This Report is in conformity with the format as per the Securities and Exchange Board of India (Annual Report) Rules, 1994, notified in Official Gazette on April 7, 1994.

यू.के. सिन्हा
अध्यक्ष
U. K. Sinha
Chairman

भारतीय प्रतिभूति और विनिमय बोर्ड
SECURITIES AND EXCHANGE BOARD OF INDIA

ओटीडब्ल्यू/ 19501 /2011
23 जून 2011

सचिव,
भारत सरकार,
आर्थिक कार्य विभाग,
वित्त मंत्रालय, नॉर्थ ब्लॉक,
नई दिल्ली - 110 001.

प्रिय महोदय,

भारतीय प्रतिभूति और विनिमय बोर्ड अधिनियम, 1992 की धारा 18(2) के प्रावधानों के अनुसार, मैं एतद्द्वारा भारत के राजपत्र, असाधारण के भाग II खण्ड 3 उप-खण्ड (1) में, 7 अप्रैल 1994 को अधिसूचित भारतीय प्रतिभूति और विनिमय बोर्ड (वार्षिक रिपोर्ट) नियम, 1994 में निर्धारित किये गये प्ररूप में, 31 मार्च 2011 को समाप्त वर्ष के लिए भारतीय प्रतिभूति और विनिमय बोर्ड की वार्षिक रिपोर्ट की प्रति अग्रेषित कर रहा हूँ ।

भवदीय,

उपेन्द्र

(यू.के. सिन्हा)

संलग्न : उपरोक्तानुसार

OTW/19501 /2011
23rd June, 2011

The Secretary,
Government of India
Department of Economic Affairs
Ministry of Finance, North Block
New Delhi - 110 001.

Dear Sir,

In accordance with the provisions of Section 18(2) of the Securities and Exchange Board of India Act, 1992, I forward herewith the copy of the Annual Report of the Securities and Exchange Board of India for the year ended March 31, 2011, in the format prescribed in the Securities and Exchange Board of India (Annual Report) Rules, 1994, notified on April 7, 1994, in Part II Section 3 Sub-section (1) of the Gazette of India Extraordinary.

Yours faithfully,

UKSinha

(U.K.Sinha)

Encl.: As above

सेबी भवन, प्लॉट सं.सी 4-ए, "जी" ब्लॉक, बांद्रा-कुर्ला कॉम्प्लेक्स, बांद्रा (पूर्व), मुंबई - 400 051. • दूरभाष : 2644 9999 / 4045 9999
फैक्स : 2644 9003 • ई-मेल : chairman@sebi.gov.in • वेब : www.sebi.gov.in
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Fax : 2644 9003 • E-mail : chairman@sebi.gov.in • Web : www.sebi.gov.in

MEMBERS OF THE BOARD

(As on March 31, 2011)

U K SINHA
CHAIRMAN

Members appointed under Section 4(1)(d) of the SEBI Act, 1992 (15 of 1992)

M S SAHOO
WHOLE TIME MEMBER

Dr. K M ABRAHAM
WHOLE TIME MEMBER

PRASHANT SARAN
WHOLE TIME MEMBER

V K JAIRATH
Retd. Principal Secretary (Industry)
Government of Maharashtra
Mumbai

T V MOHANDAS PAI
Director
Infosys Technologies Limited
Bangalore

Members nominated under Section 4(1)(b) of the SEBI Act, 1992 (15 of 1992)

D K MITTAL
Secretary
Ministry of Corporate Affairs
Government of India

Dr. THOMAS MATHEW
Joint Secretary
Ministry of Finance
Department of Economic Affairs
Government of India

Member nominated under Section 4(1)(c) of the SEBI Act, 1992 (15 of 1992)

ANAND SINHA
Deputy Governor
Reserve Bank of India

MEMBERS OF THE SEBI BOARD

(As on March 31, 2011)

U K SINHA
Chairman

M S SAHOO
Whole Time Member

Dr. K M ABRAHAM
Whole Time Member

PRASHANT SARAN
Whole Time Member

V K JAIRATH
Retd. Principal Secretary
(Industry)
Government of Maharashtra

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Director
Infosys Technologies Limited
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D K MITTAL
Secretary
Ministry of Corporate Affairs
Government of India

Dr. THOMAS MATHEW
Joint Secretary
Ministry of Finance
Department of Economic Affairs
Government of India

ANAND SINHA
Deputy Governor
Reserve Bank of India

CHAIRMAN, WHOLE TIME MEMBERS AND EXECUTIVE DIRECTORS

Left to Right :

Sitting : **Shri Prashant Saran**, Whole Time Member; **Shri M S Sahoo**, Whole Time Member; **Shri U K Sinha**, Chairman; **Dr. K M Abraham**, Whole Time Member.

Standing : **Dr. K N Vaidyanathan**, Executive Director; **Dr. Pradnya Saravade**, Executive Director; **Shri P K Nagpal**, Executive Director; **Smt. Usha Narayanan**, Executive Director; **Shri Ananta Barua**, Executive Director; **Shri J Ranganayakulu** , Executive Director; **Shri J N Gupta**, Executive Director.

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This Report can also be accessed on internet – http://www.sebi.gov.in

Conventions used in this Report

₹	:	Rupees
Lakh	:	Hundred thousand
Crore	:	Ten million
Million	:	Ten lakh
Billion	:	Thousand million/hundred crore
NA	:	Not Available
Na	:	Not Applicable
p.a.	:	Per annum

Differences in total are due to rounding off and sometimes they may not exactly add up to hundred per cent.

Source of Charts and Boxes where not mentioned, is SEBI.

ABBREVIATIONS

ADB	Asian Development Bank
ADR	American Depositary Receipt
AMC	Asset Management Company
AMFI	Association of Mutual Funds in India
AML	Anti-Money Laundering
ANMI	Association of National Exchanges Members of India
APs	Authorised Persons
APEC	Asia Pacific Economic Co-operation
APRC	Asia Pacific Regional Committee
ASBA	Application Supported by Blocked Amount
ATR	Action Taken Report
AUM	Assets Under Management
BBF	BSE Brokers' Forum
BO	Beneficiary Owner
bps	Basis Points
BSE	Bombay Stock Exchange Ltd.
BTI	Banker to an Issue
CBI	Central Bureau of Investigation
CDR	Corporate Debt Restructuring
CDs	Certificate of Deposits
CDSL	Central Depository Services (India) Limited
CFA	Chartered Financial Analyst
CFERM	Certificate in Financial Engineering and Risk Management
CFO	Chief Financial Officer
CFT	Combating Financing of Terrorism
CFTC	Commodities Futures Trading Commission
CIC	Central Information Commission
CII	Confederation of Indian Industry
CIS	Collective Investment Scheme
CM	Clearing Members
CPE	Continuing Professional Education
CPs	Commercial Papers
CRA	Credit Rating Agency
CRR	Cash Reserve Ratio
CSO	Central Statistical Organisation
CSX	Coimbatore Stock Exchange
DC	Division Chief
DIN	Director Identification Number
DIP	Disclosure and Investor Protection
DPAI	Depository Participants Association of India
DPs	Depository Participants
DRs	Depository Receipts

ABBREVIATIONS

DTC	Direct Tax Code
DWBIS	Data Warehousing and Business Intelligence System
DOCE	Depository Operations Certification Examination
ECB	External Commercial Borrowing
ED	Executive Director
EFD	Enforcement Department
EGM	Extraordinary General Meeting
ELSS	Equity Linked Saving Scheme
EMC	Emerging Markets Committee
EPFO	Employees Provident Fund Organisation
ETF	Exchange Traded Fund
F & O	Futures and Options
FAQs	Frequently Asked Questions
FATF	Financial Action Task Force
FCCBs	Foreign Currency Convertible Bonds
FCFS	First Come First Served
FEMA	Foreign Exchange Management Act
FII	Foreign Institutional Investment
FIIs	Foreign Institutional Investors
FIMMDA	Fixed Income Money Market and Derivatives Association of India
FISE	Federation of Indian Stock Exchanges
FIU-IND	Financial Intelligence Unit - India
FOREX	Foreign Exchange
FPCIL	Financial Planning Corporation (India) Pvt. Ltd.
FPOs	Follow-on Public Offerings
FRAs	Forward Rate Agreements
FSB	Financial Stability Board
FVCI	Foreign Venture Capital Investor
FY	Financial Year
HUFs	Hindu Undivided Families
G20	Group of Twenty
GCGF	Global Corporate Governance Forum
GDCF	Gross Domestic Capital Formation
GDP	Gross Domestic Product
GDS	Gross Domestic Savings
GOI	Government of India
IA	Investors' Associations
IAD	Investor Awareness Division
IAIP	Indian Association of Investment Professionals
ICAI	Institute of Chartered Accountants of India
ICCL	Indian Clearing Corporation Ltd.
ICDR	Issue of Capital and Disclosure Requirements

ABBREVIATIONS

IMF	International Monetary Fund
IMSS	Integrated Market Surveillance System
IMD	Investment Management Department
IRD	Interest Rate Derivative
IRS	Interest Rate Swap
TFC	International Forum for Investor Education
INR	Indian Rupee
IOSCO	International Organisation of Securities Commissions
IPEF	Investor Protection and Education Fund
IPF	Investor Protection Fund
IPO	Initial Public Offer
IRDA	Insurance Regulatory and Development Authority
ISD	Integrated Surveillance Department
ISE	Interconnected Stock Exchange of India Ltd.
IT	Information Technology
ITF	Implementation Task Force
KYC	Know Your Client
LAF	Liquidity Adjustment Facility
MCV	Multiple Share Class Vehicle
MCX-SX	MCX Stock Exchange
MFD	Mutual Fund Department
MFs	Mutual Funds
MIIs	Market Infrastructure Institutions
MIMPS Reg.	Manner of Increasing and Maintaining Public Shareholding in Stock Exchanges Regulations
MIS	Management Information System
MoF	Ministry of Finance
MoU	Memorandum of Understanding
MPSE	Madhya Pradesh Stock Exchange Ltd.
MSE	Madras Stock Exchange
MSS	Market Stabilisation Scheme
NABARD	National Bank for Agriculture and Rural Development
NASDAQ	National Association of Securities Dealers Automated Quotations
NAV	Net Asset Value
NBFC	Non-Banking Financial Company
NCAER	National Council of Applied Economic Research
NCD	Non Convertible Debenture
NDP	Net Domestic Product
NFO	New Fund Offer
NGOs	Non-Government Organisations
NISM	National Institute of Securities Markets
NNI	Net National Income

ABBREVIATIONS

NoC	No Objection Certificate
NRIs	Non-Resident Indians
NSCCL	National Securities Clearing Corporation Ltd.
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
NSMD	Network for Securities Markets Data
ODI	Offshore Derivatives Instrument
OECD	Organisation for Economic Co-operation and Development
OIAE	Office of Investor Assistance and Education
OTC	Over the Counter
OTCEI	Over the Counter Exchange of India
P/B ratio	Price to Book-Value Ratio
P/E ratio	Price-Earnings Ratio
PAN	Permanent Account Number
PCC	Protected Cell Company
PCD	Partly Convertible Debenture
PCI	Press Council of India
PF	Provident Fund
PFI	Public Financial Institution
PFUTP	Prevention of Fraudulent and Unfair Trade Practices
PGPSM	Post Graduate Programme in Securities Markets
PMAC	Primary Market Advisory Committee
PFRDA	Pension Fund Regulatory and Development Authority
PMLA	Prevention of Money Laundering Act
PNs/P-Notes	Participatory Notes
PoA	Power of Attorney
PQ	Parliament Question
PSU	Public Sector Undertaking
QIB	Qualified Institutional Buyer
QIP	Qualified Institutional Placement
RAIN	Registrars Association of India
RBI	Reserve Bank of India
RIL	Reliance Infrastructure Limited
RNRL	Reliance Natural Resources Limited
RPs	Resource Persons
RPT	Related Party Transactions
RTA	Registrar to an Issue and Share Transfer Agent
RTI	Right to Information
SAT	Securities Appellate Tribunal
SC(R)A	Securities Contracts (Regulation) Act
SCM	Self Clearing Member
SCORES	SEBI Complaints Redress System

ABBREVIATIONS

SDI	Securitized Debt Instrument
SEBI	Securities and Exchange Board of India
SEBON	Securities Board of Nepal
SEC	Securities and Exchange Commission
SIFI	Systemically Important Financial Institutions
SKSE	Saurashtra Kuch Stock Exchange
SLB	Securities Lending and Borrowing
SMAC	Secondary Market Advisory Committee
SME	Small and Medium Enterprise
SMS	Short Messaging Service
SOP	Statement of Purpose
SOR	Smart Order Routing
SPDE	Special Purpose Distinct Entities
SRO	Self Regulatory Organisation
SSE	School for Securities Education
TAC	Technical Advisory Committee
T-Bills	Treasury Bills
TC	Technical Committee
TCS	TATA Consultancy Services Ltd.
TFT	Trade for Trade
TM	Trading Member
TOT	Training of Trainers
TRAC	Takeover Regulations Advisory Committee
UPSE	Uttar Pradesh Stock Exchange Ltd.
USD	United States Dollar
USE	United Stock Exchange
UTI	Unit Trust of India
UTI MF	UTI Mutual Fund
VCF	Venture Capital Fund
WCM	Web Content Management System
WDM	Wholesale Debt Market
WPI	Wholesale Price Index
WRO	Western Regional Office
WTO	World Trade Organisation
WTM	Whole Time Member

PART ONE: POLICIES AND PROGRAMMES

The Annual Report of the Securities and Exchange Board of India (SEBI) for 2010-11 delineates the policies and programmes of SEBI and its working and operations during the financial year as per the format prescribed by the Securities and Exchange Board of India (Annual Report) Rules, 1994. During the year, SEBI continued to ensure its commitment to fulfill three statutory objectives, namely: (a) protection of the interests of investors in securities, (b) promotion of the development of the securities market and (c) regulation of the securities market.

The three statutory objectives are achieved in a transparent manner. SEBI has set-up various Advisory Committees in all major areas of work to advice proactively for the development and regulation of the securities markets. Policy decisions are taken after consultations with the stakeholders and by disseminating policy papers for public comments. SEBI's decisions /orders are placed on its website for wider dissemination. Further, agenda papers submitted to the Board and their decisions are also placed on the website.

The Annual Report provides the manner in which SEBI discharged its responsibilities and exercised its powers during the financial year in furtherance of the objectives enshrined in (a) the Securities and Exchange Board of India Act, 1992, (b) the Securities Contracts (Regulation) Act, 1956 (c) the Depositories Act, 1996 and (d) the relevant provisions of the Companies Act, 1956. Further, it also provides a review of the developments in the Indian securities market during 2010-11.

SEBI had amended various regulations to face the new challenging dynamics of global and domestic markets. Further, existing regulatory framework was strengthened, and policies and programmes were framed to promote a safe, transparent, efficient and orderly securities market.

1. GENERAL MACRO-ECONOMIC ENVIRONMENT

Indian economy maintained its position as one of the fastest growing economies in the world during 2010-11. According to revised estimates of Central Statistical Organisation (CSO), real GDP grew at 8.5 percent in 2010-11 compared to an upwardly revised 8.0 percent in 2009-10 (Table 1.1). The services sector continued to be the main driver of growth in India, albeit at a slower pace of 9.2 percent in 2010-11 compared to 9.7 percent in 2009-10. Growth in the industrial sector was lower at 7.8 percent, where manufacturing activities registered a growth of 8.3 percent, lower than previous year (Table 1.2). The agricultural sector witnessed a rebound in growth at 6.6 percent in 2010-11 compared to 0.4 percent in 2009-10. The share of 'agriculture and allied activities' in overall GDP declined marginally from 14.6 percent in 2009-10 to 14.4 percent in 2010-11 (Chart 1.1). The share of services sector remained stable around 65 percent while share of industry remained steady at around 20 percent. During the first four years of the Eleventh Plan period (2007-12), India's real GDP grew at 8.2 percent per annum (average) higher than the 7.8 percent per annum (average) during the Tenth Plan period (2002-07).

Table 1.1: National Income (at 2004-05 prices)

(₹ crore)

Item	2008-09	2009-10 (Quick Estimate)	2010-11 (Revised Estimate)
1	2	3	4
A. Estimates at Aggregate Level			
1. National Product			
1.1 Gross National Income (GNI) at factor cost	41,37,125	44,64,854 (7.9)	48,34,759 (8.3)
1.2 Net National Income (NNI) at factor cost	36,69,890	39,46,540 (7.5)	42,59,782 (7.9)
2. Domestic Product			
2.1 Gross Domestic Product (GDP) at factor cost	41,62,509	44,93,743 (8.0)	48,77,842 (8.5)
2.2 Net Domestic Product (NDP) at factor cost	36,95,274	39,75,429 (7.6)	43,02,865 (8.2)
B. Estimates at Per Capita Level			
1. Population (million)	1,154	1,170 (1.4)	1,186 (1.4)
2. Per Capita NNI at factor cost (₹)	31,801	33,731 (6.1)	35,917 (6.5)
3. Per Capita GDP at factor cost (₹)	36,070	38,408 (6.5)	41,129 (7.1)

Note: Figures in the parentheses are percentage change over the previous year.

Source: Central Statistical Organisation

Table 1.2: GDP (at Factor Cost) by Economic Activity (at 2004-05 prices)

(₹ crore)

Industry	2008-09	2009-10 (Quick Estimate)	2010-11 (Revised Estimate)	Percentage Change over Previous Year	
				2009-10	2010-11
1	2	3	4	5	6
1. Agriculture, Forestry & Fishing	**6,54,118**	**6,56,975**	**7,00,390**	**0.4**	**6.6**
2. Mining and Quarrying	97,244	103,999	110,009	6.9	6.2
3. Manufacturing	6,55,755	7,13,428	7,72,960	8.8	8.3
4. Electricity, Gas and Water Supply	83,344	88,654	93,665	6.4	5.7
Industry (2+3+4)	**8,36,363**	**9,06,081**	**9,76,634**	**8.3**	**7.8**
5. Construction	3,32,557	3,55,918	3,84,629	7.0	8.1
6. Trade, Hotels, Transport and Communication	10,87,575	11,93,282	13,15,656	9.7	10.3
7. Financing, Insurance, Real Estate and Business Services	7,06,712	7,71,763	8,48,103	9.2	9.9
8. Community, Social and Personal Services	5,45,184	6,09,724	6,52,431	11.8	7.7
Services (5+6+7+8)	**26,72,028**	**29,30,687**	**32,00,819**	**9.7**	**9.2**
GDP at Factor Cost	**41,62,509**	**44,93,743**	**48,77,842**	**8.0**	**8.5**

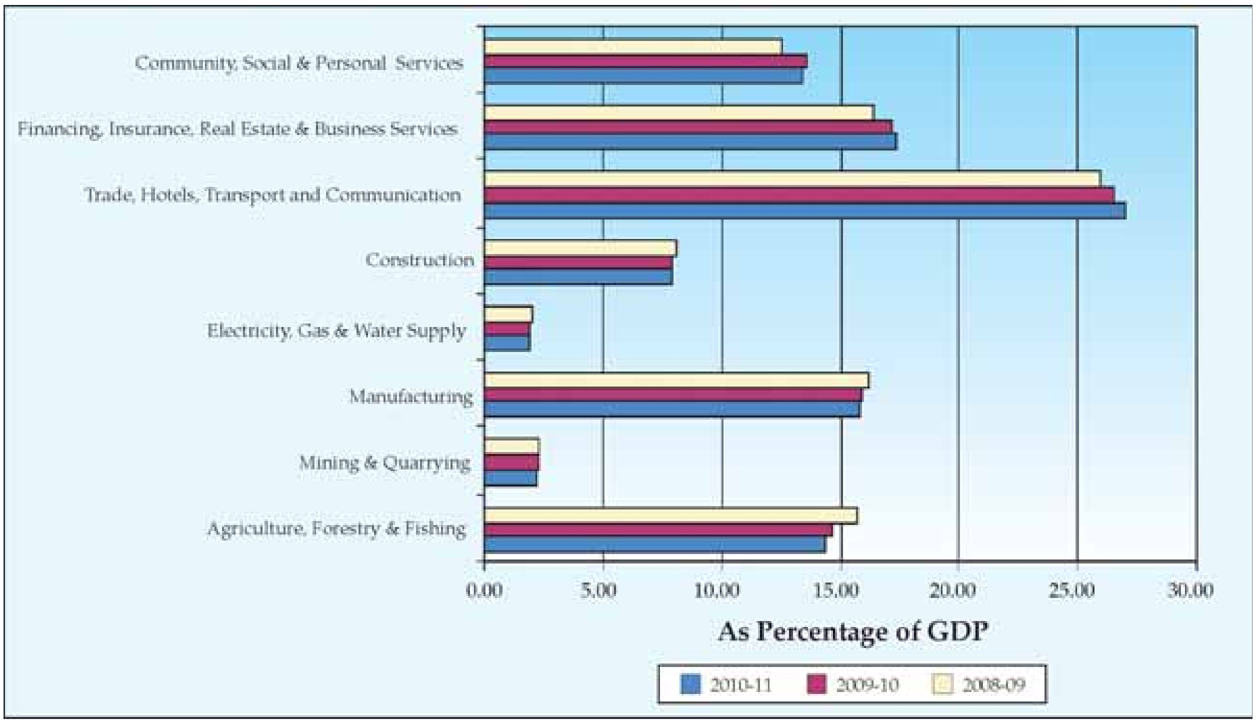
Note: *Construction as per RBI classification comes under services sector.*

Source: Central Statistical Organisation

Industrial sector growth fell by 50 bps during 2010-11 over the previous year and the decline was contributed by all the three segments namely, mining and quarrying, manufacturing and electricity, gas and water supply. Manufacturing sector which takes lion's share in the industrial sector also declined by 50 bps during the year. The fall in electricity, gas and water supply and mining and quarrying is 70 bps over the previous year.

During 2010-11, services sector continued to remain the largest contributor to GDP. In terms of growth during 2010-11, construction, trade, hotel, transport and communication, financing, insurance, real estate and business services recorded improved growth rate. However, community, social and personal services witnessed marked deceleration in growth rate during 2010-11.

Chart 1.1: Share of Components of GDP (at Factor Cost)



As per the CSO data on India's savings and investments, India's Gross Domestic Savings (GDS) as proportion of GDP at market prices increased from 32.2 percent in 2008-09 to 33.7 percent in 2009-10 on the back of improved savings by private corporate sector and public sector (Table 1.3). Public sector savings increased from 0.5 percent in 2008-09 to 2.1 percent in 2009-10 and private corporate sector savings increased from 7.9 percent in 2008-09 to 8.1 percent in 2009-10. Savings of household sector remained stable around 23 percent in 2009-10. The Gross Domestic Capital Formation (overall investment) at 36.5 percent of GDP in 2009-10, exceeded GDS by 2.8 percentage points reflecting net inflow of foreign savings.

Bank credit during 2010-11 witnessed increased flow despite the economy experiencing a challenging environment following increased inflationary pressures. Credit picked up in the first half of 2010-11 as corporates in order to fund their expansion plans resorted to bank sources.

Table 1.3: Gross Domestic Savings and Investment

Item	Amount in ₹ crore				Percent of GDP at current market prices			
	2006-07	2007-08	2008-09@	2009-10*	2006-07	2007-08	2008-09@	2009-10*
1	2	3	4	5	6	7	8	9
1. Household Sector Savings	9,94,631	11,19,829	13,31,033	15,36,071	23.17	22.46	23.84	23.45
a) Financial Assets	4,84,303	5,81,935	6,00,141	7,71,527	11.28	11.67	10.75	11.78
b) Physical Assets	5,10,328	5,37,894	7,30,892	7,64,544	11.89	10.79	13.09	11.67
2. Private Corporate Sector Savings	3,38,484	4,68,707	4,38,376	5,31,043	7.88	9.40	7.85	8.11
3. Public Sector Savings	1,52,929	2,48,962	28,938	1,39,949	3.56	4.99	0.52	2.14
4. Gross Domestic Savings (GDS)	14,86,044	18,37,498	17,98,347	22,07,423	34.61	36.85	32.21	33.70
5. Net Capital Inflow (+)/ Outflow (-)	45,524	64,430	1,28,760	1,81,790	1.06	1.29	2.31	2.78
6. Gross Domestic Capital Formation (GDCF)	15,31,568	19,01,928	19,27,107	23,89,213	35.67	38.14	34.52	36.48
7. Final Consumption Expenditure	29,31,877	33,63,109	38,82,891	45,81,344	66.28	67.45	69.55	69.94
a) Private Final Consumption Expenditure	24,88,410	28,50,088	32,66,461	37,95,901	57.96	57.16	58.51	57.95
b) Government Final Consumption Expenditure	4,43,477	5,13,021	6,16,430	7,85,443	10.33	10.29	11.04	11.99
Memo Items								
Savings Investment Balance (4-6)	-45,524	-64,430	-1,28,760	-1,81,790	-1.06	-1.29	-2.31	-2.78
Public Sector Balance#	-2,03,627	-1,92,961	-5,00,293	-4,61,669	-4.74	-3.87	-8.96	-7.05
Private Sector Balance#	1,98,631	1,87,488	3,97,318	4,37,927	4.63	3.76	7.12	6.69
a) Private Corporate Sector	-2,85,672	-3,94,447	-2,02,823	-3,33,600	-6.65	-7.91	-3.63	-5.09
b) Household Sector	4,84,303	5,81,935	6,00,141	7,71,527	11.28	11.67	10.75	11.28

@ : Provisional Estimates. * : Quick Estimates. # : Investment figures are not adjusted for errors and omissions.

Source: Central Statistical Organisation.

They also resorted to non-bank sources of finance, mainly primary market and external commercial borrowings in face of hardening of interest rates and inflation. There was also an increase in demand for credit from oil marketing companies as global crude oil prices started moving up following an expansion in global demand. As economic recovery became moderate in the later half, with industrial output contracting following high interest rates and inflation, credit demand witnessed a slowdown in recent past. Non-food credit started declining from the later half of 2010-11 reaching a year-on-year growth of 21.2 percent in March 2011 as corporates faced high interest cost following a hike in bank lending rates. According to disaggregated provisional data released by the Reserve Bank of India (RBI), the year-on-year growth in bank credit to agriculture declined, witnessed mild moderation for industry, while credit to real estate and housing witnessed significant turnarounds.

Liquidity condition remained tight for the larger part of 2010-11 since banks faced tight liquidity amidst increasing credit demand as working capital needs of corporates went up. The key factors for tight liquidity were increasing domestic inflation due to supply side bottlenecks and a structural shift in consumption pattern of the economy. The situation got further accentuated in the later half of 2010-11 following a higher forex demand from oil marketing companies as global crude oil prices spiked. Faced with liquidity squeeze, banks started borrowing heavily from the repo window of RBI to the tune of over ₹ 1 lakh crore (compared to lending of close to ₹ 1 lakh crore in reverse repo window during second half of 2009-10) and increased deposit rates for shorter tenures to augment fund mobilisation. To curb inflationary expectations in the economy, RBI raised cash reserve ratio (CRR), repo and reverse repo rates during the course of 2010-11.

Rates in the money market hovered around the upper bound of Liquidity Adjustment Facility (LAF) corridor for the better part of 2010-11 due to tight liquidity conditions in the system. Interest rates in money markets and yield on government bonds hardened during 2010-11 reflecting concerns of rising domestic inflation and high global crude and commodity prices. Following the aggressive stance by RBI to anchor inflationary expectations, interest rates crept up across the term structure in government securities markets. The secondary market yield on 10-year government securities hardened and reached a peak of 8.15 percent during January 2011.

Inflation on an year-on-year basis, measured by variation in the Wholesale Price Index (WPI), was 9 percent at the end of March 2011 compared to 10.2 percent at the end of March 2010. On an average basis, the inflation rate was 9.4 percent in 2010-11 compared to 3.6 percent in the previous year. Prices of manufactured products (weight: 64.97 percent in WPI) rose by 6.2 percent compared to 5.2 percent a year ago. Following the hardening of international crude oil prices in the last six months of the financial year 2010-11, fuel group recorded a rise of 12.9 percent in 2010-11 lower than 13.8 percent witnessed in the previous year. The rise in overall index was mainly attributed to food articles registering a rise of 9.5 percent in 2010-11 following a structural shift in consumption pattern of the economy.

India's import bill increased during 2010-11 both on account of crude oil as well as non-oil imports. However, trade deficit narrowed because of a rebound in exports post global financial crisis. Bulk of trade deficit was financed through net receipts under invisibles, particularly through remittances from Indian migrant workers abroad. India's foreign exchange reserves increased by USD 24 billion to USD 303 billion during 2010-11. The inflow of funds from foreign direct investment recorded a decline and that from foreign portfolio investments, external commercial borrowings, short-term trade credits recorded a rebound. The Rupee appreciated vis-à-vis US dollar during the better part of 2010-11.

Stock prices in India became volatile during 2010-11 following adverse developments in global financial markets. Stock prices witnessed an upsurge, particularly in the month of November 2010, when global stock markets were at peak. With the improvement in global markets, BSE Sensex closed above the 21,000 mark on November 05, 2010. Thereafter, it witnessed a correction to close at 19,445 on March 31, 2011. BSE Sensex recorded an increase of 10.9 percent and Nifty 11.1 percent in end-March 2011 over end-March 2010.

2. REVIEW OF POLICIES AND PROGRAMMES

SEBI initiated a number of policies and programmes during 2010-11 which are presented in this section under nine major heads *viz.*, primary securities market, secondary securities market, corporate debt market, mutual funds, portfolio managers, foreign institutional investors, takeovers, surveillance and investor assistance and education. The section concludes with 'Retrospect and Prospects'.

I. Primary Securities Market

Role of an efficient primary market is critical for resource mobilisation by corporates to finance their growth and expansion. Indian primary market witnessed renewed activity in terms of resource mobilisation and number of issues during 2010-11, continuing its momentum from 2009-10. In view of the recovery witnessed in equity markets post global financial crisis, companies, largely public sector with a divestment mandate, entered the primary market during 2010-11. Investors' response to public issues was encouraging in 2010-11. Capital (equity and debt) was raised to the tune of ₹ 67,609 crore through 91 issues during 2010-11, higher than ₹ 57,555 crore mobilised through 76 issues during 2009-10. Continued reforms in the primary market further strengthened investors' confidence. An analysis on number of issues made, amount mobilised, size and composition of issues and industry-wise resource mobilised is presented in Part Two of this report. Following were the major policy initiatives taken by SEBI relating to the primary market during 2010-11:

i. Encouragement of Retail Investor Participation

In order to increase retail investor participation and to keep pace with inflation, monetary limit on retail individual investor application was increased from ₹ 1 lakh to ₹ 2 lakh. The limit was enhanced with the objective that retail individual investors who have capacity and appetite to apply for securities worth above ₹ 1 lakh should not be constrained.

ii. Reforms in Issue Process

In order to make our markets competitive, SEBI has been constantly reviewing various rules and procedures to make issue process simpler and at the same time safer. Some of the major initiatives in this area include:

a) Reduction in process time lines: In order to lessen the market risk, infrastructural stress and costs, time between issue closure and listing was reduced from 22 days to 12 working days. Reduction in process timelines help in reducing exposure of issuers/ investors to volatility in market conditions, enable quicker turnaround of money invested and help issuers to raise money quicker.

b) Enhancement in Application Supported by Blocked Amounts (ASBA) Process: To smoothen the payment/refund process in issues, SEBI has introduced Applications Supported by Blocked Amount (ASBA) Process in issues, wherein application money is blocked in a bank account and debited only to the extent of allotment entitlement while continuing to earn interest. ASBA has resulted in the following benefits:

- Savings for investors on account of interest earnings
- Savings for issuers on account of lesser cost arising out of savings in refund expenses
- Systemic savings arising out of unclogging of the payment system, work load reduction, better liquidity management by banks and reduction in refund related concerns.

In order to enhance use of ASBA, the following measures have also been taken i.e. ASBA forms are now available for download through exchanges' websites and issue advertisements prominently highlight the use of ASBA facility. Vide

Circular dated April 06, 2010, SEBI also extended the ASBA facility to QIBs in public issues, opening on or after May 1, 2010.

c) Public Announcement by companies proposing to access the capital market: In order to draw the attention of investors about filing of draft offer document so as to elicit timely comments without adversely impacting the issue process, it was mandated that the issuer company may make a simultaneous public announcement about filing of draft offer document.

d) Lead managers mandated to submit compliance certificate in respect of news reports: In order to ensure that the information that had appeared in the media is consistent with the disclosures made in the offer documents, merchant bankers were mandated to submit a compliance certificate as to whether the contents of the news reports that had appeared after filing of the draft offer document till closure of the issue were supported by appropriate disclosures in the offer document or not. This was made applicable for all reports appearing in newspapers stipulated in SEBI (ICDR) Regulations, 2009 for issue advertisements, major business magazines and also in the print and electronic media controlled by a media group where the media group has a private treaty/shareholders' agreement with the issuer company/promoters of the issuer company.

e) Details of current and past directorship(s) in listed companies whose shares have been / were suspended from being traded on the BSE/NSE: In order to enable investor to assess track record of directors, director of issuer companies have been mandated to disclose in Red Herring Prospectus regarding directorship in other companies whose shares have been de-listed / suspended from trading for a period of 3 months or more in the past 5 years.

iii. Uniform Procedure for Dealing with Unclaimed Physical Shares

It was brought to the notice of SEBI that there is a large quantum of physical shares, which remain unclaimed despite the best efforts of the Registrar to Issue or Issuers and that there is no uniform practice for dealing with such shares. In view of this, SEBI decided to provide a uniform procedure for dealing with unclaimed physical shares i.e., shares which could not be allotted to the rightful shareholder. Accordingly, the existing Clause 5A in the equity listing agreement was amended to provide for such a procedure.

iv. Introduction of Pre-Announced Fixed Pay Date for Payment of Dividends and for Credit of Bonus Shares

In order to enable investors to manage their cash/securities flows efficiently and to enhance process transparency, it has been decided to mandate companies to have a pre-announced fixed pay date for payment of dividends and for credit of bonus shares. This is in line with prevailing international practice.

v. Preferential Issue of Equity Shares or Convertible Securities or Warrants to Promoters and Promoter Group

In order to further tighten the preferential allotment framework, SEBI decided that in case of preferential issues, where any promoter or promoter group entity has previously subscribed to the warrants of the company but failed to exercise the warrants, the promoters and promoter group shall be ineligible for preferential issue of equity shares or convertible securities or warrants in that company for a period of one year from the date of expiry of the currency /cancellation of the warrants. SEBI further decided that if any member of the promoters/ promoter group has sold shares in the previous six months, then the promoters/ promoter group would be ineligible for allotment on preferential basis.

vi. Minimum Promoters' Contribution in Follow-on Public Offers (FPOs)

In order to enable listed issuers to have more flexibility in raising capital through various instruments, it was decided that the requirement of promoters' contribution shall not be applicable to FPOs where equity shares of the issuer are frequently traded in a recognised stock exchange for three years and the issuer has a track record of dividend payment for three years.

vii. Uniform/Single Payment Option in Rights Issues

In order to ensure uniform treatment for all classes of investors in rights issues, SEBI decided that only one payment option may be given by the issuer to all the investors i.e. either (a) part payment on application with balance money to be paid in calls or (b) full payment on application. SEBI also decided that where the issuer opts for part payment, it shall be incumbent on them to obtain approvals, if any, as may be necessary for the purpose.

viii. Disclosure of Proforma Financial Statements

In certain cases it was observed that issuer companies had done material acquisition or divestment after the end of the latest disclosed annual financial results in the offer document, due to which certain companies become/ cease to be direct or indirect subsidiaries of the issuer. In such cases, it was mandated that the issuer companies shall submit proforma financial statements in respect of the last completed accounting year, and the period beginning from the date of the end of the last completed accounting year and ending on the date on which financial statements of the issuer have been disclosed in the offer document.

Further, in cases where the acquisition/ divestment is not material, it has been specified that the fact of the acquisition or divestment along with the consideration paid / received and the mode of financing such acquisition shall be disclosed in the offer documents.

ix. Amendment to Clause 40A of the Listing Agreement - Requirements in Respect of Minimum Public Shareholding in Listed Entities

In order to align the requirements in Clause 40A of the Listing Agreement with the amended Securities Contracts (Regulation) Rules,1957 on the captioned subject and to specify the manner in which public shareholding may be raised to the prescribed minimum, it was provided that:

a) Listed entities shall agree to comply with the requirements specified in Rule 19(2) and Rule 19A of the Rules.

b) Where the company is required to achieve the level of public shareholding as specified in Rule 19(2) and/or 19A of the Rules, it shall adopt any of the following methods to raise the public shareholding to the required level:

- issuance of shares to public through prospectus; or
- offer for sale of shares held by promoters to public through prospectus; or
- sale of shares held by promoters through the secondary market.

x. Amendments to Clause 41 of the Listing Agreement

a) Requirement of Auditors' Certificate for Accounting Treatment under Schemes of Arrangement:

It was observed that in some of the recent schemes of amalgamation / merger / reconstruction, etc. (schemes) of certain listed entities submitted to the Hon'ble High Court for approval, details of the accounting treatment to be given to various items in the process of amalgamation/merger/reconstruction etc. are included. If this accounting treatment is not in accordance with the accounting standards specified under section 211(3C) of the Companies Act, 1956, the resultant financial statements of the entity concerned will not be in conformity with the accounting standards.

In view of the above, it was specified that while submitting the said scheme to the stock exchanges under clause 24(f) of the Equity Listing Agreement, the listed entities shall also submit to the concerned stock exchange, an auditors' certificate to the effect that the accounting treatment contained in such schemes is in compliance with all the applicable Accounting Standards.

b) Timelines for Submission and Publication of Financial Results by Listed Entities

With a view to streamline the submission of financial results by listed entities, it was mandated that quarterly (audited or un-audited with limited review) financial results on stand alone or consolidated basis shall be submitted within 45 days of the end of every quarter. Also, audited annual results on stand alone as well as consolidated basis, shall be disclosed within 60 days from the end of the financial year for those entities which opt to submit their annual audited results in lieu of the last quarter unaudited financial results with limited review.

c) Voluntary Adoption of International Financial Reporting Standards (IFRS) by Listed Entities having Subsidiaries

In order to familiarize listed entities with the requirements under IFRS, listed entities having subsidiaries were provided an option to submit their consolidated financial results either in accordance with the accounting standards specified in section 211(3C) of the Companies Act, 1956, or in accordance with IFRS. It was also specified that where the figures for the current period are as per IFRS and the figures for the corresponding previous period are as per the notified Accounting Standards, a reconciliation shall be provided in respect of significant differences between the figures as disclosed as per IFRS and the figures as they would have been if the notified Accounting Standards were adopted.

d) Requirement of a Valid Peer Review Certificate for Statutory Auditors

The Institute of Chartered Accountants of India (ICAI) has specified a peer review mechanism to ensure that the quality of services rendered by the members of the Institute is maintained and enhanced on a continuous basis. Firms of chartered accountants (proprietary as well as partnership) and members of the Institute practising individually are required to undergo the peer review process. It has been decided that in respect of all listed entities, limited review/statutory audit reports submitted to the concerned stock exchanges shall be given only by those auditors who have subjected themselves to the peer review process of ICAI and who hold a valid certificate issued by the 'Peer Review Board' of the said Institute.

e) Interim Disclosure of Balance Sheet Items by Listed Entities

With a view to have more frequent disclosure of the asset-liability/solvency position of entities, listed entities were mandated to disclose within forty-five days from the end of the half-year, as a note to their half-yearly financial results, a statement of assets and liabilities in a specified format.

xi. Approval of appointment of 'CFO' by the Audit Committee

In order to ensure that the CFO has adequate accounting and financial management expertise to review and certify the financial statements as required under Clause 49 of the Listing Agreement, it was mandated that the appointment of CFO shall be approved by the Audit Committee before finalization of the same by the management. It was also specified that the Audit Committee, while approving the appointment, shall assess the qualifications, experience and background etc. of the candidate.

xii. Amendments to Clause 35 of the Listing Agreement – Disclosure Relating to Shareholding Pattern

a) Disclosure of Shareholding Pattern Prior to Listing of Securities

Entities which seek listing of their securities post-IPO were mandated to submit their shareholding pattern as per Clause 35 of the listing agreement one day prior to the date of listing, in order to ensure public dissemination of updated shareholding pattern. The stock exchanges were also mandated to upload the same on their websites before commencement of trading in the said securities.

b) Disclosure of Shareholding Pattern of Listed Entities Pursuant to Material Changes in the Capital Structure

With a view to ensure public dissemination of the shareholding pattern pursuant to capital restructuring in listed entities, it was specified that in all cases wherein the change in capital structure due to such restructuring exceeds +/- 2 percent of the paid up share capital of the entities, the listed entities shall file a revised shareholding pattern with the stock exchanges within 10 days from the date of allotment of shares pursuant to such change in the capital structure, as per the format specified in Clause 35 of the Listing Agreement along with a footnote on what necessitated the filing of the revised shareholding pattern. The stock exchanges were also mandated to upload the same on their websites immediately.

c) Disclosure in Respect of Depository Receipts

In the case of listed entities which have issued Depository Receipts (DRs) overseas, in order to ensure a holistic and true picture of the promoter/promoter group holding in such entities, it was specified that details of 'shares held by custodians and against which DRs have been issued' shall be further segregated as those pertaining to the 'promoter/ promoter group' and to the 'public'.

xiii. Maintenance of a Website by Listed Entities

In order to ensure/enhance public dissemination of all basic information about listed entities, all such entities were mandated to maintain a functional website that contains certain basic information about them, duly updated for all statutory filings, including agreements entered into with media companies, if any.

xiv. Disclosures Regarding Agreements with the Media Companies

In order to ensure public dissemination of details of agreements entered into by corporates with media companies, listed entities were mandated to disclose details of such agreements on their websites and also notify the stock exchange of the same for public dissemination.

II. Secondary Securities Market

Secondary market witnessed volatility amidst adverse developments in global financial markets. The initial positive headways fizzled out as global markets became increasingly adverse owing to Euro zone debt crisis at the start and Middle East and North African crisis in later half of the year. Following were the major policy initiatives taken by SEBI relating to the secondary market during 2010-11:

i. Guidelines for Market Makers on Small and Medium Enterprise (SME) Exchange/ Separate Platform of Existing Exchange having Nationwide Terminal

SEBI put in a framework for setting up of new exchange/separate platform of existing stock exchange having nationwide terminals, for SME. In order to operationalise the said framework, SEBI vide circular dated April 26, 2010, issued guidelines on Market Making for SME.

ii. Foreign Institutional Investors (FIIs) Permitted to Offer Domestic Government Securities as Collateral for Margins

Reserve Bank of India (RBI) vide A. P. (DIR Series) Circular no. 47 dated April 12, 2010, permitted FIIs to offer domestic Government securities and foreign sovereign securities with AAA rating, as collateral to the recognised stock exchanges in India, in addition to cash, for their transactions in the cash segment of the market. However, SEBI has specified that cross-margining of Government securities (placed as margins by the FIIs for their transactions in the cash segment of the market) shall not be allowed between the cash and the derivative segments of the market.

iii. Account Maintenance Charges (AMC) Collected Upfront on Annual/Half Yearly Basis on Demat Accounts by Depository Participants

In the interest of investors, SEBI vide circular no. MRD/DP/20/2010 dated July 1, 2010 informed that in the event of closing of the demat account or shifting of the demat account from one DP to another, the AMC collected upfront on annual/half yearly basis by the DP, shall be refunded by the DP to the BO for the balance of the quarter/s.

iv. Call Auction in Pre-open Session

Based on the recommendation of SMAC and the proposal received from the stock exchanges, SEBI vide circular dated July 15, 2010, introduced call auction in pre-open Session on a pilot basis for securities forming part of Sensex and Nifty. The call auction mechanism is expected to reduce volatility and aids in better price discovery.

v. Mandatory Requirement of PAN

In order to ensure better compliance with the Know Your Client (KYC) norms, it was informed that with effect from August 16, 2010, PAN non-compliant demat accounts would also be "suspended for credit" other than the credits arising out of automatic corporate actions. It was clarified that other credits including credits from IPO/FPO/ Rights issue, off-market transactions or any secondary market transactions shall not be allowed into such accounts.

vi. Securities Trading Using Wireless Technology

It was informed that SEBI registered brokers who provide internet based trading as specified by SEBI circular dated January 31, 2000 shall be eligible to provide securities trading using wireless technology. All relevant requirements applicable to internet based trading shall also be applicable to securities trading using wireless technology.

vii. Smart Order Routing

Based on the proposal received from stock exchanges and market participants and the recommendation of TAC, SEBI has introduced the facility of Smart Order Routing (SOR) which allows the brokers trading engines to systematically choose the execution destination based on factors viz. price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order. This facility would help brokers execute client orders efficiently by providing the best price available across multiple trading venues (stock exchanges).

viii. Securities Lending and Borrowing Mechanism (SLB)

Further to extending the contract tenure

Box 1.1: Smart Order Routing (SOR)

Smart Order Routing (SOR) is used by stock brokers/clients to determine the 'best venue' to execute an order, i.e., 'where' to execute the order, based on client specified criteria like best price, liquidity, etc.

SEBI has permitted SOR in Indian securities market for all classes of investors. SOR has been envisaged as a mechanism to provide 'best execution' to the investors. It allows the brokers trading engines to systematically choose the execution destination based on factors viz. price, costs, speed, likelihood of execution and settlement, size, nature, etc.

Stock brokers desirous to offer SOR to its clients have to apply to the respective stock exchanges where SOR intends to route orders. Detailed application requirements have been prescribed by the stock exchanges which inter-alia include system audit of SOR system/software by CISA certified auditor, undertaking that SOR would route orders in a neutral manner, etc.

Stock brokers are required to communicate to all its clients the features, possible risks, rights, responsibilities and liabilities associated with the smart order routing facility. Any client desirous of availing such facility can do so by entering into a broker-client agreement, as applicable. For the existing clients, stock brokers can implement the same through an addendum to the existing broker-client agreement, as applicable.

Other key features of the SOR framework include stock broker to maintain logs of all activities to facilitate audit trail, periodic system audit of SOR system/software, unique identification number for the orders placed through SOR system, permit SOR for all orders without restricting to any specific type of order, synchronization of system clocks of the stock exchanges with atomic clock before the start of market, conditions under which the stock exchange can advise its stock brokers to seek re-approval of the SOR facility.

for securities lending and borrowing, from a period of 30 days to a maximum period of 12 months and providing the facility of early recall and repayment of securities, it was specified vide circular dated October 7, 2010 that, dividend amount would be worked out and recovered from the borrower on the book closure/ record date and passed on to the lender.

ix. Change in Activity Schedule for T+2 Rolling Settlement (Auction Schedule)

In order to reduce the time involved in delivering the shares to the buying broker, in case of default by the selling broker, SEBI vide circular dated December 28, 2010, revised the auction schedule, to be conducted on the same day of the settlement, after the pay-in is completed. i.e. the auction for trades done on T day shall be conducted on T+2 day after pay-in is completed and shortfall is crystallized. The settlement of the same would be carried out on T+3 day.

x. Policy Initiatives for Derivatives

a) **Exchange Traded Currency Derivatives:** SEBI, vide circular dated January 19, 2010, permitted exchanges to introduce currency futures on Euro-INR, Pound Sterling-INR and Japanese Yen-INR. Futures on these currency pairs were introduced at NSE and MCX-SX on February 1, 2010 and at USE on September 20, 2010.

b) **Derivative Contracts on Volatility Index:** SEBI, vide circular dated April 27, 2010, permitted stock exchanges to introduce derivative contracts on Volatility Index, subject to the condition that the underlying Volatility Index has a track record of at least one year and the exchange has in place appropriate risk management framework for such derivative contracts. Stock exchanges disseminate data on Volatility Index on a regular basis.

c) **Physical Settlement of Stock Derivatives:** SEBI, vide circular dated July 15, 2010, provided stock exchanges flexibility to offer; (i) cash settlement (settlement by payment of differences) for both stock options and stock futures; or (ii) physical settlement (settlement by delivery of underlying stock) for both stock options and stock futures; or (iii) cash settlement for stock options and physical settlement for stock futures; or (iv) physical settlement for stock options and cash settlement for stock futures.

d) **Options on USD-INR Spot Rate:** SEBI, vide circular dated July 30, 2010, permitted stock exchanges to introduce options on USD-INR spot rate in their currency derivatives segment. Options on USD-INR were introduced at NSE and USE on October 29, 2010.

Box 1.2: OTC Market Reporting

In the financial world, Over-the-Counter (OTC) trades are defined as trading of financial instruments such as stocks, bonds, commodities or derivatives directly between two parties without the attendant benefits of trading on exchanges in terms of central counter party, novation, trade guarantee, investor protection, transparency of pricing, etc.

OTC trades generally escape regulatory oversight as they are traded bilaterally and without any reporting requirements. The disclosure of details of OTC transactions would enhance regulatory oversight and transparency by assisting regulators in assessing systemic risks; providing regulators the ability to identify the obligations of trading parties; maintaining a complete audit trail for trades which do not happen on exchanges; and by making available to public access to aggregated data on open positions and trading volumes. From a public policy perspective also, oversight of OTC financial trades may be necessary to promote the efficiency and transparency of those markets; prevent market manipulation, fraud, and other market abuses; ensure that OTC derivatives are not marketed inappropriately to unsophisticated parties; and prevent activities in OTC derivatives markets from posing risk to the financial system

Given the above, one such mechanism for oversight of OTC market may be to set up a central repository which would act as a warehouse for the storage, electronically, of trades done in the OTC markets.

International Scenario

After the global financial crisis, there is a move to bring in more transparency in OTC markets. To this effect, in September 2009, the G-20 Leaders mandated OTC derivative contracts should be reported to trade repositories; all standardised OTC derivatives contracts should be traded on exchanges or electronic trading platforms, where appropriate; and all standardised OTC derivatives contracts should be cleared through central counterparties.

To support the realisation of these objectives, in October 2010, IOSCO formed a Task Force on OTC Derivatives Regulation with Securities and Exchange Board of India, Commodity Futures Trading Commission and Securities and Exchange Commission from USA and Financial Services Authority from the UK as co-chairs. The mandate of the Task Force is to come up with the following reports -

- Report on exchange and electronic trading;
- Report on data reporting and aggregation requirements; and
- Report on international standards for central clearing.

Indian Scenario

At present, the instrument-wise reporting position for OTC transactions is presented below :

FRAs/IRS

The inter-bank reporting of interest rate derivative (FRAs and IRS) transactions is done electronically on Clearing Corporation of India Limited (CCIL) platform (within 30 minutes of the deal). The client transactions are being collected (w.e.f. Oct 2009) on a weekly basis. The FRAs and IRS market (inter-bank) data is widely disseminated through RBI and CCIL website which include high/low/last traded rate, weighted average rate, volume and no. of transactions for each maturity bucket in IRS. There is no significant volume in FRAs.

Forex Forwards

The aggregate daily sale and purchase data is published in Weekly Statistical Supplement (WSS) of RBI with lag of 2-3 weeks. The USD-INR forwards transactions are being cleared by CCIL on guaranteed basis.

Forex-INR Swaps

The aggregate daily sale/ purchase data is published in WSS with lag of 2-3 weeks. The data published in the WSS presents separate volume figures for inter-bank transactions and merchant transactions.

Cross-Currency Derivatives

Presently, cross-currency derivatives transactions' reporting from banks is through half-yearly statements covering number of transactions and notional amounts in USD for various types of products.

Corporate Bonds

The OTC trades in 'Corporate Bonds' for transactions of the value of Rs.1,00,000 or above are required to be reported to the corporate bond platform at either BSE, NSE or FIMMDA. The transactions are reported within 30 minutes of closing the deal.

Repo in Corporate Debt

For trading in repo in corporate debt securities, all repo trades are reported on the FIMMDA reporting platform within 15 minutes of the trade. Further, the trades are also reported to any of the clearing houses of the exchanges for clearing and settlement.

Credit Default Swaps

RBI has proposed setting up a centralised CDS trade repository with reporting platform for reporting transactions in CDS within 30 minutes from the deal time

e) **European Style Stock Options:** SEBI, vide circular dated October 27, 2010, provided stock exchanges flexibility to offer either European style or American style stock options. After opting for a particular style of exercise, a stock exchange has to offer option contracts of the same style on all eligible stocks. European style stock options were introduced at NSE for all options contracts expiring on or after January 27, 2011 and at BSE for contracts expiring on or after March 17, 2011.

f) **Derivative Contracts on Foreign Stock Indices:** SEBI, vide circular dated January 11, 2011, permitted stock exchanges to introduce derivative contracts (Futures and Options) on foreign stock indices in their equity derivatives segment.

g) **Interest Rate Futures:** SEBI, vide circular dated March 7, 2011, permitted stock exchanges to introduce Futures on 91-day Government of India Treasury-Bill (T- Bill) in their currency derivatives segment.

xi. Committee for Review of Ownership and Governance of Market Infrastructure Institutions (MIIs)

A committee, under the Chairmanship of Dr. Bimal Jalan (former Governor of Reserve Bank of India), had been constituted to examine the issues arising from the ownership and governance of Market Infrastructure Institutions. The committee has submitted its final report on November 22, 2010 and the same is disseminated at SEBI website for public comments.

xii. Disclosure of Regulatory Orders and Arbitration Awards on Stock Exchange Website

Based on the feedback and inputs received from investor associations, it was informed vide circular dated April 1, 2010 that stock exchanges shall post all their regulatory orders and arbitration awards issued since April 1, 2007, on their websites within 30 days. Further, all regulatory orders and arbitration awards as and when issued by exchanges from the date of this circular, shall be posted on their websites immediately.

xiii. Setting Up of a Stock Exchange/ a Trading Platform by a Recognised Stock Exchange having Nation-wide Trading Terminals for Small and Medium Enterprise (SME)

SEBI vide circular dated May 18, 2010 has put in place the framework for recognition and supervision of SME. A company desirous of being recognised as a SME exchange or a recognised stock exchange having nation wide trading terminals desirous to set up a trading platform may apply to SEBI, in accordance with the provisions of the Securities Contracts (Regulation) Act, 1956 read with the provisions of the Securities Contracts (Regulation) Rules, 1957, subject to the applicant fulfilling the conditions, inter-alia, stipulates i.e. it shall be a corporatised & demutualised entity, compliant with Securities Contracts (Regulation) (Manner of Increasing and Maintaining Public Shareholding in Stock Exchanges) Regulations, 2006, have balance sheet net-worth of atleast ₹ 100 crore, have online surveillance capability, it shall have adequate arbitration and investor grievance redressal mechanism . The minimum lot size for the trading on the stock exchange shall be one lakh rupees.

xiv. Arbitration Mechanism in Stock Exchanges

SEBI, vide circulars dated August 11, 2010, August 31, 2010 and February 09, 2011 has streamlined the arbitration mechanism available at stock exchanges for arbitration of disputes arising between a client and a member across various market segments.

A stock exchange shall provide an arbitration mechanism for settlement of disputes between a client and a member through arbitration proceedings. The above mentioned circulars inter-alia stipulate the criteria for panel of arbitrators, code of conduct for arbitrators, time period for passing/implementation of the arbitral award/ appellate arbitral award, limitation period in terms of Limitation Act, 1963, appellate arbitration mechanism in the stock exchange, uniformity in arbitration fees, place of arbitration, competent court, and maintenance of records and disclosures.

xv. Mandating the Stock Exchanges to credit the penalties levied on their members to their Investor Protection Fund

Stock exchanges were earlier treating the penalties levied on their member brokers as their revenue. SEBI vide letter dated June 25, 2010 advised all the stock exchanges to credit the penalties levied by them on their members to their Investor Protection Funds (IPFs). Amongst the active stock exchanges, NSE, MCX-SX, CSE and MSE have already complied with the requirement of crediting penalties levied on their members to their IPFs. However, BSE is in the process of carrying out necessary amendments to its byelaws, pursuant to which it will comply with the requirement. The aggregate amount of penalties transferred by the stock exchanges during the year 2010-11 to IPFs was ₹ 7.26 lakh.

xvi. Display of Details by Stock Brokers

It was observed that the stock brokers were making prominent use of brand names / logos of their group companies instead of using their names as registered with SEBI. This was creating confusion in the minds of the investors. Hence, SEBI vide circular dated November 4, 2010 advised the stock brokers that while a stock broker may use the brand name / logo of its group companies, it must display the following more prominently:

a) its name as registered with SEBI, its own logo, if any, its registration number, and its complete address with telephone numbers in its portal /web site, if any, notice / display boards, advertisements, publications, know your client forms, and member client agreements;

b) its name as registered with SEBI, its own logo, if any, its registration number, and its complete address with telephone numbers, the name of the compliance officer, his telephone number and e-mail address in the contract notes, statement of funds and securities, and correspondences with the clients. This will help the clients to contact the compliance officer of the stock broker in case of any complaints or if any information is required.

xvii. Enhancing the Competency Level of the Employees of the Market Intermediaries

a) Certification of Approved Users and Sales Personnel of the Trading Members of the Currency Derivatives Segment Trading in Interest Rate Derivatives

SEBI vide notification dated June 29, 2010 mandated the requirement of series-IV: IRD certification for approved users and sales personnel of the trading members of currency derivatives segment trading in interest rate derivatives. This will ensure that the persons employed by the trading members are certified and thus they will be better equipped to carry out the dealing and sales operations skillfully and effectively.

b) Certification of Persons Associated with Registered Stock Brokers Involved in Risk Management

SEBI vide notification dated December 10, 2010 mandated the requirement of NISM-Series-VII: Securities Operations and Risk Management Certification for persons associated with a registered stock-broker /trading member/ clearing member in recognised stock exchanges, who are involved in, or deal with assets or funds of investors or clients, redressal of investor grievances, internal control or risk management, or activities having a bearing on operational risk. This will enable them to discharge their responsibilities effectively in the interest of investors.

c) Certification of Associated Persons of Registered Depository Participants

SEBI vide notification dated March 29,2011 mandated the requirement of NISM-Series-VI: Depositories Operations Certification Examination (DOCE) for associated persons engaged or employed or to be engaged or employed by a registered Depository Participant. An associated person is one who is responsible for dealing or interacting with clients, dealing with securities of clients, handling redressal of investor grievances, internal control or risk management, activities having a bearing on operational risk or maintenance of books and records pertaining to the above activities. This will equip them to discharge their responsibilities effectively in the interest of investors and market.

xviii. Expansion of Market Access through Authorised Persons

With a view to expand the reach of the markets for exchange traded products, SEBI vide circular dated November 6, 2009 had allowed registered stock brokers to provide market access to clients through Authorised Persons (APs) and provided a broad framework governing the same. Further, vide circular dated July 23, 2010 the certification requirements for APs were rationalized in line with those applicable for stock brokers and sub-brokers. As of March 31, 2011, 63,042 APs have been registered by the stock exchanges, as against 34,767 as on March 31, 2010. Thus, there has been a substantial increase in the number of APs registered with the stock exchanges and thus increasing the reach of the markets for exchange traded products.

xix. Granting of Permanent Registration to Intermediaries

According to Regulations, while the stock brokers and sub-brokers are granted permanent registration, other intermediaries are granted registration for a period of 3 – 5 years. After the expiry of their registration, the above intermediaries, if they so desire, apply for renewal in order to continue their business.

