ANNUAL REPORT 2004-05



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 the Official Gazette on April 7, 1994.

एम. दामोदरन, अव.ए एस. अध्यक्ष

B

M. Damodaran, I.A.S.

Chairman

नाचिव, भारत चरकार, आर्थिक कार्य विभाग, वित्त गंत्रालय, नॉर्च ब्लॉक, नर्ड दिल्ली - 110 001.

प्रिय महोदय.

भारतीय प्रतिभूति और विनिमय बोर्ड Securities and Exchange Board of India

एवाओ१ / आरआई / ओटीशस्यू / २००५/४,३४५) जून २७, २००६

HO1 / RL / OTW / 2005/4/34/03

June 27, 2005

भारतीय प्रतिभूति और विभिन्नय बोर्ड अधिनियम, 1962 की घारा 18(2) के उपबंधों के उनुसार, मैं स्तद्द्वारा भारत के राजपत्र असाधारण के भार ॥ खण्ड 3 उप-खण्ड (1) में 7 उद्यौत, 1994 को अधिसूचित भारतीय प्रतिभूति और विभिन्नय बोर्ड (वार्षिक प्रतिवेदन) नियम, 1984 में विहित प्रक्य में 31 मार्च, 2005 को समान्त वर्ष के लिए भारतीय प्रतिभूति और विभिन्नय बोर्ड के वार्षिक प्रतिवेदन की प्रति उद्योगित कर प्रा हूँ ।

मक्कीय. प्रिमा दामाद्रस्य

(एन.दामीदरन)

संस्थन : यद्योवस

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

Dear Str.

In accordance with the provisions of Section 19(2) of the Securities and Exchange Board of India Act, 1902, I forward herewith the copy of the Annual Report of the Securities and Exchange Board of India for the year ended March 31, 2005, in the format prescribed in the Securities and Exchange Board of India (Annual Report) Rules, 1994, notified on April 7, 1994, in Part II Section 3 Sub-section (1) of the Gazette of India Extraordinary.

Yours faithfully,

(M. BRMODARAN)

Engl.: a/a:

विकास कोर्ट, 'बी' विंग, 224, बॉरावर पॉर्डर, पुंचर्ड - 400-021. • दूरभाष : 22028221 / 22851596 • फैराव : 22855585 ई-वेस : chairman/Pathi.gov.in • वेष : www.satsi.gov.in

MEMBERS OF THE BOARD

(As on March 31, 2005)

M DAMODARAN

CHAIRMAN

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

MADHUKAR

WHOLE TIME MEMBER

G ANANTHARAMAN

WHOLE TIME MEMBER

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

DHIRENDRA SWARUP

Secretary (Expenditure and Budget)
Department of Expenditure
Ministry of Finance
Government of India

ASHOK K LAHIRI

Chief Economic Adviser
Ministry of Finance
Department of Economic Affairs
Government of India

KOMAL ANAND

Secretary
Ministry of Company Affairs
Government of India

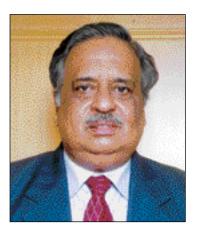
Member nominated under Section 4(1)(c) of the SEBI Act, 1992 (15 of 1992)

K J UDESHI

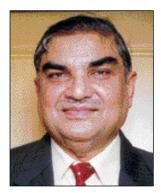
Deputy Governor Reserve Bank of India

CHAIRMAN AND MEMBERS OF THE SEBI BOARD

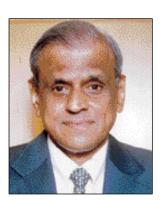
(As on March 31, 2005)



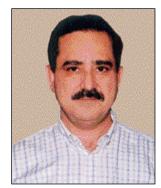
Shri M. Damodaran Chairman



Shri Madhukar Whole Time Member



Shri G. Anantharaman Whole Time Member



Dr. Ashok K. Lahiri
Chief Economic Adviser
Department of Economic Affairs
Ministry of Finance
Government of India



Shri Dhirendra Swarup Secretary, Expenditure and Budget Ministry of Finance Government of India

