

PART FIVE: ORGANISATIONAL MATTERS

1. SEBI BOARD

Shri V. K Chopra was appointed as a Whole Time Member of SEBI under Section 4 (1) (d) of the SEBI Act, 1992, by the Government of India vide notification dated June 05, 2006. Shri Chopra assumed charge as Whole Time Member with effect from June 06, 2006.

Mr. Anurag Goel, Secretary, Ministry of Corporate Affairs was nominated under Section 4 (1) (b) of the SEBI Act, 1992, as one of the Members on the Board, in terms of Government of India notification dated May 18, 2006, in place of Ms. Komal Anand.

During 2006-07, SEBI Board met on five occasions (Table 5.1).

2. HUMAN RESOURCES

Human Resources Development (HRD) Division continued to play an important role with prime focus on implementation of policies on promotions, placement and transfers. The SEBI Board undertook recruitment (both All India and Campus selection) exercise in an effort to augment its staff strength in areas such as Legal and General Stream. 76 Trainee Officers (22 in

Legal Stream and 54 in General Stream) joined the services of SEBI in 2006-07.

Recruitment in the General, Research and Legal Streams was also resorted to from reputed management institutions and National Law Schools.

I. Staff Strength, Recruitment and Deputation

As on March 31, 2007, SEBI had a total of 492 employees, in various grades, with 342 officers, 150 secretaries, and other staff. Under the Scheme for Deputation / Secondment / Tour of SEBI officers to overseas regulatory bodies and multilateral organisations, one officer was sent on deputation to Eastern International LLC, Bukhtir Group of Companies, United Arab Emirates (U.A.E.) and another officer was sent on deputation to Al-Basti & Muktha LLC, U.A.E. During 2006-07, one Whole Time Member, one officer as Adviser (Legal) in the rank of Executive Director, and three Officers on Special Duty (OSD) in the rank of Chief General Managers, joined SEBI.

II. Training

Several training initiatives were undertaken during the year to enhance the skills and efficiency of staff members. Staff members were deputed for training programmes / seminars both within India and abroad. During 2006-07, 162 staff members were exposed to 67 training programmes. HRD, in collaboration with National Institute of Securities Markets (NISM), organised one week residential training programme on 'Leadership and Employee Engagement' for General Managers, and 'Personnel and Managerial Effectiveness' for Deputy General Managers. These courses were conducted by faculty from IIM, Bangalore.

SEBI sends officials for training programmes/ conferences/ seminars held by

Table 5.1: Board Meetings during 2006-07

	Number of Meetings Held	Number of Meetings Attended
1	2	3
(i) Chairman		
Shri M. Damodaran	5	5
(ii) Whole Time Members		
Shri G. Anantharaman	5	5
Dr. T. C. Nair	5	5
Shri V. K. Chopra	5	5
(iii) Members		
Dr. Ashok K. Lahiri	5	4
Shri Anurag Goel	5	3
Dr. K. P. Krishnan	5	5
Shri V. Leeladhar	5	4
Shri Venu Srinivasan	5	2

international bodies such as IOSCO, IMF, OECD, ADB and financial market regulation programmes organised by securities market regulators of developed markets. The purpose of these programmes is to provide training as well as exposure to SEBI officials to best practices in international financial market regulation. During 2006-07, seventeen officials from SEBI were sent for thirteen such training programmes/ conferences/ seminars.

III. Vigilance Week

Vigilance Awareness Week was observed from November 6-10, 2006. The pledge was administered by Whole Time Member G. Anantharaman to Executive Directors and Division Chiefs, who in turn, administered the pledge to other staff. The Regional Managers at regional offices administered the pledge to their staff. A banner on "Vigilance Awareness Week" was prominently displayed outside the office premises at Mumbai and all Regional Offices.

IV. Promotions

During 2006-07, following promotions took place against the existing vacancies (Table 5.2).

Table 5.2: Promotions during 2006-07

No. of Persons Promoted	From	To
1	2	3
1	Chief General Manager	Executive Director
1	Trainee Officer	Research Officer
3	Secretary Grade A	Secretary Grade B

V. Revision of Staff Pay, Allowances, and Benefits

i. The Board revised the pay scale of its Executive Directors with effect from November 01, 2002, in consonance with the pay scale of Reserve Bank of India (RBI).

