

PART FIVE: ORGANISATIONAL MATTERS

1. SEBI BOARD

Shri C. B. Bhavé assumed the Office of the Chairman of SEBI with effect from the forenoon of February 18, 2008. Shri M. Damodaran relinquished the charge of Office of the Chairman of SEBI from the forenoon of February 18, 2008.

Shri V. K. Chopra and Shri G. Anantharaman, Whole Time Members, SEBI Board relinquished the charge of Office of the Whole-Time Member, SEBI, on expiry of their term of appointment on March 05, 2008, and on March 13, 2008, respectively.

Dr. Ashok K. Lahiri, resigned as a part-time Member of SEBI Board with effect from July 21, 2007. Dr. G. Mohan Gopal was appointed as a part-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 31, 2007.

During 2007-08, the SEBI Board met on seven occasions (Table 5.1).

2. HUMAN RESOURCES

Human Resources Development Division continued to play an important role with the prime focus on implementation of policies on capacity building, training, promotions, placement and transfers.

I. Staff Strength, Recruitment and Deputation

As on March 31, 2008, SEBI had a total of 535 employees in various grades. There were 406 officers and 129 secretaries and other staff.

Pursuant to the Board approval for amendment to Securities and Exchange Board of India (Employees' Service) Regulations, 2001, recruitment of officers in the service of the Board would be directly in Grade A / B, which was operationalised in 2007-08.

Table 5.1: Board Meetings during 2007-08

	Number of meetings held	Number of meetings attended
1	2	3
i) Chairman		
Shri C. B. Bhavé	1	1
ii) Whole Time Member		
Dr. T. C. Nair	7	7
iii) Members		
Shri Anurag Goel	7	6
Dr. K. P. Krishnan	7	7
Shri V. Leeladhar	7	5
Shri Venu Srinivasan	7	2
Dr. G. Mohan Gopal	2	1

Note:

1. Shri M. Damodaran attended six meetings held during the year, prior to his demitting the Office of the Chairman.
2. Shri G. Anantharaman attended seven meetings held during the year, prior to his demitting the Office of the Whole-Time Member.
3. Shri V. K. Chopra attended seven meetings held during the year, prior to his demitting the Office of the Whole-Time Member.
4. Dr. Ashok K. Lahiri did not attend any of the two meetings held during the year, prior to his resignation as a part-time Member.

Accordingly, 72 Trainee Officers recruited during 2006-07, were re-designated as Managers / Legal Officers.

The Board undertook campus recruitment exercise from Management Institutes of repute and National Law Schools in an effort to augment its staff strength in various areas and recruited 68 Officers (46 in Legal Stream, 19 in General Stream and 3 in Research Stream). These Officers joined directly as Officers in Grade B during 2007-08. Further, 7 Legal Officers (Grade B) were appointed on contract basis.

During 2007-08, one Officer on Special Duty (OSD) in the rank of General Manager joined SEBI on deputation basis; one Dy. Legal

Adviser was deputed to Insurance Regulatory and Development Authority (IRDA), one Dy. General Manager and one Assistant General Manager were deputed to National Institute of Securities Markets (NISM).

II. Training and Development

In order to enhance and widen the knowledge base and perspective as well as “soft skills” including motivation, communication, etc., staff members across all grades were deputed to various behavioural and functional training programmes, both domestic and international.

A total of 92 officers were deputed for various behavioural programmes, such as “Becoming a High Performing Manager”, “Transitioning into Management”, etc. conducted by NISM in collaboration with the Indian Institute of Management, Bangalore. Around 25 staff members in Secretarial cadre were deputed for Behavioural Training Programmes organised by NISM in collaboration with GRID Consultants in Mumbai.

As a part of providing functional training to widen knowledge base, during 2007-08 around 100 officers were deputed for the training programme on Securities Market Oversight and Enforcement programme conducted by USAID and 89 officers were deputed for a training programme on Operations Risk conducted by Securities Investment Institute, UK. Fifteen officers in different grades were also deputed to various other training programmes on volatility, IT, BSE Training Programmes, etc.

In order to enhance knowledge of secretarial staff, a Securities Market Appreciation Programme was conducted for around 51 staff members (Secretaries/Account Assistants) with the assistance of NISM.

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

various international bodies and financial market regulation programmes organised by different international securities market regulators. The purpose of these programmes was to provide training as well as exposure to SEBI officials to the best practices in international financial market regulation. During 2007-08, around 20 officers were deputed to attend various training programmes and seminars conducted by regulators and other agencies outside India. Further, training material (presentations, papers, etc.) are uploaded in SEBI portal for knowledge sharing with staff members.