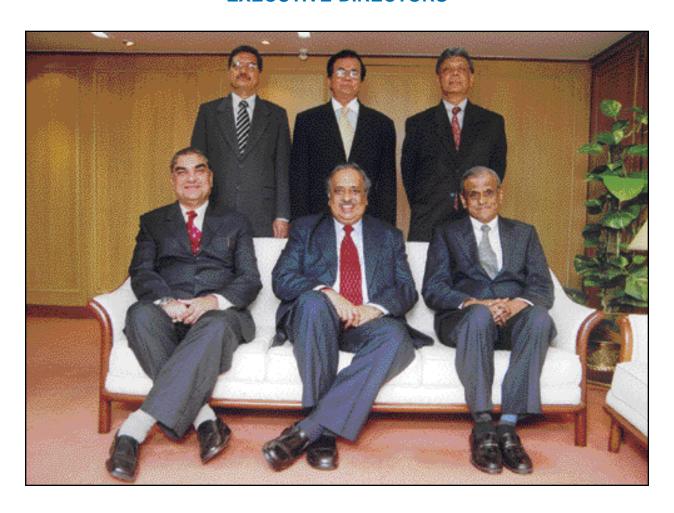


Ms. Komal Anand Secretary Ministry of Company Affairs Government of India



Ms. K. J. Udeshi Deputy Governor Reserve Bank of India

CHAIRMAN, WHOLE TIME MEMBERS AND EXECUTIVE DIRECTORS



Sitting Left to Right : Whole Time Member, Shri Madhukar; Chairman, Shri M. Damodaran;

Whole Time Member, Shri G. Anantharaman

Standing Left to Right : Executive Directors: Shri R. S. Loona, Shri Pratip Kar, Shri S. C. Das

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Conventions used in this Report

