

वार्षिक रिपोर्ट ANNUAL REPORT 2018-19



भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

ANNUAL REPORT

2018-19



Securities and Exchange Board of India



This Report is in conformity with the format as
per the Securities and Exchange Board
of India (Annual Report) Rules, 1994,
notified in Official Gazette on April 7, 1994





अजय त्यागी
अध्यक्ष
Ajay Tyagi
Chairman

भारतीय प्रतिभूति और विनिमय बोर्ड
SECURITIES AND EXCHANGE BOARD OF INDIA

सचिव,
भारत सरकार,
आर्थिक कार्य विभाग,
वित्त मंत्रालय, नॉर्थ ब्लॉक,
नई दिल्ली-110 001

डीईपीए 1/16233/2019
जून 27, 2019

प्रिय महोदय,

भारतीय प्रतिभूति और विनिमय बोर्ड अधिनियम, 1992 की धारा 18(2) के प्रावधानों के अनुसार, मैं एतद्वारा भारत के राजपत्र, असाधारण के भाग II खण्ड 3 उप-खण्ड (1) में, 7 अप्रैल 1994 को अधिसूचित भारतीय प्रतिभूति और विनिमय बोर्ड (वार्षिक रिपोर्ट) नियम, 1994 में निर्धारित किए गए प्रारूप में, 31 मार्च 2019 को समाप्त वर्ष के लिए भारतीय प्रतिभूति और विनिमय बोर्ड की वार्षिक रिपोर्ट की प्रति अग्रेषित कर रहा हूँ।

भवदीय,

(अजय त्यागी)

संलग्न : उपरोक्तानुसार

The Secretary,
Government of India
Department of Economic Affairs
Ministry of Finance, North Block,
New Delhi-110 001

DEPA1/16233/2019
June 27, 2019

Dear Sir,

In accordance with the provisions of Section 18(2) of the Securities and Exchange Board of India Act, 1992, I forward herewith the copy of the Annual Report of the Securities and Exchange Board of India for the year ended March 31, 2019, in the format prescribed in the Securities and Exchange Board of India (Annual Report) Rules, 1994, notified on April 7, 1994, in Part II Section 3 Sub-section (1) of the Gazette of India Extraordinary.

Yours faithfully,

(Ajay Tyagi)

Encl.: As above

सेबी भवन, प्लॉट सं.सी 4-ए, "जी" ब्लॉक, बांद्रा-कुर्ला कॉम्प्लेक्स, बांद्रा (पूर्व), मुंबई - 400 051. • दूरभाष : 2644 9999 / 4045 9999
फैक्स : 2644 9003 • ई-मेल : chairman@sebi.gov.in • वेब : www.sebi.gov.in

SEBI Bhavan, Plot No. C4-A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051. • Tel.: 2644 9999 / 4045 9999
Fax : 2644 9003 • E-mail : chairman@sebi.gov.in • Web : www.sebi.gov.in

MEMBERS OF THE BOARD

(As on March 31, 2019)

Appointed under Section 4(1)(a) of the SEBI Act, 1992 (15 of 1992)

AJAY TYAGI

CHAIRMAN

Appointed under Section 4(1)(d) of the SEBI Act, 1992 (15 of 1992)

G. MAHALINGAM

WHOLE TIME MEMBER

MADHABI PURI BUCH

WHOLE TIME MEMBER

SANTOSH KUMAR MOHANTY

WHOLE TIME MEMBER

ANANTA BARUA

WHOLE TIME MEMBER

Nominated under Section 4(1)(b) of the SEBI Act, 1992 (15 of 1992)

INJETI SRINIVAS

Secretary,
Ministry of Corporate Affairs,
Government of India

ANAND MOHAN BAJAJ

Joint Secretary,
Ministry of Finance,
Department of Economic Affairs,
Government of India

Nominated under Section 4(1)(c) of the SEBI Act, 1992 (15 of 1992)

N. S. VISHWANATHAN

Deputy Governor,
Reserve Bank of India



MEMBERS OF THE BOARD



AJAY TYAGI

Chairman



G. MAHALINGAM

Whole Time Member



MADHABI PURI BUCH

Whole Time Member



S K MOHANTY

Whole Time Member



ANANTA BARUA

Whole Time Member



INJETI SRINIVAS

Secretary, Ministry of Corporate Affairs
Government of India



ANAND MOHAN BAJAJ

Joint Secretary, Ministry of Finance,
Department of Economic Affairs,
Government of India



N. S. VISHWANATHAN

Deputy Governor
Reserve Bank of India

Chairman, Whole Time Members and Executive Directors



(Left to Right)

Sitting: **Shri Ananta Barua**, Whole Time Member; **Shri G. Mahalingam**, Whole Time Member; **Shri Ajay Tyagi**, Chairman; **Ms. Madhabi Puri Buch**, Whole Time Member; **S K Mohanty**, Whole Time Member

Standing: **Shri S. Ravindran**, Executive Director; **Shri Anand Rajeshwar Baiwar**, Executive Director; **Shri P.K. Nagpal**, Executive Director; **Shri S.V.M.D. Rao**, Executive Director; **Shri Amarjeet Singh**, Executive Director; **Shri Nagendraa Parakh**, Executive Director; **Ms. Arti Chhabra Srivastava**, Chief Vigilance Officer; **Shri Sujit Prasad**, Executive Director

EXECUTIVE DIRECTORS (As on March 31, 2019)

Shri P. K. Nagpal	Office of International Affairs, Human Resources Department, Internal Inspection Department, Information Technology Department, Foreign Portfolio Investors & Custodians, Department of Economic and Policy Analysis, Official Language Division, RTI Cell, PQ Cell and Board Cell
Shri S. Ravindran	Integrated Surveillance Department, Facilities Management Division, Establishment Division, Treasury & Accounts Division and Protocol & Security in the General Services Department
Shri S. V. Murali Dhar Rao	Investment Management Department, Collective Investment Schemes and Regional and Local Offices
Shri Nagendraa Parakh	Market Intermediaries Regulation and Supervision Department, Office of Investor Assistance and Education and Commodity Derivatives Market Regulation Department
Shri Amarjeet Singh	Corporation Finance Department
Shri Sujit Prasad	Market Regulation Department, Department of Debt and Hybrid Securities and National Institute of Securities Market
Shri Anand Rajeshwar Baiwar	Investigation Department, Refund and Recovery Department, work related to PACL Committee and Appellate Authority for hearing Appeals under the RTI Act
Ms. Arti Chhabra Srivastava	Chief Vigilance Officer

CHIEF GENERAL MANAGERS (As on March 31, 2019)

Shri G. P. Garg	Facilities Management Division, Establishment Division, RTI Cell, PQ Cell and CPIO
Shri Suresh B. Menon	Investigation Department
Shri V.S. Sundaresan	Investigation Department and Special Enforcement Cell
Shri Amit Pradhan	Enforcement Department - 1
Shri N. Hariharan	Communication Division, Office of Investor Assistance and Education and Board Cell
Ms. G. Babita Rayudu	Legal Affairs Department
Shri A. Sunil Kumar	Integrated Surveillance Department
Shri Jayanta Jash	Corporation Finance Department
Shri Parag Basu	Market Intermediaries Regulation and Supervision Department
Ms. Barnali Mukherjee	Department of Debt and Hybrid Securities
Shri Manoj Kumar	Market Regulation Department
Shri Sunil Jayawant Kadam	Registrar, NISM
Shri Prabhakar Reddy Patil	Department of Economic and Policy Analysis - 1
Shri Santosh Kumar Shukla	Enquiry and Adjudication Department
Shri Sarat Kumar Malik	Department of Economic and Policy Analysis - 2
Shri Satya Ranjan Prasad	Enquiry and Adjudication Department
Shri B. Rajendran	Regional Director - Southern Regional Office
Shri Jeevan Sonparote	Enquiry and Adjudication Department
Ms. Ruchi Chojer	Human Resources Department
Shri Biju S.	Enforcement Department - 2
Ms. Anita Kenkare	PACL Committee
Shri Santosh Kumar Sharma	Integrated Surveillance Department
Shri Avneesh Pandey	Information Technology Department
Shri Sharad K. Sharma	Regional Director - Northern Regional Office

Shri G. Ramar	Southern Regional Office
Shri D. Sura Reddy	Refund and Recovery Department
Shri Deepak A. Trivedi	Chief Financial Officer
Shri Biranchi Narayan Sahoo	Investment Management Department - 2
Shri Shashikumar Valsakumar	Executive Assistant to Chairman
Shri Aliasgar S. Mithwani	Commodity Derivatives Market Regulation Department and Office of International Affairs
Ms. Asha Shetty	Vigilance Department and Internal Inspection Department
Shri K. Saravanan	Enquiry and Adjudication Department
Ms. Maninder Cheema	Enquiry and Adjudication Department
Ms. Harini S Balaji	Investment Management Department - 1
Shri Debashis Bandyopadhyay	Market Intermediaries Regulation and Supervision Department
Shri Prasanta Mahapatra	Enquiry and Adjudication Department
Shri D.V. Sekhar	Office of Whole Time Member
Ms. Anitha Anoop	Enquiry and Adjudication Department



Annual Report Team

Dr. Prabhakar Reddy Patil	Chief General Manager
Mr. Venkateswaran Ramakrishnan	Deputy General Manager
Mr. Laltu Pore	Assistant General Manager
Mr. Tathagata Biswas	Assistant General Manager
Mr. Prasad Patankar	Manager
Ms. Akriti	Manager
Ms. Suvidha Nagpal	Manager
Mr. A.V.Subba Rao	Manager
Mr. Sumit Kumar Verma	Assistant Manager
Ms. Josephine Fernandes	Secretary

CHAIRMAN'S STATEMENT



The year 2018-19, was a somewhat muted one for the global economy. The hitherto accelerating economic activity of 2017-18, started displaying signs of slowdown, in almost all regions of the World. This was more pronounced, especially during the second half of 2018. The emerging economies were also witness to this global slowdown and displayed receding growth rates. The overarching flavor, therefore, across most of the world economies was that of negative to modest positive growth rates. Despite this backdrop, the Indian economy still holds the potential to register strong growth rates, as the latter is projected to pick up to 7.0 per cent in 2019-20. This is expected to be supported by continued recovery of investment and robust consumption, amid a more expansionary stance of monetary policy.

Since its inception, it has been the endeavor of SEBI to ensure that Indian securities market develops in terms of products, technology, participants, surveillance and enforcement, in sync with global best practices and standards. SEBI has incessantly strived for a well regulated modern securities market in India by adopting various global standards and international best practices on the one hand and innovative custom solutions for our markets on the other. The year 2018-19 was also a year of significant accomplishments across all the functional areas under SEBI and, as always, the mandate of protection of interests of investors, market development and regulation guided all our policy initiatives during the year.

With the implementation of different regulations prescribed by SEBI, access to information has increased, leading to more transparency for informed decision making by investors and overall governance has become conducive for the protection of investors' interests and overall development of the securities market in India. The main thrust of various policy measures undertaken during the year has been aimed towards improving corporate governance, revisiting the procedures followed in the primary market, reviewing the risk management framework for equity derivatives, developing the mutual funds industry, integrating commodity derivatives and securities markets, promoting ease of doing business and financial education and strengthening the supervision of the intermediaries.

Ease of doing business in the Indian securities market is an important area of focus for SEBI which is in line with the overall national agenda. SEBI took several important measures during the year. Towards this end and for further increasing ease of transactions, SEBI has taken several initiatives such as introduction of UPI for blocking funds in public issues and distribution of cash benefits through depositories. In a similar vein, SEBI recognised the difficulties faced by start-ups in getting listed due to their peculiar circumstances and thereby created a specialised platform to address their concerns.

One of the major tasks of the securities market is to help raise investible resources for the industry. Measures such as a framework for compression in post-issue timelines and the consequent early listing and trading of shares to as little as three days from the existing six days has been brought in. The ultimate aim is to enhance the role of Indian securities market in channelizing long term finance by facilitating resource mobilisation through various fund raising avenues - the primary market both equity and corporate bonds, alternative investment

funds, REITs, InVITs and municipal bonds. Policy refinements for expanding the geographical spread of the securities market across the length and breadth of the country will also continue.

Some of the other major focus areas of SEBI during this year were guided towards enhancing the ease of transaction in primary equity market, corporate bonds and AIFs, ease of investment by FPIs and strengthening the commodity derivatives market so as to make it more relevant for different stakeholders as well as increasing its depth by enabling more participants and more products.

Amidst this dynamic and evolving financial landscape, SEBI also has the difficult and complex task of maintaining market integrity and investor protection while being uncompromising in its path to embrace new market developments. Apart from enhancing investor awareness and improving access to the securities market, SEBI will continue to strengthen market supervision through various steps such as technology solutions being built to achieve the objective of identifying non-compliances and assisting investigations. Deterring, effective and timely enforcement actions against errant entities will also be taken to maintain discipline and the overall integrity of the market.

While protecting investors in securities market, SEBI is also committed to its objective of promoting awareness about financial markets, making investors aware of financial planning and about their rights and obligations regarding investments. SEBI will continue to expand financial literacy and investor awareness

programmes and activities directly and in partnership with other stakeholders especially in the emerging commodity derivatives sphere. Based on the feedback received from the market participants, SEBI has broadened the scope of SCORES, its online investor complaints portal. In the coming year, SEBI shall continue to pursue its mandate and provide an orderly market while simultaneously tackling the issues that have been the root cause of investor grievances in some segments of the market.

To effectively regulate these markets, regulators and policymakers also need to be proactive, keep themselves updated and upgraded. Over the years, SEBI has strengthened both its regulatory purview and internal capacity to ensure that the interests of the investors are well protected. Steps were also taken to augment SEBI's human resources towards the goal of improved working and functioning of the organization.

Going ahead, SEBI endeavors to deploy data analytics and new generation technologies to understand and handle various challenges in the market. SEBI would encourage adoption and usage of financial technology ('FinTech') to further develop and maintain an efficient, fair and transparent securities market ecosystem which also promotes innovation in the securities market. Efforts are under way to deepen the corporate bonds market, widen the penetration of mutual funds across the country and strengthen the commodity derivatives market. SEBI is all geared up to face newer challenges and evolve with the times and I am sure that with the combined efforts of all the stakeholders in the Indian ecosystem including Government and policymakers, the Indian financial market will ascend to newer heights.



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This report can also be accessed on internet at: <http://www.sebi.gov.in>

Conventions used in this Report

₹ : Rupees

Lakh : Hundred thousand

Crore : Ten million

Million : Ten lakh

Billion : Thousand million/hundred crore

NA : Not Available

Na : Not Applicable

p.a. : Per annum

Differences in total are due to rounding off and sometimes they may not exactly add up to hundred percent.

Source of Charts and Tables where not mentioned is SEBI.

ABBREVIATIONS

AGM	Assistant General Manager
AIF(s)	Alternative Investment Fund(s)
AMC(s)	Asset Management Company/Companies
AMFI	Association of Mutual Funds in India
AML	Anti-Money Laundering
AO	Adjudicating Officer
APRC	Asia- Pacific Regional Committee
ASBA	Application Supported by Blocked Amount
ASE	Ahmedabad Stock Exchange
ATR(s)	Action Taken Report(s)
AUM	Assets Under Management
BgSE	Bangalore Stock Exchange
BhSE	Bhubaneswar Stock Exchange
BOs	Beneficial Owners
C&AG	Comptroller & Auditor General of India
CAD	Current Account Deficit
CBDT	Central Board of Direct Taxes
CCL	Clearing Corporation Limited
CCP	Central Counter Party
CDAC	Commodity Derivatives Advisory Committee
CDIL	Corporate Debt Investment Limit
CDSL	Central Depository Services (India) Limited
CEO	Chief Executive Officer
CFT	Countering Financing of Terrorism
CJM	Chief Judicial Magistrate
CGM	Chief General Manager
CIC	Central Information Commission
CIMC	Collective Investment Management Company
CIS	Collective Investment Scheme
CMs	Clearing Members
CMS	Case Management System
Core SGF	Core Settlement Guarantee Fund
CoSE	Cochin Stock Exchange
CPE	Continuing Professional Education
CPIO	Central Public Information Officer
CRA(s)	Credit Rating Agency/Agencies

CRS	Common Reporting Standards
CSD(s)	Central Securities Depositories
CSE	Calcutta Stock Exchange
CSO	Central Statistics Office
CSX	Coimbatore Stock Exchange
CTC	Cost to Company
CVO	Chief Vigilance Officer
CVC	Central Vigilance Commission
D&U	Declarations and Undertakings
DAC	Department of Agriculture and Cooperation
DBT	Direct Benefit Transfer
DDPs	Designated Depository Participants
DEA	Department of Economic Affairs
DFIs	Domestic Financial Institutions
DGM	Deputy General Manager
DIP	Disclosure and Investor Protection
DJIA	Dow Jones Industrial Average
DMS	Document Management System
DP(s)	Depository Participant(s)
DPI	Deemed Public Issue
DSE	Delhi Stock Exchange
DT(s)	Debenture Trustee(s)
EBM	Electronic Book Mechanism
EBP	Electronic Book Provider
ED	Executive Director/Enforcement Directorate
EFD	Enforcement Department
EFI(s)	Eligible Foreign Investor(s)
ELM	Extreme Loss Margin
EMDE(s)	Emerging Market and Developing Economies
EMIR	European Market Infrastructure Regulation
EPFO	Employee Provident Fund Organisation
ERP	Enterprise Resource Planning
ESMA	European Securities and Markets Authority
ETCD	Exchange Traded Currency Derivatives
ETF(s)	Exchange Traded Fund(s)
EU	European Union
F&O	Futures and Options
FAQ(s)	Frequently Asked Question(s)
FATCA	Foreign Account Tax Compliance Act

FATF	Financial Action Task Force
FCD(s)	Fully Convertible Debenture(s)
FCRA	Forward Contracts Regulation Act
FD	Fiscal Deficit
FDI	Foreign Direct Investments
FIIIs	Foreign Institutional Investors
FIs	Financial Institutions
FMC	Forward Markets Commission
FMI(s)	Financial Market Infrastructure(s)
FPI(s)	Foreign Portfolio Investor(s)
FPO(s)	Further Public Offering(s)
FSAP	Financial Sector Assessment Programme
FSB	Financial Stability Board
FSDC	Financial Stability Development Council
FSRB	FATF-Style Regional Body
FVCI(s)	Foreign Venture Capital Investor(s)
GAAPs	Generally Accepted Accounting Principles
GCF	Gross Capital Formation
GDP	Gross Domestic Product
GDR(s)	Global Depository Receipt(s)
GEM	Growth and Emerging Market
GFD	Gross Fiscal Deficit
GLOPAC	Global Financial Partnership Center
GM	General Manager
GNI	Gross National Income
GoI	Government of India
GSE	Gauhati Stock Exchange
GST	Goods and Services Tax
HFCs	Housing Finance Companies
HRMS	Human Resource Management System
GVA	Gross Value Added
HNIIs	High Net Worth Individuals
HRD	Human Resource Department
HUFs	Hindu Undivided Families
HySE	Hyderabad Stock Exchange
IA	Investment Advisers
IBC	Insolvency and Bankruptcy Code
ICAI	Institute of Chartered Accountants of India
ICC	Internal Complaints Committee

ICCL	Indian Clearing Corporation Limited
ICD	Inter Corporate Deposits
ICDR	Issue of Capital and Disclosure Requirements
ICSI	The Institute of Company Secretaries of India
ID(s)	Independent Director(s)
IFRS	International Financial Reporting Standards
IFSC	International Financial Service Centre
IID	Internal Inspection Department
IIP	Index of Industrial Production
ILDS	Issue and Listing of Debt Securities
IMF	International Monetary Fund
INR	Indian Rupee
InvIT	Infrastructure Investment Trust
IOSCO	International Organisation of Securities Commissions
IPF	Investor Protection Fund
IPO	Initial Public Offer
IPSTA	Indian Pepper and Spice Trade Association, Kochi (Kerala)
IRF(s)	Interest Rate Futures
ISD	Integrated Surveillance Department
ISE	Inter-Connected Stock Exchange
ISIN	International Securities Identification Number
IT	Information Technology
JPY	Japanese Yen
JSE	Jaipur Stock Exchange
KPM	Key Managerial Persons
KRA	KYC Registration Agency
KYC	Know Your Client
LES(s)	Liquidity Enhancement Scheme(s)
LODR	Listing Obligations and Disclosure Requirements
LSE	Ludhiana Stock Exchange
MCV	Multi-Class Vehicle
MD	Managing Director
MF(s)	Mutual Fund(s)
MFAC	Mutual Fund Advisory Committee
MgSE	Mangalore Stock Exchange
MIIs	Market Infrastructure Institutions
MIM(S)	Multiple Investment Manager(s)
MoF	Ministry of Finance
MoSPI	Ministry of Statistics and Programme Implementation