During 2007-08, the officers recruited from management schools and law schools were imparted three month induction training programme which included class room training, attachment training with various market intermediaries and job rotation.

III. Internship

SEBI as an integral part of its policy has been offering short duration projects / internships to students of reputed management schools and law schools. During 2007-08, 33 students (19 - General Stream and 14 - Legal Stream) from premier management schools and law schools were offered short duration projects / internships on stock markets, hedge funds, volatility, etc.

IV. Strengthening of Regional Offices

Various activities such as investor assistance and education, inspection of brokers / stock exchanges / various other intermediaries, work related to CIS and vanishing companies, investigation and surveillance, legal and enforcement matters, co-ordination / interaction with other Government bodies, etc., were delegated to the regional offices. In view of the same and with the objective of enabling the regional offices to discharge work and responsibilities

efficiently, the regional offices were strengthened with additional manpower.

V. Promotions

During 2007-08, the following promotions took place at all grades in SEBI against the existing vacancies:

Table 5.2: Promotion of SEBI Officials

No. of persons promoted	From	To
1	2	3
01	Chief General Manager	Executive Director
11	General Manager / Jt. Legal Adviser	Chief General Manager / Legal Adviser
11	Dy. General Manager / Dy. Legal Adviser	General Manager / Jt. Legal Adviser
11	Asst. General Manager	Dy. General Manager
58	Manager / Legal Officer / Research Officer	Asst. General Manager/ Asst. Legal Adviser / Asst. Director
18	Secretary /Accounts Assistant Grade - A/B	Manager / Research Officer

VI. Grievance Redressal Committee

During 2007-08, a Grievance Redressal Committee consisting of the Chairman, Shri G. Anantharaman, Whole Time Member (demitted office on March 13, 2008) and Dr. T. C. Nair, Whole Time Member was constituted to deal with grievances relating to service matters. The first meeting of the Committee was held on September 19, 2007 and grievances of 3 staff members were considered.

VII. Enhancement of Staff Pay, Allowances and Benefits

During 2007-08, the Board enhanced the following benefits:

- a. lodging and halting allowance while travelling on official tour in India; and
- b. allowance in lieu of residential accommodation for officers.

3. NATIONAL INSTITUTE OF SECURITIES MARKETS (NISM)

SEBI has established National Institute of Securities Markets (NISM) as a public trust in pursuance of an announcement made during the budget speech in February 2005. There are six different schools in NISM serving the knowledge needs of six different constituencies in the securities markets, viz., investors, issuers, intermediaries, regulator, professionals aspiring to enter the securities industry and key segments that influence public opinion.

A plot of land admeasuring seventy acres was purchased from the Maharashtra Industrial Development Corporation at Patalganga , about 60 km from Mumbai on the Mumbai-Pune Express Highway to construct a residential campus for NISM. It is estimated that the cost of the project would be about Rs. 275 crore. With a view to positioning NISM as a facility for development of quality of securities markets, it is envisaged that financial participation in NISM would be open to leading organisations in the securities industry. NISM would be a public-private partnership in terms of its funding as well as governance.

Some of the important steps taken by NISM are:

- i. SEBI has mandated that NISM would be the nodal agency to establish the certification framework for securities industry under the SEBI (Certification of Associated Persons in the Securities Market) Regulations, 2007.
- ii. NISM is establishing the Network for Securities Markets Data (NSMD) to support the data requirements of

persons who wish to study the issues pertinent to securities industry.

- iii. NISM continues to organise a number of executive education programmes for the regulatory staff in SEBI and other jurisdictions as well as to officers from the Government of India.
- iv. NISM is discussing with leading universities to design and offer a specialised post-graduate programme titled as “Masters in Securities Markets” (MSM). NISM intends to incubate the programme and subsequently take up the requisite extension work to popularise MSM among universities and colleges. It is expected that such strategy would provide a steady stream of specially qualified professionals to manage the various complex tasks in the securities industry.
- v. NISM has taken up the task of imparting financial literacy to various segments of the population. This involves content design, preparation of learning material in multiple Indian languages and offering innovative education programmes through diversified delivery channels.

4. VIGILANCE

Vigilance awareness week was observed during November 12-16, 2007. The observance of the week commenced with the pledge administered by the Whole Time Member Shri G. Anantharaman to the Executive Directors and Division Chiefs (DGM and above) who in their turn administered the pledge to their staff. The regional managers located at the three regional offices – Northern Regional Office, Eastern Regional Office and Southern Regional Office administered the pledge to their staff. A banner on Vigilance awareness week was displayed outside the office

premises at Mumbai and all the three regional offices during the above mentioned week.

