

PART FIVE: ORGANISATIONAL MATTERS

1. SEBI BOARD

Dr. T. C. Nair 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 the Government of India *vide* notification dated December 28, 2005. Dr. Nair assumed charge as Whole Time Member with effect from February 6, 2006.

Dr. K. P. Krishnan, Joint Secretary, Ministry of Finance was nominated as one of the Members on the Board in terms of Government of India notification dated December 23, 2005 in place of Shri Dharendra Swarup.

Shri V. Leeladhar, Deputy Governor, Reserve Bank of India was nominated as one of the Members on the Board in terms of Government of India notification dated December 26, 2005 in place of Smt. K. J. Udeshi.

Shri Venu Srinivasan, Managing Director, Sundaram Clayton Limited, Chennai was appointed as one of the Members on the Board in terms of Government of India notification dated April 26, 2005.

Shri Madhukar, Whole Time Member, SEBI Board relinquished the charge of Office of the Whole Time Member, SEBI on expiry of his term of appointment on February 9, 2006.

During 2005-06, SEBI Board met on six occasions (Table 5.1).

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 and general streams. A total number of 72 Trainee Officers (22 in legal stream and 50 in general stream) are

Table 5.1: Board Meetings during 2005-06

	Number of Meetings Held	Number of Meetings Attended
1	2	3
(i) Chairman		
Shri M. Damodaran	6	6
(ii) Whole Time Members		
Shri G. Anantharaman	6	6
Dr. T. C. Nair	1	1
(iii) Members		
Dr. Ashok K. Lahiri	6	5
Smt. Komal Anand	6	5
Shri Venu Srinivasan	5	2
Dr. K. P. Krishnan	2	2
Shri V. Leeladhar	2	2

- Notes:**
1. Shri Madhukar attended five meetings held during the year, prior to his demitting the Office of the Whole Time Member.
 2. Smt. K. J. Udeshi attended three meetings out of four meetings held during the year, prior to her demitting the Office of the Member.

expected to join the services of the Board shortly.

I. Staff Strength, Recruitment and Deputation

As on March 31, 2006, SEBI had 441 employees in various grades. There were 288 officers and 153 secretaries and other staff. Under the scheme for deputation/secondment/tour of SEBI officers to overseas regulatory bodies and multilateral organisations, two officers were sent on deputation to Securities and Commodities Authority, United Arab Emirates, one officer was sent on deputation to Insurance Regulatory and Development Authority (IRDA) and one officer was sent on deputation to Forward Markets Commission. During 2005-06, one Whole Time Member joined SEBI, one officer joined SEBI as Executive Director on deputation from Corporation Bank and one officer joined as

Chief General Manager on deputation from the Reserve Bank of India.

II. Training and Skill Enhancement

Several training initiatives were undertaken during the year to enhance the skills and efficiencies of staff members. A number of staff members were deputed for training programmes/seminars both within India and abroad. During 2005-06, 176 staff members attended 100 training programmes.

III. Promotions

During 2005-06, following promotions took place against the existing vacancies (Table 5.2).

IV. Enhancement of Staff Pay, Allowances and Benefits

The Board revised the pay scale of its staff members with effect from November 11, 2002 in consonance with the pay scale of the Reserve Bank of India. The revised pay scale has been implemented and the arrears have been disbursed to the employees. During 2005-06, the Board has enhanced the following benefits:

- a. Enhancement of income limit for dependent parents;
- b. Medical facilities for both spouses working with SEBI;
- c. Revision of reimbursement of vehicle maintenance expenses;

- d. Revision of reimbursement of the cost of briefcase;
- e. Revision of special advance;
- f. Scheme for reimbursement of telephone charges/rental facility of broad band connection;
- g. Revision of loan eligibility;
- h. Reimbursement towards household cleaning expenses; and
- i. Reimbursement of official entertainment expenses.

During 2005-06, SEBI introduced the scheme of compassionate package for family members of SEBI employees dying in harness.

3. PROMOTION OF OFFICIAL LANGUAGE

In consonance with the objectives enshrined in the Preamble to the Securities and Exchange Board of India Act, 1992 and the Rajbhasha Mission - "Rajbhasha Hindi to be the most respected and commanding vehicle for achievement of objectives of the Board", the Board continued its efforts in the direction of promotion of Official Language during the year.

