

वार्षिक रिपोर्ट ANNUAL REPORT 2019-20



भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

ANNUAL REPORT

2019-20



Securities and Exchange Board of India



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



अजय त्यागी

अध्यक्ष

Ajay Tyagi

Chairman



भारतीय प्रतिभूति और विनियम बोर्ड

SECURITIES AND EXCHANGE BOARD OF INDIA

डॉईपीए1/11056/2020

जून 25, 2020

सचिव,

भारत सरकार,

आर्थिक कार्य विभाग,

वित्त मंत्रालय, नॉर्थ ब्लॉक,

नई दिल्ली - 110 001

प्रिय महोदय,

भारतीय प्रतिभूति और विनियम बोर्ड अधिनियम, 1992 की धारा 18(2) के प्रावधानों के अनुसार, मैं एतद्वारा भारत के राजपत्र, असाधारण के भाग II खण्ड 3 उप-खण्ड (i) में, 7 अप्रैल 1994 को अधिसूचित भारतीय प्रतिभूति और विनियम बोर्ड (वार्षिक रिपोर्ट) नियम, 1994 में निर्धारित किए गए प्ररूप में, 31 मार्च 2020 को समाप्त वर्ष के लिए भारतीय प्रतिभूति और विनियम बोर्ड की वार्षिक रिपोर्ट की प्रति अग्रोषित कर रहा हूँ।

सादर,

भवदीय,

(अजय त्यागी)

संलग्न : उपरोक्तानुसार

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

DEPA1/11056/2020

June 25, 2020

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, 2020, 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.

with regards,

Yours faithfully,

(Ajay Tyagi)

Encl.: As above

सेबी भवन, प्लॉट नं. सी 4-ए, "जी" ब्लॉक, बान्द्रा कुर्ला कॉम्प्लेक्स, बान्द्रा (पूर्व), मुंबई - 400 051 • दूरभाष : 2644 9999 / 4045 9999
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SEBI Bhavan, Plot No. C4-A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051 • Tel.: 2644 9999 / 4045 9999
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MEMBERS OF THE BOARD

(As on March 31, 2020)

Appointed under Section 4(1)(a) of the SEBI Act, 1992 (15 of 1992)

AJAY TYAGI

CHAIRMAN

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

G. MAHALINGAM

WHOLE TIME MEMBER

MADHABI PURI BUCH

WHOLE TIME MEMBER

S. K. MOHANTY

WHOLE TIME MEMBER

ANANTA BARUA

WHOLE TIME MEMBER

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

ATANU CHAKRABORTY

Secretary

Department of Economic Affairs

Ministry of Finance

Government of India

K.V.R. MURTHY

Joint Secretary

Ministry of Corporate Affairs

Government of India

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

N. S. VISHWANATHAN

Deputy Governor,

Reserve Bank of India

Appointed as Part Time Member under Section 4(1)(d) of the SEBI Act, 1992 (15 of 1992)

Dr. V. RAVI ANSHUMAN

Professor

Indian Institute of Management

Bangalore



MEMBERS OF THE BOARD



AJAY TYAGI

Chairman



G. MAHALINGAM

Whole Time Member



MADHABI PURI BUCH

Whole Time Member



S. K. MOHANTY

Whole Time Member



ANANTA BARUA

Whole Time Member



ATANU CHAKRABORTY

Secretary,
Department of Economic Affairs
Ministry of Finance
Government of India



K.V.R. MURTHY

Joint Secretary
Ministry of Corporate Affairs
Government of India



N. S. VISHWANATHAN

Deputy Governor
Reserve Bank of India



DR. V. RAVI ANSHUMAN

Professor
Indian Institute of Management
Bangalore

Chairman, Whole Time Members and Executive Directors



(Left to Right)

Sitting: **Shri Ananta Barua**, Whole Time Member; **Shri G. Mahalingam**, Whole Time Member;
Shri Ajay Tyagi, Chairman; **Ms. Madhabi Puri Buch**, Whole Time Member;
Shri S. K. Mohanty, Whole Time Member

Standing: **Shri S. Ravindran**, Executive Director; **Shri Anand Rajeshwar Baiwar**, Executive Director;
Shri V.S. Sundaresan, Executive Director, **Shri S.V.M.D. Rao**, Executive Director;
Shri Amarjeet Singh, Executive Director; **Shri Nagendraa Parakh**, Executive Director;
Ms. Arti Chhabra Srivastava, Chief Vigilance Officer; **Shri Sujit Prasad**, Executive Director,
Ms. G. Babita Rayudu, Executive Director

EXECUTIVE DIRECTORS (As on March 31, 2020)

Shri S. Ravindran	Facilities Management Division, Establishment Division, Treasury & Accounts Division, Protocol & Security in the General Services Department, Human Resources Department, Internal Inspection Department, Office of International Affairs, Foreign Portfolio Investors & Custodians and Board Cell
Shri S. V. Murali Dhar Rao	Investment Management Department, Collective Investment Schemes and Regional & Local Offices
Shri Nagendraa Parakh	Market Intermediaries Regulation and Supervision Department, Office of Investor Assistance and Education, Official Language Division, RTI Cell and PQ Cell
Shri Amarjeet Singh	Corporation Finance Department, Department of Economic and Policy Analysis; RTI Appellate Authority for matters related to - PACL, Recovery and Refund Department, Information Technology Department, Investigations Department and Special Enforcement Cell
Shri Sujit Prasad	Market Regulation Department, Department of Debt and Hybrid Securities and National Institute of Securities Markets
Shri Anand R. Baiwar	Investigation Department, Recovery and Refund Department (including work related to PACL Committee), Information Technology Department and; RTI Appellate Authority for all the matters, except matters related to - PACL, Recovery and Refund Department, Information Technology Department, Investigations Department and Special Enforcement Cell
Ms. Arti Chhabra Srivastava	Chief Vigilance Officer
Shri V. S. Sundaresan	Integrated Surveillance Department and Commodity Derivatives Market Regulation Department
Ms. G. Babita Rayudu	Legal Affairs Department, Enforcement Department and Special Enforcement Cell

CHIEF GENERAL MANAGERS (As on March 31, 2020)

Shri G. P. Garg	Establishment Division, Facilities Management Division, RTI cell, PQ cell and CPIO
Shri Suresh B. Menon	Investigations Department
Shri Amit Pradhan	Enquiry and Adjudication Department
Shri N. Hariharan	Communication Division, Office of Investor Assistance and Education – IAD and Board Cell
Shri A. Sunil Kumar	Human Resources Department
Shri Jayanta Jash	Investigations Department
Shri Parag Basu	Market Intermediaries Regulation and Supervision Department
Ms. Barnali Mukherjee	Corporation Finance Department
Shri Manoj Kumar	Market Regulation Department - 1
Shri Sunil Jayawant Kadam	Posted to NISM - Registrar
Dr. Prabhakar Reddy Patil	Department of Economic and Policy Analysis - 1
Shri Santosh Kumar Shukla	Enforcement Department - 1
Dr. Sarat Kumar Malik	Department of Economic and Policy Analysis - 2
Shri B. Rajendran	Regional Director – Southern Regional Office
Shri Jeevan Sonparote	Corporation Finance Department
Dr. Ruchi Chojer	Investment Management Department - 1
Shri Biju S.	Enforcement Department - 2
Ms. Anita Kenkare	Investigations Department
Shri Santosh Kumar Sharma	Chief Financial Officer and Office of Investor Assistance and Education – IGRD

Shri Avneesh Pandey	Information Technology Department
Shri Sharad K. Sharma	Regional Director – Northern Regional Office
Shri G. Ramar	Enquiry and Adjudication Department
Shri D. Sura Reddy	Refund and Recovery Department
Shri Deepak A. Trivedi	Market Intermediaries Regulation and Supervision Department
Shri Biranchi Narayan Sahoo	Investment Management Department - 2
Shri Shashikumar Valsakumar	Office of Chairman and Office of International Affairs
Shri Aliasgar S. Mithwani	Commodity Derivatives Market Regulation Department
Ms. Asha Shetty	Department of Debt and Hybrid Securities
Shri K. Saravanan	Enquiry and Adjudication Department
Ms. Maninder Cheema	Enquiry and Adjudication Department
Ms. Harini S Balaji	Integrated Surveillance Department
Shri Debashis Bandyopadhyay	Market Regulation Department - 2
Shri Prasanta Mahapatra	Enquiry and Adjudication Department
Shri D.V. Sekhar	Legal Affairs Department - 2
Ms. Anitha Anoop	Enquiry and Adjudication Department
Shri Krishnanand Raghavan	Office of Investor Assistance and Education - IAD
Shri B.J. Dilip	Enquiry and Adjudication Department
Shri Manojan Karayi	Information Technology Department



Annual Report Team

Dr. Prabhakar Reddy Patil	Chief General Manager
Shri Venkateswaran Ramakrishnan	Deputy General Manager
Dr. Deepali Dixit	Deputy General Manager
Shri Laltu Pore	Assistant General Manager
Ms. Shyni Sunil	Assistant General Manager
Shri Prasad Patankar	Assistant General Manager
Ms. Akriti	Assistant General Manager
Shri A.V. Subba Rao	Manager
Shri Sumit Kumar Verma	Manager
Ms. Sheryl Fernandez	Secretary

CHAIRMAN'S STATEMENT



The world today is passing through an unprecedented crisis in the form of COVID-19 pandemic. The effect of this crisis is visible in all spheres of human life, with policy makers across the globe engaged in addressing various issues and challenges. Apart from the pandemic which started towards the end of the financial year 2019-20, the year also witnessed geopolitical and economic issues like US-China trade friction, Britain's exit from the European Union, falling global trade volumes, and slowdown in the overall consumption and investment activity. For the Indian economy too, 2019-20 was a challenging year with a growth of 4.2 per cent. As per IMF projection, GDP is expected to significantly drop in many countries including India and the world is likely heading for a recession in 2020.

The stock markets remained buoyant during most of 2019-20, on hopes of pick-up in global and domestic demand and the domestic benchmark indices, Sensex and Nifty, reached their respective life-time highs during the financial year. Trading activity remained strong with significant volumes and good amount of liquidity across the segments. However, the markets witnessed a sharp fall after the World Health Organisation (WHO) declared the COVID-19 outbreak as a global pandemic on March 11, 2020. To contain the heightened volatility and excess speculation in the stock market thereafter, SEBI introduced several measures including increase in margin requirements and capping of derivatives exposure.

During the year, SEBI continued its journey on the path of building a stronger and more vibrant Indian capital market with policy initiatives aimed at fulfilling the prime objectives of investor protection, market development and regulation. Due consultation process with stakeholders was followed before taking decisions on important policy matters.

Protection of investors especially small investors being of paramount importance, SEBI has taken several steps. Keeping up with the times and to meet the growing needs of investors, SEBI launched a new mobile app for registering their grievances and tracking complaints online. To make the know your client (KYC) process more convenient, SEBI has enabled intermediaries to onboard clients through online KYC. Towards strengthening the protection of securities collateral of clients, SEBI has prescribed that margins given in form of securities by clients shall be by way of pledge /re-pledge in the depository system and title transfer of securities to the client collateral demat account of the trading member (TM) / clearing member (CM) for margin purposes shall not be permitted. Accordingly, the securities of client will remain in that client's demat account and entire trail of the securities utilised for margin purposes shall be available and will be visible to the client.

Emerging technologies have the potential to greatly enhance investor experience in availing financial services. To enable technology based innovation in securities markets, SEBI introduced Innovation Sandbox Framework to facilitate development and adoption of innovative FinTech solutions in securities market by entities not regulated by SEBI. For its regulated entities, SEBI introduced Regulatory Sandbox Framework for live testing of new products, services and business models by market players on select customers, for a specified period of time, with certain relaxations in the extant SEBI regulations and guidelines.

Apart from steps towards increasing technological sophistication of the markets, SEBI has continuously upgraded technology in its own regulatory functions. SEBI has started work on a data lake project which would have the capability to store and retrieve quickly, a large amount of structured, semi structured and unstructured data. This data lake project will support advanced analytical tools, such as artificial intelligence and machine learning (AI/ML), deep learning, big data analytics, pattern recognition, processing of structured and unstructured data, text mining and natural language processing thereby significantly augmenting surveillance capabilities. At the same time, to safeguard against the associated risks including cyber frauds in

newer technologies, SEBI implemented its Security and Network Operations Center (SOC-NOC) project adhering to international security standards and best practices.

SEBI has developed an in – house automated system by which it is able to do system based reconciliation of client level securities holdings by brokers thus detecting client securities misuse by brokers, if any. Further, in order to detect possible market manipulation and strengthen market supervision through technology solutions, SEBI has initiated a “Data Analytics and Data Models Project.” SEBI is also in the process of implementing a project on automation of inspections and surveillance of mutual funds.

Towards developing the commodity derivatives markets depth and breadth, SEBI permitted recognised stock exchanges with commodity derivative segment to introduce ‘Options on Goods’ and ‘Futures on Commodity Indices’. Towards increasing institutional participation for efficient price discovery, mutual funds and portfolio managers have been permitted to participate in exchange-traded commodity derivatives, except in sensitive commodities.

Continuing our efforts to further deepen the corporate bond market, a series of policy measures aimed at improving the market ecosystem were taken. A new “Request for Quote” based trading platform, which provides functionality of negotiations in secondary trades in corporate bonds with single/multiple counterparties, was introduced on stock exchange(s), to address the challenge of wavering liquidity in corporate bonds. With a view to facilitating issuers to access a larger pool of investors, a framework for listing of commercial paper was introduced. As smart cities including municipalities need larger amount of resources for their growth, a revamped regulatory framework for issuance of debt securities by such entities was put in place.

REITs and InvITs have emerged as a major vehicle for monetisation of assets by corporates including government entities. A series of policy measures such as reducing the trading lot, facilitating further fund raising through preferential issue including easier placement to institutional investors, rights issue including fast track rights issue, enabling monetisation through pledging of units etc. have been taken.

Alternative investment funds (AIFs) as an investment type witnessed increased interest in recent period. Considering the AIF industry’s request for an industry benchmark, SEBI mandated performance benchmarking for AIFs. In the interest of greater transparency and disclosures in the AIF industry, SEBI introduced annual audit of compliance with terms of placement memorandum and standard templates for placement memorandum, thereby providing a baseline for disclosures.

COVID-19 pandemic and the associated restrictions have resulted in liquidity concerns for listed companies. SEBI introduced various measures to alleviate the capital raising process such as extension of validity of SEBI observation, allowing flexibility in changing issue size, relaxations related to rights issue, follow-on offer, QIPs, creeping acquisition etc. An optional relaxed pricing methodology has been introduced in case of preferential issues with additional lock-in requirements to enable easier fund raising. To enable easier fund raising through preferential allotment by stressed listed companies, relaxations in pricing and open offer requirements have been provided. These relaxations would provide a big relief to both companies and lenders to resolve a stressed company in these difficult times, especially as corporate resolution filing under IBC has been suspended for six months for any debt defaults post March 25, 2020 and companies and lenders would not be able to utilise the restructuring framework under IBC.

In order to strengthen the regulatory framework for debt oriented schemes of mutual fund, several measures were taken including mandating minimum investments in liquid assets and introduction of exit load for liquid schemes, placing restrictions on investment in unlisted and unrated debt securities, review of the sectoral limits on investments along-with steps to improve the robustness of valuation of debt securities by mutual funds. These reforms are aimed at placing mutual funds in a better position to deal with credit events and redemption pressures, strengthening prudential norms for investments and bringing more transparency in their investments. More reforms, as may be required, would be brought in going forward.

Government has laid down the vision and roadmap for the long term growth of the Indian economy. To complement a growing economy, the capital market needs to play a pivotal role. SEBI will continue to strive to further develop the markets, keeping them deep and robust, and meeting the best global standards.

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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 Tables where not mentioned is SEBI

ABBREVIATIONS

AGM	Assistant General Manager
AI	Artificial Intelligence
AIF(s)	Alternative Investment Fund(s)
AM	Assistant Manager
AMC(s)	Asset Management Company/Companies
AMFI	Association of Mutual Funds in India
AML	Anti-Money Laundering
AO	Adjudicating Officer
AMC	Asset Management Company/Annual Maintenance Charges
APRC	Asia- Pacific Regional Committee
ASBA	Application Supported by Blocked Amount
ASE	Ahmedabad Stock Exchange
ATR(s)	Action Taken Report(s)
AUC	Assets Under Custody
AUM	Assets Under Management
BCP	Business Continuity Plan
BgSE	Bangalore Stock Exchange
BhSE	Bhubaneswar Stock Exchange
BIS	Bank for International Settlements
BOs	Beneficial Owners
BSE	Bombay Stock Exchange Ltd.
BSDA	Basic Services Demat Account
CC	Clearing Corporations
C&AG	Comptroller & Auditor General of India
CAD	Current Account Deficit
CBDT	Central Board of Direct Taxes
CCL	Clearing Corporation Limited
CCP	Central Counter Party
CAGR	Compounded Annual Growth Rate
CAF	Common Application Form
CDR	Cumulative Default Rate
CE	Credit Enhancement
CERT-In	Indian Computer Emergency Response Team
CFRT	Committee on Financial and Regulatory Technologies
CDAC	Commodity Derivatives Advisory Committee
CDIL	Corporate Debt Investment Limit
CDSL	Central Depository Services (India) Limited
CEO	Chief Executive Officer
CFT	Countering Financing of Terrorism
CJM	Chief Judicial Magistrate
CGM	Chief General Manager
CIC	Central Information Commission
CIMC	Collective Investment Management Company
CIS	Collective Investment Scheme
COVID-19	Coronavirus Disease 2019
CP	Commercial paper

CMs	Clearing Members
CMS	Case Management System
Core SGF	Core Settlement Guarantee Fund
CoSE	Cochin Stock Exchange
CPE	Continuing Professional Education
CPIO	Central Public Information Officer
CRA(s)	Credit Rating Agency/Agencies
CRO	Chief reporting Officer
CRS	Common Reporting Standards
CSD(s)	Central Securities Depositories
CSE	Calcutta Stock Exchange Ltd.
CSO	Central Statistics Office
CSX	Coimbatore Stock Exchange
CTC	Cost to Company
CVO	Chief Vigilance Officer
CVC	Central Vigilance Commission
D&U	Declarations and Undertakings
DAC	Department of Agriculture and Cooperation
DBT	Direct Benefit Transfer
DDPs	Designated Depository Participants
DEA	Department of Economic Affairs
DFIs	Domestic Financial Institutions
DGM	Deputy General Manager
DIP	Disclosure and Investor Protection
DJIA	Dow Jones Industrial Average
DMS	Document Management System
DP(s)	Depository Participant(s)
DPI	Deemed Public Issue
DSE	Delhi Stock Exchange
DT(s)	Debenture Trustee(s)
DN	Distinctive Number
D&P	Depositories and Participants
DVR	Differential Voting Rights
EAME	Europe, Africa and Middle East
EBM	Electronic Book Mechanism
EBP	Electronic Book Provider
ED	Executive Director/Enforcement Directorate
EFD	Enforcement Department
EFI(s)	Eligible Foreign Investor(s)
ELM	Extreme Loss Margin
EMDE(s)	Emerging Market and Developing Economies
EMIR	European Market Infrastructure Regulation
e-NAM	E-National Agriculture Market
EOW	Economic Offence Wing
EPFO	Employee Provident Fund Organisation
ERP	Enterprise Resource Planning
ESMA	European Securities and Markets Authority
ETCD	Exchange Traded Currency Derivatives
ETF(s)	Exchange Traded Fund(s)
EU	European Union

F&O	Futures and Options
FAQ(s)	Frequently Asked Question(s)
FATCA	Foreign Account Tax Compliance Act
FATF	Financial Action Task Force
FCD(s)	Fully Convertible Debenture(s)
FCRA	Forward Contracts Regulation Act
FD	Fiscal Deficit
FDI	Foreign Direct Investments
FIIIs	Foreign Institutional Investors
FIs	Financial Institutions
FMC	Forward Markets Commission
FMI(s)	Financial Market Infrastructure(s)
FPI(s)	Foreign Portfolio Investor(s)
FPO(s)	Further Public Offering(s)
FSAP	Financial Sector Assessment Programme
FSB	Financial Stability Board
FSDC	Financial Stability Development Council
FSRB	FATF-Style Regional Body
FVCI(s)	Foreign Venture Capital Investor(s)
GAAPs	Generally Accepted Accounting Principles
GCF	Gross Capital Formation
GDP	Gross Domestic Product
GDS	Gold Deposit Schemes
GMS	Gold Monetisation Schemes
GDR(s)	Global Depository Receipt(s)
GEM	Growth and Emerging Market
GFD	Gross Fiscal Deficit
GLOPAC	Global Financial Partnership Center
GM	General Manager
GNI	Gross National Income
GoI	Government of India
GSE	Gauhati Stock Exchange
GST	Goods and Services Tax
HPSS-CS	High Powered Steering Committee on Cyber Security
HFCs	Housing Finance Companies
HRMS	Human Resource Management System
GVA	Gross Value Added
HNIs	High Net Worth Individuals
HRD	Human Resource Department
HUFs	Hindu Undivided Families
HySE	Hyderabad Stock Exchange
IA	Investment Advisers
IBC	Insolvency and Bankruptcy Code
ICAI	Institute of Chartered Accountants of India
ICC	Internal Complaints Committee
ICCL	Indian Clearing Corporation Limited
ICD	Inter Corporate Deposits
ICDR	Issue of Capital and Disclosure Requirements
ICSI	The Institute of Company Secretaries of India
ID(s)	Independent Director(s)

IFRS	International Financial Reporting Standards
IGP	Innovators Growth Platform
IIM	Indian Institute of Management
IM	Initial Margin
IND-AS	Indian Accounting Standards
IRS	Interest Rate Swaps
INC	Issuer Not Cooperating
IFSC	International Financial Service Centre
IID	Internal Inspection Department
IIP	Index of Industrial Production
ILDS	Issue and Listing of Debt Securities
IMF	International Monetary Fund
INR	Indian Rupee
InvIT	Infrastructure Investment Trust
IOSCO	International Organisation of Securities Commissions
IPF	Investor Protection Fund
IPO	Initial Public Offer
IPSTA	Indian Pepper and Spice Trade Association, Kochi (Kerala)
IRF(s)	Interest Rate Futures
ISD	Integrated Surveillance Department
ISE	Inter-Connected Stock Exchange
ISIN	International Securities Identification Number
IT	Information Technology
IVD	Investigations Department
JPY	Japanese Yen
JSE	Jaipur Stock Exchange
KPM	Key Managerial Persons
KIM	Key Information Memorandum
KUC	KYC User Agency
KRA	KYC Registration Agency
KYC	Know Your Client
LES(s)	Liquidity Enhancement Scheme(s)
LODR	Listing Obligations and Disclosure Requirements
LSE	Ludhiana Stock Exchange
MCCIL	Metropolitan Clearing Corporation of India Ltd.
MCV	Multi-Class Vehicle
MCX	Multi Commodity Exchange
MDR	Marginal Default Rate
MD	Managing Director
MF(s)	Mutual Fund(s)
MFAC	Mutual Fund Advisory Committee
MGR	Manager
MgSE	Mangalore Stock Exchange
MIIs	Market Infrastructure Institutions
MIM(S)	Multiple Investment Manager(s)
MoF	Ministry of Finance
MoSPI	Ministry of Statistics and Programme Implementation
MoU	Memorandum of Understanding
MPS	Minimum Public Shareholding
MPSE	Madhya Pradesh Stock Exchange Limited

MSEI	Metropolitan Stock Exchange of India Limited
MWPL	Market Wide Position Limit
NBFC	Non-Banking Finance Company
NCD	Non-Convertible Debenture
NCDEX	National Commodity and Derivatives Exchange Limited
NCFE	National Centre for Financial Education
NCLT	National Company Law Tribunal
NCSC	National Cyber Security Coordinator
NCRPS	Non-convertible redeemable preference shares
NDS	No Default Statement
NAV	Net Asset Value
NCIIPC	National Critical Information Infrastructure Protection Centre
NHB	National Housing Bank
NDP	Net Domestic Product
NDU	Non Disposal Undertaking
NED(s)	Non-executive Director(s)
NIBM	National Institute of Bank Management
NISM	National Institute of Securities Markets
NMCE	National Multi-Commodity Exchange of India Limited
NNI	Net National Income
NOC	Network Operations Center
NPA(s)	Non-performing Asset(s)
NRC	Nomination and Remuneration Committee
NRI(s)	Non-Resident Indian(s)
NRO	Northern Regional Office
NSCCL	National Securities Clearing Corporation Limited
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
NSE IFSC CC	NSE (IFSC) Clearing Corporation Ltd
NSFE	National Strategy for Financial Education
OCBs	Off-shore Corporate Bodies
ODI(s)	Off-shore Derivatives Instrument(s)
OFS	Offer for Sale
OTC	Over the Counter
OTCEI	Over the Counter Exchange of India
OI	Open Interest
OCI	Overseas Citizen of India
PAC	Persons Acting in Concert
PAN	Permanent Account Number
PD	Probability of Default
PFMI	Principles for Financial Market Infrastructure
PID	Public Interest Directors
P/B Ratio	Price to Book Ratio
P/E Ratio	Price-Earnings Ratio
PCC	Protected Cell Company
PCD	Partly Convertible Debentures
PE	Private Equity
PFs	Pension Funds
PFUTP	Prohibition of Fraudulent and Unfair Trade Practices
PIT	Prohibition of Insider Trading

PMAC	Primary Market Advisory Committee
PMLA	Prevention of Money Laundering
PPI(s)	Prepaid Payment Instruments
PQ(s)	Parliamentary Query(ies)/ Parliamentary Question(s)
PSE	Pune Stock Exchange
PSI	Price Sensitive Information
QFI(s)	Qualified Foreign Investor(s)
QIB(s)	Qualified Institutional Buyer(s)
QIP(s)	Qualified Institutions' Placement(s)
QRTA(s)	Qualified Registrars to an Issue / Share Transfer Agents
RAR	Risk Adjusted Returns
RCPS	Redeemable Cumulative Preference Shares
REs	Rights Entitlement
RFQ	Request for Quote
RA	Research Analyst
RI	Resident Indian
ROs	Regional Offices
RBI	Reserve Bank of India
REIT	Real Estate Investment Trust
RFI	Reporting Financial Institution
RHP	Red Herring Prospectus
RII(s)	Retail Individual Investor(s)
RMC	Risk Management Committee
RMRC	Risk Management Review Committee
ROW	Rest of the World
RP(s)	Resource Person(s)
RHP	Red Herring Prospectus
RPS	Redeemable Preference Share
RPT(s)	Related Party Transaction(s)
RRD	Recovery and Refund Department
RSE(s)	Regional Stock Exchange(s)
RTA	Registrar and Transfer Agent
RTI	Right to Information
SAST	Substantial Acquisition of Shares and Takeovers
SAT	Securities Appellate Tribunal
SCG	School for Corporate Governance
SCI	School for Certification of Intermediaries
SCL	Special Casual Leave
SCM	Self-Clearing Member
SCORES	SEBI Complaints Redress System
SCRA	Securities Contracts (Regulation) Act, 1956
SCR	Securities Contracts (Regulation) Rules
SCSB(s)	Self-Certified Syndicate Bank(s)
SEBI	Securities and Exchange Board of India
SEC	Securities and Exchange Commission
SEC/ACC/LIB	Secretarial Staff
SECC	Stock Exchanges and Clearing Corporations
SGF	Settlement Guarantee Fund
SHARE	SEBI's Hub for all Resources
SID	Scheme Information Document

SIEFL	School for Investor Education and Financial Literacy
SKSE	Saurashtra Kutch Stock Exchange
SLB	Securities Lending and Borrowing
SMAC	Secondary Market Advisory Committee
SMEs	Small and Medium Enterprises
SMS	Short Message Services
SOC	Security Operation Centre
SOC-NOC	Security Operations Center and Network Operations Center
SPV(s)	Special Purpose Vehicle(s)
SO	Structured Obligations
SOP	Standard Operating Procedure
STD	Short Term Deposits
SR	Equity Shares with Special Voting Rights
SRC	Stakeholders Relationship Committee
SRO(s)	Self-Regulatory Organisation(s)
SRSS	School for Regulatory Studies and Supervision
SSE	School for Securities Education
SSIR	School for Securities Information and Research
SVR	Special Voting Rights
SWF(s)	Sovereign Wealth Fund(s)
TAC	Technical Advisory Committee
TREPS	Triparty Repos
TM	Trading Member
UCC	Unique Client Code
UPI	Unified Payment Interface
UCC	Unique Client Code
UIDAI	Unique Identification Authority of India
US-GAAP	United States – Generally Accepted Accounting Principles
TER	Total Expense Ratio
TfT	Trade-for-Trade
TRI	Total Return Index
UK	United Kingdom
UNGA	United Nations General Assembly
UPSE	Uttar Pradesh Stock Exchange Limited
UPSI	Unpublished Price Sensitive Information
US	United States
USD	United States Dollar
UTI	Unit Trust of India
VCF(s)	Venture Capital Fund(s)
VIX	Volatility Index
VSE	Vadodara Stock Exchange
WDM	Wholesale Debt Market
WEO	World Economic Outlook
VaR	Value at risk
VWAY	Volume Weighted Average Yield
WHO	World Health Organisation
w.r.t.	With respect to
w.e.f.	With effect from
WFE	World Federation of Exchanges
WPI	Wholesale Price Index
WTM	Whole Time Member

Part One:

Policies and Programmes

India's benchmark equity indices, namely Nifty and Sensex, declined by 26.0 and 23.8 per cent, respectively, during 2019-20, mainly due to sharp correction in March 2020, as concerns over profitability of companies owing to national lockdown and risk averseness amongst investors grew bigger. In the face of COVID-19 crisis, SEBI took several steps to ease the burden of compliance and reduce hardships for investors, companies and intermediaries in the securities market.

This section outlines the current macro-economic environment, both domestic and globally, and gives glimpse into important policy decisions taken by the SEBI during 2019-20. Part One of the SEBI Annual Report 2019-20 starts off with a brief overview of the general economic environment and investment environment. The Part concludes with an overall assessment of Indian securities market and prospects thereof.

1. REVIEW OF THE GENERAL ECONOMIC ENVIRONMENT AND THE INVESTMENT CLIMATE

I. GLOBAL ECONOMY

The year 2019-20 turned out to be a strenuous year, as the world struggled with novel corona virus, causing heavy loss of human life and economic prosperity, intensifying existing ongoing economic slowdown in many countries. The "Novel Corona Virus" or "COVID-19" disease, that initially appeared in China, spread to more than 200 countries (including India) by the end of March 2020, infecting over 8,50,000 people and causing death of more than 42,000 people at the end of March, 2020.

As the speed of infections increased exponentially, many countries implemented strict closures and lockdowns to contain the transmission, exacerbating supply chain disruptions and causing slowdown in the consumption and aggregate demand.

The outbreak, which was declared a Public Health Emergency of International Concern on January 30, 2020, was subsequently characterized as Pandemic on March 11, 2020. This triggered panic amongst investors and caused widespread sell-offs in the equity markets across the globe. The stock

markets hit circuit filters multiple times in many countries (including Four times in USA and Three times in India), as stocks witnessed wild swings.

The financial markets witnessed an unprecedented volatility across the globe, last seen only during the global financial crisis of 2008-09. In the USA, the CBOE VIX Index jumped up from 40.1 at the end of February 2020 to 82.7 on March 16, 2020, before settling at 53.4 at the end of March 2020. The bond yields of many developed as well as emerging markets fell, as recession fears grew stronger. In the USA, the yield on 10-year government bond declined from 1.2 per cent in February to 0.7 per cent in March 2020.

Responding to the crisis, many central banks across the globe cut the interest rates aggressively and announced unprecedented quantitative easing programs. The U.S. Federal Reserve (FED) cut interest rates in Two emergency meetings on March 3, 2020 (50 basis points) and March 15, 2020 (100 basis points), taking the federal funds rate to 0-0.25 per cent range. The FED also pledged USD 700 billion in asset purchases, or quantitative easing (QE), which was later extended as unlimited open-ended QE, including purchases of corporate and municipal bonds. The European Central Bank (ECB) cut the interest rate on its Targeted Long-Term Refinancing Operations (TLTROs) by 25 basis points to -0.75 per cent and announced additional LTROs to support banking liquidity. The ECB expanded its asset purchase program by 120 billion euros per

year (on March 12, 2020) and additional 750 billion euros per year (on March 19, 2020), over and above its existing 240 billion euros per year asset purchase program, taking the total to about 1.1 trillion euros in QE program during 2020.

Before 'Covid-19' arrived in many countries in early 2020, the global economy was already going through a moderate slowdown phase. During 2019, the growth in the global economic output slowed down considerably, mainly on concerns over potential intensification of US-China trade war, uncertainties over Britain's exit from European Union, falling global trade volumes and slowdown in the overall consumption and investment activity.

According to IMF, the global economic growth rate decelerated to 2.9 per cent in 2019, compared to 3.6 per cent in 2018. The growth in the advanced economies slowed to 1.7 per cent in 2019, from 2.2 per cent in 2018, while that in the emerging market and developing economies trickled to 3.7 per cent in 2019, from 4.5 per cent in 2018. The pace of growth seemed to have peaked in many economies during the first half of 2018.

In 2019, the inflation remained well below the targets for most advanced economies, whereas it increased marginally for many emerging market economies during the same period. The growth in the global trade decimated to 0.9 per cent in 2019 compared 3.8 per cent in 2018. The details are presented in Table 1.1.

Table 1.1: Global Trends in Economic Growth

(per cent)

	2018	2019	2020#
World Output	3.6	2.9	-3.0
a. Advanced Economies	2.2	1.7	-6.1
i. United States	2.9	2.3	-5.9
ii. Euro Area	1.9	1.2	-7.5
iii. Japan	0.3	0.7	-5.2
b. Emerging Market and Developing Economies	4.5	3.7	-1.0
i. Emerging and Developing Asia	6.3	5.5	1.0
China	6.7	6.1	1.2
India##	6.1	4.2	1.9
ii. Emerging and Developing Europe	3.2	2.1	-5.2
iii. Latin America and the Caribbean	1.1	0.1	-5.2
iv. Middle East and Central Asia	1.8	1.2	-2.8
v. Sub-Saharan Africa	3.3	3.1	-1.6
World Trade Volume	3.8	0.9	-11.0
Consumer Prices			
a. Advanced Economies	2.0	1.4	0.5
b. Emerging Market and Developing Economies	4.8	5.0	4.6

Note: # IMF forecast for 2020, ## Figures for India corresponds to 2018-19, 2019-20 and 2020-21, respectively.

Source: World Economic Outlook, April 2020, IMF

Despite the slowdown, the global stock markets rallied in 2019. In the USA, the Dow Jones Industrial Average, the S&P 500 Index and Nasdaq Composite index surged 22.3 per cent, 28.9 per cent and 35.2 per cent, respectively, in 2019, on US-China Phase-1 trade deal, low interest rates and buoyant job markets.

However, with arrival of COVID-19 crisis, things have changed drastically. IMF has warned that global economies may experience the worst recession since Great Depression of 1930s (during which global GDP dropped by about 15 per cent p.a. in the span of Three years), eclipsing global financial crisis of 2008-09 (during which global GDP dropped by about 0.1 per cent in 2009).

IMF, in its World Economic Outlook – April 2020 issue, sharply downgraded the 2020 global GDP growth forecasts. According to IMF, the global economic output would contract by 3.0 per cent in 2020, before showing modest recovery in 2021. The advanced economies are projected to grow at -6.1 per cent in 2020, while emerging economies would grow by -1.0 per cent. Both advanced economies and emerging market and developing economies are in

recession together for the first time since the Great Depression of 1930.

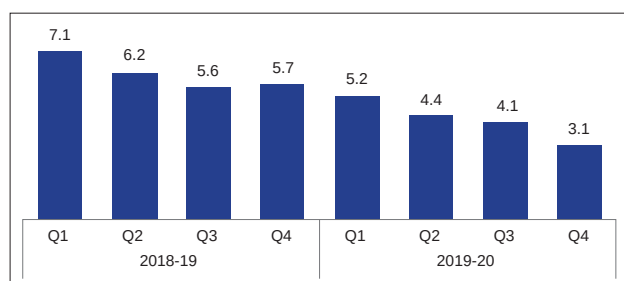
Meanwhile, in the major positive development during the year, the USA and China signed the Phase-1 Deal in January 2020, alleviating fears over aggravating trade war. According to the deal, both countries agreed on certain terms, including tariff cut by USA from 15.0 per cent to 7.5 per cent on USD 120 billion of China's exports, indefinite suspension of planned tariff hikes on other goods, etc. China, on the other hand, agreed to increase its US imports by at least USD 200 billion in the span of Two years (i.e., during 2020 and 2021) and reintroduced its commitments on intellectual property, technology transfer, and currency practices. However, the 25.0 per cent tariffs on USD 250 billion of Chinese imports still remained.

II. INDIAN ECONOMY

It was a challenging year for the Indian economy, as its quarterly GDP growth rate declined for the Four consecutive quarters in 2019-20 to register its lowest level in ten years, on account of

declining investments and lower consumer demand. India's real GDP grew at the rate of 5.2 per cent, 4.4 per cent, 4.1 per cent and 3.1 per cent during Q1, Q2, Q3 and Q4 of 2019-20. For the full year 2019-20, India's GDP grew by 4.2 per cent, compared to 6.1 per cent during 2018-19. Several sectors such as real estate, aviation, automobile and construction, experienced a constant decline in demand, while the banking and financial services sector witnessed rising NPAs and squeezing credit limits.

Figure 1.1: Quarterly GDP Growth Rates – India (Year-on-Year) (per cent)



Source: MOSPI

To support the economic growth and spur the investment activity (initially due to structural issues and later due to COVID-19 pandemic), RBI reduced repo rate by 185 basis points during 2019-20 (25 bps each in April 2019 and June 2019, 35 bps in August 2019, 25 bps in October 2019 and 75 bps in March 2020). In the face of rising spread of COVID-19 in India, on March 24, 2020, RBI cut the repo rate by 75 basis points in the emergency meeting to enhance liquidity, support investment activity and boost the aggregate demand.

As the COVID-19 hit India, the fragile recovery in the industrial activity took a major blow. The Index of Industrial Production (IIP) for March 2020 declined sharply by 16.7 per cent mainly on sluggish manufacturing activity. The IIP (Manufacturing) fell by 20.6 per cent in March 2020. For the full year 2019-20, the overall IIP declined by 0.7 per cent year-on-year. While the manufacturing IIP declined by 1.3 per

cent in 2019-20, the IIP (Mining) and IIP (Electricity) grew by 1.7 per cent and 1.1 per cent respectively.

The consumer prices in India rose by 5.9 per cent year-on-year in March 2020, compared to 2.9 per cent year-on-year growth in March 2019. The rural inflation spiked from 1.8 per cent in March 2019 to 6.1 per cent in March 2020, while urban inflation rose from 4.1 per cent to 5.7 per cent during the same period. The inflation remained near the higher end of RBI's medium-term target of Four per cent with a band of plus or minus Two per cent in the second half of 2019-20. The monthly CPI inflation rate for December 2019 to March 2020 period was relatively higher at 7.4 per cent, 7.6 per cent, 6.6 per cent and 5.9 per cent, respectively. The Wholesale Price Index (WPI)-based inflation eased to One per cent in March 2020, compared to 3.1 per cent in March 2019. While the food inflation remained stable, non-food segment registered steep decline in 2019-20.

The Indian benchmark equity indices rose to record highs in January, 2020 Nifty index touched an intraday high of 12,430 on January 20, 2020 on the back of corporate tax rate cut, hopes of earnings recovery and easing US-China trade deal. However, the rally was interrupted by sudden outbreak of novel corona virus across the globe. By the end of 2019-20, the BSE Sensex plunged by 23.8 per cent to 29,468, while the Nifty 50 fell by 26.0 per cent to 8,598.

The Foreign Portfolio Investors (FPIs) withdrew USD 3.0 billion from Indian securities market during 2019-20. While FPIs sold USD 5.4 billion in debt instruments during 2019-20, they made an investment of USD 1.3 billion in equity instruments and of USD 1.1 billion in hybrid securities, including REITs and InvITS. During the first Nine month of 2019-20 (i.e. during April – December 2019), the FPIs had invested USD 11.5 billion in the Indian Securities market (Investment of USD 7.7 billion in

Equity, USD 3.0 billion in Debt and USD 0.8 billion in Hybrid Securities). However, owing to panic selling in the March 2020 quarter due to COVID-19 scare, the FPIs withdrew USD 14.5 billion from Indian Securities market (withdrawal of USD 6.4 billion and USD 8.5 billion from Equity and Debt securities, respectively, and investment of USD 0.3 billion in Hybrid Securities).

India's net Foreign Direct Investment (FDI) inflows increased to 73.5 billion during 2019-20 from USD 62 billion in 2018-19.

India's foreign exchange reserves jumped by 16.0 per cent year-on-year to USD 478 billion at the end of March 2020, from USD 412 billion at the end of previous year, on account of falling crude oil prices, steady FDI inflows and USD swaps conducted by the RBI. The Indian Rupee depreciated by 8.2 per cent (from ₹ 69.2 per USD at the end of March 2019 to ₹ 75.4 per USD at the end of March 2020) compared to Nine per cent depreciation in the previous year, on account of withdrawals by the FPIs and negative current account balance.

Table 1.2: Key Statistics on the Indian Economy

	2017-18	2018-19	2019-20
Rate of Growth of GDP (per cent)	7.2	6.1	4.2
Inflation (per cent)	4.3	2.9	5.9
Gross Saving (₹ trillion)	55.4	57.1	NA
Gross Saving (per cent of GNDI)	32.0	29.7	NA
Gross Capital Formation (₹ trillion)	58.5	61.1	NA
Gross Capital Formation (per cent of GDP)	34.2	32.2	NA
Fiscal Deficit (per cent of GDP)	3.5	3.4	3.8
Current Account Deficit (per cent of GDP)	1.8	2.1	1.0#
Exchange Rate (Indian Rupees Per US Dollar)	65.0	69.2	75.4
Foreign Exchange Reserves (USD billion)	424	412	478

Note: # for the Nine months period of April – December 2019 over April-December 2018

Source: MoF, MoSPI, RBI, FBIL

India's current account deficit (CAD) is expected to improve in 2019-20. During April- December 2019, the CAD narrowed to One per cent of GDP (or USD 118.9 billion), compared to 2.6 per cent (or USD 145.1 billion) in the corresponding period of previous financial year, on account of improvement in trade deficit and lower crude oil prices.

The government raised the fiscal deficit target for 2019-20 to 3.8 per cent of the GDP from 3.3 per cent pegged earlier due to revenue shortage. During 2018-19, this was contained to 3.4 per cent.

To address the slowdown in the Indian economy, the Central Government undertook several structural measures during 2019-20. The

biggest measure was to cut the corporate tax rate from 30.0 per cent to 22.0 per cent, subject to condition that companies will not avail any incentive or exemptions. In order to spur growth in the manufacturing sector and attract foreign companies to set up manufacturing units in India, the corporate tax rate for new manufacturing companies (set up after October 1, 2019) was reduced from 25.0 per cent to 15.0 per cent. The tax on buyback of shares was waived off for eligible listed companies that have announced buyback prior to July 5, 2019.

In the biggest consolidation exercise in the banking space, the Government of India, in August 2019, announced the merger of 10 public sector

banks into Four bigger and stronger banks. Once the merger gets completed, India will have 12 Public Sector Banks from 27 Public Sector Banks in 2017. The consolidation is also slated to happen in insurance space, as government announced the merger of Three public sector general insurance companies, viz., National Insurance Company Limited, Oriental India Insurance Company Limited, and United India Assurance Company Limited, into a single company to benefit from economies of scale. In order to encourage investments in start-ups, the Government approved exemption of start-ups from the Angel Tax under the Income Tax Act, 1961. The registered startups have been exempted from the Angel tax on funding or investment of up to ₹ 25 crore from the earlier limit of ₹ 10 crore.

In a major disinvestment drive, in November 2019, the Government of India approved the disinvestment of 28 Central Public Sector Enterprises (CPSEs), including Air India, Pawan Hans, Hindustan Petroleum (HPCL), National Project Construction Corporation (NPCC), Rural Electrification Corporation Limited, Hindustan Antibiotics Ltd. (HAL), Indian Tourism Development Corporation (ITDC), Cement Corporation of India and others. In order to deepen the financial markets, the Reserve Bank of India, in June 2019, removed the charges levied on fund transfers through Real Time Gross Settlement (RTGS) and National Electronic Funds Transfer (NEFT) to boost the digital transactions. Further to improve policy rate transmission, RBI, mandated all the banks to link the new personal, retail, housing, auto and MSMEs loans to the External Benchmark Based Rate with effect from October 1, 2019.

The structural reforms of the yesteryears seem to be now bearing the fruit. According to the World Bank's Doing Business Report 2020, India has recorded a jump of 14 positions against its rank of 77th in 2018 to be placed now at 63rd rank in 2019 among 190 countries assessed by the World Bank.

III. GLOBAL SECURITIES MARKETS

The trends in the primary market were mixed in 2019. The primary market activity in the equity segment remained subdued in 2019, mostly in Asia and Europe Africa and Middle East (EAME), while those in Americas region saw strong upsurge. The total capital raised in American region increased from USD 168 billion in 2018 to USD 238 billion in 2019. In EAME, the amount of equity capital raised increased marginally from USD 179 billion in 2018 to USD 182 billion in 2019, while that in Asia region declined from USD 370 billion to USD 347 billion during the same period. The amount raised through bond issuances (both public and private routes) increased in Asia (from USD 1,438 billion in 2018 to USD 1,771 billion in 2019) and EAME (from USD 3,654 billion in 2018 to USD 3,811 billion in 2019) but declined sharply in Americas- excluding USA (from USD 3,157 billion in 2018 to USD 984 billion in 2019).

The global financial markets witnessed rally in the equity markets of the many countries, despite slowdown in the global economy. The global stock market capitalization rose by 22.8 per cent from USD 74.7 trillion in 2018 to USD 91.7 trillion in 2019. The market capitalisation of EAME, Asia and Americas region, in US Dollar terms, rose by 32.3 per cent, 21.0 per cent and 19.3 per cent respectively in 2019. The turnover on the stock exchanges (equity cash segment) worldwide dropped by 9.2 per cent in 2019 to USD 87.1 trillion from USD 96 trillion in 2018. While the turnover in Asia region during the period increased by 12.9 per cent in 2019 over 2018, in Americas and EAME regions it declined by 19.3 per cent and 14.3 per cent, respectively. The details are presented in Table 1.3.

During Q1 of 2020 experienced a major upheaval in the economies and securities markets around the world due to the impact of COVID19 pandemic. Also, the markets were affected by the

oil price (supply) issues. As on March 31, 2020, there was a decline of 24.8 per cent, 23.2 per cent and 9.8 per cent in oil prices over December 31, 2019 in the markets of UK, USA and China respectively. Further, market capitalisation of LSE Group of stock exchanges decline by 30.3 per cent followed by 13.7

13.7 per cent decline in Nasdaq and Shanghai and Shenzhen stock exchanges declined by 8.8 and 3.9 per cent respectively. To cope with the impact of the virus, various regulatory measures were announced including measures to impart liquidity into the system besides rate cuts.

Table 1.3: Global Trends in Primary and Secondary Markets

Category	Parameter	Unit	Americas		Asia		Europe Africa & Middle East	
			2018	2019	2018	2019	2018	2019
Bonds	Capital Raised@	USD Billion	3,157	984	1,438	1,771	3,654	3,811
	Number of Trades#	Million	2	4	43	80	21	24
	Value Traded #	USD Billion	633	726	2,878	3,771	9,261	9,824
Equity	Capital Raised	USD Billion	168	238	370	347	179	182
	-by already listed companies	USD Billion	116	187	259	245	137	122
	-by IPOs	USD Billion	52	50	111	101	41	59
	Market Capitalisation	USD Billion	34,206	40,859	23,868	28,880	16,608	21,969
	Number of Trades#	Billion	6,833	6,467	12,945	15,725	2,110	1,979
	Value Traded #	USD Billion	54,496	43,958	28,444	32,106	13,089	11,134

Notes: # Includes trades done only on stock exchanges through electronic order book (EOB), excluding OTC, or Negotiated trades; @ data for USA not available, as bond market in USA is mostly OTC.

Source: World Federation of Exchanges

The increased uncertainties over US-China trade war, buoyant stock markets, and falling interest rate in advanced countries resulted in higher volumes in nearly all exchange traded derivatives segments (except Currency Futures). Overall volumes touched a record level of 41.8 billion contracts in 2019, up 31.5 per cent over 31.8 billion in 2018, driven by growth in volumes across all Three regions. The overall trading volumes in exchange traded derivatives contracts in Americas, Asia and Europe region jumped up by 42 per cent, 29 per cent, and 17 per cent respectively.

All the types of equity derivatives experienced growth in overall volumes in 2019, as many stock markets reached record level. All the sub-segment in

equity derivatives segment registered strong growth in 2019. The global Index Options volume grew by 39.2 per cent, followed by Stock Options (31.5 per cent), Index Futures (20.4 per cent), and Stock Futures (16.7 per cent).

As Federal Reserve reduced interest rate thrice in 2019 and adopted accommodative stance, Interest Rate Options globally grew by 8.9 per cent while Interest Rate Futures volume remained flat. The volumes traded in Interest Rate Futures and Interest Rate Options segments in Asia region grew strongly by 11.9 per cent and by 18.4 per cent, respectively, in 2019. Also as the dollar grew stronger, Currency Options segment grew strongly by 15.4 per cent in 2019, while Currency Futures

volumes declined by 2.6 per cent. While the volumes traded in Currency Options segment in Asia region grew by 19.4 per cent, that of currency futures declined by 3.3 per cent.

The Commodity Derivatives segment recorded marginal growth in 2019. The volumes traded of the most popular among all the exchange traded

derivatives – Commodity Futures – grew by 18.4 per cent in 2019, while that in commodity options segment grew by 5.1 per cent. The volumes traded in Commodity Futures and Commodity Options segments in Asia region grew strongly by 25.9 per cent and by 88.2 per cent, respectively, in 2019. The details are presented in Table 1.4.

Table 1.4: Global Trends in Derivatives Markets

(Millions of Contracts)

Segment	Category	Americas		Asia		Europe Africa & Middle East	
		2018	2019	2018	2019	2018	2019
Commodities	Commodity Futures	1,041.5	1,069.6	3,244.0	4,084.4	1,152.2	1,283.6
	Commodity Options	164.4	159.3	21.0	39.6	56.3	55.2
Currency	Currency Futures	572.1	707.0	1,156.1	1,117.6	741.2	580.9
	Currency Options	26.6	23.1	1,044.0	1,246.7	85.2	63.7
Interest Rate	Interest Rate Futures	2,270.1	2,447.9	224.1	250.8	1,095.6	892.3
	Interest Rate Options	613.4	699.3	1.6	1.9	169.0	152.3
Equity Derivatives	Single Stock Futures	1.4	27.8	836.5	948.3	612.6	716.4
	Single Stock Options	3,326.9	3,563.2	387.5	400.8	337.4	1,365.5
	Stock Index Futures	1,474.8	2,288.0	971.4	955.5	926.3	817.9
	Stock Index Options	794.2	682.3	3,188.6	5,085.8	532.5	517.1

Source: World Federation of Exchanges

IV. INDIAN SECURITIES MARKET

This section highlights comparative performance of Indian securities markets against global markets. It covers percentage share or ranking of India in the globe, on various parameters, based on the calendar year-wise annual statistics on securities market, published by World Federation of Exchanges (WFE).

India's stock market capitalization increased by 5.2 per cent in dollar terms during 2019 from USD 2.06 trillion (as on December 31, 2018) to USD 2.16 trillion (as on December 31, 2019). However, the percentage share of India's market

capitalization globally has gone down from 2.8 per cent (as on December 31, 2018) to 2.4 per cent (as on December 31, 2019).

India's stock market turnover (cash segment) fell marginally by 0.3 per cent in dollar terms during 2019 from USD 1,260 billion (during 2018) to USD 1,256 billion (during 2019). However, the share of India's cash market turnover globally has gone up from 1.3 per cent (during 2018) to 1.4 per cent (during 2019). In terms of number of trades in equity shares during 2019, National Stock Exchange (NSE) ranked third (compared to second in 2018) and BSE Ltd. (BSE) ranked 13th (compared to 11th in 2018) globally.

The primary market activity remained subdued in India, especially with initial public offerings (IPOs). The resource mobilized through IPOs declined from USD 4.7 billion in 2018 to USD 2.4 billion in 2019. On the other hand, the resource mobilized through non-IPOs (including private placement of equity) increased from USD 28.4 billion to USD 35.6 billion, mainly on account of capital infusion by the Government in Public Sector Banks through preferential allotments. The amount raised

through bond issuance (including public issues and private placement) increased from USD 279 billion in 2018 to USD 398.3 billion in 2019.

India's percentage share in capital raised globally by listed corporates through IPO Equity, non-IPO Equity and Corporate Debt stood 1.2 per cent, 6.4 per cent and 6.1 per cent, respectively, in 2019, compared to 2.3 per cent, 5.5 per cent and 3.4 per cent, respectively, in 2018. The details are presented in Table 1.5.

Table 1.5: Share of the Indian Securities Market in the World (per cent)

Category	Parameter	Value (in USD Billion)		Global Share (in per cent)	
		2018	2019	2018	2019
Bonds	Debt Capital Raised #	279.0	398.3	3.38	6.07
	Turnover (Debt Segment)	73.9	44.7	0.58	0.31
Equity	Equity Capital Raised	33.0	38.0	7.20	4.98
	- FPO/Rights Issues/ Private Placement	28.4	35.6	5.53	6.42
	- IPO	4.7	2.4	2.29	1.15
	Market Capitalization #	2,056.3	2,162.7	2.75	2.36
	Turnover (Cash Segment)	1,259.5	1,255.7	1.31	1.44

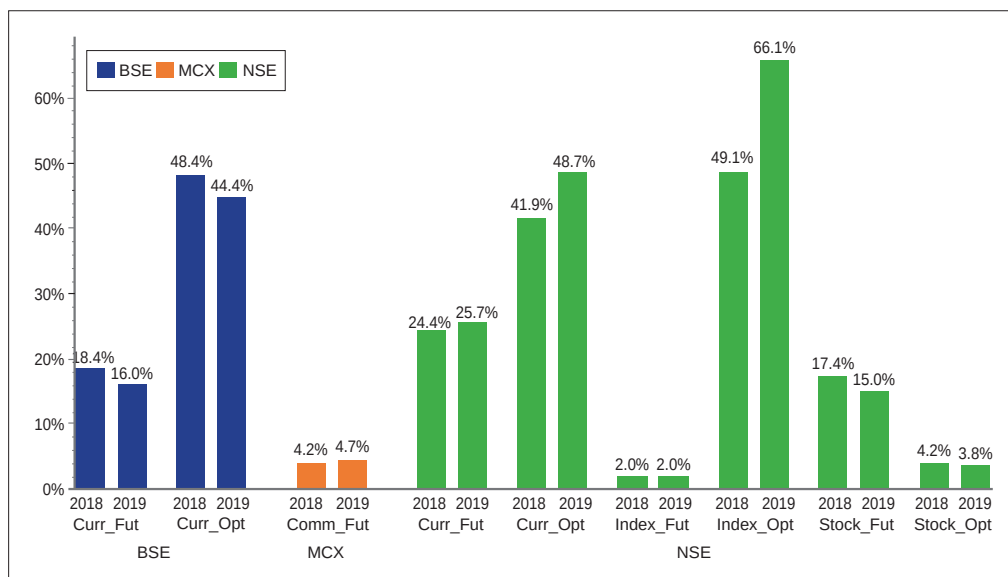
Note: # - To avoid double counting, data of only NSE is considered for these variables.

Source: WFE

According to the data published by World Federation of Exchanges (WFE), the NSE remained the premier equity derivatives exchange in the world in terms of number of contracts traded. In 2019, NSE was ranked first globally in Index Options, Currency Options and Currency Futures segments and ranked second in Stock Futures segment, in terms of number

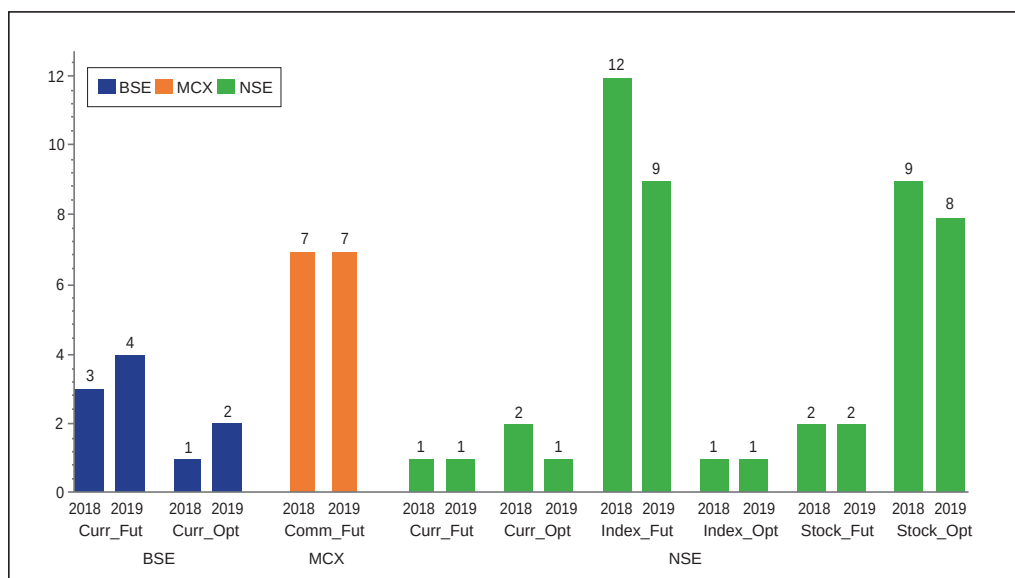
of contracts traded. BSE too was ranked Fourth in Currency Futures segment and second in Currency Options segment, in terms of number of contracts traded. The Multi Commodity Exchange of India Ltd. (MCX) retained its Seventh rank globally, in terms of number of Commodity Futures contracts traded. The details are presented in Figure 1.2 and 1.3 below.

Figure 1.2: Percentage Share of India's Stock Exchanges among the Global Derivatives Exchanges (In terms of Number of Contracts Traded)



Source: WFE, SEBI Staff Computation

Figure 1.3: Ranking of India's Stock Exchanges among the Global Derivatives Exchanges (In terms of Number of Contracts Traded)



Source: WFE, SEBI Staff Computation

In 2019 also, SEBI continued to play a contributory role in the standard setting process as well as the policy work for the global securities market, being a Member of the IOSCO Board as well as most

of its Policy and Standard Setting Committees. SEBI is committed to ensure that the experience so gained is put to the optimum use to developing the Indian securities market befitting the new India.

2. REVIEW OF POLICIES AND PROGRAMMES

With a view to keep the Indian securities market amongst the best in the world in terms of technology, new products, risk management, and ease of doing business, SEBI takes proactive measures to stay ahead of the curve. In order to ensure fair market practices and investor protection, SEBI has structured its regulations based on the best practices suggested by IOSCO. During 2019-20, SEBI took several measures, including special exemptions in the wake of COVID-19 pandemic. This section highlights policy reforms initiated by SEBI during 2019-20.

The policies and programs are categorized under Eight major heads: Primary Securities Market, Secondary Securities Market, Commodity Derivatives Market, Mutual Funds, Intermediaries associated with the Securities Market, Foreign Portfolio Investors, Corporate Debt Market and Other Policies and Programs.

I. PRIMARY SECURITIES MARKET

The primary market is the avenue for resource mobilization and capital formation in the country as it brings together investors seeking investment opportunities and issuers seeking to mobilize resources to finance their investments. A well-developed primary market is fundamental for an economy to prosper. There are various elements involved in ensuring vibrant and resilient primary markets such as ease of capital raising and restructuring,

ensuring timeliness and adequacy of disclosures, strong framework for corporate governance, investor protection, among others. This section throws light on the policy measures initiated towards each of these areas, during the financial year.

A. CAPITAL RAISING

1. Framework for issuance of differential voting rights (DVR) shares:

New technology firms, which own relatively fewer capital assets compared to the value of their operations generally prefer equity over debt capital. However, raising equity on a periodic basis leads to dilution of founder/promoter stakes. In such new technology firms where the promoters/ founders are instrumental in the success of the firms, there is a need for a structure that enables them to retain decision-making powers and rights vis-à-vis other shareholders. One such possible structure is the issuance of shares with superior voting rights to founders/ promoters of a company. SEBI prescribed a framework for issuance of DVR shares (Box 1.1) along with amendments to the relevant SEBI regulations. Further, the Securities Contracts (Regulation) Rules, 1957 was also been amended by the Ministry of Finance in March 2020, to mandatorily list Superior Voting Rights (SVR) shares in case of IPO of ordinary shares.

Box Item 1.1: Framework for issuance of DVR shares

The key features of the regulatory framework for issuance of DVR shares, are as follows:

- A. **Eligibility:** A company having superior voting rights shares would be permitted to do an initial public offering of only ordinary shares to be listed on the Main Board, subject to fulfillment of eligibility requirements of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("SEBI ICDR Regulations") and the following conditions:
 - a) The issuer company is a tech company (as per the definition in Innovators Growth Platform).
 - b) The SR shareholder should be a part of the promoter group whose collective net worth does not exceed ₹ 500 Crores.

Box Item 1.1: Differential Voting Rights (continued)

- c) The SR shares have been issued only to the promoters/ founders who hold an executive position in the company.
 - d) The issue of these SR shares has been authorized by a special resolution passed at a general meeting of the shareholders.
 - e) SR shares have been held for a period of at least Six months prior to the filing of Red Herring Prospectus (RHP).
 - f) SR shares have voting rights in the ratio of minimum 2:1 to maximum 10:1 compared to ordinary shares.
- B. Listing and Lock-in:** SR shares shall also be listed on Stock Exchanges after the issuer company makes a public issue. However, SR shares shall be under lock-in after the IPO until their conversion to ordinary shares.
- C. Rights of SR shares:** SR shares shall be treated at par with the ordinary equity shares in every respect, including dividends, except in the case of voting on resolutions. The total voting rights of SR shareholders (including ordinary shares), post listing, shall not exceed 74.0 per cent.
- D. Enhanced corporate governance:** Companies having SR shareholders shall be subject to enhanced corporate governance, such as at least half of the Board and two-third of the Committees (excluding Audit Committee) as prescribed under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR Regulations") shall comprise of Independent Directors. The Audit Committee shall comprise only of Independent Directors.
- E. Coat-tail Provisions:** Post-IPO, the SR equity shares shall be treated as ordinary equity shares in terms of voting rights (i.e. One SR share shall have only One vote) in circumstances such as:
- a) Appointment or removal of independent directors and/or auditor;
 - b) Related Party Transactions involving SR shareholder
 - c) Voluntary winding up of the company;
 - d) Changes in the company's Article of Association or Memorandum-except any changes affecting the SR instrument
 - e) Initiation of a voluntary resolution plan under IBC;
 - f) Substantial value transaction based on materiality threshold as prescribed under SEBI LODR Regulations;
 - g) Passing of special resolution in respect of delisting or buy-back of shares; and
Any other provisions notified by SEBI in this regard from time to time.
- F. Sunset Clauses:** SR shares shall be converted into ordinary shares in following circumstances/ events:
- a) Time Based: The SR shares shall be converted to Ordinary Shares on the 5th anniversary of listing. The validity can be extended once by Five years through a resolution. SR shareholder would not be permitted to vote on such a resolution.
 - b) Event Based: SR shares shall compulsorily get converted into ordinary shares on occurrence of certain events such as demise, resignation of SR shareholders, merger or acquisition where the control would be no longer with SR shareholder, etc.
- G. Fractional Rights Shares:** Henceforth, issue of fractional rights shares by existing listed companies shall not be allowed.

2. Social Stock Exchange:

The Hon'ble Finance Minister as part of the Budget Speech for FY 2019-20 had announced that steps shall be initiated towards creating an electronic fund raising platform - a Social Stock Exchange - under the regulatory ambit of SEBI, for listing social enterprises and voluntary organizations. Accordingly, in September 2019, SEBI constituted a Working Group on 'Social Stock Exchanges' (SSE) under the Chairmanship of Shri. Ishaat Hussain, to examine and make recommendations with respect to possible structures and mechanisms, within the securities market domain, to facilitate raising of funds by social enterprises and voluntary organizations. Several meetings have been held of the Working Group, including consultations with various stakeholders.

3. Review of the process of Rights Issues:

SEBI has reviewed and streamlined the Rights issue process making it more efficient and effective by amending the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("SEBI ICDR Regulations, 2018") and SEBI

(Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR Regulations, 2015"). The timelines for completion of Rights issue have been significantly reduced from ~ T + 55 days to ~ T + 31 days. Dematerialization of Rights Entitlements (REs) and their trading on stock exchanges are innovative features of the new process (Box 1.2).

The previous process of trading of rights entitlement involving physical settlement was marred with low liquidity. Dematerializing the REs and enabling their trading through stock exchange framework would ensure liquidity and determination of a fair market price for REs. The shareholders with small holdings who were earlier not able to renounce REs for lack of an accessible platform can renounce and monetize their REs easily now, which would have lapsed otherwise. This reform enables all shareholders alike to renounce-cum-trade their entitlements, and obtain a fair market price for the same. The revised timelines along with the dematerialized trading of rights entitlements are expected to enhance the attractiveness of the Rights issue as a mode of capital raising for the listed issuers.

Box Item 1.2: Rights Issues -Dematerialization and Trading of Rights entitlement

SEBI vide circular dated January 22, 2020 laid down the detailed procedure of the improved Rights Issue process and the dematerialized REs framework. Few salient features of the revised process are as below:

- (i) REs with a separate ISIN shall be credited to the demat account of the shareholders before the date of opening of the issue, against the shares held by them as on the record date.
- (ii) Physical shareholders shall be required to provide their demat account details to Issuer / Registrar to the Issue for credit of REs in their demat account.
- (iii) Trading in REs on the secondary market platform of Stock exchanges will happen electronically on T+2 rolling settlement basis, T being the date of trading. The transactions will be settled on trade-for-trade basis.
- (iv) REs credited to demat account can be renounced either by sale of REs using stock exchanges platform or off-market transfer and such trades will be settled by transferring dematerialized REs through depository mechanism in the same manner as done for all other types of securities.
- (v) Trading in REs shall commence on the date of opening of the issue and shall be closed at least Four days prior to the closure of rights issue

4. Framework for Innovators Growth Platform (IGP):

During the FY 2019-20, SEBI undertook the following in relation to IGPs:

- a. Vide amendments to SEBI ICDR Regulations dated April 05, 2019, the Institutional Trading Platform was renamed as Innovators Growth Platform. In order to be eligible for listing on the IGP the issuer shall be a company which is intensive use of technology, information technology, intellectual property, data analytics, bio-technology or nanotechnology to provide products, services or business platforms with substantial value addition.
- b. Further, SEBI prescribed the framework for process of accreditation of investors for the purpose of IGP. Under the framework, an investor, having a demat account with a depository, will make an application to the stock exchanges/ depositories in the manner prescribed by them for recognition as an Accredited Investor. The exchanges / depositories will grant accreditation to investors subject to their eligibility, which shall be valid for a period of Three years.
- c. Vide amendments to SEBI ICDR Regulations dated September 23, 2019 SEBI laid down norms for migration of companies listed on the IGP to regular category of the main board of the stock exchanges, subject to fulfillment of the conditions of the stock exchanges.

5. Reducing the Time Period for Listing of Issues:

As a significant process reform aimed at reducing the time period for listing of issues from T+6 days to T+3 days, SEBI vide circular dated November 01, 2018 had introduced the use of Unified Payment Interface (UPI)

as a payment mechanism with facility of blocking Funds (Application Supported by Blocked Amount facility or "ASBA facility") for applications in public issues by retail individual investors, submitted through intermediaries. The compression in post-issue timelines and the consequent early listing and trading of shares benefits both issuers as well as investors. Issuers will have faster access to the capital raised thereby enhancing the ease of doing business and the investors will have early liquidity available to them. Under the new process, there is no physical movement of retail investor application forms from intermediaries to Self-Certified Syndicate Banks (SCSBs).

Considering the time required for making necessary changes to the systems and to ensure a smooth transition to UPI with ASBA as an alternate payment mechanism, it was decided to roll-out implementation in Three phases.

In Phase I, effective from January 01, 2019, the UPI mechanism for retail individual investors through intermediaries was made effective along-with the existing process and existing timeline of T+6 days.

In Phase II, effective from July 01, 2019, the process of physical movement of forms from intermediaries to SCSBs for blocking of funds was discontinued and only the UPI mechanism with existing timeline of T+6 days was introduced for a period of Three months or floating of Five main board public issues, whichever is later.

The final reduced timeline of T+3 days was to be made effective using the UPI mechanism, in Phase III. However, in order to ensure that the transition to UPI in ASBA is smooth for all the stakeholders, the timeline for implementation

of Phase II was subsequently extended till March 31, 2020. In Phase II, 11 main board public issues were successfully processed and the technicalities of UPI in ASBA module were systematically streamlined during the course of its implementation in real-time. Further, due to the uncertainties caused by COVID-19 pandemic, the Phase II is being continued beyond March 31, 2020.

6. Amendments to SEBI ICDR Regulations pursuant to Companies (Amendment) Act, 2019:

SEBI ICDR Regulations were amended by substituting the word “registering / registration/registered” with “filing/filed” at relevant places, to bring the requirements in the Regulations at par with the requirements of Companies Act, 2013, pursuant to the Companies (Amendment) Act, 2019, and to achieve reduced timeline for listing of shares in public issues from T+6 to T+3.

7. Revisions to General Information Document:

The General Information Document was revised indicating that bids submitted under the multi investment management structure, may not be treated as multiple bids.

8. Further delegation to Regional offices:

Schedule IV of SEBI ICDR Regulations which deals with the filing of offer documents with the Board was amended to facilitate further delegation to the Board's Regional Offices (ROs). In this regard, SEBI has issued a circular notifying that offer documents up to ₹ 750 crore (instead of ₹ 500 crore) are required to be filed with the concerned Regional Offices of the Board under the jurisdiction of which the registered office of the issuer company falls.

B. CORPORATE RESTRUCTURING

1. Review of buy-backs of securities of listed companies: SEBI has reviewed the conditions for buy-backs of securities of listed companies and prescribed the following:

- a. SEBI shall continue with the current approach of allowing buybacks if post buy-back debt to equity ratio is not more than 2:1 (except for companies for which higher debt to equity has been notified under the Companies Act, 2013) based on both standalone and consolidated basis.
- b. Further, if post buy-back debt to equity ratio is not more than 2:1 on standalone basis and exceeding 2:1 on consolidated basis, in such cases, buy-back would be permitted if:
 - i. Post buyback debt to equity ratio is not more than 2:1 on consolidated basis after excluding the subsidiaries that are Non-Banking Financial Companies (NBFCs) and Housing Finance Companies (HFCs) and are regulated by Reserve Bank of India (RBI) or National Housing Bank (NHB); and
 - ii. All such excluded subsidiaries have debt to equity ratio of not more than 6:1 on standalone basis.
- c. Further, the financial statements will continue to be considered on both standalone and consolidated basis for calculating the maximum permissible buy-back size and other related requirements relating to buy-back size.

2. Schemes of Arrangement: In order to streamline the processing of draft schemes and with a view to further strengthen the regulatory framework, it was decided that all listed entities shall ensure all dues to, and/or fines/penalties imposed by SEBI, Stock

exchanges and the depositories have been paid/settled before filing the draft scheme with the designated stock exchange.

3. **Relaxations in timelines during 'Covid-19' pandemic:** The deadline for filing disclosures/ declarations under Regulations 30(1), 30(2) and 31(4) of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 ("SAST Regulations, 2011") was extended till June 01, 2020.

C. MONITORING OF COMPLIANCE BY LISTED ENTITIES

The enactment of the SEBI (Listing Obligations and Disclosure Requirements) Regulations (SEBI LODR Regulations), 2015 marked a turning point in the way listed entities are regulated by SEBI. It was also a major step towards matching the quality of post-listing disclosures with initial disclosures. While SEBI LODR Regulations place responsibility on stock exchanges for monitoring compliance and to take action for non-compliance, SEBI has also been increasing its focus on strengthening the governance and disclosure framework for listed entities and monitoring the quality of post-listing disclosures.

To give impetus and ensure that adequate focus and attention is given to this area, SEBI has made certain organizational changes. Led by a Chief General Manager, there are Two divisions for compliance and monitoring of listed entities under the Corporate Finance Department of SEBI. These divisions actively coordinate with stock exchanges which are mandated to monitor and review the compliance of listing regulations by listed companies. SEBI has advised stock exchanges to enhance their investment in manpower, technology and infrastructure for more

effective monitoring of the adequacy and accuracy of the disclosures made by listed companies. Apart from keeping a regulatory oversight over the monitoring function of stock exchanges, the divisions proactively step in and takes action in significant cases of non-compliance. The divisions initiated adjudication proceedings against 19 persons / listed entities and issued warning / caution / advisory letters to 11 persons / entities during the year.

Further, to strengthen effective monitoring of listed companies, in addition to continuous interactions with stock exchanges, SEBI conducts review meetings with all stock exchanges, on a bi-monthly basis. These meetings serve as a platform for discussing policy issues pertaining to SEBI LODR Regulations and circulars issued thereunder apart from facilitating better co-ordination and resolution of any issue faced by stock exchanges in monitoring of listed entities. These meetings also provide an avenue to stock exchanges for bringing to the notice of SEBI action taken against listed entities, status of fines levied / collected and instances of major non-compliances by listed entities. It has been observed that such meetings not only improve the effectiveness of compliance regulation among the exchanges, but also act as a necessary feedback mechanism for SEBI for enhancing its regulatory framework.

1. Streamlining Penal Action through Standard Operating Procedure

The information disclosed by companies helps investors in making rational and informed choices vis-à-vis their investments. A major improvement in the quality of disclosures and level of compliance by listed entities has

been brought about by the introduction of Standard Operating Procedure (SOP) to be followed by stock exchanges with regard to non-compliances by listed entities, in 2015. It has also had a positive impact on submissions by listed entities such as financial results, shareholding pattern, corporate governance reports etc. This has helped in providing latest data to the investors for enabling them to make better investment decisions.

The SOP is used for penalizing listed entities for non-compliances with the SEBI LODR Regulations thereby increasing discipline in the market, while ensuring that all infractions need not result in initiation of hard enforcement action by SEBI. The SOP was reviewed and further strengthened in 2018 and again during FY 2019 - 20. As part of the earlier SOP, non-compliance with the regulations led to the imposition of fines by stock exchanges followed by freezing of entire shareholding of promoter and promoter group and ultimately, suspension and compulsory delisting of the security in case the non-compliance persisted.

The significant changes made in the SOP in FY 2019 - 20 are mentioned below:

- a. The revised SOP is more comprehensive and covers a wider gamut of SEBI LODR Regulations such as the requirements pertaining to composition of board and various committees of listed entities, submission of corporate governance compliance report, financial results and voting results, etc.
 - b. The provision related to freezing of shareholding has been rationalised by making it applicable to the entire shareholding of promoter(s) only. Promoter(s) would be directly intimated by the stock exchange before the freezing of their holdings. Unfreezing of promoter holding would happen immediately if the listed entity complies and pays the applicable fines.
- The revised framework is expected to promote a better compliance culture apart from putting in place an appropriate system for effective enforcement of continuous compliance of requirements by listed entities and their promoter(s).

D. DISCLOSURES BY LISTED ENTITIES

1. Enhanced disclosure of encumbrances of shares of listed companies:

SEBI has reviewed the regulatory requirements relating to disclosure of encumbrances of shares of listed companies and prescribed the following requirements during 2019-20:

- a. Scope of encumbrance: In order to further clarify the scope of encumbrance, a revised definition of “encumbrance” has been prescribed by SEBI.
- b. In order to bring greater transparency regarding reasons for encumbrance, particularly when significant shareholding by promoter along with persons acting in concert (PACs) with him is encumbered, SEBI has required that the promoters of every listed company shall specifically disclose detailed reasons for encumbrance if the combined encumbrance by the promoter along with PACs with him equals or exceeds:
 - i. 50 per cent of their shareholding in the company; or
 - ii. 20 per cent of the total share capital of the company.
- c. The promoters of every listed company are required to declare to the Audit Committee of the company and to the stock exchanges

on a yearly basis, that they along with PACs, have not made any encumbrance directly or indirectly, other than already disclosed, during the financial year.

2. Disclosure of Divergence in the Asset Classification and Provisioning by Banks

SEBI mandated listed banks to disclose to the stock exchanges divergences in the asset classification and provisioning wherever the additional provisioning requirements assessed by RBI exceed 10.0 per cent of the published net profits after tax for the reference period and/or the additional gross non-performing assets (NPAs) identified by RBI exceed 15.0 per cent of the published incremental gross NPAs for the reference period. This disclosure requirement is in conformity with notification issued by RBI in respect of certain cases of divergence in the asset classification and provisioning of Banks.

As a result of the above mandate, as per data sought from the stock exchanges, 16 listed banks have made disclosures pertaining to divergence in the asset classification and provisioning.

3. Disclosures by Listed Entities of Defaults on Payment of Interest/ Repayment of Principal Amount on Loans from Banks / Financial Institutions and Unlisted Debt Securities

In order to address the gaps in availability of information with respect to defaults, SEBI mandated listed entities to inter-alia disclose the following:

- a. Any default on loans, including revolving facilities like cash credit, from banks / financial institutions which continues beyond 30 days from the pre-agreed payment date shall be disclosed promptly, but not later than 24 hours from the 30th day.

- b. In case of unlisted debt securities i.e. Non Convertible Debentures (NCDs) and . Non Convertible Redeemable Preference Shares (NCRPS) issued by a listed entity, disclosure of default shall be made promptly but not later than 24 hours from the occurrence of the default.

- c. Further, disclosures related to defaults in loans / unlisted debt securities shall also be made on quarterly basis, if on the last date of any quarter, there is any loan where the default continues beyond 30 days or there is any outstanding debt security under default.

As an immediate impact of the above mandate, as per data sought from the stock exchanges, around 77 listed entities have made the disclosure on defaults in loans / unlisted debt securities for quarter ended December 31, 2019, with total default amounting to approximately ₹ 1.07 lakh crore. Further, as on December 31, 2019, the total short-term and long-term financial indebtedness of these entities was around ₹ 2.15 lakh crore.

4. Resignation of statutory auditors from listed entities and their material subsidiaries

Auditors play a significant role in ensuring unbiased, accurate, complete and timely disclosures of information to investors and other stakeholders in the securities market. The investors in listed entities rely on the audited financial results for taking their investment decisions.

Resignation of an auditor is understandable in exceptional circumstances where, as per the auditing standards, the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive so that a qualification of the opinion would be

inadequate to communicate the gravity of the situation. However, resignation of an auditor due to reasons such as pre-occupation before completion of the audit of the financial results for the year seriously hampers the investor confidence and leaves the investors with lack of reliable information for taking their financial decisions.

In view of the above, SEBI specified conditions for appointment / re-appointment of an auditor which are aimed at ensuring completion of pending limited review / audit report prior to resignation by an auditor, strengthened the disclosures regarding reasons of resignation by auditor and strengthened & clarified the role of the Audit Committee in relation to the event of resignation of statutory auditors.

5. Format on Statement of Deviation Variation for Proceeds of Public Issue, Rights Issue, Preferential Issue, Qualified Institutions Placement (QIP) etc.

Stock exchanges, during the course of interactions with SEBI, had submitted that while listed entities submit the statement of deviation or variation, as prescribed under Regulations 32(1), 32(2) and 32(3) of SEBI LODR Regulations, there is no uniformity in the formats so submitted.

In view of the above, SEBI prescribed a format on statement of deviation or variation for proceeds of public issue, rights issue, preferential issue, QIP etc. which shall be followed by all entities whose specified securities are listed on the recognised stock exchanges.

The format will also aid monitoring of the end use of issue proceeds raised by listed entities through public issue, rights issue, preferential issue, QIP etc. by stock exchanges.

The disclosure to the stock exchange(s) shall be made by listed entities on quarterly basis along with the declaration of financial results (within 45 days of end of each quarter / 60 days from the end of the last quarter of the financial year) until such funds are fully utilised or the purpose for which these proceeds were raised has been achieved.

6. Modification of circular on 'Format for compliance report on Corporate Governance to be submitted to Stock Exchange (s) by Listed Entities':

Regulation 27(2) of SEBI LODR Regulations specifies that a listed entity shall submit a quarterly compliance report on corporate governance in the format specified by the Board from time to time to recognised stock exchange(s) within 15 days from close of each quarter. Accordingly, SEBI had prescribed format for compliance report on Corporate Governance by listed entities vide Circular dated September 24, 2015.

Subsequent to the report of the Committee on Corporate Governance under the Chairmanship of Shri Uday Kotak, various amendments were made to SEBI LODR Regulations, thereby necessitating changes to the format of the quarterly compliance report. The revised format was made applicable with effect from the quarter ended September 30, 2019.

7. Procedure and Formats for Limited Review / Audit Report of the Listed Entity and Those Entities Whose Accounts are to be Consolidated with the Listed Entity

The Kotak Committee Report on Corporate Governance had, inter-alia, suggested certain changes in the regulatory framework for group audit. Based on this recommendation and after

consideration of public comments, SEBI had mandated the statutory auditor of a listed entity to undertake a limited review of the audit of all the entities/ companies whose accounts are to be consolidated with the listed entity.

Accordingly, in view of the above and based on the inputs received from the Institute of Chartered Accountants of India (ICAI), SEBI prescribed certain procedure and formats for limited review / audit report of the listed entity and those entities whose accounts are to be consolidated with the listed entity.

8. Transfer of Securities Held in the Form of Physical Certificates - FAQs Issued on Regulation 40 of SEBI LODR Regulations

SEBI had amended Regulation 40 of SEBI LODR Regulations wherein it was stated that the transfer of securities shall not be processed unless the securities are held in the dematerialized form with a depository, except in case of transmission or transposition of securities. Shareholders holding physical share certificates expressed concerns regarding tendering of shares in exit offer in case of voluntary or compulsory delisting and in open offer / buy-back through tender offer route. Accordingly, FAQs on Regulation 40 of SEBI (LODR) Regulations 2015 were issued to better clarify the issues concerning the tendering of physical shares and other related issues.

E. CORPORATE GOVERNANCE FOR LISTED ENTITIES

1. Stewardship Code for all Mutual Funds and all categories of Alternative Investment Funds, in relation to their investment in listed equities

The importance of institutional investors in capital markets is increasing the world over; they

are expected to shoulder greater responsibility towards their clients / beneficiaries by enhancing monitoring and engagement with their investee companies. Such activities are commonly referred to as 'Stewardship Responsibilities' of the institutional investors and are intended to protect their clients' wealth. Such increased engagement is also seen as an important step towards improved corporate governance in the investee companies and gives a greater fillip to the protection of the interest of investors in such companies.

SEBI has already implemented principles on voting for Mutual Funds, which prescribed detailed mandatory requirements for mutual funds in India to disclose their voting policies and actual voting by mutual funds on different resolutions of investee companies. Subsequently a proposal for introducing stewardship principles in India was approved by a sub-committee of the Financial Stability and Development Council (FSDC-SC).

In view of the above, SEBI prescribed a Stewardship Code for all mutual funds and all categories of Alternative Investment Funds (AIFs) in relation to their investment in listed equities. These entities are mandatorily required to follow the Stewardship Code.

2. Extension of business responsibility reporting

Vide amendment to SEBI LODR Regulations on December 26, 2019, the applicability of submission of Business Responsibility Reporting (BRR) as part of the Annual Report, was extended to top One thousand listed entities based on market capitalization from the earlier requirement of top 500 listed entities. This requirement will be effective for Annual Report submitted for the year FY 2019-20 onwards.

3. OECD-Asian Roundtable on Corporate Governance:

In November 2019, SEBI and the Organisation

for Economic Co-operation and Development (OECD) co-hosted the OECD-Asian Roundtable on Corporate Governance (Box 1.3).

Box Item 1.3: OECD-Asian Roundtable on Corporate Governance

The OECD-Asian Roundtable on Corporate Governance is an annual event. This year, the Conference was co-hosted by SEBI and the OECD. The Conference was attended by nearly 200 delegates from over 20 countries. Participants in the Conference included high-level officials and experts from various securities market regulators, proxy advisory firms, institutional investors, market infrastructure institutions, the private sector, media and the academic community.



The Conference had sessions on topics such as “Board duties and responsibilities in governing company groups”, “evolving ownership patterns and implications for policymakers”, “differential voting rights”, among others. Further, there were sessions on recent developments on Corporate Governance in India and in Southeast Asia. The OECD Equity Market Review of Asia 2019 was also released during the Conference.

The Conference served as a platform for various jurisdictions to share experiences on Corporate Governance developments in their countries as well as globally. The discussions during the conference were the genesis for debates around good corporate conduct and examining market incentives for business decision-making.

4. **Amendment to SEBI LODR Regulations on payments relating to royalty and brand usage:**

The Committee on Corporate Governance under the Chairmanship of Shri. Uday Kotak had inter-alia recommended that payments made by listed entities to related parties with respect to brands usage/royalty, exceeding Five per cent of annual consolidated turnover of the listed entity, may be considered as material, requiring approval of the shareholders, with no related party having a vote to approve such transactions. Based on the comments received on this recommendation, SEBI had made amendments to SEBI LODR Regulations, setting this threshold at Two per cent.

Subsequently, based on the examination of various representations received on this issue, the above threshold was increased from Two per cent to Five per cent.

5. **Amendment to SEBI LODR Regulations on separation of the roles of Chairperson of the board and Managing Director / Chief Executive Officer in listed entities**

In terms of SEBI LODR Regulations, the top 500 listed entities by market capitalization were mandated to comply with the requirement of separation of the roles of Chairperson of the Board and Managing Director / Chief Executive Officer with effect from April 01, 2020. Based on examination of representations received from the industry, vide an amendment to SEBI LODR Regulations on January 10, 2020, an additional time-period of Two years was given to listed entities to comply with this regulatory provision.

F. **Advisory Committees**

1. **Primary Market Advisory Committee**

The Primary Market Advisory Committee (PMAC) met Four times during the current

financial year and deliberated on several policy issues and made key recommendations, as indicated below:

- a. Policy reforms deliberated in PMAC and subsequently implemented by SEBI during the financial year 2019-20:
 - i. Disclosure of encumbrances; and
 - ii. Issuance of equity shares with Differential Voting Rights.
- b. Policy reforms on which recommendations have been made by PMAC and further policy work is in progress as on March 31, 2020:
 - i. Related party transactions;
 - ii. Completion of acquisition through bulk deals and block deals during the open offer period;
 - iii. Payment of interest in case of delay in making of open offer by acquirer;
 - iv. Depositing 100 per cent escrow in respect of indirect acquisitions;
 - v. Amendment to the Delisting Regulations for schemes of arrangement;
 - vi. Exemption / relaxation with respect to cooling off period (6 months) between Two successive QIP issues;
 - vii. Pricing in respect of preferential issue of "Stressed" Companies.
- c. Policy reforms on which further deliberation is required by PMAC, as on March 31, 2020:
 - i. Concept of promoter
- d. Proposals on which PMAC recommended not to pursue at this stage:
 - i. Direct listing of securities without an IPO; and
 - ii. Permitting limited reviewed financials for latest quarter in IPO offer documents.

- iii. Hon'ble Finance Minister of India in the budget for FY 2019-20 had inter alia requested SEBI to consider raising the minimum public shareholding (MPS) in listed companies from 25 per cent to 35 per cent. The said proposal was discussed in the PMAC meeting and after a detailed discussion on the proposal, the committee felt that this is not an appropriate time for the proposed increase in MPS and recommended deferring the consideration of the proposal at this stage.

II. THE SECONDARY SECURITIES MARKET

The secondary markets are often referred to as the barometer to a nation's financial health. Besides providing liquidity to the investors, the secondary market helps in valuing a company as economic forces of supply and demand determine the prices, giving indication of the health of the economy. The year 2019-20 wasn't great for equity markets, mainly due to COVID-19 pandemic spreading globally. The Nifty and Sensex, the benchmark indices of Indian equity markets, plummeted by 26.0 per cent and 23.8 per cent respectively during 2019-20, the lowest annual returns since 2008-09 global financial crisis. The annualised historical volatility rose from 12.1 per cent in 2018-19 to 27.0 per cent in 2019-20. In the month of March 2020, itself annualised volatility spiked to 80.9 per cent, compared to 14.6 per cent annualised volatility in the first 11 months of 2019-20.

In the era of technological advancements in the face of growing complexity of securities market products, the orderly development of the secondary securities market has become the need of an hour. To deal with uncertainties thrown by black-swan events like COVID-19, or to adapt to new technologies and infrastructures, the regulators need to remain on their toes. During the year 2019-20, SEBI took several

steps to deal with such challenges. The important policy initiatives taken by SEBI relating to the secondary securities market during 2019-20 are as under:

A. Amendment to SEBI (Depositories and Participants) Regulations, 2018 and SEBI (Stock Exchange and Clearing Corporations) Regulations, 2018

SEBI, vide amendments dated June 04, 2019 to the SEBI (Depositories and Participants) Regulations, 2018 (D&P Regulations) and SEBI (Stock Exchange and Clearing Corporations) Regulations, 2018 (SECC Regulations) amended the names of Committees at Market Infrastructure Institutions (MIIs) such that the names of "Member selection committee" and "Investor grievance redressal committee" shall be "Member committee" / "Member and Core Settlement Guarantee Fund committee" and "Grievance redressal committee", respectively.

Further, with regard to procedure for appointment of Managing Director (MD) of the MIIs, the amendments direct MIIs to forward the names of candidates to SEBI before Two months from the last working day of the existing MD.

B. Separate Basic Services Demat Account limit for Debt Securities:

In order to further boost participation in Debt Market, encourage holdings of debt securities in demat accounts and to reduce the cost of maintaining securities in demat account for retail individual investors, vide circular dated April 10, 2019, SEBI introduced Basic Services Demat Account (BSDA) limit for Debt Securities [as defined in SEBI (Issue and Listing of Debt Securities) Regulation

2008] held in demat account. In this regard, in addition to the existing structure of charges for securities (other than debt securities), SEBI relaxed the structure of charges for debt securities held in demat account. Accordingly, no Annual Maintenance Charges (AMC) shall be levied by Depository Participants in case the value of holdings of debt securities is up to rupees One lakh and a maximum AMC of ₹ 100 shall be levied if the value of holdings of debt securities is between ₹ 1,00,001 and ₹ 2,00,000.

C. Database for Distinctive Number of shares - action against non-compliant companies

In terms of SEBI circular dated June 5, 2015, Issuers/RTAs of listed companies were required to update information related to Distinctive Number (DN) of all physical share capital and overall DN range for dematerialized share capital of their company, in the depositories system. For the companies that failed to comply with provisions of said circular, SEBI, vide circular dated August 1, 2019, directed Depositories to freeze all the securities held by the promoters and directors of such non-compliant listed companies i.e. beneficiary owner account level freezing. Thus, Depositories shall not effect any transfer, by way of sale, pledge, etc., of any of the securities, held by the promoters and directors of such non-compliant companies, till such time the company complies with the directions provided in SEBI circular dated June 05, 2015. In addition, the names of companies that are not in compliance with SEBI circular dated June 5, 2015 are required to be prominently disseminated on the website of the Exchanges / Depositories.

D. Risk-based capital and net worth requirements for Clearing Corporations

In order to adequately capture the risks faced by clearing corporation, vide circular dated April 10, 2019, risk based approach towards computation of net-worth of a clearing corporation has been adopted. Instead of a higher minimum net worth of ₹ 300 crore, the clearing corporations are required to maintain, at all times, a minimum net worth of either ₹ 100 crore or such other amount to cover the various risks (operational, business, credit etc.), whichever is higher.

In line with the above, vide circular dated April 26, 2019, risk based approach towards computation of net-worth has also been adopted for clearing corporations in International Financial Services Centre (IFSC).

E. Upward revision of position limits in Interest Rate Derivatives

SEBI, vide circular dated September 26, 2019, revised upwards the position limits in cash settled Interest Rate Derivatives on stock exchanges.

F. Framework for issue of Depository Receipts

In order to enable listed companies to issue permissible securities for the purpose of issue of Depository Receipts (DRs), a framework had been issued prescribing requirements such as eligibility conditions, obligations of listed company, permissible holder etc.

G. Introduction of Cross-Margining facility in respect of offsetting positions in co-related equity Indices

In order to facilitate efficient use of collateral by market participants, vide circular dated November 08, 2019, cross margining facility

had been extended to off-setting positions in highly co-related equity indices.

H. Investment Policy of Clearing Corporations

SEBI had earlier permitted the clearing corporations to make investments in fixed deposits with banks, Central Government securities and liquid schemes of debt mutual funds (subject to a limit of 10 per cent of the total investible resources). Upon a review of investment avenues available for clearing corporations and based on the feedback received, vide circular dated November 28, 2019, clearing corporations have been permitted to make investments in overnight funds, subject to combined investments in liquid funds and overnight funds not exceeding a limit of 10 per cent of the total investible resources.

I. Contribution by a non-defaulting member in the Default waterfall of Clearing Corporations

SEBI vide circular dated August 27, 2014 had, inter alia, specified guidelines pertaining to core settlement guarantee fund and default waterfall for clearing corporations. Pursuant to deliberations with Risk Management Review Committee (RMRC) of SEBI and various stakeholders, vide circular dated January 03, 2020, SEBI has capped the contribution by non-defaulting members in the default waterfall of clearing corporations.

J. Currency Futures and Options contracts (involving Indian Rupee) on Exchanges in International Financial Services Centre (IFSC)

Pursuant to RBI announcement on its decision to allow Rupee derivatives (with settlement in foreign currency) to be traded in IFSC, SEBI vide circular dated February 03, 2020 has specified the position limits for eligible market

participants, per currency pair per stock exchange, for currency futures and options contracts involving Indian Rupee (with settlement in foreign currency).

K. Review of margin framework for Cash and Derivatives segments (except for Commodity Derivatives segment)

SEBI has, from time to time, put in place various risk containment measures to address the risks involved in the cash and derivatives market. With a view to keeping up pace with the changing market dynamics and to bring more efficiency in the risk management framework, vide circular dated February 24, 2020, a comprehensive review of the margin framework has been done in consultation with the Risk Management Review Committee (RMRC) of SEBI. The provisions of this circular shall come into effect from June 01, 2020.

L. Interoperability among Clearing Corporations: Revision of criteria for entering the risk-reduction mode

SEBI vide circular dated November 27, 2018 had issued broad guidelines for operationalizing the interoperable framework among clearing corporations. The said circular, inter alia, specified mandatory subjecting of stock brokers to risk reduction mode on utilization of 85 per cent (from then existing 90 per cent) of the stock broker's collateral available for adjustment against margins. Based on consultations with various stakeholders, vide circular dated March 23, 2020, the earlier limit of 90 per cent utilization of the stock broker's collateral has been restored for determining the stock brokers which would be admitted to the risk-reduction mode.

M. Facilitating transaction in Mutual Fund schemes through the Stock Exchange Infrastructure

Previously, vide SEBI Circular dated October 04, 2013 and December 09, 2014, mutual fund distributors were permitted to use recognised stock exchanges' infrastructure to purchase and redeem mutual fund units directly from Mutual Fund / Asset Management Companies. Subsequently, SEBI vide Circular dated October 19, 2016 allowed SEBI Registered Investment Advisors (RIAs) to use infrastructure of the recognised stock exchanges to purchase and redeem mutual fund units directly from Mutual Fund/Asset Management Companies on behalf of their clients, including direct plans.

In order to further increase the reach of this platform, SEBI vide its circular dated February 26, 2020 allowed investors to directly access infrastructure of the recognised stock exchanges to purchase and redeem mutual fund units directly from Mutual Fund / Asset Management Companies.

N. Framework for Innovation Sandbox

SEBI has stipulated the framework for an industry-wide Innovation Sandbox framework to facilitate the development and adoption of innovative FinTech solutions. The framework would be a testing environment where FinTech firms and entities not regulated by SEBI, including individuals, may use the environment for offline testing of their proposed solutions in isolation from the live market, subject to fulfillment of the eligibility criteria, based on market related data made available by Stock exchanges, Depositories and Qualified Registrar and Share Transfer Agents (QRTAs).

O. Standard Operating Procedure (SOP) for reporting of technical glitches by MIIs and Imposition of "Financial Disincentive"

An SOP for all MIIs was prescribed to levy a financial disincentive in case of failure to timely address technical glitches. It would act as deterrence to MIIs for any lackadaisical approach in addressing technical glitches, and shall rather encourage them to constantly monitor the performance of their systems and upgrade/ enhance their systems to avoid any possibility of technical glitches.

P. Standard Operating Procedure (for reporting of cyber security incidents/breaches/ deficiencies by MIIs) and imposition of "Financial Disincentive"

An SOP for all MIIs was prescribed for levying a financial disincentive in the event of following cases:

1. Non-compliance with the extant cyber security regulations and guidelines resulting in cyber security breaches, cyber-attacks, cyber security deficiencies or any other cyber security incidents.
2. Lackadaisical approach or undue delay in addressing cyber security deficiencies and breaches.
3. Non-reporting/ delay in reporting a cyber-security incident/breach.

Q. Issuance of cyber capability index to all MIIs

A cyber capability index had been developed to rate the preparedness and resilience of the cyber security framework of the MIIs. Inputs from the comprehensive cyber security audit of MIIs were used to populate the index.

R. Permissible investments by Alternative Investment Funds operating in IFSC

Alternative Investment Funds (AIF) operating in IFSC were permitted to make investments as per the provisions of the SEBI (Alternative Investment Fund) Regulations, 2012, and the guidelines and circulars issued thereunder, including the operating guidelines for AIFs in IFSC.

S. Clarifications regarding Investor Protection Fund Trust and Committees at Market Infrastructure Institutions

Norms were provided norms on composition of IPF Trust, and functions and composition of committees at MIIs vide dated June 07, 2016, February 23, 2017 and January 10, 2019. In this regard, SEBI, it was clarified that:

1. Norms for composition of IPF Trust, as provided in SEBI circular dated February 23, 2017, are uniformly applicable across Exchanges and Depositories.
2. The functions of IPF Trust in SEBI circular dated February 23, 2017, shall be applicable only to Exchanges.

Depositories were advised to ensure compliance with these norms within Three months from the date of this circular.

Further, it was clarified that names of committees in SEBI circulars dated January 10, 2019 and February 15, 2019 shall be read in line with amendments to SECC Regulations, 2018 and SEBI (D&P) Regulations, 2018 dated June 04, 2019.

T. Amendment to SEBI (IFSC) Guidelines, 2015

In order to further the development of International Financial Services Centre (IFSC) ecosystem, SEBI (IFSC) Guidelines were liberalised vide SEBI circular dated February 27, 2020 as under:

1. Intermediaries in IFSC registered with SEBI were permitted to provide financial services relating to securities market, in IFSC, without forming a separate company, subject to the prior approval of SEBI. SEBI also advised that in case financial services are offered exclusively to institutional investors, prior permission of SEBI was no longer required. Further, intermediaries recognised in specified foreign jurisdictions were also permitted to offer financial services exclusively to institutional investors without prior approval of SEBI.
2. Entities who had issued and/or listed or intend to issue/list their debt securities in IFSC were allowed to prepare and report their statement of accounts in accordance with IND-AS as an alternative to IFRS / US GAAP.

U. Meeting with Public Interest Directors of all Market Infrastructure Institutions

Independent directors are first level regulators and eyes and ears of SEBI. **Public Interest Directors** (PIDs) are placed with huge responsibility and ensure MIIs follow regulations in letter and spirit. In September 2019, a meeting was held with PIDs to sensitize them regarding the issues concerning the MIIs. This was followed up with a Two day PID Conclave organized at NISM Campus, Patalganga in February 2020.

Box Item 1.4: Regulatory measures taken by SEBI in view of ongoing market volatility

In the recent past, world over, the stock markets have been quite volatile owing to concerns relating to COVID-19 pandemic and the resultant fear of economic slowdown. Taking note of the continued abnormally high volatility in the market, SEBI discussed with the Stock Exchanges, Clearing Corporations and Depositories appropriate measures that may be taken in the existing circumstances. Pursuant to the said discussions and keeping in view the objective of ensuring orderly trading and settlement, effective risk management, price discovery and maintenance of market integrity, inter alia, following measures were taken for a period of One month beginning from March 23, 2020.