- ii. During 2006-07, the board enhanced the staff benefits in the areas of :
 - a. Reimbursement towards official entertainment;
 - b. Payment of uniform house allowance;
 - c. Scheme for furnishing of residence of staff;
 - d. Driver's salary and vehicle maintenance expenses, for officers in Grade E, F, and Executive Directors;
 - e. Reimbursement of book grant; and
 - f. Lodging charges on tour.
- iii. After shifting of office premises to Bandra-Kurla Complex, the head office timings were changed as given below:
 - Monday - - From 9:30 a.m.
 - Thursday to 5:30 p.m.
 - Friday - From 9:30 a.m.
 - to 5:15 p.m.
- iv. During 2006-07, SEBI introduced the Scheme of Medical Benefits for Retired Employees.

During 2006-07, amendments were made to Securities and Exchange Board of India (Employees' Service) Regulations, 2001 wherein it was stated that recruitment of Officers in the service of SEBI will be directly in Grade A/ B. Accordingly, recruitment to the post of Trainee Officers is to be discontinued.

3. PROMOTION OF OFFICIAL LANGUAGE IN SEBI

SEBI continued its efforts to promote the usage of Rajbhasha Hindi in the activities related to the Indian securities market. Accordingly, various important steps were initiated to enhance the scope of the official language in the functioning of the stock market, interaction with the investors, and in the internal activities of SEBI. The major steps in this regard were increasing availability of publications in Rajbhasha and creating awareness amongst the employees of SEBI regarding the implementation of the official language policy of the Government of India.

With the passage of time, SEBI publications have improved their quality. To execute the internal work of SEBI in Hindi, the number of valuable publications brought out has now gone up to eight. All the regulations issued by SEBI are available in bilingual form which helps the investors in understanding the regulations. During the year, SEBI's endeavour was to provide suitable Information Technology solutions, which facilitate the discharge of official work in bilingual form.

The information and published material relating to securities market was made available to investors in regional languages as well. It was a step forward in protecting the interests of investors by enabling them to take informed investment decisions.

All the employees of SEBI were made aware of the requirements of official language implementation and related basic facilities. Regular trainings were also conducted. Various incentive schemes were introduced in the offices of SEBI. These schemes included reward schemes for the staff members and senior officials as well as Rajbhasha Shield Scheme for the departments and other offices of SEBI.

For the enrichment and development of the official language, SEBI continued to make valuable contribution in various programmes organised by other institutions. SEBI is determined to make official language a strong vehicle for education and protection of the interests of investors and also for regulation and development of securities market.

4. INFORMATION TECHNOLOGY

SEBI shifted to its own building "SEBI BHAVAN" during the year which gave a new dimension to its technology initiatives. It is now the era of convergence and integration of technology both in terms of hardware and software applications. Some of the IT initiatives taken during the year are highlighted below:

I. IP Telephony

IP Telephony System was implemented at SEBI Bhavan (Head Office) and Regional Offices. This system enables call conferencing, voice mail, caller identification, etc in addition to various other benefits. It also resulted in considerable reduction in expenditure on office telephones. It further enhanced quality of communication between SEBI offices.

II. Information Security

Intrusion Prevention System (Tipping Point) was implemented at SEBI Bhavan to protect the SEBI network. Bio-metric authentication was implemented for accessing attendance recording system and also respective individual personal computers. The same authentication is used for single sign-on across enterprise wide software applications.

Intelligent network with end point security was implemented at SEBI Bhavan to ensure access to enterprise server / applications by authorised persons only. Intelligent cabling helped in minimising network downtime by monitoring passive networking components. Patch Management System ensured periodical distribution / installation of latest security patches and software needs.

III. Wireless Local Area Network (WLAN)

WLAN systems provide users access to real-time information anywhere in their organisation through cordless connectivity to network. SEBI implemented secured wireless LAN at appropriate places. Users, especially visitors or delegates, can make use of this facility for connecting to their own network or to internet with proper authentication.