5. PROMOTION OF OFFICIAL LANGUAGE IN SEBI

During 2007-08, SEBI continued to promote the official language relating to Indian securities market. This was done in consonance with the objectives of the Board and the Rajbhasha Mission.

In order to facilitate education and guidance for investors, SEBI has made available the material not only in Hindi language but also in other regional languages, enabling the investors to understand various capital market activities and accordingly to take well-informed decisions. In addition, various programmes were conducted across the country for investors' education and guidance exclusively in Hindi. All the regulations framed by the Board from time to time are available in diglossic form.

During the year, induction programmes were organised for the newly recruited officers. The officers were made aware of the various requirements of official language policy of the Government of India and issues relating to the implementation of official language. They were also made aware of the various infrastructural facilities available in SEBI for implementation of official language.

Recently, SEBI launched its Hindi website. The main objective of Hindi website is to provide the relevant information related to various capital market activities, for general public as well as for investors in the capital market. In the direction of implementation of official language policy and to provide congenial environment in this regard, SEBI conducted various workshops, programmes, meetings, etc., in all of its regional offices.

As a part of various developmental activities, SEBI has been consistently making its valuable contribution towards various programmes being organised by other institutions. As such, SEBI is determined to continue its efforts in promoting the official language.

6. INFORMATION TECHNOLOGY

The Information Technology Division (ITD) has endeavoured to implement emerging technologies. The major IT initiatives during 2007-08 were as follows:

I. Network / Communication

The internet leased line connectivity was strengthened further with another additional leased line service to provide faster access to the SEBI web server and portal servers. In order to ensure the continuous availability of SEBI web server and portal servers through the internet, a Link Proof device (Radware Linkproof Device) was installed at Gateway level for providing multiple link load balancing of inbound and outbound traffic. It also ensured quality of service, traffic shaping and allocation of the bandwidth based on application priority.

II. IT Infrastructure

During 2007-08, IT infrastructure facilities were provided at the new office of SEBI Northern Regional office, New Delhi, with connectivity to the Head Office through an emerging WAN technology of Multi Protocol Label Switching (MPLS) Circuit with 1 Mbps capacity for Data/ Voice network. Dedicated e-mail services (mail.nism.ac.in) and web site (www.nism.ac.in) were created for the NISM. The necessary IT infrastructure support was also provided.

III. Patch Management System

Big Fix Patch management system was implemented at SEBI to automatically install

/ deploy the patches / updates of software / operating system across the SEBI Offices. The system also provides the inventory of the hardware / software / applications implemented in each of the desktops.

IV. Enhancement of Security Policies

As a part of continuous review and upgrade of SEBI IT security policy, the Intrusion Prevention System (Tipping Point) was strengthened with new policies to further enhance the security of SEBI network.

V. SEBI Database

A review of SEBI database relating to registration of intermediaries was carried out for generating enhanced MIS reports. Modifications to various databases were carried out from time to time based on user requirements. The SEBI sub-certifying authority license with the TCS – registration authority for issuing digital signature was renewed during the year. The server certificate licenses were also renewed and were deployed for enabling the portal servers with Secured Socket Layer (SSL).

7. PHYSICAL INFRASTRUCTURE

SEBI acquired office premises admeasuring 5,585 sq. ft. at L&T Chambers, 16 Camac Street, Kolkata to meet the requirements of additional office space for its Eastern Regional Office. SEBI also acquired 14 residential flats at Vashi, New Mumbai during the year. These flats were temporarily provided to the National Institute of Securities Markets (NISM) to meet their immediate requirement. The renovation works for the flats acquired for staff at Indian Oil Nagar, Shivaji Nagar , Govandi, Mumbai were completed. A gymnasium equipped with health equipments was made operational at Head Office, SEBI Bhavan during the year.

8. INTERNATIONAL CO-OPERATION

Securities and Exchange Board of India is an active member of the International Organisation of Securities Commissions (IOSCO) which is an assembly of securities market regulators. Currently, it has 187 members regulating more than 90 per cent of the world's securities market. It is the standard setting body for world securities market and promotes international co-operation for sharing of information and providing mutual assistance.

I. International Meetings hosted by SEBI

i) 32nd IOSCO Annual Conference

SEBI hosted the 32nd IOSCO Annual Conference during April 09-12, 2007 at Hotel Grand Hyatt, Mumbai, India. The Annual Conference was attended by more than 500 delegates representing international financial services community from more than 100 countries.

During the first two days of the Annual Conference, various committee meetings such as Technical Committee, Executive Committee and Emerging Market Committee and meetings of the Standing Committees and the Working Groups of the IOSCO were held which were attended by member jurisdictions.

