



Caldwell Investment Management Ltd.

Independent Investment Managers

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Mr. Arun Jaitley
Honourable Minister of Finance
Minister of Finance
Government of India
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Honourable Minister Jaitley,

Our organization wishes you and your government every success in your efforts to improve the economic environment in India.

As part of this, you have a major task in changing perceptions, thinking and practices which have constrained both progress and wider spread economic benefits in your country.

Part of moving forward is addressing some of the destructive practices of the past. To be more specific, let me share our experience and views of India's capital markets. They are not unique to our organization.

We, along with other institutional investors, were invited to become shareholders of one of two of India's major stock exchanges. As Canadian investors we felt comfortable investing in a country with a British Common Law basis. We invested in the Bombay Stock Exchange ("BSE"). Others were given the opportunity to invest in the National Stock Exchange ("NSE").

These investments were made in 2007. The ground rules were clear and the prospect of public ownership and listing was also clear. It was also evident that the NSE was far better connected with the government of the day. Hundreds of millions of dollars were invested by investors, investment managers and other exchanges, all wanting to participate in India's growth and fully expecting their exchanges to have ownership and governance structures similar to those existing throughout most of the developed world.

In 2010, the Jalan Committee Report ("The Report") was produced, which fundamentally changed the ground rules for stock exchanges. As one of the largest owners of the New York Stock Exchange ("NYSE"), as well as an investor in 36 other exchanges around the world, we were stunned by the Report's deep flaws which were based upon the fallacious notion that exchanges were "public utilities" and thus requiring strict ownership, pricing, compensation and profit controls. We were further surprised that the Indian government and regulators (SEBI) took it seriously. Mr. Jalan and his Report would have been laughed out of any serious capital market discussions. All major securities exchanges function in a world of hyper competition as the NYSE, NASDAQ, LSE and others can attest.

No serious investor would have considered Indian exchanges had they suspected what took place and the influence the Jalan Report would have.



Many, at the time, felt the NSE's management had a strong influence on Mr. Jalan's premise and conclusions, as the NSE had clearly indicated little desire to become publicly owned and traded.

Despite reality, the Jalan Report has infected virtually all exchange thinking and regulation since. The Jalan type control over so many aspects of exchanges is more indicative of a far smaller, less developed country.

What The Report said to the world is that India's financial regime is still about favouritism, abrupt and dramatic ground rule changes, the old Indian bias for government control and a lack of confidence in its own capital market structures.

It is indeed ironic that Indian exchanges promote other entities to do an Initial Public Offering ("IPO"), and become publicly owned and traded, in order to democratize capital markets (all can participate) and grow while exchanges, a proxy for wider economic growth, are not allowed to do the same.

The model for exchanges around the world is public ownership, separate governance and the freedom to seek efficiencies and innovate.

As a long-term investor in the BSE, as well as other social investments (schools and an orphanage), we would hope the BSE (and the NSE should it wish) be allowed to join the rest of the world's major exchanges with an IPO and thus allow all investors to participate in the growth of a great Indian institution.

This would go a long way to repairing the wreckage of the past, thereby assisting India's capital markets to grow and flourish as well as to improve corporate visibility, governance and accountability of exchanges who choose the IPO route to growth.

We all laud the rhetoric of the past several months but, as we move from this "honeymoon" period, substantive steps are now hoped for.

We wish you and your government every success in regaining investor confidence.

Yours respectfully

Thomas S. Caldwell, C.M.
Chairman

CC: Prime Minister Modi, Honourable Prime Minister of India
Mr. U.K. Sinha, Chairman, Securities and Exchange Board of India ("SEBI")