Rs. : Rupees

Lakh : Hundred thousand

Crore : Ten million

\$: US dollar unless specified otherwise

Million : Ten lakh

Billion : Thousand million/hundred crore

NA : Not AvailableNa : Not Applicable

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

ABBREVIATIONS

AMC : Asset Management Company

AMFI : Association of Mutual Funds in India

ANMI : Association of NSE Members of India

APG : Asia Pacific Group

APRC : Asia Pacific Regional Committee

ASE : Ahmedabad Stock Exchange

BCP : Business Continuity Plan

BgSE : Bangalore Stock Exchange

BTI : Banker to the Issue

BO : Beneficiary Owner

BSE : Bombay Stock Exchange

BOLTS: BSE Online Trading System

C&D : Corporatisation and Demutualisation

CBI : Central Bureau of Investigation

CCP : Central Counter Party

CDSL : Central Depository Services Limited

CEO : Chief Executive Officer

CFI : Consolidated Fund of India

CFO: Chief Financial Officer

CFTC : Commodity Futures Trading

Commission

CIS : Collective Investment Scheme

CoSE : Cochin Stock Exchange

CPF : Customer Protection Fund

CPSS : Committee on Payment and

Settlement Systems

CRR : Cash Reserve Ratio

CSE : Calcutta Stock Exchange

CSO : Central Statistical Organisation

CSX : Coimbatore Stock Exchange

CTR : Compliance Test Report

DCA : Department of Company Affairs

DFI : Development Financial Institution

DGCI&S: Directorate General of Commercial

Intelligence and Statistics

DIP : Disclosure and Investor Protection

DoT : Department of Telecommunication

DP : Depository Participant

DRM : Disaster Recovery Management

DSE : Delhi Stock Exchange

ECB : External Commercial Borrowing

ED : Enforcement Directorate

EDIFAR: Electronic Data Information Filing

and Retrieval

EMEs : Emerging Market Economies

FAQs : Frequently Asked Questions

FATF: Financial Action Task Force

F&O : Futures and Options

FII : Foreign Institutional Investor

FIR : First Information Report

FIRE : Financial Institutions Reform and

Expansion

FISE : Federation of Indian Stock

Exchanges

FRBM : Fiscal Responsibility and Budget

Management Act

FVCI : Foreign Venture Capital Investor

GDP : Gross Domestic Product

GDS : Gross Domestic Savings

GETF : Gold Exchange Traded Fund

GFIL : Golden Forest India Limited

Gol : Government of India

GSO : Green Shoe Option

GTB : Global Trust Bank

HRMS : Human Resource Management

Systems

HSE : Hyderabad Stock Exchange

ICAI : Institute of Chartered Accountants of

India

ICICI : Industrial Credit and Investment

Corporation of India

ICSI : Institute of Company Secretaries of

India

IDBI : Industrial Development Bank of India

IDR : Indian Depository Receipts

IMSS : Integrated Market Surveillance

System

IOSCO: International Organisation of

Securities Commissions

ABBREVIATIONS

IPF : Investor Protection Fund

IPO : Initial Public Offering

ISE : Inter-connected Stock Exchange
ISIN : International Securities Identification

Number

ISP : Internet Service Provider

JPC : Joint Parliamentary Committee

KIM : Key Information MemorandumLAF : Liquidity Adjustment Facility

LSE : Ludhiana Stock Exchange

MAPIN : Central Database for Market

Participants and Investors

MBs : Merchant Bankers

MCA : Ministry of Company Affairs

MFs : Mutual Funds

MNCs : Multinational Corporations

MoU : Memorandum of Understanding

MPSE : Madhya Pradesh Stock Exchange

MSS : Market Stabilisation Scheme

NAV : Net Asset Value

NBFC : Non Banking Financial Company

NDP : Net Domestic Product

NII : Non-Institutional Investor

NISM: National Institute of Securities

Markets

NNP : Net National Product

NSDL : National Securities Depository

Limitad

NSE : National Stock Exchange of India

Limited

NTPC : National Thermal Power Corporation

OIAE : Office of Investor Assistance and

Education

OTCEI : Over the Counter Exchange of India

P/B ratio: Price to Book Value ratio

PCR : Put Call Ratio

P/E ratio: Price Earnings ratio

PIL : Public Interest Litigation

PNB : Punjab National Bank
PSU : Public Sector Undertaking

QIB : Qualified Institutional Buyer

RAIN : Registrars Association of India

RBI : Reserve Bank of India
RHP : Red Herring Prospectus

RII : Retail Individual Investor

RSEs : Regional Stock Exchanges
SAT : Securities Appellate Tribunal

SCN : Show Cause Notice

SC(R)A: Securities Contracts (Regulation) Act

SC(R)R : Securities Contracts (Regulation)