1. Stocks in derivatives segment (F&O stocks)**a. Revision of Market Wide Position Limit (MWPL).**

- For stocks in F&O segment meeting certain criteria with respect to Average Daily Price High Low variation percentage or average MWPL utilization percentage, MWPL were revised to 50 per cent of the existing levels. Further, in the event MWPL utilization in a security crossed 95 per cent, derivative contracts were to enter into ban period, wherein, all clients/trading members are required to trade in the derivative contracts of said scrips only to decrease their positions through offsetting positions and any increase in open positions would attract appropriate penal and/or disciplinary action of the stock exchanges / clearing corporations.
- Further, the stock exchanges/clearing corporations were required to check on an intra-day basis (monitoring of Peak intraday OI or periodic intraday monitoring of OI) whether any member or client has exceeded his existing positions or has created a new position in the scrips in the new ban period.
- Also, the penalty structure adopted by the stock exchanges / clearing corporations was enhanced to 10 times of the minimum and Five times of the maximum penalties specified by the stock exchanges/clearing corporations

b. Increase in margin for stocks meeting the aforesaid criteria with respect to Average Daily Price High Low variation percentage or average MWPL utilization percentage-

For such stocks, margin rate in Cash Market was increased to minimum 40 per cent in a phased manner as follows:

- Minimum 20 per cent effective from March 23, 2020
- Minimum 30 per cent effective from March 26, 2020
- Minimum 40 per cent effective from March 30, 2020

2. Increase in margin for non-F&O Stocks in Cash Market

For stocks with price band of 20 per cent and witnessing an intraday (high-low) price movement of more than 10 per cent for Three or more days in last One month, minimum margin rate was increased in a phased manner as follows:

- 30- per cent effective from March 23, 2020
- 40- per cent effective from March 26, 2020
- 40- per cent or Max intraday high-low variation (during last One month), whichever is higher, effective from March 30, 2020

Box Item 1.4: Regulatory measures taken by SEBI in view of ongoing market volatility (Contd.)**3. Index Derivatives**

The following revised position limits in Equity Index Derivatives (futures and options) for Mutual Funds/ FPIs/Trading Members (Proprietary)/Clients were made applicable:

- a. Short positions in index derivatives (short futures, short calls and long puts) shall not exceed (in notional value) the Mutual Funds'/FPIs'/Trading Members' (Proprietary) / Clients' holding of stocks.
- b. Long positions in index derivatives (long futures, long calls and short puts) shall not exceed (in notional value) the Mutual Funds' / FPIs' holding of cash, government securities, T- Bills and similar instruments.

Additional position limits of ₹ 1,000 crore were made available (₹ 500 crore in Equity Index Futures and ₹ 500 crore in Equity Index Options contracts) to Trading Members (Proprietary) / FPIs / Mutual Funds / Clients.

In case of positions in excess of above limits an additional deposit was payable by the entity equivalent to double the amount of margin chargeable on excess position beyond the limits prescribed and the same was to be retained by stock exchanges / clearing corporations for a period of Three months.

The existing positions as on the date of issuance of the circulars by the stock exchanges / clearing corporations were permitted to be held till expiry or close-out, whichever is earlier. However, if a fresh position was taken, then the entire positions (including the grandfathered positions) were subjected to limits mentioned above.

4. Flexing of dynamic price bands for F&O stocks

The stocks in the F& O segment are subject to dynamic price bands. The bands are relaxed in the event of market trends in either direction. In this regard, the dynamic price bands were allowed to be flexed only after a cooling- off period of 15 minutes from the time of meeting the existing criteria for flexing dynamic price bands.

V. Advisory Committees**1. Secondary Market Advisory Committee**

Secondary Market Advisory Committee (SMAC) chaired by Prof. Jayanth R. Varma, IIM, Ahmedabad reviews the developments in the secondary market and recommends measures for changes and improvements in market structure for improving market safety, efficiency, transparency, and integrity, etc. The Committee has met twice during the Financial Year 2019-20 and discussed issues such as

index computation and dissemination during trading disruption, optimum corpus of IPF, rationalizing the number of strikes in options, Client Collateral Management System - Margin obligations to be given by way of pledge / re-pledge in the Depository System review of the call auction framework etc.

2. Technical Advisory Committee

The Technical Advisory Committee (TAC) chaired by Prof. Ashok Jhunjhunwala, IIT Madras, advises SEBI to take informed

decisions in matters relating to securities market which require advanced understanding and knowledge of technology. The Committee has met Five times during the Financial Year 2019-20 and discussed matters relating to compliance of NSE in response to SEBI order in the case of NSE Co-Location; technical glitches and disruptions occurring in transaction systems of Market Infrastructure Institutions including Commodity derivative segment, Policy review of technological infrastructure at MIIs, technical issues pertaining to business continuity planning and disaster recovery, etc. This has helped SEBI to keep pace with technological advancements and frame appropriate regulations and policy guidelines accordingly.

3. Risk Management Review Committee

Risk Management Review Committee (RMRC) chaired by Prof. Jayanth R. Varma, IIM, Ahmedabad reviews, inter alia, the risk management framework for cash and derivatives (including commodity derivatives) segment and recommends changes, if required, in the regulatory provisions related to risk management framework including margining system. During 2019-20, Two meetings of RMRC were held wherein, RMRC discussed matters related to review of margin framework, cross-margining between indices, capping additional contribution by non-defaulting members to replenish the default fund et al.

4. High Powered Steering Committee on Cyber Security

High Powered Steering Committee on Cyber Security (HPSC-CS) is chaired by Whole Time Member, SEBI. Other members of the Committee are a member of SEBI's Technical Advisory Committee (TAC), a cyber-security

expert from a Government organization and Executive Director - Market Regulation Department of SEBI. The Committee was further broad based to include members from academia. The Committee guides SEBI on issues related to cyber security in the securities market. During the last financial year under the guidance of HPSC-CS, among other things SEBI has issued guidelines for Cyber Capability Index, mechanism of financial disincentive for delay in reporting of cyber security incidents/breaches and instructed MIIs to identify Critical information infrastructure in conjunction with National Critical Information Infrastructure Protection Centre (NCIIPC). HPSC-CS has also discussed about road map for SEBI Cyber Security Fusion Centre, comprehensive cyber audit observations of MIIs etc.

5. Committee on Financial and Regulatory Technologies

Set up in August 2017, the Committee on Financial and Regulatory Technologies (CFRT) under the Chairmanship of Shri T.V. Mohandas Pai, Chairman, Manipal Global Education is advising SEBI on an ongoing basis on the recent and medium term trends (within next Five years) in FinTech developments in securities market worldwide, opportunities and challenges from new FinTech solutions and its impact on Indian securities market, create an approach framework for regulatory sandbox in Indian market conditions to facilitate adoption of FinTech and promote financial innovations, assessing technological solutions for regulatory functions of SEBI viz. information management and data mining, risk management including cyber security, intermediary supervision, consumer protection, etc. through application of new technological solutions like application of distributed ledger technology, big data,

data analytics, artificial intelligence, machine Learning etc. It also advises cyber security at system level for the securities market and suggesting the creation of cyber security standards.

Under the Guidance of CFRT, SEBI has stipulated the guidelines for Innovation Sandbox. Under this framework, FinTech Startups and entities not regulated by SEBI have access to market related data, particular trading and holding data in an anonymised form, which is otherwise not readily available to them, to enable them to test their innovations effectively before the introduction of such innovations in a live environment subject to fulfillment of eligibility criteria.

SEBI, under the guidance of CFRT, has planned to introduce separate framework for Regulatory Sandbox. SEBI-Board has approved the framework for Regulatory Sandbox. It provides the live environment where new products, services, and business models can be deployed, on a limited set of customers, for a specified period of time, with certain relaxations in the extant SEBI regulations and guidelines.

III. COMMODITY DERIVATIVES MARKET

The following policy initiatives were taken during the FY 2019-20 for the regulation and development of the commodity derivatives market:

A. Options on goods in Commodity Derivatives market

The Government of India vide its notification S.O.3743(E) dated October 18, 2019 had declared a contract for the purchase or sale of a right to buy or sell or a right to buy and sell in future as a derivative for the purpose of the Securities Contracts (Regulation) Act, 1956 (SCRA).

Pursuant to this, SEBI vide circular dated January 16, 2020 has issued necessary guidelines on product design and risk management framework to operationalize options on goods in commodity derivatives market.

B. Futures on Commodity Indices

A consultation paper dated January 16, 2019 was issued by SEBI on draft norms for design of commodity indices and draft product design for futures on commodity indices.

After considering the comments/observations of the public/ stakeholders, SEBI vide its circular dated June 18, 2019, permitted recognized stock exchanges having commodity derivatives segment to introduce futures on commodity indices and prescribed guidelines for the design of commodity indices and product design for futures on Commodity Indices.

Box Item 1.5: Futures on Commodity Indices

Introduction of new commodity derivatives product is considered to be conducive for the overall development of the commodity derivatives market. It helps in attracting broad based participation, enhancing liquidity, facilitating hedging and bringing in more depth to the commodity derivatives market. In view of the fact that only futures and options on futures were allowed in the commodity derivatives trading space, subject of introduction of commodity indices was deliberated in the Commodity Derivatives Advisory Committee (CDAC).

Box item 1.5: Futures on Commodity Indices (Contd.)

The instrument of Index allows stakeholders to trade in an entire segment or basket, e.g. the entire base metal segment, through a single product. It is considered to be of immense benefit for SMEs and other small users who are exposed to the volatility in prices of the entire segment and also provides an avenue for participation by retail investors. Index-based products are also expected to encourage the participation of institutions such as mutual funds, insurance companies etc. in the commodity derivatives market.

Based on recommendations of CDAC, a consultation paper was issued on January 16, 2019 for public comments. Subsequently, after considering the comments of public and stakeholders, SEBI vide its circular dated June 18, 2019 permitted recognized stock exchanges with commodity derivative segment to introduce futures on commodity indices and issued guidelines for design of commodity indices and product design for futures on Commodity Indices.

C. Staggered delivery period in Commodity Futures Contract:

SEBI vide its circular dated September 21, 2016 had inter-alia specified the staggered delivery framework for commodity futures contracts.

On the basis of representations received from exchanges and recommendations of CDAC, vide circular dated July 26, 2019, SEBI issued following revised norms for staggered delivery:

1. Definition: Staggered delivery period is the period, beginning few working days prior to expiry of any contract and ending with expiry, during which sellers/buyers having open position may submit an intention to give/take delivery.
2. All compulsory delivery commodity futures contracts (agriculture commodities as well as non-agriculture commodities) shall have a staggered delivery period.
3. The minimum duration of staggered delivery period shall be at least five working days.
4. Exchanges shall have the flexibility to set higher duration of staggered delivery period for any commodity futures contract, as deemed fit, taking into account various factors

such as historical open interest, volume near expiry etc. In this regard, for the benefit of the market participants, all the exchanges shall jointly prepare and publish a detailed framework outlining various circumstances and factors which would generally require longer duration of staggered delivery period in any commodity.

D. Product Advisory Committee:

The recognised stock exchanges dealing in commodity derivatives segment have been directed to constitute a Product Advisory Committee (PAC) for each group/ complex of commodities having common stakeholders/ value chain participants, on which derivatives are traded or being proposed to be traded on the exchange. This will ensure transparency in the design process for commodity derivatives contract so that it caters to the needs of the physical market participants. Guidelines for the formation of PAC has been issued by SEBI vide circular dated August 07, 2019.

E. Performance review of Commodity Derivatives contracts:

In order to ensure that the derivatives contracts are closely aligned to the physical markets, it

is imperative to have a framework to evaluate the performance of these contracts based not merely on statistics regarding delivery and trade volumes but also on the strength of a comprehensive empirical assessment. Such an assessment would consider all relevant information, pertaining to the performance of a derivative contract during the relevant period of time. In view of the same and in consultation with the Commodity Derivatives Advisory Committee (CDAC), SEBI vide circular dated February 04, 2020 has prescribed parameters based on which all recognized stock exchanges shall review the performance of all contracts traded on their exchanges.

F. Guidelines for Liquidity Enhancement Scheme in Commodity Derivatives Contracts:

SEBI vide circular dated March 26, 2018 has inter-alia prescribed guidelines with respect to the incentives under Liquidity Enhancement Scheme (LES). Since an exchange in early years of its formation/commencement of business may not be able to generate profits or have free reserves from business operations, SEBI

vide circular dated July 26, 2019, based upon proposals from Exchanges, has exempted such exchanges from above mentioned guidelines and prescribed new guidelines with respect to the incentives under liquidity enhancement scheme.

G. Other key initiatives in Commodity Derivatives contracts

To avoid fragmentation, the Commodity Derivative exchanges were directed that no multiple contracts on the same commodity, except for Gold, Silver and precious metals, shall be permitted after December 2019.

To streamline the process of modifications in contract specifications, the contract specification parameters were categorized into Three categories based on their materiality:

Category A- Nonmaterial modifications which can be made at exchange level,

Category B- Material modifications which can be made at the exchange level and

Category C- Material modifications which can be made only after approval from SEBI.

H. Risk Management Regulatory Norms

Box Item 1.6: Review of Margin Framework for Commodity Derivatives Market

PSS-IOSCO Principles for Financial Market Infrastructure (PFMI) inter alia prescribes that margining model should to the extent practicable and prudent, limit the need for destabilising, pro-cyclical changes.

In light of above principle, SEBI vide circular dated January 27, 2020 decided, in consultation with stakeholders, to categorize commodities as per their realized volatility as under-

Volatility Category of Commodity	Realized Annualized Volatility criteria (last Three years) (in %)
Low	0 to 15
Medium	Above 15 to 20
High	Above 20

Box Item 1.6: Review of Margin Framework for Commodity Derivatives Market (Contd.)

Based on volatility category, minimum initial margin (IM) and minimum Margin Period of Risk (MPOR) shall be as under-

Volatility Category of Commodity	Minimum IM (%)		Minimum MPOR	
	Non-Agri	Agri	Non-Agri	Agri
Low	6	8	2	3
Medium	8	10	2	3
High	10	12	3	4

SEBI further stipulated additional lean period margins of Two per cent in agricultural commodities for contracts that have expiry during the lean season. Lean seasons for each commodity would be decided by the lead exchange in consultation with their Product Advisory Committee.

I. Review of norms to regain matched book

SEBI vide Circular dated September 01, 2016, inter alia, prescribed norms to regain matched book. The norms prescribed Four alternative tools to regain a matched book based on market conditions.

Based on the experience gained with regard to the implementation of these norms and the feedback from Clearing Corporations (CCs) and other stakeholders, SEBI vide circular dated March 03, 2020 has revised the Alternatives '3' and '4' of previous circular dated September 01, 2016 in terms of compensation and penalty applicable on tear-up of positions as under:

- Alternative 3:** Voluntary tear-up at last mark-to-market price along with compensation equal to 10 per cent of last mark-to-market price and penalty equal to One per cent of last mark-to-market price (to be credited to Settlement Guarantee Fund (SGF));
- Alternative 4:** Partial tear-up (pro-rata against members/clients having opposite positions) at last mark-to-market price along with compensation equal to Eight per cent of last mark-to-market price and penalty equal to

One per cent of last mark-to-market price (to be credited to SGF).

Further to enable timely and error free execution of clearing and settlement issues, CCs were also directed to have an automated system to implement all such tools.

J. Permitting Base Metals as eligible collateral

SEBI earlier had prescribed types of liquid assets, along with applicable minimum haircut and concentration limits, which Clearing Corporations may accept from their members.

The list of commodities/commodity groups permitted earlier as liquid assets consists of Bullion, Steel and Agricultural commodities. In light of the introduction of compulsory delivery based diamond and base metal derivatives contracts and feedback received from the stakeholders, SEBI vide circular dated September 13, 2019 had decided to include Diamond, Base metals and Alloys in the list of permissible liquid assets, with Minimum Haircut as mentioned below:

Item	Minimum Haircut (%)
Base metals and Alloys	30
Diamond	40

K. Cut-off time for determination of obligation regarding Margin Collection from Client

SEBI had received feedback from the market participants that members currently report margins collected from their clients to clearing corporations (CCs) vis-à-vis the End of Day (EOD) Risk Parameters File (RPF) generated by the CC. In case of commodity derivative products that are traded beyond 5:00 pm, members face difficulty in collecting Initial Margin (IM)/Extreme Loss Margin from their respective clients. This is because final margin requirements are crystallized at EOD, which is beyond banking hours.

In the light of the above, SEBI vide circular dated November 29, 2019 stipulated that for commodity derivative contracts, having trading hours beyond 5:00 PM, cut off time for determining minimum threshold of margins to be collected by members from their clients shall be kept as 5:00 pm.

L. Consultative approach

In Commodity Derivatives segment, policy decisions and reform measures taken generally emanate after extensive consultative processes through Commodity Derivatives Advisory Committee (CDAC) and valuable comments from the investing public and stakeholders at large through the public comments process.

Commodity Derivatives Advisory Committee (CDAC) was constituted in 2016 for reviewing the norms and practices pertaining to Commodity Derivatives Market and advises SEBI in drafting new norms for improvement in the practices. CDAC is further constituted into Two sub-groups, viz: “Developmental group” and “Regulatory group” who can be assigned various regulatory and developmental issues respectively for deliberation and examination

from time to time so as to assist CDAC to advise SEBI on various important policy matters in a better way.

During the financial year 2019-20, CDAC had One meeting on August 30, 2019.

IV. MUTUAL FUNDS

The Indian mutual fund industry is One of the fastest growing segments of the financial sector in India, on the back of robust capital inflows and strong participation of retail investors. In the last decade, the AUM of mutual fund industry has growth at the Compound Annual growth Rate (CAGR) rate of 13.7 per cent. The AUM of the Indian MF Industry has grown from ₹ 6.14 lakh crore as on 31st March, 2010 to ₹ 22.23 lakh crore as on 31st March, 2020, more than 350 per cent increase in a span of 10 years. This sections covers various measures taken during the year to re-energising growth, development, regulation and investor protection in an effective manner.

A. Participation of mutual funds in Commodity Derivatives Market in India:

1. In order to promote institutional participation in Exchange Traded Commodity Derivatives (ETCDs), it is decided to permit mutual funds to participate in ETCDs. The participation of mutual funds in ETCDs would be subject to the following:
 - a. Mutual funds are permitted to participate in ETCDs in India, except in commodity derivatives on ‘Sensitive Commodities’ as defined by SEBI.
 - b. ETCDs having gold as the underlying, shall also be considered as ‘gold related instrument’ for Gold Exchange Traded Funds (Gold ETFs).
 - c. No Mutual fund schemes shall invest in physical goods except in ‘gold’ through Gold ETFs.

Further, as mutual fund schemes participating in ETCDs may hold the underlying goods in case of physical settlement of contracts, in that case mutual funds shall dispose of such goods from the books of the scheme, at the earliest, not exceeding 30 days from the date of holding of the physical goods.

- d. No mutual fund scheme shall have net short positions in ETCDs on any particular good, considering its positions in physical goods as well as ETCDs, at any point of time.
- e. Mutual funds are permitted to participate in ETCDs through hybrid schemes, which include multi asset scheme and Gold ETFs.
- f. In case of existing schemes, prior to commencement of participation in ETCDs, in accordance with the provisions of Regulation 18(15A) of SEBI (Mutual Funds) Regulations, 1996 all unitholders shall be given a time-period of at least 30 days to exercise the option to exit at prevailing NAV without charging of exit load, if any.
- g. Prior to participation in ETCDs, the Asset Management Companies (AMCs) shall:
 - Appoint a dedicated fund manager with requisite skill and experience in commodities market (including commodity derivatives market).
 - Appoint a custodian registered with the Board for custody of the underlying goods, arising due to physical settlement of contracts.
 - Have written down investment policy for participation in ETCDs approved by the Board of the Asset Management Company and the Board of Trustees.
 - Have written down valuation policies approved by the Board of the AMC and the

Board of Trustees for valuation of commodity derivatives and the underlying goods, arising due to physical settlement of contracts. The approved valuation policies should be subject to the principles of fair valuation of the assets of mutual funds schemes.

- h. Before investing in Gold Deposit Schemes (GDS) of Banks, Gold Monetisation Schemes (GMS) and ETCDs having gold as the underlying, mutual funds shall put in place written policy with regard to such investments with due approval from the Board of the Asset Management Company and Board of Trustees. The policy should have provisions to make it necessary for the mutual fund to obtain approval of trustees for investment proposal in GDS of any Bank and GMS. The policy shall be reviewed by mutual funds, at least once in a year.
- i. Mutual fund schemes may participate in the ETCDs as 'clients' and shall be subject to all the rules, regulations and instructions, position limit norms, etc. as may be applicable to clients, issued by SEBI and Exchanges from time to time. The position limits at mutual fund level be as applicable to 'Trading Members'.
- j. Schemes investing in ETCDs shall be benchmarked against an appropriate benchmark.
- k. AMCs shall not onboard Foreign Portfolio Investors (FPIs) in schemes investing in ETCDs until FPIs are permitted to participate in ETCDs.
- l. Participation of mutual funds in ETCDs shall be subject to the following investment limits:
 - Mutual fund schemes shall participate in ETCDs of a particular good (single), not exceeding 10 per cent of net asset value of the

scheme. However, the limit of 10 per cent is not applicable for investments through Gold ETFs in ETCDs having gold as underlying.

- In case of multi assets allocation schemes, the exposure to ETCDs shall not be more than 30 per cent of the net asset value of the scheme.
 - In case of other hybrid schemes excluding multi assets allocation scheme, the participation in ETCDs shall not exceed 10 per cent of net asset value of the scheme.
 - In case of Gold ETFs, the cumulative exposure to gold related instruments i.e. GDS of banks, GMS and ETCD having gold as the underlying shall not exceed 50 per cent of net asset value of the scheme. However, within the 50 per cent limit, the investment limit for GDS and GMS as part of gold related instrument shall not exceed 20 per cent of net asset value of the scheme. The unutilized portion of the limit for GDS of banks and GMS can be utilized for ETCD having gold as the underlying.
 - The cumulative gross exposure through equity, debt and derivative positions (including commodity derivatives) shall not exceed 100 per cent of net asset value of the scheme.
- m. In case of mutual fund schemes investing in ETCDs, the AMC shall adhere to the following:
- The Net Asset Values (NAVs) of those schemes shall be updated on daily basis by the AMCs on their website and on the website of AMFI by 09:00 a.m. of the following calendar day.
 - The format of monthly and half yearly portfolio may be modified to reflect the investment in ETCDs
 - The total exposure to ETCDs shall be disclosed as a line item in the Monthly Cumulative Report (MCR) submitted by mutual funds.

2. Appointment of Custodian for Gold ETF - In case of a gold exchange traded fund scheme, the assets of the scheme being gold or gold related instruments may be kept in the custody of a custodian registered with the Board. While earlier only banks were permitted to be custodians for gold ETF schemes, now it can be either a bank or a non-bank.

B. System Audit framework for Mutual Funds / Asset Management Companies:

Considering the importance of systems audit in technology driven asset management activity and to enhance and standardize the systems audit, revised guidelines in this regard are prescribed.

1. The audit should be encompassing audit of systems and processes, inter alia, related to examination of integration of front office system with the back office system, fund accounting system for calculation of net asset values, financial accounting and reporting system for the AMC, Unit-holder administration and servicing systems for customer service, funds flow process, system processes for meeting regulatory requirements, prudential investment limits and access rights to systems interface.
2. Mutual Funds / AMCs are advised to conduct systems audit on an annual basis by an independent Certified Information Systems Auditor (CISA)/ Certified Information Security Manager (CISM) qualified or equivalent auditor to check compliance of these provisions.
3. Mutual Funds / AMCs are further advised to take necessary steps to put in place systems for implementation these provisions. The exception report should be placed before the Technology Committee for review. The

Technology Committee after review shall place the same before the AMC and Trustee Board. Thereafter, exception observation report along with trustee comments starting from the financial year April 2019 – March 2020 should be communicated to SEBI within Six months of the respective financial year. Further, System Audit Reports shall be made available for inspection.

C. Technology Committee for Mutual Funds / Asset Management Companies

With rapid technological advancement in securities market, technology is playing a very important role in asset management business and have a major impact on the various processes and controls designed and implemented by AMCs. The role of technology related aspects has become even more critical in managing risks related to asset management business.

1. In order to deal with various technology related issues, AMCs are advised to constitute a Technology Committee comprising experts proficient in technology. Such committee shall have at least One independent external expert with adequate experience in the area of technology in mutual fund industry / Banking, Financial services and Insurance (BFSI).
2. The aforementioned committee shall, inter alia, review the cyber security and cyber resilience framework for mutual funds / AMCs and review the system audit related aspects of AMCs.

D. Creation of segregated portfolio in mutual fund schemes

It is decided to permit creation of segregated portfolio of unrated debt or money market instruments by mutual fund schemes of an

issuer that does not have any outstanding rated debt or money market instruments, subject to the following:

1. Segregated portfolio of such unrated debt or money market instruments may be created only in case of actual default of either the interest or principal amount. Credit event is considered for creation of segregated portfolio, however in this scenario, 'actual default' by the issuer of such instruments shall be considered for creation of segregated portfolio.
2. AMCs shall inform AMFI immediately about the actual default by the issuer. Upon being informed about the default, AMFI shall immediately inform the same to all AMCs. Pursuant to dissemination of information by AMFI about actual default by the issuer, AMCs may segregate the portfolio of debt or money market instruments of the said issuer.
3. Creation of segregated portfolio shall be optional and at the discretion of the AMC. It should be created only if the Scheme Information Document (SID) of the scheme has provisions for segregated portfolio with adequate disclosures. All new schemes shall have the enabling provisions included in the SID for creation of segregated portfolio.
4. All other conditions with regard to creation of segregated portfolio as defined at present shall remain the same.

E. Risk management framework for Liquid and Overnight Funds

1. In order to augment the risk management framework for liquid and overnight funds, the following is decided:
 - a. Liquid funds shall hold at least 20 per cent of its net assets in liquid assets. For this purpose, 'liquid assets' shall include cash, Government

Securities, T-bills and Repo on Government Securities.

- b. In case, the exposure in such liquid assets falls below 20 per cent of net assets of the scheme, the AMC shall ensure compliance with the above requirement before making any further investments.
2. Liquid funds and overnight funds shall not park funds pending deployment in short term deposits of scheduled commercial banks.
3. Liquid funds and overnight funds shall not invest in debt securities having structured obligations (SO) rating and/ or credit enhancements (CE) rating. However, debt securities with government guarantee shall be excluded from such restriction.
4. Mutual fund shall levy exit load on investors who exit the Liquid Fund within Seven days of their investment.
5. To ensure uniformity across the industry, AMFI is advised to prescribe the minimum exit load in a liquid fund on a graded basis as specified above in consultation with SEBI.
6. The cut-off timings for applicability of Net Asset Value (NAV) in respect of purchase of units in liquid and overnight funds shall be 1:30 pm instead of 2:00 pm.
7. With respect to investment and advisory fee for parking of funds in short term deposits, it has been decided that AMC shall not be permitted to charge investment management and advisory fees for parking of funds in short term deposits of scheduled commercial banks."

F. Review of investment norms for mutual funds for investment in securities:

1. Investment in listed Debt securities - In order to enhance transparency and disclosure

for investment in debt and money market instruments by mutual funds, the following has been decided:

- a. Mutual fund scheme shall not invest in unlisted debt instruments including commercial papers (CPs), other than (a) government securities, (b) other money market instruments and (c) derivative products such as Interest Rate Swaps (IRS), Interest Rate Futures (IRF), etc. which are used by mutual funds for hedging.

However, mutual fund schemes may invest in unlisted Non-Convertible Debentures (NCDs) not exceeding 10 per cent of the debt portfolio of the scheme subject to the condition that such unlisted NCDs have a simple structure (i.e. with fixed and uniform coupon, fixed maturity period, without options, fully paid up upfront, without any credit enhancements or structured obligations) and are rated and secured with coupon payment frequency on monthly basis.

- b. The implementation of the provisions would be subject to the following:

Timelines and investment limits:

Timeline (As on)	31/03/2020	30/06/2020
Maximum investment in unlisted NCDs as % of the debt portfolio of the scheme.	15	10

- c. For the purpose of the provisions of investment in listed and unrated debt instrument, listed debt instruments shall include listed and to be listed debt instruments.
- d. All fresh investments by mutual fund schemes in CPs would be made only in CPs which are listed or to be listed with effect from One month from the date of operationalization of framework for listing of CPs or January 01, 2020, whichever is later.

- e. Further, investment in unrated debt and money market instruments, other than government securities, treasury bills, derivative products such as Interest Rate Swaps (IRS), Interest Rate Futures (IRF), etc. by mutual fund schemes shall be subject to the following:
 - Investments should only be made in such instruments, including bills re-discounting, usance bills, etc., that are generally not rated and for which separate investment norms or limits are not provided in SEBI (Mutual Fund) Regulations, 1996 and various circulars issued thereunder.
 - Exposure of mutual fund schemes in such instruments, shall not exceed Five per cent of the net assets of the schemes.
 - All such investments shall be made with the prior approval of the Board of AMC and the Board of trustees.
 - The existing investments of mutual fund schemes in such instruments in excess of the aforesaid limit of Five per cent may be grandfathered till maturity date (as stands as on the date of this circular) of such instruments.
- 2. Investment in Debt instruments having Structured Obligations/Credit Enhancements**
 - a. The investment of mutual fund schemes in the following instruments shall not exceed 10 per cent of the debt portfolio of the schemes and the group exposure in such instruments shall not exceed Five per cent of the debt portfolio of the schemes:
 - Unsupported rating of debt instruments (i.e. without factoring-in credit enhancements) is below investment grade and
 - Supported rating of debt instruments (i.e. after factoring-in credit enhancement) is above investment grade.
 - b. Investment limits as mentioned in paragraph (i) above shall not be applicable on investments in securitized debt instruments.
 - c. Investment in debt instruments, having credit enhancements backed by equity shares directly or indirectly, shall have a minimum cover of Four times considering the market value of such shares.
 - d. AMCs may ensure that the investment in debt instruments having credit enhancements are sufficiently covered to address the market volatility and reduce the inefficiencies of invoking of the pledge or cover, whenever required, without impacting the interest of the investors. In case of fall in the value of the cover below the specified limit, AMCs should initiate necessary steps to ensure protection of the interest of the investors.
 - e. Details of investments in debt instruments having structured obligations or credit enhancement features should be disclosed distinctively in the monthly portfolio statement of mutual fund schemes.
- 3. Sector Level Exposure Limits - With respect to sector level exposure limits, the following has been decided:**
 - a. The sector exposure limit has been capped at 20 per cent as against 25 per cent.
 - b. The additional exposure limits provided for Housing Finance Companies (HFCs) in financial services sector has been capped at 10 per cent as against 15 per cent. Further, an additional exposure of Five per cent of the net assets of the scheme has been allowed for investments in securitized debt instruments based on retail housing loan portfolio and/or affordable housing loan portfolio.
 - However the overall exposure in HFCs shall not

exceed the sector exposure limit of 20 per cent of the net assets of the scheme.

- c. Further, appropriate disclosures in this regard shall be made in Scheme Information Document and Key Information Memorandum (KIM) of debt schemes.

4. Group Level Exposure Limits

With respect to Group Level Exposure Limits, the following has been decided:

- a. The investments by debt mutual fund schemes in debt and money market instruments of group companies of both the sponsor and the asset management company shall not exceed 10 per cent of the net assets of the scheme. Such investment limit may be extended to 15 per cent of the net assets of the scheme with the prior approval of the Board of Trustees.
- b. All AMCs shall publish on their respective website a list of their group companies and those of their sponsor(s).
- c. AMFI shall publish on its website a list of all group companies along with names and identifier of the respective group that are considered for calculation of group exposure by mutual fund schemes and also the sector to which each company belongs.

5. Internal Credit Risk Assessment-

With respect to internal credit risk assessment at the AMC, it is mentioned that in order to ensure that mutual funds are able to carry out their own credit assessment of assets and reduce reliance on credit rating agencies, all AMCs are required to have an appropriate policy and system in place to conduct an in-house credit risk assessment/ due diligence of debt and money market instruments/ products at all points of time i.e. before investing in such instruments/ products and also on continuous

basis in order to have proper assessment of the credit risk of the portfolio. Further, the internal policy should have adequate provisions to generate early warning signals (including yield based alerts) on deterioration of credit profile of the issuer. Based on the alerts generated, the AMCs shall take appropriate measures and report the same to trustees.

6. Investment in Equity –

All investments by a mutual fund scheme in equity shares and equity related instruments shall only be made provided such securities are listed or to be listed.

G. Management and advisory services by AMCs to Foreign Portfolio Investors

AMCs may provide management and advisory services in terms of Regulation 24(b) of MF Regulations to FPIs falling under the following categories of FPIs as specified in FPI Regulations:

1. Government and Government related investors such as central banks, sovereign wealth funds, international or multilateral organizations or agencies including entities controlled or at least 75 per cent directly or indirectly owned by such Government and Government related investor(s);
2. Appropriately regulated entities such as pension funds, insurance or reinsurance entities, banks and mutual funds;
3. Appropriately regulated FPIs wherein (a) or (b) above hold more than 50 per cent of shares/ units.

H. Reporting for Artificial Intelligence and Machine Learning applications and systems offered and used by Mutual Funds

1. There is increasing usage of Artificial Intelligence (AI) and Machine Learning (ML)

as product offerings by market intermediaries and participants (e.g.: “robo advisors”) in investor and consumer facing products. SEBI is conducting a survey and creating an inventory of the AI / ML landscape in the Indian financial markets to gain an in-depth understanding of the adoption of such technologies in the markets and to ensure preparedness for any AI / ML policies that may arise in the future.

2. As most AI / ML systems are black boxes and their behavior cannot be easily quantified, it is imperative to ensure that any advertised financial benefit owing to these technologies in investor facing financial products offered by intermediaries should not constitute to misrepresentation.

Scope and definition

3. Any set of applications / software / programs / executable / systems (computer systems) – cumulatively called application and systems,
 - that are offered to investors (individuals and institutions) or used internally by mutual funds to facilitate investing, trading or for any other purpose, OR
 - to disseminate investments strategies and advice, OR
 - to carry out compliance / operations / other activities,
4. Where AI / ML is portrayed as a part of the public product offering or under usage for compliance or management purposes, is included in the scope of this circular. Here, “AI” / “ML” refers to the terms “Artificial Intelligence” and “Machine Learning” used as a part of the product offerings. In order to make the scope of this circular inclusive of various AI and ML technologies in use, the scope also covers Fin-Tech and Reg-Tech initiatives undertaken by market participants that involves AI and ML.
5. Technologies that are considered to be categorized as AI and ML technologies in the scope of this circular are provided in the circular.

Regulatory requirements

6. All registered mutual funds offering or using applications or systems as defined in the circular, should participate in the reporting process by completing the AI / ML reporting.
7. With effect from quarter ending June 2019, registered mutual funds using AI / ML based application or system as defined in the circular, are required to fill in the AI / ML reporting form (as provided in the circular) and make submissions on quarterly basis within 15 calendar days of the expiry of the quarter to AMFI.
8. AMFI shall consolidate the information on AI / ML applications and systems reported by mutual funds on quarterly basis and submit to SEBI at email id AIML_MF@sebi.gov.in within 30 calendar days of the expiry of the quarter, starting from quarter ending June 2019.
9. AMFI shall ensure that confidentiality is maintained regarding the information received by them from mutual funds
- I. **Parking of funds in Short Term Deposits of Scheduled Commercial Banks by mutual funds – Pending deployment.**

SEBI (Mutual Funds) Regulations, 1996 permits mutual fund to invest funds of a scheme, pending deployment in terms of investment objectives of the scheme, in short term deposits (STD) of schedule commercial banks, subject to such guidelines as may be specified by the Board.

In this regard, a clarification was issued advising Trustees/Asset Management Companies to ensure that no funds of a scheme are parked in Short Term Deposit of a bank which has invested in that scheme. Further, Trustees/AMCs were also advised to ensure that the bank in which a scheme has STD do not invest in the said scheme until the scheme has STD with such bank.

J. Norms for Debt ETF / Index Funds

SEBI vide circular dated November 29, 2019 issued norms applicable to all Debt ETFs and Index Funds tracking debt indices (except Debt ETFs / Index Funds tracking debt indices having constituents as G-Secs, T-Bills and Tri-party Repo only). The circular inter-alia prescribes norms on minimum no of issuers in the index,

maximum weightage of the issuer, rating of the constituents, replication of debt securities mandated in the index etc.

K. Investment in units of mutual funds in the name of minor through guardian and ease of process for transmission of units

To bring about uniformity across asset management companies in respect of investments made in the name of a minor through a guardian and to enable efficient transmission of units, SEBI has laid down a defined process vide SEBI circular dated December 24, 2019. To ensure uniformity across the industry, AMFI has been advised to prescribe the forms, formats, common set of documents, uniform process for treatment of unclaimed funds as per this circular.

Box Item 1.7: Valuation of Money Market and Debt Securities by Mutual Funds

SEBI vide various circulars had prescribed the guidelines on valuation of money market and debt securities. In order to align these guidelines with best practices and improve the robustness of valuation, various modifications were made to these circulars, few of which are as listed below:

1. In order to bring uniformity and consistency in valuation, it was mandated that AMFI, in consultation with SEBI, shall document a waterfall approach for valuation of money market and debt securities. The SEBI guidelines also inter-alia lays down following broad principles that should be adopted as part of the waterfall approach:
 - a. All traded securities shall be valued on the basis of traded yields, subject to identification of outlier trades by the valuation agencies.
 - b. Volume Weighted Average Yield (VWAY) for trades in the last One hour of trading shall be used as the basis for valuation of Government Securities (including T-bills). Valuation of all other money market and debt securities (including Government securities not traded in last One hour) shall be done on the basis of VWAY of all trades during the day.
 - c. An indicative list of exceptional events shall form part of the documented waterfall approach mentioned above. In case of any exceptional events on a day, only VWAY of trades post such event may be considered for valuation. Further, all exceptional events along-with valuation carried out on such dates shall be documented with adequate justification.
 - d. Considering the importance of polling in the valuation process, guidelines shall be issued by AMFI on polling by valuation agencies and on the responsibilities of mutual funds in the polling process, as part of the aforesaid waterfall approach.

Box Item 1.7: Valuation of Money Market and Debt Securities by Mutual Funds (Contd.)

- a. AMCs shall have a written policy, approved by the Board of AMC and Trustees, on governance of the polling process. The aforesaid policy shall include measures for mitigation of potential conflicts of interest in the polling process and shall identify senior officials responsible for polling.
 - b. AMCs shall ensure that participation in the polling process is not misused to inappropriately influence the valuation of securities. The officials of the AMC who are responsible for polling, shall also be personally liable for any misuse of the polling process.
2. Further, with regard to valuation of securities following was also decided:
 - a. With effect from May 01, 2020 onwards, amortization based valuation shall be dispensed with irrespective of residual maturity, all money market and debt securities shall be valued at average of security level prices obtained from valuation agencies.
 - b. Government Securities (including T-bills) is to be valued on the basis of security level prices obtained from valuation agencies.
 - c. The valuation of bills purchased under rediscounting scheme shall be as per the guidelines mentioned for valuation of money market instruments.
 - d. Investments in short-term deposits with banks (pending deployment) and repurchase (repo) transactions (including tri-party repo i.e. TREPS) with tenor of up to 30 days, shall be valued on cost plus accrual basis.
 - e. In order to have uniformity in valuation methodology, prices for all OTC derivatives and market linked debentures shall be obtained from valuation agencies.
3. Further, with regard to valuation of securities with put/call option it was decided that:
 - a. Only securities with put / call options on the same day and having the same put and call option price, shall be deemed to mature on such put / call date and shall be valued accordingly. For all other cases, the cash flow of each put / call option is to be evaluated for valuation.
 - b. Any put option inserted subsequent to the issuance of the security is not to be considered for the purpose of valuation and original terms of the issue will be considered for valuation.
 - c. AMCs, being responsible of fair valuation, are permitted to deviate from the valuation price given by the valuation agencies, subject to appropriate documentation of rationale and disclosures.
 - d. With respect to money market and debt securities rated below investment grade:
 - e. It was clarified that a money market or debt security shall be classified as “below investment grade” if the long term rating of the security issued by a SEBI registered Credit Rating Agency (CRA) is below BBB- or if the short term rating of the security is below A3. Further, a money market or debt security shall be classified as “Default” if the interest and / or principal amount has not been received, on the day such amount was due or when such security has been downgraded to “Default” grade by a CRA.
 - f. Mutual Funds have also been mandated to promptly inform to the valuation agencies and CRAs, any instance of non-receipt of payment of interest and / or principal amount (part or full) in any security.

Box Item 1.7: Valuation of Money Market and Debt Securities by Mutual Funds (Contd.)

4. In order to increase the robustness of valuation and address possible misuse, the following was mandated:
 - a. Mutual funds cannot use their own trades for valuation of debt and money market securities and for Inter-scheme transfers.
 - b. AMCs shall seek prices for IST of any money market or debt security (irrespective of maturity), from the valuation agencies.
 - c. While making any change to terms of an investment, mutual funds shall adhere to the following conditions:
 - Any changes to the terms of investment, including extension in maturity of a money market or debt security, shall be reported to the valuation agencies and SEBI registered credit rating agencies immediately, along-with reasons for such changes.
 - Any extension in the maturity of a money market or debt security shall result in the security being treated as “Default”, for the purpose of valuation.
 - If the maturity date of a money market or debt security is shortened and then subsequently extended, the security shall be treated as “Default” for the purpose of valuation.
 - Any put option inserted subsequent to the issuance of the security shall not be considered for the purpose of valuation and original terms of the issue will be considered for valuation.

L. Relaxation in compliance with requirements pertaining to mutual funds

In light of market events pursuant to COVID-19, temporary relaxations were granted with respect to compliance requirements for mutual funds from specified Regulations of SEBI (Mutual Funds) Regulations, 1996 and circulars issued thereunder.

M. Automation of inspection and surveillance of MFs

SEBI had implemented a project to ingest mutual fund related data in SEBI database and develop algorithms in order to generate instances of breaches of regulatory guidelines by mutual funds along with alert on possible non-compliances. Accordingly, data for April 2019 has already been ingested and alerts in respect of several important guidelines where quantitative analysis is possible has been generated. Data for May to December 2019 is being ingested and attempt is being made to further increase the type of alerts. This project will enable SEBI to leverage technology to

move towards automation of inspections of mutual fund and reduce the lag in recognition of violations.

N. Advisory Committee on Mutual Funds

SEBI has Mutual Funds Advisory Committee (MFAC), which comprises industry representatives, investor associations, government representatives and other stakeholders. The committee provides a platform for interaction and deliberations on issues related to the MF industry. It acts as a platform for SEBI to place its various regulatory development activities and at the same time the industry places its agenda before SEBI for further consideration. Various working groups of MFAC were also convened during the year to deliberate in detail certain issues under examination at MFAC. During financial year 2019-20, the committee under the Chairmanship of Ms. Arundhati Bhattacharya, met Five times and gave its recommendations on various policy issues encompassing the MF industry.

Box Item 1.8: Automation of inspection and surveillance of Mutual Funds

SEBI is in the process of implementing a project on automation of inspections and surveillance of Mutual Funds whereby Mutual Fund related data is being ingested in SEBI database and use of algorithms in order to generate instances of breaches of regulatory guidelines by MFs in respect of several important guidelines where quantitative analysis is possible. Successful implementation of this project will enable SEBI to leverage technology to move towards automation of inspections of Mutual Funds, 100 per cent inspection of data in place of samples and to reduce the lag in recognition of violations.

V. INTERMEDIARIES ASSOCIATED WITH THE SECURITIES MARKET

Market intermediaries, being a vital link between the MIIs, issuers and investors, constitute one of the important players in the Securities market. By providing variety of services, they facilitate easy flow of capital between corporates and investors, acting as a lubricant of the financial system that keeps engines of the financial systems moving. SEBI is responsible for the registration, supervision, compliance, monitoring and inspections of all market intermediaries in respect of all segments of the markets viz. equity, equity derivatives, currency derivatives, debt and debt related derivatives and commodity derivatives. In order to continuously evaluate the performance of intermediaries and also at the same time facilitate ease of doing business, the following measures were taken during 2019-20:

A. Trading Members/Clearing Members**1. Handling of Clients' Securities by Trading Members (TM) / Clearing Members:**

In order to provide clarity with respect to a TM/CM maintaining a running account for client securities and pledging the client securities with Banks/NBFCs, following guidelines were issued:

- a. The securities received in pay-out against which payment has been made by clients, shall be transferred to the demat account of the respective clients within One working day of the pay-out. Such securities shall be transferred directly from the pool account of the TM/CM to the demat account of the respective client.
- b. With regard to securities that have not been paid for in full by the clients (unpaid securities), a separate client account titled – “client unpaid securities account” shall be opened by the TM/CM. Unpaid securities shall be transferred to such “client unpaid securities account” from the pool account of the concerned TM/CM.
- c. The securities kept in the ‘client unpaid securities account’ shall either be transferred to the demat account of the respective client upon fulfilment of client’s funds obligation or shall be disposed of in the market by TM/CM within Five trading days after the pay-out. The unpaid securities shall be sold from the Unique Client Code (UCC) of the respective client. Profit/loss on the sale transaction of the unpaid securities, if any, shall be transferred to/adjusted from the respective client account.
- d. In case the clients’ securities are kept in the ‘client unpaid securities account’ beyond Seven trading days after the pay-out, the depositories shall under their bye-laws levy appropriate penalties upon such TM/CM which shall not be permitted to be recovered from the client.
- e. Client securities received as collateral shall be used only for meeting the respective client’s

margin requirement by way of depositing the same with Stock Exchange/ Clearing Corporation/ Clearing House.

- f. Clients' securities lying with the TM/CM in "client collateral account", "Client Margin Trading Securities account" and "client unpaid securities account" cannot be pledged to the banks/NBFCs for raising funds, even with authorization by client as the same would amount to fund based activity by TM/CM which is in contravention of Rule 8(1)(f) & 8(3)(f) of Securities Contracts (Regulation) Rules, 1957.

2. Rationalization of imposition of fines for false/incorrect reporting of margins or non-reporting of margins by Trading Member/ Clearing Member in all segments:

In order to rationalize and bring uniformity in the manner of imposition of fine for 'false/incorrect' reporting of margin vis-à-vis 'non-reporting of margin, the Stock exchanges and Clearing Corporations, in all segments in consultation with one another, were advised to devise a standard framework for imposition of fine on the Trading Member/ Clearing Member for incorrect / false reporting and non-reporting of margin collected from the clients.

Further, considering the principle of 'proportionality', the fine shall be charged to the member based on the materiality of non-compliance done and the amount of fine to be charged upon the member may extend to 100 per cent of such false/incorrectly/non reported amount of margin and/or suspension of trading for appropriate number of days.

3. Cyber Security & Cyber Resilience framework for KYC Registration Agencies:

Rapid technological developments in securities market have highlighted the need for maintaining robust Cyber Security and Cyber Resilience framework to protect the integrity of data and guard against breaches of privacy. As KYC Registration Agencies (KRAs) perform important function of maintaining KYC records of the clients in the securities market, it was decided to make the Cyber Security and Cyber Resilience framework applicable for KYC Registration Agencies.

4. Cyber Security & Cyber Resilience framework for Stock Brokers / Depository Participants and Qualified Registrars to an Issue / Share Transfer Agents

SEBI, had prescribed the framework for Cyber Security & Cyber Resilience for Stock Brokers and Depository Participants and qualified registrars to an issue/ share transfer agents. Further to the same, SEBI prescribed the format, time period and periodicity of the submission of the cyber security and cyber resilience report. SEBI also clarified the qualified auditors who can audit the systems of the stock brokers and depository participants.

5. Master Circular Pertaining to Guidelines on Anti-Money Laundering (AML)

During the year 2019-20, SEBI issued master circular pertaining to Guidelines on Anti-Money Laundering (AML) Standards and Combating the Financing of Terrorism (CFT) /Obligations of Securities Market Intermediaries under the Prevention of Money Laundering Act, 2002 and Rules framed there under. The said circular was issued compiling various circulars issued by SEBI addressed to

All Intermediaries registered with SEBI under Section 12 of the SEBI Act, 1992 and for Asset Management Companies.

6. E-KYC Authentication facility under section 11A of the Prevention of Money Laundering Act, 2002 by Entities in the securities market for Resident Investors:

- a. Entities in the securities market, as may be notified by the Central Government, shall be allowed to undertake Aadhaar Authentication under section 11A of the PMLA. SEBI Registered intermediaries for reasons such as online on-boarding of clients, customer convenience, increased efficiency and reduced time for client on-boarding would prefer to use Aadhaar based e-KYC facility to complete the KYC of the client.
- b. These entities would be registered with UIDAI as KYC user agency ("KUA") and shall allow all the SEBI registered intermediaries / mutual fund distributors to undertake Aadhaar Authentication of their clients for the purpose of KYC through them.
- c. The SEBI registered intermediaries / mutual fund distributors, who want to undertake Aadhaar authentication services through KUAs, shall enter into an agreement with any one KUA and get themselves registered with UIDAI as sub-KUAs. The agreement in this regard shall be as may be prescribed by UIDAI.
- d. Upon notification by the Central Government / registration with UIDAI, the KUAs and sub-KUAs shall adopt the following process for Aadhaar e-KYC of investors (resident) in the securities market.

7. Mapping of Unique Client Code with demat account of the clients:

To facilitate ease in reconciliation, it was

considered necessary to map clients' Unique Client Code (UCC) with their demat accounts. For mapping of UCC with the demat account of the clients, following guidelines were issued:

UCC allotted by the trading member (TM) to the client shall be mapped with the demat account of the client.

A client may trade through multiple TMs in which case each such UCC shall be mapped with One or more demat account(s).

Stock exchanges shall share the UCC data with the Depositories which shall include the PAN, segment, TM/CM code and UCC allotted. Such UCC data shall be shared with the Depositories on a One-time basis by November 30, 2019, and subsequently incremental data in respect of new UCCs created, shall be shared on a daily basis.

Depositories shall map the UCC data in the demat account based on the PAN provided in the UCC database.

Clients may make a request to their depository participants to delink or add UCC details which shall be processed by the Depository through depository participants. Before any addition of UCC in the demat account, the Depositories shall validate the same with the Stock exchanges / client. Stock exchanges and Depositories shall have a mechanism in place to address clients' complaints with regard to UCC mapping with their demat accounts.

Stock exchanges and Depositories shall have a mechanism in place to ensure that inactive, non-operational UCCs are not misused and also a mechanism to ensure that inactive, non-operational UCCs are weeded out in the process of mapping clients' UCC with their demat account.

8. Collection and reporting of margins by Trading Member (TM) /Clearing Member (CM) in Cash Segment:

SEBI decided that Trading Member (TM) / Clearing Member (CM) in cash segment will be required to mandatorily collect upfront VaR (Value at Risk) Margins and Extreme Loss Margins from their clients. TM/CM are exempted from collecting upfront margins from the institutional investors carrying out business transactions and in cases where early pay-in of securities is made by the clients for sale transaction.

9. Margin obligations to be given by pledge / re-pledge in the Depository system:

- a. SEBI had extensive consultation with market participants to devise a framework that mitigates the risk of misappropriation or misuse of client's securities available with the TM / CM / DP. The misappropriation or misuse would include use of One client's securities to meet the exposure, margin or settlement obligations of another client or of the TM / CM.
- b. With effect from June 01, 2020, TM / CM shall, inter alia, accept collateral from clients in the form of securities, only by way of 'margin pledge', created in the Depository system in accordance with Section 12 of the Depositories Act, 1996 read with Regulation 79 of the SEBI (Depositories and Participants) Regulations, 2018 and the relevant Bye Laws of the Depositories.
- c. Transfer of securities to the demat account of the TM / CM for margin purposes (i.e. title transfer collateral arrangements) shall be prohibited. In case, a client has given a power of attorney in favour of a TM / CM, such holding of power of attorney shall not be considered as equivalent to the collection of margin by the TM / CM in

respect of securities held in the demat account of the client.

- d. Guidelines were issued regarding mechanism for the above and operational mechanism for margin pledge and framework for utilisation of client's pledged securities for exposure and margin, was prescribed.

10. Amendment in rights and obligations of Members, Authorized Persons and Clients

Clients in Commodity Derivatives segment were required to submit a physical form for providing e-mail-id, if they wish to receive contracts notes in electronic form whereas, clients in segments other than commodity derivatives segment are required to provide an appropriate email id to the stock broker.

For ease of investors in commodity derivatives segment with regard to receiving electronic contract notes, the manner of providing e-mail id to the stock broker was harmonized with that of other segments by amending Rights and Obligations of Members, Authorized Persons and Clients' of FMC circular No. FMC/ COMPL/IV/KRA-05/11/14 dated February 26, 2015.

B. Credit Rating Agencies

1. Amendment in Credit Rating Agencies Regulations 1999:

The Credit Rating Agencies Regulations (CRA Regulations) were amended to mandate the CRAs to incorporate an enabling provision in their rating agreement with the issuer/client, wherein the client shall provide explicit consent to the CRA to obtain the details related to their existing and/or future borrowing of any nature, its repayment and delay or default, if any, of any nature, in serving the borrowing, either from the lender or any other statutory/

non-statutory organization maintaining any such information. This was to enable the CRA to have timely information on the same to enable them to consider its impact on the rating assigned by the CRA.

2. Guidelines for Enhanced Disclosures by Credit Rating Agencies

In order to further strengthen the disclosures made by CRAs and enhance the rating standards, following norms were mandated:

- a. With a view to align the methodology of calculation of default rates with that followed globally, CRAs shall calculate Cumulative Default Rate [CDR] issuer-wise using the Marginal Default Rate [MDR] approach, using monthly static pools. Further, CRAs to disclose annually, average 1-year, 2-year and 3-year default rates for short-run and the same averaged over 10-year period for long-run default rates.
- b. In order to enable investors to discern the performance of a CRA vis-à-vis a standardised Probability of Default (PD) benchmark scale, CRAs, in consultation with SEBI, shall prepare a standardized and uniform PD benchmarks for each rating category, for 1-year, 2-year and 3-year cumulative default rates, both for short-run and long-run and disclose the same on their website.
- c. The PD benchmark for the rating categories AAA, AA and A shall be as under, subject to any unexpected legal events/ mitigating circumstances impacting the default rates, with certain permitted tolerance levels:
 - For AAA:
 - √ Zero for 1-year and 2-year default rate
 - √ Zero for 3-year default rate, with a tolerance level of One per cent.

- For AA:
 - √ Zero for 1-year default rate.
 - √ Zero for 2-year default rate with a tolerance level of Two per cent.
- For A:
 - √ Zero for 1-year default rate with a tolerance level of Three per cent

- d. CRAs shall now assign the suffix 'CE' (Credit Enhancement) to rating of instruments having explicit credit enhancement. To bring more transparency and to enable investors to understand the extent of credit enhancement provided by third party/ parent/ group Company, CRAs shall now disclose both the ratings in the press release for such instrument i.e. unsupported ratings without factoring in the explicit credit enhancement and supported rating after factoring in the explicit credit enhancement. The CRAs shall also devise a model to assess the adequacy of credit enhancement structure under various scenarios including stress scenarios and disclose such assessment in the press release.
- e. CRA shall have a specific section on 'Rating Sensitivities' in the press release which shall explain the broad level of operating and/ or financial performance levels that could trigger a rating change, upward and downward.
- f. CRAs shall also disclose the liquidity indicators using One of the indicator namely superior/ strong, adequate, stretched and poor following and give an explanation thereon.
- g. It was reiterated that CRAs shall devise a model to track deviations in bond spreads in line with that prescribed vide SEBI circular dated Nov 13, 2018.

3. Enhanced Governance Norms for Credit Rating Agencies (CRAs) vide Circular SEBI/HO/MIRSD/CRADT/CIR/P/2019/121 dated Nov 04, 2019:

In order to further enhance the accountability and governance of the CRAs, certain additional governance norms were prescribed/ mandated for the CRAs, which are as follows:

- a. MD/CEO of a CRA shall not be a member of rating committees of the CRA
- b. Rating committees of a CRA shall report to a Chief Ratings Officer (CRO).
- c. One third of the board of a CRA shall comprise of independent directors, if the board is chaired by a non-executive director. In case the board of the CRA is chaired by an executive director, half of the board shall comprise of independent directors
- d. The board of a CRA shall constitute Ratings Sub-Committee and Nomination and Remuneration Committee.
- e. The CRO shall directly report to the Ratings Sub-Committee of the board.
- f. The Nomination and Remuneration Committee shall be chaired by an independent director.
- g. Minutes of the meeting with issuer management shall be incorporated in the rating committee note.
- h. CRAs shall meet the audit committee of the rated entity, at least once in a year, to discuss issues including related party transactions, internal financial control and other material disclosures made by the management, which have a bearing on rating of the listed Non-Convertible Debentures [NCDs].

4. Strengthening of the rating process in respect of 'Issuer Not Co-operating' ratings:

- a. In order to align the disclosures by listed companies to the CRAs with those made by them on the stock exchanges, the format of the No-Default Statement (NDS) was modified aligning it with the circular dated November 21, 2019 on "Disclosures by listed entities of defaults on payment of interest/ repayment of principal amount on loans from banks / financial institutions and unlisted debt securities".
- b. In order to further strengthen the rating process of the CRAs with regard to 'Issuer not cooperating' (INC) ratings and enhance the issuer compliance, following directions were issued:
 - i. If an issuer has all the outstanding ratings as non-cooperative for more than Six months, then the CRA shall downgrade the rating assigned to the instrument of such issuer to non-investment grade with INC status. If non-cooperation by the issuer continues for further Six months from the date of downgrade to non-investment grade, no CRA shall assign any new ratings to such issuer until the issuer resumes cooperation or the rating is withdrawn.
- c. In addition to the existing withdrawal norms for the ratings stipulated vide circular no. SEBI/HO/MIRSD/DOP2/CIR/P/2018/95 dated June 06, 2018, in case of multiple ratings on an instrument (where there is no regulatory mandate for multiple ratings), following withdrawal norms have been mandated:
 - i. A CRA may withdraw a rating earlier than stipulated in the aforementioned circular, provided the CRA has:

- rated the instrument continuously for Three years or 50 per cent of the tenure of the instrument, whichever is higher; and
- received No-objection Certificate (NOC) from 75 per cent of bondholders of the outstanding debt for withdrawal of rating; and
- received an undertaking from the issuer that another rating is available on that instrument
- ii. At the time of withdrawal, the CRA shall assign a rating to such instrument and issue a press release, as per the format prescribed vide Circular dated November 01, 2016 along with the mention of reason(s) for withdrawal of rating.
- 5. **Relaxation from compliance with certain provisions of the circulars issued under SEBI (Credit Rating Agencies) Regulations, 1999 due to the COVID-19 pandemic and moratorium permitted by RBI:**

In view of the developments arising due to COVID-19 pandemic and in light of the moratorium permitted by Reserve Bank of India vide notification dated March 27, 2020 on loan servicing, working capital facilities etc. for Three months, following directions in respect of temporary relaxations in compliance by CRAs were issued:

 - a. **Recognition of Default:** CRAs recognize default based on the guidelines stipulated vide SEBI circular dated May 3, 2010 and November 1, 2016.
 - i. In view of the nationwide lockdown and the Three-month moratorium/ deferment on payment permitted by RBI, CRAs shall differentiate in treatment of defaults and assess on a case to case basis, whether such default occurred solely due to the lockdown or loan moratorium.
 - ii. Accordingly, based on its assessment, if the CRA is of the view that the delay in payment of interest/principle has arisen solely due to the lockdown conditions, CRAs may not consider the same as a default event and/or recognize default and make appropriate disclosures in this regard in the Press Release.
 - iii. The above shall also be applicable on any rescheduling in payment of debt obligation done by the issuer, prior to the due date, with the approval of the investors/lenders.
 - iv. The above relaxation is extended till the period of moratorium by the RBI.
 - b. **Extension in timelines for press release and disclosures on website:**
 - i. CRAs are dependent on the issuers and third parties for information collection. However, the same has been impaired due to the current lockdown. Therefore, relaxation from timelines for rating action/ issue of press release by CRAs stipulated vide SEBI circular dated 30, 2017 has been granted. However, CRAs should endeavour to finish the exercise on a best effort basis. Such cases shall be put up for ratification by the Rating Sub-Committee of the Board of CRA.
 - ii. Further, CRAs have been granted an extension of 30 days for making annual and semi-annual disclosures on their website for the period ending March 2020.
 - c. **Enhanced disclosure in case of listed debt securities:**

Pursuant to public consultation, following directions were issued:

 - i. DTs shall disclose the nature of compensation arrangement with its clients on their websites, including the minimum fee to be charged.

- ii. DTs shall display on their website the ISIN wise details of interest/ redemption, due and paid, on their website for the financial year.
- iii. Registrars to an Issue and Share Transfer Agents (RTAs)/ Issuers shall timely forward the details of list of debenture holders to the DTs.
- iv. In privately placed issues, additional covenants viz. default in payment and delay in listing shall be included as part of the issue details in the summary term sheet.

6. **Amendment to SEBI (Debenture Trustees) Regulations, 1993:**

In order to secure the interests of the debenture holders and to enable Debenture Trustees (DTs) to perform their duties effectively and promptly, following amendments were made to the regulatory framework for DTs:

- a. The minimum net worth requirement of a DT was increased from existing ₹ 2 crore to ₹ 10 crore and an additional period of Three years from the date of notification of the amendment to the DT Regulations has been provided to meet with the enhanced net worth requirement.
- b. The requirement of calling for a meeting of debenture holders in the event of default in payment obligation by issuer in case of public issue of debt securities shall not be obligatory.
- c. E-voting shall be a valid option for DTs to obtain consent of the debenture holders wherever applicable.

7. **Amendments to SEBI (Listing Obligations and Disclosure Requirements), 2015**

In order to give the DTs sufficient time to certify that it has taken note of the information related to the financial results submitted to them by the issuers, the following has been mandated:

In case of issuers having both listed equity and debt securities, the certificate from the DT as per the requirement of Regulation 52 (5) shall be submitted to the stock exchange(s) by the issuer within Seven working days from the date of submission of financial results to the stock exchange(s).

C. **Registrar to an Issue and Share Transfer Agent (RTAs)**

1. **Enhanced Due Diligence for Dematerialisation of Physical Securities**

In order to enhance the integrity of system and process in the dematerialization of physical shares, additional validation measures have been prescribed. Accordingly, for each demat request from the prescribed date, the name of the beneficiary account holder will be matched by the depository system against the name of member of the listed company, as on March 31, 2019.

VI. **FOREIGN PORTFOLIO INVESTOR**

The sustained foreign capital inflows play a major role in the capital formation, especially in the emerging markets. The foreign portfolio inflows bridge the gap between the savings and investments in the emerging market economies and also provide foreign exchange to finance current account deficit. As the corona virus pandemic started its spread across the globe, the foreign portfolio investors started withdrawing their investment from many emerging markets. In India too, the FPIs withdrew ₹ 27,528 crore in 2019-20 from Indian securities market compare to net withdrawal of ₹ 38,930 crore in 2018-19. In order to ease out the operational constraints and compliance requirements for FPIs, the new FPI Regulations were notified in September 2019. This section throws light on the important policy measures initiated during the financial year:

A. Notification of the SEBI (Foreign Portfolio Investors) Regulations, 2019

SEBI had constituted a working group under the Chairmanship of Shri. Harun R. Khan, Deputy Governor (Retired), RBI to review the SEBI (Foreign Portfolio Investors) Regulations, 2014. The Working Group submitted its final report on May 24, 2019 and it was circulated for public comments. On receipt of public comments including that of from Government of India and RBI, with a view to ease out the operational constraints and compliance requirements for FPIs, SEBI (FPI) Regulations 2019 have been notified on September 23, 2019 and the SEBI (FPI) Regulations, 2014 have been repealed.

Further, 57 circulars and 183 Frequently Asked Questions (FAQs) pertaining to FPIs issued over the years have been merged into a single operational guideline issued by SEBI vide circular dated November 05, 2019. Some of the key measures taken for ease of FPIs are as under:

1. Ease of Registration of FPIs:

- a. To simplify and expedite the registration process and to bring about ease in compliance requirements for FPIs, the broad-based eligibility criteria for institutional foreign investors has been done away with.
- b. On reviewing the risk profiling of the FPIs, it is decided that the FPIs be re-categorized into Two categories - Category I and II, instead of earlier requirement of Three categories.
- c. Considering that the central banks are relatively long term, low risk investors directly/indirectly managed by the foreign Governments, the central banks that are not the members of Bank for International Settlement (BIS) shall also be eligible for FPI registration.

- d. The entities established in the IFSC be deemed to have met the jurisdiction criteria for FPIs.
- e. Non-Resident Indians (NRIs)/ Overseas Citizens of India (OCIs)/ Resident Indians (RIs) were allowed to be constituents of FPIs including NRI/ OCI/ RI controlled Investment Manager, subject to the conditions that the contributions should be below 25 per cent from a single NRI/ OCI/ RI and in aggregate should be below 50 per cent to corpus of FPI. NRI/ OCI/ RI should not be in control of FPI. This restriction is not applicable to FPIs investing only in mutual funds in India.
- f. FPIs shall be permitted for off-market transfer of securities which are unlisted, suspended or illiquid, to a domestic or foreign investor.
- g. Offshore funds floated by Indian mutual funds shall now be permitted to invest in India after obtaining registration as FPI.
- h. The eligibility requirements for Category I and II FPIs were eased by removing the requirement to provide (a) legal permission to invest in securities outside its home country; (b) authorization by its own articles/ memorandums to invest; (c) experience, integrity and in the interest of market development.
- i. The requirements for issuance and subscription of Offshore Derivative Instruments (ODIs) have been rationalized.

2. KYC Simplifications:

- a. KYC reliance on same group regulated entity of custodian for non-PAN documents- For non-PAN related KYC documents, a local custodian has been permitted to rely on KYC carried out by another entity of the same financial group which is regulated and is from a Financial Action Task Force (FATF) member country.

- b. Simplifying certification process for KYC documents- Self-certification of the supporting documents is optional and such self-certification will not invalidate KYC documents, if certified by public notary or bank officials.
- c. Modification in FPI registration certificate- The FPI certification format has been modified so as the registration certificates are being accepted as identity and address proof for issuance of PAN.
- d. Simplified verification of PAN for KYC- For opening of accounts with local custodians a quick time verification of PAN on the specified website of the Income tax authorities is sufficient and there is no need to provide/ receive PAN Cards.

3. Relaxation in investment conditions:

- a. In terms of SEBI circular dated May 08, 2019, FPIs are permitted to invest in municipal bonds.
- b. In line with rule 1(a)(iv) of Schedule II of Foreign Exchange Management (Non-debt Instruments) Rules, 2019, SEBI issued a circular on January 16, 2020 exempting certain foreign Government agencies and its related entities from clubbing of investment limit requirements and other investment conditions either by way of an agreement or treaty with other sovereign governments or by an order of the Central Government.
- c. Basis the recommendation of the working group, Department of Economic Affairs (DEA), has notified FEMA (Non-Debt Instruments) Rules, 2019 which, inter-alia, specify that with effect from April 01, 2020, the aggregate limit for foreign investment by FPIs is the sectoral cap applicable to the investee company. However, the aggregate limit may be decreased

by the Indian company to a lower threshold limit of 24 per cent or 49 per cent or 74 per cent as deemed fit, with the approval of its Board of Directors and its General Body through a resolution and a special resolution, respectively before March 31, 2020. Provided further that, the Indian company which has decreased its aggregate limit to 24 per cent or 49 per cent or 74 per cent, may increase such aggregate limit to 49 per cent or 74 per cent or the sectoral cap or statutory ceiling respectively, as deemed fit, with the approval of its Board of Directors or its General Body through a resolution and a special resolution, respectively.

B. Notification of Common Application Form for FPIs

Pursuant to Government of India notification dated January 27, 2020, SEBI also vide circular dated February 04, 2020, prescribed the Common Application Form (CAF) for the purpose of (a) registration of Foreign Portfolio Investors (FPIs) with Securities and Exchange Board of India, (b) allotment of Permanent Account Number (PAN) and (c) carrying out of Know Your Customer (KYC) for opening of bank and demat account.

In the said circular, it has also been stated that other intermediaries dealing with FPIs may rely on the information in CAF for the purpose of KYC.

VII. THE CORPORATE DEBT MARKET

A well-developed corporate bond market supports economic development and is likely to be more beneficial for business having longer term cash flows. It has witnessed a marked shift in recent years and now the industry is gradually expanding its reach towards the corporate bond market and reducing its reliance on bank credit. While proactive

policies and benign interest rate cycle contributed to growth, the corporate debt market in India remains small, accounting for nearly Four per cent of GDP. In the current year ₹ 6.75 lakh crore were raised through private placement of corporate bonds (compared to ₹ 6.10 lakh crore in previous year) while ₹ 14,984 crore were raised through public issue of corporate bonds (compared to ₹ 36,679 crore in previous year). Though public issuances slowed due to ongoing liquidity concerns post IL&FS default and stretched balance sheets of few corporates in 2019-20, private placements of debt remained a preferred route for raising debt capital for corporate India. The total debt issuance by listed corporates have become

almost comparable to bank credit in recent years. Given its importance in resource mobilization, SEBI took several measures to develop vibrant corporate bond market in India. Following were the slew of measures undertaken by SEBI in 2019-20:

A. Corporate Bonds:

1. SEBI vide its circular dated October 22, 2019 had laid down a disclosure framework for issuers seeking listing of their Commercial Papers (CPs). The framework, inter-alia, specifies the disclosure requirements for the issuer of CPs to make at the time of listing and on a continuous basis.

Box Item 1.9: Framework for listing of Commercial Papers

1. Commercial Paper (CP) is an unsecured money market instrument issued in the form of a promissory note. It was introduced in India in 1990 with a view to enable highly rated corporate borrowers to diversify their sources of short-term borrowings and to provide an additional instrument to investors. Corporates, primary dealers and all-India financial institutions are eligible to issue CP to enable them to meet their short-term funding requirements for their operations. In short, a CP is a short-term debt instrument issued by companies to raise funds generally for a time period up to one year. It is typically issued by large banks or corporations to cover short-term receivables and meet short-term financial obligations, such as funding for a new project.
2. Until 2019, there were no guidelines for listing of CPs for trading, CPs are traditionally traded in OTC market though settled through the clearing corporations. The listing of CPs for trading in stock exchanges will enhance the investor participation which will in turn help the issuers to manage their short-term fund requirements. With an intention to ensure investor protection while keeping in mind a potentially larger market for CPs, SEBI introduced a framework for listing of CPs vide circulars dated October 22, 2019 and December 24, 2019 to provide transparent and disclosure based regime.
3. The framework is intended to enable the issuers of commercial papers to broaden their investor base and thereby assist them in diversifying their sources of short-term borrowings. Further, in order to protect the interest of investors, a wide range of disclosures have been prescribed at the time of listing as well as on a continuous basis.

Box Item 1.9: Framework for listing of Commercial Papers (Contd.)

4. The said circulars require an issuer to disclose information related to its directors, auditors, equity and debt holders, material information related to its payment history or material litigation, borrowing details, issue related information, financials for last Three years, asset liability management related disclosures at the time of listing. Further, an issuer is required to make periodical disclosure of its financials, any material event or information related to default or delay in payment or revision in credit rating, details of utilisation of proceeds etc. These disclosures will not only help prospective investors in their assessment of the issuer and the issue while making investment decision, but also the current investors in monitoring the developments related to the issuer.
5. Subsequent to the implementation of the listing framework, commercial papers worth ₹ 7,71,147.85 Crores have been listed on stock exchanges during 2019-20. The details are as under:

No. of issuers	No. of ISINs	Amount of Commercial Paper listed (in ₹ Crores)
193	1796	7,71,147.85

2. SEBI, vide its circular dated January 17, 2020 prescribed a format for statement indicating deviation or variation in the use of proceeds of issue of listed non-convertible debt securities or listed non-convertible redeemable preference shares.
3. Request for Quote (RFQ) platform was launched on BSE and NSE on February 03, 2020 and February 04, 2020 respectively. This platform shall act as a single interface for price givers and price takers in the debt market from a diverse set of clients which may enhance the price discovery and brings pre-trade transparency in the transactions of eligible securities. Currently the list of eligible securities on RFQ platform includes corporate bonds, securitized debt instruments, commercial papers, certificate of deposits, municipal debt securities, government securities, T-bills and state development loans.
4. SEBI, vide its circular dated March 23, 2020 provided certain temporary relaxations for listed entities which have listed their non-convertible debentures, non-convertible redeemable preference shares, municipal bonds and commercial papers, from compliance with certain provisions of SEBI (Listing Obligations and Disclosure Requirements), 2015 and certain SEBI circulars due to COVID-19 pandemic.

Box item 1.10: Request for Quote (RFQ) Platform

1. Secondary market trades in corporate bond is predominantly an OTC market, driven by institutional investors. Therefore, unlike trading in shares where buy and sell orders are matched on electronic order books, corporate bonds are traded over the counter. Prices are negotiated off-line, bilaterally, cleared on a DVP-1 basis and reported on the exchange platform.

Box item 1.10: Request for Quote (RFQ) Platform (Contd.)

2. Robust price discovery in corporate bonds remains a challenge, even internationally. Enhancing and coalescing the fragmented liquidity of corporate bonds is a felt need of the market participants. One way in which this could possibly be achieved is through an electronic platform that enables sophisticated, multi-lateral negotiations to take place i.e. an enhanced 'Request for Quote (RFQ)' kind of arrangement. Negotiations that currently take place offline and bilaterally would have to be done on an electronic platform, with straight through processing of clearing and settlement to complete the trade.
3. RFQ platform has been developed by BSE and NSE which will act as a single interface for price givers as well as price takers in corporate bond market from a diverse range of clients which will act as a better price discovery. RFQ using request for quote protocol shall provide participants a range of options to seek a quote and to respond to a quote, while keeping an audit trail of all interactions i.e. quoted yield, mutually agreed price, deal terms etc. A participant may request other participants for a quote for eligible securities.
4. Currently the list of eligible securities for RFQ platform includes corporate bonds, securitized debt instruments, municipal debt securities, government securities, state development loans, treasury bills, commercial papers and certificate of deposit.
5. All regulated entities, listed corporates, institutional investors, all India financial institutions can use and access the RFQ platform.
6. The participants who seeks a quote is termed as "Initiator" and who acts/responds to the quote request of the Initiator is termed as "Responder" on the RFQ platform. The quotes will be bilaterally negotiated between counterparties based on specified RFQ parameters. The acceptance of a quote by participant will be considered as mutual agreement for the given deal for between the counterparties.
7. Request for Quote (RFQ) model will provide market participants with better price discovery and make information available near real-time to all the participants. This is expected to lead to more transparency, centralization and pooling of investor interest and hopefully, a more efficient and liquid market.

B. Municipal Bonds:

1. SEBI (Issue and Listing of Municipal Debt Securities) Regulations, 2015 were amended on September 27, 2019, inter-alia, to provide flexibility to the issuers in raising funds and to strengthen investor protection. The aforesaid amendments, inter-alia, provided for:
 - a. Widening the definition of issuer(s) to include urban development authorities, city planning agencies, pooled finance development funds etc.,
 - b. Two step process for audit of accounts for municipalities
 - c. Separate escrow mechanism for issuance of municipal debt securities to ensure timely servicing of such securities
 - d. Revision of timelines for submission of financial results
 - e. Deletion of certain requirements for issuer(s) to facilitate ease of issuance.

Box Item 1.11: Municipal bond market

1. Urbanisation is increasing at a fast pace, which in turn is changing the needs of cities and towns, and increasing demand for urban infrastructure in India. In this regard, a well-functioning Local Government is a key to the delivery of urban services and infrastructure. Local governments should not be solely reliable on funds/grants from Central Government or State government to meet the growing needs of the cities and towns.
2. Local government should be self-capable to identify the growing needs of urbanization and work out the suitability of the construction of highways, bridges or schools, water saving project, energy saving project, etc. These projects should be commercially viable projects and must be able to generate healthy revenue to the local government.
3. Globally amongst others, tapping the capital market to raise funds through municipal bonds is One of the innovative paths to enable local bodies raise required resources on timely and fair basis. Local government in India too can tap capital market in order to raise funds through issuance of municipal debt securities either through public issue and private placement and get it listed under SEBI (Issue and Listing of Municipal Debt Securities) Regulations, 2015 ('Muni Bonds Regulations'). The repayment of principal and interest of these municipal debt securities can even be made from the revenue generated from the projects that has been developed.
4. The money raised from issuance of municipal debt securities can enable municipalities to create and improve urban infrastructure in order to boost quality of urban life. The citizens having invested in these bonds can view the operational as well as financial information about the management of the Urban Local Bodies (ULBs), as these are required to be disclosed as per Muni Bonds Regulations, which in turn increases transparency and governance at the level of local government. These debt securities also prove to be a good investment option for investors looking beyond fixed deposits and small saving schemes.
5. The SEBI (Issue and Listing of Municipal Debt Securities) Regulations, 2015 (amended in 2019) provide the regulatory framework for governing issuance and listing of bonds by municipalities or entities which are akin to those executing functions being performed by a municipality and enable investors to make informed investment decisions before investing in municipal bonds by providing adequate disclosures by prospective issuers. The SEBI (Issue and Listing of Municipal Debt Securities) Regulations, 2015 (amended in 2019) prescribes the eligibility, terms and conditions for public issue including tenure, credit rating, minimum subscription, accounting, auditing and reporting requirements and other disclosures, etc. The key features of these Regulations are:
 - a. The regulations specify the requirements and disclosures for issuer seeking to make:
 - i. Public issue of debt securities; and
 - ii. Listing of municipal debt securities issued through public issue or on a private placement basis on a recognized stock exchange.
 - b. The issuer has to create a separate escrow account for servicing of municipal bonds with earmarked revenue.
 - c. The issuer needs to obtain a credit rating from at least One recognised credit rating agency registered with SEBI.

Box Item 1.11: Municipal bond market (Contd.)

6. SEBI has also laid down guidelines for continuous disclosures and compliances to be made by the issuers under the Muni Bonds Regulations. The norms inter-alia pertaining to the filing of half-yearly un-audited financial results and annual audited financial results have been prescribed in the said guidelines.
7. SEBI has recently permitted the Foreign Portfolio Investors to invest in municipal debt securities.
8. Further, SEBI has also recently reduced the time taken for listing, in case of public issue of debt securities including municipal bonds to Six working days from 12 working days earlier. It has also been mandated that allotment, refund, unblocking of application monies and credit of the aforesaid securities shall be done electronically. This was done to make the existing issuance process easier, simpler and cost effective for both issuers and investors.
9. Under the framework of Muni Bonds Regulations, till date, Seven municipalities have raised ₹ 1,490 crores through issuance of debt securities on a private placement basis.
10. With an objective to further rationalize the process for issuers to raise resources through issuance of debt securities, SEBI has recently reviewed the Muni Bonds Regulations to, inter alia, introduce the following changes:
 - a. **Expanding the definition of issuer** - The definition of 'issuer' has been widened to include entities/bodies such as urban development authorities, city planning agencies, pooled finance development funds, etc. that perform functions, such as planning and execution of urban development projects/schemes, which are akin to those being performed by a municipality. This will enable investment in public infrastructure of the 100 Smart Cities that the Government of India (GOI) proposes to build.
 - b. **Preparation of accounts** - In order to enable municipalities/ issuers, who are audited by CAG to submit their audited accounts to the stock exchange/ debenture trustee/ regulatory bodies, within the specified timelines and in line with the provisions applicable to listed public sector undertakings, a Two-step process for audit of accounts has been adopted. Further, the timelines for submission of annual and half yearly financial results have been revised.
 - c. **Facilitating ease of issuance** - Certain requirements such as appointment of monitoring agency, obtaining viability certificate or Detailed Project Appraisal Report (DPAAR) before filing of offer document in case of public issues, maintaining 100% asset cover, establishing a separate project implementation cell for monitoring of projects, backing of State or Central Government, etc. have been removed in order to reduce the cost of issuance and compliance burden on the issuers without compromising the regulatory framework.
 - d. **Revised escrow mechanism for repayment** - Drawing lessons from the global best practices and in consultation with municipalities, different types of escrow accounts such as No Lien Escrow Account, Interest Payment Account, Sinking Fund Account, etc. have been mandated for enhancing investor protection.
 - e. **Other changes** - The requirement of trading lot has been removed. Further, the limit of 200 persons to offer debt securities through private placement basis has been mandated per financial year. The requirement for in-principle approval of stock exchange has been mandated also for issuance of debt securities on private placement basis which are proposed to be listed."
11. Further, in order to make recommendation to SEBI on policy matters pertaining to development of municipal debt securities market, SEBI has constituted a Municipal Bonds Development Committee comprising of representatives from ministry, municipal corporation, lawyers, professionals and market practitioners as members.

2. SEBI vide its circular dated November 13, 2019 issued guidelines for continuous disclosures and compliances by listed entities who has issued and listed municipal debt securities under SEBI (Issue and Listing of Municipal Debt Securities) Regulations, 2015.
3. SEBI has constituted a “Municipal Bonds Development Committee” on February 14, 2020 comprising of representatives from ministry, municipal corporations, lawyers, professionals and market practitioners as members. The terms of reference of the committee would be to advise SEBI on issues related to regulation and development of primary and secondary market of debt securities, matters required to be taken up for changes in legal framework to introduce simplification and transparency in systems and procedures in the primary and secondary market, matters relating to regulation of intermediaries for ensuring investor protection, recommend SEBI on measures to facilitate issuers for issuance of municipal debt securities.

VIII. OTHER POLICIES AND PROGRAMMES HAVING A BEARING ON THE WORKING OF THE SECURITIES MARKET

Alike every year, in 2019-20 as well SEBI continued its journey on the path of building a stronger and more vibrant Indian capital market while giving paramount importance to upholding investor protection. In line with the nationwide objective of facilitating ease of doing business, at SEBI also this was an important area of focus. Reforms are a continuous process as the huge capital needs of India are a compelling force. Accordingly, following favourable policy developments were taken this year:

A. Real Estate Investment Trusts (REITs) –

1. SEBI (Real Estate Investment Trusts) Regulations, 2014 (“REIT Regulations”) were

amended vide notification dated April 22, 2019 to facilitate participation from a diverse set of investors by revising minimum allotment and trading lot for publicly issued REITs. The same has been operationalized vide SEBI circular dated April 23, 2019 through which minimum allotment and trading lot have been revised to ₹ 50,000.

2. SEBI, vide its circular dated November 27, 2019 provided guidelines for preferential issue of units and institutional placement of units by a listed REIT. The guidelines, inter-alia, provide the list of conditions to be fulfilled for issuance of preferential units or institutional placement of units and also provide the manner in which such units shall be issued.
3. SEBI vide its circular dated January 17, 2020 provided guidelines for rights issue of units by a listed REIT.
4. Amendments to SEBI (Real Estate Investment Trusts) Regulations, 2014 in relation to fast track rights issue of units were notified on March 02, 2020.
5. SEBI vide its circular dated March 13, 2020 provided provisions for fast track rights issue of units by listed REITs. Further, vide the aforesaid circular, certain guidelines were amended for preferential issue and institutional placement of units by a listed REIT.
6. SEBI vide its circular dated March 23, 2020 provided guidelines to entities (sponsor(s)/ sponsor groups) for creation of encumbrance on locked-in units of REITs.
7. SEBI vide its circular dated March 23, 2020 provided temporary relaxations for REITs from compliance with certain provisions of REIT Regulations due to COVID-19 pandemic.

B. Infrastructure Investment Trust (InvITs) -

1. SEBI (Infrastructure Investment Trusts) Regulations, 2014 ("InvIT Regulations") were amended vide notification dated April 22, 2019 to facilitate participation from a diverse set of investors by revising minimum allotment and trading lot for publicly issued InvITs. The same has been operationalized vide SEBI circular dated April 23, 2019 through which minimum allotment and trading lot have been revised to ₹ 1,00,000 and limit on leverage for InvITs increased from 49 per cent to 70 per cent of InvIT assets.
2. SEBI, vide its circular dated November 27, 2019 provided guidelines for preferential issue of units and institutional placement of units by a listed InvIT. The guidelines, inter-alia, provide the list of conditions to be fulfilled for issuance of preferential units or institutional placement of units and also provide the manner in which such units shall be issued.
3. SEBI vide its circular dated December 24, 2019 mandated InvITs which are issuing units on private placement basis and are proposed to be listed, to file draft placement memorandum prior to filing of the placement memorandum with the Board and guidelines in this regard are provided in the circular.
4. SEBI vide its circular dated January 17, 2020 provided guidelines for rights issue of units by a listed InvIT.
5. Amendment to SEBI (Infrastructure Investment Trusts) Regulations, 2014 were notified on March 02, 2020. The aforesaid amendment, inter-alia, provided provisions for fast track rights issue and revised the eligibility requirements for investment manager of an InvIT.

6. SEBI vide its circular dated March 13, 2020 provided provisions for fast track rights issue of units by listed InvITs. Further, vide the aforesaid circular, amended certain guidelines for preferential issue and institutional placement of units by a listed InvIT.
7. SEBI vide its circular dated March 23, 2020 provided guidelines to entities (sponsor(s)/ sponsor groups) for creation of encumbrance on locked-in units of InvITs.
8. SEBI vide its circular dated March 23, 2020 provided temporary relaxations for InvITs from compliance with certain provisions of InvIT Regulations due to COVID-19 virus pandemic.

C. Alternative Investment Funds (AIFs)**1. Permissible investments by Alternative Investment Funds operating in IFSC**

SEBI vide Circular dated August 09, 2019 has harmonized the provisions governing investments by AIFs incorporated in IFSC with those provisions regarding investments applicable for domestic AIFs. Accordingly, AIFs incorporated in IFSC shall be permitted to make investments as per the provisions of the SEBI (Alternative Investment Fund) Regulations, 2012, and the guidelines and circulars issued thereunder, including the operating guidelines for AIFs in IFSC.

2. Disclosure standards for Alternative Investment Fund (AIFs)

SEBI vide Circular dated February 05, 2020 has introduced Performance Benchmarking and Standardization of Private Placement Memorandum for Alternative Investment Funds.

The Circular has prescribed a certain minimum standard for the type of information provided

as well as the manner in which information is provided in the Private Placement Memorandum.

The Circular has also introduced mandatory performance benchmarking of the AIFs against the industry benchmark, in order to bring in greater transparency in the manner in which information on performance is disseminated by AIFs.

D. Portfolio Managers

1. Vide Circular dated May 22, 2019, SEBI permitted portfolio managers to participate in Exchange Traded Commodity Derivatives on behalf of their clients. Such participation by portfolio managers would be subject to the following:
 - a. Compliance with SEBI (Portfolio Managers) Regulations, 1993 and circulars/ guidelines, as applicable, and position limit norms as may be applicable to 'clients', issued by SEBI and Exchanges from time to time.
 - b. Adequate disclosures in the disclosure document as well as client agreement about participation in the Exchange Traded Commodity Derivatives, including but not limited to the risk factors, margin requirements, position limits, valuation of goods etc.
 - c. Disposal of physical goods at the earliest, within the agreed timelines between the client and the portfolio manager, in case dealing in Commodity Derivatives lead to delivery of physical goods. The responsibility of liquidating the physical goods shall be with the Portfolio Manager.
 - d. Periodic reporting to the clients regarding their exposure in Exchange Traded Commodity Derivatives.

E. Investment Advisers

1. Operating guidelines for Investment Advisers in IFSC

To facilitate the presence of Investment Advisers (IAs) in IFSC, SEBI issued operating guidelines vide Circulars dated January 09, 2020 and February 28, 2020, specifying the registration requirements, compliances, reporting etc. for IAs to be set-up in IFSC. The salient features of the operating guidelines for IAs in IFSC are as under:

- a. All provisions of the SEBI (Investment Advisers) Regulations, 2013 (IA Regulations), the guidelines and circulars issued thereunder, shall apply to IAs setting up/ operating in IFSC.
- b. Any entity, being a company or a limited liability partnership (LLP), which has the minimum prescribed net worth at the time of application can act as an IA in IFSC, in the following forms-
 - Any recognised entity or entities desirous of operating in IFSC as an IA, may form a company or LLP to provide investment advisory services.
 - Existing recognized entities in IFSC may apply for IA registration without forming a separate company or LLP
- c. An applicant shall have a net worth of not less than USD 700,000
- d. Partners and representatives of the applicants offering investment advice shall have following qualification and experience requirement:
 - at all times, a professional qualification or post-graduate degree or post graduate diploma (minimum Two years tenure) in finance, accountancy, business management,

commerce, economics, capital market, banking, insurance or actuarial science from a university or an institution recognized by the central government or any state government or a recognised foreign university or institution or association; and

- an experience of at least five years in activities relating to advice in financial products or securities, or fund/ asset/portfolio management, or investment advisory services.
- e. Partners and representatives of the applicants offering investment advice shall have, at all times, a certification on investment advisory services:
- in respect of partners and representatives resident in India- from National Institute of Securities Markets (NISM); or from any other organization or institution including Financial Planning Standards Board India or any recognized stock exchange in India provided that such certification is accredited by NISM
- in respect of partners and representatives resident outside India- from any other organization or institution or association or stock exchange which is recognized/ accredited by a Financial Market regulator in that foreign jurisdiction. However, certification from NISM shall be mandatory for partners and representatives of applicants who offer investment advice in relation to Indian securities markets.

2. Measures to strengthen the conduct of Investment Advisers

SEBI prescribed certain measures to strengthen the conduct of Investment Advisers vide circular dated December 27, 2019.

- a. Restriction on providing free trial for any products/services to prospective clients.

- b. Providing investment advice only after completing proper risk profiling and receiving consent of client on risk profiling.
- c. Receiving fees through banking channel only to bring transparency in dealing with the clients.
- d. Investment advisers should display the status of the complaints on their website to bring more transparency and enable the investors to take informed decision while availing of advisory services.

3. Strengthening the regulatory framework for Investment Advisers

The SEBI Board, after considering the issues in consultation papers issued by SEBI to strengthen the regulatory framework for Investment Advisers and public comments received on the same, approved regulatory changes including amendments to SEBI (Investment Advisers) Regulations, 2013. The major regulatory changes are as under:

- a. Segregation of advisory & distribution activities at client level to avoid conflict of interest.
- b. Implementation services (Execution) through direct schemes/ products in the securities market shall be allowed to Investment Advisers for the convenience of the investors.
- c. To mandate an agreement between Investment Adviser and the client incorporating the key terms and conditions regarding Investment Advisory Services for greater transparency.
- d. Bringing clarity in payment of fees and introduction of upper limit on the fees charged to Investors.
- e. Enhanced eligibility criteria for registration as an Investment Adviser including net worth, qualification and experience requirements.

- f. Person dealing in distribution of securities shall not use the nomenclature “Independent Financial Adviser (IFA)” or “Wealth Adviser” or any other similar name.

F. SEBI Complaints Redressal System

1. Streamlining issuance of SEBI Complaints Redressal System Authentication for SEBI registered intermediaries

SEBI issued a circular dated August 02, 2019 automating the generation and issuance of SCORES user id and password for all new SEBI registered intermediaries and Market Infrastructure Institutions (MIIs), except stock brokers and depository participants. Upon completion of process of online grant of registration by SEBI, an automatic mail containing the user id and password to access SCORES will be sent to the compliance officer/contact person of the concerned registered intermediary and/or MIIs. Updation of primary e-mail address and registered address was also enabled for all existing and new SEBI registered intermediaries. These steps were taken to streamline the process of providing SCORES credentials for quick resolution of investor grievances and also quick updation of information by the entities at their end.

2. SCORES Mobile App

In its efforts to improve the ease of doing business, SEBI launched a mobile application for the convenience of investors to lodge their grievances in SCORES on March 05, 2020. This is another effort of SEBI towards improving digitization in securities market. The Mobile App “SEBI SCORES” is available on both iOS and Android platforms.

The App has all the features of SCORES which is presently available electronically where

investors have to lodge their complaints by using internet medium. After mandatory registration on the App, for each grievance lodged, investors will get an acknowledgement via SMS and e-mail on their registered mobile numbers and e-mail ID respectively. Investors cannot only file their grievances but also track the status of their complaint redressal. Investors can also key in reminders for their pending grievances. Tools like FAQs on SCORES for better understanding of the complaint handling process can also be accessed. Connectivity to the SEBI Toll Free Helpline number has been provided from the App for any clarifications/help that investors may require.

IX. ASSESSMENT AND PROSPECTS

A. ASSESSMENT

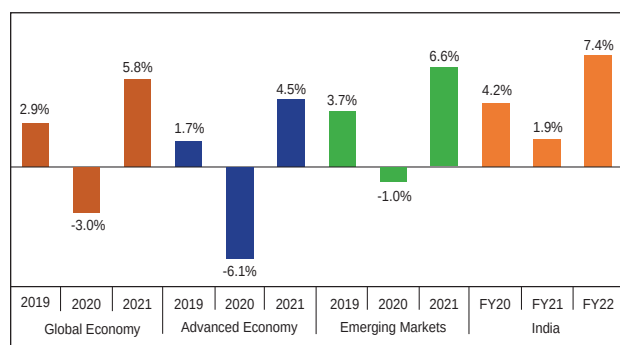
During 2019, growth in global economies slowed down considerably, mainly on account of concerns over potential intensification of US-China trade war, uncertainties over Britain’s Exit from the European Union, falling global trade volumes, and slowdown in the overall consumption and investment activity.

According to IMF, the global economic growth rate decelerated to 2.9 per cent in 2019, compared to 3.6 per cent in 2018. The growth in advanced economies slowed to 1.7 per cent in 2019 from 2.2 per cent in 2018, while that in the emerging market and developing economies trickled down to 3.7 per cent in 2019 from 4.5 per cent in 2018. Inflation remained well below targeted level in most of the advanced economies, whereas it increased marginally for many emerging market economies. Growth in global trade fell to 0.9 per cent in 2019 compared with 3.8 per cent in 2018.

Going forward, economic growth is expected to plunge in many countries as a result of lockdowns

and business closures to fight the COVID-19 pandemic. The IMF expects global recession in 2020. Global economic growth is forecasted to drop sharply to -3.0 per cent in 2020, before recovering to 5.8 per cent in 2021. Advanced economies are expected to shrink by 6.1 per cent in 2020 and then bounce back to a growth of 4.5 per cent in 2021, whereas emerging and developing economies are expected to decline by 1.0 per cent in 2020 and then bounce back to 6.6 per cent growth in 2021. India and China are expected to bounce back strongly in 2021. In the case of India, growth is expected to plunge to 1.9 per cent in 2020-21, before bouncing back to 7.4 per cent in 2021-22. The IMF forecasts are based on the assumption that the pandemic peaks in the June 2020 quarter for most countries in the world, and recedes by the end of December 2020.

Figure 1.4: Global Growth Rates Forecast by IMF



Source: World Economic Outlook (WEO), April 2020

Various multinational agencies have cut India's economic growth estimate for 2020-21 on concerns over the fallout of COVID-19. The IMF forecasts India to grow at 1.9 per cent in 2020-21 and 7.5 per cent in 2021-22. The World Bank expects the economy to grow in the range of 1.5 to 2.8 per cent in 2020-21, the slowest growth rate since 1991. However, ADB has the most optimistic forecast of Four per cent.

Table 1.6: GDP forecasts for India by select Multi-National Agencies

Organization	GDP Growth Forecast for 2020-21 (per cent)
IMF	1.9
World Bank	1.5 to 2.8
ADB	4.0

Source: IMF, World Bank, ADB

It was a challenging year for the Indian economy as its quarterly GDP growth rate declined for Four consecutive quarters in 2019-20 to register its lowest level in Ten years, on account of declining investments and low consumer demand. India's GDP grew at 5.2 per cent, 4.4 per cent, 4.1 per cent and 3.1 per cent during Q1, Q2, Q3, and Q4 of 2019-20, respectively. Several sectors such as real estate, aviation, automobile and construction sectors experienced a constant decline in demand, while the banking and financial services sector witnessed rising NPAs.

Despite a slowdown in economic growth, stock markets remained buoyant during most of the year, on hopes of pick-up in global and domestic demand and resultant improvement in corporate earnings in India. The Indian benchmark indices, Sensex and Nifty, reached their respective all-time highs of 42,274 and 12,431 on January 20, 2020. However, the Panic sell-offs that started after the Coronavirus outbreak resulted in huge wealth destruction in equity markets across the globe. Indian stock markets witnessed a steep fall after the World Health Organization (WHO) declared the novel coronavirus (COVID-19) outbreak a global pandemic on March 11, 2020. The benchmark indices corrected sharply in the month of March 2020 as foreign investors withdrew large investments from India on the concerns over profitability of the companies in the short to medium run. By the end of 2019-20, the BSE Sensex had fallen by 23.8 per cent to 29,468 level, while the Nifty fell by 26.0 per cent to 8,598 level.

Secondary market activity, especially in the derivatives market, remained strong in 2019-20, with significant volumes and good amount of liquidity across the segments. The cash market remained robust with turnover (BSE, NSE and MSEI) rising from ₹ 87.2 lakh crore in 2018-19 to ₹ 96.6 lakh crore in 2019-20. The equity derivatives segment remained the most traded segment in India with a total turnover of ₹ 3,448 lakh crore in 2019-20 compared to ₹ 2,376 lakh crore in 2018-19. Continuing its momentum, the volumes (no of contracts traded) in Index Options, and Index Futures segment rose by 72.6 per cent and 35.5 per cent, respectively, during 2019-20. The trends in the Currency Derivatives segment were mixed. While Currency Options volume grew by 6.9 per cent, those in Currency Futures declined. According to the data published by World Federation of Exchanges (WFE), NSE remained the premier equity derivatives exchange in the World in terms of number of contracts traded. In 2019, NSE was ranked 1st globally in Index Options, Currency Options and Currency Futures segments and ranked 2nd in Stock Futures segment, in terms of number of contracts traded. BSE was ranked 2nd in Currency Options segment and 4th in Currency Futures segment, in terms of number of contracts traded. The MCX retained its 7th rank globally, in terms of number of Commodity Futures contracts traded. The Index Options on NSE contributed about 2/3rd of the total volumes globally, compared to about 50 per cent contribution in 2018. Similarly, the share of Currency Options rose from 41.9 per cent in 2018 to a strong 48.7 per cent share in 2019, whereas that of Currency Futures on NSE grew from 24.4 per cent in 2018 to 25.7 per cent share in 2019. Further, NSE was also ranked 3rd in the world in the cash equities segment by number of trades as per the statistics.

As per Futures Industry Association (FIA), NSE has emerged as the world's largest derivatives

exchange in 2019 by number of contracts traded, surpassing the CME Group.

In 2019-20, SEBI maintained its journey on the path of building a stronger and more vibrant Indian capital market while giving paramount importance to upholding investor protection. An efficient and fair securities market facilitates the channelization of both domestic and international flows into economic activity. The Indian securities market kept good pace with the macroeconomic and microeconomic environment in the country. All the policy initiatives taken during 2019-20 endeavored to fulfill the prime objective of investor protection, market development and effective regulation.

SEBI believes in consultations with all stakeholders, in addition to consultations with the advisory committees in all major areas of development and regulation of the securities markets and disseminating policy papers for public feedback. This process has ensured transparency, efficiency, fairness, and integrity of the securities market.

Investors are protected through various policy measures as well as through the redressal of their grievances. Based on feedback received from market participants, SEBI has launched a new mobile app for registering grievances and tracking complaints online. In order to achieve financial inclusion and to enhance investor confidence and awareness, SEBI continues to evolve various initiatives like conducting workshops, visits to SEBI etc. Moreover NISM, an educational arm, is dedicated to enhancing the skills of participants in the securities market through capacity building activities, by way of designing and delivering high-quality academic programmes, training programmes, research/publications in the securities market and organizing various programs through the School for Investor Education and Financial Literacy (SIEFL). To further its objectives of protection of investors and the

development and regulation of securities market, SEBI took various measures in 2019-20. Some of the important measures are summarized below.

Differential Voting Rights (DVR) - In order to help start-ups and tech companies list their shares in India, and share economic benefits with domestic investors, SEBI issued a new framework for technology companies to issue Differential Voting Rights (DVR) shares from July 29, 2019, making it easier for the promoters of tech start-ups to go for listing.

Automated system for detecting misuse of clients' securities by brokers - To address the issue of some brokers misusing clients' securities received as collateral or some brokers pledging client securities with banks and NBFCs to raise funds for their own activities, SEBI has developed an in-house automated system by which it is able to do automated reconciliation of client level securities holdings by thus detect such misuse, if any.

'Options on Goods' and 'Derivatives on Commodity Indices' - In order to facilitate hedging to the SMEs and other entities, SEBI permitted recognized stock exchanges with commodity derivative segment to introduce 'Options on Goods' and 'Futures on Commodity Indices'.

Regulatory Sandbox Framework - In order to promote FinTech innovations in capital markets, SEBI introduced its regulatory sandbox framework for live testing of new products, services and business models by market players on select customers, for a specified period of time, with certain relaxations in the extant SEBI regulations and guidelines.

Guidelines on Innovation Sandbox - FinTech Startups and entities not regulated by SEBI have access to anonymised market related data and market systems and infrastructure in a test environment to enable them to build innovative solutions. This facility is open to a very large set of innovators including very small start-ups.

Mutual funds participation in ETCDs - to promote institutional participation for efficient price discovery in Exchange Traded Commodity Derivatives (ETCDs), mutual funds have been permitted to participate in ETCDs, except in sensitive commodities, through their Hybrid schemes.

Aadhaar Authentication for KYC - To facilitate online on-boarding of clients, improved customer convenience, increased efficiency and reduced time for client on-boarding, all the SEBI registered intermediaries / mutual fund distributors can undertake Aadhaar Authentication of their clients for the purpose of KYC through UIDAI registered KYC User Agency ("KUA").

FPI Regulation 2019 - The KYC process has been simplified, the 'broad based' criteria for funds to register with SEBI is removed, and the number of FPI categories are rationalised to Two from earlier Three.

Request for Quote (RFQ) platform - To improve liquidity and price discovery in the corporate bond market in India, BSE and NSE launched their Request for Quote (RFQ) platforms. These platforms shall act as a single interface for price givers and price takers in the debt market which is aimed at bringing about fair price discovery and transparency.

Risk Management by Mutual Funds - In light of a few credit events in the fixed income market in September 2018, SEBI revised the framework on Valuation of Money Market and Debt Securities by Mutual Funds, Risk Management Framework of Liquid Funds and Prudential Norms for debt and money market instruments. Amongst important measures, the Liquid Schemes were mandated to hold at least 20 per cent in liquid assets, the sectoral limits were reduced from 25 per cent to 20 per cent and valuation methodology for debt and money market instruments was changed from amortization to mark to market.