MoU	Memorandum of Understanding
MPS	Minimum Public Shareholding
MPSE	Madhya Pradesh Stock Exchange Limited
MSEI	Metropolitan Stock Exchange of India Limited
MWPL	Market Wide Position Limit
NBFC	Non-Banking Finance Company
NCD	Non-Convertible Debenture
NCDEX	National Commodity and Derivatives Exchange Limited
NCFE	National Centre for Financial Education
NCLT	National Company Law Tribunal
NCSC	National Cyber Security Coordinator
NDP	Net Domestic Product
NDU	Non Disposal Undertaking
NED(s)	Non-executive Director(s)
NISM	National Institute of Securities Markets
NMCE	National Multi-Commodity Exchange of India Limited
NNI	Net National Income
NPA(s)	Non-performing Asset(s)
NRC	Nomination and Remuneration Committee
NRI(s)	Non-Resident Indian(s)
NRO	Northern Regional Office
NSCCL	National Securities Clearing Corporation Limited
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
NSFE	National Strategy for Financial Education
OCBs	Off-shore Corporate Bodies
ODI(s)	Off-shore Derivatives Instrument(s)
OFS	Offer for Sale
OTC	Over the Counter
OTCEI	Over the Counter Exchange of India
P/B Ratio	Price to Book Ratio
P/E Ratio	Price-Earnings Ratio
PCC	Protected Cell Company
PCD	Partly Convertible Debentures
PE	Private Equity
PFs	Pension Funds
PFUTP	Prohibition of Fraudulent and Unfair Trade Practices
PIT	Prohibition of Insider Trading
PMAC	Primary Market Advisory Committee

PMLA	Prevention of Money Laundering
PPI(s)	Prepaid Payment Instruments
PSE	Pune Stock Exchange
QFI(s)	Qualified Foreign Investor(s)
QIB(s)	Qualified Institutional Buyer(s)
QIP(s)	Qualified Institutions' Placement(s)
QRTA(s)	Qualified Registrars to an Issue / Share Transfer Agents
RA	Research Analyst
RBI	Reserve Bank of India
REIT	Real Estate Investment Trust
RFI	Reporting Financial Institution
RHP	Red Herring Prospectus
RII(s)	Retail Individual Investor(s)
RMC	Risk Management Committee
RMRC	Risk Management Review Committee
ROW	Rest of the World
RP(s)	Resource Person(s)
RHP	Red Herring Prospectus
RPS	Redeemable Preference Share
RPT(s)	Related Party Transaction(s)
RRD	Recovery and Refund Department
RSE(s)	Regional Stock Exchange(s)
RTA	Registrar and Transfer Agent
RTI	Right to Information
SAST	Substantial Acquisition of Shares and Takeovers
SAT	Securities Appellate Tribunal
SCG	School for Corporate Governance
SCI	School for Certification of Intermediaries
SCL	Special Casual Leave
SCM	Self-Clearing Member
SCORES	SEBI Complaints Redress System
SCRA	Securities Contracts (Regulation) Act, 1956
SCRR	Securities Contracts (Regulation) Rules
SCSB(s)	Self-Certified Syndicate Bank(s)
SEBI	Securities and Exchange Board of India
SEC	Securities and Exchange Commission
SECC	Stock Exchanges and Clearing Corporations
SGF	Settlement Guarantee Fund
SHARE	SEBI's Hub for all Resources

SIEFL	School for Investor Education and Financial Literacy
SKSE	Saurashtra Kutch Stock Exchange
SLB	Securities Lending and Borrowing
SMAC	Secondary Market Advisory Committee
SMEs	Small and Medium Enterprises
SMS	Short Message Services
SOC	Security Operation Centre
SPV(s)	Special Purpose Vehicle(s)
SOP	Standard Operating Procedure
SRC	Stakeholders Relationship Committee
SRO(s)	Self-Regulatory Organisation(s)
SRSS	School for Regulatory Studies and Supervision
SSE	School for Securities Education
SSIR	School for Securities Information and Research
SWF(s)	Sovereign Wealth Fund(s)
TAC	Technical Advisory Committee
TER	Total Expense Ratio
TfT	Trade-for-Trade
TRI	Total Return Index
UK	United Kingdom
UNGA	United Nations General Assembly
UPSE	Uttar Pradesh Stock Exchange Limited
UPSI	Unpublished Price Sensitive Information
US	United States
USD	United States Dollar
UTI	Unit Trust of India
VCF(s)	Venture Capital Fund(s)
VIX	Volatility Index
VSE	Vadodara Stock Exchange
WDM	Wholesale Debt Market
WEO	World Economic Outlook
WFE	World Federation of Exchanges
WPI	Wholesale Price Index
WTM	Whole Time Member

Part One: Policies And Programmes

The Securities and Exchange Board of India Act, 1992 (SEBI Act, 1992) established Securities and Exchange Board of India (SEBI) primarily to protect the interests of investors in securities and to promote the development of, and to regulate, the securities market. Section 18 (2) of the SEBI Act, 1992 requires SEBI to submit to the Government of India, within ninety days after the end of each financial year, a report as per the format prescribed by the SEBI (Annual Report) Rules, 1994, giving a true and full account of its activities, policies and programmes during the previous financial year.

SEBI Annual Report 2018–19, giving a true and full account of the activities, policies and programmes during 2018–19 (April 01, 2018–March 31, 2019), has been prepared in conformity with the SEBI (Annual Report) Rules, 1994 and narrates the manner in which SEBI performed its functions and exercised its powers in terms of (i) the SEBI Act,

1992; (ii) the Securities Contracts (Regulation) Act, 1956 (SC(R)A, 1956); (iii) the Depositories Act, 1996; and (iv) the relevant provisions of the Companies Act, 2013.

2018-19 proved to be an extremely eventful year. The global growth as well as trade slowed down, volatility made a comeback in the financial markets and monetary policy normalization paused midway in its stated course. The Indian economy continued to grow, albeit at a slower rate, inflation turned benign, while the financial markets underwent a course correction.

Part One of the SEBI Annual Report 2018–19 starts off with a brief overview of the general economic environment and investment climate and then describes the policies and programmes adopted by SEBI during the year in that context. The Part concludes with an overall assessment of Indian securities market and prospects thereof.

1. REVIEW OF THE GENERAL ECONOMIC ENVIRONMENT AND THE INVESTMENT CLIMATE

I. GLOBAL ECONOMY

The growth in the global output moderated in 2018 to 3.6 per cent from 3.8 per cent in 2017. The growth in the advanced economies slowed to 2.2 per cent in 2018 from 2.4 per cent in 2017, while that in the emerging market and developing economies trickled to 4.5 per cent in 2018 from 4.8 per cent in 2017. The pace of growth seemed to have peaked in many economies during the first half of 2018. Broadly, worsening financial market sentiments, idiosyncratic factors, increasing trade tensions between the United States and its trading partners, higher policy uncertainties contributed to the deceleration in the growth rate.

Among the advanced economies, the momentum remained robust in the United States (2.9 per cent in 2018 compared to 2.2 per cent in 2017), though both the euro area and Japan slowed down in 2018. Among the emerging market and developing economies, growth slowed in all regions except the Commonwealth of Independent States and Sub-Saharan Africa.

Inflation remained well below the targets in the case of most advanced economies and many emerging market economies. The growth in the global trade declined from the peaks seen in 2017. Consequent to all these developments, the monetary policy normalization got a pause at first and the stance shifted to accommodative later for many central banks. The details are presented in Table 1.1.

Table 1.1 : Global Trends in Economic Growth

(per cent)

	2017	2018
World Output	3.8	3.6
a. Advanced Economies	2.4	2.2
i. United States	2.2	2.9
ii. Euro Area	2.4	1.8
iii. Japan	1.9	0.8
b. Emerging Market and Developing Economies	4.8	4.5
i. Commonwealth of Independent States	2.4	2.8
ii. Emerging and Developing Asia	6.6	6.4
India	7.2	7.1
iii. Emerging and Developing Europe	6.0	3.6
iv. Latin America and the Caribbean	1.2	1.0
v. Middle East, North Africa, Afghanistan and Pakistan	2.2	1.8
vi. Sub-Saharan Africa	2.9	3.0
World Trade Volume	5.4	3.8
Consumer Prices		
a. Advanced Economies	1.7	2.0
b. Emerging Market and Developing Economies	4.3	4.8

Source : World Economic Outlook, April 2019, IMF

II. INDIAN ECONOMY

India's gross domestic product for 2018 – 19 (at constant prices) is estimated to be ₹ 1,40,776 billion (₹ 1,31,799 billion for 2017 – 18). The rate

of economic growth slowed to 6.8 per cent for 2018 – 19 from 7.2 per cent for 2017 – 18. Indian economy, the fastest growing major economy, grew by 8.0 per cent in the first quarter of 2018 – 19, while registering a moderation in the rate of growth in

the quarters thereafter. While agriculture and allied activities slowed down in the second quarter and third quarter, growth in industry sharply increased on the back of strong manufacturing, construction and utilities. The growth in the services sector during 2018 – 19 was the lowest in the last seven years.

The headline retail inflation declined steadily from the second quarter, aided by muted food prices. However, core inflation remained high. The Reserve Bank of India (RBI) reduced the key policy rates by 75 basis points during 2018 – 19. The RBI also indicated a change in the monetary policy stance to neutral, under which the key policy rates could be hereafter changed in either direction.

The gross saving during 2017 – 18 is estimated to be ₹ 52,160 billion, amounting to 30.1 per cent of the gross national disposable income (GNDI) (₹ 46,484 billion or 29.9 per cent of the GNDI during 2016 – 17). The households contributed 56.3 per cent of the gross saving during 2017 – 18. Remarkably,

there has been a 30.0 per cent growth in the gross financial saving of the households during the year. The gross capital formation at current prices during 2017 – 18 is estimated at ₹ 55,269 billion or 32.3 per cent of GDP, up from ₹ 47,414 billion or 30.9 per cent of GDP during 2016 – 17.

The fiscal deficit has been contained at 3.4 per cent of GDP in 2018 – 19 in spite of the announcement of an income support scheme for the farmers and the fact that tax revenues are yet to stabilize after the introduction of the Goods and Services Tax. The Government of India has pegged the fiscal deficit for 2019 – 20 also at 3.4 per cent of GDP.

The current account deficit worsened during the year (April – December, 2018) to 2.6 per cent of GDP from 1.9 per cent of GDP in 2017 – 18, on account of a widening trade deficit. Along with net outflows recorded in portfolio investment, this resulted in a depletion of India's foreign exchange reserves. The details are presented in Table 1.2.

Table 1.2 : Key Statistics on the Indian Economy

	2017-18	2018-19
Rate of Growth of GDP (Per cent)	7.2	6.8
Inflation (Per cent)	4.3	2.9
Gross Saving (₹ billion)	52,160	NA
Gross Saving (Per cent of GNDI)	30.1	NA
Gross Capital Formation (₹ billion)	55,269	NA
Gross Capital Formation (Per cent of GDP)	32.3	NA
Fiscal Deficit (Per cent of GDP)	3.5	3.4
Current Account Deficit (Per cent of GDP)	1.9	2.6
Exchange Rate (Indian Rupees Per US Dollar)	65.0	69.2
Foreign Exchange Reserves (USD billion)	424	412

Source : MoF, MoSPI, RBI, FBIL

During the year, the Indian Rupee exhibited a depreciating trend in the first half followed by some appreciation in the second half. The Indian Rupee, which had traded against the US Dollar at ₹ 64.9 on April 09, 2018, touched an all-time low of ₹ 74.4 to the US Dollar on October 11, 2018, though it ended the year at ₹ 69.2 to the US Dollar on March 29, 2019.

A globally strengthening US Dollar, the withdrawals by the Foreign Portfolio Investors (FPIs) in most of the months, etc. were among the contributory factors. The annualized volatility of the exchange rate of the Indian Rupee against the US Dollar during the year stood at 6.8 per cent.

The structural reforms of the yesteryears seem to be now bearing the fruit. 2018 – 19 saw India’s quantum jump in the global pecking order. For instance, in the World Bank’s Doing Business Report 2019, India has recorded a jump of 23 positions against its rank of 100 in 2017 to be placed now at 77th rank among 190 countries assessed by the World Bank. In the Transparency International’s Corruption Perceptions Index, India rose by three positions to 78 in the list of 180 countries in the world.

The Union Budget 2019 – 20, presented in the Parliament of India on February 01, 2019, has laid down the measures to realize the vision to make India a “Five Trillion Dollar Economy” in the next five years and a “Ten Trillion Dollar Economy” in the next eight years thereafter.

III. GLOBAL SECURITIES MARKETS

Overall, the primary market activity was lower in 2018 compared to 2017. Both the number of IPOs and the resources raised through IPOs declined in 2018. The number of IPOs fell by 14.5 per cent to 1,610, while the resources raised through IPOs declined by 12.1 per cent to USD 182 billion. In both instances, the Asia-Pacific and the EMEA regions witnessed declines, while the Americas region reported robust growth.

The number of FPOs and the resources raised through FPOs also fell in 2018 by 23.3 per cent and 27.5 per cent, respectively. The number of FPOs declined only in the EMEA region, while the resources raised through FPOs declined in all the regions.

The global financial markets remained significantly volatile in 2018. The global stock market capitalization stood at USD 74,432 billion as at end-2018. 2018 marked the first year since 2014 when the global stock market capitalization registered an annual decline (a fall of 14.9 per cent compared to USD 87,446 billion as at end-2017) on account of declines across all the regions – the Americas (6.3 per cent), the Asia-Pacific (23.8 per cent) and the EMEA (16.5 per cent) regions.

The turnover on the stock exchanges (equity cash segment) registered robust growth in 2018. The volume of trades grew by 11.5 per cent to 22 billion in 2018 and the value of trades by 15.4 per cent to USD 97,319 billion. While volume of trades rose in all the three regions, the value of trades increased in regions except Asia-Pacific, which saw volume traded go down by 3.6 per cent. The details are presented in Table 1.3.

Table 1.3 : Global Trends in Primary and Secondary Markets

	2017				2018			
	Americas	Asia-Pacific	EMEA	Total	Americas	Asia-Pacific	EMEA	Total
Number of IPOs	255	1,263	364	1,882	350	976	284	1,610
Resources Raised through IPOs (USD billion)	49	106	52	207	52	92	37	182
Number of FPOs	103	442	493	1,038	104	499	193	796
Resources Raised through FPOs (USD billion)	139	365	224	728	118	270	140	528
Global Stock Market Capitalisation (USD billion)	36,517	31,320	19,609	87,446	34,206	23,860	16,366	74,432
Number of Trades ('000s)	5,720,799	11,993,575	1,898,489	19,612,864	6,831,986	12,944,296	2,089,232	21,865,514
Value of Shares Traded (USD billion)	41,873	30,270	12,173	84,317	54,617	29,182	13,519	97,319

Source : World Federation of Exchanges

The increased policy uncertainties, along with elevated volatility, resulted in higher volumes in nearly all exchange traded derivatives. Overall volumes touched a record level of 30.1 billion contracts in 2018, up 20.9 per cent over 24.9 billion in 2017, driven by growth in volumes across all three regions.

All the types of equity derivatives experienced growth in overall volumes, against the backdrop of volatility and increased turnover in the underlying market. Single stock options, stock index options and stock index futures registered growth in all the three regions, while only single stock futures saw declining volumes only in the Americas region.

The uncertainty surrounding the course of the monetary policy in both the advanced economies and the emerging market economies drove the overall volumes of interest rate derivatives in 2018.

The volumes of interest rate futures traded in 2018 increased in all the three regions, while only the Asia-Pacific region reported a decline in the volumes of interest rate options traded. A volatile foreign exchange market fuelled the volumes in currency derivatives in 2018. Both currency options and currency futures reported robust growth in volumes. Only the Americas region reported a marginal decline in the volume traded of currency options and the EMEA region of currency futures.

The commodity derivatives recorded only a marginal growth in 2018. The volumes traded of the most popular among all the exchange traded derivatives – commodity futures – grew by only 0.3 per cent in 2018. The volumes traded in commodity futures declined only in the Asia-Pacific region in 2018, while only the Americas region registered a decline in the volumes traded in commodity options. The details are presented in Table 1.4.

Table 1.4 : Global Trends in Derivatives Markets

(Millions of Contracts)

	2017				2018			
	Americas	Asia-Pacific	EMEA	Total	Americas	Asia-Pacific	EMEA	Total
Equity Derivatives								
Stock Options	2,821	325	339	3,485	3,709	387	356	4,452
Stock Futures	2	551	585	1,138	1	836	617	1,454
Index Options	508	2,190	488	3,186	630	3,183	537	4,350
Index Futures	882	725	780	2,386	1,486	969	924	3,379
Interest Rate Derivatives								
Options	637	2	144	783	713	2	161	875
Futures	2,001	217	993	3,211	2,377	224	1,103	3,704
Currency Derivatives								
Options	28	706	80	814	26	1,045	85	1,156
Futures	452	697	800	1,949	606	1,164	750	2,520
Commodity Derivatives								
Options	207	8	45	261	203	22	55	280
Futures	1,214	3,277	1,132	5,624	1,266	3,216	1,158	5,640

Source : World Federation of Exchanges

Aided by USD 12.7 trillion net sales over a decade, the total net assets of worldwide regulated open-end funds, numbering 1,18,978, stood at USD 46,700 billion as at end-2018, down 5.3 per cent from USD 49,303 billion as at end-2017. A sharp decline in global stock prices and depreciation of currencies

like the Euro, the Australian Dollar, the Chinese Renminbi, etc. against the US Dollar contributed to the decline in the total net assets of worldwide regulated open-end funds in 2018. The details are presented in Table 1.5

Table 1.5 : Global Trends in Worldwide Regulated Open-end Funds

	2017	2018	Change (Per cent)
Total AUM of Worldwide Regulated Open-end Funds (USD billion)	49,303	46,700	-5.3
a. Americas	24,898	23,640	-5.1
b. Europe	17,725	16,478	-7.0
c. Asia and Pacific	6,498	6,426	-1.1
d. Africa	182	155	-14.7
Total Number of Worldwide Regulated Open-end Funds	1,13,930	1,18,978	4.4
a. Americas	27,266	28,379	4.1
b. Europe	54,842	56,036	2.2
c. Asia and Pacific	30,196	32,996	9.3
d. Africa	1,626	1,567	-3.6

Source : 2019 Investment Company Fact Book, Investment Company Institute

IV. INDIAN SECURITIES MARKET

In 2018 also, India continued its rally among the global community of stock exchanges as is evident from various global rankings and a growing share in the global activities. A brief analysis of the performance of the Indian stock market in 2018, against the global and regional perspective described above, confirms this.

India's stock market capitalization as at end-March, 2019 stood at ₹ 1,51,087 billion or USD 2,184 billion. As on December 31, 2018, India's stock market capitalization amounted to 2.8 per cent of the total global stock market capitalization and 8.7 per cent of the stock market capitalization of the Asia-Pacific region.

The recognized stock exchanges clocked a turnover of ₹ 87,246 billion or USD 1,248 billion during 2018–19. The turnover in the equity cash segments of the domestic bourses during 2018 amounted to 1.3 per cent of the global stock market turnover and 4.4 per cent of the stock market turnover in the Asia-Pacific region. In terms of number of trades in equity shares during 2018, NSEIL ranked second only to Shenzhen Stock Exchange and BSE Ltd. ranked 11th globally.

The resources mobilized from the primary market in India amounted to ₹ 549 billion or nearly USD eight billion. India accounted for 6.0 per cent of the total number of IPOs made globally during 2018 and 9.9 per cent of the total number of IPOs made in the Asia-Pacific region. The capital raised through IPOs in India during 2018 amounted to 2.7 per cent of the resources raised through IPOs globally during 2018 and 5.2 per cent of the resources raised through IPOs in the Asia-Pacific region.

The AUM of the registered mutual funds in India amounted to ₹ 23,796 billion or USD 344 billion as at end-March, 2019. The number of regulated open-end funds from India as at end-2018 accounted for 0.7 per cent of the regulated open-end funds worldwide and 2.5 per cent of the regulated open-end funds in the Asia-Pacific region. The AUM of the regulated open-end funds from India as at end-2018 amounted to 0.6 per cent of the AUM of the regulated open-end funds worldwide and 4.6 per cent of the AUM of the regulated open-end funds in the Asia-Pacific region. The details are presented in Table 1.6.

