

Finmin to launch ETF with bank stocks, fin institutions

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THE FINANCE MINISTRY is planning to launch an exchange traded fund (ETF) comprising stocks of PSU banks and financial institutions this fiscal and will soon appoint an adviser to explore its feasibility, according to an official.

After the resounding success of CPSE ETF and Bharat-22 ETF, the government is looking at diversifying the ETF basket by including stocks public-sector banks and financial institutions.

"We will be soon appointing an adviser to suggest on launching an ETF with PSU bank scrips. The adviser will also look into the feasibility of including stocks of financial institutions and insurance companies into the basket," the official said.

The plan to launch a bank ETF comes on the back of the government seeing huge investor demand for two existing ETFs. It has raised ₹32,900 crore through two tranches and an additional fund offer of Bharat-22 ETF, and ₹38,000 crore in five tranches of CPSE ETF in the domestic market.

"We expect balance sheet of PSU banks to strengthen going forward and an ETF would provide risk-averse investors an option to hold shares of multiple banks through a single financial instrument," the official said.

Currently, there are two state-owned insurance firms — General Insurance Corp of India and New India Assurance — and 19 public sector banks that are listed on exchanges.

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BESIDES, FINANCIAL institution IFCI is also listed on the exchanges.

The government currently has two exchange-traded funds — CPSE ETF and Bharat-22 ETF — listed on the domestic exchanges. ETFs function like a mutual fund scheme and have underlying assets of government-owned companies.

The finance ministry has also started consultations with global investors for launching CPSE-scrip based ETF in overseas market.

The official further said the government does not intend to launch in the domestic market any new ETFs comprising stocks of public-sector companies since in most of these companies, the government holding is nearing 51%.