Automation of inspection and surveillance of Mutual Funds - SEBI is in the process of implementing a project on automation of inspections and surveillance of mutual funds whereby mutual funds related data is being ingested in SEBI database and use of algorithms in order to generate instances of breaches of regulatory guidelines by mutual funds in respect of several important guidelines where quantitative analysis is possible. Successful implementation of this project will enable SEBI to leverage technology to move towards automation of inspections of Mutual Funds, 100 per cent inspection of data in place of samples and to reduce the lag in recognition of violations.

Implementation of NOC-SOC as part of SEBI Cyber Security - Considering the increased cyber frauds and attacks across the globe especially in financial institutions, it was decided to improve cyber security controls and processes in SEBI. During 2019-20, SEBI implemented Security and Network Operations Center (SOC-NOC) project adhering to international security standards and best practices. The project facilitates all the information technology systems of SEBI, continuously monitored, assessed and defended. Having consolidated and integrated security systems, SEBI can make better security decisions with intelligence-driven analytics available with SOC. The project consists of multiple cyber security technologies and services for better visibility and protection from ever growing sophisticated cyber-attacks.

Relaxations due to COVID-19 - Considering the hardship caused by the COVID-19 pandemic, SEBI has granted temporary relaxations to listed entities from certain compliance stipulations specified under the SEBI LODR Regulations, including relaxation of one month to listed companies for filing of quarterly / annual financial results, and various relaxations for filing Shareholding Patterns, Corporate Governance Report and Investors complaints statement, amongst other things. SEBI granted the extension of the due

date of filing disclosures, in terms of Regulations 30(1), 30(2) and 31(4) of the SAST Regulations for the financial year ending March 31, 2020 to June 01, 2020. also extended the due date for regulatory filings for AIFs, VCFs, Portfolio Managers for the periods ending March 31, 2020 and April 30, 2020 by Two months. Further, extended the due date for regulatory filings and compliances for REIT and InvIT for the period ending March 31, 2020 by one month.

Risk Management in the face of COVID-19 - To contain the heightened volatility on account of excessive speculation in the stock market after the pandemic scare in March 2020, SEBI introduced several measures including capping of speculative exposure in both stock specific and index derivatives.

B. PROSPECTS

Markets have increasingly integrated globally and are getting more and more complex with the emergence of new products and processes. In this scenario, regulators need to upgrade their skills as per the requirements of their regulated space to be effective. Black swan events like COVID-19 have thrown up new challenges in terms of Risk Management for financial markets' systemic stability. It would be a challenging time for the SEBI as well, to assess the functioning of various segments of the financial markets under stress conditions and then devise the appropriate policies, dealing with such unprecedented crisis in our lifetime.

Given the depth of the COVID-19 crisis (which is presumed to be the largest recession since 1930, according to IMF) and as observed during previous crisis years, there will be challenges in raising capital for companies as risk averseness grows. SEBI will explore several ways, including relaxation of certain conditions to help companies raise required capital for growth and keep the wheels of the financial system turning. However, volatility in the financial markets is expected to remain at a somewhat elevated level

for some time. Understanding the hardships faced by various entities in the economy due to the nationwide lockdown, SEBI will examine certain timelines and regulatory compliances for companies and intermediaries, without compromising on financial stability, risk management or necessary disclosures to maintain integrity of the financial markets.

SEBI believes that with the roadmap laid for the growth of the Indian economy and for the financial markets to complement the same, the Indian securities market will overcome this temporary phase of COVID-19 disruption and witness a revival in terms of its size, as well as, the number of products and players, in the coming years. This calls for treating development, regulation and protection measures as continuous work in progress, while revisiting all the existing activities, keeping abreast with the developments in the global arena, besides tapping to our advantage, the globally recognized expertise of India in the field of information technology. A brief agenda for 2020-21 is provided below.

Introduction of Social Stock Exchange - Pursuant to announcement made in the Union Budget for 2019-20, SEBI shall be working on the idea of social stock exchanges, in order to take the capital markets closer to meeting various social welfare objectives. SEBI had constituted a working group (WG) under the chairmanship of Shri Ishaat Hussain. The WG is expected to finalize its report in the first half of 2020-21. SEBI will take forward the recommendations of the WG and move towards implementing the same.

Framework for stressed companies in the pre-IBC phase - With a view to address the difficulties of fund raising by listed companies facing financial stress in the pre-IBC phase, SEBI is in the process of considering relaxations in pricing of preferential allotments and exemption from open offer obligations, based on well-defined criteria. SEBI had, pursuant to discussion at its Primary Market

Advisory Committee, released a discussion paper in April 2020 seeking comments of all stakeholders. SEBI has received a large number of comments from various stakeholders on the said discussion paper which are under examination

Review of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations - It is proposed to review the provisions of the Takeover Regulations relating to (i) completion of acquisition through bulk and block deals during the open offer period; (ii) depositing 100 per cent escrow in case of open offers made pursuant to indirect acquisitions; and (iii) payment of interest in case of delay in open offers. A discussion paper was released inviting stakeholder's comments in March 2020. Comments have been received and analysed and the proposed amendments are under way.

Review of SEBI (Delisting of Equity shares) Regulations, 2009 - Delisting regulations provide a framework for voluntary and compulsory delisting of securities listed on recognized stock exchanges. It is proposed to review the voluntary delisting framework based on regulatory experience gained over the years and various representations received.

Simplified de-listing for Subsidiary Companies - A public consultation paper was issued in March 2020 on the proposal relating to schemes of arrangement between a listed holding company and its listed subsidiary wherein the listed subsidiary is desirous of getting delisted without following the provisions of the Delisting Regulation. The public comments received are being examined and the Delisting Regulations will be amended upon the conclusion of the examination.

Improving E-voting facility mechanism - Under SEBI LODR Regulations, listed entities are required to provide remote e-voting facility to their shareholders for all shareholders' resolutions. However, it has been observed that participation

by the public non-institutional shareholders/retail shareholders is at a negligible level. SEBI has reviewed the voting mechanism provided by various e-voting service providers and issued a consultation paper containing proposals aimed at improving the voting process aimed at making it more efficient and user friendly. Public comments on the consultation paper have been received and the same are under examination.

Review of Rights Issue Process - The eligibility conditions and requirements related to Rights Issues are proposed to be reviewed for their relevance in the context of more current market conditions. Further, the disclosure requirements as provided in Part B of Schedule VI of SEBI ICDR Regulations are proposed to be streamlined so as to make them more relevant for investors.

Review of regulatory provisions pertaining to Related Party Transactions - SEBI constituted a Working Group for reviewing the policy space pertaining to RPTs. The Working Group submitted its report on January 22, 2020 and recommendations w.r.t. change in the definition of related party and RPTs, process followed by Audit Committee for approval of RPTs and a format for periodic disclosure of RPTs etc. The report of the Working Group was placed on the SEBI website for public comments. Public comments on the consultation paper have been received and the same are under examination.

Guarantees by listed companies towards obligations of promoters - In March 2020, SEBI issued a consultation paper aimed at reviewing the practices of listed companies extending corporate guarantees/security for the benefit of promoter / promoter related entities. It has been proposed that such guarantees can be extended by a listed entity provided such guarantee is in the economic interest of the listed company and subject to prior approval of shareholders on a "majority of minority"

basis. Public comments on the above consultation paper have been received and the same are under examination.

Use of UDIN by SEBI - The Institute of Chartered Accountants of India (ICAI) has implemented the system of Unique Document Identification Number (UDIN) to secure the certificates/documents attested/certified by practicing Chartered Accountants. UDIN is a unique number which will be generated by the system for every document certified/attested by a Chartered Accountant and registered with the UDI Portal; Regulators/Banks would be able to cross-check the authenticity of the documents/reports/certificates etc., with UDIN and the key fields provided by the certifying Chartered Accountants on UDIN portal. It is proposed to use UDIN in the documents that are certified by Chartered Accountants and filed with SEBI, under issue related regulations.

Risk Management at MIIs - SEBI is actively considering a proposal to introduce a framework for ascertaining the incidents of technical glitches where compensation needs to be paid to the investors and to devise a methodology and calculation of compensation. Further, to improve the efficacy of liquidity enhancement measures such as market making, Liquidity Enhancement Scheme (LES) and call auction mechanism for illiquid securities, SEBI will review the existing framework. SEBI is also considering a proposal to ascertain the optimum corpus for the Investor Protection Fund (IPF) of the stock exchanges on the basis of rigorous stress testing, so as to ensure that the legitimate claims of the clients of the defaulting members/brokers even in extreme times are met. SEBI will also review the quantum of Settlement Guarantee Fund (SGF) of the Clearing Corporations based on the stress test, so as to increase the resilience of the markets to possible risks posed by extreme volatility. Further,

a well-documented framework at Depository level for orderly winding down of the depositories operations, is being developed in accordance with guidelines specified by the SEBI.

MII Inspection Manual for IT: MIIs rely heavily on technology for their various activities related to trading, clearing and settlement etc. Thus, it is pertinent to give more focus on systems/ technology during the inspection of MIIs. It is proposed to build an inspection manual that can be used as a single source of reference for conducting the inspections. It is also proposed to build processes that can be automated and assist in thorough inspection of the MIIs.

Smart Contracts and Post-trade Settlement: Smart contracts digitalize trust in way that makes transactions robust, safe and enforceable anywhere. Smart contracts have the power to make the stock market faster and cheaper and streamline post trade settlement. It is proposed to evaluate the usage of smart contracts in the securities market and frame necessary policies for the same.

Review of Eligibility Criteria for Indices - The eligibility criteria for indices on which derivative contracts can be introduced were specified by SEBI by way of Circular dated July 16, 2004. In view of changing market dynamics and evolution of the securities market since then, it is proposed to review the eligibility criteria for indices on which derivative contracts may be introduced. The pricing of various financial instruments and financial contracts based on indices depends on the accuracy and integrity of Indices. In order to ensure high quality and integrity of the indices administered, maintained or calculated by the Index Providers, SEBI will consider a proposal to introduce compliance standards for Index Providers.

Commodities Market - SEBI will review the list of 91 commodities notified under Section Two (bc)

of SCRA, 1956 for retention, addition and deletion of the notified goods. With a view to introduce new products for development of the market, it is proposed to study the feasibility of introduction of freight derivatives in the Commodity Derivatives Market. As freight is one of the important cost factors in the commodities market, introduction of derivatives on freight whether rail, road, air or waterways would help the industry to hedge their freight related price risks. Further, to prevent the fragmentation of liquidity among various stock exchanges in the commodities segment and to develop and deepen the commodity derivatives markets, SEBI will explore a proposal to allow only unique sets of commodities to be traded at each exchange.

Development of Mutual Funds – SEBI will review the existing investment products available to Mutual Funds and examine new avenues for investment while keeping the interest of investors paramount. Further, SEBI will revisit its ETF framework to deal with matters such as market making, liquidity, basket of products, in order to promote the growth of ETFs in India.

Risk Management by Mutual Funds - Keeping in mind the significant interdependencies between the corporate bond market and Debt Mutual Fund schemes, the Risk Management Framework for Mutual Funds would be comprehensively reviewed with a focus on management of stress scenarios. Further, in order to bring more accountability into the mutual fund industry, SEBI is considering to prescribe a specific Code of Conduct for Fund Managers and Dealers.

Refresh of Mutual Fund Regulations - To keep pace with current developments in the mutual fund industry and pursuant to Companies Act -2013 and Insolvency and Bankruptcy Code -2016, SEBI will review and refresh the SEBI (Mutual Funds)

Regulations, 1996. Further, to enhance transparency, SEBI would also review its guidelines on Inter Scheme Transfers and Accounting Standards applicable to Mutual Funds.

Ease of Investments for NRIs - With a view to providing NRIs seamless access to Indian equities, SEBI will implement the budget proposal that the NRI-PIS route will be merged with the Foreign Portfolio Investment route.

Other Intermediaries - To strengthen regulation, to remove redundancies and inconsistencies and to simplify the language of the regulations pursuant to new regulations formed recently, SEBI will review all the intermediaries' regulations.

Corporate Bonds - It is proposed to introduce an app to enable retail individual investors to make an application under public issues of debt securities. This app will ease the application process for investors thereby enabling more and more retail investors to participate in the debt market. In order to ensure effective enforcement of SEBI (LODR) Regulations and SEBI (Issue and Listing of Municipal Debt Securities) Regulations, SEBI will prescribe a Standard Operating Procedure (SOP) to exchanges for effective monitoring of compliance by debt listed issuers. SEBI will reduce the timeline for listing of privately placed debt securities from the current requirement of T+15 to T+4 days. Further, in order to take forward the concept of unification of financial market, SEBI will pursue the proposal of mandating new issuances of G-secs in demat and review the existing restrictions on number of ISINs per financial year for listed debt securities.

Household and Digital Investors Survey - In order to understand the socio-economic characteristics, risk profile, investment behavior, participation in various segments and reasons for investment/non-investment in the securities market, SEBI will undertake new household investor's survey.

Keeping in mind changing investment dynamics, SEBI will also undertake a Digital investor survey to understand savings and investment behavior of the younger generation.

Investor Awareness - To further augment the efforts in spreading investor awareness, it is proposed to develop a new model of SEBI empaneled trainers in securities market as "Securities Market Trainers" to impart investor education for general investing public across districts and major cities of states. It is proposed to strengthen the measures in terms of investor education programmes. Educating commodity trainers (CoTs) for creating awareness regarding the functioning and benefits of commodity derivatives market among stakeholders including farmers/Farmers Producers Organisations, Corporates, Small and Medium enterprises (SMEs), traders etc, will also be an area of focus. SEBI will also take steps to boost the confidence of the investors in the market by ensuring fair practices in the financial markets. Further, SEBI will undertake various investor awareness programs stressing importance of long term investing for wealth creation, diversification across asset classes and general awareness including red flagging of frauds and scams.

Capacity Building at SEBI - In order to strengthen its workforce to effectively deal with different facets of the securities market, SEBI will scale up its recruitment. SEBI will also focus on training its officers on Big Data and Data Analytics, for internal decision-making, policy making and surveillance.

Building a Data Lake and Data Analytics Capability - In order to strengthen market supervision through technology solutions and to analyse unstructured data, SEBI has undertaken a Data Lake project. The Data Lake will have the capability to store and retrieve quickly, a large amount of structured, semi structured (XML) and unstructured data. This data lake project will support advanced analytical

tools, such as artificial intelligence and machine learning (AI/ML), deep learning, big data analytics, pattern recognition, processing of structured and unstructured data, text mining and natural language processing. In order to detect possible market manipulation and strengthen market supervision through technology solutions, SEBI has initiated a "Data Analytics and Data Models Project." This project would comprise of developing new models, implementing analytics project, establishing linkages between various entities in the market, automated extraction of details from documents filed with SEBI and identification of market malpractices such as insider trading and front running.

Internal Systems' Security – After the implementation of its NOC-SOC project, with a view to further strengthen its IT infrastructure security, SEBI will undertake to perform Vulnerability Assessment and Penetration Testing (VAPT) on its IT system (networking systems, security devices, servers and databases). The VAPT will identify vulnerabilities, misconfiguration and other issues if any, that could be leveraged by an external or internal entity (or user) to impact the confidentiality, integrity and availability of SEBI systems or exploit it for personal gains, either from the internet or from SEBI's internal network. This will include identifying existing threats if any and suggesting remedial solutions and recommendations to mitigate all identified risks, with the objective of enhancing the security of information systems.

Cyber Security Fusion Centre (Cyber Lab) for the securities market - To strengthen the cyber security preparedness/ resilience of the entire securities market ecosystem, SEBI has envisaged a Three-tier structure in securities market to monitor cyber security related events and take actions as deemed necessary in the interest of protection of the securities market:

Tier 1: High Powered Steering Committee on Cyber Security (HPSC-CS] chaired by a Whole Time Member of SEBI,

Tier 2: Cyber Security Centre / Lab,

Tier 3: Division of technology and cyber security in SEBI to coordinate with the Steering Committee, Cyber Security Lab Security and Operations Centres at the respective MIs.

Tier 1 and Tier 3 have been set up and SEBI is in the process of setting up a SEBI Cyber Security Fusion Centre (CSFC). Cyber-attacks and threats attempt to compromise the Confidentiality, Integrity and Availability (CIA) of the computer systems, networks and databases in the markets ecosystem. Cyber Resilience is an organization's ability to prepare and respond to a cyber-attack and to continue operations during, and recover from, a cyber-attack. Based on the recommendations of the HPSC-CS and taking into account the recent changes in the cyber security guidelines issued by the International Organization of Securities Commissions (IOSCO) and National Institute of Standards and Technology (NIST), it is proposed to review the SEBI circular with regard to cyber security and resilience.

Capacity Building at NISM - It is proposed to enhance capacity building in emerging areas such as data science and FinTech applications in the financial markets through short term and long-term academic programs. Further, the curriculum for existing certification and Continuing Professional Education (CPE) programs for intermediaries will be revised, while new certifications at higher levels will also be introduced. The curriculum for its existing academic programs will be refreshed and enhanced and new academic programs shall be introduced. The designing and developing of executive education programs for all the financial market participants and even international

securities market related organisations is underway. Further, with a view to build capacity in the relatively new domain of commodities, it is proposed to design a course on warehousing sector covering various aspects such as Conceptual and Regulatory Framework, Warehouse Business and

Operations, Grading and Assaying, Warehousing Receipt Management, Risk Management, role of warehousing in the commodity derivatives markets, use of technology and technological advancements in warehousing sector etc. in consultation with NISM.

Part Two:

Trends and Operations in the Securities Market

1. REVIEW OF THE GENERAL ECONOMIC ENVIRONMENT AND THE INVESTMENT CLIMATE

1. PRIMARY SECURITIES MARKET

Funds raising during 2019-20 were comparatively better than that in 2018-19 for both Public Issues and Rights Issues, despite the overall gloomy economic condition prevailing in the Q4 of 2019-20. Though the number of IPOs listed during 2019-20 decreased as compared to 2018-19, the average size of the IPOs has increased to ₹ 367 crore during 2019-20 as against ₹ 131 crore in 2018-19. Further, there were 17 mega issues in 2019-20 as compared to 14 mega issues in 2018-19. Apart from IPOs, during 2019-20, the amount raised through rights issue was higher compared to that previous year. During the Q1 of 2019-20, Vodafone Idea Ltd. and Bharti Airtel Ltd. raised ₹ 24,500 crore and ₹ 24,939 crore, respectively through Right Issues. The largest public issue in 2019-20 was for ₹ 10,341 crore by SBI Cards and Payment Services Ltd.

I. Equity Issuance

A. Resource Mobilisation through Public and Rights Issues

During 2019-20, ₹ 21,323 crore and ₹ 55,642 crore was raised through public issues and rights issues respectively as against ₹ 16,087 crore and ₹ 2,149 crore raised during previous year. However, the number of companies accessing the capital market through public and rights issues saw a decline from 133 companies in 2018-19 to 76 companies in 2019-20.

The number of IPOs declined to 58 in 2019-20 as against 123 in 2018-19. However, the number of rights issues increased from 10 in 2018-19 to 16 in 2019-20. Further, there were two FPOs in 2019-20. Of the total resources mobilized in 2019-20, 27.7 per cent was through public issues and the remaining

72.3 per cent through rights issues whereas 88.2 per cent of resources mobilized in 2018-19 was through public issues and 11.8 per cent through rights issues. Further, of the total resources mobilized by issuers through IPOs during 2019-20, 26.5 per cent was through pure Offer for Sale (OFS), 5.6 per cent

through pure fresh issue and 67.9 per cent through a combination of OFS and fresh issue compared to 49.5 per cent, 9.3 per cent and 41.14 per cent, respectively in 2018-19. During 2019-20, the OFS was for ₹ 18,348 crore (86.2 per cent of the IPOs), out of total IPOs for ₹ 21,286 crore (Table 2.1).

Table 2.1: Resource Mobilisation through Public and Rights Issues

Particulars	2018-19		2019-20		Percentage Share in Total Amount	
	No.	Amount (₹ crore)	No.	Amount (₹ crore)	2018-19	2019-20
1) Public Issues,	123	16,087	60	21,323	88.2	27.7
of which						
A) IPOs	123	16,087	58	21,286	88.2	27.7
of which						
a) OFS Component	11	7,967	5	5,645	43.7	7.3
b) Fresh Issue	93	1,501	41	1,189	8.2	1.5
c) Both (OFS+Fresh Issue)	19	6,618	12	14,452	36.3	18.8
Breakup of Both (OFS+Fresh Issue) (in crore)						
OFS		3,747		12,703	20.6	16.5
Fresh		2,871		1,750	15.8	2.3
B) FPOs	0	0	2	37	0.0	0.0
2) Rights Issues	10	2,149	16	55,642	11.8	72.3
Total (1+2)	133	18,235	76	76,965	100	100

Note: The primary market resource mobilization is inclusive of amount raised on the SME platform

Source: BSE and NSE

a) Sector-wise Resource Mobilisation

74 private sector issues and two public sector issues were mobilised through primary market in 2019-20 as compared to 129 private sector issues and four public sector issues in 2018-19. In 2019-

20, private sector issues mobilized ₹ 75,850 crore thereby constituting 98.6 per cent of the total resource mobilisation in 2019-20 as compared to 91.9 per cent in 2018-19.

Table 2.2: Sector-wise Resource Mobilisation (₹ crore)

Sector	2018-19		2019-20		Share in Total Amount(per cent)	
	No.	Amount (₹ crore)	No.	Amount (₹ crore)	2018-19	2019-20
Private	129	16,753	74	75,850	91.9	98.6
Public	4	1,482	2	1,115	8.1	1.4
Total	133	18,235	76	76,965	100	100

Source: BSE and NSE

b) Size-wise Resource Mobilisation

During 2019-20, 24 issues were mobilized in the range of ₹ 10 crore to ₹ 50 crore. However, the bulk of resource mobilization was comprised

of 12 issues with size more than ₹ 500 crore each which collectively raised ₹ 73,668 crore (Table 2.3).

Table 2.3: Size-wise Resource Mobilisation

Issue Size	2018-19		2019-20		Percentage Share in Total Amount	
	No.	Amount (₹ crore)	No.	Amount (₹ crore)	2018-19	2019-20
< ₹ 5 crore	20	68.4	19	59.28	0.4	0.1
≥ ₹ 5 crore & < ₹ 10 crore	29	212.75	12	89.88	1.2	0.1
≥ ₹ 10 crore & < ₹ 50 crore	61	1,355	24	481	7.4	0.6
≥ ₹ 50 crore & < ₹ 100 crore	6	437.52	1	60	2.4	0.1
≥ ₹ 100 crore & < ₹ 500 crore	8	2,896	8	2,607	15.9	3.4
≥ ₹ 500 crore	9	13,266	12	73,668	72.7	95.7
Total	133	18,235	76	76,965	100	100

Source: BSE and NSE

The mega issues mobilized ₹ 75,839 crore which comprise 98.5 per cent of the resource mobilization in

2019-20. Mega Issues have been defined as the ones with issue size of ₹ 300 crore and above (Table 2.4).

Table 2.4: Details of Mega Issues during 2019-20

Name of the Issuer	Type of Issue	Type of instrument	Date of closing of Issue	Offer size (₹ crore)	Percentage share in Total Amount (per cent)
Vodafone Idea Ltd.	Rights	Equity	24-Apr-19	25,000	33.0
Polycab India Ltd.	IPO	Equity	9-Apr-19	1,345	1.8
Metropolis Healthcare Ltd.	IPO	Equity	5-Apr-19	1,204	1.6
Rail Vikas Nigam Ltd.	IPO	Equity	3-Apr-19	477	0.6
Bharti Airtel Ltd.	Rights	Equity	17-May-19	24,939	32.9
Indiamart InterMesh Ltd.	IPO	Equity	26-Jun-19	476	0.6
Affle India Ltd.	IPO	Equity	31-Jul-19	459	0.6
Tata Sponge Iron Ltd.	Rights	Equity	16-Jul-19	1,485	2.0
Spandana Sphoorty Financial Ltd.	IPO	Equity	7-Aug-19	1,190	1.6
Sterling & Wilson Solar Ltd.	IPO	Equity	8-Aug-19	2,850	3.8
Indian Railway Catering and Tourism Corporation Ltd.	IPO	Equity	3-Oct-19	638	0.8
CSB Bank Ltd.	IPO	Equity	26-Nov-19	410	0.5
Ujjivan Small Finance Bank Ltd.	IPO	Equity	4-Dec-19	746	1.0
Prince Pipes and Fittings Ltd.	IPO	Equity	20-Dec-19	500	0.7
Piramal Enterprises Ltd.	Rights	Equity	21-Jan-20	3,430	4.5
Bajaj Electricals Ltd.	Rights	Equity	3-Mar-20	350	0.5
SBI Cards And Payment Services Ltd.	IPO	Equity	5-Mar-20	10,341	13.6
Total				75,839	

Note: Mega issues relate to issue size of ₹ 300 crore and above.

Source: BSE and NSE

c) Industry-wise Resource Mobilisation

In terms of industry contribution to resource mobilization, the Telecom category in the industry classification raised 64.9 per cent of the resources

mobilized in 2019-20 followed by Finance (13.6 per cent), Healthcare (6.1 per cent) and Electronic Equipment's/ Products (5.5 per cent).

Table 2.5: Industry-wise Resource Mobilisation

Industry#	2018-19			2019-20		
	No. of Issues	Amount (₹ crore)	Percentage Share in Total Amount	No. of Issues	Amount (₹ crore)	Percentage Share in Total Amount
Airlines	0	0	0.0	0	0	0.0
Automobiles	3	2,414	13.2	0	0	0.0
Banks/FIs	1	1,131	6.2	3	2,345	3.1
Cement/ Constructions	8	1,067	5.9	5	275	0.4
Chemical	7	666	3.7	4	153	0.2
Consumer Services	4	60	0.3	3	66	0.1
Electronic Equipments/ Products	8	298	1.6	5	4,218	5.5
Engineering	17	1,123	6.2	5	1,992	2.6
Entertainment	1	1	0.0	1	2	0.0
Finance	5	6,539	35.9	3	10,446	13.6
Food processing	6	666	3.7	2	64	0.1
Healthcare	5	110	0.6	7	4,702	6.1
Hotels	3	1,647	9.0	0	0	0.0
Info Tech	4	71	0.4	4	484	0.6
Insurance	0	0	0.0	0	0	0.0
Oil & Natural Gas	1	10	0.1	0	0	0.0
Plastic	2	39	0.2	1	500	0.7
Power	0	0	0.0			0.0
Printing	0	0	0.0	2	9	0.0
Roads & Highways	7	97	0.5	0	0	0.0
Telecom	0	0	0.0	3	49,970	64.9
Textile	12	1,335	7.3	1	23	0.0
Miscellaneous	39	961	5.3	27	1,715	2.2
Total	133	18,235	100	76	76,965	100

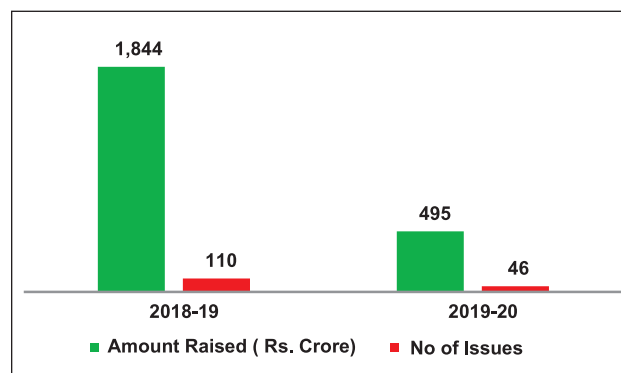
The criterion for industry classification has been revised and applied for both 2018-19 and 2019-20.

Source: BSE and NSE

B. Resource Mobilisation on SME Platform

The SME platform witnessed a drop in 2019-20 as against 2018-19 both in terms of number of companies accessing the IPOs as well as the amount raised through SME IPOs. In 2019-20, 46 companies

were listed in the SME platform raising a total amount of ₹ 495 crore as compared to ₹ 1,844 crore raised through 110 issues in 2018-19.

Figure 2.1: Resource Mobilisation through the SME Platform

Source: BSE and NSE

During 2019-20, out of total 46 issues on the SME platform, 18 companies had size less than ₹ 5 crore, 10 companies had issue size of ₹ 5 crore or more but less than ₹ 10 crore, 13 companies had issue size of ₹ 10 crore or more but less than ₹ 25 crore and five companies had issue size of ₹ 25 crore or more (Table 2.6).

Table 2.6: Size-wise Resource Mobilisation by SME during 2019-20

Issue Size	No.	Amount (₹ crore)	Percentage of Total
< ₹ 5 crore	18	59	11.9
≥ ₹ 5 crore & < ₹ 10 crore	10	71	14.4
≥ ₹ 10 crore & < ₹ 25 crore	13	186	37.6
≥ ₹ 25 crore	5	179	36.1
Total	46	495	100.0

Source: BSE and NSE

During 2019-20, 24 companies migrated from SME platform to main board on NSE compared to three companies in 2018-19 and 19 companies

had migrated from SME platform to main board on BSE compared to 14 companies in 2018-19 (Table 2.7)

Table 2.7: Number of SME Shifted to Main Board

Particulars	2018-19	2019-20
No of Companies Migrated (NSE)	3	24
No. of Companies Migrated (BSE)	14	19

Source: BSE and NSE

C. Resource Mobilisation through QIP

a. Qualified Institutions' Placement

Qualified Institutions' Placement (QIP) is an alternative mechanism for the listed companies to raise funds from the domestic market. During

2019-20, ₹ 54,389 crore were raised through QIPs (including Institutional Private Placement (IPPs)) as against ₹ 8,678 crore raised during 2018-19. The amount raised through QIPs (including IPPs) saw more than five times increase in 2019-20 compared to that raised during 2018-19 (Table 2.8).

Table 2.8: Resource Mobilisation through QIP

Year	Only NSE		Only BSE		Common		Total	
	No. of Issues	Amount (₹ crore)	No. of Issues	Amount (₹ crore)	No. of Issues	Amount (₹ crore)	No. of Issues	Amount (₹ crore)
2018-19	0	0	1	113	13	8,565	14	8,678
2019-20	0	0	0	0	14	54,389	14	54,389

Source: BSE and NSE.

During 2019-20, out of total 14 QIPs amount to ₹ 54,389 crore, 13 QIPs were of issue size ₹ 500 crore or more with total issue size amounting to ₹ 53,927 crore (99.2 per cent) and one QIP was of issue size ₹ 463 crore (Table 2.9).

Table 2.9: Size-wise Resource Mobilisation by QIPs (Includes IPPs)

Issue Size	2018-19		2019-20		Percentage Share in Total Amount	
	No. of Issues	Amount (₹ crore)	No. of Issues	Amount (₹ crore)	2018-19	2019-20
< ₹ 5 crore	0	0	0	0	0	0
≥ ₹ 5 crore & < ₹ 10 crore	0	0	0	0	0	0
≥ ₹ 10 crore & < ₹ 50 crore	0	0	0	0	0	0
≥ ₹ 50 crore & < ₹ 100 crore	1	69	0	0	0.8	0
≥ ₹ 100 crore & < ₹ 500 crore	7	1,673	1	463	19.3	0.9
≥ ₹ 500 crore	6	6,936	13	53,927	79.9	99.2
Total	14	8,678	14	54,389	100	100

Source: BSE and NSE.

b. Offer for Sale through the Stock Exchange Mechanism

Offer for Sale (OFS) is a mechanism introduced in 2012 to help the promoters in the listed companies to sell their shares directly to the public in more transparent manner and reduce their holdings. In 2019-20, there were 24 OFS issues (16 companies)

made on the platforms of NSE and BSE as compared to 27 OFS issues (21 companies) in 2018-19. The total resources mobilisation through OFS was ₹ 17,099 crore during 2019-20 compared to ₹ 21,903 crore in the previous year. (Table 2.10).

Table 2.10: Offer for Sale through the Stock Exchange Mechanism

Year	No. of Companies	No. of issues	Total Resources Mobilised (₹ crore)
2018-19	21	27	21,903
2019-20	16	24	17,099

Note: The amount of total resources mobilisation has been taken from respective designated stock exchange (BSE & NSE). Since the Offer for Sale opens on both the exchanges simultaneously, each exchange will receive different quantities of bid. For total resource mobilisation both BSE and NSE amount have been added.

Source: BSE and NSE

D. Resource Mobilisation through Preferential Allotments

Preferential allotments are covered under Chapter V of SEBI ICDR Regulations. It is an alternative mode for resource mobilization used by the listed companies to issue shares or convertible

securities to a selected group of investors. During 2019-20, ₹ 1,74,875 crore was raised through preferential issue as against ₹ 2,10,138 crore raised during 2018-19 (Table 2.11).

Table 2.11: Resource Mobilisation through Preferential Allotments

Year	Only NSE		Only BSE		Common		Total	
	No. of Issues	Amount (₹ crore)	No. of Issues	Amount (₹ crore)	No. of Issues	Amount (₹ crore)	No. of Issues	Amount (₹ crore)
2018-19	20	8,032	208	10,825	171	1,91,281	399	2,10,138
2019-20	14	76	130	1,853	136	1,72,946	280	1,74,875

Source: BSE and NSE.

II. Debt Issuance

A. Resource Mobilization through Public Issues

During 2019-20, the resource mobilisation through public issue of debt witnessed a declining trend over previous year. The amount raised through public issuance during 2019-20 decreased by 59.1 per cent to ₹ 14,984 crore (through 34 issues) from ₹ 36,679 crore in 2018-19 (through 25 issues). (Table 2.12)

Table 2.12: Resource Mobilization through Public Issues

Year	No. of Issues	Amount (₹ crore)
2018-19	25	36,679
2019-20	34	14,984

Note: Data for debt issues have been taken on the basis of their closing date

Of the 34 public debt issues during 2019-20, seven issues were of size more than ₹ 500 crore each

(17 issues during 2018-19) whereas 23 issues were in the range of ₹ 100 crore to ₹ 500 crore (eight issues in the previous year). As in the previous years, all of the resources mobilised by public issuance of debt during 2019-20 was done by private sector finance companies.

B. Resource Mobilisation through Private Placement of Corporate Debt

The private placement route continued to dominate issuance of the corporate debt in India during 2019-20 as well. Companies listed on recognised stock exchanges in India raised ₹ 6,74,671 crore in 2019-20 through private placement of corporate debt, an increase of 10.5 per cent over the previous year (Table 2.13). In terms of the number of issues, 1,787 issuances were made in 2019-20, as compared to 2,358 issues in 2018-19.

Table 2.13: Private Placement of Corporate Bonds Reported to BSE and NSE

Year	Only NSE		Only BSE		Common		Total	
	No. of Issues	Amount (₹ crore)	No. of Issues	Amount (₹ crore)	No. of Issues	Amount (₹ crore)	No. of Issues	Amount (₹ crore)
2018-19	479	1,77,593	1703	2,47,451	176	1,85,274	2,358	6,10,318
2019-20	363	2,03,066	1,272	2,54,976	152	2,16,660	1,787	6,74,702

Source: BSE and NSE.

2. SECONDARY SECURITIES MARKET

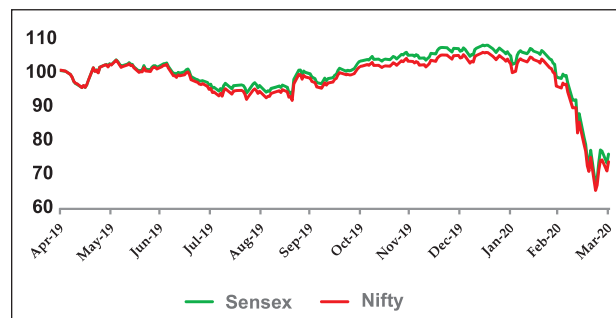
I. Equity Cash Segment

A. Equity Market Snapshots

Indian stock market performed quite well for the first three quarters of 2019-20, even, both S&P BSE Sensex and Nifty 50 reached their respective all-time highs of 42,274 and 12,431 on January 20, 2020. However, the Panic sell-offs had been started after Coronavirus outbreak which resulted huge wealth destruction in equity markets across advanced and emerging economies. Indian stock markets witnessed steep fall after The World Health Organization (WHO) declared the novel coronavirus “Covid-19” outbreak a global pandemic on 11 March, 2020. Both the Sensex and Nifty 50 reached their lowest point at 25,639 and 7,511 respectively on March 24, 2020. FPIs sold ₹ 1,18,203 crore from the Indian securities market only in the month of March 2020, itself. India VIX, a measure of investors’ perception about the risk of sharp swings based on options prices, rose to its highest level since the 2008 global financial crisis as fear gripped markets worldwide. India VIX touched its lifetime high at 83.6 (intraday at 86.6) on March 24, 2020.

India’s benchmark blue chip indices S&P BSE Sensex (henceforth referred to as Sensex) and Nifty 50 (henceforth referred to as Nifty) recorded its negative growth in 2019-20, as Sensex and Nifty declined by 23.8 per cent and 26.0 per cent respectively during the year (Figure 2.2). The Sensex closed at 29,468 on March 31, 2020 decreased by 9,204 points as compared to the level at the close of previous financial year. The Nifty closed at 8,598 on March 31, 2020 decreased by 3,026 points as compared to the level at the close of previous financial year.

Figure 2.2: Movement of Stock Market Blue-chip Indices



Note: The closing value of Nifty and Sensex have been normalised to 100 on March 29, 2019.

Source: BSE and NSE

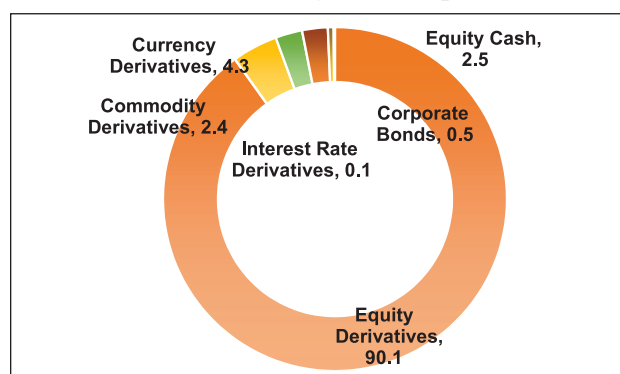
Both Sensex and Nifty reached their respective all-time highs of 42,274 and 12,431, respectively on January 20, 2020. During 2019-20, the lowest level attained by the Sensex and Nifty 50 were 25,639 and 7,511 respectively on March 24, 2020.

In the cash segment, the turnover at NSE increased by 13.2 per cent during 2019-20 compared to 9.9 per cent growth during 2018-19. The turnover of BSE decreased by 14.8 per cent during 2019-20 as compared to a decline of 28.4 per cent during 2018-19. MSEI recorded very small volumes in the cash segment.

In the equity derivatives segment, the gross turnover at NSE rose by 45.0 per cent during 2019-20 as compared to 44.0 per cent during 2018-19. The trading activity in equity derivative segment of BSE witnessed significant jump over previous year due to its introduction of Liquidity Enhancement Scheme (LES) in S&P BSE Sensex Futures Monthly Contracts, S&P BSE Sensex Options Monthly Contracts, Single Stock Futures Monthly Contracts, Single Stock Options Monthly Contracts in equity derivatives segment w.e.f. August 26, 2019. The gross turnover in the derivatives segment of BSE increased by 11,555.7 per cent in 2019-20 as against

a decline of 31.0 per cent during 2018-19. Further, no trading was observed in equity derivatives segment of MSEI (Table 2.14). The segment-wise composition of the value traded in the secondary market is shown in Figure 2.3. In the secondary market, equity derivatives segment constitute highest market share of 90.1 per cent, followed by currency derivatives (4.3 per cent), equity cash segment (2.5 per cent), commodity derivatives (2.4 per cent), corporate bonds (0.5 per cent) and interest rate derivatives (0.1 per cent).

Figure 2.3: Share in Traded Value in the Secondary Market during 2019-20 (per cent)



Source: National exchanges.

During 2019-20, the market capitalisation of BSE and NSE decreased by 24.9 per cent and 24.7 per cent, respectively over the previous year. In terms of valuations, the PE ratio of Sensex and Nifty stood at 17.8 and 19.4, respectively at the end of March 2020 compared to 28 and 29 respectively, at the end of March 2019. The annualized volatility of Sensex and Nifty in 2019-20 were 27.9 per cent and 27.1 per cent, respectively compared to 12.1 per cent and 12.4 per cent, respectively in 2018-19. The number of companies listed at BSE increased to 5,377 at the end of March 2020 from 5,262 at the end of March 2019. The number of companies listed at NSE also increased to 1,949 from 1,931 during the same period.

Table 2.14: Major Indicators of the Indian Securities Markets

Item	2018-19	2019-20	Variation over 2018-19 (per cent)
A. Indices			
S&P BSE Sensex			
Year-end	38,673	29,468	-23.8
Average	35,972	38,757	7.7
Nifty 50			
Year-end	11,624	8,598	-26.0
Average	10,860	11,500	5.9
SX40			
Year-end	22,743	17,121	-24.7
Average	21,230	22,636	6.6
B. Annualised Volatility (per cent)			
S&P BSE Sensex	12.0	27.9	131.5
Nifty 50	12.4	27.1	119.1
SX40	12.1	27.5	127.3

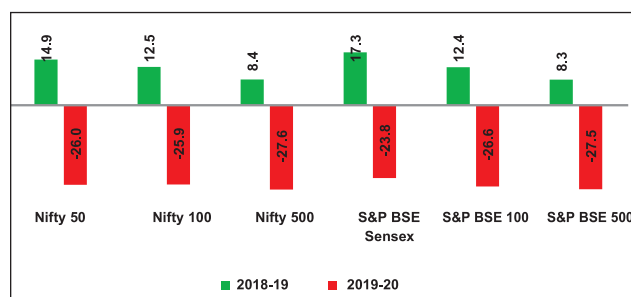
Item	2018-19	2019-20	Variation over 2018-19 (per cent)
C. Total Turnover (₹ crore)			
Equity Cash Segment	87,24,624	96,59,735	10.7
<i>of which</i>			
BSE	7,75,590	6,60,896	-14.8
NSE	79,49,004	89,98,811	13.2
MSEI	30.29	27.99	-7.6
Equity Derivatives Segment	23,76,02,955	34,47,95,160	45.1
<i>of which</i>			
BSE	2,250	2,62,269	11555.7
NSE	23,76,00,705	34,45,32,892	45.0
MSEI	Na	Na	Na
Currency Derivatives Segment	1,59,17,864	1,63,82,993	2.9
<i>of which</i>			
BSE	73,52,274	66,83,274	-9.1
NSE	85,18,351	96,54,394	13.3
MSEI	47,239	45,325	-4.1
Interest Rate Derivatives Segment	3,56,629	4,60,857	29.2
<i>of which</i>			
BSE	1,11,222	1,00,045	-10.0
NSE	2,45,407	3,60,811	47.0
MSEI	Na	NA	Na
Commodity Derivatives Segment	73,77,945	92,24,839	25.0
<i>of which</i>			
NCDEX	5,31,588	4,42,009	-16.9
MCX	67,72,373	86,89,518	28.3
NMCE	13,675	Na	Na
ICEX	24,061	40,511	68.4
BSE	32,804	46,439	41.6
NSE	3,444	6,362	84.7
D. Market Capitalization (₹ crore)			
BSE	1,51,08,711	1,13,48,757	-24.9
NSE	1,49,34,227	1,12,43,112	-24.7
MSEI	1,47,51,584	1,10,34,811	-25.2
E. No. of Listed Companies			
BSE	5,262	5,377	2.2
NSE	1,931	1,949	0.9
MSEI	287	295	2.8
F. P/E Ratio			
S&P BSE Sensex	28.0	17.8	-36.5
Nifty 50	29.0	19.4	-33.2
SX40	27.9	19.6	-29.7

Source: National Exchanges.

B. Performance of Broader Market Indices and Sectoral Indices

During 2019-20, equity markets registered negative growth. India's leading equity blue-chip indices Nifty and Sensex decreased by 26 per cent and 23.8 per cent respectively. Among the broad-based indices at NSE, Nifty 500 index and Nifty 100 index decreased by 27.6 per cent and 25.9 per cent, respectively during 2019-20. Similarly, the broad-based indices at BSE, viz., S&P BSE 500 and S&P BSE 100 index also decreased by 27.5 per cent and 26.6 per cent, respectively during 2019-20 (Figure 2.4)

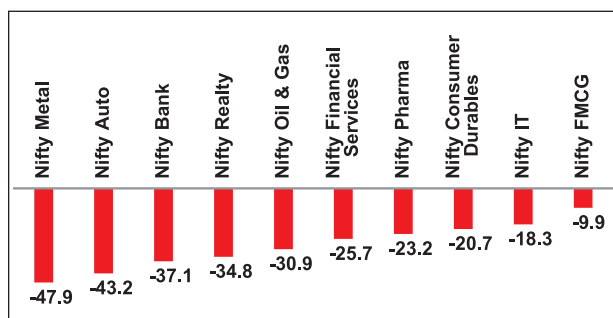
Figure 2.4: Performance of Major Stock Indices (per cent)



Source: NSE and BSE

Among the selected sectoral indices at NSE, Nifty Metal Index decreased the maximum (47.9 per cent) followed by Nifty Auto Index (43.2 per cent), Nifty Bank Index (37.1 per cent), Nifty Reality (34.8 per cent), Nifty Oil & Gas Index (30.9 per cent), Nifty Financial Services Index (25.7 per cent), Nifty Pharma Index (23.2 per cent), Nifty Consumer Durables Index (20.7 per cent), Nifty IT Index (18.3 per cent) and Nifty FMCG Index (9.9 per cent) (Figure 2.5).

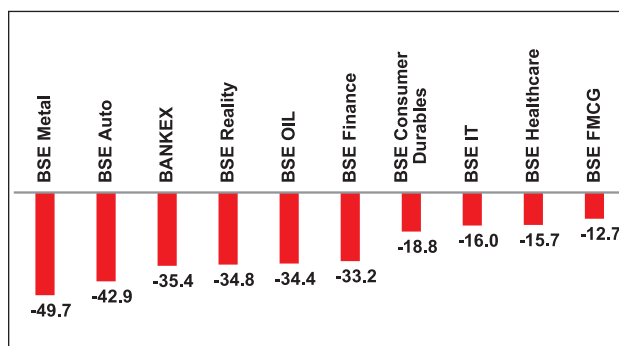
Figure 2.5: Annual Change of NSE's Sectoral Indices during 2019-20 (per cent)



Source: NSE

Among the selected sectoral indices at BSE, BSE Metal Index recorded the maximum loss of 26.3 per cent, followed by BSE Auto Index (42.9 per cent), BSE Bankex Index (35.4 per cent), BSE Reality Index (34.8 per cent), BSE OIL Index (34.4 per cent), BSE Finance Index (33.2 per cent), BSE Consumer Durables Index (18.8 per cent), BSE IT Index (16 per cent), BSE Healthcare Index (15.7 per cent) and BSE FMCG Index (12.7 per cent) (Figure 2.6).

Figure 2.6: Annual Change of BSE's Sectoral Indices during 2019-20 (per cent)



Source: BSE

C. Turnover in the Indian Stock Market

The combined turnover of all stock exchanges in the equity cash segment increased by 10.7 per cent to ₹ 96.6 lakh crore in 2019-20 from ₹ 87.2 lakh crore in 2018-19. Of the aggregate turnover, NSE accounted for 91.1 per cent of the total turnover and BSE accounted for 8.9 per cent of the total turnover. NSE's turnover in the cash segment increased by 13.2 per cent to ₹ 90 lakh crore in 2019-20 from ₹ 79.5 lakh crore in 2018-19. However, during the same period, BSE witnessed a decline in turnover by 14.8 per cent to ₹ 6.6 lakh crore from ₹ 7.8 lakh crore in the previous year. The annual turnover of MSEI decreased by 7.6 per cent to ₹ 28 crore during 2019-20 from ₹ 30 crore in the previous year (Table 2.15).

Table 2.15: Exchange-wise Equity Cash Segment Turnover (₹ crore)

Stock Exchange	2018-19	2019-20	Share in total turnover (per cent)	Variation over 2018-19 (per cent)
BSE	7,75,590	6,60,896	8.9	-14.8
MSEI	30	28	0.0	-7.6
NSE	79,49,004	89,98,811	91.1	13.2
Total	87,24,624	96,59,735	100.0	10.7

Source: National Exchanges

The trading activity in GIFT city, a special economic zone in Gujarat which hosts BSE's India INX exchange and NSE's NSE IFSC exchange, has started gaining momentum since 2017-18. India INX exchange, emerged as the largest player and recorded a total notional turnover of US\$ 5,87,483 million in 2019-20 as compared to US\$ 196,934 million during 2018-19. Of the total trading value at India INX, the notional turnover of equity derivatives stood at US\$ 5,44,668 million (US\$ 4,95,452 in Index Options and US\$ 49,216 million in Index Futures) and US\$ 42,815 million in commodity futures in 2019-20 compared to US\$ 1,00,267 million in equity derivatives (US\$ 1,00,267 in Index Options and US\$ 43,319 million in Index Futures) and US\$ 53,343 million in commodity futures in 2018-19. There were no trading activities in Currency Derivatives at India INX for the last two years.

NSE IFSC exchange recorded a total notional turnover of US\$ 130,774 million in 2019-20 as compared to US\$ 81,371 million in 2018-19. Of the total turnover in 2019-20, Index Options and Index Futures recorded a turnover of US\$ 1,06,032 million and US\$ 24,741 million compared to US\$ 45,961 million and US\$ 35,391 million, respectively in 2018-19. There were no trading activities in Currency Derivatives and Commodity Derivatives at NSE IFSC for the last two years (Table 2.16).

Table 2.16: Notional Turnover at IFSC (in US\$ Million)

Particular	India INX		NSE IFSC	
	2018-19	2019-20	2018-19	2019-20
A. Equity Derivatives	1,43,591	5,44,668	81,371	1,30,774
Index Futures	43,319	49,216	35,391	24,741
Index Options	1,00,267	4,95,452	45,961	1,06,032
Stock Futures	5	0	19	0
Stock Options	0	0	0	0
B. Currency Derivatives	0	0	0	0
Currency Futures	0	0	0	0
Currency Options	0	0	0	0
C. Commodity Futures	53,343	42,815	0	0
Total (A+B+C)	1,96,934	5,87,483	81,371	1,30,774

Source: Indian INX and NSE IFSC

The trading data for the top-20 cities in India shows that 51 per cent of BSE's total turnover in the equity cash segment and 64 per cent of NSE's total turnover in the equity cash segment was concentrated in Mumbai (including Thane), the financial hub of the country. At NSE Delhi/

Ghaziabad contributed 5.9 per cent to the total turnover, followed by Kolkata/Howrah (5.2 per cent), and Bengaluru (3.2 per cent). At BSE, Gurgaon contributed 17.4 per cent to the total turnover, followed by Kolkata (3.4 per cent) and Ahmedabad (2.2 per cent) (Table 2.17).

Table 2.17: City-wise Turnover of the Top-20 Cities in the Cash Segment

BSE			NSE		
City	Turnover (₹ crore)	Percentage share in cash turnover	City	Turnover (₹ crore)	Percentage share in cash turnover
Mumbai	6,75,088	51.1	Mumbai / Thane	1,15,26,294	64.0
Gurgaon	2,30,150	17.4	Delhi/Ghaziabad	10,65,004	5.9
Kolkata	45,092	3.4	Calcutta / Howrah	9,43,314	5.2
Ahmedabad	29,152	2.2	Bangalore	5,79,842	3.2
Rajkot	21,279	1.6	Hyderabad	5,62,554	3.1
Bengaluru	15,603	1.2	Ahmedabad	2,97,745	1.7
New Delhi	14,286	1.1	Rajkot	1,92,456	1.1
Ghaziabad	12,037	0.9	Chennai	1,56,278	0.9
Chennai	9,699	0.7	Cochin/Ernakulam	1,25,880	0.7
Vadodara	9,659	0.7	Jaipur	53,925	0.3
Jaipur	6,489	0.5	Indore	53,479	0.3
Surat	4,397	0.3	Baroda	43,243	0.2
Hyderabad	3,709	0.3	Ludhiana	19,930	0.1
Pune	3,485	0.3	Kanpur	14,664	0.1
Kanpur	3,341	0.3	Pune	14,235	0.1
Indore	3,256	0.2	Coimbatore	8,627	0.0
Noida	2,329	0.2	Guwahati	387	0.0
Thane	1,773	0.1	Patna	132	0.0
Medak	1,663	0.1	Bhubaneswar	61	0.0
Lucknow	1,573	0.1	Mangalore	27	0.0
Others	2,27,732	17.2	Others	23,39,542	13.0
Total	13,21,792	100	Total	1,79,97,622	100

Note: city-wise turnover calculated on gross basis as (buy+sale)

Source: BSE and NSE

D. Market Capitalisation

The total market capitalisation at BSE and NSE decreased by 24.9 per cent and 24.7 per cent respectively to ₹ 113.5 lakh crore and ₹ 112.4 lakh crore as at the end of 2019-20. The free float market

capitalisation as a percentage of total market capitalisation at BSE and NSE stood at 46.1 per cent and 46.4 per cent, respectively, at the end of March 2020 (Table 2.18).

Table 2.18: Market Capitalisation at BSE and NSE

Exchange	31-Mar-19	31-Mar-20	Change
			year -on year (per cent)
Free Float Market Capitalisation			
NSE	70,61,397	52,11,496	-26.2
BSE	71,03,361	52,34,867	-26.3
Total Market Capitalisation			
NSE	1,49,34,227	1,12,43,112	-24.7
BSE	1,51,08,711	1,13,48,757	-24.9
Free Float Market Capitalization as per cent of Total Market Capitalisation			
NSE	47.3	46.4	
BSE	47.0	46.1	

Source: BSE and NSE.

E. Stock Market Indicators

The market capitalization-to-GDP ratio is a common metric of measuring whether the stock market is undervalued or overvalued. It is probably the best single measure of valuations stand at any given moment. The BSE's market capitalisation to GDP ratio decreased to 55.7 per cent in 2019-20 from 79.6 per cent in 2018-19. Similarly, the NSE's market capitalisation to GDP ratio also decreased

to 55.2 per cent in 2019-20 to 78.7 per cent in 2018-19. The all-India equity cash segment turnover to GDP ratio increased to 47.4 per cent in 2019-20 from 46 per cent in 2018-19. The turnover to GDP ratio for the equity derivatives segment of NSE and BSE increased to 1,690.1 per cent in 2019-20 from 1,252.4 per cent in 2018-19. (Table 2.19).

Table 2.19: Select Ratios Relating to the Stock Market (per cent)

Year	BSE Market Capitalisation to GDP Ratio	NSE Market Capitalisation to GDP Ratio	Total Turnover to GDP Ratio	
			Cash Segment (all-India)	Equity Derivatives Segment (BSE+NSE)*
2018-19#	79.6	78.7	46.0	1,252.4
2019-20##	55.7	55.2	47.4	1,690.1

Notes: # as per 1st revised estimated of GDP at current prices for 2018-19.## as per 2nd advance estimated of GDP at current prices for 2019-20.

* Notional turnover of equity derivatives has been considered

Source: National exchanges and CSO.

The Price to earnings ratio (P/E) is a useful metric for evaluating the relative attractiveness of a company's stock price compared to the current earnings of a firm. As on March 31, 2020, Sensex and

NIFTY's P/E ratios were 17.8 and 19.4, respectively as compared to 28.0 and 29.0, respectively on March 31, 2019 (Table 2.20).

Table 2.20: Price to Earnings Ratio

Year	S&P BSE Sensex	S&P BSE 100	S&P BSE IT	S&P BSE Bankex	Nifty 50	Nifty 100	Nifty IT	Nifty Bank
2018-19	28.0	26.2	21.1	44.0	29.0	30.5	23.3	64.8
2019-20	17.8	16.4	15.2	17.6	19.4	21.3	16.6	20.7

Note: P/E ratio is as at the end of the respective year.

Source: BSE and NSE

The price to book (P/B) ratio is a financial ratio that is used to compare market value of a stock to its book value. As on March 31, 2020, Sensex and

NIFTY's P/B ratios were 2.3 and 2.5, respectively as compared to 3.2 and 3.7, respectively as on March 31, 2019 (Table 2.21).

Table 2.21: Price-to-Book Value Ratio

Year	S&P BSE Sensex	S&P BSE 100	S&P BSE IT	S&P BSE Bankex	Nifty 50	Nifty 100	Nifty IT	Nifty Bank
2018-19	3.2	3.0	4.8	2.6	3.7	3.8	5.6	3.4
2019-20	2.3	2.1	3.8	1.6	2.5	2.5	4.1	1.8

Source: BSE and NSE

F. Stock Market Volatility

During 2019-20, the annualized volatility of the Sensex increased to 27.9 per cent from 12 per cent in the previous year. A similar trend was observed for

NIFTY, whose annualised volatility moved up to 27.1 per cent in 2019-20 from 12.4 per cent in 2018-19 (Table 2.22).

Table 2.22: Annualized Volatility of Benchmark Indices (per cent)

Year	S&P BSE Sensex	S&P BSE 100	S&P BSE 500	Nifty 50	Nifty 100	Nifty 500
2018-19	12.0	12.5	12.6	12.4	12.5	12.7
2019-20	27.9	27.3	26.7	27.1	26.7	26.1

Note: Annualized volatility is computed as the standard deviation of the logarithmic returns of the closing levels of the indices multiplied with the square root of the number of trading days during the period.

G. Trading Frequency

Trading frequency of stocks listed at NSE and BSE indicates in the liquidity condition. Number of stocks traded in the cash segment of BSE increased to 5,570 in 2019-20 from 5,448 in 2018-19 whereas the number of stocks traded at NSE increased to 2,125 from 2,034 during the same period. At BSE,

during 2019-20, 2,991 stocks (or 53.7 per cent of the total stocks) traded for more than 100 days, while 1,846 stocks (or 86.9 per cent of the total stocks) traded for more than 100 days in the cash segment of NSE during the same period. (Table 2.23).

Table 2.23: Trading Frequency of Listed Stocks

Trading Frequency (Range of Days)	2018-19				2019-20			
	BSE		NSE		BSE		NSE	
	No. of Stocks Traded*	Share in Total (per cent)	No. of Stocks Traded	Share in Total (per cent)	No. of Stocks Traded*	Share in Total (per cent)	No. of Stocks Traded	Share in Total (per cent)
Above 100	3,006	55.2	1,820	89.5	2,991	53.7	1,846	86.9
91-100	93	1.7	19	0.9	106	1.9	17	0.8
81-90	101	1.9	17	0.8	102	1.8	26	1.2
71-80	123	2.3	23	1.1	111	2.0	20	0.9
61-70	110	2.0	19	0.9	136	2.4	14	0.7
51-60	123	2.3	14	0.7	161	2.9	26	1.2
41-50	165	3.0	20	1.0	175	3.1	20	0.9
31-40	193	3.5	23	1.1	189	3.4	32	1.5
21-30	227	4.2	18	0.9	256	4.6	23	1.1
11-20	340	6.2	20	1.0	346	6.2	31	1.5
1-10	967	17.8	41	2.0	997	17.9	70	3.3
Total	5,448	100	2,034	100	5,570	100	2,125	100

Note: *Data for No. of stocks traded includes Government securities, ETFs & Mutual Funds. Further, this may include details of multiple number securities traded for the period but listed under one company.

Source: BSE and NSE.

H. Share of Top-100 Brokers/Securities in Annual Cash Market Turnover

The share of the top 100 brokers in the annual equity cash market turnover in 2019-20 at NSE and BSE was 87.7 and 85.8 per cent, respectively compared to 85.7 per cent and 84.5 per cent, respectively in 2018-19. While, the share of the top-

100 securities in the annual equity cash market turnover in 2019-20 at NSE and BSE was 77.9 per cent and 68.1 per cent, respectively compared to 70.9 per cent and 60.2 per cent, respectively in the previous year (Table 2.24).

Table 2.24 Share of Top-100 Brokers/Securities in Annual Cash Market Turnover

Particulars	2018-19		2019-20	
	BSE	NSE	BSE	NSE
Share of Top-100 Brokers in Annual Cash Market Turnover	84.5	85.7	85.8	87.7
Share of Top-100 Scrips/Securities in Annual Cash Market Turnover	60.2	70.9	68.1	77.9

Source: BSE and NSE

I. Share of Participants in Annual Cash Market Turnover

At NSE, the share of participants in the annual cash market turnover in 2019-20 shows that proprietary trades, FPIs and mutual funds had contributed 22.7 per cent, 15.1 per cent and 7.4 per cent respectively, whereas domestic institutions

(excluding MFs) contributed 2.7 per cent. Similarly, at BSE, proprietary trades, FPIs, mutual funds and domestic institutions (excluding MFs) contributed 27.6 per cent, 10 per cent, 7.3 per cent and 2.3 per cent, respectively in 2019-20 (Table 2.25).

Table 2.25: Share of Participants in Annual Cash Market Turnover

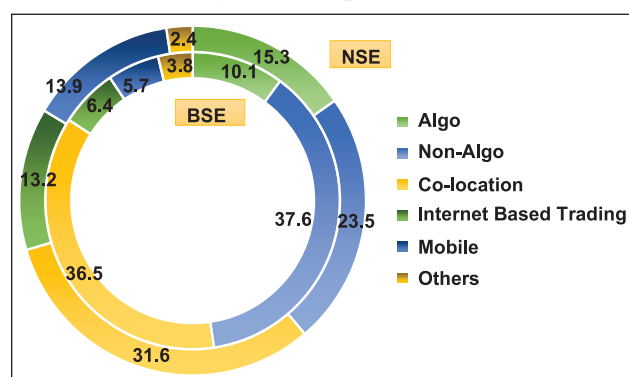
Particulars	2018-19		2019-20	
	BSE	NSE	BSE	NSE
Proprietary trades	22.1	21.5	27.6	22.7
Domestic Institutions (excluding MFs)	2.0	2.7	2.3	2.7
FPIs	13.2	15.1	10.0	15.1
MFs	8.0	7.5	7.3	7.4
Others	54.7	53.2	52.7	52.0
Total	100	100	100	100

Notes: 1. Domestic institutions (excluding mutual funds) include banks, DFIs, insurance companies and the New Pension Scheme.

2. Others include retail, partnership firms, trusts, HUFs, NRIs and QFIs.

Source: BSE and NSE.

During 2019-20, in the cash segment of NSE, 31.6 per cent trading completed through Co-location, followed by Non-algo (23.5 per cent), Algo (15.3 per cent), Mobile trading (13.9 per cent), Internet Based Trading (13.2 per cent) and others (2.4 per cent). In case of BSE's total cash market, 37.6 per cent trading completed through Non-algo, followed by Co-location (36.5 per cent), Algo (10.1 per cent), Internet Based Trading (6.4 per cent), Mobile trading (5.7 per cent) and others (3.8 per cent) during 2019-20 (Figure 2.7).

Figure 2.7: Mode of Trading in the Cash market during 2019-20 (per cent)

Note: others includes Direct Market Access, FOW-NOW and Smart Order Routing.

Source: NSE and BSE

J. Activities of Stock Exchanges

During 2019-20, the all-India trading activities at the stock exchanges in terms of number of shares traded increased by 22.9 per cent to 52,476 crore from 42,681 crore in 2018-19. During 2019-20, the total value of shares delivered also increased by 2.6 per cent to ₹ 22,69,502 crore from ₹ 22,12,530 crore in 2018-19. Amongst all the nation-wide exchanges, NSE had a share of 89.1 per cent in terms of total quantity of shares traded in the cash segment during 2019-20 and the BSE had a share of 10.9 per cent. In terms of the quantity of shares delivered, NSE's and BSE's share were 83.8 per cent and 16.1 per cent, respectively during 2019-20 (Table 2.26).

Table 2.26: Trading Statistics of Stock Exchanges

Stock Exchange	Quantity Traded		Quantity Delivered		Value of Shares Delivered	
	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20
	Quantity in crore				Amount in ₹ crore	
BSE	5,181	5,735	1,959	2,043	2,62,992	1,93,663
MSEI	0.1	0.1	14.2	16.8	30.3	26.5
NSE	37,500	46,741	8,443	10,656	19,49,508	20,75,813
Total	42,681	52,476	10,416	12,716	22,12,530	22,69,502
	Percentage share					
BSE	12.1	10.9	18.8	16.1	11.9	8.5
MSEI	0.0	0.0	0.1	0.1	0.0	0.0
NSE	87.9	89.1	81.1	83.8	88.1	91.5
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: BSE, NSE and MSEI

K. Dematerialisation

At the end of March 2020, there were 212 lakh demat accounts at CDSL and 197 lakh demat accounts at NSDL. As on March 31, 2020, 30,335 companies (of which 5,636 were equity listed companies) had signed up for dematerialisation at NSDL and 14,762 companies (of which 5,692 were equity listed companies) at CDSL. The quantity of dematerialised securities at NSDL increased by 25.9 per cent to 2.4 lakh crore as at end 2019-20

from 1.9 lakh crore as at end 2018-19. At CDSL, the quantity of dematerialised securities also increased by 25.9 per cent to 0.46 lakh crore as at end 2019-20 from 0.36 lakh crore as at end 2018-19. The ratio of dematerialised equity shares to total outstanding shares of listed companies was 86.8 per cent at NSDL and 11.7 per cent at CDSL at the end of 2019-20. (Table 2.27).

Table 2.27: Depository Statistics

Particulars	NSDL		CDSL	
	2018-19	2019-20	2018-19	2019-20
No. of Investor Accounts (lakh)	185	197	174	212
No. of Companies Signed up (Listed and Unlisted)	25,233	30,335	12,757	14,762
♦ Of which No. of Companies that are Listed	6,150	5,636	6,407	5,692
Quantity of Securities in Demat Form (crore)	1,86,741	2,35,160	36,188	45,573
Value of Securities in Demat Form (₹ crore)	1,86,80,372	1,60,32,792	20,79,693	16,71,972
No. of Shares Settled in Demat during the year (crore)	11,717	13,356	6,656	8,138
Value of Shares Settled in Demat during the year (₹ crore)	31,16,228	33,08,113	6,97,546	7,46,580
Market Capitalisation of Listed Companies Joined in Demat (₹ crore)	1,51,46,276	1,14,03,048	1,56,23,662	1,13,44,264
Custody Value of Shares of Listed Companies (₹ crore)	1,31,13,010	98,95,616	17,57,785	13,29,811
Ratio of Dematerialised Equity Shares to Total Outstanding Shares Listed (per cent)	86.6	86.8	11.6	11.7

Source: NSDL and CDSL.

The total value of commercial papers held with NSDL in the demat form decreased by 14.9 per cent to ₹ 4,85,164 crore as at end of 2019-20 from ₹ 5,70,320 crore as at end of 2018-19, while the total value of debentures held with NSDL increased by 5.6 per cent to ₹ 32,99,882 crore as at end of 2019-20 from ₹ 31,26,167 crore as at end of 2018-19. Further,

the total value of commercial papers held with CDSL in the demat form decreased by 15.4 per cent to ₹ 3,659 crore from ₹ 4,324 crore and the total value of debentures held with CDSL increased 24 per cent to ₹ 1,07,802 crore from ₹ 86,968 crore during the period. (Table 2.28)

Table 2.28: Depository Statistics: Debentures/Bonds and Commercial Papers

Particulars	Debentures / Bonds				Commercial Papers			
	2018-19		2019-20		2018-19		2019-20	
	NSDL	CDSL	NSDL	CDSL	NSDL	CDSL	NSDL	CDSL
No. of Issuers	2,482	842	2,717	873	421	27	321	143
No. of Active Instruments	15,977	8,207	15,756	8,532	2,551	230	1,625	829
Demat Value (₹ crore)	31,26,167	86,968	32,99,882	1,07,802	5,70,320	4,324	4,85,164	3,659

Source: NSDL and CDSL.

The geographical coverage of CDSL's depository participants (DPs) increased, while that of NSDL declined slightly for the year 2019-20 as compared to the previous year. DP locations for CDSL increased to 4,051 cities at the end of March

2020 compared to 3,776 cities at the end of March 2019. On the other hand, DP locations of NSDL decreased to 1,925 cities from 1,934 cities during the same period (Table 2.29).

Table 2.29: Geographical Spread of DP Locations

No. of DP Locations	2018-19		2019-20	
	NSDL	CDSL	NSDL	CDSL
0 > 10	1,473	3,558	1,460	3,798
11-20	201	23	203	123
21-50	148	94	148	77
51-100	68	68	68	30
> 100	44	33	46	23
Total	1,934	3,776	1,925	4,051

Note: The number of DP locations for CDSL includes locations that have back office connected DP centres.

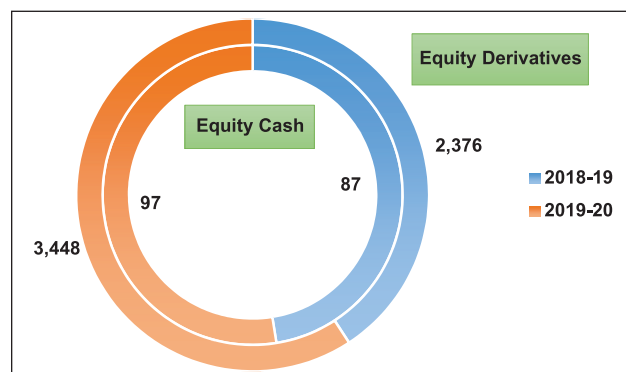
Source: NSDL and CDSL.

II. Derivatives Segments

A. Equity Derivatives Market

The equity derivatives segment in India has grown exponentially over the years and has continued its momentum in 2019-20 as well. In 2019-20, the total turnover in equity derivatives segment rose by 45.1 per cent compared to the previous year. The ratio of turnover in equity derivatives to that in

cash segment has increased to 35.7 times in 2019-20 from 27.2 times in 2018-19. Almost all the trading in the F&O segment, during 2019-20, happened on NSE, which dominated the F&O market and BSE's share was insignificant. (Figure 2.8).

Figure 2.8: Equity Derivatives' Turnover vis-a-vis Cash Market Turnover (₹ lakh crore)

Source: BSE and NSE

During 2019-20, the number of contracts traded at NSE increased by 61.9 per cent to 512.5 crore contracts traded from 316.5 crore contracts traded in 2018-19. The turnover of NSE also increased by 45 per cent to ₹ 3,445.3 lakh crore in 2019-20 from ₹ 2,376 lakh crore in 2018-19. Further, during the same period, the turnover at BSE also increased significantly to ₹ 2,62,269 crore from ₹ 2,250 crore. As on March 31, 2020, the open interest in NSE's derivatives segment decreased by 43 per cent to ₹ 1.6 lakh crore from ₹ 2.9 lakh crore at the end of 2018-19, whereas at BSE, the open interest was ₹ 38 crore at the end of 2019-20 as against ₹ 1 crore at the end of 2018-19 (Table 2.30).

Table 2.30: Trends in Turnovers and Open Interest in the Equity Derivatives Segment

Year	No. of Contracts Traded		Turnover (₹ crore)		Open Interest at the end of the Year			
					No. of Contracts		Value (₹ crore)	
	NSE	BSE	NSE	BSE	NSE	BSE	NSE	BSE
2018-19	3,16,48,02,420	31,167	23,76,00,705	2,250	40,38,916	9	2,86,403	1
2019-20	5,12,53,21,877	26,81,883	34,45,32,892	2,62,269	31,62,958	515	1,63,122	38

Source: BSE and NSE

Over the years, Index Options have emerged as the most traded instrument in the Indian equity derivatives market. During 2019-20, the share of Index Options in total turnover at NSE increased further to 90.2 per cent from 85.6 per cent in the previous year. However, the per cent share of Single

Stock Futures, Single Stock Options and Index Futures declined to 4.3 per cent, 3.6 per cent and 1.9 per cent, respectively, in 2019-20 compared to 6.8 per cent, 5.3 per cent and 2.3 per cent, respectively, in 2018-19 (Table 2.31)

Table 2.31: Product-wise Market Share in Equity Derivatives Segment (per cent)

Year	Index Futures	Index Options	Single Stock Options	Single Stock Futures
BSE				
2018-19	1.7	97.5	0.8	0.0
2019-20	5.7	93.8	0.1	0.5
NSE				
2018-19	2.3	85.6	6.8	5.3
2019-20	1.9	90.2	4.3	3.6

Source: BSE and NSE.

At the end of 2019-20, there were 144 stocks on which derivatives products were permitted to be traded on NSE and BSE, compared to 197 stocks,

respectively at the end of previous year. While, the index derivatives were permitted on three indices at NSE and four indices at BSE during 2019-20.

Table 2.32: Trends in Index Futures at NSE and BSE

Year	No. of Indices		No. of Contracts		Notional Turnover (₹ crore)		Open Interest at the End of the Year			
							No. of Contracts		Value (₹ crore)	
	NSE	BSE	NSE	BSE	NSE	BSE	NSE	BSE	NSE	BSE
2018-19	3	4	6,98,24,522	438	55,68,914	39	3,51,847	0	27,678	0
2019-20	3	4	9,44,72,538	1,50,212	66,77,312	14,934	2,07,764	486	12,049	35.8

Source: BSE and NSE

Table 2.33: Trends in Stock Futures at NSE and BSE

Year	No. of Stocks		No. of Contracts		Notional Turnover (₹ crore)		Open Interest at the End of the Year			
							No. of Contracts		Value (₹ crore)	
	NSE	BSE	NSE	BSE	NSE	BSE	NSE	BSE	NSE	BSE
2018-19	197	197	25,55,33,869	271	161,47,011	18	17,67,096	7	1,11,899	0.5
2019-20	144	144	25,66,43,910	2,983	148,74,729	163	13,93,680	0	63,406	0

Source: BSE and NSE

Table 2.34: Trends in Index Options at NSE and BSE

Year	No. of Indices		No. of Contracts		Notional Turnover (₹ crore)		Open Interest at the End of the Year			
							No. of Contracts		Value (₹ crore)	
	NSE	BSE	NSE	BSE	NSE	BSE	NSE	BSE	NSE	BSE
2018-19	3	4	2,65,24,57,487	30,456	20,33,02,405	2,193	16,33,017	0	1,29,002	0
2019-20	3	4	4,57,63,70,297	25,12,339	31,06,91,969	2,45,963	13,85,315	29	80,089	2.1

Source: BSE and NSE

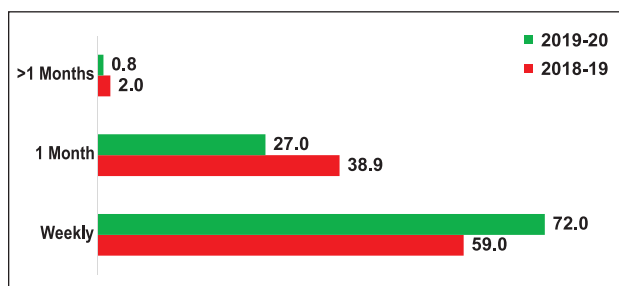
Table 2.35: Trends in Stock Options at NSE and BSE

Year	No. of Stocks		No. of Contracts		Notional Turnover (₹ crore)		Open Interest at the End of the Year			
							No. of Contracts		Value (₹ crore)	
	NSE	BSE	NSE	BSE	NSE	BSE	NSE	BSE	NSE	BSE
2018-19	197	197	18,69,86,542	2	1,25,82,375	0	2,86,956	0	17,823	0
2019-20	144	144	19,78,35,132	16,349	1,22,88,881	1,209	1,76,199	0	7,577	0

Source: BSE and NSE.

NSE introduced weekly expiry options of Bank Nifty Index and Nifty 50 Index w.e.f. May 27, 2016 and February 11, 2019, respectively. Since, the introduction of weekly expiry of options of Bank Nifty and Nifty, the Weekly Options emerged as the most traded instrument in the Indian equity derivatives market at NSE. During 2019-20, the share of Weekly Options of total Index Options turnover at NSE increased to 72.1 per cent from 59 per cent in the previous year. Further, the share of near month options (1-month expiry) of total Index Options turnover at NSE decreased to 27 per cent from 39 per cent during the same period (Figure 2.9).

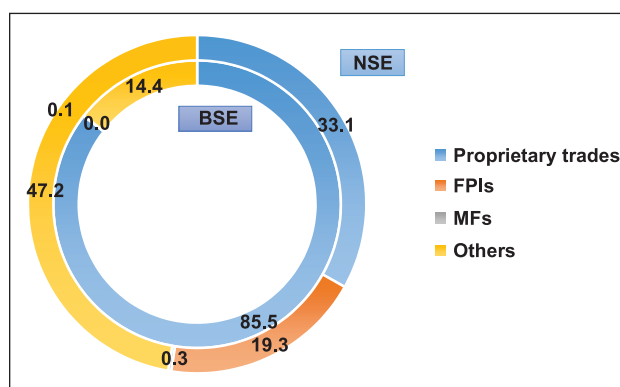
Figure 2.9: Maturity wise Share in Index Options at NSE (per cent)



Source: NSE

Participant-wise share in NSE F&O's turnover for 2019-20 shows that proprietary trades accounted for a 33.1 per cent (37.8 per cent in 2018-19) share in the annual turnover (Figure 2.10). While FPIs had a share of 19.3 per cent (13.6 per cent in 2018-19) in the total turnover, the 'others' category (comprising retail, HNIs and private and public companies) had an average share of 47.2 per cent (48.2 per cent in 2018-19) in the total turnover; mutual funds constituted a miniscule share of 0.3 per cent. In BSE F&O's turnover, proprietary trades had a share of 85.5 per cent (2 per cent in 2018-19) and the 'others' category had a share of 14.4 per cent (98 per cent in 2018-19).

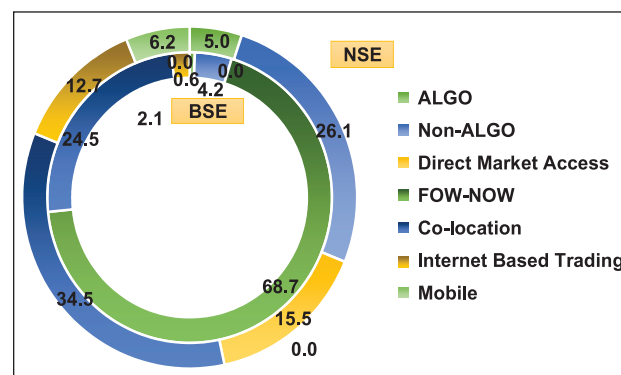
Figure 2.10: Participant-wise Share in the Equity Derivatives Turnovers during 2019-20 (per cent)



Source: BSE and NSE

During 2019-20, in the equity derivatives segment of NSE, 34.5 per cent trading completed through Co-location, followed by Non-algo (26.1 per cent), Direct Market Access (15.5 per cent), Algo (5 per cent), Internet Based Trading (12.7 per cent) and Mobile trading (6.2 per cent). In case of BSE's total equity derivatives turnover, 68.7 per cent trading completed through FOW-NOW, followed by Co-location (24.5 per cent), Non-Algo (4.2 per cent), Internet Based Trading (2.1 per cent) and Algo (0.6 per cent) during 2019-20 (Figure 2.11).

Figure 2.11: Mode of Trading in the Equity Derivatives Segment during 2019-20 (per cent)



Source: BSE and NSE

B. Currency Derivatives Market

Through trading in currency derivatives, the stakeholders can hedge against foreign exchange risk and benefit from the Rupee's movements against major foreign currencies. There has been significant increase in volumes of trading in currency derivatives over the years. The Euro, Japanese Yen, British Pound and US Dollar are the major currencies for which currency derivatives are paired with the Rupee. Besides, cross currency pairs are now allowed to be traded. Presently, in Indian markets, currency derivatives are traded on BSE, NSE, and MSEI.

The aggregate turnover in the currency derivatives segment at the exchanges increased by 2.9 per cent from ₹ 159.2 lakh crore during 2018-19 to ₹ 163.8 lakh crore in 2019-20. The turnover of NSE grew by 13.3 per cent during 2019-20, while the turnover of BSE and MSEI declined by 9.1 per cent and 4.1 per cent, respectively during the period. During 2019-20, the total turnover was the highest at NSE (₹ 96.5 lakh crore), followed by BSE (₹ 66.8 lakh crore) and MSEI (₹ 0.45 lakh crore). NSE accounted for 58.9 per cent of the total turnover in the currency segment followed by BSE (40.8 per cent) and MSEI (0.3 per cent) (Table 2.36).

Table 2.36: Trends in the Currency Derivatives Segment

Year	MSEI			NSE			BSE		
	No. of Contracts Traded (Lakh)	Turnover (₹ crore)	Open Interest at the End of Year (₹ crore)	No. of Contracts Traded (Lakh)	Turnover (₹ crore)	Open Interest at the End of Year (₹ crore)	No. of Contracts Traded (Lakh)	Turnover (₹ crore)	Open Interest at the End of Year (₹ crore)
2018-19	68	47,239	130	11,984	85,18,351	29,225	10,525	73,52,274	4,929
2019-20	63	45,325	46	13,403	96,54,394	51,349	9,445	66,83,274	17,251

Source: BSE, NSE and MSEI

The trading activity in currency derivatives segment was concentrated mainly in USD-INR currency pair, with 93.7 per cent of total turnover at NSE, 99.9 per cent of total turnover at BSE and 95.8 per cent of total turnover at MSEI happening in USD-INR pair. Product-wise shares in the

currency derivatives volume show that the USD-INR Options emerged as a dominant product with 57.3 per cent in turnover at BSE and 50.2 per cent turnover at NSE during 2019-20. At MSEI, USD-INR Futures had a major share of 84 per cent during 2019-20. (Table 2.37).

Table 2.37: Product-wise Market Share in Currency Derivatives Segment (per cent)

Type	Currency Pair	NSE		BSE		MSEI	
		2018-19	2019-20	2018-19	2019-20	2018-19	2019-20
Futures	USD-INR	48.4	43.1	43.4	42.6	68.8	84.0
	GBP-INR	2.0	1.8	0.1	0.0	1.0	1.8
	EURO-INR	2.6	3.9	0.1	0.0	1.7	2.4
	JPY-INR	0.7	0.8	0.0	0.0	0.0	0.0
	EURO-USD	0.5	0.1	0.0	0.0	0.0	0.0
	GBP-USD	0.4	0.1	0.0	0.0	0.0	0.0
	USD-JPY	0.0	0.0	0.0	0.0	0.0	0.0
Options	USD-INR	45.3	50.2	56.4	57.3	28.3	11.8
	EURO-INR	0.0	0.0	0.0	0.0	0.1	0.0
	GBP-INR	0.0	0.0	0.0	0.0	0.0	0.0
	JPY-INR	0.0	0.0	0.0	0.0	0.0	0.0
	EURO-USD	0.0	0.0	0.0	0.0	0.0	0.0
	GBP-USD	0.0	0.0	0.0	0.0	0.0	0.0
	USD-JPY	0.0	0.0	0.0	0.0	0.0	0.0
Total		100	100	100	100	100	100

Source: BSE, NSE and MSEI

C. Interest Rates Derivatives Market

Interest-rate derivatives are often used to hedge risk by institutional investors, banks, companies and individuals to protect themselves against changes in interest rates and they can also be used to increase or refine the holder's risk profile. The trends observed in turnover and open interest in the interest rate derivatives at NSE and BSE are given in Table 2.38.

During 2019-20, the aggregate turnover in the interest rate derivatives (IRD) segment across

all exchanges increased by 29.2 per cent. The gross turnover in IRD segment of NSE increased by 47 per cent to ₹ 3,60,811 crore in 2019-20 as compared to ₹ 2,45,407 crore in 2018-19. Whereas, the gross turnover in IRD segment of BSE fell by 10 per cent to ₹ 1,00,045 crore in 2019-20 from ₹ 1,11,222 crore in 2018-19. However, there was no trading activity reported in the IRD segment of MSEI during 2018-19 and 2019-20. (Table 2.38)

Table 2.38: Trends in Interest Rate Derivatives at NSE and BSE

Year	NSE			BSE		
	No. of Contracts Traded (Lakh)	Turnover (₹ crore)	Open Interest at the End of Year (₹ crore)	No. of Contracts Traded (Lakh)	Turnover (₹ crore)	Open Interest at the End of Year (₹ crore)
2018-19	127.6	2,45,407	2,056	59.0	1,11,222	1,214
2019-20	176.6	3,60,811	1,577	49.2	1,00,045	683

Source: BSE and NSE

3. THE COMMODITY DERIVATIVES MARKET

I. An Overview of the Indian Commodity Derivatives Market

The culmination of 2019-20 has unleashed unprecedented uncertainties to the domestic economy and the markets in the form of outbreak of the global pandemic, "Covid-19". The impact of "Covid-19" on commodity markets has, in particular, been severe so far, as both demand and supply chain of commodities has been affected simultaneously across agri and non-agri markets.

Looking at the positive aspects, 2019-20 witnessed several path breaking policy reforms for boosting commodity derivative markets and to further integrate spot and derivatives market. Pursuant to the Government notification, SEBI permitted stock exchanges to launch 'options in goods' in their commodity derivatives segments for goods notified for derivative trading. SEBI also permitted introduction of futures on commodity indices and issued necessary guidelines to recognized stock exchanges. To further strengthen institutional participation, mutual funds have been permitted to participate in commodity derivatives market, albeit with certain restrictions. Several fresh contracts were launched by the exchanges during the year viz., future contracts on paddy basmati, moong, etc.

In the Union Budget for 2020-21, the GoI made the highest ever budget allocation of ₹1,30,485 crore for agriculture sector, representing 140 per cent increase over the allocation of ₹57,600 crore in 2018-19. To further boost collectivization of small and marginal farmers, Government has approved a new central sector scheme called 'Formation and Promotion of Farmer Produce Organizations (FPOs)' to form and promote 10,000 new FPOs with a total budgetary provision of ₹4,496 crore for five years

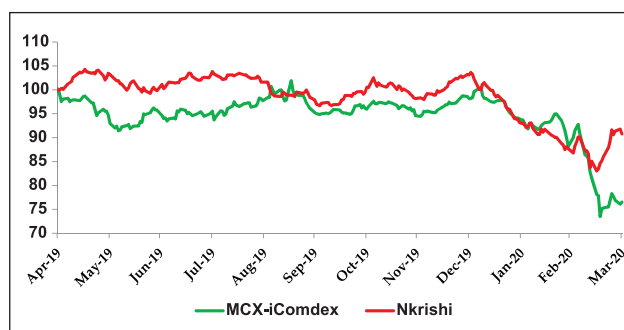
(2019-20 to 2023-24). According to the 2nd Advance Estimates of production of major crops for 2019-20 production of most of the crops is estimated to be higher than the last year. The production of food grain (291.95 million tonnes), oilseed (34.19 million tonnes), cotton (34.89 million bales) and sugarcane (353.85 million tonnes) are estimated to increase by 2.4 per cent, 8.5 per cent, 13.2 per cent and 2.0 per cent, respectively. The e-National agriculture market (e-NAM) which has established electronic connectivity of 585 mandis across India has been extended to additional 415 mandis to further integrate the spot market supply chains. Going forward, implementation of Union Budget 2020-21 proposal for integration of e-NWR with e-NAM for seamless trading of agri products may further help in the integration of spot and derivative markets for agri commodities in India.

II. Major Indicators of Commodity Derivatives Market

The benchmark commodity indices - MCX iCOMDEX composite and NKrishi Index, both recorded a downtrend in 2019-20. MCX iCOMDEX composite index, which is an excess return index, decreased by 22.9 per cent, while, the NKrishi - the agri commodity index recorded a decrease of 6.9 per cent during the year. Among the component indices of MCX-iCOMDEX, only iBullion index provided some resistance to the decline caused by iCOMDEX Crude Oil (63.2 per cent) and iCOMDEX Base Metal (26.7 per cent). The NKrishi index, of NCDEX decreased, as nine out of its 10 constituent commodities viz., Barley, Castor Seed, Chana, Coriander, Cotton Seed Oil Cake, Guar Seed, Jeera, Soy bean and Turmeric, recorded drop in futures prices during the year.

The decline in commodity indices was steeper during the Q4 of 2019-20, due to the lockdown imposed in response to “Covid-19”. In Q4 of 2019-20, the MCX-iCOMDEX declined by 22.1 per cent while NKrishi index declined by 12.4 per cent with some recovery during last few days of the financial year. During Q4, while iCOMDEX Bullion increased marginally by 2.6 per cent, iCOMDEX Crude Oil and iCOMDEX Base Metal declined by 63.3 per cent and 16.0 per cent, respectively.

Figure 2.12: Movement of Benchmark Commodity Derivative Indices in 2019-20



Note: The closing value of MCX-i-Comdex and NKrishi have been normalised to 100 on March 29, 2019.

Source: NCDEX, MCX

The annualised volatility for MCX iCOMDEX in 2019-20 was 15.8 per cent as compared to 14.7 per cent in previous year. As regards NKrishi Index, the annualised volatility decreased marginally to 12.5 per cent during the year, as compared to 12.9 per cent in 2018-19.

In contrast to the declining trend in indices during the year, the trading activity in the

commodity derivatives segment registered an uptrend. During 2019-20, both the ‘total number of derivatives contracts traded’ and ‘aggregate turnover of all exchanges’ increased by 23.3 per cent and 25.0 per cent, respectively over previous year. The turnover of futures contracts increased by 24.1 per cent while that of ‘options on futures’ contract increased by 61.1 per cent. Among various segments, though the turnover of agriculture and metals futures contracts recorded a decline of 10.4 per cent and 37.7 per cent, respectively, a significant increase was seen in turnover of bullion (89.6 per cent), Energy (55.7 per cent) and Gems and Stones (46.7 per cent) segments.

Among all the commodities traded at exchange platform, crude oil with turnover of ₹33,55,435 crore in futures contracts and ₹1,23,825 crore on options contracts accounted for 37.7 per cent of the pan-India annual turnover of commodity derivatives markets. It was followed by Gold and Silver derivatives which contributed 21.0 per cent and 12.6 per cent, respectively. Though turnover of crude oil derivative contracts was 37.7 per cent, its average daily OI was only ₹ 1,250 crore, which is 5.6 per cent of average daily OI of ₹22,324 crore of all derivatives contracts. On the contrary, average daily OI of Gold and Silver contracts was ₹ 10,250 crore and ₹ 2,711 crore, respectively. This is 45.9 per cent and 12.1 per cent of average daily OI of all derivatives contracts traded across the exchanges.

Table 2.39: Major Indicators of the Commodity Derivatives Market

Items	2018-19	2019-20	Change over previous year (per cent)
A. Indices			
Nkrishi			
Year-end	3,414	3,180	-6.9
Average	3,206	3,457	7.8
MCX i-COMDEX			
Year-end	10,711	8,256	-22.9
Average	11,067	10,254	-7.3
B. Annualised Volatility (in per cent)			
NCDEX Nkrishi	12.9	12.5	19
MCX iCOMDEX	14.7	15.8	7.3
C. Total Turnover (in ₹ Crore)			
All-India	73,77,945	92,24,839	25
MCX, of which	67,72,373	86,89,518	28.3
Futures	65,91,428	83,97,775	27.4
Options	1,80,945	2,91,743	61.2
NCDEX, of which	5,31,588	4,42,009	-16.9
Futures	5,31,414	4,41,967	-16.8
Options	174	42	-75.8
ICEX	24,061	40,511	7.4
BSE	32,804	46,439	41.6
NSE	3,444	6,362	84.7
NMCE	13,675	Na	Na
D. Average Daily Open Interest Value (₹ Crore)			
All-India	18,723	22,323	19.2
MCX, of which	13,461	17,398	29.3
Futures	12,368	15,242	23.2
Options	1,093	2,156	97.3
NCDEX, of which	4,957	4,614	-6.9
Futures	4,951	4,614	-6.8
Options	6	0	-99.9
NMCE Futures	28.2	Na	Na
ICEX Futures	30.1	58.3	93.6
BSE Futures	210.3	238.3	13.3
NSE Futures	37.3	13.8	-63
E. No. of commodities on which contracts available for trading			
NCDEX	19	21	10.5
MCX	18	18	0
NMCE	11	Na	Na
ICEX	13	12	-7.6
BSE	7	14	100
NSE	3	3	0
F. No. of permitted commodities in Options			
NCDEX	5	5	0
MCX	5	5	0

Note: 1. Trading on commodity derivative segment commenced at BSE and NSE in October 2018

2. Consequent upon merger of erstwhile NMCE with ICEX, all contracts of erstwhile NMCE were transferred to ICEX w.e.f Sept. 24, 2018.

Source: MCX, NCDEX, ICEX, BSE and NSE

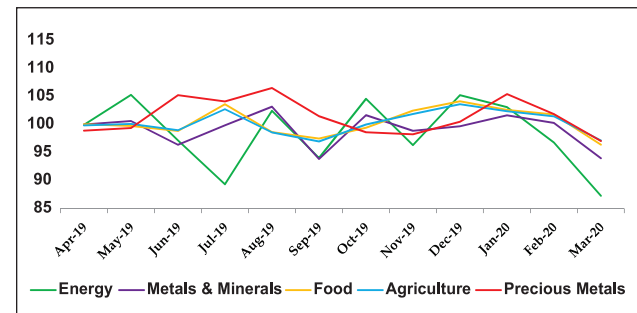
III. International Scenario

Prior to onset of shock of “Covid-19” and until the beginning of Q4 of 2019-20, issues/developments related to geopolitical tensions, US-China trade disputes, macro-economic policies of major countries, technological developments etc were the major factors influencing the commodity markets. However, the prices remained range bound of + 15 per cent till the beginning of January 2020. Short term disruptions during first three quarters of the year were due to instances such as September 14, 2019 attack on key oil refining facility in Saudi or indications of change in trade policies of US and China etc. The commodity indices of energy, base metal, agriculture products remained subdued while precious metal index remained in positive territory for during the year. In 2019, global gold prices rose by 18.4 per cent in US dollar terms, the highest since 2010, boosted by strong flows into gold-backed ETFs, growing gold reserves from central banks and fall in interest rates.

As per the commodity price data released by World Bank, the index (annual average) for Energy prices (based on nominal US dollars) decreased by 12.5 per cent in 2019-20, as compared to an increase of 19.7 per cent in 2018-19; while the Metal & Minerals index (annual average) recorded a fall of 3.1 per cent during the year against 0.5 per cent decrease recorded in 2018-19. The global food prices and agriculture commodity prices indices (annual average) declined by 1.4 per cent and 1.7 per cent, respectively in 2019-20 as compared to a fall of 1.6 per cent and 1.7 per cent, respectively in previous year.

The prices of most commodities have fallen since January 2020 as the impact of the pandemic started showing in the supply chains across the globe. Further, as the mitigation measures were announced the prices of commodities related to transport industry showed sharp decline since January 2020. (Figure 2.13)

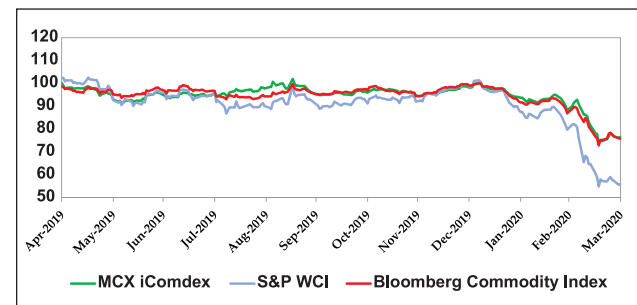
Figure 2.13: Movement of World Bank Commodity Indices in 2019-20



Source: World Bank

The movement of international commodity futures indices viz., S& P World Commodity index and the Bloomberg World Commodity index during 2019-20 may be seen in Figure 2.14. The decline in the Jan-March quarter of 2020 is prominent across indices triggered by the pandemic situation in the globe.

Figure 2.14: International Commodity Futures Indices vs Domestic Futures Index



Source: Bloomberg

Mitigation measures taken to control the spread of “Covid-19” has led to disruption in both the demand and supply side simultaneously. The combination of demand and supply shocks have manifested themselves in the following manner leading to varied impact on different commodities:

- a) **Reduced energy demand:** The shutdown of international as well as domestic travel has resulted in a substantial fall in demand for fuel for transport, which accounts for two-thirds of global oil demand. Further, the inland movement of passenger vehicles has also been curtailed adding to the overall demand woes.

Lower demand and prices for oil has also impacted the price of crops used for biofuels, such as corn and soybean oil.

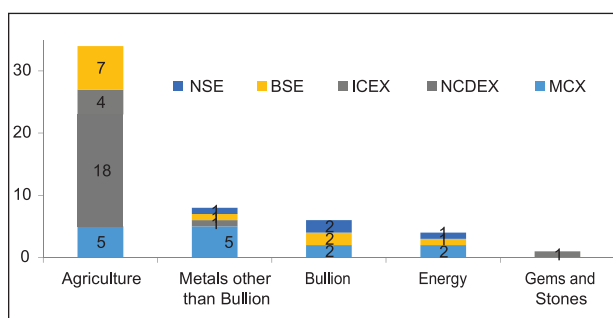
- b) Disruptions to agricultural commodity production:** The mitigation measures have affected the availability of inputs which will impact the upcoming growing season. Further the advanced economies will face labour shortage as the restriction on movement of people will curtail the number of migrant farm labourers available for commodity production.
- c) Disruptions to industrial commodity production:** Mitigation measures may result in the closure of key commodity-producing operations. This could lead to lower production of affected commodities. The impending economic recession which may follow the present crisis will cause larger declines in demand for industrial commodities, causing additional declines in prices.
- d) Disruption to supply chains:** Due to disruptions in food supply chains consumer behaviour maybe tilted towards hoarding which may lead to higher prices. On the other hand, ample harvests of grains have led to lower producer level prices. Similarly, for metals, shutdowns of refineries could create a wedge between the prices of refined metals and ores.
- e) Lower demand during economic downturn:** The global recession/slowdown will result in overall weaker commodity demand. The demand for agricultural goods is unlikely to be strongly affected but the demand for energy and metals will be strongly affected by a slowdown in economic activity.

IV. Commodities Traded on Exchange Platforms

Out of 91 commodity/commodity variants notified by the Government for trading on stock

exchange platforms, contracts were permitted on 36 commodities which comprised of 25 agri and 11 non-agri commodities. Among exchanges, NCDEX traded derivatives contracts on 18 commodities while MCX had contracts on five agri and nine non-agri commodities. The ICEX traded in four agri and two non-agri commodity contracts. BSE and NSE traded in 11 and three commodities/variants, respectively (Table 2.39 and Figure 2.15).

Figure 2.15: Exchange-wise Number of Commodities Traded during 2019-20



Note: All commodity variants are considered as one commodity

Source: MCX, NCDEX, ICEX, BSE and NSE

V. Turnover/Open Interest

The aggregate turnover at all the exchanges in commodity derivative segment increased to ₹ 92,24,839 crore from ₹ 73,77,945 crore in 2018-19. This is an increase of 25.0 per cent, as against 22.6 per cent increase recorded during the last year. Of the total turnover during 2019-20, turnover of futures and 'options on futures' contracts of commodity derivatives was ₹ 89,33,054 crore and ₹ 2,91,785 crore, indicating an increase of 24.1 per cent and 61.1 per cent, respectively over the previous year. The turnover in options on futures contract increased mainly due to increase in trading volume in energy (222.1 per cent) and bullion (21.3 per cent) contracts. It may be noted that 'options on futures' contracts are being traded only at two exchanges, namely, MCX and NCDEX. Further, options on non-agri commodity futures (namely, Gold, Silver, Copper, Zinc and Crude Oil) are presently available

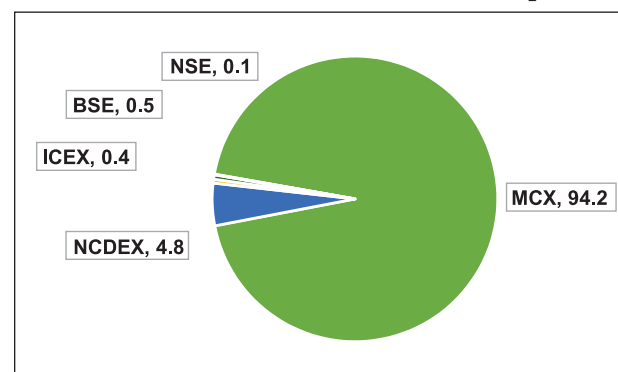
only at MCX while options on agri commodity futures (namely, Chana, Guar Gum and Guar seed) are traded only at NCDEX.

The consolidated turnover of agri. contracts across exchanges was ₹ 5,84,598 crore during 2019-20. Share of agri turnover in the total commodity derivative turnover diminished to 6.3 per cent in 2019-20 compared to share of 8.8 per cent in previous year. On the other hand, share of non-agri commodity derivatives was 93.7 per cent in 2019-20 compared to 91.2 per cent in 2018-19.