The purpose of renewal is to check whether the intermediary is complying with the basic requirements such as net worth, infrastructure, key personnel, fit and proper compliance, etc.

Apart from renewal, other checks and balances are available with SEBI for monitoring the activities of the intermediaries on a continuous basis. Accordingly, SEBI Board approved the proposal to amend the respective Regulations governing the intermediaries to grant permanent registration to the intermediaries. The intermediaries would be granted registration initially for a period of five years. On assessment of the performance of the intermediary and its track record during the initial five years, it will be granted registration on permanent basis. Necessary amendments to the regulations are being carried out.

The above would streamline the registration process and help SEBI in effective regulation of intermediaries.

xx. Dispensed with Prior Approval (Except for Change in Control)

It was decided to do away with the requirement of obtaining prior approval from SEBI by the intermediaries for 'change of their status or constitution' as defined in the regulations.

SEBI receives a lot of such requests in respect of very small and sometimes insignificant changes in the constitution of the intermediaries. It was felt desirable that the time spent on these activities can be focused on inspection and monitoring of intermediaries and their effective regulation.

However, in case of change in control, the intermediaries except the sub-brokers - who do not deal with funds and securities of clients - would continue to seek prior approval of SEBI. SEBI Board approved the proposal and necessary amendments to the regulations are being carried out.

xxi. Enhanced Transparency and Disclosure Norms for Credit Rating Agencies (CRAs)

Recent events in global financial system have underlined the pivotal role that credit rating agencies play in the financial sector. Effective use of credit ratings by the users is crucially dependent upon quality and quantity of disclosures made by the Credit Rating Agencies (CRAs). There have been widespread consultations on the issue both globally and within India and several documents have been prepared.

In the wake of the above and in order to impart higher credibility to the processes and procedures associated with the credit rating, SEBI prescribed the following norms for transparency and disclosures in consultation with the CRAs:

a. Rating Process

A CRA shall, in support of each credit rating and review / surveillance thereof, keep till five years after maturity of instruments, the records of:

i. the important factors underlying the credit rating and sensitivity of such credit rating to changes in these factors;

ii. summary of discussions with the issuer, its management, auditors and bankers which have a bearing on the credit rating;

iii. decisions of the rating committee(s), including voting details and notes of dissent, if any, by any member of the rating committee.

iv. in case of a quantitative model being a substantial component of the credit rating process, the rationale for any material difference between the credit rating implied by the model and the credit rating actually assigned.

b. Default Studies

In order to promote transparency and to enable the market to best judge the performance of the ratings, the CRA, shall publish information about the historical default rates of CRA rating categories and the changes in the default rates of these categories over time. For this purpose, the method for calculation of one-year default rate as well as cumulative default rate has been specified.

On annual basis, the average one-year and three-year cumulative default rates (based on weighted average), for the last 5 years, shall be disclosed for each credit rating category as well as structured and non-structured instruments, separately.

c. Dealing with Conflict of interest

For dealing with the conflict of interests, the CRAs shall formulate the policies and internal codes and ensure that (a) its analysts do not participate in any kind of marketing and business development including negotiations of fees with the issuer whose securities are being rated, (b) the employees' involved in the credit rating process and their dependants do not have ownership of the shares of the issuer and there is a prompt review of the credit ratings of the securities as and when any of its employees joins the respective issuer.

d. Obligations in Respect of Rating of Structured Finance Products

In case a CRA undertakes rating of structured finance products, namely, instruments / pay-outs resulting from securitization transactions, the CRA or its subsidiaries shall not provide consultancy or advisory services regarding the design of the structured finance instrument. Also that the rating symbols shall clearly indicate that the ratings are for structured finance products. While publishing the ratings of structured finance products and their movements, the track record of the originator and details of nature of underlying assets while assigning the credit rating also needs to be disclosed.

e. Unsolicited Credit Ratings

In case of unsolicited credit ratings, i.e. the credit ratings not arising out of the agreement between a CRA and the issuer, credit rating symbol shall be accompanied by the word "UNSOLICITED" in the same font size. The CRA is required to monitor and disclose credit rating during the life of the rated securities, as if it were a solicited rating. The CRAs shall disclose annually all the unsolicited ratings carried out in the last three financial years.

f. Disclosure of Information

The CRAs are required to make the following disclosures to bring about transparency in their operations:

- A CRA shall disclose on its website the rating procedure, Credit rating history and defaults, income, structured finance products, unsolicited credit ratings, shareholding and compliance status of IOSCO Code of Conduct. A CRA shall formulate and disclose its policies, methodology and procedures in detail regarding solicited and unsolicited credit ratings. A CRA shall disclose the details of new credit ratings assigned as well the movement of the outstanding ratings.
- In case of listed securities, the CRA shall also make disclosures to the stock exchanges as specified in the SEBI (Credit Ratings) Regulations, 1999. For ratings assigned and their periodic reviews, the CRA shall issue press releases which shall also be placed on their websites.
- The CRAs are required to disclose the general nature of its compensation arrangements with the issuers along with the details of conflict of interest with the issuer, if any, and annual disclosure of its total receipt from rating services and non-rating services.
- The half-yearly disclosures stipulated above shall be made by the CRAs within 15 days from the end of the half-

year (March / September). The yearly disclosures stipulated above shall be made by the CRAs within 30 days from the end of the financial year.

xxii. Constitution of Standing Committee for Credit Rating Agencies

The CRAs registered with SEBI also carry out rating of securities and instruments not arising out of public or rights issues which are relied upon by other regulators and investors.

In order to bring about coordination among the regulators pertaining to issues related to CRAs, a Standing Committee comprising of representatives of all the regulators (SEBI, RBI, IRDA & PFRDA) has been set up. The Committee met twice during the financial year and discussed various issues related to CRAs.

III. Corporate Debt Market

i. Listing Agreement for Securitized Debt Instruments

On March 16, 2011, SEBI put in place the Listing Agreement for Securitized Debt Instruments (SDI) issued by a special purpose distinct entity (SPDE). Listing of SDI on stock exchanges would help improve secondary market for such instruments. Also, the Listing Agreement also provides for continuous disclosure requirements that include pool level, tranche level and select loan level information that are aimed at enhancing information available in the public domain on performance of asset pools on which the SDI are issued. The enabling framework for listing of such instruments along with the initial disclosure requirements is provided for in the SEBI (Public offer and Listing of Securitised Debt Instruments) Regulations, 2008 notified on May 26, 2008.

ii. Reporting of CPs and CDs

On July 30, 2010, SEBI directed all its regulated entities to report their OTC transactions in CPs and CDs on the FIMMDA reporting platform within 15 minutes of the trade. This was introduced pursuant to an RBI decision to introduce a reporting platform for all secondary market transactions in CPs and CDs. RBI had advised FIMMDA to set up a reporting platform to capture all OTC transactions in CPs and CDs. The circular has been effective since August 16, 2010.

IV. Mutual Funds

Mutual funds witnessed redemption pressures during 2010-11 due to volatile market conditions. SEBI had taken the following initiatives to improve the functioning of mutual funds:

i. Disclosure of Investor Complaints with Respect to Mutual Funds

To improve transparency in 'grievance redressal mechanism', it was decided that mutual funds shall henceforth disclose detailed status of investor complaints received by them in a prescribed format, on their websites, on the AMFI website as well as in their Annual Reports. These details should have been signed off by the trustees of the concerned mutual fund.

ii. Certification Programme for Sale and/or Distribution of Mutual Fund Products

Earlier, agents/distributors of mutual fund units were required to obtain certification from Association of Mutual Funds in India (AMFI). Under Regulation 3 (1) of (Certification of Associated Persons in the Securities Markets) Regulations, 2007, it was decided that from June 01, 2010, the certification examination for distributors, agents or other persons employed or engaged or to be employed or engaged in the sale and/or distribution of mutual fund products, would be conducted by the National Institute of Securities Markets (NISM). Persons who have attained the age of fifty years or who have at least ten years experience in the securities markets in the sale and/ or distribution of mutual fund products as on May 31, 2010, will be given the option of obtaining the certification either by passing the NISM certification examination or qualifying for Continuing Professional Education (CPE) by obtaining such classroom credits as may be specified by NISM from time to time.

iii. Extension of Date of Implementation of ASBA Facility

The requirement of Application Supported by Blocked Amount (ASBA) facility for investors' subscriptions in all mutual fund New Fund Offers (NFOs) that was to be mandated from July 01, 2010 was extended for implementation from October 1, 2010.

iv. Alternative Expense Structure for Fund of Funds

To allow fund of funds choose a suitable expense structure, amendment to regulations (Notification no. LAD-NRO/ GN/2010-11/13/13945 dated July 29, 2010) were specified vide circular dated August 06, 2010 so that fund of fund schemes, may continue with existing total expense structure laid out in Regulation 52(6)(a) of SEBI(Mutual Funds) Regulations or adopt the new expense provisions of charging a total expense of 2.5 percent per annum inclusive of management fees, other administrative expenses and charges levied by the underlying schemes. Change in expense structure could be carried out with the approval of trustees and after giving unit holders an option to exit.

v. Updation of Investor Related Documents

Earlier, mutual funds were required to confirm whether all the investor related documents are maintained/ available with them. To ensure that investors have unrestricted access to AMCs, mutual funds were further directed vide circular dated August 12, 2010 that investor related documents including account opening documents, PAN, KYC, PoA (if applicable), specimen signature are available with AMCs/ their RTAs and not just with the distributor. AMCs shall be responsible for updation of these documents. It has been observed that due to such incomplete documentation, investors' rights to approach the AMCs directly were restricted and investors were forced to depend on the distributors for executing any financial or non-financial transactions.

vi. Review of Norms for Investment and Disclosure by Mutual Funds in Derivatives

In order to have prudential limits for derivative investments by mutual funds and to bring in transparency and clarity in the disclosure of the same to investors, it was decided to bring in modifications in derivative exposure by mutual fund schemes vide Circular No. Cir/ IMD/ DF/ 11/ 2010 dated August 18, 2010. The highlights of the new provisions are: cumulative gross exposure through equity, debt and derivative positions should not exceed 100 percent of the net assets of the scheme, mutual funds shall not write options or purchase instruments with embedded written options, total exposure related to option premium paid must not exceed 20 percent of the net assets of the scheme, cash or cash equivalents with residual maturity of less than 91 days may be treated as not creating any exposure and mutual funds may enter into plain vanilla interest rate swaps for hedging purposes.

vii. Consolidation or Merger of Schemes

Earlier consolidation or merger of schemes was viewed as changes in fundamental attributes of the related schemes and the mutual funds were required to comply with the requirements laid down in the SEBI (Mutual Funds) Regulations, 1996, for the purpose. To facilitate merger of schemes, it was decided vide circular dated October 22, 2010 that merger or consolidation shall not be seen as change in fundamental attribute of the surviving scheme if:

a) Fundamental attributes of the surviving scheme as per SEBI Circular No-IIMARP/MF/CIR/01/294/98 dated February 4, 1998 do not change. For the purpose of this circular, the surviving scheme means the scheme which remains in existence after the merger.

b) Mutual funds are able to demonstrate that the circumstances merit merger or consolidation of schemes and the interest of the unitholders of surviving scheme is not adversely affected.

V. Portfolio Managers

i. Fee charged by Portfolio Manager

On October 15, 2010, SEBI issued circular on fee and charges levied by portfolio managers to bring about greater uniformity, clarity and transparency to the process. Prior to the circular, most portfolio managers charged profit sharing / performance related fees on gains exceeding a hurdle rate or an agreed benchmark and there was no uniformity on how the profit / performance of the portfolio computed. The instant circular made it mandatory that where performance fee is charged, the same shall be computed on the basis of high water mark principle and the frequency not be less than quarterly.

ii. Monthly Reporting by Portfolio Manager

On October 08, 2010, SEBI revised the monthly reporting format for portfolio managers. The revised format is more comprehensive with details including investment in equity, debt, listed, unlisted securities including the AUM of EPFO/PF clients included therein.

iii. Clarification on Minimum Investment Amount by Clients, Performance of Portfolio

On November 02, 2010, SEBI clarified that all portfolio managers shall ensure that the first single lump-sum investment amount received as funds or securities from clients should not be less than ₹ 5 lakh. The circular also, made it mandatory to disclose portfolio performance in percentage terms of portfolios grouped by investment category for the past three years after netting all fees and charges levied by the portfolio manager.

VI. Foreign Institutional Investors (FIIs)

i. Protected Cell Company (PCC) / Multiply Share Class Vehicle (MCV) Policy

The intention of FII regulations is that "broad based" funds should have access to Indian securities markets, so as to encourage diverse funds. Eligibility criterion for applicants required applicants to satisfy the broad based criteria. Registration requirements now require applicants to additionally satisfy that the structures of these applicants are otherwise not non-transparent or circumvent the spirit of regulation such as Protected Cell Companies (PCCs) or Multi Class Share Vehicles (MCV). Vide circular dated April 15, 2010, all FIIs were advised to provide declarations and undertakings that they conform to the broad based criteria as specified in regulations. Further, all those entities that were broad based and were structured as MCVs were required to seek prior permission before a share class is added for directing investments into India. All registered FIIs were mandated to provide the requisite declarations and the undertakings about their structures to SEBI by September 30, 2010.

a) FIIs/sub-accounts that did not comply with these provisions were advised not to take fresh positions in cash and derivatives markets while they can retain their current positions or sell off/ unwind.

b) The status of compliance of providing requisite declaration and undertaking as prescribed by above circular is given in the table below:

	Not Submitted as on Sep. 30, 2010	Submitted after Sep. 30, 2010	Registration Surrendered/ Applied for Surrender/Expired	Not Submitted as on March 31, 2011
	A	B	C	A-B-C
Number of FIIs	179	43	92	44
Number of Sub-accounts	326	34	262	30

iii. Change in Reporting Format of ODIs/ PNs Activity

a) Monthly Reporting Format

Some of the concerns relating to PNs arise from the fact that the PNs represent indirect participation in the market by entities which are not registered with SEBI as FIIs or sub-accounts and there may be cases where the identity of the ultimate beneficiary may not be well established. Said concern was addressed with earlier reporting format providing information about name and jurisdiction of PN subscribers of issued PNs by FIIs monthly with effect from Circular No. IMD/CUST/15/2004, dated April 02, 2004. Monthly PN reporting format required the issuer to report the immediate owner of PN and in case the PN is issued onward to another entity then the details of the second level owner of PN.

The new reporting format was announced by Circular - CIR/IMD/FIIC/1/2011 issued on January 17, 2011 ensured that the PN issuing FIIs:

- Report the information about the name and jurisdiction of the end beneficial owner of PNs at all times.
- Provide information of the PN issuers transactions that are hedged and referenced in India.
- Compliance of PN issuer with KYC norms for PN end beneficial owner.
- Provide confirmation on regulatory compliance with the KYC norms.
- Undertaking by PN issuer that PNs are not issued to Non Resident Indians or Indian Residents.

b) Reporting of Short Lending

By issuance of Circular IMD/ FII&C/32/2008 on October 16,2008 FIIs and subaccounts were required to submit information about the quantity of securities which they have lent to entities other than in the Indian securities market, i.e., where the Overseas Derivative Instruments (ODIs) are issued which have the effect of a short sale in the Indian security (including F&O)/synthetic shorts, twice a week. Subsequently, with effect from circular No.IMD/FII&C/34/2008 dated October 20,2008, SEBI prohibited the activity of the FII lending shares abroad. SEBI continued to monitor the existing outstanding positions which were continuously decreasing over a period of time. Subsequently, on a review on March 04, 2011, it was observed that there were no outstanding short positions reported by FIIs. As the prohibition on the activity of short lending continued since October 2008 , there were no outstanding positions reported in March 2011. Hence, with effect from issuance of circular no CIR/IMD/FIIC/4/2011 dated March 29, 2011, reporting of synthetic shorts in ODI by FIIs was discontinued.

iv. Allocation of Debt Investment Limits

a) Vide circular dated November 26, 2010, a new debt category viz. Government debt - long term with residual maturity of over 5 years was introduced with a limit of USD 5 billion. Another new category viz. corporate debt – long term infra with residual maturity of over 5 years issued by companies in the infrastructure sector was introduced with a limit of USD 5 billion.

- FIIs were permitted to invest in corporate debt - long term infra as per the definition of infrastructure as governed by External Commercial Borrowing (ECB) Policy.
- It has been decided to allow a single FII entity to make bidding on behalf of multiple entities.
- FIIs were allowed to make investment in primary debt issues of "to be listed" securities. In case the debt issue is not listed within 15 days, FIIs were allowed to sell debt holdings only to domestic investors until such securities are listed.

b) In line with the budget proposal made on February 28, 2011 by the Government of India, SEBI, vide circular dated March 31, 2011 increased the limit of corporate debt long term infrastructure by an additional amount of USD 20 billion, thereby taking the overall limit to USD 25 billion.

- FIIs have now been permitted to invest in unlisted bonds issued by companies in the infrastructure sector.
- Investments in such bonds shall have a minimum lock-in period of three years. However, during the lock-in period, FIIs will be allowed to trade amongst themselves. During the lock-in period, the investments cannot however, be sold to domestic investors.
- To facilitate the FIIs during the lock-in period a special trading window for FIIs shall be provided by exchanges on the same lines as is available for equities.
- Further, FIIs have also been allowed to avail investments under this category without obtaining SEBI approval till the quantum of overall investment reaches 90 percent of the overall limit i.e USD 22.5 billion.

VII. Takeovers

i. Submission of Report by the Takeover Regulations Advisory Committee

SEBI, vide its order dated September 4, 2009, had constituted the Takeover Regulations Advisory Committee with the mandate to examine and review the Takeover Regulations of 1997 and to suggest suitable amendments to the same, as deemed fit. The Committee was headed by Shri. C. Achuthan, former Presiding Officer of the Securities Appellate Tribunal and comprised of eminent members with expertise in diverse fields, viz. lawyers, industry representatives, investor association representative, merchant bankers, academics and SEBI representatives.

The Committee submitted its report to SEBI on July 19, 2010. Upon review of the existing law governing substantial acquisition of shares and takeovers vis-à-vis international practices, judicial pronouncements and experience gained so far, the Committee proposed substantive changes to the Regulations and consequently thought it fit to comprehensively re-write the Takeover Regulations. The proposed draft Takeover Regulations were also made part of the Committee Report.

The Committee Report was uploaded on the SEBI website for public comments. The public comments so received together with recommendations of the Committee are presently under consideration of the SEBI.

VIII. Surveillance

i. Criteria for Trade for Trade Segment

In order to moderate sharp and destabilizing price movements in shares of companies, to encourage better price discovery and to increase transparency in securities market, SEBI in consultation with stock exchanges had decided to adopt following measures:

a) The securities of all companies would be traded in the normal segment of the exchange if and only if, the company has achieved at least 50 percent of non-promoters holding in dematerialized form by October 31, 2010.

b) In all cases, wherein based on the latest available quarterly shareholding pattern, the companies do not satisfy above criteria, the trading in such scrips would take place in Trade for Trade segment (TFT segment).

In addition to above measures, in the following cases (except for the original scrips, on which derivatives products are available or included in indices on which derivatives products are available) the trading would take place in TFT segment for first 10 trading days with applicable price band while keeping the price band open on the first day of trading.

c) Merger, demerger, amalgamation, capital reduction/consolidation, scheme of arrangement, in terms of the Companies Act and/or as sanctioned by the Courts, in cases of rehabilitation packages approved by the Board for Industrial and Financial Reconstruction under Sick Industrial Companies Act and in cases of Corporate Debt Restructuring (CDR) packages by the CDR Cell of the RBI.

d) Securities that are being admitted to trading from another exchange by way of direct listing/MOU/securities admitted for trading under permitted category.

e) Where suspension of trading is being revoked after more than one year.

Further in all cases, the exchanges have been advised to ensure that before starting trading in a scrip, the companies have complied with the disclosure requirements and the same is publicly disseminated on the website of exchanges to enable investors to take informed decision.

ii. Measures to Check Any Unusual Movements in Share Prices/Trading Volume Criteria for Trade for Trade Segment

In order to enhance the surveillance measures with regard to any unusual movements in share prices/trading volumes of stocks, after discussion with the exchanges, during surveillance meeting held on January 31, 2011, a mechanism has been put in place whereby in case of significant price/volume variation being witnessed in the trading of shares of the company, the exchanges would seek comments of the company in this regard, and also the company's confirmation that it has made all required disclosures. Further, similar to the practice followed in rumour verification; the stock exchanges would publicly disseminate the comments/ clarifications received from the company to enable investors to take informed decisions.

iii. Private Treaties

SEBI had taken up with Press Council of India its concerns on practice of many media groups entering into agreements, such as 'Private Treaties', with companies. Typically, such arrangements are with companies which are listed or which proposes to come out with public offerings. These, in general, entail a company giving stake in it (shares, warrants, bonds etc.) in return for media coverage through advertisements, news reports, editorials etc. in the print or electronic media.

It was felt that such agreements may give rise to conflict of interest and may, therefore, result in dilution of the independence of press. This may consequently compromise the nature, quality and content of the news/ editorials relating to such companies. Needless to say, biased and motivated dissemination of information, guided by commercial considerations can potentially mislead investors in the securities market. Such journalism would not be in the interest of securities market.

SEBI, given its legal mandate to protect the interest of investors felt that such brand building strategies of media groups, without appropriate and adequate disclosures may not be in the interest of investors and financial markets. There are prescribed norms of Journalistic Conduct that require journalists to disclose any interest that they may have in the company about which they are reporting. However, there was no equivalent requirement in the case of media companies holding a stake in the company which is being reported / covered.

Press Council of India informed SEBI that in its meeting held on February 22,2010 at New Delhi, it has accepted the following suggestions of SEBI and has mandated the following:

a. Disclosures regarding stake held by the media company should be made in the news report/ article/ editorial in newspapers/television relating to the company in which the media group holds such stake.

b. Disclosure on percentage of stake held by media groups in various companies under such 'Private Treaties' on the website of media groups should be made.

c. Any other disclosures relating to such agreements such as any nominee of the media group on the Board of Directors of the company, any management control or other details which may be required to be disclosed and which may be a potential conflict of interest for media group, should also be mandatorily disclosed.

The copy of the press release sent to SEBI by Press Council of India in the matter, is available on SEBI website vide Press Release No. 200/2010 dated August 27, 2010.

Further, in order to ensure public

dissemination of details of agreements entered into by corporates with media companies, SEBI has decided that the listed entities shall disclose details of such agreements on their websites and also notify the stock exchange of the same for public dissemination. In order to ensure/ enhance public dissemination of all basic information about the listed entity, it was also decided to mandate that the listed entities maintain a functional website that contains certain basic information about them, duly updated for all statutory filings, including agreements entered into with media companies, if any. SEBI amended equity Listing Agreement vide circular no. CIR/CFD/DIL/10/ 2010 dated 16.12.2010 and inserted clause 53 and 54 to address these issues.

iv. Measures to Address Unauthenticated News Circulated by SEBI Regulated Market Intermediaries

It has been observed by SEBI that unauthenticated news related to various scrips are being circulated in blogs/chat forums/e-mail etc., by employees of broking houses/other intermediaries without adequate caution as mandated in the code of conduct for stock brokers and respective Regulations of various intermediaries registered with SEBI.

Further, in various instances, it has been observed that the intermediaries do not have proper internal controls and do not ensure that proper checks and balances are in place to govern the conduct of their employees. Due to lack of proper internal controls and poor training, employees of such intermediaries are sometimes not aware of the damage which can be caused by circulation of unauthenticated news or rumours. It is a well established fact that market rumours can do considerable damage to the normal functioning and behavior of the market and distort the price discovery mechanisms.

In view of the above facts, vide circular Cir/ISD/1/2011 dated March 23, 2011, SEBI registered market intermediaries were directed that:

a) Proper internal code of conduct and controls should be put in place.

b) Employees/temporary staff/voluntary workers etc. employed/working in the offices of market intermediaries do not encourage or circulate rumours or unverified information obtained from client, industry, any trade or any other sources without verification.

c) Access to Blogs/Chat forums/Messenger sites etc. should either be restricted under supervision or access should not be allowed.

d) Logs for any usage of such Blogs/ Chat forums/Messenger sites (called by any nomenclature) shall be treated as records and the same should be maintained as specified by the respective regulations which govern the concerned intermediary.

e) Employees should be directed that any market related news received by them either in their official mail/personal mail/ blog or in any other manner, should be forwarded only after the same has been seen and approved by the concerned intermediary's compliance officer. If an employee fails to do so, he/she shall be deemed to have violated the various provisions contained in SEBI Act/Rules/ Regulations etc. and shall be liable for action. The compliance officer shall also be held liable for breach of duty in this regard.

v. **Investment Advice through Print Media/ Electronic Media/ SMS**

SEBI has been receiving complaints against persons who have been giving stock-specific advice to investors and receiving consideration for the same. Further, it has also come to the notice of SEBI that some persons are giving investment advice through the print media or by sending bulk SMS messages even without entering into any contract or arrangement or without any consideration.

Section 12 of the SEBI Act, 1992 requires all intermediaries, including portfolio managers, associated with the securities market to obtain registration from SEBI before operating in the securities market. Under the SEBI (Portfolio Manager) Regulations, 1993, a portfolio manager is a body corporate who pursuant to a contract or arrangement with a client, advises or directs or undertakes on behalf of the client management or administration of a portfolio of securities or the funds of the client.

The code of conduct for all intermediaries including portfolio managers provides that the intermediary or any of his employees shall not render, directly or indirectly any investment advice about any security in the publicly accessible media, unless a disclosure of his long or short position in the said security has been made, while rendering such advice. The code of conduct also provides that in case an employee of the intermediary is rendering such advice, he shall also disclose the interest of his dependent family members and the employer including their long or short position in the said security, while rendering such advice.

In this context, investors were advised to be cautious and to take the following precautions before dealing in any manner with persons seeking to render such advice:

a) Where the advice is rendered or sought to be rendered by a body corporate pursuant to a contract or arrangement, to verify whether it is registered as portfolio manager under the SEBI (Portfolio Manager) Regulations, with SEBI. The list of entities which are registered as portfolio managers with SEBI can be verified from the SEBI website.

b) where the advice is rendered or sought to be rendered by any person, by means of advertisements through SMSs, or the electronic or print media, whether pursuant to or in the absence of any contract or arrangement, it might be an attempt to influence market price and lure investors. Investors are therefore advised to take adequate care and carry out necessary due diligence before acting on the basis of such advice/communication.

IX. Investor Assistance and Education

i. **SEBI Complaints Redress System (SCORES)**

SEBI is in the process of upgrading the investor grievance redressal mechanism. The upgraded mechanism SCORES (SEBI Complaints Redress System) would be a web-based, centralized grievance redress system for SEBI. All grievances will be in electronic mode with facility for online updation of action taken reports by the users. SCORES will reduce grievance process time at SEBI since physical movements of grievances are not required. Similarly the grievance redressal time will be reduced since the entire process is in electronic mode, including action taken report submitted by the company/ intermediary. Similarly, the problem of physical storage, maintenance and redressal has also been addressed due to the proposed conversion of physical grievances into electronic mode. As investors can track their grievance redressal status online, multiple correspondences from investors to know the status of their grievances are avoided. SCORES has been developed and the system will be fully functional in the financial year 2011-12.

X. Retrospect and Prospects

i. Retrospect

Indian economy, after recovering to a growth rate of 8 percent in 2009-10 post global financial crisis recorded a healthy growth of 8.6 percent during 2010-11. The increase in agriculture produce following a normal monsoon and sustained momentum in services pulled up the overall growth rate amidst improved global environment.

The securities market started with a positive note with the BSE Sensex closing at the 17933 mark on April 09, 2010. It witnessed a correction to close at 16022 on May 25, 2010 before embarking on an upward trajectory. It recorded its highest close at 21004 on November 05, 2010. Thereafter it resumed correction before closing at 19445 on March 31, 2011. Nifty closed at 5834 on the same day. BSE Sensex increased (year-on-year) by 10.9 percent and Nifty by 11.1 percent in end-March 2011 over end-March 2010. Turnover in the cash segment of NSE declined by 13.6 percent to ₹ 35,77,410 crore and in BSE it was down by 19.7 percent to ₹ 11,05,027 crore, reflecting moderation in activity in cash market. Despite minor price appreciation, market capitalisation (of BSE) to GDP ratio and the traded value (of BSE and NSE together) to GDP ratio decreased to 86.8 percent and 59.4 percent, respectively in 2010-11 from 94.1 percent and 84.2 percent a year ago. Due to increasing headwinds from Euro zone debt crisis, Middle East and North African crisis, market sentiments got adversely affected for major part of the year.

Derivatives market in India witnessed buoyant activity during 2010-11. In equity derivatives segment, there were five indices and 223 stocks as underlying on which derivates contracts were traded as on March 31, 2011. Turnover in equity derivatives segment of NSE increased by 65.6 percent to ₹ 2,92,48,221 crore during 2010-11 over the previous fiscal. Currency futures trading started at USE on September 20, 2010. Currency options on USD-INR were introduced at NSE and USE w.e.f. October 29, 2010. Currency futures market saw introduction of currency option contracts on US Dollar-Indian Rupee (INR) spot rate from October 29, 2010. Turnover in the currency derivatives segment (currency futures and options together) of NSE was ₹ 34,49,788 crore during 2010-11 against ₹ 17,82,608 crore during 2009-10. Turnover in currency futures at MCS-SX stood at ₹ 41,94,017 crore during 2009-10 against ₹ 19,44,654 crore during 2009-10. Turnover in currency derivatives (currency futures and options together) at USE stood at ₹ 7,62,501 crore during 2010-11 (September 2010 – March 2011).

The primary market witnessed continued activity during 2010-11. The number of companies which accessed the primary market was 91 in 2010-11 compared to 76 in 2009-10. Amount mobilised was ₹ 67,609 crore during 2010-11, as against ₹ 57,555 crore mobilised during 2009-10. The number of Initial Public Offerings (IPOs) increased to 53 in 2010-11 from 39 in 2009-10 since quite a number of public sector companies entered the market to raise resources. The number of rights issue declined to 23 from 29 during the same period. Resource mobilisation through the Qualified Institutions' Placement Mode (QIP) dipped during 2010-11 as 50 issues raised ₹ 25,861 crore compared to 62 issues raising ₹ 42,729 crore during 2009-10.

There was a net outflow of resources from mutual funds during 2010-11. With private sector mutual funds contributing a major part of the redeemption, there was a net outflow of resources from all mutual funds at ₹ 49,406 crore in 2010-11 compared to a net inflow of resources of ₹ 83,080 crore in 2009-10. The exposure of mutual funds to debt securities increased as it net invested ₹ 2,48,854 in 2010-11 compared to ₹ 1,80,588 crore in 2009-10. Mutual funds net sold ₹ 19,975 crore in equity compared to a net selling of ₹ 10,512 crore during the same period. The FIIs continued to invest in Indian market. The number of SEBI registered FIIs went up to 1,722 by end March 2011 from 1,713 a year ago. Their net purchase in equities was USD 24,295 million in 2010-11 against USD 23,248 million in the previous year.

ii. Prospects

The Indian securities market witnessed volatility during 2010-11 amidst developments in global financial markets. The initial positive headways fizzled out as global markets became increasingly adverse owing to Euro zone sovereign debt crisis at the start and Middle East and North African crisis in later half of the year. Inflation concern and worries over surging global crude prices further aggravated the situation. SEBI would continue with its efforts to deepen and widen the Indian market and take appropriate regulatory measures to make them resilient enough to withstand volatility.

SEBI has been pursuing to its objectives of investor protection, investor education, and market developments. The potential issues of concern to SEBI are unregulated segment/ entities, coporates/NBFCs raising capital by way of hybrid instruments using on regulatory arbitrages, high leverage consequent to increasing volume in equity index options, issues arising out of high frequency trades and present margining norms in falling market.

As part of its efforts to make the market more efficient and transparent, policy on stress test by clearing corporations and stocks exchanges is being formulated. Guidelines would be made in respect of co-location and high frequency trading. Measures to deal with unauthorised trading and policy on outsourcing of intermediation services are also under consideration. SEBI is implementing a business intelligence and data warehousing project for internal data dissemination purpose. Unified regulatory filing system for all listed companies and markets entities is under trial. Disclosing track records of merchant bankers is being considered to help investor take an informed decision.

Investor assistance and investor education are the prime objectives of SEBI as a regulator. As part of the investor education initiatives, SEBI has launched nation-wide investor awareness programmes during the past one year through organizing seminars, workshops; investors' meet etc. This would help in achieving financial inclusion for the investors in the country. In years to come, it proposes to launch many such programmes for investor education and financial literacy. SEBI is in the process of implementing a toll free number for investor grievance redressal.

PART TWO: REVIEW OF TRENDS AND OPERATIONS

Year 2010-11 clearly belongs to activities in primary market which witnessed record number of Initial Public Offerings (IPOs)/ Follow-on Public Offerings (FPOs) and new debt issues (Non-Convertible Debentures/ Bonds) including the biggest ever IPO of Coal India which came out with issue size of ₹ 15,199.4 crore in October 2010. In debt segment, State Bank of India, the country's largest bank, came out with debt issues in multiple tranches which were subscribed by investors multiple times.

Secondary market segment showed signs of recovery of Indian corporates from global financial crises witnessed in 2008. The recovery phase was clearly reflected in substantial increase in average market capitalisation, revenues and profit after tax of top 500 listed companies at NSE and BSE. With growth in domestic demand being intact, Indian companies also showed significant improvement on export front in 2010-11 despite the fact that the global economy is still recovering from financial crises. The cumulative value of exports for the period from April, 2010 to March 2011 was US $ 245.8 billion (₹ 11,18,822.8 crore) as against US $ 178.7 billion (₹ 8,45,533.6 crore) registering a growth of 37.5 per cent in Dollar terms and 32.3 per cent in Rupee terms over the same period last year.

During 2010-11, Foreign Institutional Investors (FIIs) made record investments of ₹ 1,46,438 crore in the Indian market (equities and debt combined) surpassing the previous high of 2009-10 net investments of ₹ 1,42,658 crore. This reflects their confidence in Indian securities market and better growth potential of Indian economy as compared to many developed and emerging economies.

There was substantial improvement in the resource mobilisation by corporates in the primary market in 2010-11 as compared to that in 2009-10, however, unlike previous year, mobilisation of resources by mutual funds was less than redemptions which resulted into substantial net outflow of funds from mutual funds.

1. PRIMARY SECURITIES MARKET

The primary market segment witnessed positive trend during 2010-11. Coal India Ltd. came out with India's biggest-ever initial public offering (IPO) having issue size of ₹ 15,199.4 crore in October 2010. During 2010-11, a number of public sector undertakings (PSUs) raised money through primary market as part of disinvestment plan of Union Government The total resource mobilisation by PSUs accounted for 56.5 percent of total resources mobilised by all companies in 2010-11 as against 54.1 percent share in 2009-10.

I. Resource Mobilisation

During 2010-11, 91 issues (81 equity issues and 10 debt issues) accessed the primary market and collectively raised ₹ 67,609 crore through public (68) and rights issues (23) as against ₹ 57,555 crore raised in 2009-10 through public (47) and rights issues (29). There were 53 IPOs during 2010-11 as against 39 during 2009-10. The amount raised through IPOs during 2010-11 was at ₹ 35,559 crore as compared to ₹ 24,696 crore during 2009-10. The share of public issues in the total resource mobilisation stood at 85.9 percent during 2010-11 as compared to 85.5 percent in 2009-10 showing a marginal increase over the previous year. The share of rights issues was at 14.1 percent in 2010-11 as compared to 14.5 percent in 2009-10. There were 10 public issues of Non-Convertible Debentures (NCDs) amounting to ₹ 9,503 crore in 2010-11 as compared to three issues of ₹ 2,500 crore in 2009-10 (Table 2.1).

Table 2.1: Resource Mobilisation through Public and Rights Issues

Particulars	2009-10		2010-11		Percentage Share in Total Amount	
	No. of Issues	Amount (₹ crore)	No. of Issues	Amount (₹ crore)	2009-10	2010-11
1	2	3	4	5	6	7
1. Public Issues (i)+(ii)	**47**	**49,236**	**68**	**58,105**	**85.5**	**85.9**
(i) Public Issues *(Equity/ PCD /FCD) of which*	44	46,736	58	48,654	81.2	72.0
IPOs	39	24,696	53	35,559	42.9	52.6
FPOs	5	22,040	5	13,095	38.3	19.4
(ii) Public Issues *(Bond / NCD)*	3	2,500	10	9,451	4.3	14.0
2. Rights Issues	**29**	**8,319**	**23**	**9,503**	**14.5**	**14.1**
Total Equity Issues (1(i)+2)	***73***	***55,055***	***81***	***58,157***	***95.7***	***86.0***
Total Equity and Bond (1+2)	**76**	**57,555**	**91**	**67,609**	**100.0**	**100.0**
Memo Items: Offer for Sale	*9*	*11,756*	*12*	*19,036*	*20.4*	*28.2*

Note: All offers for sale are initial public offers, hence are counted under IPOs.

Chart 2.1: Share of Broad Categories of Issues in Resource Mobilisation

(Percent)

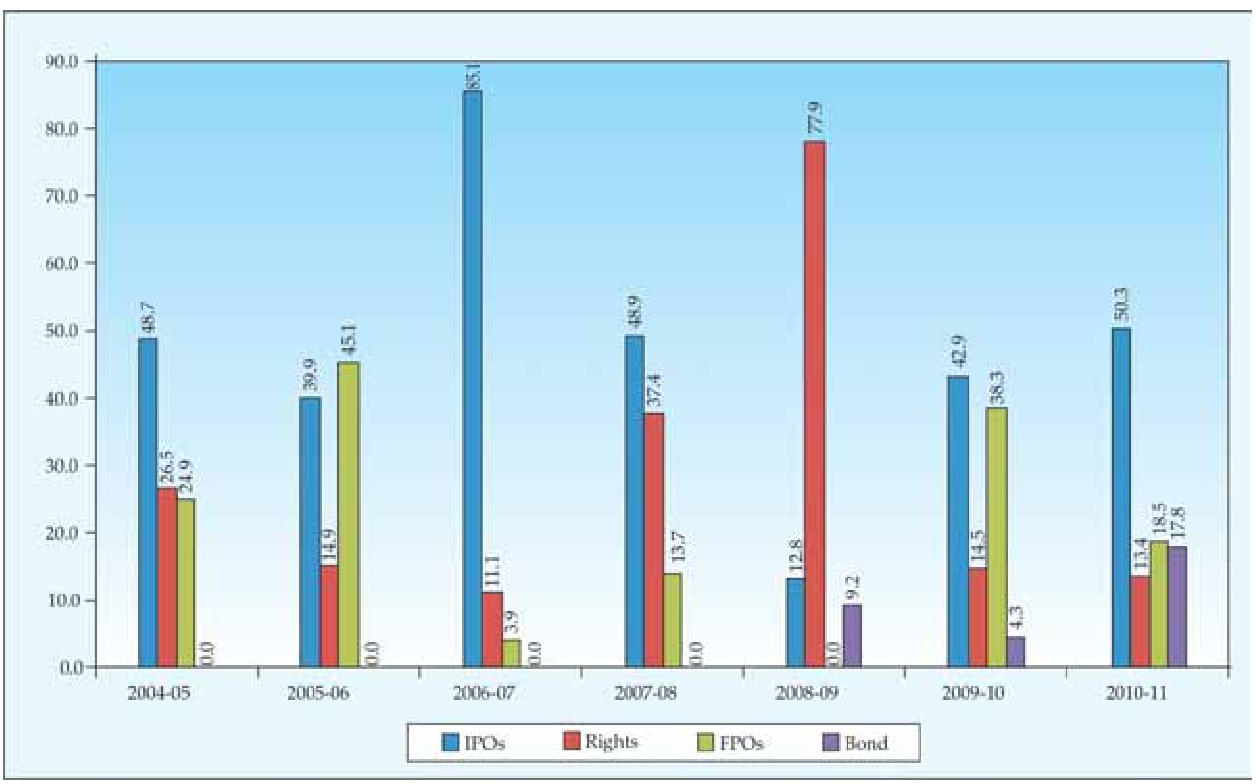


Chart 2.1 represents the relative share of the four modes of resource mobilisation namely, IPOs, rights, FPOs, and bond issues. It has been observed that the relative share of bond issues has increased significantly over the previous year whereas the share of FPOs has decreased from 38.3 percent in 2009-10 to 19.4 percent in 2010-11. The relative share of IPOs has increased from 42.9 percent in 2009-10 to 52.6 percent in 2010-11 whereas the share of rights issues has declined from 14.5 percent in 2009-10 to 14.1 percent in 2010-11.

In order to make Indian markets more competitive and efficient and to facilitate quicker resource mobilisation by companies from institutional investors, an additional mode for listed companies to raise funds from domestic market in the form of Qualified Institutional Placement (QIP) was introduced in May 2006. Securities which can be issued through QIP are equity shares or any securities other than warrants, which are convertible into or exchangeable with equity shares.

During 2010-11, 50 companies raised ₹ 25,861 crore from primary market through QIP issues as compared to ₹ 42,729 crore raised through 62 QIP issues in 2009-10.

II. Sector-wise Resource Mobilisation

Sector-wise classification reveals that 77 private sector and 14 public sector issues mobilised resources through primary market during 2010-11 as compared to 70 private sector and six public sectors issues in 2009-10. These companies raised ₹ 67,609 crore though 91 issues in 2010-11 as compared to ₹ 57,555 crore through 76 issues in 2009-10 (Table 2.3).

The share of private sector in total resource mobilisation stood at 43.5 percent in 2010-11 as compared to 45.9 percent in 2009-10, consequently, the share of public sector in total resource mobilisation increased to 56.5 percent from 54.1 percent during the same period (Chart 2.2).

Table 2.2: Resource Mobilisation through Qualified Institutions' Placement

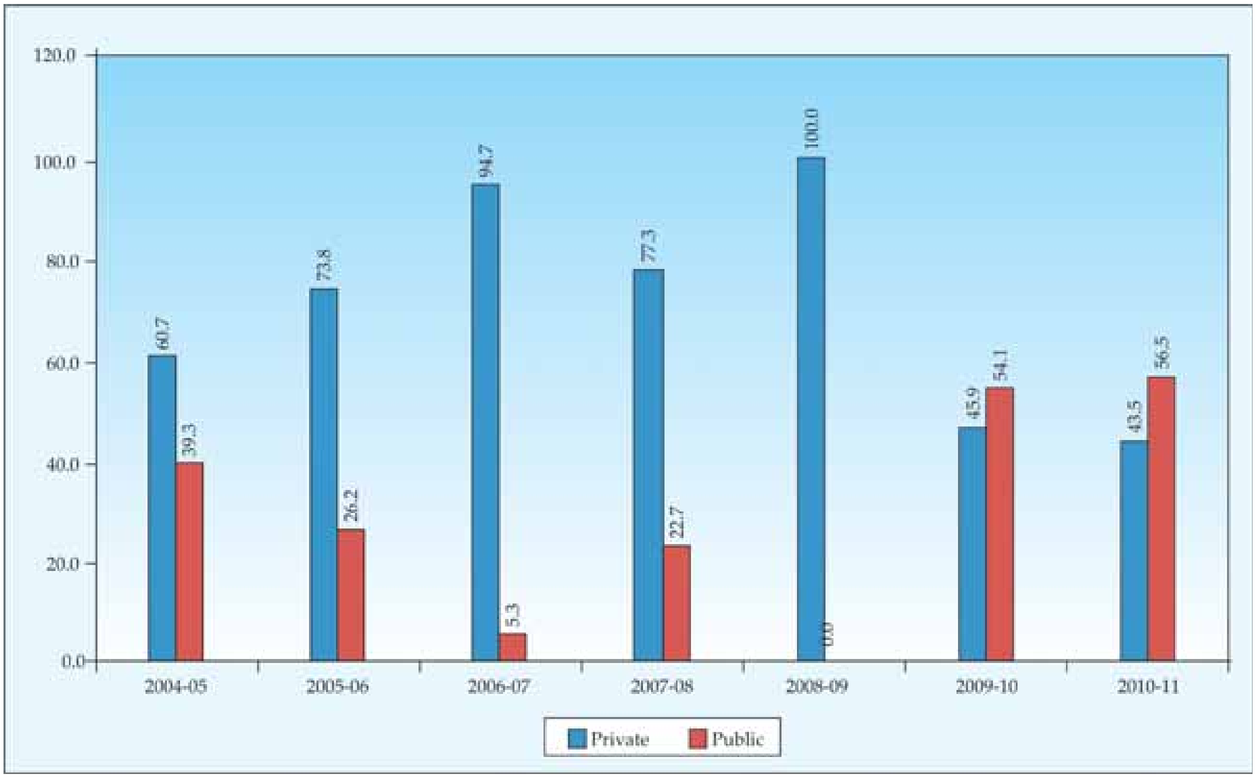
Particulars	2008-09		2009-10		2010-11	
	No. of Issues	Amount (₹ crore)	No. of Issues	Amount (₹ crore)	No. of Issues	Amount (₹ crore)
1	2	3	4	5	6	7
Total	**2**	**189**	**62**	**42,729**	**50**	**25,861**
of which						
Companies listed at BSE	1	75	62	42,729	50	25,861
Companies listed at NSE	2	189	61	42,484	46	22,987

Source: BSE and NSE.

Table 2.3: Sector-wise Resource Mobilisation

Sector	2009-10		2010-11		Percentage Share in the Total Amount	
	No. of Issues	Amount (₹ crore)	No. of Issues	Amount (₹ crore)	2009-10	2010-11
1	2	3	4	5	6	7
Private	70	26,438	77	29,385	45.9	43.5
Public	6	31,117	14	38,223	54.1	56.5
Total	**76**	**57,555**	**91**	**67,609**	**100.0**	**100.0**

Chart 2.2: Sector-wise Resource Mobilisation



III. Size-wise Resource Mobilisation

About 84.7 percent of resource mobilisation was through public issues of issue-size above ₹ 500 crore during 2010-11 compared to 87.7 percent during the previous financial year (Table 2.4). Also, the number of issues under category of issues having size of ₹ 500 crore or above increased to 26 in 2010-11 from 21 in 2009-10.

The average size of the issue in 2010-11 stood at ₹ 743 crore, marginally decreased from ₹ 757 crore during 2009-10.

Table 2.4: Size-wise Resource Mobilisation

Issue Size	2009-10		2010-11		Percentage Share in the Total Amount	
	No. of Issues	Amount (₹ crore)	No. of Issues	Amount (₹ crore)	2009-10	2010-11
1	2	3	4	5	6	7
< ₹ 5 crore	1	2	1	2	0.0	0.0
≥ ₹ 5 crore & < ₹ 10 crore	3	24	2	11	0.0	0.0
≥ ₹ 10 crore & < ₹ 50 crore	18	596	13	455	1.0	0.7
≥ ₹ 50 crore & < ₹ 100 crore	9	636	20	1,406	1.1	2.1
≥ ₹ 100 crore & < ₹ 500 crore	24	5,824	29	8,479	10.1	12.5
≥ ₹ 500 crore	21	50,474	26	57,256	87.7	84.7
Total	**76**	**57,555**	**91**	**67,609**	**100.0**	**100.0**

There were 36 mega issues in 2010-11 as compared to 30 mega issues in 2009-10. These 36 mega issues mobilised ₹ 59,547.4 crore which amounts to 88.1 percent of total resource mobilisation during the year. The largest mega issue during 2010-11 was of a Public Sector Undertaking (PSU), namely, Coal India Ltd (₹ 15,199.4 crore) which was followed by again PSUs, namely, Power Grid Corporation of India Limited (₹ 7,442.3 crore) and State Bank of India (debt issue) (₹ 5,497.0 crore).

Table 2.5: Mega Issues in 2010-11

Name of the Entity	Type of Issue	Type of Instrument	Date of Opening of Issue	Offer Size (₹ crore)	Percentage Share of Total
1	2	3	4	5	6
Nitesh Estates Ltd	IPO	Equity	23-Apr-10	405.0	0.7
SJVN Ltd	IPO	Equity	29-Apr-10	1,062.5	1.8
Jaypee Infratech Ltd	IPO	Equity	29-Apr-10	2,262.0	3.8
Suzlon Energy Ltd	Rights	Equity	18-Jun-10	1,307.7	2.2
REI Agro Ltd	Rights	Equity	30-Jun-10	1,245.4	2.1
Engineers India Ltd	FPO	Equity	27-Jul-10	959.4	1.6
SKS Micro Finance Ltd	IPO (Fresh + OFS)	Equity	28-Jul-10	1,628.8	2.7
Gujarat Pipavav Port Ltd	IPO (Fresh + OFS)	Equity	23-Aug-10	553.9	0.9
Trent Ltd	Rights	CCPS	6-Aug-10	490.3	0.8
Indosolar Ltd	IPO	Equity	13-Sep-10	357.0	0.6
State Bank of Mysore	Rights	Equity	15-Sep-10	583.2	1.0
Eros International Media Ltd	IPO	Equity	17-Sep-10	350.0	0.6
Orient Green Power Company Ltd	IPO	Equity	21-Sep-10	900.0	1.5
Ramky Infrastructure Ltd	IPO	Equity	21-Sep-10	530.0	0.9
Va Tech Wabag Ltd	IPO	Equity	22-Sep-10	472.6	0.8
Oberoi Realty Ltd	IPO	Equity	6-Oct-10	1,028.6	1.7
Prestige Estates Projects Ltd	IPO	Equity	12-Oct-10	1,200.0	2.0
Coal India Ltd	IPO	Equity	18-Oct-10	15,199.4	25.5
MOIL Ltd	IPO	Equity	26-Nov-10	1,237.5	2.1
Power Grid Corporation of India Ltd	FPO	Equity	9-Nov-10	7,442.3	12.5
The Shipping Corporation of India Ltd	FPO (Fresh + OFS)	Equity	30-Nov-10	1,164.9	2.0
A2Z Maintenance & Engg.Services	IPO (Fresh + OFS)	Equity	8-Dec-10	776.3	1.3
Punjab & Sind Bank	IPO	Equity	13-Dec-10	470.8	0.8
Tata Steels Ltd	FPO	Equity	19-Jan-11	3,477.0	5.8
Karur Vysya Bank Ltd	Rights	Equity	28-Feb-11	457.5	0.8
EIH Ltd	Rights	Equity	1-Mar-11	1,178.9	2.0
The Karnataka Bank Ltd	Rights	Equity	8-Mar-11	457.0	0.8
PTC India Financial Services Ltd	IPO	Equity	16-Mar-11	433.3	0.7
Central Bank of India	Rights	Equity	24-Mar-11	2,497.6	4.2
State Bank of Bikaner & Jaipur	Rights	Equity	28-Mar-11	780.0	1.3
Shriram Transport Finance Company Ltd	Public	NCD	17-May-10	500.0	0.8
Infrastructure Development Finance Company Ltd (Tranche 1)	Public	NCD	30-Sep-10	484.3	0.8
State Bank of India	Public	NCD	18-Oct-10	1,000.0	1.7
Infrastructure Development Finance Company Ltd (Tranche 2)	Public	NCD	17-Jan-11	757.3	1.3
L&T Infrastructure Finance Company Ltd	Public	NCD	7-Feb-11	400.0	0.7
State Bank of India (Tranche-1)	Public	NCD	21-Feb-11	5,497.0	9.2
TOTAL (Mega Issues)				**59,547.4**	**100.0**

Note: An issue of ₹ 300 crore and above is referred to as Mega Issue.

IV. Industry-wise Resource Mobilisation

Industry-wise classification reveals that Miscellaneous segment (which includes Coal India IPO) accounted for 46.6 percent of total resource mobilisation in the primary market during 2010-11, followed by Banks/Fls sector with 25.5 percent share, Power sector with 14.0 percent share, Cement & Construction with 4.2 percent share and Finance sector with 3.3 percent share in total.

Table 2.6: Industry-wise Resource Mobilisation

Industry	2009-10		2010-11		Percentage Share in the Total Amount	
	No. of Issues	Amount (₹ crore)	No. of Issues	Amount (₹ crore)	2009-10	2010-11
1	2	3	4	5	6	7
Banks/Fls	6	3,138	18	17,248	5.5	25.5
Cement & Construction	8	2,780	3	2,841	4.8	4.2
Chemical	1	36	5	247	0.1	0.4
Electronics	1	1,156	0	0	2.0	0.0
Engineering	1	50	5	1,394	0.1	2.1
Entertainment	9	2,461	4	715	4.3	1.1
Finance	2	1,826	3	2,210	3.2	3.3
Food Processing	2	443	1	1,245	0.8	1.8
Healthcare	2	1,059	3	292	1.8	0.4
Information Technology	4	540	1	170	0.9	0.3
Paper & Pulp	1	35	0	0	0.1	0.0
Plastic	1	39	0	0	0.1	0.0
Power	6	25,293	4	9,469	43.9	14.0
Printing	0	0	1	52	0.0	0.1
Telecom	0	0	0	0	0.0	0.0
Textile	3	237	3	207	0.4	0.3
Miscellaneous	29	18,461	40	31,519	32.1	46.6
Total	**76**	**57,555**	**91**	**67,609**	**100.0**	**100.0**

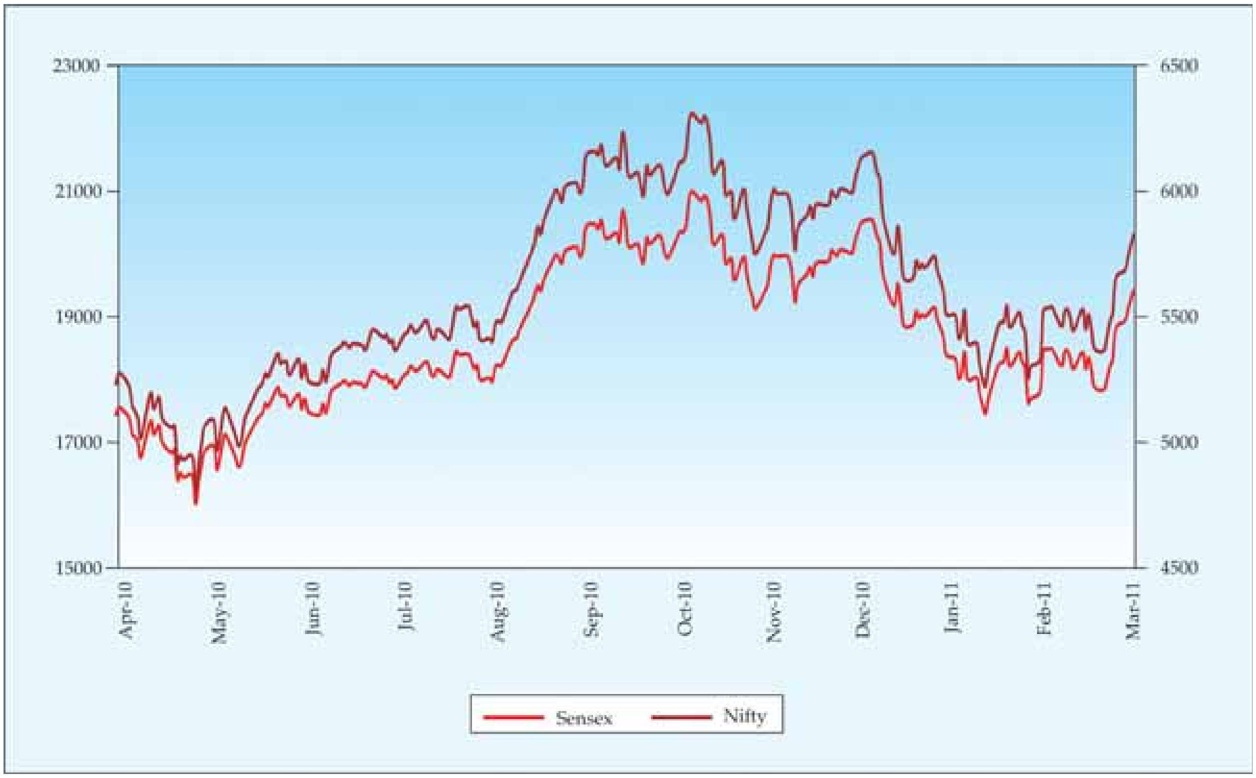
Note: ₹ 9,451 crore through 10 NCDs include Banks/FIs in 2010-11 compared to ₹ 2,500 crore through three NCDs in 2009-10.

2. SECONDARY SECURITIES MARKET

I. Equity Market in India

Equity market in India witnessed a significant uptrend during 2010-11 till October 2010. This was primarily on account of significant FII inflows into India and number of IPOs/FPOs of companies like Coal India Ltd, Power Grid Corporation of India Ltd, Tata Steels Ltd, etc coming to primary market which attracted number of investors to capital market. However, post Diwali in November 2010 when market touched its peak, Indian securities market took downward trend from December 2010 to February 2011 on account of significant FII outflows and concerns raised on domestic and international issues. However, the markets got revived in March 2011 as compared to February 2011 on account of easing of concerns on domestic and international issues and FIIs being net investor in Indian markets in March, 2011 which helped the market sentiments.

Chart 2.3: Movement of Benchmark Stock Market Indices



The Bombay Stock Exchange (BSE) sensitive index, Sensex 30 ended the year 2010-11 at 19445.2 on March 31, 2011 with 1917.2 points higher over the previous year closing value. National Stock Exchange (NSE) of India's benchmark index i.e. Nifty 50 closed at 5833.8 on March 31, 2011, showing 11.1 percent increase over the previous year's closing value.

During 2010-11, Sensex reached its maximum level at 21005 on November 5, 2010 and touched its bottom at 16022.5 on May 25, 2010. Similarly, NSE's Nifty 50 closed its maximum level at 6312.5 on November 5, 2010 and its minimum level at 4806.8 on May 25, 2010.

In the cash segment, both BSE and NSE witnessed a negative trend in turnover over the previous year. The turnover of BSE stood at ₹ 11,05,027 crore in 2010-11 as against of ₹ 13,78,809 crore in 2009-10, showing a decrease of 19.9 percent over the previous year. At NSE, the turnover in cash segment declined to ₹ 35,77,410 crore in 2010-11 as against of ₹ 41,38,023 crore in 2009-10, indicating a decrease of 13.5 percent over the previous year. However, derivatives turnover at NSE gained by 65.6 percent over the previous year. This is on account of the fact that the Indian securities market is undergoing a fundamental change as market is developing both in terms of increase in investor awareness and usage of leverage. As a result, investors are trading more in derivatives than cash segment. At BSE, however, derivatives turnover declined by 34.1 percent.

Unlike previous year when all equity markets across the world witnessed uptrend, during 2010-11, equity markets across the world witnessed a mixed trend in terms of increase or decrease in year end values of their benchmark indices over previous year. On one hand, there were equity markets witnessing uptrend – the highest increase was seen in Argentina's IBG index (41.1 percent) followed by Thailand's SET index (32.9 percent), Indonesian JCI index (32.5 percent), Russian CRTX index (27.3 percent), South Korean Kospi index (24.4 percent) and Chile's IPSA index (22.9 percent), respectively. On the other hand, some equity markets closed the year in negative. Egypt's Hermex index witnessed the highest downfall of 15.5 percent over the year followed by Japan's NKY index (12.0 percent), China's Shcomp index (5.8 percent), Hungary's BUX index (4.9 percent) and Brazilian IBOV index (2.5 percent), respectively. The Indian benchmark indices i.e. BSE Sensex and S&P CNX Nifty ended the year with increase of 10.9 percent and 11.1 percent respectively in 2010-11.

