

K) OTHER FUNCTIONS

Rollover to year 2000

The SEBI had initiated steps in 1998 to co-ordinate and synchronize the efforts made by the various agencies operating in the capital market to combat the Y2K problem in order to ensure a smooth and unhampered transition into the next millennium. A time bound schedule for implementation of a comprehensive plan to combat the Y2K problem was drawn up by the SEBI and circulated to all the intermediaries functioning in the capital market either directly or through SROs. A detailed list of complaint and non-compliant market intermediaries was also posted on SEBI's website.

The SEBI coordinated the Y2K efforts with Government, other domestic and international regulatory agencies. In order to mitigate global concerns over capital market's preparedness on the Year 2000 problem, the SEBI was also in touch with the Joint Year 2000 Council and the IOSCO. The measures taken by the SEBI in this regard were appreciated by the IOSCO. Shri D.R. Mehta, Chairman, SEBI, was designated as the representative of IOSCO to the Joint Year 2000 Council.

In order to mitigate the Y2K crisis, SEBI took the following pre-emptive measures:

- All the stock exchanges were asked to prepare a detailed contingency plans for themselves and the member brokers and forward it to SEBI .
- It was also decided that December 30, 1999 should be the last trading day of the last trading cycle in the calendar year 1999 for all stock exchanges. This implied that all outstanding positions at the close of business on December 30, 1999, on all Stock Exchanges which did not have carry forward trading facilities, would result in delivery. In the Exchanges having carry forward facilities; outstanding positions, as determined at the end of business on December 30, 1999, were allowed to be carried forward to the next settlement i.e. the first settlement in January 2000;
- All the exchanges were directed to conduct mock trading sessions on January 1 and January 2, 2000 to test all the systems including connectivity with depositories and submit a report to the SEBI.
- The exchanges were also asked to submit daily reports to the SEBI on actual trading indicating software problems if any, at the end of each day for the first trading cycle commencing in the year 2000.
- It was made mandatory for all intermediaries registered with the SEBI to keep hard copies of all the current records pertaining to their own and their client's operations as on December 30, 1999.
- It was made mandatory for all the listed companies to disclose their Y2K preparedness status in their quarterly reports.
- In order to ensure a smooth rollover to the year 2000, the SEBI instructed all the stock exchanges to conduct a mock trading session and test connectivity with clearing houses and depositories. Similarly other market players viz. mutual funds, registrars, custodians etc. were also asked to test their systems and confirm smooth transition to the year 2000.
- In the light of these instructions, the market players had reported a smooth and disruption free roll over to the year 2000. Brief details of the status of roll over to year 2000 in respect of various capital market players are given below;

A. *Stock exchanges*

All the stock exchanges reported that Mock Trading and Settlement Session on January 1, 2000 covering trading system, settlement system, etc., was completed successfully.

The following stock exchanges viz. Saurashtra Kutch Stock Exchange, Coimbatore Stock Exchange which are Y2K compliant did not conduct mock trading as there were no trading activities in these exchanges. Gauhati Stock Exchange did not conduct mock trading as the systems at the exchange had been reported as damaged due to fire.

B. *Depositories*

Tests were undertaken by the two depositories- National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL)- to test for any potential Y2K related problems in the over all depository set-up. The roll over from year 1999 to year 2000 passed off smoothly for the depository system in India.

C. *Custodians*

After testing their internal system, all custodians reported that the Year 2000 roll over had proceeded satisfactorily to allow the normal conduct of business. The external linkages and connectivity with their clients and global custodians was found to be functioning smoothly.

D. *Merchant bankers and registrars*

Merchant Bankers and Share Registrars reported that the year 2000 roll over proceeded successfully without any operational problems.

E. *Mutual funds*

The mutual funds reported to SEBI that the year 2000 roll over proceeded satisfactorily to allow the normal conduct of business. They did not face any difficulty in conducting their core business. They did not come across any external factor affecting the ability to conduct their business.

F. *SEBI*

All the Database Servers, Internet/Mail Servers and the Workstations together with application software packages installed at SEBI made a smooth transition to the millennium year 2000. A review was also conducted on January 1, 2000 and it was found that all the information technology related equipment functioned normally.

Trading at all exchanges was conducted normally on January 3, 2000 and none of the market intermediaries reported any disruption due to the Y2K problem.

Government of India, the Reserve Bank of India, IOSCO, Joint Year 2000 Council were also apprised of these results. Besides, these results were also posted on SEBI's website www.sebi.gov.in.