Exchange-wise break up of turnover shows that MCX dominated the value traded in pan-India commodity derivative trading with 94.2 per cent share in the overall turnover, up from the 91.2 per cent share recorded in 2018-19. The turnover at MCX was ₹86,89,517 crore in 2019-20 as compared to ₹67,72,373 crore, a rise of 28.3 per cent share. On the other hand, NCDEX's share decreased to

₹4,42,009 crore (4.8 per cent share) from ₹5,31,588 crore (7.2 per cent share) recorded during the last year. Though the turnover increased at BSE (41.6 per cent), NSE (84.7 per cent) and ICEX (7.4 per cent) over the previous year, their combined contribution to the aggregate turnover of all exchanges was one per cent. (Figure 2.16)

Figure 2.16: Exchange-wise share in Commodity Derivatives Turnover in 2019-20 (per cent)



Source: MCX, NCDEX, ICEX, BSE and NSE

Table 2.40: Trends in Commodity Futures

Year	No. of Trading days	Agriculture		Metals		Bullion		Energy		gems and Stones		Total		Open interest at the end of the period	
		Volume (Lots in Lakh)	Turnover (Rs. crore)	Volume (Lots in Lakh)	Turnover (Rs. crore)	Volume (Lots in Lakh)	Turnover (Rs. crore)	Volume (Lots in Lakh)	Turnover (Rs. crore)	Volume (Lots in Lakh)	Turnover (Rs. crore)	Volume (Lots in Lakh)	Turnover (Rs. crore)	Open Interest (Lots)	Value (Rs. crore)
MCX															
2018-19	257	18.29	1,01,233	788.36	25,25,601	288.38	15,13,817	1,369.47	24,50,777	0	0	2,464.49	65,91,428	3,13,641	14,244
2019-20	259	17.89	1,00,919	375.97	15,68,294	508.29	29,15,534	2,054.81	38,13,027	0	0	2,956.96	83,97,775	1,48,505	11,003
NCDEX															
2018-19	248	140.05	5,31,414	0	0.00	0.00	0	0	0	0	0	140.05	5,31,414	1,28,339	5,328
2019-20	247	130.80	4,41,967							0	0	130.80	4,41,967	93,073	2,263
ICEX															
2018-19	257	0.73	1,097	1.16	4,063	0.00	0	0	0	553.12	18,902	555.00	24,063	29,291	77
2019-20	259	2.68	5,354	2.45	7,439	0.00	0	0	0	783.95	27,720	789.09	40,511	8,290	19
NSE															
2018-19	128	1.01	4,719	0.00	1	1.04	28,080	0.00	4	0	0	2.05	32,804	1,052	73
2019-20	259	8.34	36,316	0.01	39	0.42	8,837	0.31	1,247	0	0	9.08	46,439	1	0
NSE															
2018-19	120	Na	Na	Na	Na	0.36	3,375	0.00	69	0	0	0.36	3,444	159	7
2019-20	259	Na	Na	Na	Na	0.66	5,774	0.80	589	0	0	1.46	6,362	8	0
NMCE															
2018-19	120	6.11	13,675	0	0	0	0	0	0	0	0	6.11	13,675	346	6
2019-20	Na	Na	Na	Na	Na	Na	Na	Na	Na	Na	Na	Na	Na	Na	Na

Note: 1. Na: Not applicable

2. Consequent upon merger of NMCE with ICEX, all contracts of NMCE were transferred to ICEX w.e.f. September 24, 2018.

3. Under Gems and Stones segment, Diamonds are traded at ICEX.

Source: MCX, NCDEX, ICEX, BSE and NSE

During 2019-20, the total turnover of options contracts traded at MCX was ₹ 2,91,743 crore, an increase of 61.2 per cent from ₹ 1,80,945 crore in 2018-

19. On the other hand, turnover of options contracts at NCDEX was ₹ 42 crore, a decline of 75.7 per cent from ₹ 174 crore recorded in 2018-19. (Table 2.41)

Table 2.41: Trends in Commodity Options

Year	Volume (Lots)	Annual Turnover (₹ Crore)	Open Interest at the end of Period	
			Volume (Lots)	Value(₹ crore)
MCX				
2018-19	14,95,517	1,80,944	9,471	802
2019-20	36,84,845	2,91,743	11,844	698
NCDEX				
2018-19	3,974	174	6	0.3
2019-20	1,540	42	60	0.1

Source: MCX, NCDEX

VI. Average Daily Open Interest

Open Interest, a key indicator of level of activity in derivatives markets, recorded an average daily value ₹ 22,141 crore during 2019-20. This represented an increase of 18.3 per cent over the previous year's average daily OI of ₹ 18,723 crore.

During the year, the average daily OI of futures contracts was ₹ 19,852 crore, an increase of 13.4 per cent over previous year. On the other hand, for options contracts, average daily OI was recorded at ₹ 2,156 crore, an increase of 96.2 per cent over previous year's OI value of ₹ 1,099 crore.

This increase in OI of options contracts is observed only in respect of non-agri commodities, as agri options contracts recorded near zero average daily OI due to lower trading volumes.

At the exchange level, average daily OI of futures contracts increased at MCX, ICEX, BSE while it decreased at NCDEX and NSE. The value of average OI was highest at MCX (₹ 15,242 crore), followed by NCDEX (₹ 4,614 crore), BSE (₹ 238 crore), ICEX (₹ 58 crore) and NSE (14 crore). (Table 2.42).

Table 2.42: Average Daily Open Interest Value

Exchange	2018-19		2019-20		Per centage variation over previous year	
	Futures	Options	Futures	Options	Futures	Options
	(₹ crore)	(₹ crore)	(₹ crore)	(₹ crore)		
MCX	12,367.50	1,092.90	15,242.00	2,156.10	23.2	97.3
NCDEX	4,950.80	6	4,614.40	0	-6.8	-99.9
BSE	210.3	Na	238.3	Na	13.3	Na
ICEX	30.1	Na	58.3	Na	93.6	Na
NSE	37.3	Na	13.8	Na	-63.0	Na
Total	17,596	1,099	20,167	2,156	14.6	96.2

Source: MCX, NCDEX, ICEX, BSE and NSE

VII. Product Segment-wise Turnover/Volume Traded

During 2019-20, energy derivatives with 42.7 per cent share in aggregate turnover emerged as top

contributor to the total turnover. It was followed by bullion (33.6 per cent), metal Segments (17.1 per

cent) agriculture (6.3 per cent) and gems and stones (0.3 per cent).

Despite a decrease in turnover of agri and metals segments during the year by 10.4 per cent and 37.7 per cent, respectively, a significantly higher turnover in bullion (₹30,94,799 crore with 84.1 per cent increase over previous year) and energy (₹39,39,688 crore with 58.2 per cent increase) segments caused an increase in aggregate turnover. (Figure 2.17)

Figure 2.17: Product Segment-wise Contribution to the Aggregate Turnover of Commodity Derivatives (per cent)

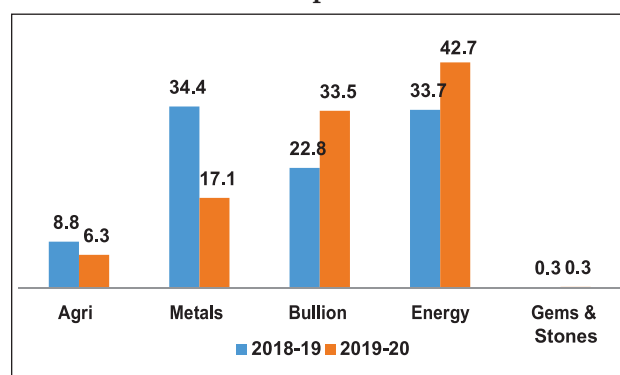
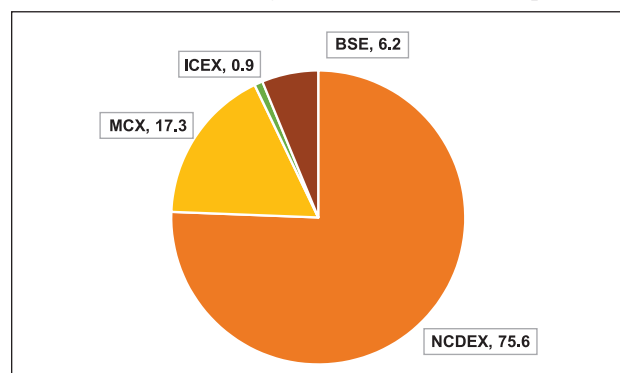


Figure 2.18: Exchange-wise Contribution of Agricultural Commodity Derivatives Turnover (per cent)



Source: MCX, NCDEX, NMCE, ICEX, BSE and NSE

A. Agricultural Commodities

Presently, agri. futures contracts are available for trading at MCX, NCDEX, ICEX and BSE while non-agri commodity derivatives are traded at MCX, ICEX, BSE and NSE. At the exchange level, contribution of agri. derivatives contracts was ₹4,42,009 crore by NCDEX which is 75.6 per cent of total agri. derivatives turnover of ₹5,84,598 crore across all the exchanges (Figure 2.18). MCX recorded a turnover of ₹1,00,919 crore in agri futures contracts, a share of 17.3 per cent. It was followed by BSE and ICEX whose contribution was 6.2 per cent and 0.9 per cent respectively. Agri. commodity futures turnover at ICEX recorded significant decrease of 63.8 per cent over previous year's combined turnover of ICEX and erstwhile NMCE.

Out of 25 commodities/their variants traded on exchange platforms, the top ten agri commodities together contributed 90 per cent to overall agri derivatives turnover in 2019-20. The guar seed futures contracts had the highest share of 15.3 per cent in overall turnover, followed by Soybean (10.7 per cent), Castor Seed (10.3 per cent), Refined Soy Oil (10.3 per cent) and Crude Palm Oil (9.0 per cent)

Sum of average daily OI for all agri. commodity contracts during the year was recorded at ₹5,726 crore, representing 25.7 per cent of average daily OI of ₹22,232 crore for all commodities derivatives products across the exchanges. Among agri. futures, castor seed contracts recorded highest average daily OI value of ₹886 crore. Due to very low trading volumes, the average daily OI of agri options contracts was almost nil. (Table: 2.43)

Table 2.43: Top 10 Agricultural Commodity Derivatives Contracts Traded during 2019-20

Name of the Commodity	Annual Traded Volume ('000 tonnes)	No. of Contracts traded (Lots in "000s")	Annual Turnover (₹ crore)	Percentage Share in total turnover	Average Daily OI Value (₹ crore)
Guar Seed	21,366	3,746	89,418	15.3	537
Soybean	16,031	3,191	62,614	10.7	795
Castorseed	11,138	2,219	60,420	10.3	886
Refined Soy Oil	7,463	1,493	60,032	10.3	545
CPO	8,159	816	52,534	8.99	439
Cotton	3,984	962	48,228	8.25	514
Chana	11,069	1,107	47,914	8.2	452
Cotton seed oil cake	16,807	1,681	39,604	6.77	234
Guar Gum	4,923	985	38,602	6.6	527
RM seed	6,651	665	26,875	4.6	274
Total	1,07,591	16,864	5,26,240	90	5,203

Source: MCX, NCDEX, ICEX and BSE

B. Non-Agricultural Commodities

During 2019-20, there were total 11 non-agri commodities on which derivatives products were traded. Among exchanges, MCX had both futures and 'options on futures' contracts while BSE, ICEX and NSE offered only futures contracts. The non-agriculture segment (futures and options of all exchanges) turnover of ₹ 86,40,241 crore accounted for 93.7 per cent of total turnover of ₹92,24,839 crore during 2019-20, up from 91.2 per cent in previous year. At exchange level, MCX solely accounted for 99.4 per cent share in non-agri commodity derivatives turnover.

Of the non-agri turnover, the share of energy segment accounted for 45.6 per cent, followed by

bullion (35.8 per cent), metals (18.3 per cent) and Gems & Stones (0.3 per cent). At commodity level, crude oil contracts accounted for 40.3 per cent of non-agri turnover, followed by gold (22.4 per cent), Silver (13.4 per cent).

However, contribution to the average daily OI was highest for gold at ₹10,250 crore, a share of 61.8 per cent, while crude oil futures accounted for ₹1,250 crore, a share of only 7.5 per cent. Among metals, average daily OI was highest for copper contracts at ₹714 crore and share of 4.3 per cent. Average daily OI of gems and stones contract was only ₹19 crore and its contribution was miniscule 0.1 per cent. (Table: 2.44)

Table 2.44: Non-Agricultural Commodities Traded in 2019-20

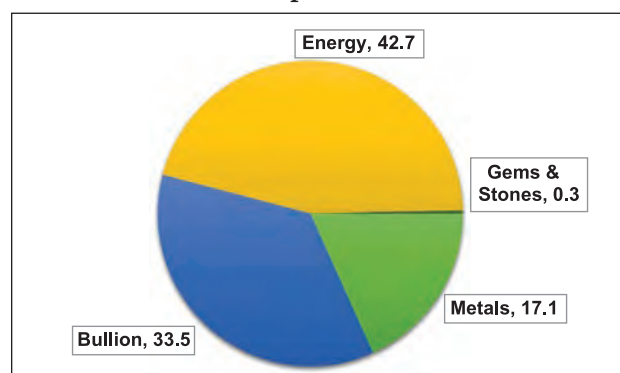
Name of the Commodity	No. of Contracts traded ('000)	Annual Turnover (₹ Crore)	Share in total turnover (per cent)	Average Daily OI Value	Share in Avg. Daily OI (per cent)
Gold	14,229	19,33,267	22.4	10,224	62
Silver	37,238	11,61,531	13.4	2,638	16
Sub Total (Bullion)	51,467	30,94,799	35.8	12,861	78
Crude Oil	185,378	34,80,260	40.3	1,250	7.6
Natural Gas	23,337	4,59,428	5.3	425	2.6
Sub-total (Energy)	208,715	39,39,688	45.6	1,675	10.2
Copper	7,794	4,55,993	5.3	714	4.3
Zinc	11,357	4,47,145	5.2	498	3
Nickel	10,154	4,21,941	4.9	268	1.6
Lead	5,417	1,71,198	2	219	1.3
Aluminium	2,906	74,321	0.9	218	1.3
Steel	245	7,438	0.1	26	0.2
Sub-Total (Metals)	37,874	15,78,035	18.3	1,944	11.8
Diamonds (Gems & Stones)	78,395	27,720	0.3	19	0.1
Total	3,76,451	86,40,241	100	16,499	100

Notes: 1. Conversion factor: Crude Oil (1 Tonne = 7.33Barrels)

2. For options, notional turnover is considered

Source: MCX, ICEX, BSE and NSE

Figure 2.19: Product Segment-wise percentage Share in Non-Agricultural Derivatives Turnover (per cent)



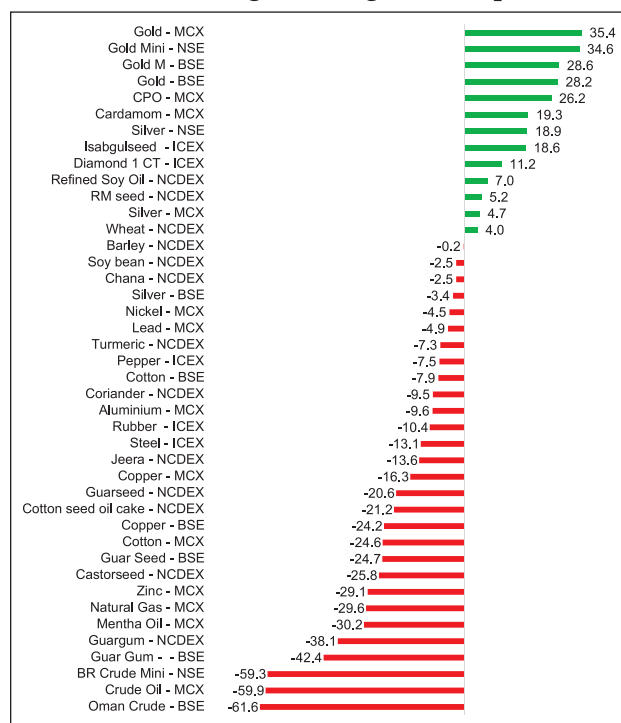
VIII. Commodity Price Trends

During 2019-20, futures prices of commodities traded at domestic exchanges witnessed divergent trends. Among non-agri commodities, all energy and base metal contracts recorded decrease in prices, while all futures contracts in bullion segment recorded gains over the closing values of previous year. Oman Crude Oil futures prices traded at BSE recorded loss of 61.6 per cent over the closing price of last year while maximum gain of 35.4 per cent was recorded in Gold futures traded at MCX. Among base metals, zinc contracts registered the highest decline of 29.1 per cent.

Among agri. commodity futures, Crude Palm Oil futures traded at MCX reported the highest

gain of 26.2 per cent, followed by cardamom (19.3 per cent) and Isabgulseed (18.6 per cent) while maximum decline of 42.4 per cent has been recorded in Guar gum futures traded at BSE. Diamond futures belonging to Gems and Stones segment and traded only at ICEX recorded increase of 11.2 per cent. (Figure 2.20)

Figure 2.20: Movement in Futures Prices (Year-on-Year) of Near Month Contracts Traded at Exchanges during 2019-20 (per cent)



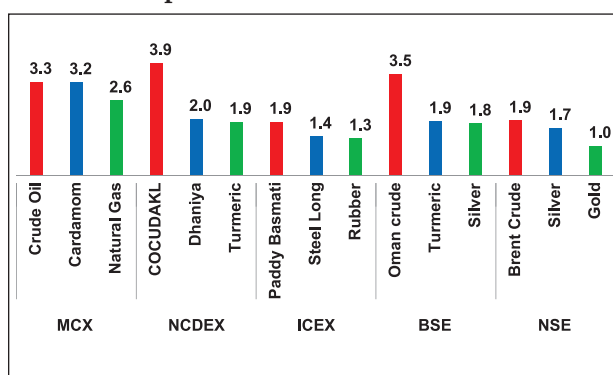
Source: MCX, NCDEX, ICEX, BSE, NSE

IX. Volatility

Among all commodities traded during 2019-20, futures contract of cotton seed oil cake (COCUDAKL) traded at NCDEX emerged as most volatile contract with 3.9 per cent average daily volatility. It was followed by Oman crude oil contract at BSE (3.5 per cent), crude oil contract at MCX (3.3 per cent), Among bullion segment, Silver

futures at NSE recorded average daily volatility of 1.7 per cent followed by Gold (1.0 per cent), while among metals, steel long futures contract at ICEX recorded volatility of 1.4 per cent. (Figure 2.21)

Figure 2.21: Top Three Volatile Commodities at Domestic Exchanges in 2019-20 (per cent)



Note: 1. Daily volatility is calculated as standard deviation of natural log of daily return in the near month expiry contracts during the year.
2. COCUDAKL: Cotton Seed Oil Cake

Source: MCX, NCDEX, ICEX, BSE and NSE

X. Exchange-wise and Segment-wise Participation of Market Participants

At MCX, client trades contributed for 61.7 per cent of the turnover in agri segment in 2019-20, while it was 63.1 per cent for non-agri segment. At NCDEX, where only agri commodities are traded, the client trades were 52.3 per cent, while proprietary trades were 46.9 per cent and remaining 0.8 per cent trades were done by hedgers. At ICEX, the Client turnover was 43.7 per cent and 29.4 per cent for agri and non-agri segment, respectively. As compared with other exchanges, the proprietary trades at BSE were higher in respect of both Agri (65.5 per cent) and non-agri (82.1 per cent). At NSE, where only non-agri commodities are traded 54.7 per cent of the turnover was through client trades. (Table 2.45)

Table 2.45: Participant-wise Share in Commodity Derivatives Trading

Exchange	Product Segment	Type of Transaction	Year	
			2018-19	2019-20
MCX	Agriculture	Proprietary	38.2	38.3
		Client	61.8	61.7
	Non-Agriculture Segment	Proprietary	27.6	36.9
		Client	72.4	63.1
NCDEX*	Agriculture	Proprietary	44.1	46.9
		Client	55.5	52.3
		Hedgers	0.4	0.8
ICEX	Agriculture	Proprietary	7.2	56.3
		Client	92.8	43.7
	Non-Agriculture	Proprietary	45.5	70.5
		Client	54.5	29.4
BSE	Non-Agriculture	Proprietary	93	82.1
		Client	7	17.9
	Agriculture	Proprietary	Na	65.5
		Client	Na	34.5
NSE	Non-Agriculture	Proprietary	83.9	45.3
		Client	16.1	54.7

*At NCDEX, additional 0.8 per cent trades were reported by hedgers

Source: MCX, NCDEX, ICEX, BSE and NSE.

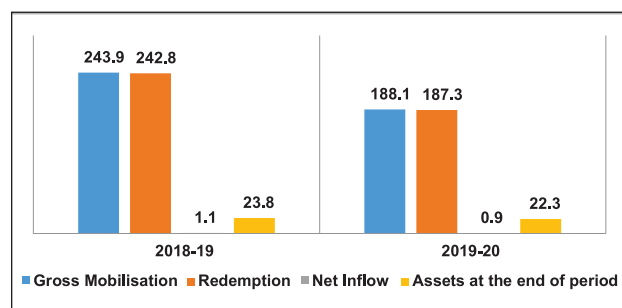
4. MUTUAL FUNDS

As on March 31, 2020, there were 46 mutual funds, of which 44 were active and two were inactive. Of the 44 active mutual funds, 36 mutual funds were private sector mutual fund and eight mutual funds (including UTI mutual fund) were public sector mutual fund. The Indian mutual funds industry witnessed a tremendous growth over the year. The assets managed by the mutual funds industry grew from ₹ 1.1 lakh crore (as on March 31, 2000) to ₹ 22.3 lakh crore (as on March 31, 2020), a CAGR of 16.3 per cent for last 20 years.

I. Resource Mobilisation by Mutual Funds

During 2019-20, the mutual fund industry witnessed its asset declined for the first time since 2012-13. Through, the mutual fund industry saw a net resource mobilisation of ₹ 87,301 crore during 2019-20 compared to ₹ 1,09,701 crore in 2018-19, the AUM of mutual fund industry declined by 6.4 per cent to ₹ 22.2 lakh crore at the end of March 31, 2020 from ₹ 23.8 lakh crore at the end of March 2019 (Figure 2.22).

Figure 2.22: Mobilization of Resources by Mutual Funds (₹ lakh crore)



II. Sector-wise Resource Mobilisation

During 2019-20, Private sector mutual funds contributed 79.7 per cent in gross resource mobilisation and public sector mutual funds contributed 20.3 per cent in gross resource mobilisation. The gross resource mobilisation by the private sector mutual funds declined by 23.7 per cent to ₹ 149.9 lakh crore in 2019-20 from ₹ 196.5 lakh crore in 2018-19. Further, the gross resource mobilisation by the public sector mutual funds also decreased by 19.4 per cent to ₹ 38.2 lakh crore from ₹ 47.4 lakh crore during the same period. During 2019-20, the gross redemption by the private sector mutual funds and public sector mutual funds stood at ₹ 149.7 lakh crore and ₹ 37.6 lakh crore, respectively, compared to ₹ 195.9 lakh crore and ₹ 46.9 lakh crore, respectively in 2018-19. The net resource mobilisation by private sector mutual funds decreased by 60.9 per cent to ₹ 24,059 crore in 2019-20 from ₹ 61,505 crore in 2018-19, while that by public sector mutual funds increased by 31.2 per cent to ₹ 63,241 crore from ₹ 48,196 crore during the same period (Table 2.46).

The open ended schemes of private sector mutual funds witnessed a net inflow of ₹ 55,240 crore in 2019-20 compared to ₹ 58,343 crore in the previous year and open ended scheme of public sector mutual funds saw a net inflow of ₹ 69,767 crore compared to ₹ 42,924 crore during the same period.

Table 2.46: Sector-wise Resource Mobilisation by Mutual Funds (₹ crore)

Year	Private Sector MFs				Public Sector MFs				Total
	Open	Close	Interval	Total	Open	Close	Interval	Total	
Mobilisation of Funds									
2018-19	1,95,92,552	57,319	3,117	1,96,52,989	47,21,384	19,059	0	47,41,374	2,43,94,362
2019-20	1,49,89,209	773	8	1,49,89,990	38,19,736	3,730	0	38,23,467	1,88,13,458
Redemption/Repurchase									
2018-19	1,95,34,209	52,203	5,072	1,95,91,483	46,78,460	13,508	0	46,93,178	2,42,84,661
2019-20	1,49,33,969	30,313	1,649	1,49,65,931	37,49,970	10,190	0	37,60,226	1,87,26,157
NetInflow/outflowofFunds									
2018-19	58,343	5,116	-1,955	61,505	42,924	5,551	0	48,196	109,701
2019-20	55,240	-29,540	-1,641	24,059	69,767	-6,460	-65	63,241	87,301

III. Scheme-wise Resource Mobilisation

During 2019-20, there was a net resource mobilisation of ₹ 87,301 crore in the mutual fund industry as against net inflow of ₹ 1,09,701 crore in 2018-19. In terms of category of scheme, there was a net inflow of ₹ 1,25,007 crore in the open ended schemes during 2019-20. Among the open ended schemes, ₹ 83,787 crore were mobilised through growth/equity oriented schemes followed by other schemes (ETFs) (₹ 67,310 crore) and Solution

Oriented Schemes (₹ 2,454 crore). On the other hands, there was a liquidation of ₹ 23,766 crore from Hybrid Schemes and ₹ 4,778 crore from Income/Debt Oriented Schemes during 2019-20. There was a net redemption of ₹ 36,000 crore (of which ₹ 33,810 crore from Income/Debt Oriented and ₹ 2,190 crore from growth/equity oriented) from closed ended schemes and ₹ 1,706 crore from Interval schemes during February 2020.

Table 2.47: Scheme-wise Resource Mobilisation and Assets under Management by Mutual Funds

Scheme Category	No. of schemes	No. of Folios	Funds mobilized during 2019-20	Repurchase/ Redemption during 2019-20	Net Inflow (+ve)/ Outflow (-ve) during 2019-20	AUM
A. Open ended (I+II+III+IV+V)	967	8,69,98,118	1,88,08,946	1,86,83,939	1,25,007	20,50,734
I. Income/Debt Oriented	329	61,35,584	1,82,78,637	1,82,83,415	-4,778	10,29,142
Overnight Fund	30	86,255	31,04,154	30,36,500	67,654	80,174
Liquid Fund	39	18,15,547	1,44,30,056	1,45,05,186	-75,130	3,34,725
Ultra Short Duration Fund	29	6,50,202	1,85,685	1,95,238	-9,553	72,226
Low Duration Fund	26	9,63,640	1,27,452	1,36,233	-8,781	81,371
Money Market Fund	20	3,50,429	1,93,477	1,93,562	-85	57,017
Short Duration Fund	28	3,59,856	60,310	51,733	8,576	93,444
Medium Duration Fund	18	2,21,149	7,326	17,778	-10,453	28,290
Medium to Long Duration Fund	14	1,08,506	2,087	3,148	-1,061	9,805
Long Duration Fund	2	27,215	629	278	350	1,670
Dynamic Bond Fund	29	2,15,543	5,572	8,310	-2,738	18,116
Corporate Bond Fund	20	3,91,721	49,846	31,578	18,268	81,730
Credit Risk Fund	23	4,61,927	9,276	37,304	-28,028	55,381
Banking and PSU Fund	19	1,70,392	59,783	25,271	34,512	72,476
Gilt Fund	21	1,16,938	5,880	5,171	709	9,285

Scheme Category	No. of schemes	No. of Folios	Funds mobilized during 2019-20	Repurchase/ Redemption during 2019-20	Net Inflow (+ve)/ Outflow (-ve) during 2019-20	AUM
Gilt Fund with 10 year constant duration	4	34,206	789	447	342	941
Floater Fund	7	1,62,058	36,317	35,678	638	32,490
II. Growth/Equity Oriented	324	6,26,92,668	2,40,184	1,56,397	83,787	5,78,508
Multi Cap Fund	34	92,64,215	45,594	30,034	15,560	1,13,908
Large Cap Fund	29	1,00,28,315	49,943	33,939	16,003	1,13,541
Large & Mid Cap Fund	27	47,35,650	17,834	12,542	5,292	42,972
Mid Cap Fund	27	64,98,964	30,246	16,729	13,517	65,805
Small Cap Fund	23	51,28,434	21,545	11,114	10,431	35,832
Dividend Yield Fund	6	4,70,525	366	744	-378	3,282
Value Fund/Contra Fund	17	41,31,763	12,840	14,771	-1,930	39,460
Focused Fund	22	35,70,651	23,486	10,651	12,835	39,072
Sectoral/Thematic Funds	96	65,28,979	20,901	16,632	4,269	49,844
ELSS	43	123,35,172	17,429	9,242	8,187	74,792
III. Hybrid	134	95,72,715	1,50,980	1,74,747	-23,766	2,62,150
Conservative Hybrid Fund	22	3,86,103	1,166	4,895	-3,729	11,190
Balanced Hybrid Fund/Aggressive Hybrid Fund	33	52,72,614	27,229	48,781	-21,552	1,00,990
Dynamic Asset Allocation/Balanced Advantage	23	26,57,247	29,573	23,497	6,076	77,091
Multi Asset Allocation	8	6,31,330	4,244	3,490	753	9,439
Arbitrage Fund	25	2,96,071	86,321	84,638	1,683	52,210
Equity Savings Fund	23	3,29,350	2,448	9,445	-6,998	11,229
IV. Solution Oriented	33	54,36,840	4,007	1,553	2,454	15,699
Retirement Fund	24	25,44,753	3,155	1,113	2,042	8,507
Childrens' Fund	9	28,92,087	852	440	412	7,192
V. Other	147	31,60,311	1,35,137	67,827	67,310	1,65,235
Index Funds	32	5,44,075	8,222	3,205	5,017	8,089
GOLD ETFs	11	5,26,671	2,515	901	1,614	7,949
Other ETFs	76	18,99,781	1,23,008	63,198	59,809	1,46,463
Fund of funds investing overseas	28	1,89,784	1,393	522	871	2,734
B. Close Ended (I +II+ III)	926	27,44,045	4,503	40,503	-36,000	1,75,077
I. Income/Debt Oriented	815	10,42,672	4,503	38,313	-33,810	1,50,623
Fixed Term Plan	742	8,51,658	4,014	32,727	-28,713	1,40,595
Capital Protection Oriented	31	1,07,535	489	2,665	-2,176	4,210
Infrastructure Debt Fund	9	89	0	315	-315	2,391
Other Debt	33	83,390	0	2,606	-2,606	3,427
II. Growth/Equity Oriented	111	17,01,373	0	2,190	-2,190	24,454
ELSS	25	4,70,566	0	322	-322	3,045
Others	86	12,30,807	0	1,868	-1,868	21,409
III. Other Schemes	0	0	0	0	0	0
C. Interval (I+II+III)	23	3,888	9	1,715	-1,706	393
I. Income/Debt Oriented	23	3,888	9	1,715	-1,706	393
II. Growth/Equity Oriented	0	0	0	0	0	0
III. Other Schemes	0	0	0	0	0	0
Total (A+B+C)	1,916	8,97,46,051	1,88,13,458	1,87,26,157	87,301	22,26,203
Fund of Funds Scheme (Domestic)	23	3,888	9	1,715	-1,706	393

Note: * as on March 31, 2020

As on March 31, 2020, there were total 1,916 mutual fund schemes of which 967 were open ended schemes, 926 were closed ended schemes and 23 were interval schemes. Of the total open ended schemes, 329 schemes were income/debt oriented schemes, followed by equity/growth

oriented schemes (324 schemes), Others schemes (147 schemes), Hybrid schemes (134 schemes) and Solution Oriented Schemes (33 schemes). Further, out of the total close ended schemes, 815 schemes were income/debt oriented schemes and 111 were equity/growth oriented schemes (Table 2.47)

Table 2.48: Trends in Transactions on Stock Exchanges by Mutual Funds (₹ crore)

Year/ Month	Equity			Debt			Total		
	Gross Purchase	Gross Sales	Net Purchase/ Sales	Gross Purchase	Gross Sales	Net Purchase/ Sales	Gross Purchase	Gross Sales	Net Purchase/ Sales
2018-19	7,08,991	6,21,112	87,879	22,67,416	18,77,490	3,89,925	29,76,407	24,98,603	4,77,804
2019-20	8,06,744	7,15,142	91,603	22,63,317	18,44,703	4,18,614	30,70,061	25,59,845	5,10,216

Like in the previous trends, in 2019-20 too mutual fund investments in debt securities prevailed over those in equity securities, with net investments in debt being 82 per cent of the total mutual fund investments on stock exchanges. During 2019-20, combined net investments by mutual funds were ₹ 5,10,216 crore as compared to ₹ 4,77,804 crore in 2018-19. Mutual funds invested ₹ 91,603 crore (net) in equity securities (compared to ₹ 87,879 crore in previous year) and ₹ 4,18,614 crore (net) in debt securities (compared to ₹ 3,89,925 crore in previous year). (Table 2.48)

IV. Unit Holding Pattern

At the end of March 2020, the share of individual category in total AUM of mutual fund industry has decreased to 50.1 per cent from 54.0 per cent at the end of 2018-19. On the contrary, the share of corporates category increased to 46.6 per cent at the end of March 2020 from 41.9 per cent at the end of March 2019. As on March 31, 2020, 96.9 per cent of the total folios were contributed by the individuals' category, whereas 1.2 per cent of the total folios were contributed by the corporates category. NRIs/overseas corporate bodies (OCBs), with 1.9 per cent share in the total number of folios,

had 3.2 per cent share in total AUM as on March 31, 2020. (Figure 2.23).

Figure 2.23: Unit Holding Pattern of All Mutual Funds (Percentage to Total AUM and Folios)

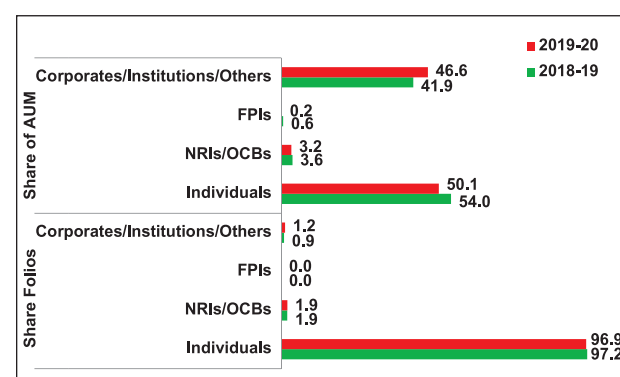


Table 2.49 provides data on private and public sector sponsored mutual funds, wherein it is evident that the private sector mutual funds dominated with a higher number of folios and larger AUM. As on March 31, 2020, the private sector mutual funds accounted for 73.5 per cent of the total number of folios and 79 per cent of the total AUM. During the same period, the public sector mutual funds accounted for 26.5 per cent of the total number of folios with 21 per cent of the total AUM.

Table 2.49: Unit Holding Pattern of Private Sector and Public Sector Mutual Funds

Category	No. of Folios	Total Folios under the Private Sector (per cent)	AUM (₹ crore)	Total Net Assets under the Private Sector (per cent)	No. of Folios	Total Folios under the Public Sector (per cent)	AUM (₹ crore)	Total Net Assets under the Public Sector (per cent)
	Private Sector Sponsored Mutual Funds				Public Sector Sponsored Mutual Funds			
	2018-19							
Individuals	5,77,82,629	96.8	10,58,745	55.1	2,23,91,458	98.3	2,25,045	49.2
NRIs/OCBs	13,04,164	2.2	73,065	3.8	2,57,216	1.1	11,407	2.5
Corporates/Institutions/ Others	5,96,711	1	7,76,184	40.4	1,24,059	0.5	2,21,240	48.3
FPIs	149	0	13,806	0.7	25	0	92	0
Total	5,96,83,653	100	19,21,800	100	2,27,72,758	100	4,57,784	100
	2019-20							
Individuals	6,36,66,906	96.5	9,03,122	51.3	2,32,91,608	98.0	2,11,028	45.2
NRIs/OCBs	14,37,437	2.2	60,299	3.4	2,80,385	1.2	10,396	2.2
Corporates/Institutions/ Others	8,85,313	1.3	7,91,172	45.0	1,84,192	0.8	2,45,572	52.6
FPIs	186	0.0	4,582	0.3	24	0.0	32	0.0
Total	6,59,89,842	100	17,59,175	100	2,37,56,209	100	4,67,028	100

5. INTERMEDIARIES ASSOCIATED WITH THE SECURITIES MARKET

I. Trading Members of the Exchanges

At NSE, in equity derivatives trading, trading-cum-clearing members contributed 36.7 per cent both in 2019-20 and 2018-19. During the same period, trading-cum-self-clearing member contributed 34.4 per cent compared to 33.6 per cent in the previous year. Further, trading members contributed 28.8 per cent in 2019-20, compared to 29.7 per cent in the previous year. The professional clearing member contribution is insignificant in equity derivatives segment of NSE. In currency derivatives segment

of NSE, trading members contributed significant share with 31.8 per cent in 2019-20 compared to 36.1 per cent in 2018-19. Trading-cum-clearing members contributed 33.2 per cent in 2019-20, compared to 35.3 per cent in 2018-19. Trading-cum-self-clearing members contributed 35 per cent in 2019-20, compared to 28.6 per cent in 2018-19. In this segment also, the professional clearing member's contribution was insignificant. (Table 2.50).

Table 2.50: Share of Various Classes of Members in Equity, Currency and Interest Rate Derivatives Segments and Debt Segment of NSE

Segment	Member Category	2018-19		2019-20	
		Traded Value (₹ crore)	Percentage of Total	Traded Value (₹ crore)	Percentage of Total
Equity Derivatives Segment	TM	14,12,06,024	29.7	19,87,15,453	28.8
	TM_CM	17,41,88,441	36.7	25,31,34,854	36.7
	TM_SCM	15,97,48,867	33.6	23,71,63,570	34.4
	PCM	58,078	0.0	51,907	0.0
	Total	47,52,01,410	100	68,90,65,784	100
Currency Derivatives Segment	TM	61,53,212	36.1	61,36,758	31.8
	TM_CM	60,18,648	35.3	64,12,804	33.2
	TM_SCM	48,64,843	28.6	67,59,225	35.0
	PCM	0	0.0	0	0.0
	Total	1,70,36,702	100	1,93,08,788	100
Interest Rate Derivatives	TM	2,14,782	43.8	3,81,912	52.9
	TM_CM	2,76,032	56.2	3,39,710	47.1
	TM_SCM	0	0.0	0	0.0
	PCM	0	0.0	0	0.0
	TOTAL	4,90,814	100	7,21,622	100
Debt Segment \$	TM	0	NA	0	0.0
	TM_CM	10	100	0	0
	TM_SCM	10	100	0	0
	PCM	0	NA	0	0.0
	TOTAL	10	100	0	0

Note: Data for Debt Segment is for Tri party Repo (TRM) - Order Matching Platform

Nil data in Debt Segment - NDM - Order Matching Platform for above period

Source: NSE

At BSE, in currency derivatives segment, trading members contributed significant share with 72.9 per cent in 2019-20 compared to 70.6 per cent in 2018-19. Trading-cum-self-clearing members followed with contribution of 18.7 per cent in

2019-20, compared to 16.7 per cent in previous year. Trading-cum-clearing members contributed 8.4 per cent in 2019-20, compared to 12.8 per cent in previous year. (Table 2.51).

Table 2.51: Share of Various Classes of Members in Equity, Currency and Interest Rate Derivatives Segments and Debt Segment of BSE

Segment	Member Category	2018-19		2019-20	
		Traded Value (₹ crore)	Percentage of Total	Traded Value (₹ crore)	Percentage of Total
Equity Derivatives Segment	TM	4,500	100	523,872	99.9
	TM_CM	0	0	227	0
	TM_SCM	0	0	438	0.1
	PCM	0	0	0	0
	Total	4,500	100	5,24,537	100
Currency Derivatives Segment	TM	1,03,75,628	70.6	97,49,927	72.9
	TM_CM	18,81,182	12.8	11,23,034	8.4
	TM_SCM	2,447,806	16.7	2,493,667	18.7
	PCM	0	0	0	0
	Total	1,47,04,615	100	1,33,66,628	100
Interest Rate Derivatives	TM	2,17,414	97.7	1,83,639	91.7
	TM_CM	3,297	1.5	12,553	6.3
	TM_SCM	1,734	0.8	4,134	2.1
	PCM	0	0	0	0
	TOTAL	2,22,445	100	2,00,326	100
Debt Segment \$	TM	NA	NA	NA	NA
	TM_CM	NA	NA	NA	NA
	TM_SCM	NA	NA	NA	NA
	PCM	NA	NA	NA	NA
		NA	NA	NA	NA

Note: TM means Trading Members, TM_CM means Trading-cum-Clearing Members, TM_SCM means Trading-cum-Self-Clearing Members, PCM means Professional Clearing Members

Source: BSE

In currency derivatives segment of MSEL, trading-cum-clearing members contributed significant share with 83.9 per cent in 2019-20 compared to 39.4 per cent in 2018-19. Trading members followed with contribution of 15.3 per cent

in 2019-20, compared to 60.2 per cent in previous year. Trading-cum-self-clearing members contributed 0.8 per cent in 2019-20 compared to 0.4 per cent in 2018-19. During 2018-19, no trading was observed in the interest rate segment at MSEL. (Table 2.52).

Table 2.52: Share of Various Classes of Members in Currency and Interest Rate Derivatives Segments of MSEI

Segment	Member Category	2018-19		2019-20	
		Traded Value (₹ crore)	Percentage of Total	Traded Value (₹ crore)	Percentage of Total
Currency Derivatives Segment	TM	56,869	60.2	13,872	15.3
	TM_CM	37,197	39.4	76,045	83.9
	TM_SCM	408	0.4	732	0.8
	PCM	0	0	0	0
	Total	94,474	100	90,649	100

- Note: 1. TM means Trading Members, TM_CM means Trading-cum-Clearing Members, TM_SCM means Trading-cum-Self-Clearing Members, PCM means Professional Clearing Members
 2. Turnover includes currency futures, notional value for currency options and IRF
 3. Data for 2017-18 is revised

Source: MSEI

In commodity derivatives segment of MCX, trading-cum-self-clearing members contributed share with 68.6 per cent in 2019-20, compared to 51.4 per cent in 2018-19. The share of trading members at MCX decrease to 29.3 per cent in 2019-20 as against 45.5 per cent in 2018-19. The market share of trading-cum-self-clearing members at NCDEX is highest at 50.1 per cent in 2019-20, compared to 55.6 per cent share in 2018-19. The trading members at

NCDEX has market share of 47 per cent, compared to 40.1 per cent in 2018-19. The share of trading members at ICEX was 65.1 per cent in 2019-20 compared to 67.1 per cent in 2018-19. The market share of trading members at BSE was 83.1 per cent in 2019-20 as against 40.2 per cent in 2018-19. In case of NSE, the share of trading-cum-clearing-members was 58.8 per cent in 2019-20 compared to 63.1 per cent in 2018-19 (Table 2.53).

Table 2.53: Share of Various Classes of Members in Commodity Derivatives Segment of MCX, NCDEX, BSE, NSE, ICEX and NMCE

Exchange	Member Category	2018-19		2019-20	
		Traded Value (₹ crore)	Per cent	Traded Value (₹ crore)	Per cent
MCX	TM	6,158,307	45.5	5,087,219	29.3
	TM_CM	420,805	3.1	362,797	2.1
	TM_SCM	6,965,633	51.4	11,897,271	68.6
	PCM	-	0	-	0.0
	Total	13,544,745	100	17,347,287	100
NCDEX	TM	426,401	40.1	415,761	47.0
	TM_CM	45,985	4.3	25,497	2.9
	TM_SCM	590,440	55.6	442,760	50.1
	PCM	-	0	-	0.0
	Total	1,062,826	100	884,018	100
BSE	TM	26,361	40.2	77,162	83.1
	TM_CM	22,337	34.1	1,885	2.0
	TM_SCM	16,190	25.8	13,830	14.9
	PCM	-	0	-	0.0
	Total	64,888	100.1	92,877	100

Exchange	Member Category	2018-19		2019-20	
		Traded Value (₹ crore)	Per cent	Traded Value (₹ crore)	Per cent
NSE	TM	1,755	25.5	1,773	13.9
	TM_CM	4,349	63.1	7,478	58.8
	TM_SCM	783	11.4	3,474	27.3
	PCM	-	0	-	0
	Total	6,887	100	12,725	100
ICEX	TM	32,271	67.1	32,271	65.11
	TM_CM	4,940	10.3	4,940	4.86
	TM_SCM	10,911	22.7	10,911	30.03
	PCM	-	0	-	0
	Total	48,122	100	48,122	100
NMCE	TM	10,772	78.8	Na	Na
	TM_CM	2,565	18.8	Na	Na
	TM_SCM	339	2.5	Na	Na
	PCM	-	0	Na	Na
	Total	13,676	100	Na	Na

Note: TM means Trading Members, TM_CM means Trading-cum-Clearing Members, TM_SCM means Trading-cum-Self Clearing Members, PCM means Professional Clearing Members

Source: MCX, NCDEX, ICEX, NMCE, BSE and NSE

II. Portfolio Managers

Risk and return are the two important aspects of financial investment. Portfolio management involves selecting and managing a basket of assets that minimizes risk, while maximizing return on investments. A portfolio manager plays a pivotal role in designing customized investment solutions for the clients.

The total number of clients with the portfolio managers increased by 12.6 per cent to 1,68,548 at the end of 2019-20 from 1,49,720 at the end of 2018-19. The number of clients under discretionary category rose by 11.8 per cent and the non-discretionary category also increased by 37.5 per cent while the number of clients under Advisory category decreased by 3.2 per cent during 2019-20.

The total AUM of the portfolio management industry increased by 15.4 per cent to ₹ 18.5 lakh crore at the end of 2019-20 from ₹ 16.1 lakh crore at the end of 2018-19. The AUM of discretionary services (EPFO/PFs) rose by 22.1 per cent to ₹ 13.8 lakh crore at the end of March 30, 2020 from ₹ 11.3 lakh crore as at end March 2019. While the AUM of discretionary services (Non EPFO/PFs) decreased by 14.4 per cent to ₹ 1.5 lakh crore from ₹ 1.7 lakh crore during the same period. The AUM of non-discretionary services and Advisory services increased by 9.4 per cent and 6.5 per cent to ₹ 1.2 lakh crore and ₹ 2.1 lakh crore respectively in 2019-20 from ₹ 1.1 lakh crore and ₹ 1.9 lakh crore, respectively in the previous year (Table 2.54).

Table 2.54: Assets Managed by Portfolio Managers

Year	No. of Clients				AUM (₹ Crore)				
	Discretionary	Non-Discretionary	Advisory	Total	Discretionary (EPFO/ PFs)	Discretionary (Non EPFO/ PFs)	Non-Discretionary	Advisory	Total
2018-19	1,38,829	6,853	4,038	1,49,720	11,30,451	1,72,690	1,09,031	1,93,620	16,05,792
2019-20#	1,55,213	9,425	3,910	1,68,548	13,80,512	1,47,894	1,19,301	2,06,148	18,53,855

Note: The data has been compiled on the basis of information submitted by portfolio managers to SEBI

III. Alternative Investment Funds

Alternative investments are defined as asset classes that fall outside of traditional investments, such as stocks, bonds and cash. Real estate, private equity, managed futures, hedge funds, etc. are all examples of alternative investments. Although the characteristics of each of these assets differ from the other, all tend to share the ability to offer diversification for a traditional portfolio through enhanced returns, reduced risk and/or improved risk-adjusted performance.

At the end of 2019-20, the commitments raised

by AIFs increased to ₹ 3,47,802 crore from ₹ 2,82,148 crore at the end of March 2019. Further, the funds raised by AIFs also increased to ₹ 1,71,713 crore from ₹ 1,34,209 crore during the period. By the end of 2019-20, the cumulative net investment made by AIFs rose to ₹ 1,42,115 crore from ₹ 1,09,781 crore as at the end of March 2019. At the end of 2019-20, the cumulative investment made by Category II AIF, Category III AIF and Category I AIF stood at ₹ 92,433 crore, ₹ 35,778 crore and ₹ 13,904 crore, respectively.

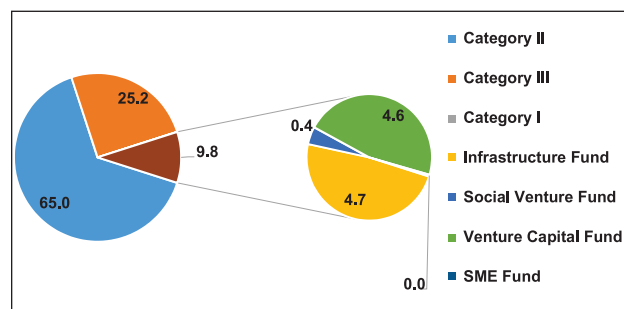
Table 2.55: Cumulative Amount Mobilised by AIFs (₹ crore)

Category	Commitments raised	Funds raised	Investments made	Commitments raised	Funds raised	Investments made
	2018-19			2019-20#		
Category I	33,534	13,789	10,893	38,826	17,575	13,904
Infrastructure Fund	12,082	6,450	5,464	12,679	7,759	6,742
Social Venture Fund	1,315	859	797	1,811	1,004	628
Venture Capital Fund	19,876	6,272	4,572	23,793	8,691	6,471
SME Fund	261	208	59	542	121	63
Category II	2,05,360	83,554	68,086	2,60,824	1,12,689	92,433
Category III	43,255	36,866	30,802	48,151	41,449	35,778
Grand Total	2,82,148	1,34,209	1,09,781	3,47,802	1,71,713	1,42,115

Note: The data is compiled on the basis of quarterly/monthly information submitted to SEBI by registered Alternative Investment Funds
as on December 2019.

In terms of percentage share, Category II AIFs has the highest share of 65 per cent in the total cumulative investment by all AIFs at the end of 2019-20, followed by Category III AIFs (25.2 per cent) and Category I AIFs (9.8 per cent). Out of

the share of Category I AIFs, Infrastructure Funds have 4.7 per cent share and VCFs have 4.6 per cent share in the total cumulative investment by all AIFs (Figure 2.24).

Figure 2.24: Category-wise Net Cumulative Investments by AIFs (per cent)

IV. Venture Capital Funds and Foreign Venture Capital Investors

Venture Capital is an important source of seed capital funding for start-up ventures and technology projects. It is a type of funding which is different from traditional sources of financing as, unlike

traditional sources of funding, venture capitalists finance innovation and ideas which have potential for high growth with inherent uncertainties. With a view to promote innovation, it is very important to promote venture capital activity in India.

The cumulative net investment of VCFs decreased by 15.2 per cent to ₹ 16,057 crore at the end of December 2019 as compared to ₹ 18,938 crore at the end of March 2019. On the other hand, the cumulative net investment by FVCIs increased by 6.2 per cent to ₹ 52,751 crore at the end of March 2020, compared to ₹ 49,661 crore at the end of March 2019. The combined cumulative net investment of VCFs and FVCIs increased marginally by 0.3 per cent at the end of this financial year. (Table 2.56).

Table 2.56: Cumulative Net Investments by VCFs and FVCIs (₹ crore)

Particulars	2018-19		2019-20	
	VCFs	FVCIs	VCFs#	FVCIs
Info. Technology	1,028	4,457	983	3,667
Telecommunication	327	4,923	292	4,800
Pharmaceuticals	160	177	128	48
Biotechnology	163	276	164	32
Media/Entertainment	367	663	204	623
Service Sector	2,495	2,092	1,968	1,675
Industrial Products	970	115	881	379
Real Estate	3,901	458	3,616	50
Others	9,526	36,501	7,821	41,477
Total	18,938	49,661	16,057	52,751

1. The above data pertains to the investment details of the erstwhile VCFs/FVCIs registered with SEBI under SEBI VCF Regulations, 1996 and who have not sought re-registration under SEBI AIF Regulations, 2012.
2. The above figures pertain to investment made represent total cumulative amount invested till the end of the respective quarter, from the beginning of the activity in 1996 under erstwhile SEBI VCF Regulations, 1996.
3. The above data is compiled on quarterly basis based on information submitted by VCFs & FVCIs.
4. # as on December 31, 2020

As on March 31, 2020, of the total FVCIs investment, the investments from “others sector” was highest at ₹ 41,477 crore, followed by Telecommunication (₹ 4,800 crore), Info. Technology (₹ 3,667 crore), Service Sector (₹ 1,675 crore), Media/Entertainment (₹ 623 crore) and Industrial Products (₹ 379 crore). In case of total VCFs investment, “others sector” contributed

maximum of ₹ 7,821 crore, followed by Real Estate (₹ 3,616 crore), Service Sector (₹ 1,968 crore), Info. Technology (₹ 983 crore), Industrial Products (₹ 881 crore) and Telecommunication (₹ 292 crore) as on December 31, 2020. The sector-wise percentage share of Cumulative Net Investments by VCFs and FVCIs is given in Figure 2.25.

Figure 2.25: The Sector-wise Percentage Share of Cumulative Net Investments by VCFs and FVCIs

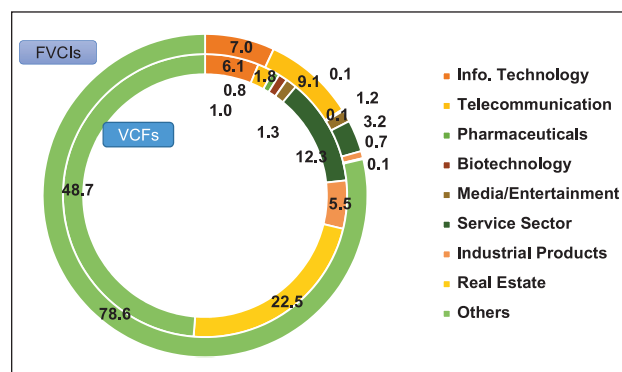


Table 2.57: Details of REITs and InvITs

Particulars	REITs		InvITs	
	2018-19	2019-20	2018-19	2019-20
Number of Registered Trusts at the end of the period	2	3	10	10
Of which number of entities listed on stock exchanges	1	1	4	5
Funds Raised by the listed entities in the respective period (Amount in ₹ crore)	4,750	Nil	4,097	4,820
Funds Raised by the unlisted entities in the respective period (Amount in ₹ crore)	Nil	Nil	Nil	3,753

As on March 31, 2020, there were 10 InvITs registered with SEBI as compared to 10 registered trusts as on March 31, 2019. During 2019-20, two InvITs were granted registration and two InvITs surrendered their registration. During 2019-20, InvITs raised funds to the tune of ₹ 4,820 crore from the investors as compared to ₹ 4,097 crore in the previous year. (Table 2.57)

VI. Custodians

Custodians are important registered service providers to the institutional participants in the market. The various categories of clients of the custodians and their holdings are provided in

V. REITs and InvITs

As on March 31, 2020 there were three REITs registered with SEBI, as compared to two registered REITs as on March 31, 2019.

the **Table 2.58**. At the end of March 31, 2020, total clients of the 19 registered custodians were 41,771 compared to 34,574 clients at the end of March 31, 2019, an increase of 20.8 per cent. The custodial value of the holdings of all the clients of custodians declined by 12 per cent to ₹ 90.2 lakh crore at the end of March 31, 2020, compared to ₹ 102.5 lakh crore at the end of previous year. As on March 31, 2020, the market value of assets of the FPIs and mutual funds stood at 27.6 per cent and 21 per cent, respectively of total assets under custody (AUC) of custodians decreased from 32.6 per cent and 22.2 per cent, respectively of total AUC of custodians as on March 31, 2019.

Table 2.58: Details of Clients of Custodians and their Holdings

Type of Client	2018-19		2019-20	
	No of clients	Amount (₹ crore)	No of clients	Amount (₹ crore)
Alternate Investment Funds	580	67,085	707	84,817
Banks	117	3,20,445	121	4,12,044
Broker	7	270	9	10
Corporates	499	1,04,563	598	88,518
Depository Receipts	583	3,951	583	20,020
FCCB	195	895	180	663
FDI Investments	1,867	8,02,860	2,079	8,32,864
Financial Institutions	25	60,866	25	40,702
Foreign Depository	64	3,54,340	66	2,27,792
Foreign Venture Capital Investment	201	37,261	208	38,125
FPIs	9,556	33,42,680	9,823	24,90,223
HUFs	61	22	105	33
Insurance Company	781	17,32,889	788	15,47,955
Local Pension Funds	120	4,22,317	124	477,968
MFs	1,755	22,78,220	1,624	18,91,120
NRIs	547	3,486	693	2,099
OCBs	24	1,949	25	1,582
Others	6,631	5,80,111	9,117	6,11,734
Partnership Firm	30	3,214	46	2,783
Portfolio Manager	10,804	1,03,937	14,715	89,045
Trusts	127	31,602	133	1,58,609
Total	34,574	102,52,963	41,771	90,18,708

Source: NSDL

VII. Credit Rating Agencies

The rating assigned for Corporate Debt Securities, assigned by Credit Rating Agencies (CRAs), to the long term corporate debt securities, decreased from 1,214 (amount of ₹ 26.3 lakh crore) in 2018-19 to 1,108 (amount of ₹ 21.9 lakh crore) in 2019-20. Further, during 2019-20, the CRAs collectively

reviewed credit ratings of 9,360 corporate debt securities (amount of ₹ 161.5 lakh crore) compared to rating reviews of 9,485 corporate debt securities (amount of ₹ 200.8 lakh crore) in previous year. (Table 2.59).

Table 2.59: Credit Ratings and Ratings Reviews of the Corporate Debt Securities by CRAs

Particular	No of Issues		Amount (₹ Crore)	
	2018-19	2019-20	2018-19	2019-20
Ratings Assigned for Corporate Debt Securities *#%	1,214	1,108	26,33,713	21,86,332
Review of Accepted Ratings of Corporate Debt Securities *#%	9,485	9,360	2,00,81,603	1,61,49,423

Note: The data has been prepared based on the information received from seven credit rating agencies.

* the data pertains to long term corporate debt securities (with maturity $\geq$ 1 year)

In case of CRISIL data, the No of Issues relates to no of instruments rated by CRISIL, whereas the Amount refers to the quantum of debt rated by CRISIL for the respective instruments.

% In case of Crisil, for review of accepted ratings, instruments that have been reviewed more than once in a given financial year, have been counted as many times under both No of Issues and Amount.

Source: Credit Rating Agencies

VIII. Other Intermediaries

As on March 31, 2020, the number of registered intermediaries increased to 14,576, compared to 13,950 registered intermediaries at the end of March 31, 2019, a jump of 4.5 per cent. **Table 2.60** shows that there were 9,825 FPIs, 19 custodians, 16 designated

depository participants, 649 AIFs, 189 venture capital funds, 251 foreign venture capital investors, 215 merchant bankers, 351 portfolio managers, 1,291 investment advisers and 680 research analysts registered with SEBI, as on March 31, 2020.

Table 2.60: Number of other Registered Intermediaries

Type of Intermediary	No. of Registered Intermediaries as on March 31, 2019	No. of Registered Intermediaries as on March 31, 2020
Registrars to Issue and Share Transfer Agents	77	80
Merchant Bankers	209	215
Underwriters	2	2
Depository Participants - NSDL	277	285
Depository Participants - CDSL	598	614
Credit Rating Agencies	7	7
Bankers-to-an-Issue	65	66
Debenture Trustees	32	31
KYC (Know Your Client) Registration Agency (KRA)	5	5
FPIs (including deemed FPIs)	9,556	9,823
Custodians	19	19
Designated Depository Participants	16	16
Alternative Investments Funds	547	649
Venture Capital Funds	195	189
Foreign Venture Capital Investors	250	251
Portfolio Managers	321	351
Investment Advisers	1,149	1,291
Research Analysts	625	680
Total	13,950	14,576

6. FOREIGN PORTFOLIO INVESTMENT

I. Country-wise Registered FPIs

On the basis of country of incorporation, as on March 31, 2020 a total of 9,823 FPIs were registered in India from 59 different countries with a total AUC of ₹ 2,490,223 crore compared to 9,556 FPIs were registered a total AUC of ₹ 3,342,680 crore as on March 31, 2019. Based on the country of incorporation, the number of FPIs registered was the highest from USA

(3,309), followed by Luxembourg (1143), Canada (662), Ireland (617) and Mauritius (608). In terms of AUC as well, FPIs from the USA had the maximum AUC (₹ 827,258 crore) followed by Mauritius (₹ 283,487 crore), Luxembourg (₹ 230,497 crore), Singapore (₹ 227,831 crore) and United Kingdom (₹ 120,915 crore) (Table 2.61).

Table 2.61: Country-wise AUC (₹ crore) and Number of Registered FPIs

Country	2018-19		2019-20	
	No of FPIs	Amount (₹ crore)	No of FPIs	Amount (₹ crore)
USA	3,278	10,93,734	3,309	8,27,258
Luxembourg	1,072	3,26,064	1143	2,30,497
Canada	651	1,03,715	662	92,769
Ireland	589	1,15,137	617	93,544
Mauritius	623	4,58,183	608	2,83,487
United Kingdom	453	1,51,096	499	1,20,915
Singapore	385	3,10,179	434	2,27,831
Japan	425	1,13,317	421	82,827
Netherlands	128	77,589	123	65,116
Norway	22	75,702	25	65,144
Other	1,930	5,17,964	1,982	4,00,834
Total	9,556	33,42,680	9,823	24,90,223

Note: No of FPIs includes all FPIs including those whose registration has expired. The no of registered FPIs excluding those FPIs whose registration has expired as on March 31, 2019 and March 31, 2020 were 9,390 and 9,679 respectively.

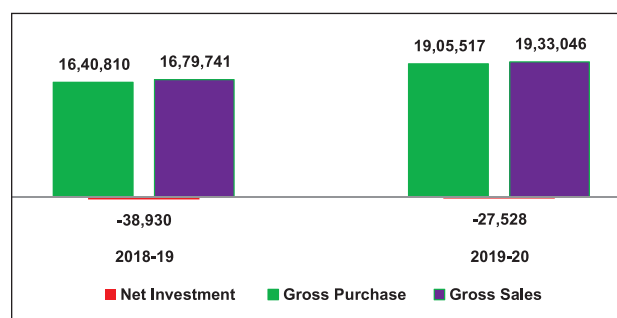
Source: NSDL

II. Investments by FPIs

During 2019-20, FPIs continued to liquidate their investments from India securities market after a sharp liquidation their investment in the previous year due to global turbulence for novel "Covid-19" pandemic and USA-China trade war. FPIs net sold ₹ 27,528 crore (US\$ 3,042 million) worth of Indian equity, debt and Hybrid securities during 2019-20

as compared to an outflow of ₹ 38,930 (US\$ 5,499 million) crore in 2018-19. During 2019-20, the gross purchases by FPIs increased by 16.1 per cent to ₹ 19.1 lakh crore from ₹ 16.4 lakh crore in 2018-19. Further, the gross sales by FPIs also increased by 15.1 per cent to ₹ 19.3 lakh crore from ₹ 16.8 lakh crore during the period. (Figure 2.26).

Figure 2.26: Trends in Gross Investments by FPIs
(₹ lakh crore)



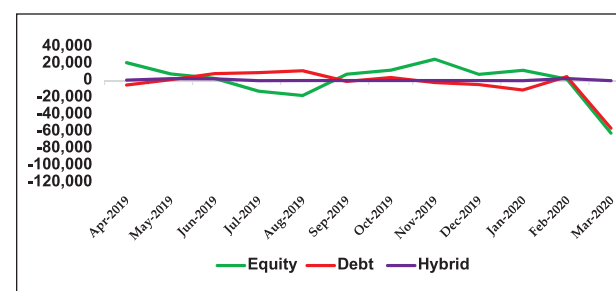
Source: NSDL

During 2019-20, FPIs had withdrawn ₹ 41,379 crore from debt instrument (debt and debt-VRR) compared to an outflow of ₹ 42,357 crore in 2018-19. However, FPIs invested ₹ 6,153 crore in equity and ₹ 7,698 crore in hybrid securities as against an outflow of ₹ 88 crore from equity and an investment of ₹ 3,515 crore in hybrid securities in 2018-19.

In terms of monthly trends, during 2019-20, FPIs were the net purchaser in equity segment during nine months out of 12 months. The net buying by FPIs in equity securities was highest in November 2019 (₹ 25,231 crore), followed by April 2019 (₹ 21,193 crore), October 2019 (₹ 12,368 crore), January 2020 (₹ 12,123 crore) and May 2019 (₹ 7,920 crore). The net outflow from the equity segment by FPIs recorded the highest in March 2020 (₹ 61,973 crore), followed by August 2019 (₹ 17,592 crore) and July 2019 (₹ 12,419 crore). On the other hand, FPIs sold the debt securities for the six months during 2019-20. The maximum withdrawal from the debt securities was in March 2020 (₹ 56,211

crore), followed by January 2020 (₹ 11,119 crore), April 2019 (₹ 5,099 crore) and December 2019 (₹ 4,616 crore). FPIs were the net purchaser in the debt securities in August 2019 (₹ 11,672 crore), followed by July 2019 (₹ 9,433 crore) and June 2019 (₹ 8,319 crore). In addition, FPIs were the net buyer in hybrid securities for the ten months during 2019-20. The maximum purchase in hybrid securities by the FPIs seen during February 2020 (₹ 2,416 crore), followed by May 2019 (₹ 2,264 crore) and June 2019 (₹ 2,196 crore). The monthly trends of net investment by FPIs is given in Figure 2.26.

Figure 2.27: Trends in Net Investment by FPIs
during 2019-20 (₹ crore)



Source: NSDL

III. Foreign Investment Limits in Corporate Bonds

The overall upper limit for the investment by the FPIs in corporate bonds was enhanced to ₹ 3,17,000 crore in 2019-20 from ₹ 2,89,100 crore in 2018-19. As on March 31, 2020, the overall debt utilisation limit of the permissible investment limits in the corporate bonds category decreased to 54.5 per cent from 75.9 per cent at the end of March 31, 2019. (Table 2.62)

Table 2.62: Foreign Investment Limits in Corporate Bonds (₹ crore)

Year	Upper Limit (Refer Note) (A)	Investment (B)	Unutilized Auctioned Limits Available with FPIs (C)	Total Investment (B+C)	Per cent of Limits Utilized	Limit Available for Investment
2018-19	2,89,100	2,19,428	-	2,19,428	75.9	69,672
2019-20	3,17,000	1,72,722	-	1,72,722	54.5	1,44,278

Note: The Upper Limit mentioned is as per limit prescribed by RBI for every Financial Year.

Source: NSDL

IV. Notional Values of Open Interest held by FPIs in Derivatives

FPIs have been permitted to trade in the derivatives market since February 2002. As on March 31, 2020, the notional value of open interest held by FPIs was ₹ 96,634 crore decreased from ₹ 1,64,578 crore as on March 31, 2019. The open interest position of FPIs in Stock Futures was the highest at ₹ 59,801 crore followed by Index Options (₹ 28,387 crore), Index Futures (₹ 7,725 crore), Stock Options (₹ 588 crore) and interest rate futures (₹ 133 crore) (Table 2.63).

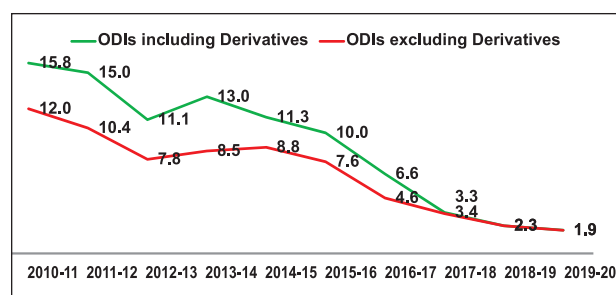
Table 2.63 Notional Values of Open Interest held by of FPIs in Derivatives (₹ crore)

Particular	31-Mar-19	31-Mar-20
Index Futures	17,751	7,725
Index Options	56,561	28,387
Stock Futures	87,965	59,801
Stock Options	2,263	588
Interest Rate Futures	39.26	133
Total	1,64,578	96,634
Change in open position over the last year	-39,484	-67,944
Change in Open Interest (Year on Year) (per cent)	-19	-41

Note: The report is compiled on the basis of reports submitted to depositories by NSE and BSE on 31-Mar-2019 and constitutes FIIs/FPIs trading / position of the previous trading day.

Source: CDSL and NSDL

Offshore derivatives instruments (ODIs) are investment vehicles used by overseas investors for an exposure to Indian securities or derivatives thereof. The total value of investments in ODIs inclusive of equity, debt and derivatives as underlying declined further during 2019-20. The ODIs including derivatives stood at ₹ 48,006 crore as on March 31, 2020 compared to ₹ 78,110 crore as on March 31, 2019. The ODIs excluding derivatives was ₹ 47,852 crore as at the end of the current year as compared to ₹ 77,287 crore at the end of previous year. Total value of ODIs on equity and debt (including derivatives) has been declining consistently over the years. (Figure 2.28).

Figure 2.28: ODIs as a percentage of AUC of FPIs

7. OTHER ACTIVITIES HAVING A BEARING ON THE WORKING OF THE SECURITIES MARKET

I. Corporate Bond Market

Deep, vibrant and robust corporate bond market is essential to enhance stability of financial system of a country, mitigate financial crises and support the credit needs of corporate sector, which is vital for the growth of an economy. There is no doubt that the equity market in India is quite well developed and plays a crucial role in the growth of Indian economy. At the same time, Government Securities market in India has also experienced a tremendous growth in the last decade. Despite a lot of policy and regulatory attention in the past, the corporate debt segment in India still requires lot of focus on its development so as to make it more liquid.

NSE's share in total trades of corporate bonds

report decreased to 65.8 per cent in 2019-20 from 67.7 per cent in 2018-19, on the other hand, the BSE's share has increased from 32.3 per cent to 34.2 per cent during the period. The total value of corporate bonds trades reported at NSE increased by 9.4 per cent to ₹ 13.6 lakh crore in 2019-20 from ₹ 12.4 lakh crore in the previous year whereas that of BSE increased by 18.9 per cent to ₹ 7.1 lakh crore from ₹ 5.9 lakh crore, during the same period. In terms of number of trades, the trades reported at BSE rose by 28.3 per cent to 53,494 in 2019-20 from 41,687 in 2018-19, whereas that at NSE increased by 17.3 per cent to 74,463 in 2019-20 from 63,463 in 2018-19. (Table 2.64).

Table 2.64: Secondary Market: Corporate Bond Trades (Reported Trades)

Year	BSE		NSE	
	No. of Trades	Amount (₹ crore)	No. of Trades	Amount (₹ crore)
2018-19	41,687	5,93,626	63,463	12,42,315
2019-20	53,494	7,05,786	74,463	13,59,020

The value of corporate bond trades settled through clearing corporations decreased by 2.8 per

cent to ₹ 14.2 lakh crore in 2019-20 from ₹ 14.6 lakh crore in 2018-19 (Table 2.65).

Table 2.65: Settlement of Corporate Bonds

Year	NSCCL		ICCL	
	No. of Trades Settled	Settled Value (₹ crore)	No. of Trades Settled	Settled Value (₹ crore)
2018-19	59,903	12,35,011	24,518	2,27,522
2019-20	70,401	12,57,710	29,946	1,63,312

II. Wholesale Debt Market

During 2019-20, the turnover in the wholesale debt market (WDM) segment at NSE increased by 17.3 per cent to ₹ 4.1 lakh crore from ₹ 3.5 lakh crore in 2018-19. The average daily turnover also increased by 17.3 per cent to ₹ 1,714 crore from ₹ 1,462 crore in 2018-19. Further, the turnover in the BSE's WDM segment increased by 45.9 per cent to

₹ 11 lakh crore from ₹ 7.5 lakh crore during the same period. The average daily turnover at BSE also increased by 47.6 per cent to ₹ 4,510 crore in 2019-20 from ₹ 3,055 crore in 2018-19. In terms of number of trades, BSE's WDM segment increased by 17.9 per cent, however, NSE's WDM segment registered decline of 14 per cent in 2019-20 (Table 2.66).

Table 2.66: Business Growth in the WDM Segments at NSE and BSE

Year	No. of Trades	Net Traded Value (₹ crore)	Average Daily Traded Value (₹ crore)	No. of Trades	Net Traded Value (₹ crore)	Average Daily Traded Value (₹ crore)
	NSE			BSE		
2018-19	8,342	3,53,684	1,462	2,33,183	7,54,510	3,055
2019-20	7,177	4,14,828	1,714	2,74,920	11,00,454	4,510

Note: Average daily traded value is calculated as net traded value divided by the total number of trading days in the year. Source: NSE and BSE.

The trend in the instrument-wise share of securities traded in the WDM segment at NSE shows that during 2019-20, the share of G-Secs increased to 59.6 per cent from 52.4 per cent in the previous year. The share of Treasury Bills also increased to 27.2 per cent from 19.9 per cent during the period. However, the share of PSU/institutional bonds and others category decreased to 5.6 per cent and 7.6 per cent in 2019-20 from 12.3 per cent and 15.4 per cent, respectively during 2018-19 (Table 2.67).

At BSE, the instrument-wise share of securities traded in the WDM segment showed a decrease in the share of G-Secs to 20 per cent in 2019-20 from 20.7 per cent in 2018-19. Further, the share of PSU/institutional bonds decreased to 48.6 per cent to 49.0 per cent during the same period. The others category also decreased to 21.5 per cent in 2019-20 from 23 per cent in 2018-19. However, the share of Treasury Bills increased to 9.9 per cent in 2019-20 from 7.4 per cent in 2018-19.

Table 2.67: Instrument-wise Share of Securities Traded on the WDM Segments at NSE and BSE (per cent)

Year	Govt. Dated Securities	Treasury Bills	PSU / Institutional Bonds	Others	Govt. Dated Securities	Treasury Bills	PSU / Institutional Bonds	Others
	NSE				BSE			
2018-19	52.4	19.9	12.3	15.4	20.7	7.4	49.0	23.0
2019-20	59.6	27.2	5.6	7.6	20.0	9.9	48.6	21.5

Source: NSE and BSE

At NSE, trading member's category has the largest share at 45.7 per cent of the total turnover in the WDM segment of NSE during 2019-20, compared to 43.9 per cent market share in the previous year. The share of both financial institutions/mutual funds/corporates and Primary dealers and Foreign

Banks decreased to 9.8 per cent, 2.6 per cent and 12.1 per cent, respectively in 2019-20 from 12.7 per cent, 2.9 per cent and 14.6 per cent, respectively in 2018-19. During 2019-20, the share of Indian Banks increased 29.7 per cent from 26 per cent in the previous year. (Table 2.68).

Table 2.68: Share of Participants in Turnover of NSE's WDM Segment (per cent)

Year	Trading Members	FIs/MFs/ Corporates	Primary Dealers	Indian Banks	Foreign Banks
2018-19	43.9	12.7	2.9	26.0	14.6
2019-20	45.7	9.8	2.6	29.7	12.1

Note: Category-wise classification not available for BSE.

Source: NSE.

III. Open Offer

During 2019-20, 57 open offers with open offer size of ₹ 20,527 crore closed compared to 72 open offers with offer size of ₹ 28,594 crore during 2018-19. Out of the 57 open offers closed during the year, 50 open offers with offer size of ₹ 16,407 crore were made with the objective of change in control,

four open offers of size ₹ 3,642 crore were made with the objective of consolidation of holdings and three open offers with offer size of ₹ 478 crore were made with the objective of substantial acquisition of shares (Table: 2.69).

Table 2.69: Trends in Open Offers

Year	Objectives						Total	
	Change in control		Consolidation of holdings		Substantial Acquisition		No. of Issues	Amount (₹ crore)
	No. of Issues	Amount (₹ crore)	No. of Issues	Amount (₹ crore)	No. of Issues	Amount (₹ crore)		
2018-19	64	23,016	4	4,636	4	941	72	28,594
2019-20	50	16,407	4	3,642	3	478	57	20,527

IV. Schemes of Arrangement

Regulation 37 of SEBI LODR Regulations, 2015 inter alia requires that a listed entity desirous of undertaking a scheme of arrangement shall file the draft documents related scheme of arrangement with the stock exchange(s) for obtaining Observation Letter or No-objection letter, before filing such scheme with any Court or Tribunal, in terms of requirements specified by the Board or stock exchange(s) from time to time. SEBI in turns receives the draft documents from Stock Exchanges and issue observations on the same.

SEBI vide circular no. CFD/DIL3/CIR/2017/21 dated March 10, 2017, along with its predecessor or amendments from time to time, has laid down the detailed requirements to be complied with by listed entities while undertaking schemes of arrangements.

In terms of the aforesaid regulation and circular, SEBI has received and issued observations on total 53 draft schemes documents during 2019-20 as against 112 during 2018-19.

V. Buy-Back

Buy-back is one of the ways in which a company can return money to its shareholders. 58 buy-back offers were received during 2019-20, of which 16 were through the open market purchase method and 42 were through the tender offer, compared to 63 buyback offers in 2018-19 (17 through open market purchase method and 46 through tender offer). Out of the 16 offers for buyback through the open market purchase method, seven offers have been closed and nine offers are yet to close. Further, out of the 42 offers for buyback through tender offer, 35 offers have been closed and seven offers have not been closed during 2019. The total buyback offer size during 2019-20 was ₹ 21,634 crore compared to the buyback offer size of ₹ 55,504 crore during 2018-19 representing decrease of 61 per cent. It is also observed from the buyback offers which were opened and closed during 2019-20 that the average utilization was 98.1 per cent of the total offer size compared to 99.5 per cent of the buyback offers which were opened and closed during 2018-19 (Table: 2.70).

The Hon'ble Finance Minister in the Budget Speech on July 05, 2019 had announced that listed companies shall be liable to pay tax in case of buy-back of shares. The change in taxation was made effective w.e.f July 05, 2019. Considering that buy-backs were already in progress (as on July 05, 2019), several companies had made representations in this regard. SEBI requested Ministry of Finance to

consider grandfathering such buy-backs wherein public announcement has been made prior to July 05, 2019. Based on the request made by SEBI, the Ministry of Finance amended section 115QA of the Income Tax Act, 1961 and grandfathered buy-backs of listed companies wherein public announcement has been made on or before July 05, 2019.

Table 2.70: Buy-back Cases

Particulars	2018-19			2019-20		
	No. of cases	Buy-back size (₹ crore)	Actual Amount Utilized for Buy-back of Securities (₹ crore)	No. of cases	Buy-back size (₹ crore)	Actual Amount Utilized for Buy-back of Securities (₹ crore)
Buy-back through open market						
Cases Received and Closed	10	1,422	1,209	7	405	398
Cases Received but not Closed	7	9,090	NA	9	2,964	NA
Buy-back through Tender Offer						
Cases Received and Closed	39	51,846 [#] (42,846)	42,837	35	17,418	17,086
Cases Received but not Closed	7	2,146	NA	7	847	NA

Out of 51,846 crore, the buyback offer of for ₹ 9,000 crore was made by Larsen & Toubro Ltd. (L&T). Based on examination of draft letter of offer filed with SEBI, SEBI provided its comments and advised L&T to not to proceed with this buy-back offer.

VI. Nation-Wide Awareness Campaign for Small and Medium Enterprises (SMEs)

SEBI has initiated awareness programs, in coordination with Stock Exchanges, to interact with SMEs from different clusters and familiarize them with the platform being offered by the stock exchanges for the benefits of SMEs. There was active participation by the respective State Government too in these programs. During the financial year 2019-20, SME meets were held at Bhubaneswar, Indore and Dehradun.

During these programs, technical sessions were held, wherein stock exchanges interacted with SMEs in small groups, apprised them about

the regulatory framework for SMEs and addressed their queries and apprehensions. The technical sessions were followed by the main event wherein the senior management of SEBI, functionaries from the respective State Government and representatives of stock exchanges addressed the representatives of SMEs. The data with regard to SME listing is given in **Table 2.71**. The market capitalisation of companies listed in SME Exchange and capital raised by companies on SME exchanges are given in **Table 2.72** and **Table 2.73** respectively.

Table 2.71: Number of Companies Listed on SME Exchanges

Year	SME Listed during the year		Total no of SME as on date#	
	BSE	NSE	BSE	NSE
2018-19	57	62	230	189
2019-20	29	13	240	178

Note: # Total no excluded delisted/migrated to main board

Source: BSE and NSE

Table 2.72 Market Capitalisation of Companies Listed on SME Exchange (₹ crore)

Exchange	As on March 31, 2019	As on March 31, 2020
BSE	18,197	15,270
NSE	12,243	6,123

Source: BSE and NSE

Table 2.73 Capital Raised by Companies on SME Exchange (₹ crore)

Year	BSE	NSE
2018-19	887	1,049
2019-20	324	174

Capital raised through SME IPOs only during the year.

During 2019-20, SMEs also raised funds through FPOs (₹ 25.5 crore at NSE and ₹ 11.8 crore at BSE) and Preferential Allotments (₹ 58 crore at NSE).

Source: BSE and NSE

VII. Investor Grievance Redressal

SEBI has been taking various regulatory measures to expedite the redressal of investor grievances. The grievances lodged by investors are taken up with the respective listed company or intermediary and continuously monitored. 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 continuously monitored by concerned department of SEBI.

The company/intermediary 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. If the response of the company/intermediary is insufficient / inadequate, follow up action is initiated. SEBI takes appropriate enforcement actions (Adjudication, 11B directions, Prosecution, etc) as provided under the law where progress in redressal of investor grievances is not satisfactory.

SEBI Complaints Redressal System (SCORES) has helped the investors in real time knowledge of status of their grievance since investors can log onto SCORES. To become a registered user of SCORES, investors may click on “Register here” under “Investor Corner” appearing on the homepage of SCORES portal. Investors will have to fill in Registration form. Fields like Name, Address, E-mail Address, PAN and Mobile Number are mandatory fields and are required to be filled up. The username and password of SCORES will be sent to the investor’s registered email id. If an investor is already a registered user, they can login by entering their username and password. Investors at any time and from anywhere check the status of the grievance with the help of username and password provided to them at the time of registration on SCORES. Alternatively, investor can also call the SEBI Toll Free Helpline to check the status of the grievance.

Investor may lodge a complaint on SCORES within three years from the date of cause of complaint, where;

Investor has approached the listed company or registered intermediary for redressal of the complaint and,

- (i) The concerned listed company or registered intermediary rejected the complaint or,

- (ii) The complainant does not receive any communication from the listed company or intermediary concerned or,
- (iii) The complainant is not satisfied with the reply given to him or redressal action taken by the listed company or an intermediary.

In case investor fails to lodge a complaint within the stipulated time, he may directly take up the complaint with the entity concerned or may approach appropriate court of law.

Enforcement Action

SCORES is an online system of processing of investors grievances in a systematic and timely manner. It helps SEBI to take up issues, including those that may require a policy change. The companies are required to upload Action Taken Report within 30 days of receipt of complaint.

In case of failure to upload ATR within 30 days the Stock Exchanges are empowered under SEBI (Listing Obligations and Disclosure Requirements), 2015 to take enforcement action against the defaulting companies such as imposing penalties, debarment of Promoters / Directors of the companies, etc.

The following paragraphs highlight SEBI's performance and measures taken in the year 2019-20 for expediting the redressal of investor grievances.

A. Investor Grievances Received and Redressed

The number of investor complaints received by SEBI on cumulative basis increased from 30,88,787 as on March 31, 2019 to 31,44,313 as on March 31, 2020. During the same period the number of pending actionable complaints has increased from 3,094 to 3,540. (Table: 2.74).

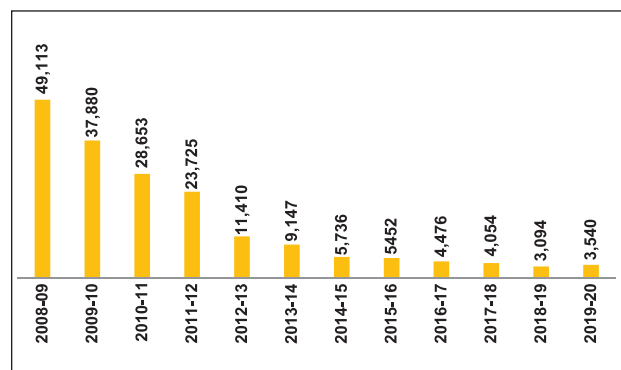
Table 2.74: Status of Investor Grievances Received and Redressed

Financial Year	Grievances Received		Grievances Redressed		Pending Actionable Grievances*
	Year-wise	Cumulative	Year-wise	Cumulative	
2018-19	42,202	30,88,787	42,576	29,62,266	3,094
2019-20	55,526	31,44,313	39,624	30,01,890	3,540

* excludes complaints against which regulatory actions are initiated.

SCORES was launched in June 2011. Details of complaints in the above table from 2011-12 onwards are as per SCORES.

Figure 2.29: Pending Actionable Grievances on SCORES at the end of the Financial Year



The aforesaid table indicates that the number of pending grievances has been steadily declining over the years due to expeditious disposal by SEBI. Moreover, out of the pendency of 3,540 grievances as on March 31, 2020, 3,241 grievances are pending for less than six months. Further, only 299 grievances are pending for more than six months as on March 31, 2020 as compared to 297 grievances are pending for more than six months as on March 31, 2019.

SCORES enables the investor to directly lodge the complaints online and such complaints are considered as 'e-complaints'. During 2019-20, a total of 43,886 e-complaints were received. While investors

can lodge e-complaints on SCORES, any Physical Complaint (P-complaint) along with mandatory details viz., name, address, email, PAN, mobile number received against any of the entities is also uploaded on SCORES and thereby converted into an e-complaint. Similar action to that with regard to an e-complaint taken thereof. During 2019-20, a total of 11,640 p-complaints were received.

A review module was implemented in SCORES in 2016-17, wherein an investor can make a

onetime request for review of a complaint closed by a dealing officer of SEBI within 15 days of closure of a complaint. SEBI received 2,213 complaints for review during 2019-20 (cumulative complaints for review received 8,206 as on March 31, 2020). Further, 2,271 review complaints were resolved during 2019-20 (cumulative review complaints redressed 7,053 as on March 31, 2020). However, 1,165 review complaints were pending as on March 31, 2020. (Table 2.75)

Table 2.75: Status of Review Complaints

Financial Year	Review Requests Received		Review Requests Redressed		Pending Review Requests
	Year-wise	Cumulative	Year-wise	Cumulative	
2018-19	2,118	5,993	2,210	4,782	1,220
2019-20	2,213	8,206	2,271	7,053	1,165

B. Investor Feedback for Calls Answered on SEBI Toll Free Helpline

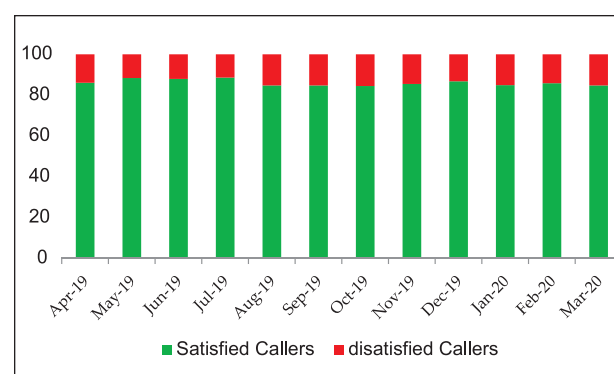
SEBI had launched toll free helpline service numbers 1800 22 7575/ 1800 266 7575 on December 30, 2011. The helpline service is available every day from 9:00 a.m. to 6:00 p.m. (except on declared public holidays in Maharashtra) to investors from all over India. The helpline service is available in English, Hindi and 6 other regional languages. During 2019-20, SEBI has attended to 3,61,512 calls on Toll Free Helpline as compared to 4,84,462 calls during 2018-19 (Table 2.76).

Table 2.76: Call Flow Details

Year	No. of Calls Attended
2018-19	4,84,462
2019-20	3,61,512

Out of the total call received on the SEBI Toll Free Helpline, a feedback survey was carried out of the calls answered. It was observed that the investors were satisfied an average of 86 per cent of every month call answered during 2019-20 (Figure 2.30).

Figure 2.30: Investor Feedback for Calls Answered during 2019-20



Part Three A:

Functions of the Securities and Exchange Board of India with respect to matters specified in Section 11 of SEBI Act, 1992

1. REGULATION OF BUSINESS IN STOCK EXCHANGES AND CLEARING CORPORATIONS

A stock exchange is a platform for facilitating price discovery and risk management of various instruments available for trading. Stock exchanges play an important role in the efficient allocation of resources in any economy as the prices discovered provide a signal for efficient allocation of financial resources across corporations. Apart from providing platforms for trading, stock exchanges have also been entrusted with various regulatory responsibilities for ensuring market integrity and for protecting investor's interests. The stock exchanges' regulatory functions include issuer regulations, member regulations, trading regulations, investor protection, maintaining investor protection funds (IPFs) and product design. They also undertake a wide array of support functions like training and education, information/data services and technology solutions.

I. RECOGNITION OF STOCK EXCHANGES

Stock exchanges are granted recognition for their operations in the securities market by SEBI under Section 4 of the Securities Contracts (Regulation) Act (SCRA), 1956. As on March 31, 2020 there were three stock exchanges in India which had permanent recognition. During the year SEBI granted recognition to NSE IFSC Ltd for one year commencing on May 29, 2019 and ending on May 28, 2020. Further, SEBI granted renewal of recognition to the Metropolitan Stock Exchange of India Ltd for one year, commencing on September 16, 2019 and ending on September 15, 2020. SEBI also granted renewal of recognition to India International Exchange (IFSC) Ltd for one year commencing on of December 29, 2019 and ending on December 28, 2020 (Tables 3.1, 3.2).

Table 3.1 : Stock Exchanges with Permanent Recognition

Sr. No.	Exchanges	Recognition
1	BSE Ltd (BSE)	Permanent
2	Calcutta Stock Exchange Ltd (CSE)	Permanent
3	National Stock Exchange of India Ltd (NSE)	Permanent

Note : Stock exchanges exclude commodity derivatives exchanges.

Table 3.2 : Recognition Granted to Stock Exchanges during 2018-19

Sr. No.	Exchanges	Date of Notification	Period	Recognition
1	Metropolitan Stock Exchange of India Ltd	September 13, 2019	September 16, 2019 to September 15, 2020	Renewal
2	India International Exchange (IFSC) Ltd	December 19, 2019	December 29, 2019 to December 28, 2020	Renewal
3	NSE IFSC LTD (NSE IFSC)	May 24, 2019	May 29, 2019 to May 28, 2020	Renewal

II. GRANT OF RECOGNITION AND RENEWAL TO CLEARING CORPORATIONS

SEBI, in exercise of the powers conferred under Section 4 read with sub-section (4) of Section 8A of the Securities Contracts (Regulation) Act, 1956, granted recognition/renewal of recognition to following Clearing Corporations during the year 2019-20:

- A. NSE (IFSC) Clearing Corporation Ltd. (NSE IFSC CC), for a period of one year commencing on the May 29, 2019 and ending on May 28, 2020.
- B. Metropolitan Clearing Corporation of India Ltd. (MCCIL), for a period of one year commencing on October 03, 2019 and ending on October 02, 2020.
- C. India International Clearing Corporation (IFSC) Ltd. (India ICC), for a period of one year commencing on December 29, 2019 and ending on December 28, 2020.

The grant of recognition/renewal of recognition to aforementioned Clearing Corporations has also been notified in the Gazette of India.

III. EXIT OF STOCK EXCHANGES

SEBI formulated the exit policy for de-recognized/non-operational stock exchanges in 2012. Subsequent to this, SEBI received applications from de-recognized/non-operational stock exchanges seeking voluntary exit as stock exchanges. At present, Calcutta Stock Exchange is under process of compulsory exit (Table 3.3). Calcutta Stock Exchange Ltd (CSE) did not apply for voluntary exit and compulsory exit process has been initiated against the stock exchange. However, the matter is subjudice before Hon'ble Kolkata High Court.

Pursuant to the exit policy for de-recognized/non-operational stock exchanges notified by SEBI in 2012, 20 stock exchanges have exited so far. During 2019-20, Magadh Stock Exchanges got exited (Table 3.3).

Table 3.3 : Stock Exchanges which have Already Exited (as on March 31, 2020)

Sr. No.	Name of Stock Exchange	Date of Exit Order
1	Hyderabad Stock Exchange Ltd (HySE)	January 25, 2013
2	Coimbatore Stock Exchange Ltd (CSX)	April 03, 2013
3	Saurashtra Kutch Stock Exchange Ltd (SKSE)	April 05, 2013
4	Mangalore Stock Exchange Ltd (MgSE)	March 03, 2014
5	Inter-Connected Stock Exchange of India Ltd (ISE)	December 08, 2014
6	Cochin Stock Exchange Ltd (CoSE)	December 23, 2014
7	Bangalore Stock Exchange Ltd (BgSE)	December 26, 2014
8	Ludhiana Stock exchange Ltd (LSE)	December 30, 2014
9	Gauhati Stock Exchange Ltd (GSE)	January 27, 2015
10	Bhubaneswar Stock Exchange Ltd (BhSE)	February 09, 2015
11	Jaipur Stock Exchange Ltd (JSE)	March 23, 2015
12	OTC Exchange of India (OTCEI)	March 31, 2015
13	Pune Stock Exchange (PSE)	April 13, 2015
14	Madras Stock Exchange (MSE)	May 14, 2015
15	Uttar Pradesh Stock Exchange (UPSE)	June 09, 2015
16	Madhya Pradesh Stock Exchange (MPSE)	June 09, 2015
17	Vadodara Stock Exchange Ltd (VSEL)	November 09, 2015
18	Delhi Stock Exchange Ltd (DSE)	January 23, 2017
19	Ahmedabad Stock Exchange Ltd (ASE)	April 02, 2018
20	Magadh Stock Exchange	May 08, 2019

IV. MEASURES ADOPTED FOR REGULATION OF STOCK EXCHANGES

A. Regulatory Action in the Matter of the National Stock Exchange of India Ltd.

SEBI vide its Order dated April 30, 2019 issued the following directions relating to NSE:

- a. NSE to take necessary legal actions against Mr. Ajay Shah, M/s Infotech Financial Services Pvt. Ltd., Ms. Sunita Thomas and Mr. Krishna Dagli (Directors of Infotech Financial Services Pvt. Ltd.) for violating the provisions

of the “Professional Service Agreement” signed with M/s Infotech in connection with LIX project and for misusing the data made available to them by NSE as per the findings made in this order. NSE was further directed to submit an action taken report in this regard along with the observation of its Governing Board to SEBI, within three months from date of the order.

- b. NSE to review all the third party agreements having a data sharing component/provision therein signed by it from year 2009 onwards

and take necessary legal actions against the parties with whom such agreements were signed wherever any actions of irregularity, breach of terms and conditions and other provisions of such agreements are observed. NSE was further directed to submit an action taken report in this regard along with the observation of its Governing Board to SEBI, within three months from date of the order.

- c. NSE to prepare a detailed documented policy with respect to data usage and data sharing with external persons/entities in a fair and transparent manner, including data sharing with any researchers, commercial entities, overseas entities, etc., with due provisions for processes to be followed and disclosures of conflict of interest to be made at the level of any employee of NSE. The policy was stipulated to be comprehensive with proper maker and checker system with provision for periodic review, in order to ensure prevention of misuse of the data/information. NSE was further directed to submit an action taken report in

this regard along with the observation of its Governing Board to SEBI, within three months from date of the order.

- d. The aforementioned data usage and data sharing policy was directed to be implemented after approval of the same by the Governing Board of NSE and to be disseminated through a circular and also be displayed on the website of NSE.

V. ADMINISTRATIVE MEASURES TAKEN AMID NOVEL COVID-19 PANDEMIC

Considering the situation due to Novel Covid-19 pandemic and based on requests made by stock exchanges, market timings were revised in Cross Currency Derivative Segment (i.e. non INR currency pair) so as to conclude trading at 5 pm instead of 7:30 pm. Further, as a temporary measure, following exemptions/ relaxations in the implementation of Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 (SECC Regulations) Regulations and circulars of SEBI have been granted. (Table 3.4)

Table 3.4: Exemptions/ Relaxations in the Implementation of SECC Regulations and Circulars of SEBI

Provisions	Date of Implementation or Current Provisions	Relaxation Granted	Relaxation Granted to
1. Regulation 21 (1) of Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 pertaining to the disclosure of their shareholding pattern on a quarterly basis within 15 days from the end of each quarter.	Within 15 days from end of each quarter, i.e. by 15 days from March 31, 2020.	Permitted to file the information by June 30, 2020	Stock Exchanges and Clearing Corporations
2. Regulation 33 (2) of Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 pertaining to confirmation by the governing board of the compliance with disclosure requirements and corporate governance norms.	Within 15 days from end of each quarter, i.e. by 15 days from March 31, 2020.	Permitted to file the information by June 30, 2020.	Stock Exchanges and Clearing Corporations
3. SEBI Circular dated January 10, 2019 pertaining to the meetings of statutory committees of Market Infrastructure Institutions (MIIs).	Meeting to be held at least once in quarter.	Exemption granted from physical committee meetings till things normalize. However, the staff of the MIIs responsible for providing information to various committees shall continue to do so on email. Discussions shall take place vide email amongst the members of the committee(s) so that views of all members are on record. Chair of the committee, in consultation with MD of the MII shall decide on seriousness of issue. Decisions shall be taken w.r.t the items depending on seriousness of the issue concerned.	Stock Exchanges, Clearing Corporations and Depositories

2. REGISTRATION AND REGULATION OF WORKING OF INTERMEDIARIES ASSOCIATED WITH THE SECURITIES MARKET

Regulations of market intermediaries has three objectives:

- i. To protect client's assets from insolvency of the intermediaries and guarding against defaults as well as sudden disruption in the market;
- ii. To ensure that the intermediaries are fair and diligent in dealing with their clients; and
- iii. To reduce conflict of interest.

The regulations sets qualifying standards, prudential standards, internal controls and risk management standards and enforces a code of conduct. In order to enhance investor confidence, it is necessary that all the intermediaries maintain high standards of integrity and fairness and also act with due skill, care and diligence in conducting their business with high levels of compliance. The various intermediaries' regulations have been framed under the SEBI Act, 1992 and the Depositories Act, 1996 for registration and regulation of all market intermediaries. Under these Acts, the government and SEBI issue notifications, guidelines and circulars that market intermediaries need to comply with. SEBI ensures

standard and quality of services to stakeholders, besides fair and sound conduct and compliance practices.

I. REGISTRATION OF STOCK BROKERS

i. Cash Segment

During 2019-20, the cash segment witnessed higher cancellation or surrender of membership than fresh additions across the exchanges. Though the fresh membership were granted to 26 stock brokers in the cash segment of BSE, 26 stock brokers in the cash segment of NSE, and two stock brokers in the cash segment of MSEI. Further, 31 stock brokers at BSE, 51 stock brokers at NSE and 33 stock brokers of Metropolitan Stock Exchange of India Ltd. (MSEI) lost their membership either on account of cancellation or surrender. At the end of March 2020, the total number of registered brokers in the cash segment of BSE, NSE and MSEI stood at 1,343, 1,289 and 346 respectively. Details of registered stock brokers and clearing members, as on March 31, 2020 stock exchange and clearing corporation-wise are given in Table 3.5 and Table 3.6 respectively.

Table 3.5 : Registered Stock Brokers

Details	BSE	NSE	MSEI
Registered Stock Brokers in the beginning of the year (as on April 01, 2019)	1,348	1,314	377
Addition during the Year 2019-20	26	26	2
Cancellation/ Surrender of Memberships	31	51	33
Registered Stock Brokers as on March 31, 2020	1,343	1,289	346

Source : National exchanges.

Table 3.6 : Registered Clearing Members – Cash Segment

Details	ICCL	NSECL	MSEI CCL
Registered Clearing Members in the beginning of the year (as on April 01, 2019)	1,348	1,314	360
Addition during the Year 2019-20	26	29	2
Cancellation / Surrender of Memberships	1	63	18
Registered Clearing Members as on March 31, 2020	1,373	1,280	344

Source : Clearing corporations.

The number of corporate brokers was highest in NSE (1,139) followed by BSE (1,136) and MSEI (322). Corporate brokers constituted 93.1 per cent of the total stock brokers at MSEI whereas at NSE and BSE, their share was 88.4 per cent and 84.6 per cent respectively.

The number of stock brokers in 'proprietorship' category was highest at BSE (153), followed by NSE (61) and MSEI (16). The number of stock brokers in 'partnership' category was highest in NSE (71) followed by BSE (33) and MSEI (8) (Table 3.7).

Table 3.7 : Classification of Stock Brokers – Cash Segment

Name of Stock Exchange	Total No. of Stock Brokers	Proprietorship		Partnership		Corporate		LLP	
		No.	Percentage	No.	Percentage	No.	Percentage	No.	Percentage
BSE	1,343	153	11.4	33	2.5	1,136	84.6	21	1.6
NSE	1,289	61	4.7	71	5.5	1,139	88.4	18	1.4
MSEI	346	16	4.6	8	2.3	322	93.1	0	0.0

Source: National exchanges.

The number of corporate clearing members was highest in ICCL (1,173) followed by NSECL (1,132) and MCCIL (318). Corporate clearing members constituted 92.4 per cent of the total clearing members at MCCIL, whereas at NSECL and ICCL, their share was 88.4 per cent and 85.4 per

cent respectively. The number of clearing members in 'proprietorship' category was highest at ICCL (152), followed by NSECL (60) and MCCIL (16). The number of clearing members in 'partnership' category was highest in NSECL (70) followed by ICCL (27) and MCCIL (10) (Table 3.8).

Table 3.8: Classification of Clearing Members – Cash Segment

Clearing Corporation	Total No. of Clearing Members	Proprietorship		Partnership		Corporate		LLP	
		No.	Percentage	No.	Percentage	No.	Percentage	No.	Percentage
ICCL	1,373	152	11.1	27	2.0	1,173	85.4	16	1.5
NSECL	1,280	60	4.7	70	5.5	1,132	88.4	14	1.4
MCCIL	344	16	4.7	10	2.9	318	92.4	0	0.0

Source : Clearing corporations.

ii. Equity Derivatives

During 2019-20, the fresh membership were granted to 20 stock brokers in the equity derivatives segment of BSE and 13 stock brokers in the equity derivatives segment of NSE. 44 stock brokers at BSE, 49 stock brokers at NSE and 33 stock brokers of MSEI lost their membership either on account of cancellation or surrender. At the end of March

2020, the total number of registered brokers in the equity derivatives segment of BSE, NSE and MSEI stood at 941, 1,204, and 334 respectively. Details of registered stock brokers and clearing members for 2019-20, for Equity Derivatives segment, stock exchange and clearing corporation-wise are given in the Table 3.9 and Table 3.10.

Table 3.9: Registered Stock Brokers – Equity Derivatives

Details	BSE	NSE	MSEI
Registered Stock Brokers in the beginning of the year (as on April 01, 2019)	965	1,240	367
Addition during the Year 2019-20	20	13	0
Cancellation/ Surrender of Memberships	44	49	33
Registered Stock Brokers as on March 31, 2020	941	1,204	334

Source: National exchanges.