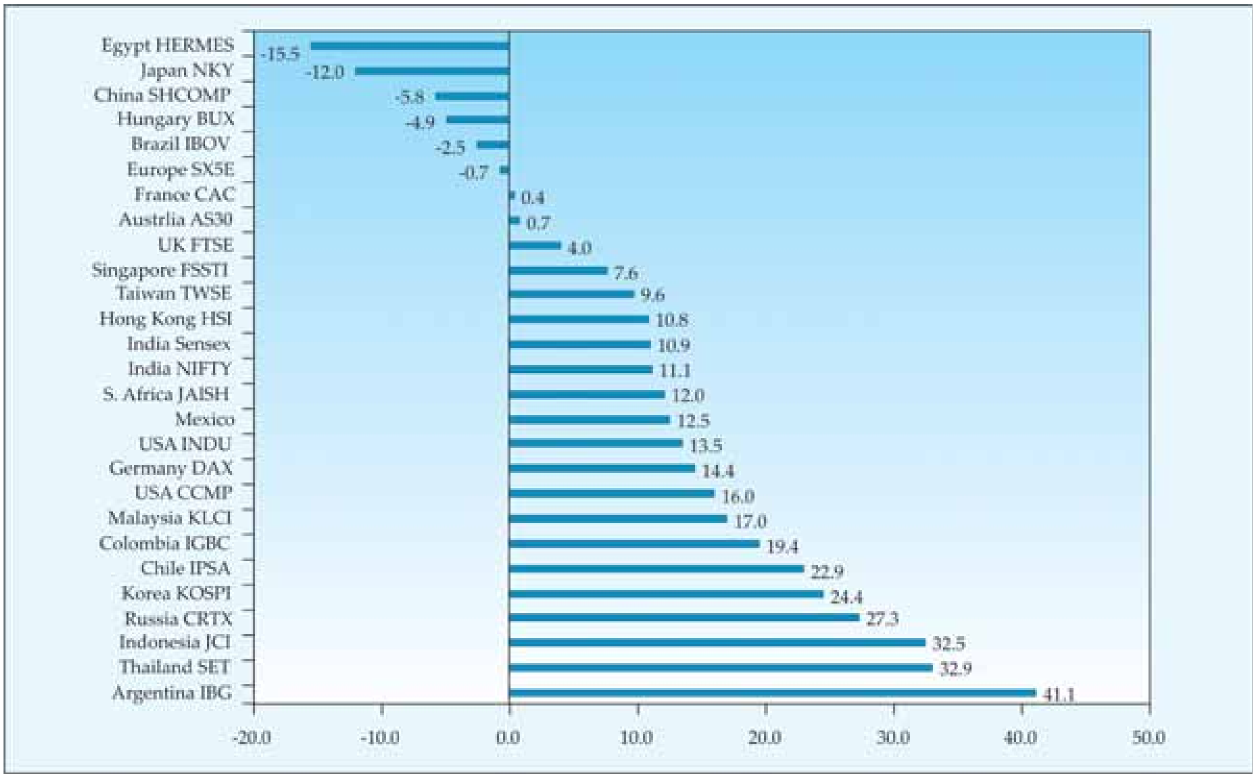
Table 2.7: Major Indicators of Indian Stock Markets

Item	2009-10	2010-11	Percentage Variation over the Previous Year	
			2009-10	2010-11
1	2	3	4	5
A. Indices				
BSE Sensex				
Year-end	17528	19445.2	80.5	10.9
Average	15585	18605.2	26.0	19.4
S&P CNX Nifty				
Year-end	5249	5833.8	73.8	11.1
Average	4658	5583.5	24.8	19.9
S&P CNX 500				
Year-end	4313	4626.5	87.9	7.3
Average	3810	4578.4	29.1	20.2
B. Annualised Volatility (percent)				
BSE Sensex	29.2	21.1	-33.1	-27.6
S&P CNX Nifty	29.4	21.4	-29.2	-27.3
C. Total Turnover (₹ crore)				
Cash Segment (All-India)	55,16,833	46,82,437	43.2	-15.1
of which				
BSE	13,78,809	11,05,027	25.3	-19.9
NSE	41,38,023	35,77,410	50.4	-13.5
Equity Derivatives Segment	1,76,63,899	2,92,48,375	60.3	65.6
of which				
BSE	234	154	-98.0	-34.1
NSE	1,76,63,665	2,92,48,221	60.4	65.6
D. Market Capitalisation (₹ crore)				
BSE	61,65,619	68,39,083	99.8	10.9
NSE	60,09,173	67,02,616	107.5	11.5
E. P/E Ratio				
BSE Sensex	21.3	21.2	56.2	-0.8
S&P CNX Nifty	22.3	22.1	56.2	-0.9
S&P CNX 500	19.4	20.2	47.8	3.9

Note: Annualised volatility is calculated by multiplying the standard deviation of the logarithmic returns with the square root of the number of trading days for the period.

Source: BSE and NSE.

Chart 2.4: Year-on-Year Returns of International Indices (2010-11)



II. Performance of Sectoral Indices

On analyzing performance of sectoral indices at Bombay Stock Exchange, though there was an uptrend in majority of sectoral indices till November 2010, however at the end of year only three sectoral indices i.e. Consumer Durable, Bankex and Auto index witnessed significant increase in their levels. BSE Consumer Durables index witnessed an increase of 47.8 percent over the previous year, followed by BSE Bankex index (24.9 percent) and BSE Auto index (21.1 percent) (Chart 2.5). On the other hand, BSE Metal index was the worst performer during 2010-11. BSE Metal index declined by 10.1 percent over the previous year followed by BSE Capital Goods index (-6.0 percent) and BSE Small cap (-3.8 percent).

The broader market indices i.e. BSE 200 and BSE 500 declined by 8.1 percent and 7.5 percent, respectively during 2010-11.

At NSE, among the major sectoral indices selected for analysis, the highest increase was witnessed in CNX FMCG index (26.3 percent), followed by CNX Bank index (23.7 percent), CNX IT index (22.1 percent), CNX Petrochemicals index (20.9 percent), and CNX Finance index (16.4 percent) at the end of March, 2011. Among broader indices, CNX Midcap index increased by 4.4 percent and CNX MNC index increased by 0.7 percent over the previous year. However at NSE, only CNX PSE reported a negative return of 5.3 percent at the end of March 31, 2011.

Chart 2.5: Movement of Sectoral Indices of BSE (2010-11)

Source: BSE.

Chart 2.6: Movement of Sectoral Indices of NSE (2010-11)

Table 2.8: Major Stock Indices and their Percentage Variation

Year/ Month	BSE Sensex	Percentage Variation	BSE 100	Percentage Variation	S&P CNX Nifty	Percentage Variation	CNX Mid-cap	Percentage Variation	S&P CNX 500	Percentage Variation
1	2	3	4	5	6	7	8	9	10	11
2006-07	**13072**	**15.9**	**6587**	**11.6**	**3822**	**12.3**	**4850**	**1.3**	**3145**	**8.1**
2007-08	**15644**	**19.7**	**8233**	**25.0**	**4735**	**23.9**	**6241**	**28.7**	**3826**	**21.7**
2008-09	**9709**	**-37.9**	**4943**	**-40.0**	**3021**	**-36.2**	**3408**	**-45.4**	**2295**	**-40.0**
2009-10	**17528**	**80.5**	**9300**	**88.1**	**5249**	**73.8**	**7705**	**126.1**	**4313**	**87.9**
2010-11	**19445**	**10.9**	**10096**	**8.6**	**5834**	**11.1**	**8040**	**4.3**	**4626**	**7.3**
Apr-10	17559	0.2	9379	0.8	5278	0.6	8061	4.6	4368	1.3
May-10	16945	-3.5	9041	-3.6	5086	-3.6	7756	-3.8	4227	-3.2
Jun-10	17701	4.5	9443	4.4	5313	4.4	8131	4.8	4421	4.6
Jul-10	17868	0.9	9557	1.2	5368	1.0	8415	3.5	4475	1.2
Aug-10	17971	0.6	9628	0.7	5402	0.6	8680	3.1	4537	1.4
Sep-10	20069	11.7	10627	10.4	6030	11.6	9164	5.6	4925	8.5
Oct-10	20032	-0.2	10640	0.1	6018	-0.2	9361	2.1	4973	1.0
Nov-10	19521	-2.6	10281	-3.4	5863	-2.6	8908	-4.8	4781	-3.9
Dec-10	20509	5.1	10675	3.8	6135	4.6	8857	-0.6	4941	3.3
Jan-11	18328	-10.6	9569	-10.4	5506	-10.2	7923	-10.6	4425	-10.5
Feb-11	17823	-2.8	9259	-3.2	5333	-3.1	7370	-7.0	4247	-4.0
Mar-11	19445	9.1	10096	9.0	5834	9.4	8040	9.1	4626	8.9

Note: Indices value is the closing value of last trading day of the respective year/month.

Source: BSE and NSE

Table 2.9: Sectoral Stock Indices and their Returns

Year/ Month	CNX IT	Percentage Variation	CNX Bank	Percentage Variation	CNX PSE	Percentage Variation	BSE Oil and Gas	Percentage Variation	BSE FMCG	Percentage Variation
1	2	3	4	5	6	7	8	9	10	11
2006-07	**4353**	**48.9**	**4662**	**31.8**	**2554**	**48.0**	**4919**	**61.1**	**2211**	**110.1**
2007-08	**5181**	**19.0**	**5309**	**13.9**	**2484**	**-2.7**	**6419**	**30.5**	**1739**	**-21.4**
2008-09	**2319**	**-55.3**	**4133**	**-22.2**	**2454**	**-1.2**	**7053**	**9.9**	**2036**	**17.1**
2009-10	**5856**	**152.6**	**9460**	**128.9**	**3766**	**53.5**	**10159**	**44.0**	**2831**	**39.1**
2010-11	**7148**	**22.1**	**11705**	**23.7**	**3567**	**-5.3**	**10241**	**0.8**	**3596**	**27.0**
Apr-10	5986	2.2	9870	4.3	3723	-1.1	9924	-2.3	2878	1.7
May-10	5762	-3.7	9364	-5.1	3778	1.5	10181	2.6	2981	3.6
Jun-10	5928	2.9	9465	1.1	3946	4.4	10874	6.8	3230	8.4
Jul-10	6087	2.7	10161	7.4	3844	-2.6	10166	-6.5	3230	0.0
Aug-10	5975	-1.8	10746	5.8	3937	2.4	9921	-2.4	3385	4.8
Sep-10	6613	10.7	12366	15.1	4122	4.7	10447	5.3	3720	9.9
Oct-10	6613	0.0	12331	-0.3	4002	-2.9	10949	4.8	3605	-3.1
Nov-10	6704	1.4	11953	-3.1	3705	-7.4	10062	-8.1	3583	-0.6
Dec-10	7491	11.7	11791	-1.3	3853	4.0	10601	5.4	3684	2.8
Jan-11	6971	-6.9	10642	-9.7	3588	-6.9	9482	-10.6	3366	-8.6
Feb-11	6666	-4.4	10435	-1.9	3315	-7.6	9459	-0.2	3432	2.0
Mar-11	7148	7.2	11705	12.2	3567	7.6	10241	8.3	3596	4.8

Note: Indices value is the closing value of last trading day of the respective year/month.

Source: BSE and NSE.

III. Turnover in Indian Stock Market

During 2010-11, turnover of all stock exchanges in India in the cash segment decreased by 15.1 percent to ₹ 46,85,034 crore from ₹ 55,18,469 crore in 2009-10 (Table 2.10). BSE and NSE together contributed almost 100 percent of the turnover, of which NSE accounted for 76.4 percent in the total turnover in cash market whereas BSE accounted for 23.6 percent to the total. Apart from NSE and BSE, the only two stock exchanges which recorded turnover during 2010-11 were Calcutta Stock Exchange (₹ 2,597 crore) and UPSE (₹ 0.12 crore). There was no transaction on other stock exchanges. Month-wise, BSE and NSE recorded highest turnover in October, 2010 and November, 2010 respectively (Table 2.11).

Table 2.10: Exchange-wise Cash Segment Turnover

(₹ crore)

Stock Exchange	2008-09	2009-10	2010-11	*Percentage Share*
1	2	3	4	5
Recognized Stock Exchanges				
Ahmedabad	Nil	Nil	Nil	Nil
BSE	11,00,074	13,78,809	11,05,027	23.6
Bangalore	Nil	Nil	Nil	Nil
Bhubaneswar	Nil	Nil	Nil	Nil
Cochin	Nil	Nil	Nil	Nil
Coimbatore	Nil	Nil	Nil	Nil
Delhi	Nil	Nil	Nil	Nil
Gauhati	Nil	Nil	Nil	Nil
ISE	Nil	Nil	Nil	Nil
Jaipur	Nil	Nil	Nil	Nil
Calcutta	393	1,612	2,597	0.0
Ludhiana	Nil	Nil	Nil	Nil
Madras	Nil	Nil	Nil	Nil
MPSE	Nil	Nil	Nil	Nil
NSE	27,52,023	41,38,023	35,77,410	76.4
OTCEI	Nil	Nil	Nil	Nil
Pune	Nil	Nil	Nil	Nil
UPSE	89	25	0.12	0.0
Vadodara	Nil	Nil	Nil	Nil
Total	**38,52,579**	**55,18,469**	**46,85,034**	**100**

Source: Various Stock Exchanges

Table 2.11: Turnover at BSE and NSE: Cash Segment

Year / Month	BSE		NSE		Total Turnover (₹ crore)
	Turnover (₹ crore)	Percentage Variation	Turnover (₹ crore)	Percentage Variation	
1	2	3	4	5	6
2005-06	**8,16,074**	**57.3**	**15,69,558**	**37.7**	**23,85,632**
2006-07	**9,56,185**	**17.2**	**19,45,287**	**23.9**	**29,01,472**
2007-08	**15,78,857**	**65.1**	**35,51,038**	**82.6**	**51,29,895**
2008-09	**11,00,074**	**-30.3**	**27,52,023**	**-22.5**	**38,52,097**
2009-10	**13,78,809**	**25.3**	**41,38,023**	**50.4**	**55,16,833**
2010-11	**11,05,027**	**-19.9**	**35,77,410**	**-13.5**	**46,82,437**
Apr-10	93,929	-5.9	2,76,566	-3.4	3,70,495
May-10	86,680	-7.7	2,84,625	2.9	3,71,305
Jun-10	92,493	6.7	2,86,109	0.5	3,78,602
Jul-10	92,957	0.5	2,78,551	-2.6	3,71,508
Aug-10	1,12,882	21.4	3,11,994	12.0	4,24,876
Sep-10	1,08,885	-3.5	3,29,869	5.7	4,38,753
Oct-10	1,18,497	8.8	3,60,472	9.3	4,78,969
Nov-10	1,06,000	-10.5	3,63,993	1.0	4,69,993
Dec-10	81,560	-23.1	2,95,685	-18.8	3,77,245
Jan-11	69,858	-14.3	2,67,332	-9.6	3,37,189
Feb-11	68,830	-1.5	2,66,504	-0.3	3,35,334
Mar-11	72,457	5.3	2,55,712	-4.0	3,28,168

Source: BSE and NSE

City-wise distribution of turnover of cash segments at NSE and BSE indicates the all-India spread of the stock markets (Table 2.12). As in the earlier years, Mumbai/Thane accounted for the largest share in the turnover of BSE (39.0 percent) and NSE (58.6 percent) during 2010-11. At NSE, Delhi/Ghaziabad accounted for 10.8 percent share of the turnover followed by Kolkata/Howrah at 7.5 percent and Ahmedabad at 6.2 percent. Whereas, at BSE, Delhi/Ghaziabad accounted for 14.0 percent of the turnover followed by Ahmedabad (9.4 percent), Rajkot (4.8 percent), Baroda (2.1 percent) and Kolkata/Howrah at 2.0 percent. Further, the others category of cities accounted for 24.4 percent of turnover at BSE, while the same has contributed 7.5 percent of turnover at NSE in 2010-11.The top five cities accounted for 84.8 percent of turnover at NSE during 2010-11, while the share of top five cities was 69.3 percent at BSE during 2010-11.

Table 2.12: City-wise Turnover of Top 20 Cities in Cash Segment during 2010-11

BSE			NSE		
City	Turnover (₹ crore)	Percentage Share in All-India Turnover	City	Turnover (₹ crore)	Percentage Share in All-India Turnover
1	2	3	4	5	6
Mumbai / Thane	4,31,129	39.0	Mumbai / Thane	20,96,438	58.6
Delhi/Ghaziabad	1,55,130	14.0	Delhi/Ghaziabad	3,86,242	10.8
Ahmedabad	1,04,038	9.4	Calcutta / Howrah	2,68,216	7.5
Rajkot	52,754	4.8	Ahmedabad	2,21,787	6.2
Baroda	22,686	2.1	Cochin	60,891	1.7
Calcutta / Howrah	22,354	2.0	Hyderabad	56,592	1.6
Jaipur	11,080	1.0	Rajkot	55,976	1.6
Pune	7,824	0.7	Chennai	55,801	1.6
Indore	6,703	0.6	Indore	20,978	0.6
Hyderabad	5,420	0.5	Bangalore	20,245	0.6
Chennai	4,257	0.4	Baroda	18,665	0.5
Bangalore	3,996	0.4	Jaipur	16,372	0.5
Ludhiana	2,508	0.2	Coimbatore	9,244	0.3
Cochin	1,788	0.2	Pune	8,893	0.2
Chandigarh	1,220	0.1	Kanpur	5,249	0.1
Gurgaon	862	0.1	Ludhiana	4,593	0.1
Noida	618	0.1	Patna	996	0.0
Gajuwaka	520	0.0	Guwahati	222	0.0
Coimbatore	463	0.0	Mangalore	130	0.0
Others	2,69,678	24.4	Others	2,69,879	7.5
Total	**11,05,027**	**100.0**	**Total**	**35,77,410**	**100.0**

Source: BSE and NSE

IV. Market Capitalisation

The market capitalisation of all listed companies at BSE increased by 10.9 percent to ₹ 68,39,084 crore in 2010-11 from ₹ 61,65,619 crore in 2009-10. Among the selective sectoral indices of BSE, increase in market capitalisation was the highest for Bankex (24.5 percent), BSE Teck (17.4 percent) and BSE PSU (12.4 percent) over the previous year. However, in terms of absolute value, among these three indices, BSE PSU led the pack with market capitalisation of ₹ 19,48,555 crore followed by BSE Teck at ₹ 8,69,794 crore and BSE Bankex at ₹ 6,89,751 crore (Table 2.13).

Table 2.13: Market Capitalisation at BSE

(₹ crore)

Year/ Month	All Listed Companies	Percentage Variation	BSE Sensex	Percentage Variation	BSE- Teck	Percentage Variation	Bankex	Percentage Variation	BSE PSU	Percentage Variation
1	2	3	4	5	6	7	8	9	10	11
2005-06	**30,22,190**	**77.9**	**14,24,112**	**96.3**	**4,68,278**	**65.8**	**2,19,894**	**42.7**	**7,48,614**	**45.0**
2006-07	**35,45,041**	**17.3**	**17,11,241**	**20.2**	**7,17,127**	**53.1**	**2,57,026**	**16.9**	**7,22,517**	**-3.5**
2007-08	**51,38,014**	**44.9**	**22,23,701**	**30.0**	**6,81,431**	**-5.0**	**3,77,020**	**46.7**	**11,53,034**	**59.6**
2008-09	**30,86,075**	**-39.9**	**15,07,742**	**-32.2**	**4,10,923**	**-39.7**	**2,33,895**	**-38.0**	**9,49,211**	**-17.7**
2009-10	**61,65,619**	**99.8**	**26,17,900**	**73.6**	**7,40,817**	**80.3**	**5,54,127**	**136.9**	**17,33,662**	**82.6**
2010-11	**68,39,084**	**10.9**	**29,44,451**	**12.5**	**8,69,794**	**17.4**	**6,89,751**	**24.5**	**19,48,555**	**12.4**
Apr-10	62,83,196	-8.1	26,05,307	-11.5	7,35,222	-15.5	5,86,401	-15.0	17,50,433	-10.2
May-10	60,91,264	-3.1	25,67,905	-1.4	6,98,824	-5.0	5,41,427	-7.7	17,54,445	0.2
Jun-10	63,94,001	5.0	26,87,143	4.6	7,27,613	4.1	5,50,278	1.6	18,36,922	4.7
Jul-10	65,10,777	1.8	27,07,063	0.7	7,68,058	5.6	5,90,522	7.3	18,50,048	0.7
Aug-10	65,62,025	0.8	27,27,044	0.7	7,66,431	-0.2	6,27,423	6.2	18,62,553	0.7
Sep-10	71,25,807	8.6	30,27,447	11.0	8,39,625	9.5	7,28,358	16.1	19,85,884	6.6
Oct-10	72,24,908	1.4	30,03,197	-0.8	8,21,783	-2.1	7,34,914	0.9	19,62,849	-1.2
Nov-10	70,67,845	-2.2	29,14,814	-2.9	8,29,572	0.9	7,11,100	-3.2	18,02,655	-8.2
Dec-10	72,96,726	3.2	30,94,350	6.2	9,05,944	9.2	6,92,672	-2.6	20,43,648	13.4
Jan-11	65,95,280	-9.6	27,88,464	-9.9	8,45,164	-6.7	6,29,461	-9.1	18,87,817	-7.6
Feb-11	63,43,072	-3.8	27,06,956	-2.9	8,05,306	-4.7	6,20,684	-1.4	18,17,077	-3.7
Mar-11	68,39,084	7.8	29,44,451	8.8	8,69,794	8.0	6,89,751	11.1	19,48,555	7.2

Note: Market Capitalization is the value of last trading day of the respective year/month.

Source: BSE

At NSE, market capitalisation of all listed companies increased by 11.5 percent to ₹ 67,02,616 crore as on March 31, 2011 from ₹ 60,09,173 crore at the end of March 31, 2010. At NSE, among selective sectoral indices, increase in market capitalisation was the highest for CNX Bank (27.1 percent) followed by CNX IT (22.0 percent) while CNX Midcap decreased by 1.5 percent. In terms of absolute value, CNX Bankex stood with market capitalisation of ₹ 4,03,234 crore, followed by CNX Midcap of ₹ 3,12,736 crore and CNX IT at ₹ 2,78,848 crore as on March 31, 2011 (Table 2.14).

Table 2.14: Market Capitalisation at NSE

(₹ crore)

Year/ Month	All listed Companies	Percentage Variation	S&P CNX Nifty	Percentage Variation	CNX Mid Cap	Percentage Variation	CNX IT	Percentage Variation	CNX Bank	Percentage Variation
1	2	3	4	5	6	7	8	9	10	11
2005-06	**28,13,201**	**77.4**	**15,90,155**	**67.1**	**3,38,927**	**129.0**	**3,48,096**	**53.2**	**2,00,503**	**46.4**
2006-07	**33,67,350**	**19.7**	**19,09,448**	**20.1**	**3,41,869**	**0.9**	**4,20,814**	**20.9**	**2,29,084**	**14.3**
2007-08	**48,58,122**	**44.3**	**28,48,773**	**49.2**	**4,62,665**	**35.3**	**3,22,637**	**-23.3**	**3,50,535**	**53.0**
2008-09	**28,96,194**	**-40.4**	**18,92,629**	**-33.6**	**2,73,627**	**-40.9**	**2,01,810**	**-37.5**	**2,24,132**	**-36.1**
2009-10	**60,09,173**	**107.5**	**15,25,162**	**-19.4**	**3,17,619**	**16.1**	**2,28,558**	**13.3**	**3,17,351**	**41.6**
2010-11	**67,02,616**	**11.5**	**17,55,468**	**15.1**	**3,12,736**	**-1.5**	**2,78,848**	**22.0**	**4,03,234**	**27.1**
Apr-10	61,17,858	-8.7	15,29,253	-12.9	3,20,788	2.6	2,33,791	-16.2	3,31,324	-17.8
May-10	59,32,578	-3.0	14,69,955	-3.9	3,02,961	-5.6	2,22,283	-4.9	3,15,504	-4.8
Jun-10	62,29,136	5.0	15,37,447	4.6	3,17,727	4.9	2,28,763	2.9	3,19,176	1.2
Jul-10	63,40,120	1.8	15,57,378	1.3	3,29,265	3.6	2,34,931	2.7	3,42,889	7.4
Aug-10	63,93,418	0.8	15,65,624	0.5	3,40,904	3.5	2,31,373	-1.5	3,63,400	6.0
Sep-10	69,58,534	8.8	17,53,457	12.0	3,66,454	7.5	2,56,149	10.7	4,24,673	16.9
Oct-10	70,55,094	1.4	17,78,566	1.4	3,71,018	1.2	2,56,161	0.0	4,23,545	-0.3
Nov-10	68,94,912	-2.3	17,35,971	-2.4	3,56,591	-3.9	2,60,464	1.7	4,08,508	-3.6
Dec-10	71,39,310	3.5	18,27,097	5.2	3,55,850	-0.2	2,91,094	11.8	4,03,164	-1.3
Jan-11	64,41,491	-9.8	16,40,919	-10.2	3,18,842	-10.4	2,70,940	-6.9	3,64,204	-9.7
Feb-11	61,95,967	-3.8	15,92,942	-2.9	2,96,993	-6.9	2,59,267	-4.3	3,57,497	-1.8
Mar-11	67,02,616	8.2	17,55,468	10.2	3,12,736	5.3	2,78,848	7.6	4,03,234	12.8

Note: Market Capitalization is the value of last trading day of the respective year/month.

Source: NSE.

Table 2.15: Select Ratios Relating to Stock Market

(Percent)

Year	BSE Market Capitalisation to GDP Ratio	NSE Market Capitalisation to GDP Ratio	Total Turnover to GDP Ratio	
			Cash Segment (All-India)	Derivatives Segment (BSE+NSE)
1	2	3	4	5
2003-04	43.4	40.5	58.7	77.6
2004-05	54.3	50.7	53.4	82.1
2005-06	84.4	78.6	66.8	134.7
2006-07	85.5	81.2	70.0	178.9
2007-08	109.5	103.5	109.3	284.1
2008-09	55.3	51.9	69.0	197.4
2009-10	94.1	91.7	84.2	269.7
2010-11	86.8	85.1	59.5	371.3

Sources: Central Statistical Organization and Various Stock Exchanges.

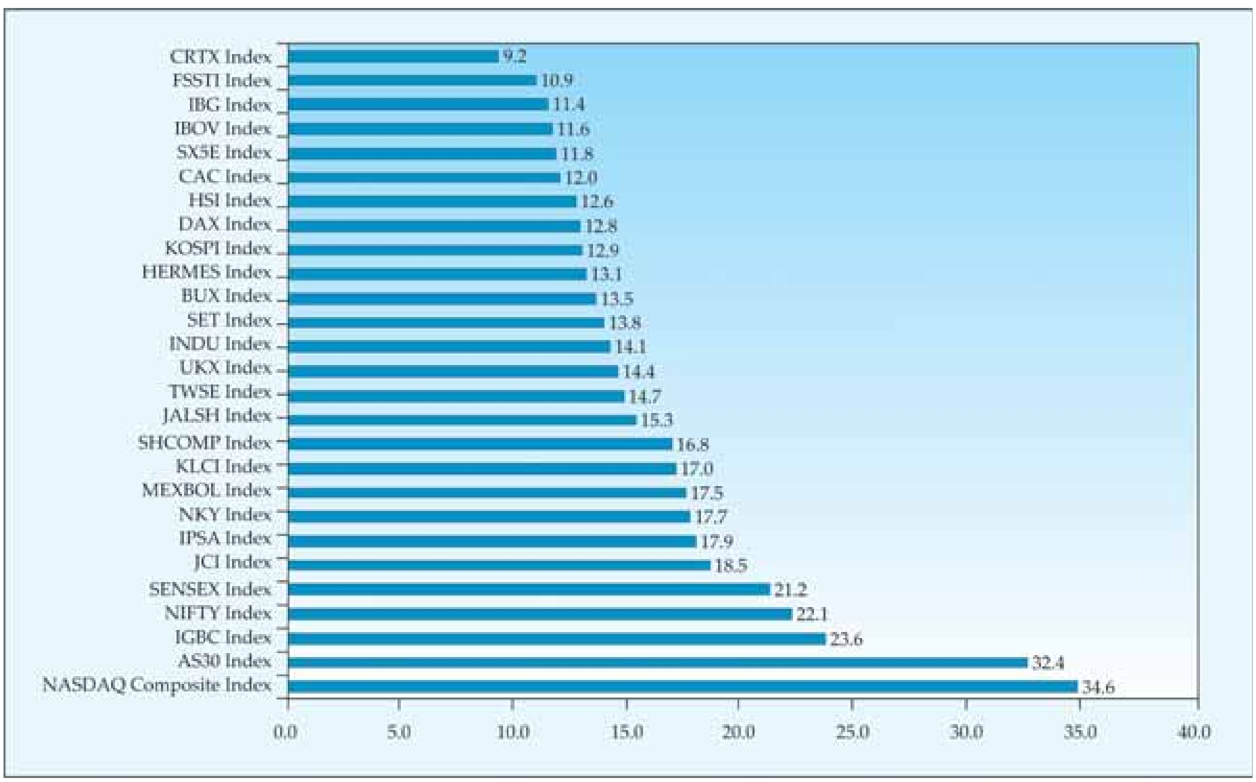
V. Stock Market Indicators

The market capitalisation to GDP ratio is an important parameter for evaluation of stock markets. The liquidity of the market can be measured by the traded value to GDP ratio, i.e., value of the shares traded to GDP at current market prices. Excluding 2008-09, since 2003-04, there has been a considerable improvement in the market capitalisation to GDP ratio. The BSE market capitalisation to GDP ratio improved from 43.4 percent in 2003-04 to 86.8 percent in 2010-11. Similarly, at NSE also the ratio increased from 40.5 percent to 85.1 percent over the same period (Table 2.15).

The turnover to GDP ratio was the highest in 2010-11 under derivatives segment. The All-India cash turnover to GDP ratio decreased to 59.5 percent in 2010-11 from 84.2 percent in 2009-10. However, in the derivative segment, the turnover to GDP ratio increased from 269.7 percent in 2009-10 to 371.3 percent in 2010-11.

The valuation of the shares might be gauged from the price-earning ratio. Among the selective international indices analysed, at the end of March 31, 2011, USA's NASDAQ Composite index witnessed the highest PE ratio of 34.6, followed by AS30 index of Australia (32.4), Colombian IGBC index (23.6), Indian Nifty index (22.1), BSE Sensex (21.2), Indonesian JCI index (18.5), Chile's IPSA index (17.9), Japan's NKY index (17.7) and Mexican MEXBOL index (17.5), respectively (Chart 2.7).

Chart 2.7: P/E Ratio of International Indices



Source: Bloomberg, BSE and NSE.

At the end of March 2011, the P/E ratio of BSE Sensex and S&P CNX Nifty were 21.2 and 22.1 respectively as compared to 21.3 and 22.3 respectively as on March 31, 2010. The P/E ratio of selective Indian indices is given in Table 2.16.

Table 2.16: Price to Earnings Ratio

Year/ Month	BSE Sensex	BSE 100	S&P CNX Nifty	CNX Mid Cap	CNX IT	CNX Bank	CNX PSE
1	2	3	4	5	6	7	8
2005-06	**20.9**	**20.1**	**20.3**	**23.1**	**46.5**	**15.3**	**13.7**
2006-07	**20.3**	**17.6**	**18.4**	**15.6**	**32.4**	**14.2**	**10.6**
2007-08	**20.1**	**20.0**	**20.6**	**14.8**	**17.9**	**16.2**	**13.5**
2008-09	**13.7**	**15.3**	**14.3**	**9.8**	**11.5**	**7.7**	**18.1**
2009-10	**21.3**	**21.1**	**22.3**	**15.0**	**23.5**	**17.7**	**15.3**
2010-11	**21.2**	**20.7**	**22.1**	**17.7**	**26.6**	**18.5**	**15.0**
Apr-10	20.7	20.8	22.3	15.6	23.9	17.9	15.4
May-10	20.4	20.2	21.3	17.4	23.2	17.3	17.7
Jun-10	21.1	21.3	22.3	18.1	23.9	17.5	18.0
Jul-10	21.2	22.4	22.3	19.7	24.5	18.2	18.2
Aug-10	21.4	22.7	22.7	20.6	24.0	18.6	22.4
Sep-10	23.8	24.8	25.5	22.2	26.6	21.8	23.5
Oct-10	23.2	24.6	24.7	22.4	25.9	21.2	28.3
Nov-10	22.4	22.2	23.4	20.1	26.3	20.1	19.9
Dec-10	23.6	23.0	24.5	20.0	29.4	19.9	20.6
Jan-11	20.0	19.9	21.1	17.4	26.4	16.9	18.0
Feb-11	19.4	19.1	20.4	16.1	25.3	16.6	16.2
Mar-11	21.2	20.7	22.1	17.7	26.6	18.5	15.0

Note: PE ratio is the value of last trading day of the respective year/month.

Source: BSE and NSE.

Price to book value ratio is the ratio of market value of equity to the book value of equity. At the end of March 31, 2011, among the selective Indian indices, the P/B ratio was the highest for the CNX IT index at 7.4, followed by BSE 100 index at 3.7, BSE Sensex index at 3.7, S&P CNX Nifty index at 3.7, CNX PSE index at 2.8, CNX Bank index at 2.8 and CNX Midcap index at 2.3, respectively.

Table 2.17: Price to Book-Value Ratio

Year/ Month	BSE Sensex	BSE 100	S&P CNX Nifty	CNX Mid Cap	CNX IT	CNX Bank	CNX PSE
1	2	3	4	5	6	7	8
2005-06	**5.1**	**4.4**	**5.2**	**4.4**	**12.0**	**2.6**	**3.1**
2006-07	**5.1**	**4.4**	**4.9**	**3.1**	**11.7**	**2.2**	**2.7**
2007-08	**5.2**	**5.0**	**5.1**	**3.0**	**6.2**	**2.9**	**3.1**
2008-09	**2.7**	**2.5**	**2.5**	**1.3**	**3.5**	**1.2**	**2.2**
2009-10	**3.9**	**4.0**	**3.7**	**2.7**	**7.2**	**2.5**	**3.1**
2010-11	**3.7**	**3.7**	**3.7**	**2.3**	**7.4**	**2.8**	**2.8**
Apr-10	3.7	3.9	3.8	2.8	7.4	2.7	3.1
May-10	3.5	3.7	3.6	2.7	7.4	2.5	3.1
Jun-10	3.4	3.5	3.8	2.8	7.6	2.6	3.3
Jul-10	3.4	3.5	3.8	2.9	7.8	2.6	3.2
Aug-10	3.4	3.5	3.5	2.7	6.5	2.5	3.2
Sep-10	3.8	3.9	3.8	3.0	7.1	2.9	3.2
Oct-10	3.8	3.9	3.8	2.9	6.9	2.9	3.0
Nov-10	3.6	3.7	3.7	2.8	7.0	2.9	2.8
Dec-10	3.8	3.9	3.9	2.7	7.8	2.8	2.9
Jan-11	3.5	3.5	3.5	2.4	7.2	2.6	2.7
Feb-11	3.4	3.4	3.4	2.3	6.9	2.5	2.5
Mar-11	3.7	3.7	3.7	2.3	7.4	2.8	2.8

* As on last trading day of the respective year/month.

Source: BSE and NSE

VI. Volatility in Stock Markets

Average daily volatility of a stock or index is measured by calculating the standard deviation of logarithmic returns during a certain period. In 2010-11, the stock markets around the world displayed lesser volatility as compared to 2009-10. Month-wise, average daily volatility in the Indian benchmark indices was the highest in May, 2010 and Feb, 2011 (Table 2.18). The lowest volatility in the benchmark indices was noticed during July 2010.

Table 2.18: Average Daily Volatility of Benchmark Indices

Month	BSE Sensex	S&P CNX Nifty	BSE 100	BSE Small Cap	BSE 500	S&P CNX 500
1	2	3	4	5	6	7
Apr-10	0.8	0.8	0.8	0.7	0.8	1.2
May-10	1.5	1.6	1.5	1.6	1.5	1.9
Jun-10	1.2	1.2	1.1	0.9	1.0	1.3
Jul-10	0.6	0.6	0.6	0.4	0.5	0.8
Aug-10	0.7	0.7	0.6	0.7	0.6	1.1
Sep-10	0.8	0.8	0.7	0.8	0.7	1.1
Oct-10	1.1	1.1	1.0	0.9	0.9	1.1
Nov-10	1.3	1.3	1.3	1.5	1.3	1.9
Dec-10	0.9	0.9	1.0	1.4	1.1	1.9
Jan-11	1.1	1.2	1.1	1.2	1.1	1.9
Feb-11	1.5	1.5	1.5	1.7	1.5	2.0
Mar-11	1.3	1.3	1.2	1.1	1.1	1.5

Note: Volatility is measured in terms of standard deviation and is computed from the logarithmic returns based on closing values of indices as on the last date of the month.

Source: BSE and NSE.

The annualised volatility of BSE Sensex decreased from 29.2 percent in 2009-10 to 21.1 percent in 2010-11. Similar trend was also observed for S&P CNX Nifty, which recorded annualised volatility of 21.4 percent in 2010-11 as compared to 29.4 percent in the previous year.

An international comparison of volatility in stock returns indicates that volatility was lesser in 2010-11 in both emerging and developed markets as compared to that in 2009-10 (Table 2.19 and Chart 2.8). As per Bloomberg data, among the selective international securities markets, theannualised volatility was highest for Russian market (29.4 percent) followed by Egypt (26.5 percent), Hungary (26.2 percent), Japan (25.5 percent) and France (23.4 percent). On the other hand Malaysian market witnessed the lowest volatility of 9.0 percent during 2010-11.

VII. Trading Frequency

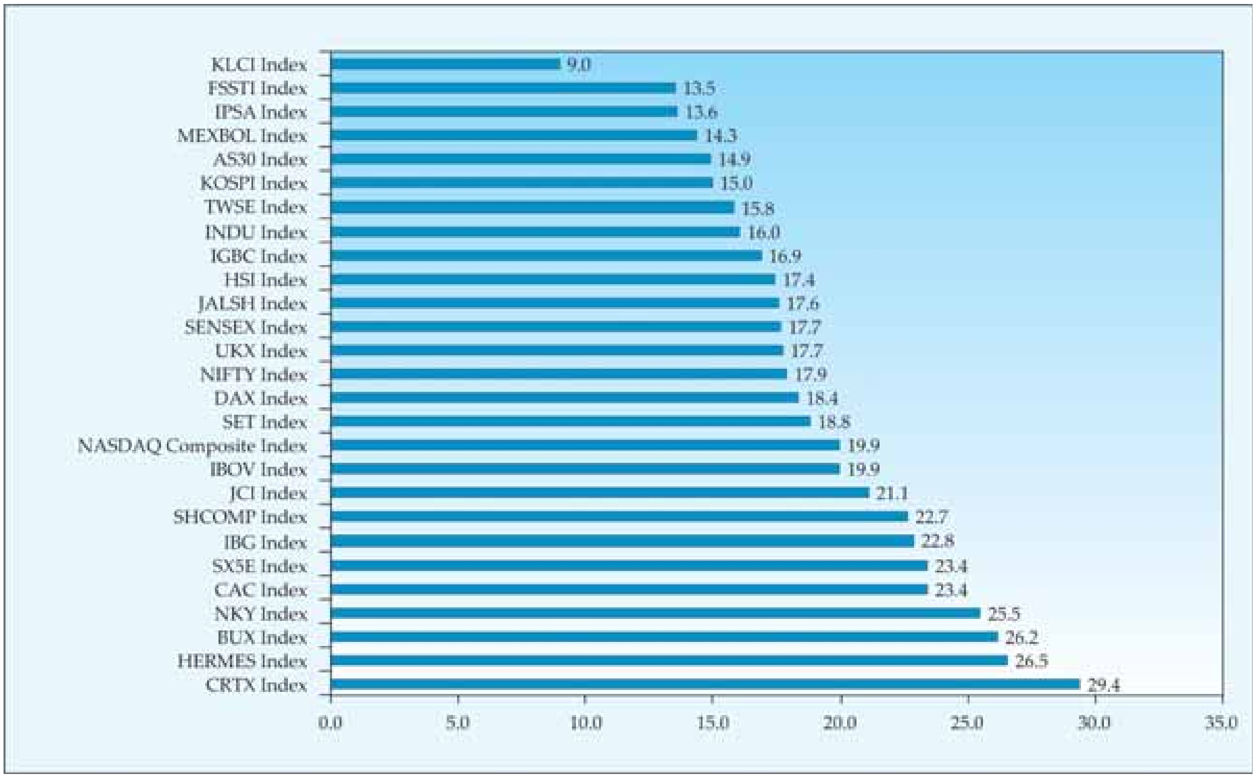
Liquidity in stock markets is measured by the trading frequency of listed stocks at BSE and NSE. Trading frequency improved at both the stock exchanges in 2010-11 over the previous financial year. During 2010-11, the number of stocks traded in BSE was 3,752 as compared to 3,371 in 2009-10 (Table 2.20). Similarly, the number of stocks traded in NSE was higher at 1,541 in 2010-11 compared to 1,401 in 2009-10. The percentage share of securities traded at BSE for more than 100 days decreased from 88.6 percent in 2009-10 to 85.4 percent in 2010-11. At NSE, this percentage increased from 92.9 percent in 2009-10 to 93.7 percent in 2010-11. The percentage share of securities traded for less than 10 days was 7.2 percent at BSE and 1.9 percent at NSE in 2010-11.

Table 2.19: Trends in Daily Volatility of International Stock Market Indices during 2010-11

Country	Index	Apr.	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Annualised Volatility
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
DEVELOPED MARKETS														
USA	DJIA	0.8	1.8	1.4	1.1	1.0	0.8	0.7	0.9	0.5	0.5	0.6	1.0	16.0
USA	Nasdaq Comp.	1.0	2.2	1.8	1.4	1.2	1.0	0.9	1.0	0.6	0.9	1.0	1.1	19.9
UK	FTSE 100	1.0	2.2	1.1	1.2	1.2	0.8	0.7	1.1	0.8	0.9	0.8	1.0	17.7
Europe	DJ Stoxx	1.4	3.2	1.6	1.3	1.3	1.1	0.9	1.3	1.0	1.1	0.8	1.2	23.4
France	CAC	1.4	3.1	1.7	1.4	1.3	1.2	0.9	1.3	0.9	1.1	0.8	1.3	23.4
Germany	DAX	1.2	2.2	1.2	1.1	1.1	0.9	0.7	1.1	0.8	0.8	0.8	1.3	18.4
Australia	AS30	0.7	1.7	1.2	1.0	1.0	0.8	0.8	0.7	0.6	0.6	0.5	0.9	14.9
Japan	NKY	1.2	1.7	1.7	1.5	1.5	1.3	1.1	1.2	0.8	0.9	0.8	3.4	25.5
Hong Kong	HSI	1.2	1.5	1.2	0.9	0.7	0.8	0.9	1.4	0.9	0.8	1.3	1.2	17.4
Singapore	STI	0.9	1.3	1.0	0.5	0.6	0.6	0.7	0.9	0.5	0.7	0.9	1.1	13.5
EMERGING MARKETS														
Taiwan	TWSE	1.1	1.5	1.3	0.8	0.9	0.7	0.8	0.7	0.5	0.8	1.3	1.1	15.8
Russia	CRTX	1.8	4.3	2.0	1.8	1.5	1.0	1.2	1.3	1.0	1.7	1.5	1.4	29.4
Malaysia	KLCI	0.4	0.8	0.6	0.4	0.4	0.6	0.3	0.5	0.5	0.6	0.8	0.6	9.0
South Korea	KOSPI	0.8	1.5	0.9	0.8	0.9	0.5	0.8	1.0	0.6	0.8	1.1	1.1	15.0
Thailand	SET	2.2	2.0	1.0	0.5	0.8	0.7	0.9	1.2	0.8	1.5	1.1	0.9	18.8
China	SHCOMP	1.4	2.1	1.5	1.2	1.3	1.0	1.5	1.9	1.2	1.4	1.2	0.9	22.7
S. Africa	JALSH	1.2	2.1	1.3	0.8	1.1	0.8	0.7	0.9	0.6	0.9	1.0	1.2	17.6
Brazil	IBOV	1.1	2.2	1.5	1.0	1.2	1.0	1.0	1.3	1.0	0.9	1.3	1.0	19.9
Colombia	IGBC	0.7	1.3	0.5	0.8	0.7	1.3	1.0	1.7	0.7	0.8	1.0	1.4	16.9
Hungary	BUX	1.7	3.7	1.4	1.6	1.4	1.0	0.7	1.9	1.1	1.0	1.3	1.1	26.2
Egypt	HERMES	1.4	2.5	1.2	1.2	0.8	0.7	0.7	0.7	0.5	2.9	NA	4.5	26.5
Indonesia	JCI	1.0	2.8	1.3	0.7	1.0	1.2	0.7	1.1	1.2	1.8	0.9	0.9	21.1
Argentina	IBG	1.2	3.0	1.5	0.9	1.5	0.8	0.9	1.7	1.0	1.0	1.1	1.2	22.8
Chile	IPSA	0.5	1.0	0.8	0.7	0.8	0.7	0.8	0.7	0.6	0.9	1.3	1.1	13.6
Mexico	MEXBOL	1.0	1.4	1.3	0.8	1.0	0.6	0.6	0.8	0.5	0.6	0.9	0.8	14.3
India	BSE Sensex	0.8	1.5	1.2	0.6	0.7	0.8	1.1	1.3	0.9	1.1	1.5	1.3	21.1
India	S&P CNX Nifty	0.8	1.6	1.2	0.6	0.7	0.8	1.1	1.3	0.9	1.2	1.5	1.3	21.4

Source: Bloomberg, BSE and NSE.

Chart 2.8: Annualised Volatility of International Indices (2010-11)



Source: Bloomberg, BSE and NSE.

Table 2.20: Trading Frequency of Listed Stocks

Trading Frequency (Range of Days)	2009-10				2010-11			
	BSE		NSE		BSE		NSE	
	No. of Shares Traded	Percentage of Total	No. of Shares Traded	Percentage of Total	No. of Shares Traded	Percentage of Total	No. of Shares Traded	Percentage of Total
1	2	3	4	5	6	7	8	9
Above 100	2,986	88.6	1,301	92.9	3,203	85.4	1,444	93.7
91-100	22	0.7	15	1.1	28	0.7	7	0.5
81-90	26	0.8	3	0.2	21	0.6	5	0.3
71-80	24	0.7	9	0.6	31	0.8	7	0.5
61-70	27	0.8	2	0.1	35	0.9	11	0.7
51-60	21	0.6	23	1.6	33	0.9	5	0.3
41-50	30	0.9	6	0.4	26	0.7	6	0.4
31-40	29	0.9	6	0.4	29	0.8	8	0.5
21-30	28	0.8	9	0.6	19	0.5	8	0.5
11-20	39	1.2	14	1.0	57	1.5	11	0.7
1-10	139	4.1	13	0.9	270	7.2	29	1.9
Total	**3,371**	**100**	**1,401**	**100**	**3,752**	**100**	**1,541**	**100**

Source: BSE and NSE.

Share of top 10 brokers in annual cash market turnover in 2010-11 at NSE and BSE was 23.8 and 21.6 percent respectively. Share of top 10 securities in annual cash market turnover in 2010-11 at NSE and BSE was 23.0 and 15.1 percent respectively. At NSE, contribution in annual cash market turnover in 2010-11 reveals that proprietary trades, domestic institutions (excluding mutual funds), FIIs, and mutual funds contributed 22.6 percent, 3.8 percent, 17.4 percent and 4.2 percent respectively whereas others (including individuals, partnership firms, HUFs, Trusts, NRIs, etc) contributed 52.0 percent. Similarly, at BSE, annual cash market turnover data for 2010-11 shows that proprietary trades, domestic institutions (excluding mutual funds), FIIs, and mutual funds contributed 20.4 percent, 1.9 percent, 6.9 percent and 2.3 percent respectively whereas others (including individuals, partnership firms, HUFs, Trusts, NRIs, etc) contributed 68.5 percent (Table 2.21).

VIII. Activities of Stock Exchanges

Over the years, NSE and BSE have emerged as the nation-wide stock exchanges of the country contributing almost 100 percent of the total turnover. Apart from NSE and BSE, only Calcutta and UPSE stock exchanges reported some transactions (Table 2.22).

During 2010-11, the number of shares traded was 9,90,776 lakh at BSE as compared to 11,36,513 lakh in 2009-10. Similarly, at NSE, the number of shares traded stood at 18,10,910 lakh in 2010-11 as against 22,05,878 lakh in 2009-10. However, the number of shares delivered at BSE increased from 3,63,578 lakh in 2009-10 to 3,76,710 lakh in 2010-11, while at NSE, the same has increased from 4,73,952 lakh to 4,97,367 lakh during the same period. During 2010-11, the value of shares delivered reported at ₹ 3,02,126 crore at BSE, showing a decrease of 3.0 percent over the previous year and ₹ 9,78,015 crore at NSE, indicating an increase of 6.7 percent over the previous year. Of the total shares traded, NSE's share was 64.6 percent, followed by BSE which constituted 35.4 percent. NSE had a share of 76.3 percent in the total value of shares delivered followed by BSE with 23.6 percent share.

Table 2.21: Share of Brokers, Securities and Participants in Cash Market Turnover

S. No.	Particulars	Percentage Share	
		NSE	BSE
1	Share of Top 10 brokers in annual cash market turnover	23.8	21.6
2	Share of Top 10 scrips/securities in annual cash market turnover	23.0	15.1
3	Share of participants in annual cash market turnover		
	i) Proprietary trades	22.6	20.4
	ii) Domestic Institutions (excluding MFs)	3.8	1.9
	iii) FIIs	17.4	6.9
	iv) MFs	4.2	2.3
	v) Others*	52.0	68.5
	Total of (i) to (v)	**100.0**	**100.0**

Note: Others include individuals, partnership firms, HUFs, public and private companies/bodies corporate/society, Statutory bodies, NRIs, Overseas Corporate Bodies, FDI/FCVF and PMS.

Source: BSE and NSE.

Table 2.22: Trading Statistics of Stock Exchanges

Stock Exchange	Shares				Value of Shares Delivered (₹ crore)	
	Traded (lakh)		Delivered (lakh)			
	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11
1	2	3	4	5	6	7
Recognized Stock Exchanges						
Ahmedabad	Nil	Nil	Nil	Nil	Nil	Nil
BSE	11,36,513	9,90,776	3,63,578	3,76,710	3,11,364	3,02,126
	(34.0)	(35.4)	(43.4)	(43.1)	(25.3)	(23.6)
Bangalore	Nil	Nil	Nil	Nil	Nil	Nil
Bhubaneswar	Nil	Nil	Nil	Nil	Nil	Nil
Calcutta	551	778	404	601	788	1299.32
	(0.0)	(0.0)	(0.0)	(0.1)	(0.1)	(0.1)
Cochin	Nil	Nil	Nil	Nil	Nil	Nil
Coimbatore	Nil	Nil	Nil	Nil	Nil	Nil
Delhi	Nil	Nil	Nil	Nil	Nil	Nil
Gauhati	Nil	Nil	Nil	Nil	Nil	Nil
ISE	Nil	Nil	Nil	Nil	Nil	Nil
Jaipur	Nil	Nil	Nil	Nil	Nil	Nil
Ludhiana	Nil	Nil	Nil	Nil	Nil	Nil
Madras	Nil	Nil	Nil	Nil	Nil	Nil
MPSE	Nil	Nil	Nil	Nil	Nil	Nil
NSE	22,05,878	18,10,910	4,73,952	4,97,367	9,16,460	9,78,015
	(66.0)	(64.6)	(56.6)	(56.9)	(74.6)	(76.3)
OTCEI	Nil	Nil	Nil	Nil	Nil	Nil
Pune	Nil	Nil	Nil	Nil	Nil	Nil
UPSE	5.34	0.035	0.03	0.0003	0.04	0.002
	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Vadodara	Nil	Nil	Nil	Nil	Nil	Nil
Total	**33,42,947**	**28,02,464**	**8,37,934**	**8,74,678**	**12,28,612**	**12,81,441**

Note: Figures in parentheses indicate percentage to total.

Source: Various Stock Exchanges

Majority of the other stock exchanges were inactive and their operations were confined to their subsidiaries which have taken membership of BSE and NSE. The turnover of majority of subsidiaries decreased in 2010-11 over the previous financial year, however MPSE posted an increase of 156.5 percent followed by Delhi Stock Exchange (78.9 percent), Ludhiana Stock Exchange (16.6 percent), Pune Stock exchange (9.6 percent) and UPSE (7.6 percent). The total turnover of subsidiaries during 2010-11 was ₹ 2,56,893 crore as compared to ₹ 2,54,435 crore in 2009-10, indicating an increase of one percent (Table 2.23).

Table 2.23: Turnover of Subsidiaries of Stock Exchanges

Stock Exchange	No. of Subsidiary/ies	Name of the Subsidiary	Turnover of Subsidiary (₹ crore)		Percentage Variation
			2009-10	2010-11	
1	2	3	4	5	6
Recognised Stock Exchanges					
Ahmedabad	1	ASE Capital Markets Ltd.	28,547	27,925	-2.2
Bangalore	1	BgSE Financials Ltd.	22,796	18,870	-17.2
Cochin	1	Cochin Stock Brokers Ltd.	6,827	5,226	-23.4
Delhi	1	DSE Financial Services Ltd.	3,344	5,981	78.9
ISE	1	ISE Securities and Services Ltd.	45,726	33,619	-26.5
Jaipur	1	JSEL Securities Ltd.	9,934	6,625	-33.3
Ludhiana	1	LSE Securities Ltd.	1,01,863	1,18,728	16.6
Madras	1	MSE Financial Services Ltd.	1,253	1,096	-12.5
MPSE	1	MPSE Securities Ltd.	3,966	10,172	156.5
OTCEI	1	OTCEI Securities Ltd.	1,678	969	-42.2
Pune	1	PSE Securities Ltd.	3,134	3,436	9.6
UPSE	1	UPSE Securities Ltd.	3,082	3,316	7.6
Vadodara	1	VSE Stock Services Ltd.	22,285	20,928	-6.1
Total			**2,54,435**	**2,56,893**	**1.0**

Source: Various Stock Exchanges.

Table 2.24: Depository Statistics: Equity Shares

Particulars	NSDL		CDSL	
	2009-10	2010-11	2009-10	2010-11
1	2	3	4	5
Companies Signed up (Nos.)	8,124	8,842	6,805	7,490
Companies Available for Demat (Nos.)	8,124	8,842	6,805	7,490
Demat Quantity of Shares (lakh)	35,11,378	47,13,045	7,79,500	10,53,100
No. of Shares Settled in Demat (lakh)	8,68,089	8,64,169	4,62,545	4,99,336
Value of Shares Settled in Demat (₹ crore)	14,97,880	15,47,196	4,29,869	4,39,931
Market Capitalisation of Companies in Demat (₹ crore)	61,84,326	78,19,625	62,19,652	66,97,504

Source: NSDL, CDSL.

IX. Dematerialisation

There are two depositories in India viz., National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL). The depositories have set up nation-wide network with proper infrastructure to handle the securities deposited or settled in dematerialised mode in the Indian stock markets.

The number of companies signed up for dematerialisation in NSDL rose from 8,124 in 2009-10 to 8,842 in 2010-11 (Table 2.25). Similarly, at CDSL, the number of companies signed up increased from 6,805 in 2009-10 to 7,490 in 2010-11. The number of dematerialised shares in NSDL went up by 34.2 percent from 35,11,378 lakh in 2009-10 to 47,13,045 lakh in 2010-11. In CDSL, the number of shares dematerialised rose by 35.1 percent from 7,79,500 lakh in 2009-10 to 10,53,100 lakh in 2010-11. Further in NSDL, the total value of demat settled shares increased by 3.3 percent from ₹ 14,97,880 crore in 2009-10 to ₹ 15,47,196 crore in 2010-11, the same in case of CDSL increased by 2.3 percent from ₹ 4,29,869 crore to ₹ 4,39,931 crore during the same period.

Apart from the shares, dematerialisation facility is also offered for other instruments like commercial paper and bonds. The total dematerialised value of the commercial papers increased at both NSDL and CDSL. At NSDL, dematerialised value of commercial paper rose from ₹ 76,927 crore in 2009-10 to ₹ 80,312 crore in 2010-11. In case of CDSL, the same has increased from ₹ 884 crore in 2009-10 to ₹ 1,324 crore in 2010-11. During 2010-11, the dematerialised value of debentures/bonds stood at ₹ 8,63,955 crore at NSDL and ₹ 30,830 crore at CDSL as compared to ₹ 7,16,728 crore and ₹ 31,382 crore in 2009-10, respectively.

The geographical coverage of depositary participants (DPs) of NSDL and CDSL also widened in 2010-11. The DPs of NSDL were available at 1,422 cities in 2010-11 as compared to 1,255 cities in 2009-10. Similarly, in case of CDSL, DPs were available at 1,572 cities in 2010-11 as compared to 1,067 cities in 2009-10 (Table 2.26).

Table 2.25: Depository Statistics: Debentures / Bonds and Commercial Paper

Particulars	Debentures / Bonds				Commercial Papers			
	2009-10		2010-11		2009-10		2010-11	
	NSDL	CDSL	NSDL	CDSL	NSDL	CDSL	NSDL	CDSL
1	2	3	4	5	6	7	8	9
No. of Issuers	532	309	590	370	173	23	165	23
No. of Active Instruments	6,604	4,578	6,972	4,975	765	100	1,047	68
Demat Value (₹ crore)	7,16,728	31,382	8,63,955	30,830	76,927	884	80,312	1,324

Source: NSDL, CDSL.

Table 2.26: Cities according to Number of DP Locations: Geographical Spread

No. of DP Locations	NSDL		CDSL	
	2009-10	2010-11	2009-10	2010-11
1	2	3	4	5
0 > 10	1,095	1,240	951	1443
10 - 20	67	84	45	51
21 - 50	62	61	48	50
51 - 100	17	22	9	12
> 100	14	15	14	16
Total	**1,255**	**1,422**	**1,067**	**1,572**

Note: The number of DP locations at CDSL, includes locations that have back office connected centers of the DPs.

