Investors Awareness Programme[1],

His Excellency, the Governor of Tamil Nadu, *Mr. Das, Mr. Mathew, Ladies and Gentlemen,*

1. At the outset, I would like to join Mr. Das in extending warm welcome to his Excellency the Governor of Tamil Nadu and to all of you, to this Investors Awareness Programme being launched by SEBI along with the Madras Stock Exchange.

1.2 The three ply responsibilities cast upon SEBI covers development of Indian securities market, its regulation, and, more importantly, protection of investors. For protection of investors, especially the small and retail investors and thereby retention of their confidence, it will not suffice if the market is made electronically driven or if it is rendered more transparent and efficient; nor will it suffice if the risk management system is made robust; or will it suffice, if the regulator is alert and active. For, if the investors are ill-informed, uninitiated, and vulnerable to be easily misguided or misled, then, they and soon the market come to grief. It is, therefore, a matter of paramount importance that the investors are empowered through education on functioning of the market, the obligations of the intermediaries, the operational intricacies and the risks and pit falls involved in the securities trading. It was in recognition of this felt need that SEBI has launched an all India Securities Market Awareness campaign in close co-ordination with various intermediaries, participants, investor associations and the Government. At an all India level, **Hon'ble Prime Minister Shri Atal Bihari Vajpayee** set the ball rolling, inaugurating the programme at New Delhi, in the beginning of this year, on January 17. Since then, a number of similar programmes have been held in the States, one after another. Today's programme here in Chennai, is a link in the chain of the campaign**. It is only appropriate that this programme is inaugurated by a personality of no less eminence than the Governor of Tamil Nadu. We at SEBI are beholden to you, your Excellency, for having readily and graciously consented to spare a few minutes of your busy schedule of governing responsibilities, to grace the occasion and inaugurate this event. Coming, as you are, with enriched experience in governance- not only the state governance but corporate governance as well, we look forward today to your guidance on market governance!**

2.1 Today, if the Indian economy has grown into robust and strong economy – strong enough to successfully swim against the currents of global competition, it is due, in no small measure, to the contribution of the Indian capital market. The capital market has proved to be an effective medium of canalising the savings of the investors from every nook and corner of the country, for investment needed for capital formation and economic growth. Over the last century and a quarter, Indian securities market has phenomenally grown into a size of global dimension.

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[1] ***Keynote address delivered at Investors Awareness Programme by Shri. T.M. Nagarajan, Whole Time Member, SEBI at Chennai on September 27, 2003.***

2.2 A market of this dimension and complexity requires technological sophistication and commensurate risk management system. It also calls for operational transparency, executional efficiency and regulatory oversight. There is no gainsaying the fact that we have one of the most efficient trading platforms and settlement systems in the world. The trading system has become on line, fully automated and screen-based. Open outcry is now outmoded and our market intermediaries have quickly adapted themselves to this technological sophistication.

2.3 Manual trading has given place to Terminal-trading. The participants across the country, irrespective of their location, trade with one another simultaneously and anonymously.

2.4 Our dream of cent-percent trading in dematerialised form has virtually materialised. Our investors are relieved of the problems and pains of bad delivery, delayed delivery, non delivery, bogus or forged documents. And spared from the irritating inconvenience of intimating change of address!

2.5 Trade settlement now takes place on T+2 basis i.e. the trade is settled or securities and cash are exchanged on the 3rd day of settlement. The transition into shortened settlement cycle from T+5 to T+3 and then to T+2, in rapid succession, all in 2 years time, so smoothly with out any hitch, has lifted up many international eyebrows.

2.6 The risk management system – with three pronged margining requirement of daily margin, marked to market margin and volatility margin - real time monitoring of margining position and automatic terminal disablement in the event of failure to make good margin- shortfall - is virtually second to none in the world and the system has stood the test of stress.

2.7 A Central Counter Party has been created in the form of Central Clearing Corporation which assumes the responsibility of meeting the members' obligations, while trade / settlement guarantee fund serves as fall back cushion to absorb the impact of any member's default.

2.8 Good corporate governance standard is also a vital factor to enhance investors' confidence. While the Company Law takes care of the corporate governance structure, the listing requirement which incorporates SEBI's guidelines based on the Narayana Murthy committee's recommendations would take care of the dynamic aspect of continued compliance. A few provisions perceived to have the potential of unintended consequences are being revisited. As a third plank, at the instance of SEBI, ICRA and CRISIL have evolved a corporate governance rating model.

2.9 The disclosure standards prescribed for new issues in India are comparable, in terms of contents and stringency, to that obtaining elsewhere in the world. The entry norms and track record criteria have been attuned to ensure the quality of new issues. The continual disclosure requirements for listed companies are also on par with international standards.

2.10 Derivatives trading have been introduced, in a segregated segment of Exchange, and the basket of products has been enlarged to cover index futures, index options, stock futures and stock options. The Indian traders have been remarkably adept in understanding of the nuances of the products and dealing in them. Interestingly, more than 100 years back i.e. 1899, Mr. James MacLean, the editor of Bombay Gazette, commented that, *India being the original home of options, the native broker could give a few tips on put and call to the brokers of other nations!!*

3.1 Thus, over the years, the Indian Securities market has transformed itself into vibrant, efficient, transparent one, a reasonably safe and secure place for savers and investors, institutions and individuals. However, human ingenuity knows no bounds. Manipulations, misconduct, malpractice, fraudulent and unfair trade practices raise their ugly heads, now and then. These go to undermine the market integrity, erode into investor's confidence and jeopardise the interests of the hapless investors. These should be the matters of concern to the Regulator and the investors.