Table 1.6 : Share of the Indian Securities Market in the Asia-Pacific and the World (per cent)

	2017	2018
India's Share in Number of IPOs		
Asia-Pacific	9.0	9.9
World	6.1	6.0
India's Share in Resources Raised through IPOs		
Asia-Pacific	11.1	5.2
World	5.7	2.7
India's Share in Stock Market Capitalisation		
Asia-Pacific	7.6	8.7
World	2.7	2.8
India's Share in Stock Market Turnover		
Asia-Pacific	3.9	4.4
World	1.4	1.3
India's Share in AUM of Regulated Open-end Funds		
Asia-Pacific	4.7	4.6
World	0.6	0.6
India's Share in Number of Regulated Open-end Funds		
Asia-Pacific	2.7	2.5
World	0.7	0.7

Note : The data for 2017 and 2018 pertains to calendar year i.e. Jan-Dec.
Source : Staff computations

The National Stock Exchange of India Ltd. remained the premier equity derivatives exchange not only in India but globally. In 2018, NSEIL ranked first among the global equity derivatives exchanges in terms of number of stock index options contracts traded, second in terms of number of single stock futures contracts traded, eighth in terms of number of single stock options contracts traded. BSE Ltd. was second only to its Indian counterpart NSEIL as

regards the number of currency derivatives contracts traded. Lastly, NSEIL ranked eighth among the global derivatives exchanges in terms of long term interest rate derivatives contracts traded, while Multi Commodity Exchange of India Ltd. (MCX) stood at the eighth position among the global derivatives exchanges in terms of commodity derivatives contracts traded. The details are presented in Table 1.7.

Table 1.7 : Ranking of India's Stock Exchanges among the Global Derivatives Exchanges

Type of Product	Name of the Exchange	Global Rank
Single Stock Options	NSEIL	8
Single Stock Futures	NSEIL	2
Stock Index Options	NSEIL	1
Long Term Interest Rate Options and Futures	NSEIL	8
Currency Options and Futures	NSEIL	1
Currency Options and Futures	BSE Ltd.	2
Commodity Options and Futures	MCX	8

Source : 2018 IOMA Derivatives Report, World Federation of Exchanges

Some of the derivatives contracts traded on the Indian stock exchanges are among the derivatives contracts that are traded the most globally. For instance, Nifty Bank Index Options contracts and Nifty 50 Index Options contracts ranked first and third, respectively among all the stock index options contracts traded globally in 2018. Of the top-5 currency derivatives contracts traded globally in

2018, derivatives on the USD-INR pair traded on BSE Ltd. and NSEIL accounted for four slots including the first. MCX ranked fourth among global derivatives exchanges in terms of both the derivatives contracts traded on non-precious metals and the derivatives contracts traded on precious metals. The details are presented in Table 1.8.

Table 1.8 : Global Ranking of Derivatives Contracts Traded on India's Stock Exchanges

Name of the Contract	Name of the Exchange	Global Rank
Nifty Bank Index Options	NSEIL	1
Nifty 50 Index Options	NSEIL	3
USD-INR Options	BSE Ltd.	1
USD-INR Futures	NSEIL	2
USD-INR Options	NSEIL	4
USD-INR Futures	BSE Ltd.	5
Derivatives on Non-Precious Metals	MCX	4
Derivatives on Precious Metals	MCX	4

Source : 2018 IOMA Derivatives Report, World Federation of Exchanges

In 2018 also, SEBI continued to play a contributory role in the standard setting process as well as the policy work for the global securities market, being a Member of the IOSCO Board as well as most of its Policy and Standard Setting Committees. SEBI is committed to ensuring that the experience so gained is put to the optimum use to

developing the Indian securities market befitting the New India.

A detailed analysis of the developments in the Indian securities market is provided in Part Two of this Annual Report.

2. REVIEW OF POLICIES AND PROGRAMMES

With a view to keep the Indian securities market integrated with the global regulatory regime, incessant developments are essential while in harmony with the objectives enshrined in the SEBI Act, 1992. Alike every year, 2018-19 as well witnessed various policy reforms initiated by SEBI which are presented in this section.

The policies and programmes are categorized under eight major heads: Primary Securities Market, Secondary Securities Market, Commodity Derivatives Market, Mutual Funds, Intermediaries associated with the Securities Market, Foreign Portfolio Investors, Corporate Debt Market and Other Policies and Programmes.

I. PRIMARY SECURITIES MARKET

The primary market is the avenue for resource mobilization and capital formation in the country as it brings together investors seeking investment opportunities and issuers seeking to mobilize resources to finance their investments. A well-developed primary market is fundamental for an economy to prosper. In order to further refine the primary market design and boost investor confidence, various measures have been undertaken by SEBI in 2018-19. This section throws light on the policy measures initiated during the financial year.

A. New Buy-back Regulations

The SEBI (Buy-back of Securities) Regulations, 2018 (Buyback Regulations) have been notified in September 2018 in lieu of the SEBI (Buy-back of Securities) Regulations, 1998. The relevant provisions outlined under Sections 68 and 70 of the Companies Act, 2013 have been incorporated in the Buyback Regulations to make it self-contained.

B. Facilitating compliance with securities law by listed entities undergoing Corporate Insolvency Resolution Process (CIRP) under the Insolvency and Bankruptcy Code, 2016 (IBC)

The following are the major relaxations provided to companies undergoing CIRP under IBC:

- a. **SEBI (SAST) Regulations, 2011:** Acquisitions pursuant to an approved resolution plan have been exempted from the proviso that prohibits acquisition beyond maximum permissible non-public shareholding under Regulation 3 (2) of Takeover Regulations.
- b. **SEBI (Delisting of Equity Shares) Regulations, 2009 (Delisting Regulations):** Delisting pursuant to an approved resolution plan has been exempted from the applicability of Delisting Regulations, if such plan -
 - i. lays down any specific procedure to complete the delisting of such share; or
 - ii. provides an exit option to the existing public shareholders at a price specified in the resolution plan, subject to the conditions that the shareholders are given exit at a price not less than the liquidation value after paying off dues, and such exit price is not less than the price paid to the promoters and details of delisting along with justification for the exit price have been disclosed to the stock exchanges within one day of approval of resolution plan.
- c. **SEBI (ICDR) Regulations, 2009¹:** Relaxation was provided from the applicability of the Chapter on Preferential Issues, except for lock-

1 Subsequently, SEBI (ICDR) Regulations, 2009 was repealed and the corresponding regulation was continued in the new SEBI (ICDR) Regulations, 2018

in provisions, if the preferential issue of specified securities is made in terms of approved resolution plan.

d. **SEBI (LODR) Regulations, 2015**

i. Corporate governance norms such as composition of board of directors, frequency of meetings of directors, composition of various board committees, etc. have been relaxed, provided that the role and responsibilities of the board of directors shall be fulfilled by the interim resolution professional or resolution professional;

ii. The requirement that all material related party transactions shall require approval of the shareholders through resolution has been relaxed in respect of an approved resolution plan provided that the same has been disclosed to the recognized stock exchanges within one day of the approval of resolution plan;

iii. Restructuring proposals (e.g. merger, demerger, reduction, etc.) approved as part of a resolution plan have been exempted;

iv. The criteria for re-classification of promoters have been relaxed if re-classification of existing promoter or promoter group of the listed entity is as per the approved resolution plan.

Box Item 1.1 : New SEBI (ICDR) Regulations, 2018

SEBI (ICDR) Regulations were notified in the year 2009. Numerous amendments have been made to the ICDR Regulations since then. Different types of offerings to raise funds in the primary market have been introduced. SEBI has also issued various informal guidance/ interpretative letters regarding interpretation of various provisions of the ICDR Regulations. Further, there have been changes in market practices and regulatory environment over a period of time. A need was thus felt to review and realign the ICDR Regulations with these developments and to ensure that they reflect the best practices adopted globally. The ICDR Regulations have been thoroughly revamped with policy changes. The new Regulations were notified on September 11, 2018. The new Regulations came into force on November 10, 2018.

The salient features of the new SEBI (ICDR) Regulations, 2018 are as follows:

- a. All the chapters have been categorized on the basis of the type of offering so that all relevant information pertaining to regulations relating to a particular type of offering are available at one place.
- b. The procedural requirements have been specified through schedules to the draft regulations.
- c. The provisions have been rearranged based on their sequence in the public issue process and relevance.
- d. The provisions of Companies Act, 1956 (wherever applicable), Companies Act, 2013, Takeover regulations, SEBI (Share Based Employee Benefits) Regulations, 2014 have been suitably incorporated.
- e. Various informal guidance /interpretative letters/ FAQs/ circulars regarding interpretation of various provisions of the regulations issued by SEBI from time to time have been suitably incorporated.

Some of the key policy changes are as follows:

- a. Alignment of the definitions of Promoter and Promoter Group with the Companies Act, 2013;
- b. To restrict the disclosures of group companies to information related to related party transactions and do away with the requirements pertaining to financial information, litigations etc.
- c. Increase in the threshold for filing of draft letter of offer for rights issue from the current size of ₹ 50 lakh to ₹ 10 crore and above.
- d. Enable issuers to undertake public issues whose directors were debarred by the Board in the past and such directors have completed the debarment period.
- e. In case of IPOs, the requirement that the aggregate of the proposed issue and all previous issues made in the same financial year does not exceed five times the issuer's pre-issue networth done away with.
- f. To allow FVCFs to contribute towards minimum promoter's contribution, in addition to AIFs.
- g. Requirement of announcing floor price/ price band has been reduced from five working days to two working days for IPOs.
- h. Extension of issue period, in case of IPOs and FPOs, even without modification in price band.
- i. Application size for non-institutional investors capped at total issue size less QIB portion.
- j. Rationalization of the requirements and contents of due diligence certificate.
- k. Introduction of a new section on "Prospectus Summary" in place of the sub-section "Prominent notes" to risk factors.
- l. Extension of the requirement of disclosing the shareholding of 10 largest shareholders to shareholders holding one per cent and above.
- m. Reduction of the disclosure of financials to latest three years on consolidated basis and disclosure of the standalone financials of the issuer company and the financials of the subsidiaries on the website of the issuer company.
- n. Rationalization of the issue advertisements and prescription of a format for advertisement on hoardings.
- o. Reducing the minimum application size for anchor investors from ₹ 10 crore to two crore for SME issues, in view of the smaller size of SME public issues.
- p. Merging of the provisions of IIP with those of QIP.

C. Transfer of shares only in dematerialized form

SEBI has decided that transfer of securities only in dematerialized form will improve ease, convenience and safety of transactions for investors. In this regard, SEBI has mandated that with effective from April 01, 2019, transfer of listed securities (except in case of transmission or transposition of securities), shall not be processed unless the securities are held in dematerialized form with a depository.

D. Re-classification of promoter / public

SEBI has streamlined the process for re-classification as promoter/public in a listed entity and brought greater clarity in the framework. The revised provisions enable reclassification of persons classified as promoters/ part of promoter group to public subject to certain conditions and processes to be followed, *inter-alia*, including the following:

- a. The promoter(s) seeking re-classification and persons related to them should not hold more than 10 per cent of the total voting power or exercise control over the listed entity or have special rights in the company be represented on the board of the listed entity or act as key managerial persons for a period of three years from such re-classification be willful defaulters
- b. The revised process provides for application for reclassification by the promoter seeking, review by the company's Board and approval by the shareholders, with exiting promoters and related persons not allowed to vote.

Box Item 1.2 : Reducing the Time Period for Listing of Issues

SEBI has introduced the use of Unified Payment Interface (UPI) with facility of blocking Funds (ASBA facility), as a new payment mechanism for retail investor applications submitted through intermediaries.

This is a significant process reform aimed at reducing the time period for listing of issues from T+6 days to T+3 days. The compression in post-issue timelines and the consequent early listing and trading of shares will benefit both issuers as well as investors. Issuers will have faster access to the capital raised thereby enhancing the ease of doing business and the investors will have early liquidity. Under the new process, there will be no physical movement of retail investor application forms from intermediaries to self-Certified syndicate Banks (SCSBs).

SEBI has issued a circular dated November 1, 2018 in this regard applicable for public issues opening after January 01, 2019. Considering the time required for making necessary changes to the systems and to ensure complete and smooth transition to UPI payment mechanism the alternate payment mechanism and consequent reduction in timelines will be introduced in a phased manner.

E. Corporate Debt Restructuring

In the context of corporate debt restructuring implemented in accordance with the guidelines specified by the Reserve Bank of India, exemptions from applicability of conditions for preferential issue provided in SEBI (ICDR) Regulations, 2018 and from the obligation of making an open offer provided in SEBI (SAST) Regulations have been restricted to all scheduled commercial banks (excluding RRBs) and all India financial institutions for acquisitions in their ordinary course of business. Such exemptions are not available for acquisition of shares by persons other than aforesaid lenders by way of allotment by the target company or purchase from lenders.

Further, Takeover Regulations provide for exemption from open offer for any acquisition pursuant to a scheme of arrangement/reconstruction

pursuant to an order of a court or a tribunal or a competent authority under any law or regulation, Indian or foreign. The reference to approval by "Competent Authority" in the SEBI (SAST) Regulations has been removed pursuant to amendment on March 29, 2019.

F. Innovators Growth Platform

In view of the evolving start-up ecosystem and to make the Institutional Trading Platform (ITP) more accessible, SEBI constituted a group on June 12, 2018 to review the ITP framework. The group submitted its recommendations to SEBI suggesting certain policy changes which were deliberated on, in the PMAC of SEBI and based on the recommendations of PMAC, a consultation paper was put up on SEBI's website for public comments. The SEBI Board approved the following proposals:

- a. Platform to be renamed as Innovators Growth Platform (IGP).
 - b. In order to be eligible for listing on the IGP, the issuer shall be a company which is intensive in the use of technology, information technology, intellectual property, data analytics, bio-technology or nano-technology to provide products, services or business platforms with substantial value.
 - c. 25 per cent of the pre-issue capital, of the issuer company for at least a period of two years, should have been held by:
 - i. Qualified Institutional Buyers;
 - ii. Family trust with net-worth of more than five hundred crore rupees;
 - iii. Category III Foreign Portfolio Investor;
 - iv. A pooled investment fund with minimum assets under management of USD 150 million and registered with a financial sector regulator in the jurisdictions where it is resident. The fund should be a resident of a country whose securities market regulator is a signatory to IOSCO's MMOU (Appendix A Signatories) or a signatory to bilateral MOU with SEBI and not a resident in a country identified in the public statement of Financial Action Task Force as deficient in AML and combating financing of terrorism.
 - v. Accredited Investors (AIs) for the purpose of IGP, to include:
 - Any individual with total gross income of ₹ 50 lakh annually and who has minimum liquid net worth of five crore or
 - Any body corporate with net worth of ₹ 25 crore
 - d. Not more than 10 per cent of the pre-issue capital may be held by AIs.
 - e. The requirement of cap on holding not more than 25 per cent of the post issue capital by any person individually or collectively with persons acting in concert to be deleted.
 - f. The minimum application size and minimum trading lot to be two lakh and in multiples two lakh thereof.
 - g. There would not be any requirement of minimum reservation of allocation to specific category of investors.
 - h. Minimum number of allottees to be 50.
 - i. Minimum net offer to public should be in compliance with minimum public shareholding (MPS) norms and minimum offer size to be ₹ 10 crore.
 - j. IGP to be designated as a platform for start-ups with an option to trade under regular category after completion of one year of listing subject to compliance with exchange requirements.
- G. Review of reverse book building process (RBB), allowing counter offer by promoter(s) / acquirer(s)**
- In case of voluntary delisting, if the price discovered through RBB is not accepted by the promoters, a counter offer can be provided by the promoters. However, the price of the counter offer should not be less than the book value and such counter offer will be successful only if it is accepted by public shareholders such that the promoter shareholding reaches 90 per cent. In this regard, SEBI had also issued a discussion paper soliciting comments from public. Accordingly, the SEBI (Delisting of Equity Shares) Regulations, 2009 were suitably amended on Nov 14, 2018.
- Further, SEBI vide circular dated March 13, 2019 provided detailed timelines for counter offer.

H. Restrictions on Fugitive Economic Offenders

The Government of India has notified the Fugitive Economic Offenders Act, 2018. The Act has laid down measures to enable attachment and confiscation of proceeds of crime associated with economic offenders and the properties of the economic offenders. In this regard, SEBI has also imposed several restrictions on fugitive economic offenders in relation to accessing securities markets, such as:

- a. Prohibition from making an open offer, competing offer or acquiring any shares or voting rights or control in a target company.
- b. Restrictions on raising capital through IPOs on main board, rights issue, further public offers, preferential issue, QIPs, IPO of Indian Depository Receipts (IDRs), Rights issue of IDRs and IPO by SMEs, if any of the promoter or director of the issuer is a fugitive economic offender.

- c. Restrictions on listing on ITPs and issue of bonus shares if any of the promoter or director of the issuer is a fugitive economic offender.

I. Flexibility to change Offer for sale (OFS) size

Under the SEBI (ICDR) Regulations, 2018, in case of any increase or decrease in estimated issue size by more than 20 per cent, fresh filing of the offer document with the Board is required. At present, such requirement is for both fresh issues and OFS. In case of an OFS (excluding fresh issue component), SEBI has prescribed that fresh filing of offer document with the board will be required, when there is a change in either the number of shares offered for sale or the estimated issue size, by more than 50 per cent.

J. Corporate Governance – Implementation of recommendations made by Kotak Committee

The amendments to LODR Regulations, based on recommendations of the committee on Corporate Governance under Shri Uday Kotak as approved by SEBI Board, were notified vide amendment dated May 9, 2018.

Box Item 1.3 : Revised Standard Operating Procedure for suspension and revocation of trading of specified securities

SEBI prescribed revised standard operating procedure (SOP) for suspension and revocation of trading of specified securities vide circular dated May 03, 2018:

The following are the salient features of the revised SOP:

- a. It is more comprehensive and covers a wide gamut of LODR Regulations such as the requirements pertaining to composition of the listed company's Board and its committees, submission of corporate governance compliance report, financial results and voting results, etc. Non-compliance of these regulations will lead to imposition of fines by stock exchanges.
- b. It also empowers the stock exchanges to freeze the entire shareholding of the promoter and promoter group in such non-compliant entity as well as their shareholding in other securities.
- c. If non-compliance persists, it will lead to suspension and initiation of process of compulsory delisting of such non-compliant listed entities.

The revised framework is expected to promote a better compliance culture apart from putting in place an appropriate system for effective enforcement of continuous compliance of requirements by listed entities and their promoter/ promoter group.

K. Procedure and formats for limited review / audit report of the listed entity and those entities whose accounts are to be consolidated with the listed entity

As a result of one of the suggestions of the Kotak Committee on corporate governance, SEBI (LODR) Regulations, 2015 was amended (with effect from April 01, 2019) requiring that the Statutory auditor of a listed entity shall undertake a limited review of the audit of all the entities/companies whose accounts are to be consolidated with the listed entity as per AS 21 in accordance with guidelines issued by the Board on this matter.

In this regard, SEBI issued a circular on March 29, 2019 specifying the procedure for such limited review as well as the formats of limited review and audit reports. Formats have been specified separately for listed banks and listed entities other than banks and insurance companies. Insurance companies shall follow formats as prescribed by IRDA. The circular also stated that the ICAI may consider issuing necessary guidance to chartered accountants ensure compliance with this circular in letter and in spirit.

L. Format for Secretarial audit and Secretarial compliance report

As per the recommendations of the Kotak Committee on Corporate Governance, SEBI (LODR) Regulations, 2015 was amended and it was mandated that every listed entity and its material unlisted subsidiaries incorporated in India shall undertake secretarial audit and shall annex with its annual report, a secretarial audit report, given by a company secretary in practice, in such form as may be prescribed with effect from the year ended March 31, 2019.

In this regard, SEBI vide circular dated February 8, 2019 specifying a format for the Annual secretarial compliance report, to be certified by practicing company secretaries for listed entities.

While the annual secretarial audit shall cover a broad check on compliance with all laws applicable to the entity, listed entities shall additionally, on an annual basis, require a check by the practicing company secretaries (PCS) on compliance of all applicable SEBI Regulations and circulars/ guidelines issued thereunder, consequent to which, the PCS shall submit a report to the listed entity which shall in turn, submit the same to the stock exchanges within 60 days of the end of the financial year.

The circular also stated that the ICSI may consider issuing a guidance note to PCS to enable them to undertake certifications in accordance with the Regulations and this circular in letter and in spirit.

M. Distribution of cash benefits through depositories

SEBI has permitted the option of distribution of cash benefits like dividends through depositories, in addition to the present system of distribution directly by the listed entities or through their registrar to an issue and/or share transfer agents were notified vide amendment dated on May 30, 2018. The option will widen the choice for investors with its benefits such as shorter turnaround time for receiving benefits, ability to get consolidated statements of all such benefits and to receive alerts (SMS / e-mails), etc.