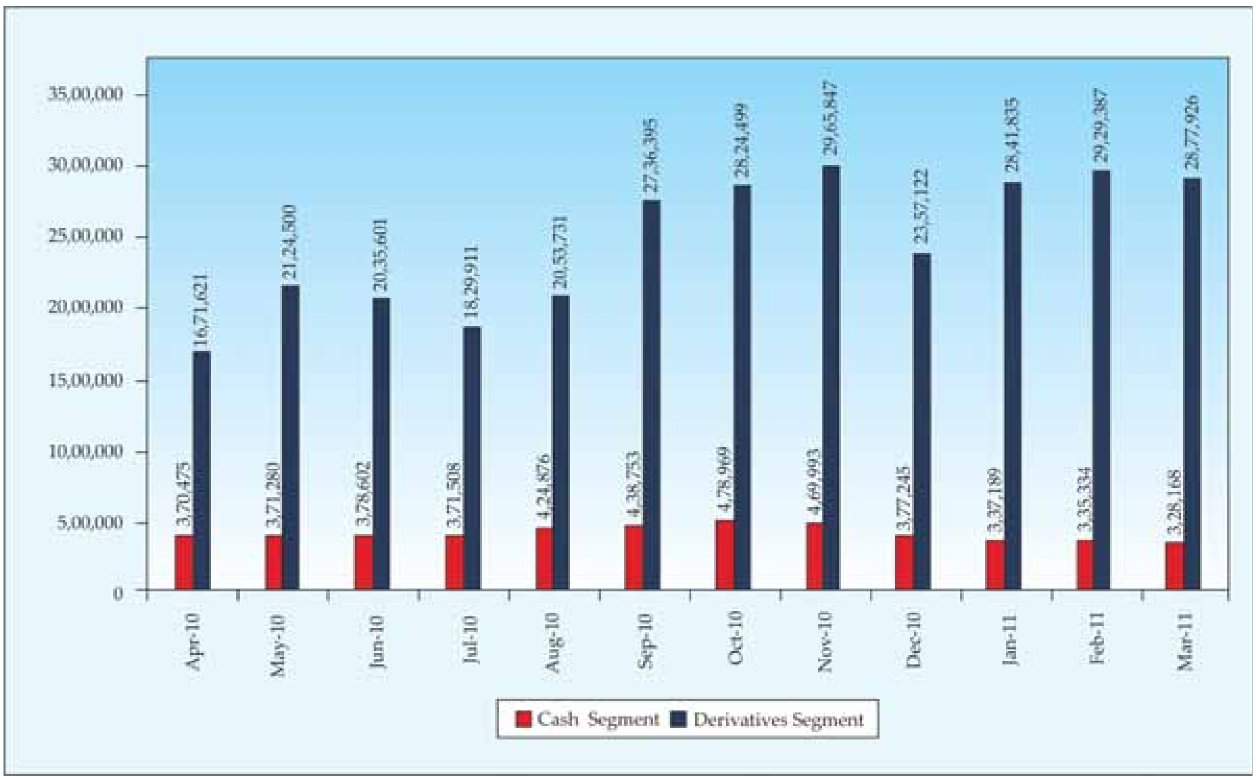
X. Derivatives Market in India

i. Trends in Equity Derivatives Market

Exchange traded derivatives form an important segment of Indian stock markets. The derivatives market has grown substantially over the years in India. Trading in derivatives is dominated by NSE with a market share of 99 percent in the total equity derivatives turnover. Over the years, the ratio of derivatives market turnover to cash market turnover has been gradually increasing. During 2010-11, turnover of derivatives market was 6.2 times of the cash turnover on all-India equity exchanges as compared to 4.6 times in 2009-10 (Chart 2.9).

Chart 2.9: Cash Segment (Turnover) vis-à-vis Derivatives Segment (Notional Turnover) during 2010-11

(₹ crore)



Source: BSE and NSE

The turnover in the equity derivatives segment at NSE recorded a mixed trend during 2010-11 (Table 2.27). The highest turnover was recorded in November 2010 (₹ 29,65,846 crore) followed by February 2011 (₹ 29,29,295 crore) and March 2011 (₹ 28,77,900 crore). Growth in the equity derivatives turnover at NSE was the highest in September 2010 when turnover rose by 33.2 percent, followed May 2010 (27.1 percent) and January 2011 (20.6 percent). The average daily turnover at NSE in 2010-11 increased by 59.1 percent to ₹ 1,15,151 crore from ₹ 72,392 crore in 2009-10.

The total number of contracts traded in the equity derivatives segment of NSE rose significantly to 1,03,42,12,062 (52.2 percent) in 2010-11 from 67,92,93,922 in 2009-10, whereas, at BSE, the number of contracts traded declined from 9,026 in

2009-10 to 5,623 in 2010-11. The value of the contracts traded in the equity derivatives segment of NSE increased by 65.6 % to ₹ 2,92,48,221 crore in 2010-11 from ₹ 1,76,63,665 crore in 2009-10, whereas the turnover at the equity derivatives segment of BSE declined by 51.9 percent to ₹ 154 crore in 2010-11 from ₹ 234 crore in 2009-10. The open interest in terms of notional value in the equity derivatives segment at NSE increased marginally to ₹ 1,01,816 crore at the end of 2010-11 from ₹ 97,978 crore at the end of 2009-10.

Table 2.27: Trends in Notional Turnover and Open Interest in Equity Derivatives Segment

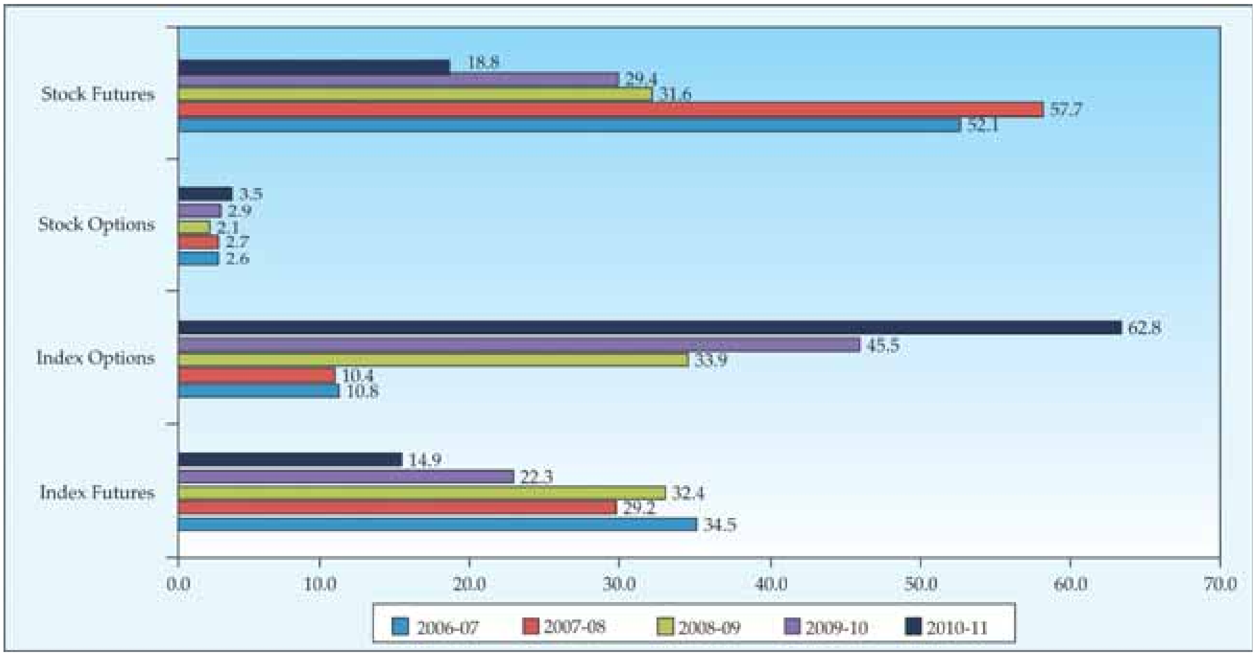
Year/ Month	No. of Contracts		Turnover (₹ crore)		Open Interest at the End of the Year / Month			
					No. of Contracts		Notional Turnover (₹ crore)	
	NSE	BSE	NSE	BSE	NSE	BSE	NSE	BSE
1	2	3	4	5	6	7	8	9
2005-06	**15,76,19,271**	**203**	**48,24,251**	**9**	**10,28,003**	**0**	**38,469**	**0**
2006-07	**21,68,83,573**	**17,81,220**	**73,56,270**	**59,006**	**17,91,549**	**408**	**38,670**	**13**
2007-08	**42,50,13,200**	**74,53,371**	**1,30,90,477**	**2,42,308**	**22,82,671**	**3,175**	**48,900**	**74**
2008-09	**65,73,90,497**	**4,96,502**	**1,10,10,482**	**11,775**	**32,27,759**	**22**	**57,705**	**0**
2009-10	**67,92,93,922**	**9,026**	**1,76,63,665**	**234**	**34,89,790**	**0**	**97,978**	**0**
2010-11	**1,03,42,12,062**	**5,623**	**2,92,48,221**	**154**	**36,90,373**	**4**	**1,01,816**	**0**
Apr-10	5,82,30,570	54	16,71,620	1	37,49,538	10	1,03,280	0
May-10	8,09,60,515	158	21,24,496	4	40,12,872	0	1,04,437	0
Jun-10	7,70,78,089	93	20,35,599	2	46,32,680	10	1,22,173	0
Jul-10	6,77,56,807	40	18,29,910	1	45,65,614	0	1,21,864	0
Aug-10	7,37,12,025	114	20,53,728	3	57,18,501	2	1,53,948	0
Sep-10	9,30,89,649	122	27,36,392	4	45,06,084	6	1,33,859	0
Oct-10	9,08,01,023	180	28,24,493	6	46,37,628	0	1,34,881	0
Nov-10	9,87,99,250	37	29,65,846	1	46,61,543	0	1,30,551	0
Dec-10	8,02,42,319	435	23,57,109	13	37,24,474	2	1,09,455	0
Jan-11	9,87,28,755	39	28,41,834	1	43,87,177	6	1,15,487	0
Feb-11	10,93,65,434	3,434	29,29,295	93	42,67,650	2	1,08,480	0
Mar-11	10,54,47,626	917	28,77,900	25	36,90,373	4	1,01,816	0

Note: Open Interest is calculated as at the end of the respective year/month.

Source: BSE and NSE.

In terms of product-wise share in equity derivatives segment, index options have been holding top position for last three years. During 2010-11, the largest share in the total equity derivatives turnover has been contributed by index options with 62.8 percent compared to 45.5 percent in 2009-10. The second largest share was held by single stock futures (18.8 percent) in 2010-11 which was followed by index futures (14.9 percent) and single stock options (3.5 percent) (Chart 2.10 and Table 2.28).

Chart 2.10: Product-wise Share (Percent) in Equity Derivatives Turnover at NSE and BSE



Source: BSE and NSE

Table 2.28: Product-wise Derivatives Turnover at NSE and BSE

(Percent)

Year / Month	Index Futures	Index Options	Single Stock Options	Single Stock Futures	Total
1	2	3	4	5	6
2006-07	**34.5**	**10.8**	**2.6**	**52.1**	**100.0**
2007-08	**29.2**	**10.4**	**2.7**	**57.7**	**100.0**
2008-09	**32.4**	**33.9**	**2.1**	**31.6**	**100.0**
2009-10	**22.3**	**45.5**	**2.9**	**29.4**	**100.0**
2010-11	**14.9**	**62.8**	**3.5**	**18.8**	**100.0**
Apr-10	16.7	54.2	4.6	24.5	100.0
May-10	18.6	57.3	3.8	20.3	100.0
Jun-10	18.3	57.5	3.5	20.7	100.0
Jul-10	15.8	57.0	4.0	23.1	100.0
Aug-10	14.6	56.4	4.9	24.2	100.0
Sep-10	14.0	61.7	4.0	20.3	100.0
Oct-10	14.2	60.4	3.8	21.6	100.0
Nov-10	14.3	64.2	3.3	18.2	100.0
Dec-10	13.7	64.5	3.5	18.4	100.0
Jan-11	13.5	69.1	2.9	14.5	100.0
Feb-11	13.8	69.8	2.8	13.7	100.0
Mar-11	13.9	71.2	2.3	12.6	100.0

Source: BSE and NSE.

Product-wise share in the open interest shows that the notional value of outstanding contracts was the highest for index options (₹ 55,022 crore) followed by single stock futures (₹ 28,354 crore), index futures (₹ 16,941 crore), and single stock options (₹ 1,499 crore). The tables 2.29 to 2.32 show the product-wise trends in the equity derivatives market in India during the recent years. Turnover in index options and stock options has registered an increase of over 100 percent in 2010-11 compared to 2009-10. In case of index futures and stock futures the year-on-year increase in 2010-11 has remained moderate (10.73 percent and 5.78 percent respectively).

Table 2.29: Trends in Index Futures at NSE and BSE

Year / Month	No. of Contracts		Notional Turnover (₹ crore)		Open Interest at the End of the Year / Month			
					No. of Contracts		Notional Turnover (₹ crore)	
	NSE	BSE	NSE	BSE	NSE	BSE	NSE	BSE
1	2	3	4	5	6	7	8	9
2006-07	**8,14,87,424**	**16,38,779**	**25,39,575**	**55,491**	**6,50,893**	**402**	**12,453**	**13.0**
2007-08	**15,65,98,579**	**71,57,078**	**38,20,667**	**2,34,660**	**6,70,209**	**3,138**	**15,484**	**73.4**
2008-09	**21,04,28,103**	**4,95,830**	**35,70,111**	**11,757**	**8,28,369**	**22**	**12,060**	**0.3**
2009-10	**17,83,06,889**	**3,744**	**39,34,389**	**96**	**5,81,510**	**0**	**14,979**	**0.0**
2010-11	**16,50,23,653**	**5,613**	**43,56,755**	**154**	**6,18,576**	**4**	**16,941**	**0.1**
Apr-10	1,07,85,388	54	2,79,572	1.4	6,18,687	10	15,659	0.3
May-10	1,68,43,664	148	3,95,613	3.7	6,30,947	0	15,224	0.0
Jun-10	1,54,34,326	93	3,72,266	2.4	8,10,315	10	20,189	0.3
Jul-10	1,15,30,614	40	2,89,423	1.1	7,58,357	0	19,217	0.0
Aug-10	1,15,66,700	114	2,99,130	3.1	8,30,209	2	21,502	0.1
Sep-10	1,37,36,522	122	3,83,872	3.6	7,29,961	6	20,726	0.2
Oct-10	1,37,95,612	180	4,02,457	5.5	6,23,396	0	18,018	0.0
Nov-10	1,47,61,031	37	4,24,789	1.1	6,33,602	0	17,821	0.0
Dec-10	1,14,06,712	435	3,22,793	12.9	5,01,667	2	14,608	0.1
Jan-11	1,40,95,425	39	3,84,484	1.1	5,47,962	6	13,982	0.2
Feb-11	1,57,34,318	3,434	4,02,759	92.7	6,16,214	2	15,598	0.1
Mar-11	1,53,33,341	917	3,99,595	25.3	6,18,576	4	16,941	0.1

Source: BSE and NSE.

Table 2.30: Trends in Single Stock Futures at NSE and BSE

Year / Month	No. of Stocks Traded		No. of Contracts		Notional Turnover (₹ crore)		Open Interest at the End of the Year / Month			
							No. of Contracts		Notional Turnover (₹ crore)	
	NSE	BSE	NSE	BSE	NSE	BSE	NSE	BSE	NSE	BSE
1	2	3	4	5	6	7	8	9	10	11
2006-07	**155**	**89**	**10,49,55,401**	**1,42,433**	**38,30,972**	**3,516**	**7,39,380**	**6**	**18,513**	**0.0**
2007-08	**228**	**3**	**20,35,87,952**	**2,95,117**	**75,48,563**	**7,609**	**10,86,267**	**37**	**21,143**	**1.0**
2008-09	**250**	**3**	**22,15,77,980**	**299**	**34,79,642**	**9**	**5,11,334**	**0**	**15,722**	**0.0**
2009-10	**190**	**0**	**14,55,91,240**	**6**	**51,95,247**	**0**	**9,90,917**	**0**	**32,053**	**0.0**
2010-11	**223**	**0**	**18,60,41,459**	**0**	**54,95,757**	**0**	**11,26,190**	**0**	**28,354**	**0.0**
Apr-10	190	0	1,14,18,975	0	4,09,844	0	11,50,901	0	34,888	0.0
May-10	196	0	1,38,86,580	0	4,31,593	0	10,90,070	0	30,599	0.0
Jun-10	200	0	1,41,56,191	0	4,21,843	0	13,09,447	0	35,024	0.0
Jul-10	203	0	1,48,77,996	0	4,23,422	0	14,36,364	0	38,926	0.0
Aug-10	203	0	1,66,20,194	0	4,96,267	0	16,03,106	0	43,584	0.0
Sep-10	202	0	1,78,65,765	0	5,55,581	0	14,19,092	0	42,073	0.0
Oct-10	225	0	1,83,81,074	0	6,08,830	0	15,97,992	0	44,368	0.0
Nov-10	224	0	1,83,64,437	0	5,39,872	0	14,36,056	0	37,129	0.0
Dec-10	223	0	1,54,09,764	0	4,32,644	0	13,00,580	0	36,100	0.0
Jan-11	223	0	1,48,23,064	0	4,11,149	0	12,97,518	0	31,762	0.0
Feb-11	223	0	1,60,48,082	0	4,01,307	0	12,13,221	0	28,134	0.0
Mar-11	223	0	1,41,89,337	0	3,63,405	0	11,26,190	0	28,354	0.0

Source: BSE and NSE.

Table 2.31: Trends in Index Options at NSE and BSE

Year / Month	No. of Contracts		Notional Turnover (₹ crore)		Open Interest at the End of the Year / Month			
					No. of Contracts		Notional Turnover (₹ crore)	
	NSE	BSE	NSE	BSE	NSE	BSE	NSE	BSE
1	2	3	4	5	6	7	8	9
2006-07	**2,51,57,438**	**2**	**7,91,912**	**0**	**3,81,910**	**0**	**7,297**	**0.0**
2007-08	**5,53,66,038**	**1,161**	**13,62,111**	**39**	**4,91,593**	**0**	**11,636**	**0.0**
2008-09	**21,20,88,444**	**373**	**37,31,502**	**9**	**18,09,483**	**0**	**27,402**	**0.0**
2009-10	**34,13,79,523**	**5,276**	**80,27,964**	**138**	**18,19,841**	**0**	**47,808**	**0.0**
2010-11	**65,06,38,557**	**0**	**1,83,65,366**	**0**	**18,90,463**	**0**	**55,022**	**0.0**
Apr-10	3,40,76,343	0	9,05,472	0.0	18,68,769	0	49,278	0.0
May-10	4,78,91,402	0	12,17,458	0.0	21,90,343	0	55,687	0.0
Jun-10	4,52,09,562	0	11,69,943	0.0	23,45,617	0	62,252	0.0
Jul-10	3,88,89,013	0	10,43,354	0.0	22,35,094	0	59,956	0.0
Aug-10	4,24,36,984	0	11,57,466	0.0	31,18,808	0	84,227	0.0
Sep-10	5,81,64,047	0	16,88,469	0.0	22,75,792	0	68,609	0.0
Oct-10	5,55,49,957	0	17,05,514	0.0	22,94,907	0	69,042	0.0
Nov-10	6,26,18,461	0	19,02,944	0.0	24,53,458	0	71,865	0.0
Dec-10	5,06,84,431	0	15,19,280	0.0	18,33,549	0	56,132	0.0
Jan-11	6,70,38,657	0	19,62,516	0.0	24,09,764	0	66,306	0.0
Feb-11	7,46,06,325	0	20,44,353	0.0	23,21,097	0	61,878	0.0
Mar-11	7,34,73,375	0	20,48,597	0.0	18,90,463	0	55,022	0.0

Source: BSE and NSE.

Table 2.32: Trends in Stock Options at NSE and BSE

Year / Month	No. of Stocks		No. of Contracts		Notional Turnover (₹ crore)		Open Interest at the End of the Year / Month			
							No. of Contracts		Notional Turnover (₹ crore)	
	NSE	BSE	NSE	BSE	NSE	BSE	NSE	BSE	NSE	BSE
1	2	3	4	5	6	7	8	9	10	11
2006-07	**155**	**89**	**52,83,310**	**6**	**1,93,811**	**0**	**19,204**	**0**	**447**	**0.0**
2007-08	**228**	**0**	**94,60,631**	**15**	**3,59,136**	**0**	**34,602**	**0**	**636**	**0.0**
2008-09	**250**	**0**	**1,32,95,970**	**0**	**2,29,227**	**0**	**78,573**	**0**	**2,521**	**0.0**
2009-10	**190**	**0**	**1,40,16,270**	**0**	**5,06,065**	**0**	**97,522**	**0**	**3,137**	**0.0**
2010-11	**223**	**0**	**3,25,08,393**	**0**	**10,30,344**	**0**	**55,144**	**0**	**1,499**	**0.0**
Apr-10	190	0	19,49,864	0	76,731	0	1,11,181	0	3,455	0.0
May-10	196	0	23,38,869	0	79,832	0	1,01,512	0	2,928	0.0
Jun-10	200	0	22,78,010	0	71,547	0	1,67,301	0	4,709	0.0
Jul-10	203	0	24,59,184	0	73,710	0	1,35,799	0	3,765	0.0
Aug-10	203	0	30,88,147	0	1,00,865	0	1,66,378	0	4,636	0.0
Sep-10	202	0	33,23,315	0	1,08,470	0	81,239	0	2,451	0.0
Oct-10	225	0	30,74,380	0	1,07,693	0	1,21,333	0	3,454	0.0
Nov-10	224	0	30,55,321	0	98,241	0	1,38,427	0	3,736	0.0
Dec-10	223	0	27,41,412	0	82,391	0	88,678	0	2,615	0.0
Jan-11	223	0	27,71,609	0	83,685	0	1,31,933	0	3,437	0.0
Feb-11	223	0	29,76,709	0	80,876	0	1,17,118	0	2,869	0.0
Mar-11	223	0	24,51,573	0	66,303	0	55,144	0	1,499	0.0

Source: BSE and NSE.

The transactions undertaken by trading-cum-clearing members constituted 57.4 percent of the total turnover of the equity derivatives segment in 2010-11. The percentage share in the traded value by trading-cum-self clearing members and trading members was 29.7 percent and 12.9 percent, respectively (Table 2.33).

Table 2.33: Shares of Various Classes of Members in Derivative Turnover at NSE and BSE

Year/Month	Turnover (₹ crore)				Percentage Share		
	Trading Members	Trading cum Clearing Members	Trading cum Self Clearing Members	Total	Trading Members	Trading cum Clearing Members	Trading cum Self Clearing Members
1	2	3	4	5	6	7	8
2006-07	**30,60,253**	**79,52,147**	**38,18,532**	**1,48,30,932**	**20.6**	**53.6**	**25.8**
2007-08	**45,50,533**	**1,53,60,489**	**67,56,714**	**2,66,67,736**	**17.1**	**57.6**	**25.3**
2008-09	**33,99,848**	**1,24,60,554**	**61,84,083**	**2,20,44,486**	**15.4**	**56.5**	**28.1**
2009-10	**48,99,892**	**2,02,12,013**	**1,02,15,902**	**3,53,27,807**	**13.9**	**57.2**	**28.9**
2010-11	**75,50,080**	**3,35,63,069**	**1,74,04,062**	**5,85,17,211**	**12.9**	**57.4**	**29.7**
Apr-10	4,38,895	19,33,019	9,89,520	33,61,434	13.1	57.5	29.4
May-10	4,88,363	25,63,614	11,99,070	42,51,047	11.5	60.3	28.2
Jun-10	4,96,994	23,85,953	11,88,337	40,71,284	12.2	58.6	29.2
Jul-10	4,46,389	21,30,650	10,82,844	36,59,882	12.2	58.2	29.6
Aug-10	5,04,645	23,74,871	12,27,953	41,07,469	12.3	57.8	29.9
Sep-10	6,85,750	31,79,873	16,07,175	54,72,798	12.5	58.1	29.4
Oct-10	7,46,690	32,33,680	16,68,634	56,49,004	13.2	57.2	29.5
Nov-10	7,88,433	34,05,871	17,37,400	59,31,704	13.3	57.4	29.3
Dec-10	6,20,653	27,12,492	13,81,108	47,14,253	13.2	57.5	29.3
Jan-11	7,60,399	32,13,811	17,09,471	56,83,680	13.4	56.5	30.1
Feb-11	7,65,085	32,90,678	18,03,021	58,58,784	13.1	56.2	30.8
Mar-11	8,07,784	31,38,558	18,09,531	57,55,872	14.0	54.5	31.4

Source: BSE and NSE.

B. Trend in Currency Derivatives Market

India's financial market has been increasingly getting integrated with the rest of the world through increased trade and finance activity. This has led to a demand for the introduction of exchange traded hedging instruments like currency futures and options to manage foreign currency exchange risk in addition to existing OTC products. With electronic trading and efficient risk management systems, exchange traded currency derivatives were introduced at different points of time through four exchanges, namely NSE, BSE, MCX-SX and USE starting from August 2008 onward.

Trading in USD:INR currency futures contracts started on August 29, 2008 at NSE, on October 1, 2008 at BSE and on October 7, 2008 at MCX-SX. BSE has stopped all its operations in the currency derivatives segment from April 7, 2010. futures on 3 additional currency pairs, namely, EURO:INR, GBP:INR and JPY:INR were introduced at NSE and MCX-SX on February 1, 2010. Trading on all currency futures pair started at USE on September 20, 2010. Further, options on USD:INR, were introduced at NSE and USE on October 29, 2010.

The currency derivatives segment on NSE and MCX-SX has witnessed an increasing growth over time. At the end of 2010-11, total turnover at NSE stood at ₹ 34,49,788 crore as compared to ₹ 17,82,608 crore in 2009-10, indicating an increase of 93.5 percent over the year. MCX-SX witnessed an increase of 115.7 percent in trading volume during 2010-11 and turnover at MCX-SX was ₹ 41,94,017 crore in 2010-11 as against ₹ 19,44,654 crore in 2009-10. USE launched its trading platform on September 20, 2010. The turnover at USE stood at ₹ 7,62,501 crore at the end of 2010-11. (Table 2.34)

Table 2.34: Trends in the Currency Derivatives Segment

Month/ Year	MCX-SX			NSE			USE		
	No. of Contracts Traded	Turnover (₹ crore)	Open interest at the end of Month (₹ crore)	No. of Contracts Traded	Turnover (₹ crore)	Open interest at the end of Month (₹ crore)	No. of Contracts Traded	Turnover (₹ crore)	Open interest at the end of Month (₹ crore)
1	2	3	4	5	6	7	8	9	10
2008-09	**2,98,47,569**	**1,48,826**	**990**	**3,27,38,566**	**1,62,563**	**1,313**	**NA**	**NA**	**NA**
2009-10	**40,81,66,278**	**19,44,654**	**1,951**	**37,86,06,983**	**17,82,608**	**1,964**	**NA**	**NA**	**NA**
2010-11	**90,31,85,639**	**41,94,017**	**3,706**	**74,96,02,075**	**34,49,788**	**13,690**	**16,77,72,367**	**7,62,501**	**109**
Apr-10	8,16,07,363	3,73,372	2,522	7,70,85,167	3,45,932	2,679	NA	NA	NA
May-10	8,97,51,764	4,23,075	2,644	7,77,44,870	3,59,680	3,702	NA	NA	NA
Jun-10	8,88,14,522	4,25,088	3,929	6,98,37,533	3,27,382	4,600	NA	NA	NA
Jul-10	6,64,15,185	3,20,016	3,693	4,49,24,854	2,13,353	4,057	NA	NA	NA
Aug-10	6,09,67,200	2,91,018	3,808	4,26,39,638	2,01,239	4,514	NA	NA	NA
Sep-10	7,88,07,686	3,66,195	4,115	6,15,86,474	2,84,704	3,876	4,72,80,718	2,17,627	606
Oct-10	8,00,26,906	3,58,429	3,679	6,80,99,263	3,05,597	4,645	5,40,47,100	2,41,810	240
Nov-10	7,29,63,218	3,32,253	4,246	5,83,03,944	2,66,332	6,828	1,74,16,315	78,399	459
Dec-10	6,03,88,799	2,76,019	3,736	5,19,35,953	2,37,564	6,540	66,13,010	29,961	81
Jan-11	7,40,71,176	3,41,913	4,146	5,95,71,331	2,74,833	9,000	94,95,412	43,330	148
Feb-11	6,12,49,728	2,82,742	3,567	5,52,28,606	2,54,654	10,540	1,32,84,857	60,569	92
Mar-11	8,81,22,092	4,03,898	3,706	8,26,44,442	3,78,517	13,690	1,96,34,955	90,806	109

Note: Figures in the table include both currency futures and currency options in case of NSE and USE. However, in case of MCX-SX, the numbers reported in table reflect data pertaining to currency futures only. NA implies Not Available.

Source: NSE, MCX-SX and USE.

USD-INR futures dominates the market share in terms of number of contracts in currency derivatives segment followed by USD-INR Options, which has consistently increased its market share (Table 2.35).

Table 2.35: Product-wise Market Share in Currency Derivatives Volume

(Percent)

Month/ Year	USD-INR Futures	EURO-INR Futures	GBP-INR Futures	JPY-INR Futures	USD-INR Options	Total
1	2	3	4	5	6	7
Apr-10	94.9	3.8	0.8	0.5	NA	100.0
May-10	92.9	5.7	0.8	0.6	NA	100.0
Jun-10	93.1	5.8	0.6	0.5	NA	100.0
Jul-10	93.1	5.7	0.7	0.5	NA	100.0
Aug-10	93.9	4.6	0.5	1	NA	100.0
Sep-10	98	1.3	0.3	0.4	NA	100.0
Oct-10	98.9	0.7	0.2	0.2	NA	100.0
Nov-10	96.1	1.3	0.4	0.3	1.9	100.0
Dec-10	95	1.6	0.4	0.4	2.6	100.0
Jan-11	93.3	2.4	0.6	0.3	3.4	100.0
Feb-11	91.1	1.8	0.5	0.4	6.2	100.0
Mar-11	86.4	2.1	0.6	1	9.9	100.0

C. Trends in Interest Rates Derivatives

Trading in 10 Year Notional coupon bearing Government of India (GoI) security Futures started at NSE on August 31, 2009. The trends in turnover and open interest in Interest Rate Derivatives (10 Year Notional coupon bearing GoI security Futures) at NSE is depicted in Table 2.36.

Table 2.36: Trends in Interest Rate Derivatives at NSE

Year/ Month	Total		Open Interest at the end of the year/ month	
	No. of Contracts	Turnover (₹ crore)	No. of Contracts	Turnover (₹ crore)
1	2	3	4	5
2009-10	**1,60,894**	**2975**	**758**	**14**
2010-11	**3,348**	**62**	**1**	**0**
Apr-10	407	7	838	15
May-10	1,177	22	1,004	19
Jun-10	917	17	63	1
Jul-10	205	4	63	1
Aug-10	26	0	62	1
Sep-10	79	1	0	0
Oct-10	24	0	6	0
Nov-10	29	1	2	0
Dec-10	442	8	1	0
Jan-11	17	0	4	0
Feb-11	11	0	2	0
Mar-11	14	0	1	0

Source: NSE

3. TRENDS IN THE BOND MARKET

I. Corporate Bond Market

During 2010-11, 4,465 trades having a value of ₹ 39,581 crore were reported on BSE as compared to 7,408 trades having value of ₹ 53,323 crore in 2009-10. While, at NSE, 8,006 trades were reported in 2010-11 with a trading value of ₹ 1,55,951 crore as compared to 12,522 trades with a value of ₹ 1,51,920 crore in 2009-10. Further, 31,589 trades with a value of ₹ 4,09,742 crore were reported to FIMMDA in 2010-11 as against of 18,300 trades with a value of ₹ 1,95,955 crore reported in 2009-10. In terms of reporting value, during 2010-11, the turnover at BSE decreased by 25.8 percent, however the turnover at NSE and FIMMDA increased by 2.7 percent and 109.1 percent respectively.

Table 2.37: Secondary Market: Corporate Bond Trades

Month/ Year	BSE		NSE		FIMMDA	
	No. of Trades	Amount (₹ crore)	No. of Trades	Amount (₹ crore)	No. of Trades	Amount (₹ crore)
1	2	3	4	5	6	7
2008-09	**8,327**	**37,320**	**4,902**	**49,505**	**9,501**	**61,535**
2009-10	**7,408**	**53,323**	**12,522**	**1,51,920**	**18,300**	**1,95,955**
2010-11	**4,465**	**39,581**	**8,006**	**1,55,951**	**31,589**	**4,09,742**
Apr-10	497	3,881	902	19,655	3,206	43,312
May-10	784	5,701	1,048	22,380	3,683	44,630
Jun-10	435	4,378	893	13,294	3,071	36,731
Jul-10	435	4,587	593	12,107	3,418	47,088
Aug-10	251	2,033	861	12,486	2,654	35,883
Sep-10	209	2,689	862	12,964	2,564	37,017
Oct-10	226	1,341	568	11,496	2,575	35,496
Nov-10	246	2,724	438	9,785	2,157	26,203
Dec-10	229	3,431	738	8,451	1,869	24,635
Jan-11	236	1,397	346	9,781	1,905	25,285
Feb-11	192	2,614	367	10,696	1,626	21,201
Mar-11	725	4,804	390	12,855	2,861	32,261

Source: BSE, NSE and FIMMDA.

With effect from December 1, 2009, it has been made mandatory for all trades in corporate bonds between mutual funds, FIIs/sub-accounts, venture capital funds, foreign venture capital investors, portfolio mangers, and RBI regulated entities as specified by RBI to be cleared and settled through the exchange clearing corporations, NSCCL or ICCL. IRDA has also issued similar directions. During 2010-11, the value of corporate bond trades settled through the clearing corporations stood at ₹ 4,32,632 crore at NSE and ₹ 17,492 crore at BSE. Further, the total number of trades settled was 32,662 in 2010-11, out of which 30,948 trades were settled at NSE and 1,714 trades were settled at BSE (Table 2.38).

Although the year has seen a number of public issues, private placements have also remained as one of the preferred modes of raising debt funds. The rise in funds mobilised could also be possibly attributed to issuers preferring the domestic debt markets as a primary source of corporate debt. The issuers raised an amount of ₹ 2,18,785 crore by way of private placement during 2010-11 as compared to ₹ 2,12,635 crore in 2009-10 (Table 2.39).

Table 2.38: Settlement of Corporate Bonds

Month	NSE		BSE		Total	
	No. of Trades Settled	Settled Value (₹ crore)	No. of Trades Settled	Settled Value (₹ crore)	No. of Trades Settled	Settled Value (₹ crore)
1	2	3	4	5	6	7
2009-10$	**8,922**	**1,20,006**	**464**	**5,482**	**9,386**	**1,25,488**
2010-11	**30,948**	**4,32,632**	**1,714**	**17,492**	**32,662**	**4,50,123**
Apr-10	3,020	43,727	150	1,868	3,170	45,594
May-10	3,606	47,931	145	1,781	3,751	49,712
Jun-10	2,983	37,891	166	2,258	3,149	40,149
Jul-10	3,300	47,181	139	2,147	3,439	49,328
Aug-10	2,581	37,167	117	1,219	2,698	38,386
Sep-10	2,545	38,154	77	582	2,622	38,736
Oct-10	2,528	37,809	129	751	2,657	38,560
Nov-10	2,118	28,458	103	550	2,221	29,008
Dec-10	1,868	26,659	158	2,038	2,026	28,697
Jan-11	1,814	26,864	133	454	1,947	27,318
Feb-11	1,731	23,648	126	1,820	1,857	25,469
Mar-11	2,854	37,143	271	2,023	3,125	39,166

$ indicates (December 2009- March 2010)

Source: BSE and NSE

Table 2.39: Private Placement of Corporate Bonds Reported to BSE and NSE

Month/ Year	Listed only on NSE		Listed only on BSE		Listed Both on NSE and BSE		Total	
	No. of Issues	Amount (₹ crore)	No. of Issues	Amount (₹ crore)	No. of Issues	Amount (₹ crore)	No. of Issues	Amount (₹ crore)
1	2	3	4	5	6	7	8	9
2007-08	**580**	**90,718**	**120**	**11,711**	**44**	**16,056**	**744**	**1,18,485**
2008-09	**699**	**1,24,810**	**285**	**17,045**	**57**	**31,426**	**1,041**	**1,73,281**
2009-10	**647**	**1,43,286**	**597**	**49,739**	**34**	**19,610**	**1,278**	**2,12,635**
2010-11	**774**	**1,53,370**	**591**	**52,591**	**39**	**12,825**	**1,404**	**2,18,785**
Apr-10	77	10,701	60	5,223	2	590	139	16,514
May-10	68	20,132	42	2,742	2	1,100	112	23,974
Jun-10	100	16,083	37	4,273	1	500	138	20,856
Jul-10	83	20,324	59	3,589	4	2,152	146	26,065
Aug-10	50	10,286	25	2,594	1	500	76	13,380
Sep-10	69	9,250	47	4,127	4	2,362	120	15,739
Oct-10	59	10,320	48	5,208	2	1,100	109	16,628
Nov-10	35	9,903	54	4,341	0	0	89	14,243
Dec-10	33	11,798	50	4,584	18	429	101	16,811
Jan-11	111	13,557	58	4,765	1	500	170	18,822
Feb-11	42	7,051	47	6,336	1	967	90	14,354
Mar-11	47	13,966	64	4,809	3	2,625	114	21,399

Source: BSE and NSE

II. Wholesale Debt Market

During 2010-11, turnover in the Wholesale Debt Market (WDM) segment decreased marginally to ₹ 5,59,447 crore from ₹ 5,63,816 crore in 2009-10. Both the net traded value and average daily traded value dropped by 0.8 percent and 4.4 percent, respectively during the same period (Table 2.40). Further, the number of trades decreased to 20,383 in 2010-11 as compared to 24,069 in 2009-10. The highest turnover was recorded in May 2010 (₹ 73,251 crore) followed by April 2010 (₹ 61,824 crore) and June 2010 (₹ 50,143 crore). Number of trades was the highest at 2,555 in May, 2010 followed by 2,094 in September, 2010.

Instrument-wise breakup of the securities traded at the WDM segment of NSE indicates the dominance of Government securities (G-sec) The share of the G-sec decreased to 54.5 percent in 2010-11 from 58.2 percent in 2009-10. The share of Treasury bills marginally increased from 16.5 percent in 2009-10 to 17.6 percent in 2010-11. The share of PSU/institutional bonds also rose from 15.4 percent in 2009-10 to 19.6 percent in 2010-11. However, the percentage shares of 'others' which includes mainly corporate debt securities decreased from 10.0 percent in 2009-10 to 8.3 percent in 2010-11 (Table 2.41).

Table 2.40: Business Growth on the Wholesale Debt Market Segment of NSE

Month/Year	No. of Trades	Net Traded Value (₹ crore)	Average Daily Traded Value (₹ crore)
1	2	3	4
2005-06	**61,891**	**4,75,523**	**1,755**
2006-07	**19,575**	**2,19,106**	**899**
2007-08	**16,179**	**2,82,317**	**1,129**
2008-09	**16,129**	**3,35,950**	**1,419**
2009-10	**24,069**	**5,63,816**	**2,359**
2010-11	**20,383**	**5,59,447**	**2,256**
Apr-10	1,911	61,824	3,254
May-10	2,555	73,251	3,663
Jun-10	2,027	50,143	2,279
Jul-10	1,618	47,135	2,142
Aug-10	1,945	45,108	2,148
Sep-10	2,094	45,186	2,259
Oct-10	1,510	45,913	2,186
Nov-10	1,191	32,444	1,622
Dec-10	1,561	33,962	1,544
Jan-11	1,213	45,220	2,261
Feb-11	1,195	34,897	1,837
Mar-11	1,563	44,363	2,017

Source: NSE

Table 2.41: Instrument-wise Share of Securities Traded in the Wholesale Debt Market Segment of NSE

(Percent)

Month/Year	Govt. Dated Securities	Treasury Bills	PSU / Institutional Bonds	Others
1	2	3	4	5
2005-06	**72.7**	**22.1**	**2.6**	**2.6**
2006-07	**70.0**	**23.7**	**2.0**	**4.3**
2007-08	**68.8**	**23.4**	**3.3**	**4.5**
2008-09	**69.7**	**16.9**	**8.9**	**4.4**
2009-10	**58.2**	**16.5**	**15.4**	**10.0**
2010-11	**54.5**	**17.6**	**19.6**	**8.3**
Apr-10	49.4	18.8	21.9	9.9
May-10	56.3	13.1	22.4	8.2
Jun-10	59.3	14.2	18.1	8.4
Jul-10	54.0	20.3	20.8	4.9
Aug-10	55.9	16.4	18.5	9.1
Sep-10	58.9	12.4	20.7	8.0
Oct-10	59.8	15.1	15.9	9.1
Nov-10	46.5	23.4	22.6	7.6
Dec-10	56.8	18.3	17.9	6.9
Jan-11	55.8	22.6	14.3	7.3
Feb-11	44.9	24.4	22.8	7.8
Mar-11	52.5	18.6	17.8	11.0

Source: NSE

Trading members dominated the WDM segment with a share of 53.5 percent in total turnover in 2010-11 as compared to 49.2 percent in 2009-10. However, the share of financial institutions / mutual funds / corporates, Primary Dealers and Indian banks decreased to 2.4 percent, 4.2 percent and 13.1 in 2010-11 as compared to 2.6 percent, 4.6 percent and 19.8 percent in 2009-10, respectively. However, the foreign banks witnessed an improvement in its share to 26.8 percent in 2010-11 from 23.7 percent in 2009-10 (Table 2.42).

4. MUTUAL FUNDS

Mutual funds play an important role in mobilising the household savings for deployment in capital markets. The gross mobilisation of resources by all mutual funds during 2010-11 was at ₹ 88,59,515 crore compared to ₹ 1,00,19,022 crore during the previous year indicating a decrease of 11.6 percent over the previous year (Table 2.43). Redemption also decreased by 10.3 percent to ₹ 89,08,921 crore in 2010-11 from ₹ 99,35,942 crore in 2009-10. All mutual funds, put together, recorded a net outflow of ₹ 49,406 crore in 2010-11 as compared to an inflow of ₹ 83,080 crore in 2009-10. The assets under management by all mutual funds decreased by 6.3 percent to ₹ 5,92,250 crore at the end of March, 2011 from ₹ 6,31,978 crore at the end of March, 2010.

Table 2.42: Share of Participants in Turnover of Wholesale Debt Market Segment of NSE

(Percent)

Month	Trading Members	FIs / MFs / Corporates	Primary Dealers	Indian Banks	Foreign Banks
1	2	3	4	5	6
2005-06	**32.0**	**3.9**	**21.9**	**28.1**	**14.1**
2006-07	**30.9**	**2.7**	**19.8**	**26.0**	**20.6**
2007-08	**38.2**	**2.3**	**8.6**	**23.8**	**27.1**
2008-09	**44.7**	**3.4**	**6.6**	**18.1**	**27.3**
2009-10	**49.2**	**2.6**	**4.6**	**19.8**	**23.7**
2010-11	**53.5**	**2.4**	**4.2**	**13.1**	**26.8**
Apr-10	50.7	2.5	5.1	17.8	24.0
May-10	46.7	3.1	2.8	17.0	30.4
Jun-10	47.1	3.6	4.4	17.6	27.2
Jul-10	50.6	2.9	5.0	17.7	23.7
Aug-10	51.1	2.2	6.1	15.7	24.9
Sep-10	49.7	3.1	4.5	10.2	32.5
Oct-10	58.5	2.5	3.2	6.0	29.8
Nov-10	61.8	1.4	4.4	8.1	24.4
Dec-10	63.6	2.3	4.1	8.2	21.8
Jan-11	58.3	1.7	3.0	8.0	29.1
Feb-11	60.4	1.6	4.1	9.7	24.2
Mar-11	56.2	0.8	4.4	12.9	25.8

Source: NSE

Table 2.43: Mobilisation of Resources by Mutual Funds

(₹ crore)

Period	Gross Mobilisation	Redemption	Net Inflow	Assets at the end of period
1	2	3	4	5
1999-00	61,241	42,271	18,970	1,07,946
2000-01	92,957	83,829	9,128	90,587
2001-02	1,64,523	1,57,348	7,175	1,00,594
2002-03	3,14,706	3,10,510	4,196	1,09,299
2003-04	5,90,190	5,43,381	46,808	1,39,616
2004-05	8,39,708	8,37,508	2,200	1,49,600
2005-06	10,98,149	10,45,370	52,779	2,31,862
2006-07	19,38,493	18,44,508	93,985	3,26,292
2007-08	44,64,376	43,10,575	1,53,802	5,05,152
2008-09	54,26,353	54,54,650	-28,296	4,17,300
2009-10	1,00,19,022	99,35,942	83,080	6,31,978
2010-11	88,59,515	89,08,921	-49,406	5,92,250

Like in previous year, private sector mutual funds dominated resource mobilisation efforts during 2010-11. There was a net outflow of ₹ 19,215 crore in 2010-11 by private sector mutual funds as compared to ₹ 54,928 crore inflow in 2009-10. Public sector mutual fund and UTI mutual fund also witnessed net outflow of ₹ 13,555 crore and ₹ 16,636 crore in 2010-11 as compared to net inflow of ₹ 12,499 crore and ₹ 15,653 crore in 2009-10, respectively.

Gross mobilisation of resources under open-ended schemes during 2010-11 was ₹ 86,65,727 crore, of which, about 78.0 percent was raised by the private sector mutual funds followed by public sector funds (13.1 percent) and UTI mutual fund (8.9 percent). Similarly, gross resources mobilised under close-ended schemes stood at ₹ 1,28,874 crore in 2010-11, of which private sector mutual funds accounted for 87.1 percent followed by public sector mutual funds (10.8 percent) and UTI mutual fund (2.1 percent) (Table 2.44).

Table 2.44: Sector-wise Resource Mobilisation by Mutual Funds during 2010-11

(₹ crore)

Particulars	Private Sector MFs				Public Sector MFs				UTI MF				Grand Total
	Open-ended	Close-ended	Interval	Total	Open-ended	Close-ended	Interval	Total	Open-ended	Close-ended	Interval	Total	
1	2	3	4	5	6	7	8	9	10	11	12	13	14
Mobilisation of Funds	67,61,888	1,12,255	48,781	69,22,924	11,34,871	13,976	3,887	11,52,733	7,68,968	2,643	12,247	7,84,176	88,59,515
	(76,63,186)	(22,646)	(12,651)	(76,98,493)	(14,36,638)	(1,477)	(573)	(14,38,688)	(8,76,539)	(5,913)	(3,884)	(8,81,851)	(1,00,19,023)
Repurchases/ Redemption	68,48,705	46,801	46,634	69,42,139	11,56,064	6,395	3,830	1,66,288	7,84,176	4,021	12,296	8,00,493	89,08,921
	(75,85,914)	(54,643)	(2,999)	(76,43,555)	(14,21,798)	(4,142)	(249)	(14,26,189)	(8,62,024)	(2,898)	(1,276)	(8,66,198)	(99,35,942)
Net Inflow / Outflow of Funds	-86,816	65,454	2,147	-19,215	-21,193	7,581	57	-13,555	-15,209	-1,377	-50	-16,636	-49,406
	(77,272)	(-31,997)	(-9,635)	(54,928)	(14,840)	(-2,665)	(324)	(12,499)	(14,515)	(-1,470)	(2,608)	(15,653)	(83,080)

Note: Figures in parantheses pertain to previous financial year.

The assets under management (AUM) of all the mutual funds decreased to ₹ 5,92,249 crore at the end of March 31, 2011 from ₹ 6,13,980 crore a year ago, indicating a short fall of 6.3 percent over the year (Table 2.45). The AUM was the highest for income/debt oriented schemes at ₹ 3,69,049 crore and the AUM under growth/equity oriented scheme was ₹ 1,95,322 crore. In terms of growth in AUM, Gold ETFs (176.7 percent) achieved the highest increase followed by other ETF schemes (163.1 percent) during the year.

Table 2.45: Scheme-wise Resource Mobilisation and Assets under Management by Mutual Funds as on March 31, 2011

Schemes	No. of Schemes	Gross Funds Mobilised (₹ crore)	Repurchase/ Redemption (₹ crore)	Net Inflow/ Outflow of Funds (₹ crore)	Assets Under Management as on March 31, 2011 (₹ crore)	Percentage Variation over March 31, 2010
1	2	3	4	5	6	7
A. Income/ Debt Oriented Schemes						
i) Liquid/ Money Market	51	65,99,724	66,03,244	-3,520	73,666	-5.7
	(56)	(70,44,818)	(70,56,891)	(-12,074)	(78,094)	(-13.8)
ii) Gilt	37	4,450	4,566	-116	3,409	0.4
	(35)	(3,974)	(7,271)	(-3,297)	(3,395)	(-47.1)
iii) Debt (other than assured returns)	591	21,72,860	22,09,567	-36,707	2,91,975	-6.3
	(367)	(28,95,901)	(27,99,323)	(96,578)	(3,11,715)	(58.0)
Sub total (i+ii+iii)	679	87,77,034	88,17,377	-40,343	3,69,049	-6.1
	(458)	(99,44,693)	(98,63,485)	(81,208)	(3,93,204)	(33.6)
B. Growth/ Equity Oriented Schemes						
i) ELSS	48	3,450	3,184	266	25,569	6.3
	(48)	(3,600)	(2,047)	(1,554)	(24,066)	(93.6)
ii) Others	328	63,142	76,547	-13,405	1,69,753	-2.5
	(307)	(61,114)	(60,519)	(595)	(1,74,055)	(81.7)
Sub total (i+ii)	376	66,592	79,730	-13,138	1,95,322	-1.5
	(355)	(64,714)	(62,566)	(2,149)	(1,98,121)	(83.0)
C. Balanced Schemes						
Balanced schemes	32	7,490	6,145	1,345	18,445	7.0
	(33)	(4,693)	(5,386)	(693)	(17,246)	(62.3)
D. Exchange Traded Fund						
i) Gold ETF	10	2,842	593	2,249	4,400	176.7
	(7)	(997)	(194)	(803)	(1,590)	(116.1)
ii) Other ETFs	18	4,867	3,479	1,388	2,516	163.1
	(14)	(2,538)	(2,558)	(-20)	(957)	(44.9)
Sub total (i+ii)	28	7,709	4,072	3,637	6,917	171.6
	(21)	(3,535)	(2,752)	(783)	(2,547)	(82.4)
E. Fund of Funds Investing Overseas						
Fund of Funds investing overseas	16	689	1,596	-907	2,516	12.1
	(15)	(1,387)	(1,754)	(-367)	(2,862)	(6.7)
TOTAL (A+B+C+D+E)	**1,131**	**88,59,515**	**89,08,920**	**-49,406**	**5,92,249**	**3.5**
	(882)	**(1,00,19,022)**	**(99,35,943)**	**(83,080)**	**(6,13,980)**	**(47.1)**

Note: Figures in the parentheses pertain to previous financial year.

Scheme-wise pattern reveals the domination of income/debt oriented schemes in total resource mobilisation during 2010-11 (Table 2.45). Under Income/debt oriented schemes, gilt funds and money market funds recorded net outflow of ₹ 40,343 crore in 2010-11 as against net inflow of ₹ 81,208 crore in 2009-10. Further, growth/ equity oriented schemes also recorded a net outflow of ₹ 13,138 crore during 2010-11 compare to net inflow of ₹ 2,149 crore in 2009-10. Under the balanced schemes and Exchange Traded Fund schemes, there was a net inflow of ₹ 1,345 crore and ₹ 3,637 crore, respectively. Fund of funds which invest overseas also reported a net outflow of ₹ 907 crore in 2010-11 as compared to a net outflow of ₹ 367 crore in 2009-10.

Table 2.46: Number of Schemes by Investment Objective as on March 31, 2011

Schemes	Open-ended	Close-ended	Interval	Total
1	2	3	4	5
A. Income/ Debt Oriented Schemes				
i) Liquid/ Money Market	51	0	0	51
	(56)	(0)	(0)	(56)
ii) Gilt	37	0	0	37
	(35)	(0)	(0)	(35)
iii) Debt (other than assured returns)	210	346	35	591
	(182)	(148)	(37)	(367)
Sub total (i+ii+iii)	**298**	**346**	**35**	**679**
	(273)	**(0)**	**(0)**	**(273)**
B. Growth/ Equity Oriented Schemes				
i) ELSS	36	12	0	48
	(36)	(12)	(0)	(48)
ii) Others	318	9	1	328
	(267)	(38)	(2)	(307)
Sub total (i+ii)	**354**	**21**	**1**	**376**
	(303)	**(50)**	**(2)**	**(355)**
C. Balanced Schemes				
Balanced schemes	31	1	0	32
	(29)	(4)	(0)	(33)
D. Exchange Traded Fund				
i) Gold ETF	10	0	0	10
	(7)	(0)	(0)	(7)
ii) Other ETFs	18	0	0	18
	(14)	(0)	(0)	(14)
Sub total (i+ii)	**28**	**0**	**0**	28
	(21)	**(0)**	**(0)**	**(21)**
E. Fund of Funds Investing Overseas				
Fund of Funds investing overseas	16	0	0	16
	(15)	(0)	(0)	(15)
TOTAL (A+B+C+D+E)	**727**	**368**	**36**	**1,131**
	(641)	**(202)**	**(39)**	**(882)**

Note: Figures in the parentheses pertain to previous financial year.

There were 1,131 mutual fund schemes as on March 31, 2011, of which, 679 were income/debt oriented schemes, 376 were growth/equity oriented schemes and 33 were balanced schemes (Table 2.46). In addition, there were 28 Exchange Traded Funds, of which 10 were Gold ETFs. Also, there were 16 schemes operating as Fund of Funds which also invested in overseas securities. There were 727 open-ended schemes and 368 close-ended schemes as on March 31, 2011.

The mutual funds were one of the major investors in the debt segment of the Indian securities market. During 2010-11, the combined net investments by the mutual funds in debt and equity was ₹ 2,28,879 crore compared to ₹ 1,70,076 crore in 2009-10, registering an increase of 34.6 percent (Table 2.47). Mutual funds were net sellers once again in equity segment with ₹ 19,975 crore, whereas, Mutual funds invested ₹ 2,48,854 crore during the same period in debt instruments. The combined net investment was positive for 10 months in 2010-11 except for two months i.e. June, 2010 and July, 2010.

Table 2.47: Trends in Transactions on Stock Exchanges by Mutual Funds

(₹ crore)

Year/ Month	Equity			Debt			Total		
	Gross Purchases	Gross Sales	Net Purchases / Sales	Gross Purchases	Gross Sales	Net Purchases/ Sales	Gross Purchases	Gross Sales	Net Purchases/ Sales
1	2	3	4	5	6	7	8	9	10
2004-05	**45,045**	**44,597**	**448**	**62,186**	**45,199**	**16,987**	**1,07,232**	**89,796**	**17,435**
2005-06	**1,00,436**	**86,133**	**14,303**	**1,09,720**	**72,969**	**36,801**	**2,10,202**	**1,59,102**	**51,104**
2006-07	**1,35,948**	**1,26,886**	**9,062**	**1,53,733**	**1,01,190**	**52,543**	**2,89,681**	**2,28,075**	**61,606**
2007-08	**2,17,578**	**2,01,274**	**16,306**	**2,98,605**	**2,24,816**	**73,790**	**5,16,183**	**4,26,090**	**90,095**
2008-09	**1,44,069**	**1,37,085**	**6,984**	**3,27,744**	**2,45,942**	**81,803**	**4,71,815**	**3,83,026**	**88,787**
2009-10	**1,95,662**	**2,06,173**	**-10,512**	**6,24,314**	**4,43,728**	**1,80,588**	**8,19,976**	**6,49,901**	**1,70,076**
2010-11	**1,54,919**	**1,74,893**	**-19,975**	**7,64,142**	**5,15,290**	**2,48,854**	**9,19,060**	**6,90,183**	**2,28,879**
Apr-10	12,924	14,335	-1,410	117,540	51,038	66,502	130,464	65,373	65,092
May-10	14,712	14,614	99	54,856	52,594	2,262	69,569	67,208	2,361
Jun-10	12,329	13,422	-1,093	51,075	76,718	-25,643	63,404	90,140	-26,737
Jul-10	12,065	16,470	-4,405	41,163	40,160	1,003	53,228	56,630	-3,402
Aug-10	13,324	16,494	-3,170	50,891	28,649	22,242	64,215	45,143	19,072
Sep-10	11,679	18,915	-7,236	54,271	33,767	20,505	65,950	52,682	13,268
Oct-10	13,266	19,067	-5,801	54,989	44,011	10,978	68,255	63,078	5,177
Nov-10	14,844	14,944	-100	50,901	35,719	15,182	65,745	50,663	15,082
Dec-10	13,641	12,265	1,377	75,367	27,377	47,990	89,009	39,642	49,367
Jan-11	12,333	11,742	591	67,257	29,831	37,427	79,590	41,572	38,017
Feb-11	13,206	11,779	1,427	57,881	35,330	22,552	71,087	47,108	23,979
Mar-11	10,595	10,849	-253	87,950	60,095	27,856	98,545	70,943	27,602

Table 2.48 shows unit holding pattern of all mutual funds as on March 31, 2011. Individual investors accounted for 97.0 percent of the total number of investors' accounts and contributed 23.4 percent to total net assets. Corporates and institutions which formed only 1.1 per cent of the total number of investors accounts in the mutual fund industry, contributed a sizeable 72.8 percent of the total net assets in the mutual funds industry. NRIs and FIIs constituted a very small percentage of investors' accounts (1.9 percent) and contributed 3.8 percent to net assets.

Table 2.48: Unit Holding Pattern of All Mutual Funds as on March 31, 2011

Category	Percentage to Total Investors	Percentage to Total Net Assets
1	2	3
Individuals	97.0	23.4
	(97.1)	(39.8)
NRIs	1.9	2.0
	(2.0)	(4.5)
FIIs	0.0	1.8
	(0.0)	(1.0)
Corporates/Institutions/Others	1.1	72.8
	(1.0)	(54.8)
Total	**100.0**	**100.0**

Note: Figures in parantheses pertain to last financial year.

The unit holding pattern of public and private sector mutual funds as on March 31, 2011 shows the dominance of private sector mutual funds in the number of investor accounts as well as share in net assets (Table 2.49). The private sector mutual funds had 65.4 percent of the total investors account compared to 34.6 percent in public sector mutual funds. The private sector mutual funds managed 77.9 percent of the net assets as against 22.1 percent of net assets managed by public sector mutual funds. While individual investors held 39.9 percent of the net assets in public sector mutual funds, their share in private sector mutual funds was 39.7 percent as on March 31, 2011.