Co-ordination with overseas regulators

India is an active and a leading member of The International Organisation of Securities Commissions (IOSCO). Shri D.R. Mehta, Chairman SEBI is the Chairman of the Asia Pacific Regional Committee (APRC), a regional committee of IOSCO. SEBI is also member of the Executive Committee of IOSCO-the apex policy making body of IOSCO. Shri D.R. Mehta was also IOSCO's nominee on the Joint Year 2000 Council .

India also hosted the IOSCO Emerging Markets Committee meeting in New Delhi in November 1999. The EMC's membership is composed of 67 securities regulatory agencies and of the International Finance Corporation. It endeavors to promote the development and improvement of efficiency of emerging securities and futures markets by establishing principles and minimum standards, preparing training programs for the personnel of members and facilitating exchange of information and transfer of technology and expertise. The meeting was inaugurated by Finance Minister Shri.Yashwant Sinha.

The EMC reviewed the ongoing works undertaken by its five functional areas :

disclosure and accounting, regulation of secondary markets, regulation of market intermediaries, enforcement and exchange of information, and investment management.

A decision was taken to initiate new work on the following regulatory issues :

- Corporate governance;
- Framework for the development of domestic secondary markets in emerging markets debt securities;
- Internet trading;
- Demutualization of Stock Exchanges;
- Regulatory implications of cross-border activities of market intermediaries;
- Rules of conduct for market intermediaries with their clients;
- Investor education

During this meeting, the EMC approved and authorised the public release of the Report entitled '*Causes, Effects and Regulatory Implications of Financial and Economic Turbulence in Emerging Markets*'. The purpose of this report is to provide an update of current views on the likely causes and effects of the period of financial and economic turbulence during 1997-99.

India continued its efforts to foster the spirit of co-operation amongst the international bodies and regulatory bodies in the Asia Pacific region. Some of the issues which were raised by India during the APRC meeting were:

- Effective implementation of IOSCO principles and objectives of Securities Regulation.
- Enhancement of corporate governance for ensuring transparency.
- Effective co-ordination and information sharing amongst the regulators in the region.

- The role of regulatory agencies in the new millennium
- The impact of technology on the market structure
- The role of credit rating agencies in the international markets

Grievances redressal – mutual funds

SEBI follows up the complaints of investors with mutual funds on a constant basis. Out of a total of 35,008 complaints which were received by the SEBI against 20 mutual funds till March 31, 2000, 33,371 complaints were redressed. The rate of redressal of investors' grievances by mutual funds as a whole is 95.32 per cent . UTI, which accounted for 67.15 per cent of the total complaints, showed a redressal rate of 97.05 per cent .

Investors' grievances redressal – securities market

The SEBI has established a comprehensive investor grievances redressal mechanism. The Investor Grievances Redressal and Guidance Division of SEBI assists investors who prefer to make complaints to SEBI against companies. A standardized complaint format is available at all SEBI offices and on the SEBI Website for the convenience of investors. Each complaint received by the SEBI from the investors is acknowledged and a reference number is sent to the complainant. Each complaint is taken up with the company and if the complaint is not resolved within a reasonable time, a periodical follow up is also made with the company. The SEBI officers also hold meetings with the company officials to impress upon them their obligation to redress the grievances of investors. Errant companies are warned of stern action for their failure to redress grievances. Recalcitrant companies are referred for prosecution. The SEBI also issues fortnightly press release for public information on the status of redressal of investor grievances highlighting the companies against whom more than 1000 complaints are outstanding.

During the period 1991-92 to 1999-2000, the SEBI received 25,32,969 grievances from investors against companies and the same were taken up by the SEBI with the concerned companies for redressal. Of this a total of 24,16,218 grievances were redressed by the companies, which indicates a redressal rate of 95.39 per cent . Further, during the year 1999-2000, SEBI received 98,605 grievances from the investors as against 99,132 grievances received during the year 1998-99. During the year 1999-2000, 1,46,553 complaints were redressed by the companies as against 1,27,227 grievances redressed during the year 1998-99. These redressed grievances include grievances pending from the previous period. The cumulative status of investor grievances received by the SEBI, resolved by companies and the redressal rate in this regard from the year 1991-92 to 1999-2000 is furnished in the Table 3.13.