Rules

SEBI : Securities and Exchange Board of

India

SEFT : Special Electronic Fund Transfer

SGL : Subsidiary General Ledger

SKSE : Saurashtra Kutch Stock Exchange

SMAC : Secondary Market Advisory

Committee

SMAC : Securities Market Awareness

Campaign

SMARTS: Securities Markets Automated,

Research, Training and Surveillance

SMEs : Small and Medium Enterprises

SMILE : Securities Markets Infrastructure

Leveraging Expert Task Force

SRO : Self Regulatory Organisation

SSIT : Special Surveillance Inspection Team

STP: Straight Through Processing

STT : Securities Transaction Tax

TCS: Tata Consultancy Services

TVA : Tennessee Valley Authority

UCC : Unique Client Code

UIN : Unique Identification Number

UPSE : Uttar Pradesh Stock Exchange

USA : United States of America

UTI: Unit Trust of India

VaR : Value at Risk

VCF : Venture Capital Fund

VSE : Vadodara Stock Exchange

WDM: Wholesale Debt Market

WPI : Wholesale Price Index

Date	Policy Announcements
2004	
April 1	Straight Through Processing (STP) was made mandatory for all institutional trades and became effective from July 1, 2004.
April 2	The FIIs/sub-accounts were asked to inform the Unique Client Code (UCC) to the member broker while trading in the Indian securities market.
April 8	SEBI (DIP) Guidelines, 2000 were amended to include provisions relating to issue advertisements on television, facility of shelf prospectus by specific entities such as public sector banks, scheduled banks and public financial institutions.
April 23	A high level Securities Markets Infrastructure Leveraging Expert Task Force (SMILE Task Force) was constituted to carry out a comprehensive health check on the securities market infrastructure encompassing all the market segments and market participants.
April 28	A Memorandum of Understanding (MoU) was signed with US Commodities and Futures Trading Commission (CFTC) to strengthen communication channels and to establish a framework for assistance and mutual co-operation.
April 30	Guidelines were issued to comply with certain conditions by all listed companies which decide to change their names.
May 7	The guidelines in respect of the disclosures to be made in the Letter of Offer for buy back of securities were revised and a standard format prescribed.
May 28	 Amendments to the SEBI (DIP) Guidelines, 2000 announced with respect to splitting of shares before IPO, terms of the issue, post issue obligations, public issues of bonds by designated financial institutions under a shelf prospectus, definition of employees, reservation for shareholders and availability of Green Shoe Option (GSO) facility.
June 10	Transaction work flow for STP implementation was prescribed and ISO 15022 messaging standards formulated.
June 30	Recognition to STP Centralised Hub and 4 STP Service Providers were granted to carry out STP activity.
July 15	SEBI (Interest Liability Regularisation) Scheme 2004 was launched to provide a one time opportunity to all the stock brokers to clear their dues.
July 16	The position limits and the broad eligibility criteria of stocks and indices on which futures and options could be introduced were modified.
	• It was notified that all specified intermediaries and their related persons should quote the Unique Identification Number (UIN) obtained under the Central Database of Market Participants (MAPIN) Regulations in lieu of the Unique Client Code for all secondary market transactions with effect from August 2, 2004.
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Date	Policy Announcements
July 22	SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 were amended.
July 28	The format of the Key Information Memorandum (KIM) being submitted by mutual funds was standardised.
August 16	 The depository participants (DPs) were permitted to provide statements of account and other documents to the beneficiary owners (BOs) under digital signature, as governed under the Information Technology Act, 2000, subject to the DP entering into a legally enforceable arrangement with the BO for the said purpose.
August 23	 Instructions were issued to stock exchanges to levy, collect and remit the Securities Transaction Tax (STT) on all transactions from the date of notification by the Government of India.
August 24	 The members of stock exchanges were instructed to transfer the funds and securities from their respective pool account to the respective beneficiary accounts of their clients within one working day after the pay-out day.
	 The list of documents to be accepted as proof of identity and proof of address for opening a Beneficiary Owner account was expanded.
August 30	The 'National Institute of Securities Markets' was registered as a 'Society'.
September 23	 The draft rules relating to STT were communicated in order to facilitate the stock exchanges, their members and mutual funds to put in place the necessary systems and procedures for the proper implementation of STT.
October 1	STT became effective as per Government notification.
October 26	• It was clarified that the MFs and the FIIs shall henceforth enter the unique client codes (UCCs)pertaining to the parent MF and parent FII at the order entry level and enter the UCCs for their individual schemes of the MFs and sub-accounts of the FIIs in the post closing session.
October 27	 The stock exchanges and depositories were instructed to inform the issuer companies to comply with SEBI circular pertaining to mandatory admission of debt instruments on both the depositories.
	 All resident investors not being body corporates, who enter into any securities market transactions (primary or secondary market) of a value of one lakh rupees or more, as 'specified investors', were required to obtain a UIN before March 31, 2005. Foreign institutional investors / sub-account and foreign venture capital investors as 'specified investors' were also required to obtain a UIN before March 31, 2005.