5. FOREIGN INSTITUTIONAL INVESTMENT

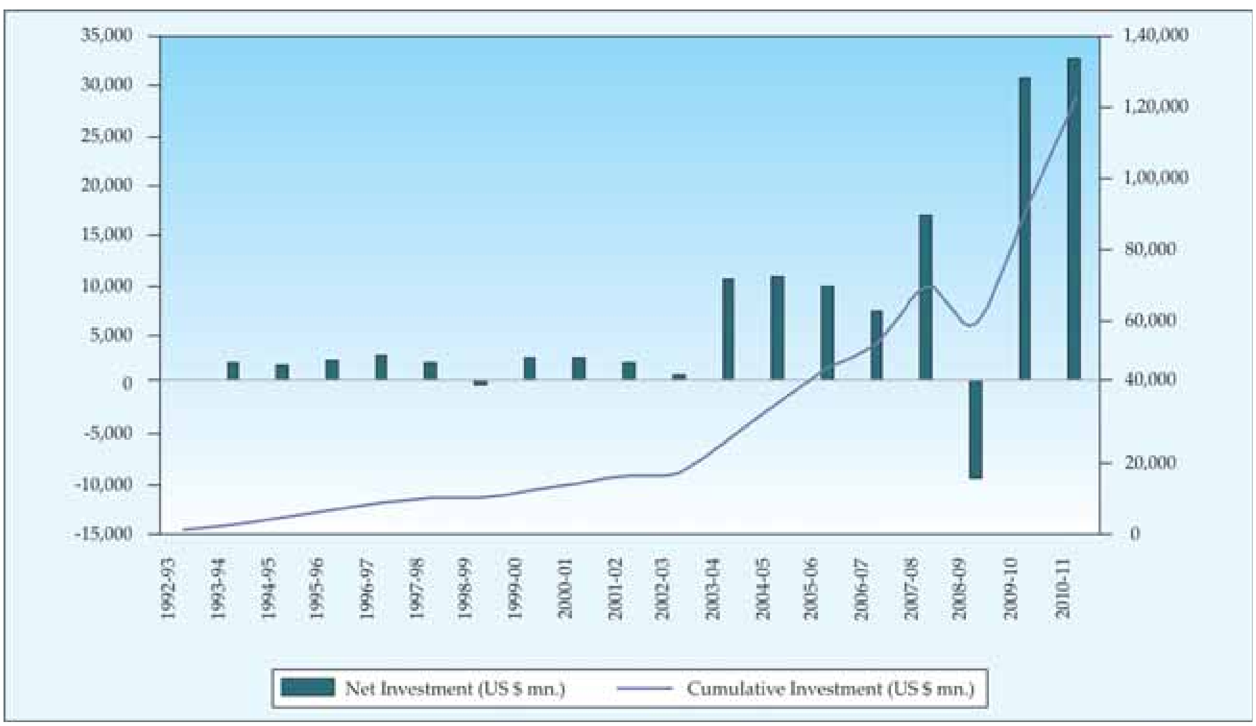
I. Trends in Foreign Institutional Investment

Foreign Institutional Investors play an important role in Indian securities markets. Since 1992-93, when FIIs were allowed entry into Indian financial markets, foreign institutional investment has increased over the years except in 2008-09. In tandem with the boom in stock markets and a better global scenario, investments by FIIs into India were quite high in last few years, particularly since 2003-04. FIIs made a record investment in the Indian equity market in 2010-11, surpassing the 2009-10 inflows.

Table 2.49: Unit Holding Pattern of Private and Public Sector Mutual Funds as on March 31, 2011

Category	Percentage to Total Investors	Percentage to Total Net Assets
1	2	3
Private Sector Mutual Funds		
Individuals	96.2	23.4
NRIs	2.4	2.0
FIIs	0.0	1.8
Corporates/Institutions/Others	1.4	72.8
Total	**100.0**	**100.0**
Public Sector Mutual Funds (including UTI MF)		
Individuals	98.7	51.5
NRIs	0.9	3.2
FIIs	0.0	0.1
Corporates/Institutions/Others	0.4	45.2
Total	**100.0**	**100.0**

Chart 2.11: Trends in Foreign Institutional Investment



The gross purchases of debt and equity by FIIs increased by 17.3 percent to ₹ 9,92,599 crore in 2010-11 from ₹ 8,46,438 crore in 2009-10 (Table 2.50). The combined gross sales by FIIs also increased by 20.2 percent to ₹ 8,46,161 crore from ₹ 7,03,780 crore during the same period in previous year. The total net investment of FII was ₹ 1,46,438 crore as compared to of ₹ 1,42,658 crore in 2009-10. This was the highest net FII investments into Indian securities market in any financial year so far.

Table 2.50: Investment by Foreign Institutional Investors

Year	Gross Purchase (₹ crore)	Gross Sales (₹ crore)	Net Investment (₹ crore)	Net Investment (US $ mn.)	Cumulative Investment (US $ mn.)
1	2	3	4	5	6
1992-93	18	4	13	4	4
1993-94	5,593	467	5,127	1,634	1,638
1994-95	7,631	2,835	4,796	1,528	3,167
1995-96	9,694	2,752	6,942	2,036	5,202
1996-97	15,554	6,980	8,575	2,432	7,635
1997-98	18,695	12,737	5,958	1,650	9,285
1998-99	16,116	17,699	-1,584	-386	8,899
1999-00	56,857	46,735	10,122	2,474	11,373
2000-01	74,051	64,118	9,933	2,160	13,532
2001-02	50,071	41,308	8,763	1,839	15,372
2002-03	47,062	44,372	2,689	566	15,937
2003-04	1,44,855	99,091	45,764	10,005	25,943
2004-05	2,16,951	1,71,071	45,880	10,352	36,294
2005-06	3,46,976	3,05,509	41,467	9,363	45,657
2006-07	5,20,506	4,89,665	30,841	6,821	52,478
2007-08	9,48,018	8,81,839	66,179	16,442	68,919
2008-09	6,14,576	6,60,386	-45,811	-9,837	59,082
2009-10	8,46,438	7,03,780	1,42,658	30,253	89,335
2010-11	9,92,599	8,46,161	1,46,438	32,226	1,21,561

Cumulative investment by FIIs at acquisition cost, which was US$ 89,335 million at the end of March, 2010, increased to US$ 1,21,561 million at the end of March, 2011.

During 2010-11, FIIs invested ₹ 1,10,121 crore in equity and ₹ 36,317 crore in debt as compared to an investment of ₹ 1,10,220 crore in equity and ₹ 32,438 crore in debt during 2009-10 respectively (Table 2.51 and Chart 2.12).

Month-wise, the net FII investment was the highest in equity segment in October, 2010 (₹ 28,563 crore) followed by September, 2010 (₹ 24,979 crore) and November, 2010 (₹ 18,293 crore). In debt segment, FII investment was the highest in January, 2011 (₹ 10,177 crore) followed by July, 2010 (₹ 8,107 crore) and September, 2010 (₹ 7,690 crore).

The FIIs have been permitted to trade in the derivatives market since February, 2002. The cumulative FIIs trading in derivatives was ₹ 5,34,748 crore as on March 31, 2011 as compared to ₹ 3,88,310 crore as on March 31, 2010. Open interest position of FIIs in index options was the highest at ₹ 11,33,838 crore by end-March 2011, followed by stock futures (₹ 6,22,875 crore), index futures (₹ 2,83,890 crore) and stock options (₹ 22,547 crore) (Table 2.52).

Table 2.51: Investments by Mutual Funds and Foreign Institutional Investors

(₹ crore)

Year / Month	Net Investment by Mutual Funds			Net Investment by FIIs		
	Equity	Debt	Total	Equity	Debt	Total
1	2	3	4	5	6	7
2003-04	**1,308**	**22,701**	**24,009**	**39,960**	**5,805**	**45,765**
2004-05	**448**	**16,987**	**17,435**	**44,123**	**1,759**	**45,881**
2005-06	**14,303**	**36,801**	**51,104**	**48,801**	**-7,334**	**41,467**
2006-07	**9,062**	**52,543**	**61,607**	**25,236**	**5,605**	**30,840**
2007-08	**16,306**	**73,790**	**90,065**	**53,404**	**12,775**	**66,179**
2008-09	**6,984**	**81,803**	**88,787**	**-47,706**	**1,895**	**-45,811**
2009-10	**-10,512**	**1,80,588**	**1,70,076**	**1,10,220**	**32,438**	**1,42,658**
2010-11	**-19,975**	**2,48,854**	**2,28,879**	**1,10,121**	**36,317**	**1,46,438**
Apr-10	-1,410	66,502	65,092	9,361	3,032	12,393
May-10	99	2,262	2,361	-9,437	2,451	-6,986
Jun-10	-1,093	-25,643	-26,737	10,508	741	11,249
Jul-10	-4,405	1,003	-3,402	16,617	8,107	24,724
Aug-10	-3,170	22,242	19,072	11,688	2,999	14,686
Sep-10	-7,236	20,505	13,268	24,979	7,690	32,668
Oct-10	-5,801	10,978	5,177	28,563	-4,260	24,303
Nov-10	-100	15,182	15,082	18,293	2,918	21,211
Dec-10	1,377	47,990	49,367	2,050	1,164	3,214
Jan-11	591	37,427	38,017	-4,813	10,177	5,364
Feb-11	1,427	22,552	23,979	-4,586	1,316	-3,270
Mar-11	-253	27,856	27,602	6,898	-15	6,883

Chart 2.12: Net Institutional Investment (₹ crore) and Monthly Average Nifty

Table 2.52: Notional Value of Open Interest of Foreign Institutional Investors in Derivatives during 2010-11

Items	Apr.	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
1	2	3	4	5	6	7	8	9	10	11	12	13
Index Futures	2,81,403	3,04,659	3,37,754	3,85,491	3,56,027	4,32,184	3,45,425	3,72,760	4,15,080	2,48,601	2,84,445	2,83,890
Index Options	7,76,822	9,28,596	10,53,241	11,54,003	12,51,335	16,61,982	12,64,063	11,24,234	11,69,801	9,01,709	10,48,965	11,33,838
Stock Futures	6,04,607	6,08,116	6,11,856	7,00,699	7,55,937	8,22,085	9,08,869	8,54,901	7,67,489	6,70,291	5,76,213	6,22,875
Stock Options	16,710	24,070	23,997	30,343	28,822	27,514	21,600	16,685	15,204	9,596	11,708	22,547
Total	**16,79,542**	**18,65,440**	**20,26,849**	**22,70,536**	**23,92,121**	**29,43,765**	**25,39,958**	**23,68,581**	**23,67,574**	**18,30,197**	**19,21,331**	**20,63,150**
Change in open position	2,01,929	1,85,898	1,61,409	2,43,687	1,21,586	5,51,644	-403,808	-171,377	-1,006	-537,377	91,133	1,41,819
Change	*13.7*	*11.1*	*8.7*	*12.0*	*5.4*	*23.1*	*-13.7*	*-6.7*	*0.0*	*-22.7*	*5.0*	*7.4*
Cumulative FII Net Investment	4,00,704	3,93,718	4,04,966	4,29,690	4,44,376	4,77,044	5,01,347	5,22,557	5,25,771	5,31,135	5,27,865	5,34,748
Change in FII Investment	12,394	-6,986	11,249	24,724	14,686	32,668	24,303	21,210	3,214	5,364	-3,270	6,883
Change	*3.2*	*-1.7*	*2.9*	*6.1*	*3.4*	*7.4*	*5.1*	*4.2*	*0.6*	*1.0*	*-0.6*	*1.3*

II. Utilisation of Debt Investment Limits By FIIs

SEBI has been allocating debt limits to FIIs by a combination of two methods viz. open bidding and first come first served (FCFS). Corporate debt allocation is currently made through FCFS only.

a) In the first-come-first-served basis for allocation of government debt limits, requests for investment limits are called from the entities in a dedicated mail box thrown open on a particular day subject to a maximum limit per entity. The limits are then allocated based on the time the e-mails were received in the designated mailbox. For allocation of corporate debt limits, requests for investment limits are invited at a dedicated mail box and the limits are allotted based on the time priority of the mail.

b) In open bidding methodology registered FIIs/sub accounts can bid through their trading members for getting the debt limits. The features of which are:

- The allocation is to be done on an open screen based bidding platform wherein bidders would pay a fee for taking the limits.
- The allocation is on a price time priority, where the highest bidder would take away the given limit.
- Maximum and minimum limits vary as per the amount available.
- The successful bidders are required to pay a minimum of ₹ 1000 or the bid premium which ever is higher.
- The premium amount collected through this mechanism is to be paid to the Consolidated Fund of India.
- 45/ 90 days period is provided to the entities for utilization of limits under this allocation method.
- Details of debt limits allocated to FIIs and sub-account through these two processes during the financial year are given in the Table 2.54.

  During the financial year, an amount of ₹ 117.26 crore was received as bidding fees, which has been credited to the Consolidated Fund of India.

c) The category wise utilization of debt limit as on March 31, 2011 is given in the following table.

d) As on March 31, 2011, tenure-wise net investment in debt is given in the Table 2.55.

Table 2.53: Allocation of Debt Investment limits to FIIs and Sub-accounts during 2010-11

Date	Govt. Debt (₹ crore)	Govt. Debt Long Term (₹crore)	Corporate Debt (₹ crore)	Corporate Debt Long Term Infra (₹crore)
April 19, 2010 – FCFS	200	-	1,000	-
April 19, 2010 - Bidding	2,000	-	20,000	-
June 21, 2010 – FCFS	-	-	2,000	-
June 21, 2010 – Bidding	-	-	25,000	-
August 12, 2010 – FCFS	244	-	499	-
August 12, 2010 - Bidding	600	-	15,000	-
December 2, 2010 - FCFS	-			
December 2, 2010 - Bidding	-	22,000	6,600	20,100
March 15, 2011 – FCFS	-	350	114	-
March 15, 2011 - Bidding	-	7,500	2,700	-
Grand Total	**3,044**	**29,850**	**72,913**	**20,100**

Table 2.54: Category-wise Utilization of Debt limit by FIIs/sub-accounts as on March 31, 2011

Type of Debt Limit	Overall Limit (USD billion)	Overall Limit (₹ crore)	Utilized Limit (₹ crore)
Government Debt –old	5	20,854	20,739
Government Debt –Long term	5	22,795	14,155
Corporate Debt – old	15	74,416	63,472
Debt oriented Mutual Fund			1,963
Corporate Debt –Long term Infrastructure	25	1,12,095	373

Table 2.55: Tenure-wise Net Investment in Debt by FIIs/sub-accounts as on March 31, 2011

Sr. No.	Tenure of Debt Instruments	Net Investment (₹ crore)
	Long Term	
1	Government dated Securities	24,234
2	Corporate debt instruments	45,944
3	Mutual Fund	-2,106
	Total (Long Term)	**68,073**
	Short Term	
1	Treasury Bills	12,467
2	Others, if any	11,747
	Total (Short Term)	**24,214**
	Grand Total	**92,286**

PART THREE: REGULATION OF SECURITIES MARKET

This part of the Report delineates the functions of SEBI as specified in Section 11 of the SEBI Act, 1992

1. INTERMEDIARIES

I. Streamlining the Process of Registration /Renewal of Intermediaries

During the year, the process of granting registration / renewal of intermediaries was further streamlined enhancing the transparency of the entire process. By and large, the applications have been processed within 30 days from the date of receipt and registration / renewal has been granted, if the application is found to be complete in all respects. Wherever deficiencies are observed, the same were brought to the notice of the applicant within 30-day period. Further, the status report on registration / renewal of applications is displayed on SEBI website on a monthly basis clearly showing whether the application is pending with SEBI or information is awaited from the applicant. If the application is pending with SEBI, the status report also shows how long it has been pending.

It has also been mentioned on the website that in case any application has remained unattended, the applicant should not hesitate to approach the concerned Division Chief (DC) or the Executive Director (ED). The respective e-mail IDs of concerned officials are also displayed.

The practice of seeking details of corrective measures taken by the applicant where quasi-judicial actions have been initiated by SEBI, while processing the registration / renewal applications, has greatly improved the compliance culture among the intermediaries.

With respect to registration/renewal of Bankers to an Issue (BTI), SEBI has revised the existing Additional Information Sheet to be submitted along with Form 'A' making it more comprehensive so that necessary information is obtained with less correspondence thereby, enabling quicker processing of applications. The revised Additional Information Sheet has been uploaded on SEBI website.

i. Expediting the process for granting No Objection Certificates (NOCs) to Intermediaries for setting up subsidiaries abroad

In order to expedite the granting of no objection to intermediaries setting up subsidiaries or entering into joint ventures in other countries, a standard application form was designed and uploaded on the SEBI website. This standardization enables the intermediaries to understand the requirements of SEBI for granting of such NOCs and expedites the whole process.

II. Registered Intermediaries Other than Stock Brokers and Sub-Brokers

During 2010-11, a mixed trend was observed in the number of intermediaries registered. During the year, the highest increase in absolute terms for registered intermediaries was observed in case of depository participants (DPs) of CDSL (44) followed by merchant bankers (28) and portfolio managers (24). A marginal decline was witnessed, in the number of registered intermediaries like registrar to issue and share transfer agents, debenture trustees and underwriters during 2010-11. During the year, SEBI also processed many applications for renewal of registration of the intermediaries. Overall registrations of as many as 273 intermediaries were renewed. The details are provided in Table 3.1 and 3.1a. The details of applications of intermediaries in the process of registration are provided in Table 3.1b.

Table 3.1: Registered Intermediaries other than Stock Brokers and Sub-Brokers

(Number)

Type of Intermediary	As on March 31		Absolute Variation	Percentage Variation
	2010	2011		
1	2	3	4	5
Registrar to Issue and Share Transfer Agent	74	73	-1	-1.35
Bankers to an Issue	48	55	7	14.58
Debenture Trustee	31	29	-1	3.33
Merchant Banker	164	192	28	17.07
Portfolio Manager	243	267	24	9.88
Underwriter	4	3	-1	-25.00
DPs – NSDL	269	272	3	1.12
DPs – CDSL	489	533	44	9.00
Credit Rating Agency	5	6	1	20.00

Table 3.1a: Renewal of Registration of Intermediaries

Type of Intermediary	Renewals granted during 2010-11
1	2
Merchant Banker	44
Registrar to an Issue and Share Transfer Agents	28
Underwriter	1
Banker to an Issue	12
Debenture Trustee	8
DPs - NSDL	69
DPs - CDSL	110
Credit Rating Agency	1

Table 3.1b: Intermediaries other than Stock Brokers and Sub-Brokers in the Process of Registration

(Number)

Type of Intermediary	Applications received during 2010-11	Pending as on March 31, 2011
1	2	3
Merchant Banker	9	5
Bankers to an Issue	7	3
Debenture Trustee	1	0
Depository Participants	83	18
Registrar to an Issue and/or Share Transfer Agents	1	1
Credit Rating Agencies	2	1

Table 3.2: Registered Stock Brokers

(Number)

Details	2009-10	2010-11
1	2	3
Registered Stock Brokers as on March 31 of the previous year	8,652	8,804
Addition during the Year	312	531
Reconciliation / Cancellation/ Surrender of Memberships	160	100
Registered Stock Brokers as on March 31	8,804	9,235

Table 3.2a: Stock Broker and Sub-Broker Applications under the Process of Registration as on March 31, 2011

(Number)

Category of Application	Number of Applications under Process
1	2
Registration – Brokers in Cash Segment	96
Registration – Brokers in Equity Derivatives Segment	55
Registration – Brokers in Currency Derivatives Segment	62
Sub-broker	71

III. Registration of Stock Brokers

During 2010-11, 531 new stock brokers were registered with SEBI in cash segment whereas there were 100 cases of cancellation/ surrender of brokership during the year 2010-11 as compared to 312 and 160, respectively in 2009-10. The total number of registered stock brokers as on March 31, 2011, increased to 9,235 from 8,804 in 2009-10 (Table 3.2). Applications of brokers and sub-brokers in the process of registration are given in Table 3.2a.

The number of registered brokers was highest in National Stock Exchange Ltd, (1,389) followed by Bombay Stock Exchange Ltd. (1,301), Inter-Connected Stock Exchange (ISE) (943) and Calcutta Stock Exchange (901) (Table 3.3). The number of corporate brokers was also highest in NSE (1,239) followed by BSE (1,087) and OTCEI (536). Corporate brokers constitute 89.20 percent of the total stock brokers at NSE whereas the corporate brokers constituted 83.55 percent and 76.46 percent at BSE and OTCEI, respectively. Number of corporate brokers as a percentage of total brokers was more than 50 percent in five out of 19 recognised exchanges. Highest number of stock brokers in 'proprietorship' category was at Calcutta stock exchange (656), followed by ISE (566). NSE had the lowest number of brokers in proprietorship category (73) which was 5.26 percent of the total stock brokers registered with NSE. Stock brokers in 'partnership' category were highest in NSE (77), followed by Calcutta Stock Exchange Ltd (44). Bhubaneswar and Coimbatore stock exchanges did not have any brokers in the 'partnership' category.

Details regarding classification of brokers on the basis of ownership in cash segment as proprietary, partnership, corporate, institution, composite corporate are provided

Table 3.3: Classification of Stock Brokers in Cash Segment on the Basis of Ownership*

S. No.	Stock Exchange	Proprietorship				Partnership				Corporate **				Total	
		2010		2011		2010		2011		2010		2011		2010	2011
		Nos.	Percent	Nos.	Percent	Nos.	Percent	Nos.	Percent	Nos.	Percent	Nos.	Percent	Nos.	Nos.
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1	Ahmedabad	139	42.25	137	41.14	19	5.78	19	5.71	171	51.98	177	53.15	329	333
2	Bangalore	129	49.43	135	50.00	3	1.15	4	1.48	129	49.43	131	48.52	261	270
3	BSE	147	14.66	183	14.07	30	2.99	31	2.38	826	82.35	1,087	83.55	1,003	1,301
4	Bhubaneswar	195	91.12	196	91.16	0	0.00	0	0.00	19	8.88	19	8.84	214	215
5	Calcutta	667	73.46	656	72.81	44	4.85	44	4.88	197	21.70	201	22.31	908	901
6	Cochin	350	79.91	351	79.59	9	2.05	9	2.04	79	18.04	81	18.37	438	441
7	Coimbatore	87	64.44	88	64.71	0	0.00	0	0.00	48	35.56	48	35.29	135	136
8	Delhi	169	37.14	181	37.63	32	7.03	32	6.65	254	55.82	268	55.72	455	481
9	Gauhati	94	95.92	93	95.88	1	1.02	1	1.03	3	3.06	3	3.09	98	97
10	ISE	569	60.34	566	60.02	29	3.08	29	3.08	345	36.59	348	36.90	943	943
11	Jaipur	460	95.04	457	95.01	6	1.24	6	1.25	18	3.72	18	3.74	484	481
12	Ludhiana	209	69.67	216	70.36	2	0.67	2	0.65	89	29.67	89	28.99	300	307
13	MPSE	153	79.69	160	78.82	1	0.52	1	0.49	38	19.79	42	20.69	192	203
14	Madras	104	53.89	112	53.08	14	7.25	14	6.64	75	38.86	85	40.28	193	211
15	NSE	68	5.19	73	5.26	67	5.11	77	5.54	1,175	89.69	1,239	89.20	1,310	1,389
16	OTCEI	148	21.02	147	20.97	18	2.56	18	2.57	538	76.42	536	76.46	704	701
17	Pune	125	67.20	124	67.03	7	3.76	7	3.78	54	29.03	54	29.19	186	185
18	UPSE	259	76.40	252	76.83	5	1.47	3	0.91	75	22.12	73	22.26	339	328
19	Vadodara	245	78.53	245	78.53	3	0.96	3	0.96	64	20.51	64	20.51	312	312

** As on March 31 of the respective year.*

*** The categories of Financial Institutions and Composite Corporate are clubbed within the category of corporate broker.*

Note: *Percent is to the total number of brokers in the respective exchanges*

Chart 3.1: Ownership Pattern of Stock Brokers (As on March 31, 2011)

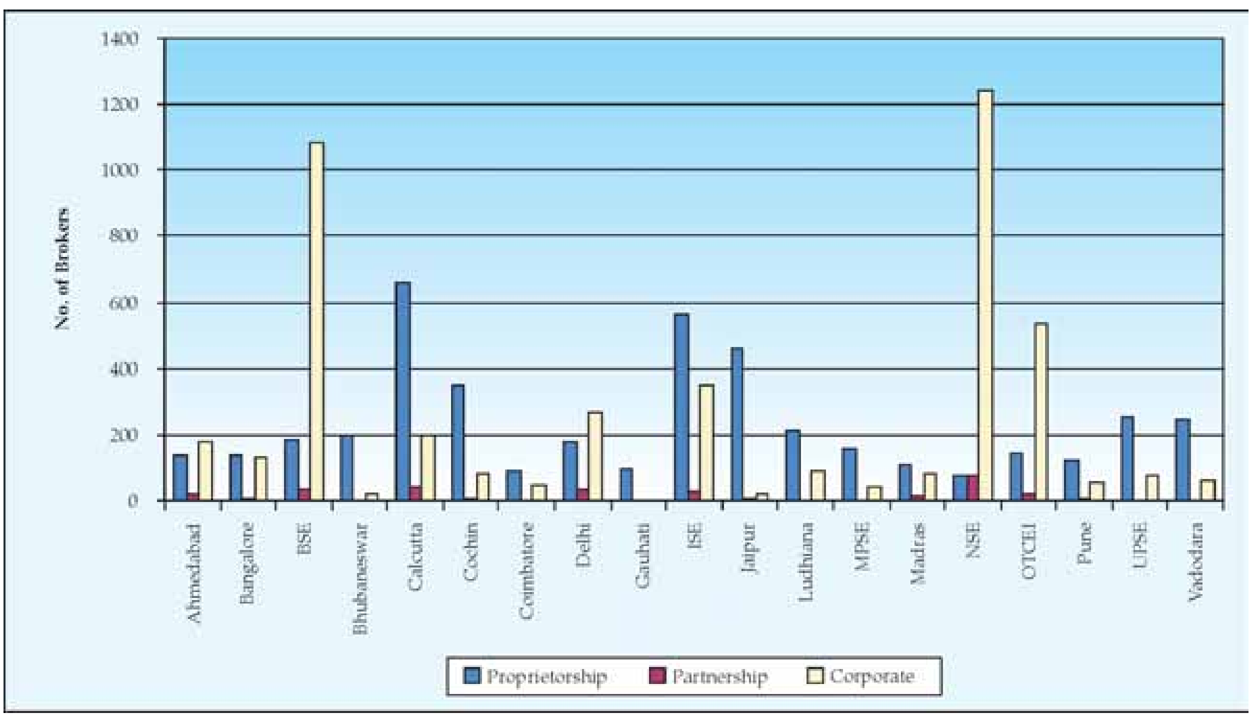
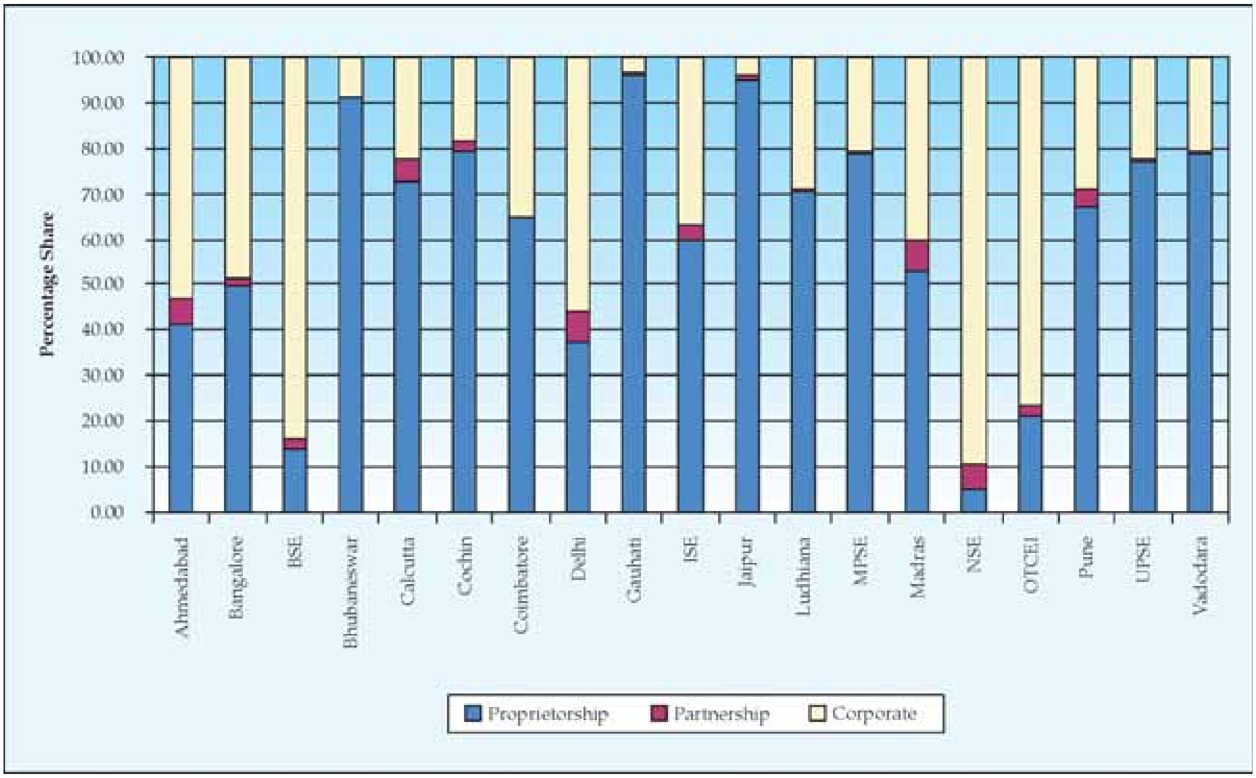


Chart 3.2: Percentage Share of Stock Brokers (By Ownership) (As on March 31, 2011)



in Table 3.3, Chart 3.1 and Chart 3.2.

In equity derivative segment, 99 trading members (TM), 14 clearing members (CM) and 32 self clearing members (SCM) were granted registration at NSE Futures and Options (F&O) segment during 2010-11. In case of BSE F&O segment, the corresponding figures were 340, 13 and nine respectively. Nine trading members were granted registration at MSE during 2010-11. The details regarding the same are provided in Tables 3.4.

In the currency derivatives segment, total number of registered members with NSE, BSE, MCX-SX and USE were 932, 193, 856 and 388 respectively at the end of March 31, 2011. Details of members in the currency derivative segment are provided in Table 3.5.

Table 3.4: Number of Registered Members in Equity Derivatives Segment during 2010-11

(Number)

Type of Member	NSE		BSE		MSE	
	Registrations during 2010-11	Registrations at the end of March 2011	Registrations during 2010-11	Registrations at the end of March 2011	Registrations during 2010-11	Registrations at the end of March 2011
1	2	3	4	5	6	7
Trading Member	99	1,299	340	787	9	13
Clearing Member	14	259	13	131	0	0
Self Clearing Member	32	396	9	28	0	0
Total	**145**	**1,954**	**362**	**946**	**9**	**13**

Table 3.5: Number of Registered Members in Currency Derivatives Segment during 2010-11

(Number)

Type of Member	NSE		BSE		MCX-SX		USE	
	Regis-trations during 2010-11	Registra-tions at the end of March 2011	Regis-trations during 2010-11	Registra-tions at the end of March 2011	Regis-trations during 2010-11	Registra-tions at the end of March 2011	Regis-trations during 2010-11	Registra-tions at the end of March 2011
1	2	3	4	5	6	7	8	9
Trading Member	134	760	1	161	87	742	339	339
Clearing Member	24	172	0	32	23	114	49	49

IV. Registration of Sub-brokers

There was an increase in the number of sub-brokers registered with SEBI with a net addition of 8,574 sub-brokers in 2010-11, an increase of 11.4 percent. The total number of registered sub-brokers at the recognized stock exchanges at the end of 2010-11, increased to 83,952 as against 75,378 in the previous year (Table 3.6). During 2010-11, SEBI processed 4,747 surrender/cancellation applications of sub-brokers. BSE and NSE accounted for 98.76 percent of the total registered sub-brokers in 2010-11 as compared to 98.58 percent a year ago.

Table 3.6: Registered Sub-brokers

Sl. No.	Stock Exchange	Sub-brokers as on March 31			
		2010		2011	
		Number	Percentage of Total*	Number	Percentage of Total*
1	2	3	4	5	6
1	Ahmedabad	95	0.13	93	0.11
2	Bangalore	158	0.21	158	0.19
3	BSE	33,710	44.72	38,124	45.41
4	Bhubaneswar	17	0.02	16	0.02
5	Calcutta	81	0.11	79	0.09
6	Cochin	41	0.05	41	0.05
7	Coimbatore	20	0.03	20	0.02
8	Delhi	255	0.34	239	0.28
9	Gauhati	4	0.01	4	0.00
10	ISE	2	0.00	1	0.00
11	Jaipur	32	0.04	32	0.04
12	Ludhiana	36	0.05	35	0.04
13	MPSE	5	0.01	5	0.01
14	Madras	109	0.14	109	0.13
15	NSE	40,600	53.86	44,783	53.34
16	OTCEI	17	0.02	17	0.02
17	Pune	156	0.21	156	0.19
18	UPSE	3	0.00	3	0.00
19	Vadodara	37	0.05	37	0.04
	Total	75,378	100.00	83,952	100.00

** Percentage to total sub-brokers in the recognized stock exchanges.*

Table 3.7: Stock Exchanges with Permanent Recognition

Sr. No.	Exchanges	Recognition
1	2	3
1	Ahmedabad Stock Exchange Ltd.	Permanent
2	Bangalore Stock Exchange Ltd.	Permanent
3	Bombay Stock Exchange Ltd.	Permanent
4	Calcutta Stock Exchange Ltd.	Permanent
5	Delhi Stock Exchange Ltd.	Permanent
6	Madhya Pradesh Stock Exchange Ltd.	Permanent
7	Madras Stock Exchange Ltd.	Permanent
8	National Stock Exchange of India Ltd.	Permanent

V. Recognition of Stock Exchanges

The stock exchanges are granted recognition by SEBI under Section 4 of the Securities Contracts (Regulation) Act, 1956. Presently, there are 21 recognised stock exchanges, including United Stock Exchange of India Limited which was granted recognition on March 22, 2010 for a period of one year. Out of which, eight stock exchanges have permanent recognition (Table 3.7). During the year, renewal of recognition was granted to 12 stock exchanges (Table 3.8).

Renewal was not granted to Coimbatore Stock Exchange Ltd. (CSX) as it failed to make an application for renewal of recognition which expired on September 17, 2006. The matter is under litigation before the Hon'ble High Court of Judicature at Madras. Pursuant to SEBI circular dated December 29, 2008 on 'Guidelines for exit option for regional stock exchanges', CSX has expressed its desire to surrender its recognition.

SEBI, vide order dated July 06, 2007, has withdrawn the recognition granted to Saurashtra Kutch Stock Exchange Limited (SKSE). In the matter of withdrawal of recognition of SKSE, Hon'ble Supreme Court, vide order dated July 10, 2009, has permitted SKSE to withdraw the appeal with the liberty to file an application before the SEBI for renewal of recognition and the same shall be considered and disposed of by SEBI on merits. In this regard, SEBI has made an application before Hon'ble Supreme Court for clarification of the said order dated July 10, 2009.

OTCEI was granted time upto October 16, 2009 to comply with the requirements of Securities Contracts (Regulation) (Manner of Increasing and Maintaining Public Shareholding in Stock Exchanges) Regulations, 2006 (MIMPS Regulations). Further extension was granted to comply with MIMPS Regulation by July 22, 2010.

While granting renewal of recognition to MCX-SX, extension of time was granted to comply with the requirements of Securities Contracts (Regulation) (Manner of Increasing and Maintaining Public Shareholding in Stock Exchanges) Regulations, 2006 (MIMPS Regulations) up to September 15, 2010.

SEBI vide order dated April 9, 2009 directed Madhya Pradesh Stock Exchange Ltd. (MPSEL) to comply with the observations of SEBI and payment of dues to Investor Protection Fund (IPF) and Investor Service Fund (ISF).

Table 3.8: Renewal of Recognition Granted to Stock Exchanges during 2010-11

Sr. No.	Exchanges	Date of Notification	Period
1	2	3	4
1	Ludhiana Stock Exchange Ltd.	April 26, 2010	April 28, 2010 to April 27, 2011
2	Gauhati Stock Exchange Ltd.	April 13, 2010	May 1, 2010 to April 30, 2011
3	Uttar Pradesh Stock Exchange Association Ltd.	May 31, 2010	June 3, 2010 to June 2, 2011
4	Bhubaneswar Stock Exchange Ltd.	May 31, 2010	June 5, 2010 to June 4, 2011
5	OTC Exchange of India	August 23, 2010	August 23, 2010 to August 22, 2011
6	MCX Stock Exchange Ltd	August 30, 2010	September 16, 2010 to September 15, 2011
7	Pune Stock Exchange Ltd.	September 1, 2010	September 2, 2010 to September 1, 2011
8	Cochin Stock Exchange Ltd.	November 2, 2010	November 8, 2010 to November 7, 2011
9	Interconnected Stock Exchange of India Ltd.	November 15, 2010	November 18, 2010 to November 17, 2011
10	Vadodara Stock Exchange Ltd.	December 31, 2010	January 4, 2011 to January 3, 2012
11	Jaipur Stock Exchange Ltd.	January 7, 2011	January 9, 2011 to January 8, 2012
12	United Stock Exchange of India Ltd.	March 18, 2011	March 22, 2011 to March 21, 2012

VI. Registration of Foreign Institutional Investors and Custodians of Securities

There was a small increase in the number of Foreign Institutional Investors (FIIs) registered with SEBI. As on March 31, 2011, there were 1,722 FIIs registered with SEBI as compared to 1,713 a year ago, showing an increase of 0.53 percent during the year. There were 5,686 sub-accounts registered with SEBI as on March 31, 2011 as compared to 5,378 as on March 31, 2010, an increase of 5.73 percent (Table 3.9). The number of custodians registered with SEBI under the SEBI (Custodian of Securities) Regulations, 1996 was 19, as on March 31, 2011, as compared to 17 a year ago. Status of registration of FIIs, sub-accounts and custodians during 2010-11 is provided in Table 3.9a.

Table 3.9: Number of Registered FIIs, Sub-accounts and Custodians

(Number)

Particulars	As on March 31,2010	As on March 31,2011
1	2	3
Number of FIIs	1,713	1,722
Number of Sub-accounts	5,378	5,686
Number of Custodians	17	19

VII. Registration of Collective Investment Schemes (CIS)

As on March 31, 2011, there was only one registered CIS, viz., 'Gift Collective Investment Management Company Ltd.' which was registered during 2008-09.

M/s. MPS Greenery Developers Ltd. (MPS) was granted provisional registration as Collective Investment Management Company under the SEBI (Collective Investment Schemes) Regulation, 1999 with effect from August 21, 2009.

Table 3.9a: Status of Registration of FII, Sub-accounts and Custodians during 2010-11

(Number)

Particulars	FII			Sub Account			Custodian		
	Fresh Regis-tration	Re-newal	Total	Fresh Regis-tration	Re-newal	Total	Fresh Regis-tration	Re-newal	Total
1	2	3	4	5	6	7	8	9	10
I. Application received for fresh registration / renewal	281	590	871	1,043	2,240	3,283	0	2	2
a. Applications registered/ renewed	205	583	788	984	2,304	3,288	0	1	1
b. Applications pending#	51	43	94	128	107	235	1	1	2
c. Application rejected/ returned*	3	0	3	5	0	5			

* *Some of the applications that were returned due to various reasons may have been resubmitted and would have got subsequently registered or rejected.*

\# *Represents total cumulative number of pending applications as on March 31, 2011. The figure also contains those applications which were received before FY 2010-11.*

VIII. Registration of Mutual Funds

As on March 31, 2011, 51 mutual funds were registered with SEBI, of which 46 were in the private sector and five (including UTI) were in the public sector. During 2010-11, registration was given to Pramerica Mutual Fund, Union KBC Mutual Fund, IIFL Mutual Fund and Indiabulls Mutual Fund (Table 3.10).

Table 3.10: Mutual Funds Registered with SEBI

(Number)

Sector	As on March 31, 2010	As on March 31, 2011
1	2	3
Public Sector (Inclduing UTI)	4	5
Private Sector	43	46
Total	**47**	**51**

IX. Registration of Venture Capital Funds

There were 184 domestic and 153 foreign venture capital funds registered with SEBI as on March 31, 2011 as compared to 158 and 143 funds respectively registered with SEBI as on March 31, 2010 (Table 3.11).

Table 3.11: Registered Venture Capital Funds

(Number)

VCFs	As on March 31, 2010	As on March 31, 2011
1	2	3
VCF	158	184
FVCI	143	153

X. Fees and Other Charges

Details of the amount of fees and other charges (un-audited) collected by SEBI from market intermediaries on both recurring and non-recurring basis is provided in Table 3.12. During 2010-11, the total amount of fees and other charges received was ₹ 198.66 crore (unaudited) as against ₹ 183.04 crore in 2009-10 (audited). The non-recurring fee was 51.05 percent in 2010-11 as compared to 42.0 percent in 2009-10. The largest amount of ₹41.99 crore which was fully recurring in nature was collected from derivatives members' registration, followed by ₹ 25.47 crore from registration of stock brokers and sub-brokers which was also recurring in nature.

Table 3.12: Fees and other Charges

(₹ crore)

Particulars	2009-10			2010-11		
	Recurring fees #	Non-recurring fees ##	Total Fees Received (audited)	Recurring fees #	Non-recurring fees ##	Total Fees Received (Unaudited)
1	2	3	4	5	6	7
Offer Documents and prospectuses filed	0.00	22.84	22.84	0.00	26.55	26.55
Merchant Bankers	2.85	2.55	5.40	2.25	1.85	4.10
Underwriters	0.05	0.01	0.06	0.05	0.03	0.08
Portfolio Managers	1.70	4.80	6.50	2.50	5.50	8.00
Registrars to an Issue and Share Transfer Agents	0.44	0.14	0.58	0.37	0.09	0.46
Bankers to an Issue	1.65	0.61	2.26	0.55	0.73	1.28
Debenture Trustees	0.75	0.34	1.09	0.40	0.12	0.52
Takeover fees	0.00	8.82	8.82	0.00	19.72	19.72
Mutual Funds	2.07	5.62	7.69	2.25	10.35	12.60
Stock Brokers and Sub-Brokers	36.66	0.00	36.66	25.47	0.00	25.47
Foreign Institutional Investors	0.00	13.44	13.44	0.00	16.90	16.90
Sub Account - Foreign Institutional Investors	0.00	12.02	12.02	0.00	13.82	13.82
Depositories	0.20	0.00	0.20	0.20	0.00	0.20
Depository Participants	0.16	1.89	2.05	0.22	2.64	2.86
Venture Capital Funds	0.00	1.88	1.88	0.00	1.74	1.74
Custodian of Securities	8.24	0.47	8.71	8.32	0.16	8.48
Approved Intermediaries under Securities Lending Scheme	0.04	0.00	0.04	0.14	0.00	0.14
Credit Rating Agencies	0.00	0.01	0.01	0.10	0.21	0.31
Listing Fees Contribution from Stock Exchanges	4.87	0.00	4.87	5.25	0.00	5.25
Foreign Venture Capital	0.00	1.37	1.37	0.00	0.95	0.95
Derivatives Members registration	40.31	0.00	40.31	41.99	0.00	41.99
Informal Guidance Scheme	0.00	0.07	0.07	0.00	0.05	0.05
Regulatory Fees	6.17	0.00	6.17	7.19	0.00	7.19
Total	**106.16**	**76.88**	**183.04**	**97.25**	**101.41**	**198.66**

\# *Recurring fees: Fees which is received on annual/3-yearly/5-yearly basis (includes Renewal Fee/ Service Fee/ annual fee/ Listing Fees from exchanges/ Regulatory Fees from stock exchanges).*

\## *Non-recurring fees: Fees which is received on one time basis. Includes fee for Offer Documents Filed/ Registration Fee/ Application Fee/ Takeover Fees/ Informal Guidance Scheme/ FII Registration and FII Sub –Accounts Registration.*

2. Corporate Restructuring

I. Substantial Acquisition of Shares and Takeovers

As on March 31, 2010, total 16 draft letters of offer for issue of observations were pending with SEBI. During the financial year 2010-11, additional 108 draft letters of offer were filed with SEBI and observations were issued on 106 draft letters of offer during the year and 18 draft letters of offers were pending with SEBI for issuance of observations as on March 31, 2011 (Table 3.13).

Regulation 4 of Takeover Regulations deals with applications for seeking exemption from open offer obligations provided in Chapter III of Takeover Regulations (referred as Takeover Panel Applications). A total of 43 applications were examined during 2010-11, out of which, in 16 applications, exemption was granted from open offer obligations, 12 applications were returned/ withdrawn and six applications were rejected (Table 3.13). There were nine Takeover Panel applications pending as on March 31, 2011.

Table 3.13: Status of draft letter of offers for open offers filed u/r 18(1) and Takeover Panel Applications during 2010-11

Status	Number
1	2
Draft letters of offer for open offer	
Pending draft letters of offer Cases as on March 31, 2010	16
Draft letters of offer received during 2010-11	108
Total	**124**
Observations issued by SEBI during 2010-11	106
Draft letters of offer in process as on March 31, 2011	18
Takeover Panel Applications	
Applications as on March 31, 2010	15
Applications received during 2010-11	28
Total	**43**
Applications disposed during 2010-11	34
Applications in process as on March 31, 2011	9

During the financial year 2010-11, a total of 102 offers were launched for fulfilling open offer obligations. In 16 Takeover Panel Applications, SEBI granted exemption from open offer obligations (Table 3.14).

Table 3.14: Open offers and Exemption from Open Offers

(Number)

Period	Open offers	Exemptions from open offers
1	2	3
2008-09	113	15
2009-10	76	18
2010-11	102	16

II. Buyback

During 2010-11, total 19 buyback offers were received, indicating a decrease of 24 percent over the previous financial year 2009-10. Out of these, 14 buyback offers were made through open market mode and 5 were made through tender offer mode.

A total of 13 buyback offers opened and closed during the financial year 2010-11 as compared to 14 buyback offers during 2009-10. The total buyback offer size during the financial year 2010-11 is ₹ 5,316 crore as compared to the total buyback offer size of ₹ 1,020 crore during 2009-10, resulting in an increase of 421 percent. It is also observed from the buyback offers which are opened and closed during 2010-11, that there was an average utilization of 98.7 percent of offer size

Table 3.15: Buyback Cases during 2010-11

Buy-back Cases	No. of Cases	Buy-back Size (₹crore)	Actual Amount utilized for Buy-back of Securities (₹ crore)
1	2	3	4
Buy-back through Open Market			
Cases Received, Opened and Closed	8	1,063.50	1,015.00
Cases Received, Opened but not Closed	3	194.5	NA
Cases Received but not Opened	3	1,157.50	NA
Buy-back through Tender Offer			
Cases Received, Opened and Closed	5	2,900.30	2899.1

in terms of amount. During 2010-11, all five tender offers were fully subscribed and funds were totally utilized.

3. SUPERVISION

Effective supervision through on-site and off-site inspections, enquiry against intermediaries for violations of rules and regulations, enforcement and prosecutions were essential features of effective enforcement of regulation by SEBI. SEBI conducts inspections either directly or through organizations like stock exchanges, depositories etc. Inspections on a periodic basis were conducted to verify the compliance levels of intermediaries. Special purpose inspections were also conducted on the basis of investor complaints, references, surveillance reports, specific concerns, etc. The inspection of the depositories was also carried out in order to examine the effectiveness and quality of audit/inspections and the action taking process of depositories.

I. Inspection of Market Intermediaries

The inspection process of intermediaries has been further reviewed with a view to expedite the inspection process as well as to improve the quality of follow up action resulting in enhanced level of compliance amongst the intermediaries. The findings of the inspections are communicated to the intermediaries and thoroughly discussed with them wherever necessary, to ascertain their views and action is initiated commensurate with the seriousness of the violation committed by the intermediary.

Further, intermediaries were also specifically advised about the areas where improvement / corrective steps were required. They are now required to report to SEBI about the corrective steps taken by them and also place the same before their board/partners/proprietor, as the case may be. These steps taken by SEBI have improved the compliance level among the intermediaries

i. Inspection of Stock Brokers / Sub-brokers / Clearing Members

Clearing members are primarily responsible for effective clearing and settlement of transactions in equity derivatives and currency derivatives segments in the market. With a view to gauge and strengthen their compliance level and risk management systems, SEBI initiated inspection of clearing members during 2010-11. The inspections were aimed at checking whether the clearing members collect appropriate margins from the trading members, whether the collaterals collected towards margin are as prescribed by the clearing corporations and whether they reported the collection of margins correctly to the clearing corporations.

During 2010-11, total number of inspections completed of stock brokers, sub-brokers and clearing members was 46 as compared to 36 completed last year. It includes 42 inspections of stock brokers, one inspection of sub-broker and three inspections of clearing members (Table 3.16).

Table 3.16: Inspection of Stock Brokers/Sub-brokers

(Numbers)

Particulars	2009-10	2010-11
1	2	3
Inspections Completed – Stock Brokers	34	42
Inspections Completed - Sub - Brokers	2	1
Inspections Completed - Clearing Members	0	3
Total	**36**	**46**

In addition, SEBI also directed that the stock exchanges/clearing corporations shall inspect all active members in various segments every year. The inspections carried out by stock exchanges during 2010-11 are shown in Table 3.16a.

Further, SEBI vide circular dated August 22, 2008, advised the stock exchanges to direct their stock brokers/clearing members to carry out complete internal audit on a half yearly basis by independent auditors. The focus of the internal audit is to assess the efficacy of the internal controls and soundness of the risk monitoring system of the trading/clearing member.

Internal auditors are required to submit their audit reports to the intermediary. The intermediary would place the report before its Board of Directors / Proprietors / Partners and shall forward the same along with para-wise comments to the respective stock exchange within three months of the end of the half year period.

By and large all the active stock brokers/ clearing members of the three major stock exchanges (NSE, BSE and MCX-SX) have submitted the internal audit report for the half year ended March 31, 2010 and September 30, 2010, to the stock exchanges.

The major findings pointed out in the internal audit reports were discussed with stock exchanges. Based on the findings, stock exchanges revised the guidelines for internal audit in consultation with SEBI.

ii. Inspection of Other Intermediaries

During 2010-11, regular inspections were completed for 11 depository participants, four registrars to an issue and share transfer agents, four debenture trustees and 10 merchant bankers (Table 3.17).

Table 3.17: Inspection of other Market Intermediaries

(Numbers)

Particulars	2009-10	2010-11
1	2	3
Registrar to Issue and Share Transfer Agent	9	4
Merchant Banker	2	10
Others (companies)	0	2
Depository Participant	9	11
Debenture Trustee	4	4
Total	**24**	**31**

II.a Inspection of Stock Exchanges

During inspection of stock exchanges, a review of the market operations, organisational structure and administrative control of the stock exchange is made to ascertain whether:

a) It provides fair, equitable and transparent and growing market to the investors,

b) Its organization, system and practices are in accordance with the SC(R)Act, 1956 and the Rules framed there under,

Table 3.16a: Inspection by Stock Exchange/ Clearing Corporation

(Numbers)

Year	NSE	BSE	MCX-SX	USE	Total
1	2	3	4	5	6
2009-10	745	300	61	NA	1,106
2010-11	936	701	93	11	1,741

NA means Not Applicable

c) It has implemented the directions, guidelines and instructions issued by SEBI/ Government of India from time to time, and

d) It has complied with the conditions, if any, imposed on it at the time of renewal/ grant of its recognition under Section 4 of the SC(R) Act, 1956.

During the year 2010-11, based on the turnover and other issues such as compliance with the inspection observations, listing norms, etc., inspection of equity segment of the following stock exchanges was carried out:

1) Ludhiana Stock Exchange Limited
2) Calcutta Stock Exchange Limited
3) Bhubaneshwar Stock Exchange Limited
4) Madras Stock Exchange Limited
5) Cochin Stock Exchange Limited
6) Interconnected Stock Exchange of India Limited
7) Gauhati Stock Exchange Limited

In addition, during the financial year 2010-11, while considering the renewal of recognition of stock exchanges, special purpose inspection of the following stock exchanges was undertaken for ascertaining the compliance levels:

1) OTC Exchange of India Limited
2) Jaipur Stock Exchange Limited
3) Vadodara Stock Exchange Limited
4) MCX Stock Exchange Limited
5) Pune Stock Exchange Limited
6) United Stock Exchange Limited
7) UP Stock Exchange Limited

II b. Inspection of Depositories

During the inspection of Depositories, a review of the market operations, organisational structure and administrative control of the depository is conducted to ascertain as to whether:-

a) The procedures and practices of the depository are in compliance with the Depositories Act, 1996, SEBI (Depositories and Participants), Regulations, 1996, SEBI circulars, the bye-laws etc.

b) The books of account are being maintained by the depository , in the manner specified in SEBI (Depository and Participants) regulations, 1996;

c) The complaints received by depositories from participants, issuers, issuers' agents, beneficial owners or any other person are redressed;

d) Violations and deficiencies pointed out in the last inspection report have been rectified.

During 2010-11, special purpose inspection of NSDL and CDSL was conducted to ascertain the systems, procedures and practices in conducting the inspection of depository participants by the depositories and the desirability of adopting the best practices by NSDL and CDSL.

III. Follow-up Inspection Reports

Pursuant to inspection, the stock exchanges and depositories submitted periodic compliance report to SEBI duly approved by their respective Governing Boards. These compliance reports were analyzed and all unimplemented observations were followed up for compliance.

4. SURVEILLANCE

I. Mechanism of Market Surveillance

An effective surveillance mechanism is one of the prime requirements for well functioning securities market. The primary responsibility of safe-guarding the integrity of the market and ensuring that the market is performing in accordance with the stipulated norms and practice, has been entrusted to stock exchanges, which act as first-level regulators. The exchanges, as part of their surveillance mechanism, keep a watch on securities and analyze their trading pattern and appropriate actions are initiated by them in case of any discrepancies. Any suspicious incident or price movement is reported to SEBI for further examination.

The Integrated Surveillance Department (ISD) of SEBI is in charge of overall market surveillance and scope of its activities includes monitoring market movements and detecting potential breach of Regulations, analysing the trading in securities and initiation of appropriate action wherever warranted. While primary inputs are received through examination reports from stock exchanges, ISD also receives inputs viz., complaints from Investors, references from other departments of SEBI, regulatory bodies, and other Government agencies as also reports in the media.

In addition, to enhance the efficacy of the surveillance function, SEBI has put in place a comprehensive Integrated Market Surveillance System (IMSS) which generates alerts arising out of unusual market movements. SEBI also keeps an oversight on the activities of the stock exchanges and depositories to promote an effective surveillance mechanism. Integrated Surveillance Department also carries out inspection of surveillance departments of major stock exchanges.

II. Surveillance Actions

During the year 2010-11, NSE initiated preliminary examination and investigation in a total 222 cases and BSE initiated examination and investigation in 1,625 cases.

Further, as surveillance measure, during the year, NSE shifted 259 scrips to Trade-for-Trade segment and BSE shifted 1,194 scrips to Trade-for-Trade segment. On shifting the scrip's into Trade-for-Trade segment, both legs of the transaction i.e. purchase and sale has to be settled separately on a gross basis. This leads to reduction in the amount of speculation as only those who can deliver the securities can enter into sale transactions and thereby day trading is reduced. Also, the volatility in prices was decreased due to reduction of the applicable circuit filters i.e. 10 percent, 5 percent, and 2 percent. NSE reduced circuit filter in 510 instances and BSE in 1,744 instances. Further, NSE and BSE verified 73 and 82 rumours respectively (Table 3.18).

Table 3.18: Number of Surveillance Actions during 2010-11

Nature of Action	NSE	BSE
1	2	3
Scrips Shifted to Trade for Trade Segment	259 (644)	1,194 (2,198)
No. of instances in which Price Bands were imposed (2 percent, 5 percent and 10 percent)	510 (1,542)	1,744 (3,214)
Preliminary Investigations Taken Up	222 (257)	1,625 (1,331)
Rumours verification	73 (73)	82 (59)

**Note: Figures in the parentheses pertain to 2009-10.*

III. Surveillance Measures

i. In order to moderate sharp and destabilizing price movements in shares of companies, to encourage better price discovery and to increase transparency in securities market, SEBI issued circular inter-alia stipulating that the securities of companies would be traded in the normal segment of the exchange if and only if, the company has achieved at least 50 percent of non-promoters holding in dematerialized form by October 31, 2010. Also, norms were specified which would govern cases of merger, demerger, amalgamation, capital reduction/ consolidation, scheme of arrangement, etc.

ii. A mechanism has been put in place whereby in case of significant price/volume variation being witnessed in the trading of shares of the company, the exchanges would seek comments of the company in this regard, and also the company's confirmation that it has made all required disclosures. Further, the stock exchanges would publicly disseminate the comments/clarifications received from the company to enable investors to take informed decisions.

iii. SEBI had taken up with Press Council of India (PCI) its concerns on practice of many media groups entering into agreements, such as 'Private Treaties', with companies. In this regard, PCI has mandated that all disclosures regarding stake held by the media company should be made in the news report and on the website of media group, including disclosures regarding any potential conflict of interest for media group.

iv. In order to curb unauthenticated news related to various scrip's that are being circulated in blogs/chat forums/e-mail etc., by employees of broking houses/other intermediaries, SEBI registered market intermediaries were directed to ensure that proper internal code of conduct and controls be put in place.

v. SEBI issued a caution to investors on investment advice offered by websites, advertisements, SMS, emails, astrology etc. and investors were advised to take well informed investment decisions.

IV. Significant Market Movements during 2010-11

The top market movements in terms of percentage change are given below:

i. On March 01, 2011, the Sensex rose by 655.28 points (from previous day's closing of 17,823.40) and Nifty rose by 199.80 points (from previous day's closing of 5,333.25). Sensex and Nifty closed at 18,446.50 (+3.50 percent) and 5,522.30(+3.54 percent) respectively.

ii. On May 10, 2010, the Sensex rose by 587.43 points (from previous day's closing of 16,769.11) and Nifty rose by 185.25 points (from previous day's closing of 5,018.05). Sensex and Nifty closed at 17,330.55 (+3.35 percent) and 5193.60 (+3.50 percent) respectively

iii. On Feb 24, 2011, the Sensex went down by 618.63 points (from previous day's closing of 18,178.33) and Nifty went down by 194.85 points (from previous day's closing of 5,437.35). Sensex and Nifty closed at 17,632.41 (-3.00 percent) and 5262.7 (-3.21 percent) respectively.

V. Integrated Market Surveillance System

During the year, the Integrated Market Surveillance System (IMSS) continued to provide assistance to SEBI in monitoring the market and in discharging its regulatory functions effectively. The system is being used for detecting aberrations, analyzing them and identifying the cases for investigation and for taking further action, wherever warranted. The purpose of this exercise is to promote market integrity and to ensure orderly conduct of the market. IMSS is also being used for monitoring the activities of market participants as well as issuing suitable instructions to stock exchanges and market participants. Wherever required, findings enabled by IMSS are shared with stock exchanges for appropriate action ensuring that stock exchanges continue to act as the first level regulator for proactively detecting and examining abnormal trading pattern.

To accommodate growing volumes of transactions in the securities market and currency markets, IT infrastructure of IMSS was upgraded during the year in order to enhance capacity and ensure further scaling of operations.

VI. Data Warehousing and Business Intelligence System

The objective of Data Warehousing and Business Intelligence System (DWBIS) is to significantly enhance the capability of the investigation and surveillance functions of SEBI. The Data Warehousing tool will allow SEBI to exploit the power of modern technology in terms of computation and speed of data analysis. To meet the said objective, SEBI has signed a contract for DWBIS project with TATA Consultancy Services Limited (TCS), as the system integrator. The chosen platform for data warehouse is of Netezza (an IBM Company), Business Intelligence tool is from SAP Business Objects and Analytics is from SAS. The solution includes developing processes for data acquisition and collection, data mining, analysis, modeling, business intelligence and predictive modeling.

The implementation of proposed solution is planned in three phases:

- Phase I: Query Functions and Analytic Capability: During this phase the system will be implemented to generate output for queries run by users in a highly time-efficient manner.

