

## PART FIVE: ORGANISATIONAL MATTERS

### 1. SEBI BOARD

Shri M Damodaran assumed the Office of Chairman of SEBI with effect from the afternoon of February 18, 2005. Shri G N Bajpai relinquished the charge of Office of Chairman of SEBI from the close of business on February 18, 2005.

Shri Madhukar was appointed as a Whole Time Member of SEBI under clause (d) of sub-section (1) of Section 4 of the SEBI Act, 1992 by Government of India *vide* notification dated December 14, 2004. He assumed charge as Whole Time Member with effect from the same date.

Shri G Anantharaman was appointed as a Whole Time Member of SEBI under clause (d) of sub-section (1) of Section 4 of the SEBI Act, 1992 by Government of India *vide* notification dated December 14, 2004. Shri Anantharaman assumed charge as Whole Time Member with effect from December 15, 2004.

Shri T M Nagarajan, Whole Time Member, SEBI Board relinquished the charge of Office of the Whole Time Member, SEBI on expiry of his term of appointment on September 13, 2004.

Shri A K Batra, Whole Time Member, SEBI Board has relinquished the charge of Office of the Whole Time Member, SEBI on December 20, 2004 consequent to the acceptance of his resignation by the Government of India.

Smt. Komal Anand, Secretary, Ministry of Company Affairs was nominated as one of the Members on the Board in terms of Government of India Notification No.5/11/CM/2000 dated October 27, 2004 in pursuance of Section 3 read with Section 4 of SEBI Act, 1992 (15 of 1992) in place of Shri M M K Sardana.

During 2004-05, SEBI Board met on nine occasions (Table 5.1).

**Table 5.1: Board Meetings during 2004-05**

	Number of Meetings Held	Number of Meetings Attended
1	2	3
<b>(i) Chairman</b>		
Shri M Damodaran	1	1
<b>(ii) Whole Time Members</b>		
Shri Madhukar	3	3
Shri G Anantharaman	3	3
<b>(iii) Members</b>		
Dr. Ashok K Lahiri	9	8
Shri Dharendra Swarup	9	7
Smt. K J Udeshi	9	6
Smt. Komal Anand	3	3

- Note:**
1. Shri G N Bajpai attended 8 meetings held during the year, prior to his demitting the office of the Chairman.
  2. Shri T M Nagarajan attended 5 meetings held during the year, prior to his demitting the office of the Whole Time Member.
  3. Shri A K Batra attended 5 meetings out of 6 meetings held during the year, prior to his demitting the office of the Whole Time Member.
  4. Shri M M K Sardana attended 5 meetings held during the year, prior to his demitting the office of the Member.

### 2. HUMAN RESOURCES

Human resources development continued to play an important role with prime focus on implementation of policies on promotions, placements and transfers. The Board undertook recruitment exercise in an effort to augment its staff strength in various streams such as legal, research, technical and information technology. Introduction of Human Resource Management Systems (HRMS) with a view to moving towards paper less office and the scheme of deputation of SEBI officers to overseas regulatory bodies were some of the major highlights of 2004-05.

#### I. Staff Strength, Recruitment and Deputation

As on March 31, 2005, SEBI had a total of 467 employees in various grades – 313 officers, 154 secretaries and other staff. With

a view to encouraging deputation of its officers to overseas regulatory bodies and multilateral organisations, SEBI introduced a scheme for deputation/secondment/tour on duty/re-employment of SEBI officers to overseas regulatory bodies and multilateral organisations. Accordingly, 2 officers were sent on deputation to Capital Markets Authority, Sultanate of Oman and 2 officers were sent on deputation to Bahrain Monetary Authority under the scheme. During 2004-05, 2 officers joined SEBI on deputation as Officers on Special Duty. During 2004-05, SEBI recruited 26 Trainee Officers, 1 Secretary and 3 Accounts Assistants.