N. Extending disclosure requirements pertaining to Sexual Harassment of Women to all listed companies

In order to strengthen disclosures relating to safety of women at corporate sector workplaces, amendments have been made to Schedule V of LODR Regulations to insert the following disclosure requirement with respect to complaints under the sexual harassment of women at workplace (Prevention, Prohibition and Redressal) Act, 2013 in the corporate governance report as part of Annual reports of listed entities:

- a. No. of complaints filed during the financial year
- b. No. of complaints disposed of during the financial year
- c. No. of complaints pending as at end of the financial year

O. Exit to public shareholders pursuant to compulsory delisting

As per the delisting regulations, promoters of compulsorily delisted companies have to provide exit to the public shareholders. However, the delisting regulations did not provide any specific timeline for providing this exit option. Therefore, the delisting regulations have been amended requiring the promoters to give exit to public shareholders within three months of delisting from recognized stock exchange.

P. Disclosure requirements provided under Regulation 29 of takeover regulations

Under takeover regulations, shares taken by way of encumbrance are treated as an acquisition and shares given upon release of encumbrance are treated as a disposal for the purpose of disclosure requirements provided under Regulation 29 of takeover regulations. Such disclosure requirements are not applied to a scheduled commercial bank or public financial institution as pledgee in connection with a pledge of shares for securing indebtedness in the ordinary course of business. Similar exceptions from disclosure requirement have been extended to deposit taking Housing Finance Companies (HFCs) or HFCs with asset size of ₹ 500 crore or more, registered with National Housing Bank; and systemically important NBFCs.

Q. System driven disclosures

Certain provisions of the Takeover Regulations and SEBI (Prohibition of Insider Trading) Regulations,

1992 (PIT Regulations) require persons / companies to disclose their shareholding / acquisitions on a periodic / transaction basis. SEBI had vide circular dated December 01, 2015, introduced system-driven disclosures in securities market detailing the procedure to be adopted for its implementation with effect from January 01, 2016. The disclosures in the first phase pertained to acquisition/disposal of equity shares by promoters/promoter group based on specified thresholds under the SAST Regulations and PIT Regulations.

SEBI vide circular dated May 28, 2018 extended these system driven disclosures for non-promoters for the following parameters, w.e.f. August 01, 2018:

- a. Disclosures under Regulation 29(1) and 29(2) of SAST Regulations by non-promoters.
- b. Disclosures under Regulation 7(2) of PIT Regulations pertaining to directors and employees of the company. The CEO and upto two levels below CEO of a company have been considered in Phase II for the purpose of system-driven disclosures in respect of Regulation 7(2) (b) of PIT Regulations.

R. Advisory Committee

The Primary Market Advisory Committee (PMAC) met thrice during the current financial year and deliberated on several policy issues and made key recommendation which includes providing exception to HFCs and systemically important NBFCs in proviso of the Regulation 29(4) of SAST 2011, flexibility to change issue size in case of fresh issue as well as offer for sale, disclosure of detailed reasons for delay in disclosure of financial results within one working day of the due date, provision for counter offer in RBB at the time of voluntary delisting.

II. THE SECONDARY SECURITIES MARKET

Secondary market witnessed volatility amidst global and domestic factors, but the financial year 2018-19 punctuated by spells of selloff drew to a close when BSE benchmark Sensex managed to achieve its best annual gain of 17.3 per cent since 2014-15. NSE's Nifty rose by 14.9 per cent during the year. The secondary markets are often referred to as the barometer to a nation's health and as a result they require continuous technological advancements accompanied by a review of the existing guidelines so as to maintain a competitive edge. The policy initiatives taken by SEBI relating to the secondary securities market during 2018-19 are as under:

A. Guidelines for functioning and development of securities market in international financial services centre (IFSC)

In order to facilitate ease of doing business in IFSC, the following steps have been taken:

- a. SEBI vide circular dated May 21, 2018 permitted the clearing corporations operating in IFSC to invest their own funds in AAA rated foreign sovereign securities, apart from central government securities, fixed deposit receipts of banks and liquid schemes of debt mutual funds, subject to a limit of 10 per cent of the total investible resources, excluding funds lying in core settlement guarantee fund of the clearing corporation.
- b. SEBI vide circular dated May 24, 2018 decided to permit segregated nominee account structure in IFSC wherein orders of foreign investors may be routed through eligible segregated nominee account providers for trading on stock exchanges in IFSC while adhering to regulatory requirements, inter alia, relating to identification of end-client, order placement at client level, client level margining and position limits et al.
- c. SEBI vide circular dated March 18, 2019 clarified that eligible foreign entities may participate in non-agricultural commodity derivatives contracts traded in stock exchanges in IFSC. Such contracts would be cash settled and the transactions shall be denominated in foreign currency only.

B. Additional risk management measures for derivatives segment

SEBI, vide circular dated May 02, 2018, decided that for the equity derivatives segment, the client margins which are required to be compulsorily collected and reported to the stock exchange/clearing corporation, as the case may be, by the clearing members/trading members shall include initial margin, exposure margin/extreme loss margin, calendar spread margin and mark to market settlements. It was further clarified that for the equity derivatives segment, the liquid net-worth shall be arrived at by deducting initial margin and the exposure margin/extreme loss margin from the liquid assets of the clearing member.

C. Interoperability among Clearing Corporations

Interoperability provides for linking of multiple clearing corporations and allows market participants to consolidate their clearing and settlement functions at a single clearing corporation, irrespective of the stock exchange on which the trade is executed. It is envisaged that the interoperability would lead to efficient allocation of capital for the market participants, thereby saving on cost as well as provide better execution of trades. Accordingly, amendments have been carried out in the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018. Further, SEBI vide circular dated November 27, 2018 has inter alia laid down the broad guidelines in order to operationalize the interoperable framework. The

stock exchanges and clearing corporations have been advised to take all necessary steps to operationalize the interoperable framework latest by June 01, 2019.

D. Review of risk management framework for equity derivatives segment

In order to bring the margin period of risk (MPOR) in greater conformity with the principles for financial market infrastructures (PFMI), the Risk Management Review Committee (RMRC) of SEBI recommended that the MPOR may be increased to two days as compared to current MPOR of one day. SEBI vide circular dated December 17, 2018 inter alia decided that the stock exchanges/clearing corporations shall estimate the appropriate MPOR, subject to a minimum of two days, for each equity derivative product based on liquidity therein and scale up the applicable margins accordingly. Further, with a view to make the risk management framework more robust, it was decided that the payment of

MTM margin shall mandatorily be made by all the members before start of trading on the next day. The short option minimum charge for index option contracts was also revised to five per cent from three per cent.

E. Revision in haircut on central government securities (G-sec) accepted as collateral from clearing members by clearing corporations

Clearing corporations were earlier permitted to accept G-sec as collateral with an applicable haircut of 10 per cent. Based on the feedback received from market participants regarding the need for haircuts based on liquidity and the recommendations made by RMRC of SEBI thereupon, SEBI vide circular dated February 21, 2019 inter alia revised the minimum haircut applicable to the G-sec deposited by the clearing members with the clearing corporations, as under:

S. No.	Type and Tenor of securities	Haircut (per cent)
1.	Treasury Bills and Liquid G-sec having residual maturity of less than 3 years	2
2.	Liquid G-sec having residual maturity of more than three years	5
3.	All other semi-liquid and illiquid G-sec	10

F. Review of regulation and relevant circulars pertaining to stock exchanges, clearing corporations and depositories (MIIs)

SEBI Board took note of the recommendations of the Gandhi Committee constituted by SEBI for

‘Review of regulation and relevant circulars pertaining to MIIs’ and the proposals thereon. Based on the Board decision, SEBI (Depositories and Participants) Regulations, 2018 and Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 were notified vide gazette notification date October 3, 2018, implementing the following:

- a. In order to bring parity, the shareholding limits, which can be held by both eligible

domestic and foreign entities in a MIIs, have been harmonized across MIIs.

- i. Eligible domestic and foreign entities, may be permitted to hold upto 15 per cent shareholding in case of depository and clearing corporation, as is the case for stock exchanges;
- ii. Concept of sponsor has been removed in case of depository, with existing sponsor entities allowed upto five years to reduce shareholding to 15 per cent;
- b. Given the special role of Public Interest Directors (PIDs) and Managing Directors (MDs) in the governance of a MII, norms relating to their tenure and directorships at MIIs have been modified.

- i. A person may serve as a PID across MIIs, for a maximum of three terms of three year each, or upto 75 years of age, whichever is earlier, with not more than two terms in one MII.
- ii. The first term in a MII may be extendable by another term, subject to satisfactory performance review.
- iii. A cooling-off period of one year shall be applicable prior to nomination as PID in another MII.
- iv. A cooling-off period of three years shall be applicable for a PID to become a shareholder director in the same MII or a director in the subsidiary of the said MII.
- v. A PID shall not act simultaneously as a director on the board of subsidiary of a MII, any other MII or their subsidiary, or relevant/linked participants i.e. trading member, clearing member, depository participant, as applicable
- vi. A PID on the board of a stock exchange, shall keep the governing board of the stock exchange apprised of any conflict of interest, which may arise as a result of a PID providing services, to any company listed on that stock exchange.
- vii. A person may serve as MD of a MII, for a for a maximum of two terms of upto five years each or upto 65 years of age, whichever is earlier. Further, the said requirement would also be applicable for existing MDs of MIIs.
- viii. After each term, the appointment process for MD should be conducted afresh.
- c. The composition of the governing board and regulatory committees of MIIs has been modified with an aim to balance between the number of PIDs, who serve the interest of public at large and the number of shareholder directors.
 - i. The number of PIDs, on the governing board and the committees of the MIIs (with an exception to (investor grievance redressal committee and advisory committee), should be at least equal to the number of shareholder directors (including the MD) and in case of an equality of votes, the chairperson of the board (who is a PID), shall have a second or casting vote.
 - ii. The above composition shall also be applicable with regard to quorum in the meetings of the governing board and the committees.
 - d. In order to enhance the transparency in the utilization of resources, a MII should disclose the resources committed towards regulatory functions and towards ensuring regulatory compliance, backed by an activity based accounting. Also, the charges and fees levied by a MII shall be placed for review before the oversight committee of the MII.
 - e. It has been decided that activities in the nature of treasury investment may be as per the investment policy approved by the governing board of a MII. Any other activity whether involving deployment of funds or otherwise would need prior permission of the regulator.
 - f. Considering the fundamental importance of the role played by key management personnel, the definition and norms relating to disclosure of their compensation have been modified.
 - i. The definition is modified to include, any person who directly reports to CEO or director of the governing board of the MII, or any person upto two levels below MD/CEO, or as identified by the nomination and remuneration committee.
 - ii. MIIs shall disclose the ratio of compensation paid to them vis-a-viz median of compensation paid to all employees of the MIIs.

- g. Considering that the scope of work of some of the existing committees of MIIs is inter-related and overlapping, the various committees of MIIs have been merged / restructured, reducing the number of committee from existing 15 to seven.
- Functional Committees, comprising of three committees, viz. member selection committee, investor grievance redressal committee, and nomination and remuneration committee; and
 - Oversight Committees, comprising of four committees, viz. standing committee on technology, advisory committee, regulatory oversight committee and risk management committee.
- h. In order to adequately capture the risks faced by a clearing corporation, it has been decided to adopt a risk based approach towards computation of net-worth of a clearing corporation. Instead of a higher minimum net worth of ₹ 300 crore, the clearing corporations are required to maintain, at all times, a minimum net worth of either ₹ 100 crore or such other amount to cover the various risks (operational, market, credit etc.), whichever is higher.

G. Committees at MIIs

The functions, composition and quorum requirement have been provided for the revised seven statutory committees to be constituted by MIIs, as per SEBI (Depositories and Participants) Regulations, 2018 and Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018.

H. Commencement of operations by a newly recognised stock exchange/clearing corporation

A recognised stock exchange after grant of recognition can commence trading operations with a

minimum of 25 trading members, in place of earlier requirement of minimum of 50 trading members. Similarly, a newly recognised clearing corporation can now commence clearing and settlement operations with a minimum of 10 clearing members, in place of earlier requirement of minimum of 25 clearing members.

I. Performance review of PIDs

As per SEBI (Depositories and Participants) Regulations, 2018 and Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018, the term of PIDs at MII is now extendable to another term of three years, subject to performance review. In this respect, SEBI mandated MIIs to frame the performance review policy for PIDs which shall include scope for both internal evaluation as well as external evaluation, both having equal weightage. The criteria for performance review of PIDs shall be developed taking into consideration guiding principles provided by SEBI. Also, in the circular, it was clarified that minimum of two names shall be submitted by MIIs at the time of making request for appointment of PID and extension of the term of existing PID, including appointment of PID for the purpose of broad basing the governing board, against each such vacancy.

J. Advisory Committee at MIIs

The composition of advisory committee at MIIs was amended in order to enable wider participation of trading members / clearing members / depository participant in this committee, which provides suggestions on non-regulatory and operational matters to MIIs.

K. Separate BSDA limit for debt securities

In order to further boost participation in debt market and encourage holdings of debt securities in demat accounts and to reduce the cost of maintaining securities in demat accounts for

retail individual investors, it has been decided to introduce separate BSDA limit for debt securities (as defined in SEBI (Issue and Listing of Debt Securities) Regulation, 2008) held in demat account. In this regard, in addition to the existing structure of charges for securities other than debt securities, it has been decided to relax the structure of charges for debt securities held in demat accounts. Accordingly, no annual maintenance charges shall be levied by depository participants in case the value of holdings of debt securities is up to one lakh and a maximum of ₹ 100 shall be levied if the value of holdings of debt securities is between ₹ 1,00,001 and ₹ 2,00,000.

L. Change in name of the Beneficial Owner (BO) account with depositories

One of the documents required for change in name of BO account with depositories, on account of reasons other than marriage, is the document related to publication of name change in official gazette. However, for investors residing in the state of Karnataka and Punjab, the name change is published in the official gazette only for Government employees. Therefore, in case of change of name of an individual in these states for reasons other than marriage, the requirement of the publication in official gazette has been relaxed and some other document has been prescribed for investor in such state.

M. Clarification in SEBI (Depository and Participants) Regulations, 2018

In order to permit stock exchanges (having stake in depository) to nominate directors on Board of the depository, it was clarified that “for the purpose of Regulation 24 (9) and Regulation 24 (10) of SEBI (D&P) Regulations 2018, a recognized clearing corporation shall not be considered as a deemed depository participant.” Additionally, in order to permit employees of public sector banks on Board of depository it was clarified that “for the purpose of

24(10) of SEBI (D&P) Regulations 2018, in addition to the person who is on the board of a Public Financial Institution or bank which is in public sector or which has no identifiable ultimate promoter, or the ultimate promoter is in public sector or has well diversified shareholding, an employee of such entity shall also not be deemed to be a depository participant or their associate.”

N. Guidelines for Business Continuity Plan (BCP) and Disaster Recovery (DR) of MIIs

In the year 2012, SEBI had issued guidelines for BCP and DR for MIIs. Based on the recommendation of the technical advisory committee of SEBI, the framework has been modified. Under the modified framework, MIIs have, inter alia, been advised to decide the definition of ‘disaster’ depending upon their line of business. MIIs have further been advised to compute recovery time objective from the occurrence of the disaster, to set up DR site in different seismic zones, etc.

O. Review of framework for stocks in derivatives segment

In line with the recommendations made by the L.C Gupta committee, physical settlement of stock derivatives had been made mandatory in a phased/calibrated manner vide SEBI circular dated April 11, 2018. Further, measures have also been taken in connection with the eligibility criteria, exit criteria and settlement of stock derivatives, including enhanced eligibility criteria for introduction of stocks in derivatives segment. Pursuant to the said circular, only those stocks which meet the enhanced eligibility criteria shall remain in derivatives segment after a period of one year from the date of the circular.

Subsequently, SEBI vide circular dated December 31, 2018 has specified phased movement of then cash settled stock derivatives to physical settlement (for April 2019 expiry, July 2019 expiry

and October 2019 expiry) on the basis of average daily market capitalisation of the stocks. It was also specified that derivatives introduced on new stocks, meeting the enhanced eligibility criteria (specified vide circular dated April 11, 2018) after the date of this circular, shall also be physically settled.

In addition to the above schedule, SEBI vide circular dated February 08, 2019 has further directed for shifting of stock derivatives to physical settlement from new expiry cycle on the basis of intra-day movement or volatility in such stock. Shifting of such stock to physical settlement is expected to help reduce speculation and hence excessive intra-day movement / volatility in such stock.

P. Measures to strengthen Algorithmic Trading and Co-location / Proximity Hosting framework

In order to address the concerns relating to algorithmic trading and colocation / proximity hosting facility offered by stock exchanges and to provide a level playing field between algorithmic/co-located trading and manual trading, following measures have been taken vide SEBI circular dated April 09, 2018:

- a. Introduction of managed co-location service in order to facilitate small and medium sized members, who otherwise find it difficult to avail colocation facility.
- b. Measurement of latency for co-location and proximity hosting in order to bring in greater transparency.
- c. Free of charge tick-by-tick data feed in order to create a more level playing field among the different types of market participants.
- d. Modification in penalty on order to trade ratio framework in order to encourage algo traders to place more orders closer to the last traded price.

- e. Unique identifier for algorithms /tagging of algorithms in order to ensure enhanced surveillance.
- f. Simulated market environment for testing of software including algos in order to further streamline and strengthen the process of testing of software and algorithms.

Q. Reporting for Artificial Intelligence (AI) and Machine Learning (ML) applications and systems offered and used by MIIs

With a view to conduct a survey and create an inventory of the AI / ML landscape in the Indian financial markets to gain an in-depth understanding of the adoption of such technologies in the markets and to ensure preparedness for any AI / ML policies that may arise in the future, SEBI vide circular dated January 31, 2019 has directed MIIs to submit details of the AI or ML based applications or systems offered or used by them on a quarterly basis.

R. Review of adjustment of corporate actions for stock options

Based on representations received from various stakeholders requesting to review the dividend adjustment framework for stock options, SEBI decided to review the mechanism of dividend adjustment for stock options. As per the revised policy, the adjustment in strike price shall be carried out in the following cases of declaration of dividends:

- a. Dividends declared at and above five per cent of the market value of the underlying stock ; or
- b. All cases of dividends, where the listed entity has sought exemption from the timeline prescribed under the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

S. Extension of trading hours of securities lending and borrowing (SLB) segment

With a view to facilitate physical settlement of equity derivatives contracts, it has been decided to permit stock exchanges to set their trading hours in the SLB segment, subject to the condition that:

- The trading hours are between 9 AM and 5 PM, and
- The exchange/clearing corporation has in place risk management system and infrastructure commensurate to the trading hours.

T. Review of OFS mechanism

The OFS mechanism was reviewed to expand the universe of companies to whom OFS mechanism is available, from top 200 companies by market capitalization, to companies with market capitalization of ₹ 1000 crore and above, with the threshold of market capitalization computed as the average daily market capitalization for six months prior to the month in which the OFS is being made, and to bring clarity relating to the conditions laid down for cancellation of OFS.

U. Cyber Security

Taking cognizance of the threat imposed by technological developments in the Indian capital markets and the rise of cyber threats in the financial domain across the globe, SEBI had laid down a detailed framework with regard to cyber security and cyber resilience that stock exchanges, clearing corporations and depositories are required to adopt. Additionally, SEBI has constituted a high powered steering committee on cyber security chaired by a WTM of SEBI and created a cyber-security cell to actively address the cyber security issues. In FY 2018-19, SEBI issued two circulars and one advisory relating to cyber security.

SEBI had mandated the MIIs to conduct a detailed review/ audit of the implementation of the

SEBI circular and advisories issued by SEBI from time to time w.r.t. cyber security as per the framework prescribed by SEBI. The framework includes:

- a. Auditor Selection Norms
- b. Scope of Review/ Audit for Cyber Security of MIIs
- c. Format of Review / Audit Report
- d. Standardized Observation Reporting Format.

The MIIs were advised to conduct the comprehensive review/audit at least two times a year. The review broadly aims to check the level and adequacy of the controls put in place by the MII to comply with the various circulars, advisories issued by SEBI pertaining to cyber security along with the safeguards put in place by the MII to mitigate the cyber threat vectors and cyber-attack scenarios. During the financial year 2018-19, the first round of comprehensive cyber security review of all the 12 MIIs was completed.

A cyber security operation center (C-SOC) is a facility that houses an information security team responsible for monitoring and analysing an organization's security posture on an ongoing basis. The SOC team's goal is to detect, analyse and respond to cyber security incidents using a combination of technology solutions and a strong set of processes. SEBI issued the circular on December 07, 2018 mandating all MIIs, i.e., stock exchanges, clearing corporations and depositories to have a C-SOC that would be a 24x7x365 set-up manned by dedicated security analysts to detect, analyse, respond, report, and prevent cyber security incidents.

With a view to strengthen cyber security in securities market the cyber security and cyber resilience framework has been extended to stock brokers/ depository participants and mutual funds/ AMCs vide circular dated December 03, 2018 and circular dated January 10, 2019 respectively.