- Phase II: Scenario Development, Data Mining and Predictive Modeling. In phase II, the system will be enhanced and developed to generate different models based on the given scenarios and parameters using the available extracted data, derived and summary data, existing databases etc.

- Phase III: Research Analysis and Integration of databases. In phase III, it is planned to integrate existing databases with the business intelligence tools and also configure systems to aid research and analyses functioning of SEBI.

The first phase of the project was launched on February 11, 2011 by making few reports available to the users. Over next one year, the Data Warehousing platform will also host pattern recognition algorithms that will monitor the trade and order data received by SEBI, in order to identify networked clients who possibly collectively indulge in violations of securities laws. Several other pattern recognition modules would be implemented to address detection of crimes like insider trading, front running etc.

Upon fully commissioning, DWBIS will allow SEBI, along with the similar tools available with the exchanges and depositories, to expedite the investigation and completion of its quasi judicial orders arising from cases of violations pertaining to the securities market.

Box 3.1: Data Warehousing and Business Intelligence System

A data warehouse is a structured extensible environment designed for the analysis of non-volatile data, logically and physically transformed from multiple source applications to align with regulatory structure, updated and maintained for a long time period, expressed in simple business terms, and summarized for quick analysis. Data warehousing involves the entire information delivery process – from access and transformation of data that resides in different operational stores, through the organization process that makes the data available for decision making, to surfacing the data for exploitation via a range of decision support tools. The data warehousing process begins with operational data sources and ends with decision support applications and reports. William Inmon coined the term "data warehouse" in 1990 and defined it as a managed database in which the data is subject oriented.

NYSE Euronext Inc., the operator of the New York Stock Exchange, Euronext and several other stock exchanges, has adopted data warehousing systems to accelerate its analysis of internal business and performance data. Similarly, NASDAQ has also deployed data warehousing system to store, manage and analyze terabytes of critical transaction data generated by billions of daily trades at its U.S. markets.

As organisations are becoming more competitive in their respective marketplaces, products and services are getting commoditized with little differentiation. Hence these are organisations are looking at warehousing and business intelligence to uncover patterns, behavior and trends pertaining to their brands, products and customers. Business intelligence provides them better information that enables differentiation through innovative product offerings, better customer segmentation and service delivery. Secondly, multinationals using data warehousing and business intelligence in developed economies are bringing these capabilities to their local operations in India. Indian companies are also adapting and evolving BI capabilities to deliver a stronger value proposition and grow their businesses.

In a 1958 article, IBM researcher Hans Peter Luhn coined the term "Business Intelligence" for the first time. He defined business intelligence as: "the ability to apprehend the interrelationships of presented facts in such a way as to guide action towards a desired goal." This is a very general definition and does not provide for necessity of using computers for business intelligence. However, as the volume of data grows, it makes sense for an organisation to use computer-aided tools like data warehousing systems to store, analyse and retrieve data efficiently.

Key applications of DWBIS: It can be used for following purposes:

- Standardisation and Benchmarking – DWBIS can be used to create a hierarchy of performance metrics, standardisation and benchmarking informs business leaders about the progress of organisation towards business goals.
- Analytics – DWBIS provides strong analytical capabilities to for a business to arrive at optimal decisions.
- Reporting/Enterprise Reporting – DWBIS builds an infrastructure for strategic reporting to serve the strategic management of a business. It frequently involves Data visualization, Executive Information System, OLAP etc.
- Integrated platform – DWBIS provides an integrated platform that collects data from different areas (both inside and outside the organisation). It enables to work together through data sharing and electronic data interchange.
- Knowledge Management – DWBIS enables an organisation to make its decisions based on analysis of data. The process of storing such decisions, strategies and practices to identify, create, represent, distribute, and enable adoption of insights and experiences is known as known as knowledge management. Knowledge Management leads to better learning and efficient regulatory compliance.

Over the last few years, the Indian stock markets have grown at an exponential rate driven by strong macro fundamentals and positive investor sentiments. The markets have recently witnessed a deluge in terms of the number of daily transactions which necessitated the move to augment the current Integrated Market Surveillance System in SEBI with a more robust, intelligent and multidimensional platform to equip the surveillance, investigation and research teams with the analyzing capabilities that they would require to monitor an increasingly complex network of market entities. The proposed system will involve extensive usage of the latest data warehousing and business intelligence technologies to support a far wider range of capabilities including historical data analysis, transaction-based reporting, trading pattern recognition and fraud detection.

VII. Enforcement Actions

During 2010-11, SEBI passed many orders in its enforcement capacity. Some of the important orders are given below:

i) Orders

a) Order in the matter of Mr.Sanjay Dangi

SEBI had received a reference from Income Tax Department, containing certain findings in the matter of M/s. Murli Industries Limited. A plain reading of the certified true copy of documents, which IT Department had found during their survey at the offices of the company, prima facie indicated a well laid down strategy planned by promoters of the company who had floated 10 dummy entities, who along with Mr.Sanjay Dangi manipulated the share price of the company before the issuance of the FCCBs.

This led SEBI to search for and examine similar patterns in the trading and price-volume of scrips of other companies that had issued FCCBs or in which Dangi Group had been found to have traded regularly, or both. SEBI also analyzed the demat transaction statements of few of the entities belonging to the Dangi Group. It was revealed that the Dangi Group was actively trading in the shares of many companies where there was capital raising through FCCB issue, ADR/GDR issue, QIB/QIP placement, preferential allotment or loans or pledge/ revocation of pledge of promoter shares.

Examination revealed that that the aforesaid entities and the persons connected with them have prima facie violated Section 12A of the SEBI Act, 1992, Regulations 3 and 4 of the SEBI (Prohibition of the Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations 2003, Regulation 3 of the SEBI (Prohibition of Insider Trading) Regulations, 1992 and Regulations 10 and 11 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

In view of the above, SEBI passed an ex-parte ad-interim order dated December 02, 2010 inter-alia directing

- Entities connected to Mr.Sanjay Dangi not to buy, sell or deal in the securities in any manner till further directions in this regard,
- The promoter/promoter related entities of Murli Industries Limited, Ackruti City Limited, Gujarat Stahl Rohren Limited (now Welspun Corp. Limited) and Brushman India Limited not to buy, sell or deal in the securities of their own companies and their listed group companies in any manner till further directions in this regard.
- Stock brokers namely, Sanchay Fincom Limited, Sanchay Finvest Limited and Ashika Stock Broking Limited not to buy, sell or deal in the securities in their own/proprietary account in any manner till further directions in this regard.
- Murli Industries Limited, Ackruti City Limited, Welspun Corp. Limited and Brushman India Limited, and their respective promoters to cease and desist from carrying out the activities (mentioned in the Order) which are prima facie in contravention of the securities laws.

- Murli Industries limited, Ackruti City Limited, Welspun Corp. Limited and Brushman India Limited and their respective promoters to ensure that, the shareholding of the promoters/ promoter group in the said companies is not altered in any manner till further directions.

b) Directions in the matter of dealings in the shares of Spectacle Infotek Limited (earlier known as Spectacle Industries Limited), Goldstone Technologies Limited, Gemstone Investments Limited, LGS Global Limited and Well Pack Papers & Containers Limited

Pursuant to the detection of a huge rise in the traded volumes and/or price of the shares of Spectacle Industries Limited (now known as Spectacle Infotek Limited), Goldstone Technologies Limited, Gemstone Investments Limited, LGS Global Limited and Well Pack Papers & Containers Limited during the years 2008, 2009 and 2010, the SEBI initiated an investigation into the dealings in the scrips. SEBI also received complaints from investors about unusual activities by certain named persons in the scrips. The trading patterns in the scrips were also analyzed by the Bombay Stock Exchange Limited. The preliminary observations of the aforesaid investigation had revealed the following.

- Pattern of trading and dealing in the select scrip indicated that the Pabari-Parikh group (43 entities) was responsible for creating substantial volumes, which appeared to be artificial in nature, executing synchronized and structured trades, executing wash trades involving substantial quantities of trades and receiving shares off-market for the purpose of meeting pay-in obligations etc. in the shares of Spectacle, Goldstone, LGS and Gemstone. The Pabari-Parikh group has also been active as a dominant partner while dealing in the shares of Gemstone and a support to the Walmiki-Shah group (196 entities) in the shares of Well Pack.
- Further, the fact that there are several entities common to both the Pabari-Parikh group and the Walmiki-Shah group indicates the nexus and the close interaction between the two groups. It has also been observed that they have made significant contributions to price rise and creation of volumes. The entities are connected (through Mr. Bhavesh Pabari) to a director (Mr. Narendra Ganatra) of at least two scrips viz. Gemstone and Spectacle, there is a distinct possibility that these entities could be connected with the promoters of other companies.
- Examination revealed that, the entities forming the Pabari-Parikh group (while dealing in all the above mentioned Scrips) and the Walmiki-Shah group (while dealing in the shares of Well Pack and Gemstone) have dealt in a manner contravening the provisions of Regulations 3(a), (b), (c) & (d) and 4(1), 4(2)(a), (b), (e) and (g) of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 read with Section 12A(a), (b) and (c) of the Securities and Exchange Board of India Act, 1992.

In view of the above, SEBI passed an

ex-parte ad-interim order dated February 02, 2011 inter-alia debarring thirty nine entities from accessing the securities market and further prohibited them from buying, selling or dealing in securities in any manner whatsoever, till further directions.

Further, the National Stock Exchange of India Limited and the Bombay Stock Exchange Limited were directed to examine the role of the stock broker, Arcadia Shares and Stock Brokers Private Limited, in respect of its trading for the entities in the shares of the identified scrips mentioned in this Order and to submit their respective reports within two months from the date of this Order.

ii) Consent orders:

A number of proceedings are settled through consent orders as per the SEBI circular dated April 20, 2007. Some of the major consent orders passed during the year are:

a) Reliance Infrastructure Limited (RIL) and Reliance Natural Resources Limited (RNRL)

On receipt of information that the amounts raised towards External Commercial Borrowings (ECB)/ Foreign Currency Convertible Bonds (FCCB) by ADA Group Companies had been used by them to invest in the stock market and the investment vehicle abroad were used as a means for the same, SEBI conducted an investigation into the alleged affairs relating to the dealing, either directly or indirectly, in the shares of Reliance Communications Limited (RCL). The investigation revealed that M/s Reliance Infrastructure Limited (RIL) and M/s Reliance Natural Resources Limited (RNRL) were prima facie responsible for misrepresenting the nature of investments in Yield Management Certificates/ Deposit, and profit and losses thereof in their Annual Reports for the year ending March 2007, March 2008 and March 2009 and misusing the frame work of the SEBI (Foreign Institutional Investors) Regulations, 1995.

Pursuant to the investigations, SEBI initiated proceedings under sections 11, 11(4) and 11B of SEBI Act, 1992, read with regulations 11 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 against RIL, RNRL, Shri Anil D Ambani Charirman and Managing Director of RIL and Chairman of RNRL, Shri Satish Seth, Executive vice chairman of RIL, Shri S.C. Gupta Director of RIL, Shri Lalit Jalan, Whole time Director of RIL, Shri J.P. Chalasani, Director of RIL for alledged violation of Section 12 A(b) of the SEBI Act, 1992 read with Regulation 3(c) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulation, 2003 (herein after referred to as 'SEBI (PFUTP) Regulations, 2003'), Section 12 A(c) of SEBI Act, 1992 read with Regulation 3(d) of SEBI (PFUTP) Regulations, 2003, Regulations 3(a) and 3 (b) of the SEBI (PFUTP) Regulations, 2003, Regulations 4(2)(f) of SEBI (PFUTP) Regulations, 2003, Regulation 4(2)(r) of SEBI (PFUTP) Regulations, 2003, clause 36(7) of listing agreement, Section 12 A(a) of SEBI Act, 1992 read with Regulation 3(b) of the SEBI (PFUTP) Regulations, 2003 and Regulation 4(2) of SEBI (PFUTP) Regulations, 2003.

While the aforesaid proceedings were pending SEBI, vide consent order dated

January 14, 2011 settled the case on the following terms as voluntarily proposed by the applicants:

1. The Applicant Companies shall not make investments in listed securities in the secondary market (other than mutual fund) until December 2012; and the individual applicants shall not make investments in listed securities in the secondary market (other than mutual fund) until December 2011. The above shall not apply to primary issuances, buy-backs and open offers.
2. The Applicant Companies shall implement a policy of rotation of the statutory auditors and therefore the statutory auditors as of March 2010 shall not be re-appointed for a period of three years commencing from 2010-2011.
3. a) Reliance Infrastructure Limited, i.e. Applicant No. 1 and its noticee directors i.e. Applicant No. 2 to 6, shall pay a settlement charge of ₹ 25,00,00,000/- (Rupees Twenty Five crores only) jointly and severally.

   b) Reliance Natural Resources Limited i.e. Applicant No. 7 and its noticee director i.e. Applicant No. 8, shall pay a settlement charge of ₹ 25,00,00,000/- (Rupees Twenty Five crores only) jointly and severally.

   c) The individual noticees i.e. Applicant No. 2 to 6 and 8, shall pay the above said settlement charge on behalf of all the applicants.
4. The above consent terms shall remain applicable on surviving corporate entities should any of the corporate applicants undergo any change on account of merger, amalgamation or restructuring or any other similar corporate action.

b) M/s Welvet Financial Advisers Pvt. Ltd

SEBI conducted investigations into the dealings in various IPOs during the period 2003-05 and found that certain entities (key operators) acted in concert with financiers and through medium of thousands of fictitious / benami demat accounts cornered shares meant for retail investors. Thereafter, key operators transferred shares to financiers, on or before the day of listing, who ultimately sold them in the market after listing and made huge ill-gotten gains. In this regard, SEBI initiated proceedings under Section 11B and adjudication proceedings against Welvet Financial Advisors Ltd. The entity preferred consent proceedings and paid ₹ 2.57 crore as consent terms.

c) M/s Fledgeling Nominees International Limited

SEBI had conducted investigations in the matter of sharp fall in the Indian stock market on May 17, 2004 and the investigations, prima facie, revealed that, Fledgeling Nominees International Limited was among the top 20 foreign institutional investors which had traded on the said day. SEBI initiated proceedings under sections 11B and enquiry proceedings against the FII. The FII preferred consent proceedings and paid ₹ 60 lakh as consent terms.

d) M/s RBS Asia Limited (Formerly Known As ABN Amro Asia Limited)

SEBI had conducted investigations in the matter of sharp fall in the Indian stock market on May 17, 2004 and the investigations, prima facie, revealed that, RBS Asia Limited was among the top 10 foreign institutional investors which had traded on the said day. SEBI initiated adjudication and enquiry proceedings against the FII. The FII preferred consent proceedings and paid ₹ 60 lakh as consent terms.

e) IPO irregularities

SEBI conducted investigations into the dealings in various IPOs during the period 2003-05 and found that certain entities (key operators) acted in concert with financiers and through medium of thousands of fictitious / benami demat accounts cornered shares meant for retail investors. Thereafter, key operators transferred shares to financiers, on or before the day of listing, who ultimately sold them in the market after listing and made huge ill-gotten gains.

In addition, few entities identified as depository participant (DP), prima facie appeared to have grossly failed in adhering to the Know Your Client norms laid down by SEBI and thereby facilitated opening of demat accounts in fictitious/ benami names and cornering the retail portion of IPO shares.

SEBI passed an ad-interim ex-parte order dated April 27, 2006 under Sections 11 and 11B of the SEBI Act, 1992, which was also the show cause notice, directing the entities who acted as key operator or financier, not to buy, sell or deal in securities market, including IPOs, directly or indirectly, till further directions. Also, few DPs who failed to adhere due diligence were directed not to open fresh demat accounts till further directions.

During the period of 2010-2011 final/ consent orders have been passed against those entities that were identified as key operator/financier/DPs in above said interim order. The details are tabulated below:

SL. No.	Name of the entities	Identified as	Type of order	Order passed on	Disgorgement Amount (₹)
1	Welvet Financial Advisers Pvt. Ltd	Financier to key operators	Consent	December 20,2010	2,57,81,217
2	Amadhi Investment Ltd.	Financier to key operators	Final order	April 6,2010	98,77,166
3	Zenet Software Limited	Financier to key operators	Final order	April 23,2010	30,88,21,218
4	Chandrakant Amratlal Parekh	Financier as well as key operator	Final order	May 10,2010	30,85,262
5	Pravin Ratilal Share and Stock Broking Ltd	DP	Final order	May 14,2010	Warning was issued
6	Jayesh P. Khandwala	Financier to key operators	Final order	October 26,2010	5,25,46,855
7	Panchal Group	Financier as well as key operator	Final order	February 25,2011	36,09,37,542

iii. Prevention of Money Laundering

Money Laundering is globally recognized as one of the largest threats posed to the financial system of a country. The fight against terrorist financing is another such emerging threat with grave consequences for both the political and economic standing of a jurisdiction. Rapid developments and greater integration of the financial markets together with improvements in technology and communication channels continue to pose serious challenges to the authorities, and institutions dealing with anti money laundering and combating financing of terrorism (AML and CFT).

The Prevention of Money Laundering Act , 2002 (PMLA) and Rules framed there under brought into force with effect from July 01, 2005 has been a significant step towards India joining the global war against money laundering and financing of terrorism.

In 2010-11, SEBI continued its focused efforts to bolster the regulatory framework and minimize the risk emanating from money laundering and terrorist financing. In pursuance of these efforts, SEBI issued two circulars containing key obligations required to be fulfilled by securities market intermediaries on areas relating to AML and CFT.

In the first circular issued on June 14, 2010 following membership to the FATF, SEBI sought to plug the identified gaps in the AML regulatory framework and ensure that the market was more attuned to combating money laundering and terrorist financing. Following this, on December 31, 2010, SEBI issued a Master Circular consolidating the requirements and obligations pertaining to the area of AML and CFT. The Master Circular replaced the Master Circular SEBI has issued in the preceding financial year. In the same manner as the preceding circular, the current Master Circular contains specific provisions to give effect to the relevant 49 recommendations of the Financial Action Task Force (FATF) and incorporated the various changes in law reflected through the issuance of other SEBI circulars as well as amendments to the PMLA Act, and Rules there under. Thus, the Master Circular serves as a single reference point, containing legislative and regulatory obligations to be fulfilled by market intermediaries.

SEBI has consistently in coordination with the Financial Intelligence Unit-India (FIU-IND) organized and participated in meetings with the stock exchanges, depositories and depository participants, stock brokers and mutual funds, registrars and transfer agents etc wherein further guidance to different intermediaries was provided for enhancing their compliance with the legislative requirements. Officers of SEBI also participated in seminars and workshops organized jointly by stock exchanges (NSE and BSE) and the depositories (NSDL and CDSL) for enhancing the compliance standards by stock brokers and depository participants. Of note, is a workshop conducted jointly by the Australian FIU and FIU-IND that was attended by SEBI and intermediaries of the securities market where efforts were made to identify typologies that would help regulators and intermediaries to better identify and capture situations of money laundering and terrorist financing.

5. INVESTIGATION

Timely completion of investigation cases and effective, proportionate and dissuasive action in case of violations of established securities laws is important for protection of investor's interest, ensuring fair, transparent and orderly functioning of the market. It is also vital for improving the confidence in the integrity of the securities market. Importance of effective and credible use of investigation has also been underscored by IOSCO in its "Principles for the Enforcement of Securities Regulation".

Keeping the above objectives and principles of securities regulations in view, SEBI initiates investigation to examine alleged or suspected violations of laws and obligations relating to securities market. The possible violations may include price manipulation, creation of artificial market, insider trading, capital issue related irregularities, takeover related violations, manipulation of financial results, non-compliance of disclosure requirements and any other misconduct in the securities markets.

I. Initiation of Investigation

There are various sources of information for initiation of investigation. SEBI initiates investigation based on reference received from sources such as stock exchanges, internal surveillance department, reference received from other Government Departments, information submitted by market participants and complainants. In appropriate cases, investigation may also be initiated *suo moto*, where there are reasonable grounds to believe that investors' interests are being adversely affected or there is a suspected violation of the provisions of the securities laws.

II. Process of Investigation

The steps involved during investigation process include an analysis of market data (order and trade log, transaction statements etc.) and static data (KYC documents, bank records, financial results, events around major corporate developments, etc.) The purpose of such investigation is to gather evidence and to identify persons/ entities behind irregularities and violations so that appropriate and suitable regulatory action can be taken, wherever required. Outcome of investigation in the form of enforcement action is a clear signal to the market players to comply with the law and expected standards of conduct in the market.

III. Trends in Investigation Cases

Since 1992-93, SEBI has undertaken 1,463 investigation cases. In 1,346 cases investigations have been completed. Apart from enforcement action, an important attendant benefits resulting from such investigations is contribution to the policy changes with a view to further strengthen the regulatory and enforcement environment. During 2010-11, 104 new cases were taken up for investigation and 82 cases were completed (Table 3.19 and Chart 3.3).

Table 3.19: Investigations by SEBI

(Numbers)

Year	Cases Taken up for Investigation	Cases Completed
1	2	3
1992-93	2	2
1993-94	3	3
1994-95	2	2
1995-96	60	18
1996-97	122	55
1997-98	53	46
1998-99	55	60
1999-00	56	57
2000-01	68	46
2001-02	111	29
2002-03	125	106
2003-04	121	152
2004-05	130	179
2005-06	159	81
2006-07	120	102
2007-08	25	169
2008-09	76	83
2009-10	71	74
2010-11	104	82
Total	**1,463**	**1,346**

Chart 3.3: Investigation Cases

i. Nature of Investigation Cases Taken Up

During the year 2010-11, about 54 percent of the cases taken up for investigation pertain to market manipulation and price rigging, as against about 62 percent of such cases in the previous year. Other cases pertain to insider trading, takeover violations, irregularities in capital issues, and other irregularities. Since, several investigation cases involve multiple allegations of violations, strict classification under specific category becomes difficult. Such cases are classified on the basis of main charge / violations.

ii. Nature of Investigation Cases Completed

About 62 percent of the cases completed in both current as well as previous year were pertaining to market manipulation and price rigging including front-running. Other cases in which investigation was completed pertain to capital issue related manipulation, insider trading, takeovers etc.

The details of investigation cases taken up and completed are provided in Table 3.20, Chart 3.4 and Chart 3.5.

Table 3.20: Nature of Investigations Taken up and Completed

(Number)

Particulars	Investigations Taken up		Investigations Completed	
	2009-10	2010-11	2009-10	2010-11
1	2	3	4	5
Market Manipulation and Price Rigging	44	56	46	51
Capital "Issue" related Manipulation	2	6	7	2
Insider Trading	10	28	10	15
Takeovers	2	4	5	4
Miscellaneous*	13	10	6	10
Total	**71**	**104**	**74**	**82**

**Miscellaneous cases include investigations pertaining to fraudulent transfer of shares by promoters to their own accounts, dematerialization / offloading of locked in shares, suspected trading by market participants such as technical analysts, unregistered portfolio managers, corporate governance irregularities, listing agreement irregularities, transfer of trades, manipulation of financial results, etc.*

Chart 3.4: Nature of Investigation Cases Taken Up (2010-11)

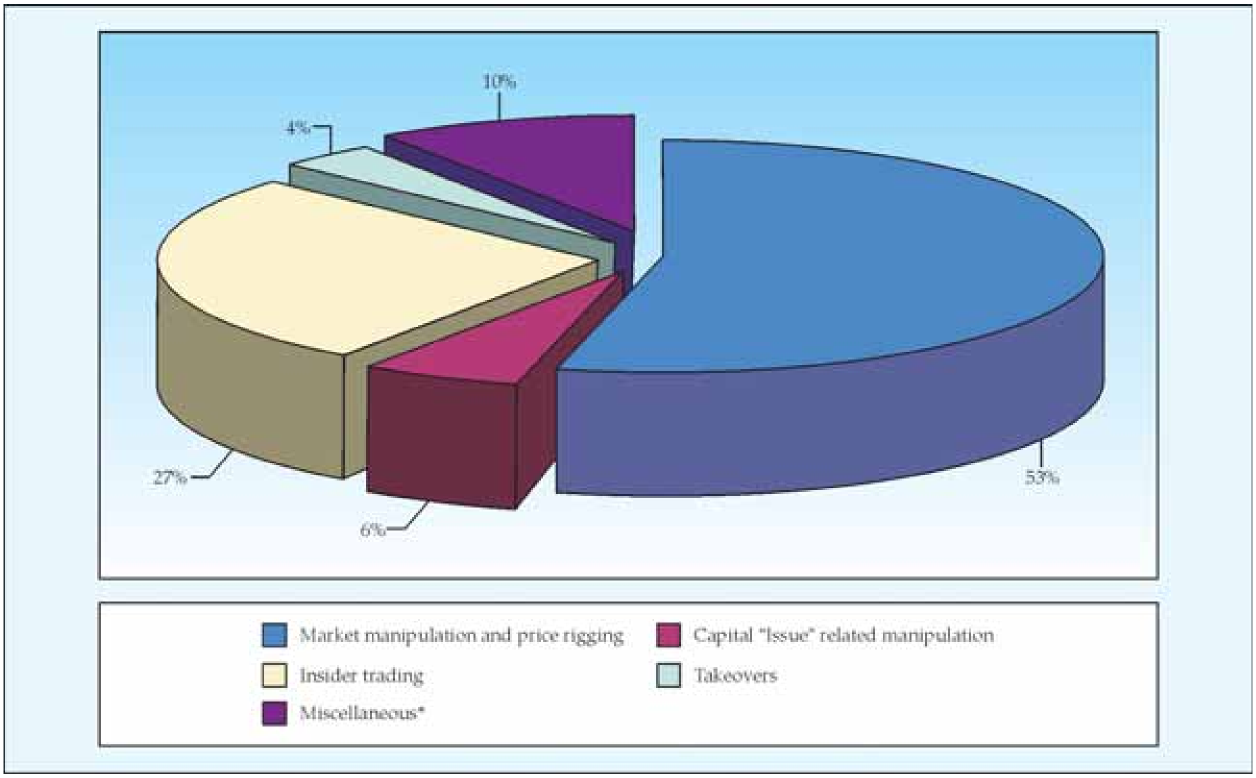
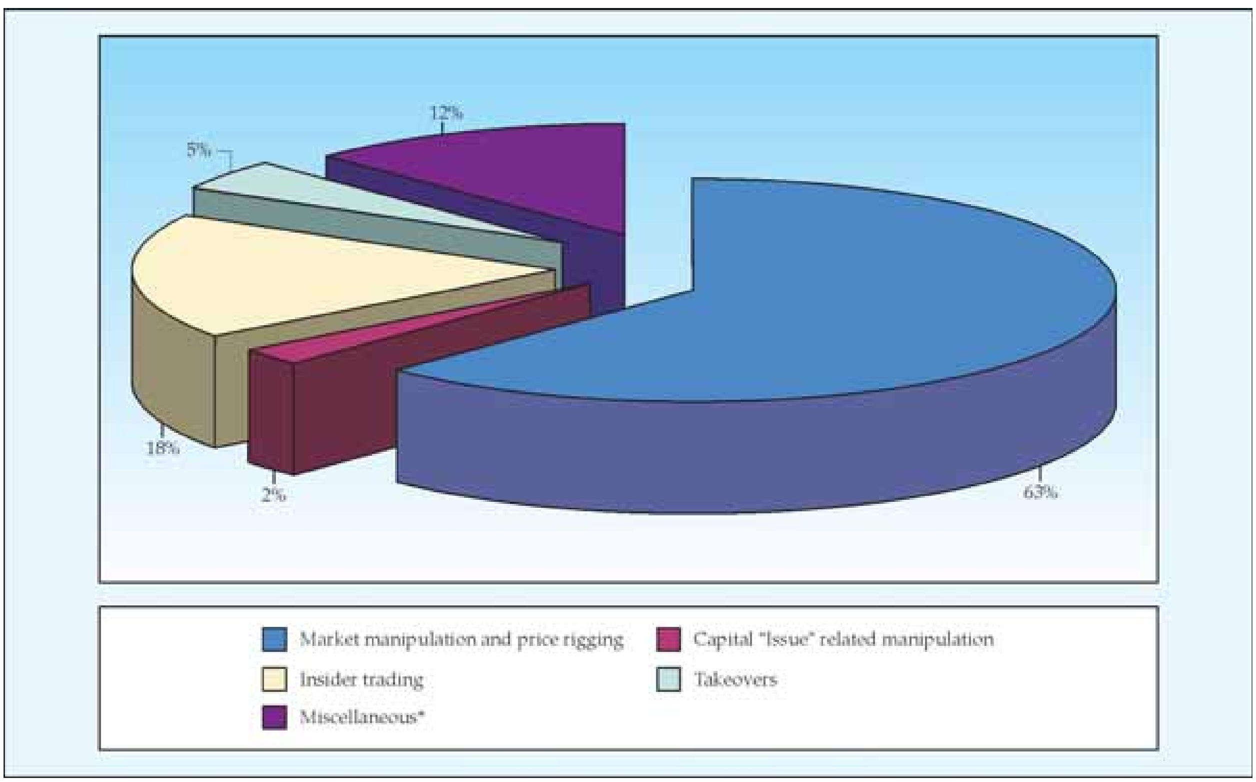


Chart 3.5: Nature of Investigation Cases Completed (2010-11)



IV. Regulatory Action

After completion of investigation, further penal action is initiated as per the recommendations made in the investigation reports and as approved by the competent authority. Action is decided based on the principles of objectivity, consistency, materiality and quality of evidence available, after thorough analysis and appreciation of facts.

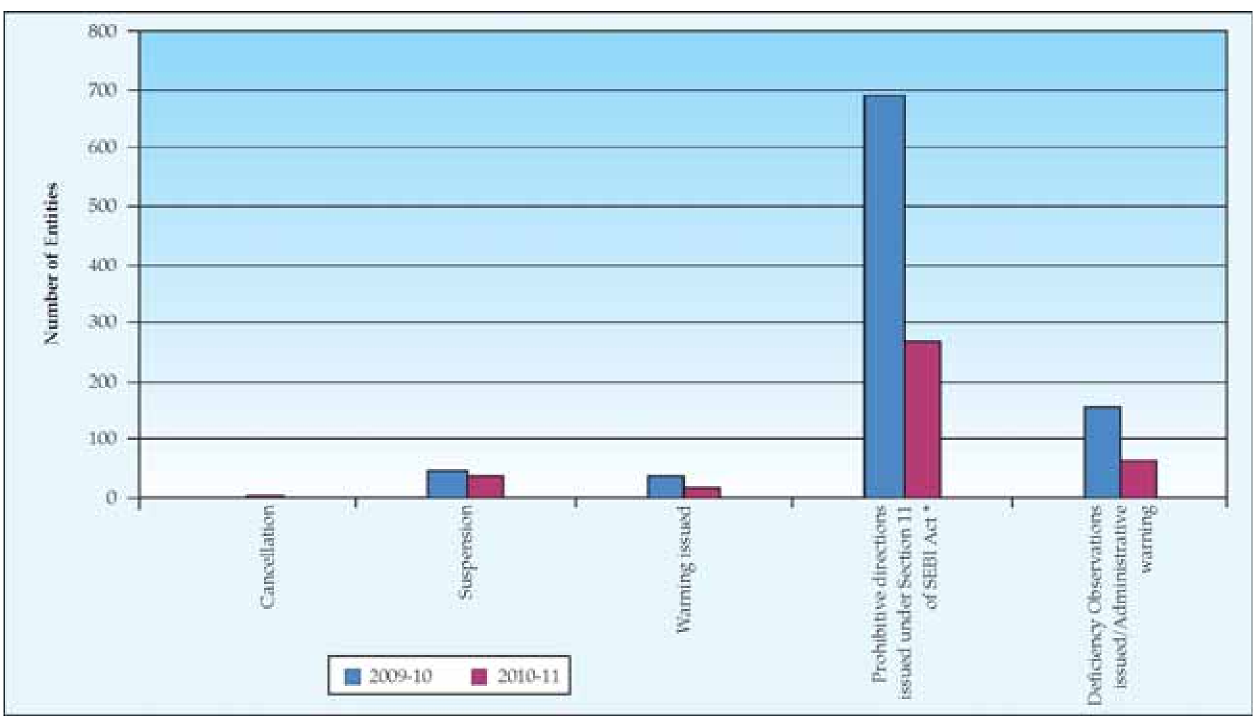
The action included issuing warning letters, initiating enquiry proceedings for registered intermediaries, initiating adjudication proceedings for levy of monetary penalties, passing directions under Section 11 of SEBI Act, 1992 and initiating prosecution and referring matter to other regulatory agencies. As a matter of policy, SEBI has continued to lay greater emphasis on issuance of prohibitive directions under Section 11 of the SEBI Act, 1992. These directions have the strong and salutary effect of deterrence as well as an effective tool to deal with emergent situations requiring a timely and faster response. SEBI issued 268 such directions during 2010-11. A detailed break up of all regulatory actions is given in Table 3.21 and Chart 3.6.

Table 3.21: Type of Regulatory Actions Taken

Particulars	Number of Entities	
	2009-10#	2010-11#
1	2	3
Cancellation	0	5
Suspension	48	36
Warning issued	37	17
Prohibitive directions issued under Section 11 of SEBI Act *	691	268
Deficiency Observations issued/ Administrative warning	156	63
Total	**932****	**389****

* *Against intermediaries and non-intermediaries*
*** *Other than consent orders*
\# *Regulatory actions following investigations only*

Chart 3.6: Type of Regulatory Actions Taken



V. Follow up of Investigations

After completion of investigation, the Investigation Department is also actively involved in post-investigation enforcement actions and quasi-judicial proceedings. Such actions include issuing show cause notices to the entities, examining their replies, organizing and participating in the hearings of the entities before the Whole Time Members of SEBI, coordination with Enforcement Department (EFD), preparing draft orders, issuing press releases after orders are passed, attending briefings of advocates and replying to their queries, coordination with Enforcement Department in the proceedings before Securities Appellate Tribunal (SAT) and before courts, coordination with Prosecution Department for cases filed in the courts, follow up for collection of penalty after orders passed by Adjudicating Officers, initiating prosecution for non-payment of penalties, processing of consent proposals filed by the entities, etc. Timely and qualitative completion of such actions is also important for ensuring the effectiveness of regulatory measures taken by SEBI.

VI. Inputs to the Policy Formulation

Investigation is not only an enforcement mechanism but also an important tool to provide inputs for policy formulation so that actual/potential issues of concern observed during the investigation process may be addressed through effective policy intervention. For example, during the year 2010-11, SEBI decided to recommend to the Ministry of Corporate Affairs to suitably amend Clause 166 of the Companies Bill, 2009 to disallow interested shareholders from voting on the special resolution of the prescribed related party transaction. This was intended to protect small and diversified shareholders in listed companies from abusive related party transactions. The view was taken based on the learning from the investigation in the matter of Satyam Computer Services Limited. Apart from this, various policy inputs were given to different departments with a view to calibrate policy changes accordingly.

6. ENFORCEMENT OF REGULATIONS

Effective enforcement in the form of effective follow ups and disciplinary actions makes a regulatory system effective.

I. Enforcement Mechanisms

There are five enforcement mechanisms that SEBI uses in case of any violation(s) pertaining to the laws regulating the securities market. Age-wise analysis of enforcement action details viz. actions u/s 11, 11B and 11D of SEBI Act, Enquiry Proceedings, Adjudication Proceedings, Prosecution Proceedings and Summary Proceedings as on March 31, 2011 are provided in Tables 3.22a to Table 3.22e.

a. Section 11/11B Proceedings

Under section 11/11B of SEBI Act, 1992, SEBI may issue directions or prohibitive orders such as debarment from accessing the securities market or not to deal in securities.

In the year 2010-11, 320 cases under section 11/11B were disposed by SEBI. In the same financial year, 346 fresh cases under the captioned provisions of law were initiated by SEBI.

b. Enquiry Proceedings

SEBI may suspend or cancel the certificate of registration of an intermediary through Enquiry Regulations on the recommendation of the Enquiry Officer/ Designated Authority appointed for that purpose. It may also issue warning to

Table 3.22a: Age-wise Analysis of Enforcement Actions - U/S 11, 11B and 11D of SEBI Act (As on March 31, 2011)

Year	No. of Actions Initiated	No. of Actions Disposed																	Pending Cases
		1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009 10	2010-11	Aggregate Disposal	
1995-96	0																	0	0
1996-97	3				3													3	0
1997-98	85			6		15	9		34	1				14		4		83	2
1998-99	51						9	9	26	7							0	51	0
1999-00	83					13	12	10	20	19		1				5	3	83	0
2000-01	461						269	18	45	49	28	1	2	2	15	0	3	432	29
2001-02	441							390	32	12	1			3	2	0	0	440	1
2002-03	321								58	74	30	21	8	21	30	24	7	273	48
2003-04	713									30	135	45	94	197	47	52	33	633	80
2004-05	522										2	38	39	168	105	85	19	456	66
2005-06	196											1	12	31	65	69	18	196	0
2006-07	402												34	67	65	119	54	339	63
2007-08	374													58	75	61	61	255	119
2008-09	75														8	44	23	75	0
2009-10	376															30	69	99	277
2010 -11	346																30	30	316
Total	**4,449**			**6**	**3**	**28**	**299**	**427**	**215**	**192**	**196**	**107**	**189**	**561**	**412**	**493**	**320**	**3,448**	**1,001**

Table 3.22b: Age-wise Analysis of Enforcement Actions - Enquiry Proceedings (As on March 31, 2011)

Year	No. of Actions Initiated	No. of Actions Disposed																	Pending Cases
		1995-96	1996-97	1997-98	1998-99	1999-00	2 000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009 10	2010-11	Aggregate Disposal	
1995-96	8		8														0	8	0
1996-97	20		1	12	7												0	20	0
1997-98	66			3	48	7	5	1	2								0	66	0
1998-99	335				48	116	12		154	2				3			0	335	0
1999-00	69					27	1	18	19		1		1				0	67	2
2000-01	267						6	33	204	6	9	2	1	5			0	266	1
2001-02	204							35	83	49	16	11	4	6			0	204	0
2002-03	371								141	56	27	27	60	20	16	4	14	365	6
2003-04	476									21	71	115	82	83	28	48	14	462	14
2004-05	190										3	17	3	57	70	30	10	190	0
2005-06	80												9	31	19	8	13	80	0
2006-07	122												4	8	28	22	27	89	33
2007-08	89													3	11	8	14	36	53
2008-09	20															4	3	7	13
2009-10	23															1	5	6	17
2010 -11	24																8	8	16
Total	**2,364**	**0**	**9**	**15**	**103**	**150**	**24**	**87**	**603**	**134**	**127**	**172**	**164**	**216**	**172**	**125**	**108**	**2,209**	**155**

an intermediary if it considers that the violations committed by the intermediary does not warrant suspension or cancellation or registration.

In the financial year 2010-11, 108 cases were disposed by SEBI after the due completion of enquiry proceedings. In the same financial year, 24 fresh cases were initiated where enquiry proceedings are being followed.

c. Adjudication Proceedings

Under Chapter VIA of SEBI Act, 1992, SEBI may appoint an Adjudicating Officer for conducting enquiry and imposing penalties.

In the financial year 2010-11, 1,257 cases were disposed by SEBI under adjudicating proceedings. In the same financial year, 571 fresh cases were initiated under adjudicating proceedings.

d. Prosecution

Section 24 of the SEBI Act, 1992 empowers SEBI to launch prosecution against any person for contravention of any provision of the SEBI Act, 1992 or any rules or regulations made there under before a court of criminal jurisdiction.

In the financial year 2010-11, 24 prosecution cases filed by SEBI were disposed by courts and 17 new cases were initiated.

e. Summary Proceedings

Chapter VA of the SEBI (Intermediaries) Regulations, 2008 provides the power to conduct summary proceedings in certain specific cases.

In the financial year 2010-11, 94 cases for summary proceedings were disposed by SEBI. It may be noted that no summary proceedings were initiated during the same period of time.

Table 3.22c: Age-wise Analysis of Enforcement Actions - Adjudication Proceedings (As on March 31, 2011)

Year	No. of Actions Initiated	No. of Actions Disposed																	Pending Cases
		1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009 10	2010-11	Aggregate Disposal	
1995-96	2			1				1										2	0
1996-97	5				1		2			1	1							5	0
1997-98	16				3	2		1		1	7	2						16	0
1998-99	33				2	7	1	1	1		8	2	1		2			25	8
1999-00	32						9	7	3	2		4	2	2	3			32	0
2000-01	77						4	17	1	6	8	5	4	5	23		0	73	4
2001-02	64							16	14	4	14	2		6	5		1	62	2
2002-03	150								10	11	62	19	15	8	6	3	5	139	11
2003-04	577									52	344	55	66	8	27	9	3	564	13
2004-05	418									8	137	126	45	28	17	21	23	405	13
2005-06	283											27	47	22	66	23	56	241	42
2006-07	578												34	82	102	120	106	444	134
2007-08	1215												4	20	152	373	295	844	371
2008-09	546														70	101	255	426	120
2009-10	644															114	229	343	301
2010 -11	571																284	284	287
Total	**5,211**	**0**	**0**	**1**	**6**	**9**	**16**	**43**	**29**	**85**	**581**	**242**	**218**	**181**	**473**	**764**	**1,257**	**3,905**	**1,306**

Table 3.22d: Age-wise Analysis of Enforcement Actions - Prosecution Proceedings (As on March 31, 2011)

Year	No. of Actions Initi-ated	No. of Actions Disposed																	Pending Cases
		1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009 10	2010-11	Ag-gregate Disposal	
1995-96	9								1			1						2	7
1996-97	6										1				1			2	4
1997-98	8					1		1	1									3	5
1998-99	11						1			1								2	9
1999-00	25						1						1					2	23
2000-01	28							1			1						2	4	24
2001-02	95										3		4	4		1	2	14	81
2002-03	229									1			5	17	6	5	2	36	193
2003-04	480										1	5	29	29	5	15	15	99	381
2004-05	86												1	13	6	2	3	25	61
2005-06	30												3	2	1			6	24
2006-07	23																	0	23
2007-08	40															1		1	39
2008-09	29																	0	29
2009-10	30																	0	30
2010 -11	17																	0	17
Total	**1,146**	**0**	**0**	**0**	**0**	**1**	**2**	**2**	**2**	**2**	**6**	**6**	**43**	**65**	**19**	**24**	**24**	**196**	**950**

Table 3.22e: Age-wise Analysis of Enforcement Actions – Summary Proceedings under SEBI Act (As on March 31, 2011)

Year	No. of Ac-tions Initi-ated	No. of Actions Disposed																	Pending Cases
		1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	Ag-gregate Dis-posal	
1995-96																		0	0
1996-97																		0	0
1997-98																		0	0
1998-99																		0	0
1999-00																		0	0
2000-01																		0	0
2001-02																		0	0
2002-03																		0	0
2003-04	47												2	3		19	4	28	19
2004-05																		0	0
2005-06	2,296											0	230	79	11	1,820	90	2,234	62
2006-07	1															1		1	0
2007-08	1															1		1	0
2008-09	91															91		91	0
2009-10	0																	0	0
2010 -11	0																	0	0
Total	**2,436**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**232**	**82**	**11**	**1,932**	**94**	**2,355**	**81**

II. Market Intermediaries

Enquiry proceedings were initiated against 19 stock brokers in 2010-11 as against 18 stock brokers in the previous year (Table 3.23). Adjudication proceedings were initiated against 83 stock brokers in 2010-11 as against 130 stock brokers in 2009-10. Two warnings were issued to stock brokers and 13 consent orders were passed.

Table 3.23: Enquiry and Adjudication Proceedings Initiated against Stock Brokers/Sub-brokers during 2010-11

Particulars	2009-10	2010-11
1	2	3
Enquiry Proceedings initiated– Stock Brokers	18	19
Summary Proceedings Initiated – Stock Brokers/ Sub- brokers	93	2
Enquiry Proceedings initiated – Sub-brokers	0	1
Adjudication Proceedings initiated	130	83
Warning – Pursuant to Chairman/ Members Orders	19	2
Suspensions	46	6
Cancellation of Registration	2	12
Censure	5	0
Consent Orders	98	13
Deficiency Letter	1	2

As regards to Debenture Trustees, adjudication proceedings were initiated against two entities. Adjudication proceedings were also initiated against two Merchant Bankers. Warning/deficiency/advice was issued to six Registrar and Share Transfer Agents, 15 Depository Participants, two Credit Rating Agencies, two Merchant Bankers and one Debenture Trustee (Table 3.24).

Table 3.24: Enquiry and Adjudication Proceedings Initiated against other Intermediaries during 2010-11

Intermediaries	Adjudication	Enquiry	Warning/ deficiency/advice
1	2	3	4
Registrar and Share Transfer Agents	0	0	6
Depository Participants	0	0	15
Credit Rating Agencies	0	0	2
Merchant Bankers	2	0	2
Debenture Trustees	2	0	2

III. Regulatory Actions against Mutual Funds

i. Warning and Deficiency Letters

During 2010-11, 30 warning letters were issued to 25 mutual funds on account of violations of SEBI regulations/guidelines.

Twenty six deficiency letters were issued to 25 mutual funds. Of these, 26 deficiency letters, 25 letters were on observations in the inspection report for the period July 1, 2007 to June 30, 2009 so as to strengthen their systems and to improve compliance standards.

ii. Payment of Penal Interest

SEBI has made it mandatory that mutual funds must pay interest at the rate of 15 percent per annum for delays in the dispatch of repurchase/ redemption proceeds to the unit holders. The mutual funds are required to report these cases of delays to SEBI on a bi-monthly basis. During 2010-11, mutual funds paid ₹ 23,38,441.89 to 2,975 investors for delay in dispatch as against ₹ 8,47,116.68 paid to 1,722 investors in 2009-10.

SEBI had also made it mandatory that, in the event of failure of dispatch of dividend, the AMC(s) shall be liable to pay interest at the rate of 15 percent per annum to the unit holders. The mutual funds are required to report these cases of delays to SEBI on a bi-monthly basis. During 2010-11, mutual funds paid ₹ 9,91,187.25 to 2,573 investors for delay in dispatch as against ₹ 28,703.4 to 84 investors in 2009-10.

iii. Show Cause Notices

During 2010-11, two show-cause notices were issued to two mutual funds. These were issued for violation of advertisement code.

iv. SEBI Orders

During the period, one mutual fund was directed by SEBI to strictly comply with law governing their conduct and business of mutual fund in securities market as they had contravened the provisions of SEBI (Mutual Funds) Regulations, 1996.

IV. Regulatory Actions under SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997

During 2010-11, 17 cases were referred for adjudication under Section 15 of the SEBI Act, 1992 for alleged violation of the provisions of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and a sum of ₹ 44,80,585 was recovered as monetary penalty.

V. Regulatory Actions against FIIs

During 2010-11, SEBI took action against two FIIs i.e. Barclays Bank PLC and Societe Generale for their failure to adhere to various reporting requirements under the Participatory Note (PN) regime.

a. Barclays Bank PLC

Based on the Offshore Derivative Instruments (ODI) Reports submitted during the period January 2006 and January 2008 by Barclays Bank PLC, it was observed that it had issued ODIs to UBS AG, with Reliance Communications Limited ('RCom') as the underlying. When SEBI sought further information, Barclays submitted that upon review, the counterparty of the transactions was not UBS AG as earlier reported by it but was Hythe Securities Limited ('Hythe'), an entirely new entity which did not form part of any of the submissions previously made by Barclays to SEBI. From the information submitted by Barclays, it was observed that the ODIs which were issued by it to Hythe Securities Limited (originally stated to be issued to UBS AG) were onward issued to another entity Pluri Emerging Companies PCC Cell E Emerging Markets Growth Fund. However, from the ODI monthly reports submitted by Barclays, it was observed that there was no mention of any back to back issuance of the ODI to any other entity. Barclays stated that the error in the reporting had occurred due to manual compilation of the ODI reports in December 2006 and error in data entry level and that after improvements in its systems for ODI reporting in 2008 and 2009, the errors in reporting continued to be carried forward in the new system. Barclays had not only failed to provide true, fair and complete details of the ODI activity undertaken by it but also prima facie violated the provisions of FII Regulations by furnishing false and incorrect information to SEBI. Full and fair disclosure forms the cornerstone of FII regulation by SEBI. As the source of funds available with an FII comes from offshore, by its very nature SEBI has no direct access to verifying the nature of the funds. In other words, SEBI places almost absolute faith and unqualified reliance on the ability of an FII to carry out the basic regulatory and prudential oversight.

SEBI as a regulator requires fair, true and correct information for assessing and monitoring FII activity in the securities market. When a registration is granted to an FII, SEBI presupposes that the FII has the capacity to exercise the necessary oversight and ensure the integrity and accuracy of the data it provides to SEBI under the regulations applicable. Given that Barclays had provided incorrect reporting Barclays has been non-compliant with the provisions of the FII regulations Accordingly, SEBI directed vide order dated December 09, 2009 Barclays Bank, PLC under Sections 11(1), 11(4) and 11B of the Securities and Exchange Board of India Act, 1992, not to issue/ subscribe or otherwise transact in any fresh/new Offshore Derivative Instrument till such time as Barclays satisfies SEBI that it has put adequate systems, processes and controls in place to ensure true and correct reporting of its ODI transactions to SEBI.

The auditor, appointed by Barclays pursuant to the Order, has in its final report certified that the information provided in the reports of Barclays to SEBI during the review period is accurately extracted from the source systems of Barclays in all material respects. It also certified that the said reports accurately reflect all outstanding positions of the ODIs. In view of the same, vide SEBI Order dated August 30, 2010, the directions of the earlier order were disposed off.

b. Societe Generale

From the reports submitted by Societe Generale, during the period January 2006 and January 2008, it was observed that Societe Generale had issued certain ODIs/PNs to Hythe Securities Limited ('Hythe'), with Reliance Communications Limited as the underlying. While providing details of all the ODIs/PNs entered into with Hythe, Societe Generale acknowledged that there had been errors in its reporting to SEBI of transactions with Hythe. Subsequently, it was also observed that those ODIs/PNs had been onward issued, and that Hythe is not the end beneficiary. Societe Generale failed to adhere to 'Know Your Client' norms as it had little or no relevant knowledge of the ultimate beneficiary of the ODIs issued by it. Societe Generale failed to provide true, fair and complete details of the ODIs/P-Notes activity undertaken by it and also prima facie violated the provisions of FII Regulations by furnishing false and incorrect information to SEBI. Vide an order under section 11(1), 11(4) and 11B of the SEBI Act, 1992, dated January 16, 2010, SEBI directed Societe Generale, a registered FII, not to issue, subscribe or otherwise transact in any new ODIs or P-Notes in India till such time it provides a true and correct reporting of its ODI and P-Notes transactions to SEBI.

In view of the submissions of SG and its undertaking that it has reviewed and rectified its systems and processes for ensuring correct reporting of its ODI activity to SEBI and also the fact that SG had not transacted in any fresh ODIs as directed in the Order, it was decided that the ex-parte directions issued against SG were revoked vide order dated December 30, 2010.

VI. Regulatory Actions against Market Intermediaries

a. SEBI order in the matter of M/s. Sunchan Securities Limited

SEBI passed an order dated December 08, 2010 canceling the registrations granted to M/s. Sunchan Securities Ltd. as a stock broker of National Stock Exchange of India Ltd., Bombay Stock Exchange Ltd., OTC Exchange of India and MCX Stock Exchange Ltd. The stock broker had failed to transfer the clients' funds/securities to them. It had also failed to redress investor grievances.

b. Illegal trading outside stock exchanges – Action against a sub-broker and adjudication order in respect of M/s. Anand Rathi Financial Services Limited, member of NSE and M/s. Anand Rathi Share and Stock Brokers Limited, member of BSE

SEBI passed an order dated August 30,

2010 under sections 11(4) and 11B of SEBI Act, 1992 restraining Shri Bhadresh Sanghvi (Trade name: Arihant Investment), a sub-broker from buying, selling or dealing in the securities market in any manner whatsoever or accessing the securities market, directly or indirectly, either for himself or for his clients, for allegedly indulging in illegal trading outside the stock exchanges. Further, SEBI has also initiated proceedings under SEBI (Intermediaries) Regulations, 2008 for enquiring into the aforesaid allegations based on an inspection of the sub-broker conducted by SEBI.

In the related matter, adjudication proceedings were conducted against the concerned stock broker i.e. M/s. Anand Rathi Financial Services Limited for having allegedly contravened/violated various provisions of the code of conduct for stock brokers specified under Schedule II read with regulation 7 of the SEBI (Stock Brokers and Sub-brokers) Regulations, 1992 as well as other directives of SEBI and the stock exchanges. Adjudicating officer vide order dated February 07, 2011 levied a monetary penalty of Rs. 6 lakh on the broker, which has been paid.

c. Adjudication order in respect of M/s. Enam Securities Private Limited

SEBI conducted an inspection of books, records and other documents of M/s. Enam Financial Consultants Pvt. Ltd. (currently, Enam Securities Pvt. Ltd.), a SEBI registered merchant banker to examine its role as a Merchant Banker and also to look into the due diligence process followed by it in the process of public issues by companies. Subsequently, adjudication proceedings were initiated against it for alleged violation of various provisions of SEBI (Merchant Bankers) Regulations, 1992 and SEBI (Disclosure & Investor Protection) Guidelines, 2000. The Adjudicating officer vide order dated December 31, 2010 levied a monetary penalty of Rs. 25 lakh on the merchant banker for violation of provisions in the aforesaid regulations and guidelines. Pursuant to this, the entity has preferred an appeal in the Honorable Securities Appellate Tribunal (SAT).

7. PROSECUTION

I. Trends in Prosecution

i. Number of Prosecutions Launched

17 prosecution cases were launched during 2010-11 as compared to 30 in 2009-10 (Table 3.25). Till 2010-11, region-wise, the highest number of prosecutions were launched in Head Office/Western Region (612) followed by the Northern Region (345) (Table 3.26).

Table 3.25: Prosecutions Launched

Year	No. of cases in which prosecution has been launched	No. of persons/ entities against whom prosecution has been launched
1	2	3
Up to and including 1995-96	9	67
1996 -1997	6	46
1997 -1998	8	63
1998 -1999	11	92
1999 -2000	25	154
2000 -2001	28	128
2001 -2002	95	512
2002 -2003	229	864
2003 -2004	480	2406
2004 -2005	86	432
2005 -2006	30	101
2006 -2007	23	152
2007 -2008	40	185
2008 -2009	29	114
2009 -2010	30	109
2010 -2011	17	67
Total	**1,146**	**5,492**

Table 3.26: Region-wise Data on Prosecution Cases as on March 31, 2011

Region	Number of Cases	Percentage of Total
1	2	3
Head Office/Western Region	612	53.40
Northern Region	345	30.10
Southern Region	96	8.38
Eastern Region	93	8.12
Total	**1,146**	**100.00**

ii. Higher Court Proceedings

During 2010-11, 57 applications/petitions were filed in the Courts viz., Sessions Courts, High Courts and Supreme Court. During the period 35 cases were disposed and 114 cases were pending as on March 31, 2011.

iii. Important Court Pronouncements in Prosecution Matters

a. SEBI vs. M/s. Kumar Ganga Green Farms Ltd. and others (CC No. 14 of 2010)

SEBI launched prosecution against M/s. Kumar Ganga Green Farms Ltd . and its directors alleging violation of Section 12 (1B) of SEBI Act read with Regulations 5(1), 68(1), 68(2), 73 (1) and 74, of the SEBI (Collective Investment Scheme) Regulation, 1999, for failure of the entity to obtain registration for its various CIS schemes or in the alternative to wind up the schemes and repay an amount of more than ₹ 1.10 lakh collected from the investors.

The Court of Additional Sessions Judge, Delhi held that that the accused company neither got registered its CIS nor wound up the same nor repaid the money to its investors as per the provisions of CIS Regulations and became punishable u/s 24 of SEBI Act. The Court convicted M/s Kumar Ganga Green Farms Ltd.(accused no. 1), Mr. Ganga Prasad (accused no.2) Mr. Jitendra Kumar (accused no. 3) and Mr. Ram Prakash (accused no. 4) for the aforesaid offence and sentenced the accused no. 2 to 4 to simple imprisonment for four months and with a fine of ₹ 25,000 each, in default of payment of which the accused shall undergo simple imprisonment for three months each. The court also sentenced accused no .1 (company) to pay fine of ₹ 25,000.

b. SEBI vs. M/s. Sai Plantation & Land Development (I) Ltd. and others (CC No. 27 of 2010)

SEBI launched prosecution against M/s. Sai Plantation & Land Development (I) Ltd. and its directors alleging violation of Section 12 (1B) of SEBI Act read with Regulations 5(1), 68(1), 68(2), 73 (1) and 74, of the SEBI (Collective Investment Scheme) Regulation, 1999, for failure of the entity to obtain registration for its various CIS schemes or in the alternative to wind up the schemes and repay an amount of more than ₹1.12 lakh collected from the investors.

Mr. Shivaharan Singh Dhillon (accused No. 2) and Ms. Sukhwindr Kaur (accused No. 3) pleaded guilty before the Court of Additional Sessions Judge, Delhi. After hearing the arguments on sentence the Court sentenced the accused nos.1, 2 and 3 to a pay fine of ₹ 75,000/- each, in default of which the accused 2 and 3 shall undergo simple imprisonment for six months each. During the pendency of trial Mr. Baldev Singh (accused no.4) was declared as proclaimed offender.

c. SEBI vs. M/s. Seagate Forests Ltd. and others (CC No. 19 of 2009)

SEBI launched prosecution against M/s. Seagate Forest Ltd. and its directors alleging violation of Section 12 (1B) of SEBI Act read with Regulations 5(1), 68(1),68(2), 73 (1) and 74, of the SEBI (Collective Investment Scheme)

Regulation, 1999, for failure of the entity to obtain registration for its various CIS schemes or in the alternative to wind up the schemes and repay an amount of more than ₹ 24.76 lakh collected from the investors.

The Court of Additional Sessions Judge held that the accused company neither got registered its CIS nor wound up the same and not even repaid the money to its investors as per the provisions of CIS Regulations and became punishable u/s 24 of SEBI Act. The Court convicted and sentenced Mr. G S Thind (accused no. 4), with rigorous imprisonment for six months. In addition, accused no. 1 (company) and accused no. 4 had to pay a fine of ₹ 5,00,000 each. In default of payment of fine, the accused no. 4 shall undergo simple imprisonment for six months. The court has further ordered accused no.1 to file WRR as per provisions of the CIS Regulations with SEBI within two months from the date of order and out of the amount of fine realised a sum of ₹ 20,000 be paid to SEBI towards the expenses incurred by it. During the pendency of trial, Mr. M K Tiwari (accused no. 2) and Mr. KK Ratti (accused no. 3) were declared proclaimed offenders.

d. Samarpan Agro & Livestock Ltd. Vs SEBI – Criminal M.C 969/2010

SEBI has filed a criminal complaint against M/s. Samarpan Agro & Livestock Ltd and others alleging violation of 12(1B) of SEBI Act, 1992 read with Regulation 5(1), Regulation 68(1), 68(2) 73 and 74 of the SEBI (Collective Investment Schemes) Regulations, 1999 before the Additional Chief Metropolitan Magistrate Court. The present application filed by the accused before the Hon'ble High Court of Delhi seeking discharge on the ground of limitation.

