLICATIONS & BLOGS

- Blog: Investing in ESG Funds – [Link](#)
- Blog: Can ESG Investing really help climate action – [Link](#)

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