Table 3.10: Registered Clearing Members – Equity Derivatives

Details	ICCL	NSECL	MCCIL
Registered Clearing Members in the beginning of the year (as on April 01, 2019)	118	459	67
Addition during the Year 2019-20	31	64	0
Cancellation / Surrender of Memberships	10	15	7
Registered Clearing Members as on March 31, 2020	139	508	60

Source: Clearing corporations

The number of corporate brokers was highest in NSE (1,066) followed by BSE (864) and MSEI (311). Corporate brokers constituted 93.1 per cent of the total stock brokers at MSEI whereas at BSE and NSE, their share was 91.8 per cent and 88.5 per cent respectively. The number of stock brokers in 'proprietorship' category was highest at NSE (51),

followed by BSE (47) and MSEI (15). The number of stock brokers in 'partnership' category was highest in NSE (64) followed by BSE (16) and MSEI (8) Details of exchange-wise classification of stock Brokers on the basis of ownership structure in equity derivatives segment is given in Table 3.11.

Table 3.11: Classification of Stock Brokers – Equity Derivatives

(as on March 31, 2020)

Name of Stock Exchange	Total No. of Stock Brokers	Proprietorship		Partnership		Corporate		LLP		Others (if any)	
		No.	Percentage	No.	Percentage	No.	Percentage	No.	Percentage	No.	Percentage
BSE	941	47	5.0	16	1.7	864	91.8	14	1.5	0	0.0
NSE	1,204	51	4.2	64	5.3	1,066	88.5	23	1.9	0	0.0
MSEI	334	15	4.5	8	2.4	311	93.1	0	0.0	0	0.0

Source: National exchanges

The number of corporate clearing members was highest in NSECL (481) followed by ICCL (138) and MCCIL (60). Corporate clearing members constituted 100 per cent of the total clearing members at MCCIL, whereas at ICCL and NSECL, their share was 99.3 per

cent and 94.7 per cent respectively. The number of clearing members in 'proprietorship' category was highest at NSECL (8), and ICCL (1). The number of clearing members in 'partnership' category was nine in NSECL (Table 3.12).

Table 3.12: Classification of Clearing Members – Equity Derivatives

(as on March 31, 2020)

Name of Clearing Corporation	Total No. of Clearing Members	Proprietorship		Partnership		Corporate		LLP		Others (if any)	
		No.	Percentage	No.	Percentage	No.	Percentage	No.	Percentage	No.	Percentage
ICCL	139	1	0.7	0	0.0	138	99.3	0	0.0	0	0.0
NSECL	508	8	1.6	9	1.8	481	94.7	10	2.0	0	0.0
MCCIL	60	0	0.0	0	0.0	60	100	0	0.0	0	0.0

Source: Clearing corporations

iii. Currency Derivatives (including Interest Rate Futures) Segment

During 2019-20, the fresh membership were granted to 55 stock brokers in the Currency Derivatives segment of BSE and 16 stock brokers in the Currency derivatives segment of NSE. 25 stock brokers at BSE, 41 stock brokers at NSE and 49 stock brokers of MSEI lost their membership either on account of cancellation or surrender. At the end of

March 2020, the total number of registered brokers in the equity derivatives segment of BSE, NSE and MSEI stood at 579, 793, and 558 respectively. Details of registered stock brokers and clearing members for 2019-20, for Currency Derivatives (including Interest Rate Derivatives) segment, Stock Exchange and Clearing Corporation wise are given in the Table 3.13 and Table 3.14.

Table 3.13: Registered Stock Brokers – Currency Derivatives

Details	BSE	NSE	MSEI
Registered Stock Brokers in the beginning of the year (as on April 01, 2019)	549	818	607
Addition during the Year 2019-20	55	16	0
Cancellation/ Surrender of Memberships	25	41	49
Registered Stock Brokers as on March 31, 2020	579	793	558

Source: National exchanges

Table 3.14: Registered Clearing Members – Currency Derivatives

Details	ICCL	NSECL	MCCIL
Registered Clearing Members in the beginning of the year (as on April 01, 2019)	90	191	71
Addition during the Year 2019-20	17	11	0
Cancellation / Surrender of Memberships	10	5	6
Registered Clearing Members as on March 31, 2020	97	197	65

Source: Clearing corporations

The number of corporate brokers was highest in NSE (730) followed by BSE (516) and MSEI (488). Corporate brokers constituted 92.1 per cent of the total stock brokers at NSE whereas at BSE and MSEI, their share was 89.1 per cent and 87.5 per cent respectively. The number of stock brokers in 'proprietorship' category was highest at MSEI (29)

followed by NSE (15) and BSE (11). The number of stock brokers in 'partnership' category was highest in NSE (31) followed by MSEI (18) and BSE (11). Details of exchange wise classification of Stock Brokers on the basis of ownership structure in Currency Derivatives (including Interest Rate Derivatives) segment is given in the Table 3.15.

Table 3.15: Classification of Stock Brokers – Currency Derivatives (as on March 31, 2020)

Name of Stock Exchange	Total No. of Stock Brokers	Proprietorship		Partnership		Corporate		LLP		Others (if any)	
		No.	Percentage	No.	Percentage	No.	Percentage	No.	Percentage	No.	Percentage
BSE	579	11	1.9	11	1.9	516	89.1	13	2.3	28*	4.8
NSE	793	15	1.9	31	3.9	730	92.1	17	2.1	0	0
MSEI	558	29	5.2	18	3.2	488	87.5	1	0.2	22*	3.9

*Banks

Source: National exchanges

The number of corporate clearing members was highest in NSECL (190) followed by ICCL (93) and MCCIL (63). Corporate clearing members constituted 96.9 per cent of the total clearing members at MCCIL, whereas at NSECL and ICCL their share was 96.5per

cent and 95.9 per cent respectively. The number of clearing members in 'proprietorship' category was highest at MCCIL (2). The number of clearing members in 'partnership' category was one at NSECL (Table 3.16).

Table 3.16: Classification of Clearing Members – Currency Derivatives (as on March 31, 2020)

Name of Clearing Corporation	Total No. of Clearing Members	Proprietorship		Partnership		Corporate		LLP	
		No.	Percentage	No.	Percentage	No.	Percentage	No.	Percentage
ICCL	97	1	1	0	0.0	93	95.9	3	3.1
NSECL	197	1	0.5	1	0.5	190	96.5	5	2.5
MCCIL	65	2	3.1	0	0.0	63	96.9	0	0.0

Source: Clearing corporations

iv. Debt Segment

During 2019-20, the fresh memberships were granted to five stock brokers in the Debt segment of BSE and five stock brokers in the Debt segment of NSE. Three stock brokers at BSE and three stock brokers at NSE lost their membership either on

account of cancellation or surrender. At the end of March 2020, the total number of registered brokers in the debt segment of BSE, NSE and MSEI stood at 154, 259 and 14 respectively. Details of registered stock brokers and clearing members for 2019-20 at stock exchange and clearing corporation-wise are given in the Table 3.17 and Table 3.18.

Table 3.17: Registered Stock Brokers - Debt Segment

Details	BSE	NSE	MSEI
Registered Stock Brokers in the beginning of the year (as on April 01, 2019)	152	257	14
Addition during the Year 2019-20	5	5	0
Cancellation/ Surrender of Memberships	3	3	0
Registered Stock Brokers as on March 31, 2020	154	259	14

Source: National exchanges

Table 3.18: Registered Clearing Members - Debt Segment

Details	ICCL	NSECL	MCCIL
Registered Clearing Members in the beginning of the year (as on April 01, 2019)	35	106	6
Addition during the Year 2019-20	6	4	0
Cancellation / Surrender of Memberships	0	0	1
Registered Clearing Members as on March 31, 2020	41	110	5

Source: Clearing corporations

The number of corporate brokers was highest at NSE (249) followed by BSE (149) and MSEI (13). The number of stock brokers in 'proprietorship' category was highest at NSE (5) followed by BSE (2). The

number of stock brokers in 'partnership' category at NSE was five. Details of exchange wise classification of stock brokers on the basis of ownership structure in debt is given in the Table 3.19.

Table 3.19: Classification of Stock Brokers - Debt Segment

(as on March 31, 2020)

Name of Stock Exchange	Total No. of Stock Brokers	Proprietorship		Partnership		Corporate		LLP		Others (if any)	
		No.	Percentage	No.	Percentage	No.	Percentage	No.	Percentage	No.	Percentage
BSE	154	2	1.3	0	0.0	149	96.8	0	0.0	3	1.95
NSE	259	5	1.9	5	1.9	249	96.1	0	0.0	0	0.0
MSEI	14	0	0.0	0	0.0	13	92.9	0	0.0	1*	7.1

*Bank

Source: National exchanges

The number of corporate clearing members was highest in NSECL (109) followed by ICCL (41) and MCCIL (5). The number of clearing members in 'partnership' category was one in

NSEC. Details of clearing corporation-wise classification of Clearing Members Debt segment, on the basis of ownership structure is given in Table 3.20.

Table 3.20: Classification of Clearing Members - Debt Segment

(as on March 31, 2020)

Name of Clearing Corporation	Total No. of Clearing Members	Proprietorship		Partnership		Corporate		LLP	
		No.	Percentage	No.	Percentage	No.	Percentage	No.	Percentage
ICCL	41	0	0.0	0	0.0	41	100	0	0.0
NSECL	110	0	0.0	1	0.9	109	99.1	0	0.0
MCCIL	5	0	0.0	0	0.0	5	100	0	0.0

Source: Clearing corporations

v. Commodity Derivative segment

During 2019-20, Multi Commodity Exchange (MCX), National Commodity and Derivatives Exchange Limited (NCDEX), Indian Commodity Exchange (ICEX), BSE and NSE added 51, 28, 15,

18, and 30 new stock brokers in their commodity segment. Details of exchange-wise registration granted to stock brokers and clearing members in Commodity Derivatives segment for 2019-20 are given in Table 3.21 and Table 3.22.

Table 3.21: Registered Stock Brokers - Commodity Derivatives Segment

Details	MCX	NCDEX	ICEX	BSE	NSE
Registered Stock Brokers in the beginning of the year (as on April 01, 2019)	700	383	138	258	242
Addition during the Year 2019-20	51	28	15	18	30
Cancellation/ Surrender of Memberships / Declared as Defaulter / Application withdrawn during the year 2019-20	59	36	18	1	4
Registered Stock Brokers as on March 31, 2020	692	375	135	275	268

Source: National exchanges

Table 3.22: Registered Clearing Members - Commodity Derivatives Segment

Details	MCXCCL	NCCL	MCCIL*	NSECL	ICCL
Registered Clearing Members in the beginning of the year (as on April 01, 2019)	208	174	27	32	37
Addition during the Year 2019-20	29	18	6	12	5
Cancellation / Surrender of Memberships	30	15	6	2	2
Registered Clearing Members as on March 31, 2020	207	161	27	42	40

*MCCIL is functioning as clearing corporation of ICEX.

Source: Clearing corporations

The number of corporate brokers was highest in MCX (598) followed by NCDEX (334), BSE (259), NSE (246) and ICEX (106). Details of exchange -wise

classification of stock brokers on the basis of ownership structure in Commodity Derivatives segment is given in the Table. 3.23

Table 3.23: Classification of Stock Brokers - Commodity Derivatives Segment (as on March 31, 2020)

Name of Stock Exchange	Total No. of Stock Brokers	Proprietorship		Partnership		Corporate		LLP	
		No.	Percentage	No.	Percentage	No.	Percentage	No.	Percentage
MCX	692	43	6.2	43	6.2	598	86.4	8	1.2
NCDEX	375	16	4.3	24	6.4	334	89.1	1	0.3
ICEX	135	16	11.6	12	8.9	106	78.5	1	0.7
NSE	268	4	1.5	11	4.1	246	91.1	7	2.6
BSE	275	3	1.1	6	2.2	259	94.2	7	2.6

Source: Stock exchanges

The number of corporate clearing members was highest in MCXCCL (184) followed by NCCL (141), NSECL (40), ICCL (390 and MCCIL (26). Details of clearing corporation-wise classification of

clearing members in Commodity Derivatives segment, on the basis of ownership structure is given in Table 3.24.

Table 3.24: Classification of Clearing Members - Commodity Derivatives Segment

(as on March 31, 2020)

Name of Clearing Corporation	Total No. of Clearing Members	Proprietorship		Partnership		Corporate		LLP		Others (if any)	
		No.	Percentage	No.	Percentage	No.	Percentage	No.	Percentage	No.	Percentage
MCXCCL	207	10	4.8	10	4.8	184	88.9	3	1.5	0	0.0
NCCL	161	8	5	11	6.8	141	87.6	1	0.6	0	0.0
MCCIL*	27	0	0.0	1	3.7	26	96.3	0	0.0	0	0.0
NSECL	42	1	2.4	0	0.0	40	95.2	1	2.4	0	0.0
ICCL	40	1	2.5	0	0.0	39	97.5	0	0.0	0	0.0

*Clearing corporation for ICEX.

Source: Clearing corporations

vi. Segment-wise / Clearing Corporation-wise Clearing Members/ Self - Clearing Members

Details of segment wise and clearing corporation-wise of clearing members/ self - clearing members for 2019-20 are given in Table 3.25:

Table 3.25 Segment-wise / Clearing Corporation-wise Clearing Members/ Self - Clearing Members

(as on March 31, 2020)

Name of Segment	ICCL		NSECL		MCCIL		MCXCCL		NCCL	
	CM	SCM	CM	SCM	CM	SCM	CM	SCM	CM	SCM
Cash	93	1280	11	1269	28	316	0	0	0	0
Equity Derivatives	86	53	206	302	29	31	0	0	0	0
Currency Derivatives	51	46	151	46	57	8	0	0	0	0
Debt	23	18	55	55	5	0	0	0	0	0
Commodity Derivatives	21	19	23	19	11	16	15	192	10	151

Source: Clearing Corporations

II. REGISTRATION OF DEPOSITORY PARTICIPANTS

During 2019-20, six new depository participants were registered at National Securities Depository Limited (NSDL) and 22 new depository participants were registered

at Central Depository Services (India) Limited (CDSL). Total number of registered depository participants as on March 31, 2020 were 279 and 599 at NSDL and CDSL respectively. Details of registered depository participants for 2019-20 are given in the Table 3.26.

Table 3.26: Registered Depository Participants

Details	NSDL	CDSL
Registered Depository Participants in the beginning of the year (as on April 01, 2019)	277	597
Addition during the Year 2019-20	6	22
Cancellation/ Surrender of Participantships during the Year 2019-20	4	20
Registered Depository Participants as on March 31, 2020	279	599

Source: Depositories

III. REGISTERED INTERMEDIARIES OTHER THAN STOCK BROKERS AND DEPOSITORY PARTICIPANTS

During 2019-20, 10 merchant bankers, five registrar to issue & share transfer agents, one

debenture trustee and one bankers to an issue applicants were granted registration. Details of application received, pending and registration granted are given in Table 3.27.

Table 3.27: Process of Registration of Other Intermediaries

Type of Intermediary	Application Received during 2019-20	Registration Granted during 2019-20	Pending as on March 31, 2020
Merchant Banker*	15	10	3
Registrar to Issue and Share Transfer Agent #	8	5	2
Underwriter	0	0	0
Credit Rating Agency	0	0	0
Bankers to an Issue	1	1	0
Debenture Trustee	1	1	0
Total	25	17	5

*2 applications were withdrawn, # 1 application was withdrawn

As on March 31, 2020, the number of registered intermediaries other than stock brokers and depository participants are given in Table 3.28.

Table 3.28: Registered Intermediaries other than Stock Brokers and Depository Participants

Type of Intermediary	No. of other registered intermediaries as on March 31, 2019	No. of other registered intermediaries as on March 31, 2020
Merchant Banker	209	215
Registrar to Issue and Share Transfer Agent	77	80
Underwriter	2	2
Credit Rating Agency	7	7
Bankers to an Issue	65	66
Debenture Trustee	32	31
KYC (Know Your Client) Registration Agency (KRA)	5	5

IV. REGISTRATION OF VENTURE CAPITAL FUNDS AND ALTERNATIVE INVESTMENT FUNDS

Alternative investment funds (AIFs) are funds established or incorporated in India for the purpose of pooling in capital from Indian and foreign

investors for investing. As on March 31, 2020, 649 AIFs were registered with SEBI compared to 547 registered AIFs as on March 31, 2019. In addition, there were 189 venture capital funds and 251 foreign venture capital investors registered with SEBI as on March 31, 2020 (Table 3.29).

Table 3.29: Registered Venture Capital Funds, Foreign Venture Capital Investors and Alternative Investment Funds

Particular	As on March 31, 2019	As on March 31, 2020
Venture Capital Funds	195	189
Foreign Venture Capital Investors	250*	251**
Alternative Investment Funds	547	649

*Data as per Annual Report 2018-19

**Data as per 'List of Registered Intermediaries' Report in Share Portal.

Note: The above report w.r.t. AIFs and VCFs is compiled on the basis of information available in share portal

V. REGISTRATION OF PORTFOLIO MANAGERS, INVESTMENT ADVISERS AND RESEARCH ANALYSTS

A portfolio manager is any person who pursuant to a contract or arrangement with a client, advises, directs or undertakes on behalf of the client (whether as a discretionary portfolio manager or otherwise) the management or administration of a portfolio of securities or the client's funds as the case may be. As on March 31, 2020, there were 351

portfolio managers registered with SEBI as compared to 321 as on March 31, 2019.

An 'investment advisor' refers to any person, who for consideration is engaged in the business of providing investment advice to clients or other persons or a group of persons and includes any person who holds out oneself as an investment advisor. As on March 31, 2020, there were 1,292 investment advisers registered with SEBI as compared to 1,149 as on March 31, 2019. (Table 3.30).

Table 3.30: Registered Portfolio Managers, Investment Advisers and Research Analysts

Particulars	As on March 31, 2019	As on March 31, 2020
Portfolio Managers	321	351
Investment Advisers	1,149	1,292
Research Analysts	625	682

In a move to safeguard Indian markets from any manipulative research reports or misleading advice coming from any unregulated entity, SEBI notified norms for 'research analysts' i.e. SEBI (Research Analysts) Regulations, 2014, to ward off any conflict of interest in their activities. As on March 31, 2020, there were 682 research analysts registered with SEBI as compared to 625 in the previous year.

VI. NUMBER OF REGISTERED REITs AND InvITs

Total number of registered REITs during the year 2019-20 were three as compared to two registered trusts during the year 2018-19. Total number of registered InvITs were 10 each in the year 2018-19 and 2019-20.

3. REGISTRATION AND REGULATION OF THE WORKING OF COLLECTIVE INVESTMENT SCHEMES INCLUDING MUTUAL FUNDS

I. REGISTRATION OF COLLECTIVE INVESTMENT SCHEMES

As on March 31, 2020, there was only one registered collective investment management company (CIMC), M/s GIFT Collective Investment Management Company Ltd., which was registered during 2008-09. However, no collective investment scheme has been launched by this CIMC till now.

II. REGULATORY ACTIONS AGAINST UNAUTHORIZED COLLECTIVE INVESTMENT SCHEMES

During 2019-20, SEBI passed 10 final orders against entities found to be carrying out unauthorised collective investment schemes. The final orders, inter-alia, direct the company (and its directors) to wind up its existing collective investment schemes (CIS) and make repayments to investors within a specified time period. (Table 3.31).

Table 3.31: Regulatory Action against Unauthorized/ Unregistered CIS

Year	No. of Final Orders
2018-19	12
2019-20	10

Additionally, during 2019-20, SEBI, after examination, referred 139 cases of unauthorised money mobilisation to jurisdictional agency / regulator concerned, viz., State Governments, Reserve Bank of India, Ministry of Corporate Affairs, Ministry of Agriculture etc., as these cases did not fall under SEBI's purview.

III. REGISTRATION AND REGULATION OF MUTUAL FUNDS

As on March 31, 2020, there were 46 mutual funds, of which 44 were active and two were inactive. Of the 44 active mutual funds, 36 mutual funds were

private sector mutual fund and eight mutual funds (including UTI mutual fund) were public sector mutual fund. (Table 3.32).

Table 3.32: Mutual Funds Registered with SEBI

Sector	As on March 31, 2019	As on March 31, 2020
Public Sector (including UTI)	8	8
Private Sector	37	38
Total	45**	46*

Note: * Out of 46 Mutual funds, two MFs namely CRB, SREI MF (IDF) are inactive.

** Out of 45 Mutual funds, two MFs namely CRB and SREI MF (IDF) were inactive.

IV. REGULATORY ACTIONS AGAINST MUTUAL FUNDS

During 2019-20, 36 warning letters and 19 deficiency letters were issued to Mutual Funds / Asset Management Companies (AMCs) and two warning letters were issued to the Trustees of Mutual Funds on account of non-compliance with SEBI Regulations / guidelines observed in compliance test reports, inspection reports, etc. Further, Section 11 proceedings along with adjudication proceedings were initiated against one AMC and adjudication proceedings were also initiated against one trustee company, one Chief Executive Officer, one compliance officer, three fund managers and one other officer of AMC during 2019 - 20.

V. DEEMED PUBLIC ISSUE

During 2019-20, SEBI passed seven orders (five final orders and two interim orders) as compared to 13 interim orders and 23 final orders in 2018-19 against various entities which had raised money from the public through issuance of non-convertible debentures/ non-convertible redeemable preference shares without complying with statutory/ regulatory provisions governing a public issue.

VI. REGULATORY ACTIONS

Adjudication proceedings were initiated against 22 entities having listed non-convertible debentures/ non-convertible redeemable preference shares on account of non-compliance with SEBI Regulations / guidelines. Further, warning letters were issued to 14 entities.

VII. FINES LEVIED THROUGH SEBI SOP

Standard operating procedure (SOP) has

improved the monitoring of listed entities by prescribing a well-defined procedure of levy of fines and subsequent actions by stock exchanges. The compliance with the provisions of LODR has improved due to imposition of penal provisions in case of non-compliance such as levy of fines, freezing of holdings of promoters, suspension of non-compliant entities etc. The details are given in Table 3.33, Table 3.34 and Table 3.35

Table: 3.33 Fines Levied

(in ₹ crore)

Exchange	2019-20	2018-19	2017-18
BSE	77.57	110.9	73.47
NSE	25.93	41.71	32.85
MSEI	1.96	2.91	1.44

Table: 3.34 Number of Promoter/Promoter Group Entities whose Demat Accounts were Frozen

Exchange	2019-20	2018-19	2017-18
BSE	1171	785	765
NSE	619	260	132
MSEI	21	12	29

Table: 3.35 Number of Companies Suspended

Exchange	2019-20	2018-19	2017-18
BSE	98	81	65
NSE	24	18	13
MSEI	7	5	6

Source: National exchanges

4. FRAUDULENT AND UNFAIR TRADE PRACTICES

To protect investor interests and to promote a fair and orderly securities market, SEBI ensures the integrity of the markets by detecting market frauds on a proactive basis, investigating abusive, manipulative or illegal dealings in the securities market and taking punitive action to punish the wrong-doers, while simultaneously reviewing policies and procedures to minimize the risk of recurrence of such practices.

I. INSTANCES OF FRAUDULENT AND UNFAIR TRADE PRACTICES

A. Diversion of funds by the management of listed companies:

On the basis of multiple complaints received by SEBI and a media article which were inter-alia alleging financial mismanagement and diversion of funds primarily from two listed companies and their subsidiaries for the benefit of their promoters / group companies, SEBI had initiated investigations into the activities of the two companies. The investigations, prima-facie, revealed that the funds were moved out from the two listed companies through their unlisted subsidiaries, certain borrower entities and also through various layers of connected conduit entities. Further, from the analysis of the bank statements of the connected entities and the fund trail, it was revealed that the ultimate beneficiary of the said funds were the promoters of the two listed companies.

The structured movement of the funds from the listed companies for the benefit of the promoters also allegedly resulted in misrepresentation and non-disclosure of material information in the financials of the unlisted subsidiaries of the listed companies and consequently the consolidated financials of the listed companies. Based on the facts and circumstances

and the findings of the investigation, appropriate enforcement actions have been recommended against various entities, including the listed companies and its directors, connected conduit entities and also against the promoters of the companies under the provisions of SEBI Act, SEBI (PFUTP) Regulations, 2003, SEBI (LODR) Regulations, 2015 and Securities Contracts (Regulation) Act - (SCRA).

In this context, SEBI had also passed interim orders as well as confirmatory orders in the aforesaid matters.

B. Misuse of Client Securities by Market Intermediary:

SEBI was in receipt of complaints from some entities wherein it was inter-alia alleged that mutual fund units were transferred from the beneficiary accounts of certain clients by their depository participant (DP) without their consent. During the course of investigations, it was observed that the DP had forged the signatures of its clients on the DIS and account opening form. It was also observed that the DP was not diligent while opening the account of its clients and it did not comply with the procedures laid down in the SEBI circulars. Further, the investigation revealed other irregularities viz. non-availability of compliance officer during audit, DP not providing information to the forensic auditor appointed by SEBI, some of the employees of the DP were involved in the fraudulent transfer of the mutual fund units from the account of one of the entity etc. The DP who was also the trading member in the instant matter had placed the mutual fund units as collateral with its clearing member. It was revealed that the clearing member of NSE had allegedly released the MF units to the DP (without ensuring sufficient margin

cover) during weekends which helped the DP to make its clients believe that their mutual fund units were intact in their respective demat accounts. Also, the clearing member failed to exercise proper due diligence while establishing relationship with the said DP and the clearing member also failed to meet the minimum networth requirement. Therefore, the acts and omissions of the persons/entities have allegedly resulted in the violation of the provisions of SEBI Act, Depositories Act, SEBI (PFUTP) Regulations, SEBI (Stock brokers and Sub broker) Regulations and SEBI (Depositories and Participants) Regulations. Based on the facts and circumstances and the findings of the investigation, appropriate enforcement actions have been recommended against the persons/entities under the provisions of SEBI Act, Depositories Act and the rules and regulations framed thereunder.

C. Marking the Close:

During the course of investigation it was revealed that certain entities had acted in a co-ordinated and synchronized manner to manipulate the price of the scrip for establishing a higher settlement price and to make wrongful gains from the increased settlement price. The trading activities of these entities manipulated the cash price of the scrip which in turn influenced the settlement price of scrip. The trading pattern of these entities along with the scheme of “marking the close” devised by these entities enabled them to make wrongful gains from their long positions in the future segment. Therefore, the acts and omissions of the persons/entities have allegedly resulted in the violation of the provisions of the SEBI Act and SEBI (PFUTP) Regulations, 2003. Based on the facts and circumstances and the findings of the investigation, appropriate enforcement actions have been recommended against the persons/entities under the provisions of SEBI Act and SEBI (PFUTP) Regulations.

D. Price Manipulation to benefit allottees in Corporate Restructuring:

Investigation revealed that two unlisted companies were amalgamated into a listed company and their shareholders were allotted eight shares of listed company against the 10 shares of unlisted companies. Pursuant to the same, company announced stock split of its shares from one share to 10 shares.

Prior to these announcements, certain entities traded in the scrip and manipulated the price of the scrip due to which share price of the listed company increased. Subsequent to amalgamation, some of the allottees who sold the shares of listed company were either connected to the entities which manipulated the price of the scrip or to their counterparties which purchased shares from them in the market. The said scheme facilitated the sale of shares by some allottees and enabled them to make a wrongful gain of about ₹40 crore. Based on the facts and circumstances and the findings of the investigation, appropriate enforcement actions including disgorgement proceedings have been recommended against the connected entities and certain allottees under the provisions of SEBI Act, 1992 and SEBI (PFUTP) Regulations, 2003.

E. Price Manipulation by promoters/directors and connected entities:

The company had issued warrants to its promoter director, who transferred a part of the warrants to an entity known to the independent director of the company. The warrants were converted into shares which were under lock in period for three years. A stock broker connected to the independent director of the company aided and abetted the price manipulation immediately after the lock-in period was over, so as to provide exit to its connected entities, to the promoter director who had received the warrants and the entity to whom the warrants had been transferred.

Thus, the company, its promoter director, its independent director, the stock broker and certain entities were a part of a manipulative scheme to raise the price of the shares of the company, so as to enable offloading of shares at a higher price by the promoter director, the entity to whom the warrants were transferred by the promoter director and entities connected to stock broker/ independent director. Based on the facts and circumstances and the findings of the investigation, appropriate enforcement actions under the provisions of the SEBI Act and SEBI (PFUTP) Regulations, 2003 including disgorgement of wrongful gains, have been initiated against the company, its promoter director, its independent director, the stock broker and certain entities who were a part of a manipulative scheme to raise the price of the scrip.

II. NUMBER OF FRAUDULENT AND UNFAIR TRADE PRACTICES CASES DURING 2019-20

During the year, SEBI has taken up 35 new cases related to FUTP violations, while it has also completed 39 cases related to FUTP violations.

III. STEPS TAKEN TO PREVENT OCCURRENCE OF FRAUDULENT AND UNFAIR TRADE PRACTICE

- A. The Board has put in place a framework to prevent the occurrence of fraudulent and unfair trade practices in the form of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (PFUTP Regulations). The PFUTP Regulations are amended from time to time. The Regulations have been last amended on March 13, 2020.
- B. The PFUTP Regulations provides for various measures to curb fraudulent and unfair trade practices like prohibition of certain dealing in the form of manipulative, fraudulent and unfair practices in securities markets
- C. SEBI conducts Investigation if the transactions in securities are allegedly dealt in a manner detrimental to the investors/ the securities market or if the persons associated with securities market appear to have violated PFUTP Regulations
- D. In case any contraventions of PFUTP Regulations are observed, enforcement actions are taken by the Board as per the Provisions of the SEBI Act, 1992.
- E. Enforcement actions are taken under Sections 11 and 11B the SEBI Act, 1992 including imposition of penalties under Chapter VIA of the SEBI Act, 1992 to deter the market participants from indulging in fraudulent and unfair trade practices.

5. INVESTOR EDUCATION AND TRAINING OF INTERMEDIARIES

Central to the mandate of SEBI is protection of the interests of investors in securities markets as well as the regulation and development of securities markets. Investor education policies and initiatives complements investor protection and market regulation which play a key role in strengthening the individuals' participation in securities market and providing them with higher opportunities for strengthening their financial well-being. Section 11(2)(f) of the SEBI Act, 1992 empowers SEBI to promote investor education in the securities market.

I. INVESTOR AWARENESS

SEBI's Education and awareness programs focuses on investor's need and enhancing their knowledge, skills and confidence so that investors in securities market appropriately understand risks, including financial risks and opportunities and thereby make informed choices and also avoid fraudulent investment schemes. With the aim of

spreading investor education and awareness, SEBI has been undertaking following activities across the country:

A. SEBI Financial Education Resource Persons Program

- i. Since June 2010, SEBI has been implementing an innovative model of financial education, the "SEBI Financial Education Resource Persons Program". The main objective of the programme is to familiarize the public with basic concepts relating to the financial sectors of banking, insurance, capital market, and pension funds and also to make them aware of the illegal ponzi schemes, etc. For this purpose, SEBI has adopted an innovative model of empanelling individuals as SEBI Resource Persons (RPs) to spread financial education to various identified target groups in the districts across country.



Image 1: Financial awareness program for homemakers organised by SEBI empaneled Resource Persons at a village in Parbhani District of state of Maharashtra on May 08, 2019

- ii. The eligible individuals are selected as Resource Persons (RPs) who are then trained by SEBI so that they have a good understanding of various aspects of finance and financial markets. The RPs, in turn, organise free workshops

on financial literacy in the local language of the particular area/ district as per five target groups viz. Self-help groups, Homemakers, Middle income groups, Executives, Retired people.



Image 2: Financial Education RP Workshop for Police Officials

SEBI also provides the financial education booklets to RPs for distribution to participants attending the program. A fixed honorarium is given to RPs by SEBI for conducting the FE workshops.

- iii. Operational Guidelines for Resource Persons- The functioning of a Resource person is

governed in terms of the “Operational Guidelines for RP, 2019”. The said guidelines have simplified and standardised many of the procedures for the conduct of RP workshops, which has encouraged RPs to undertake large number of programs.



Image 3: Financial Education RP Workshop for villagers



Image 4: Financial awareness program organized by SEBI empanelled Resource Persons at Village Pimpri, Maharashtra on September 01, 2019

iv. SEBI has taken following initiatives in the year 2019-20 for the improvement of RP programs:

- Release of Financial Education Booklet- With the objective of simplifying and standardising the financial education material to be provided to the participants of RP Programmes, a common financial education booklet for all the target groups of RP Programmes was designed by SEBI. The new Booklet was released by Shri Nagendraa Parakh, Executive Director, SEBI in the month of April 2019. The booklet contained information related to basic concepts about banking, insurance, securities market, and pension funds and also various government schemes in the financial sector were added and updated. Do's and Don'ts pertaining to investment in financial sector were also included in the new booklet. The booklet is now available in English, Hindi and other regional languages.
- Financial Education Certification Examination- "Financial Education Certification Examination" was launched from 2019-20.

The certification was developed by SEBI, in coordination with National Institute of Securities Market (NISM). This examination is intended to assess the individual's knowledge and awareness about financial markets and understanding of various aspects of personal finances. This certification examination would also be useful for RPs who desire to enhance and update their knowledge on financial awareness.

- On-tap empanelment of RPs - Presently, SEBI empanels RPs based on the demands of a particular area/ district. In order to further develop an easier, flexible and less time consuming empanelment process, a scheme of On-Tap empanelment of RPs has been developed wherein a database of eligible interested individuals will be created for future empanelment. The database shall be used by SEBI to empanel RPs based on the requirements of a particular district of the State of India on an ongoing basis. Any interested eligible individual, holding "Financial Education

Certification” after following the prescribed selection process, can be empanelled as SEBI RP in the respective district of a particular State of India. The process of On-Tap empanelment of RPs is proposed to be operationalized from year 2020-21.

During 2019-20, resource persons have conducted 22,111 programmes covering over 6.5 lakh participants (Table 3.36).

Table 3.36: Financial Education Workshops conducted by Resource Persons

Particulars	2018-19	2019-20
Total RP programs conducted	17,929	22,111
Total participants of RP programs	6,23,410	6,59,774

It is seen that there is an increase of 23 per cent in the number of financial education programs conducted by RPs in 2019-20 as compared to that of 2018-19. This increase may be attributed to the various initiatives taken by SEBI in helping the RPs to conduct financial education programs by streamlining the procedures and making it easier for conducting programs.

At the end of March 31, 2020, there are over 900 SEBI empanelled resource persons covering 423 districts in 27 states and five union territories. Since the inception of the program, SEBI empanelled Resource Persons have conducted 1,05,537 financial education workshops covering over 54 lakh participants, in more than 585 districts of 29 States and five Union Territories.

B. Investor Education

During the year 2019-20, one of the major thrust in the area of investor protection was on undertaking more investor education and awareness programmes and reaching more investors / potential investors for this purpose. Investor education and awareness were also the thrust areas for capacity

building and for making investors confident and aware while investing in the securities market, mutual funds and commodities derivatives market. Post-merger of Forward Markets Commission (FMC) with SEBI in 2015, SEBI has been taking measures to create more awareness about the commodities derivatives market, specifically among stakeholders such as farmers, traders etc. so as to increase their participation in commodities derivatives segment in Indian Securities market.

SEBI's awareness and investor education program seeks to equip and build investors' competencies on following areas:

- Basic investing principles and financial concepts
- Key features of products structure and fees and potential risk of investment products and suitability of investment products based on individual risk appetite.
- Buying and selling process of investment products viz. account opening, KYC process etc.
- Investors' rights and responsibilities
- Complaint handling and grievance redressal procedures
- Common features of investment scams including ponzi schemes and caution against un-solicited investment schemes

I. Release of Securities Market Booklet: With the objective of developing a simplified educational material for different investor awareness programs, a common securities market booklet was developed. It is first of its kind where an education booklet has been developed jointly by SEBI and MIIs. The booklet was released by Shri G Mahalingam, Whole Time Member, SEBI, on October 04, 2019. The release ceremony was also attended by Shri Nagendraa Parakh,

Executive Director, SEBI and other SEBI officials. The securities market booklet titled as - "SECURITIES MARKET - Understanding from Investor's Perspective" covers the basic aspects of investing in securities market, covering varied topics like introduction to securities market, how to invest in securities market, process of

investing in securities market, KYC procedures, precautions to be taken by investors while investing, etc. This booklet will be distributed free of cost to participants of the awareness programs conducted by the SEBI and MIIs. The booklet is available in Hindi, English and regional languages.



Image 5: Release Ceremony of Securities Market Booklet by Shri G Mahalingam, Whole Time Member, SEBI (in center) on October 04, 2019

The details of awareness programs and activities undertaken by SEBI in this regard are as presented below:

- a) **Regional Seminars** - SEBI, in association with MIIs organises regional seminars across the country, mainly focusing on Tier II and Tier III cities. The following exchanges, depositories and industry bodies are associated with SEBI in this regard:

Stock and Commodity Derivative Exchange

- National Stock Exchange of India Ltd (NSE),
- Bombay Stock Exchange Ltd. (BSE)
- Metropolitan Stock Exchange of India Ltd (MSEI);

- Multi Commodity Exchange of India Ltd (MCX)
- National Commodity & Derivatives Exchange Limited (NCDEX);

Depository

- National Securities Depository Limited (NSDL)
- Central Depository Services (India) Limited (CDSL)

The regional seminars are attended by senior SEBI officials along with officials of stock and commodities derivative exchanges and depositories, where investors are provided useful information on securities market and basics of investing in securities

market, mutual fund investments, grievance redressal mechanism, etc.

The regional seminars are conducted in terms of annual calendar drawn by SEBI at the start of financial year. This practice of drawing up the calendar for regional seminars was initiated in the year 2018-19. The annual calendar contains the names of cities/ towns where regional seminar is proposed to be conducted during a particular financial year. The calendar has proved to be a useful guide for conducting regional seminars in an organised and systematic manner throughout the financial year

covering a wider stakeholder's base and imparting investor education to the people, with a major focus on Tier II and Tier III cities.

With an objective to bring uniformity in the conduct of regional seminars across the country, a standardised power point presentations (PPT) has been prepared and the same is being updated from time to time. The PPT covered topics like basics of securities market, new developments in securities market, investor grievance redressal mechanism, Do's and Don'ts pertaining to investment in securities market etc.



Image 6: Regional Seminar on commodities derivatives market organized by MCX in association with SEBI

During the year 2019-20, SEBI in association with MIIs viz. stock exchanges and depositories has conducted 662 regional seminars (Table-3.37).

Table 3.37: Regional Seminars

Particulars	2018-19	2019-20
Total Regional seminars conducted	197	662
Total participants of Regional Seminars	23,871	49,990

It is seen that there is an increase of 233 per cent in the number of regional seminars in the year 2019-20 as compared to that of year 2018-19. This increase may be attributed to the initiatives taken by SEBI such as annual calendar for regional seminar, standardised PPT, etc., thereby making it easier for conducting more number of programs. Further, 15 regional seminars were conducted for investor awareness on Mutual funds in association with AMFI for FY 2019-20.

Since the beginning of this initiative in year 2010, a total of 1,361 regional seminars have been conducted. Nearly 50 per cent of the total regional seminars have been conducted in this year.

b) Investor Awareness Programs conducted by SEBI recognised Investors' Associations (IAs)

SEBI continues its association with Investors' Associations (IAs) for conducting programs to ensure that more areas particularly Tier II and Tier III cities/ towns are covered. Investors' Associations (IAs) are recognised by SEBI and their area of operations are governed in terms of Operational Guidelines (Investors' Associations), 2019 issued by SEBI.

As at the end of year 2019-20, there are 25 Investors' Associations recognised by SEBI and they are spread across ten (10) States and one (1) Union Territory. Since the beginning of this initiative, SEBI recognised Investors' Associations have organised 1,474 workshops/ programs on securities market.

During year 2019-20, IAs have conducted 138 investor awareness programs across various cities covering over 11,600 participants. (135 awareness programs were conducted during year 2018-19)

During year 2019-20, with a view to improve the working of Investors' Associations, SEBI has introduced new Operational Guidelines (Investors' Associations), 2019 which were made effective from February 01, 2019.

c) Commodities Awareness Programs (CAPs) by SEBI recognised Commodities Derivative Trainers (CoTs)

Post-merger of Forward Markets Commission (FMC) with SEBI in September 2015, SEBI has been undertaking measures to create more awareness about the exchange traded

commodities derivatives, benefits of derivatives contracts on commodities etc. With the intent to enhance awareness about commodities derivative segment, specifically among farmers, traders etc. and to increase their participation in this market segment, SEBI has developed a scheme for conduct of awareness programmes for Commodities Derivatives in 2017-18. In terms of said scheme, SEBI recognises institutions with prior experience in conducting financial and investor awareness programs as "Commodities Derivative Trainers" (CoTs). The CoTs are required to organise investor education and awareness programmes on Commodity Derivatives segment of the market. The target audience for such programmes are farmers / producers, farmers' cooperatives/ groups, processors etc.

In terms of said scheme, SEBI has so far, recognised 26 commodity derivatives trainers (CoTs) who are spread across 16 States and One Union Territory as on March 31, 2020. Many of these recognised CoTs also have the experience of conducting commodities awareness programs (CAPs) in association with the erstwhile FMC. SEBI recognised CoTs have also been provided training about the commodities derivatives and also about the format of the CAPs.

Operational Guidelines for conduct of Commodities Awareness Programs (CAPs):

During the year 2018-19, SEBI in order to further streamline the conduct of awareness programs in commodities derivatives, issued Operational Guidelines for CoTs. The guidelines contained guidance for the CoTs to conduct of commodities awareness programs, methodology of conducting awareness programs, matrices for various commodities traded in commodities derivative exchanges in

India with details like different target groups like farmers, traders, food processors, etc., ideal locations for the conduct of programs etc.

Training programs for SEBI recognised Commodities Derivative Trainers (CoTs):

With the objective to update and enhance the knowledge level of SEBI recognised CoTs and for giving guidance on conduct of commodities awareness programs, SEBI has undertaken comprehensive training two-day residential training programs viz. Training of Trainers (ToTs) program for Commodity Derivatives Trainers (CoTs) at Delhi on September 19-20, 2019 and at Chennai on September 26-27, 2019. During these training sessions, the CoTs were

trained on concepts of commodities derivatives market. During the previous year 2018-19 also the training programs were conducted for all recognised CoTs. Senior SEBI officials also interacted with the participants during the program.

In the year 2019-20, the SEBI recognized CoTs have conducted 81 commodity derivatives awareness programs in various commodities covering over 3,200 participants (as compared to 31 programs in the year 2018-19). Some of the commodities in which the commodities awareness programs were conducted are wheat, cotton, barley, mustard seed, gram (chana), soybean, castor seed, maize, turmeric, rubber, etc.



Image 7: Investor awareness program in commodities derivatives for farmers.

d) Conducting awareness programs about SEBI and Indian Securities market for officials of various Government Departments/ Bodies

SEBI has conducted/ participated in awareness programs on SEBI and Indian Securities market for the officials of various government

departments/ bodies. Some of these programs are as mentioned below:

- Police officers of EOW Maharashtra Police at SEBI Head Office, Mumbai
- Officials of Indian Audit & Accounts Services at SEBI Head Office, Mumbai



Image 8: Financial/ Investor Education program for Government officials.

e) Awareness programs for foreign delegates

Awareness programmes about SEBI and Indian Securities Market were conducted for delegates and interns of foreign universities like:

- Foreign government participants from Afghanistan, Oman, Lebanon, Sudan, Liberia, Mongolia, Ethiopia.
- Global interns from Newcastle University

f) Financial / investor education programs for students: "Visit to SEBI" programs

SEBI had started the initiative 'Visit to SEBI' program where groups of students from schools, colleges and professional institutes, can avail the opportunity attend to the awareness program on securities market conducted at SEBI office. The programs are taken by SEBI officials and cover various

topics like basic concepts of securities market, new developments of securities market, etc.

Since the beginning of this initiative, 3,306 Visit to/ by SEBI programs have been conducted covering over 1.4 lakh participants. During year 2019-20, 678 Visit to/ by SEBI programmes were conducted covering over 32,800 participants (as compared to 716 "Visit to/ by SEBI programs" in the year 2018-19)

With an objective to widen the reach of investor education programs, in the year 2019-20, SEBI has also approached different schools, colleges and different educational institutions to conduct awareness program for students at the campus of the respective educational institutions. The said initiative has been well received by the educational institutions and students.



Image 9: Visit to SEBI session conducted at SEBI office

Visit to SEBI sessions were also conducted for visually challenged students/working individuals in association with various Non-Government Organisations working in the field e.g., National Association for the Blind India, Aurangabad; Sarthak Educational Trust, Andheri, Mumbai; Sarthak Educational Trust, Pune; etc. Over 15 such

programs were conducted wherein SEBI officers imparted financial and securities market related knowledge.

SEBI officials have also conducted such programs in various colleges and universities at their campus.



Image 10: Financial/ Investor Education Program conducted at SEBI office for students

II. CELEBRATION OF WORLD INVESTOR WEEK – 2019 BY SEBI

- i. With the objective of highlighting the initiatives taken by various financial market regulators in the direction of conducting investor protection and education awareness activities, International Organization of Securities Commissions (IOSCO) has been organizing a week long global campaign referred to as World Investor Week (WIW). The first World Investor Week was organized in the year 2017 and the second World Investor Week in the year 2018. In order to contribute and celebrate third World Investor Week during September 30 - October 06, 2019, SEBI participated in IOSCO WIW by organizing various financial literacy and investor awareness programs during this week across the country.
- ii. SEBI, the national coordinator of WIW -2019 for India, conducted and coordinated various investor and financial education activities throughout the India in association with stock exchanges viz. National Stock Exchange of India Ltd (NSE), BSE Ltd. (formerly Bombay Stock Exchange) and Metropolitan Stock Exchange of India Ltd. (MSE); commodities derivative exchanges viz. Multi Commodity Exchange of India Ltd (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) and depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd, (CDSL).
- iii. Bilingual banners about celebration of WIW-2019 were exhibited in all offices of SEBI viz. Head office in Mumbai, four regional offices in New Delhi, Chennai, Kolkata and Ahmedabad and 16 local offices located at various states in India. Banners were also displayed at all offices of SEBI recognized stock exchanges and depositories.
- iv. Ticker: Ticker about celebration of WIW was run on SEBI official website (www.sebi.gov.in) and SEBI investor website (www.investor.sebi.gov.in) as well as websites of stock and commodity derivative exchanges and depositories in the following format:

“World Investor Week Sept 30 – Oct 6, 2019 being Celebrated under aegis of IOSCO and SEBI.”
- v. Ring the Bell Ceremony: As a part of commemorating the WIW-2019 celebrations, a “Ring the Bell Ceremony” was organized by National Stock Exchange of India Ltd. (NSE) on September 30, 2019. Shri Nagendraa Parakh, Executive Director, SEBI addressed the audience at the Ceremony as a Chief Guest and commemorated the World Investor Week-2019 celebrations. He emphasised about the importance and objectives of investor education and also significance of celebrating the World Investor Week. Shri N. Hariharan, CGM-OIAE, SEBI and other officials of SEBI had participated in the aforementioned Ring the Bell ceremony.



Image 11: Ring the Bell Ceremony by Shri Nagendraa Parakh, Executive Director, SEBI (in center) at NSE on September 30, 2019. Shri N Hariharan, CGM, SEBI (to the right) and MD, NSE (to the left) are also in the picture.

- vi. Release of Securities Market Booklet: With the objective of developing a simplified educational material for different investor awareness programs, a common securities market booklet was released by SEBI during the WIW-2019 on October 04, 2019. The securities market booklet titled as - SECURITIES MARKET - Understanding from Investor's Perspective
- vii. SEBI along with other participants viz. stock and commodity derivatives exchanges, depositories, SEBI recognized investors' associations and SEBI empanelled resource persons conducted various investor education and financial education programs. The information about the various programs conducted during World Investor Week, 2019 were provided in the public domain through social media channels like Facebook, Twitter and through SMSs and emails. In addition to that, several awareness messages were uploaded on social media for wider

penetration of investor awareness activities. The details of the programs conducted during the celebration of WIW-2019 are as given in Table 3.38.

Table 3.38 Details of Programs conducted in India during the Celebration of WIW-2019

Particulars	Number of programs	Number of Participants
Financial Education programs conducted by SEBI empanelled Resource Persons	871	26,273
Financial and Investor Education programs conducted by SEBI for school students (Visit to SEBI)	43	2,475
Investor Awareness Programs in Securities Market	835	44,328
Investor Awareness Programs in Commodities Derivatives	68	4,318
Total	1,817	77,394

During the WIW-2019, a total of 1,817 financial and investor awareness programs covering around 77,400 participants were conducted in more than 300 districts of 20 States and two Union Territories across India. All events were published including through social media and digital mode during the WIW-2019 is detailed in Table 3.39 and Table 3.40:

Table 3.39 Details of Social Media and Digital Mode during the WIW-2019

Particulars	No. of Views (in Lakh)	No. of Likes	Share/ Forwards
Facebook	1.78	648	4,734
Twitter	2.56	473	6,227

Table 3.40 Details of Number of SMS and emails

Particulars	(In Lakh)
SMS	0.73
Emails	140

viii. As a part of celebrating WIW-2019, awareness messages were issued in print media. These messages were issued in leading newspapers. The advertisements were issued in Hindi, English and major regional languages across India and contained the logos of both SEBI as well as the MIIs issuing them. The major themes on which the advertisements were issued are:

- a. An informed investor is a protected investor: The advertisement contained precautionary measures that investors should follow before investing in securities market.
- b. Know Your Client (KYC) requirements while opening a demat account: The advertisement was issued with the objective of creating awareness about the KYC requirements while opening a demat account. It also conveyed that investor should register and update their mobile number/email addresses with the intermediary so as receive the SMS/email alerts

on mobile about the any transaction done in their account.

- c. Do's and Don'ts of investing in Securities market: The advertisement created awareness about the do's and don'ts of investing in securities market and also conveyed message that investors should not invest in securities market based on hot investment tips, rumours, promise of high returns, etc.
- d. Not to believe in hot tips on investment: The advertisement was published with the objective of cautioning investors about not to believe in hot investment tips, rumours, assurances of huge returns, etc. and that investor carry out proper due diligence before investing in securities market.
- e. SMS and email alerts on mobile number and e-mail ID: The advertisement was published with the objective of making investors aware about different type transactions for which they would receive SMS alerts on their mobile and also e-Consolidated Account Statement regarding their mutual fund accounts; Notices and annual reports of different companies in their email.

III. COOPERATION WITH INTERNATIONAL ORGANISATIONS

- i. SEBI also actively participates in several conferences and symposiums organised by international organisations like IOSCO, Organisation for Economic Co-operation and Development (OECD) etc. SEBI is the full time member of OECD International Network on Financial Education (INFE) which promotes and facilitates international cooperation between policy makers and other stakeholders for financial education initiatives worldwide. In such conferences, SEBI shares its experiences

in the areas of financial education, investor education etc. and also draws experiences from other regulators.

- ii. Participated in IOSCO C8 meeting: SEBI had participated in the meeting of IOSCO Committee 8 (Retail Investors) held on November 27-29, 2019 at Hamburg, Germany. During the meeting, SEBI had participated in the discussions held on the developments and emerging issues related to investor protection. The C8 was also briefed about the various initiatives and activities undertaken in the area of financial and investor education in India and also activities undertaken during WIW-2019 by SEBI and MIIs.
- iii. Participation in Survey organised by International Organisations: SEBI participated in the Survey organised by OECD/ INFE and IOSCO Committee 8 (Retail Investors) for the development of a set of Core competencies on financial literacy specifically for retail investors. The purpose of the survey was to collect the members' views on the core competencies for retail investors.

IV. INVESTOR ASSISTANCE

- i. Dedicated Investor Website: A dedicated website <http://investor.sebi.gov.in> is maintained for the benefit of investors. The website provides relevant educational/ awareness material and other useful information. Further, schedules of various investor and financial education programmes are also displayed on the website for the information of investors. In 2019-20, SEBI's investor website has received over 95,000 total page views.
- ii. Investor Assistance by addressing queries raised by investors: SEBI provides assistance/ guidance to investors by replying to their queries received through e-mail, letters, and

on visit to SEBI Offices. In 2019-20, over 3,700 queries were replied in total, out of which approx. 3,470 queries were replied through e-mails, 75 through letters and 177 through phone-calls.

V. NATIONAL CENTRE FOR FINANCIAL EDUCATION (NCFE)

- i. National Centre for Financial Education (NCFE) has been established to undertake financial educational activities in terms of National Strategy for Financial Education (NSFE) as approved by Financial Stability and Development Council (FSDC) Sub-Committee (FSDC-SC).
- ii. NCFE has been set up as a Section (8) company under Companies Act, 2013 with an initial Share Capital (Corpus) of ₹ 100 crore. SEBI alongwith other financial sector regulators viz. RBI, IRDA and PFRDA are the co-promoters of NCFE. SEBI has subscribed to share capital of NCFE to the extent of ₹ 30 crore amounting to 30 per cent of the paid-up capital of ₹ 100 crore. Other regulators viz. RBI and IRDA have funded 30 per cent each and 10 per cent by PFRDA.
- iii. The board of NCFE consist of members representing the respective financial sector regulators. SEBI has nominated an officer of the rank of Chief General Manager as its representative on the board of NCFE.
- iv. SEBI actively associates with the activities of NCFE. SEBI's Resource persons also conducts financial education programs under NCFE.

VI. ENFORCEMENT ACTION

SEBI Complaints Redress System (SCORES) is an online system of processing of investors grievances in a systematic and timely manner. It helps SEBI to take up issues, including those that

may require a policy change. The companies are required to upload action taken report within 30 days of receipt of complaint. In case of failure to upload ATR within 30 days the stock exchanges are empowered under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 to take enforcement action against the defaulting companies such as imposing penalties, debarment of Promoters / Directors of the companies, etc.

II. TRAINING OF INTERMEDIARIES

A. National Institute of Securities Markets

The National Institute of Securities Markets (NISM) has been established by the SEBI as a public trust registered under the Bombay Public Trusts Act, 1950 and a society under Societies Registration Act, 1860.

Since its inception, NISM has been carrying out a wide range of capacity building activities aimed at enhancing quality standards in the securities markets and for increasing participation therein, addressing various stakeholders such as the investors, issuers, intermediaries, regulatory staff as well as academics who wish to study the securities markets and students who seek a career in the securities markets. NISM articulates and implements its mission of improving market quality through its six schools, each having specific domain presence within the Securities markets. Considering the diversity in its stakeholders, activities under the NISM umbrella can be depicted around the following broad sections:

i. Academic Programmes

The School for Securities Education (SSE) is involved in creating new age securities market professionals and equip them with the expertise to meet the enhanced expectations through its uniquely positioned academic programmes. The school currently offers three full-time programmes viz. Post Graduate Programme

in Securities Markets (PGPSM), Post Graduate Diploma in Management in Securities Markets (PGDM (SM)) and Post Graduate Certificate in Securities Markets (PGCSM). Details of the academic programmes in comparison to the previous years are given in Table 3.41.

Table 3.41: Academic and International Programmes

Particulars	2018-19	2019-20
No. of full-time, part-time programmes, certificate programmes etc.	7	3
Number of students	261	157
On-Boarding programmes (including one-month MT Programme)	2	1
Number of students	85	40

In addition to its flagship program of PGDM in securities market, NISM also proposed to introduce one-year full time LLM (Securities and Investment) course jointly with National Law University, Mumbai for the academic year 2020-21.

ii. Training Programmes

NISM helps financial regulators develop and effectively implement regulatory policies and achieve their regulatory goals through specialized training programmes for their officials. In this regard, various training programmes were conducted on subjects covering Economic crimes, fund raising, mutual funds, securities operations, overview of securities market etc. Detailed status of training programmes organized by the School for Regulatory Studies and Supervision is shown in Table 3.42

Table 3.42: Training Programmes

Particulars	2018-19	2019-20
No. of Training Programmes, workshops etc.	27	27
Number of Beneficiaries	809	1,118

The programs conducted also include the familiarisation program conducted for the Public Interest Directors of the Market Infrastructure Institutions and the Vigilance Officers of various public sector undertakings (PSUs) and Government Organisations.

iii. Research and Publications

During the academic year 2019-20, seven research papers were published by the NISM faculty in various well-known journals like International Journal of Research in Social Sciences, International Journal of Research and Analytical Review, International Journal of Finance and Economics, Theoretical and Applied Economics etc.

During the year, faculty of NISM also presented nine papers in various national and international conferences like International Conference on Digital Banking for Sustainable Development, 56th Annual Conference of the Indian Econometric Society (TIES), 15th Global Marketing Conference, SIMSR International Finance Conference (SIFICO 2020), SEBI-NISM conference on Changing Landscape of Securities Market, 3rd International Conference on Business, Economics and Sustainable Development (ICBESD 2020) etc.

Table 3.43: Research and Publications

Particulars	2018-19	2019-20
Research papers, presented in conference, seminars and published	21	17
Research Workshops, conferences, seminars etc.	4	3

During the year, NISM also organised the 3rd International Conference on Business, Economics and Sustainable Development (ICBESD 2020) during March 2020. The same was attended by more than 200 delegates including

faculty members, PhD scholars, industry participants and eminent economists from all over the country. The conference received more than 150 papers from various researchers from a number of prestigious national institutes (like IIMs and IITs), post graduate colleges, professionals engaged in securities industry and researchers from foreign universities in the area of Corporate Governance, Corporate Social Responsibility (CSR), Sustainable Investment, Banking and Financial Inclusion, Micro Finance, Banking System and Sustainable Development, Transformation in Taxation System, Universal Basic Income, etc.

iv. Investor Education and Financial Literacy

Activities relating to Investor Education and Financial Literacy at NISM are undertaken by the School for Investor Education and Financial Literacy (SIEFL). During the year, various programs contributing to realization of the vision and mission of NISM were organized which come under Financial Literacy Certification for Students titled as Pocket Money, Investor Education programs for students and public, Mutual Fund Awareness Programmes, Training of Trainers Programme for Commodity Market Trainers of SEBI, Faculty Development Programmes in Mutual Funds etc. NISM has started the process of imparting learning on mutual fund operations to the officers of State Bank of India since 2018 with the objective of taking the mutual fund investment to smaller cities through bank branches. During the year, NISM has contributed to this venture by organizing a three-day workshop for officers of State Bank of India covering topics like equity mutual fund, debt mutual fund, hybrid fund, solution fund etc. The effectiveness of training the officers has been reflected on the ground level with SBI Mutual Fund becoming

the top most fund house in terms of assets under management in the year 2019-20. These awareness programmes intend to empower the desk officers in State Bank of India about mutual fund operations, which ultimately results in

better penetration of mutual fund investments in the country. During the year, 11 programmes have been conducted benefitting 366 officers. Summary of activities in comparison to earlier years is given in Table 3.44:

Table 3.44: Details of Activities Relating to Investor Education and Financial Literacy at NISM

Particulars	2017-18	2018-19	2019-20
No. of SEBI Financial Educations Resource Persons (FERPs) workshops	4	15	-
Number of beneficiaries	217	716	-
No. of Pocket Money Programmes	10	94	21
Number of beneficiaries	634	8407	4425
No. of Refresher workshops for RPs	-	2	2
Number of beneficiaries	-	47	38
No. of Investor Education Programmes in colleges	57	49	43
No. of students	5,772	5581	4765
No. of Master Trainers and Resource Persons for Financial Inclusion and Literacy created for IDFC	82	-	-
No. of Program on 'Mutual Fund Awareness' for SBI Officers	-	11	11
No. of Officers	-	508	366

Faculty Development Programme: During the year, NISM has organized a Faculty Development Programme on Mutual Funds at Coimbatore in association with Aditya Birla Mutual Fund on 4th June 2019 at the premises of Bharathiar University, Coimbatore. 75 faculty members belonging to the commerce stream of colleges affiliated to Bharathiar University attended the program.

v. Certification of Associated Persons in the Securities Market

NISM is mandated to develop Certification Examinations for various segments of the market as per powers conferred by sub-regulation

(3) of regulation 7 of SEBI (Certification of Associated Persons in Securities Markets) Regulations, 2007.

NISM currently conducts 20 certification examinations that are mandated by regulators and six non-mandatory certifications through its School for Certification of Intermediaries (SCI). In the financial year 2019-20, NISM launched the following certification examinations:

1. **NISM Series-XVI:** Commodity Derivatives Certification Examination
2. **NISM Series XVIII:** Financial Education Certification Examination

Table 3.45 Details of Certification Examinations

Particulars	2017-18	2018-19	2019-20
No. of certification modules mandatory	17	17	20
No. of certification modules non-mandatory	5	5	6
No. of test centres	246	287	270
Number of cities	174	169	183
Number of candidates enrolled	2,30,010	2,49,106	2,04,838

vi. Development and Administration of the Continuing Professional Education Programme

NISM launched the following Continuing Professional Education (CPE) Programmes in the financial year 2019-20:

1. CPE Program for NISM Series-XVI: Commodity Derivatives Certification Examination
2. CPE Program for NISM Series XVII: Retirement Adviser Certification Examination

Table 3.46 Details of Continuing Professional Education Programme

Particulars	2018-19	2019-20
Number of CPE modules	14	16
Number of programmes	1,758	1900
Number of locations	127	120
Number of trainers empanelled	272	316
Number of beneficiaries	53,954	55,778

B. Other Initiatives

i. Accreditation of Certification Exams

As specified in SEBI (Investment Advisers) Regulations, 2013, for accreditation of certification for investment advisers, NISM has drafted and finalized the Certification Accreditation Policy in consultation with the NISM Accreditation Committee. Accordingly, under Regulation 7(2) of the SEBI (Investment Advisers) Regulations, 2013, NISM has granted accreditation to following certifications:

- a. Chartered Wealth Manager (CWM) Certification of the American Academy of Financial Management India Pvt. Ltd. (AAFMI India)
- b. International Certificate in Wealth & Investment Management (India) (ICWIM India) of Chartered Institute for Securities & Investment (CISI)

- c. Wealth Management Certification (Advance Level) of Centre for Investment Education & Learning Pvt Ltd (CIEL)
- d. Certified Financial Planner (CFP) Certification of Financial Planning Standards Board Ltd. (FPSB Ltd.)
- e. Certified International Wealth Manager (CIWM) of Moody's Analytics Global Education (MAGE) Canada Inc.

ii. Joint Certifications

NISM offers joint certifications in collaboration with other certification bodies. Prominent among them are Certificate in Derivatives Market and Strategies (CDMS) and Certificate in Fixed Income Trading and Sales (CFITS) launched in association with Moody's Analytics.

CDMS is an internationally recognized certification that validates the knowledge and skills required for a variety of roles that employ financial derivatives. The CDMS online course covers advanced concepts of both exchange-traded and over-the-counter derivative instruments and their applications and is followed by a proctored examination at designated NISM test centres.

CFITS is a global fixed income certification program with localized content embedded into the global curriculum, wherever required, in order to help the candidates understand the fixed income markets both from the international as well as from the Indian perspective.

Further, to create awareness about securities market and to promote NISM certification examinations in the students' community, NISM launched five joint certification programs on capital markets and investment advisory

modules with three educational institutes in Mumbai, Pune and Kottayam, wherein 52 students enrolled for these programs.

iii. Corporate Governance

The School for Corporate Governance of NISM has conducted 38 programmes during the year 2019-20, covering around 2,000 participants. There is a two-fold increase in the number of programmes conducted by the School, compared to the last financial year.

The School reached out to the participants through conferences, conclaves, seminars, workshops and familiarization programmes. The regulatory topics covered include SEBI Listing Regulations, SEBI SECC Regulations, Prohibition of Insider Trading Regulations, Companies Act and Secretarial Standards and recent challenges such as risk management, cyber security, business continuity plan and other emerging issues were also covered.

Table 3.47: Various Activities in the Sphere of Corporate Governance

Particulars	2018-19	2019-20
Number of training programmes, workshops etc.	20	38
Number of participants	1,000	2,143

III. ISSUANCE OF NO OBJECTION CERTIFICATES

As per SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, companies raising capital through public issue of securities are required to deposit one per cent of the issue amount with the designated stock exchange. This deposit is released by the stock exchange to the companies after obtaining a No Objection Certificate (NOC) from SEBI. For obtaining the NOC, the Company shall submit an application to SEBI in terms of SEBI Circular No. OIAE/Cir-1/2009 dated November 25, 2009. SEBI shall issue the NOC after satisfying itself that the complaints arising from the issue received by SEBI against the company have been resolved to its satisfaction. During the year 2019-20, SEBI issued 145 NOCs to the applicant companies.

6. PROHIBITION OF INSIDER TRADING

Insider trading erodes investor confidence, and affects market integrity. To address these concerns, SEBI, in 1992 itself had put in place a framework for prohibition of insider trading in securities in the form of SEBI (Prohibition of Insider Trading) Regulations, 1992. Further to address new challenges, the regulations were reviewed and replaced by a new set of Regulations, viz., SEBI (Prohibition of Insider Trading) Regulations, 2015.

I. Instances of Insider Trading Practices

A. A listed company made an announcement on April 20, 2017 during the market hours informing the stock exchanges about the Composite Scheme of Arrangement to demerge its home retail business into another company, which was also considered and approved by the company's Board. The aforementioned announcement made regarding the Scheme of Arrangement was also the Unpublished Price Sensitive Information ('UPSI') in the context of the present case. Pursuant to the above announcement, the scrip of the company witnessed upward movement by 4.7 per cent. During the course of investigation, it was observed that one promoter group company and its employee welfare trust being insiders, had purchased significant number of shares of the company during the period of UPSI. The decision in respect of the said purchases by the group company and its employee welfare trust was taken by the directors and Key Management Personnel (KMPs) of the promoter group company. It was also revealed during investigations that one employee of the company who was an 'insider' had traded in the shares of the company in his own account during the UPSI period. Further, the compliance

officer of the company was required to close the trading window prior to disclosing the information dated April 20, 2017 to the stock exchanges as it was a UPSI, which was not done in the instant matter. Additionally, the compliance officer was also responsible for giving pre-clearance to the 'insider' who traded in the scrip of the company during the period of UPSI. Therefore, the acts and omissions of the persons/entities have allegedly resulted in the violation of the provisions of SEBI Act and SEBI (PIT) Regulations, 2015. Based on the facts and circumstances and the findings of the investigation, appropriate enforcement actions have been recommended against the persons/entities under the provisions of the SEBI Act and SEBI (PIT) Regulations, 2015.

B. A listed company had informed the stock exchanges regarding update for one of its unit by US Food and Drug Administration under Regulation 30 of SEBI (LODR) Regulations, 2015, which led to the price rise in the scrip. The above information was also the UPSI in the context of the present case. The CFO of the company was in the possession of the UPSI. During the course of investigations, it was observed that son of CFO had purchased shares of the company in the equity and derivatives (future) segment during the UPSI period and these orders were placed by one of the subordinates of CFO. It was observed that the funds in respect of the above trades were provided by the CFO of the company. It was further observed that the relatives of two subordinates of the CFO and one 'designated employee' of the company had also traded in the scrip of the

company during the period of UPSI. These entities had traded mostly in the futures contracts where they bought shares of the company before the announcement and sold within few hours/days of the announcement. Therefore, the acts and omissions of the persons/entities have allegedly resulted in the violation of the provisions of the SEBI Act and SEBI (PIT) Regulations, 2015. Based on the facts and circumstances and the findings of the investigation, appropriate enforcement actions have been recommended against the persons/entities under the provisions of SEBI Act and SEBI (PIT) Regulations, 2015.

- C. A listed entity informed stock exchanges after market hours that, the company through its subsidiary is foraying into new line of business. The price of the scrip on next trading day went up by 9.99 per cent on both the exchanges. Board of directors of the company were earlier emailed / apprised about the event in one of the board meetings and through email. The company did not consider this event as material event. However, since this event was expansion of business it was considered as UPSI and further analysis / investigation was carried out. On analysing the trading pattern of the suspected entities and promoters / directors / KMPs of the company it was observed that, the Chairman of the company, his promoter brother, his promoter mother- in-law, his promoter wife, his sister, his connected entities and 3 directors of the company had traded in the scrip during UPSI while in possession of UPSI. Based on the facts and circumstances and the findings of the investigation, appropriate enforcement actions including disgorgement have been initiated against the entities under SEBI Act, 1992 and SEBI (PIT) Regulations, 2015.

II. Number of Insider Trading Cases During 2019-20

During the year, SEBI has taken up 49 new cases related to insider trading, while it has completed 57 such cases.

III. Steps Taken to Curb Insider Trading Practices

- A. The Board has put in place a framework for prohibition of insider trading in securities in the form of SEBI (Prohibition of Insider Trading) Regulations, 2015 (PIT Regulations). The PIT Regulations are amended from time to time and the last time when the PIT Regulations were amended, was on September 17, 2019.
- B. The PIT Regulations provides for various measures to curb insider trading like
- Restrictions on Communication and Trading by Insiders
 - Disclosure of Trading by Insiders
 - Code of Fair Disclosure and Conduct
 - Institutional mechanism for Prevention of Insider Trading
- C. Investigations are conducted against the entities for suspected violations of the provisions of PIT Regulations.
- D. In case any contraventions of PIT Regulations are observed, enforcement actions are taken by the Board as per the Provisions of the SEBI Act, 1992.
- E. Enforcement actions are taken under Sections 11, 11B and Chapter VIA of the SEBI Act, 1992, which includes Impounding and/or Disgorgement of the unlawful gains made or loss avoided and imposition of penalties to deter the market participants from indulging in insider trading practices.

7. SUBSTANTIAL ACQUISITION OF SHARES AND TAKEOVERS

I. OPEN OFFER

During the financial year 2019-20, 76 draft letter of offers were processed by SEBI, of which 56 draft letter of offers were filed during 2019-20. Out of the 76 draft letter of offers processed, observations

were issued in respect of 63 letter of offers during 2019-20 and 13 draft letter of offers are pending with SEBI for issuance of observation letter as on March 31, 2020 (Table 3.48).

Table 3.48: Status of Draft Letters of Offers for Open Offers

Status	2018-19	2019-20
Draft letter of offers for open offers		
Pending draft letter of offers at the beginning of the year	17	20
Draft letter of offers received during (under Old Takeover Regulations)	1	1
Draft letters of offers received during (under New Takeover Regulations)	62	55
Total	80	76
Observations issued by SEBI during the year	60	63
Draft letter of offers in process at the end of the year	20	13

During the financial year 2019-20, SEBI had received complaints regarding offer price in respect of open offers in infrequently traded companies. SEBI had appointed independent valuers in some of the matters to conduct independent valuation of the shares in terms of the provisions of Regulation 8(16) of Takeover Regulations.

Regulation 11 of the Takeover Regulations deals with applications for seeking exemption from open offer obligations. As on March 31, 2019, 22

applications were pending with SEBI. During 2019-20, additional 36 applications were filed with SEBI seeking exemption as compared to 19 applications filed during 2018-19. Among the 58 applications with SEBI, 26 applications were granted exemption from open offer vis-à-vis 16 applications which were granted exemption during 2018-19, five applications were returned/ withdrawn/ not maintainable (disposed without passing an order) and 27 applications were pending with SEBI as on March 31, 2020 (Table 3.49).

Table 3.49: Exemption Applications under Regulation 11 of Takeover Regulations

Status	2018-19	2019-20
Application pending at the beginning of year	33	22
Applications received during the year	19	36
Total applications	52	58
Applications disposed during the year	30	31
Of which		
Exemption granted	16	26
Exemption not granted	3	0
Returned / withdrawn/ Not maintainable (without passing order)	11	5
Applications in process at the end of the year	22	27

8. INFORMATION CALLED FROM, INSPECTIONS UNDERTAKEN, INQUIRIES AND AUDITS OF STOCK EXCHANGES AND INTERMEDIARIES AND SELF-REGULATING ORGANIZATIONS CONDUCTED BY SEBI

Supervision of intermediaries through on-site and off-site inspections, enquiries and adjudications in case of violation of rules and regulations and administrative and statutory actions are essential features of effective enforcement by SEBI. The basic objective of prudential supervision of market intermediaries is to safeguard the stability of the financial system; protecting client interests from undue risks of losses that may arise from failure, fraud or any opportunist behaviour on the part of the intermediaries; promoting the efficient performance of intermediaries and markets; and ensuring compliance by market intermediaries. SEBI conducts inspections directly as well as through organizations like stock exchanges and depositories. Inspections were also conducted during the year to verify intermediaries' compliance levels.

I. COMPREHENSIVE OVERSIGHT OF MARKET INFRASTRUCTURE INSTITUTIONS

With the objective of having oversight on the activities carried out by the MIIs, such as stock exchanges, clearing corporations and depositories, SEBI has conducted inspections, periodic compliance analysis and annual system audits of various MIIs over the period of years.

A. Oversight of MIIs

With the objective of having oversight on the activities carried out by the MIIs comprising Stock Exchanges, Clearing Corporations and Depositories, SEBI has conducted inspections of various MIIs during the year 2019-20.

During 2019-20, comprehensive inspection of MSEI, India INX, ICCL, MCCIL, India ICC and CDSL have been carried out by SEBI.

Further, on-site inspections of NCCL and NSE, which had started in February/ March 2020, as well as inspection of NSDL and BSE, which were scheduled earlier for the year 2019-20, have been put on hold on the lines of various mitigating measures taken in the wake of the outbreak of Covid-19 pandemic.

B. Annual System Audit of Market Infrastructure Institutions

In order to keep pace with the technological advancements in the securities market, the existing System Audit Framework was reviewed through SEBI circular dated January 07, 2020.

The circular mandates MIIs to conduct an Annual System Audit as per the framework and terms of reference as mentioned in the circular. MIIs were also advised to maintain a list of all the relevant SEBI circulars/ directions/ advices, etc. pertaining to technology and compliance thereof, and to include the same under the scope of System Audit. Moreover, MIIs were advised to submit information with regard to exceptional major Non-Compliances (NC) / minor Non-Compliances (NC) observed in the System Audit and to categorically highlight open observations/NCs/suggestions pointed out in the System Audit (current and previous).

II. INSPECTION OF MARKET INTERMEDIARIES

A. Inspection of Stock Brokers and Depository participants

During the financial year 2019-20, 146 stock brokers and 81 depository participants have been inspected. The focus of the inspections have been comprehensive in nature. The compliance of specific provisions of SEBI regulations/ circulars with respect to themes such as Handling of funds and securities

of clients, Settlement of accounts of clients on timely basis, Segregation of clients and proprietary funds/ securities, pledging of securities by the broker, Investor Redressal Mechanism, KYC norms, Clearing operations, etc. were taken up for inspection.

The inspection of stock brokers and depository participants were carried out at a group level, i.e., activities of entities having equity segment, commodity derivative segment and depository participant were inspected simultaneously. These inspections were conducted jointly with respective Stock Exchanges and Depositories, ensuring that all aspects of the functioning of the entity are looked into by Exchanges/ Depositories and SEBI simultaneously, resulting in conduct of comprehensive inspections in true sense. This initiative of joint inspections also minimized multiple inspections of the same entity by SEBI, Stock Exchanges and Depositories during the year, thereby reducing the regulatory burden on intermediaries in relation to their inspection.

Further, pursuant to the initiative of Joint inspections, actions, if any, on all observed violations pertaining to Stock Brokers/ Depository Participant are initiated by one single institution i.e. either SEBI / Exchange for stock brokers or SEBI / Depository for depository participants, resulting in one single action against the entity for an inspection. The distribution of cases between SEBI/ Exchanges/ Depository are done periodically by a Joint Committee comprising representatives from SEBI, Exchanges, and Depositories.

The details of inspection of stock brokers (including commodity derivatives brokers) and depository participants carried out during 2018-19 and 2019-20 are given in Table: 3.50

Table 3.50: Inspection of Stock Brokers and Depository Participants

Particulars	2018-19	2019-20
Stock Brokers	159	146
Depository Participants	82	81

B. Inspection of Stock Brokers by Stock Exchanges

In addition to the joint inspections, the stock exchanges also carried out inspections as per the policy adopted by them in consultation with SEBI. Additionally, stock brokers / clearing members are required to carry out internal audit on a half yearly basis by independent auditors. Stock Exchanges are levying penalties for delay in filing the internal audit reports by stock brokers. Summary of inspections conducted by Stock Exchanges are given in Table 3.51

Table 3.51: Inspections of Stock Brokers by Stock Exchanges

Particulars	NSE*	BSE*	MSEI*	MCX	NCDEX	ICEX**
2018-19	552	527	107	317	230	18
2019-20	599	321	52	316	138	16

*Include inspections carried out by respective Clearing Corporation

**Merged with NMCE w.e.f. September 07, 2018

The system of internal audits of stock brokers by outside professionals, inspections by Stock Exchanges and by SEBI has improved the compliance level of stock brokers.

C. Cloud facility for inspection of Stock brokers

During the year 2019-20, SEBI undertook a project of sharing information/data between the joint inspection team members through cloud facility in association with NSE. Inspection team users as well as MII users will have access to the cloud with two factor authentication. The cloud facility would help in reduction of manual exchange of inspection data among inspection teams. The project has been developed and will be operational for the inspections planned for the year 2020-21.

Box Item3.1: Online System for Detecting Misuse of Clients' Securities by Brokers

SEBI has developed an in – house online system by which it is able to prepare client level securities holding register of the brokers. SEBI collects the details of the clients' securities submitted in weekly report filed by brokers with the Exchanges and updates the same with trades conducted in the accounts of said clients using the data available with SEBI in Data Warehousing and Business Intelligence system (DWBIS) as well as data provided by Exchanges, Clearing Corporations and Depositories pertaining to auction trades, corporate actions, Stock Lending and Borrowing Mechanism (SLBM) transfers, off market trades etc. The securities holding balance computed is matched with the actual clients' securities holding in the demat account and submission made by the broker for the next day. Any mismatch in data is flagged as an alert for Exchanges.

SEBI has, thereby, developed the in – house capability to online track the movement of client securities collected by broker as collateral and raise alerts with Exchanges if diversion of clients' securities is noticed. These reports are being generated by SEBI and forwarded to Exchanges for reconciliation with members. This system is likely to timely detect the misuse of clients' securities collected by brokers as collateral or received in pay-out of securities.

D. Inspection of other Intermediaries

Risk based comprehensive and special focus inspections of intermediaries are undertaken by SEBI to ascertain the extent of compliance on specific issues. During 2019-20, inspections were conducted for seven credit rating agencies, two debenture trustees, 20 merchant bankers and 18 registrars to an Issue & share transfer agent (RTIs & STAs / RTAs). Additionally, offsite inspection of all the three Qualified RTAs were also done in view of the large size of investor folios managed by them. Table 3.52

Table 3.52 Inspection of other Intermediaries

Particulars	2018 - 19	2019 - 20
Credit Rating Agencies	2	7
Debenture Trustee	3	2
Merchant Bankers	16	20
Registrars To an Issue and Share Transfer Agents	11	18
Qualified RTAs	0	3
Total	32	50

E. Inspection of Portfolio Manager, Alternative Investment Fund, Venture Capital Fund, Investment Adviser and Research Analyst

Inspection of books of accounts, records and other documents pertaining to the Portfolio Manager

(PM), Alternative Investment Fund (AIF), Venture Capital Fund (VCF), Investment Adviser (IA) and Research Analyst (RA) has been carried out to verify whether the books of accounts, records and other documents are being maintained in the specified manner including the compliance in respect of AML/CFT and KYC norms. During 2019-20, inspections of 32 investment advisers, 13 research analysts, seven portfolio managers, five AIF and one VCF were carried out. (Table 3.53).

Table 3.53: Number of Inspections Conducted

Intermediary / Fund	2018-19	2019-20
Portfolio Managers	3	7
Alternative Investment Funds (AIF)	5	5
Venture Capital Funds (VCF)	0	1
Investment Advisers	7	32
Research Analysts	5	13
Total	20	58

The details of administrative warnings, deficiency letters, interim directions under Section 11B issued to Portfolio Managers, AIF, VCF, Investment Advisers and Research Analysts are as given in Table 3.54.

Table 3.54: Warnings/Deficiency Letters Issued to Portfolio Managers / Alternative Investment Funds / Venture Capital Funds / Investment Advisers / Research Analysts

Intermediaries / Funds	2018-19		2019-20		
	Administrative Warning	Deficiency Letter	Administrative Warning	Deficiency Letter	11B (Interim Directions)
Portfolio Managers	0	2	1	1	0
Alternative Investment Funds (AIF)	0	0	0	0	0
Venture Capital Funds (VCF)	0	0	0	0	0
Investment Advisers	3	0	2	1	3
Research Analysts	3	1	4	1	0
Total	6	3	7	3	3

E. Inspection of Mutual Funds

A Risk based inspection policy has been adopted by SEBI for inspection of Mutual Funds. The inspection undertaken on the basis of various risk parameters such as liquidity risk, credit risk, financial risk, market risk, technological risk, operation risk etc. and impact parameters such as AUM (Assets Under Management) of the Mutual fund, Retail AUM, etc. During 2019-20, inspection of 25 Mutual Funds and its respective R&TA operations were initiated. Further, a theme based inspection of six Mutual Funds was initiated during 2019-20.

G. Supervision of Custodians and Designated Depository Participants:

Market intermediaries viz. Custodians and Designated Depository Participants (DDPs) play a very important role by providing a variety of services to the FPIs. SEBI is responsible for the registration, supervision, compliance monitoring and inspections of custodians and DDPs. In order to continuously evaluate the performance of intermediaries and also at the same time facilitate ease of doing business, in 2019-20 SEBI has inspected the following number of custodians and DDPs:

Table 3.55 Inspection of Custodian and Designated Depository Participants

2019-20	Number of Inspection
Custodian	6
DDP	6

9. FEES AND OTHER CHARGES

Details of the amount of fees and other charges (2019-20 audited) collected by SEBI from market intermediaries on both recurring and non-recurring basis is provided in Table 3.56. During 2019-20, the total amount of fees and other charges received was ₹ 608.26 crore (audited) as against ₹ 750.14 crore in 2018-19 (audited). The recurring fee was 56.53 percent in 2019-20 as compared to 43.99 percent in 2018-19 of the total fee collected. During the year 2019-20, the

largest recurring fee of ₹ 70.54 crore was collected as Registration fee from members (Equity and Currency Derivatives Segment), followed by ₹ 60.84 crore collected from Foreign Portfolio Investors and ₹ 54.42 crore from Custodian of Securities. In non-recurring fee category, the highest fee was collected from Take Over (₹ 70.28 crore) followed by buy-back of shares (₹ 58.37 crore), and Offer Documents and Prospectus filed (Primary Markets – Equity) (₹ 36.92 crore).

Table 3.56: Fees and other Charges

(₹ crore)

Particulars	2018-19 (Audited)			2019-20 (Audited)		
	Recurring fees #	Non-recurring fees ##	Total Fees Received	Recurring fees #	Non-recurring fees ##	Total Fees Received
	1	2	(1+2)	1	2	(1+2)
Offer Documents and Prospectus filed (Primary Market – Equity)	-	89.60	89.60	-	36.93	36.93
Merchant Bankers	3.60	4.70	8.30	4.44	2.86	7.30
Underwriters	0.05	-	0.05	-	-	-
Portfolio Managers	4.55	7.71	12.26	2.90	4.12	7.02
Registrars to an Issue and Share Transfer Agents	0.48	0.39	0.87	0.33	0.25	0.58
Bankers to an Issue	3.06	0.01	3.07	0.54	0.01	0.55
Debenture Trustees	0.63	0.21	0.84	0.54	0.21	0.75
Takeover fees	-	82.26	82.26	-	70.28	70.28
Buy Back of Shares	-	158.87	158.87	-	58.37	58.37
Mutual Funds	13.45	20.71	34.16	15.78	10.29	26.07
Stock Brokers and Sub-Brokers (CM segment)	29.22	-	29.22	26.26	-	26.26
Foreign Portfolio Investors	37.34	16.26	53.60	60.84	20.08	80.92
Foreign Venture Capital	-	2.19	2.19	-	1.10	1.10
Depositories	1.38	-	1.38	0.54	-	0.54
Custody charges – Depositories	1.50	-	1.50	3.53	-	3.53
Depository Participants	2.49	1.41	3.90	2.96	0.92	3.88
Custodian of Securities	52.53	0.50	53.03	54.42	0.55	54.97
Approved Intermediaries under Securities Lending Scheme	0.09	-	0.09	0.05	-	0.05
Credit Rating Agencies	0.15	0.20	0.35	0.45	0.20	0.65

Particulars	2018-19 (Audited)			2019-20 (Audited)		
	Recurring fees #	Non-recurring fees ##	Total Fees Received	Recurring fees #	Non-recurring fees ##	Total Fees Received
	1	2	(1+2)	1	2	(1+2)
Listing Fees Contribution from Stock Exchanges	22.59	-	22.59	23.84	-	23.84
Alternative Investment Scheme	-	18.17	18.17	-	12.41	12.41
KYC Registration Fees	0.02	-	0.02	0.04	-	0.04
Registration fee from members (Equity and Currency Derivatives Segment)	100.43	-	100.43	70.54	-	70.54
Registration fee from members (Commodity Derivatives Segment)	26.02	0.95	26.97	20.71	0.03	20.74
Investment Advisor	2.03	4.17	6.20	1.65	3.65	5.30
Infrastructure Investment Trust	-	0.45	0.45	-	4.03	4.03
Informal Guidance Scheme	-	0.02	0.02	-	0.25	0.25
Share based employee benefits	-	0.01	0.01	-	-	-
Regulatory Fees-Stock Exchanges	27.55	-	27.55	52.60	-	52.60
Regulatory Fees-Stock Exchanges commodity	0.01	-	0.01	-	-	-
Public Issue of Debt	-	1.40	1.40	-	1.99	1.99
Private Issue of Debt	-	3.69	3.69	-	27.74	27.74
Delisting of Shares	-	0.02	0.02	-	0.03	0.03
Research Analyst	-	1.59	1.59	-	0.88	0.88
ICDR Exemption Fees	-	0.90	0.90	-	0.59	0.59
Gift City IFSC	0.06	0.01	0.07	0.04	0.01	0.05
FPI Regulatory fees for ODI Subscription	0.78	-	0.78	0.85	-	0.85
Scheme of Arrangement fees	-	3.61	3.61	-	2.71	2.71
Real Estate Investment Trust	-	0.10	0.10	-	3.87	3.87
Collective Investment Scheme	-	-	-	-	-	-
Designated Depository Participant	-	-	-	-	0.05	0.05
Total	330.02	420.12	750.14	343.85	264.41	608.26

Recurring fees: Fees which is received on annual/3-yearly/5-yearly basis (includes 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/ FPI Registration/Conversion

Notes:

1. Since the amount realized by way of penalties on or after 29.10.2002 has been credited to the Consolidated Fund of India, therefore, the same has not been included in the fees income of SEBI since 2003-04.
2. Stock brokers and sub-brokers fee includes annual fees and turnover fees.
3. Stock brokers and derivatives fees are of recurring nature and depend on the trading turnover of the stock brokers and members of derivatives segment.

10. RESEARCH STUDIES

Section 11(2) (l) of the SEBI Act, 1992 gives SEBI the powers to undertake research activities in connection with its primary mandate. The major research activities undertaken by SEBI during 2019-20 encompassed the following:

I. THE REPORTING MANDATE AND MAINTENANCE OF REPOSITORY OF INFORMATION/STATISTICS

A. Regulatory Reporting: The SEBI Annual Report

In accordance with Section 18(2) of the SEBI Act, 1992, SEBI is mandated to submit to the Government, a Report providing a full and true account of its activities undertaken during a particular financial year within 90 days of the completion of the financial year. Accordingly, the Annual Report for 2018-19 was prepared and submitted to the Ministry of Finance within the specified timelines. The same has been uploaded under the publication section on SEBI website, which is available at <https://www.sebi.gov.in/sebiweb/home/HomeAction.do?doListing=yes&sid=4&ssid=80&smid=101>

B. Handbook of Statistics on the Indian Securities Market: Repository of Data

SEBI, as a Regulator of the Securities Market, has the onus and obligation to maintain a repository of data for the entire securities market. Towards this objective, SEBI publishes Handbook of Statistics on Indian Securities Market by collecting data from various sources, viz., SEBI, RBI, Recognised Stock Exchanges, Credit Rating Agencies, Depositories, World Federation of Exchanges, etc. The same is updated every year. SEBI has been bringing out print copy as well as digital copy till 2018, however, as part of its green initiative, SEBI has digitized the

Handbook from 2019 which is available at <https://www.sebi.gov.in/sebiweb/home/HomeAction.do?doListing=yes&sid=4&ssid=80&smid=105>.

C. SEBI Monthly Bulletins

Monthly Bulletin encapsulating all the regulatory developments for the month and aggregating the data/information for the securities market is published regularly by SEBI. Apart from a review of the Indian securities market, the Bulletin also provides a monthly review of global financial markets. In addition to this, highlights of developments in the international securities market, data on macro-economic indicators in India and data/ information related to various related segments of the securities market are disseminated in the SEBI Bulletin on a monthly basis. SEBI has been distributing these publications to various stakeholders like policy makers, research institutions, investor associations, mutual funds and banks without any charge. The electronic version of monthly Bulletin is available on the SEBI website at <https://www.sebi.gov.in/sebiweb/home/HomeAction.do?doListing=yes&sid=4&ssid=80&smid=107>.

II. INFORMATION SUPPORT TO VARIOUS REGULATORS/GOVERNMENT AGENCIES

SEBI regularly provides information to the Ministry of Finance (MoF), the Reserve Bank of India (RBI), the Ministry of Corporate Affairs (MCA) and the Government of Maharashtra (GoM) for their publications and policy decisions. This information support includes contributions to the Government of India's Economic Survey, MoF's Annual Report, and the Government of Maharashtra's Economic Survey. Inputs and suggestions are also provided to the Standing Committee on Finance and Central Statistics Office, as and when requested.

The daily, weekly, bi-monthly, monthly, quarterly, half yearly and annual trends and developments in commodity derivatives market are prepared for GoI, updates to senior management and SEBI's publications. The analytical support on commodity derivatives is also extended to SEBI's Systemic Stability Unit for meetings of Financial Stability and Development Council -Sub Committee (FSDC-SC), Macro Financial Monitoring Group (MFMG) and for RBI Financial Stability Report (FSR).

SEBI also contributed to the inter-regulatory meetings of FSDC, FSDC Sub Committee and other technical groups / taskforces/ working groups, including Early Warning Group, Macro Financial Monitoring Group, Inter-Regulatory Technical Group and Committee on Household Finance set up under the FSDC umbrella. Pursuant to the decision of the FSDC-Sub Committee to rotate the Chair of the inter-regulatory Early Warning Group (EWG) of FSDC Sub Committee among member regulators, SEBI took over the EWG Chairpersonship for CY 2020.

III. INTERNAL KNOWLEDGE SUPPORT

Under its SEBI Discussion Forum (SDF), SEBI invites renowned scholars and financial market practitioners to deliver lectures/talks on topics related to the securities market, economics and finance. Discussions between the speaker and SEBI staff members help SEBI officials to gain insights and enhance their knowledge about the latest developments in the marketplace, including market movements, policy requirements and regulations.

IV. RESEARCH STUDIES

SEBI's research department regularly conducts research on the topics related to securities market and contemporary developments in the international securities/financial markets. It also provides inputs on policy proposals forwarded by various departments in SEBI.

During 2019-20, one of the major focus areas of the research was CRAs on which various projects have been carried out. One such study was on "Implications of equity prices on ratings of corporate bond market" which mainly explored models which can possibly forecast a rating default in bond instruments based on stock price movement of the same entity in the recent past. Other research on this area were analysis of Merton DD model pertaining to credit rating and study on rating transitions by CRAs.

Other research studies, Analysis of pledging of promoter shares and policy lessons; Risk based assessment of MF Debt Schemes Portfolios and policy implications for sectoral limits; Analysis of implicit trends in IPO Market; implication of Insolvency Resolutions on investors in listed entities, dependency of FPI flows in Indian market on various economic and market Indicators: impact of high short positions by FPIs in index derivatives on domestic market etc.

During 2019-20, various research studies and analyses were done on commodity markets which inter alia include, study of whether futures prices of domestic agri contracts are aligned with their respective international counterparts, testing of price discovery in agri. commodities using mandi prices, , analysis of feasibility of commodity derivatives for various new commodities, Survey of practices of margins, position limits and daily price limits in major international commodity derivative markets, domestic data profiling on commodity derivatives, analysis of five failed commodity derivative contracts, etc.

Besides, as per the requirements of policy departments, research analysis/comments have been provided on myriad policy and regulatory issues. The outcome of many of these research analyses have been utilised as active inputs for policy making and regulation.

During 2019-20, Commodity research wing has also been part of SEBI teams for inspection of warehouses and for visit of spot markets /mandis. The post inspection/visit reports have enabled the policy decision making process for contract launches and for assessing the compliance and market situation.

Apart from commodity markets ,research analyses were prepared on various topics like analysis of mutual fund voting patterns, sectoral weightages in benchmark indices, impact of circuit filters, key distinct trends in Indian securities markets, etc. during the year.

Besides providing monthly macroeconomic reviews, timely analysis for senior management on issues of current importance like impact of Covid- 19 on domestic economy and markets, monetary policy changes and other key macro events.

During 2019-20, as part of HRD's training initiative to build awareness and wherewithal among officers, conducted a training session for officers in SEBI Head Office on macro-economic indicators and recent developments relating to the same.

V. SEBI-NISM RESEARCH CONFERENCE

SEBI in collaboration with NISM conducted a Research Conference from 22nd January to 24th January 2020 at NISM Campus, Patalganga, Raigad District. Theme of the conference was "Changing Landscape of Securities Market in India". The conference received an overwhelming response both in terms of number of research papers as well as participation. Around 150 papers were received of which 53 papers were selected for presentation. More than 300 participants attended the conference. The conference was attended by the top management of SEBI and other officials. External participants inter alia included the market practitioners, market participants, academicians and students. A

compendium of 53 papers was released by the SEBI Chairman during the conference.

VI. RECRUITMENT OF INTERNS FOR DEPA 2019-20

With a view to provide hands-on training to the students pursuing PhD in securities market related topics, DEPA had selected three interns for a period of one year. The interns were appointed by adhering to the due selection procedure followed by SEBI.

VII. CONSTRUCTION OF SECURITIES TRANSACTION SERVICE PRICE INDEX FOR GOVERNMENT OF INDIA

As directed by Ministry of Commerce and Industry, Securities Transaction Service Price index (STSPI) is computed and disseminated by SEBI to Government of India on a quarterly basis. The Index is constructed to measure the inflation or average change in cost (brokerage, commissions, fees etc.) of the financial services in the securities market. STPI covers the cost of services in primary market, secondary markets (cash and derivative segments), asset management sector (mutual funds, PMS, AIF) and private placement of corporate debt.

VIII. SYSTEMIC STABILITY

Systemic Stability Unit (SSU) of SEBI keeps a watch on systemic risks, if any, emanating from the securities market to coordinate, research and provide inputs on systemic risk issues and developments pertaining to securities markets and engages and contributes to various fora under the Financial Stability and Development Council (FSDC) such as the FSDC, FSDC Sub-Committee (FSDC-SC), Inter-Regulatory Technical Group (IRTG), Early Warning Group (EWG), Macro Financial Monitoring Group (MFMG) etc. Additionally, SSU has also been taking various steps to enhance research on Indian securities markets.

A. Systemic Risk Monitoring

During 2019-2020, potential risks emanating from emerging developments and their likely impact on Indian securities market were analysed on a case to case basis. Inputs were provided for the June 2019 and December 2019 editions of Financial Stability Report (FSR), published by RBI under the aegis of FSDC Sub Committee. The FSR reflects the collective assessment of the members of FSDC-SC on risks to financial stability, as also the resilience of the financial system. Inputs from SEBI in this regard, inter alia, potential systemic risk issues as well as key measures taken by SEBI to further strengthen the systemic stability of the Indian securities market.

The Reserve Bank, as part of the macro-prudential framework for assessment of systemic risks, conducts Network Analysis to map the interconnectedness between financial institutions. SEBI provided inputs for the Network Analysis by RBI on periodic basis. SEBI inputs were also provided to RBI for the IMF Data Gap Analysis on Financial Stability Indicators (FSI), the BIS Red Book on Indian Payment system, the Fifth Global Payment Systems Survey, managed by the World Bank Payment Systems Development Group (PSDG), etc.

Inputs were also provided on economic and systemic risks related issues discussed in various international forums like IOSCO meetings, FSB meetings, securities market regulators of various countries, as sought by the SEBI Office of International Affairs, from time to time.

B. Data Democratization in Indian Securities Markets

SEBI endeavours to further democratize data on Indian securities market so as to promote and scale up research in securities market. Towards this, following steps were taken

i. Data Analytic Controller (DAC)

The data sharing policy of SEBI was revised. Pursuant to the same, SSU assumed the role of Data Analytics Controller (DAC). During FY20, SSU processed four requests for data sharing by SEBI under this framework.

ii. SEBI Database on Indian Securities Market

The SEBI research team has taken up an assignment of consolidating, collating and facilitating the provision of time series granular data on various segments of Indian securities market in a structured format. The task has been initiated to ensure that the data is readily available and easily accessible to end-users. It is envisaged that availability of such data in public domain shall inter-alia prove to be a significant enabler for scaling up the research activities in the securities market landscape.

In order to achieve this task, four working groups, comprising of officials from SEBI and data providers viz. stock exchanges, depositories and RTAs, were created to discuss the issues relating to standardization and reconciliation of data being provided by MIIs to SEBI as well as to the public at large. Data dump files and aggregate master templates have been prepared and finalized by these working groups to collate, populate and provide granular data in consolidated and uniform formats on various securities market segments.

Meanwhile, public data on Indian securities market available on respective websites of MIIs and other important entities were surveyed and documents curating the links to various data series provided on their respective websites was consolidated and placed in the statistics section of SEBI website to provide

easier access to data/information on Indian securities market.

iii. Market Data Advisory Committee (MDAC)

During 2019-20, SEBI decided to constitute a Market Data Advisory Committee (MDAC) to focus on issues relating to data standardization, data integrity and data democratization in Indian securities market. Accordingly, the Terms of Reference (ToR) and composition of the committee were decided

for operationalizing the Committee and taking this initiative forward.

C. Research Advisory Committee

SEBI constituted a Research Advisory Committee (RAC) consisting of experts from financial market and academia in 2018-19 to lend thought leadership to Research activities in SEBI. The RAC met twice during the year 2019-20 and advised SEBI Research team on various matters.

11. SURVEILLANCE

Effective surveillance of the securities market is a pre-requisite for maintaining market integrity to enhance investor confidence. The stock exchanges are on the frontline as far as real time surveillance of the market segments that they operate in are concerned. SEBI is responsible for the surveillance of all the segments of the Indian securities market across the exchanges. Over the years, various amendments to the SEBI Act, 1992 have empowered SEBI to undertake credible surveillance action.

Complementing the surveillance infrastructure of the stock exchanges, SEBI has robust in-house systems in place to monitor activities across all market segments and exchanges and to check unfair trade practices like market manipulation, front running and insider trading. The Joint Fund-Bank Financial Sector Assessment Programme of India noted that building a robust market surveillance

system, among others, allowed SEBI to build a reputation of being a credible enforcement agency.

I. SURVEILLANCE ACTIONS

SEBI and the stock exchanges have robust surveillance mechanisms in place to track the activities on the stock exchange platform and to generate alerts based on dynamic, system-based parameters. The stock exchanges apprise SEBI of surveillance concerns and actions at the regular surveillance meetings. The stock exchanges initiate surveillance measures, like the periodic price bands, shifting to Trade-for-Trade (TfT), tightening the price bands, etc., on the basis of the alerts and the analysis of trading in the scrips. The stock exchanges also take punitive actions (suspension of the trading in the scrips, debarment of the suspected entities, etc.). Details of actions taken by the Stock Exchanges is given in Table 3.57.

Table 3.57: Surveillance Actions

Nature of action	NSE		BSE		MSEI	
	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20
Scrips shifted to Trade-for-Trade segment	257	289	435	539	246	292
Number of scrips in which price bands were imposed (2 per cent, 5 per cent & 10 per cent)	2,206	2,171	1,603	2,371	642	1,415
Preliminary investigation taken up (Snap)	56	980	825	819	7	0
Rumours verified	222	153	235	160	1	0
Letter to Company based on Price/Volume Variation	121	216	366	164	0	0

II. SURVEILLANCE MEASURES

A. Additional Surveillance Measures in Cash segment

Additional Surveillance Measures (ASM) in the form of higher margins, lower price bands and Trade for Trade based settlement were introduced by SEBI as preventive measures in March 2018.

The parameters of ASM framework are based on surveillance concerns, viz., price/volume variation and client concentration, low delivery based trading etc. The stocks across various market capitalizations, i.e., Low/Mid/High cap, are covered under ASM framework. The entry and exit criteria of ASM are available in the public domain for market participants. Considering the trends in the broader

market and to have a dynamic surveillance approach, the ASM framework is regularly reviewed in the Surveillance meetings held with the exchanges. In this regard, inter alia, applicable margins in short-term ASM framework were modified to simplify margin calculations. Further, for inclusion of stocks under Long term ASM framework, a market capitalization threshold of greater than ₹ 200 Crore has been included in certain criteria.

B. Surveillance Measures on order spoofing/ order book manipulation

To prevent entities from indulging in order book manipulation, preventive surveillance measures have been introduced wherein Exchanges have been advised to seek clarification from the trading members where the trading members were seen to have placed high number of spoofing orders (Spoofing is manipulative practice whereby trading members place order on both sides of the order book, without intention to execute orders on one side. Trading members cancel the large buy/sell orders on one side after executing small quantity orders on the other side). In case the clarification from trading member is not satisfactory, additional margins of 5 per cent are levied on all positions of such trading members in equity and equity derivatives segment across all exchanges.