The Conference was officially inaugurated by the Honourable Finance Minister Mr. P. Chidambaram on the third day of the IOSCO Annual Conference. Panel discussions were held on issues which focused on a diverse range of regulatory issues such as transnational securities exchanges, trends in accounting and auditing, the challenges posed by hedge funds and the financing of small and medium sized enterprises. The participants benefited from the vast knowledge and international experience shared by the eminent speakers

from different countries who contributed in making the Annual Conference highly informative and practical.

Each day's proceedings concluded with evening programmes giving the delegates an experience of the traditions and culture of India. The Conference was well received by all the delegates.

The IOSCO Multilateral MoU sets forth the framework for mutual co-operation and exchange of information among the signatory jurisdictions. During the Conference, new signatories to the IOSCO MoU included the Bermuda Monetary Authority, the Financial Services Commission of the British Virgin Islands, the China Securities Regulatory Commission, the Commission de surveillance du secteur financier of Luxembourg and the Securities Commission of Malaysia. Additional 15 members were accepted in accordance with the Appendix B requirements to MoU that included the Financial Supervisory Commission of Chinese Taipei, the Securities and Exchange Commission of Ghana, the Conseil du marche financier of Tunisia and the Superintendencia General de Valores of Costa Rica.

ii) Meeting of the SASRF

South Asian Securities Regulators' Forum (SASRF) comprises of securities markets regulators from India, Pakistan, Bangladesh, Bhutan, Nepal, Mauritius, Maldives and Sri Lanka. The Forum was set up with the objectives of promoting co-operation, fostering a common understanding and strengthening of regulatory framework on issues, sharing of information and experience and harmonisation of regulations and policies and financial reporting system among the member jurisdictions. SEBI also hosted the second Annual Meeting of the South Asian Securities Regulators' Forum at New Delhi during January 28 – 29, 2008. At

the meeting, two round table discussions were held on topics comprising 'Regulation of Exchanges in a De-mutualised Environment and Foreign Fund Flows', and 'Market Volatility and Regulatory Responses'. Chairmen and other senior officials of member jurisdictions of SASRF attended the meeting.

iii) Participation in the International Meetings

During 2007-08, Mr. M. Damodaran, former Chairman, SEBI, became the Chairman of the Emerging Markets Committee of IOSCO. Two plenary meetings of the Emerging Markets Committee and the meeting of the Emerging Markets Committee Advisory Board were held under the Chairmanship of SEBI during the year. SEBI also chairs the Emerging Markets Committee Task Force on Corporate Governance. The task force prepared a report on the "Best Corporate Governance Practices in the Emerging Markets" which was approved and put up on the IOSCO Website.

SEBI is a member of the Standing Committee 2 on Regulation of Secondary Markets and actively participated in the meeting. SEBI also participated in the various surveys undertaken by different committees of IOSCO. SEBI participated in the meetings of Technical Committee (the highest body of policy formulation) and Executive Committee (the highest body for implementation of IOSCO Standards and Principles). SEBI has been playing a very active role in the IOSCO and has been contributing significantly to various working groups of committees and task forces which have helped SEBI in sharing knowledge as well as in strengthening the position of Indian securities markets internationally apart from developing greater understanding of global issues relating to the securities markets. SEBI is also a member of the Technical Committee

Task Force on Corporate Governance and Task Force on Private Equity.

iv) International Co-operation Agreements

In the interest of enhanced co-operation, consultation, exchange of information and technical assistance, SEBI signed 7 bilateral MoUs with securities market regulators from various jurisdictions during 2007-08. Terms of reference for regulatory dialogue and co-operation between SEBI and US SEC for the year 2008 were also established during the year 2007. Terms of reference for co-operation and collaboration with AMF – France were also announced on February 06, 2008 in order to promote fair, efficient and transparent securities markets in India and France.

As of now, SEBI has signed 15 MoUs, and a Letter of Intent with SFC, Hong Kong.