5. PHYSICAL INFRASTRUCTURE

I. Head Office Building at Mumbai

The Hon'ble Prime Minister of India, Dr. Manmohan Singh, inaugurated 'SEBI Bhavan'

the new SEBI office building-in Bandra Kurla Complex on October 06, 2006. SEBI Bhavan has features of an intelligent, energy-efficient and environment-friendly building. It has a built up area of 1,25,000 square feet in super structure for offices and 90,000 square feet in two basements for parking, storage, and accommodating various services. SEBI offices which were earlier at different locations in Mumbai were shifted to SEBI Bhavan. The new building provided substantial synergy to SEBI's operations with modern amenities to staff to make their working more efficient.

II. Regional Offices

Regional Offices of SEBI at Delhi, Kolkata and Chennai play an important role (Box 5.1). SEBI is augmenting infrastructure at these locations to facilitate effective functioning.

SEBI furnished and shifted its Northern Regional Office at the new premises measuring 5,678 sq. ft. acquired on Leave and

License basis at Bank of Baroda building, Parliament Street, New Delhi.

III. Residential Accommodation for Employees

SEBI acquired 123 flats on ownership basis for providing accommodation to its employees.

6. INTERNATIONAL CO-OPERATION

I. International Organisation of Securities Commissions (IOSCO)

SEBI is an active member of the IOSCO. IOSCO is globally recognised as the setter of standards for practically all securities markets. The Organisation has a membership of about 109 jurisdictions. These members, put together, are responsible for regulation of more than 90 per cent of the world's securities markets. In June 2006, during the 31st Annual

Box 5.1 Role of Regional Offices

The regional offices of SEBI at Delhi, Kolkata and Chennai serve as an effective contact point for local investors. These offices play an important role in facilitating efficient supervision and development of various constituents of the securities market in different parts of the country.

Regional offices played a significant role in the inspection process, right from selection of entities for inspection to enforcement. The work related to registration, renewal and assistance of investors associations was also carried out by regional offices. In 2006-07, six investor associations were granted SEBI recognition through the efforts of regional offices, including one in Mizoram and one in Orissa.

Matters in various courts within respective regions were actively pursued by regional offices, facilitating expeditious disposal of cases.

The regional offices of SEBI were actively engaged in providing guidance to investors and ensuring redressal of investor grievances received against companies in their respective regions. Offer documents in respect of offerings upto Rs. 20 crore by companies in the respective regions were filed with regional offices for processing and issuance of observations. These offices were conducting investigations against market intermediaries and others as referred to by the head office from time to time. Regulatory actions against erring collective investment schemes were also pursued by these offices.

During 2006-07, Northern Regional Office, which also acted as an effective interface between head office and various ministries of the Central Government moved to new centrally located premises. A data centre for business continuity plan was established in the premises of Southern Regional Office. Additional office space for the Eastern Regional Office has already been identified and possession of the same will be taken soon. Further decentralisation in various areas and strengthening of these offices is contemplated in the coming years.

Conference of IOSCO held at Hong Kong, SEBI Chairman, Shri M. Damodaran was elected as Chairman of IOSCO Emerging Markets Committee (IOSCO EMC) for a two year term. The Emerging Markets Committee is the largest forum within IOSCO, representing 80 members from 70 countries. The Chairmanship of the IOSCO EMC signifies India's growing importance amongst emerging markets, as an attractive investment destination with robust regulatory framework and market practices.

IOSCO EMC works on key strategic issues affecting emerging markets including regulation of secondary markets, market intermediaries, accounting standards, enforcement, and exchange of information between regulators. In addition, IOSCO EMC is also engaged in training and assistance programmes for EMC members, use of IOSCO MoU Assistance Programme, and IOSCO Principles Assessment and Implementation Programme.

IOSCO EMC held two plenary meetings in 2006-07. The first meeting took place on June 05, 2006 during the 31st IOSCO Annual Conference in Hong Kong. The second meeting was held on September 30, 2006 at Shanghai.

II. South Asian Securities Regulators Forum

The South Asian Securities Regulators Forum (SASRF) was formed on May 13, 2005 at Islamabad, Pakistan, as a regional association to promote co-operation among

securities regulators for fostering common understanding on regional regulatory issues, sharing of information, experience, and harmonisation of regulations and policies to the extent feasible. The Forum has representatives from securities market regulators from India, Bangladesh, Pakistan, Nepal, Bhutan, Sri Lanka, Mauritius, and Maldives.