Compliance with the cyber security guidelines may be onerous for smaller intermediaries because of the lack of knowledge and also the cost factor involved in setting up own SOC. In view of the above, SEBI vide circular dated December 14, 2018 provided for market SOC. The intermediaries may utilize the services of market SOC which is proposed to be set up by MIIs with the objective of providing cyber security solution to intermediaries. The market SOC shall be set up as a separate entity and MIIs shall have at least 51 per cent stake in the new entity. If an intermediary is subscribed to market SOC, audit report submitted by intermediary through the market SOC would be deemed compliant.

SEBI issued a detailed technical security advisory received from computer emergency response team (CERT-In) for preventing sophisticated cyber-attacks targeting financial sector organizations. The advisory includes security measures applicable for information infrastructure of financial institutions.

V. Advisory committee

a. Secondary Market Advisory Committee (SMAC)

SMAC chaired by Prof. Jayanth R. Varma of IIM, Ahmedabad reviews the developments in the secondary market and recommends measures for changes and improvements in market structure for improving market safety, efficiency, transparency, and integrity, etc. The Committee has met twice during the financial year 2018-19 and discussed issues such as review of call auction framework, index computation and dissemination during trading disruption, harmonization of regulatory provision relating to liquidity enhancement scheme, rationalizing the number of strikes, review of criteria for moving stock derivatives which are being cash settled to physical settled and applicability of individual scrip wise price band on f&o scrip's.

b. Technical Advisory Committee (TAC)

TAC chaired by Prof. Ashok Jhunjhunwala, IIT Chennai advises SEBI to take informed decisions in matters relating to securities market which require advanced understanding and knowledge of technology. The Committee has met six times in 2018-19 and discussed matters relating to colocation services provided by stock exchanges; technical glitches and disruptions occurring in transaction systems of MIIs, system audit framework; technical issues pertaining to business continuity planning and disaster recovery, etc. This has helped SEBI to keep pace with technological advancements and frame appropriate regulations and policy guidelines accordingly.

c. Risk Management Review Committee (RMRC)

Prof. Jayanth R. Verma, IIM Ahmedabad chairs the RMRC of SEBI. RMRC has been constituted to review, inter alia, the risk management framework for cash and derivatives (including commodity derivatives) segment and to recommend changes, if required, in the regulatory provisions related to risk management framework including margining system. During 2018-19, one meeting of RMRC was held wherein RMRC discussed matters such as review of applicable haircut on government securities, introduction of weekly derivatives contracts on individual stocks, intra-day collateralisation of mark-to-market payments, capping of additional contribution by non-defaulting members to replenish the default fund et al.

d. High Powered Steering Committee on Cyber Security (HPSC-CS)

HPSC-CS is chaired by WTM, SEBI. Other members of the committee are a member of SEBI's TAC, a cyber-security expert from a Government organization and ED of market regulation department of SEBI. The Committee was further

broad based to include members from academia. The Committee guides SEBI on issues related to cyber security in the securities market. During 2018-19 under the guidance of HPSC- CS, among other things SEBI has issued guidelines for C-SOC at MIIs and initiated the work for setting up a cyber-security fusion center at SEBI.

e. Committee on Financial and Regulatory Technologies (CFRT)

Set up in August 2017, CFRT under the Chairmanship of Shri T.V. Mohandas Pai, Chairman, Manipal Global Education is advising SEBI on an ongoing basis on the recent and medium term trends (within next five years) in FinTech developments in securities market worldwide, opportunities and challenges from new FinTech solutions and its impact on Indian securities market, create an approach framework for regulatory sandbox in Indian market conditions to facilitate adoption of FinTech and promote financial innovations, assessing technological solutions for regulatory functions of SEBI viz. information management and data mining, risk management including cyber security, intermediary supervision, consumer protection, etc. through application of new technological solutions like application of distributed ledger technology, big data, data analytics, artificial intelligence, machine Learning etc. It also advises cyber security at system level for the securities market and suggesting the creation of cyber security standards.

SEBI feels that there is a need to have a deeper understanding of various FinTech products and their benefits and limitations with respect to the capital market before regulating this space. With a view to enhancing its regulatory approach to facilitate the

development and adoption of innovative FinTech solutions, SEBI, under the guidance of the CFRT, plans to introduce separate frameworks for an Innovation sandbox and a Regulatory Sandbox. Under both these sandbox frameworks, financial institutions regulated by SEBI shall be granted certain facilities and flexibilities to experiment with FinTech solutions in a live or simulated test environment (depending on the case and sandbox framework). These features will be fortified with necessary safeguards for investor protection and risk mitigation.

III. COMMODITY DERIVATIVES MARKET

The development of the commodity derivatives market is one of the SEBI's main agendas. In 2018-19 as well, SEBI took various measures for integration and harmonious development of this segment with an aim to build a regulatory ecosystem as advanced as the securities market. To further broaden the commodity derivatives market, SEBI has opened up to domestic as well as foreign institutional participants in a phased manner. Following were the major policy initiatives taken by SEBI relating to this segment during 2018-19:

A. Participation of eligible foreign entities (EFEs) in the commodity derivatives market

Pursuant to recommendations of the Commodity Derivatives Advisory Committee (CDAC) and feedback received from market participants, SEBI vide its circular dated October 09, 2018 permitted foreign entities having actual exposure to Indian commodity markets, known as EFEs, to participate in the commodity derivatives market and laid down the requisite regulatory framework for the same.

Box 1.4 : Foreign Participation in Commodity Derivatives Market

Earlier, foreign entities or firms who do not have presence in India but are engaged in import/export of commodities from/to India were not allowed to hedge their risks on Indian exchanges without establishing a subsidiary entity. This may not be feasible for small entities. These entities by virtue of their actual exposure to various commodities in Indian market are valuable stakeholders in the value chain of such commodities and are exposed to price uncertainty of Indian commodity markets.

Taking cognizance of the fact that participation by foreign participants would be conducive for the overall development of the commodity derivatives market and pave way, in the long run, for Indian markets to become price setters for some of the global commodities, SEBI decided to allow the EFEs to participate in the commodity derivatives market subject to certain conditions.

B. Custodial Services in Commodity Derivatives Market

In order to enable the participation of institutional investors in commodity derivatives market, SEBI Board in its meeting held on December 12, 2018 approved the proposal for allowing custodians to provide custodial services in goods underlying commodity derivative contracts. Pursuant to the above, amendments to relevant provisions in the SEBI (Custodian) Regulations, 1996 have been notified.

C. Universal Exchanges

Pursuant to the goal of integration of commodity derivatives market with rest of the securities market, necessary amendments to Securities Contracts (Regulation) (Stock Exchanges

and Clearing Corporations) Regulations, 2012 were carried out to permit universal exchanges (enabling trading of commodity derivatives and other segments of securities market on single exchange) with effect from October 01, 2018. Subsequently, two exchanges namely NSE and BSE have launched Commodity derivatives segment and thus are universal exchanges offering trading in all segments.

D. Trading Hours for commodity derivatives segment

On the basis of consultations and recommendations of CDAC, vide circular dated November 30, 2018, SEBI decided to extend the trade time within which recognized stock exchanges can set their trading hours for their commodity derivatives segment as follows:

S. No	Commodity Category	Trade Start Time	Trade End time	
			After Start of US Day light Savings in Spring Season	After End of US Day light Savings in Fall Season
1	Non-Agricultural Commodities	09:00 AM	11:30 PM	11:55 PM
2	Agricultural and Agri-processed Commodities	09:00 AM	09:00 PM	

Taking into account the feedback received from stakeholders, exchanges have decided to keep trading hours for agri-commodity derivatives

contracts (other than internationally referenceable agri-commodities) from 9:00 am to 5:00 pm.

E. Alignment of Trading and Delivery Lot size

In the commodity derivatives market, differential “trading lot size” and “delivery lot size” of some commodity derivatives contract, at times, puts participants in disadvantageous positions. Based on the recommendation of CDAC, SEBI vide its circular dated January 23, 2019 directed that the exchanges shall follow the policy of having uniform trading and delivery lot size for the commodity derivatives contracts and provided for exemption from the same only on stock exchange submitting detailed rationale for keeping different lot size for trading and delivery with respect to any contract.

F. Framework for utilisation of Regulatory Fee Foregone by SEBI

To encourage the participation by Farmers / Farmer Producer Organizations in agricultural commodity derivatives market, SEBI has reduced the regulatory fee on Stock Exchanges with respect to turnover in agricultural commodity derivatives.

Vide circular dated March 20, 2019, SEBI has specified that exchanges shall create an earmarked fund out of the regulatory fee foregone by SEBI and has given guiding principles for exchanges to follow for the purpose of utilisation of the fund.

G. Disclosures by Stock Exchanges for Commodity Derivatives

SEBI vide circular dated September 27, 2016 had prescribed certain norms regarding disclosures by Stock Exchanges on their website for commodity derivatives. In order to further enhance transparency to the public in commodity derivatives market, on recommendation of the CDAC, SEBI vide its circular dated January 04, 2019 has directed all recognized stock exchanges to make additional disclosures on their website regarding commodity wise and category wise open interest and turnover.

H. Framework for utilisation of Financial Security Deposit (FSD) available with clearing corporations and Warehousing Development Regulatory Authority (WDRA)

Warehouse Service Providers (WSPs) were required to maintain FSD with WDRA (as per WDRA norms) as well as with clearing corporations (as per norms specified by SEBI). Thus, on the same goods, security deposits were required to be maintained with both WDRA and clearing corporations, putting additional financial burden on WSPs.

In order to rationalize security deposit and after consultation with WDRA & exchanges/clearing corporations, SEBI vide its circular dated February 11, 2019 specified a framework wherein the deposits placed by WSPs with WDRA for exchange/clearing corporation specific outstanding electronic negotiable warehousing receipts (eNWRs) shall be considered by clearing corporations in the calculation of available FSD of the WSP towards required FSD under SEBI norms. The framework also provides for such deposits with WDRA to be made available to Clearing Corporation in case the deposits of WSP available with clearing corporation are insufficient to compensate for the loss to clients from any action or inaction of WSP or its warehouses.

I. Uniformity in the procedure for obtaining samples of goods at the Exchange accredited warehouses

In order to bring uniformity in the procedure adopted by the exchanges, in obtaining samples for the purpose of assaying of goods at exchange accredited warehouses and to resolve potential quality related disputes, SEBI vide circular dated October 16, 2018 directed exchanges to ensure that adequate samples of goods are collected and retained and also specified the minimum number of samples to be taken.

J. Physical Settlement of Commodity Derivatives Contracts

In 2017-18, SEBI had issued guidelines for deciding appropriate settlement mode for commodity derivatives contracts stating that first choice of settlement mode for any commodity future shall be compulsory physical delivery. Keeping in spirit with the provisions of the circular, SEBI has directed exchanges to convert, as far as possible, all commodity futures contracts to compulsory physical delivery. Only those commodities where physical delivery is not possible because of infrastructure or other constraints have been allowed to retain other settlement mode. Accordingly, all base metal contracts are phase-wise being converted to compulsory physical delivery.

L. New commodity derivatives contracts

As per the extant policy, SEBI has permitted the exchanges to launch following commodity derivatives products.

S.No.	Exchange	Options	Futures
1.	MCX	Copper, Crude Oil, Silver, Zinc	Diamond and Red Arecanut
2.	BSE	Na	Gold, Silver, Copper, Guarseed, Guargum, Cotton and Oman crude oil
3.	NCDEX	Guargum, Soybean, Refined Soy Oil, Chana	Na
4.	ICEX	Na	Steel and Basmati (Paddy)
	NSE	Na	Gold, Silver, Copper and Brent crude oil

M. Consultative Approach

Policy decisions and reform measures taken by SEBI generally emanate after extensive consultative processes through various advisory committees. While evolving policy changes, SEBI endeavours to seek valuable comments from the investing public and stakeholders at large through the public comments process.

a. Advisory Committee

During this financial year 2018-19, CDAC had three meetings on May 21, 2018; November 01, 2018 and February 26, 2019. CDAC proposed that the three sub-groups formed in the first meeting of CDAC be reorganized in two sub-

K. Core SGF and standardised stress testing for credit risk for commodity derivatives

SEBI, vide its circular dated August 27, 2014 had issued norms related to core settlement guarantee fund, default water fall, back testing etc. for recognized clearing corporations and stock exchanges. Vide circular dated July 11, 2018, SEBI extended those norms to clearing corporations clearing commodity derivatives transactions. SEBI also prescribed modified standardized stress testing scenarios and methodology for carrying out daily stress testing for credit risk for commodity derivatives, in light of the different features and concerns of commodity derivatives market.

groups, viz: “Developmental group” and “Regulatory group” who can be assigned various developmental and regulatory issues for deliberation and examination from time to time so as to assist CDAC to advise SEBI on various important policy matters in a better way.

- i. **Developmental Sub-Group:** This group shall deliberate and recommend on issues related to development of commodity derivatives market including new products and increasing participation in the commodity derivative market especially hedgers, awareness programs, new commodities, etc.

ii. **Regulatory Sub-Group:** This group shall deliberate and recommend on issues related to regulation of the commodity derivatives market including review of spot polling process mechanism, co-location issues, penalty structure, rationalization of cost of trading and position limits etc.

b. **Stakeholders meeting**

SEBI also organized various meetings with the stakeholders and market participants during 2018-19. A meeting with WSPs and recognized stock exchanges was also held for deliberation on the issues related to warehousing. A meeting with trade associations and recognized stock exchanges was also organized to discuss the issues faced by trade associations with respect to participation in the commodity derivatives market.

c. **Consultation papers**

i. **Consultation paper on design of commodity indices and product design for futures on commodity indices:** Pursuant to the goal of development of commodity derivatives market, attracting new participants such as mutual funds, insurance companies etc., enhancing liquidity, facilitating hedging and bringing more depth in the market, subject of introduction of commodity index and its design was deliberated in CDAC. In this regard, SEBI issued a consultation paper dated January 16, 2019 on draft norms for design of commodity indices and draft product design for futures on commodity indices.

ii. **Consultation paper on framework for WSPs, warehouses, assayers and other allied service providers for non-agricultural goods:** SEBI has issued a consultation paper seeking public comments on 'Framework for WSPs, warehouses, assayers and other allied

service providers engaged in respect of non-agricultural goods such as precious metals, gems & stones, metals, minerals and alloys but excluding crude oil, electricity and natural gas' on November 29, 2018.

IV. MUTUAL FUNDS

The Indian mutual fund industry is one of the fastest growing segments of the financial sector. Buoyed by robust capital inflows and strong participation of retail investors, the asset base of the mutual fund industry stood at ₹ 23,79,584 crore as on March 31, 2019. The description of steps initiated during the year aiming at re-energising growth, development, regulation and investor protection in an effective manner is as follows:

A. Change in Disclosure of Total Expense Ratio (TER)

It was observed that there are frequent changes carried out in TER and such changes are not prominently disclosed to investors. To bring uniformity in disclosure of actual TER charged to mutual fund schemes and to enable the investor to take informed decision, the following is laid down:

- a. AMCs shall prominently disclose on a daily basis, the TER of all schemes except infrastructure debt fund (IDF) schemes under a separate head –“Total Expense Ratio of Mutual Fund Schemes” on their website and on AMFI’s website in downloadable spreadsheet format.
- b. Any change in the base TER in comparison to previous base TER charged to any scheme shall be communicated to investors of the scheme through notice via email or SMS at least three working days prior to effecting such change. Further, the notice of such change shall be updated in the aforesaid section of website at least three working days prior to effecting such change. Any increase or decrease in TER

in a mutual fund scheme due to change in AUM and any decrease in TER in a mutual fund scheme due to various regulatory requirements, would not require issuance of any prior notice to the investors.

- c. Further, the formats for scheme information document and placement memorandum have been modified to mandate mutual funds to disclose the current expense ratios on the website at least three working days prior to the effective date of the change, instead of the earlier requirement of updating the current expense ratios on the website within two working days from the effective date of the change.
- d. SEBI, vide amendment to Regulation 52(6A) reduced the additional expenses that AMC's are permitted to charge its investors from 0.2 per cent of daily net assets of the scheme to 0.05 per cent.

B. Go Green Initiative in Mutual Fund

In order to bring cost effectiveness in disclosing and providing information to unitholders and as a green initiative measure, the following was prescribed:

- a. Mutual Funds shall prominently disclose the NAVs of all schemes under a separate head on the websites and on AMFI's website.
- b. Mutual Funds shall extend facility of sending latest NAV to unitholders through SMS, upon receiving a specific request in this regard
- c. Mutual Funds shall provide the scheme annual reports to the investors through their websites, AMFI's website and on email ids of the investors. Investors shall be given sufficient opportunity to opt in or opt out of the facility to receive physical copies of the annual report or its abridged summary.

- d. Mutual Funds shall disclose their portfolios as on the last day of the month / half-year for all their schemes on their websites, AMFI's website and email ids of the investors.
- e. Mutual Funds shall provide a physical copy of the statement of its scheme portfolio, without charging any cost, on specific request received from a unitholder.

SEBI Mutual fund Regulations were also accordingly modified.

C. Total Expense Ratio (TER) and Performance Disclosure for Mutual Funds

1. Transparency in TER

In order to bring transparency in expenses, reduce portfolio churning and mis-selling in mutual fund schemes, mutual funds are directed to adhere to the following:

- a. All scheme related expenses including commission paid to distributors, by whatever name it may be called and in whatever manner it may be paid, shall necessarily be paid from the scheme only within the regulatory limits and not from the books of the AMC's, its associate, sponsor, trustee or any other entity through any route.

Provided the expenses that are very small in value but high in volume may be paid out of AMC's books. Such expenses can be paid out of AMC's books at actuals or not exceeding two bps of respective scheme AUM, whichever is lower. Such expenses incurred by AMC should be properly recorded and audited in the books of account of AMC at year end.
- b. MFs/AMCs shall adopt full trail model of commission in all schemes, without payment of any upfront commission or up-fronting of any trail commission, directly or indirectly,

in cash or kind, through sponsorships, or any other route.

However, up-fronting of trail commission will be allowed only in case of inflows through Systematic Investment Plans (SIPs)

- c. In respect of inflows through SIPs into MF schemes, a carve out has been considered only for new investors to the MF industry (to be identified based on PAN). The up-fronting of trail commissions, based on SIP inflows, shall be up to one per cent payable yearly in advance, for a maximum period of three year The payment of upfront trail commission would be subject to the following:
 - i. The upfronting of trail commission may be for total SIP of upto ₹ 3,000 per month, per scheme, for an investor who is investing for the first time in mutual fund schemes
 - ii. For a new investor, as identified above, only the first SIP(s) purchased by the investor shall be eligible for up-fronting. In this regard, if multiple SIP(s) are purchased on different dates, the SIP(s) in respect of which the installment starts on the earliest date shall be considered for up-fronting.
 - iii. The upfront trail commission shall be paid from AMC's books.
 - iv. The said commission shall be amortized on daily basis to the scheme over the period for which the payment has been made. A complete audit trail of the up-fronting of trail commissions from the AMC's books and amortization of the same to scheme(s) thereafter shall be made available for inspection.
 - v. The said commission should be charged to the scheme as 'commissions' and should also account for computing the TER differential between regular and direct plans in each scheme.

- vi. The commission paid shall be recovered on pro-rata basis from the distributors, if the SIP is not continued for the period for which the commission is paid.
- d. All fees and expenses charged in a direct plan (in percentage terms) under various heads including the investment and advisory fee shall not exceed the fees and expenses charged under such heads in a regular plan
- e. No pass back, either directly or indirectly, shall be given by MFs/ AMCs/ distributors to the investors.
- f. Training sessions and programmes conducted for distributors should continue and should not be misused for providing any reward or non-cash incentive to the distributors.

2. Additional TER of 30 bps for penetration in B-30 cities

Additional TER shall be based on inflows from retail investors from B-30 cities and not from inflows from corporates and institutions. Accordingly, the term 'retail investor' has been defined, and inflows of amount upto ₹ 2,00,000/- per transaction, by individual investors shall be considered as inflows from "retail investor".

3. Disclosure of expenses

In addition to the existing requirements, mutual funds shall be required to further disclose the breakup of the Total expense ratio in consolidated account statement given as under:

The scheme's average TER (in percentage terms) along with the break up between Investment and advisory fees, commission paid to the distributor and other expenses for the period for each scheme's applicable plan (regular or direct or both) where the concerned investor has actually invested in.

4. Disclosure of scheme performance

AMCs shall disclose the performance of all schemes on the website of AMFI for all plans and shall be updated daily based on previous day NAV along with scheme AUM and previous day NAV.

5. No Entry Load on SIPs

Vide circular dated June 30, 2009, SEBI, inter alia, mandated that there shall be no entry load on investments in mutual fund schemes (including additional purchases and switch in to a scheme from other schemes) made after August 1, 2009. For SIPs, the above provision was made applicable to SIPs registered on or after August 1, 2009.