II. International Training programmes

i) SASRF Training Programme

SEBI in collaboration with NISM organised a comprehensive training programme on securities markets covering major aspects of the securities market, including surveillance and enforcement, for regulatory staff and market participants from member jurisdictions of South Asian Securities Regulators' Forum. The delegates also visited stock exchanges. The training programme was held from August 06-10, 2007 at Hotel Grand Hyatt, Mumbai and was attended by 16 overseas participants from six jurisdictions and 18 Indian participants.

ii) SEBI's participation in the International Training Programmes

During 2007-08, officials from SEBI were nominated for training programmes/conferences/seminars held by various international bodies such as USAID, IOSCO, IMF, OECD and ADB and securities market regulators of other jurisdictions. The purpose

Table 5.3: Bilateral Memorandum of Understandings (MoU) Signed during 2007-08

Foreign Regulatory Authority	Country	Memorandum of Understanding (MoU) Title	Date of signing
Securities and Exchange Commission of Nigeria	Nigeria	The Exchange of Information for Co-operation and Consultation	10/04/2007
Securities and Exchange Commission	Thailand	Memorandum of Understanding concerning Mutual Assistance and Exchange of Information	10/04/2007
Indonesian Capital Market and Financial Institutions Supervisory Agency	Indonesia	Mutual Co-operation and Information Sharing	11/04/2007
Financial Supervisory Commission	Taiwan	Exchange of Information for Co-operation, Consultation and Technical Assistance	11/04/2007
The Israel Securities Authority	Israel	Assistance and Mutual Co-operation	8/11/2007
State Securities Commission	Vietnam	Mutual Co-operation, Consultation and Technical Assistance	28/11/2007
Securities and Exchange Commission of Pakistan	Pakistan	Assistance and Mutual Co-operation	28/01/2008

of these programmes was to provide insight into the best practices followed in securities markets of other jurisdictions as well as to provide training to implement them.

iii) Visits by Overseas Delegations/ Dignitaries

SEBI had the honour of welcoming delegations/ dignitaries from various developed and developing jurisdictions. Mr. Henry Paulson, US Treasury Secretary visited SEBI to discuss the regulatory priorities in India, global capital market developments and corporate bond market development. Mr. Paulson and his Treasury team also met some of the financial leaders during his visit to SEBI at the Financial Services Round Table.

The Hong Kong SAR Government Financial Secretary, Mr. John C. Tsang visited SEBI along with a high-powered business delegation comprising industry representatives from various fields to discuss issues of cross border participation and mutual understanding. The two sides discussed issues of common concern and

mutual benefits including the state of capital markets and regulatory framework in the two jurisdictions.

Sir James Sassoon, President, Financial Action Task Force (FATF) and his team visited SEBI in order to discuss India's initiatives on Anti-Money Laundering issues. SEBI received a four members delegation from Autorite des Marches Financiers (AMF), France in furtherance of the provisions of the terms of reference signed by the two authorities with regard to exchange of information and annual co-operation programme. SEBI also received delegations from the U.S, China, Russia, Hong Kong, Japan, Tanzania and West Africa for sharing of knowledge and exchange of ideas relating to securities market and establishing inter-regulatory dialogue.

9. PARLIAMENT QUESTIONS

The Parliament Question Cell at SEBI functions under the supervision of an Executive Director as the nodal and interface point for all Parliament Questions,

Assurances, VIP References and other Parliament related work.

SEBI received a list of points from Standing Committee on Finance (2006-07)- Examination of Demand for Grants (2008-09) of the Ministry of Finance (Department of Economic Affairs and Expenditure). SEBI furnished replies to these lists of points in time. SEBI received general list of points in connection with Examination of Demand for Grants (2008-09) of the Ministry of Corporate Affairs. SEBI furnished replies to the points in a time-bound manner.

During 2007-08, the Standing Committee on Finance selected the following subjects for examination:

- a) Mechanism for protection of investors' rights and interests in the capital market - an appraisal;
- b) Foreign Capital Investment inflow through Foreign Institutional Investment (FII), participatory notes (PNs), and Hedge Funds;
- c) Issues relating to Volatility in Stock Market; and
- d) Efficacy of reform process in the capital market.

SEBI furnished background notes for these aforesaid subjects in time.

10. RIGHT TO INFORMATION ACT

The office of Central Public Information Officer, SEBI functions at SEBI Head Office, Mumbai. The processing of applications received under RTI Act in SEBI has been centralised at SEBI Head Office, Mumbai. The three Regional Offices at New Delhi, Kolkata and Chennai have Central Assistant Public Information Officers (CAPIOs) designated to facilitate receipt of applications from applicants, who wish to make direct applications.

The number of applications under RTI Act, received in SEBI, has been increasing ever since the Act came into force. The status of applications received during 2007-08 and 2006-07 are given in Table 5.4.

Table 5.4: Status of Application under RTI Act

	2007-08	2006-07
No. of Applications Received	572	494
Appeals made to Appellate Authority in SEBI	173	119
Appeals made to CIC	34	17

As on March 31, 2008,, Shri R. K. Nair, Executive Director was functioning as the CPIO and Dr. T. C. Nair, WTM had been designated as the Appellate Authority under Section 19 of the RTI Act, 2005.