October 28	• The Investors Protection Fund (IPF)/ Customer Protection Fund (CPF) Guidelines were reviewed and comprehensive guidelines prescribed with respect to constitution and management of the IPF/CPF, contribution to IPF/CPF, manner of filing/inviting claims from investors, eligible claims, determination of legitimate claims and disbursements of claims from the IPF/CPF.
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Date	Policy Announcements
October 29	All stock exchanges were directed to amend the listing agreement by replacing the existing Clause 49 of the listing agreement with the revised one.
November 1	 A model listing agreement for debentures was issued to the stock exchanges. This agreement is to be used by companies or entities desiring to list their debentures issued to public or privately placed.
November 2	The cumulative investment limit by FIIs/sub-accounts in dated Government securities and Treasury bills increased to US \$ 1.75 billion.
November 18	 The sub-brokers, notified as 'Specified Intermediaries', who along with their related persons, were required to obtain Unique Identification Numbers (UIN) on or before December 31, 2004.
November 25	 The time limit for implementation of the model tripartite agreement between broker, sub-broker and clients was extended to January 1, 2005 from the required date of December 1, 2004 on account of requirement of significant software changes, system constraints and other administrative reasons.
November 29	 It was clarified that the cap of US \$1.75 billion will be applicable to FIIs investment in dated Government securities and Treasury bills only, both under 100 per cent debt route and general 70:30 route.
December 2	 It was clarified that a cumulative sub-ceiling of US \$500 million outstanding was fixed on FII investments in corporate debt and this would be over and above the ceiling of US \$1.75 billion for Government debt.
December 8	 The Clause 16 of the Equity Listing Agreement was amended so that the company on whose stocks, derivatives are available or whose stocks form part of an index on which derivatives are available, shall give a notice period of 30 days to stock exchanges for corporate actions like mergers, de-mergers, splits and bonus shares.
December 15	Changes were made in status and constitution of the sub-brokers, surrender of certificate of registration of sub-brokers and affiliation of sub-brokers.
December 29	The time limit for the implementation of the tripartite agreement between broker, sub-broker and clients was further extended up to April 1, 2005 due to system constraints and other administrative reasons.
2005	
January 4	• It was clarified that wherever the President of India / Central Government / State Government is a promoter, it is exempted from the requirement of obtaining a UIN under regulation 6(2) of SEBI (Central Database of Market Participants) Regulations, 2003.
	 It was clarified that if the application for renewal is not received at SEBI by the expiry date of the certificate of registration from the intermediary, the intermediary ceases to be an intermediary on the date of such expiry and could not carry out the activities of the intermediary from the date of expiry of registration.
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Date	Policy Announcements
Date	1 oney Announcements
January 7	 The first phase of BSE Indonext trading platform was operationalised on January 7, 2005 for the small and medium enterprises.
January 25	 The SEBI (DIP) Guidelines, 2000 with respect to order of presentation of disclosures in prospectus, requirements pertaining to abridged prospectus and requirements pertaining to issue advertisements were amended.
January 28	The charge structure for dematerialisation was rationalised.
February 9	 It was clarified that members of stock exchanges who were on the Governing Boards of the stock exchanges at the time of supersession need to be excluded from the reconstituted Governing Boards of the stock exchanges for a period of two years, as they had earlier failed to take effective action during their tenure on the Governing Board.
February 23	The comprehensive risk management framework for the cash segment was specified.
February 24	 Notified date for obtaining UIN was extended from March 31, 2005 to December 31, 2005 for specified investors, viz., all resident investors not being bodies corporate who enter into any securities market transaction (including any transaction in units of mutual funds or collective investment schemes) of a value of one lakh rupees or more.
March 4	 Modifications to the Margin Trading Facility and Securities Lending and Borrowing Scheme were specified.
March 7	A committee was constituted to re-examine the coverage of MAPIN, suggest future implementation schedule and review the cost of obtaining UIN.
March 11	• It was clarified that the sub-ceilings of FII investments in Government securities and corporate debt would be separate and would not be fungible.
March 17	The authority to align contract size of derivative contracts was delegated to stock exchanges, whenever necessary, in consultation with each other.
March 29	 The deadline for ensuring conformity by companies with the revised Clause 49 of the listing agreement was extended up to December 31, 2005 from April 1, 2005.
	 The SEBI (DIP) Guidelines, 2000 were amended for enhancing the allocation category for retail investors, redefining the retail investors in value terms, reducing the bidding period, timing of disclosure of price band/floor price in case of listed companies and data reporting at the website of stock exchange.
March 31	• The tripartite agreement between broker, sub-broker and clients which was to come into effect from December 1, 2004, was extended up to January 1, 2005. It was further clarified that the model tripartite agreement shall be implemented strictly from April 1, 2005 and will not be applicable for the present subsidiaries of recognised stock exchanges who are registered as stock brokers and their registered sub-brokers, for whom special provisions are being made in the SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992.