3.2 As a regulator, SEBI is keen to protect the integrity of the market and the interests of the investors. It, therefore, keeps a constant watch, through its surveillance mechanism, to spot and stop any unusual movement or activity. All available tools - Rules, Regulations, Guidelines, surveillance, inspections, investigations, are applied to deal with market manipulation and check players' misconduct and enforce even-handed (not high-handed!) regulatory action against the manipulators. For instance, when it was observed that authorised terminals in some places had given illegitimate birth to dabba trading, SEBI quickly clamped down on a few of them and deactivated their terminals.

3.3 All said and done, as someone has described, *Securities market functions on fear and hope*. **Unfortunately, however, some investors hope when they should fear and fear, when they should hope! In the end, he finds either his hope is unrealised or his fear is unfounded. An investor not familiar with the market mechanism and practices, his rights and obligations as well as the risks and pitfalls, is likely to be led on garden path by invisible or misguiding hand, to a prickly desert.** That is why the investors are sought to be guided, through education and awareness, to take informed decision. The investors in their own interest must observe certain basic ground rules and investment principles. An investor should be clear about his investment objectives and realistically assess his risk taking capacity; should do his due diligence and home work before investing/ divesting any particular scrip and choose proper timing. **Shortly stated, he should not be impulsive in buying, emotional in holding and panicky in selling.** One should be **modest in expectations of gains and patient for their realisation.** When the price of scrip is rising sharply and swiftly, without any conceivably concrete reasons, it should set the investor thinking before buying. Similarly, when there has been too much of publicity and hype about a particular entity or scrip, one should exercise caution and ascertain the real influencing factor. He should enquire about the quality of management, and the background of promoters. **These are common sense - based cautions, which should temper the temptations of the sensex - based euphoria**. It is relevant here to remember Mr. Malcolm Forbes's words of determination: he says: *No*

earnings record, no chart, no prospects can entice him to buy a stock in a company, where he has a poor opinion about management or CEO.

3.4 It is indeed amazing that our ancestors of antiquity in their words of wisdom have given profound advice on matters which concern us even today. Let me put it in our today's parlance, what an ancient sage observed: He said: *one should do deliberations on likely profit and loss and the final gains before embarking into any venture or investment.*

He also said*: A wise person will not venture into such a venture in quest of gain and in the process lose the capital itself.* Or, in other words, a wise investor will not buy dud scrip, assuming it a blue chip, hoping to realise capital gains, and ending up in capital loss.

A small and retail investor may not have adequate time, knowledge or expertise to decide on and to execute a judicious, prudent investment plan. For him, his advice was: *find a proper person and entrust the job to him so that he could do the job for you at the appropriate time.*

Can you believe that this advice was given some 2000 years ago?
Yes, the advisor was Valluvar!

"அழிவதூஉம் ஆவதூஉம் ஆகி வழிபயக்கும்
ஊதியமும் சூழ்ந்து செயல்

ஆக்கம் கருதி முதலிழக்கும் செய்வினை
ஊக்கார் அறிவுடையார்

செய்வானை நாடி வினைநாடிக் காலத்தோடு
எய்த உணர்ந்து செயல்

இந்த முன்று குறள்களைத்தான் இன்றைய சூழ்நிலைகளுக்கு ஏற்ப ஆங்கிலத்தில் மொழி பெயர்த்துக் கூறினேன்.

ஆக்கம் கருதி முதலிழக்கும் அறியாமையை எவ்வளவு அழகாக குறிப்பிடுகிறார் வள்ளுவர். முதலிழந்து விடுவோமோ என்றெண்ணி முதலீடே செய்யாமல் இருந்து விட முடியுமா? பிறகு முன்னேற்றம் காண்பதெப்படி? முதலீடும் செய்யவேண்டும், முன்னெச்சரிக்கையாகவும் இருக்க வேண்டும் என்பதுதான் வள்ளுவர் கருத்தாக இருக்க வேண்டும்.

பங்கு பத்திரங்கள் பந்தயக் குதிரைகளுமல்ல. பங்குசந்தை மாட்டுசந்தையுமல்ல. மாடு வாங்கும்போதுகூட பல் பார்த்து, சுழி கண்டு வாங்குகின்றோம். பங்குகள் வாங்கும்போது மட்டும் ஏன் கூட்டுமந்தையாகி விடுகிறோம். பங்குபத்திரங்களை ஆய்ந்து, அறிந்து கேட்டு உணர்ந்து, தேர்ந்து, தெரிந்து வாங்க வேண்டும். அப்படி செய்ய, அனுபவமோ, ஆர்வமோ, காலமோ, நேரமோ இல்லையெனில், இதனை இதனால் இவண் முடிக்கும் என்றாய்ந்து ஒரு Mutual Fundஐ தேடி அதன்கண் விட்டு விடலாமே?

4. Coming back to English, let me conclude that while SEBI is here to protect the integrity of the market and the interests of the investors, it is for the investors to upgrade their knowledge on the market mechanism and practices, be aware of lurking pitfalls and remain cautious. Investors should invest–invest judiciously. In the process, his investment should grow, he should grow, and the nation, too!