In order to facilitate the education and guidance of the investors, the Board has come out with new series of publications which would facilitate the investors in discharging the day to day capital market activities not only in Hindi but also in regional

Table 5.2: Promotions during 2005-06

From	To	Number of Persons Promoted
1	2	3
Assistant General Manager	Dy. General Manager	1
Trainee Officers	Manager/Legal Officer	21
Secretary Grade A	Secretary Grade B	5

languages. During the year, the Board brought out a new book titled “**Vidhi Karya Sahayika**”. It would be helpful in discharging the day to day legal work in Hindi.

As a step forward in the direction of implementing the Official Language Policy, the years 2002-03, 2003-04 and 2004-05 were dedicated as Official Language Awareness Year, Official Language Implementation Year and Official Language Compliance Year, respectively. In order to implement the Official Language Policy of the Government of India effectively, it is pertinent to provide congenial environment to the staff members of the Board. For the purpose, the year 2005-06 was again earmarked as the Official Language Compliance Year.

Information Technology (IT) Plan of the Board has taken care of various issues related to the requirements of the Official Language Policy. Accordingly, the computer programmes are being devised in a manner which would facilitate the working of the Board in Hindi also.

As a part of various developmental activities, the Board has also been consistently making valuable contribution towards various programmes being organised by other institutions. Thus, the Board is determined to continue its efforts in achievement of the Rajbhasha Mission.

4. INFORMATION TECHNOLOGY

Information Technology (IT) initiative in SEBI is guided by the latest trends in IT industry. Some of the implementations during 2005-06 are detailed below:

I. Centralised Accounting Package

The centralised Oracle financial accounting package was successfully implemented during the year. Head office as well as the regional offices at Delhi, Kolkata, Chennai is now using this centralised

accounting system for recording their transactions and maintaining various books of accounts.

II. Human Resources Management System (HRMS)

The Oracle HRMS has been implemented successfully during 2005-06. Employees' attendance system has been integrated with HRMS and other workflow modules. The HRMS package has been implemented as central repository of employee information. Employee Self-Service Modules have been deployed for absence management and reimbursement of various financial claims.

III. SEBI Website

Various changes have been made in SEBI website from time to time. Status of investors' complaint module is being deployed on the website in a phased manner.

IV. SEBI Bhavan

SEBI is in the process of establishing state-of-art technology at the new office building coming up at Bandra-Kurla Complex. This includes intelligent cabling, IP telephony, layer 3 switching, and net accelerating.

V. Custom Applications for e-Registration and Monitoring

Various modules of the applications like committee meetings, issues/ listing, databases of intermediaries, etc., have been implemented during the year to enhance the efficiency and seamlessly integrate the functions of different departments/divisions.

5. PHYSICAL INFRASTRUCTURE

I. SEBI Office Building at Bandra-Kurla Complex, Mumbai

The construction work of SEBI Head Office building at Bandra-Kurla Complex,

Mumbai is under way. The structure of the building has been completed fully and works relating to various services and finishing items are being completed. The building is nearing completion.

II. Office Premises for Northern Regional Office at New Delhi

SEBI has acquired office premises for its Northern Regional Office at New Delhi from Bank of Baroda at Parliament Street, New Delhi on lease basis. The office is being furnished as per the specific requirements of SEBI and the office is likely to be shifted to the new premises shortly.

III. Disaster Recovery Management and Business Continuity Plan

SEBI has set up necessary infrastructure for Disaster Recovery Management and Business Continuity Plan and the same has been made operational.

6. INTERNATIONAL CO-OPERATION

During the year, SEBI signed a Letter of Intent (LoI) with the Securities and Futures Commission, Hong Kong (SFC) on the enhancement of regulatory co-operation between the two jurisdictions. The LoI was signed by Mr. Andrew Sheng, Chairman, SFC, Hong Kong and Shri M. Damodaran, Chairman, SEBI. Under the LoI, both authorities agreed to strengthen co-operation, particularly on matters relating to cross-border trading and the supervision of investment products.

The LoI aims at achieving a level of regulatory equivalence between the regulatory regimes, firstly, according to IOSCO standards, and secondly, at a level that would be sufficient to enable the two jurisdictions to develop more cross-border trading of mutually agreed financial products.