It has now been decided to make the provisions of the above mentioned circular applicable to all SIPs including SIPs registered prior to August 1, 2009

6. Borrowing Cost

With regard to the cost of borrowings in

terms of Regulation 44(2) of SEBI (Mutual Funds) Regulations, 1996, it has been decided that for a given scheme, the same shall be adjusted against the portfolio yield of the scheme and borrowing costs in excess of portfolio yield, if any, shall be borne by the AMC.

D. Definition of equity oriented scheme for the purpose of limits of TER as specified in the Mutual Fund Regulations

Sub -Regulation 5 A was inserted in Regulation 52 the mutual fund regulations.

Regulation 52 (5A): In case of a scheme other than an index fund scheme or an exchange traded fund, where, as per the scheme information document, the scheme will invest a minimum of 65 per cent of its net assets in equity and equity related instruments, the scheme will be considered as equity oriented scheme for the purpose of limits of total expense ratio as specified in these regulation.

Box 1.5 : Rationalisation of permissible TER of Mutual Fund Schemes

The AUM of the mutual fund industry had grown from ₹ 90,587 crore in March, 2001 to ₹ 21,36,036 crore as on March, 2018 i.e. CAGR of more than 20 per cent since March, 2001 and more than 21 times. The growth in scale of business operations brings economies of scale. In mutual fund industry also, the scale of operations had brought down the cost of managing per unit AUM. Since the costs of mutual fund operations had come down, it was felt that the permissible TER on the mutual fund schemes be brought down and the benefits of economies of scale be passed to the end mutual fund investors.

Accordingly, Regulation 52 (6) of the mutual fund regulations was revised. The previous AUM slabs and the revised slabs for applicability of TER in Open ended schemes are placed in the table below:

Previous TER slabs			Revised TER slabs		
AUM Slab (₹ crore)	TER limits for equity oriented schemes (per cent)	TER limits for other than equity oriented schemes (per cent)	AUM Slab (₹ crore)	TER limits for equity oriented schemes (per cent)	TER limits for other than equity oriented schemes (per cent)
0 - 100	2.50	2.25	0 - 500	2.25	2.0
100 - 400	2.25	2.00	500 - 750	2.0	1.75
400 - 700	2.00	1.75	750 - 2,000	1.75	1.5
>700	1.75	1.50	2,000 - 10,000	1.6	1.35
			10,000 - 50,000	1.5	1.25
			>50,000	TER reduction of 0.05 per cent for every increase of ₹ 5,000 crore of daily net assets or part thereof.	
			0 - 500	1.05	0.8

Similarly, the permissible TER on fund of funds schemes, index fund schemes or exchange traded funds and close ended/interval schemes has also been revised downwards.

E. Cyber security and cyber resilience framework for mutual funds /AMCs

With rapid technological advancement in securities market, there is greater need for maintaining robust cyber security and to have cyber resilience framework to protect integrity of data and guard against breaches of privacy. As part of the operational risk management, the mutual funds/AMCs need to have robust cyber security and cyber resilience framework in order to provide

essential facilities and services and perform critical functions in securities market

Based on the recommendation of SEBI's High Powered Steering Committee - cyber security, it has been decided that the framework prescribed vide SEBI circular dated July 06, 2015 on cyber security and cyber resilience also be made applicable to all mutual funds/AMC. Accordingly, all mutual funds / AMCs shall comply with the provisions of cyber security and cyber resilience, provided through SEBI circular dated January 10, 2019.

Box 1.6 : Creation of Segregated Portfolio in Mutual Fund Schemes

In order to ensure fair treatment to all investors in case of a credit event and to deal with liquidity risk, SEBI permitted creation of segregated portfolio of debt and money market instruments by mutual funds schemes subject to certain safeguards.

Creation of segregated portfolio is a mechanism to separate distressed, illiquid assets from other more liquid assets in a mutual fund portfolio to deal with a situation arising due to a credit event. With a segregated portfolio, investors who take the hit when the credit event happens shall get the upside of future recovery, if any.

Creation of segregated portfolio shall be optional and at the discretion of the AMC but with the prior approval of trustees.

F. Norms for investment and disclosure by mutual funds in derivatives

The mutual fund schemes are permitted to undertake transactions in equity derivatives in accordance with the exposure limits and shall not write options or purchase instruments with embedded written options

However, based on the suggestions of market participants and recommendations of Mutual Fund Advisory Committee (MFAC), it was decided to permit mutual funds to write call options under a covered call strategy as prescribed below:

1. Writing of Covered Call Options by Mutual Fund Schemes

a. The mutual fund schemes (except index Funds and ETFs) may write call options

only under a covered call strategy for constituent stocks of NIFTY 50 and BSE SENSEX subject various restrictions based on value of total equity shares held in the scheme, total number of unencumbered shares of underlying scrip held in the scheme, existing derivative position in the scheme on the same underlying etc.

- b. For schemes intending to use covered call strategy, the risks and benefit of the same, must be disclosed in the SID.
- c. For existing schemes, writing of call options shall be permitted subject to appropriate disclosure and compliance with Regulation 18 (15A) of SEBI (Mutual Funds) Regulations, 1996.

G. Filling of advertisements under SEBI (Mutual Funds) Regulations, 1996

The following has been prescribed in respect of filling of advertisements vide circular dated March 8, 2019

- a. Regulation 30 of SEBI (Mutual Funds) Regulations, 1996 on advertisement material, requires mutual funds to submit to SEBI, the advertisements issued by them, within 7 days from the date of issue.
- b. In continuation to the various go green initiatives in mutual funds, the mutual funds

are now advised to submit links to access the advertisements to be filed under the regulations by sending through an e-mail to SEBI.

- c. Mutual Funds shall however, maintain copy of advertisements for future references.
- d. While sending an e-mail, the compliance officer of respective mutual fund shall expressly confirm that the advertisement is in compliance with the advertisement code specified in the sixth schedule of the mutual fund regulations.

Box 1.7 : Valuation of Money Market and Debt Securities by Mutual Funds

Proper valuation of securities is important to ensure investor confidence in mutual funds as a reliable and robust investment vehicle and for investor protection. If the assets of the mutual fund schemes are valued at a price which is not reflective of its fair or market value, the investors unfairly pay more upon purchase of units or receive less upon redemption of the units or vice versa. Incorrect valuation may also encourage first-mover advantage associated with redeeming at the onset of market volatility, at the cost of the remaining investors. It is thus crucial to ensure that mutual funds' assets are valued fairly and properly, such that the interests of incoming, outgoing and continuing investors are protected.

Considering the critical nature of valuation, the practices of mutual funds for valuation of money market and debt securities of residual maturity upto 60 days and for securities which have been downgraded to below investment grade were recently reviewed and the following measures were implemented:

- a. In order to make the existing valuation practices for money market and debt securities with residual maturity upto 60 days, more reflective of the realizable value, SEBI mandated that:
 - i. The residual maturity limit for amortization based valuation by mutual funds shall be reduced from 60 days to 30 days.
 - ii. The amortized price shall be compared with the reference price which shall be the average of the security level price of such security as provided by the valuation agencies appointed by AMFI for said purpose. The amortized price shall be used for valuation only if it is within a threshold of ± 0.025 per cent of the reference price. In case of deviation beyond this threshold, the price shall be adjusted to bring it within the threshold of ± 0.025 per cent of the reference price.
- b. In order to bring uniformity and consistency across the mutual fund industry on valuation of money market and debt securities rated below investment grade, SEBI mandated that the valuation agencies appointed by AMFI shall provide valuation of money market and debt securities rated below investment grade.

H. Performance disclosure post consolidation/merger of schemes

Pursuant to merger of schemes, there was no specific guidelines governing the depiction of performance of the surviving scheme and merged schemes. Further, various mutual funds were following different practices in this regard. In order to standardize the disclosure of performance of schemes post-merger, the said circular envisages different scenarios and accordingly modalities have been prescribed for disclosure of performance.

I. Revised Monthly Cumulative Report (MCR)

The format of MCR has been revised in line with SEBI circulars dated October 6, 2017 and December 4, 2017 on "Categorization and rationalization of mutual fund schemes". Accordingly, from April 2019 onwards, AMCs shall submit the MCR to SEBI in the revised format by the 3rd working day of each month.

J. Portfolio concentration norms for equity ETFs and index funds

ETFs and index funds replicate underlying benchmark indices. In order to address the risk related to portfolio concentration in equity ETFs and index funds, SEBI prescribed the norms on portfolio concentration. Any ETF/ index fund that seeks to replicate a particular index, shall ensure that such index complies with the concentration norms on a quarterly basis.

K. Advisory Committee on Mutual Funds (MFAC)

MFAC comprises of industry representatives, investor associations, government representatives and other stakeholders. The committee provides a platform for interaction and deliberations on issues related to the MF industry. It acts as a platform for SEBI to place its various regulatory development activities and at the same time the industry places

its agenda before SEBI for further consideration. During financial year 2018-19, the committee chaired by Ms. Arundhati Bhattacharya, met five times and gave its recommendations on various policy issues encompassing the MF industry.

The committee was consulted on matters related to TER and performance disclosure for mutual funds, creation of segregated portfolio in mutual fund schemes, norms for investment and disclosure by mutual funds in derivatives and valuation of money market and debt securities by mutual funds etc. Various working groups of MFAC were also convened during the year to deliberate in detail certain issues under examination at MFAC.

V. INTERMEDIARIES ASSOCIATED WITH THE SECURITIES MARKET

Market intermediaries, being a vital link between the regulators, issuers and investors, constitute as one of the various components of the financial market. They play a very important role in development of the market by providing a variety of services. SEBI is responsible for the registration, supervision, compliance monitoring and inspections of all market intermediaries in respect of all segments of the markets viz. equity, equity derivatives, currency derivatives, debt and debt related derivatives and commodity derivatives. In order to continuously evaluate the performance of intermediaries and also at the same time facilitate ease of doing business, the following steps were taken in 2018-19:

A. Strengthening the guidelines and raising industry standards for RTA, issuer companies and banker to an issue

SEBI issued a circular dated April 20, 2018 wherein various measures were stipulated in order to streamline and strengthen the procedures and processes with regard to handling and maintenance of records, transfer of securities and payment of

dividend/interest/redemption by the RTAs, Issuer Companies and Bankers to Issue. These guidelines cover the following broad areas:

- a. Provisions with respect to Payment of Dividend/interest/redemption
- b. Provisions with respect to Transfer/ Transmission/ Correction of errors etc.
- c. Compulsory internal audit of RTAs
- d. Folios to be dealt under enhanced due diligence in various scenarios
- e. Collection of PAN and bank details of all securities holders holding securities in physical form.
- f. Records/documents may be maintained for period not less than eight years.

B. Enhanced Disclosure and Transparency Norms for Credit Rating Agencies

SEBI vide circular dated May 30, 2018 stipulated the constitution of Review Committee & rationalized disclosures by CRA. Vide circular dated Nov 13, 2018, SEBI further enhanced the disclosures in the press release and on the website of the CRAs. The circular inter-alia cover the following provisions:

- a. Disclosures in the press release regarding rating actions on:
 - i. Support from the Parent/ Group/ Government, if factored into a rating, and list of all subsidiary/ group companies consolidated to arrive at a rating, along with the extent (e.g. full, proportionate or moderate) and rationale of consolidation.
 - ii. Specific section on "Liquidity", highlighting parameters like liquid investments or cash balances, access to unutilized credit lines, liquidity coverage ratio, adequacy of cash flows for servicing maturing debt obligation, etc.

- b. Disclosure of average one-year rating transition rates for long-term instruments for the last five financial years on CRAs' respective websites.
- c. CRAs to review their rating criteria with regard to assessment of holding companies and subsidiaries in terms of their inter-linkages, holding company's liquidity, financial flexibility and support to the subsidiaries, etc.
- d. CRAs to analyse the deterioration in the liquidity conditions of the issuer and also take into account any asset-liability mismatch.
- e. CRAs to treat sharp deviations in bond spreads of debt instruments vis-à-vis relevant benchmark yield as a material event.
- f. Disclosure of sharp rating actions in investment grade rating category by each CRA on stock exchange and depository websites on half-yearly basis.

C. Discontinuation of acceptance of cash by Stock Brokers

Vide SEBI circular dated July 12, 2018, it was directed that Stock Brokers shall not accept cash from their clients either directly or by way of cash deposit to the bank account of stock broker.

D. Role of Sub-Broker vis-à-vis Authorized Person

A circular dated August 3, 2018 was issued by SEBI, pursuant to a decision taken by the Board in its meeting held on June 21, 2018, to discontinue with sub-broker as an intermediary to be registered with SEBI. Further, in this matter, SEBI also issued (Stock Brokers and Sub-Brokers) (Second Amendment) Regulations, 2018, coming into force with effect from April 1, 2019.

E. Enhanced monitoring of Qualified Registrars to an Issue and Share Transfer Agents

SEBI, vide circular dated August 10, 2018, has prescribed enhanced monitoring requirements for

qualified registrars to an issue and share transfer agents, in relation to adoption and implementation of internal policy framework; periodic reporting on key risk areas, data security measures, business continuity, governance structures, measures for enhanced investor services, service standards, grievance redressal, insurance against risks, etc.

F. Standardised norms for transfer of securities in physical mode

SEBI, vide circular dated November 06, 2018 laid down standardized norms for transfer of securities in physical mode. The circular, inter-alia, clarified applicability of transferor PAN for transfers executed prior to the notification of LODR, prescribed standardized documentation in case of mismatch in names of investors vis-à-vis PAN, and laid down an alternate procedure in case of major mismatch / non-availability of transferor's signature or non-availability of complete documents required to effect transfer.

G. Cyber Security and Cyber Resilience framework for Stock Brokers/Depository Participants

With the rapid technological developments in securities market, the need for maintaining robust cyber security and cyber resilience framework to protect the integrity of data and guard against breaches of privacy was highlighted. Since stock brokers and depository participants perform significant functions in providing services to holders of securities, it was desired that stock brokers and depository participants have robust cyber security and cyber resilience framework in order to provide essential facilities and perform systemically critical functions relating to securities market.

SEBI accordingly made applicable the cyber security and cyber resilience framework for all stock brokers and depository participants vide circular dated December 03, 2018, effective from April 01, 2019.

H. Early Warning Mechanism to prevent diversion of client securities

SEBI issued a circular dated December 17, 2018 to stock exchanges, clearing corporations and depositories to have early warning mechanisms in place to detect and prevent diversion of client securities.

There have been instances where stock brokers had diverted clients' securities received as collaterals towards margin obligations and / or settlement obligations, for raising loan against shares on their own account and / or for meeting securities shortages in settlement obligations on its own account. However, such instances of diversion of securities come to light when stock broker failed in meeting the margin and/ or settlement obligations to stock exchange / clearing corporation.

Towards this an early warning mechanism and sharing of information has been prescribed for stock exchanges, depositories and clearing corporations to detect the diversion of client's securities by the stock broker at an early stage so as to take appropriate preventive measures.

Such early warning signals, for prevention of diversion of clients' securities, may include the following:

- a. Deterioration in financial health of the stock broker/ depository participant.
- b. Securities pledge transactions by the stock broker to be identified by the depositories.
- c. Increase in number of investor complaints against the stock broker/depository participant alleging un-authorized trading / un-authorized delivery instructions being processed and non-receipt of funds and securities and non-resolution of the same.
- d. Alerts generated from the monthly / weekly submissions made by stock broker under risk based supervision or enhanced supervision to the stock exchanges.

- e. Disablement of the stock broker's terminal in any segment / stock exchange in previous quarter.
- f. Non-cooperation by stock brokers and depository participants during inspections, which may include failure to submit data sought for inspections especially relating to bank / demat accounts, client ledgers etc., and failure to provide reasonable access to the records or any office premises.
- g. Stock exchanges / clearing corporations / depositories, to have a mechanism to detect diversion of clients' securities and to share information among themselves in respect of:
 - i. Diversion of pay-out of securities to non-client accounts
 - ii. Mismatches between gross (client-wise) securities pay-in and pay-out files of a stock brokers.
- h. Based on analysis of the early warning signals, stock exchanges / depositories shall jointly take preventive actions on the stock broker which may include one or more of, but not limited, to the following:
 1. **Actions to be initiated by the Stock Exchanges**
 - i. Blocking of certain percentage of available collaterals towards margin.
 - ii. Check securities register in respect of securities received and transferred against pay-in / pay-out against settlement and client's securities received as collateral.
 - iii. Check details of funds and securities available with the clearing member, clearing corporation and the depository of that stock broker.
 - iv. Impose limits on proprietary trading by the stock broker.
 - v. Prescribe and monitor shorter time duration for settlement of running account of clients.
 - vi. Conduct meeting with the designated directors of the stock broker to seek appropriate explanation.
 - vii. Uniform action of deactivation of trading terminals by all stock exchanges based on the communication received from other stock exchange.
 - viii. Initiate inspection of the stock broker / depository participant.
 - ix. Cross check information submitted by stock broker with other independent sources like collateral details with the clearing corporation, transactions in bank and depositories, with statement collected directly etc.
 - x. Where client money and securities diversion is suspected, appoint forensic auditor to trace trails of entire funds and securities of clients.

2. **Actions to be taken by the Depositories**

- i. Restriction on further pledge of client securities from the client's account by freezing the stock broker client account for debit.
- ii. Imposition of 100 per cent concurrent audit on the depository participant.
- iii. Cessation / restriction on uses of power of attorney (POA) given to stock broker by clients mapped to such brokers only to meet settlement obligation of that client. Clients to issue instructions electronically or through delivery instruction slip (DIS) for delivery of shares for off market transfers.
- iv. Any other measures that stock exchanges / clearing corporations /depositories may deem fit.

I. Reporting for Artificial Intelligence (AI) and Machine Learning (ML) applications and systems offered and used by market intermediaries

There is an increasing usage of AI and ML as product offerings by market intermediaries, in the investor and consumer facing products. Therefore it was imperative to ensure that any advertised financial benefit owing to these technologies in investor facing financial products offered by intermediaries should not constitute to misrepresentation.

Therefore to gain an in-depth understanding of the adoption of such technologies in the markets and to ensure preparedness for any AI / ML policies that may arise in the future, SEBI vide circular dated January 04, 2019, have mandated stock brokers and depository participants to quarterly report the details of such technologies / application in the stipulated format to stock exchanges/depositories, which in turn will provide a consolidated report to SEBI.

J. Acceptance of Probate of Will or Will for Transmission of Securities held in dematerialized mode

In order to harmonize the procedures for transmission of securities in dematerialized mode with that of transmission of securities in physical mode, vide circular dated Jan 04, 2019, it was communicated that transmission of securities held in dematerialized mode shall be dealt in line with SEBI (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2018. Hence, succession certificate or probate of will or will or letter of administration or court decree, as may be applicable in terms of Indian Succession Act, 1925, shall be accepted as documentary requirement for transmission of securities held in physical as well as demat mode.

K. Uniform Membership Structure across Segments

In order to facilitate ease of doing business,

it was decided to implement uniform membership structure across equity cash and derivatives segment. Vide circular dated Jan 11, 2019, it was informed to the market that membership structure as Trading Member (TM), Self-clearing Member (SCM), Clearing Member (CM) and Professional Clearing Member (PCM) as prevalent in equity derivatives segment shall be implemented in cash segment with effect from April 01, 2019. Further directions with regard to transition to TM/ SCM/ CM/ PCM in the cash market and the various timelines for the transition have also been specified in the circular.

L. Relaxation from requirement to furnish a copy of PAN for transfer of equity shares of listed entities executed by non-resident

In order to address the difficulties faced by non-resident investors who do not have PAN, it has been decided to grant relaxation to non-residents (such as NRIs, PIOs, OCIs and foreign nationals) from the requirement to furnish PAN and permit them to transfer equity shares held by them in listed entities to their immediate relatives subject to the following conditions:

- a. The relaxation shall only be available for transfers executed after January 01, 2016.
- b. The relaxation shall only be available to non-commercial transactions, i.e. transfer by way of gift among immediate relatives.
- c. The non-resident shall provide copy of an alternate valid document to ascertain identity as well as the non-resident status.

M. Master circulars

During the year 2018-19, SEBI has issued Master circulars pertaining to debenture Trustees, credit rating agencies, underwriters and stock brokers, compiling various circulars issued by SEBI addressed to these intermediaries till March 31, 2018.