## II. Training and Skill Enhancement

Several training initiatives were undertaken during the year to enhance the skills and efficiencies of staff members. Staff members were deputed for training programmes/seminars both within India and abroad. During 2004-05, 209 staff members were exposed to 63 programmes, including induction and technical programmes, which together accounted for 1820 mandays of training.

## III. Promotions

During 2004-05, the following promotions took place against the existing vacancies (Table 5.2)

**Table 5.2: Promotions during 2004-05**

Number of persons promoted	From	To
1	2	3
4	Secretary	Manager/LO (Grade B)
3	Deputy General Manager	General Manager
21	Assistant General Manager / Assistant Legal Adviser / Assistant Director	Deputy General Manager / Deputy Legal Adviser / Deputy Director
29	Manager	Assistant General Manager
74	Trainee Officer	Manager

## 3. PROMOTION OF OFFICIAL LANGUAGE

Promotion of official language was a key area of attention of the Board. Under the direction of the Board, SEBI has been consistently making efforts for the protection, education and awareness of the investors and facilitating the availability of published information on capital market in the simplest way to the retail investors in Hindi as well as in the regional languages.

As a step forward in the direction of implementation of the Official Language Policy, the year 2002-03 and 2003-04 were fully dedicated as Official Language Awareness Year and Official Language Implementation Year, respectively. The year 2004-05 was earmarked as Official Language Compliance Year. During the year, the employees of the Board were not only made aware of the various aspects related to official language compliance, but also provided with various types of facilities like training, infrastructure and software which facilitated the discharge of day-to-day work in Hindi. In the series of important publications brought out by the Board in the official language, a new book titled "Vidhi Karya Margdarshika" was launched in CD-ROM. It would play an important role in discharge of regulatory work in Hindi. The Board has come out with a house magazine "Viniyamika" in Hindi. The first issue of the magazine has been well

received and appreciated by the readers. In order to create employee friendly technology environment, work is in progress to make available bilingual software and related programmes.

The Board has been consistently making valuable contributions to the updation of capital market terminology. Overall, the Board is determined to continue its efforts in achievement of the mission “Rajbhasha Hindi to be the most respected and commanding vehicle for achievement of objectives of the Board”.

#### **4. INFORMATION TECHNOLOGY**

SEBI aims to be a frontrunner in the field of Information Technology (IT). Thus, the initiatives taken during 2004-05 target at increasing the efficiency / efficacy of regulation by effective use of information technology. Some of the initiatives implemented during the year are listed below:

##### **I. Knowledge Management**

A collaboration suite was implemented to enable the organisation to build up a knowledge base over a period of time which can be utilised effectively for taking informed decisions. The collaboration system enables the teams working at different locations to collaborate and work effectively on a single project.

##### **II. Electronic Workflow**

As a part of less paper office initiative, the electronic workflow is being implemented, which enables the employees to move and keep track of all files in an electronic form which can be accessible from anywhere.

##### **III. Enterprise Resource Planning Implementation**

To enhance the role of technology as an enabler of business, Human Resource Management Systems (HRMS) and financial

modules were implemented which provide the employees the facility of self service. Also Electronic Attendance Recording System was put in place.

##### **IV. Custom Applications for e-Registration and Monitoring**

To further enhance the role of technology as the main driver of business, SEBI is in the process of putting in place, electronic systems for online registration and monitoring of intermediaries, issues and investor complaints, so as to seamlessly integrate the functions of various departments.

##### **V. SEBI Website**

Various changes have been carried out in the SEBI website, in response to suggestions received for upgradation.

##### **VI. SEBI Sub-Certificating Authority**

SEBI has become Sub-Certificating Authority under the route Certificate Authority of Tata Consultancy Services (TCS). This will enable SEBI to issue digital signatures to intermediaries for enabling electronic transactions.

##### **VII. Disaster Recovery Management and Business Continuity Plan**

SEBI has adopted a strategy for the Disaster Recovery Management and Business Continuity Plans (DRM / BCP) for critical applications at its Southern Regional Office at Chennai. The approach towards business continuity is to ensure that in case of any contingency, operations are resumed within a minimal time gap. Considerable emphasis is being placed on regular review, updating and testing of disaster recovery and business continuity plans.