C. Surveillance Measures related to Broader Market Indices

In view of the high concentration of certain sectors in broader indices and certain high volatile stocks being constituent of the indices, it was discussed that the index providers of BSE and NSE shall suitably incorporate characteristics peculiar to Indian securities market in index composition/ construction methodology and not restrict themselves to the practices followed by other global index providers. In this regard, pursuant to issuance of consultation paper by NSE and BSE, NIFTY and

SENSEX were reconstituted on August 28, 2019 and December 23, 2019, respectively.

D. Surveillance measures on scrips wherein creditors of listed company may have or are in process of taking action as per Insolvency and Bankruptcy Code (IBC) or Inter Creditor Agreement (ICA) Resolution Process

To bring greater level of transparency for the investors, Stock exchanges were directed to issue a circular to the listed companies to adhere to the following:

- (a) Promptly disclose to the stock exchanges regarding the 'material' developments pertaining to default and/or Inter Creditor Agreement (ICA), in terms of Regulation 30(1) and 30(2) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 and all amendments and circulars issued thereunder.
- (b) All participants, who have acquired confidential information in the course of developments pertaining to default and/or ICA, shall maintain the confidentiality of such information. Such participants shall include the companies, lenders and any other entities who may have access to unpublished price sensitive information (UPSI) as defined in SEBI (PIT) Regulations, 2015.
- (c) Such participants shall continue to ensure that a strong and robust framework exists to maintain confidentiality of the UPSI and ensure that persons (including the lenders and any other entities who may have access to UPSI as defined in SEBI (PIT) Regulations, 2015) are put through necessary restrictions as required under the provisions of the SEBI (PIT) Regulations 2015.
- (d) Companies shall on their own promptly confirm or deny (as the case may be) and clarify

to stock exchanges regarding any rumours or news on developments pertaining to default and/or Inter Creditor Agreement (ICA).

Stock exchanges have also been advised to implement additional surveillance measures in the form of additional surveillance margins in case of disclosure of default and disclosure of ICA by companies.

E. Surveillance measures for Deep Out-of-The-Money (OTM) contracts

Considering that there may be instances where an entity or a group of entities may create Open Interest (OI) in Deep Out-of-The-Money (Deep OTM) options contracts to push the scrip in the Ban period and/or for other manipulative objectives, in respect of Deep OTM options contracts wherein the strikes are ± 30 per cent away from the price of the underlying, the following have been applied:

- (a) Additional margin of 20 per cent is levied on the Top 10 participants / clients if the concentration of such Top 10 participants / clients is greater than 30 per cent of the overall fresh positions created on a trading day (computed separately in respect of call and put options).
- (b) The above margin levied on the participants / clients continues till the contracts are squared off or till expiry of the contracts.

F. Standardization of reason codes for off-market transfers

To provide an audit trail associated with off market transfer, Depositories implemented standardized reason codes for off-market transfer transactions.

G. Standardization of reporting of violations of Code of Conduct under SEBI (Prohibition of Insider Trading) Regulations, 2015

A circular dated July 19, 2019 was issued to standardize reporting of violations related to code of conduct under the SEBI (PIT) Regulations, 2015.

H. Surveillance Measures in respect of companies with high promoter pledge

With respect to the companies with high promoter pledge, minimum margin of 35 per cent on the stocks (including stocks in derivatives segment) that satisfy the following criteria is being levied:

- I. Market Capitalisation is greater than ₹ 1,000 crore,
AND
- II. Pledged holding of the promoter accounts for more than 25 per cent of the total number of the issued shares of the company,
AND
- III. Concentration of Top 25 clients in trading during the last 30 days is 30 per cent or more,
AND
- IV. High – Low Price variation in the scrip in the last 3 months is greater than 40 per cent.

I. Surveillance Measures for low market capitalisation stocks exhibiting high volatility

Additional criteria has been introduced under long term ASM framework for shortlisting stocks with market capitalization of less than ₹ 500 crore exhibiting high volatility. Further, SEBI has been taking several measures to prevent investors from getting induced to buy stocks for which unsolicited recommendations/tips are circulated. In this regard, Exchanges were advised to send periodic SMS to the investors cautioning them to take informed decision while dealing in stocks and beware of stock tips / recommendations circulated on various medium like Whatsapp, Telegram, SMS, etc.

J. Review of Graded Surveillance Measure (GSM) framework

The current GSM framework was reviewed and GSM stages for graded action have been reduced from six to four, incorporating the surveillance

actions as envisaged in the earlier framework. The stages in the revised GSM framework are given in Table 3.58

Table 3.58 Stages in the Revised GSM Framework

Stage	Surveillance Actions
I	Applicable margin rate shall be 100 per cent And price band of five per cent or lower as applicable
II	Trade for trade with price band of five per cent or lower as applicable and Additional Surveillance Deposit (ASD) of 50 per cent of trade value to be deposited by the Buyers
III	Trade for trade with price band of five per cent or lower as applicable and Trading permitted once a week (Every Monday/1st trading day of the week) And ASD (100per cent of trade value) to be deposited by the buyers
IV	Trade for trade with price band of five per cent or lower as applicable and Trading permitted once a week (Every Monday/1st trading day of the week) And ASD (100 per cent of trade value) to be deposited by the buyers with no upward movement

The retention period of ASD was reduced to one month from three months.

K. Surveillance framework for companies that do not cooperate/respond to the surveillance queries / clarifications sought by the exchanges

To bring greater level of transparency for the investors, in cases of non-receipt or inadequate response to the clarifications sought by the exchanges, stock exchanges were directed to send suitable message informing investors about such non-receipt or inadequate response to the clarifications is being disseminated on the trading terminals and on the websites of the exchanges.

L. Suitable surveillance mechanism to monitor SME scrips

In consultation with the stock exchanges, it was decided that SME scrips are to be identified based on surveillance indicators like price variation, volatility and P/E and prompt surveillance action is needed for such scrips. Accordingly, following surveillance measures are being applied for the scrips identified for such surveillance actions:

- Imposition of 100 per cent margins.
- Reduction of price band.
- Gross Settlement.

**III. SURVEILLANCE MEASURE-
COMMODITIES**

- Reviewed Commodity Watch System (CWS): SEBI has prescribed a Commodity Watch System (CWS) to Commodity Derivative Exchanges that includes surveillance alerts (online/ offline) as to detect aberrations in the market movements. During 2019-20, the commodity watch system was reviewed and updated so as to improve upon existing set of alerts and include few new alerts and surveillance reports.
- Review of Concentration Margin Policy: As per SEBI circular, all the commodity derivative exchanges are required to put in place a framework for levying concentration margin only on concentrated positions, so as to cover the risk of longer period required for liquidation of concentrated positions in any commodity. In 2019-20, Exchanges evaluated the framework of concentration margin and, for agricultural commodities, thresholds were revised so as to take into account seasonality factor associated with various agri-commodities.
- Surveillance Meetings with Exchanges: SEBI conducts monthly surveillance meetings with the senior officials of the exchanges to monitor the trading activities at Commodity

Derivative Exchanges. The meetings are aimed at discussing various recent developments in the market and surveillance concerns; and required actions to address the surveillance concerns.

- (iv) Warehouse visits: SEBI has carried out visits to some of the exchange accredited warehouses during 2019-20. Pursuant to such visits, various suggestions have been made to the exchanges about record keeping, infrastructure, etc.
- (v) Market Intelligence: To strengthen the market intelligence and to gather feedback from market participants, various mandi visits including meeting physical participants have been carried out. Based on the feedback received from the physical market participants, derivative contracts of Turmeric at NCDEX and BSE were reviewed and suitably modified.

IV. SURVEILLANCE ACTIONS- COMMODITIES

A. Additional Margins/ Special margins :

In order to deal with the high volatility in

Commodity Derivative contracts and to maintain the integrity of the market, Commodity Derivative Exchanges have taken regulatory measures w.r.t. Margins as per the framework prescribed by SEBI. During 2019-20, special margin was imposed on the short side of Castor seed contract on September 30, 2019, which was subsequently withdrawn on October 22, 2019. Further, special margin was imposed on the short side of Chana contract throughout 2019-20.

Further, in order to strengthen the existing risk management framework, the margins for narrow commodities as defined as per SEBI circular dated July 25, 2017, and commodities grown or traded in a particular region with limited participation, were revised by Exchanges and a framework for additional surveillance margins (ASM) and event based additional surveillance margin (e-ASM) were introduced. The ASM and e-ASM were in addition to existing margins (initial margin and extreme loss margin), and the framework was made applicable on Castor Seed, Dhaniya, Guargum, Guarseed, Jeera, Turmeric, Barley, Mentha oil, Pepper, Isabgul Seed and Cardamom.

B. Surveillance Actions Taken by exchanges: A Summary of surveillance actions taken by exchanges in the commodities segment is as given in Table 3.59.

Table 3.59: Summary of Surveillance Actions – Commodities

Nature of Action	MCX				NCDEX				ICEX				BSE				NSE*	
	Agri Commodities		Non-Agri Commodities		Agri Commodities		Non-Agri Commodities		Agri Commodities		Non-Agri Commodities		Agri Commodities		Non-Agri Commodities		Non-Agri Commodities	
	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20
No. of Commodities where further margins imposed	2	4	0	2	1	10	0	0	2	6	0	0	0	6	0	1	0	2
No. of Cases taken up for detailed investigation	39	54	95	250	36	18	0	0	0	1	0	4	0	0	0	0	0	0
No. of Observation/ Caution Letters issued	52	45	268	227#	144	227	0	0	0	12	0	10	0	0	0	0	0	0
No. of Commodities suspended from trading	0	0	0	0	0	0	0	0	0	2	0	0	0	0	0	0	0	0

*NSE has only non-agri commodities. # Count of Two unique observations / cautions email issued for both Agri segment as well as non-Agri segment are considered only in non-Agri segment.

V. INFORMATION CALLED FROM INSPECTIONS UNDERTAKEN, ENQUIRES AND AUDITS OF STOCK EXCHANGES, INTERMEDIARIES AND SROS IN THE SECURITIES MARKET CONDUCTED BY SEBI

During 2019-20, SEBI has conducted annual

surveillance inspections of NCDEX, MCX, ICEX, BSE and NSE. The inspections are being conducted with the objective of improvement in the surveillance systems and procedures of the exchanges. Pursuant to the said inspections various observations/ suggestions in this respect have been made to the exchanges for implementation.

12. INVESTIGATION

Timely completion of investigation cases and effective, proportionate and dissuasive action in case of violations of securities laws is important for protection of investors' interest and ensuring fair, transparent and orderly functioning of the securities market. It is also vital for improving the confidence in the integrity of the securities market. Another important benefit resulting from investigations is contribution to the policy changes with a view to further strengthening the regulatory and enforcement environment. SEBI is therefore constantly striving to upgrade its investigative skills by making use of information technology and other latest investigative tools. Importance of effective and credible use of investigation has also been underscored by IOSCO in its "Principles for the Enforcement of Securities Regulation".

Initiation of Investigations: SEBI initiates investigation based on reference received from sources such as SEBI's Integrated Surveillance Department, other operational departments within SEBI, exchange reports, external government agencies, media reports, complaints etc.

Process of Investigation: The steps involved during investigation process include an analysis of market data (order and trade log, transaction statements, etc.), exchange report, data from the depository, KYC documents obtained from brokers, depository participants, etc., bank records like account statements and KYC details, information about the company including financial results and shareholding pattern, major corporate developments including events around them, Call Data Records, information obtained from market Intermediaries and alleged entities etc. The purpose of the investigation is to gather evidence and to identify persons/ entities behind manipulation, frauds,

irregularities and violations of securities laws so that appropriate and suitable regulatory action can be taken, wherever required.

Trends in Investigation Cases: During 2019-20, 161 new cases were taken up for investigation and 170 cases were completed in comparison to 194 new cases taken up and 110 cases completed in 2018-19 (Table 3.60).

Table 3.60: Trends in Investigations

Year	Cases taken up for Investigation	Cases completed
2018-19	194	110
2019-20	161	170

A. Nature of Investigation Cases Taken Up:

During 2019-20, 49 cases (30.4 per cent) taken up for investigation pertained to insider trading, 35 cases (21.7 per cent) taken up for investigation pertained to market manipulation and price rigging, while "Issue" related manipulation, and takeovers cases accounted for four cases (2.5 per cent) and remaining 73 cases (45.4 per cent) pertained to other violations of securities laws. (Table 3.61 and Figure 3.1)

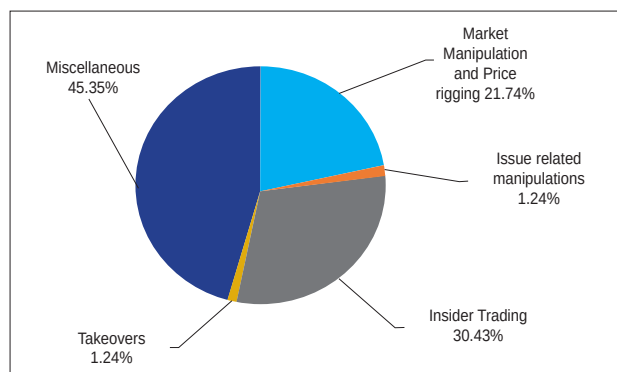
Table 3.61: Category-wise Nature of Investigations

Particulars	Investigations Taken Up	
	2018-19	2019-20
Market manipulation and price rigging	84	35
"Issue" related manipulation	2	2
Insider Trading	70	49
Takeovers	6	2
Miscellaneous*	32	73
Total	194	161

Note: *Miscellaneous includes alleged violations of/by - i) Listing Conditions ii) Statutory Auditors ii) Disclosure requirements iv) SCRA v) Preferential Allotment Requirements etc.

Since several investigation cases involve multiple allegations of violations, water-tight classification under specific category becomes difficult. Therefore, cases have been classified on the basis of main charge / violations.

Figure 3.1: Category-wise Nature of Investigation Taken up



B. Nature of Investigation Cases Completed:

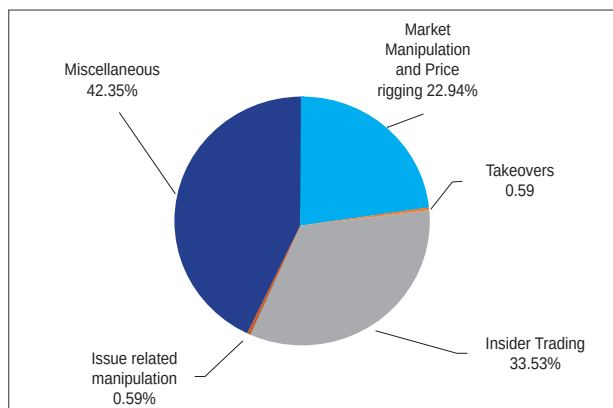
During 2019-20, 57 cases (33.5 per cent) completed pertained to Insider Trading, 39 cases (22.9 per cent) completed pertained to market manipulation and price rigging, two cases (1.2 per cent) completed pertained to "Issue" related manipulation and takeovers and remaining 72 cases (42.4 per cent) completed pertained to other violations of securities laws. (Table 3.62 and Figure 3.2).

Table 3.62 Investigations Completed

Particulars	Investigations completed	
	2018-19	2019-20
Market manipulation and price rigging	60	39
"Issue" related manipulation	1	1
Insider Trading	19	57
Takeovers	3	1
Miscellaneous*	27	72
Total	110	170

*Miscellaneous includes alleged violations of/by - i) Listing Conditions ii) Statutory Auditor ii) Disclosure requirements iv) SCRA v) Preferential Allotment process etc.

Figure 3.2: Category-wise Nature of Investigation Completed



C. Regulatory Action Initiated:

After completion of investigation, penal action is initiated wherever violations of securities laws and obligations relating to securities market are observed. Action is decided based on the principles of objectivity, consistency, materiality and quality of evidence available, after thorough analysis and appreciation of facts. The actions include issuing administrative warning, initiating enquiry proceedings against registered intermediaries, initiating adjudication proceedings for levy of monetary penalties, passing directions under Section 11 SEBI Act, 1992 and initiating prosecution as given in Table 3.63.

Table 3.63: Type of Regulatory Action Initiated

Regulatory Action approved by Competent Authority	No. of Entities	
	2018-19	2019-20
Administrative warning	40	69
Proceedings under Section 11 of SEBI Act, 1992	498	678
Proceedings under Intermediaries Regulations	7	0
Adjudication proceedings	15,910	1,294
Prosecution proceedings	0	10
Enforcement actions under Summary Settlement	0	20

During 2019-20, three interim orders were passed impounding a total amount of ₹ 11.48 crore.

13. OTHER FUNCTIONS

I. ENFORCEMENT FUNCTION

Effective enforcement lies at the heart of ensuring integrity, transparency and fairness in the market. It not only leads to a better compliance culture but also underscores the point that market misconduct and abuse will not go unpunished. A credible enforcement strategy underpins the importance of consistent, timely and transparent regulatory outcomes which are proportionate, dissuasive and effective. Under the SEBI Act, 1992; SCRA, 1956; and the Depositories Act, 1996 SEBI broadly pursues two streams of enforcement action, that is, administrative/civil or criminal. Administrative/civil action includes issuing directions such as remedial orders, cease and desist orders, suspension or cancellation of certificates of registration and imposition of monetary penalties under respective statutes. Proceedings of a criminal nature involve initiating prosecution proceedings against violators by filing criminal complaints before a competent court.

A. Enforcement Mechanisms

SEBI uses six enforcement mechanisms in case of any violation(s) pertaining to laws regulating the securities market.

Section 11/11B Proceedings: Under these proceedings, SEBI may issue directions or prohibitive orders in the interest of investors or the securities market, either pending investigation/inquiry or on completion of such investigation/inquiry. Under Section 11B of the SEBI Act, 1992, SEBI may suspend trading of any security in a recognized stock exchange; restrain persons from accessing the securities market; prohibit any person associated with the securities market to buy, sell or deal in securities; and direct any intermediary or any person associated with the securities market not to

dispose of or alienate an asset forming part of any transaction which is under investigation.

Enquiry Proceedings: SEBI may suspend or cancel the certificate of registration of an intermediary through the enquiry regulations on the recommendation of the enquiry officer/designated authority appointed for that purpose.

Adjudication Proceedings: Under chapter VIA of the SEBI Act, 1992, SEBI may appoint an adjudicating officer for conducting an enquiry and imposing monetary penalties after completing the investigation/inquiry for contravention of any provision of the SEBI Act, 1992 or any rules or regulations made thereunder.

Prosecution Proceedings: SEBI may initiate proceedings by filing a criminal complaint against any person, for contravention of any provision of the SEBI Act, 1992, Securities Contracts (Regulation) Act, 1956, Depositories Act, 1996, or any rules or regulations made thereunder. SEBI may also initiate prosecution proceedings for non-payment of penalty imposed by the adjudication officer or the Board or if a person fails to comply with any directions or order issued under the SEBI Act, 1992, the Securities Contracts (Regulation) Act, 1956, or the Depositories Act, 1996. The complaints filed by the SEBI for violation of the securities laws are tried by the SEBI Special Courts/ Sessions Court. Offences under the aforesaid securities laws are compoundable by the court.

Summary Proceedings: SEBI may initiate a summary enquiry against SEBI registered intermediaries or may issue a warning and deficiency letter for violation of rules and regulations for intermediaries. Chapter VA of the SEBI (Intermediaries) Regulations, 2008 provides SEBI the power to conduct summary proceedings in certain cases.

Administrative Actions: SEBI may take administrative actions like issuing warning letters, deficiency letters, caution letters or advice letters in cases of first time violations or violations which can be remedied with corrective actions.

B. Enforcement Actions Taken

Enforcement actions are initiated as approved by the competent authority wherever violations of laws and obligations relating to the securities market are observed. Action is decided on the principles of objectivity, consistency, materiality and quality of evidence available after a thorough analysis and appreciation of facts. Table 3.64 presents a snapshot of the various types of enforcement actions taken by SEBI during the year 2019-20. Prohibitive directions issued under Section 11 of the SEBI Act, 1992, were issued against 766 entities, adjudication orders were passed against 1,818 entities, followed by administrative warnings/warning letters issued against 325 entities and advice letters issued against 55 entities.

Table 3.64: Type of Enforcement Action Taken

Enforcement action taken	Number of entities against whom enforcement action was taken	
	2018-19	2019-20
Prohibitive directions issued under Section 11 of the SEBI Act, 1992	672	766
Adjudication orders	2,099	1,818
Cancellations/ Deemed cancellations	5	2
Suspension	2	0
Warnings issued	3	22
Administrative warnings/warning letters issued	481	325
Deficiency observations issued	100	50
Advice letters issued	54	55
Prosecutions filed	399	94
Conviction by courts	19	66
Total	3,834	3,198

C. Section 11/ 11B, Enquiry and Adjudication Proceedings

a. Section 11/11B Proceedings

During 2019-20, SEBI initiated enforcement action under section 11, 11B and 11D in 218 cases, while it disposed of 151 cases. At the end of March 31, 2020, 376 cases were pending for action (Table 3.65).

Table 3.65: Age-Wise Analysis of Enforcement Actions- u/s 11, 11b and 11d of the SEBI Act, 1992

An age-wise analysis of Enforcement Actions u/s 11, 11B & 11D of the SEBI Act, 1992		
Particulars	No. of cases	
	2018-19	2019-20
Cases pending at the beginning of the period	352	309
Cases added during the period	78	218
Cases disposed of during the year	121	151
Cases pending at the end of the period	309	376
Break-up of pending cases at the end of the period		
Cases older than 2 years	165	236
Cases older than 1 but less than 2 years	78	55
Cases less than 1 year	66	85
Total	309	376

b. Nature of violations in Section 11/11B Proceedings

Analysis of the orders passed under section 11/11B shows that 61 orders passed related to violation of PFUTP regulation (market manipulation), 13 orders were on ILDS Regulations violation, 11 orders were on SAST Regulations violation and 10 orders were related to CIS Regulations violation. Table 3.66

Table 3.66: Nature of Violation under Section 11/11B Proceedings

Nature of violation in section 11/11B proceedings		
Nature of violation	No. of cases	
	2018-19	2019-20
PFUTP	50	61
Insider trading	2	4
SAST	10	11
Deemed Public issue	26	2
ILDS Regulations	9	13
CIS Regulations	12	10
Others	16	50
Total	121	151

c. Adjudication Proceedings

During 2019-20, 684 cases involving adjudication proceedings were disposed of by SEBI. 257 fresh cases with adjudication proceedings were initiated during the year. As on March 31, 2020 adjudication proceedings were pending in 637 cases (Table 3.67).

Table 3.67: Age-Wise Analysis of Enforcement Action - Adjudication Proceedings

Particulars	2018-19	2019-20
Cases Pending at the beginning of the period	1053	1064
Cases added during the period	822	257
Cases disposed of during the year	811	684
Cases pending at the end of the period	1064	637
Break up of pending cases at the end of the period		
Cases older than 2 years	363	242
Cases Older than 1 but less than 2 years	173	205
Cases less than 1 year	528	190
Total	1064	637

d. Nature of Violations in Adjudication Proceedings

An analysis of the nature of violations for which penalty was imposed is given in the Table 3.68. It can be seen that maximum number of entities have been adjudicated for PFUTP violations followed by 308 entities for disclosure related violations under PIT and SAST Regulations.

Table 3.68: Nature of Violations in Adjudication Matters

Nature of Violation Number of entities	Number of Entities
PFUTP	984
Disclosure related under SAST and PIT	308
Takeover related	118
Investor Grievances related	108
Listing / LODR	102
Stock Broker Regulations	65
Non-compliance with SEBI orders	46
Insider Trading	18
CIS Regulations	24
Non-compliance with summons	11
Others	34
Total	1,818

e. Enquiry and Adjudication Proceedings against intermediaries

During 2019-20, SEBI conducted enquiry and adjudication proceedings against various intermediaries. Majority of enquiries i.e. 178 were against brokers. Four enquiries were conducted against Registrars to Issue and Share Transfer Agents and four against Sub-brokers. 66 adjudication orders pertained to brokers, seven against merchant bankers, and remaining on various other intermediaries. (Table 3.69).

Table 3.69: Enquiry and Adjudication Proceedings against Intermediaries during 2019-20

Particulars	Enquiries conducted	Adjudication orders passed
Registrars to Issue and Share Transfer Agents	4	2
Merchant Bankers	0	7
Depository Participants	0	1
Credit Rating Agencies	0	3
Debenture Trustees	0	2
Brokers	178	66
Sub-brokers	4	4
Mutual Fund/AMC	0	2
Investment Advisor	0	1
Depository	0	2
Portfolio Managers	0	3
Total	186	92

f. Enquiry Proceedings

Enquiry proceedings are initiated against registered intermediaries and involve a two-step process. In the first step, enquiry proceedings are conducted, and in the second step, proceedings are conducted before Whole Time Member of SEBI on the basis of recommendation of enquiry officer. During 2019-20, SEBI initiated 19 enquiry proceedings and conducted 196 enquiry proceedings. As on March 31, 2020, 101 enquiry proceedings were pending (Table 3.70).

Table 3.70: Age-Wise Analysis of Enquiry Proceedings

Particulars	2018-19	2019-20
Cases Pending at the beginning of the period	72	278
Cases added during the period	309	19
Cases conducted during the year	103	196
Cases pending at the end of the period	278	101
Break up of pending cases at the end of the period		
Cases older than 2 years	31	28
Cases Older than 1 but less than 2 years	4	60
Cases less than 1 year	243	13
Total	278	101

g. Summary Proceedings

Summary proceedings were initiated in certain cases under the now repealed SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations 2002. Out of the 2,344 cases of summary proceedings initiated, 56 cases are remaining of which 49 cases pertain to nine regional stock exchanges which have exited and fees have been since recovered. During 2019-20, no case for summary proceedings was disposed by SEBI

II. PROSECUTIONS**A. Trends in Prosecution****a. Number of Prosecutions Launched**

During 2019-20, 38 prosecution cases were launched against 94 persons/entities as compared to 65 prosecutions launched against 399 persons/entities in the previous year (Table 3.71).

Table 3.71: Prosecutions Launched

Year	No. of cases in which prosecution has been launched	No. of persons/entities against whom prosecution has been launched
Up to 2003-04	891	4,332
2004-05	86	432
2005-06	30	101
2006-07	23	152
2007-08	40	185
2008-09	29	114
2009-10	30	109
2010-11	17	67
2011-12	29	60
2012-13	75	150
2013-14	269	652
2014-15	67	157
2015-16	46	268
2016-17	33	237
2017-18	56	407
2018-19	65	399
2019-20	38	94
Total	1,824	7,916

Up to March 31, 2020, region-wise the highest number of prosecutions were launched in the Head office/ Western region (1,078) followed by the Northern region (379), Eastern region (244) and Southern region (123) (Table 3.72).

Table 3.72 Region-wise Data on Prosecution Cases

Region	Number of Cases	Percentage of Total	Number of Cases	Percentage of Total
	As on March 31, 2019		As on March 31, 2020	
Head Office/ Western Region	1,046	58.6	1,078	60
Northern Region	379	21.2	379	21
Southern Region	119	6.7	123	6
Eastern Region	242	13.5	244	13
Total	1,786	100	1,824	100

b. Nature of Prosecutions

SEBI launches prosecutions for violation of provisions of the SEBI Act, 1992; Companies Act, 1956; Depositories Act, 1996; SC(R) Act, 1956; and the Indian Penal Code. Up to March 31, 2020, 1,824 prosecution cases have been launched (Table 3.73).

Table 3.73: Nature of Prosecutions Launched

Nature of Prosecution Launched	Number of Cases as on March 31, 2019	Number of Cases as on March 31, 2020
Securities and Exchange Board of India Act, 1992 (SEBI Act)	1,483	1,519
SEBI Act & Securities Contracts (Regulation) Act, 1956 (SCRA)	97	97
SEBI Act, SCRA & Companies Act	2	2
SEBI Act & Companies Act	74	74
SEBI Act & Indian Penal Code	5	5
Companies Act, 1956	81	83
Securities Contracts (Regulation) Act, 1956	7	7
Depositories Act, 1996	29	29
Indian Penal Code	8	8
Total	1,786	1,824

Table 3.74: Nature of Violations in Prosecutions Launched during 2019-20.

Nature of Violation	No. of cases filed
Non-payment of Penalty Imposed by Adjudication Officer	33
Violation of SEBI (PFUTP) Regulations and SEBI (RTA) Regulations	1
Violation of the provisions of the Companies Act	2
CIS Regulations	2
Total	38

c. Disposal of Prosecution Cases

As on March 31, 2020, the courts had disposed of 664 prosecution cases filed by SEBI, out of which 211 cases pertained to CIS entities and 453 pertained to non-CIS entities. Further, out of 664 prosecution cases decided by the courts, 235 cases resulted in convictions and 274 cases were compounded (Table 3.75).

Table 3.75: Number of Prosecution Cases Decided by the Courts

Type of Decision by the Courts	CIS	Non-CIS	Total
Convictions	163	72	235
Compounded	9	265	274
Abated	6	23	29
Dismissed/ Discharged	31	86	117
Withdrawn	2	4	6
Adjourned Sine Die/ Filed for the Present	0	3	3
Total	211	453	664

Table 3.76: Nature of Violations in Convictions

Nature of Violation	No. of cases filed during 2019-20
Non-payment of Penalty Imposed by Adjudication Officer	15
Non-compliance of summons issued by the Investigating Authority	4
CIS Regulations	10
Deemed Public Issue in violation of Companies Act	1
Total	30

III. SETTLEMENT AND COMPOUNDING

During the financial year 2019-20, SEBI received 249 applications for settlement as compared to 419 applications received in the previous financial year. During 2019-20, SEBI disposed of 100 applications by passing appropriate settlement orders, while 143 applications were rejected. For 100 applications settled during the year, SEBI collected ₹ 51.81 crore towards settlement / legal / disgorgement charges compared to ₹ 46.11 crore in previous year (Table 3.77).

Table 3.77: Settlement Applications Filed with SEBI

Year	Pending at the beginning of the period	No. of settlement applications received ¹	No. of applications disposed of by passing orders ²	Settlement charges (Rupees) ³	No. of applications rejected	Pending at the end of the period
2018-19	194	419	137	46,11,30,881	164	312
2019-20	312	249	100	51,81,03,523	143	318

Note: ¹Under the SEBI (Settlement of Administrative and Civil Proceedings) Regulation, 2014 which is repealed and replaced with SEBI (Settlement Proceedings) Regulations, 2018 with effect from January 01, 2019, the process is now known as settlement instead of consent. ²The number of applications may include disposal of applications filed during previous financial years. ³Out of total amount of ₹ 51,81,03,523/-; ₹ 49,85,75,731/- was received towards settlement charges, ₹ 1,95,27,792/- towards summary settlement charges and there weren't any legal expenses recovered.

Out of the 135 applications filed with SEBI (65 fresh applications filed during 2019-20 and 70 pending applications from the previous years), 84

applications were compounded during the year while 26 others were rejected (Table 3.78).

Table 3.78: Compounding Applications Filed by the Accused in Criminal Courts

Opening Balance as on April 01, 2019 (Applications pending as on April 01, 2019)	Applications filed in 2019-20	Applications disposed		Compounding charges received by SEBI (₹) in 2019-20	Closing Balance as on March 31, 2020
		Compounded	Rejected		
70	65	84	26	1,51,11,763	25

IV. RECOVERY PROCEEDINGS

The Securities Laws (Amendment) Act, 2014 was notified in August 2014 amending the SEBI Act, 1992, SCRA, 1956 and the Depositories Act, 1996 w.e.f. July 18, 2013. As per Section 28A of the SEBI Act and the corresponding provisions of SCRA and the Depositories Act, SEBI is

empowered to recover money from persons who fail to pay the penalty imposed by an adjudicating officer or fail to comply with any directions of the Board for refund of money or fail to comply with the direction of disgorgement order or fail to pay any fees due to the Board. Table 3.79 presents the details of recovery proceedings by SEBI.

During 2019-20, 853 recovery proceedings were initiated for recovery of ₹ 6851.18 crore. Of which ₹ 70.48 crore was recovered during the year.

Recovery proceedings were completed in 187 cases after recovering the outstanding dues.

Table 3.79: Recovery Proceedings by SEBI

Sr. No.	Description	CIS & DPI							Other than CIS & DPI							Total (Cumulative)
		2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	
1	Recovery Certificates / Notice of Demand drawn by SEBI	1	14	47	34	33	37	102	63	526	244	241	179	556	751	2828
2	No. of Certificates Cancelled	0	1	1	0	1	0	2	0	10	26	11	8	32	74	166
3	Amount covered under Certificates (₹ crore)	1520	370.2	52912.1	15154	1743.6	1845.3	5494.24	74.8	90.8	47.2	182.2	106.7	187.6	1356.94	81085.68
4	Amount Recovered (₹ crore)	0	2.3	213.2	80.8	187.2	262.02	43.78**	7.8	16.9	11.4	8.4	16.2	10.34	26.70**	887.04
5	Arrests and detention of Defaulter	0	0	0	0	0	0	0	0	3	0	0	0	0	0	3
6	Cases where recovery is completed	0	0	0	0	0	1	1	6	121	80	121	78	120	186	714
7	No. of Certificates Pending at the year end	1	14	60	94	126	162	269	57	452	590	699	792	1196	1679	1948*

Notes: 1. * Figure excludes no. of Certificates Cancelled and cases where recovery is completed.
2. Amounts in other than CIS & DPI cases includes interest and costs till the date of issuance of Recovery Certificate.
3. ** Figures are subject to reconciliation with the banks.

V. SPECIAL ENFORCEMENT CELL

The Special Enforcement Cell was constituted by SEBI to specifically handle work relating to the verification process of documents submitted in terms of the directions of the Hon'ble Supreme Court with respect to M/s. Sahara India Real Estate Corporation Ltd., (SIRECL) and M/s. Sahara India Housing Corporation Ltd. (SHICL) and matters connected therewith. Developments in the matter of SIRECL and SHICL are given below.

A. Background:

SEBI is implementing the Hon'ble Supreme Court's judgment dated August 31, 2012 which inter alia upheld SEBI directions to SIRECL and SHICL (collectively referred to hereinafter as the "Saharas")

to forthwith refund the money collected by them through RHPs with 15 per cent interest from the date of receipt of money till the date of payment.

SEBI has been acting in accordance with the directions contained in the said judgment of the Hon'ble Supreme Court and its actions are overseen by Hon'ble Justice (Retd.) B. N. Agrawal. SEBI has filed 21 status reports before the Hon'ble Supreme Court in this respect which have also been furnished to Saharas.

B. Developments in the Matter during 2019-20

Hon'ble Supreme Court, vide its Order dated January 24, 2020 has directed that the matter of SIRECL and SHICL and their promoters/directors may be listed on a non-miscellaneous day in the

month of April, 2020. Until further orders the personal presence of alleged contemnors is dispensed with.

C. Amount received from the Saharas:

Pursuant to various Orders passed by the Hon'ble Supreme Court and the attachment Orders dated February 13, 2013 passed by SEBI, as on March 31, 2020, an aggregate amount of about ₹ 15,451.36 crore has been recovered by SEBI. As on March 31, 2020, these amounts along with interest earned on them after providing for making refunds to the investors i.e. aggregate amount of ₹ 21,770.70 crore, have been deposited in 'nationalized banks' in terms of the judgment dated August 31, 2012 of the Hon'ble Supreme Court.

D. Status of Refunds Made by SEBI:

Pursuant to the order of the Hon'ble Supreme Court dated May 08, 2013 permitting SEBI to make refunds to those genuine investors who have lodged their claims with SEBI, a press release was issued on May 28, 2013 followed by two series of advertisements released on August 2014 and December 2014. The format of the "Application for Refund" was also uploaded on SEBI's website.

SEBI had further, with the approval of Justice B N Agrawal, released a final round of advertisement on March 26, 2018 in which the last date for submission of applications was stated as July 02, 2018. Subsequently, another advertisement, as a clarification to the advertisement issued on March 26, 2018 was issued on June 19, 2018, informing the bondholders that the opportunity to file the claim for refund would be the last and final opportunity and thereafter, no further refund claims would be entertained. Pursuant to the said advertisement, SEBI received 4,118 refund applications (including disputed cases) along with original bond certificates/passbooks and the same have been entered into the system and the cases were taken up for verification.

As on March 31, 2020, SEBI received 19,600 applications involving 53,470 accounts and made refunds with respect to 15,140 applications involving 41,364 accounts for an aggregate amount of ₹ 115.20 crore including the interest amount of ₹ 54.41 crore. About 1574 applications involving 3725 accounts were referred back to applicants for removal of discrepancies and 229 applications involving 487 accounts fall under the disputed category. (Table 3.80)

Table 3.80: Status of Refund made by SEBI

Sr. No.	Particulars	No of Cases*	Account / Control Nos.	Amount Claimed by Bondholder (₹)
1.	Application received with Original Bond Certificates / Passbooks	19,600	53,470	81,45,75,386
2.	Disputed Cases	229	487	64,96,004
3.	Pending with the Investors	1,574	3,725	5,27,71,904
4.	Pending with Sahara	667	1,157	1,43,39,616
5.	Pending with SEBI	302	3,522	9,78,76,096
6.	Closed cases (Investor not responded/ No Record Found Cases – Received after 01/04/2016)	1,688	3,215	3,51,33,666
7.	Cases already refunded	15,140	41,364	Principal: 60,79,58,100 Interest: 54,41,36,232

*An application may fall in more than one category, hence the no. of cases are not mutually exclusive.

VI. APPEALS, LITIGATIONS AND COURT PRONOUNCEMENTS

Appeals before SAT

During 2019-20, 630 appeals were filed before the Securities Appellate Tribunal (SAT). Further, 217 appeals were dismissed (ruled in favour of SEBI) while 78 were allowed (ruled against SEBI). At the end of March 31, 2020, 479 appeals were pending before SAT (Table 3.81).

Table 3.81: Status of Appeals before SAT

Status of Appeals	2018-19	2019-20
Appeals pending at the beginning of the year	217	379
Appeals filed during the year	400	630
Appeals Dismissed	138	217
Appeals Remanded	21	96
Appeals Allowed	25	78
SEBI orders upheld with modifications	25	121
Appeals withdrawn	29	18
Appeals Pending at the end of the year	379	479

Cases before Supreme Court

As on March 31, 2020, there were 291 cases pending before the Supreme Court (compared to 261 pending

in the previous year) out of which 135 cases are filed by SEBI and 156 cases filed by the other parties (Table 3.82)

Table 3.82: Status of Litigation before the Supreme Court

Subject Matter	2018- 19			2019-20		
	Filed during 2018-19	Disposed during 2018-19	Pending as on 31.3.2019	Filed during 2019-20	Disposed during 2019-20	Pending as on 31.3.2020
Cases filed By SEBI	7	3	107	41	13	135
Cases filed By Parties	23	34	154	28	26	156
Total	30	37	261	69	39	291

Out of 291 cases pending before Supreme Court, there were 173 appeals pending under section 15Z of SEBI Act (Table 3.83)

Table 3.83: Status of Appeals against SAT Orders before the Supreme Court

Subject Matter	2018-19			2019-20		
	Filed during 2018-19	Disposed during 2018-19	Pending as on 31.3.2019	Filed during 2019-20	Disposed during 2019-20	Pending as on 31.3.2020
Appeals filed by SEBI	7	3	73	32	13	92
Appeals filed by parties	13	27	83	19	21	81
Total	20	30	156	51	34	173

Litigation before High Courts

As on March 31, 2020, there were 1,169 cases pending before the High Court (compared to 1,076 cases in the previous year) (Table 3.84)

Table 3.84: Status of Litigation before High Courts

	2018- 19			2019-20		
	Filed during 2018-19	Disposed during 2018-19	Pending as on 31.3.2019	Filed during 2019-20	Disposed during 2019-20	Pending as on 31.3.2020
Total	277	120	1,076	229	137	1,169

Cases before various judicial forums

During 2019-20, of the 438 cases filed across various judicial forums, 229 cases were filed in High Courts, 69 cases were filed in Supreme Court, 56 cases were filed in Consumer Forums, 23 cases were filed in Permanent Lok Adalat and 42 cases were filed in NCLT/NCLAT. Meanwhile, High Courts disposed 136 cases, Supreme Court disposed 39 cases, Consumer Forums disposed 48 cases followed by NCLT/NCLAT (27 cases). As on March 31, 2020, 1,844 cases were pending at different stages before various judicial forums (Table 3.85).

Table 3.85: Status of Court Cases where SEBI was a Party (Judicial Forum)

Subject	Filed During 2019-20	Disposed during 2019-20	Pending as on March 31, 2020
Supreme Court	69	39	291
High Court	229	136	1,169
Civil Court	8	13	118
Criminal Courts	2	2	9
Consumer Forums	56	48	170
NCLT/NCLAT	42	27	62
Labour Commissioner / Labour Court	0	0	8
Commissioner of GST & CX / Sales Tax Appellate Tribunal	2	0	3
Commissioner of Income Tax	6	1	6
Municipal /Local Bodies	0	0	0
Permanent Lok Adalat	23	87	5
The Debt Recovery Tribunal	1	0	3
Central Administrative Tribunal	0	0	0
Total	438	353	1,844

During 2019-20, 438 fresh court cases where SEBI was a party were filed in different courts while 353 cases were disposed of. Of the 353 cases disposed of, 137 pertained to collective investment schemes. As on March 31, 2020 the highest number of cases were pending in the miscellaneous category (664 cases) followed by cases related to issues and listings (473 cases), collective investment scheme

cases (204 cases) and investor complaint cases (166 cases) (Table 3.86).

Table 3.86: Status of Court Cases where SEBI was a Party (Subject Matter)

Subject	Filed During 2019-20	Disposed during 2019-20	Pending as on March 31, 2020
Issue & Listing	95	36	473
Takeover	14	13	46
Stock Exchanges/ Clearing Corporations / Depositories	4	6	43
Mutual Fund	1	1	3
Collective Investment Scheme	68	137	204
Surveillance & Investigations	39	25	102
Intermediaries/ Broker Fees Matters	18	7	81
Cases relating to Investor Complaints	15	9	166
Right to Information	1	1	17
General Service Department	2	0	14
Human Resources	0	1	3
Commodities	10	0	28
Miscellaneous	171	118	664
Total	438	353	1,844

VII. REGULATORY CHANGES

- Section 30 of the SEBI Act, 1992 empowers SEBI to make regulations consistent with the Act by issuing notifications. Every rule and every regulation made under this Act is to be laid before each House of Parliament. During 2019-20, SEBI took various regulatory measures to protect the interests of investors in the securities market, for developing the securities market and for regulating the securities market. It notified new regulations and various amendments to existing regulations.

Table no: 3.87 Details of various New Regulations and various Amendments to Existing Regulations

No.	Date	Title	Details	Rationale
Amendment Regulations				
1	April 05, 2019	Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Second Amendment) Regulations, 2019	The “Institutional Trading Platform” has been renamed as “Innovative Growth Platform” (IGP) and the said platform for listing may be used by an issuer which is intensive in the use of technology, information technology, intellectual property, data analytics, bio-technology or nano-technology to provide products, services or business platforms with substantial value addition. Further, the provisions inter alia relating to eligibility, allotment and minimum offer and application size for listing on the IGP have been relaxed.	The relaxations have been made based on the recommendations of the Primary Market Advisory Committee.
2	April 22, 2019	Securities and Exchange Board of India (Real Estate Investment Trusts) (Amendment) Regulations, 2019	The minimum subscription from any investor in initial and/or public offer has been reduced to fifty thousand rupees from the existing two lakh rupees. The lot size for trading units of the Real Estate Investment Trusts has also been modified to 100 units from the existing one lakh rupees.	To provide flexibility to the issuers for raising fund and provide better access of these investment vehicles and trading lots of listed units to investors.
3	April 22, 2019	Securities and Exchange Board of India (Infrastructure Investment Trusts) (Amendment) Regulations, 2019	The minimum subscription from any investor in initial and/or public offer has been reduced to one lakh rupees from the existing ten lakh rupees. The lot size for trading units of the Infrastructure Investment Trusts has been modified to 100 units from the existing five lakh rupees. Further, a separate framework for privately placed unlisted Infrastructure Investment Trusts has been provided.	To increase the leverage limit of Infrastructure Investment Trusts and to specify a new regulatory structure for privately placed unlisted Infrastructure Investment Trusts.
4	April 26, 2019	Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2019	Enabled mutual funds to invest in exchange traded commodity derivatives and appoint a custodian to have custody of the underlying goods in case of physical settlement of such contracts.	To increase the investment options for mutual funds.
5	May 07, 2019	Securities and Exchange Board of India (Debenture Trustees) (Amendment) Regulations, 2019	Increased the minimum net worth requirement of the debenture trustee from Rupees 2 crore to Rupees 10 crore. The option of e-voting has been made available for the Debenture Trustee to obtain consent of debenture holders whenever applicable.	To strengthen the regulatory framework for Debenture Trustees (DTs) and empower the DTs to effectively discharge their responsibilities towards the debenture holders.
6	May 07, 2019	Securities and Exchange Board of India (Issue and Listing of Debt Securities) (Amendment) Regulations, 2019	In case of delay in executing trust deed for securing the issue of debt securities by the issuer, the issuer shall pay additional interest of at least two per cent per annum and a clause stipulating such requirement shall form a part of Trust Deed. Disclosure to this effect has been required to be made in the Offer Documents. Further, requirement to submit a copy of the financial results to be provided to the Debenture Trustees and time line for the same has been rationalised.	
7	May 07, 2019	Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2019		
8	May 08, 2019	Securities and Exchange Board of India (Employees’ Service) (Amendment) Regulations, 2019	Extended the facility of medical claims for treatment availed in India to the female employees of the Board who are on Special Hardship Leave.	To mitigate the hardship of the employees who are on Special Hardship Leave.
9	May 10, 2019	Securities and Exchange Board of India (Alternative Investment Funds) (Amendment) Regulations, 2019	Enabled Category III Alternative Investment Funds to invest in exchange traded commodity derivatives.	To increase the investment options for Category III Alternative Investment Funds.

No.	Date	Title	Details	Rationale
10	May 10, 2019	Securities and Exchange Board of India (Portfolio Managers) (Amendment) Regulations, 2019	Enabled the portfolio managers to invest in exchange traded commodity derivatives.	To increase the investment options for the Portfolio Managers.
11	June 04, 2019	Securities and Exchange Board of India (Depositories and Participants) (Amendment) Regulations, 2019	Mandated the depository to forward the names of Managing Director/Executive Director to SEBI within two months from the last working day of the existing Managing Director.	To align with the provisions of the Securities Contracts (Regulation) Stock Exchanges and Clearing Corporations) Regulations, 2018.
12	June 04, 2019	Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2019	The amendment has omitted the definition of commodity derivatives exchange and inserted a provision for the obligation of 'Good Delivery' for Clearing Corporation in Commodity Derivatives and has made other incidental changes.	The definition of "commodity derivatives exchange", was omitted as the same has become redundant. Further, in view of the criticality of delivery of goods of appropriate quality and quantity along with clear legal title, a specific obligation on Clearing Corporations towards ensuring good delivery was inserted.
13	June 27, 2019	Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2019	Increased the threshold for the approval of majority of minority shareholders for payment made by listed entities with respect to brand usage / royalty amount.	The amendment was made considering the representations received from market.
14	July 25, 2019	Securities and Exchange Board of India (Prohibition of Insider Trading) (Second Amendment) Regulations, 2019	Amendments were made to Schedule B by making the closure of trading window mandatory from the end of every quarter till 48 hours after the declaration of financial results. Further, trading window restrictions were relaxed for transactions which were regulated and subject to disclosure requirements/shareholder approval under respective regulations. Moreover, trading window restrictions were relaxed for bonafide transactions such as raising funds through pledging of shares subject to appropriate monitoring and disclosure.	Pursuant to recommendations of the Committee on Fair Market Conduct, the amendments were carried out in SEBI (Prohibition of Insider Trading) Regulations, 2015 which were notified on December 31, 2018 and were made effective from April 01, 2019. Subsequently, industry representations were received and in order to clarify the various queries as also to address certain inconsistencies in drafting, minor amendments were carried out.
15	July 29, 2019	SEBI (Buy-Back of Securities) (Amendment) Regulations, 2019	An explanation of the term 'shares' has been incorporated to include equity shares having superior voting rights.	Consequential amendment resulting from introduction of shares having superior voting rights.

No.	Date	Title	Details	Rationale
16	July 29, 2019	SEBI (Substantial Acquisition of Shares and Takeovers) (Second Amendment) Regulations, 2019	Amendment has been made to exempt the increase in the voting rights of any shareholder pursuant to the conversion of equity shares with superior voting rights into ordinary equity shares from the obligation to make an open offer under Regulation 3. Provided that such increase in voting rights does not lead to acquisition of control. The SAST Regulations have also been amended to elaborate on the kinds of encumbrances on securities and their disclosures.	Consequential amendment resulting from introduction of shares having superior voting rights.
17	July 29, 2019	SEBI (Issue of Capital and Disclosure Requirements) (Third Amendment) Regulations, 2019	The amendment inter alia provides that if an issuer has issued equity shares with superior voting rights (SR equity) to its promoters/ founders, the said issuer shall be allowed to make an initial public offer of only ordinary shares subject to several compliances. The issuer of SR equity should be intensive in the use of technology, information technology, intellectual property, data analytics, bio-technology or nano-technology to provide products, services or business platforms with substantial value addition. The SR shareholder shall not be part of the promoter group whose collective net worth is more than rupees 500 crore. The SR shares will be issued only to the promoters/ founders who hold an executive position in the issuer company. The issue of SR equity shares shall be authorized by a special resolution passed at a general meeting of the shareholders of the issuer. The SR equity shares shall have voting rights in the ratio of a minimum of 2:1 upto a maximum of 10:1 compared to ordinary shares and such ratio shall be in whole numbers only. The SR equity shares shall be equivalent to ordinary equity shares in all respects, except for having superior voting rights.	Pursuant to the submission of Primary Market Advisory Committee report, SEBI issued consultation paper on issuance of Differential Voting Rights (DVRs) on March 20, 2019. Based on the feedback received on the consultation paper, the issuance of shares with superior voting rights has been introduced under SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.
18	July 29, 2019	SEBI (Listing Obligations and Disclosure Requirements) (Fourth Amendment) Regulations, 2019	Pursuant to issuance of framework for issuing shares with superior voting rights, the amended regulations inter alia provide that where the listed company has outstanding SR equity shares, at least half of the board of directors shall comprise of independent directors and the audit committee shall only comprise of independent directors. Further, two-thirds of the Risk Management Committee, the Stakeholders Relationship Committee and the nomination and remuneration committee shall comprise of independent directors. The SR equity shares are treated at par with the ordinary equity shares in every respect, including dividends, except in the case of voting on resolutions and the total voting rights of SR shareholders (including ordinary shares) in the issuer upon listing, pursuant to an initial public offer, shall not at any point of time exceed seventy four per cent.	Consequential amendment resulting from introduction of shares with superior voting rights.
19	July 29, 2019	SEBI (Delisting of Equity Shares) (Amendment) Regulations, 2019	An explanation of the term 'shares' has been incorporated to the include equity shares having superior voting rights.	Consequential amendment resulting from introduction of shares with superior voting rights.

No.	Date	Title	Details	Rationale
20	September 17, 2019	Securities and Exchange Board of India (Prohibition of Insider Trading) (Third Amendment) Regulations, 2019	Chapter IIIA has been inserted in the SEBI (Prohibition of Insider Trading) Regulations, 2015 to provide for an informant mechanism, which inter alia incorporates provisions relating to establishment of Office of Informant Protection, confidentiality regarding identity of the informant, grant of monetary reward, etc. These regulations were published in the Gazette on September 17, 2019 and the provisions came into force on the 100th day from the date of publication.	While investigating cases pertaining to insider trading, SEBI faced certain challenges such as establishing transmission of UPSI, identification of connection. In order to strengthen the investigation and enforcement mechanism to curb instances of insider trading, a need was felt to provide for a mechanism that incentivises people having personal knowledge of any incidence of insider trading to report the same to SEBI.
21	September 19, 2019	Securities and Exchange Board of India (Buy-Back of Securities) (Second Amendment) Regulations, 2019	The amendment reviewed the proposals and requirements relating to buy-back of securities. The provision for ratio of the aggregate of secured and unsecured debts owed by company after buy-back has been included by the amendment.	In order to clarify the conditions and requirements for buy-back.
22	September 23, 2019	Securities and Exchange Board of India (Credit Rating Agencies) (Amendment) Regulations, 2019	By the amendment, in Regulation 14 of the SEBI (Credit Rating Agencies) Regulations, 1999, clause (c) was substituted; modifications were carried out in clauses (d), (f) and (g); clause (h) was inserted.	As per the Regulations, Credit Rating Agencies (CRAs) are required to continuously monitor the rating of securities and defaults/ delays in meeting bank obligations are often early indicators of default on other borrowing obligations of the issuer. However, banks were not forthcoming in sharing such information with the CRAs citing client confidentiality. Hence, an enabling provision in the rating agreement between CRAs and their clients has been proposed by insertion of Regulation 14(h) in the SEBI (Credit Rating Agencies) Regulations, 1999. Further, certain consequential changes to Regulation 14 were made to strictly enforce all the existing clauses of the rating agreement.

No.	Date	Title	Details	Rationale
23	September 23, 2019	SEBI (Issue of Capital and Disclosure Requirements) (Fourth Amendment) Regulations, 2019	The amendment seeks to lay down the norms for permitting companies on the Innovators Growth Platform (IGP) with an option to trade under regular category after completion of one year of listing subject to the conditions prescribed by SEBI and compliance with exchange requirements. Pursuant to the “Re-categorization of FPIs” a consequential amendment was also made to the provisions of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.	To lay down norms for migration of the companies listed on IGP to regular trade category of the main board. Consequential amendment.
24	September 23, 2019	Securities and Exchange Board of India (Mutual Funds) (Second Amendment) Regulations, 2019	The amendment, inter-alia provides that: <ul style="list-style-type: none"> Investments by a mutual fund scheme in equity instruments shall only be in listed or to be listed securities. A mutual fund scheme shall not invest in unlisted debt instruments (except government securities and other money market instruments) provided that they may invest in unlisted non-convertible debentures up to 10 per cent of the debt portfolio of the scheme. 	An amendment to revise the risk management framework of liquid fund, investment norms and Valuation of Money market Debt securities by mutual funds.
25	September 27, 2019	Securities and Exchange Board of India (Issue and Listing of Municipal Debt Securities) (Amendment) Regulations, 2019	The amendment, inter-alia provides the following: <ol style="list-style-type: none"> The definition of issuer was widened to include entities/bodies that perform functions, such as planning and execution of urban development projects/schemes, which are akin to those being performed by a municipality. Considering the expansion of definition of issuer, the provision regarding preparation of accounts was widened. In order to enable municipalities/issuers, who are audited by CAG, two-step process for audit of accounts was adopted. Further, the timelines for submission of annual and half yearly financial results were revised. No Lien Escrow account, Interest Payment Account, Sinking fund account, etc. were mandated for enhancing the investor protection. 	In light of the comments received on the proposals in the consultative paper dated May 20, 2019 regarding expanding of definition of issuer, accounting auditing and disclosure of financial statements, facilitating ease of issuance etc., the relevant amendments were made in the Regulation.
26	September 27, 2019	Corrigendum to Securities and Exchange Board of India (Buy-back of Securities) (Second Amendment) (Regulations), 2019	The amendment provides that buy-back of securities permitted only if all such excluded subsidiaries have a ratio aggregate of secured and unsecured debts to the paid up capital and free reserves of not more than 6:1 on standalone basis.	The extant amendment is corrigendum to the amendment dated September 19, 2019, wherein, the ratio “56:1” may be read as “6:1”.
27	December 06, 2019	Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Fifth Amendment) Regulations, 2019	By the amendment, the offer documents, wherein, the issue size is estimated to be more than ₹ 750 crore, the same shall be filed at the Head Office, SEBI. Issue size up to or equal to ₹ 750 crore shall be filed with the concerned office of SEBI under the jurisdiction of which the registered office of the issuer company is situated.	The amendment is undertaken in order to further the cause of policy of ease of doing business in India in the securities market.
28	December 19, 2019	Securities and Exchange Board of India (Foreign Portfolio Investors) (Amendment) Regulations, 2019.	As per the said amendment, the definition of the words “non-resident Indian” and “overseas citizen of India” shall have the meaning assigned to it under the Foreign Exchange Management (Non-debt Instruments) Rules, 2019. Moreover, an entity registered as foreign portfolio investor shall now be permitted to invest in Indian securities as per the provisions of Foreign Exchange Management Act, 1999, rules and regulations framed thereunder.	The amendment is undertaken as the Foreign Exchange Management (Non-debt Instruments) Rules, 2019 were notified pursuant to amendments to Foreign Exchange Management Act, 1999.

No.	Date	Title	Details	Rationale
29	December 26, 2019	Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Fifth Amendment) Regulations, 2019	The amendment extended the applicability of Business Responsibility Reporting (BRR) to top 1000 listed entities from top 500 listed entities.	The demand for increased and improved disclosure about Environmental, Social and Governance issues by listed entities are rising. Therefore, considering the recommendation of High Level Committee on CSR, SEBI vide Amendment Regulations extended the BRR to top 1000 listed entities by market capitalization.
30	December 26, 2019	Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Sixth Amendment) Regulations, 2019	Amendment seeks to reduce the timeline for the completion of the Rights Issue, as well as introduced the dematerialization and trading of rights entitlements.	Streamlining of rights issues after compulsory demat and ASBA facility.
31	January 01, 2020	Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Seventh Amendment) Regulations, 2019	Amendment pertains to replacement of the word "registering/registration/registered" with the words "filing/file/filed", to make the requirement at par with the recent amendment to Section 26 the Companies Act, 2013 and to reduce the timeline for listing of shares in Public Issues from T+6 to T+3.	In cases of IPOs, a prospectus is required to only be 'filed' with the Registrar as the requirement of registration of the same with the Registrar has been done away with.
32	January 10, 2020	Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2020	Amendment pertains to the regulatory provision for separation of roles of non-executive chairperson and MD/CEO.	In order to ensure implementation of the regulatory reform and avoid disruption, an additional time of 2 years is provided for compliance.
33	February 21, 2020	Securities and Exchange Board of India (Depositories and Participants) (Amendment) Regulations, 2020.	Explanation to Regulation 79 of the Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018 has been added to extend the scope of pledge to include within its meaning re-pledge of securities for margin or for settlement obligations.	In order to strengthen the margin framework, the concept of re-pledge has been introduced.
34	March 02, 2020	SEBI (Infrastructure Investment Trusts) (Amendment) Regulations, 2020	The Amendment pertains to provision for fast track rights issue by Infrastructure Investment Trusts (InvITs) and an alternate requirement regarding the eligibility criteria and experience of Investment Manager.	An alternate eligibility criterion of Investment Manager and provision for fast track rights issue of units by InvITs provided.
35	March 02, 2020	SEBI (Real Estate Investment Trusts) (Amendment) Regulations, 2020	The Amendment pertains to provision for fast track rights issue for Real Estate Investment Trusts (REITs).	Provisions for fast track rights issue of units by REITs to be provided.

No.	Date	Title	Details	Rationale
36	March 06, 2020	Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2020	The proviso regarding the appointment of custodian for a gold exchange traded fund scheme is suitably amended to include any custodian registered with the Board. The provision regarding the investments of sponsor or asset management company in a new fund offer is suitably amended to ensure that the sponsor or asset management company shall invest in the new fund offer across all the options of the mutual fund scheme.	An amendment to enable all the custodians registered with Board to carry out custodial services for a gold exchange traded fund scheme. An amendment to ensure that the sponsor or asset management company shall now stay invested in the new fund offer across all schemes of the Mutual Fund.
37	March 13, 2020	Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) (Amendment) Regulations, 2020	Regulations 2(1)(d) and 5 were amended.	To align the definition of “Investigating Authority” with the meaning of “Investigating Authority” as mentioned in Section 11C of the Securities and Exchange Board of India Act, 1992.

New Regulations

1	September 23, 2019	Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019	The salient features of the regulation are as follows: a. The number of categories of FPI has been brought down from three to two. b. The requirement to meet the broad based fund criteria, have been done away with. c. Entities established in International Financial Services Centre are also permitted to seek registration as an FPI. d. Category I FPIs are permitted to issue, subscribe or deal in offshore derivative instruments subject to fulfilment of certain conditions.	Over the last four years until April 2018, a number of rule changes, clarifications and guidelines were issued in the form of circulars, operational guidelines, FAQs, etc. A need, was felt to undertake an extensive review of the FPI regime so as to consolidate and rationalise the FPI framework. This led to the setting up of a Working Group, under the Chairmanship of Shri. Harun R. Khan and resulted in the framing of new FPI regulations in 2019.
2	January 16, 2020	Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020.	The salient features of the regulation are as follows: a. The minimum investment amount per client has been increased to ` 50 lakh. b. The minimum net worth required for portfolio managers has been increased to ₹ 5 crore. c. Change in the qualifying criteria for the Principal Officer and employees d. The role of compliance officer shall not be assigned to the principal officer. e. Discretionary Portfolio managers shall invest only in listed securities, while non-discretionary managers may invest in unlisted securities up to 25 per cent of AUM of such clients. f. A portfolio manager shall not charge an upfront fee from the clients. g. The portfolio manager needs to submit a report to the client, as agreed in the contract, but not exceeding three months. h. The concept of “investment approach” has been introduced.	As the industry witnessed a growing demand for more customized and diverse investment portfolios a need for reform in the regulation was felt. A working group of industry participants was set up and resulted in the framing of new Portfolio Managers Regulations in 2020.

- ii. Annual report of the Office of Informant Protection under Regulation 7M(1)(i) of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015

In order to strengthen the investigation and enforcement mechanism to curb instances of insider trading, a need was felt to provide for a mechanism that incentivises people having personal knowledge of any incidence of insider trading to report the same to SEBI. For the said purpose, chapter IIIA of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 (PIT Regulations) was published in the Official Gazette on September 17, 2019 and the provisions came into force on December 24, 2019.

Accordingly, the Office of Informant Protection (OIP) has been established under Chapter IIIA of the PIT Regulations for receiving and processing the information pertaining to the violation of the insider trading laws submitted through the Voluntary Information Disclosure Form (VID Form).

The VID Form has been made available for download on the website of SEBI. A separate inward and outward channel has been put in place for communicating with the informants while maintaining confidentiality. OIP also maintains a dedicated hotline number for providing information relating to the submission of VID Form.

Since then, OIP has received one VID Form and several references seeking information on the process of submitting information. The information submitted through the VID Form is being examined by SEBI.

VIII. RIGHT TO INFORMATION ACT, 2005

SEBI, as a public authority, has been implementing the various provisions of the Right to Information Act, 2005 (RTI Act) in true spirit. As per

the provisions of the RTI Act, SEBI has designated Shri G.P. Garg as a Central Public Information Officer (CPIO) at its Head Office in Mumbai. SEBI has appointed two officials in the rank of an Executive Director as the First Appellate Authority (AA) to whom an appeal can be made against the Order of the CPIO. The two First Appellate Authorities are Shri Anand Rajeshwar Baiwar and Shri Amarjeet Singh.

In compliance with the direction of the Central Information Commission (CIC), SEBI has designated Shri Nagendraa Parakh, Executive Director, as the Transparency Officer. Further, SEBI has also appointed 21 Central Assistant Public Information Officers (CAPIO) at its regional and local offices to streamline the process of attending to RTI applications for efficient and time bound response. All applications for information and appeals filed at the various regional offices are referred to the CPIO-HO by the respective CAPIO.

SEBI has endeavored to provide the disclosable information within the stipulated time, although the information sought, may be voluminous and pertaining to number of issues handled by various departments of SEBI, in a single application. Wherever felt appropriate, SEBI has provided additional information / guidance voluntarily to the information seeker about the securities market. Applications are received in various regional languages, which is internally translated and replied to, in bi-lingual i.e Hindi and English.

Where applications received by SEBI are in the nature of complaints / seeking redressal of complaints, the office of CPIO voluntarily provides guidance to the information seeker providing links and relevant Acts, SEBI regulations, and various amendments from time to time, on SEBI website. Many applications being in the nature of grievance, SEBI provides reply accordingly informing the

information seekers of a separate designated website viz. investor.sebi.gov.in that has been set up and about the web-based, centralized grievance redressal system, SCORES (<http://scores.gov.in>) for the investors of the securities market.

Around 80 per cent of the RTI application received by SEBI is through the RTI MIS Portal (web portal) For applications received in the physical mode, in its reply to the information seeker, the office of CPIO requests them to file their application/appeal online at <https://rtionline.gov.in>, which enables them to receive the reply online, thus encouraging the use of the paperless option.

The department provides its inputs to the department handling Investor Awareness Programs for including the same in the programs in order to make aware the citizens how the RTI act would be relevant to their concerns and how they can exercise this fundamental right. The details of RTI applications and First Appeal to SEBI AA for 2019-20 are given in Table 3.88

Table 3.88: Trends in RTI Applications and First Appeal to SEBI AA

Particulars	2018-19	2019-20
No. of applications received (including applications transferred from other public authorities)	2,612	2,268
Total no. of issues raised in applications	6,149	6,942
No. of appeals received by the Appellate Authority, SEBI	400	337
No. of orders passed by the Appellate Authority, SEBI*	397	334
No. of appeals rejected / dismissed by the Appellate Authority, SEBI*	348	292
No. of appeals allowed / partially allowed*	49	42

*Includes Orders passed on Appeals received prior to April 1, 2019

The details of Appeals before Central Information Commission (CIC) against Orders passed by SEBI AA, for 2019-20 is given in Table 3.89

Table 3.89: Trends in Appeals before Central Information Commission

Particulars	2018-19	2019-20
No. of hearings held before CIC in SEBI matters	17	30
No. of appeals rejected / dismissed by CIC	11	21
No. of appeals with directions by CIC to furnish part of information	6	9

It is SEBI's continual endeavor to fulfill all the obligations cast upon it, in terms of the Section 4 of the RTI Act, as a public authority to make disclosures on a proactive basis and ensuring transparency and accountability in its functioning.

On June 08, 2019 the RTI Cell had organized a talk on the RTI Act, 2005 to be delivered by the Hon'ble Central Information Commissioner, Shri Bimal Julka to the newly recruited SEBI Officers, at the NISM Campus, Patalganga. The Information Commissioner shared his experience of handling appeals/complaints at the Commission and stressed on the disclosure of information that ought to be displayed in the public domain, keeping with the spirit of Section 4 of the RTI Act, 2005. The new recruiters expressed their gratitude to have had the opportunity to interact with the Commissioner and receive very enriching understanding and knowledge of the RTI Act, 2005. A training program was organized on "Provisions of RTI Act, 2005 and functioning of Parliament and PQ Procedures" for SEBI officials on the RTI Act, at the NISM Campus, Patalganga during September 19-21, 2019 on topics related to RTI and PQ matters.

IX. PARLIAMENT QUESTIONS

The Parliament Questions Cell of SEBI, interfaces with the various Departments in Government of India, for addressing issues relating to Parliament Questions, Assurances thereof, visits of Parliamentary Committees, references from Honorable Members of Parliament and other references received through various Ministries of the Government of India.

A. Parliament Questions

During the financial year 2019-20, SEBI received a number of Parliament and State Assembly Questions, referred by the Government of India, mainly from Ministry of Finance and Ministry of

Corporate Affairs, Ministry of Agriculture and various departments of the State government. Of the 129 questions referred/ taken-up, 75 questions were admitted and SEBI furnished information and material for replies (Table 3.90).

Table 3.90: Parliament Queries Received and Replied to by SEBI

Parliament Session	Period	No. of Questions Received/ Taken-Up		Admitted	
				Questions	
		Starred	Unstarred	Starred	Unstarred
Monsoon Session	June 17, 2019 – July 26, 2019	11	40	5	32
Winter Session	November 18, 2019 to December 13, 2019	7	21	2	14
Budget Session (Session I)	January 31, 2020 – February 11, 2020	8	10	2	8
Budget Session (Session II)	March 02, 2020 to April 03, 2020	11	21	1	11
Total		37	92	10	65

In addition to the above, there are three questions from Chhattisgarh Legislative Assembly, whereby, the material was provided for answer by the Ministers in the respective Legislative Assembly.

B. Responses/Material to Committees

During the year 2019-20, SEBI interacted with and provided the required information and clarifications desired by the following Parliamentary Committees in a time bound manner. Table 3.91

Table 3.91: Parliamentary Committee that Raised Questions

Sr. No.	Parliamentary Committee
1.	Study Visit of the Committee on “Subordinate Legislation, Rajya Sabha” (November, 2019)
2.	Oral Evidence on SEBI (CRAs) Regulations, 1999 (February 2020)
3.	Study Tour of the Standing Committee on Finance (2019-20) (January 2020)

X. INTERNATIONAL COOPERATION

SEBI engages with a range of foreign regulators, standard setting bodies and law enforcement

agencies to promote international regulatory and enforcement co-operation. SEBI has emerged as a key member of international standard setting bodies and global forums, where it is making effective contribution to their ongoing work programmes. Some key engagements are as follows:

1. **Engagement with the Financial Stability Board (FSB):** SEBI is one of the three members of FSB from India. SEBI participates in the FSB plenary meetings and Regional Consultative Group (RCG) Meetings. SEBI contributes in the various work streams of FSB through responses to surveys, questionnaires and reviews as carried out by FSB from time to time. During 2019-20, SEBI, inter alia, provided inputs on (a) Survey on Total Loss-Absorbing Capacity (TLAC), (b) Regional Consultative Group Effectiveness Survey, (c) RegTech/ FinTech Survey.

In the context of COVID-19 pandemic, FSB members have been regularly sharing information on evolving financial stability

threats and on the regulatory, supervisory and other financial policy measures that financial authorities are taking. This assists the members in keeping abreast of the measures implemented by their counterparts, the rationale behind such measures, and its possible impact on the market. SEBI being a FSB member, provides regular updates on various measures taken on account of COVID-19.

2. **Engagement with the International Organization of Securities Commissions (IOSCO):** SEBI is a member of the IOSCO Board, the governing and standard-setting body of the IOSCO, which is comprised of 34 securities regulators. SEBI is also a member of IOSCO Growth and Emerging Markets Committee (GEMC), Asia Pacific Regional Committee (APRC) and the Assessment Committee. The policy work of IOSCO is conducted by its eight policy committees under the aegis of the Board. SEBI has representation in seven of these policy committees.
3. **Engagement with International Forums:** SEBI provides assistance to other securities regulators by:
 - a. Central Facilitation Cell: Acting as a central facilitation cell for regulatory issues and concerns, and regulatory assistance.
 - b. Technical Assistance: Providing technical assistance in various aspects of securities markets regulation.
 - c. Study visits: Hosting a number of delegations to promote mutual co-operation and establish inter-regulatory dialogue.
 - d. Speaker requests: Nominating experts as panelists and speakers at international seminars and conferences.

I. FINANCIAL SECTOR ASSESSMENT PROGRAMME

The Financial Sector Assessment Programme (FSAP), a joint programme of the International Monetary Fund (IMF) and the World Bank (WB), is a comprehensive and in-depth analysis of a country's financial sector.

The latest FSAP Mission to India in 2017 had acknowledged that SEBI has developed, adopted and implemented regulatory policy in virtually every area of responsibility, and has contributed to growth and development of India's capital markets. The Mission also made certain recommendations based on which SEBI has introduced reforms such as in the commodity derivatives market which include measures for increased participation from a diverse set of participants, introduction of new products, rationalization of cost of trading, steps to enhance awareness amongst the stakeholders, clearing corporations in the commodity derivatives market adhering to international standards with a goal of strengthening financial stability, etc.

II. BILATERAL ENGAGEMENTS

SEBI has signed bilateral Memorandum of Understanding (MoU) with a number of securities regulators for enhancing co-operation and exchange of information for regulatory and enforcement purposes. The objective of such bilateral MoUs is to strengthen cross-border co-operation in the area of securities regulations.

During 2019-20, SEBI and the Astana Financial Services Authority, Astana International Financial Centre, Kazakhstan entered into a bilateral MoU for mutual co-operation and technical assistance. This will facilitate mutual assistance, contribute towards efficient performance of the supervisory functions, and enable effective enforcement of laws and regulations governing the securities markets.

As of March 31, 2020, SEBI has signed 24 bilateral MoUs to facilitate mutual assistance, contribute towards efficient performance of the supervisory functions, aid in imparting technical domain knowledge and enable effective enforcement of the laws and regulations governing the securities markets. In addition to the above, the following MoUs have also been signed by SEBI:

- (i) Three bilateral MoUs signed by the erstwhile Forward Markets Commission (FMC), which has now been subsumed by SEBI, pursuant to SEBI - FMC merger.
- (ii) Twenty-eight MoUs signed with the securities market regulators of member states of the European Union/ European Economic Authority (including the United Kingdom) concerning consultation, co-operation and the exchange of information relating to the supervision of the Alternative Investment Fund Managers. These MoUs enable Indian fund managers to manage or market Alternative Investment Funds (AIFs) in the respective European member states and the fund managers from such jurisdictions to manage or market AIFs in India thereby mutually benefiting AIF industry in India as well as in the counterpart jurisdictions.
- (iii) An MoU signed with the European Securities and Markets Authority (ESMA) under the European Markets Infrastructure Regulation (EMIR) for establishing co-operation arrangements, including the exchange of information regarding Central Counter Parties (CCPs) which are established and recognized in India by SEBI, and which have applied for EU recognition under EMIR.
- (iv) Capital Market Collaborative Agreement signed with the Securities Commission of Malaysia on January 20, 2010.

III. ENGAGEMENT WITH OTHER INTERNATIONAL REGULATORS/ ORGANIZATIONS

1. Engagement with the European Securities and Markets Authority (ESMA) on European Market Infrastructure Regulations (EMIR)

The European Parliament and the Council adopted EMIR effective from August 2012. As per Article 25(1) of the EMIR, "a Central Counter Party (CCP) established in third country may provide services to clearing members or trading venues established in the Union only where the CCP is recognized by ESMA". Therefore, the securities market CCPs established and operating in India have to seek recognition from ESMA for clearing trades of entities which are originating from European Union (EU).

One of the pre-conditions, for recognition of Indian securities market CCPs by ESMA was that ESMA had to enter into an MoU with the home regulator (SEBI) of the CCPs. SEBI and ESMA signed the MoU in July 2017. Subsequently ICCL, NCCL, and MCCIL were recognized by ESMA during 2017-18.

During 2019-20, three more CCPs, viz. India ICC, NSE ISFC CC, and MCECCL have been granted recognition by ESMA.

2. Sharing of information with foreign regulatory authorities

SEBI engages with various regulators globally in order to obtain information/ clarification on topical issues and also provide the same on requests made by such authorities. During the year, SEBI exchanged information with other regulators on various issues including securities backed loans, guidelines on investor compensation funds, functioning of investor grievance redressal mechanism, fit and proper

criteria for listed entities, Annual General Meetings of listed entities, whistle blower policy, trading and investment policy for employees of regulators, etc.

IV. MINISTRY REFERENCES - CONTRIBUTION TO VARIOUS INTERNATIONAL TREATIES AND DIALOGUES

SEBI provides its inputs on various issues, agenda items and topics relating to the securities markets for various international dialogues.

During 2019-20, SEBI provided its inputs in various international dialogues such as:

- 7th Cabinet level India - US Economic and Financial Partnership Dialogue
- 9th India - US Financial Regulatory Dialogue
- 5th India - Japan Financial Regulatory Dialogue
- 9th India - China Bilateral Financial Dialogue
- G-20 Finance Ministers and Central Bank Governors Meeting
- Regional Comprehensive Economic Partnership (RCEP) of India with other countries
- Meeting of the FSB Regional Consultative Group for Asia

V. ASSOCIATION WITH IOSCO

1. IOSCO Board

The IOSCO Board is the governing and standard-setting body of the International Organization of Securities Commissions (IOSCO) and is comprised of 34 members. There are 129 ordinary members, 31 associate members and 67 affiliate members of IOSCO.

SEBI is a member of IOSCO Board. SEBI attended three meetings of the IOSCO Board during the year. SEBI participates in the various work

streams of IOSCO and makes contributions to the policy decisions on different issues pertaining to the securities market. During the year, SEBI provided inputs for various projects/ surveys of IOSCO such as the Sustainable Finance Network Survey, Survey on Retail Investor Complaint Handling Mechanism and Redress Procedure, Thematic Review on Business Continuity Plans, Assessment of implementation of the Principles relating to Regulators, Capacity Building Survey, 2019 MMoU Monitoring Group Survey, Survey on Enforcement of Monetary Penalties Abroad, etc.

Further, members of IOSCO are co-operating closely on their responses to the disruption in capital markets resulting from the macroeconomic impact of COVID-19 on the global economy. The IOSCO Board and IOSCO's Regional Committees are hosting regular calls to share information and co-ordinate responses as necessary and are taking action to address issues arising from COVID-19. SEBI has also been regularly updating the IOSCO and its membership of various policy and supervisory/ regulatory measures taken by it in the wake of COVID-19.

2. Asia-Pacific Regional Committee (APRC)

APRC is one of the four regional committees constituted by IOSCO to focus on regional issues relating to securities regulation. APRC comprises 24 members including SEBI and represents securities regulators from the Asia-Pacific jurisdictions.

SEBI participated in the APRC meetings held during October 2019 in Tokyo, Japan. In the APRC Enforcement Directors' Meeting, deliberations were held on current issues such as monitoring and enforcement of Initial Coin Offerings (ICOs) and Platforms, AML-CFT in the securities market, Technology and Data usage for Surveillance (including cybersecurity issues), etc. The APRC Supervisory Directors' Meeting focused on market conduct issues, investor education, crypto-assets,

and cybersecurity. The Plenary Meeting apart from receiving reports from its various working groups, discussed relevant issues on EU Regulations, relationship with IFRS Foundation, sustainable finance, supervisory co-operation, etc.

3. Growth and Emerging Markets Committee (GEM Committee)

GEM Committee seeks to promote the development and greater efficiency of emerging securities and futures markets by establishing principles and minimum standards, providing training programs and technical assistance for members and facilitating exchange of information and transfer of technology and expertise. The Committee comprises 90 members and 21 non-voting associate members which include the world's fastest growing economies and ten of the G-20 members. SEBI is a member of the GEM Committee.

SEBI participated in the GEM Committee's online tool, viz. 'Data Sharing Platform (DSP)' for sharing practical and organizational information among regulators. The purpose of DSP is to offer readily available information at one place, regarding regulatory frameworks and markets' architectures and data across GEM jurisdictions, so that GEM members could consult and consider such information as needed.

During 2019-20, the members of GEM Committee discussed several relevant issues such as sustainable financing in emerging markets, fintech in emerging markets, capacity building and initiatives to provide greater support to emerging market members, etc.

VI. PARTICIPATION IN OTHER INTERNATIONAL PROGRAMMES/ CONFERENCES/ STUDY TOURS

SEBI receives requests from its international counterparts and other trade/ industry forums

to nominate speakers for their conferences/seminars/training programmes. This provides a great opportunity for SEBI officials to engage with international regulators and participants and contribute to the global regulatory agenda. Further, SEBI on a regular basis organizes study tour of SEBI officials to overseas authorities. These study tours help the officials in gaining deeper understanding of the systems and mechanisms. SEBI in the past has benefitted a lot from these experiences, and the knowledge transfer helps improve the processes within SEBI.

During 2019-20, SEBI organised a study tour of its officials to the U.S. Securities and Exchange Commission (SEC) and market participants based in USA for learning about their mutual fund industry. SEBI also organized a visit of its senior officials to Israel for studying various market segments such as regulatory framework for dual listing/ cross listing, mechanism of corporate bond trading, encouraging the regulatory eco-system for start-ups, and cyber security & cyber resilience. A study tour was also organized to South Korea and Indonesia for gaining insights on regulation of Bond Pricing Agencies.

VII. MMOU REQUESTS

SEBI is committed towards the IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Co-operation and the Exchange of Information (MMoU), to which SEBI has been a signatory since April 2003. The MMoU has proven to be an effective tool in cross border co-operation in combating financial fraud and misconduct. SEBI thereby provides co-operation and facilitates exchange of information with its counterparts in other jurisdictions for the purpose of regulatory enforcement.

During 2019-20, SEBI received a total of 63 requests for information from the overseas regulators seeking SEBI's assistance. SEBI responds

to such requests subject to the provisions of the MMoU. Similarly, 29 requests were made by SEBI to its regulatory counterparts in other jurisdictions. Additionally, SEBI also made 'fit and proper' requests to other overseas authorities including securities regulators, government agencies and Self-Regulatory Organizations (SROs) who are not MMoU signatories. Further, SEBI received two unsolicited references with information from two securities regulators who are members of the IOSCO.

The Table 3.92 highlights the trends of Regulatory Assistance made and received by SEBI over the last two years:

Table 3.92: Trends of Regulatory Assistance Made and Received by SEBI

Type of References	2018-19	2019-20
Requests Received by SEBI from Foreign Authorities	52	63
Requests Made by SEBI	9	29

According to latest data available from IOSCO, during the calendar year 2019, a total of 4,319 requests for regulatory assistance were exchanged by all securities regulators under the MMoU. The Table 3.93 highlights the past trends of regulatory assistance made and received by all securities regulators over the last two years under MMoU:

Table 3.93: Trends of Regulatory Assistance Made and Received by All Securities Regulators

Type of References	2018*	2019*
MMoU Information Requests	4,064	4,319#

*Calendar Year: January to December #As per latest available data

VIII. VISITS OF FOREIGN DELEGATIONS/ DIGNITARIES TO SEBI

SEBI hosted a number of international organizations including regulatory bodies, business, government and ministerial delegations during 2019-20. These meetings foster deeper levels of co-operation and facilitate a better understanding of the

Indian securities market and further collaboration with visiting institutions.

1. Delegation of the Securities and Exchange Commission (SEC), Nigeria

A delegation of SEC Nigeria led by Mr. Mustapha Ibrahim, Divisional Head, Market Relations visited SEBI in June 2019 to gain insights into SEBI's investor grievances handling system, i.e. 'SCORES'. The discussions included the topics like technology used in the system, conceptualization, current implementation, impact assessment, etc.

2. Delegation of the Reserve Bank of Malawi

A delegation from Malawi led by Mr. George Thom Chioza, Director, Financial Sector Regulation, Reserve Bank of Malawi visited SEBI in August 2019 to discuss and learn from SEBI's regulatory approach and experience in regulating commodity derivatives market.

3. Delegation of the financial regulators from Kenya

A delegation from Kenya led by Dr. Chris Kiptoo, Principal Secretary, State Department for Trade visited SEBI in August 2019 to discuss various aspects of commodity derivatives market regulation and to learn from SEBI's experience in regulating commodity derivatives market.

4. Delegation of the members of Finance Committee, Parliament of Nepal

A study visit for the Hon'ble members of Finance Committee, Parliament of Nepal was organized by SEBI in February 2020. The delegation also comprised of the officials of the Government of Nepal and the Securities Board of Nepal. The objective of visit was to study the best practices adopted in India for

regulation and functioning of the Securities and Commodities Derivatives Market. The delegation was headed by H.E. Mr. Krishna Prasad Dahal, the President of Finance Committee. Areas covered during the study visit included Structure, Organization, Autonomy, Powers and Functions of SEBI;

Major Provisions under SEBI Act, 1992; Standard Practices for Regulation and Supervision of the Markets, Licensing of Intermediaries, Use of IT Systems, Market Surveillance Systems, etc. apart from a visit to stock exchange.



Image 12: Welcoming the delegation of the Finance Committee, Parliament of Nepal

5. Delegation of the members of Finance Committee, Parliament of Finland

A visit for the Hon'ble members of the Finance Committee, Parliament of Finland was organized by SEBI in February 2020. The delegation also comprised of the Hon'ble Ambassador of Finland to India and officials

of the Finland Embassy/ Consulate. The delegation was headed by H.E. Mr. Johannes Koskinen, the Chair of Finance Committee. The agenda of the meeting was to understand SEBI's regulatory approach, in general, and the regulatory regime for Foreign Portfolio Investors, in particular.



Image 13: Welcoming the delegation of the Finance Committee, Parliament of Finland

In addition to the above, bilateral meetings were also held inter alia with the officials from the Embassy of Luxembourg in India, Israel Securities Authority, Financial Services Commission Mauritius, the Australian Securities and Investments Commission.

IX. INTERNATIONAL EVENTS IN INDIA

IOSCO is recognized as the global standard setter for the securities sector. The 'Committee on Regulation of Market Intermediaries (Committee 3)' of IOSCO seeks to promote investor protection and market efficiency through its recommendations on issues relating to market intermediaries. Some notable work of the Committee includes publication of suitability requirements for the distribution of complex financial products, final guidance for regulators on how to enhance their supervision of intermediaries holding client assets, and contributions to the FSB roadmap on reducing the reliance of financial intermediaries on the ratings of credit rating agencies. SEBI is a member of the said Committee and is currently represented by Shri. Nagendraa Parakh, Executive Director.

A meeting of the Committee was hosted by

SEBI during December 2019 in Mumbai. The meeting witnessed participation of more than 30 delegates representing securities regulators and SROs from across the world.

During the said meeting, the Committee held wide ranging deliberations on several issues such as conflicts of interest in the debt raising process, use of Artificial Intelligence and Machine Learning (AI-ML) by market intermediaries, issues of investor protection and awareness in online marketing and distribution of investment products to retail investors, review of the IOSCO principles on outsourcing in light of recent technological and other developments, etc.

During the year, OECD-Asian Roundtable on Corporate Governance Conference was co-hosted by SEBI and the OECD which is an Annual Event. The Conference was attended by nearly 200 delegates from over 20 countries. Participants in the Conference included high-level officials and experts from various securities market regulators, proxy advisory firms, institutional investors, market infrastructure institutions, the private sector, media and the academic community.

Part Three B:

Regulatory Actions

1. SIGNIFICANT COURT PRONOUNCEMENTS

I. SUPREME COURT OF INDIA

A. Interim Order dated August 27, 2019 in C.A. No. 5395-5398/2019 - SEBI vs. IL&FS Securities Service Ltd. and Others

SEBI passed an ex-parte ad-interim order against Allied Financial Services Pvt. Ltd. (referred to here as Allied) and other entities and directed depositories to ensure that no debits were made in the demat account of Allied. It transpired that mutual fund units of some entities were alleged to be illegally transferred by Allied to demat account of IL&FS Securities Service Ltd. (referred to here as ISSL) as collateral for the margins of Allied. On complaint, Economic Offences Wing of Delhi Police directed ISSL not to deal with these securities till further orders. Upon ISSL praying to SEBI to protect its interests and also for annulment of trades, SEBI directed that appropriate authority was the stock exchange. In the appeal by ISSL, Securities Appellate Tribunal (SAT) directed it to move before NSE Clearing Ltd. (NCL), which rejected the application for annulment filed by ISSL.

On the appeal preferred by ISSL, Supreme Court, while staying the payment obligation for options contract, directed that ISSL may challenge the order in accordance with law. ISSL preferred an appeal before SAT against NCL Order, while further appeals were also preferred by clients of Allied and other entities, inter alia, seeking annulment of Options Contract. SAT, vide a common order disposed of all these appeals directing SEBI to grant hearings to all the parties and pass an order.

The captioned appeal was filed by SEBI on the issue whether SEBI can adjudicate on the issue of annulment of trades when the Committee of a Clearing Corporation has already passed an order. SEBI argued that SAT had no jurisdiction to direct SEBI to decide on the annulment of trades as there was no appellate mechanism to challenge NCL order before SEBI and that the grievances of other parties were in the nature of private disputes wherein SEBI had no role to play. Further, SEBI prayed that SAT order be set aside and settlement of trades be permitted by vacating the stay granted on Options contracts so as to enable investors in

contract options to square off their positions, directing other parties to resort to arbitration/grievance redressal mechanism available to them. Hon'ble Apex Court, in the matter vacating its stay granted earlier, passed an interim order upholding the contentions of SEBI and directing parties to honour F&O segment contract, amount of which was not paid in view of stay granted by the Hon'ble Court earlier. Further, the Hon'ble Supreme Court also clarified that the payments would be without prejudice to the rights and contentions of all parties and subject to final outcome and directions of the Court. Option was given to other parties to ask for conversion/sale/encashment of the mutual funds which were purportedly furnished as a security. The question of jurisdiction of SEBI, SAT and plea of ISSL relying upon clause (5) of Chapter VII of the NSE Clearing Limited Bye-laws was directed to be decided at the time of final hearing.

B. Judgment dated September 19, 2019 in C.A. No. 7666/2009 - Trinity Infraventures Limited vs. SEBI

The appellant company sought to make public announcement for open offer taking into account, the date of board resolution authorising issue of share warrants as reference date. SEBI directed the appellant to recalculate the offer price by taking the date of board resolution, authorising conversion of warrants to equity shares as the reference date. The appeal challenging the said direction of SEBI was dismissed by the Securities Appellate Tribunal. The decision of SAT was challenged before the Hon'ble Supreme Court, which dismissed the appeal after observing that the judgment of SAT on interpretation of Regulation 20 (11) Explanation (ii) of SEBI (SAST) Regulations, 1997 was in consonance with the balance that is maintained by these Regulations, which is to ensure that once the trigger is reached, the shareholders of a company must get the best possible price as on the most proximate date to the trigger.

C. Judgment dated December 16, 2019 in C.A. No. 9225-9226/2019 - Tenneco Inc. vs. SEBI

The appellant conducted valuation of shares of Federal-Mogul Goetz (India) Ltd. ('Target Company'), which was merged into appellant company, for making an open offer to the shareholders in India, under the provisions of SEBI (SAST) Regulations, 2011 ('SAST Regulations'). Being dissatisfied with the determination of fair value of the shares in the draft letter of offer, SEBI, based on the valuation done by a valuer appointed by it, directed the appellant to revise the fair price. The appeal filed against the said direction of SEBI was dismissed by SAT, inter alia, holding that the approach of SEBI in the instant matter was correct and observed that valuation not being a precise science and though all parameters are required to be considered, the weightage to be given to each of the parameters may depend on the facts and circumstances of each case. This order of SAT was challenged before the Hon'ble Supreme Court of India which upheld the findings of SEBI and SAT and directed the appellant to deposit the consideration as per Regulation 17 read with Regulation 21 of the SAST Regulations.

D. Order dated January 27, 2020 in C.A. No. 363/2020 - SEBI vs. Ashok Dayabhai Shah

The captioned Civil Appeal was filed by SEBI challenging the order of SAT, admitting a group of appeals filed against computer generated responses given by SEBI Complaint Redressal System (SCORES), directing the appellants (before SAT) to file a representation with SEBI and directing SEBI to decide the matter with a speaking order within a period of six weeks. SAT had also made some adverse remarks on SEBI officials as having a vested interest in not deciding the matter. The appeal was filed by SEBI on the ground that a computer generated response by SCORES cannot be treated as an order under Section 15T of the SEBI Act, 1992

and, hence, appeal against the same would not lie before the SAT and also that SAT has exceeded its jurisdiction in making remarks against SEBI which are unwarranted in the circumstances. The Hon'ble Supreme Court, while disposing of the matter and allowing a period of four months for disposal of the representations filed by the respondents, expunged the adverse remarks made by SAT by observing that casting aspersion was not warranted in the facts and circumstances of the case.

E. Judgement dated February 12, 2020 in C.A. No. 19936/2017 - Yatra Art Fund Trust (Fund I) and Yatra Art Fund Trust (Fund II) and in C.A. No. 77 of 2018 - Praveen Gandhi and Others vs. SEBI

SAT upheld the order of SEBI that mobilising of funds by Yatra Art Fund Trust (Yatra Art Fund), under the scheme of 'art fund' is in the nature of a collective investment scheme (CIS), as defined under the SEBI Act, 1992 and the SEBI (Collective Investment Schemes) Regulations, 1999 (CIS Regulations) without obtaining a certificate of registration and directing the company to refund the money to the investors along with interest. In the appeal before the Hon'ble Supreme Court, it was argued that Section 11AA of the SEBI Act, 1992 is applicable only to companies and that since Yatra Art Fund had carried on the business in the form of a trust, the provisions would not be attracted. The Hon'ble Supreme Court observed that as per the CIS Regulations, if a collective investment scheme is to be floated by a person, it could only be done in the form of a collective investment management company and in no other form. This is the reason why Section 11AA uses the expression "company" in sub-section (2) and not the word "person". Therefore, the scheme that was being carried by the appellants in the form of a private trust would be illegal. Accordingly, the Hon'ble Supreme Court directed the company to refund the balance of principal amount and interest within the time stipulated in the order.

F. Civil Appeal No. 54/2016 - Osian Connoisseurs of Art Pvt. Ltd. vs. SEBI

SEBI held that activities of Osian Connoisseurs of Art Pvt. Ltd. (company), in soliciting investments under the scheme of Art Fund, are in the nature of collective investment scheme as defined under the SEBI Act, 1992 and the SEBI (CIS) Regulations, 1999 and that the company is carrying on its activities without obtaining certificate of registration. Accordingly, the company was directed to refund the money collected from the investors along with interest. SAT upheld the order of SEBI and observed that the scheme floated by the company was in the nature of CIS. The order of SAT was challenged by the company before the Hon'ble Supreme Court, contending that its scheme does not fall within the purview of CIS. However, during the course of hearing, on the prayer made by the company, the Hon'ble Supreme Court allowed the appeal to be withdrawn.

II. HIGH COURTS

A. Order dated August 22, 2019 in WP(C) No. 7768/2019 - Nimesh H Shah and Others vs. SEBI and Others (Hon'ble Delhi High Court)

The petitioners were the shareholders of Bharat Nidhi Ltd. ('BNL') which was moved to the dissemination board (DB) of NSE. BNL proposed buy back of shares aggregating to 0.746 percent of the paid-up equity share capital. The petitioner contended that SEBI circular dated October 10, 2016 required the companies to provide exit opportunity to all the public shareholders, whereas vide clarifications issued by SEBI circular dated July 25, 2017, the exit opportunities to be provided to the public shareholders were curtailed to the extent to such shareholders who participate in the buyback. The petitioner prayed to quash the clarifications issued by SEBI and to declare that

the buyback proceedings were illegal and void and also for a direction to SEBI to initiate investigation against BNL for non-compliance with minimum public shareholding ("MPS") requirement. The other grievance of the petitioner was that BNL was undertaking buy back of shares at understated valuation and that the process of buyback was being undertaken when investigation in respect of the promoters of BNL is pending.

In respect of legality of SEBI Circular/clarification dated July 25, 2017, the Hon'ble Delhi High Court observed that the exit circulars nowhere expressly state that all the public shareholders need to be given complete exit and that the impugned circular has to be read with Section 68 of the Companies Act, 2013 which stipulates buy-back of shares in a particular manner. With regard to contention of the petitioner that process of buyback is being undertaken when investigation in respect of the promoters of BNL is pending, the Court observed that even if promoter groups are identified, then also the discretion / right of the company to buy-back shares cannot be curtailed. In respect of undervaluation of price of shares, the Court observed that if the petitioners are not satisfied with the valuation, they are within their right not to accept the offer of buy-back at that rate. The Court observed that SEBI is investigating the issue of breach of minimum public shareholding norms by BNL and the same has no connection with the issue of buy back of shares by the Company.

B. LPA No. 1048/2017 - SEBI vs. Jagjit Singh and Others (Hon'ble High Court of Punjab and Haryana (Contempt Matter))

SEBI challenged the order dated May 17, 2017 passed by the Ld. Single Judge of the Hon'ble Punjab and Haryana High Court wherein, inter alia, it was observed that the Whole Time Member (WTM) of SEBI had committed willful contempt of Court by not

complying with its earlier order dated February 03, 2017 within the stipulated time. The impugned order was passed in a Writ Petition praying, inter alia, for issuing a writ of mandamus to appoint a Committee for probing financial irregularities committed by Nature Heights Infra Limited ('NHIL') and also to take possession of, and sell, assets of the company, which was disposed of, directing SEBI to consider the grievances and to pass an order within a period of three months. As per the direction of Hon'ble High Court, the matter was examined by SEBI and the WTM of SEBI, in the internal notings, advised to make a submission to the Hon'ble High Court that the case is beyond the jurisdiction of SEBI, as it does not have the characteristics of CIS Scheme. The impugned order was passed while considering the Miscellaneous Application filed by SEBI, informing the outcome of its examination. The Division Bench disposed of the matter by setting aside the impugned contempt notice and observed that no willful disobedience by the WTM is found on any of the directions issued by this Court, as the direction was to take a decision and decision no doubt has been taken, any decision taken in a particular manner can by no stretch of imagination said to be contempt of this Court.

C. W.P. No. 617/2018 - NDTV vs. SEBI and Others (Hon'ble Bombay High Court)

Writ petition was filed challenging the SEBI letters whereby the settlement applications filed by NDTV under the Securities and Exchange Board of India (Settlement of Administrative and Civil Proceedings) Regulations, 2014 were rejected on the ground of delay. It was further prayed that Section 23JA(4) of Securities Contracts Regulation Act and Section 15JB(4) of SEBI Act, introduced by the Securities Laws (Amendment) Act, 2014, be declared as ultra vires, unconstitutional and non-est. The Writ Petition was allowed and the delay in filing of settlement applications by NDTV Ltd. was condoned. Further, the Court directed that any

order of Adjudication that has been passed after the filing of the settlement applications in respect of show cause notices, which are the subject matter of the aforesaid settlement applications, would be rendered invalid. Accordingly, the orders which had been passed by the Adjudicating Officer (AO) SEBI and, subsequently, partly upheld by the SAT, were rendered invalid/ set aside by the Court. SEBI had challenged the order dated September 04, 2019 of the Bombay High Court in Supreme Court in SLP (CC) No. 27476 of 2019, which is pending.

D. In WP No. 6949(W)/2019 – Sanjib Kumar Dan vs. Union of India and Others (High Court at Kolkata)

The writ petition sought framing of legal provisions/guidelines, clarifying that an assured return of equity investment is illegal and in case of inability of the respondents to provide any clarification, he prayed that the Court be pleased to frame guidelines to curb the menace of assured return on equity investment. The Hon'ble High Court of Kolkata dismissed the writ petition and observed that *"The substance of the writ petition fundamentally relates to financial management of the Union of India and the Government as well as the management of the finances and resources of the Indian Nation. The Reserve Bank of India and SEBI have regulations in place having statutory control over the matter. FEMA and other statutes are in place which deal with the foreign exchange regime and also those which have penal provision as well as provision which nullifies certain transaction, the effect of which will be on individual contract or transaction not following due procedure. These are not issues on which the petitioner can be allowed to urge that there are no guidelines or guidance for governance."*

E. W.P. (L) No. 3650/2019 - Dr. Prannoy Roy and Others vs. SEBI and Others (High Court of Bombay)

The petitioner has filed the writ petition, inter alia, praying for the following:

- (a) *Hon'ble Court may be pleased to issue a writ of certiorari and/or mandamus and/or prohibition, or any writ, order or direction analogous thereto, calling for the records and proceedings pertaining to the Impugned Notice dated August 31, 2018 issued by Respondent no.1- SEBI and quash and/or set aside the same and declare it non est, void and unenforceable;*
- (b) *Grant of full, free and unhindered inspection of all material gathered in the course of investigations by Respondent no.1, which culminated in the Investigation Report bearing no. IVD/ID2/2015-16/11 and/or the impugned Notice dated August 31, 2018 issued by Respondent no.1.*

The Hon'ble Bombay High Court dismissed the petition vide order dated January 06, 2020, inter alia, expressing their disinclination to interfere with the impugned notice dated August 31, 2018. The Court also stated that it failed to understand the reluctance of the petitioner to appear before SEBI reserving its rights and contentions.

III. SECURITIES APPELLATE TRIBUNAL (SAT)

A. Common order dated April 16, 2019 in Appeal No. 227/2016 - Yogesh G. Gemavat vs. SEBI and other connected appeals

These appeals were filed challenging SEBI's order dated June 02, 2016, whereby the appellants were held jointly and severally liable for contravention of the provisions of Sections 56, 60, 73 and 117C of the Companies Act, 1956 and Regulations in respect of offer and issue of Non-Convertible Debentures ('NCDs') by Neesa Technologies Limited ('NTL') without complying with the provisions of law. NTL

and its directors were, inter alia, directed by SEBI to jointly and severally refund the money collected by NTL through issuance of NCDs to the investors with interest at the rate of 15 percent per annum compounded at half-yearly intervals till the date of actual payment. The appellants, who were the directors of the company, had preferred the present appeal against the aforesaid order.

Hon'ble SAT, while dismissing the appeals, held that in absence of any document to show that director was designated as per clauses (a) - (c) of Section 5 of the Companies Act, 1956 or any valid document to show that the person was authorized by the Board of Directors, the appellants cannot escape the liability in terms of clause (g) of Section 5 of the Companies Act, 1956. Hon'ble SAT also held the appellants to be covered by the definition of 'officer in default' as per the Companies Act, 1956.

B. Common order dated July 12, 2019 in Appeal No. 91/2015 - Gagan Rastogi vs. SEBI and Appeal No. 219/2015 - Asia Texx Enterprises Limited vs. SEBI

These appeals were filed challenging SEBI's order dated December 31, 2014, whereby the appellants and others were prohibited from accessing the capital market directly or indirectly for a period of 10 years for the violation of Section 12A(a), (b) and (c) of the SEBI Act, 1992 read with Regulations 3(c), (d), 4(2)(f), (k) and (r) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 ('PFUTP Regulations'). Vide the said order, the appellants were also jointly and severally directed to disgorge an amount of USD 92 million along with simple interest at the rate of 6 percent per annum for the period from March 27, 2009 to December 31, 2014.