VI. FOREIGN PORTFOLIO INVESTOR

Sustained capital inflows play a major role for any economy and in particular for emerging markets as these markets get influenced more by global than domestic forces. Despite heavy capital infusion by FPIs in last two months, the Indian capital market suffered a net outflow to the tune of ₹ 38,930 crore in 2018-19 as macroeconomic headwinds weighed on investor sentiment through the year. In order to further develop the Indian securities market as an avenue for fund raising, eligibility norms for FPIs were relaxed and data privacy concerns of FPIs were addressed. This section throws light on the policy measures initiated during the financial year:

A. Relaxation of Eligibility norms for FPIs

In April 2018, the eligibility norms for Category I FPIs were relaxed. Now, the applicant falling under Category I FPI, shall also be considered as eligible for registration, if the applicant is resident in a country as may be approved by the Government of India. The broad based criteria for FPIs was relaxed by including the following provisions:

- a. If an FPI is a bank, sovereign wealth fund, insurance/ reinsurance company or a pension fund as its institutional investor, then such an applicant shall be deemed to be broad based subject to the condition that such institutional investor(s) shall, jointly or separately, hold more than 50 per cent of the shares or units of the fund in the applicant fund at all times.
- b. Exit of some investors from a broad based fund will not result in immediate loss of Category II status of such fund. Such fund may regain broad based status within a period of 90 days, failing which, the fund shall be appropriately re-categorised.

The eligibility requirements for Category I and II FPIs were eased by removing the requirement to provide the following supporting documents:

- a. The applicant is legally permitted to invest in securities outside the country of its incorporation or establishment or place of business;
- b. The applicant is authorized by its memorandum of association and articles of association or equivalent document(s) or the agreement to invest on its own behalf or on behalf of its clients;
- c. The applicant has sufficient experience, good track record, is professionally competent, financially sound and has a generally good reputation of fairness and integrity;
- d. The grant of certificate to the applicant is in the interest of the development of the securities market.

List of categories eligible for Category II registration was expanded to include appropriately regulated entities such as broker dealers and swap dealers.

B. Monitoring of foreign investment limits

In April 2018, SEBI, in consultation with RBI, specified a system housed at the depositories (NSDL and CDSL) to monitor the foreign investment limits. This system would facilitate the listed Indian companies to ensure compliance with the various foreign investment limits.

C. Debt investment by FPIs

a. Government Debt

- i. In June 2018, SEBI, in consultation with RBI, withdrew the minimum residual maturity restriction of three years for investment by FPIs in G-secs and state development loans (SDLs).
- ii. The auction process of debt limits in G-sec which was carried out by BSE/NSE was discontinued from June 2018. Further, the responsibility of overall monitoring of G-sec/ SDLs was shifted to CCIL from the depositories.

b. Corporate Debt

- i. In April 2018, all the then existing sub-categories under the category of corporate bonds were discontinued resulting in a single limit for FPI investment in all types of corporate bonds.
- ii. In June 2018, the minimum residual maturity limit for FPI investment in corporate bonds was reduced from three years to above one year. It was also decided that the investment by any FPI or investor group shall not exceed 50 per cent of any issue of a corporate bond.
- iii. In June 2018, FPIs were restricted to have a maximum exposure of 20 per cent of their corporate bond portfolio to a single corporate. However, in February 2019 after consultation with RBI this restriction was removed.

In March 2019, the revised limits for FPI Investment in debt for the year 2019-20 were decided as under:

Revised Limits for FPI Investment in Debt 2019-20 (₹ billion)						
Type	G-sec - General	G-sec - Long Term	SDL - General	SDL - Long Term	Corporate Bonds	Total Debt
Current Limit	2,233	923	381	71	2,891	6,499
Revised Limit for the HY Apr-Sep 2019	2,347	1,037	497	71	3,031	6,983
Revised Limit for the HY Oct 2019-March 2020	2,461	1,151	612	71	3,170	7,465

D. Easing on-boarding of FPIs

In August 2018, common application form, which is a single form for PAN, KYC & FPI registration was notified by DEA to further ease on-boarding of FPIs.

E. Implementation of interim recommendations of the SEBI working group

SEBI had constituted a working group under the Chairmanship of Shri. Harun R. Khan, Deputy Governor (Retired), RBI to review the SEBI (Foreign Portfolio Investors) Regulations, 2014. The Working Group submitted its interim report in September 2018 and it was circulated for public comments. Thereafter, the following changes/ clarifications were made:

a. Eligibility conditions for FPIs regarding NRI/ OCI/RI

The following eligibility norms were put in place:

- i. NRIs/ OCIs/ Resident Indians (RIs) were allowed to be constituents of FPIs including NRI/ OCI/ RI controlled investment managers (IMs), subject to the conditions that the contributions should be below 25 per cent from a single NRI/ OCI/ RI and in aggregate should be below 50 per cent to corpus of FPI. NRI/ OCI/ RI should not be in control of FPI. This restriction is not applicable to FPIs investing only in mutual funds in India.
- ii. FPIs can be controlled by IMs which are controlled and/ or owned by NRI/ OCI/ RI with the conditions that either IM is appropriately regulated in its home jurisdiction and registers itself with SEBI as non-investing FPI or IM is incorporated or setup under Indian laws and appropriately registered with SEBI.
- iii. A non-investing FPI may be directly or indirectly fully owned and/ or controlled by a NRI/ OCI/ RI.

b. Clubbing of Investment Limits for FPIs

The following was clarified:

- i. Clubbing will be on the basis of common ownership of more than 50 per cent or based on common control.
- ii. Public retail funds like mutual funds or unit trusts, insurance companies and pension funds were exempted from clubbing requirement under certain conditions.
- iii. Investment by foreign government/ its related entities from provinces/ states of countries with federal structure shall not be clubbed if the said foreign entities have different ownership and control.

c. Strengthening of KYC Requirements

In September 2018, KYC and BO requirements were strengthened in line with Indian AML laws in the following way:

- i. BOs are to be identified in accordance with Rule 9 of the Prevention of Money laundering (Maintenance of Records) Rules, 2005.
- ii. In respect of FPIs coming from “high risk jurisdictions” as referred in SEBI Master circular dated July 04, 2018, the intermediaries may apply lower materiality threshold of 10 per cent for identification of BO and also ensure KYC documentation as applicable for category III FPIs.
- iii. ODI issuing FPIs shall also identify and verify the BOs in the subscriber entities.
- iv. The KYC review (including change in BOs/ their holdings) should be done based on risk categorization of FPIs. In case of Category III and Category II FPIs from high risk jurisdictions, KYC review should be done on a yearly basis and for all other clients it should be conducted at the time of continuance of FPI registration.

- v. The Custodian should maintain the KYC records in original for a minimum period of five years from the date of cessation of the transactions with the said FPI.

- vi. Category II and III FPIs registered prior to September 21, 2018 were required to provide the list of BOs and applicable KYC documentation latest by March 20, 2019. If an existing FPI failed to comply with the applicable KYC requirements by the given deadline, the concerned custodian shall block such FPI to make fresh purchases till the time KYC documentary requirements, as applicable, are complied with. However, such FPI are allowed to continue to sell the securities already purchased by it for a period of 180 days after the deadline

d. Addressing data privacy concerns of FPIs

In September 2018, a provision (similar to OTP) was introduced, wherein, an intermediary can access information regarding beneficial owner including senior managing official of an FPI only after confirmation from the FPI or its global custodian.

e. Other aspects

In December 2018, the SEBI (FPI) Regulations 2014 were amended to include the following:

- i. The definition of opaque structure was widened to include those structures where the applicant or its investor(s) identified on the basis of threshold for identification of BO have issued any bearer shares or maintain any outstanding bearer shares.
- ii. The underlying investors having economic ownership/ control of 25 per cent or more in the applicant/ FPI, shall not be persons mentioned in the Sanctions List notified from time to time by the United Nations Security Council

and shall not be from a jurisdiction which is identified in the public statement of the FATF as:

- A jurisdiction having a strategic AML or combating the financing of terrorism deficiencies to which counter measures apply; or
 - A jurisdiction that has not made sufficient progress in addressing the deficiencies or has not committed to an action plan developed with the FATF to address the deficiencies.
- iii. Clarification was given regarding the term foreign government agency. It was defined as an entity in which more than 75 per cent of ownership or control is held by the Government of a foreign country.

F. Transparency in FPI registration

In October 2018, SEBI directed the designated depository participants (DDPs) to submit data regarding the average time taken by the DDPs in processing FPI registration applications. This would provide transparency in the FPI registration process. In this regard, a monthly report is being published on the SEBI website.

VII. THE CORPORATE DEBT MARKET

A well-developed corporate bond market supports economic development and is likely to be more beneficial for business having longer term cash flows. It has witnessed a marked shift in recent years and now the industry is gradually expanding its reach towards the corporate bond market and reducing its reliance on bank credit. While proactive policies and benign interest rate cycle contributed to growth, the market in India remains small, accounting for nearly 17 per cent of GDP. The current year witnessed ₹ 6,10,318 crore raised through 2,358 issues by the way of private placement listed at BSE and NSE while there were 25 public debt issues worth

₹ 36,679 crore in 2018-19, depicting a manifold increase from the previous year. Following were the slew of measures undertaken by SEBI in 2018-19:

A. Corporate Bond Market

- a. SEBI, vide its circular dated August 16, 2018, reduced the time to be taken for listing, in case of public issue of debt securities, non-convertible redeemable preference shares and securitised debt instruments to 6 working days from 12 working days earlier. Further, it mandated that allotment, refund, unblocking of application monies and credit of the aforesaid securities shall be done electronically. This was done to make the existing issuance process easier, simpler and cost effective for both issuers and investors.
- b. Amendments for doing away with the requirement of one per cent security deposit were notified to SEBI (Issue and Listing of Debt Securities) Regulations, 2008, SEBI (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013 and SEBI (Issue and Listing of Securitised Debt Instrument and Security Receipts) Regulations, 2008 on October 09, 2018.
- c. SEBI, vide its circular dated November 26, 2018 issued guidelines on "Fund raising by issuance of Debt Securities by Large Entities". The said circular, inter-alia, provides a framework for listed large corporates to mandatorily meet 25 per cent of their financing needs through issuance of debt securities.
- d. SEBI, vide its circular dated August 16, 2018 provided clarification on certain provisions of SEBI circular dated January 05, 2018 on electronic book mechanism for issuance of debt securities on private placement basis.

e. Amendments for providing a framework for listing of Security Receipts under SEBI (Public Offer and Listing of Securitised Debt Instruments and Security Receipts) Regulations, 2008 were notified on June 26, 2018. Consequent amendment to SEBI (Listing Obligations and Disclosure Requirements), 2015 providing continuous disclosure requirements were notified on September 09, 2018

B. Real Estate Investment Trusts (REITs)

SEBI Board approved amendments to REIT Regulations, which include, as under:

- a. The minimum allotment and trading lot for publicly issued REITs to be revised in the following manner:
 - i. Allotment by REIT shall be made in the multiples of a lot, each consisting of 100 units.
 - ii. Value of such allotment lot for REITs shall be INR fifty thousand.
 - iii. After listing trading shall be in multiple of one lot.

SEBI, vide its circular dated January 15, 2019, amended a few provisions related to public issue process for REITs including making Application Supported by blocked Amount (ASBA) mandatory for such issues.

C. Infrastructure Investment Trust (InvITs)

SEBI Board approved amendments to InvIT Regulations, which include, as under:

- a. The minimum allotment and trading lot for publicly issued InvITs to be revised in the following manner:
 - i. Allotment by InvIT shall be made in the multiples of a lot, each consisting of 100 units.

ii. Value of such allotment lot for InvITs shall be one lakh.

iii. After listing trading shall be in multiple of one lot.

b. The limit on leverage for InvITs to be increased from existing 49 per cent to 70 per cent of InvIT assets. The enhanced limit shall be subject to certain additional disclosure and compliance requirements, such as,

i. The consolidated debt of the InvIT and the project debt, have a credit rating of AAA or equivalent from a rating agency registered with the Board;

ii. The InvIT has a minimum track record of six distributions on a continuous basis, post listing, in the years just preceding to the financial year in which the enhanced borrowings are proposed to be made;

c. A separate framework to be created for privately placed unlisted InvITs, which provide sufficient flexibility to both issuers and investors These include, inter-alia, the following:

i. The minimum number of investors shall be as determined by the issuer including the maximum holding of units by a single investor;

ii. Leverage shall be as determined by the issuer after consultation with investor(s);

iii. The underlying assets can be completed, under construction or both;

iv. The minimum investment by an investor shall not be less than one crore;

Also, SEBI vide its circular dated January 15, 2019, amended a few provisions related to public issue process for InvITs including making ASBA mandatory for such issues.

VIII. OTHER POLICIES AND PROGRAMMES HAVING A BEARING ON THE WORKING OF THE SECURITIES MARKET

Alike every year, in 2018-19 as well SEBI continued its journey on the path of building a stronger and more vibrant Indian capital market while giving paramount importance to upholding investor protection. In line with the nationwide objective of facilitating ease of doing business, at SEBI also this was an important area of focus. Reforms are a continuous process as the huge capital needs of India are a compelling force. Accordingly, following favourable policy developments were taken this year:

A. Alternative Investment Funds (AIFs)

- a. In order to provide ease of business for angel funds, on June 1, 2018 the following amendments were made in SEBI (Alternative Investment Funds) Regulations, 2012 with respect to the funds registered as Angel Funds under Category I – AIF -VCF.
 - i. Increase in maximum investment amount in venture capital undertakings by an angel fund in any venture capital undertaking from rupees five crore to ₹ 10 crore.
 - ii. The requirement of minimum corpus of an angel fund reduced from ₹ 10 crore to five crore.
 - iii. Increase in maximum period for accepting funds from angel investors from three years to five years.
 - iv. The requirement of filing of scheme memorandum to SEBI by angel funds replaced with the requirement of filing term sheet containing material information, as specified by SEBI, within 10 days of launching scheme.
 - v. The provisions of the Companies Act, 2013 shall apply to the angel fund, if it is formed as a company.
- b. SEBI vide circular dated June 29, 2018 specified the format and time period of filing the term-sheet with SEBI, by funds registered as angel funds under Category I- AIF-VCF.
- c. SEBI vide circular dated July 3, 2018, enhanced the limit for overseas investment by AIFs and VCFs to USD 750 million. The circular also prescribed the reporting norms for such overseas investment through SEBI intermediary portal.
- d. To facilitate the presence of AIFs in IFSC, SEBI issued operating guidelines on November 26, 2018 specifying the registration requirements, compliances, reporting etc. for AIFs including angel funds, to be set-up in IFSC. The relaxation provided under these guidelines includes the following:
 - i. An AIF operating in IFSC may now invest in India through the FVCI or FDI route also, in addition to FPI route provided earlier in May 2017.
 - ii. Sponsor/ manager of an existing AIF in India may act as sponsor/ manager of an AIF set up in IFSC.
 - iii. Overseas investments by AIF set-up in IFSC will not be subject to the approval of SEBI and outside the limit of USD 750 million specified by RBI.

B. Investor Grievance Redressal Mechanism:

SEBI has been taking various regulatory measures to expedite the redressal of investor grievances. The grievances lodged by investors are taken up with the respective listed company or intermediary and continuously monitored. Grievances pertaining to stock brokers and depository participants are taken up with concerned stock exchange and depository for redressal and monitored by the concerned department through

periodic report obtained from them. Grievances pertaining to other intermediaries are taken up with them directly for redressal and continuously monitored by concerned department of SEBI.

The company/intermediary is required to respond in prescribed format in the form of action taken report (ATR). Upon the receipt of ATR, the status of grievances is updated. If the response of the company/intermediary is insufficient / inadequate, follow up action is initiated. SEBI takes appropriate enforcement actions (adjudication, 11B directions, prosecution, etc) as provided under the law where progress in redressal of investor grievances is not satisfactory.

SEBI Complaints Redressal System (SCORES) has helped the investors in real time knowledge of status of their grievance since investors can log onto SCORES at any time and from anywhere and check the status of the grievance with the help of username and password provided to them at the time of lodging grievance. Alternatively, investor can also call the SEBI Toll Free Helpline to check the status of the grievance.

Since SCORES has made receipt of grievance online it helps SEBI to take up issues very fast, including those that may require a policy change. Further, since companies are required to file ATRs within 30 days of receipt of complaint, in case of any such failure SEBI can initiate action against the company depending on the merit of the case. The following section highlights measures taken in the year 2018-19 for expediting the redressal of investor grievances.

a. New initiatives in SCORES

SEBI vide circular dated March 26, 2018 had introduced the following new measures which were implemented during financial year 2018-19:

i. Direct Complaints

SEBI had received inputs from listed companies and intermediaries that investor grievances can be resolved faster if the grievance were taken up directly with the entity at the first instance. Accordingly, with effect from August 01, 2018, with a view to provide an online platform to lodge grievances directly to the entity and speedy redressal of the same, SEBI provided the facility of lodging 'direct complaint' in SCORES. Under this mechanism, the SCORES platform can be utilized by investors to lodge their complaint directly to the listed company/ registered intermediary. The complaint will be addressed by the concerned entity and the response will come to the investor without any interference of SEBI officials. In case, the listed company or registered intermediary fails to redress the complaint to the investor's satisfaction, the investor may file a complaint in SCORES.

ii. Limitation Period

SEBI had introduced limitation period within which complaints can be accepted in SCORES. The circular inter alia stated that

"...in order to enhance ease, speed & accuracy in redressal of investor grievance, the investor may lodge a complaint on SCORES within three years from the date of cause of complaint, where;

Investor has approached the listed company or registered intermediary for redressal of the complaint and,

The concerned listed company or registered intermediary rejected the complaint

or,

The complainant does not receive any communication from the listed company or intermediary concerned or,

The complainant is not satisfied with the reply given to him or redressal action taken by the listed company or an intermediary”

With effect from August 01, 2018 the above provision has been implemented in order to enhance ease, speed & accuracy in redressal of investor grievances.

iii. Mandatory requirements for lodging grievances on SCORES

Effective from August 01, 2018, SEBI has made it mandatory for investors to register themselves on SCORES in order to lodge a complaint. While filing the registration form, details like name of the investor, PAN, contact details, email id, aadhaar card number (optional), CKYC ID (optional) etc. may be provided for effective communication and speedy redressal of the grievances. Upon successful registration, a unique user id and a password shall be communicated to the investor through an acknowledgement email / SMS.

iv. Complaints against companies placed on dissemination board

Companies which were listed on the erstwhile non-operational regional stock exchanges were shifted to dissemination boards of BSE and NSE if such companies failed to, either list on main boards of BSE and NSE or provide exit to the investors SEBI was receiving complaints against such companies.

With a view to provide quick recourse to investors and also update the SCORES database, a mechanism was developed whereby:

- i. SCORES status of companies on dissemination board was appropriately changed from ‘listed’ to ‘placed on dissemination board’

- ii. Complaints against such companies were sent to stock exchange. If the complaint pertained to valuation of securities then stock exchange would provide an appropriate response. If the complaint pertained to any other matter, the investor will be guided to take it up with the appropriate authority.

v. Complaints against companies placed on dissemination board but subsequently removed

Many companies, which were placed on dissemination board, after complying with the extant norms on exiting from the dissemination board, have duly exited the dissemination board. Complaints against such companies are no-longer within the purview of SEBI. However, SEBI has been receiving complaints against such companies. With a view to provide quick recourse to investors, the status of such exited companies on SCORES is adequately updated as ‘no longer listed’ and investors are guided to take up the complaint with the appropriate authority.

vi. Complaints against vanishing companies

A co-ordination and monitoring committee (CMC) under aegis of MCA, periodically comes out with a list of ‘vanishing companies’. Complaints against such companies are no-longer within the purview of SEBI. However, SEBI has been receiving complaints against such companies.

With a view to provide quick recourse to investors, the status of such companies were changed from ‘listed’ to ‘vanishing’ on SCORES. Investors were guided that such companies do not fall within the purview of SEBI and they could approach the appropriate authority for their grievances.

IX. ASSESSMENT AND PROSPECTS

A. Assessment

The global economy started 2018 on an upbeat note, buoyed by a pickup in global manufacturing and trade through 2017. As investors' confidence in the global economic outlook lost steam, so did the upswing. The global economic activity slowed down notably in the second half of 2018-19, led mainly by common factors affecting major advanced economies (AEs) and emerging market economies (EMEs).

Despite increasing headwinds, developing Asia posted strong growth in 2018, albeit moderating from 2017. According to ADB's Asian Development Outlook April 2019, growth in the region is projected to soften to 5.7 per cent in 2019 and 5.6 per cent in 2020. The growth in Indian economy slowed from 7.2 per cent in 2017-18 to 6.8 per cent in 2018-19, with weaker agricultural output and consumption growth curtailed by higher global oil prices and lower government expenditure. Nevertheless, as projected the growth in India is expected to rebound to 7.2 per cent in 2019 and 7.3 per cent in 2020 as policy rates are cut and farmers receive income support, bolstering domestic demand.