#### **5. PHYSICAL INFRASTRUCTURE**

The construction of SEBI Bhavan at Bandra-Kurla Complex, Mumbai is presently

in full swing. The structural work till ground floor level has been completed. SEBI acquired 2 flats for its senior executives on ownership basis and 32 single room flats on lease basis for accommodating Trainee Officers.

## 6. INTERNATIONAL CO-OPERATION

The Securities and Exchange Board of India (SEBI) is committed to co-operation with international regulators to promote high standards of regulation in order to maintain just, efficient and sound markets and to provide mutual assistance to promote global securities markets. SEBI signed a Memorandum of Understanding (MoU) with the Commodity Futures Trading Commission (CFTC), United States of America on April 28, 2004 to strengthen communication channels and establish a framework for assistance and mutual co-operation between the two organisations.

### I. International Meetings

SEBI continued to promote IOSCO's initiatives to conduct training programmes and workshops for the development of capital markets.

SEBI organised a meeting of the "Implementation Committee on the IOSCO Objectives and Principles of Securities Regulations" in April 2004. The meeting was attended by 24 representatives from 18 jurisdictions for finalising the web-based methodology for assessment of IOSCO Objectives and Principles of Securities Regulations.

SEBI also organised a specialised training-cum-seminar on "Assessment Methodology of Implementation of IOSCO Objectives and Principles of Securities Regulations" in April 2004. The training-cum-seminar was attended by 42 representatives of 27 jurisdictions. The programme discussed the following issues:

- Introduction to IOSCO principles and the

methodology for assessing their implementation;

- Purpose of developing the assessment methodology;
- The assessment process;
- How to use the methodology; and
- Each of 30 IOSCO principles and practical application of the methodology to the principles.

SEBI also hosted the meeting of the Task Force on Corporate Governance in Mumbai on August 10, 2004. The meeting was attended by 9 delegates from 6 countries. A presentation was made which highlighted Governance and Value Creation Ratings developed by a credit rating agency to assess a company on various parameters. Thereafter, a background paper was discussed in the meeting.

During the year 2004-05, SEBI attended the following IOSCO Meetings:

- IOSCO Annual Conference in Jordan;
- Asia Pacific Regional Committee Meeting in Singapore;
- Emerging Market Advisory Board Meeting in Cape Town;
- Meeting of the Task Force on Corporate Governance in Cairo;
- Meeting of Standing Committee – 2 of IOSCO Technical Committee in Tokyo; and
- Colloquium on Demutualisation in Indonesia.

### II. IOSCO Annual Meeting in Jordan

The Jordan Securities Commission hosted the 2004 Annual Conference of IOSCO in Amman, Jordan which was attended by more than 500 participants from all regions of the world.

A number of important initiatives and accomplishments were announced during the conference, a few of them being:

- a) IOSCO's Presidents Committee, represented by all IOSCO members, endorsed and adopted *Principles on Client Identification and Beneficial Ownership for the Securities Industry*. The adoption represents the commitment of the global community of securities regulators to robust standards of client identification for the securities market.
- b) IOSCO announced a new feature available to its members on its internet website – an electronic, interactive version of the already endorsed *IOSCO Methodology for Assessing Implementation of the IOSCO Objectives and Principles of Securities Regulation (Assessment Methodology)*. The electronic version was intended to facilitate IOSCO members' self-assessments and third-party assessments of securities market regulatory regimes.
- c) IOSCO in collaboration with the Basel Committee on Banking Supervision and the International Association of Insurance Supervisors examined the progress made by the financial firms in adopting the recommendations contained in the report on *Financial Disclosure in the Banking, Insurance and Securities Sectors: Issues and Analysis*.
- d) The Executive Committee of IOSCO established an *Islamic Capital Market Task Force* to undertake a fact-gathering exercise to assess the extent of the development and potential regulatory issues. The study was an information document that details the landscape of the Islamic financial services industry in general and broadly highlights key issues concerning the Islamic capital market.
- e) IOSCO also gave updates on *Regulation of Secondary Market Regulation of Market Intermediaries, Enforcement and Exchange of Information, Collective Investment Schemes and Asset Management*.
- f) The SRO Consultative Committee of IOSCO issued a report on *The Function of Compliance Officer – Study on What the Regulations of the Members' Jurisdictions Provide for the Function of Compliance Officer*, which states that compliance officers are responsible for the oversight of a firm's compliance with applicable rules and regulations.
- g) The Emerging Markets Committee of IOSCO conducted a survey on accounting review and enforcement mechanisms in emerging markets, the results of which were reviewed by the Committee in Amman.
- h) The Emerging Markets Committee of IOSCO had also undertaken a survey on enforcement aspects of takeover regulations in emerging market jurisdictions. The Committee reviewed a preliminary draft report on the survey results.
- i) The Annual Conference also discussed the key current regulatory issues like *New Challenges in the Regulation of CIS, International Convergence and Public Oversight of Accounting and Auditing Standards, Recent Evolution in Securities Market Price Formation Mechanism and Mergers, Demutualisation and Governance of Securities Exchanges*.

### III. Recommendation for Central Counterparties

The central counter party (CCP) reduces the risk faced by its participants and brings in financial stability. It concentrates on risks



and responsibilities for risk management and must have a well designed and well standardised risk control and also adequate financial resources.

A Task Force, jointly established by the Technical Committee of the IOSCO and the Committee on Payment and Settlement Systems (CPSS) published a report in November 2004, which sets out comprehensive standards for risk management of a CCP.

It covers recommendations for legal risk, participation requirements, measurement and management of credit exposures, margin requirements, financial resources, defaults procedures, custody and investment risks, operational risks, money settlements, physical deliveries, risks in links between CCPs, efficiency, governance, transparency, regulation and oversight.

Many financial institutions are willing to act as a central counter party with their strong financial resources and the availability of skilled human resources. The above recommendations will help them to assess their stand in comparison to the standards recommended.

#### IV. International Initiatives

SEBI continued to espouse the cause of efficacious development of transparent, efficient and investor friendly securities markets at various international fora. In this regard, Asia Pacific Regional Committee (APRC) in its meeting held in Singapore requested SEBI to lead a Committee of Chairs to promote the smooth adoption and implementation of IOSCO Standards and Objectives. SEBI has requested other jurisdictions to be part of the Committee which would be working on the project.

SEBI has also been associated with the APRC initiative on Capacity Building. The aim of this initiative is to identify the needs and the expertise of APRC members to enable the pooling of resources to develop capacity in relation to the regulatory functions of APRC Members. The following are the members of Committee of Chairs on Capacity Building:

- Securities Commission, Malaysia (Chair),
- Securities and Exchange Board of India,
- Australian Securities and Investments Commission, and
- The Monetary Authority of Singapore.

As part of the capacity building initiative, number of jurisdictions has enquired about the possibility of SEBI providing necessary assistance & training for developing their regulatory framework. Bahrain Monetary Authority, Securities and Exchange Commission of Vietnam, Securities and Exchange Commission, Sri Lanka and Securities Exchange Board of Nepal have requested SEBI to depute officers to provide technical assistance in developing regulatory framework. SEBI has already deputed two officers each to Bahrain Monetary Authority and Capital Markets Authority of Oman.

#### 7. PARLIAMENTARY COMMITTEE

The Parliamentary Committee on Subordinate Legislation, Rajya Sabha under the Chairmanship of Shri A. Vijayaraghavan held a meeting with the Whole Time Members and other senior officials of the Board at Mumbai on February 7, 2005. The suggestions made by the Hon'ble Committee for certain amendments to SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002 have since been accepted and implemented by SEBI.

# **SECURITIES AND EXCHANGE BOARD OF INDIA**

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