The first annual meeting of the Forum was held in Colombo, Sri Lanka on August 24, 2006. During this meeting, Sri Lanka was appointed as Chair of the Forum, and Pakistan was appointed as the Vice-chair. The issues of capacity building within the region and regional training programmes figured as major concerns for the Forum. It was resolved that a training programme would be conducted by India for the SASRF jurisdictions during 2007.

III. Bilateral Memorandum of Understanding (MoU)

SEBI signed two bilateral Memoranda of Understanding (MoUs) in 2006-07 with securities market regulators from China and UAE (Table 5.3). The MoUs were signed for information sharing, mutual co-operation, consultation, and assistance between the regulatory authorities, in order to facilitate the fulfilling of their regulatory responsibilities. With the increasing internationalisation and interdependence of securities markets and the need for closer co-operation between regulatory authorities, the MoUs will facilitate mutual assistance, the strengthening of cross-border co-operation, contribute towards

Table 5.3: Bilateral MoUs signed during 2006-07

Foreign Regulatory Authority	Memorandum of Understanding (MoU) Title	Date of Signing
China Securities Regulatory Commission	MoU regarding Securities and Futures Regulatory Co-operation	September 15, 2006
Emirates Securities and Commodities Authority	MoU regarding Assistance and Mutual Co-operation on Exchange of Information	March 26, 2007

efficient performance of the supervisory functions, and effective enforcement of the laws and regulations governing the markets.

SEBI had signed bilateral MoUs for co-operation, information sharing, and technical assistance with six other jurisdictions in the past, and a Letter of Intent with one jurisdiction.

IV. Visits by Overseas Regulators

SEBI received several delegations from overseas regulators/ agencies during 2006-07 for future co-operation, better understanding of Indian markets and for establishing inter-regulatory dialogue between the respective authorities. The authorities whose delegations visited SEBI include China Securities Regulatory Commission, Development Research Centre, China, Luxembourg Bankers Association, Luxembourg Funds Association, Luxembourg Stock Exchange, and Russian Trade Federation.

7. PARLIAMENT QUESTIONS

- i. SEBI received a list of points on Demand for Grants for 2005-06 of the Ministry of Finance, raised by the Standing Committee on Finance for 2006-07, in April 2006. SEBI furnished replies to these lists of points in a time bound manner.
- ii. For the year 2006-07, the Standing Committee on Finance selected the following subjects for examination.
 - a) Efficacy of reform process in the capital market (recent IPO scam);
 - b) Foreign Institutional Investment (FII) flows, inclusive of participatory notes; and
 - c) Mechanism for protection of investors' rights and interests in the capital market - an appraisal.

SEBI furnished background notes for these aforesaid subjects in a time bound manner.

- iii. SEBI received list of points on Demand for Grants for the years 2006-07 of the Ministry of Finance, raised by the Standing Committee on Finance for 2007-08, in February 2007. SEBI furnished reply to these lists of points in a time-bound manner.
- iv. In its quest to further improve systems and work flow pertaining to reply to Parliament Questions, assurances and VIP References and Parliamentary Committee work, a 'PQ Cell' was set up in January 2007, under the charge of Executive Director (Administration). It has been strengthened by posting an officer in the rank of Assistant General Manager. The PQ cell will be the nodal and interface point for all Parliament and Government related work/ issues.

8. RIGHT TO INFORMATION ACT

SEBI has put in place an office headed by an Executive Director at head office as the Central Public Information Officer (CIPO) supported by the Regional Managers at its regional offices. In its second year since RTI Act has come into force, there was rise in number of applications received under the Act in SEBI. Applicants from all over the country have been seeking information on various issues.

During 2006-07, 494 applications were received and replied compared to 69 applications in 2005-06. Out of the applications received in 2006-07, 119 were appealed before the Appellate Authority in SEBI under the RTI Act and 17 appeals of Appellate Authority were challenged before the Central Information Commission (CIC). Where as in 2005-06, there were 14 appealed before the Appellate Authority and there was no appealed before the CIC. The CIC has upheld, till date, all the decisions of the Appellate Authority in SEBI, except with minor modifications.