The Hon'ble High Court vide order dated October 25, 2010, dismissed the application, observing, inter alia, that "nothing has been placed on record to suggest that petitioners had taken any step to get registered with the Board or wound up the collective investment scheme and made the payment to the investors. The amount still continues to be retained by the petitioners, thus infringement of Regulations 73 and 74 is continuing in nature and limitation envisaged under section 468 Cr.P.C would not be attracted".

II. Nature of Prosecution

Table 3.27 represents the nature of prosecutions launched under various sections of different Acts. Prosecutions are launched by SEBI under the SEBI Act, 1992, Companies Act, 1956, Depositories Act, 1996, SC(R) Act, 1956 and the Indian Penal Code. As on March 31, 2011, 951 cases were launched under the SEBI Act, 1992.

Table 3.27: Nature of Prosecutions Launched as on March 31, 2011

Nature of Prosecution Launched	Number of Cases
1	2
Securities and Exchange Board of India Act, 1992 (SEBI Act)	951
SEBI Act & Securities Contracts (Regulation) Act, 1956 (SCRA)	91
SEBI Act, SCRA & Companies Act	1
SEBI Act & Companies Act	1
SEBI Act & Indian Penal Code	5
Companies Act, 1956	70
Securities Contracts (Regulation) Act, 1956	5
Depositories Act, 1996	14
Indian Penal Code	8
Total	**1,146**

III. Disposal of Prosecution Cases

A. 196 cases were decided by the Courts till 2010-11, out of which, 92 cases resulted in convictions and 56 cases were fully compounded (Table 3.28).

Table 3.28: Number of Prosecution Cases decided by the Courts as on March 31, 2011

Type of Decision by the Courts	CIS	Non-CIS	Total
1	2	3	4
Convictions	85	7	92
Compounded (fully)*	7	49	56
Abated	0	4	4
Dismissed	21	20	41
Withdrawn	2	1	3
Total	**115**	**81**	**196****

* In addition in 15 (5 in CIS & 10 in Non-CIS) cases the offence has been partly compounded i.e., compounded against some of accused and the cases against others continue.

** In 37 (36 CIS & 1 Non-CIS) Prosecution cases all accused were declared as proclaimed offenders

\# SEBI has challenged some of the dismissed cases in higher courts and the same are pending.

B. Disposal of Prosecution Cases in case of Collective Investment Schemes (CIS)

Since the start of launch of prosecution against erring CIS entities, criminal prosecution cases have been launched by SEBI against 552 CIS entities. Since then, court judgments have been obtained in a total of 115 CIS entities (Table 3.29).

8. Litigations, Appeals and Court Pronouncements

During 2010-11, 216 cases were filed in different courts and 87 cases were admitted/ allowed/withdrawn, 870 such cases are pending, where SEBI was a party (Table 3.29).

Table 3.29: Court Cases where SEBI was a Party during 2010-11

(Number)

Subject Matter	Cases Filed	Cases Pending as on March 31, 2011	Cases Admitted/Allowed/ Withdrawn
1	2	3	4
Stock Brokers Registration Fees Cases	3	87	3
Collective Investment Schemes	55	124	9
Consumer Forum Cases	14	182	1
General Services Department	9	13	2
Investigations, Enforcement and Surveillance Department	60	125	24
Primary Market Department	14	48	6
Secondary Market Department	12	67	11
Takeovers	19	35	13
Depositories And Participants	0	2	0
Mutual Funds	3	17	0
OIAE	1	31	2
Civil/Criminal Courts	2	59	1
Policy/Others	16	62	7
Company Law Board	1	4	1
RTI cases	7	14	7
Total	**216**	**870**	**87**

During the year, 182 appeals were filed before Securities Appellate Tribunal (SAT), whereas 118 appeals were dismissed (Table 3.30).

Table 3.30: Appeals before the Securities Appellate Tribunal during 2010-11

(Number)

Status of Appeals	Number of Appeals
1	2
Appeals Filed	182
Appeals Dismissed	118
Appeals Remanded	17
Appeals Allowed	17
Appeals Modified	26
Appeals Withdrawn	17
Appeals Disposed as Infructuous	6
Appeals Pending	48

Against the orders of SAT, five appeals were filed by SEBI, whereas 51 appeals were filed against SEBI in the Supreme Court during 2010-11 under section 15Z of the SEBI Act (Table 3.31). Disposals of Appeals by SAT since 1998 are given in Table 3.31a.

Table 3.31: Appeals under Section 15Z of the SEBI Act against the Order of Securities Appellate Tribunal during 2010-11

(Number)

Subject Matter	Cases filed	Cases pend-ing	Cases dis-missed/ allowed
1	2	3	4
Appeals filed by SEBI	5	58	2
Appeals filed against SEBI	51	50	35
Total	**56**	**108**	**37**

9. Consent and Compounding

As on March 31, 2011, SEBI has received 2,451 applications for consent and compounding. Out of this, 1,089 applications were approved by SEBI settling various kinds of enforcement actions. In addition to these 1,089 applications, 769 applications were rejected and 285 applications were treated as withdrawn/ infructuous. An amount of ₹ 1,90,50,50,792 was collected as settlement/legal/administrative/ disgorgement charges. Month-wise details of applications received and disposed under the consent and compounding scheme up to March 31, 2011 are provided in Table 3.32.

10. Investor Education, Assistance and Training

i. Trends in Redressal of Investor Grievances

SEBI has been taking various measures to expedite the redressal of investor grievances. The grievances lodged by investors are taken up with the respective listed company and are continuously monitored. The company is required to respond in prescribed format in the form of Action Taken Report (ATR). Upon the receipt of ATR, the status of grievances is updated. Where the response of the company is insufficient / inadequate, follow up action is initiated. Grievances pertaining to stock brokers and depository participants are taken up with concerned stock exchange and depository for redressal and monitored by the concerned department through periodic report obtained from them. Grievances pertaining to other intermediaries are taken up with them directly for redressal and are continuously monitored by concerned Department of SEBI. SEBI takes appropriate enforcement actions (adjudication, direction, prosecution etc) as provided under the law where progress in redressal of investor grievances is not satisfactory. The following paragraphs highlight SEBI's performance and measures taken in the year 2010-11 for expediting the redressal of investor grievances.

Table 3.31a: Disposals of Appeals by Securities Appellate Tribunal

Appeals	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
1	2	3	4	5	6	7	8	9	10	11	12	13	14
No. of Appeals Dismissed	1	2	7	20	15	16	29	46	139	40	81	86	134
No. of Appeals Modified	0	0	1	7	NA	10	58	101	16	27	1	19	45
No. of Appeals Withdrawn	0	0	0	3	2	1	8	NA	NA	NA	17	19	29
No. of Appeals Allowed	1	2	6	8	23	13	19	72	71	32	39	30	77
Total	**2**	**4**	**14**	**38**	**40**	**40**	**114**	**219**	**226**	**99**	**138**	**154**	**285**

NA: Not Available

Table 3.32: Receipt and Disposal of applications under Consent and Compounding Process during 2010-11

Month/Year	No. of Applications received	No. of Applications Settled by passing orders	Settlement / Compounding Charges (₹)	Legal/Admn. Charges (₹)	Disgorgement (₹)	Total Amount (₹)
1	2	3	4	5	6	7
2007-08	698	101	2,69,07,850	40,00,950	0	3,09,08,800
2008-09	692	440	37,29,30,786	54,90,000	8,27,84,906	46,12,05,692
2009-10	702	363	49,17,39,617	45,69,500	18,98,33,101	68,61,42,218
2010-11						
Apr-10	33	20	1,49,10,000	55,000	0	1,49,65,000
May-10	33	10	99,00,000	25,000	0	99,25,000
Jun-10	37	28	3,44,50,585	0	0	3,44,50,585
Jul-10	32	15	1,53,90,780	2,71,500	0	1,56,62,280
Aug-10	34	20	1,14,55,000	60,000	0	1,15,15,000
Sep-10	27	19	1,81,00,000	1,50,000	0	1,82,50,000
Oct-10	27	9	61,90,000	60,000	0	62,50,000
Nov-10	25	10	37,40,000	0	0	37,40,000
Dec-10	34	14	2,26,10,406	0	1,71,20,811	3,97,31,217
Jan-11	14	12	50,49,60,000	60,000	0	50,50,20,000
Feb-11	28	11	5,56,75,000	60,000	0	5,57,35,000
Mar-11	35	17	1,15,50,000	0	0	1,15,50,000
Total 2010-11	**359**	**185**	**70,89,31,771**	**7,41,500**	**1,71,20,811**	**72,67,94,082**
Aggregate Total	**2,451**	**1,089***	**160,05,10,024**	**1,48,01,950**	**28,97,38,818**	**190,50,50,792**

** In addition, 769 applications were rejected and 285 applications were withdrawn/infructuous.*

SEBI received 56,670 complaints for the financial year 2010-11 and resolved 66,552 complaints as compared to 32,335 grievances received and 42,742 grievances resolved in the year 2009-10. As on March 31, 2011, there were 1,50,711 complaints pending for resolution as compared to 1,60,593 unresolved grievances as on March 31, 2010. This includes 1,22,058 grievances where appropriate regulatory actions have been initiated. The status of investor grievances received and redressed for the past three years is given below:

Table 3.33: Status of Investor Grievances Received and Redresseed

Financial Year	Grievances Received		Grievances Redressed		Pending Grievances (Number)	
	Year-wise	Cumulative	Year-wise	Cumulative	Action Initiated*	Pending
2008-2009	57,580	26,74,560	75,989	25,03,560	1,21,887	49,113
2009-2010	32,335	27,06,895	42,742	25,46,302	1,22,713	37,880
2010-2011	56,670	27,63,565	66,552	26,12,854	1,22,058	28,653

**Action has been initiated u/s 11B, 15C or prosecution launched.*

The type-wise status of grievances awaiting redressal is provided in Table 3.34.

Table 3.34: Type-wise Status of Grievances Awaiting Redresssal

Type	Complaints against/ in respect of	Pending as on March 31, 2009	Pending as on March 31, 2010	Pending as on March 31, 2011
I to V	Complaints against listed companies	38,498	37,755	29,508
VI	CIS- Non-receipt of Investment & Returns thereon	1,09,121	1,09,373	1,09,897
VII	Mutual Funds, Venture Capital Funds, Foreign Venture Capital Funds, Portfolio Managers, FIIs, Custodians etc	1,669	1974	2,711
VIII	Brokers, Sub-brokers, Merchant Bankers, Debenture Trustees, Registrar and Transfer Agents, Bankers to Issue, Underwriters, Credit Rating Agencies, Depository Participants, etc	18,602	9,879	7,132
IX	Stock Exchanges, Clearing and Settlement Organizations, Depositories etc.	258	293	165
X	Derivative Exchanges and related organizations, etc.	24	2	1
XI	Corporate Governance, Restructuring, Substantial Acquisition and Takeovers, Buyback Delisting, Compliance with Listing Conditions etc	2,828	1,317	1,297
	Total	**1,71,000**	**1,60,593**	**1,50,711***

*Includes 1,22,058 grievances against whom regulatory action (adjudication, direction or prosecution) has been initiated.

ii. Regulatory Action against Companies and its Directors for Non-redressal of Investor Grievances

SEBI had carried out an exercise of identifying top 100 companies and top 50 active companies (not suspended for trading) in terms of number of unresolved investor grievances to expedite the redressal of the grievances.

a) Based on the above exercise, during the year 2010-11, the following 18 companies and its directors were restrained from accessing the securities market till all the pending investor grievances are resolved:

Sl. No.	Name of the Company
1.	Akar Laminators Ltd.
2.	Bhuvan Tripura Industries Ltd.
3.	Chicago Software Industries Ltd.
4.	D R Softtech & Industries Ltd. (formerly known as "D R Industries Ltd.")
5.	Hindustan Industrial Chemicals Ltd.
6.	Indo American Credit Corporation Ltd.
7.	Indo American Optics Ltd.
8.	Ishwar Medical Service Ltd.
9.	Kanel Oil & Export Industries Ltd.
10.	Kolar Information Technologies Ltd (Kolar Biotech Ltd.)
11.	Motorol Enterprise Ltd.
12.	Neon Resins & Industries Ltd. (formerly known as "Binaca Synthetic Resins Ltd.")
13.	Nexus Software Ltd.
14.	Panjwani Packaging Ltd.
15.	Prakash Fortan Softech Ltd.
16.	Rane Computers Consultancy Ltd.
17.	Steelco Gujrat Ltd.
18.	Topline Shoes Ltd.

b) In addition to above, SEBI has levied penalty against the following four companies through adjudication proceedings during the year, for their failure to redress investor grievances:

SI. No.	Name of the Company	Penalty Amount (in ₹)
1.	Motorol Enterprise Ltd.	25,00,000
2.	Kaleidoscope Films Ltd. (formerly known as "Gujarat Investment Castings Ltd")	17,00,000
3.	Jayant Vitamins Ltd.	17,00,000*
4.	Nexus Software Ltd.	10,00,000

* The matter has been reverted by SAT for review by SEBI.

c) Adjudication proceedings and proceedings under section 11(4)(b) of SEBI Act have also been initiated during the year, against listed companies for their failure to redress investor grievances. Adjudication proceedings have been initiated against the following six listed companies during the financial year:

Sl. No.	Name of the Company
1.	Asahi Infrastructure and Projects Ltd.
2.	Pantaloon Retail (India) Ltd.
3.	Parsoli Corporation Ltd.
4.	Sabero Organics Gujarat Ltd.
5.	Unimers India Ltd.
6.	Western India Shipyard Ltd.

Proceedings under section 11(4)(b) of SEBI Act have been initiated against the following five listed companies during the year:

Sl. No.	Name of the Company
1.	Alpine Industries Ltd.
2.	Earnest Healthcare Ltd.
3.	Indo Biotech Foods Ltd.
4.	Indo Biotech Herbal Remedies Ltd.
5.	Lesha Steel Ltd,

iii. Issuance of No objection Certificate (NOC)

a) Revocation of Suspension of Trading at Stock Exchanges:

It was observed that the shares of certain suspended companies, who failed to redress investor grievances pending with SEBI, were subsequently allowed to trade at BSE and NSE. BSE and NSE were advised during the year to obtain no objection certificate (NOC) from SEBI, informing that the company has no complaints pending with SEBI, before revoking the suspension of trading.

During the year, NOC's were issued to 158 companies who have resolved all the pending grievances before revocation of suspension and in case of 29 companies, NOCs were not issued for commencement of trading in their shares, as grievances against them are still pending.

b) NOC for Release of One percent Security Deposit

Companies raising capital through public issue of securities are required to deposit one percent of the issue amount with the designated stock exchange. This deposit is released by the stock exchange only after SEBI issues a 'No Objection Certificate' (NOC). SEBI issues NOC to companies after satisfactory redressal of complaints received by SEBI against the company.

During the year 2010-11, NOCs were issued to 62 applicant companies. NOCs to 53 companies were not issued or due to unsatisfactory redressal of investor grievances.

iv. Investor Grievances against Suspended Companies

A sub-committee was constituted to expedite the redressal of investor grievances against suspended companies who were active in their business and filing their returns with Registrar of Companies to avoid declaring them as vanishing companies and subsequent regulatory actions. After several deliberations, as recommended by the said sub-committee, BSE and NSE have validated pending investor grievances against the above suspended companies and submitted their report, after issuing notices to the companies, to SEBI.

Based on the reports submitted by BSE and NSE, 19 companies were identified against whom no other regulatory action is in progress and have more than 10 unresolved investor grievances either with exchange or SEBI. The names of the 19 companies are given below:

Sl. No.	Name of the Company
1.	Cauvery Software Engineering Systems
2.	Crestchem Ltd.
3.	DSJ Communications Ltd.
4.	Dupont Sportswear Ltd.
5.	Gujarat Aqua industries Ltd.
6.	Gujarat Filaments Ltd.
7.	Hi-Tech Drugs Ltd.
8.	International Hometex Ltd.
9.	Jord Engineers India Ltd.
10.	Kamron Laboratories Ltd.
11.	Lohia Polyester Ltd.
12.	Mahendra Petrochemicals Ltd.
13.	Raj Irrigation Pipes & Fittings Ltd.
14.	Ramgopal Polytex Ltd.
15.	Satguru Agro Industries Ltd.
16.	Shukla Data technics Ltd.
17.	Simco Industries Ltd.
18.	Top Telemedia Ltd.
19.	Usha India Ltd.

v. Non-compliance of Listing Agreement

It was observed that several companies whose shares were actively traded on stock exchanges do not comply with several critical clauses of Listing Agreement. It was decided in the Investors Associations' meeting held on December 7, 2010, that the sub-committee which had looked into the suspended companies may also look into the issue of non-compliance with Listing Agreement and suggest appropriate course of action by stock exchanges. After detailed deliberation, the committee recommended the following.

a) to start with, NSE and BSE may initiate action by issuing of notice for appropriate action in respect of 60 and 365 active companies listed on NSE and BSE who have failed to comply with the listing agreement as on September 30, 2010.

b) the listing agreement may be suitably amended to provide for the following:

- The companies in their quarterly submissions to exchanges shall furnish the name of promoters, directors and compliance officer alongwith their addresses, PAN and DIN. This would enable exchanges to disclose the people behind the companies responsible for non-compliance as well as for taking appropriate penal action against them.
- The listing agreement shall specifically provide the details of actions, that the exchanges and SEBI can take for non-compliance with the listing agreement by a listed company.
- Every listed company shall submit a quarterly report to its Board detailing the compliance with the various clauses of the listing agreement and this will also form part of the secretarial audit of the company.

c) The exchanges shall display every quarter on their website the name of the promoters, directors and compliance officer (alongwith their PAN and DIN) of the listed companies who have failed to comply with any clause of the listing agreement. This shall also include the clauses that have not been complied with by the listed companies.

d) The exchanges should device a scoring system where they assign scores to different clauses of the Listing Agreement depending on their importance from the perspective of investors. They should add up the scores of the clauses which have not been complied with by a company at the end of every quarter, and should publicly disclose, what actions they would take if the score exceeds different levels. They should take action as soon as the levels are reached.

e) The exchanges need to finalize the SOP for suspension of securities expeditiously without any further delay, as was recommended by the committee earlier and accepted by SEBI.

f) Amendment to the Companies Act to provide for liquidation of listed companies in extreme cases where all attempts to ensure compliance with the Listing Agreement has failed.

vi. Investor Awareness Division

Investor Awareness Division (IAD) of SEBI undertakes the activities of SEBI's investor education and awareness. IAD also handles work pertaining to financial education initiatives of the Board. Activities that were undertaken in the year 2010-11 are listed under separate headings below.

vii. Investor Assistance

SEBI provides assistance/ guidance to investors by replying to their queries received through the following modes:

a) telephone (investor Helpline 91-22-26 449188/26449199/40459188/40459199 at Head office and thorugh board lines at the regional offices

b) E-mail (investorcomplaints@sebi.gov.in)

c) Investors visiting SEBI offices

d) Letters

e) Grievance form in the SEBI website

Table 3.35: Medium of Receipt of Investor Grievances

Month	Email	Web	Physi-cal	Visit	Phone	Total
1	2	3	4	5	6	7
Apr-10	113	41	36	13	100	303
May-10	88	44	48	13	105	298
Jun-10	94	23	45	18	80	260
Jul-10	119	47	45	27	110	348
Aug-10	241	40	43	14	90	428
Sep-10	393	15	34	19	70	531
Oct-10	217	25	31	10	80	363
Nov-10	319	19	57	19	90	504
Dec-10	363	11	72	12	110	568
Jan-11	315	33	52	19	100	519
Feb-11	282	16	45	18	80	441
Mar-11	350	31	49	22	120	572
Total	**2,894**	**345**	**557**	**204**	**1,135**	**5,135**

Assistance so rendered to investors was augmented by providing replies to the commonly sought queries by investors on the website as FAQs. Further, SEBI is in the process of launching a toll free helpline in 12 regional languages apart from English and Hindi, to answer the queries of investors.

viii. Investors' Associations

Informed investment decisions by investors have been the key thrust of the investor protection initiatives of the Board. Towards educating investors and to spread awareness, SEBI continues it association with Investor's Associations (IA) who play a role in this regard by conducting investor education workshops. Educative material developed by SEBI was distributed in these workshops. At the end of March 2011, there were 25 IAs that were recognised by SEBI. The code of conduct for all recognised IAs have been issued vide circular dated November 01, 2010.

Table 3.36: Year-wise trends in Investor Education Programmes

Year	No. of Programmes
1	2
2007-2008	15
2008-2009	26
2009-2010	40
2010-2011	110

The feedback / suggestions from the IA are used as inputs for policy decisions of the Board. Some of the measures pursuant to the feedback and suggestions received from the IA include:

a) The arbitration mechanism in stock exchanges was streamlined, also incorporating the provision for appeal. Circular CIR/MRD/DSA/ 24/2010 dated August 11, 2010 issued.

b) To curb the use of different names from the SEBI registered name by broking entities, trading members have been directed to display their SEBI registered name and logo relatively more prominently vide Circular Cir/MIRSD/9/2010 dated November 04, 2010.

c) IPO grading obtained by the company to be displayed on the first page of the application form.

d) SEBI has taken a view that the law permits an arbitration appellate mechanism within the exchange. SEBI is in the process of issuing a circular in this regard.

e) Exchanges to post the nature of violation and nature of regulatory action for every regulatory action they take against listed companies / trading members on their websites.

f) Independent research reports had been made available on websites of BSE and NSE on companies where there has been little or no research available.

g) Depositories were asked to proactively interface with banks to address consequential inconvenience to the investors due to change in bank account number.

ix. Co-ordination with Exchanges, SROs and Various Trade Bodies

It was noted that, the exchanges, depositories and intermediaries such as stockbrokers, depository participants, merchant bankers, mutual fund distributors, registrars to issue etc. are also organizing seminars / workshops independently or through their associations / trade bodies. In this regard, it was felt that there is a need to coordinate efforts and avoid duplication, given the multiplicity of organizations/ associations/trade bodies that are undertaking investor awareness/education initiatives. It is felt that, coordination among all these entities and SEBI shall help us in reaching the interior parts of the country and creating awareness about securities market among the general public to a large extent.

Accordingly, a meeting was convened on February 04, 2011 with BSE, NSE, Federation of Indian Stock Exchanges (FISE), Depositories, Association of Mutual Funds of India (AMFI), Association of National Exchanges Members of India (ANMI), BSE Brokers' Forum (BBF), Depository Participants Association of India (DPAI) and Registrars Association of India (RAIN) to discuss among others, the issues highlighted and design an action plan to conduct at least 5000 workshop/programmes through these entities in the year 2011. It was also decided that the programmes done by all the entities would be made available on each other's website and common formats have been communicated to all the participants.

x. **Financial Literacy**

a) **School Programmes**

SEBI initiated financial literacy programme for school students jointly with National Institute of Securities Market (NISM) in 2008-09 and positioned it as an important life skill at the school level targeting 8th and 9th standard students.

Currently the programme covers more than 4300 children from 32 schools across North, South and East India. The programme is in the process of being introduced in the schools in the Western region and more schools are expected to implement in the coming years. In addition to schools above, 1081 students from colleges have also been covered.

b) **Association with Non-government Organisations (NGOs)**

SEBI has explored the possibility of associating with NGOs and other entities, having experience in the field of financial literacy. SEBI has partnered with Meljol, an NGO having experience in the field of promoting child rights and financial education in schools. The pilot programme to cover 14,550 students in 281 schools through 196 trained teachers in Akola and Thane districts of Maharashtra has commenced. This programme covers schools in rural and tribal areas of Maharashtra, having high concentration of children from underprivileged communities.

c) **Through SEBI Trained Resource Persons**

SEBI launched its financial education drive through Resource Persons (RPs) targeting the following groups:

- School children
- College students
- Middle Income Group
- Executives
- Housewives/Housing Societies
- Retirement Planning
- Self Help Group(s)

The programme aims at imparting understanding of financial concepts to the targeted groups. Resource Persons are SEBI trained teachers, a senior secondary school teacher or college teacher, having post graduate qualification in commerce, economics or finance. The person also should posses a passion for spreading financial education, communication skills, ability of holding the audience attention and willing to travel across assigned area and conduct financial education programmes at various locations. He/ she should not be connected to any intermediary nor promoting the interest of the intermediary. Easy familiarity with English/Hindi and the concerned regional language is a must.

171 programmes have been conducted across the country since the programme was launched in the month of July, 2010 in western region. Programs have been conducted at various places like Mehsana, Ahmedabad, Kherva, Anand in Gujarat, Indore, Rewa , Gadawara,Narsinghpur,Bhopal,Narsinghpur, Hoshangabad, Balaghat in Madhya Pradesh, Nagpur, Navi Mumbai, Pune, Mumbai, Vashi in Maharshtra, Jaipur, Alwar, Jaisalmer, Chainpura, Bari, Jamdoli, Paladi Meena, Renwal, Jamdoli, Mandore, Jodhpur, Bharatpur in Rajasthan, Tiruchirapalli, Hosur in Tamilnadu etc..

d) **Visit to SEBI**

SEBI had invited students from schools, colleges and professional institutes who are interested to learn about SEBI and its role as a regulator of securities markets. A dedicated email id visitsebi@sebi.gov.in was created and

10 visits covering 287 students were conducted as on March 31, 2011.

Under the guidance of the Advisory Committee for the IPEF, the material for the aforesaid target groups were prepared and are made available on SEBI investor website, http://investor.sebi.gov.in. The empanelment of Resource Persons have been completed in all regions and 128 Resource Persons have started conducting the programmes across the country. The objective is to have one Resource Person per district across the country.

These empanelled Resource Persons would also supplement the investor education programmes that are conducted through investor associations recognised by SEBI, stock exchanges, depositories and trade bodies like Association of Mutual Funds of India, Association of National Exchange Members etc.

11. Research Activities

SEBI took several research initiatives during 2010-11. Further informative notes were prepared on various contemporary issues. In a new initiative of monthly lectures, eminent subject experts in the area of Financial Economics were invited to address senior officials of SEBI.

Publication of SEBI Annual Report, SEBI Bulletin and Handbook of Statistics on the Indian Securities Market were carried out. Preparation of regular reviews, policy notes and country profiles etc were also executed during the year. SEBI has sponsored an All India Investor Survey conducted by National Council of Applied Economic Research (NCAER). Further, project on writing of History of Indian Securities Markets dating back to 18th century is under progress. Old records, reports and other material being collected, scanned and put on website of SEBI to encourage research studies on the subject.

Periodic reports were also generated by SEBI for internal and external uses including weekly and monthly reports for the Ministry of Finance. In addition, data for various publications, viz. Handbook of Statistics on Indian Economy, Economic Survey: Government of India, Economic Survey: Government of Maharashtra by Government agencies was also provided.

PART FOUR: REGULATORY CHANGES

The SEBI Board has taken various regulatory measures to protect the interests of investors in securities market, for the development of the securities market and to regulate the securities markets. Various amendments to the existing regulations were notified. The summary of regulatory changes made is as follows:

1. REGULATORY DEVELOPMENTS

I. Amendments to Existing Rules/ Regulations

i. Amendment to the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009

SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 were amended on April 13, 2010. The important changes made by this amendment are as follows:

(a) Fees for filing draft letter of offer in rights issues have been rationalized.

(b) All type of investors including Qualified Institutional Buyers (QIBs) are required to bring in 100 percent of the application money as margin along with the application for securities in public issues.

(c) Reservation for employees in public/ rights issues have been made available to employees of subsidiaries and material associates of the issuer whose financial statements are consolidated with the issuer's financial statements. Also, as regard to reservation made by issuer on competitive basis, the same can be done in the case of a new issuer, to persons who are in the permanent and full time employment of the promoting companies excluding the promoters and immediate relatives of the promoter of such companies.

(d) Other changes made with regard to Small and Medium Enterprises (SMEs) include the following:

- An issuer whose post-issue face value capital does not exceed ₹10 crore shall be listed on SME exchange. An issuer whose post-issue faces value capital is more than ₹10 crore and upto ₹25 crore, may also be listed on the SME exchange.
- A company listed on any recognized stock exchange and whose post-issue face value capital is less than ₹25 crore may migrate its specified securities to SME exchange. A company listed on an SME exchange and whose post- issue face value capital is more than ₹10 crore and upto ₹25 crore, may migrate its specified securities to main board of NSE / BSE. Where the post- issue face value capital of an issuer listed on SME exchange is likely to increase beyond ₹25 crore by virtue of any further issue of capital, the issuer shall migrate its existing specified securities listed on SME exchange to main board of NSE /BSE and seek listing of specified securities proposed to be issued on the main board of NSE / BSE. Migration shall be subject to shareholder approval by postal ballot and compliance with listing conditions.
- The draft offer documents shall not be filed with the Board or SME exchange but the final prospectus / letter of offer shall be filed with the Board through a merchant banker and the final offer document must be displayed on the websites of the SEBI, the issuer, the merchant banker and the SME exchange. The merchant banker shall submit the due diligence certificate to the Board along with the copy of the final offer document on the lines of due diligence exercise in case of fast track issues.

- No observations shall be issued by the Board.
- The issue shall be 100 percent underwritten, the responsibility for which is on the merchant banker. The merchant banker/s must underwrite at least 15 percent of the issue size.
- All the underwriting and subscription arrangements made by the merchant banker shall be disclosed in the offer document.
- The merchant banker may do the market making itself or under an agreement with nominated investor.

ii. Amendment to the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009

SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 were amended on November 12, 2010. The important changes made by this amendment are as follows :

(a) A director shall disclose in the offer document the details of directorships, if any, of the companies whose shares have been/were suspended from trading, for more than three months by a stock exchange in the five years period preceding the date of filing the draft offer document. Such disclosure is also to be made by directors of the companies whose shares were delisted when he was director of such delisted company(ies).

(b) Insurance funds set up by the Department of Posts such as Postal Life Insurance Fund and Rural Postal Life Insurance Fund are accorded status of a Qualified Institutional Buyer (QIB).

(c) The need to make public announcement by issuers on the same day or the next day after filing draft offer document with SEBI .

(d) In case of preferential issues where any promoter or any promoter group entity has previously subscribed to the warrants of the company but failed to exercise the warrants, the promoters and promoter group shall be ineligible for issue of equity shares or convertible securities or warrants for a period of one year from the date of expiry of the currency/cancellation of the warrants.

(e) Merchant bankers are to submit a compliance certificate as to whether the content of the new reports that appear after filing of draft offer document.

(f) Only one payment option to be given to investors i.e. either part payment on application with balance money to be paid in calls, or full payment on application.

(g) Limit on retail individual investor application increased from ₹ 1,00,000/- to ₹ 2,00,000/- across all public issues.

(h) Companies are mandated to have a pre-announced fixed pay date for payment of dividends and for credit of bonus shares.

iii. Amendment to the SEBI (Mutual Fund) Regulations,1996

SEBI (Mutual Fund) Regulations, 1996 were amended on July 29, 2010 and includes the following changes:

(a) The period within which refunds of application money to applicants in case of failure to receive minimum subscription amount or in the case of excess of subscription, has been reduced from six weeks to five working days. Similarly the period within which interest on delayed refund is to be paid, has also been reduced from six weeks to five working days.

(b) The period within which, statement of accounts specifying number of units allotted is to be issued to the applicants, has been reduced from 30 working days to five working days. Similarly, the period within which unit certificates may be issued to the applicant has been reduced from 30 working days to five working days from the receipt of request for the certificate. Also, the period within which, the applicant in a close ended scheme is issued a statement of accounts specifying number of units allotted or, issued units in dematerialized form, has been reduced from 30 working days to five working days from the closure of the initial subscription list.

(c) The provision for collection of additional management fee by asset management companies for schemes launched on a no load basis, has been omitted.

(d) The cap on total expenses of a scheme has been rationalized.

iv. Amendment to the SEBI (Foreign Institutional Investors) Regulations, 1995

SEBI (Foreign Institutional Investors) Regulations, 1995 were amended on April 13, 2010, providing that, in case of transaction in securities by FIIs pursuant to agreement entered into with the merchant banker in the process of market making or subscribing to unsubscribed portion of the issue in accordance with the SEBI (ICDR) Regulations, 2009 dealing with issue of specified securities by small and medium enterprises-

(a) the general requirement that transactions are to be only on the basis of taking and giving delivery of securities, would not apply to such transactions, and;

(b) such transactions need not be routed through a registered stock broker.

v. Amendment to the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997

SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 were amended on April 13, 2010 to provide for an automatic exemption from compliance with open offer requirements in the case of acquisition of shares in the ordinary course of business by a merchant banker or nominated investor in the process of market making and subscription by the nominated investor, in terms of the provisions of the SEBI (ICDR) Regulations, 2009 dealing with issue of specified securities by small and medium enterprises. However, such exemption would not be available if the acquisition of securities results in change in control over the target company.

vi. Amendment to the SEBI (Merchant Bankers) Regulations, 1992

By SEBI (Issue of Capital and Disclosure Requirements) (Third Amendment) Regulations, 2010 Chapter XA was inserted which prescribes procedures for issuance of specified securities by Small and Medium Enterprises (SMEs). By this amendment, merchant bankers were enabled to market making in accordance with Chapter XA of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009. Further, the merchant bankers, alone or jointly with other merchant bankers associated with the issue, are required to underwrite at least 15 percent of the issue size.

vii. Amendment to the SEBI (Venture Capital Funds) Regulations, 1996

By this amendment, Venture Capital Funds were enabled, through merchant banker, to subscribe the unsubscribed portion of the issue or to receive or deliver securities in the process of market making under Chapter XA of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 which deals with the procedure for issuance of specified securities by Small and Medium Enterprises.

viii. Amendment to the SEBI (Stock Broker and Sub-Brokers) Regulations, 1992

By this amendment, stock brokers and sub-brokers, having membership of recognised stock exchange having nationwide trading terminals, were made eligible to trading on SME platforms established by such stock exercise without obtaining a separate certificate of registration for trading on SME platform. It was further explained that SME platforms means a trading platforms of a recognised stock exchange having nationwide terminals and permitted by the Board to list the securities issued in accordance with Chapter XA of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 which deals with the procedure for issuance of specified securities by SME.

ix. Amendment to the SEBI (Employees' Service) Regulations, 2001

It was proposed to recruit secretary, account assistants and library assistants in junior grade. Therefore, by this amendment, provisions for Junior Secretarial Assistant, Junior Accounts Assistant and Junior Library Assistant were made. Accordingly, eligibility criteria and committee for their selection were also specified.

x. Amendment to the SEBI (Foreign Venture Capital Investors) Regulations, 2000

The amendment was brought in Form A of first schedule which prescribes the application form for grant of certificate of registration as Foreign Venture Capital Investors (FVCI). By this amendment an FVCI applicant is required to furnish firm commitment letter from its investors for contribution of an amount aggregating USD one million and also the copies of financial statements, name, address, contact number and email address of all investors who have given firm commitment letters. The FVCI applicant is further required to provide name, address, contact number and email address of all its directors.

II. Other Notifications

i. Notification under Regulation 3 of the Securities and Exchange Board of India (Certification of Associated Persons in the Securities Markets) Regulations, 2007 - For associated person of a registered Depository Participant

SEBI issued a notification on March 29, 2011, to specify that an associated person engaged or employed or to be engaged or employed by a Registered Depository Participant for performing any of the activities specified in the notification, shall obtain NISM-Series-VI: Depository Operations Certification Examination (DOCE), as stated hereinafter:

(a) where such associated person is engaged or employed by a Registered Depository Participant prior to March 29, 2011, the NISM-Series-VI: DOCE must be obtained within two years from March 29, 2011;

(b) where on being employed or engaged by a registered Depository Participant on or after March 29, 2011, such associated person who does not possess NISM-Series-VI: DOCE, must obtain the said certification within one year from the date of being so employed or engaged.

(c) an associated person, who possesses any of the following certificates, as on March 29, 2011, shall be exempted from the requirement of DOCE till the validity of the said certificates:

- NSE's Certification in financial markets {NSDL – Depository Operations Module} of the National Stock Exchange of India Limited, or
- NSDL's Certification in Depository Operations {NCDO} of the National Securities Depository Limited, or
- BSE's Certification in Financial Markets {BSE's Certification on Central Depository} of the Bombay Stock Exchange Limited.
- An associated person, who possesses a certification on completion of CDSL's DP Training Programme of Central Depository Services (India) Limited, are exempted from the requirement of DOCE for a period of three years from the date of completion of the programme.
- Through said notification, SEBI specified that associated persons engaged or employed by a registered depository participant who are required to have the certification are those responsible for :

(i) dealing or interacting with clients;

(ii) dealing with securities of clients;

(iii) handling redressal of investor grievances;

(iv) internal control or risk management;

(v) activities having a bearing on operational risk; or

(vi) maintenance of books and records pertaining to the above activities.

ii. Notification under Regulation 3 of the Securities and Exchange Board of India (Certification of Associated Persons in the Securities Markets) Regulations, 2007 – Stock Broker

SEBI issued a notification on December 10, 2010, to specify that persons associated with a registered stock-broker/trading member/clearing member in recognised stock exchanges, who are involved in, or deal with, any of the following, namely:-

(a) assets or funds of investors or clients,

(b) redressal of investor grievances,

(c) internal control or risk management, and

(d) activities having a bearing on operational risk, are required to have a valid certification from the National Institute of Securities Markets (NISM) by passing the NISM-Series-VII: Securities Operations and Risk Management Certification Examination as mentioned in the NISM communiqué/Press Release NISM/Certification/Series-VII: SORM/2010/01 dated November 11, 2010.

iii. Notification under Regulation 3 of the Securities and Exchange Board of India (Certification of Associated Persons in the Securities Markets) Regulations, 2007 – Derivatives

SEBI issued a notification on June 29, 2010, to specify that approved users and sales personnel of the trading members who are registered as such in the currency derivatives segment of a recognized stock exchange and trading in interest rate derivatives shall obtain Series-IV: IRD certification within two years from the date of the notification.

iv. Notification under Regulation 3 of the Securities and Exchange Board of India (Certification of Associated Persons in the Securities Markets) Regulations, 2007 – Mutual Fund

SEBI issued a notification on May 31, 2010, to specify that distributors, agents or any persons employed or engaged or to be employed or engaged in the sale and/or distribution of mutual fund products, shall be required to have a valid certification from the National Institute of Securities Markets (NISM) by passing the certification examination as mentioned in the NISM communiqué NISM/Certification/Series-V-A: MFD/2010/01 dated May 5, 2010. However if the said associated person possesses a valid certificate by passing before June 1, 2010, the AMFI Mutual Fund (Advisors) Module, he shall be exempted from the requirement of the aforementioned NISM certification examination.

2. SIGNIFICANT COURT PRONOUNCEMENTS

I. Supreme Court

i. SEBI vs. M/s. S.Kumars Nationwide Ltd. and Anr. (Civil Appeal No. 2049 of 2010, date of order: 26/11/2010)

S. Kumars Nationwide, a company listed on the BSE, had filed an application before it seeking an in-principle approval for the issue, allotment and listing of preferential shares to its promoters, necessitated on account of a restructuring package for repayment of a loan amount of ₹ 850 crore. On being denied by BSE, the company appealed to the SAT under section 22A (1) of the Securities Contracts (Regulation) Act, 1956. The BSE in refusing permission has stated that the Issue violated Guideline 13.3.1(f) (dealing with which persons a company can make a preferential issue of equity shares to). The SAT highlighted Guideline 17.2A.1, which allows the Board to grant an exemption from one of the provisions of the Guidelines, 'on being satisfied that the violation was caused or may be caused due to factors beyond the control of the applicant'. Based on its finding that the company was in breach of Guideline 13.3.1(f) for 'no fault of its own', the SAT exercised this power of the SEBI and directed the BSE to grant the approval. SEBI had filed the instant Appeal before the Supreme Court with the question of law involved being whether the SAT could grant exemption under Clause 17.2.A.1 of the DIP Guidelines, 2000 (since replaced with the ICDR Regulations).

SEBI contended that the powers conferred on SEBI by Clause 17.2.A.1 of the DIP Guidelines cannot be directly exercised by the SAT since these powers are conferred only upon the Board, more so when there was no order passed by SEBI itself. SEBI further submitted that the impugned order of SAT insofar as it pertains to the exercise of the aforesaid powers amounted to passing an order on an issue not agitated before the SAT and further is an exercise of jurisdiction not vested in the SAT and needs to be set aside to this extent. The SC upheld the contention made by SEBI.

II. High Court

i. M/s. Rose Valley Real Estate & Constructions Ltd. vs. SEBI (Writ Petition No. 45 of 2010, date of order: 23/03/2011)-before the Hon'ble Kolkata High Court

The petitioner M/s. Rose Valley had challenged SEBI's order dated January 3, 2011. SEBI found that the petitioner company was running collective investment schemes without obtaining registration from the SEBI Board. Accordingly, by an interim direction dated January 3, 2011, SEBI directed the petitioner company (a) not to collect any money from investors; (b) not to dispose of any of the properties or delineate assets of the scheme; (c) not to divert any fund raised from public at large kept in bank account and/or at the custody of the company, giving the company an opportunity to file its objections including opportunity of personal hearing, if any, within 15 days from the date of the order.

The petitioner raised the contention that since the company is neither a listed company nor has applied for listing, SEBI has no jurisdiction to make enquiries and pass of the impugned order and also alleged violation of the principles of natural justice. It was argued on behalf of the SEBI that writ jurisdiction of Hon'ble High Court cannot be invoked since alternate remedy was available to the petitioner i.e. to challenge the said order before SAT.

Rejecting the contentions of the petitioner, the Hon'ble High Court held that there is no extraordinary situation to exercise the power under article 226 in the interest of justice or for preventing a miscarriage of justice and that the petitioners were entitled to appeal to the tribunal that has been functioning and is competent to decide all the questions including the questions of jurisdiction of the SEBI to pass the order and violation of the principles of natural justice.

(Note: the above order has been challenged by the petitioner before Division Bench of Hon'ble Kolkata High Court which is pending).

ii. M/s. Price Waterhouse & Company & Others Vs. SEBI (Writ Petition Nos. 5249 & 5256 of 2010 – date of order: 13/08/2010) - before the Hon'ble Bombay High Court

The writ petitions were filed for quashing the proceeding pending before the SEBI under section 11B of SEBI Act against the petitioners (firm of Chartered Accountants) in connection with the audit performed by them of the company M/s. Satyam Computers Services Ltd. It was contended by the petitioners that there is inherent lack of jurisdiction on the part of the SEBI to initiate any proceedings or call for any information from the petitioners who are discharging their duty as professionals and if there is any omission or neglect on the part of any of the petitioners or for that purpose by any Chartered Accountants in the matter of discharging their professional duties, it is only the institute who has the power to regulate this profession of the Chartered Accountants under the Chartered Accountants Act, 1949 (hereinafter referred to as the "CA Act") and SEBI has no jurisdiction to issue the show cause notice and inquire into or adjudicate the alleged violations against the petitioners.

The question raised in these petitions was as to whether the SEBI has power to issue show cause notice to the Chartered Accountants in connection with the work which they have undertaken for a listed company in the matter of maintaining accounts and balance-sheets.

The Hon'ble High Court held that considering the judgments and the scheme of the Act, the SEBI in the instant case, on the basis of show cause notice, has jurisdiction to inquire into and investigate the matter in connection with manipulating and fabricating the books of accounts and balance-sheets of the company. The powers of the SEBI are, therefore, independent and it cannot be said that it encroached upon the powers of the institute under the CA Act. The question of jurisdictional fact depends upon the facts which may be available at the time of evidence before the SEBI. SEBI will have to answer the question as to whether on the basis of evidence on record, it has any power to give directions as provided under the SEBI Act. This aspect will depend upon the evidence which may be available at the time of inquiry. All these aspects are therefore left to the consideration of SEBI at the time of passing final order in the inquiry.

iii. In the matter of M/s. Bank of Rajasthan and M/s. Jayabharat Textiles and Real Estates Ltd. (21 Batch appeals) – before the High court of Rajasthan

SEBI passed two ad interim orders dated March 8, 2010 in the matter of M/s. Bank of Rajasthan Ltd. and March 12, 2010 in the matter of M/s. Jayabharathi Textiles and Real Estates Ltd. debarring certain entities from accessing, buying or selling or otherwise dealing in the securities market till further orders.

Aggrieved by the said orders, two batches of writ petitions were filed before the Rajasthan High court. The petitioners challenged the constitutional validity of sections 11B and 11(4) of SEBI Act, 1992. The Hon'ble High court of Rajasthan disposed of the writ petitions vide its common order dated October 29, 2010 holding that sections 11B and 11(4) of SEBI Act, 1992 are constitutionally valid and further held that whether in the facts and circumstances of the case, the said sections are applicable to the petitioners can be raised before SEBI and SEBI can decide the same.

III. Securities Appellate Tribunal

i. Mr. Jalaj Batra vs. SEBI- (Appeal No. 184 of 2010, date of order : 06/12/2010)

The appeal was preferred against the order dated July 30, 2010 passed by the Adjudicating Officer imposing a penalty of ₹ 5,00,000/- on the appellant for violation of Section 11C (2) of the SEBI Act, 1992 for non-compliance of summons dated November 29, 2006. The contention of the appellant was that he did not receive the summons, was not accepted by SAT. It was seen from the material available on record that in another proceeding before SEBI, the counsel for the appellant had inspected few documents including the summons dated November 29, 2006. For three years, the appellant did not inform SEBI if they had received the summons. The Hon'ble SAT dismissed the appeal and upheld the penalty of ₹ 5,00,000/.

SAT also observed that the Adjudicating Officer has been more than lenient while imposing the monetary penalty. In this case SAT has felt that a monetary penalty of ₹ 5,00,000 would not be deterrent for others. SAT has expected that adjudication officers would in future take note of amended provisions regarding imposition of monetary penalties and impose such amounts which are commensurate with gravity of the default and which also serves as a deterrent.

ii. In the matter of M/s. Roofit Industries Ltd.

M/s. Amgis Holding Pvt Ltd vs. SEBI (Appeal No. 114 of 2007)

M/s. Goldcrest Capitals Market Ltd vs. SEBI (Appeal No. 113 of 2007) and,

M/s. Pals Overseas Pvt Ltd. vs. SEBI (Appeal No. 115 of 2007)

The impugned orders in the captioned appeals were passed on July 31, 2007 by SEBI suspending the certificate of registration of the appellants as brokers for a period of two months for the violation of Regulation 4 of PFUTP Regulations, 1995 and the Code of Conduct under the Stock Broker Regulations. The Hon'ble SAT upheld the WTM orders and dismissed the captioned appeals vide common order dated December 27, 2010. Thereafter the appellants filed an appeal against the order of SAT which was duly dismissed by the Supreme Court vide order dated February 11, 2011.

The appellants as brokers had executed trades on behalf of their clients who were related to each other and also related to the company, M/s. Roofit Industries Ltd., and influenced the price of the scrip and created volumes by executing matched trades. SAT examined the impugned trades and also statements made by the director of the appellant and noted that the director was aware of the relationship between the brokers and the company. SAT held that "this fact by itself may not be enough to hold the appellant guilty but coupled with other circumstances of the case, we agree with the Whole Time Member." SAT also noted that the present case was one of matched trades where the brokers have pleaded ignorance of the counter party since the trading system maintains complete anonymity. On this, SAT held that "in such a situation one has to look at the trading pattern and if the trades match too often or if the matching of the trades is noticed day after day and trade after trade, one can infer that the matching was not done by the system but by manipulating the same...Normally, no direct evidence would be available to find out whether a broker was aware of the matching trades. The intention of the parties will have to be gathered from the surrounding circumstances looking at the trading pattern…."On detailed consideration of the conduct of the appellants in executing the impugned trades, SAT upheld the order of the WTM.

iii. M/s. Alstom Sextant 5 vs. SEBI (Appeal No. 172 of 2010, date of order: 29/10/2010)

The instant Appeal involved the indirect acquisition of Areva T & D India Ltd (Target Company), a listed company in India through the global acquisition in France of the Parent Company i.e. T & D Holding SA and its 2 subsidiaries, who collectively were promoters of the Target Company. The acquisition was being made by the Appellant. Areva SA which was selling its stake in the Parent Company had conducted a competitive bidding process for the same and after an invitation of bids, Areva SA through press releases dated November 30, 2009, decided to enter into exclusive negotiations with the Appellant. On January 20, 2010, a Share Purchase Agreement was executed between the Appellant and Areva SA. A public announcement for acquisition of the Target Company was made by the Appellant on May 28, 2010.

Accordingly, the short question involved before SAT was the calculation of Offer Price [under Regulation 20(4) read with 20(12) of Takeover Regulation] for the indirect acquisition. SAT in its observations had concluded that the reference date for Offer Price should be taken only when there exists an agreement to acquire the Parent Company on that date and not whether there was an intention to try and reach an agreement in that regard.

iv. Dr. Arvind Kumar Shah vs. SEBI (Appeal No. 107 of 2010, date of order: 19/11/2010)

The Appellants had sought exemption under Regulation 3(1)(l) read with Regulation 4(2) of the Takeover Regulations in respect of their proposed acquisition of equity shares by way of preferential allotment made by the target company i.e. Arvind Remedies Ltd, since the said acquisition had attracted the provisions of Regulations 10 and 11(1) of the Takeover Regulation. It was the case of the Appellants that the preferential allotment was being made to raise capital for the expansion of the Target Company's business and that since the allotment would not result in change of control or management of the Target Company, exemption may be granted. The SEBI Takeover panel while considering the exemption application had recommended exemption to the Appellants. However, the Whole Time Member of the Board by his detailed order of April 26, 2010 declined exemption to the Appellants *inter alia* on the ground that the Appellants should have made a Rights Issue instead of Preferential Allotment and that the shareholders of the Target Company should have been provided with an exit route by requiring the Appellants to make a public offer.

In its Order dated November 19, 2010, the SAT had set aside the impugned order of SEBI dated April 26, 2010 and had granted exemption to the appellants from complying with the provisions of Regulations 10 and 11(1) of the Takeover Regulations on the ground that if the funds are required to meet the expansion activities of a Company and the objective of acquisition of shares is to provide financial assistance then the exemption under Regulation 3(l) of the takeover Regulation should be granted. SEBI has preferred an Appeal before the Supreme Court against the aforesaid SAT Order.

v. M/s. Kaynet Finance Ltd vs. SEBI (Appeal No. 136 of 2010, date of order:13/12/2010)

Prior to the filing of the instant Appeal, the Appellant (Broker) had preferred Appeal No. 94 of 2009 wherein it had challenged a communication dated May 22, 2009 received from NSE in which a direction had been issued to the Appellant to resolve the complaint filed by Respondent 3 i.e. M Sundararaman, regarding the transfer of 1100 shares of VSNL to the complainant alongwith corporate benefits accruing thereon. In the said Appeal, the SAT had disposed of the matter by directing NSE to pass a fresh order after affording an opportunity of hearing to the parties concerned. NSE had subsequently communicated its order through letters dated April 20, 2010 and May 5 2010 wherein the Appellant was directed to return 1100 shares of VSNL to Respondent 3 and an amount of ` 582780 was blocked from the deposits made by the Appellant on account of failure to return the said shares of VSNL. The Appellant through the instant Appeal had challenged the aforesaid two letters of NSE.

SAT while upholding the Orders communicated through the aforesaid NSE letters, had considered two SEBI Circulars i.e. Circular dated November 18, 1993 (which pertained to regulation of transactions between clients and brokers/clients and members) and Circular dated August 27, 2003 (Mode of payment and delivery for securities transactions) and had observed that latter SEBI circular laid down the procedure for the transfer of securities between clients and brokers and being procedural, shall operate retrospectively since the earlier guidelines issued in the year 1993 (Circular dated November 18, 1993) could not lay down the procedure for the demat mode as that mode came into existence much later.

vi. M/s. Bhushan Energy Ltd. & Ors vs. SEBI and BNS Tour & Travel Pvt. Ltd. vs. SEBI & Ors.(Appeal No.65 & 66 of 2010, date of order: 28/12/2010)

The appeals were filed against the order of Adjudicating Officer dated January 18, 2010 wherein a penalty of ₹ 4,50,000/-(Rupees Four lakh fifty thousand only) was imposed on the M/s. Bhushan Energy Ltd. & Ors. (M/s. Bhushan group) and M/s. BNS Tour & Travels Pvt. Ltd. (M/s. BNS) for violating the provisions of Regulation 10 of Takeover Regulations. On January 29, 2009 the M/s. Bhushan group excluding M/s. BNS Tour & Travels Pvt. Ltd. (BNS) was holding 14.85 percent and M/s.

BNS, a private limited company, was holding 2.56 percent shares of the M/s. Orissa Sponge Iron and Steel Limited (the target company). It was held by the Adjudicating Officer that on January 29, 2009 M/s. BNS was part of the M/s. Bhushan group and their combined shareholding crossed the threshold limit (15 percent) prescribed by Regulation 10. Whereas the contention of the appellants was that M/s. BNS was a part of M/s. Bhushan Group till October 6, 2008 and thereafter its shares were sold to M/s. Jain group pursuant to Share Purchase Agreement (SPA) entered between them on October 4, 2008. Therefore, the shares of the target company held by M/s. BNS ought not to be clubbed with the shareholding of M/s. Bhushan group subsequent to October 6, 2008. However, the Adjudicating Officer rejected the said contention of the appellant on the ground that the transaction of sale of all the shares of M/s. BNS was complete only on February 28, 2009 as the consideration for transfer of shares of M/s. BNS was paid by M/s. Jain group to M/s. Bhushan group on February 27 and February 28, 2009 which date is subsequent to the trigger date (January 29, 2009). Therefore, the Adjudicating Officer held that M/s. Bhuhsan group along with M/s. BNS had triggered Regulation 10 on January 29, 2009.

The Hon’ble SAT allowed the appeals and held that M/s. BNS ceased to be part of M/s. Bhushan group with effect from October 6, 2008 and could not be said to be acting in concert with the appellants on January 29, 2009 and shares of the target company held by M/s. BNS could not be clubbed with those of the appellants (M/s. Bhuhsan group). The tribunal held that the SPA dated October 4, 2008 entered into between M/s. Bhushan group and M/s. Jain group, makes it clear that the parties intended that the property in shares would get transferred on date of execution of the agreement and that payment shall be made by the purchasers to the sellers on or before February 28, 2009. Shares of limited companies are ‘goods’ within the meaning of the Sale of Goods Act, 1930 and Section 19 of this Act stipulates that property in the goods is transferred to the buyer at such time as the parties to the contract intend it to be transferred and Section 20 makes it clear that in a contract for the sale of specific goods in a deliverable state, the property in the goods passes to the buyer when the contract is made and it is immaterial whether the time of payment of the price or the time of delivery of the goods or both is postponed.

PART FIVE: ORGANISATIONAL MATTERS

1. SEBI BOARD

Shri U. K. Sinha, assumed the Office of the Chairman of SEBI with effect from the forenoon of February 18, 2011. Shri C. B. Bhave relinquished the charge of Office of the Chairman of SEBI on February 17, 2011.

Dr. Thomas Mathew, Joint Secretary, Ministry of Finance, Department of Economic Affairs, Government of India was nominated as one of the Members on the SEBI Board in terms of Government of India notification dated September 3, 2010 in place of Dr. K. P. Krishnan.

Shri V. K. Jairath, voluntarily retired Principal Secretary (Industry), Government of Maharashtra was nominated as one of the Members on the SEBI Board in terms of Government of India notification dated November 25, 2010 in place of Shri G. Mohan Gopal.

Shri Anand Sinha, Deputy Governor, Reserve Bank of India was nominated as one of the Members on the SEBI Board in terms of Government of India notification dated February 11, 2011 in place of Smt Usha Thorat.

Shri D. K. Mittal, Secretary, Ministry of Corporate Affairs was nominated as one of the Members on the SEBI Board in terms of Government of India notification dated March 4, 2011 in place of Shri R. Bandyopadhyay.

During 2010-2011 SEBI Board met on five occasions (Table 5.1).

Table 5.1: Board Meetings during 2010-11

	Number of meetings held	Number of meetings attended
1	2	3
(i) Chairman		
Shri U. K. Sinha	1*	1
(ii) Whole Time Member	5	5
Shri M. S. Sahoo	5	5
Dr. K. M. Abraham	5	4
Shri Prashant Saran		
(iii) Members		
Shri T. V. Mohandas Pai	5	5
Dr. Thomas Mathew	3*	3
Shri V. K. Jairath	2*	2
Shri Anand Sinha	1*	1
Shri D.K. Mittal	1*	1

* Number of meetings held after assuming the charge.

Note: Shri C. B. Bhave attended 4 out of 4 meetings held during the year, prior to his demitting the office of the Chairman.

Dr. K. P. Krishnan attended 1 out of 1 meeting held during the year, prior to his demitting the office of the Part-Time Member.

Smt Usha Thorat attended 2 out of 3 meetings held during the year, prior to her demitting the office of the Part-Time Member.

Shri. R. Bandyopadhyay attended 1 out of 3 meetings held during the year, prior to his demitting the office of the Part-Time Member.

Dr. G. Mohan Gopal did not attend any meeting out of the 3 meetings held during the year, prior to his demitting the office of the Part-Time Member.

2. AUDIT COMMITTEE

In pursuit of high standards of governance and transparency, the SEBI Board, in its 127th meeting held on September 22, 2009, constituted an Audit Committee to exercise oversight of SEBI's financial reporting process and disclosure of its financial information.

The Committee comprises three members nominated by the Board. The tenure of the members of the Committee is two years. The Committee is presently chaired by Shri T. V. Mohandas Pai (Director, Infosys Technologies Ltd.) with Dr. Thomas Mathew (Jt. Secretary, Ministry of Finance) and Shri M. S. Sahoo (Whole Time Member, SEBI) are the other two members. Dr. Thomas Mathew was nominated to the Committee by the Board in its meeting held on October 25, 2010, in place of Dr. K P Krishnan, who ceased to be the member of the SEBI Board.

During the financial year 2010-11, the Committee held four meetings.

The Committee carried out the following responsibilities:

- Approved the Audit Committee Charter which sets out the objective, composition, authority and responsibilities of the Committee.
- Reviewed the internal audit reports with the management and the internal auditors.
- Reviewed the action taken by the management to rectify deficiencies and implement suggestions as pointed out by the internal auditors.
- Reviewed and recommended revision of policy of appointment of internal auditors to the SEBI Board.
- Reviewed the policy on depreciation and made recommendations to the SEBI Board to revise the policy of depreciation for buildings, office premises and residential flats and intangible assets.
- Based on the recommendation of the Committee, SEBI appointed a Chief Financial Officer (CFO). Furthermore, the Committee approved the formats of finance and control compliance certificate from the Chief Financial Officer and a compliance certificate from the head of the Legal department. These certificates are required to be submitted to the SEBI Board.

The Committee effectively co-ordinated with the management and the internal auditors the improvement of the internal control systems.

The Committee reviewed and discussed the annual statement of accounts of SEBI for the year 2010-11 with the management of SEBI and internal auditors. Relying on the review and discussions conducted with the management and internal auditors, the Audit Committee believes that SEBI's annual statement of accounts are fairly presented in conformity with the Generally Accepted Accounting Principles (GAAPs) in all material aspects. The Committee also reviewed the internal control systems put in place and expressed its satisfaction with the same. The members of the Cmmittee discussed among themselves, without the management or the internal auditors being present, the information disclosed in the Annual Statement of Accounts. The Committee fulfilled its responsibilities in compliance with its charter.