SEBI has also become one of the signatories to the "South Asian Securities

Regulators Forum". The other members of the forum include Securities and Exchange Commission, Bangladesh; Royal Monetary Authority, Bhutan; Financial Services Commission, Mauritius; Securities Board, Nepal; Securities and Exchange Commission, Pakistan and Maldives Monetary Authority.

The forum aims at promoting co-operation among members towards fostering a common understanding of the regional regulatory issues and sharing the regional experiences so that eventually the concerned members may attempt harmonisation of regulations and policies and financial reporting system to the extent possible in their jurisdictions.

I. International Meetings

- a) SEBI is a member of the Standing Committee 2 of the Technical Committee of IOSCO which deals with the regulation of market intermediaries. A meeting of the Standing Committee was organised at Mumbai during January 12-13, 2006. During the meeting, various issues such as exchange demutualisation and international linkages, multi-jurisdictional information sharing for market oversight etc., were discussed. The meeting was attended by 20 delegates from more than 14 jurisdictions.
- b) SEBI, being the member of IOSCO Working Group 3 on Risk Based Inspection Methodology, organised the 4th meeting of the Working Group at New Delhi. The meeting was attended by nine delegates from six jurisdictions. The group deliberated and prepared the draft report on risk based inspection methodology for the consideration of the members of the Emerging Markets Committee (EMC) at the forthcoming IOSCO Annual Conference in Hong Kong.

- c) During the current year, SEBI Officials attended the following IOSCO meetings:
- 30th Annual Conference of IOSCO at Sri Lanka;
 - Emerging Markets Committee meeting at Sri Lanka;
 - APCR meeting at Sri Lanka;
 - Technical Committee Conference at Frankfurt;
 - Emerging Markets Committee Advisory Board meeting at Frankfurt;
 - Emerging Markets Committee Advisory Board meeting at New Zealand;
 - APCR meeting and Enforcement Directorate meeting at Bangkok;
 - Standing Committee 2 of Technical Committee of IOSCO meetings; and
 - EMC - Working Group 3 meetings.

II. IOSCO Annual Conference at Sri Lanka

The 30th Annual Conference of IOSCO was held at Sri Lanka from April 4 to April 7, 2005. A number of important initiatives and accomplishments were announced at the conference.

- a) The President Committee formally endorsed a range of operational priorities that will further strengthen the effectiveness of the functioning of IOSCO. The IOSCO Multilateral Memorandum of Understanding concerning consultation and co-operation and the exchange of information was established as the international benchmark for cross border co-operation and exchange of information. IOSCO has formally adopted a time table by which all member regulators, who are not the signatories to the MoU will be asked to

meet this benchmark by January 1, 2010. IOSCO will provide resources to the members, including technical assistance, to achieve this objective.

- b) IOSCO re-confirmed its commitment to raise the standards for the cross border co-operation among the regulators. The IOSCO Committee is also working to initiate dialogue with jurisdictions which are unable to or unwilling to co-operate to resolve related issues.
- c) IOSCO has recently released a report on Strengthening Capital Market Against Financial Frauds. An action plan has been adopted to address the issues in order to rectify the most pressing concerns.
- d) IOSCO has united with its Joint Forum Partners to issue guidance on outsourcing in the financial services and also to finalise proposal for dealing with credit risk transfer management practices.
- e) IOSCO has undertaken a pilot program to assist its members in the completion of an assessment of their level of implementation of the IOSCO Principles using the IOSCO Assessment Methodology adopted in 2003. The programme includes development of an action plan in participating jurisdictions in order for them to overcome identified deficiencies.
- f) IOSCO has reiterated its support for the work of the International Accounting Standards Board. IOSCO is also developing procedures to encourage co-operation and consultation among members in the regulatory interpretation and enforcement of International Financial Reporting Standards.
- g) IOSCO is currently undertaking a project to analyse the policies of organised securities and derivatives exchanges as

well as their regulators in order to assess how they deal with transactions that are executed in error, either due to the action of a market participant or through malfunctioning of a trading system.