The matter pertained to the issue of Global Depository Receipts ('GDR') by one Cals Refineries Limited ('Cals') in December 2007 and certain

transactions between Cals and Asia Texx Enterprises Limited ('Asia Texx') during 2009. The appellant, Gagan Rastogi, was the majority shareholder and the beneficial owner of Asia Texx.

Hon'ble SAT, while dismissing the appeals, held that the agreement between Cals and Asia Texx dated February 05, 2009 was a scheme/ artifice to siphon-off the funds of Cals for unlawful gains. Hon'ble SAT, in its order, while observing that only the gain/ unjust enrichment made by the appellants have been directed to be disgorged vide the said order of SEBI, held that in the Indian context 'disgorgement' is treated as an equitable remedy and not as a penal provision.

C. Order dated July 12, 2019 in Appeal No. 509/2015 - G. Bala Reddy and another vs. SEBI

This appeal was filed challenging the Adjudication order dated October 15, 2015, passed against the appellants for the violation of the Prohibition of Insider Trading (PIT), PFUTP Regulations and the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (SAST Regulations) Regulations, 1997 and levying penalty of ₹ 40 crore (payable jointly and severally) on G. Bala Reddy, G. Velangini Mary, Mary Ashwini, Sravanthi Yakkanti, Sahasra Investments Pvt. Limited, BRG Energy Limited and Anthony Pratap Reddy Gali ('APRG'), ₹ 20 lakh each on G. Bala Reddy, Mary Ashwini and Sravanthi Yakkanti and ₹ 26 lakh and ₹ 12 lakh on G. Bala Reddy and G. Velangini Mary, respectively.

The facts leading to the case were that as on March 18, 2009, ICSA (India) Limited had made a corporate announcement at NSE and BSE to the effect that the company had secured work orders for a total contract value of ₹ 464.17 crore from Bihar State Electricity Board, Maharashtra State Electricity Distribution Co. Limited and M.P. Poorva Kshetra Vidyut Vitaran Co. Limited. The

investigations of SEBI had revealed that certain entities had purchased large number of shares of the company in February 2009, i.e., few days prior to the announcement made by the company. It was found that the appellants were related and had indulged in insider trading based on the unpublished price sensitive information ('UPSI'). It was also found that the shares were purchased/ traded in a circuitous manner, misleading information was given with regard to the relationship between the appellants. The appellants had also not disclosed the shares pledged by them.

Hon'ble SAT, while upholding the penalty of ₹ 40 crore, held that the definition of term 'unpublished' has definite connotation and has to be construed strictly. Regulation 2(k) of the PIT Regulations defines the term to mean information which has not been published by the company or its agent and is not specific in nature. It was observed that bagging of the contract was announced by the company only on the stock exchange platform. Hon'ble SAT observed that the bids approved by the Board was a PSI in so far as appellant No. 1 is concerned, in relation to its shareholders and investors and it was, thus, incumbent not to deal in the scrips of the company and purchase the shares of the company given by a non-resident investor.

Hon'ble SAT quashed the penalties imposed for the violation of Regulation 8A(1) and (2) of the SAST Regulations and submitting misleading information.

D. Common order dated August 07, 2019 in Appeal No. 358/2019 - New Delhi Television Limited ('NDTV') vs. SEBI and Appeal No. 150/2018 - New Delhi Television Limited and another vs. SEBI

Appeal No. 358/2015 was filed challenging the Adjudication order dated June 04, 2015, vide which monetary penalty [of ₹ 25,00,000/- for the violation of Section 23A of the Securities Contracts

(Regulation) Act, 1956 ('SCRA') and ₹ 1,75,00,000/- for the violation of Section 23E of the SCRA] was imposed for the failure to comply with Clause 36 of the Listing Agreement.

The matter pertained to the non-disclosure of demand of ₹ 450 crore raised by the Income Tax Department vide Assessment order dated February 21, 2014, for the assessment year 2009-10 (Financial Year - 2008-09) to the stock exchanges by the appellant (NDTV). The said Assessment order was received by the appellant on February 27, 2014. The appellant had made the disclosure in relation to the tax liability of ₹ 450 crore in the audited financial results for the financial year 2013-14 in terms of clause 41 of the Listing Agreement. Based on the said disclosure, Stock Exchange had sought clarification and, thereafter, the appellant disclosed the information with regard to the tax demand to NSE and BSE. SEBI, vide the Impugned order, found the same to be in violation of clause 36 of the Listing Agreement.

The Hon'ble SAT, while dismissing the appeal, observed that sub-clause (e) of clause 36 of the Listing Agreement provides that the company will, promptly after the event, inform the stock exchanges of the developments with respect to any dispute resulting from an assessment which can have material impact. It also observed that the networth of the company was ₹ 365 crore and the demand of ₹ 450 crore (which eats away the networth of the company) is a material event and the assessment order had a 'material impact' which the company was required to report to the exchange 'promptly'. Hon'ble SAT held the argument of the appellant that the information was supplied belatedly to be misconceived and an afterthought. It was also observed that no such stand was taken before SEBI and, hence, the appellant cannot be allowed to change its stand at the appeal stage. Further, it also observed that the financial statements, which includes information about the

tax demand, filed under clause 41 of the Listing Agreement, does not amount to compliance with the requirements of clause 36 of the Listing Agreement as clause 41 and clause 36 of the Listing Agreement operate in different circumstances and in different areas. Hon'ble SAT held that when an action under the Listing Agreement is required to be done in a particular manner and in a particular way, then the same is required to be done in that way and not in any other manner.

Appeal No. 150/2018 was filed challenging the Adjudication order dated March 16, 2018, whereby different penalties were imposed for the violation of Regulation 13(6) of the SEBI (Prohibition of Insider Trading) Regulations, 1992 read with clauses 2.1 3.2 and 7.0(ii) of Schedule II for Code of Corporate Disclosure Practices for Prevention of Insider Trading read with Regulation 12(2) of PIT Regulations and clause 36 of the Listing Agreement read with Section 21 of the SCRA by NDTV and its directors and compliance officer. Vide the said order, it was held that the directors of the company were equally responsible for violation of clause 36 of the Listing Agreement, as tax demand of ₹ 450 crore was not disclosed immediately as required under clause 36 of the Listing Agreement. It was further held vide the Adjudication order that the directors and compliance officer had delayed the disclosure of sale of shares made by one of the directors within the stipulated time, in violation of Regulation 13(6) of the PIT Regulations.

The Hon'ble SAT, while upholding the Adjudication order, held that the imposition of penalty upon the directors for violating clause 36 of the Listing Agreement is justified, considering the stand of the appellant that the decision not to disclose the tax demand was a conscious decision taken by the management of NDTV. With regard to the other charge, i.e., non-disclosure under Regulation 13(6) of the PIT Regulations, Hon'ble SAT held that the

company was required to disclose the sale of shares to the stock exchanges in prescribed form. Hon'ble SAT held that the disclosure of information under Regulation 13(6) of the PIT Regulations would be complete when the said information was received by the stock exchange and observed that the delivery receipt is important for the same.

As regards imposition of penalty of rupees two lakh on the compliance officer for violation of clause 36 of the Listing Agreement, Hon'ble SAT observed that the same is unjustified. It was observed that the compliance officer works under the direction of the Board of Directors of the company and when the entire management has been penalized, it was not open to also book the compliance officer for the said default. Accordingly, Hon'ble SAT set aside the penalty imposed upon the compliance officer for the violation of clause 36 of the Listing Agreement. The compliance officer was, however, held liable for the violation of clause 3.2 of Schedule II for Code of Corporate Disclosure Practices for Prevention of Insider Trading read with Regulation 12(2) of the PIT Regulations and the penalty imposed for the same was affirmed.

E. Order dated September 04, 2019 in Appeal No. 84/2018 - Ms. Gargi Dash vs. SEBI

This appeal was filed challenging the Adjudication order dated January 12, 2018 whereby a penalty of rupee four lakh was imposed for not making the required disclosure in terms of Regulation 13(4) read with Regulation 13(5) of the PIT Regulations. The appellant was head of retail finance in 'Finance and Accounts Division' of ING Vysya Bank Limited. The appellant had sold an aggregate of 18,000 shares of the bank and on three occasions the sale proceeds of shares were more than rupee five lakh. appellant contended that she was not a "director" or an "officer" of the company in terms of the PIT Regulations and, accordingly, she was not required to make the disclosure.

Hon'ble SAT, while upholding the findings of SEBI, held that the term 'officer' is of wide connotation. The term 'officer', as defined in Section 2(30) of the Companies Act, 1956, would include an employee, if he has been vested with the powers of financial control over one or more fields or control for operation of a company. Hon'ble SAT, considering the nature of the functions of the appellant in the company at the relevant time, observed that the appellant had 5 or 6 subordinates working under her to whom she was giving directions. Thus, she was held to be an 'officer' as per the definition under Section 2(30) of the Companies Act, 1956 and was, therefore, required to comply with the PIT Regulations. Hon'ble SAT, while considering the above and other relevant factors, reduced the penalty amount from rupee four lakh to rupee one lakh.

F. Common order dated September 26, 2019 in Appeal No. 357/2019 - ITC Limited vs. SEBI and another and Appeal (L) No. 460/2019 - JM Financial Asset Reconstruction Company Limited vs. SEBI.

SEBI had received complaints from certain minority shareholders of Hotel Leela Venture Limited ('HLVL'/'company') in April 2019, alleging violations by the company, its promoters and JM Financial Asset Reconstruction Company Limited ('JMFARC') of the provisions of the Companies Act, 2013 ('Companies Act') and the securities laws administered by SEBI with respect to HLVL's postal ballot notice dated March 18, 2019 ('Postal Ballot Notice'). Vide the said Postal Ballot Notice, the company had sought shareholders' approval for special Resolutions involving sale of its undertaking to one BSREP III India Ballet Pte. Limited or its affiliates ('Brookfield').

SEBI had taken up the matter for examination and, vide order dated July 23, 2019, concluded that the proposed asset sale transaction/additional

IP Transaction do not qualify as 'related party transaction', except for the limb of the transaction that is proposed by HLVL along with its promoters/affiliates with respect to the transfer of 'Jamavar' trademark to Brookfield. Vide the said order, HLVL was, inter alia, directed to provide certain additional disclosure in the Postal Ballot Notice. Vide the said order, liberty was granted for initiating adjudication proceedings against JMFARC for its failure to ensure compliance with the applicable provisions of the SAST Regulations.

The appellant ('ITC Limited'), being one of the complainants, filed the subject appeal before the Hon'ble SAT, challenging thereby the order of SEBI. The main grievance of ITC Limited was that through the proposed transaction, the company's promoters and directors were attempting to gain through the 'additional transactions' which were not part of the proposed resolution. It was also pleaded that all the transactions form part of the composite transactions and, therefore, being related party transaction, the related parties cannot vote to approve the same. Further, it was also urged that JMFARC ought to have been barred from voting by SEBI under Regulation 32 of the SAST Regulations as it had obtained 26 percent equity in HLVL in breach of the SAST Regulations. The appeal filed by JMFARC was against observation in the order that it had committed a technical breach of the SAST Regulations.

The Hon'ble SAT, while dismissing the appeal filed by ITC Limited, held that the language of the provisions for 'related party transaction' needs no interpretation. Hon'ble SAT observed that while SEBI, as a Regulator, defined 'related party transaction' as a transaction between a listed entity and a related party, Section 188 of Companies Act, 2013 defines 'related party transaction' as a transaction of a company with a related party. Hon'ble SAT held that none of

the provisions leave scope for any interpretation as suggested by the appellant. It observed that through the interpretation, the scope of the definition cannot be widened to bring in its ambit any transaction, in which the directors, etc. would have some real/perceived interest. Hon'ble SAT also observed that the Parliament as well as SEBI did not intend to bring such transactions within the scope of the restrictions put on the 'related party transactions'. Accordingly, Hon'ble SAT did not term the transactions as related party transaction.

Hon'ble SAT, while considering the appeal filed by JMFARC, observed that the conversion of part of the debt by the trust of JMFARC was in pursuance of the Corporate Debt Restructuring (CDR) Scheme and, therefore, the same was fit for exemption under Regulation 10 read with sub-regulation 6 of the SAST Regulations. Hon'ble SAT also observed that disclosure was also made by JMFARC and allowed the appeal of JMFARC.

G. Common order dated October 18, 2019 in Appeal No. 393/2018 - Mahavirsingh N. Chauhan vs. SEBI and other connected appeals

These appeals were filed challenging SEBI's order dated July 27, 2018, whereby the appellants were found guilty of violation of Section 12A (a), (b), (c) of SEBI Act, 1992 read with Regulations 3(b), 3(c), 3(d), 4(1), (2)(a) of the PFUTP Regulations and inter alia, directed not to buy, sell or otherwise deal in securities market in any manner and disgorge an amount of ₹ 6,78,85,716 jointly and severally. The matter relates to the burst of Short Text Messages ('SMS') during February - March 2013, recommending purchase of scrip of SMS Techsoft (India) Limited and subsequent abnormal price movement in the scrip. It was found that the appellants, while acting together, had adopted fraudulent device and artifice to defraud the genuine shareholders of the company by falsely

portraying fraudulent transactions as genuine preferential allotment of shares and offloading the shares allotted in such preferential allotment in market, thereby, earning illegal profits.

Hon'ble SAT, while upholding the said order of SEBI, held that the contention of appellants that they were mere employees in the company and had no knowledge of the fraudulent activities is baseless and cannot be accepted. It observed that the appellants were aware of the activities being done through their accounts and they were beneficiaries to the profits which came into such accounts. Hon'ble SAT also observed that one Rajesh Ranka has been found to be acting in concert with the appellants and other entities in adopting fraudulent devices and was operating all the accounts of the appellants through the power of attorney given to him.

Considering the same, Hon'ble SAT held that a person can only be directed to disgorge amount equivalent to the wrongful gain made by him, as the liability to disgorge the amount is individual and not collective. Accordingly, Hon'ble SAT held that the appellants are liable to pay disgorgement amount, only in their individual capacity and not jointly and severally. It was also held that in event of failure by appellants to pay the amount, it would be open for SEBI to recover the amounts in the order of hierarchy stipulated in the said order of SEBI.

H. Order dated November 05, 2019 – Appeal No. 300/2019 - Kishore Hegde vs. SEBI

This Appeal was filed challenging SEBI's order dated February 28, 2019, whereby, inter alia, the appellant was found to have violated the provisions of Section 12A (a), (b), (c) of the SEBI Act and Regulations 3(a), (b), (c), (d), 4(1) of the PFUTP Regulations and was restrained from accessing the securities market for a period of two years.

The Impugned order had held that the appellant and other directors of Commex Technology Limited

('Commex') were part of the fraudulent scheme through which issue of the GDR was effected. The appellant was an independent director of Commex from 2008 to 2013 and had attended 11 meetings of the Board, including the meeting of the Board of Directors dated January 30, 2008 and May 25, 2009, during which the company had informed the Board about the successful placement of the GDR. As per the Impugned order, the appellant was involved in planning and execution of the GDR issue from start till the end and was fully involved in the day-to-day affairs of the company.

Hon'ble SAT, while dismissing the appeal, observed that the appellant had attended various board meetings and was involved in day-to-day affairs of the company. It also considered that he was also the Chairman of the Audit Committee and had not raised any objection as to the utilization of the GDR proceeds. Hon'ble SAT held that the conduct of the appellant was inimical to the interest of the company, to the investors, as well as to the shareholders.

I. Order dated November 05, 2019 in Appeal No. 162/2019 - Jayprakash Bohra vs. SEBI

This appeal was filed challenging SEBI order dated October 30, 2018, whereby the appellant was restrained from dealing in the securities market, directly or indirectly, for a period of five years from the date of the ad-interim ex-parte order dated February 20, 2015, for violation of the Regulations 3(a), (b), (c) and (d) and 4(1), 4(2) (a) and (e) of the PFUTP Regulations.

Hon'ble SAT, while dismissing the appeal, held that the appellant had connection with the company and entities in the Kamalakshi Group (a group of entities that traded in similar manipulative manner in the scrip). It observed that the appellant had placed multiple sell orders of 1 or 2 shares in the scrip of Gromo Trade and Consultancy Limited at prices above the last traded price ('LTP'). Hon'ble SAT also held that the trading pattern and connections as

mentioned in the said order of SEBI were enough to prove that the appellant was part of the group that created the artifice/ scheme.

J. Common order dated November 14, 2019 in Appeal No. 223/2016 - Electrosteel Steels Limited vs. SEBI and other connected appeals

These appeals were filed challenging the Adjudication order dated March 31, 2016 vide which penalties were imposed on (i) Edelweiss Financial Services Limited, Axis Capital Limited and SBI Capital Markets Limited (rupee one crore payable jointly and severally); (ii) Electrosteel Castings Limited ('ECL') (rupee one crore) and (iii) Electrosteel Steels Limited ('ESL') (rupee one crore) for the violation of the provisions of the SEBI (Issue of Capital and Disclosure Requirement) Regulations (ICDR Regulations), 2009, SEBI (Merchant Bankers) Regulations, 1992 and the Listing Agreement. The matter was related to the non-disclosure (in the Initial Public Offer made by ESL) of the fact of 'rejection' of forest clearance by the Ministry of Environment and Forests on an application for iron ore mining filed by ECL. ECL had requested for reconsideration of such rejection. In the meanwhile, the prospectus was filed and initial public offer (IPO) was concluded in 2010. Subsequently, during 2012 the clearance was granted.

Hon'ble Tribunal, vide its order, held that the information in question was indeed material and merited disclosure. It observed that investment of more than ₹ 700 crore in the newly promoted company ESL by ECL and a Memorandum of Understanding between them were critical events which were disclosed and, therefore, any event which would lead to a disruption, delay or even a temporary halt which would affect the time schedule, cost, production, etc. in the said project was a material event for both ESL and ECL.

Hon'ble SAT also observed that non-disclosure of the initial round rejection of the mining project

proposal in the prospectus is not in the category where maximum penalty is impossible. Hon'ble SAT also considered the continued efforts of ESL and ECL in pursuing the matter further for reconsideration, etc. and the fact of detailing the risk factors with possibilities of not getting the final approval, etc. as was disclosed in the prospectus as mitigating factors and, thus, preferred to reduce the penalty on ESL and merchant bankers (i.e. Edelweiss Financial Services Limited and others) to ₹ 50 lakh. The appeal filed by ECL was dismissed.

K. Common order dated November 25, 2019 in Appeal No. 567/2019 - National Spot Exchange Limited ('NSEL') vs. SEBI and Phillip Commodities India Pvt. Limited, Appeal No. 568/2019 -NSEL vs. SEBI and Anand Rathi Commodities Limited, Appeal No. 569/2019 - NSEL vs. SEBI and Motilal Oswal Commodities Broker Pvt. Limited, Appeal No. 570/2019 - NSEL vs. SEBI and India Infoline Commodities Limited and Appeal No. 571/2019 - NSEL vs. SEBI and Geofin Comtrade Limited.

The appellants herein had earlier filed five appeals challenging SEBI's orders against the five commodity derivatives brokers, which were dismissed by the Hon'ble SAT as withdrawn vide order dated June 17, 2019, with a liberty to file the appeal afresh after incorporating the necessary amendments. Thereafter, the above referred appeals were filed by the appellants in September 2019. As there was delay in filing the present five appeals, applications for condonation of delay were also filed along with the appeals.

The submissions made by the appellants in support of the applications for condonation of delay (i.e., delay had occurred on account of subsequent development in other matters of the appellants pending before the Hon'ble Supreme Court and the Hon'ble Bombay High Court and implications

therein; they were exploring the implications of the Impugned order and were collating various details relevant to the matter which took some time) were rejected by the Hon'ble SAT being vague and not supported by any documents. Hon'ble SAT also considered that the grounds urged by the appellants were afterthought and did not co-relate with the reasoning for withdrawal of the appeals, i.e., for incorporating the necessary amendments which were lacking in the earlier appeals filed by the appellants.

Hon'ble SAT also observed that when liberty was granted for filing of fresh appeals, the same should have been done within a week or two. Filing appeals after three months is misuse of the liberty granted by the Tribunal. Therefore, the Hon'ble SAT rejected all the miscellaneous applications for condonation of delay and accordingly, dismissed all the five appeals.

L. Order dated November 26, 2019 in Appeal No. 566/2019 - Cameo Corporate Services Limited vs. SEBI

This appeal was filed challenging SEBI's ex-parte ad interim order dated October 18, 2019 and confirmatory order dated November 07, 2019, whereby the appellant was prohibited from accepting fresh clients in respect of its activities, as defined under Regulation 2(g) and (f) of the SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 ('RTA Regulations'). Vide the order dated November 07, 2019, SEBI was directed to conduct a special purpose inspection of the appellant and submit a report within ninety days. The interim directions were to be continued till the expiry of the said ninety days.

The matter pertained to a complaint received by SEBI relating to Indo National Limited and the appellant requesting therein to direct cancellation of the fraudulently obtained duplicate share certificate

during 2015 by the imposter and issue fresh share certificate along with all the benefits accrued. appellant is the registrar to the issue and share transfer agent ('RTA') of Indo National Limited. SEBI undertook examination of the activities of the appellant with specific reference to the issue of exercise of due diligence in respect of issuance of duplicate shares. Upon analysis of the details available, it was prima facie observed that the RTA has failed to exercise due diligence while processing requests received from the claimants/ imposters. The same was prima facie found to be in violation of clauses 2, 3 and 16 of Schedule III of the RTA Regulations.

Hon'ble SAT, while partly allowing the appeal, observed that apart from the complainant no other investor has made a complaint relating to wrongful transfer of share certificates illegally to a third party. Hon'ble SAT also observed that no urgency had existed in the matter which warranted an ex-parte interim order and, accordingly, quashed the restraint on accepting fresh clients. Other directions issued by SEBI were allowed to continue to operate against the appellant.

M. Order dated February 12, 2020 in Appeal (L) No. 28/2020 - Shruti Vora vs. SEBI

This appeal was filed challenging the e-mails of SEBI dated January 14, 2020 and January 15, 2020, issued during the Adjudication proceedings. During the proceedings, the appellant had sought inspection of various documents, viz., the entire investigation report, annexures thereto and statements of witnesses, etc. vide her email dated January 13, 2020. In response thereof, the impugned e-mails were issued rejecting her request and directing to appear for the personal hearing and to make submissions to the show cause notice (SCN).

Hon'ble SAT, while dismissing the appeal, held that concept of fairness and principles of

natural justice are in-built in Rule 4 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 and that the Adjudication Officer is required to supply the documents relied upon while serving the show cause notice to enable the person to file an efficacious reply in defence. Hon'ble SAT further held that plain reading of relevant provisions of the SEBI Act and the Adjudication Rules makes it clear that there is neither duty cast upon the Adjudication Officer to supply documents upon which no reliance has been placed by the Adjudication Officer, nor even the principles of natural justice require supply of such documents which have not been relied upon.

N. Order dated February 25, 2020 in Appeal No. 454/2019 - Kalpana Dharmesh Chheda and another vs. SEBI and another

This appeal was filed challenging the Adjudication order dated March 28, 2019, in the matter of Zodiac Ventures Limited, whereby penalty of ₹ 45,00,000/- was imposed on appellant No. 1 (Ms. Kalpana Dharmesh Chheda) and ₹ 5,00,000/- was imposed on appellant No. 2 (Mr. Utkarsh Dharesh Chheda) for the violation of Regulations 3(a), (b), 3(c), 3(d), 4(1) and 4(2)(a) and (e) of the PFUTP Regulations. appellant No. 1 is the mother of appellant No. 2 and they were among the top net sellers during the relevant period and had created misleading appearance of trading, thereby, manipulated the price of the scrip by placing sell orders in single share or in very small quantities at higher price than the Last Traded Price ('LTP'). Further, for certain sell orders of the appellant No. 2, appellant No. 1 was the counterparty.

Hon'ble SAT upheld the order of the Adjudicating Officer on merits, while observing that most of the trades of the appellants were sell orders for one share each and, on 49 occasions, the appellants had sold 1 - 5 shares, mostly one share, when, in fact,

the buy orders available in the system were much higher. SAT observed that such behavior cannot be justified in terms of normal rational expectations of a seller. Hon'ble SAT held the strategy of appellants to be manipulative. While upholding the order, it observed that the entire price rise in the scrip was not only on account of the trading of the appellant and therefore, reduced the amount of penalty on appellant no. 1 from ₹ 45 lakh to ₹ 20 lakh and from rupee five lakh imposed on appellant no. 2 to rupee two lakh.

O. Order dated March 02, 2020 in Appeal No. 261/2018 - Nirmal Kotecha vs. SEBI

This appeal was filed challenging SEBI's order dated March 22, 2018, whereby the acts of the appellant were found to be in violation of the provisions of Section 12A (a), (b), (c) of SEBI Act, 1992 read with Regulation 3(a), (b), (c), (d) and 4(1), 4(2)(a), (b), (d), (e), (f), (g), (k) and (r) of the PFUTP Regulations. Vide the said order, the appellant was restrained from accessing the securities market and prohibited from buying, selling or dealing in securities, directly or indirectly or being associated with the securities market in any manner, whatsoever, for a period of 14 years. The appellant was further directed to pay an amount of ₹ 32,50,882/- along with interest at the rate of 12 percent per annum from December 22, 2008 onwards, within a period of 45 days. Vide the said order, it was also directed that the period of 14 years of debarment would stand reduced by the period already undergone by the appellant vide earlier order dated April 23, 2009.

The matter was related to certain media reports on December 21 and 22, 2008 that, vide a letter dated December 19, 2008, SEBI had directed Mr. P.S. Saminathan, one of the promoters of Pyramid Saimira Theatre Limited ('PSTL'), to make an open offer within 14 days, for allegedly violating creeping acquisition norms under the SEBI (Substantial

Acquisition of Shares and Takeovers) Regulations, 1997, at a price not less than ₹ 250/-per share. Due to such reports, the shares of the company shot up in the morning of December 22, 2008 (Monday) when the stock markets opened for the day. Preliminary enquiries had revealed that SEBI had not issued any such direction and that the said purported letter was forged. The investigation had revealed that Nirmal Kotecha had planned and executed a scheme of forgery with the involvement of persons working with him, with the help of such fronts/ associates and that circular, reversal and synchronized transactions were executed in the scrip to artificially increase the volume in the scrip of PSTL. The appellant was found to have connived with few brokers and his associated persons to form a group using low income background persons as fronts in his plan of manipulation in the scrip of PSTL so that he could offload his substantial stake in the said scrip.

The Hon'ble SAT upon considering the evidences available on record (i.e., tower locations of the mobile numbers, statements of witnesses, details of trades, etc.) dismissed the appeal.

P. Order dated March 17, 2020 in Appeal No. 152/2019 - Pooja Vinay Jain vs. SEBI

This appeal was filed challenging the Adjudication order dated January 11, 2019, whereby a penalty of rupee three lakh was imposed upon the appellant for the violation of provisions of Regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(a) and (g) of the PFUTP Regulations. The appellant, inter alia, took a plea that on account of inordinate delay of seven years by SEBI in initiating the proceedings, the order should be quashed.

Hon'ble SAT, while dismissing the appeal, held that the appellant put a plea of prejudice neither before the Adjudication Officer nor before it and simply contended that as the proceedings were launched by respondent SEBI after a period seven years, the same

should be quashed on the ground of delay. Hon'ble SAT observed that all the documents concerning the defense of the appellant were filed by her before the Adjudicating Officer. Hon'ble SAT also observed that the delay has been explained by SEBI.

IV. SESSIONS COURT/SPECIAL COURT

A. Order dated April 25, 2019 in Sessions Case No. 356/200 – SEBI vs. Kunnamkulam Paper Mills Limited and Others (XIX Additional Sessions Court, Chennai)

SEBI found that the accused company made a deemed public issue, in terms of the first proviso to section 67(3) of the Companies Act, 1956, without complying with the provisions of the SEBI (Disclosure and Investor Protection) Guidelines, 2000 ("DIP Guidelines") and sections 56, 60, 69, 72 and 73 of the Companies Act, 1956. In view of such default, SEBI, by an order, directed the company and its directors to refund the money collected under the said deemed public issue to the investors with interest and observed that non-compliance with the refund directions shall invite actions such as debarment from accessing the capital markets and other actions such as adjudication and prosecution under section 24 of the SEBI Act. On non-compliance with the refund directions, SEBI filed a prosecution case, alleging violation of the aforesaid provisions of the Companies Act, 1956 and the DIP Guidelines by the company and its directors. The Hon'ble Court, after appreciating the evidence, held that the contraventions of the Companies Act and SEBI Guidelines were established by prosecution under section 24(1) of the SEBI Act. Accordingly, the accused were found guilty under section 24(1) of the SEBI Act and imposed a fine of ₹ 50,00,000/- payable by each of the accused, and, in case of default of which, they were directed to undergo simple imprisonment for a period of one year each.

B. Cr. Case No.26/2016 - SEBI vs. Cee Kay Agro Pvt. Ltd. (ASJ, Tis Hazari Courts, Delhi)

SEBI filed a prosecution case against the accused company and its directors for the alleged violation of Section 11B, 12 (1B) of SEBI Act, 1992 and Regulation 5 (1) read with Regulation 68(1), 68 (2), 73 and 74 of the SEBI (Collective Investment Scheme) Regulations, 1999, committed by launching an unregistered CIS and collecting money from the general public. The Hon'ble Court held that the company neither got its scheme registered with SEBI nor wound up its schemes and filed the Winding-up and Repayment Report and that, thus, the company was running a CIS in violation of the above provisions and sentenced the accused Company, Cee Kay Agro Pvt. Ltd., to pay fine of ₹ 10 lakh and sentenced the other accused (Sh. H. K. Kalra, Smt. C.K. Kalra, Sh. Mukesh Sharma, Sh. N.K.Vij, Sh. T.R.Kukreja, Sh. Anjana Bahukhandi, Sh. S.S. Chaudhary & Smt. Kiran Arora) to rigorous imprisonment for a period of six months each and fine to the tune of rupee five lakh each for the aforesaid violations.

C. Order dated July 12, 2019 in Cr. Case No. 32/2016 - SEBI vs. Real Value Agro Estates Ltd. (ASJ, Tis Hazari Court, Delhi)

The accused company had launched unregistered CIS and collected more than rupee four crore from the general public. SEBI filed a prosecution case against the company and its directors for the alleged violation of Section 12 (1B) and Regulation 5(1) read with Regulations 68 (1), 73 and 74 of the CIS Regulations read with Sections 24 and 27 of the SEBI Act. The Hon'ble Court held the accused company and its director guilty of violating the above provisions. However, proceedings against the company stood abated and no substantial sentence was awarded as it was observed that the company had been wound up by an order of

the Hon'ble High Court of Punjab and Haryana. After considering the mitigating circumstances put forth by the director, and by application of rule of proportionality, the Hon'ble Court sentenced him to rigorous imprisonment for a period of six months and fine of ₹ 20 lakh, in default of payment of which, the convict shall undergo simple imprisonment for a period of three months.

D. SEBI Spl. Case No. 287/2014 - SEBI vs. Bankesh Bhavsar (SEBI Special Court, Mumbai)

SEBI had filed the complaint under Section 24(2) of the SEBI Act, 1992, against Mr. Bankesh Bhavsar for non-payment of penalty amount of ₹ 2,00,000/- imposed by the Adjudicating Officer vide order dated September 28, 2010.

During the course of the trial, the accused contended that the AO order was delivered through speed-post, whereas the mandate under the law was to deliver the order through the registered post. The court did not accept the contention of the accused and opined that speed post has all the attributes of the registered post.

Considering the facts of the case, evidence produced and the scope of the provisions of Section 24(2) of the SEBI Act, the Ld. Judge held that prosecution was able to prove its case. Therefore, the Special Court convicted Mr. Bankesh Bhavsar for offence punishable under Section 24(2) of the SEBI Act. He was sentenced to suffer rigorous imprisonment for one month and to pay a fine of ₹ 5,00,000/-. In default of payment of the fine amount, he shall undergo simple imprisonment for six months.

E. SEBI Spl. Case No. 348/2014 - SEBI vs. Ashvin C Shah (SEBI Special Court, Mumbai)

SEBI had filed the complaint under Section 24(2) of the SEBI Act, 1992, against Mr. Ashvin Chinubhai Shah on November 12, 2014, for nonpayment of penalty amount of ₹ 2,00,000/- imposed by the AO vide order dated September 17, 2010.

The accused had argued that the letters placed on record by SEBI are not the office copies rather they are photocopies and contended that the said documents should not be taken into consideration. The Ld. Judge held that the said photocopies are the secondary evidence within the meaning of Section 63 of the Evidence Act, of which the originals were sent to the accused and acknowledgements are placed on record. The Ld. Judge was of the view that on considering the oral and documentary evidence on record, SEBI has proved the documents as per law.

Considering the facts of the case, evidence produced and the scope of the provisions of Section 24(2) of the SEBI Act, the Ld. Judge held that prosecution was able to prove the case. Therefore, the Special Court convicted Mr. Ashvin Chinubhai Shah for offence punishable under Section 24(2) of the SEBI Act. He was sentenced to pay a fine of ₹ 5,00,000/-. In default of payment of the fine amount, he shall undergo simple imprisonment for six months.

F. SEBI Spl. Case No. 8/2013 - SEBI vs. Vikas G. Narnavar (SEBI Special Court, Mumbai)

SEBI had filed the complaint under Section 24(2) of the SEBI Act, 1992 against Mr. Vikas G. Narnavar for non-payment of penalty amount of ₹ 5,00,000/- imposed by the Adjudicating Officer vide order dated December 21, 2009.

The court observed that under Section 24(2), the prosecution only needs to prove that the person has failed to pay the penalty imposed by the AO.

Considering the facts of the case, evidence produced and the scope of the provisions of Section 24(2) of the SEBI Act, the Ld. Judge held that prosecution was able to prove its case. Therefore, the Special Court convicted Mr. Vikas G. Narnavar for offence punishable under Section 24(2) of the SEBI Act. He was sentenced to rigorous imprisonment for a term of one and half years and to pay a fine

of ₹ 7,50,000/-. In default of payment of the fine amount, he shall undergo simple imprisonment for six months.

V. CONSUMER FORUM

A. In FA No. 225/2019 – SEBI vs. B C Praharaj (State Consumer Dispute Redressal Commission, Odissa)

SEBI filed an appeal before State Consumer Dispute Redressal Commission (SCDRC), Odissa, against the order passed by the District Forum, Khurda at Bhubneshwar by which it had directed the opposite parties in the complaint, including SEBI, to jointly and severally pay the matured value of the bond along with interest to the complainant. SEBI assailed the order on the grounds that the

limited role of SEBI is to regulate the securities market and it has no direct nexus with the investors who invest money for purchase of bonds, etc., no fees has been paid by the complainant to SEBI and, hence, the complaint was not maintainable against SEBI and that the impugned order, so far as it relates to any direction against SEBI, is without jurisdiction. It was also contended that order passed without jurisdiction is a nullity and the same can be challenged at any time in any proceeding, including a collateral proceeding, and any delay in filing appeal is not material. The Learned SCDRC found merit in the submissions of SEBI and the impugned order which made SEBI jointly and severally liable to comply with the order with other opposite parties was set aside.

2. SEBI ORDERS

I. In the matter of alleged market manipulation using GDR Issues by Cat Technologies Limited – Final Order dated April 3, 2019

SEBI investigated the issuance of Global Depository Receipts (“GDRs”) in overseas market by Cat Technologies (“CAT Technologies”), Indian Company listed with the BSE. The investigation revealed that CAT Technologies had issued a total of USD 16.45 million GDRs on July 27, 2007 (“GDR Issue I”) and November 6, 2009 (“GDR Issue II”). The investigation also revealed that Vintage FZE (now known as Alta Vista International FZE) (“Vintage”), an entity under the control of Arun Panchariya, was the only subscriber of both the GDRs issues and that the subscription amount was paid by obtaining a loan facility from European American Investment Bank AG (“Euram”) through two separate loan agreements executed in 2007 and 2009, respectively. The loan facility availed of by Vintage was simultaneously secured by two separate pledge agreements entered into between CAT Technologies and Euram. The investigation revealed that CAT Technologies, with the aid of its directors, etc., had conceived the fraudulent arrangement with Vintage with regard to the subscription of GDR Issues and had submitted incorrect/concealed information to SEBI. CAT Technologies and its directors were aware of the arrangements entered into by the company with Vintage through the pledge agreements and by Vintage with Euram through the loan agreements, which violated Sections 77(2) and 77(4) of the Companies Act. SEBI had passed an order dated April 3, 2019, wherein it held that CAT Technologies and its Directors had violated the provisions of Section 12A(a), (b) and (c) of the SEBI Act read with Regulations 3 and 4 of the PFUTP Regulations, 2003. SEBI, inter alia, prohibited CAT Technologies and its

directors from accessing the capital market directly or indirectly and dealing in securities or instruments with Indian securities as underlying, in any manner whatsoever, for a further period of five years.

II. Order in the matter of Dark Fibre/ Leased Line connectivity allowed to certain Stock Brokers by NSE- Order dated April 30, 2019

SEBI received complaints, inter-alia, alleging various irregularities in respect of Co-location (Colo) facility provided by National Stock Exchange of India Ltd. (NSE). Considering the sensitivity and technical complexities involved, special committees, technical audit, inspections, were undertaken to complete the course of investigations. The complaints primarily alleged that certain registered intermediaries were permitted to avail of Point-to-Point (P2P) dark fiber connectivity from Sampark Infotainment Private Limited (Sampark), a non-empaneled service provider and the P2P connectivity provided by Sampark conferred a latency advantage to these registered intermediaries in deprivation of others and, therefore, caused considerable favour to these registered intermediaries during the period April-August, 2015.

Based on the finding of investigation, it has come to the fore that the activities of certain persons/entities responsible for the helm of the affairs were in possible violation of provisions of SEBI Act, 1992, SCR Act, 1956 and/ or the Rules and the Regulations made there-under, while permitting to avail the facility of dark fiber connectivity provided by Sampark in connivance / collusion of NSE's employees (past and current) with stock brokers and role of stock brokers alleged to have benefited from the aforesaid preferential access to the exchange's Colo facility by way of P2P connectivity taken from an unauthorized service provider.

Accordingly, show cause notices dated July 03, 2018 were issued to 17 noticees, inter-alia, alleging that P2P connectivity installed by certain brokers of NSE, between the Colo facility of NSE and the Colo center at BSE during the months of April-May 2015 by engaging an unauthorized service provider, i.e., Sampark, in violation of NSE's own circular in which NSE had authorized four specific Telecom Service Providers (TSPs) from whom its brokers had been availing P2P connectivity from 2009 onwards. Sampark allegedly laid dark fiber connectivity for these brokers with the promise of more bandwidth and lower latency for their data transmission and was further permitted to continue the service even after it was found that Sampark did not possess the necessary license from the Department of Telecommunications (DoT) to provide the required P2P connectivity to the brokers of NSE. Thus, the allegations made on noticees under the SCN are primarily (i) Non-transparent mode of communication by NSE to its registered intermediaries to avail services to establish P2P connectivity relating to the circular No. 693 of August 31, 2009, (ii) Permitting an unauthorized service provider (Sampark) to provide and continue to provide the services despite coming to know that Sampark did not possess the requisite certificate; (iii) Preferential treatment accorded to certain stock brokers by NSE in accessing its Colo facility to install P2P connectivity, while refusing the request of some others and, thereby, facilitating to have latency advantage by these preferred intermediaries; (iv) Allowing Installation of Multiplexer (MUX) by Sampark in the NSE Meet My Room (NSE MMR) in the Colo facility without verification of its licenses; (v) waiver of site inspection of the office of the preferred intermediaries; (vi) Facilitating to regularize the unauthorized activities of Sampark.

Subsequently, in compliance with principles of natural justice, noticees were heard personally and after having considered the submissions advanced

orally or through written replies, it has been observed vide order dated April 30, 2019 that majority of the charges made under the SCN are found established based on the evidence available on record. It has been found that the circular providing for availing of P2P connectivity has been modified and the modification was not communicated through transparent mode so as to enable all the registered intermediaries to come to know about the changes and make use of the modifications brought in by amending the concerned 2009 circular in 2013. It was also found that there was sufficient evidence to establish that only certain specified brokers made use of the modification and, while allowing them to make use of the modification, procedures have either been relaxed or not followed. Sampark, despite having not possessing the necessary certification (license), was not only permitted to facilitate the services but was found to have been provided ways to regularize the unauthorized activities, even after knowing that it was not eligible to provide the P2P connectivity. It was found that allegation pertaining to non-provision of fair and equitable access to all stand established, as no transparent and fair policy was followed while conducting the due diligence of service providers (i) at the time of allowing P2P connectivity and (ii) at the time of granting permission to Sampark to place infrastructure in NSE MMR. Permission of continuation of services of Sampark had all the potential to accord and facilitate latency to those using the services over those denied to have the same. Thus, based on the material available on record, the order dated April 30, 2019 found that collusion and fraud among noticees stand established following the principle of preponderance of probabilities.

Vide the above stated order, it has been observed that some of the entities have made unlawful gain and, accordingly, following a principle based on the period they have availed the services and made unlawful gain, have been directed to be disgorged

in terms of the calculation made in the order. In this regard, NSE has been directed to deposit a sum of ₹ 62.58 crore and the two other beneficiaries have been directed to disgorge ₹ 15.34 crore and ₹ 4.9 crore, respectively, along with interest at the rate of 12 percent per annum. In addition to the above, inter-alia, various other preventive and remedial directions have been issued, whereby certain entities have been restrained and further prohibited from remaining active either in the form of trading in the securities market or from holding substantial post or position in any entity having connections or association with the securities market. Stock exchanges and related entities have been directed to take periodic audit to ensure prevention of occurrence of such incidents in future.

III. Order in the matter of irregularities in the corporate governance at NSE – Order dated April 30, 2019

SEBI received complaints alleging irregularities in the colocation facility and lapses of corporate governance at NSE and that some connected persons have used their connection with NSE to their advantage in breach of applicable laws. Subsequently, SEBI conducted investigation in the matter.

The investigation revealed that noticee No. 1, Mr. Ajay Shah and his wife were associated with NSE for a long time and had been engaged by NSE and its affiliates for different assignments and noticee No. 1 was also on the Board of NSE's subsidiary company, National Securities Clearing Corporation Limited, and NSE had engaged noticee No. 2, Infotech Financial Services Pvt Ltd. (Infotech) for computing liquidity index (LIX), whose directors were Mr. Krishna Dagli (noticee No. 3) and Ms. Sunita Thomas (noticee No. 4) who was wife of Mr. Suprabhat Lala (noticee No. 5), assistant vice president of trading operations at NSE and sister-in-law of Mr. Ajay Shah. Therefore, NSE had ignored the above inherent conflict of interest by

awarding the LIX contract to Infotech, overlooking its own subsidiary, IISL, which is engaged in similar activities and neither the noticees divulged the conflict of interest nor the officials at NSE verified the same. The investigation further revealed that the trading data received by Infotech for research in LIX project was misused by the noticees with the active support of NSE officials for developing algorithmic trading products for sale in Securities Market.

In light of the above, SEBI passed an order dated April 30, 2019, finding that noticee No. 1, due to his long and active association with NSE in several capacities, held a position of high esteem and influence in the minds of senior management of NSE and capable of influencing their decision making which was exemplified by the fact that he and his wife had suggested to NSE and NSE undertook the LIX project for which contract was awarded to Infotech. The agreement signed by Infotech for the LIX contract shows that the data received for the contract from NSE was confidential and exclusive and could be shared only with noticee No. 1 and noticee directors of Infotech and these directors have been in the active business of providing trading solutions to market participants on algorithmic trade through various products. It was also found that noticee No. 5 had committed professional compromise by sharing internal data with noticee No. 4 and was actively associated with noticees Nos. 1 and 4 in their professional activities and, being a senior officer at NSE, ought to have displayed professional integrity by sharing the inherent conflict of interest with the senior management of NSE. Therefore, it was held that all these noticees were collectively responsible for misuse of the trading data received from NSE and had worked collusively to fulfill their commercial goals by fraudulently using the data obtained from NSE for developing the algorithmic trading software meant for selling to brokers and traders to induce them to trade in securities with better results on the

strength of capability of such software prepared out of exclusive data, not available to other market participants.

All the noticees were found in violation of provisions of SEBI Act and SEBI (PFUTP) Regulations, 2003 and noticee No. 1 was directed not to hold any position in the management or Board or be associated in any manner with any stock exchange, clearing corporation or listed company for a period of two years. Further, noticees Nos. 2, 3 and 4 were directed not to provide any services or be associated with any stock exchange, clearing corporation or listed company for a period of two years and noticee No. 5 was directed not to hold any position or be associated with any stock exchange, clearing corporation for a period of two years.

IV. In the matter of NSE Co-location and OPG Securities Private Limited – Final Orders each dated April 30, 2019

SEBI had received complaints dated January 08, 2015 and August 10, 2015, inter alia, regarding the co-location facility provided by National Stock Exchange of India Limited wherein it was mainly alleged that:

- a) Tick-by-tick ("TBT") data feed disseminated data sequentially in the sequence of trading members ("TM") connected/ logged-in to the server unlike the broadcast whereby every TM got the price information at the same time.
- b) The first TM to connect to the lowest load server would get an advantage in terms of receiving the data faster than others.
- c) Some people had figured out that the way to game the system lay in being the first one to connect to the server and, preferably, a server which was the fastest. A server could be the fastest due to lesser load or it could be hardware of the server which was slightly powerful.

- d) NSE was the second largest shareholder of Omnesys Technologies Pvt. Ltd. ("Omnesys") and Omnesys had the knowledge that connecting faster would put the server ahead in the queue.
- e) Preferential access was granted by the stock exchange to certain Trading Members including OPG Securities Private Limited ("OPG Securities") for TBT data feed.

The aforementioned complaints triggered a set of preliminary enquiries, Expert Committee/ Forensic Audit Reports and a SEBI Investigation in the matter. Based on the complaints received, the findings in the TAC Report and Deloitte Report 2016, SCNs were issued to 15 noticees. The following issues were considered on merit:

- a) Whether the TCP-IP architecture for TBT data feed provided "fair and equitable access" to all the TMs?
- b) Whether access to Secondary Server had advantage of receiving information early and what was the mechanism in NSE to monitor the Secondary Server misuse?
- c) Whether NSE could be held liable for PFUTP violation under PFUTP Regulations, in the given circumstances?
- d) If yes, (i) whether there was any role of employees of NSE in the violation and (ii) whether there was any non-cooperation on the part of NSE and its employees?

In the order dated April 30, 2019, in the matter of NSE Co-location, SEBI found that:

- a) The TCP-IP architecture of TBT data feed, as adopted by NSE, was inadequate as the inherent early login advantage was not sought to be addressed by introduction of randomizer, as pointed out by various reports.

Moreover, even the adoption / implementation of TBT Data feed architecture, was not in accordance with the standards stipulated by NSE's Development Team, specifically with respect to the procedure of IP allotment and the allocation of IPs within the limit.

- b) NSE did not have defined policies and procedures around secondary server access, except for those mentioned in the 'NSE Co-location Guidelines'. Also, NSE did not have a documented policy or procedure around reprimanding TMs improperly connecting to Secondary Servers. It is also observed that in the absence of defined policy and procedures, the monitoring of connections by TMs to the secondary server was assigned to the level of junior staff in the exchange and not supervised by any higher ups, paving the way for misuse of secondary servers with impunity.
- c) In the absence of any evidence leading to the culpability of any specific employee of NSE or the collusion or connivance from the side of NSE with any specific TM, the possibility of existence of a "fraud" is ruled out. All the findings, in the foregoing observations, lead to the conclusion that the exchange has failed to comply with the provisions of Stock Exchanges and Clearing Corporations Regulations (SECC) in letter and spirit, which has given scope to the complaints in question. The stock exchange, as a first level regulator, has a fiduciary duty to the entire ecosystem. Market participants' confidence in the trading system is based on the presumption that the rules of trading are completely uniform and transparent. Thus, the acts of omissions/commissions on the side of NSE, as brought out above, are in violation of Regulations 41 (2) and 42(2) of Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012,

read with clause 4(i) of SEBI circular CIR/MRD/DP/09/2012 dated March 30, 2012, which mandates fair and equal access of information to all the TMs.

- d) It was held that the SECC Regulations casts an omnibus duty on the stock exchange, its directors and Key Management Personnel (KMPs) to abide by the fundamental principle of equal, fair and transparent access. However, the liability for such breaches, if any, ought to be determined by taking into consideration the functions entrusted to such directors by virtue of their position or designation, which are relevant to the allegations contained in the SCNs. Accordingly, Ravi Narain and Chitra Ramkrishna, managing director and chief executive officer of NSE in succession at the relevant time, were found to be liable for the breach of the provisions of SECC Regulations.

Consequent to the above findings, SEBI, inter alia, directed that NSE shall disgorge an amount of ₹ 624.89 crore along with interest to the Investor Protection and Education Fund ("IPEF") created by SEBI under Section 11 of the SEBI Act, which was a portion of the profits derived by NSE from the TBT data dissemination activity during the relevant period, within 45 days from the date of the order. NSE shall be prohibited from accessing the securities market directly or indirectly for a period of six (6) months from the date of the order. SEBI further directed Ravi Narain and Chitra Ramkrishna to disgorge 25 percent of the salary drawn for FYs 2010–11 to 2012–13 and 2013–14, respectively, to the IPEF within 45 days from the date of the order and also prohibited them from associating with a listed company or a market infrastructure institution or any other market intermediary for a period of five years.

As regards OPG Securities, the investigation, inter alia, revealed that since TMs were permitted to access secondary POP Server only in case of

disconnections to primary POP Server, the load on secondary POP Server was generally very low. OPG Securities was found to have connected to the secondary POP Server almost on a daily basis without valid reasons. SEBI observed that during 2013 and 2014, OPG Securities connected to the secondary POP Server almost on every trading day (99 percent of trading days in 2013 and 95 percent of trading days in 2014). Further, given the lesser density of connections at the secondary POP Server, a TM connected to such server may receive data ahead of other TMs connected to the primary POP Server. The substantial number of connections made by OPG Securities to the secondary POP server (670 trading days and on most days without a valid reason) clearly indicated that such TM did so deliberately to gain an unfair advantage over other TMs. SEBI, vide an order on April 30, 2019, held that OPG Securities had violated the provisions of Regulation 4(1) of the PFUTP Regulations 2003 and clauses A(1), (2) and (5) of the Code of Conduct as specified in Schedule II of Regulation 9 of Stock Brokers Regulations and had prohibited the TM and its directors (who were vicariously liable for the failure by the said TM in ensuring compliance with the aforementioned provisions) from accessing the securities market and from buying, selling or otherwise dealing in securities in its proprietary account(s), either directly or indirectly, for a period of five years. In addition, SEBI also directed that OPG Securities and its directors shall disgorge the unlawful gains (which could not have been made but for the illegal connections made by the TM to the Secondary POP Server) along with interest.

V. Confirmatory Order dated May 17, 2019 in the matter of Allied Financial Services Ltd. ('Allied')

SEBI had received a complaint that the mutual fund units worth ₹ 420 crore approximately of Novjoy Emporium Private Limited, OCL India

Limited and Dalmia Cement East Limited (hereinafter referred to as 'the Complainants') were alleged to have been fraudulently transferred by Allied, a stock broker and depository participant registered with SEBI and a member of NSE, to the ISSL's demat account as collateral for the margin obligations of Allied in respect of a specific NIFTY 5000 F and O contract. SEBI also received an interim report from NSE with regard to the irregularities committed by Allied. In this report, it was observed that there was non-availability of client's funds, non-availability of client's securities, misuse of client's funds / securities and use of client's funds / securities to meet proprietary obligations by Allied. Based on this report, SEBI passed an ex-parte interim order dated February 27, 2019 against Allied and other entities. To protect the interest of investors, SEBI issued directions restraining Allied from accessing the securities market, desisting Allied from any activity in the securities market and further restraining Allied from alienating any movable or immovable assets.

In the meantime, a police complaint filed by some of the Complainants with Deputy Commissioner of Police, EOW, New Delhi, resulted into the EOW directing IL&FS Securities Services Limited ('ISSL'), the clearing member for Allied with NCL, not to deal with the mutual fund units transferred by Allied till further orders. Being aggrieved by the EOW directions, ISSL sent a letter to SEBI and contended that the trades have been entered into, based on fraudulently transferred collateral which is not in the interests of the securities market and, therefore, inter alia, requested that the trades made by Allied be annulled. SEBI communicated to ISSL that the appropriate authority for annulment of trade is Stock Exchange in terms of SEBI Circular CIR/MRD/DP/15/2015 dated July 16, 2015. Being aggrieved by the communication from SEBI, ISSL approached in

Appeal before Hon'ble SAT, inter alia praying that appropriate directions be issued for annulment of trade done by Allied. While disposing of the said Appeal, Hon'ble SAT, inter alia, directed ISSL to approach NCL for seeking an Annulment of Trade. ISSL approached NCL praying for the Annulment of Trade. NCL, while rejecting the said annulment application by ISSL, inter alia, stated that the fraud at a trading member level should be crystallised at that level and cannot be allowed to percolate to the entire market.

In the meanwhile, SEBI after hearing the parties to the interim order, passed confirmatory order dated May 17, 2019, confirming the directions in the interim order dated February 27, 2019 against Allied and some of the entities. The Confirmatory order also noted that a request of Annulment of Trade in respect of open position on NIFTY 5000 CE 27th June 2019 expiry was made by Allied. However, in this regard, SEBI had asked Allied to approach the Stock Exchange in terms of SEBI Circular CIR/MRD/DP/15/2015 dated July 16, 2015.

VI. Final Order dated May 29, 2019 in the matter of Nixcil Pharmaceuticals Specialties Limited (Now Known as "Heivero Pharmaceuticals Limited")

SEBI, vide order dated May 29, 2019, held that Nixcil Pharmaceuticals Specialties Limited (Now Known as "Heivero Pharmaceuticals Limited") ("NPSL"/ "the Company") had made an offer of Redeemable Cumulative Preference Shares ("RCPS") during the financial years 2005-06 to 2011-12 ("Offer of RCPS") and raised at least an amount of ₹ 127.14 crore from at least 1,51,627 allottees. The above Offer of RCPS and pursuant allotment were deemed public issue of securities under the first proviso to section 67(3) of the Companies Act, 1956. Accordingly, the resultant requirement under section 60 read with section 2(36), section 56, sections 73(1), 73(2) and 73(3) of Companies Act, 1956 were not complied

with by NPSL in respect of the offer of RCPS.

As regards the liability of directors as officer in default, as per Section 5 of the Companies Act, 1956, the order, inter alia, held that the definition of managing director includes a director who occupies the position of managing director even without being designated as such, provided that he has been entrusted with substantial power of management, which would not otherwise be exercisable by him. Such director would be termed as "Deemed Managing Director". On perusal of the Balance Sheet of NPSL (from 2004-05 to 2010-11), Profit and Loss Account of NPSL (2006-07 and 2007-08) and Board's Report of NPSL (Directors' Report) (from 2004-05 to 2009-10), for the respective years, it has been found that, in all cases, Shri Prithi Paul Singh, consistently was one of the signatories of the respective documents. By signing such documents consistently for prolonged periods, though he was not formally appointed as the Managing director, he has performed the role of Managing Director by standing consistently as signatory to such documents. Further, Shri Prithi Paul Singh Sethi was authorized signatory to bank accounts of NPSL. Furthermore, Shri Prithi Paul Singh has discharged the role of Chairman of the Board. However, the material on record indicates that Shri Prithi Paul Singh is an executive director of the Company. By presiding over such Board Meetings and the General Meetings, it further corroborates the fact that some of the substantial powers of management has been entrusted upon him. Shri Prithi Paul Singh Sethi was holding 63.24 percent of the shareholding in NPSL. Such a percentage is sufficient enough to control the Board of NPSL. By virtue of such shareholding, he also becomes one of the persons "in accordance with whose directions or instructions the Board of directors of a company is accustomed to act". Perusal of Section 5(e) of the Companies Act, 1956 shows that "any person in accordance with whose directions or

instructions the Board of Directors of the company is accustomed to act" falls within the definition of "officer in default". The aforesaid acts are not the administrative act to perform, whereas these are the managerial acts which have substantial power of management, thereby, managing the business of NPSL. Hence, Shri Prithi Paul Singh Sethi was managing the business activities of NPSL, thereby acting as Deemed Managing Director of NPSL from FY 2004-05 till his resignation, i.e., March 29, 2012.

At the time of issuance and allotment of RCPS, Shri Prithi Paul Singh Sethi was the Deemed Managing Director of NPSL during FYs 2004-05, 2005-06, 2006-07, 2007-08, 2008-09 and 2011-12 till March 29, 2012; Shri Vishwa Bandhu Vashistha was the Managing Director of NPSL from August 12, 2008 to March 12, 2009 in FY 2008-09 and Shri Kishan Pal Singh was the Managing Director of NPSL from March 13, 2009 to March 31, 2009 in FY 2008-09 and during FY 2011-12. Therefore, in accordance with Section 5(a) of Companies Act, 1956, Shri Prithi Paul Singh Sethi, Shri Vishwa Bandhu Vashistha and Shri Kishan Pal Singh, being the Deemed Managing Director / Managing Director of NPSL during the period of allotment of RCPS, are officers in default. Hence, NPSL and Shri Prithi Paul Singh Sethi, Shri Vishwa Bandhu Vashistha and Shri Kishan Pal Singh, are held jointly and severally liable to refund the amounts collected from the investors with interest at the rate of 15 percent per annum, for the non-compliance of the above-mentioned provisions.

VII. In the matter of non-compliance with the minimum public shareholding norms in respect of HRB Floriculture Limited – Order dated June 10, 2019

SEBI, vide an interim order dated June 15, 2016, issued directions against HRB Floriculture Limited ("HRB/the Company"), inter alia, freezing the voting rights and corporate benefits like dividend, rights,

bonus shares, split, etc. in respect of the proportion of promoter / promoter group shareholding (including certain persons allegedly shown as public shareholders) which was non-compliant with minimum public shareholding norms, as stipulated under Rule 19(2)(b) and 19A of the Securities Contracts (Regulations) Rules, 1957 ("SCRR"), till the Company complied with the same. The interim order had observed that the combined shareholding of the promoters and persons acting in concert in the Company, as on March 31, 2016, was 90.06 percent, implying that the public shareholding was at a meagre 9.94 percent. Subsequently, vide an order dated April 7, 2017 ("Confirmatory Order"), SEBI confirmed the said directions issued against HRB vide the interim order. The company preferred an appeal against the Confirmatory Order before the Hon'ble SAT, which vide its order dated November 3, 2017, permitted the company to make a representation to SEBI and, further, directed SEBI to consider the said representation and pass appropriate order thereon. Upon consideration of the representation, SEBI passed an order dated June 10, 2019, wherein it noted that Regulation 2(1)(za) of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 ("ICDR"), which was applicable at the time of purported re-classification of some promoter entities in November 2010 pursuant to a family settlement, provided an inclusive definition of "Promoter" and included "the person or persons who are in control of the issuer" within such definition. SEBI further noted that as per the shareholding pattern of the company appearing on the BSE website, as on March 31, 2019, the promoter entities, who were re-classified as "public" shareholders, continued to hold substantial number of shares (48.56 percent), which was even more than 41.49 percent shares held by the declared promoters. It was held that in the absence of sufficient evidence to the contrary, it has to be necessarily presumed that the promoter entities,

purportedly reclassified as “public”, continued to remain in control of the company. It was further held that a family settlement, per se, cannot be taken as a conclusive evidence of some promoter entities having given up control in a listed company, which they exercised earlier, unless there is sufficient proof of effective changes in voting rights, management control, etc., carried out through various actions and documents, which reflect such cessation of control. Thus, the reclassification of such promoter entities as “public” shareholders, based on such family settlement, cannot be accepted in law. SEBI further observed that mere reclassification of promoters has not been envisaged as one of the permitted methods of complying with prescribed minimum public shareholding requirement under law and even if it is assumed that the purported reclassification in the instant case was valid, the same cannot be said to have resulted in compliance with minimum public shareholding requirement, as any such proposition would defeat the very objective of Rule 19A read with Rule 19(2)(b), which seeks to achieve dispersed shareholding. Consequent to the aforementioned findings, SEBI held that the company remained non-compliant with the requirement of minimum public shareholding as prescribed under Rule 19A of the SCRR.

VIII. Order in the matter of New Delhi Television Ltd. (NDTV) – Order dated June 14, 2019

SEBI had received complaints alleging that Promoter entities/majority shareholders of NDTV, viz., RRPR Holdings Pvt. Ltd. (RRPR), Mr. Prannoy Roy and Ms. Radhika Roy (noticees) have violated provisions of SEBI Act by omitting to disclose material information to shareholders of NDTV about the loan agreements executed by them with Vishvapradhan Commercial Pvt Ltd. (VCPL).

Subsequently, SEBI conducted investigation in the matter which revealed that RRPR had obtained loan executing a loan agreement with ICICI Bank

Ltd., which, inter-alia, provided several clauses which are normally not seen as a part of normal loan agreement. These conditions were binding in nature and required ICICI approval before effecting any corporate restructuring of NDTV, yet the loan agreement was not disclosed by the noticees to the Board of NDTV for further disclosure to the shareholders. The investigation further revealed that the promoter entities entered into other loan agreements with VCPL to prepay the ICICI loan. The clauses of the agreements provided for issue of warrants to VCPL which were convertible into equity shares aggregating upto 99.99 percent of share capital in RRPR and for further transfer of NDTV shares from Mr. Prannoy Roy and Ms. Radhika Roy to RRPR, resulting in effectively vesting of beneficial interest in 30 percent shares of NDTV in VCPL. These loan agreements executed by the Promoters with VCPL restrained NDTV from undertaking any merger, amalgamation or scheme with creditors or shareholders of NDTV without approval of VCPL, despite NDTV not being a party to the loan agreements. The VCPL loan agreements also did not allow corporate action, such as merger in NDTV, without prior approval of VCPL and, despite constituting material information, this agreement was also not in public domain and the Promoter noticees continued to effect off-market transfers of shares of NDTV, while having knowledge of all the aforesaid material information without disseminating the same to the shareholders of the Company.

Based on the findings of facts in the course of investigation, a show cause notice was issued asking the promoter entities to offer comments as to why suitable direction should not be issued against them for the violations of provisions as alleged in the SCN. Complying the principles of natural justice, promoters were heard and based on materials available on record, SEBI passed an order dated June

14, 2019, finding that the VCPL loan agreements were executed in a deceitful manner only to transfer a substantial stake held by the promoters/noticees in NDTV to VCPL and do not carry any element of inter-corporate loan transactions. It was further held that the ICICI and VCPL loan agreements contained clauses and conditions that substantially affected the functioning of NDTV and these agreements and consequent off-market share transfers by the noticees were held to be material sensitive information and non-availability of this information deprived the investors of informed participation, while dealing in the shares of NDTV. It was also held that conduct of noticees failed to conform to fair and transparent principles of trades in securities market and amounts to stark unfair practices in violation of SEBI Act and SEBI (PFUTP) Regulations.

Accordingly, the noticees were restrained from accessing securities market and prohibited from dealing in or being associated with securities market, in any manner for a period of two years and the promoter director noticees were restrained from holding the position of director or KMP in NDTV for two years and in any other listed company for a period of one year.

IX. Order in the matter of G V Films Ltd. – Order dated June 25, 2019

SEBI conducted an investigation into the issue of 6.4 million GDRs by G V Films Ltd. (GV) for raising USD 40 million on April 27, 2007. The investigation revealed that Banco Efisa S.A. (Banco Bank) had granted loan to Whiteview Trading Corporation (Whiteview) by way of a Credit Agreement dated March 15, 2007 for making payment towards subscription to the GDRs issued by GV and the entire 6.4 million GDRs were subscribed by only one entity, i.e. Whiteview. The investigation further revealed that the company deposited the entire GDR proceeds with Banco Bank as security against the loan availed

by Whiteview from Banco Bank for subscribing to GDRs of GV by entering into an account charge agreement dated March 27, 2007 with Banco Bank.

It was further observed that the GDRs were subsequently converted into equity shares and sold in the Indian capital market and that the company had not disclosed to the investors about the arrangement so made by it to ensure the successful issuance/subscription/allotment of the GDRs by facilitating the loan to Whiteview; it was also concealed that the proceeds of GDR would be kept as security with the Banco Bank and, thereby, misled the shareholders/investors at large by providing partial and distorted information.

After issuing a show cause notice and giving hearing, SEBI passed order dated June 25, 2019 holding that the credit agreement was inseparably linked to the account charge agreement and both were executed consecutively and that the noticee directors facilitated the execution of the Account charge agreement by passing a suitable Board Resolution. The Credit Agreement and Account charge agreement enabled Whiteview to avail loan from Banco Bank for subscription of GDRs of GV and the GDR issue would not have been subscribed if GV had not given such a security against the loan taken by Whiteview. By entering into such an arrangement, the company and the noticee directors including the signatory of the account charge agreement (President of Corporate Affairs of the Company) have led the investors in India to believe that GV has got a good reputation in terms of investment potential, because of which foreign investors have successfully subscribed to its GDRs, whereas, in reality, the GDRs were subscribed by Whiteview with the help of the Company itself. The acts of the noticees were, therefore, held in violation of provisions of SEBI Act and SEBI (PFUTP) Regulations and the Company and other noticees were restrained from accessing the securities market and prohibited from dealing in securities market for a period of five years and two years respectively.

X. In the matter of ICL Multitrading India Limited – Interim order dated July 5, 2019

ICL Multitrading India Ltd (“ICL / the Company”), a company based out of Noida, had filed for an IPO with NSE at SME platform for 21,00,800 equity shares at ₹ 85 per equity share (i.e., total issue size of ₹ 17.86 crore). The issue was managed by the lead manager and merchant banker– Corporate Capital Ventures Private Limited (hereinafter also referred to as the MB or CCV), a SEBI registered merchant banker. The said SME IPO opened on November 19, 2018 and was scheduled to close on November 22, 2018. However, the issue was extended till December 3, 2018, based on a request by ICL (the issuer). Thereafter, SEBI received a reference vide email dated December 06, 2018 from NSE, whereby it, *inter alia*, informed SEBI about contradictory stands taken by ICL and its lead manager, CCV, in respect of the said SME IPO of ICL. Subsequently, NSE also submitted a report to SEBI, wherein it concluded that since only 0.10x subscription was collected on the date of issue closure, the MB had an obligation to bring in the devolvement obligation, as the issue was underwritten as prescribed under Regulation 106(P)(1) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009. However, the MB had failed to comply with their obligation. Upon receipt of the aforesaid report from NSE, SEBI examined the matter and noted that the offer documents pertaining to the said SME IPO issue were filed under the provisions of erstwhile ICDR Regulations, 2009. The provisions of Regulation 106(P)(1), contained in Chapter XB of the ICDR Regulations, 2009 dealing with issue of ‘Specified Securities by Small and Medium Enterprises’, provide that an SME issue shall be 100 percent underwritten. It was further noted from the copy of DRHP filed by the MB that CCV had undertaken to underwrite the said SME IPO of ICL to the extent of 100 percent of the issue size. However, it was *prima*

facie found that CCV, the lead manager for SME IPO of ICL, had failed to honour its underwriting obligations, thereby, violating the provisions of Regulation 106(P)(1) of the ICDR Regulations, 2009 read with the provisions of Regulation 301(2) of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (ICDR Regulations, 2018). In view of the above, SEBI, pending further examination, passed an interim order dated July 05, 2019, directing CCV not to take up any new assignment relating to merchant banking activities in the securities market till further orders from SEBI. Vide the said order, SEBI also, *inter alia*, directed CCV to disclose the above-mentioned direction of restraint in the offer documents pertaining to all the issues where it was already engaged as a merchant banker prior to issuance of the interim order. The directions in the interim order dated July 05, 2019 were further confirmed vide SEBI order dated January 16, 2020.

XI. In the matter of complaints filed by minority shareholders of Hotel Leela Venture Limited – Order dated July 23, 2019

SEBI had received complaints from the minority shareholders of Hotel Leela Venture Limited (“HLVL/Company”) in April 2019, alleging violations by the Company, its Promoters and JM Financial Asset Reconstruction Company Limited (“JMF ARC”) of the provisions of the Companies Act, 2013 (“Companies Act”) and the securities law administered by SEBI, *inter alia*, in relation to HLVL’s postal ballot notice dated March 18, 2019 (“Postal Ballot Notice”). As per the Postal Ballot Notice, the company had sought shareholders’ approval for special Resolutions, *inter alia*, regarding the proposed sale of assets of the company to BSREP III India Ballet Pte. Ltd or its affiliates (“Brookfield”). In exercise of the powers conferred upon SEBI under Section 11(1) and Section 11B of the SEBI Act, the allegations contained in the complaints were examined on the following premises:

- a) The examination was purely from the perspective of protecting the interests of the company's minority shareholders, while recognizing the rights of the lenders to recover their dues under various provisions of law.
- b) The examination was for ascertaining whether there were any violations of the provisions of law administered by SEBI including the SEBI Act, the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("LODR Regulations 2015") and the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 ("Takeover Regulations 2011").

Vide an order dated July 23, 2019, SEBI had observed that the proposed *Asset Sale Transaction/ Additional IP Transaction* did not qualify as 'related party transaction,' except for the limb of the transaction that was proposed by HLVL along with its Promoters/ affiliates with respect to the transfer of 'Jamavar' trademark to Brookfield. As regards the disclosures made in the Postal Ballot Notice, SEBI observed that there were serious shortcomings, which were critical to the decisions of the shareholders and, therefore, the shareholders should have been allowed to inspect all the valuation reports in respect of the proposed transaction for taking an informed decision. Further, SEBI observed that HLVL had failed to disclose the material litigation relating to Airports Authority of India's claim in respect of the Leela Hotel, Mumbai in its financial statements. As regards the conversion of debt into equity by JMF ARC, SEBI noted that the same amounts to a technical violation of the Takeover Regulations 2011 by not having sought an exemption from SEBI, as SEBI would have given such exemption as is the case with a lender. Accordingly, SEBI, *inter alia*, directed that:

- a) HLVL shall provide the following additional disclosures in the Postal Ballot Notice:
 - i. All relevant details of each of the sale transactions, including *Asset Sale Transaction and Additional IP Transaction*, with specific information identifying the transactions between the Company and Brookfield and the Promoters and Brookfield, including the amounts involved therein under separate tables with the split consideration amounts for each head, and
 - ii. Details of valuation of both the *Asset Sale Transaction and Additional IP Transaction*, including the methods adopted by the Company.
 - iii. During the course of the Postal Ballot, the Valuation Reports shall be kept for inspection by the shareholders of HLVL.
 - iv. The *Asset Sale Transaction* of the Company along with the *Additional IP Transaction* of the Promoters/Promoters' affiliates (excluding the 'related party transaction' involving transfer of 'Jamavar' trademark) shall be put to vote by HLVL before its shareholders afresh.
- b) The *Additional IP Transaction*, concerning the 'related party transaction' involving transfer of 'Jamavar' trademark, shall separately be put to vote by HLVL before its shareholders afresh, in case such valuation in respect of the 'Jamavar' trademark exceeds 10 percent of the annual consolidated turnover of HLVL, as per the last audited financial statements. The promoters/ promoter group of HLVL shall not participate in the aforementioned voting process.

XII. Final order dated July 29, 2019 in respect of DGR Farms and Leisures Limited and 12 others in the matter of DGR Farms and Leisures Limited

An examination by SEBI had found that DGR Farms and Leisures Limited ('DGR Farms') was

running certain schemes for the sale of land plots and also assuring specified returns in land advance schemes which were *prima facie* in the nature of unregistered Collective Investment Schemes. Accordingly, SEBI passed a final order dated July 29, 2019 holding that the schemes of DGR Farms were Collective Investment Schemes as defined in section 11AA of SEBI Act, 1992, which were being run by DGR Farms without seeking registration from SEBI. DGR Farms was, thus, found to have violated Section 12 (1B) of the SEBI Act, 1992 read with Regulation 3 of the SEBI (CIS) Regulations, 1999 and Regulation 4(2)(t) of the SEBI (PFUTP) Regulations, 2003.

Therefore, SEBI directed DGR Farms and its directors to refund the money collected under the alleged unregistered Collective Investment Schemes to the investors along with the promised returns. It was also directed that if DGR Farms and its directors fail to complete the refund to the investors within the stipulated time, then recovery proceedings under section 28A of SEBI Act, 1992 shall be initiated against them. Further, DGR Farms and its directors have been restrained from accessing the securities market and dealing in securities until four years from the completion of refund to the investors.

XIII. In the matter of Palred Technologies Limited – Final Order dated August 13, 2019

Palred Technologies Limited (“Palred”) had entered into non-disclosure Agreement (“NDA”) with Kewill Group, which was interested in buying a part of the company’s business. In the matter, the SCN issued by SEBI had determined the origin of unpublished price sensitive information (“UPSI”) in two parts, UPSI-I and UPSI-II. The SCN stated that UPSI-I came into existence on September 18, 2012, the date of execution of NDA and continued till the decision of the slump sale of the business was announced to the exchange by the Company on August 10, 2013. UPSI-II allegedly came into

existence on September 12, 2013, when work was initiated on computing the quantum of dividend and reduction in capital by BMR Advisors, the financial advisors to the transaction and continued till October 14, 2013, when a corporate announcement was made by the company to BSE that its Board had approved dividend of ₹ 29 per share and fixed the record date for payment of dividend as October 18, 2013. Thus, the alleged UPSI-I period was September 18, 2012 to August 10, 2013 and the alleged UPSI-II period was September 12, 2013 to October 14, 2013. The essential question for determination by SEBI was whether the determination of these UPSI periods had been drawn up on appropriate basis. With respect to UPSI-I, upon a consideration of the facts of the case, it was held that the signing of the NDA did not signify that the deal had been sealed; rather, it signified only the commencement of due diligence process and it was observed that there were possibilities of the deal being scrapped anytime during the due diligence process. Therefore, it was held that the UPSI did not emanate from the date the NDA was signed, but rather on May 09, 2013, when the non-binding offer was given by the buyers which was of USD 43.4 million representing a premium of 187 percent and 278 percent over the book value. As such, it was held that the UPSI-I period was from May 09, 2013 to August 10, 2013. Similarly, with respect to UPSI-II, upon a consideration of the facts of the case, it was held that the decision of payment of dividend and capital reduction could have been considered as *price sensitive information* only after the date of receipt of the deal consideration. A sum of ₹ 250 crore was received by the Company on October 04, 2013 from the buyers. Therefore, it was held that the exact figures with respect to capital reduction and payment of dividend could be arrived at only after receiving the money on October 04, 2013. The same was again discussed in the board meeting held on October 13, 2013, wherein the board members

approved reduction of capital to the extent of 50 percent of paid-up capital by paying ₹ 29 per share. Accordingly, UPSI-II started on October 04, 2013, and remained till October 14, 2013, when the information was disclosed to the stock exchanges. Consequent to the above findings, SEBI, vide an order dated August 13, 2019, restrained the Directors and KMP of the company from accessing the securities market and from buying, selling or otherwise dealing in securities, in its proprietary account(s), either directly or indirectly, for a period of three years and, further, restricted their association with any listed company in the capacity of a director or otherwise for a period of three years. The aforementioned entities were also directed to disgorge the unlawful gains made by them on account of insider trading along with interest.

XIV. In the matter of Polygenta Technologies Limited – order dated August 21, 2019

Polygenta Technologies Limited is a listed company which was non-compliant with the requirements of minimum public shareholding and, hence, was ineligible for voluntary delisting under SEBI (Delisting of Equity Shares) Regulations, 2009 (“Delisting Regulations 2009”). SEBI received an application for relaxation from the provisions of Regulation 8(1B)(i) of the Delisting Regulations 2009. The aforementioned application was considered by SEBI and, vide an order dated August 21, 2019, relaxation from the applicability of Regulation 8(1B)(i) of the Delisting Regulations 2009 (limited to the extent of compliance with minimum public shareholding norms) for the specific purpose of seeking voluntary delisting of its equity shares was permitted, subject to, *inter alia*, the following conditions:

- a) The company shall obtain valuation of its equity shares from two independent peer reviewed chartered accountants.
- b) The delisting price to be paid to the investors shall be at least equal to the price as determined through reverse book building process or through the valuation mechanism, whichever is higher.
- c) The delisting offer shall be considered as successful only if the promoters acquire at least 60 percent of the remaining public shareholding;
- d) Pursuant to delisting of company’s equity shares, the promoters shall continue to accept shares tendered by any remaining public shareholder holding such equity shares, for up to a period of two years from the date of delisting, at the same price at which the earlier acceptance of shares was made and in a manner that provides bank record of payment.

XV. Final Order dated August 28, 2019 in respect of Transgene Biotek Limited and 6 others in the matter of Transgene Biotek Limited

SEBI had passed an order dated August 28, 2019 in the matter of Transgene Biotek Ltd., *inter alia*, directing Transgene Biotek Ltd. to recall the outstanding amount of USD 38.5 million and bring the money back into its bank account in India within a period of one year from the date of the order. Further, the company was restrained from accessing the securities markets and prohibited from buying, selling or otherwise dealing in securities till the compliance of the direction to recall the outstanding amount and thereafter for an additional period of two years from the date of bringing back the money. The order is passed pursuant to an investigation into the fraudulent issue of Global Depositary Receipts (GDRs) of Transgene Biotek Ltd., wherein it was found that Transgene Biotek Ltd. had devised a fraudulent scheme under which it made two GDR issues, the proceeds of which were diverted by them

in contrary to the utilization of GDR proceeds stated in the offering circular. The three directors of the company were also barred for a period of five years from the date of interim order for having been part of the fraudulent scheme. The order also barred Sristek Consulting Pvt. Ltd., Deepak Mishra and Sampath Kumar Meesala from accessing the securities market and from buying, selling or dealing in securities for a period of three years for aiding Transgene Biotek Ltd. in diverting the GDR proceeds.

XVI. Interim Order dated August 30, 2019 in the matter of MI Research – Ashish Jain

Securities and Exchange Board of India received complaints through SCORES portal against an unregistered entity, viz., A2 Financial Services, a partnership firm (hereinafter referred to as “A2FS”), *inter alia*, prima facie alleging the engagement in unregistered investment advisory activities. The partners of A2FS are Mr. Ashish Jain and Mr. Ashutosh Mishra. SEBI conducted an examination in relation to the affairs of A2FS. Upon perusal of Account Opening Forms (AOF) and KYC documents of A2FS obtained from ICICI bank and Axis Bank, it was observed that one of the partners, Mr. Ashish Jain, having PAN: ANIPJ1043K, is currently registered with SEBI as an Investment Advisor under the proprietorship MI Research. MI Research, a proprietary firm, is registered as an Investment Adviser under the Securities and Exchange Board of India (Investment Advisers) Regulations, 2013 (hereinafter referred to as the “IA Regulations”) with effect from November 02, 2017. The SEBI Registration No. is INA000008783.

The *prima facie* findings reveals that as per the partnership deed between Mr. Ashish Jain and Mr. Ashutosh Mishra dated September 06, 2014, the partnership firm, A2FS is in the business of providing tips and advisory services in commodity and equity share market from August 18, 2014. As

per the information disclosed on A2FS website, it is providing investment advisory services. A2FS, in its website, has disclosed the bank accounts details and link to PayU Money payment gateway for payment of advisory fee. The payments through cash / other deposits and credits from payment gateways were observed in the account of A2FS from December 2014 to January 2018. This shows that A2FS has received consideration for its advisory services from December 2014 to January 2018.

Thus, there was *prima facie* evidence that A2FS and its partner Mr. Ashish Jain were soliciting and inducing the investors to deal in securities market on the basis of their investment advice, stock tips, etc., without having the requisite registration / certification as mandated under IA Regulations during the period August 18, 2014 to January 2018. This *prima facie* indicates that Mr. Ashish Jain being one of the partners of A2FS was carrying on unregistered investment advisory activity through A2FS and was in *prima facie* violation of the provisions of Section 12(1) of the SEBI Act and Regulation 3(1) of the IA Regulations.

From the Application FORM – A dated March 14, 2017 and July 24, 2017, submitted by Mr. Ashish Jain, Proprietor, MI Research, it was observed that Mr. Ashish Jain had twice submitted the undertaking that he was not involved / engaged in investment advisory services prior to making the said application. Thus, on the basis of said declaration and other documents attached to the said application form, SEBI had granted registration to Mr. Ashish Jain, proprietor, MI Research under IA Regulations on November 02, 2017. It is also noted that Mr. Ashish Jain, Partner of A2FS, and Mr. Ashish Jain, proprietor of MI Research, are one and the same person.

It is found that Mr. Ashish Jain, while applying to SEBI for registration as an Investment

Advisor through the proprietorship MI Research, had prima facie submitted false and misleading undertaking to SEBI. Further, it is found that Mr. Ashish Jain prima facie involved in unauthorized/unregistered investment advisory services through A2FS before applying to SEBI for registration and continued to carry out unauthorized / unregistered investment advisory services through A2FS even after obtaining SEBI registration. By rendering unregistered investment advisory services and by willfully concealing the same and submitting false and misleading information to SEBI, Mr. Ashish Jain has committed illegal acts and created unlawful gain to himself in the form of obtaining certificate of registration from SEBI. Further, as per Regulations 13(b) of IA Regulations, Mr. Ashish Jain, proprietor of MI Research, after obtaining SEBI registration, was under an obligation to inform SEBI in writing, if any information or particulars, previously submitted to SEBI, are found to be false or misleading. Thus, even after obtaining SEBI Registration Mr. Ashish Jain, proprietor of MI Research, failed to submit the correct information to SEBI in accordance with Regulations 13(b) of IA Regulations.

Further, Mr. Ashish Jain prima facie by continuing to carry out unauthorized / unregistered investment advisory services through A2FS, even after obtaining SEBI Registration, and also by not informing SEBI in writing about the prima facie wrong / false undertaking to SEBI, after obtaining the SEBI Registration, has not acted in honesty and fairness, thereby prima facie violated the clause 1 of Code of Conduct for Investment Adviser read with Regulation 15(9) of IA Regulations.

Accordingly, pending enquiry, by way of *interim ex-parte* order, SEBI prohibited MI Research and its proprietor, Mr. Ashish Jain, from accepting any fresh clients until further orders. SEBI also directed MI Research to disclose the contents of these directions on its website(s) immediately and submit certificate of compliance with evidence to SEBI.

XVII.Final Order dated September 26, 2019 in the matter of Electrosteel Castings Ltd.

An application was filed with SEBI by Sreeji Family Benefit Trust ("Trust"), seeking exemption from open offer obligations, under regulation 11(1) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 ("Takeover Regulations") for the proposed acquisition of shares from Promoter Group entities in the Target Company. The Trust belongs to the Promoter Group of Electrosteel Castings Limited. ("ECL / target company"). It was noted that pending exemption application, the trustees of the Acquirer had acquired 22.78 percent voting rights in the target company. Pursuant to said acquisition, an examination was carried out by SEBI, *inter alia*, to ascertain whether there were any possible violations of provisions of Takeover Regulations at the time of the acquisition of shares in the target company. It was found that the acquirer along with PACs, other members of the promoter group, had triggered open offer obligations under Regulation 3(2) of Takeover Regulations.

After considering the submissions of the noticees, it was, *inter alia*, held that all the trustees of the Trust were the acquirers of the shares as all the trustees are joint owners of the property and voting rights being in the nature of proprietary rights, in the context of Trust Law, all the trustees are joint owners of voting rights and, therefore, have entitlement to exercise voting rights, though such entitlement can be restricted as per the Trust Deed. Further, it was also held that in view of the family arrangement, the members of the promoter group were having a common objective of substantial acquisition *inter-se* the promoters and, hence, all the promoters were persons acting in concert (PACs). With respect to additional acquisition of shares, it was held that though in *inter-se* transfer among PACs, the buyer (acquirer) and seller may be PACs, the "additional acquisition" by the acquirers, in *inter-se* transfer,

is, in essence the quantum of shares transferred by selling (transferring) PACs to the acquirer/shares whose legal ownership has changed. The remaining shareholding, i.e., shares whose legal ownership has not changed would be considered as the pre-acquisition shareholding. In the given facts and circumstances of the case, it was held that shareholding, with an entitlement to voting rights, of the acquirers and PACs have increased from 30.24 percent to 53.01 percent, i.e., an increase of 22.77 percent. As the same was in the absence of any exemption available automatically under Regulation 10 or under Regulation 11 of Takeover Regulations to the acquirers and PACs, it was held that acquirers and PACs have violated Regulation 3(2) of the Takeover Regulations.

Accordingly, in the facts and circumstances of the case, the acquirers and PACs were directed to amend the Trust Deed within a period of four weeks from the date of the order to reflect that only individual promoters or their immediate relatives or lineal descendants/ ascendants will be trustees and beneficiaries and that the trustees will not be entitled to transfer or delegate any of their powers to any person other than one or more of themselves. In case of failure to comply with the said direction, the acquirers and PACs were directed to make a public announcement to acquire shares of the Target Company in accordance with the applicable provisions of the Takeover Regulations.

XVIII. Final order dated September 27, 2019 in the matter of Acropetal Technologies Ltd.

Acropetal Technologies Ltd. ("ATL") came out with an Initial Public Offer ("IPO") aggregating to ₹ 170 crore during February, 2011. SEBI investigation revealed that a major portion of the IPO proceeds was not used for the objects of the issue as stated in the Prospectus. ATL, with the help of various conduit entities, some of whom were directly or indirectly

related to ATL, had diverted the funds for various purposes (which includes transfer of funds to its own related entities, transfer of funds for the purpose of trading and others). Further, wrong disclosure and non-disclosure were made in the Prospectus.

After considering the submissions of the noticees, it was, inter alia, held on the basis of analysis of the utilization of money raised in the IPO as submitted by the company and on the basis of the money trail from ATL's bank account to the bank accounts of various other noticees that out of the IPO proceeds of ₹ 170 crore, an amount of ₹ 22.92 crore was utilized for the objects of the issue and the rest was diverted by the company. Further, it was held that wrong disclosure and non-disclosure were made in the Prospectus. The company, along with the chairman and managing director of the company, was held liable for diversion of the funds. The latter, being the senior-most executive of the company and the person primarily responsible for running the affairs of the company, was responsible for all the deeds / acts of the company related to diversion of IPO proceeds. The Audit Committee members were also held liable for diversion of IPO proceeds as they had failed to perform their duties in relation to reviewing the utilization of IPO proceeds and apprising the Board members about the misutilization of IPO proceeds. The conduits were also held liable for diversion of IPO proceeds. The aforesaid actions / omissions of the noticees had led to the violation of Regulations 3(b), (c), (d) and 4(1) of PFUTP Regulations read with Sections 12A(a), (b) and (c) of SEBI Act. With respect to non-disclosure and wrong disclosure, all the signatories to the prospectus including company, but excluding the independent directors, were held liable. The same led to the violation of Regulations 3(b), (c), (d), 4(1), 4(2)(f) and (k) of PFUTP Regulations read with Sections 12A(a), (b) and (c) of SEBI Act and Regulations 57(1), 60(7)(a) and clause (2)(IX)(B)(12)(a)(v) Part A of Schedule VIII of ICDR Regulation.

Accordingly, in the facts and circumstances of the matter, the company (10 years), Chairman and managing director of the company (10 years), members of the Audit Committee (five years), conduits (seven years), CFO (two years), Company Secretary (two years) and the Compliance Officer (two years) were restrained from accessing the securities market for the respective number of years as indicated against them from the date of the order and were further prohibited from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner, whatsoever, for the same period, from the date of the order. Further, the chairman and managing director of the company (ten years) and members of the Audit Committee (five years) were further restrained from being associated with any listed company or a SEBI registered intermediary, in any capacity including as a director or key managerial person, directly or indirectly, for the respective number of years as indicated against them.

**XIX. Order in the matter of Deep Industries Limited
– Order dated September 30, 2019**

SEBI had passed an ad interim ex-parte order dated April 16, 2018 (interim order) in the matter of Deep Industries Limited (DIL / the Company) in respect of three entities, namely, Mr. Rupeshbhai Kantilal Savla (Rupesh), Sujay Ajitkumar Hamlai (Sujay) and V-Techweb India Private Limited (VTIPL) for the alleged violation of the provision of sections 12A (d) and (e) of the SEBI Act, 1992 read with Regulation 4(1) of SEBI (Prohibition of Insider Trading) Regulations, 2015 (the PIT Regulations, 2015) and whereby, inter alia, the unlawful gains made by the aforementioned three entities were also impounded.

It was observed that Rupesh, who was the Managing Director and also a promoter of DIL

during the relevant period and as such was an insider in terms of Regulation 2(1)(g) of the PIT Regulations, 2015, had bought 1,79,510 shares in DIL during July 17, 2015 to October 14, 2015, the unpublished price sensitive information period.

Sujay was associated with DIL by virtue of frequent communication and social interaction with Rupesh and as such Sujay was reasonably expected to have access to the UPSI of DIL during the relevant period. Therefore, as per the provisions of Regulations 2(1)(d)(i) and 2(1)(g) of the PIT Regulations, 2015, Sujay is a connected person and, consequently, is insider with respect to DIL. Sujay bought 17,000 shares during the UPSI period and sold the entire shares after UPSI period. Ajay Ajitkumar Hamlai and Sujay were holding 50 percent shareholding each in VTIPL during the investigation period. VTIPL had bought 69,000 shares during the UPSI period and sold the entire shares after UPSI period.

It was also observed that Rupesh, Sujay or VTIPL were not holding any shares of DIL prior to UPSI period. Further, they had not traded in any other scrip during the UPSI period and had also not traded in any other scrip including the scrip of DIL three months prior to UPSI period.

The interim order, which was also a show cause notice, got disposed of in respect of Sujay and VTIPL pursuant to the respective settlement orders. The proceeding in respect of Rupesh was continued and disposed of vide order dated September 30, 2019, whereby he was restrained from accessing the Securities Market and further prohibited from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner, whatsoever, for a period of six months for the violations of Regulation 4(1) of the PIT Regulations, 2015 and sections 12A(d) and (e) of the SEBI Act, 1992 and was

directed to disgorge the amount of wrongful gain of ₹ 1,74,57,816/-, as computed in the interim order and lying deposited in the escrow account.

XX. Interim Order dated October 18, 2019 and Confirmatory Order dated November 07, 2019 in the matter of Cameo Corporate Services Limited

Pursuant to receipt of a complaint, SEBI examined the activities of Cameo Corporate Services Limited (Cameo) as an RTA with specific reference to the issue of due diligence in respect of duplicate shares in the case of the complainant. Various discrepancies were *prima facie* observed on the part of Cameo while dealing with the request for issue of duplicate shares, such as failure to observe mismatch in signatures, failure to detect that a certain entity had submitted multiple PANs in different combinations, failure to detect that photos in PANs/address proofs submitted by different claimants/imposters are identical, indicating that the documents are fake, failure to verify PAN numbers from Income Tax website and failure to detect that irrespective of the address/location of the original shareholders, the new address provided by the claimants are nearer to the address of the noticees and that the police station in which the complaints regarding loss of share certificates have been lodged are the same. It was found that Cameo had *prima facie* failed to exercise due diligence and violated Clauses 2, 3 and 16 of Schedule III of SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993. Accordingly, SEBI issued an ex-parte ad interim order dated October 18, 2019 in respect of Cameo. Vide the ex-parte interim order, Cameo was prohibited from accepting fresh clients in respect of its activities, as defined under the SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993, till further directions. Thereafter, on November 07, 2019, after hearing Cameo, a confirmatory order was passed, whereby, *inter alia*, directions issued vide the interim order dated October 18, 2019 were confirmed against Cameo.

XXI. Confirmatory Orders dated October 25, 2019 in the matter of Zoid Research (Proprietor Mr. Tabrez Khan)

SEBI had received large number of complaints against the Zoid Research alleging, *inter alia*, non-meeting of profit commitment by the Investment Advisor ("IA"), non-disclosure of complete charges, extraction of money from clients under different pretexts, etc. Preliminary examination of the material on record led to the following observations:

- a) The IA was offering unrealistic and assured returns to investors, although it was fully aware of the fact that advice related to investments in stocks, derivatives, commodity derivatives, etc. are subject to market risk.
- b) Investors were initially lured and inducted as clients with payment of smaller amounts for a basic package. Once partial payment was received, strict deadlines were put on clients for the remaining payment. In case of delay in payment, the clients were told that they will not be entitled to receive service for the subscribed package. In certain cases, the clients were also told that the package they had subscribed to is no longer available and that they will have to subscribe to a higher package with a higher investment and service fee.
- c) The clients were enticed to take new packages by making higher profit commitment in new packages and, thereafter, the same tactics were applied by putting pressure on them to pay the remaining amount within deadlines and often their respective packages were upgraded without their consent, thereby, charging higher service fee.
- d) In certain cases, money was extracted from clients in the garb of various types of fees (not disclosed at the time of initial subscription), such as server fee, file handling fee, etc.

- e) The IA and its representatives in their interactions/ communications with clients gave names of fake/ non-existent employees to the clients, while introducing them as the service team/ personnel assigned for rendering service to them. The agreements entered into with the clients did not contain any name of the authorized person of the IA.
- f) The proprietor, Mr. Tabrez Khan, was functioning as an IA, without possessing the requisite NISM certification.
- g) The IA has not redressed the huge number of investor complaints filed against it, citing unacceptable reasons.

On the basis of the above, in the interests of the investors in the securities market, an interim order was passed in February 2019 and the IA was debarred from providing investment advisory services. The bank and demat accounts were frozen with a view to ensure that, at a later stage, these assets could be utilized for redressing investor grievances.

After personal hearing and careful examination of the submissions of the IA, no merit was found in his explanations and his prayers to release the restrictions on him were not acceded to. Vide order dated October 25, 2019, the directions, issued vide the abovementioned interim order against the notice, were confirmed.

XXII. Final Order dated November 15, 2019 in the matter of Marg Ltd.

A voluntary offer was made by Akshya Infrastructure Pvt. Ltd. ("acquirer/ AIPL") (as part of the Promoter Group), vide public announcement dated October 20, 2011, to acquire 20 percent of the equity shares of Marg Ltd. ("Target Company"). An examination of the same was carried out by SEBI, inter alia, to ascertain whether there were any possible violations of provisions of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations,

1997 ("Takeover Regulations") at the time of making the voluntary offer by the Acquirer. It was observed that the Promoter Group during the financial years 2006-07, 2007-08 and 2010-11 had made certain acquisitions, which had resulted in a breach of five percent creeping acquisition limit in a financial year but had failed to make open offer. In view of the same, SEBI issued the observation letter dated November 30, 2012, advising AIPL to revise the offer price of the Voluntary Open Offer as a result of trigger of open offers on the aforementioned dates. However, the noticee had failed to comply with the observations issued by SEBI, vide its letter dated November 30, 2012.

After considering the submissions of the noticees, it was, inter alia, held that the promoter group had always acted as one unit towards a common objective of consolidation of their shareholding as and when the promoter group's voting capital reduced / diluted in the Target Company. Therefore, it was held that the promoter group was a homogenous class and was acting as one unit. On a harmonious reading of regulation 11(1) of Takeover Regulations with Regulation 14(2) of Takeover Regulations, it was noted that for the purpose of crossing the threshold limits prescribed under Regulation 11(1) of Takeover Regulations, the decision of the acquirer to convert the warrants is material. This is so because the acquirer, in fact, acquires the voting rights on the date of conversion and not on mere allotment of warrants. With respect to the submission of the noticees that any change in the shareholding from the beginning of April of any financial year until the end of March of the same financial year is to be considered for the purpose of creeping acquisition, it was held that the computation of creeping acquisition limit cannot be determined based on the difference in shareholding of promoter group at the beginning and at the end of the financial year, as it may lead to a situation

where intervening acquisitions will be disregarded. The same will defeat the purpose of Regulation 11(1) of Takeover Regulations. Moreover, for the purpose of calculation of change in voting rights, the voting rights held by the entity vis-à-vis total equity capital immediately before the acquisition has to be taken into account and not the voting rights held by the entity in the beginning of the financial year, as the voting rights held by the entity immediately before the acquisition will reflect the precise change in the voting rights, post-acquisition, though in certain situations both can be same. In other words, dilution of shareholding of the entity, resulting in reduction of voting rights, has no effect on the computation of creeping limit, as the emphasis is on the acquisition of additional voting rights vis-à-vis entity's pre acquisition voting rights, which entitles the entity to exercise more than five percent of voting rights. Thus, it was held that the promoter group had violated provisions of Regulation 11(1) of Takeover Regulations for the financial years 2006-07, 2007-08 and 2010-11.

In the peculiar facts and circumstances of the case, it was held that the ends of justice would be met, if the revised public announcement / open offer is made as per the observation letter dated November 23, 2012 issued by SEBI as SEBI had already taken note of the three triggers for open offer during the financial years 2006-07, 2007-08 and 2010-11 and had, accordingly, asked AIPL, vide letter dated November 30, 2012, to revise its voluntary open offer price. The decision of SEBI to revise the open offer price was issued after taking into account the three triggers and had also been upheld by the Hon'ble SC in SEBI vs. Akshya Infrastructure Pvt. Ltd. decided on April 25, 2014.

Accordingly, members of the promoter group in discharge of their mandatory open offer liability, along with Akshya Infrastructure Pvt. Ltd. in discharge of its voluntary open offer liability, were

directed to make a revised Public announcement, including the names of members of the promoter group as acquirer / PACs and make an open offer revising the offer price which shall be the highest offer price calculated in terms of the Takeover Regulations, for the subject mandatory open offer and voluntary open offer and in terms of SEBI letter dated November 30, 2012, within a period of 45 days from the date of service of the order. Further, though the liability of the noticees as mentioned above were joint and several, their individual liability towards the revised open offer price was capped to the extent to which the individual promoter group entity would have been liable, if he would have made the open offer as and when he had triggered Regulation 11(1) of Takeover Regulations, in the given financial year. In case, the promoter group entity was present for triggers which happened on multiple occasions, his liability towards the revised open offer price was capped to the highest open offer price he would have made as and when he had triggered Regulation 11(1) of Takeover Regulations in the given financial year.

XXIII. Order in the matter of Pine Animation Limited – Order dated November 18, 2019

SEBI, based on an examination conducted in the scrip of Pine Animation Limited (earlier known as Four K Animation Limited) (PAL), passed an interim order dated May 08, 2015, thereby restraining 178 entities from accessing Securities Market and also prohibiting them from buying, selling or dealing in securities, either directly or indirectly, in any manner whatsoever, till further directions. The investigation conducted by SEBI further led to passing of confirmatory/revocatory orders and based on the findings of the said investigation, a show cause notice was issued to 80 entities, which included certain entities which were charged in the interim order also.

The company, PAL, was listed on BSE. However, there was no trading in its scrip since 1998. The trading in its scrip resumed on March 28, 2013 and the price of the scrip was discovered in a special pre-open session (SPOS) at ₹ 441. Subsequently, the stock of PAL was split in the ratio of 1:10 on May 17, 2013 and the share price soon witnessed highest price of ₹ 100.60 (unadjusted to split ₹ 1,006.00) on June 20, 2013. In the investigation conducted by SEBI, it was observed, inter alia, that the said price rise as well as the opening price during special pre-open session was not based on the market based price discovery mechanism, but was due to manipulative and fraudulent trades executed in the scrip of PAL by 8 entities, out of which, two entities were found to be connected to the Company itself. As it was also observed that there was huge increase in the revenue of PAL for FY 2012-13 and FY 2013-14, SEBI had appointed a forensic auditor in order to examine the books of accounts of PAL.

The forensic audit unearthed that the directors of PAL have manufactured the books of accounts, by reflecting fictitious sales and profits so as to cover up the price increase in its scrip. The forensic audit also revealed that PAL has shown earning of profit by trading in commodity derivatives, which was not backed by any genuine document and PAL and its directors were not able to justify the said profit entries in books of PAL. Similarly, commission income shown in the books of account was also found to be a false entry. The forensic auditors, based on the interaction with directors, transfer of funds, etc., were able to find out that the affairs of PAL were being controlled by one Mr. Jagdish Prasad Purohit, who was neither a director of PAL nor was he having any other formal connection with PAL. The investigation further revealed that the two promoter entities of PAL had transferred their entire shareholding in PAL to a set of six entities, which, in turn, sold the shares of PAL in different tranches to

62 other persons in off-market transfers. Out of the said 62 persons, as many as 49 persons were found to have sold shares at artificially inflated prices, whereas purchase price of such shares was in the range of rupee three to rupee six (approximately). PAL had also made preferential allotment of its shares twice during the investigation period and it was observed that PAL had, indirectly, provided funds for subscription of its shares to three persons. It was also noticed that the huge chunks of proceeds of preferential allotments were transferred/invested by PAL to/in various companies associated with Mr. Jagdish Prasad Purohit.

After considering the replies filed by various entities and hearing their submissions, SEBI passed an order dated November 18, 2019, observing that Mr. Jagdish Prasad Purohit was instrumental in controlling the affairs of PAL. The PAL and its directors have been found to be guilty of falsifying the books of accounts by showing non-existent entries and, thus, making wrong disclosures to market at large. Based on the materials on record and submissions advanced, it has been found that PAL was behind providing funding to two preferential allottees. Further, out of eight entities allegedly involved in price manipulation, on merits, one person has been exonerated and rest of the seven entities have been found to have indulged in pumping up the price of the scrip of PAL. The six buyer entities have been found to be part of the scheme, wherein they, after purchasing shares from promoter entities, controlled the affairs with respect to listing, etc. of the scrip of PAL and sold the shares to 62 other entities, out of which 49 sold shares at exorbitantly high prices. In the order, it was found that in terms of the scheme of manipulation, the books of account of the company were fudged and various other steps were taken to jack up the price of the shares of scrip of Pine to extend benefit of selling such shares at manipulated prices to various entities.