3. HUMAN RESOURCES

Human Resources Development Division continued to play an important role with prime focus on implementation of policies on capacity building, training, promotions, placement and transfers.

I. Staff Strength, Recruitment, Deputation

As on March 31, 2011, SEBI had a total of 583 employees in various grades - 469 officers and 112 secretaries and other staff.

One officer in the rank of Dy. Legal Adviser was absorbed in the services of the Board. One Officer was deputed to Competition Commission of India and one deputed to FATF Cell in Ministry of Finance.

During the year, SEBI undertook All India Recruitment Exercise to recruit 90 officers at grade A in an effort to augment its staff strength in various areas.

II. Training and Development

In order to enhance the knowledge base as well as "soft skills" including motivation, communication etc., staff members across all grades were deputed to various behavioural and functional training programmes at both domestic and international level. The details are as under:

i. Domestic Training

a. Communication Workshop

44 Senior Officers (Grade E & F) attended the Workshop on communication in collaboration with NISM.

b. Forensic Accounting, Audit and Analysis:

15 officers were imparted training in collaboration with NISM in Forensic Accounting, Audit and Analysis with objective to impart knowledge and skills in these areas.

c. BSE Training Programme

Officers were nominated for various training programmes conducted by the BSE Training Institute throughout the year.

d. Data Warehousing

40 Officers were nominated for training on Data Warehousing and Business Intelligence during the year 2010-11.

e. Other Programmes

Officers/Accounts Assistants were also deputed to attend various training programmes on Reservation in Service, RTI, IT, Disciplinary matter, Contract Labour, etc with the objective of enhancing specific skills.

Training / attachment programs were conducted for Trainee officers of Indian Foreign Service, Indian Administrative Service, Indian Revenue Service, etc. by SEBI.

ii. Foreign Training

155 officers were deputed to attend various training programmes and seminars/ conferences conducted by regulators and other agencies outside India.

III. Internship

SEBI, as an integral part of its policy, offers short duration projects/ internships to students of reputed management schools and law schools. In each financial year, 20 students (12 General Stream and 8 Legal Stream) from premier Management Schools and Law Schools are offered 4 to 8 weeks internship in Mumbai.

IV. Promotions

During the year 2010-11, the following promotions took place covering various grades against the existing vacancies.

Table 5.2: Promotion of SEBI Officials during 2010-11

From	To	No. of persons promoted
1	2	3
Chief General Manager	Executive Director	1
General Manager	Chief General Manager	2
Deputy General Manager	General Manager	6
Assistant General Manager	Deputy General Manager	8
Manager / Legal Officer/ Research Officer	Assistant General Manager/ Assistant Legal Adviser/ Assistant Director	114
Secretary / Accounts Assistant Grade – A	Secretary / Accounts Assistant Grade – B	14

V. Enhancement of Staff Pay, Allowances and Benefits

During the year the existing scales of pay and allowances of staff members were revised with effect from November 1, 2007.

Further, a new benefit, i.e. Children Education allowance was introduced and other benefits like Loan Scheme, Group Mediclaim Policy and Gratuity were enhanced.

VI. Extracurricular activities within SEBI

In addition to the Gymnasium Facility at office, a Sports and Games Centre equipped with Table Tennis (T.T), Chess, Carom, Scrabble has been set up for employees.

Further, SEBI Premier League was organized during the year comprising of Sports events such as Cricket, Table Tennis, Carom and Badminton in which employees participated with a lot of zeal and enthusiasm.

VII. Scheme for recognizing and rewarding academic excellence of children of employees

During the financial year, 8 children of employees were rewarded for academic excellence in 10th /12th Standards.

4. NATIONAL INSTITUTE OF SECURITIES MARKETS (NISM)

I. Certification of Associated Persons in Securities Markets

During 2010-11, NISM launched the following certification examinations:

- Certification Examination for Securities Operations and Risk Management (November 22, 2010).
- Depositories Operations Certification Examination (February 21, 2011).
- Mutual Fund Distributors Certification Examination in Hindi (January 20, 2011).
- Mutual Fund Distributors Certification Examination in Gujarati (January 20, 2011).

NISM has further launched a non-mandated examination "Certified Personal Financial Advisors" developed jointly with FPCIL. The examination is available since January 1, 2011.

NISM has finalized the test objectives and also initiated development of a higher level examination (Series V – B, Mutual Fund Advisors Certification Examination). NISM has also initiated the development of the Certification Examination for Equity Derivatives and Equity Sales which are likely to be completed in May and July, 2011 respectively. NISM is currently updating the Currency Derivatives Certification Examination to include Currency Options.

NISM is ready with the Securities Intermediaries Compliance Certification Examination and after obtaining required permissions, is planning to launch it early next year through NISM owned test centres.

NISM is also currently translating the RTA (Mutual Funds) Certification Examination in Hindi and Gujarati. Further, NISM has identified Currency Derivatives and Securities Operations Risk Management modules for translation into Hindi and Gujarati.

II. Administration of Continuing Professional Education (CPE)

NISM has started conducting CPE for Mutual Fund Distributors from June 1, 2010 which was earlier under AMFI. NISM has established a CPE Accreditation Committee and has finalized the CPE Accreditation Policy for engaging services of professional organizations for the delivery of CPE all over India. During June 1, 2010 to March 31, 2011, NISM has conducted 115 CPEs where 5,552 candidates participated.

III. Workshops for Mutual Fund Trustees and Independent Directors of AMCs

NISM has conducted two workshops for Mutual Fund Trustees and Independent Directors of Asset Management Companies (AMCs). The first Workshop for Mutual Fund Trustees and Independent Directors of Asset Management Companies was held on September 15, 2010 at the Hotel Taj President, Mumbai. A total number of 169 Trustees and Independent Directors of AMCs attended the workshop. The second workshop was held on January 11, 2011 at the Hotel Taj Mahal Palace, Mumbai. It was attended by 145 participants.

NISM also organized a Collegium for Mutual Fund Trustees on February 5, 2011. It was attended by 18 Trustees from various mutual fund houses.

IV. Financial Literacy and Investor Education

A. Pocket Money: Financial Literacy for School Students

NISM revised and redesigned its financial literacy material for school children. A new name "Pocket Money" was also coined for the program. A revised brochure for the program has also been prepared. 10,000 copies of Pocket Money have been printed. The distribution of these new books to the schools has already started.

Till the end of last year, 2,795 students had participated in the Pocket Money programme. During 2010-2011, 1,790 students participated, taking the cumulative participation to 4,585.

As of now, 33 schools have joined this program. In addition to these schools, 1081 students from 10 colleges have been covered.

During the year, two "Train the Trainer" workshops were held for school teachers at Kolkata and Nagpur. 50 teachers participated in the workshop at Kolkata on September 10, 2010 and more than 60 principals and teachers participated in the workshop held at Nagpur on November 27, 2010.

B. Investor First: A Dedicated Website for Investor education

NISM has developed a dedicated website *'InvestorFirst.in'* for financial literacy and investor education. It has over 200 pages of content which is continually being reviewed. The public beta version of *'InvestorFirst.in'* has been made live and available to general public from September 1, 2010.

C. NISM's Assistance to SEBI in SEBI's National Investor Outreach Programmes

NISM has assisted SEBI to identify, empanel and train resource persons for SEBI's investor outreach programmes all over India. The details of resource persons who were empanelled in different regions are as follows:

1. Western Region: NISM initiated the process of empanelment of resource persons starting with the Western Region States of Maharashtra, Gujarat, Madhya Pradesh, Rajasthan and Goa. The "Training the Trainer" programme was held in two batches from June 7-13 and June 14-20, 2010 at Mumbai where 43 persons attended the training program and empanelled as resource persons.
2. Northern Region: Interviews for empanelment of resource persons for Northern Region were held in Delhi on February 19, 2011 where 34 candidates from New Delhi, Haryana, Uttar Pradesh, Uttarakhand and Himachal Pradesh were selected and provided training from February 20 to 26, 2011 and empanelled as resource persons.
3. Southern Region: Interviews for Empanelment of resource persons for Southern Region were held in Chennai on March 5, 2011 where 32 candidates from Andhra Pradesh, Karnataka, Tamil Nadu and Kerala were selected and provided

training from March 6 to 12, 2011 and empanelled as resource persons.

4. Eastern Region: Interviews for Empanelment of resource persons for Eastern Region were held in Kolkata on March 21, 2011 where 24 candidates (3 candidates from West, 1 candidate from North, 1 candidate from South and 19 candidates from East) from West Bengal, Orissa, Bihar, Jharkhand, Assam, Chattisgarh, Madhya Pradesh, Rajasthan and Andhra Pradesh were selected and provided training from March 22 to 28, 2011 and empanelled as resource persons.

V. Corporate Governance

NISM, in collaboration with the Global Corporate Governance Forum (GCGF) of IFC Washington and Confederation of Indian Industries (CII), has delivered a series of programmes on corporate governance. These include:

(1) Workshop for Media Persons;

(2) Directors Toolkit Workshops;

(3) Directors' Colloquium; and

(4) Risk Management workshop for Board of Directors.

During 2010-11, NISM organized two media workshops, one each in Mumbai and Delhi, one risk management workshop for Board of Directors, two directors toolkit workshops in Mumbai and one alumni meet. Training of trainers (TOT) programme for corporate governance board leadership was conducted twice in 2010-11: July 22 to 25, 2010 and March 9 to 12, 2011. An alumni meet of TOT was conducted on July 22, 2010 to take feedback from the participants of earlier TOT participants. A two-day workshop on "Risk Management and Board of Directors" was held in Grand Hyatt, Mumbai, during September 7 to 8, 2010. Also, two media workshops "Reporting on Corporate Governance in India" were conducted, one each in Mumbai and Delhi, in March 2011.

VI. Executive Education

NISM successfully conducted two open programmes titled "IFRS for Analysts". The first programme was conducted with 22 participants from various organizations on July 27-28, 2010 and the second programme was held on August 30-31, 2010 with 22 participants. Subsequently, two customized programmes were conducted for client organizations, on October 9 and 23, 2010 and on February 26 and March 05, 2011. Thus, so far, a total of 87 analysts have been trained by NISM, on IFRS.

NISM has also organised the Second Round Table Conference on Direct Tax Code on December 20, 2010.

In collaboration with Mumbai Police, NISM conducted a three day training programme for the officers of Mumbai Police on "Investigation of Capital Markets Fraud" in Mumbai during August 2 to 4, 2010 which was attended by 75 officers.

Also, a two day training programme for CBI officers on 'Investigation of Capital Markets Fraud' was conducted by NISM at CBI Academy, Ghaziabad, during, October 18 to 19, 2010.

In collaboration with SEBI, NISM conducted three one day workshops:

a) Training workshop for 14 Officers of Indian Administrative Services (IAS) on January 14, 2011.

b) Two Training workshops for 115 Officers of Indian Revenue Services on February 23, 2011 and March 9, 2011 respectively.

The workshops gave the participants a holistic view of the capital markets and exposed them to the regulatory framework in capital markets.

A speaker event titled 'Related Party Transactions (RPT)' was conducted jointly by the CFA Institute-USA, Indian Association of Investment Professionals (IAIP) and the NISM. The event was hosted in Mumbai by National Stock Exchange on October 28, 2010.

As per the MoU between NISM, CFA Institute and IAIP, the three parties jointly organized a conference called "India Investment Management Conference" in Mumbai on January 7, 2011. It was attended by around 400 securities market professionals from across the world.

NISM has also conducted two programmes for Journalists in collaboration with CFA Institute one each in Delhi on January 5, 2011 and in Mumbai on January 8, 2011.

VII. Securities Markets Education

The School for Securities Education (SSE) conducts in-classroom programmes, pitched at the Master's level for capacity building in securities markets industry. Under this school, two programmes are currently being conducted.

A. Post Graduate Programme in Securities Markets (PGPSM)

Post Graduate Programme in Securities Markets (PGPSM) is a full-time programme of one year duration. The first Batch was admitted from the Academic Year 2010-11. The programme commenced in June 2010 and will conclude in May 2011. Out of 328 applications from all over India, 42 students were admitted to this course. The placement response for the first batch of PGPSM has been very encouraging. All the 42 students have received placement offers.

PGPSM has evinced keen interest from organizations in the financial sector. NISM is taking steps to offer PGPSM to executives of some specific companies.

B. Certificate in Financial Engineering and Risk Management (CFERM)

NISM launched the Batch II in July 2010 where 22 students were admitted for the basic module. Advanced module of Batch II is currently under way where 5 students who have cleared the basic module have been admitted. The admission for Batch III, commencing in July 2011 is going to be announced soon.

VIII. Research Studies

NISM has undertaken a research study on "Efficient Algorithm/Technique to Identify Clusters/Networks of deceiving groups". The objective of this research is to develop a technique to identify the suspicious groups of people who are involved in price manipulation. Data on stock market trades would be examined to arrive at a possible heuristic algorithm. The algorithm will be subjected to a variety of robustness checks in identifying the network(s). It is expected that approximately 6 months time is required to develop a suitable technique.

Faculty members at NISM are currently working on Insider Trading which examines (i) Can information content of Insider trading predict future market movement? (ii) Impact of changes in Insider Trading Regulations on Insider Trading. The research project considers 18,276 insider transactions that took place in calendar years 2007 to 2009. A preliminary report is expected to be ready by end of April 2011.

IX. Network for Securities Markets Data

The alpha version of the NSMD interface was made available at www.nsmd-nism.org. The following data is available via the interface:

- Accurate daily adjusted price series for 430+ companies, updated for 4 years (2006 to 2009).
- NSE intra-day trade data from March 2008 to March 2010.
- Data from BSE for the period March 2003 to March 2010 has also been received. Currently, this data is being processed to make it available in a researcher-friendly format.

X. World Bank Technical Assistance

NISM has three assignments under the World Bank Technical Assistance:

- Assistance to National Institute of Securities Markets in the areas of certification.
- Securities market simulator for training.
- Faculty Exchange program.

The assignment undertaken with FINRA and US is almost complete. The last step is expected to be completed by May 2011 when the FINRA team visits India.

The simulator assignment contract has been awarded to a consortium of Dun & Bradstreet and Tata Interactive Services. The assignment is making good progress and is expected to be completed by first half of July 2011.

The Faculty exchange assignment is not moving forward for want of financial aid required for the subsequent phase to take it further and as such being dropped.

5. VIGILANCE

Vigilance Awareness Week for the year 2010 was observed from October 25-November 1, 2010. The observance of the week commenced with the pledge administered by Chairman to the Executive Directors and Division Chiefs, who in turn, administered the pledge to their staff. The Regional Managers located at the four regional offices – Northern Regional Office, Eastern Regional Office, Southern Regional Office and Western Regional Office administered the pledge to their staff. A banner on 'Vigilance Awareness Week' was prominently displayed outside the office premises at Mumbai and all four regional offices during the above mentioned week.

During the above period, Vigilance Cell had organized a lecture on Vigilance Issues where eminent person were invited to deliver the talk to SEBI employees.

6. PROMOTION OF OFFICIAL LANGUAGE

In order to ensure the compliance of official language policy of the Government of India on implementation of official language Hindi in the offices of SEBI, various effective measures were taken during the year 2010-11:

I. Bilingualisation

During the year, various documents, viz. all notifications, registration certificates granted to various market participants, intermediaries, etc., were issued in both the languages, i.e. Hindi and English. All the papers were submitted before various Parliamentary Committees in diglot form. Even, the reports like Annual Report, Audit Report were also issued in Hindi and English.

II. Correspondence in Hindi

Every year, numerous letters are sent by the Board to the investors / intermediaries in Hindi / in diglot form. During the year 2010-11, total number of such letters issued is more than 20,000. Even, during the year, all the letters received in Hindi were replied in Hindi.

III. Training

During the year, training programmes were conducted as per the requirements. These programmes include on-desk training, on-line training, etc.

IV. Incentive Schemes

In order to encourage the use of Hindi in day to day official work, there are various incentive schemes in SEBI, such as Hindi me Karya Puraskar Yojana, Hindi Tankan-Aashulipi Puraskar Yojana, Hindi ka Karyasadhak Gyan Puraskar Yojana, etc. During the year, all eligible staff members were honoured under these incentive schemes.

V. Rajbhasha Competitions and Functions

To encourage the staff members for the usage of Hindi in day to day official work, various Hindi competitions were organized during the year, namely, Katha Lekhan, Aashubhashan, Apni Baat, Hindi me Karyalayeen Kaamkaaj, Hindi Tankan and Prashnottari. Staff members took part in these competitions with zeal. During the year, Rajbhasha Samaroh was also organized to honour the winners of various competitions.

VI. Aaj Ka Shabd

During the year, the practice to make the staff members conversant with a Hindi word daily through SEBI Portal has been continued.

VII. Rajbhasha Magazine

Rajbhasha Magazine of the Board was published during the year 2010-11. In this issue too, contributions of the staff members and their family members, by way of articles, stories, poems, etc., was laudable, and they also participated in various competitions announced in the earlier issue. Even, in this issue too, not only the contributions were made in the regional language, but the staff members also put their efforts to familiarize with the words and phrases commonly used in the regional languages through Hindi.

VIII. Rajbhasha Meetings and Seminars

In order to ensure compliance and implementation of the official language policy of the Government of India in the offices of the Board, meetings of the Official Language Implementation Committee are held, and even review meetings are also conducted. During the year 2010-11, quarterly meetings of the Official Language Implementation Committee were held regularly and various crucial decisions were taken with regard to the usage of Hindi in day to day official work. Effective steps were taken in order to ensure the implementation of these decisions including follow-ups.

In addition, officials of the Board also took part in the Rajbhasha Seminars / Meetings organized by other institutions.

IX. Hindi Books

During the year, considering the interest and knowledge of the staff members, Hindi books were procured in Head Office and regional offices of the Board. Even, Hindi books were also displayed prominently during the book exhibition organized by Library in the Head Office during the year 2010-11.

X. Information Technology and Hindi

All the computers available in SEBI offices have the facility to work in Hindi. During the year 2010-11, effective steps were taken to procure advanced multi-lingual software having Unicode facility. Furthermore, during the year under review, initiatives have been taken to make the entire internal portal bilingual in coordination with the Information Technology Department.

XI. Regional Offices

Efforts are being made in the regional offices also towards compliance of the official language policy of the Government of India. During the year, meetings of the Official Language Implementation Committees were held in the regional offices and the staff members also participated in the Rajbhasha Conferences organized by various institutions. Practice to organize symposiums in Hindi on various issues was also introduced. Even, guidance was also provided to the staff members towards the implementation of official language Hindi. During the year under review, various competitions were organized at the regional office level, and prize distribution function was also organized to honour the winners of the competitions. Even, the staff members of the regional offices working in Hindi were also honoured under various incentive schemes. During the year, besides compliance of the official language policy in the regional offices, all possible efforts were continued to be made towards the use of Hindi in day to day official work.

7. INFORMATION TECHNOLOGY

The major Information Technology (IT) initiatives during 2010-11 include implementation of Document Management System/File Tracking System and strengthening/upgrade of existing systems.

I. Document Management System

Infosys has been awarded the project of implementing the 'Document Management System' with complete suite of Document Management software named 'Documentum' from EMC. The key features include Information Rights Management, Document Leakage Prevention, Implementation of e-Forms, etc.

II. File Tracking System

Implementation of the 'File Tracking System' for monitoring the inward and outward documents, office notes, circulars, etc. has been completed. A facility to view the incoming documents scanned in the inward section through a link in the file tracking system was also implemented.

III. SEBI Website

A new website design has been implemented with Web Content Management System (WCM). The 'Beta' version of the new website has been published for obtaining feedback from users.

The WCM provides complete life cycle of a document from initial creation time, through revisions, approvals, publication, collaboration, archive, and document destruction. It has the ability to track and manage multiple versions of a single instance of content. The WCM provides good management of links to handle cross linking, etc., with the overall goal of ensuring that there will be no broken links on the website.

IV. Internet Line

The Internet Lease line has been strengthened to 10 Mbps from its existing capacity of 2 Mbps in order to enhance the internet traffic usage and to provide better access of SEBI website and portal site to the intermediaries and public.

V. Enhancement of Security policies

As a part of continuous review and upgrade of SEBI security policy, new policies were implemented on Intrusion Prevention System to further enhance the security of network at SEBI.

VI. Review of SEBI database

A review of all SEBI database was carried out with a view to consolidate all registration related data at one place for generating better MIS reports.

8. INTERNATIONAL CO-OPERATION

Securities and Exchange Board of India is an active and a leading member of the International Organization of Securities Commissions (IOSCO) which is an assembly of securities market regulators. The objectives of international standard- setting of securities regulation by IOSCO are aimed at investor protection, ensuring fair, efficient and transparent markets and reducing systemic risk, harmonizing and raising the global standards.

In addition to its association with IOSCO, SEBI actively engages in co-operation on investigation/enforcement matters with overseas regulators, self regulatory organizations, international financial institutions, international standard setting bodies and other international agencies of repute and relevance for development and regulation of securities markets.

I. Association with G20 / FSB

The Financial Stability Board (FSB) is an international body established to address financial system vulnerabilities and to drive the development and implementation of strong regulatory, supervisory and other policies in the interest of financial stability. One of the main mandates of the FSB is to implement G20 Policy announcements on financial regulation.

SEBI is a member of the Plenary of the FSB represented by the Chairman of SEBI. During 2010-11, three meetings of the FSB Plenary were held. SEBI provides comments to the MoF on various FSB issues since the MoF is the principal country member to the FSB from India. SEBI is a member of Indian Working Group formed by Ministry of Finance on G20. SEBI also provides comments to IOSCO on FSB mandates.

During the year, the FSB has mainly undertaken work on (1) Systemically Important Financial Institutions (SIFIs), (2) Strengthening supervisory oversight, (3) Improving OTC derivatives markets, (4) Drafting principles on reducing reliance on CRA ratings, (5) Strengthening regional outreach arrangements, (6) Accounting, (7) Peer reviews – country and thematic (8) Initiative on cooperation and information exchange and measures in respect of non-cooperative jurisdictions (9) Review of compendium of Standards (10) Developing the implementaion monitoring network, and (11) Data gaps.

II. Association with IOSCO

SEBI is a member of the Technical Committee (TC), the main standard setting body of the IOSCO. SEBI hosted the IOSCO Technical Committee, Executive Committee, Emerging Markets Advisory Board and Emerging Markets Committee meetings in October 2010 in Chennai. It was the first combined meeting of the Committees as a part of the restructuring plan of IOSCO. The meeting was attended by 80 participants from 28 jurisdictions.

SEBI has nominated its senior officers on various Standing Committees of IOSCO. SEBI's nominees contribute actively in the standard setting work, carried out by these IOSCO Committees. During the financial year, SEBI hosted the IOSCO Standing Committee – 1 meeting in March 2011 in New Delhi. The meeting was attended by members from around 25 jurisdictions. The Standing Committee-1 is one of the specialized committees of the Technical Committee which addresses issues related to Multinational Disclosure and Accounting

SEBI co-chaired the IOSCO Emerging Markets Committee (EMC) Task Force which worked on fact-finding with regard to the level of development of markets for securitized products, regulatory issues thereof and recommending guidelines for sounder securitization markets in emerging jurisdictions. In October 2010, the Task Force published its final report titled "Securitization and Securitized Debt in Emerging Markets" which contains recommendations on the development of securitization markets. The report was sent by IOSCO to the FSB, in view of the importance attached to this subject.

SEBI is currently co-chairing the EMC Task Force on "Development of Corporate Bond Markets in Emerging Markets". The objective of the Task Force is to assess the state of development of corporate bond markets in emerging markets, identify existing impediments which affect the development of efficient corporate bond markets and propose recommendations to overcome these impediments.

SEBI is also one of the three co-chairs of the IOSCO Task Force on Derivatives Regulation. The purpose of the Task Force is to take a leadership role in managing the international coordination of regulators with responsibility for implementing national legislation on derivatives. The Task Force has recently published its first report, namely the "Report on Trading of OTC Derivatives". The report analyses the benefits, costs, and challenges associated with increasing exchange and electronic trading of over-the-counter (OTC) derivative products and contains recommendations to assist the transition of trading in standardised derivatives products from OTC venues onto exchanges and electronic trading platforms (organised platforms) while preserving the efficacy of those transactions for counterparties.

SEBI has played a very active role in the review of IOSCO objectives and principles and its methodology by the Implementation Task Force (ITF) of IOSCO in its leadership role as Vice Chair of the ITF.

III. Chair of the Asia Pacific Regional Committee

At the 35th IOSCO Annual Conference in Montreal, Canada in June 2010, Shri C.B. Bhave, ex-Chairman, SEBI was re-elected as IOSCO APRC's Chair highlighting the presence of SEBI on a global platform.

The APRC is one of the four regional Committees which focus on regional issues relating to securities regulation. The APRC comprises 25 members representing securities regulators from the Asia Pacific jurisdictions. As Chair of the APRC, SEBI has led discussions on important issues related to the securities regulation, arranging country presentations and panel discussions during the APRC meetings.

With the changing committee structure in IOSCO, the Regional Committees of IOSCO are expected to play an increasingly important role in the standard setting role of IOSCO. The presence of SEBI in the APRC will further enhance the quality of engagement of SEBI with IOSCO.

IV. Bilateral MoUs / Agreement Signed

SEBI has till date signed 18 bilateral MoUs with various overseas jurisdictions for mutual assistance and information sharing, thus, strengthening cross border cooperation with other overseas jurisdictions.

V. Technical Assistance

The Securities and Exchange Commission (SEC), Sri Lanka requested SEBI to provide technical assistance with respect to Exchange Traded Funds (ETFs). SEBI deputed one of its officials to visit SEC, Sri Lanka, who had a series of consultations with the SEC and the Colombo Stock Exchange, providing them an in-depth understanding on the structure, statutory provisions and guidelines on Exchange Traded Funds and its operation in India.

On a request from the Government of India, a team of five SEBI experts visited the Securities Board of Nepal (SEBON), Nepal to extend technical assistance to the Nepalese securities regulator by undertaking a study on the Nepalese Regulatory Framework. The SEBI team of experts submitted to SEBON a report on the Institutional Strengthening of SEBON highlighting the weaknesses of and way forward for the regulator.

VI. Contribution to Various International Treaties

SEBI continues to give its comments to the various international treaties under consideration by the Government of India for areas related to the securities markets. In order to promote transparency and provide better understanding of the trade policies and practices of the member countries as well as to gauge the extent of implementations of the commitments taken under the multilateral trade agreements, WTO has a mechanism for regular review of the trade policies of its Member countries. As part of the same, WTO officials visited India to discuss several aspects of the Draft Secretariat Report to seek clarification/information. SEBI team met with the WTO team and made a presentation highlighting important developments since the last review.

VII. Participation in International Training Programs

SEBI officials have been invited to participate as Speakers / Panelists at many important international seminars and conferences. During the financial year, SEBI had nominated its officials to attend various training programs / seminars and conferences from the international bodies like IOSCO, IMF, OECD, ADB, APEC and securities regulators of other jurisdictions. These programs comprises of sessions / discussions on topics relevant to the prevalent scenario of the securities market worldwide and thus providing a platform for capital market regulators to meet, discuss and share ideas on significant capital market and development issues.

VIII. Visits by Foreign Delegates / Dignitaries to SEBI and Study Tours Conducted by SEBI

During the year, SEBI had the honour of welcoming a number of various dignitaries /delegations from various jurisdictions. The high level delegations visit to SEBI included officials from the European Parliament led by Mr. Wolf Klinz, Chairman of the Special Committee on the Financial, Economic and Social Crisis, Mr. Nick Anstee, Lord Mayor of City of London along with his officials and delegation from the Federal Reserve Bank of New York. During the year, Ms. Catherine Reynolds, India Financial Analyst, US Department of Treasury visited SEBI for discussion on financial stability and oversight, systemic risk policies, US – India regulatory dialogue and mutual fund fee regulations.

SEBI conducted two study tours on request made by BSE for delegations representing various overseas jurisdictions attending an International program on Securities Markets Operation at the BSE.

SEBI also conducted a two and a half week study tour for a delegation from the Securities Commission of Zimbabwe on their request. SEBI also arranged for the delegation's visit to a stock exchange, depository and a stock broking firm.

9. PARLIAMENT QUESTIONS

The Parliament Questions Cell at SEBI functions under the supervision of an Executive Director (PQ Cell) as the nodal and interface point for all Parliament Questions, assurances to Parliament Questions, VIP references and other Parliament related work.

SEBI furnished material for reply to 240 Parliament Questions and 88 points/queries raised by Parliamentary Committees, as under:

Table 5.3: Parliament Queries Received/ Raised

	2010-11	2009-10
1	2	3
No. of Parliament Questions received	240	177
No. of points/ queries raised by Parliamentary Committees	88	47

Table 5.4: Session-wise Parliament Queries received and replied by SEBI during 2010-11

Parliament Session	No. of Questions received	Admitted Questions
1	2	3
Budget Session - Part II (April – May, 2010)	80	50
Monsoon Session (July – August 2010)	56	38
Winter Session (November – December 2010)	57	42
Budget Session (February – March, 2011)	47	34
Total	240	164

SEBI furnished replies to Parliament Questions forwarded in a time bound manner.

Table 5.5: Details of Appearance of SEBI Representatives before Various Committees

Sr. No.	Committee	Month and Year
1	2	3
1.	The Committee on Subordinate Legislation, Rajya Sabha on the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009	May, 2010
2.	Parliamentary Standing Committee on Finance on the Examination of the Companies Bill, 2009	May, 2010
3.	The Committee on Papers Laid on the Table of Lok Sabha in connection with delay in laying the Annual Reports and Audited Accounts of Securities and Exchange Board of India	June, 2010
4.	Meeting of the Study tour of the Standing Committee on Finance on overall functioning of NSE and BSE	June, 2010
5.	Meeting of the Study tour of the Standing Committee on Finance on various aspects relating to their regulatory role	February, 2011

Table 5.6: Queries/Points Raised by Various Committees and Replied by SEBI during 2010-11

Sr. No.	Committee	Queries/ Points raised and replied
1	2	3
1.	Examination of Demands for Grants (2010-11) of the Ministry of Finance - Standing Committee on Finance – April, 2010	1
2.	List of points in connection with the visit of the Committee on Subordinate Legislation, Rajya Sabha – The SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 – May, 2010	14
3.	Queries raised during the meeting of the Standing Committee on Finance regarding Companies Bill 2009 – May, 2010	38
4.	List of points in connection with the visit of the Committee on Papers Laid on the Table of Lok Sabha in connection with delay in laying the Annual Reports and Audited Accounts of Securities and Exchange Board of India – June, 2010	14
5.	Queries raised during the Study Tour of the Standing Committee on Finance– Informal discussion with the representatives of MoF, NSE, BSE on their overall functioning – June, 2010	2
6.	Standing Committee on Finance on Selection of Subjects for examination during the year 2010 – 11 -Opening of New Stock Exchanges and the role of SEBI thereof - October, 2010.	1
7.	Queries raised during Oral evidence by the Standing Committee on the Insurance Laws (Amendment)Bill, 2008 – January, 2011	4
8.	Background note on various aspects relating to the Regulatory Role of SEBI and queries raised during the meeting of Standing Committee on Finance - February, 2011	14

10. RIGHT TO INFORMATION ACT

SEBI is implementing the Right to Information Act, 2005 from the time the Act came into force in the year 2005. The Office of Central Public Information Officer is processing applications received under the Right to Information Act, 2005 from SEBI Head Office, Mumbai. Applications are also received at the four regional offices where the Central Assistant Public Information Officers forward the application to the Head Office for processing. SEBI Appellate Authority has also been designated for the purpose of first appeals under the Act. In accordance with the directions received from the Central Information Commission, SEBI has also designated the Transparency Officer.

SEBI has pro-actively displayed disclosable information on SEBI website. In order to ensure greater transparency in the working of listed companies, the companies are required to maintain their website and to disseminate disclosable information.

Since the implementation of the Right to Information Act, 2005, SEBI has received 3,742 applications till March 31, 2011. During the financial year 4,093 issues were raised by various such applicants.

The number of applications received under the Right to Information Act, 2005 increased slightly this year as compared to 2009-10 (Table 5.6). The applications received pertained to various aspects of the functioning of SEBI and queries related to mutual funds, investor grievances, investigation, policies and regulations in force, information with respect to broker related complaints, derivatives etc. The applications were replied within the stipulated time frame. The apellate orders passed by SEBI Appellate authority decreased from 327 appeals for the year 2009-10 to 291 for the year 2010-11. During the year 2009-10, 75 second appeals were made before the Central Information Commission at New Delhi which decreased to 34 appeals for the year 2010-11.

Table 5.7: Status of Application under RTI Act

	2009-10	2010-11
No. of applications received	911	965
No. of appeals received by the Appellate Authority in SEBI	301	308
No. of orders passed by the Appellate Authority in SEBI	327	291
No. appeals rejected/dismissed by the Appellate Authority	234	212
No. of appeals allowed	91	79
No. of appeals kept in abeyance	4	0
CIC Cases		
No. of appeals received by CIC	75	34
No. of appeals rejected/dismissed by CIC	39	20
No. of appeals remanded back to SEBI Appellate Authority by CIC	16	1
No. of appeals with directions to furnish part of information passed by CIC	19	7
No. of appeals kept in abeyance awaiting decision of Court	1	0

The number of items/issues raised by the applicants in their various applications and providing of information is detailed below:

Table 5.8: Number of Issues Raised/Replied in RTI Queries

Year	2009-10	2010-11
1	2	3
Total no. of applications received	911	965
Total no. of issues raised in applications	4487	4093
Total no. of issues replied	2745	3385
Total no. of issues where information sought from other entities/third parties/rejected/ others	1742	708

Regarding the items raised in the applications and the providing of information relating to items raised, Board provided information in 83 percent of the items pertaining to the applications received in the year 2010-11 and only 17 per cent of the remaining items were rejected under various exemption sections of the RTI Act, 2005. Only in case of 3.5 percent of the applications, appeals were preferred before the Central Information Commission. Out of this 3.5 percent placed before the Central Information Commission in only 0.7 per cent of cases certain directions were issued by the Commission to furnish part of information. So in 2.8 percent of the cases information provided by the Board was found to be satisfactory or exempted from being furnished as per the relevant exemption sections. Hence, in 99 percent of the cases the Board has furnished disclosable information. The Board has been transparent in its functioning. No penalties were imposed by the Central Information Commission on the Board or any of its employees under the Act.

A comprehensive training program for the officers of the Board was also initiated by the office of Central Public Information Officer. Till date 90 officers have been trained on various aspects of the Right to Information Act, 2005.

In the year, the Board took various other initiatives to maintain transparency in its functions including disclosure of most of the information on a regular basis. The implementation of the Right to Information Act, 2005 in the Board has contributed towards attaining the Board's objective of protection and education of the investors of securities market.

Chronology of Major Policy Initiatives By SEBI

Date	Announcements
April 1, 2010	As per the feedback received from investor associations regarding improving transparency in disclosing the regulatory orders and arbitration awards issued by stock exchanges, it was decided in the interest of investors that to improve transparency with regard to all regulatory orders i.e., orders against listed companies, trading/clearing members and arbitration awards issued by Stock Exchanges need to be made available to investors. Accordingly, it has been decided that the Stock Exchanges shall post all their regulatory orders and arbitration awards issued since April 1, 2007, on their websites within 30 days.
April 5, 2010	With regard to policies on disclosure requirements for listed entities and to bring more transparency and efficiency in the governance of listed entities it has been decided to amend the Equity Listing Agreement. It has been amended in the following aspects: 1. Requirement of auditors' certificate for accounting treatment under schemes of arrangement- Amendment to clause 24. 2. Timelines for submission and publication of financial results by listed entities- Amendment to clause 41(I)(c),(d)(e) and 41(VI)(b). 3. Voluntary adoption of International Financial Reporting Standards (IFRS) by listed entities having subsidiaries - Insertion of Clause 41(I)(g). 4. Requirement of a valid peer review certificate for statutory auditors- Insertion of Clause 41(1) (h). 5. Interim disclosure of Balance Sheet items by listed entities- Insertion of clause 41(V) (h) and Annexure IX. 6. Modification in formats of limited review report and statutory auditor's report. 7. Approval of appointment of 'CFO' by the Audit Committee- Insertion of Clause 49(II)(D)(12A).
April 6, 2010	Earlier, ASBA facility was available to all the investors except Qualified Institutional Buyers (QIBs). SEBI decided to extend the ASBA facility to QIBs in all public issues opening on or after May 1, 2010. Accordingly, Stock Exchanges, Merchant Bankers, Registrar to an Issue and Bankers to an issue acting as Self Certified Syndicate Banks are advised to ensure that appropriate arrangements are made to accept ASBA forms from QIBs also in addition to the existing categories of investors.
April 9, 2010	It has been decided to allocate the unutilized limits for investments in Government and Corporate Debt should also be allocated in similar manner as specified in the SEBI circular IMD/FII & C/ 37/2009 dated February 06,

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Date	Announcements
	2009, providing the modalities for the allocation methodology through the bidding process. (A). Government Debt: (a) In partial amendment to clause 3 (h) of the aforesaid circular IMD/FII & C/ 37/2009, no single entity shall be allocated more than ₹ 200 crore of the government debt investment limit. (b) In partial amendment to clause 3 (c) and 3(d) of the aforesaid circular IMD/FII & C/ 37/2009, the minimum amount which can be bid for shall be ₹50 crore and the minimum tick size shall be ₹ 50 crore. (B). Corporate Debt: (a) In partial amendment to clause 3 (h) of the aforesaid circular IMD/FII & C/37/2009, no single entity shall be allocated more than ₹ 2000 crore of the corporate debt investment limit. (b) In partial amendment to clause 3 (c) and 3(d) of the aforesaid circular IMD/FII & C/ 37/2009, the minimum amount which can be bid for shall be ₹ 200 crore and the minimum tick size shall be ₹ 200 crore.
April 15, 2010	In order to ascertain the constitution of Foreign Institutional Investors (FII) and Sub Accounts (SA), it has been decided to gather additional information pertaining to their structure. In view of the above, all applications submitted for registration w.e.f April 07, 2010 shall be accompanied by a declaration and undertaking regarding Protected Cell Company (PCC) & Multi Class Share Vehicle (MCV) on the letter head of respective FII, duly signed by its authorized signatory on behalf of itself and all its Sub Accounts.
April 16, 2010	It was decided to discontinue the EDIFAR system completely w.e.f from April 1, 2010. The Stock Exchanges are also advised to inform about discontinuation of EDIFAR to all the listed companies.
April 22, 2010	Earlier, it used to take on an average around 22 days to list the securities after an IPO/FPO closes. This exposes investors as well as issuing companies to market risk as well as leading to infrastructural stress and costs. In view of the same, it has been decided to reduce the time between issue closure and listing to 12 working days.
April 26, 2010	It was decided to put in place a framework for setting up of new exchange or separate platform of existing stock exchange having nationwide terminals for SME. In order to operationalise the said framework, necessary changes have been made to applicable regulations, circulars etc. As per the framework, market making has been made mandatory in respect of all scrips listed and traded on SME exchange.

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Date	Announcements
April 27, 2010	It has been decided to permit Stock Exchanges to introduce derivative contracts on Volatility Index, subject to the condition that: a) The underlying Volatility Index has a track record of at least one year. b) The Exchange has in place the appropriate risk management framework for such derivative contracts.
April 28, 2010	It has been decided to permit FIIs to offer domestic Government Securities (acquired by the FIIs in accordance with the provisions of Schedule 5 to Notification No. FEMA 20/2000-RB dated May 3, 2000, as amended from time to time and subject to the overall limits specified by the SEBI from time to time; the current limit being USD 5 billion), and foreign sovereign securities with AAA rating, as collateral to the recognized Stock Exchanges in India, in addition to cash, for their transactions in the cash segment of the market. However, cross-margining of Government Securities (placed as margins by the FIIs for their transactions in the cash segment of the market) shall not be allowed between the cash and the derivative segments of the market.
May 3, 2010	In order to impart higher credibility to the processes and procedures associated with the credit rating, it has been decided, in consultation with the CRAs, to prescribe the transparency and disclosure norms.
May 4, 2010	It has been decided to permit Stock Exchanges to introduce option contracts on Sensex and Nifty with tenure up to 5 years subject to the condition that; a) There are 8 semiannual contracts of the cycle June/December in sequence to 3 serial monthly contracts and 3 quarterly contracts of the cycle March/June/September/December. b) The Exchange has in place the appropriate risk management framework for such derivative contracts.
May 7, 2010	With discontinuation of EDIFAR site, it has become necessary to ensure that Annual Reports of listed companies are available/ easily accessible to investors on alternative sites. Accordingly all Stock Exchanges are advised to make the Annual Reports for the financial year 2009-10 onwards, submitted to Stock Exchange as per Clause 31 of Equity Listing Agreement, available on their respective websites.
May 13, 2010	In order to improve transparency in the 'grievance redressal mechanism' Mutual Funds shall henceforth disclose on their websites, on the AMFI website as well as in their Annual Reports, details of investor complaints received by them from all sources. The said details should be vetted and signed off by the Trustees of the concerned Mutual Fund.

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Date	Announcements
	SEBI (Credit Rating Agencies) (Amendment) Regulations, 2010 were amended. With respect to change of status or constitution of the credit rating agency, it shall require a prior approval of SEBI for continuing to act as such after the change.
May 17, 2010	SEBI amended SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 ("SEBI (ICDR) Regulations") by inserting a Chapter XA on "Issue of specified securities by small and medium enterprises", through notification dated April 13, 2010. In continuation of the same and to facilitate listing of specified securities in the SME exchange, "Model Equity Listing Agreement" to be executed between the issuer and the Stock Exchange, to list/migrate the specified securities on SME Exchange, was specified.
May 18, 2010	In order to lay down the framework for recognition and supervision of stock exchanges/platforms for issue, listing and trading of the securities issued by the SMEs, necessary amendments have been made in the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, SEBI (Merchant Bankers) Regulations, 1992, SEBI (Foreign Institutional Investors) Regulations, 1995, SEBI (Venture Capital Funds) Regulations, 1996, SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and SEBI (Stock Brokers and Sub-brokers) Regulations, 1992.
June 10, 2010	In the interest of investors and to improve transparency; its recommended that all regulatory orders i.e., orders against listed companies, depository participants, trading/clearing members and arbitration awards issued by Depositories need to be made available to investors.
June 14, 2010	SEBI issued consolidated requirements/obligations to be fulfilled by all registered intermediaries with regard to Anti Money Laundering (AML) Standards/Combating Financing of Terrorism (CFT). There are certain additional requirements to be fulfilled with regard to role of internal audit. It is clarified that the internal audit function should be independent, adequately resourced and commensurate with the size of business and operations, organization structure, number of clients and other such factors.
June 21, 2010	Earlier, the effective date to implement valuation methodology pertaining to debt and money market instrument was July 1, 2010 but now the revised date is August 1, 2010. However, those mutual funds which voluntarily propose to implement the valuation before August 1, 2010 were permitted to do so.

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Date	Announcements
June 24, 2010	SEBI decided that from June 1, 2010, the certification examination for distributors, agents or any other persons employed or engaged or to be employed or engaged in the sale and/or distribution of mutual fund products, would be conducted by the National Institute of Securities Markets (NISM).
June 29, 2010	The periodicity of the reporting of lending of securities bought in the Indian Market has been modified from daily submissions to weekly submissions. In accordance with this change in periodicity of reports, the FIIs shall now be required to submit the reports every Friday with effect from July 2, 2010.
July 1, 2010	It has been decided that in the event of closing of the demat account or shifting of the demat account from one Depository Participant (DP) to another, the Account Maintenance Charge (AMC) collected upfront on annual/half yearly basis by the DP, shall be refunded by the DP to the Beneficiary Owner (BO) for the balance of the quarter/s.
July 7, 2010	In modification to the guidelines issued by SEBI regarding Derivatives and Product Development which specified that the exposure margin shall be higher of 10 percent or 1.5 times the standard deviation (of daily logarithmic returns of the stock price) of the notional value of the gross open position in single stock futures and gross short open position in stock options in a particular underlying. It has now been decided that the said exposure margin shall be higher of 5 percent or 1.5 times the standard deviation (of daily logarithmic returns of the stock price).
July 13, 2010	It was decided to make ASBA bid-cum application forms available for download and printing, from websites of the Stock Exchanges which provide electronic interface for ASBA facility i.e. Bombay Stock Exchange (BSE) and National Stock Exchange (NSE). The ASBA forms so downloaded should have a unique application number and can be used for making ASBA applications in public issues.
July 15, 2010	It was decided to provide flexibility to Stock Exchanges to offer: a) Cash settlement (settlement by payment of differences) for both stock options and stock futures; or b) Physical settlement (settlement by delivery of underlying stock) for both stock options and stock futures; or c) Cash settlement for stock options and physical settlement for stock futures; or d) Physical settlement for stock options and cash settlement for stock futures.

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Date	Announcements
July 15, 2010	It has been decided to initiate call auction mechanism in pre-open session. To begin with, pre-open session should be introduced on a pilot basis by BSE and NSE for the scrips forming part of Sensex and Nifty. In case of any change in the composition of Sensex and Nifty, pre-open session should be introduced for such incoming scrips. Pre-open session should also continue for the scrips moving out of Sensex and Nifty, though they will not be reckoned for the computation of the index.
July 23, 2010	It was decided to rationalize the certification requirements for Authorised Persons of the stock brokers in line with those applicable to the stock brokers and sub-brokers.
July 28, 2010	In partial modification to circular no. IMD/Cir 18/198647/2010 dated March 15, 2010 regarding additional mode of payments through ASBA in Mutual Funds, it has been decided that Mutual Funds/AMCs shall provide ASBA facility to investors for all NFOs launched on or after October 1, 2010.
July 29, 2010	In order to ensure better compliance with the Know Your Client (KYC) norms it has been decided that with effect from August 16, 2010 such PAN non-compliant demat accounts shall be "suspended for credit" other than the credits arising out of automatic corporate actions. It is clarified that other credits including credits from IPO/FPO/Rights issue, off-market transactions or any secondary market transactions shall not be allowed into such accounts.
July 30, 2010	It has been decided that all SEBI Regulated entities shall report their OTC transactions in CDs and CPs on the FIMMDA reporting platform within 15 minutes of the trade for online dissemination of market information with effect from August 16, 2010.
August 9, 2010	In order to ensure that investors have unrestricted access to AMCs and to enable AMCs to provide prompt investor service including execution of investors' financial or non-financial transactions, all mutual funds/ AMCs are directed that: a) All new folios/ accounts shall be opened only after ensuring that all investor related documents including account opening documents, PAN, KYC, PoA (if applicable), specimen signature are available with AMCs/RTAs and not just with the distributor. b) For existing folios, AMCs shall be responsible for updation of the investor related documents including account opening documents, PAN, KYC, PoA (if applicable), specimen signature by November 15, 2010.

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Date	Announcements
August 11, 2010	It has been decided to streamline the arbitration mechanism available at stock exchanges for arbitration of disputes (claims, complaints, differences, etc.) arising between a client and a member (Stock Broker, Trading Member and Clearing Member) across various market segments.
August 18, 2010	The norms for investment and disclosure by mutual funds in derivatives has been reviewed with respect to exposure limits and disclosure of derivatives in half yearly portfolios.
August 18, 2010	In order to facilitate transferability of units of mutual funds held in one demat account to another demat account, it has been decided that all AMCs shall clarify by way of an addendum that units of all mutual fund schemes held in demat form shall be freely transferable from the date of the issue of said addendum which shall be not later than October 1, 2010. However, restrictions on transfer of units of ELSS schemes during the lock-in period shall continue to be applicable as per the ELSS Guidelines.
August 18, 2010	It was clarified regarding introduction of Call Auction in Pre-open session that in case the equilibrium price is not discovered in the pre-open session, wherein, there are only market orders, the market orders shall be matched at last traded price and all unmatched orders shall be shifted to the order book of the normal market at last traded price following time priority. Last traded price shall be the opening price. Also, in case the equilibrium price is not discovered in the pre-open session and there are no market orders to be matched at last traded price, all unmatched orders shall be shifted to the order book of the normal market following price time priority. The price of the first trade in the normal market shall be the opening price.
August 27, 2010	It was decided to permit Smart Order Routing in Indian securities market which allows the brokers trading engines to systematically choose the execution destination based on factors viz. price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order.
August 28, 2010	It has been decided that registered brokers who provide Internet Based Trading shall be eligible to provide securities trading using wireless technology. All relevant requirements applicable to internet based trading shall also be applicable to securities trading using wireless technology.
September 2, 2010	In order to moderate sharp and destabilising price movements in shares of companies, to encourage better price discovery and to increase transparency in securities market, it has been decided that: a) The securities of all companies shall be traded in the normal segment of the exchange if and only if, the company has achieved at least 50

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Date	Announcements
	percent of non-promoters holding in dematerialized form by October 31, 2010 b) In all cases, wherein based on the latest available quarterly shareholding pattern, the companies do not satisfy above criteria, the trading in such scrips shall take place in Trade for Trade segment (TFT segment) with effect from the time schedule specified above.
September 6, 2010	It has been decided to modify the terminology 'Secretarial Audit' as mentioned in the circular No. D&CC/FITTC/Cir-16/2002 dated December 31, 2002 to 'Reconciliation of Share Capital Audit'.
September 29, 2010	It was communicated to FIIs through their custodians that those entities that do not file the requisite declarations and the undertakings about their structures to SEBI by the stipulated date shall not be able to take fresh positions in the cash as well as the derivatives market w.e.f. October 1, 2010. From this date, non compliant entities could either, retain their current positions or sell off/ unwind.
October 5, 2010	In order to bring about greater uniformity, clarity and transparency with regard to fees and charges, portfolio managers are advised to take the following measures in respect of all client agreements: a) It is advised that, henceforth, profit /performance shall be computed on the basis of high water mark principle over the life of the investment, for charging of performance / profit sharing fee. b) All fees and charges shall be levied on the actual amount of clients' assets under management. c) High Water Mark shall be applicable for discretionary and non-discretionary services and not for advisory services. d) In case of interim contributions/ withdrawals by clients, performance fees may be charged after appropriately adjusting the high water mark on proportionate basis.
October 5, 2010	In partial modification to SEBI circular MRD/DoP/SE/Cir-31/2008 pertaining to review of Securities Lending and Borrowing (SLB) Framework, para 2 (a) shall read as, 'the dividend amount would be worked out and recovered from the borrower on the book closure/ record date and passed on to the lender'.
October 8, 2010	The format for the monthly report on portfolio management activity has been revised and placed at SEBI website. All portfolio managers are advised to upload the report in the revised format on SEBI Portal by the 5th of the following month with effect from the report for the month of October 2010 onwards.

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Date	Announcements
October 12, 2010	On review of progress of ASBA facility and with a view to enhance the role of ASBA in public issues, it has been decided that syndicate / sub-syndicate members may procure ASBA forms from the investors and submit it to Self Certified Syndicate Banks (SCSBs).
October 13, 2010	It has been decided that with immediate effect draft offer documents in respect of issues of size upto ₹ 100 crore shall be filed with the concerned regional office of the Board under the jurisdiction of which the registered office of the issuer company falls.
October 22, 2010	In order to facilitate merger of schemes, it has been decided that merger or consolidation shall not be seen as change in fundamental attribute of the surviving scheme if the following conditions are met: a) Fundamental attributes of the surviving scheme as per SEBI Circular No- IIMARP/MF/CIR/01/294/98 dated February 4, 1998 do not change. b) Mutual Funds are able to demonstrate that the circumstances merit merger or consolidation of schemes and the interest of the unit holders of surviving scheme is not adversely affected.
October 25, 2010	In order to increase retail investor participation and to keep pace with inflation, monetary limit on retail individual investor application was increased from Rs. one lakh to Rs. two lakh.
October 26, 2010	It was clarified regarding trading rules and shareholding in dematerialised mode that while computing the requirement of minimum 50 percent shareholdings of non-promoters in demat form in a company, the government holding in non promoter category may be excluded.
October 27, 2010	It was decided to provide flexibility to Stock Exchanges to offer either European style or American style stock options. After opting for a particular style of exercise, a Stock Exchange shall offer option contracts of the same style on all eligible stocks. Also, All other contract specifications, including risk management framework applicable for American style stock options, shall apply to European style stock options. Any modification shall require prior approval of SEBI.
November 1, 2010	It was decided that every SEBI recognised Investor Association shall submit a letter of compliance with code of conduct every year in the first week of April for the preceding financial year and also along with the application for renewal of recognition.
November 2, 2010	In order to bring about greater uniformity, clarity and transparency with regard to above issues, portfolio managers are advised to ensure the following; a) To ensure compliance with regulation 15(1A) of SEBI (Portfolio

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	Managers) Regulations, 1993, it is clarified that the first single lump-sum investment amount received as funds or securities from clients should not be less than ₹ 5 lakh. b) To ensure compliance with regulation 14(2)(b)(iv) of SEBI (Portfolio Managers) Regulations, 1993, Portfolio Managers shall disclose the performance of portfolios grouped by investment category for the past three years as per the enclosed prescribed tabular format. c) Portfolio Managers shall not organize investment portfolios as 'Scheme' akin to Mutual Fund Schemes while marketing their services to clients.
November 4, 2010	In consultation with the Investors Associations and major stock exchanges, it was decided that while a stock broker may use the brand name / logo of its group companies, it must display more prominently: a) its name as registered with SEBI, its own logo, if any, its registration number, and its complete address with telephone numbers in its portal /web site, if any, notice / display boards, advertisements, publications, know your client forms, and member client agreements; b) its name as registered with SEBI, its own logo, if any, its registration number, and its complete address with telephone numbers, the name of the compliance officer, his telephone number and e-mail address in contract notes, statement of funds and securities, and correspondences with the clients.
November 9, 2010	In order to provide more avenues for purchasing and redeeming mutual fund units, in addition to the existing facilities of purchasing and redeeming directly with the mutual funds and stock brokers, it has been decided : a) that units of mutual funds schemes may be permitted to be transacted through clearing members of the registered stock exchanges. b) to permit depository participants of registered depositories to process only redemption request of units held in demat form.
November 26, 2010	Government increased the current limit of FII investment in Government Securities by US $ 5 billion. It has been decided that above incremental limits, shall be allocated to the market participants through bidding process and first come first served process. The unutilized limit from past allocations shall also be allocated to the market participants through bidding process and first come first served process.
November 26, 2010	As per the current regulation, there is no restriction on tenure of securities in which interval scheme can invest. This read with daily redemption option may result in asset liability mismatch. In line with the changes made in the SEBI (Mutual Funds) Regulations, 1996 regarding close ended schemes, it

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	has been decided that for all interval schemes/plans a) The units shall be mandatorily listed. b) No redemption/repurchase of units shall be allowed except during the specified transaction period (the period during which both subscription and redemption may be made to and from the scheme). The specified transaction period shall be of minimum two working days. c) Minimum duration of an interval period in an interval scheme/plan shall be 15 days. d) Investments shall be permitted only in such securities which mature on or before the opening of the immediately following specified transaction period.
December 06, 2010	Gold Exchange Traded mutual fund schemes (Gold ETFs) can invest in gold. It has been decided that physical verification of gold underlying the Gold ETFs units shall be carried out by statutory auditors of mutual fund schemes and reported to trustees on half yearly basis. The confirmation on physical verification of gold as above shall also form part of half yearly report by trustees to SEBI.
December 09, 2010	In partial modification to the SEBI circular No. 26/2010 dated August 27, 2010 regarding 'Introduction of Smart Order Routing', it has been decided that a) Stock Broker shall communicate to all clients the features, possible risks, rights, responsibilities and liabilities associated with the smart order routing facility. The client desirous of availing such facility shall do so by entering into a broker-client agreement, as applicable. For the existing clients, the same shall be implemented through an addendum to the existing broker-client agreement, as applicable. b) Stock exchange shall permit smart order routing for all orders, without restricting to any specific type of order. The choice on order types shall be left to the client.
December 14, 2010	It has been decided to capture the address of some person other than the Beneficial Owner (BO) as a correspondence address in the details of the demat account of the BO.
December 16, 2010	In line with the objective of enhancing the quality of disclosures made by listed entities, it has been decided to effect certain amendments to the Equity Listing Agreement with respect to various continuous disclosures made by listed entities pertaining to Clause 35 – Disclosure relating to shareholding pattern, Clause 40A – Minimum public shareholding, Clause

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	5A - Uniform procedure for dealing with unclaimed shares , Clause 20 & 22- Corporate Announcement, Clause 21 - Notice Period, Clause 53 - Disclosures regarding agreements with the media companies and Clause 54 – Maintenance of a website.
December 28, 2010	In order to reduce the time involved in delivering the shares to the buying broker, in case of default, it has been decided to conduct the auction on the same day of the settlement, after the pay-in is completed. i.e. the auction for trades done on T day shall be conducted on T+2 day after pay-in is completed and shortfall is crystallized.
January 3, 2011	It has been decided to permit the stock exchanges to modify client code post trade execution only in case of genuine error or wrong data entry made by trading members. This facility has been provided for the smooth functioning of the system and is expected to be used more as an exception rather than routine.
January 11, 2011	It has been decided to permit Stock Exchanges to introduce derivative contracts (Futures and Options) on foreign stock indices in the equity derivatives segment.
January 17, 2011	It has been decided to revise the reporting formats for FIIs issuing Offshore Derivative Instruments (ODIs)/ Participatory Notes (PNs).
February 9, 2011	With regard to limitation period in Arbitration Mechanism of Stock Exchanges, it has been decided that the limitation period, as modified to three years in terms of Limitation Act, 1963, shall be applicable to cover the following cases:- a) where three years have not yet elapsed and the parties have not filed for arbitration with the stock exchange, or b) where the arbitration application was filed but was rejected solely on the ground of delay in filing within the earlier limitation period of six months; and three years have not yet elapsed.
March 07, 2011	It has been decided to introduce futures on 91-day Government of India Treasury-Bill (T- Bill) on currency derivatives segment of Stock Exchanges.
March 09, 2011	In order to bring about uniformity in usage of load balances, the load balance shall be segregated into two accounts in the books of accounts of the scheme - one to reflect the balance as on July 31, 2009 and the other to reflect accretions since August 1, 2009. The load balances can be used for marketing and selling expenses including distributor's/agent's commissions.

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March 16, 2011	In order to develop the primary market for securitized debt instruments in India, SEBI has notified the Securities and Exchange Board of India (Public offer and Listing of Securitised Debt Instruments) Regulations, 2008. The regulations provide for a framework for issuance and listing of securitized debt instruments by a Special Purpose Distinct Entity (SPDE).
March 23, 2011	It has been observed that unauthenticated news related to various scrips are circulated in blogs/chat forums/e-mail etc. by employees of Broking Houses/Other Intermediaries without adequate caution as mandated in the Code of Conduct for Stock Brokers and respective Regulations of various intermediaries registered with SEBI. In view of the above, SEBI Registered Market Intermediaries are directed that: (a) Proper internal code of conduct and controls should be put in place. (b)Employees/temporary staff/voluntary workers etc. employed/working in the Offices of market intermediaries do not encourage or circulate rumours or unverified information obtained from client, industry, any trade or any other sources without verification.
March 29, 2011	It has been decided that FIIs are no longer required to file weekly reports, with effect from March 29, 2011, as there are no outstanding short positions.