Table 3.13: Investors Grievances – Cumulative

Financial Year (End March)	Received	Resolved	Redressal Rate (Per cent)
1991-92	18, 794	4, 061	21.61
1992-93	1, 29, 111	27, 007	20.92
1993-94	7, 13, 773	3, 66, 524	51.35
1994-95	12, 29, 853	7, 18, 366	58.41
1995-96	16, 06, 331	10, 34, 018	64.37
1996-97	18, 23, 725	14, 65, 883	80.38
1997-98	23, 35, 232	21, 42, 438	91.74
1998-99	24, 34, 364	22, 69, 665	93.24
1999-2000	25, 32, 969	24, 16, 218	95.39

The data furnished above, reveal that there has been a sustained increase in the number of investor grievances resolved through SEBI's intervention, over the period of time.

In order to ascertain correct status of redressal of grievances, the SEBI has been conducting an exercise of sending reply paid post cards to investors requesting them to reply as to whether their complaint has been resolved by the companies or not. During the year 1999-2000, the SEBI sent 78,239 reply paid post cards to investors whose grievances were pending with SEBI head office as on March 31, 1999. A total of 49,513 postcards were received back of which 33451 replied that the complaints were resolved and 45044 replied that the complaints were not resolved.

Activities of vigilance division

The ever increasing role of SEBI as regulator and supervisor in the Securities Markets has necessitated a proactive role to be played by Vigilance division. The Vigilance division is required to put a system with proper checks and balances for ensuring a transparent decision making mechanism and also for ensuring that all the decisions are fair, transparent and in consonance with the rules and regulations laid down from time to time.

The vigilance set up in SEBI at present is small. It is gearing up to strengthen the preventive vigilance activities. The foremost objective is to set up a proper vigilance system and procedures in place. It acts in close coordination with the Personnel Department to prevent instances of financial irregularities, misconduct and impropriety by putting certain systems into place. The procedures for handling complaints are being standardised. The division is also coordinating for one departmental inquiry which is being conducted against one officer. The vigilance set up in SEBI ensures that all the guidelines, rules, regulations issued by Central Vigilance Commission and other competent authorities are followed and implemented. The division coordinates and cooperates with other governmental agencies for ensuring fair and transparent policies in the capital market.

Defaulting companies

During 1999-2000 also, periodic meetings were held by the SEBI officials with the CEOs / Compliance Officers of the companies which did not register satisfactory investor grievance redressal position. During such meetings, the SEBI impressed on the companies the need to redress the investor grievances with greater urgency. The impact of these meetings on the redressal rate of grievances has been found to be very good and therefore SEBI has been undertaking this exercise on an on-going basis.

Investors' associations

With a view to create a greater degree of awareness among the investors leading to a more healthy, transparent and efficient securities market in India, the SEBI has been registering Investors' Associations. During 1999-2000, under the revised criteria for registration which was finalized by the SEBI in consultation with the representatives of Investors' Associations, SEBI has renewed the registration of 6 Investors' Associations for a period of 3 years and has granted provisional Registration to 1 Investors' Association for a period of 1 year. Accordingly, as on March 31, 2000, the following Investors' Associations were registered with SEBI:

- a. All Body Corporate Shareholders' Forum, Secunderabad.
- b. Consumer Education and Research Society, Ahmedabad.
- c. Jagrut Grahak Mandal, Patan (Gujarat)
- d. Kovai Investors' Association, Coimbatore
- e. Tamil Nadu Investors' Association, Chennai
- f. The Gujarat Investors' and Shareholders' Association, Ahmedabad
- g. Investors' Grievances Forum, Mumbai (Provisional registration for 1 year)

The recognized Investor' Associations are eligible to draw a sum upto Rs. 1 Lac each per year from SEBI to meet their expenses on conducting seminars related to securities market, publication and circulation of investor education material, one time capital expenditure towards setting up computer terminals and installation of database on companies and internet services.

Appointment of auditor

The Board approved amendments to provide for appointment of professional auditors for inspection or investigation of books of accounts, documents, infrastructure systems of a depository, participant, beneficial owner and issuer or its agent. The expenses including fees paid to the auditors would be recovered from such entities.

Y2K preparedness project

During the year, which saw the change over to the year 2000, the SEBI had taken up the task of ensuring that the intermediaries were Y2K compliant. The SEBI had collected information through questionnaires in a phased manner. The Registrars who were not Y2K complaint before 30/9/99 were advised not to undertake fresh assignments. The SEBI had also obtained confirmation from RTI as to smooth transition to the year 2000.