- h) IOSCO has been examining the regulatory issues relating to demutualisation of the stock exchanges.
- i) IOSCO efforts are focused on ensuring that jurisdictions are able and willing to provide assistance in accordance with the co-operation standards set out in the IOSCO principles as well as the benchmarks of the IOSCO MoU. IOSCO is working on analysing the powers available to regulators or other authorities to freeze assets and repatriate overseas.
- j) In recognition of the growing significance of hedge funds as an investment vehicle option, IOSCO is currently undertaking a research project surveying different jurisdictions in order to assess the various regulatory approaches being taken. Based on the information collected, IOSCO will consider developing guidelines for hedge funds that would include clear disclosure principles.

III. International Initiatives

- a) SEBI is chairing the Task Force on Corporate Governance (TFCG) set up by EMC of IOSCO. The Committee undertook the survey and presented the report at the EMC meeting held in Sri Lanka. The report addressed the following three issues:
 - Identifying tools and strategies to address the issue of "Knowledge Gap";
 - Assessing the impact of current corporate governance codes and

making recommendations for ensuring corporate governance in form as well as substance; and

- Considering public-private interaction to enforce corporate governance compliance.

There is a Technical Committee in IOSCO which constituted a Task Force on Corporate Governance (TC-TFCG). The Chairman of the EMC-Task Force has been made a member of the TC-TFCG. The Chairman established a liaison with TC-TFCG in order to exchange useful information and avoid potential work overlap. The Chairman participated in the April 2005 and October 2005 meeting of TC-TFCG. The EMC Task Force is currently taking into account the work done by TC Task Force in order to complete its mandate.

- b) IOSCO has launched a full scale IOSCO Principles Assessment and Implementation Programme. The implementation of the IOSCO Principles and Assessment Programme has been set as an operational priority by IOSCO. Under this programme, IOSCO will identify those jurisdictions which need financial as well as technical assistance for implementation. IOSCO will also arrange fund as well as technical assistance for the same. SEBI is heading the Chair convened to work with IOSCO Secretariat to identify experts and organise funds for members for implementation of IOSCO Standards and Principles. SEBI would be in a position to co-ordinate the above efforts along with other members of the Chair in the Asia-Pacific region.
- c) During 2005-06, the officers of SEBI participated in the international training and seminars organised by IOSCO as

well as other organisations. These programmes / seminars were related to key functional areas of securities market such as capital market reforms, enforcement of securities laws, challenges before the regulators in the context of globalised financial services, future of regional capital markets, and international co-operation among the securities market regulators.

- d) SEBI shall be hosting the 32nd Annual Conference of IOSCO during April 9-12, 2007 at Mumbai. The event shall be attended by more than 170 jurisdictions across the globe. The event shall provide an opportunity for regulators of various jurisdictions to experience the Indian securities market and would be able to interact with each other for expanding their participation in the world securities market.

7. PARLIAMENTARY COMMITTEE

The Parliamentary Standing Committee on Finance had a meeting with SEBI on October 25, 2005. The Chairman, SEBI and a team consisting of senior executives of SEBI made a presentation to the Parliamentary Committee on the working of capital market and efficacy of the reform process. The Chairman, SEBI highlighted several issues which were being addressed to improve the regulatory environment.

8. RIGHT TO INFORMATION ACT

The Right to Information Act, 2005 was enacted by the Government of India on June 15, 2005 in order to "promote openness, transparency and accountability in administration and in relation to matters connected therewith or incidental thereto." Certain portions of the Right to Information Act came into force on the date of the enactment and the rest with effect from October 12, 2005. Further, Section 5 of the Act made it mandatory on the part of every public authority to designate senior officers as Public Information Officers (PIOs) at their offices or administrative units. Accordingly, Central Public Information Officers (CPIOs) were appointed at the Regional Offices of SEBI as well as at the Head Office. There is a three tier structure in the Act on the functioning of the PIOs. Persons aggrieved with the decision of the CPIO in SEBI can approach the appellate authority as designated under the Act. The highest level of functionary under this Act is the Central Information Commission (CIC) at New Delhi. The decision made by the CIC is binding on the public authorities.

During October 2005 to March 2006, the number of information sought was 79 and the number of appeals received was 14. During the same period, five appeals were heard and an equal number of orders were passed by the Appellate Authority.