

Business Service Price Index - Securities (BSPI-Securities)

Base Year 2017-18

BACKGROUND

SEBI has been entrusted with the task of computation of 'Business Service Price Index – Securities' formerly 'Securities Transaction Service Price Index' (STSPI) which measures the inflation or average change in cost (brokerage, commissions, fees etc.) of the financial services in the securities market.

BASE YEAR

2017-18 has been selected as the base year for compilation of Business Service Price Index - Securities.

FREQUENCY

BSPI-Securities is compiled on quarterly basis.

PRODUCT BASKET

The Product basket for securities market was divided into Primary market activity, Secondary market activity and Asset management activity. These activities are further classified into sub- segments based on the kind of products/ services offered.

PRICE METHODOOGY

Primary market activity – The cost to the issuer for raising capital from the market involves various expenses which inter alia includes merchant banker fees, underwriting fees, lead management fees, selling commission, printing fees, advertising and marketing expenses, registrar fees, legal counsel fees, auditor fees, listing fees, SEBI fees, etc. For the purpose of computation of index for primary market these costs are aggregated and measured as "total issue related expenses as a percentage of issue size". For different types of issues viz., IPO/FPO, Rights issue, QIP, Public issue of debt, etc., sub-indices have been created and later aggregated by way of assigning weights to compute the Transaction Price Index for primary market.

Secondary market activity – Secondary market activity mainly includes the cost of trading to the clients in secondary market. It includes brokerage fees, Clearing member charges, Depository Participant (DP) charges, SEBI Turnover fee and Exchange fee. For the computation of secondary market index, these costs are aggregated and measured as "transaction cost per unit of turnover" for different segments viz. cash segment, equity derivatives, currency derivatives and Interest rate derivatives separately.

Asset management activity - Asset Management activity includes asset management services offered by pass through vehicles such as Mutual Funds, Portfolio Management Services (PMS), Alternative Investment Fund (AIFs). The cost of asset management activity includes fund management fees, exit loads, set up fee, expenses charged to the funds and other transaction charges. These costs or expenses for the fund management activity are measured as total expenses as percentage of asset under management or the corpus on which the expenses are charged.

Structure of Business Service Price Index - Securities

Segment	Product	Cost to investors/ issuers	How the cost of service measured
Primary Market	Equity	Issue related expenses	Issue related expenses/ issue size (%)
	Debt		
Secondary Market	Cash Segment	Transaction cost like Brokerage, DP charges, exchange fee, SEBI turnover fee etc.	Transaction cost / Turnover (%)
	Equity Derivatives		
	Currency Derivatives		
	Interest rate futures		
	Depository		Transaction Cost/No. of debit Transactions (%)
Asset Management	Mutual Funds	Total expenses charged to schemes	Expense / Avg. AUM (%)
	PMS	Charges (investment management fee, other charges etc.)	Charges / Avg. AUM (%)
	AIF		Charges / fund committed or fund raised or amount invested (%)

WEIGHTING DIAGRAM

Weights for each sub segment/segments are assigned based on average annual revenue generated in each sub-segment/segment during past three years till the base year 2017-18, i.e. the average revenue generated during FY 2015-16, 2016-17 and 2017-18. The average revenue of past three years has been taken to ensure the index may represent all the segments in right proportion. As securities market is highly dynamic market, weights assigned on single year revenue may not reflect the true market composition.

The respective weightage for the sub segments in Business Service Price Index - Securities as follows:

Segment	Sub-Segment	Segment weight in STPI	Sub-Segment weight in Segment	Sub Segment weight in STPI
Primary Market	Equity - Public Issue	7.8%	48.5%	3.8%
	Equity - Rights Issue		3.2%	0.3%
	Equity - QIP		13.0%	1.0%
	Debt - Public issue		8.9%	0.7%
	Debt - Private Placement		26.4%	2.1%
Secondary Market	Cash Segment	38.1%	66.0%	24.8%
	Currency Derivatives		1.2%	0.4%
	Equity Derivatives		32.7%	12.3%
	Interest rate Derivatives		0.08%	0.03%
	Depository		1.6%	0.6%
Asset Management	Mutual Fund	54.0%	80.1%	43.3%
	PMS		8.7%	4.7%
	AIF		11.2%	6.0%

AGGREGATION

To compute the Index, initially, the 'per unit charge or fee' for different product/services under the three segments was computed and indexed to base 2017-18. The sub-indices based on 'per unit charge or fee' for the sub segments were aggregated (weighted average) to compute Transaction Price Index (TPI) for the respective three segments. Lastly, Primary Market, Secondary Market and Asset Management, have been aggregated based on the annual revenue generated by the industry in the past three years till base year.

FORMULA

The index is computed based on Laspeyre's formula, which assumes the constant quantity consumed during the base period and the observation period. The Laspeyre's formula is as given below:

$$\frac{\sum_i P_{i1} Q_{i0}}{\sum_i P_{i0} Q_{i0}}$$

DATA SOURCE

The computation of index has been done by SEBI on the basis of sample data collected from the concerned firms.