Based on the different roles played by various entities and violation of provisions of SEBI (PFUTP) Regulations, the company has been debarred from accessing the securities market for a period of eight years. One of the directors has been debarred for a period of seven years from accessing the securities market and other directors have been debarred for a period of six years. The rest of the entities found guilty of violations have been debarred from accessing the securities market for a period of five years from the date of the said order.

XXIV. Ex-Parte Ad-Interim Order dated November 22, 2019 in the matter of Karvy Stock Broking Ltd.

Karvy Stock Broking Ltd. ('KSBL') is a registered stock broker with SEBI and a member of BSE and NSE. It is also a registered depository participant with NSDL and CDSL. SEBI was in receipt of a limited purpose inspection report from NSE which *prima facie* found that KSBL had, *inter alia*, indulged in misappropriation of client securities, wrongful and unlawful pledging of client securities and unauthorized use/misuse of clients' power of attorney(s). More particularly, report of NSE indicated that KSBL has misused power of attorney given by its clients and sold clients' securities in the market in disguised manner through own controlled entities and have used the funds for its own purposes. Report further stated that KSBL, in order to hide its misdeed, had not even reported the DP account No. 11458979, named (BSE) in the submissions made by it to NSE from January, 2019 to August, 2019 and it was only during inspection by NSE that this account came to notice. NSE report further observed that there were numerous transactions in DP account No. 11458979, named (BSE), whereby securities of the clients were moved. Securities of clients of KSBL, received in pay-out, were transferred from the pool account to this account and also securities lying in the demat account of the client(s) were also

transferred into, and from, this account by misusing power of attorney given by the clients. The securities lying in the aforesaid DP account actually belonged to the clients, who were the legitimate owners of the securities. Therefore, KSBL did not have any legal right to create any kind of pledge on these securities. Considering the issue of misuse of clients' securities by KSBL in unauthorized manner, for its own use and purposely not disclosing the DP account No. 11458979, named (BSE), to the Exchanges in their reporting created a serious doubt on the conduct and integrity of KSBL. Such acts of KSBL were *prima facie* in violation of various SEBI circulars governing the conduct and functioning of a Stock Broker. Considering the gravity of findings in the inspection report of NSE and to prevent further misuse of clients' securities, SEBI passed an ex-parte ad-interim order dated November 22, 2019, *inter alia*, directing as under:

- a) KSBL is prohibited from taking new clients in respect of its stock broking activities;
- b) The depositories, i.e., NSDL and CDSL, in order to prevent further misuse of clients' securities by KSBL, are directed not to act upon any instruction given by KSBL, in pursuance of power of attorney given to KSBL by its clients, with immediate effect;
- c) The depositories shall monitor the movement of securities into, and from, the demat accounts of clients of KSBL as DP to ensure that clients' operations are not affected;
- d) The depositories shall not allow transfer of securities from DP account No. 11458979, named (BSE), with immediate effect. The transfer of securities from DP account No. 11458979, named (BSE), shall be permitted only to the respective beneficial owners, who has paid in full against these securities, under supervision of NSE; and

- e) The depositories and stock exchanges shall initiate appropriate disciplinary regulatory proceedings against the noticee for misuse of clients' funds and securities as per their respective bye-laws, rules and Regulations, restraining KSBL from taking new clients and directing the depositories not to act upon the power of attorney, given by the clients of KSBL to KSBL.

XXV. Ad interim ex-parte order dated December 4, 2019 in the matter of Front Running - Various Funds of Fidelity Group

SEBI's surveillance system had generated alerts for possible instances of front running by Ms. Alka Dhadda during the period May – August, 2019. The preliminary examination found that Ms. Alka Dhadda and Ms. Aarushi Dhadda had placed and executed orders before the orders of various entities of Fidelity Group, and, subsequently, squared off their positions when the orders of Fidelity Group entities were placed in the market. Further, Mr. Avi Dhadda, a relative of Ms. Alka Dhadda and Ms. Aarushi Dhadda, was the trader for all of the 11 Fidelity Group entities and had provided trade instructions to the trading members for the said Fidelity Group entities.

In the aforesaid backdrop, it was *prima facie* concluded that Mr. Avi Dhadda was in possession of information of the impending trades of Fidelity Group entities, which was not available in the public domain. It was also *prima facie* observed from the trading pattern of Ms. Alka Dhadda and Ms. Aarushi Dhadda that the tranches of the order of the first leg of Ms. Alka Dhadda and Ms. Aarushi Dhadda were placed on or before the time of last tranche of the order placed by Fidelity Group entity. It was noted that all the tranches of the order of the first leg of the front runner, who is in possession of non-public information regarding a substantial impending transaction, that have been placed on or before the

time of last tranche order placed by Big Client(s), would qualify as front running transactions. Moreover, based on a cumulative effect of circumstantial evidence of opening of trading accounts and bank accounts, fund transfers, location of placing orders, particulars of the trades, trading history of the entities coupled with family relationship among entities, based on a preponderance of probabilities, it was *prima facie* concluded that the trades executed from the trading accounts in the names of Ms. Alka Dhadda and Ms. Aarushi Dhadda would not have been entered into, had Mr. Avi Dhadda / Ms. Alka Dhadda / Ms. Aarushi Dhadda not been in possession of the non-public information of the impending trades of the Fidelity Group entities. In the facts and circumstances of the matter, it was further *prima facie* held that Mr. Avi Dhadda had front run various entities of Fidelity Group by placing orders through the trading accounts of Ms. Alka Dhadda and Ms. Aarushi Dhadda; and Ms. Alka Dhadda and Ms. Aarushi Dhadda have also played an active part / participated in the scheme / device to front run the trades of Fidelity Group entities. In view of the same, it was *prima facie* held that the said three entities had violated Regulations 3 (a), 3 (b), 3 (c), 3(d), 4(1) and 4(2)(q) of PFUTP Regulations.

Accordingly, pending conclusion of enquiry, the aforesaid three entities were restrained from buying, selling or dealing in the securities market or associating themselves with securities market, either directly or indirectly, in any manner whatsoever till further direction. Further, they were directed to cease and desist from undertaking any activity in the securities market, directly or indirectly, in any manner whatsoever till further directions. Moreover, they were also directed to open an escrow account with a nationalised bank, jointly and severally, and deposit the amount of ₹ 1,86,04,343 which was *prima facie* found to be unlawful gain, within 15 days from the date of service of the order.

XXVI. In the matter of Life Insurance Corporation of India, State Bank of India and Bank of Baroda – Order dated December 6, 2019

SEBI initiated proceedings under Sections 11(1), 11(4) and 11B of the SEBI Act, 1992 against State Bank of India (“SBI”), Life Insurance Corporation of India (“LIC”) and Bank of Baroda for alleged violation of Regulation 7B of the SEBI (Mutual Funds) Regulations, 1996 (“Mutual Funds Regulations”), with regard to their significant shareholding and/or Board representation in more than one asset management company and/or trustee of mutual funds. SEBI, *inter alia*, observed that while the entities had taken certain steps towards compliance with Regulation 7B of the Mutual Funds Regulations, there was nonetheless a considerable delay on the part of the aforementioned entities in putting forth a concrete plan for divestment to Department of Investment and Public Asset Management (“DIPAM”) and seeking its approval thereon. SEBI also observed that the aforementioned entities had not taken any steps to address the potential conflict of interest arising out of appointment of directors in UTI Asset Management Company Limited (“UTIAMC”) and UTI Trustee Company Pvt. Limited (“UTI Trustee”) based on their nomination. In its order dated December 06, 2019, SEBI had noted that the implementation of Regulation 7B is critical to the removal of potential conflict of interest for improving the overall functioning of the mutual fund industry and, accordingly, had directed the aforementioned entities to ensure strict compliance with the requirements of the said Regulation as under:

- a) The shareholding and voting rights of the aforementioned entities in UTIAMC and UTI Trustee shall be brought down below 10 percent on or before December 31, 2020;
- b) The aforementioned entities shall take suitable

steps to ensure compliance with Regulation 7B of Mutual Funds Regulations, as regards Board composition, on or before December 31, 2020;

- c) In the event of non-compliance with the aforesaid directions, the shareholding and voting rights of the aforementioned entities in UTIAMC and UTI Trustee in excess of 9.99 percent and corporate benefits thereon shall stand frozen till such time the entities comply with the aforesaid directions.

XXVII. Final Order dated December 09, 2019 in respect of B P Jhunjunwala and Others in the matter of First Financial Services Limited

SEBI, pursuant to the detection of a huge rise in the traded volumes, and price of the shares, of First Financial Services Ltd. (hereinafter referred to as “FFSL” / “the company”) on the BSE, conducted an investigation into the trading and dealings in the scrip of FFSL, during May 15, 2012 to March 31, 2014.

Vide Order dated December 09, 2019, it was, *inter alia*, held that Mr. B.P. Jhunjunwala entered into a Memorandum of Understanding (“MOU”) dated May 27, 2010 with an intention to acquire 58.08 percent shares in FFSL from then existing promoters/others (Mr. Natarajan and others) through Mr. Natarajan and also to nominate directors on the Board of FFSL leaving one promoter director and acquire control of management of FFSL by appointing majority of directors on the Board of FFSL. FFSL was required to make public announcement of offer within four working days from the decision to acquire shares and deciding the changes that would result in control over management of FFSL. Mr. B.P. Jhunjunwala (“BPJ”), along with Ms Ruhi Jhunjunwala (“Ruhi”), Ms Mala Jhunjunwala (“Mala”), Skyed Network Private Limited (“SNPL”), Anurodh Merchandise Private Limited (“AMPL”), Nandlal Vypaar

Private Limited ("NVPL"), Radhasoami Securities Private Limited ("RSPL"), BPJ Holding Private Limited ("BPJHPL") and Onesource Ideas Private Limited ("OIPL"), were required to make a public announcement to acquire further shares of FFSL in terms of then existing provisions of Regulations 10 and 12 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, which they failed to do. Hence, noticees (except BPJ-HUF) had violated the provisions of Regulation 10 read with Regulation 14(1) and provisions of Regulation 12 read with regulation 14(3) of SAST Regulations, 1997 and Section 12A(f) of SEBI Act, 1992.

It was held that BPJ-HUF neither was a party to MOU dated May 27, 2010 nor issued any cheques to Mr. Natarajan or promoter of FFSL for acquisition of shares of FFSL. Thus, on May 27, 2010, BPJ-HUF did not have any agreement / decision / intention to acquire the shares of FFSL and control over FFSL and, as such on May 27, 2010, BPJ-HUF was neither the acquirer nor person acting in concert for the acquisition of 21,76,650 equity shares (58.08 percent) of FFSL and control over FFSL. Hence, BPJ-HUF had not violated the provisions of Regulations 10 and 12 of SAST Regulations, 1997 and Section 12A(f) of SEBI Act, 1992.

It was held further that RSPL and OIPL had merged/amalgamated with "Radhasoami Resources Limited", vide National Company Law Tribunal, Chennai order dated August 10, 2017. Though "Radhasoami Resources Limited" is not a party before the proceedings, but pursuant to the merger of the RSPL and OIPL, the statutory liability to make open offer passes to the new entity, "Radhasoami Resources Limited". It has also been observed in the order that as the SCN has been defended by "Radhasoami Resources Limited" for and on behalf of RSPL and OIPL, the liability to make open offer incurred by RSPL and OIPL shall be discharged by "Radhasoami Resources Limited".

It was also directed that B.P. Jhunjunwala, Ruhi Jhunjunwala, Mala Jhunjunwala, Skyed Network Private Limited, Anurodh Merchandise Private Limited, Nandlal Vyapaar Private Limited, BPJ Holdings Private Limited and Radhasoami Resources Limited shall make a public announcement to acquire shares of the target company in accordance with the provisions of the SAST Regulations, 1997, within a period of 45 days from the date of service of the order. Additionally, they shall pay interest at the rate of 10 percent per annum on the consideration amount to the eligible shareholders, after adjustment of dividend paid, if any.

XXVIII. Order in respect of KP Joshi and Co. (Statutory Auditor) in the matter of Coral Hub Limited (CHL)- Order dated December 13, 2019

An Investigation was conducted by SEBI in the scrip of CHL and it was, inter alia, found that the published books of accounts audited by KP Joshi and Co. (Proprietor: Mr. K P Joshi) contained false and inflated and fictitious sales figures for two years and it was alleged that the statutory auditor, in collusion and connivance with the directors of CHL, engaged in concocting the financial statements of CHL.

Upon a thorough appreciation of the evidence, SEBI passed order dated December 13, 2019, finding that the audit was conducted by the firm in a perfunctory manner and there were several marked departures from auditing standards and guidance notes in several aspects, including the failure to obtain sufficient appropriate audit evidence and confirmations from the clients of the company. The order, therefore, restrained KP Joshi and Co. and its proprietor Mr. K P Joshi from issuing any certificate of audit of listed companies and also certificate of compliance of obligations of listed companies and intermediaries registered with SEBI, in compliance with requirements under SEBI Act and other provisions administered by SEBI, for a period of one year.

XXIX. Order dated December 13, 2019 passed on the representation made by Banks and NBFCs in the matter of Karvy Stock Broking Ltd. ('KSBL')

Hon'ble SAT had directed SEBI to consider the representation that was made by certain banks and NBFCs, viz., HDFC Bank, ICICI Bank, IndusInd Bank and Bajaj Finance Ltd. (hereinafter referred to as 'the Lenders'), in connection with the directions contained in the ex-parte ad-interim order dated November 22, 2019, passed by SEBI in the matter of Karvy Stock Broking Ltd.

The lenders were aggrieved by the direction passed by SEBI in its ex-parte ad-interim order dated November 22, 2019, wherein depositories were directed not allow transfer of securities from a certain demat account of KSBL. It was the case of the Lenders that the securities in the impugned demat account of KSBL were lawfully pledged in their favour and that they had every right to liquidate the same towards the settlement of the dues owed by KSBL to the Lenders. SEBI observed, in its order dated December 13, 2019, that KSBL has unauthorizedly used/misused the power of attorney given by its clients to transfer securities from the individual client beneficial owner accounts to the impugned demat account and, then, pledged these securities in favour of the Lenders. SEBI observed that the pledge thus created by the Lenders was invalid, since KSBL did not 'own' these securities, which was the requirement of section 12(1) of the Depositories Act, 1996 and Regulation 79 of SEBI (Depository and Participants) Regulations, 2018. Therefore, representations made by the lenders were disposed of without granting the relief sought by them in their respective representations.

XXX. In the matter of certain entities using sham identities to transact in the securities market – Final Order dated December 20, 2019

Investigation had revealed that noticees possessed multiple Permanent Account Number

(PAN) cards (one in their own names and other(s) in some other names with their photographs affixed on those other PAN cards). They had opened multiple demat accounts, trading accounts and bank accounts using the forged documents and had transacted in the Initial Public Offers during the period 2002 to 2012 using sham identities. It was observed that noticees used multiple PANs in the IPO allotments and got the shares in multiple names fraudulently, since these entities would not have been able to get multiple allotments in IPOs had they not got multiple PANs. Investigation observed that by using multiple identities to corner shares in the IPOs, the noticees had made unlawful gains at the expense of genuine retail investors. After consideration of available records and replies of the noticees, SEBI, vide an order dated December 20, 2019, held that by indulging in the above mentioned fraudulent act, the noticees had violated the provisions of Section 12A (a), (b) and (c) of the SEBI Act, 1992 and Regulations 3(a), (b), (c), (d) and 4(1) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003. Vide the said order, the noticees were restrained from buying, selling or dealing in the securities market in any manner whatsoever, or accessing the securities market, directly or indirectly, for a period of seven years from the date of the order. The noticees were also directed to disgorge the unlawful gains along with interest.

XXXI. Interim Order dated October 07, 2019 and Confirmatory Order dated January 02, 2020 in respect of BRH Wealth Kreators Limited and 7 others in the matter of BRH Wealth Kreators Limited (formerly known as BMA Wealth Creators Limited)

Pursuant to a receipt of a report from NSE, SEBI examined the irregularities in the affairs of BRH Wealth Kreators Limited (BRH) as a stock broker. It

was *prima facie* found that BRH had failed to segregate securities or monies of clients, furnished misleading information to the exchange, failed to unpledge and return the securities to the clients upon fulfilment of pay-in obligations and made unauthorized transfers of shares from the clients' demat accounts. It was found that BRH had violated various SEBI circulars, provisions of SEBI (Stock Broker) Regulations, 1992 provisions of Securities Contracts (Regulation) Rules, 1957 and provisions of SEBI (Depositories and Participants) Regulations, 2018. Accordingly, SEBI issued an *ex-parte* ad interim order cum show cause notice dated October 07, 2019 in respect of BRH and seven others. Vide the *ex-parte* interim order, all the noticees were, *inter alia*, restrained from accessing the securities market and prohibited from buying, selling or otherwise dealing in securities, till further directions. Further, the noticees were directed not to dispose of, or alienate, any assets, whether movable or immovable, or to create or invoke or release any interest or charge in any of such assets, except with the prior permission of NSE and BSE and till further directions in this regard, the assets of the noticees shall be utilized only for the purpose of payment of money and/or delivery of securities, as the case may be, to the clients/investors under the supervision of the concerned exchanges/depositories. The depositories were also directed to ensure that no debits are made in the demat accounts, held jointly or severally, of the noticees except for the purpose of payment of money to the clients/investors under the written confirmation of NSE/BSE. It was also directed that a forensic auditor shall be appointed to track misuse of clients' funds/securities and to identify the net assets/liabilities of BRH and BRH Commodities Pvt. Ltd. Thereafter, on January 02, 2020, after hearing the parties, a confirmatory order was passed whereby, *inter alia*, directions issued vide the interim order dated October 07, 2019 were confirmed against BRH, its directors and BRH Commodities Pvt. Ltd.

XXXII. Order dated January 08, 2020 with respect to Adamina Traders Pvt. Ltd. in the matter of Secunderabad Healthcare Ltd.

An investigation by SEBI found that Adamina Traders Pvt. Ltd. (ATPL) had repeatedly entered into trades in the scrip of Secunderabad Healthcare Ltd. (SHL) by placing buy orders of very small quantity (less than or equal to 10 shares), although sell orders of bigger quantities were available in the system (ranging from 100 to 10,000 shares). It was also noted that such trades (176 in number) on several days (57 days) during the period between May 14, 2013 and October 24, 2013, contributed to significant positive LTP of ₹ 50.23 (26.34 percent of total market positive LTP) in the scrip of SHL. Thus, SEBI issued an SCN dated September 28, 2017 to ATPL, alleging that the noticee manipulated the price of the scrip of SHL and created a misleading appearance of trading in the scrip by its trades and, thereby, violated Regulation 3(a), (b), (c) and (d) and Regulation 4(1), 4(2) (a) and (e) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003. By order dated January 08, 2020, it was noted that though the trade executed by the ATPL may have been on the basis of best available counter sell orders, ATPL chose to place buy orders above LTP in small quantities despite the presence of large sell orders in the system and ATPL continued this pattern of buying shares of SHL on 57 trading days. The order found that ATPL was not acting as genuine buyer and that the intent of ATPL was to mark the price higher and, thus, ATPL has violated Regulations 3(a), (b), (c) and (d) and Regulation 4(1), 4(2)(a) and (e) of the PFUTP Regulations and, therefore, ATPL was restrained from accessing the securities market and further prohibited from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner, whatsoever, for a period of three years, from the date of the order.

XXXIII. Final Order dated January 10, 2020 in the matter of United Spirits Ltd.

SEBI conducted an investigation in the trading activity of Smt. Poonam Haresh Jashnani, Shri Haresh Parmanand Jashnani and Shri Varun Haresh Jashnani in the derivatives contracts of United Spirits Ltd. ("USL / Target Company")- McDowell-N, to ascertain whether their trading was on the basis of Unpublished Price Sensitive Information ("UPSI") relating to the open offer for acquisition of shares of USL by Relay B.V ("acquirer") together with Diageo Plc ("PAC").

After considering the submissions of the noticees, it was, *inter alia*, held that the act of announcement of open offer and the details / particulars mentioned therein cannot be seen / treated separately; rather, it is the whole process vide which the intention / decision of the acquirer with relevant details is made known to the public at large. Thus, the open offer announcement along with the details of acquirer and PAC, size of the offer, timing and the offer price is the price sensitive information. Further, based on the chronology of events leading upto the public announcement, email correspondences among managers to the open offer, PAC and legal counsel of PAC and the board meeting of the acquirer, it was held that Shri Nishat Gupte, who was married to the daughter of Smt Poonam Haresh Jashnani and Shri Haresh Parmanand Jashnani, who was Global Business Development Manager of Diageo Plc., was part of the core team that was representing Diageo Plc. / PAC in the transaction to consolidate shareholding of the Acquirer in the Target company and was guiding the team since the beginning of the transaction lifecycle which led to creeping acquisitions and open offer. Thus, he had access to the UPSI and being connected with the company, Diageo Plc., he was held to be an insider. Moreover, Smt Poonam Haresh Jashnani, Shri Haresh Parmanand Jashnani and Shri Varun

Haresh Jashnani were held to be relatives of Shri Nishat Gupte as per Section 6(c) of the Companies Act, 1956 by virtue of reciprocity that is an inherent part of a relationship and were, therefore, held to be deemed connected persons. Furthermore, based on the trading behavior of the noticees (Smt Poonam Haresh Jashnani, Shri Haresh Parmanand Jashnani and Shri Varun Haresh Jashnani), movement of funds between stock broker to Smt. Poonam Haresh Jashnani to Shri Haresh Parmanand Jashnani to the wife of Shri Nishat Gupte and the family relationship amongst them, it was held that there was a strong preponderance of probability that when the trades were executed by Smt Poonam Haresh Jashnani, Shri Haresh Parmanand Jashnani and Shri Varun Haresh Jashnani in the stock options of McDowell, they were in the possession of UPSI. Accordingly, it was held that Smt Poonam Haresh Jashnani, Shri Haresh Parmanand Jashnani and Shri Varun Haresh Jashnani, by dealing in the securities of the Target Company when they were in possession of UPSI, have violated Regulations 3(i) and 4 of SEBI (Prohibition of Insider Trading) Regulations, 1992, read with Regulation 12 of PIT Regulations, 2015 and Sections 12A (d) and (e) of SEBI Act.

It was also held, based on strong preponderance of probability, that Shri Nishat, who by virtue of being part of the core team of PAC, which was working on the open offer, had access to UPSI, his close relationship with Smt Poonam Haresh Jashnani, Shri Haresh Parmanand Jashnani and Shri Varun Haresh Jashnani, the flow of funds amongst Smt Poonam Haresh Jashnani, Shri Haresh Parmanand Jashnani and Shri Nishat Gupte's wife, sudden and concentrated interest in the trading of options in USL by other three noticees and their trading pattern, that the UPSI was communicated by Shri Nishat Gupte to the other three noticees. Accordingly, it was held that he, by communicating the UPSI to the other three noticees, has violated Regulation 3(ii)

of PIT Regulations, 1992 r/w Regulation 12 of PIT Regulations, 2015.

In the facts and circumstances of the case, Smt. Poonam Haresh Jashnani, Shri Haresh Parmanand Jashnani and Shri Varun Haresh Jashnani were directed to disgorge the wrongful gain made by them, i.e., Smt. Poonam Haresh Jashnani – ₹ 43,96,632, Shri Varun Haresh Jashnani – ₹ 27,04,781 and Shri Haresh Parmanand Jashnani – ₹ 31,08,019, along with simple interest at the rate of 12 percent per annum from April 11, 2014 till the date of payment. Further, the aforesaid three noticees were also directed not to buy, sell or otherwise deal in the securities market in any manner whatsoever or access the securities market, directly or indirectly, for a period of seven years from the date of payment of disgorgement amount along with interest. Further, Smt. Poonam Haresh Jashnani, Shri Haresh Parmanand Jashnani and Shri Varun Haresh Jashnani were also restrained from associating themselves with any listed public company and any public company which intends to raise money from the public or any intermediary registered with SEBI for a period of seven years from the date of payment of disgorgement amount along with interest. Further, Shri Nishat Gupte was also directed to not buy, sell or otherwise deal in the securities market in any manner whatsoever or access the securities market, directly or indirectly, for a period of seven years from the date of the order. He was also restrained from associating himself with any listed public company and any public company which intends to raise money from the public or any intermediary registered with SEBI for a period of seven years from the date of the order.

XXXIV. In the matter of Xchanging Solutions Limited – Order dated January 20, 2020

Pursuant to the directions of the Hon'ble SAT in appeal No. 183 of 2018, Pawan Kumar Saraf, an investor in public category, had filed a

representation before SEBI in the matter of open offer made by Xchanging Technology Services India Private Limited ("acquirer") and certain other entities acting as persons acting in concert, in the shares of Xchanging Solutions Limited. The complainant contended that the open offer price was incorrectly calculated as ₹ 55.22 per share and requested SEBI to direct the acquirer and PACs to revise the said offer price from ₹ 55.22 per share to ₹ 79.58 per share. SEBI, vide an order dated January 20, 2020, had clarified that the term 'frequently traded shares', in Regulation 2(1)(j) of the Takeover Regulations 2011, has to be interpreted having regard to the context, to mean that the frequency of trading in shares of the Target Company has to be determined with reference to the date on which the public announcement is required to be made, as clarified vide amendment dated September 11, 2018 to the Takeover Regulations 2011. Further, SEBI observed that the ultimate object of the definition of 'frequently traded shares' was to ensure that the investor gets the market price in the case of an open offer of a frequently traded share and, in case the scrip is infrequently traded, the investor gets the fair value of shares as determined in accordance with Regulation 8(4) of the Takeover Regulations 2011 and, thus, the crucial date to determine whether a scrip is 'frequently traded' is the date when the offer is factually triggered and not when the Acquirer chose to make the public announcement.

XXXV. Final Order dated January 21, 2020 in respect of Legal Representatives of Late Y N Saxena in the matter of Sahara India Commercial Corporation Limited (SICCL)

The Order relates to SICCL collecting funds to the tune of ₹14,106 crore between 1998 and 2009 from nearly two crore investors through optionally fully convertible debentures (OFCDs). SEBI, vide order dated October 31, 2018, had directed the

SICCL and its directors including Subrata Roy, OP Srivastava, JB Roy, AS Rao, Ranoj Das Gupta as well as legal representatives (LRs) of Late DS Thapa, Late PS Mishra and Late YN Saxena, to jointly and severally refund the money collected by the company through the issuance of OFCDs. The order was made contingent upon the LR's and granted an opportunity of making representations by the Legal Representatives.

Pursuant to the same, the LR's of Late Y N Saxena, in January 2019, submitted a preliminary reply followed by reply on merits and were granted inspection and detailed personal hearing in the matter. Considering the reply and submissions on merits, the findings in the order are as under:

- a) The order dated October 31, 2018 did not finally adjudicate issues or finally determine the liability qua Late YN Saxena but was effectively in the nature of a show cause notice to the LR's of Late Y N Saxena. Thus, the proceedings were not against a deceased person but against the legal heirs of Late Y N Saxena in their capacity as his Legal Representatives.
- b) It was held that Y N Saxena was the SICCL's director when the company raised funds through OFCDs. Besides, he was a signatory or authorising person to the prospectus. Since he gave his consent to the prospectus, he is liable for the violation, under the Companies Act, for the misstatement and untrue statements in the Prospectus.
- c) Further, Y N Saxena, along with other directors of the company, was also an Officer in Default and is liable to make refund, jointly and severally, along with interest for the money collected during his tenure as director of SICCL.
- d) Section 73(2) of the Companies Act, 1956, shows that the basis of refund liability prescribed against the directors is in the nature of strict liability, in case of failure of company to refund forthwith the money collected.
- e) The cause of action under Section 73(2) and 62(1) of the Companies Act is not a personal cause of action which dies with the person. It is a cause of action which has impact on proprietary rights of the investors. The relief of repayment can be enjoyed by the investors and their legal representatives.
- f) Section 306 of Indian Succession Act, 1925 which deals with the survival of cause of action is applicable to torts also and not exclusively to torts and the same applies to the present proceedings for enforcing the statutory liability. Further, the liability under Section 73(2) and 62(1) of the Companies Act, 1956 are in the nature of 'statutory torts'.
- g) The creation of liability on the officers in default to repay the money with interest is nothing but the recognition of their fiduciary liability to the securities holders and the consequences of their failure to comply with their fiduciary duty. The fiduciary duty of disclosures also requires the directors not to make false or untrue statements to its securities holders/prospective securities holders. Whenever there is a relationship based on contract, quasi-contract, some fiduciary relation or a failure to perform a duty, there is no abatement of the liability on the death of the wrong doer. Therefore, the cause of action survives on this ground as well to the extent of inheritance.

In view of the above, LR's of Y N Saxena were directed jointly and severally, with SICCL and other directors, to refund the money collected by the Company through the issuance of OFCDs, along

with the interest of 15 percent per annum, upto the extent of assets inherited by them, to the investors. It was also held that, in case they fail to comply with the directive, SEBI, on the expiry of three months, may recover such amounts to the extent of assets inherited by them.

**XXXVI. In the matter of Orient Tradelink Limited –
Order dated January 23, 2020**

SEBI had issued a SCN dated March 24, 2008 ("1st SCN") against Aushim Khetarpal for the alleged violation of Regulations 10 and 12 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 ("Takeover Regulations 1997") and Regulations 13(4) and 13(5) of the SEBI (Prohibition of Insider Trading) Regulations, 1992 ("Insider Trading Regulations 1992") in the matter of Orient Tradelink for allegedly (a) failing to comply with the mandatory requirement of making a public announcement in accordance with the Takeover Regulations 1997 and (b) failing to file mandatory disclosures/declaration with the Stock Exchanges. SEBI had also issued SCN dated October 29, 2008 ("2nd SCN"), against Aushim Khetarpal Shah ("Acquirer") for the alleged violation of Regulations 4(b)–(e) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995 read with Regulation 13(2) of the PFUTP Regulations, 2003, on account of having allegedly indulged in market manipulation and creation of artificial volume in the scrip of Orient Tradelink Limited ("Orient Tradelink/Target Company"). Thereafter, Aushim Khetarpal had filed Consent Applications (Applications no. 1974 of 2010 and 1931 of 2010) in respect of the proceedings pending under the 1st SCN and 2nd SCN, which were disposed of vide SEBI Consent Order dated July 23, 2013 ("Consent Order"), with inter alia a direction to Aushim Khetarpal to make an

open offer to the shareholders of Orient Tradelink as specified in the Takeover Regulations, as existed at the time of alleged violation, including the applicable interest, if any, as decided by SEBI. Subsequently, the open offer made by the Acquirer had opened on July 5, 2019 and closed on July 18, 2019. As per Regulation 18(10) of the Takeover Regulations 2011, the acquirer was mandated to ensure completion of all requirements under the said Regulations relating to the open offer including payment of consideration to the shareholders who have accepted such offer within 10 working days from the last date of the tendering period i.e. by August 01, 2019. However, till date, the Acquirer has failed to ensure payment of consideration to all shareholders who had tendered their shares under the Open Offer. SEBI vide an order dated January 23, 2020, held that the open offer is yet to be completed and further, it was gathered that the affected shareholders/investors of Orient Tradelink were vigorously following up with BSE for ensuring completion of the open offer. Accordingly, SEBI had directed the attachment of the open offer consideration deposited by the acquirer in the escrow account and further, directed him to disgorge the balance open offer consideration amount along with simple interest. SEBI also directed that the amount so disgorged by way of the order shall be credited to the IPEF and shall be utilised to make restitution of the investors of Orient Tradelink who have tendered their shares in acceptance of the open offer, in terms of Regulation 5(3) of the SEBI (Investor Protection and Education Fund) Regulations, 2009. Further, in the event of failure to comply with the above directions, SEBI shall initiate other suitable actions under the securities laws including recovery proceedings under Section 28A of the SEBI Act, prosecution, etc. against the Acquirer.

XXXVII. Confirmatory Order dated January 24, 2020 with respect to Raghukul Shares India Pvt. Ltd., Mr. Gangaram Khandelwal and Mr. Amit Sharma and Interim Order dated January 24, 2020 with respect to Ms. Seema Khandelwal, Mr. Bimal Prakash Agarwal, Mr. Sandesh Khandelwal, Mr. Siya Ram Khandelwal, Mr. Dhruvesh Patel in the matter of Raghukul Shares India Pvt. Ltd.

SEBI had issued an ex-parte ad-interim order cum show cause notice dated June 28, 2019 (interim order) against Raghukul Shares India Private Limited (RSIPL), a stock broker registered with SEBI, and Mr. Gangaram Khandelwal and Mr. Amit Sharma, giving several directions to them. The interim order was also a show cause notice to Ms. Seema Khandelwal, Mr. Bimal Prakash Agarwal, Mr. Sandesh Khandelwal, Mr. Siya Ram Khandelwal, Mr. Dhruvesh Patel asking them to show cause as to why similar directions should not be issued against them. The ex-parte ad-interim order was passed, as it was found that RSIPL had prima facie acted in violation of various SEBI circulars, provisions of Securities Contract (Regulation) Rules, 1957 and provisions of SEBI (Stock Brokers) Regulations, 1992. Mr. Gangaram Khandelwal, Mr. Amit Sharma, Ms. Seema Khandelwal, Mr. Bimal Prakash Agarwal, Mr. Sandesh Khandelwal, Mr. Siya Ram Khandelwal and Mr. Dhruvesh Patel were directors of RSIPL at the relevant time. By way of confirmatory order dated January 24, 2020, SEBI confirmed the directions issued against RSIPL, Mr. Gangaram, Khandelwal and Mr. Amit Sharma in the ex-parte ad-interim order. Further, by way of an interim order dated January 24, 2020, SEBI restrained Mr. Sandesh Khandelwal and Mr. Dhruvesh Patel, from accessing the securities market and further prohibited them from buying, selling or otherwise dealing in securities, either directly or indirectly, or being associated with the securities market in any manner whatsoever, till further directions.

XXXVIII. Interim Order dated October 11, 2019 and Confirmatory Order dated January 24, 2020 in the matter of Fairwealth Securities Ltd.

Fairwealth Securities Ltd. ('FSL') is a stock broker registered with SEBI and a member of NSE, BSE and MSEI. FSL is also a registered depository participant with SEBI and a member of CDSL. NSE, vide its preliminary inspection report, had informed SEBI that FSL was found to have indulged in misappropriation of client securities worth approximately ₹ 88 crore. Considering the gravity of the findings by NSE, SEBI passed an ex-parte interim order dated October 11, 2019 against FSL, its directors and certain connected entities, inter alia, restraining them from disposing of their assets, debarring them from access to securities market and imposing a debit freeze on their bank accounts.

SEBI had also directed the stock exchanges to conduct a forensic audit of FSL. After giving all the entities an opportunity of hearing against whom the interim directions were passed, SEBI, vide order dated January 24, 2020, had confirmed the finding of the interim order against FSL and some other entities.

XXXIX. Final Order dated February 05, 2020 in respect of Pia Johnson and Mehul Johnson in the matter of Indiabulls Ventures Limited

SEBI conducted an investigation into suspected insider trading activities of certain entities in the scrip of Indiabulls Ventures Limited (IVL) for the period January 01, 2017 to November 03, 2017. Investigation by SEBI, inter alia, prima facie found that Ms. Pia Johnson and Mr. Mehul Johnson had indulged in insider trading in the scrip of IVL by trading in the scrip of IVL when in possession of Unpublished Price Sensitive Information pertaining to IVL and, accordingly, SEBI passed an ex-parte ad-interim order

cum show cause notice dated May 24, 2019, against Ms. Pia Johnson and Mr. Mehul Johnson, inter alia, impounding the alleged unlawful gains of a sum of ₹ 87,21,918.55 made by these entities. By order dated February 05, 2020, SEBI found that Ms. Pia Johnson and Mr. Mehul Johnson had indulged in insider trading and, accordingly, SEBI restrained Ms. Pia Johnson and Mr. Mehul Johnson from accessing the securities market for a period of one year and from buying, selling or dealing in the securities of IVL for a period of three years and also directed disgorgement of the amount of ₹ 87.21 lakh, which was impounded vide interim order dated May 24, 2019.

XL. Interim Order dated February 07, 2020 in the matter of unregistered investment advisory through websites.

SEBI had received complaints against 12 entities alleged to have been involved in unregistered investment advisory services through websites. In this regard, SEBI carried out a preliminary examination into the affairs of the entities against whom the complaints were filed. The examination revealed that the 12 entities were either in the form of sole proprietorships or partnerships and were running live websites, on which they were holding themselves out as investment advisors. It was also revealed that none of these entities or their sole proprietors / partners were registered with SEBI as investment advisors. A few of these entities made false claims of being SEBI registered investment advisors on their websites, while some of them projected the SEBI registration numbers of unrelated investment advisors. Further, an examination of the contents of their websites showed that they were holding themselves out as giving advice / recommendation in relation to securities being traded on the stock exchanges and/or in relation to commodities and forex to investors and general public. The websites floated by these entities were

live and running and some of them reflected bank account details / payment gateways through which investors desirous of availing their services could make direct payments to them. The payment receipts submitted by the complainants and the bank statements of these entities showed that some of them had even acted as investment advisors without being registered as such.

Upon careful consideration of the characteristics and features of the business activities of these entities, SEBI concluded that these 12 entities (i.e. Investmart-Anshuman Bhise, Profit Redefine Financial Solution-Sanjay Yadav, Analog Research - Shubham Kumar Jain, Money Booster –Anurag Singh, Billionaire Solutions –Akash Jaiswal, Capital Exchange India (its partners Mayuri Verma, Ankit Mishra and Nirmitt Daheriya), Trade Money Research –Kamlesh Verma, Money Capital Investment –Vijay Thakur, Mahankal Capital –Ajay Thakur, Rushabh Research –Nitin Nanalal Dedhia, Algo Solution –Piyush Porwal and Smart Investment Services / Care Investment Services Pvt. Ltd. – Rinkee Prajapati) were holding themselves out, and acting as, investment advisors without holding a valid certificate of registration from SEBI. It was also found that these entities were knowingly concealing the fact that they were not registered with SEBI and were making representations through their websites in a reckless and careless manner about their expertise in investment advisory, thereby, luring and inducing investors to deal in securities by availing their services. It was, therefore, concluded that these entities had prima facie violated the provisions of section 12 (1) and 12A (a), (b) and (c) of the Securities and Exchange Board of India Act, 1992, Regulations 3(1) of the SEBI (Investment Advisors) Regulations, 2013 and Regulations 3 (b), (c), (d), 4(1) and 4(2)(k) of the SEBI (Prevention of Fraudulent and Unfair Trades Practices relating to Securities Market) Regulations, 2003.

In view of the above prima facie violations by the entities, SEBI, vide an interim order under section 11(1), 11(4), 11B and 11D of the SEBI Act, inter alia, directed the entities to cease and desist from acting or representing as investment advisor and also restrained them from accessing, buying selling or dealing in securities market till further directions. The entities were also, inter alia, directed not to dispose of or alienate any assets, whether movable or immovable, held in their names, including money lying in bank accounts, except with the prior permission of SEBI.

XLI. Final Order dated February 28, 2020 in respect of MBL & Company Limited in the matter of Gujarat NRE Coke Limited

SEBI conducted an investigation in the scrip of Gujarat NRE Coke Limited ('GNCL' / 'Company') to ascertain whether MBL Company Limited ('MBL' / 'Noticee'), a broker, had executed self-trades on NSE in its proprietary account and these self-trades, in negligible quantity, contributed towards total market positive Last Traded Price. The period of investigation was from December 15, 2011 to October 09, 2014 ('Investigation Period').

Vide order dated February 28, 2020, it was held that MBL, in proprietary account, had entered into 5,041 self-trades for 34,535 shares of GNCL, i.e., 0.04 percent of total volume traded on market. Out of 5,041 self-trades, 4,327 self-trades were from same terminal. During the period December 15, 2011 to February 24, 2012, MBL, through 5,041 self-trades in negligible quantity, had contributed ₹ 289.35 towards positive LTP, i.e., 12.64 percent of total market positive LTP. The modus operandi adopted by MBL is that it had continuously placed single share buy order immediately after placing sell order of large quantity at a price higher than the last traded price. These single share buy orders got matched with its own sell orders of large quantities, resulting into self-trade of one share. This single share self-trades had increased

the price of shares of GNCL, which benefited MBL. Thus, MBL had artificially manipulated the price of GNCL through single share self-trades. Hence, self-trades executed by MBL are intentional self-trades with an intention to manipulate price of the scrip of GNCL. This pattern of single share self-trades by MBL, which were repetitive in nature, were observed to be manipulative with the intention to inflate the scrip price.

MBL submitted that in order to check the price of the scrip, MBL placed a single share buy order and this insignificant quantum of trading could not impact either the price or volume of the scrip. It was held that single share buy order placed by MBL got matched with the already available large sell order of MBL at a price higher than the last traded price, thereby, establishing the higher LTP. Such order placement pattern of MBL were observed in large number of MBL self-trades and the same were repetitive in nature. It is further held that manipulation in the scrip can be done by single share order placement method also, which has precisely happened in the present matter, in which scenario, volume created by such trades / self-trades in the scrip is irrelevant / immaterial. Thus, considering the pattern of trading done by MBL and the fact that MBL had derived benefit through that particular scheme or nature of trading, it was held that MBL has acted in a manner which led to a misleading appearance of trading in the scrip and manipulated the price of the scrip without any intention of change of ownership of the securities. Therefore, MBL had violated the provisions of Sections 12A(a), (b), (c) of SEBI Act read with Regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(a), 4(2)(e) and 4(2)(g) of the PFUTP Regulations.

In view of the facts and circumstances of the case, MBL is restrained from buying, selling or otherwise dealing in securities, in its proprietary account, directly or indirectly, for a period of four (4) years from the date of the order.

XLII. In the matter of W.S. Industries (India) Limited – Order dated February 28, 2020

BSE and NSE had passed orders against the W. S. Industries (India) Limited for having violated the provisions of Regulation 17(1) of the LODR Regulations, 2015, for failure to appoint a woman director in the Board of Directors of the company. The Applicant preferred an appeal (Appeal No. 8 of 2019) before the Hon'ble SAT against the Orders passed by BSE and NSE. The Hon'ble SAT, vide an order dated September 19, 2019, directed SEBI to consider the question of whether two sets of fine could be imposed by two stock exchanges for violations of the same provisions of the LODR, which are not stock exchange based. SEBI, vide an order dated February 28, 2020, noted that as per the regulatory requirements prescribed under both the Companies Act and securities laws, entities, which seek to get listed, are mandatorily required to seek listing only on any one stock exchange having country-wide terminals and, therefore, listing on multiple exchanges is a choice made by the respective companies for their own reasons, which may include additional liquidity, visibility, access to more trading members, etc. Once an entity voluntarily lists on multiple exchanges, it would have to also adhere to the additional regulatory requirements such as additional listing entails and non-compliance with provisions of LODR would attract action from all the stock exchanges where the shares of a company are listed.

XLIII. Final Order dated March 6, 2020 in the matter of Pragya Dairies and Agro Ltd.

An examination by SEBI had found that Pragya Dairies and Agro Ltd. ('PDAL') was running certain schemes referred to as Business Plans and described by PDAL as Joint Ventures pertaining to cattle/ghee which were prima facie in the nature of unregistered Collective Investment Schemes. Accordingly, SEBI

passed a final order dated March 06, 2020, holding that schemes of PDAL were Collective Investment Schemes as defined in section 11AA of SEBI Act, 1992, which were being run by PDAL without seeking registration from SEBI. PDAL was, thus, found to have violated Section 12 (1B) of the SEBI Act, 1992 read with Regulation 3 of the SEBI (CIS) Regulations, 1999 and Regulation 4(2)(t) of the SEBI (PFUTP) Regulations, 2003.

Therefore, SEBI directed PDAL to refund the money collected under the alleged unregistered Collective Investment Schemes to the investors along with the promised returns. It was also directed that, if PDAL fails to complete the refund to the investors, then the directors shall be jointly and severally liable for making the refund and in the event of failure of PDAL and its directors to refund the money to the investors, recovery proceedings under section 28A of SEBI Act, 1992 shall be initiated against them. Further, PDAL and its directors have been restrained from accessing the securities market and dealing in securities until four years from the completion of refund to the investors. Similarly, the promoters of PDAL have also been restrained from accessing the securities market and dealing in securities until four years from the date of the order.

XLIV. In the matter of CG Power and Industrial Solutions Limited – Confirmatory Order dated March 11, 2020

SEBI had, vide an interim ex-parte order dated September 17, 2019 ("interim order"), inter alia, restrained the directors and KMP ("noticees") of CG Power and Industrial Solutions Limited ("CG Power") from accessing the securities market, from buying, selling or otherwise dealing in securities in any manner whatsoever, either directly or indirectly, and from being associated with any intermediary registered with SEBI or any listed entity or its material unlisted subsidiary till further orders on account

of its findings regarding serious misstatement of accounts and diversion of funds from the Company and its subsidiaries in violation of the SEBI Act and PFUTP Regulations, 2003, which included:

- a) The use of certain assets of the Company as collateral, including being co-borrower and/or guarantor, for enabling third parties to obtain loans without due authorisation from the Board of CG Power.
- b) Routing transactions through subsidiaries, promoter-affiliated companies and other connected parties for the ultimate benefit of companies related to promoter group.
- c) Inappropriate netting off of the liabilities with the receivables from different entities.
- d) The use of different accounting heads for concealing payments made by CG Power.
- e) Interest free advances to promoter-affiliated companies.
- f) Entering into dubious transactions for reducing the liability of the promoter affiliated companies towards CG Power/Group companies.

The noticees had challenged the interim order before the Hon'ble SAT, which, vide an order dated October 01, 2019, had directed SEBI to consider the submissions of the noticees after granting them an opportunity of hearing. Vide a confirmatory order dated March 11, 2020, SEBI had observed that an analysis of the impugned transactions pointed out to various occasions of diversion of funds from the listed company to the promoter group companies. The noticees had misused the powers granted by the Board of the Company to enter into impugned transactions for the ultimate benefit of the promoter group companies. Further, SEBI had observed that certain subsidiaries of the Company, viz., CG PSOL, CG IBV, CG Middle East, CG Singapore, etc. were

used to route the funds arising from the impugned transactions. SEBI also observed that the assets of CG Power stood reduced and the liabilities of promoter group companies had come on to the books of CG Power and its subsidiaries and that this was a unique case where a listed entity and its shareholders have been defrauded by its promoters acting in concert with some of its directors, some of whom were also directors in promoter group companies. Accordingly, SEBI confirmed the findings as recorded in the interim order and did not vacate the restraint imposed by the interim order on the noticees. However, the noticees were permitted to liquidate upto 25 percent of the value of the securities held by them as on the date of the interim order.

XLV. Order in the matter of Dhanleela Investment and Trading Company Limited – Order dated March 18, 2020

SEBI conducted investigation in the scrip Dhanleela Investments and Trading Company Ltd. (Formerly known as Ratni Investments Company Limited) (Dhanleela). Dhanleela was listed on BSE. However, trading in the scrip of the Company was suspended since September 11, 2006 for non-payment of listing fees. Suspension in trading of the scrip was revoked with effect from April 16, 2012 and, after suspension, scrip opened on April 24, 2012 at ₹ 86 and only one trade happened on that day and then there was no trading till February 26, 2013, i.e., for a period of 10 months.

It was observed that Company issued bonus shares in ratio of 'four shares for each share' declared on February 05, 2013 and, after the bonus issue, price of the scrip opened at ₹ 17.50 on February 26, 2013 and reached a level of ₹ 427.85 on October 09, 2013. Subsequently, after stock split announced (by Company on October 10, 2013) in 5:1 ratio, price of the scrip opened at ₹ 87.25 (pre-stock split price ₹ 436.25) on October 10, 2013, thereafter reached

a high of ₹ 213.95 (pre-stock split ₹ 1069.75) on December 05, 2013 and closed at ₹ 90.35 (pre-stock split ₹ 451.75) on March 02, 2015.

It was alleged that price of the scrip of the Company was manipulated by 27 entities who traded in very minimal quantities of shares in every trade on a repeated basis. It was noticed that these 27 entities have received the shares they sold in minimal quantities in an off-market mode, directly or indirectly, from a common source. Some of them received the shares directly and others through another person who, in turn, received from the same common source and, hence, all these 29 entities, with a pre-meditated mindset, manipulated price of the scrip of Dhanleela. After a thorough examination of the evidence, SEBI passed an order on March 18, 2020 under Sections 11, 11(4) and 11B of the SEBI Act, 1992 against Mr. Narayan Dass Rathi and other 28 entities, debarring them from Indian securities market for a period of two years.

XLVI. Final Order dated March 24, 2020 in the matter of ABG Shipyard Ltd.

SEBI received a reference forwarded by Income Tax Department (ITD), vide letter dated October 24, 2013, in the matter of ABG Shipyard Ltd. ("ABG"). In the said reference, it was mentioned that ABG, along with its promoter group entity Second Land Developers Pvt. Ltd. ("SLDPL") also known as ABG Resources Private Limited and now known as Shivris Resources Pvt Ltd., approached Income Tax Settlement Commission (ITSC) pursuant to a search conducted by ITD on the premises of both the companies. During the proceedings before the ITSC, ABG submitted that it had debited bogus purchases to its accounts and the money so taken out was utilized towards purchase of land by SLDPL. SEBI conducted an investigation in the matter to ascertain whether there were any violations of the provisions of SEBI Act, 1992 and SEBI (Prohibition

of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003, as this was a case where funds of ABG, which is a publicly listed company, to the tune of ₹ 101 crore, have been admittedly diverted through bogus purchases, for making investment by another company (i.e., SLDPL) controlled by the promoters and, further, as there were allegations regarding misstatement of accounts for the period of financial years 2008-14. Kamlesh Kumar Agarwal (Chairman of ABG until June 10, 2008) and Rishi Agarwal (Chairman of ABG from June 10, 2008) were the directors and promoters of ABG. In this regard, show cause notice dated April 12, 2018 was issued to SLDPL and the promoters of ABG (Kamlesh Kumar Agarwal and Rishi Agarwal). No written submissions were made by the promoters of ABG and they did not avail the opportunity of personal hearing despite sending multiple hearing notices and newspaper publications. SLDPL, apart from making a written submission denying all the allegations and seeking inspection of documents, did not further avail the opportunity of inspection of documents or the opportunity of personal hearing and no further written submissions were made.

In the absence of any written submissions made by the noticees, and considering the material available on record, it was evident that ABG, a publicly listed company, has utilized three entities viz., Arvind Pipes, Modern Tube and Prathiba Steels, for obtaining bogus purchase bills to the tune of ₹ 101 crore, and utilized the cash generated out of such bogus transactions (₹100.02 crore) towards the removal of illegal encroachers on the land belonging to SLDPL, a promoter group entity. The company has also misstated the accounts and published incorrect financial results for FYs 2008-14 in order to facilitate the entire artifice of fund diversion, thereby, concealing the true state of affairs of the company to its stakeholders and creating financial loss to the public shareholders of the company and

undue benefit to SLDPL, a promoter group entity. The diversion of funds of ₹ 101 crore from ABG for the undue benefit of SLDPL, a promoter group entity, led to illegal gains to the promoters. It was established that SLDPL is the promoter group entity and that Rishi Agarwal and Kamlesh Kumar Agarwal are the promoters as per the shareholding pattern filed before BSE for the year ended March 2009. ABG International (P) Ltd. is holding 50 percent in SLDPL, as per the annual reports for the year 2008-09 and 2009-10. Rishi Agarwal is holding 98 percent shares in ABG International (P) Ltd., as per its Annual Reports for the year 2007-08 and 2008-09. Thus, the directors who were the promoters of ABG, Kamlesh Kumar Agarwal and Rishi Agarwal, both of whom also acted in the capacity of Chairman of ABG during the period of fund diversion, have engaged in the fraudulent activities of fund diversion and concealing the wrong doings by misstating the accounts and declaring incorrect and misstated financial results which lead to erosion of stakeholder's wealth, undue benefit for the promoter/promoter group entity and concealing the true state of affairs of the Company to its stakeholders. It was noted that obtaining bogus bills through conduit entities for the purpose of diverting ₹ 100.02 crore from ABG for the ultimate benefit of SLDPL and Rishi Agarwal and Kamlesh Kumar Agarwal is a scheme and artifice to defraud the investors of ABG Shipyard Ltd. Further Rishi Agarwal and Kamlesh Kumar Agarwal, being

directors having the role and ultimate benefit in the said scheme, caused the financials of the company to be misrepresented in the relevant financial years. SLDPL is the promoter group entity involved in the entire artifice of fund diversion, which resulted in the undue benefit for the promoter/promoter group entity. Therefore, SLDPL, Rishi Agarwal and Kamlesh Kumar Agarwal violated Regulations 3(a), (c), (d), 4(1), (2) (e), (k) and (r) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 read with Section 12A (a), (b) and (c) of SEBI Act, 1992.

Accordingly, SEBI passed the Final order dated March 24, 2020, inter alia, directing SLDPL, Kamlesh Kumar Agarwal and Rishi Agarwal to refund ₹ 101,04,54,392 along with an interest at the rate of eight percent per annum calculated from the date of August 25, 2009 till the date of payment, within a period of three months to ABG Shipyard Ltd. Additionally, SEBI also prohibited SLDPL, Kamlesh Kumar Agarwal and Rishi Agarwal from accessing the securities market from the date of the order till the expiry of four years from the date of completion of refund and prohibited them from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner, whatsoever. Further, SEBI restrained Rishi Agarwal and Kamlesh Kumar Agarwal from holding any position as Director or Key Managerial Personnel in any listed company.

Part Four:

Organizational Matters

1. ABOUT SEBI

I. SEBI's Establishment

SEBI was constituted on April 12, 1988 as an interim administrative body under the overall administrative control of the Ministry of Finance (MoF) by a notification published in the Gazette of India: Extraordinary. Subsequently, SEBI was accorded statutory status on January 30, 1992 by an Ordinance. SEBI was formally established on April 12, 1992 in accordance with the provisions of the SEBI Act, 1992.

II. SEBI's Preamble

SEBI's preamble describes its core functions as: '...to protect the interests of investors in securities and to promote the development of, and to regulate the securities market and for matters connected therewith or incidental thereto.'

III. SEBI's Board

Government of India vide notification dated February 28, 2020 extended the terms of appointment of Shri Ajay Tyagi, Chairman for a

period of six months beyond February 29, 2020 or until further order, whichever is earlier.

Shri Atanu Chakraborty, Secretary, Department of Economic Affairs, Ministry of Finance, Government of India was nominated as one of the Members on the SEBI Board in terms of Government of India notification dated September 17, 2019 in place of Shri Anand Mohan Bajaj. Shri K. V. R. Murthy, Joint Secretary, Ministry of Corporate Affairs, Government of India was nominated as one of the Members on the SEBI Board in terms of Government of India Notification dated April 01, 2019 in place of Shri Injeti Srinivas. Dr. V. Ravi Anshuman, Professor, IIM Bangalore was appointed as Part-Time Member of the SEBI Board, under clause (d) of sub section (1) of Section 4 of the SEBI Act, 1992 by Government of India vide notification dated June 19, 2019. The composition of the SEBI's Board is given in Table 4.1.

Table 4.1: Composition of the SEBI's Board as on March 31, 2020

Name	Position	Provision
Shri Ajay Tyagi	Chairman	Appointed under Section 4(1)(a) of the SEBI Act, 1992
Shri G. Mahalingam	Whole-Time Member	Appointed under Section 4(1)(d) of the SEBI Act, 1992
Ms. Madhabi Puri Buch	Whole-Time Member	Appointed under Section 4(1)(d) of the SEBI Act, 1992
Shri Santosh Kumar Mohanty	Whole-Time Member	Appointed under Section 4(1)(d) of the SEBI Act, 1992
Shri Ananta Barua	Whole-Time Member	Appointed under Section 4(1)(d) of the SEBI Act, 1992
Dr. V. Ravi Anshuman	Part-Time Member	Appointed under Section 4(1)(d) of the SEBI Act, 1992
Shri Atanu chakraborty	Part-Time Member	Nominated under Section 4(1)(b) of the SEBI Act, 1992
Shri K. V. R. Murthy,	Part-Time Member	Nominated under Section 4(1)(b) of the SEBI Act, 1992
Shri N. S. Vishwanathan	Part-Time Member	Nominated under Section 4(1)(c) of the SEBI Act, 1992

During 2019-20, the SEBI Board met on four occasions. Details of the meetings attended by each member is provided in Table 4.2.

Table 4.2: Details of Meetings of SEBI Board held during 2019-20

Name	Number of Meetings Held	Number of Meetings Attended
Shri Ajay Tyagi	4	4
Shri G. Mahalingam	4	4
Ms. Madhabi Puri Buch	4	4
Shri Santosh Kumar Mohanty	4	4
Shri Ananta Barua	4	3*
Shri Atantu Chakraborty	2 #	1
Shri N. S. Vishwanathan	4	2
Shri K. V. R. Murthy	4	4
Dr. V. Ravi Anshuman	3 #	3

Note: 1. * Leave of absence was granted to Shri Ananta Barua for the meeting held on February 17, 2020 as he had to attend a Parliamentary Committee meeting at Delhi on the same day.

2. # Number of meetings held after assuming charge.

3. Shri Anand Mohan Bajaj, Joint Secretary, DEA, MoF, GOI attended 2 out of 2 meetings held during the year, prior to his demitting the Office of the Part-Time Member.

2. HUMAN RESOURCES

The Human Resources Department (HRD) continued to play an important role by discharging its mandate of recruiting suitable candidates. Further, it also plays an important role in identifying and meeting the training needs of the existing employees, ensuring employee welfare and employee relations and ensuring positive and safe working environment to the employees. During the year, emphasis was given on comprehensive reviewing of many key policies, keeping in mind the requirements of an expanding organization.

I. Staff Strength, Recruitment, Resignation

As on March 31, 2020, the total number of employees in various grades was 868 (including employees on deputation/ contract), out of which 791 employees were officers and 77 employees comprised of secretaries and other staff. The male and female composition was 591 and 277 respectively.

A. Grade-wise Distribution

The grade-wise distribution of the staff members is provided in the table 4.3:

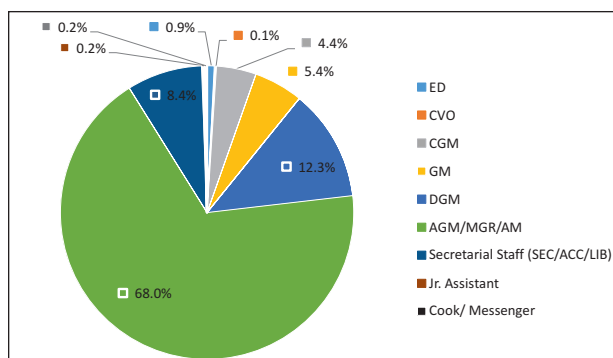
Table 4.3: Grade-wise Distribution of Staff Members

Staff Members in Various Grades	2018-19	2019-20
Executive Director (ED)	7	8
Chief Vigilance Officer (CVO)*	1	1
Chief General Manager (CGM)	38	38
General Manager (GM)	50	47
Deputy General Manager (DGM)	45	107
Assistant General Manager (AGM)/ Manager (MGR)/ Assistant Manager (AM)	558	590
Secretarial Staff (SEC/ACC/LIB)**	82	73
Jr. Engineer/ Jr. Assistant	2	2
Cook/ Messenger	2	2
Total	785	868

Notes:1. * Chief Vigilance Officer appointed by Government of India in the rank of Executive Director

2. **Secretary/Account Assistant/Library Assistant

Figure 4.1: Grade-wise Distribution of Staff Members during 2019-20



During 2019-20, 96 Officers in Grade A (Assistant Managers) joined the services of the Board and 13 staff members, across various grades (one ED, one CGM and 11 officers from amongst AGM/Mgr/AM) exited from the services of the Board either by way of retirement/resignations/ end of deputation/end of contract.

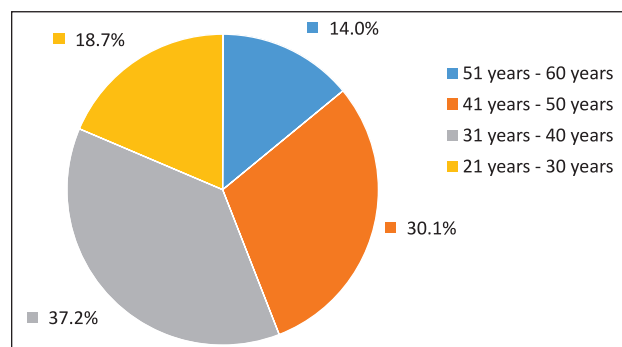
B. Age Profile of the Staff Members

With around 55.9 per cent of its staff members in the age bracket of 21 - 40 years, SEBI is a young and dynamic organization. The average age of the staff members is around 39 years. The distribution of staff members across different age brackets is presented in table 4.4.

Table 4.4: Age Group-wise Distribution of Staff Members

Age (Years)	2018-19		2019-20	
	No of Employees	Per cent	No of Employees	Per cent
51 - 60	87	11.1	122	14.0
41 - 50	264	33.6	261	30.1
31 - 40	332	42.3	323	37.2
21 - 30	102	13.0	162	18.7
Grand Total	785	100.0	868	100.0

Figure 4.2: Age Group-wise Distribution of Staff Members during 2019-20



C. Distribution of Officers by Qualification

SEBI endeavors to strike a balanced composition of generalists and specialists in the relevant fields. The distribution of officers by qualification is presented below:

Table 4.5: Qualification-wise Distribution of Staff Members

Qualification	2018-19		2019-20	
	No. of Officers	Per cent	No. of Officers	Per cent
BE/BTech/ME/MTech	31	4.4	110	13.9
CA/CS/ICWA/CFA	90	12.9	92	11.6
Law (LLB/LLM)	113	16.2	114	14.4
M.A. (Economics)	59	8.4	59	7.5
MBA/PGDM/PGDBA	335	47.9	339	42.9
MCA/DCA	8	1.1	8	1.0
M.Com.	41	5.9	43	5.4
Others *	22	3.1	26	3.3
TOTAL	699	100.0	791	100.0

* includes M.Sc., M.A., B.Sc., B.Com., etc.

D. Promotions

In line with our belief that aspirations of the organization be aligned with the ambitions of its employees, an elaborate review of the opportunities for career progression at various levels in the organization was carried out and accordingly,

promotions to various grades were carried out. The posts identified during 2019-20 for the promotion at Division Chief Grade i.e., Grade D was highest in the history of SEBI. Details of the promotion exercises are provided in Table 4.6:

Table 4.6: Promotions of Staff Members in various Grades

Promoted From	Promoted To	No. of Persons Promoted 2018-19	No. of Persons Promoted 2019-20
CGM	ED	-	02
GM	CGM	18	03
DGM	GM	32	-
AGM	DGM	-	62
MGR	AGM	-	63
AM	MGR	-	41
Secretary and Accounts Assistant	AM / MGR	09	09
Secretary - Grade B	Secretary - Grade C	-	04
Secretary - Grade A	Secretary - Grade B	-	03

E. Job Rotation

Officers in various grades were transferred as part of inter-departmental and inter-office job rotation measure. In all, 215 officers were rotated among different departments/ regional/ local officers during 2019-20. Reallocation of departments among the Executive Directors was also undertaken during the year.

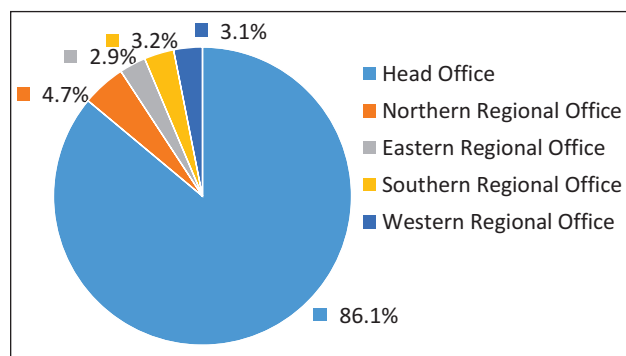
F. Region-Wise Distribution of Staff Members

As on March 31, 2020, 121 staff members (around 14 per cent of total employee strength) in various grades were posted at regional and local offices. Distribution of staff at Head Office and Regional Offices, including Local Offices under them, is provided in the Table 4.7:

Table 4.7: Region-wise Distribution of Staff Members

Staff Details Grade Wise	2018-19		2019-20	
	No. of Employees	Percentage of total	No. of Employees	Percentage of total
Head Office	665	84.7	747	86.1
Northern Regional Office	44	5.6	41	4.7
Eastern Regional Office	24	3.1	25	2.9
Southern Regional Office	34	4.3	28	3.2
Western Regional Office	18	2.3	27	3.1
Total	785	100.0	868	100.0

Figure 4.3: Region-wise Distribution of Staff Members during 2019-20



II. Policy Initiatives

A. Revision of Benefits

During the year SEBI revised various benefits for all staff members. Concerns of employees from all the spheres, including “divyang”, retiring/retired employees, aggrieved employees were addressed by reviewing existing schemes or introducing new schemes.

B. Introduction of Equal Opportunity Policy for Persons with Disability under the Rights of Persons with Disabilities Act, 2016

SEBI has been taking steps from time to time to ensure that employees with disabilities are enabled to effectively discharge their duties and has been following the government guidelines, rules and policies in respect of recruitment of persons with disabilities.

Further, Section 21 (1) of the Rights of Persons with Disabilities Act, 2016 (RPWDA) states that “Every establishment shall notify equal opportunity policy detailing measures proposed to be taken by it in pursuance of the provisions of this Chapter in the manner as may be prescribed by the Central Government”. The Ministry of Social Justice and Empowerment notified the Rights of Persons with Disabilities Rules, 2017 (RPWDR) on June 15, 2017. Rule 8 of the RPWDR states that “Every establishment shall publish equal opportunity policy for persons with disabilities”. The rules require the Equal Opportunity Policy (EOP)

to be displayed on the website or at conspicuous places in the premises.

Accordingly, in compliance with the RPWDR, the EOP was issued by SEBI vide office circular No.31/2019 dated October 25, 2019. The EOP is available on the website of the Board. The key features of this policy are as under:

- i. To provide facility and amenity to the persons with disabilities to enable them to effectively discharge their duties in the establishment;
- ii. To identify posts suitable for persons with disabilities in the establishment;
- iii. To provide training, preference in transfer and posting, special leave, preference in allotment of residential accommodation if any, and other facilities;
- iv. To provide provisions for assistive devices, barrier-free accessibility and other provisions for persons with disabilities;
- v. To appoint liaison officer to look after the recruitment of persons with disabilities and provision of facilities and amenities for such employees.

C. Annual Performance Appraisal System

With a view to evolve a purposeful, objective and effective performance appraisal system, policy on distribution of performance ratings was reviewed after taking feedback from staff members and extensive discussions at various levels. Till 2018-19, the Annual Performance Appraisal System in SEBI was in physical mode. However, from 2019-20, SEBI moved from physical Annual Performance Appraisal Report (APAR) to online Appraisal System.

III. Training and Development

Training and Development is critical for helping staff members to develop their personal and professional skills, knowledge, and abilities. In order to enhance and widen the knowledge base, staff members across all grades were nominated for various training programs.

A. Domestic Training/ Workshop:

- i. During 2019-20, around 670 nominations were made for various domestic training programs.
- ii. In order to groom newly promoted officers in Grade D as effective team leaders, SEBI in coordination with Administrative Staff College of India (ASCI), Hyderabad, organized a leadership development program which was attended by 59 officers.
- iii. Various 'in-house trainings' were organized by HRD on recent policy developments and functioning of various departments of SEBI which has helped the officers to keep abreast with the developments in various segments of securities markets. Four such training sessions were conducted which were attended by 196 officers.
- iv. In coordination with NISM, Patalganga, various training programs were organized by HRD during the year on various subjects:
 - a) Handling Parliamentary Queries (PQs) and queries under Right to Information Act, 2005 which was attended by 47 officers;
 - b) Soft Skills and Personality Development which was attended by 25 officers;

- c) Forensic Accounting which was attended by 13 officers;
- d) Induction program of six weeks for 71 newly recruited officers in the grade of Assistant Manager to introduce them to SEBI, its roles and functions, the various departments and technicalities of the securities markets.
- v. For development and upgradation of various skills required to carry out investigation and surveillance functions, HRD nominated officers for a training program on “Techniques of Handling Digital Evidence using Digital Forensics” at National Academy of Direct Taxes, Nagpur. The program was attended by eight officers.
- vi. Sessions on prevention of sexual harassment at workplace was also conducted by HRD which was attended by 73 officers.
- vii. SEBI had also nominated its employees for many other training programs/workshops conducted by other reputed institutes. Some of these training programs are given below:
 - a) Workshop on Management Effectiveness;
 - b) Workshop on Motivation, Team Building and Leadership;
 - c) Training program on Data Centre Management;
 - d) Workshop on Vigilance Administration by Central Vigilance Commission;
 - e) Workshop on Insolvency and Bankruptcy Code, 2016;

- f) Training on Social Return on Investments.

B. Foreign Trainings/ Seminars/ Meetings/ Conferences:

- i. To carry out its core functions effectively and efficiently in a globalized market environment and to build adequate capacity, a proper understanding of international best practices on various aspects of securities markets is required. In this context, SEBI nominated staff members for various foreign study tours, seminars, conferences, training programs, etc. organized by various foreign regulatory/ multilateral agencies/ organizations.
- ii. During the year, around 142 nominations were made for various international trainings/seminars/meetings/ conferences.
- iii. Training in Data Analytics: To create a pool of skilled officers having capabilities of data science/analytics, 11 officers were nominated for foreign training (while eight officers were nominated for domestic training) in the field of data analytics based on their performance assessed through a test.
- iv. Fellowships/Scholarships/Collaboration: SEBI always endeavors to encourage the employees of the Board to pursue higher studies and upgrade their skills. SEBI was invited to participate in Chevening Financial Services Fellowship program hosted by King's College, London. One SEBI employee was selected for the fellowship program which is due to take place in year 2020.
- v. SEBI officials were nominated to attend

a two-phase program jointly developed by the IOSCO and PIFS-Harvard Law School. The program was aimed at offering IOSCO members an executive education program exclusively tailored for securities markets regulators.

C. Internship

- i. SEBI, as an integral part of its policy, offers projects/ internships to students of reputed management institutions and law colleges. SEBI offered internships to 30 candidates/ students during the year.
- ii. With a view to provide hands-on training to the students of institutes, SEBI has instituted "SEBI ITD Internship Program". The program has been designed to give an opportunity to the selected interns to work on different Information Technology (IT) projects including Data Analytics (DA), regulatory business processes and reporting, and FinTech at SEBI, while gaining valuable exposure to the functioning of the Indian capital markets. A total of 11 interns were selected under the Program for a period of 12 months.

D. Recreational Activities for the Staff

- i. **Sports Activities:** The SEBI Sports Committee organized various sports activities for SEBI employees throughout the year, which included mid-night cycling, trekking, indoor sports tournament, SEBI football league and corporate cricket. Staff members also participated in the Mumbai marathon in the corporate team category. This year the Committee partnered with 'Stepathlon' for 75 days' unique activity program

which motivated participants to take at least 10,000 steps on an average per day. It was designed to help employees lead healthier, happier and more productive lives and improve overall physical fitness.

- ii. **Fitness and Yoga Sessions:** Regular fitness and yoga sessions were conducted for the employees.
- iii. **Scheme for recognizing and rewarding academic excellence of children of employees:** During the financial year, 12 children of employees were rewarded for academic excellence in 10th/12th standards. They were also presented with certificate of recognition by the Chairman on Republic Day.

IV. Committees Facilitated by HRD

A. Human Resources Advisory Committee:

SEBI has constituted a Human Resources Advisory Committee (HRAC) under the Chairmanship of Shri R. Gandhi, Former Deputy Governor, RBI. The names of other members of the Committee are as follows:

- i. Dr. Vijaya V, Professor, Indian Institute of Management, Trichy
- ii. Shri Ashwini Mehra, Ex- Deputy Managing Director, SBI and
- iii. Dr. David Bergeron, Partner, Oliver Wyman

The Committee makes recommendations/ provides guidance on HRD related matters like recruitment, performance appraisal, etc. So far the committee has met four times in 2019-20 and has given valuable inputs on policies for recruitment and performance appraisal.

B. Internal Complaints Committee (ICC):

In accordance with its mandate to provide a safe working environment and in compliance with "The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013", an Internal Committee at Head Office and separate Committees for each of the four Regional Offices (and Local Offices under their purview) are in place.

During 2019-20, number of workshops/awareness programs were conducted at various offices of SEBI to create awareness on sexual harassment and gender sensitization. During 2019-20, no complaints were received by ICC.

V. Disciplinary Matters

During the year, disciplinary proceedings were initiated against two employees, out of which one proceeding is pending at the end of the year. In one of the cases, the Competent Authority imposed

a major penalty of reduction to a lower stage in the time scale of pay by one stage for a period of five years and the employee will not earn increments of pay during the period of such reduction and on the expiry of such period, the reduction shall have the effect of postponing the future increments of the pay. The other proceeding is ongoing.

Further, in one of the case, which was initiated last year, where a minor penalty of reduction to a lower stage in the time scale of pay by three stages for a period of three years without cumulative effect was imposed, the concerned employee appealed the decision. Appellate Authority disposed of the appeal by reducing the penalty to a lower stage in a time scale by two stages for a period of two years without cumulative effect. In another case, which was also initiated last year, a minor penalty of withholding of increments from future service was imposed under SEBI (Employees' Service) Regulation, 2001.

3. PROMOTION OF OFFICIAL LANGUAGE

During 2019-20, various initiatives were taken for implementation of the official language Hindi in SEBI's Offices to ensure compliance with various requirements of the Official Language Policy of the Government of India. A summary of such initiatives is given below:

I. Bilingualization

During 2019-20, all regulations, notifications, public notices and registration certificates granted to various market participants, intermediaries, etc. were issued in both Hindi and English. All the papers were submitted before various Parliamentary Committees in diglot form. In addition, all the Memorandum of Understandings (MoUs) between SEBI and the regulators etc., of other countries were also prepared in diglot form. Further, statutory reports such as Annual Report and Audit Report were also brought out in both Hindi and English. Regional Offices and Local Offices of SEBI also issued public notices in diglot form. In order to encourage more and more usage of Hindi in day-to-day official work, standard documents frequently used by various departments/divisions/cells were made available in diglot form, so that the staff members may use the standard documents while carrying out their day-to-day official work, contributing thereby towards implementation of the Official Language Policy of the GoI.

II. Rajbhasha Portal of the Official Language Division

Rajbhasha Portal was made live on SEBI's Share Portal during 2017-18, which was developed exclusively for the staff members. This Rajbhasha Portal is aimed at providing single point of access to all the relevant information pertaining to official language Hindi for the staff members of SEBI, which acts as a learning hub for the staff members for using Hindi while working on computers. During

2019-20, a brief introduction of the Rajbhasha Portal was given to the senior officials of SEBI.

This portal provides, inter alia, details of the Official Language Policy of the Government of India, various standard documents frequently used in SEBI in diglot form, a glossary of the terms generally used in SEBI, materials enabling the staff members to carry out their day-to-day official work in Hindi and Hindi typing, a set of Frequently Asked Questions (FAQs) on Official Language Policy, etc. One Hindi word (Aaj Ka Shabd), one phrase/noting (Hindi noting) and one motivational quote are also displayed on the computer screens on a daily basis. Rajbhasha Portal also facilitates the online submission of quarterly progress reports by each department/division/cell/office to the Official Language Division (OLD) of SEBI regarding progressive use of Hindi.

Rajbhasha Portal not only facilitates the staff members in timely complying with various requirements of the Official Language Policy of the Government of India, but also serves as a source of encouragement for the staff members to use official language Hindi in their day-to-day official work.

III. Hindi Website

Towards the implementation of the Official Language Policy of the Government of India, SEBI continued its efforts in uploading the information in Hindi on its websites on a regular basis. During 2017-18, Hindi replica of the then launched SEBI website was made available, and continuous efforts are being made to upload all other information in Hindi. Efforts are being made to make relevant information/ material available in Hindi for the investors, such as FAQs, caution notices for the Investors and other important notices, on priority basis. Towards this end, some of the FAQs, various Regulations, amendments, other official gazetted

notifications, etc., are also made available on SEBI's Hindi website. Updation of Hindi Regulations is also in progress.

Moving a step forward towards the complete bilingualization of the investor website, relevant material related to investor education was also uploaded on the investor website. During 2019-20, various other materials in Hindi, including financial education booklet, published by SEBI as part of its financial education initiatives, were also made available on the investor website, in order to enhance the knowledge base of investors on securities market.

IV. Hindi Magazine

During 2019-20, two issues of Hindi magazine ("Viniyamika") of SEBI were published. Whereas the first issue showcased the literary talent of staff members and their family members in the form of articles, stories, poetry, etc., articles of the staff members who were declared winners in the Hindi competitions found a place in the second issue of the magazine. Staff members also took part in the competitions announced through the two issues of the magazine.

V. Rajbhasha Meetings

During the year, meetings of the Official Language Implementation Committee were conducted to ensure compliance with the Official Language Policy of the Government of India in the Offices of the Board. A joint meeting of the Official Language Implementation Committees of all the offices of SEBI was also conducted at the Head office of SEBI. The meeting was attended by the members/representatives of the Committee from Head Office and all the Regional Offices. During 2019-20, several important decisions were taken towards implementation of the Official Language Policy of the Government of India.

VI. Incentive Schemes

With a view to ensure timely compliance with various requirements of the Official Language Policy of the Government of India as well as to encourage more and more usage of Hindi while carrying out day-to-day official work, Rajbhasha Hindi incentive schemes of SEBI were revised during the year. Cash incentives under the "Hindi Kaa Karyasadhak Gyan - Puraskar Yojana" were revised during the year. Apart from this, under the Rajbhasha Shield Yojana, the division / office declared winner will now also be honoured with a replica shield and such division / office will retain the replica shield so awarded. Besides, under the Hindi Karya - Puraskar Yojana, not only the cash incentives were revised during the year but also the number of prizes were increased. According to the revised Hindi Karya - Puraskar Yojana, the winners would also be awarded with silver coins and Hindi books.

VII. SEBI'S Moulik Hindi Pustak Lekhan Yojana

During the year 2017-18, with a view to encourage the staff members to explore their constructive talent in the field of writing, "SEBI's Moulik Hindi Pustak Lekhan Yojana" was introduced to publish the piece of writing in the form of books, gratis, originally written by them in Hindi on the topics related to securities market.

During the year 2019-20, the Chairman, SEBI released the first book "Ek Niveshak Ki Kahaani" published under the said scheme, which was co-authored by two SEBI officials, Mr. Jubin Mehta, AGM and Ms. Chaitali Karate, AGM. This book inter-alia covers basic aspects of investment in securities market.

VIII. Rajbhasha Samaroh

During 2019-20, a Rajbhasha Samaroh was organized, to felicitate the winners and participants

of various Hindi competitions which was aimed at encouraging the use of Hindi by the staff members in their day-to-day official work. During the Rajbhasha Samaroh, as a token of appreciation, all the winners were awarded with silver coins in addition to cash prize. Hindi books were also given to all the winners and participants. Considering the importance of the official language Hindi, the Chairman, WTMs and the Executive Directors were also present on the occasion, and thus they encouraged all the winners and participants of the competitions.

IX. Rajbhasha Competitions

Various Hindi competitions were conducted for the staff members during the year, viz. (1) Katha Lekhan Pratiyogita; (2) Kavita Lekhan Pratiyogita; (3) Ashubhashan Pratiyogita; (4) Prashnottari Pratiyogita; (5) Hindi Karyalayeen Kaamkaaj Pratiyogita; (6) Hindi Tankan Pratiyogita; (7) Varg Paheli Pratiyogita; (8) Main Boloon Tasveer Kya Bole Pratiyogita; (9) Kavita Paath Pratiyogita; (10) Hindi Vaktritva Pratiyogita; and (11) Hindi Shabdavali Gyan Aur Tippan Lekhan Pratiyogita.

These competitions were designed in such a way that all the staff members including the senior officials may contribute towards the implementation of Official Language Policy in their day-to-day official work and it was also emphasized that more and more staff members use Hindi in their day-to-day official work, i.e., in correspondence, notings, etc. Furthermore, the objective was to make the staff members conversant with more and more Hindi terms and to encourage them to learn Hindi typing. Some of the other objectives of these competitions were, inter alia, to make the staff members aware of various requirements of the Official Language Policy of the Government of India and to make the staff members familiar with Hindi terminology, so that they can communicate with the investors in Hindi during the programmes organized for the investors.

X. Training for Newly Recruited Officers

As part of their induction programme, the newly recruited officers were made aware of the various requirements related to the Official Language Policy of the Government of India, so that they may use Hindi in their day-to-day official work and ensure timely implementation of the Policy while discharging their duties. In addition, an introduction of the Rajbhasha Portal was also given to the newly recruited officers and they were also apprised of the requirements of the Quarterly Progress Report.

XI. Hindi Workshops

During the year, Hindi workshop was organized for the senior officials of SEBI to make them aware of various requirements of the Official Language Policy of the Government of India.

XII. Nomination under Hindi Teaching Scheme

In conformity with the requirements of the Official Language Policy of the Government of India, it is mandatory to nominate the staff members under the Hindi Teaching Scheme who do not possess working knowledge of Hindi or proficiency in Hindi. In view of the same, four officers were nominated for the correspondence courses (three officers for Prabodh correspondence course and one officer for Praveen correspondence course) being run by the Central Hindi Training Institute, Government of India, so that they may also use Hindi in their day-to-day official work.

XIII. Regional and Local Offices

Efforts were also made in Regional and Local Offices towards implementation of the Official Language Policy of the Government of India, which include bilingualization, correspondence in Hindi, Rajbhasha competitions, etc. Thus, during the year, besides compliance with the Official Language Policy in all SEBI's offices, efforts continued towards usage of Hindi in day-to-day official work.

4. SEBI OFFICES

I. Operationalization of Registry at SEBI Bhavan-II, Bandra Kurla Complex, Mumbai

An advanced documents management system (Registry) was created for safekeeping of live enforcement case files at SEBI's Head Office. The Registry has a capacity for storing approximately 45,000 files. The Registry has been created on Build, Own, Operate, and Transfer (BOOT) model with automated storage compartments and integration of file management software. The Registry will ensure faster access to original documents and help in expeditious regulatory action by SEBI.

II. Interior Furnishing Works at SEBI Bhavan II

Interior furnishing works were taken up by SEBI for the 2nd and 3rd floor of SEBI Bhavan-II, Bandra Kurla Complex, Mumbai. The said floors have been furnished with data center, library, eight meeting rooms, 62 cabins, 408 workstations and other related amenities. This additional facility will help in easing the operations of SEBI with better infrastructure for the staff.

5. INTERNAL INSPECTION DEPARTMENT

The Internal Inspection Department (IID) was set up by SEBI in September 2017 as an internal mechanism to review the functioning of various departments of SEBI and suggest measures for improving the productivity of the respective departments.

To this end, during 2019-20, IID inspected various core regulatory departments of SEBI to inter-alia check the effectiveness of systems and procedures and made recommendations to improve the functioning of the said departments. Some of

these inspections were comprehensive while others were thematic with special focus on specific aspects being dealt with by them. IID has also put in place an off-site monitoring mechanism for reviewing the implementation of recommendations made pursuant to the previously conducted inspections.

Going forward, IID shall endeavour to continue the above activities with the co-operation of other departments of SEBI so as to enhance the overall efficiency of the organization.

6. VIGILANCE DEPARTMENT

The Vigilance Department of SEBI is engaged in guiding and facilitating impartial, fair and transparent decision making. It performs its functions as per guidelines issued by the Central Vigilance Commission (CVC) from time to time. The functions of Vigilance Department can be categorized into preventive, punitive and surveillance and detection.

To enable information gathering regarding corrupt practices, Vigilance Department Corner has been created on the SEBI website and a facility has been made available to lodge vigilance related complaints.

During the year, complaints received from various sources such as CVC, MoF, etc. were investigated and reports forwarded to concerned authorities.

Vigilance Department coordinated with the other departments in SEBI for ensuring compliance with the guidelines issued by CVC and MoF relating to adoption of integrity pact, implementation of rotational transfers and FR56 (j), scrutiny of audit reports, monitoring of bill payments and having a whistle blower policy and also suggested systemic improvement measures with respect to different operational departments of SEBI.

Vigilance Awareness Week for the year 2019 was observed at SEBI in a befitting manner from October 28, 2019 to November 02, 2019. The observance of Vigilance Awareness Week renews commitment of officials to promote integrity, transparency and accountability in public life. The Vigilance Awareness Week was inaugurated in SEBI by Shri G. Mahalingam, Whole-Time Member (WTM) giving a keynote address on “Ethics in Public Life” to the senior officers of SEBI at the Head Office, Mumbai. Ms. Madhabi Puri Buch and Shri S. K. Mohanty, WTM also shared their

thoughts on “Ethics in Public Life”.

A contest on slogan writing and essay writing on the theme of Vigilance Awareness Week was held during October 2019, wherein about 74 entries of slogans from 31 SEBI employees and 11 entries of essays from 11 SEBI employees were received.

Ms. Arti C. Srivastava, Chief Vigilance Officer (CVO), SEBI visited National Institute of Securities Market (NISM), an educational initiative of SEBI on November 01, 2019 and gave a talk on “Ethics in Public Life” to the NISM staff.

During the Vigilance Awareness Week, all officials were administered the pledge. Also, all the departments/ regional offices/ local offices of SEBI were requested to disseminate and publicize the integrity pledge concept. In this regard, a hyperlink to CVC website (<https://pledge.cvc.nic.in>) was provided on the SEBI website (www.sebi.gov.in), SEBI investor’s website (investor.sebi.gov.in) and SEBI e-Registration portal to enable the citizens, private firms, securities market intermediaries and organizations to take the integrity pledge. The integrity pledge was also circulated to the market infrastructure institutions (MIIs) i.e. stock exchanges, clearing corporations and depositories and SEBI registered intermediaries i.e. stock brokers, merchant bankers, etc. and they were also advised to take the e-pledge as available on CVC website. Around 720 employees of SEBI have already taken the e-pledge and obtained the certificate of commitment. SEBI, as an organization, undertook integrity pledge on the CVC website <https://pledge.cvc.nic.in>.

Vigilance Department, as a nodal office, effectively liaised with CVC and CBI in various matters. It is also an active participant organization of Vigilance Study Circle, Mumbai.

7. INFORMATION TECHNOLOGY

Information Technology Department (ITD) is committed to its vision of leveraging technology in partnership with every department of SEBI to achieve:

- Ease of doing business in all external interfaces
- Enhancement of internal productivity
- Enhancement of cyber security
- Building of scalable infrastructure
- Creating the hub for a SEBI wide data analytics practice

I. Committees

In line with SEBI's strong tradition of consultation and seeking of expert advice in policy formulation and decision making, SEBI has four advisory committees in the technology area, with distinguished members having significant experience and insight in IT matters including practitioners, regulators and academics. These four committees are:

- A. Project Advisory Committee that advises SEBI on its various IT projects right from conceptualization and procurement to implementation.
- B. Committee of Financial and Regulatory Technologies that advises SEBI on emerging trends in technology and their potential application to the securities market.
- C. Technical Advisory Committee that advises SEBI on all matters relating to the IT infrastructure and policies to be made applicable to various market participants.
- D. High Powered Steering Committee on Cyber Security that advises SEBI on all matters related to Cyber Security to help build a secure cyber ecosystem in the securities market.

II. Ease of Doing Business

During the year, ITD focused its efforts in terms of facilitating ease of doing business with SEBI through the following key initiatives:

A. SEBI Intermediary Portal: As the principal interface between SEBI and market intermediaries, the portal was enhanced significantly during the year covering various functionalities including payment gateway facility for payments by the market intermediaries using electronic fund transfers and card based payments.

B. SCORES System: This investor grievance redressal system was enhanced with the inclusion of commodity derivatives segment. Further, complete action history was made available to the investor to improve transparency.

During the year, a mobile app version of SCORES called "SEBI SCORES" was launched. This is expected to improve user experience as well as expand the reach of the system to many more investors. The mobile app is available on both iOS and Android platforms.

C. SEBI website: The SEBI website acts as an important interface with the public to disseminate information. Following enhancements were made to the website to enrich the data and information on the site as well as to facilitate convenient interaction with SEBI –

- i. Rolled out an embedded application for entities related to Adjudication Orders
- ii. Enrichment/ Ease of download of data and reports such as Annual Reports,

Working Papers, Handbook of Statistics, monthly SEBI Bulletin, Trade-wise Equity/Debt Data of FPIs, Committee Reports, statistics related to Mutual Fund Investments, Alternative Investment Funds, Portfolio Managers, etc.

III. Internal Productivity Enhancement

SEBI initiated numerous projects during the year which are at various stages of planning and implementation:

- A. **Case Management System:** This workflow based system was significantly enhanced during the year to capture cases and case related details including settlement, recovery, SAT appeal, payment gateway for Adjudication Orders, investigation, automatic order number generation, action under Section 11 B of SEBI Act and to tracking of cases from stage to stage. Automatic publishing of orders to the SEBI website was also implemented as part of the Case Management System.
- B. **SAP Enhancement:** SAP has been implemented at SEBI as part of the enterprise wide ERP solution to handle areas such as payroll, accounting, facilities management and HR. Some significant enhancements during the year were:
 - i. An in-house developed online Annual Performance Appraisal Report (APAR) for SEBI internal users;
 - ii. Implementation of payment gateway for online payments;
 - iii. Operationalizing the Treasury and Risk Management module;
 - iv. Automatic bank reconciliation;
 - v. Generation of digitally signed FORM16 Part A, Part B and tax simplifier statements.

IV. Cyber Security Initiatives

- A. **Security Operations Center/ Network Operations Center:** Considering the increasing trend of cyber frauds and attacks across the globe especially in financial institutions, it was decided to strengthen further, the cyber security controls and processes in SEBI. During 2019-20, SEBI implemented its Security Operations Center and Network Operations Center (SOC-NOC) project adhering to international security standards and best practices.

Following are the important technologies deployed as part of SOC-NOC systems.

- i. **Security Information and Event Management with Cyber Threat Intelligence feeds from multiple sources:** Security Information and Event Management (SIEM) is the heart of SOC-NOC system. This system is used for generating alerts and taking protective or remedial actions automatically when suspicious or malicious activities occur in SEBI's computer systems. Cyber security professionals monitor, analyse and take adequate actions based on these alerts continuously at SEBI's SOC centre. A dedicated, 24x7 security and network operation centre has been established for this purpose. This system also provides real-time visibility and holistic information security view of SEBI's entire IT systems.
- ii. **Database Activity Monitoring:** It is an important technology for protecting sensitive data residing in databases from external attacks by cyber-criminals. It monitors real-time database activities of sensitive databases and helps to protect it.

- iii. **Web Application Firewall:** There are a number of application based cyber-attacks which can only be prevented at application layer of the systems. Web Application Firewall (WAF) is used for protecting all web applications of SEBI from such cyber-attacks. Application layer attacks like cross-site forgery, cross-site-scripting (XSS), file inclusion, SQL injection, etc. will be blocked by WAF.
- iv. **Advanced End Point Protection solution:** It is an advanced anti-virus solution for protecting user PCs, servers and is capable of detecting and preventing viruses, spywares, malwares etc. on SEBI's user PCs and servers.
- v. **Mobile Threat Protection solution:** As the world has moved to electronic financial transactions, mobile devices are becoming hotspots for cyber-attacks. SEBI's staff members are using mobile devices for connecting to SEBI's network and email system. Once installed on mobile devices, Mobile Threat Protection can protect it from viruses, malwares, malicious apps and advance cyber-attacks.
- vi. **Next Generation Intrusion Prevention system:** SEBI's systems are connected to internet which is the main source of cyber-attacks. Next Generation Intrusion Prevention system protects SEBI's computer network and applications from advanced malwares, network intrusions, advanced persistent threats and zero-day malware attacks from Internet.
- vii. **Encrypted Traffic Management:** Most of the websites have moved to secured https sites which use end to end encryption for data transfer between the site and the user to avoid man in the middle attack. This also created challenges for cyber security since malicious contents and viruses can reach to SEBI in encrypted form without detection. The encrypted traffic management provides complete visibility of threats communicating through encrypted channels or protocols and helps to identify and block such threats /cyber-attacks.
- viii. **Secure Web Gateway (Internet Proxy):** This system protects SEBI's users from accessing unwanted, vulnerable or malicious websites and prevents downloading of malicious files from the internet. It also helps to control internet access of the users and streamline policies and compliances for SEBI to minimize the cyber-attack surfaces.
- ix. **Secure Mail Gateway:** Cyber criminals send spam, phishing emails, viruses, malwares, spywares, etc. continuously across the email systems. Secure mail gateway installed in SOC-NOC system provides security to SEBI's email system by blocking malicious emails, spam, phishing attacks, malicious files, etc. at the gateway and delivers clean emails to the users.
- x. **Endpoint Detection and Response:** This is advanced anti-malware system used for detecting malwares which dodges anti-virus systems. This system detects and prevents file-based malwares, detects and blocks malicious activity from PCs, servers, trusted or not trusted applications. This system also provides capabilities for isolating or quarantining a PC if it is infected by a malware. Endpoint detection and response along with advanced antivirus systems using

different detection engines provide robust antivirus system.

- xi. **Distributed Denial of Services:** Hundreds of compromised computers and mobiles connected to internet together can attack a particular system just by sending basic data requests. These types of requests choke up entire data bandwidth and the targeted system becomes unresponsive. The solution protects SEBI's internet facing websites and network from such distributed denial of service cyber-attacks.

- xii. **Firewall Analyser Solution:** Firewalls are the frontline defenders of IT systems connected to a network. Firewall analyser solution provides centralized management and analysis of firewall configuration rules across the firewall devices. It helps to detect risky firewall rules, misconfigurations, etc. and helps IT team for faster remediation and compliances. The proactive detection and mitigation of misconfigurations in devices helps to prevent cyber-attacks and damages on SEBI's network and applications.

- xiii. **DNS Security:** When users from internet access SEBI website or other applications, they identify the addresses and reach the sites through Domain Name Servers (DNS). There are various types of cyber-attacks which targets DNS so that DNS can't function properly. If the attacks succeed, it will result into denial of service to genuine user as the DNS won't be able to provide the addresses of the websites to the user. DNS Security protects SEBI domain from DNS related attacks including data exfiltration done through DNS queries. It also blocks SEBI

users from accessing malicious websites or domains.

- xiv. **Packet Capture Solution:** The solution captures raw data packets reaching to SEBI domain and helps in forensic investigations in case of any cyber breach or attacks.

- xv. **Network Monitoring Solution:** The solution helps in pro-active monitoring of all the networks, servers, devices, applications and communication links for their availability, performance and utilisations across SEBI.

- xvi. **IT Service Manager:** The solution provides centralized incident management platform for end users and IT support staff for creating, monitoring and resolution of incident tickets, issues related to various IT applications, PCs, servers, etc. The solution also provides metrics for tracking various Service Level Agreements (SLA) provided by IT solution partners.

- xvii. **Anti-Phishing Services:** This service continuously monitors the Internet for SEBI specific domains or apps and helps SEBI to bring down any phishing websites or mobile app created in the name of SEBI or similar to SEBI domains in the internet. This service also tracks the hacker forums for the discussions related to cyber-attacks specific to SEBI and pass on the information to SEBI for remedial actions. The service helps in minimizing the reputational risks associated with SEBI domain.

- xviii. **Anti-Malware Services:** This service scans internet facing web applications of SEBI on continuous basis to detect malware activities on SEBI's sites.

Box Item 4.1: Features of SOC-NOC Systems

Security Operations Centre (SOC) is a facility where enterprise wide information technology systems (web sites, applications, databases, servers, networks, desktops and other endpoints) are continuously monitored, assessed, and defended. Having consolidated and integrated security systems for threat feed, forensic analysis, malware analysis, and so on, SEBI can make better security decisions with intelligence-driven analytics available with SOC.

SOC at SEBI consists of multiple cyber security technologies and services. It is designed to secure processes and technologies and will help SEBI to protect confidentiality and privacy of regulatory and market data at various end points in SEBI. As part of ease of doing business, SEBI has implemented several internet facing applications like e-registration, payment gateway, etc. Cyber-attacks on such applications can be detected and mitigated proactively in an efficient and effective way through the SOC.

V. Private Cloud Strategy

A. Cloud Infrastructure: Based on a comprehensive review of its existing infrastructure including its disaster recovery site, and global trends in computing, SEBI has adopted a private cloud strategy for a large part of its infrastructure. Accordingly, SEBI is in the process of setting up a private cloud in order to build more flexible and resilient infrastructure for the future.

The proposed private cloud solution will be the enabling technology which will be scalable, inter-operable, and elastic and support big data analytics. Going forward, the private cloud solution will provide infrastructure, storage and computing capacity to many existing and upcoming projects. This will help SEBI to bring large parts of its IT infrastructure under one umbrella of the SEBI private cloud.

Box Item 4.2: Private Cloud Strategy

SEBI will build its private cloud services for a large part of its IT infrastructure needs. It is proposed that new projects will utilize the private cloud infrastructure and in most cases no separate hardware procurements will be required. Usage of commodity hardware will be encouraged where practicable.

Features of SEBI Private Cloud

1. Optimal resource utilization—The resources include hardware (processing power, memory, storage) and software (network, security solution, virtual machines, etc.). All the resources will be pooled together and made available for optimal utilization by the applications during peak loads across applications.
2. Scalability and elasticity —These are the most important features of cloud. The resources (e.g. storage) can be added or removed based on the resource requirement by the application. The cloud infrastructure can itself be augmented (e.g. adding more servers, disk, etc.) as and when needed.
3. Faster provisioning – Provisioning means allocation of cloud resources to a user for hosting new applications or scaling existing applications. Cloud provisions the resources within minutes (as compared to physical procurement which may take months).

Box Item 4.2: Private Cloud Strategy (Contd.)

4. Availability – Anytime-anywhere access to the cloud over internet with a common management portal ensuring business continuity.
5. Reliability – Cloud ensures reliability as it is fault tolerant i.e., cloud continue to provide service to underlying applications even after the failure of one or more component.

Security of the SEBI private Cloud

SEBI private cloud will ensure high level security of the resources and applications hosted on it. The various security features envisaged are as follows-

1. Data encryption at rest and motion
2. Authorization and authentication
3. Micro segmentation of applications
4. Integration with existing SOC-NOC.

B. New Data Center: SEBI is in the process of implementing a large scale tier 3+ data center in SEBI Bhavan II. The data center is expected to be implemented in 2020-21. It is envisaged to consolidate infrastructure from other data centers in Mumbai to the new data center. Further, the new data center will host SEBI's private cloud infrastructure. The consolidation of all hardware will increase manageability of server side hardware, result in better turn-around time and continued service.

VI. Data Analytics Practice

Given the increasing volume and complexity of activity in the securities market and the resultant explosion in volume and complexity of data, SEBI has felt an increasing need to develop data analytics capability within the organization. The objective of building this capability is threefold:

1. Using data analytics for policy formulation
2. Using data analytics for surveillance and investigation
3. Using data analytics for automation of various functions

In order to achieve these objectives, SEBI adopted a Hub and Spoke model where the data warehouse team of IT department functions as the Hub for data and programming support to the Spokes which are the officers trained in data analytics residing in every department of SEBI.

The Hub and Spoke model has created significant capability within SEBI and has allowed departments to automate their activities. Two major projects implemented in-house under this category are as follows:

1. Data analysis for offsite inspection of Brokers: Use of client securities
2. Data analysis for offsite inspection of mutual funds: Compliance with prudential norms and other regulations

Further, to leverage artificial intelligence, machine learning and deep learning to address critical challenges for data analytics impacted by the processing of vast amount of data (structured, semi structured and unstructured), it has been proposed to implement a data lake. The proposed data lake will contain an analytics platform to cater to big data modeling needs. The project is expected to be implemented in 2020-21.

VII. Foundation for the Future

With a continuing focus on strategic building blocks for the future, IT department has also initiated the following:

A. Information exchange with government agencies and regulators: SEBI has been working with government agencies and other regulators to sign a Memorandum of Understanding (MoU) so as to create a digital mechanism to share information bi-laterally. This is expected to make various aspects of investigation and enforcement by SEBI more efficient and timely. The first MoU with the Ministry of Corporate Affairs was signed in June 2019. The next MoU with Central Board of Direct Taxes (CBDT) is expected to be signed shortly.

B. SEBI ITD Internship Programme: (detailed under 2.III.C.ii - Human Resources/Training and Development/Internship).

VIII. Response to COVID-19 Outbreak

After the COVID-19 outbreak, ITD was designated as essential services department by SEBI. ITD implemented the following steps to strengthen the Business Continuity Plan (BCP) at SEBI:

- i. Provision was made to allow SEBI officers to access their office desktops remotely and securely;
- ii. Provision for video conferencing using Cisco WebEx;
- iii. Enhancement of internet leased line connectivity and enhanced storage resources for critical users in SEBI.

In addition to above, following steps were taken to improve cyber security readiness of SEBI's systems:

- i. Ensuring adherence to the advisories received from CERT-In and other subscribed sources;
- ii. Issuance of cyber security advisories to
 - a) SEBI employees;
 - b) Market Infrastructure Institutions.

Further, a separate section was created on SEBI website comprising all the circulars/notifications issued by SEBI in response to COVID-19.

IX. The Road Ahead

ITD looks forward to partnering the entire capital markets ecosystem to help build future ready, secure and efficient platforms that serve each of its stakeholders.



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