The Index of Industrial Production (IIP) statistics decelerated to a three-year low of 3.6 per cent in the 2018-19 fiscal as against 4.4 per cent in the previous fiscal. Manufacturing IIP lost pace due to a slowdown in production of motor vehicles, trailers and tractors, chemical and chemical products, rubber and plastics, coke and refinery products, textiles and beverages. While the previous year witnessed all the three sectors (services, agriculture and industry) maintaining their momentum, the current year bore a testimony to the revival in industrial activity. While Services sector registered a reasonable growth as compared to 2017-18, the agriculture activity recorded a significant fall in this financial year.

The global economic growth is forecast to decelerate to 3.3 per cent in 2019 before recovering to 3.6 per cent in 2020. Though the advanced economies are forecast to register consecutive slower growth in both 2019 (1.8 per cent) and 2020 (1.7 per cent), the emerging market and developing economies are forecast to register a marginal dip in the growth rate in 2019 (4.4 per cent) and then bounce back in 2020 (4.8 per cent). The forecasts are driven by a combination of waning cyclical forces and a return to tepid potential growth in advanced economies, a precarious recovery in emerging and developing market economies and the complex factors that shape the prospects for potential growth in both the groups.

Various forecasts by multilateral organizations are unanimous in the outlook for India. The IMF forecasts India to grow at 7.3 per cent in 2019 and 7.5 per cent in 2020. The ADB charted a similar course, projecting the Indian economy to grow at 7.2 per cent in 2019 and 7.3 per cent in 2020. The RBI also expects the real GDP growth to recover in 2019 – 20 to 7.2 per cent in 2019 – 20 (with growth accelerating consecutively in every quarter) and 7.4 per cent in 2020 – 21. Inflation is expected to remain below the target of 4.0 per cent.

Amidst the external headwinds, the Indian equity market, which was buoyant till first half of 2018-19, witnessed two-way movements in the second half of the financial year. Nonetheless, the benchmark indices rallied sharply in the month of March 2019 leading to India outperforming most of its peers among major EMEs and some AEs. While, Sensex registered a growth of 17.3 per cent, Nifty 50 recorded a growth of 14.9 per cent in 2018-19 on easing of concerns over liquidity tightness, waning inflation pressures and improvement in India's ranking in the World Bank's ease of doing business index. Apart from the large volumes attained in equity markets, the Indian derivative

market continued to reflect commendable growth. The equity derivatives segment has become the most traded segment in India with a total volume of ₹ 2,376 lakh crore in 2018-19.

As good as every year, in 2018-19 also SEBI maintained its journey on the path of building a stronger and more vibrant Indian capital market while giving paramount importance to upholding investor protection. An efficient and fair securities market facilitates the channelization of both domestic and international flows into investments and capital formation. This in turn translates into growth for the economy. The Indian securities market has kept good pace with the reassuring macroeconomic environment in the country. All the policy initiatives taken in 2018-19 endeavoured to fulfill the prime objective of existence of SEBI viz. investor protection, market development and effective regulation.

SEBI believes in the value of consultations with all the stakeholders and has set up advisory committees in all major areas of work to advice proactively on the development and regulation of securities markets. In order to ensure transparency, efficiency, fairness, safety and integrity of the securities market, policy decisions are taken after consultations with the stakeholders and by disseminating policy papers for public comments. Further, agenda papers submitted to the board and their decisions are also placed on the website. During the year, consultation papers on areas like 'revisiting the public issue process', 'issuance of shares with differential voting rights', 'review of framework for ITP' and the likes were placed on the SEBI website for public comments.

On the other hand, new policy measures were implemented to further reshape and refine commodity derivatives market regulations, strengthening its risk management framework, aligning existing market participants to a uniform

regulatory framework, boosting the surveillance mechanisms at exchanges and at SEBI to better monitor the markets and instil confidence among all stakeholders. In order to enable a conducive environment for this segment, and pave way, in the long run, for Indian markets to become price setters for some of the global commodities, Eligible Foreign Entities (EFEs) were permitted to participate in the commodity derivatives market.

A healthy and efficient primary market is reflective of the economic stability that further accentuates the investor's confidence in the markets. Measures such as introduction of Unified Payment Interface (UPI) for blocking funds, reducing the time period for listing of issues, setting up of Innovators Growth Platform, distribution of cash benefits through depositories and improved corporate governance standards endeavor to further refine the primary market design and boost investor confidence. Total funds raised from the capital market through various channels like public issues, right issues, QIPs, preferential issues, private placements of debt and funds raised by AIFs has increased manifold, depicting that India is increasingly becoming a preferred investment destination within Asia, given the country's strengthening macroeconomic environment, increasingly facilitative policies and significant positive growth rates.

In order to facilitate ease of doing business and to keep up the momentum of its growth, SEBI reviewed the norms for proper functioning and development of securities market in IFSC. BSE's India INX exchange, where equity derivatives, currency derivatives and commodity derivatives segments are available for trading, emerged as the largest player and recorded a total turnover of USD 196,934 million in 2018-19, while NSE's IFSC recorded gross turnover of USD 81,372 million. This financial year also saw the setting up of interoperable framework amongst the clearing corporations leading to efficient

allocation of capital for the market participants. Even while FPI net investments exhibited some volatility, investments in mutual funds have consistently increased in recent years, which in turn have been invested by mutual funds in equities and debt. This acted as an effective force in containing market volatility even when the FPIs were divesting.

Market integrity is key for investor protection and the overall fairness of the market. SEBI took some important steps during the year to further this objective which, inter-alia, included, enhanced standards for CRAs, strengthening of KYC requirements of FPIs, monitoring of foreign investment limits, early warning mechanism to prevent diversion of client securities and cyber security and cyber resilience framework for stock brokers/depository participants.

While investor interests are ensured through various policies, checks and balances, the expeditious redressal of their grievances is a pre-requisite for retaining their confidence in markets and regulation and for potential investors as well. Based on the feedback received from the market participants, SEBI has broadened the scope of its online investor complaints portal viz. SCORES. In order to help in achieving financial inclusion and to enhance the investor's confidence and awareness, SEBI continues to evolve various initiatives like conducting workshops, visit to SEBI etc. Moreover NISM, which is SEBI's academic and educational arm, is dedicated towards enhancing the quality of participation in securities market capacity building activities by way of designing and delivering high-quality academic and training programmes, presenting and publishing research papers and imparting investor education and financial literacy.

The main idea behind the policy directions issued by SEBI has always been towards enhancing market trust, increasing the penetration of the

securities market, enhancing investor education and awareness, enhancing governance norms, strengthening enforcement, facilitating fund raising by corporates and aligning the development of the securities market with the needs of the economy. While the market fundamentals have started showing strengthening signs, steadfast policy measures encompassing all spheres of market activity shall further embolden the regulatory infrastructure and the investor confidence.

B. Prospects

SEBI is convinced that with the roadmap now laid for the ambitious growth of the Indian economy, the Indian securities market is bound to witness a quantum jump in terms of its size and relative importance, the number of products and players, etc. in the coming years. This calls for treating development, regulation and protection measures as continuous work in progress, while revisiting all the existing activities, keeping abreast with the developments in the global arena, while tapping to our advantage globally recognized India's expertise in the field of information technology. A brief overview of the thrust areas for 2019-20 is provided below.

Commodity Derivatives: The commodity derivatives market segment has now been fully integrated to the overall securities market in a phased manner. In last three years, SEBI has taken several steps to widen both products and participants in this segment so as to make it as robust as the other segments of the market. The proposals to introduce options in goods, derivatives on commodity indices and weather derivatives are under active consideration of SEBI.

New Initiatives: In view of the evolving start-up ecosystem, the concept of accredited investors will be operationalized for the purpose of Innovators Growth Platform. Under this framework an investor

having a demat account will make an application to exchange/depository for accreditation that will be valid for a period of three years. It is also proposed to tap the digital channels more for every market segment and to deploy technology for most of the activities. Further, proposal to permit issuance of dual-class shares is underway.

Capacity Building: SEBI will require the stock exchanges to enhance their analytical capabilities so as to improve the analysis of filings done by the listed companies in XBRL format. A cyber capability index will be developed to assess the cyber security preparedness and resilience of the market infrastructure institutions. This index shall not only improve the oversight of cyber security implementations, but will also help to gauge the level of implementation of the guidelines issued by SEBI from time to time. In order to strengthen the cyber security preparedness resilience, SEBI has envisaged three tier structure in securities market to monitor cyber security related events and take action as deemed necessary in the interest of the securities market. Further, a cyber-security and compliance reporting system for the regulated entities is proposed to be set up, so as to collaborate with Government and other national and international regulators to tackle emerging cyber threats and vulnerabilities.

A smooth and uninterrupted functioning of operations of the MIIs is essential for ensuring the continuity of the securities market. It is therefore very crucial for the MIIs to constantly monitor the performance of its systems and upgrade/ enhance its systems to avoid any possibility of technical glitch. Towards this end, based on experience from the technical glitch incidents at MIIs in the past, a framework for timely and adequate reporting of incidents, as well as a penalty mechanism to act as deterrence, is proposed to be prescribed.

Application of technology in financial markets is changing the way these markets functioned traditionally. With technology driven evolution of financial markets, regulators are faced with both challenges and opportunities to evolve their own functioning to be more effective through the adoption of new technology solutions. On these lines, a project is currently underway to ingest data from various intermediaries into the SEBI database and develop algorithms in order to generate instances of breaches of regulatory guidelines along-with alerts on possible non-compliances. SEBI aims to develop a technology based inspection methodology for the regulation of various intermediaries in the securities market.

The recently drawn up four year IT roadmap of SEBI envisages to build a private cloud in order to cater to the infrastructure needs of SEBI; build a progressive data lake solution to leverage advanced algorithms and artificial intelligence to address critical challenges in data analytics faced on account of the processing of vast amount of data; enterprise wide security and network operations monitoring solution; building automated work-flow systems; regulatory collaboration for data; permitting regulatory/innovation sandbox and facilitating usage of artificial intelligence and machine learning in the Indian securities market.

At NISM, it is proposed to develop the capacity building in emerging areas such as data science applications and fintech applications in financial markets through short term and long term academic programmes. Further, curriculum for the existing certification and continuing professional education (CPE) programmes for intermediaries will be revised, while new certifications at higher levels will also be introduced. The curriculum for its existing academic programmes will be revised and new academic programmes shall be introduced.

Nevertheless, the designing and developing of executive education programmes for all the financial market participants and even international securities market related organisations is underway.

New Players: A framework, enabling SEBI regulated entities to carry-out activity of aggregation of financial information (assets and liability related information regulated by any of the financial sector regulators) of an investor, shall be put in place. It is necessary that a MoU is signed by financial sectors regulators enabling information sharing between their regulated entities and entity performing such aggregation activity.

Ease of Doing Business: The time period for listing of the issues will be reduced to three working days from the close of the offer. The timeline of the right issue process will be revisited, which will address the issue of risk spread over longer period due to time taken in current process. In order to achieve dual objectives of cost reduction and process simplification related to public issuances of debt securities, introduction of “on tap” issuance facility is under consideration. As a result, the issuer would have the flexibility of issuing debt securities and raising funds through multiple and smaller tranches on a continuous basis without having to file the prospectus at every stage of issuance.

The overall disclosure norms are being made more investor-friendly and in line with the global norms. Many of the Regulations framed by SEBI are being reviewed, inter alia, to facilitate the process of doing business in the Indian securities market as well as to enable seamless compliance. A common application form (CAF) shall be introduced for the FPIs for the purpose of registration, opening of bank and demat accounts and application for PAN.

In order to enable ease of transactions for investors and use of technology to enhance investor experience and penetration of MFs, a working group,

drawing members from the MF industry, distributors, stock exchanges, MF platforms and investor association, has been formed to inter-alia provide recommendations on simplifying on-boarding process for investors, measures for enhancing the effectiveness of investor grievance resolution mechanism and for recommending measures to enhance MF penetration. SEBI in consultation with stock exchanges and depositories would take further measures to enhance ease of doing business for investors through digital channels.

Corporate Governance: Effective governance is a necessary and important tool for protecting the interests of various stakeholders, particularly small investors, in the market. This has been and will always remain an important area of focus for SEBI. In order to ease the process of casting e-voting thereby facilitating greater participation of the retail investors, the designing of a common mobile app for e-voting is in progress. Further, to facilitate investors to take informed decisions on the proposals of the listed entities, the option of providing relevant links to the recommendations of SEBI registered proxy advisors is also under consideration. The Indian investors will soon be provided with the facility to hold securities issued overseas in their demat accounts in India.

Continuing with the initiatives taken in previous years to strengthen the norms for governance in the Indian securities market, in 2019-20, SEBI shall review the existing disclosure framework pertaining to environmental, social and governance based disclosures in India relating to business responsibility report and integrated reporting. The framework of Ombudsman Regulations will be perused in order to make it adaptive to the present needs of the securities market.

Risk Management: Robust risk management practices are sine-qua-non to winning the confidence of the market participants. A framework to govern

the orderly winding down of the depositories operations shall be put in place. The risk management framework for liquid schemes of mutual funds will be further strengthened. The review of extant surveillance systems has already been initiated by monitoring intra-day volatility and identifying new criteria for preventive surveillance measures.

To further strengthen the systems, the scope of surveillance activities shall be expanded by way of introduction of new alerts and modification of existing alerts for all segments of the market. The surveillance measures in the form of additional margins may be explored further to mitigate overall risk to the system. In order to make the existing guidelines on valuation of money market and debt securities more reflective of the market dynamics and increase the robustness of valuation, the present guidelines will be examined. To further strengthen the supervision over stock brokers, additional measures to prevent misuse of clients' securities will be stipulated.

Investor Awareness and Education: The investors are the bedrock of the securities market and the Indian securities market has immense potential as regards the growth of the investor population is concerned. It is proposed to increase the spread

of investor education programs and activities in securities market including commodity derivatives market under one umbrella of SEBI. The plan is to further accelerate partnering with the industry bodies viz. recognized investors' associations, commodity derivative trainers in spreading investor awareness and education and more reliance will be placed on the tools of information and communication technology in the effort.

Overall Development: Markets have increasingly integrated globally and are getting more and more complex with the emergence of new products and processes. In this scenario, regulators need to upgrade their skills as per the requirements of their regulated space to be effective. To supplement its recovery process, SEBI signed a MoU with the Insolvency and Bankruptcy Board of India wherein both organisations intend to co-operate with each other for effective integration and implementation of Securities laws and Insolvency and Bankruptcy Code. The policies for governing the proxy advisors will be reviewed. SEBI is determined to have a well-considered and balanced approach in its endeavours to meet its mandated objectives of regulating and developing the Indian securities market and protecting investor interests in securities.

Part Two: Trends And Operations In The Securities Market

■ 1. PRIMARY SECURITIES MARKET

The Initial Public Offering (IPO) market witnessed reduced activity during the 2018-19. Fundraising through IPOs plunged as companies turned cautious due to market volatility. The liquidity crisis at the NBFCs, escalating trade war fears, higher crude prices, a weaker Rupee and several macro-economic factors led to volatility in equities that kept the primary market dull during the year.

I. EQUITY MARKET

A. Resource Mobilisation through Public and Rights Issues

The fund raising during 2018-19 was subdued vis-à-vis 2017-18 for both Public Issues and Rights Issues. During 2018-19, 133 companies accessed

primary market and raised ₹ 18,235 crore (through 123 public issues and 10 rights issues) as against 223 companies which raised ₹ 1,05,097 crore in 2017-18 (through 202 public issues and 21 rights issues).

The number of IPOs declined to 123 in 2018-19 as against 201 in 2017-18. Further, rights issues declined to 10 in 2018-19 as against 21 in 2017-18. Of the total resources mobilized in 2018-19, 88.2 per cent was through public issues and the remaining 11.8 per cent through rights issues compared to 79.6 per cent of resources mobilized through public issues and 20.4 per cent through rights issues in 2017-18. The largest public issue in 2018-19 was for ₹ 2,800 crore by HDFC Asset Management Company Limited. **(Table 2.1)**

Table 2.1 : Resource Mobilisation through Public and Rights Issues

Particulars	2017-18		2018-19		Share in Total Amount (per cent)	
	No.	Amount (₹ crore)	No.	Amount (₹ crore)	2017-18	2018-19
Public Issues,	202	83,696	123	16,087	79.6	88.2
<i>of which</i>						
IPOs	201	83,684	123	16,087	79.6	88.2
FPOs	1	13	0	0	0	0
Rights Issues	21	21,400	10	2,149	20.4	11.8
Total	223	1,05,097	133	18,235	100	100

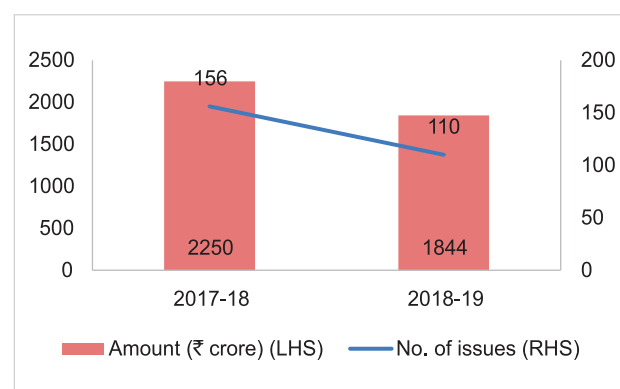
Note : 1: All offers for sale have been included under the head of IPOs/FPOs

2: The primary market resource mobilization is inclusive of amount raised on the SME platform

a) Resource Mobilisation on SME Platform

The SME platform witnessed a drop in 2018-19 as against 2017-18 both in terms of the number of companies accessing and the amount raised through IPOs. In 2018-19, 110 companies were listed in the SME platform raising a total amount of ₹ 1,844 crore as compared to ₹ 2,250 cores raised through 156 issues in 2017-18. (Figure 2.1)

Figure 2.1 : Resource Mobilisation through the SME Platform



b) Sector-wise Resource Mobilisation

By sector, 129 private sector issuers and four public sector issuers mobilised resources through

primary market in 2018-19 as compared to 216 private sector issuers and seven public sector issuers in 2017-18. In 2018-19, private sector issuers mobilised ₹ 16,753 crore through public issuance of equity thereby constituting 91.9 percent of the total resource mobilisation in 2018-19 as compared to ₹ 68,870 crore raised (constituting 65.6 percent of total resource mobilised) in 2017-18. (Table 2.2)

Table 2.2 : Sector-wise Resource Mobilisation (₹ crore)

Sector	2017-18		2018-19		Share in Total Amount (per cent)	
	No.	Amount (₹ crore)	No.	Amount (₹ crore)	2017-18	2018-19
Private	216	68,870	129	16,753	65.6	91.9
Public	7	36,227	4	1,482	34.4	8.1
Total	223	1,05,097	133	18,235	100.0	100.0

c) Size-wise Resource Mobilisation

By size, 61 issues were mobilized in the range of ₹ 10 crore to ₹ 50 crore. However, the bulk of resource mobilization comprised of nine issues with size more than ₹ 500 crore each, which collectively raised ₹ 13,266 crore. (Table 2.3)

Table 2.3 : Size-wise Resource Mobilisation

Issue Size	2017-18		2018-19		Share in Total Amount (per cent)	
	No.	Amount (₹ crore)	No.	Amount (₹ crore)	2017-18	2018-19
< ₹ 5 crore	30	115	20	68	0.1	0.4
=> ₹ 5 crore & < ₹ 10 crore	41	277	29	213	0.3	1.2
=> ₹ 10 crore & < ₹ 50 crore	91	1,834	61	1,355	1.8	7.4
=> ₹ 50 crore & < ₹ 100 crore	7	481	6	438	0.5	2.4
=> ₹ 100 crore & < ₹ 500 crore	16	5,431	8	2,896	5.2	15.9
=> ₹ 500 crore	38	96,959	9	13,266	92.3	72.8
Total	223	1,05,097	133	18,235	100.0	100.0

There were 14 mega issues in 2018-19 compared to 48 mega issues in 2017-18. The mega issues mobilized ₹ 15,483 crore which comprise 84.9 per cent of the resource mobilization in 2018-19. Mega issues have been defined as the ones with issue size of ₹ 300 crore and above.

d) Industry-wise Resource Mobilisation

By industry, the miscellaneous category in the industry classification raised 44.9 per cent of the resources mobilized in 2018-19 followed by Finance (20.5 per cent), Hotels (9.0 per cent), Textiles (7.3 per cent) and Banking/FIs (6.2 per cent). (Table 2.4)

Table 2.4 : Industry-wise Resource Mobilisation

Industry	2017-18			2018-19		
	No. of Issues	Amount (₹ crore)	Share in Total Amount (per cent)	No. of Issues	Amount (₹ crore)	Share in Total Amount (per cent)
Airlines	1	4,113	3.9	0	0	0.0
Automobiles	4	565	0.5	1	9	0.1
Banking/FIs	4	8,075	7.7	1	1,131	6.2
Cement and Construction	12	635	0.6	4	542	3.0
Chemicals	7	980	0.9	4	622	3.4
Consumer Services	17	897	0.9	2	59	0.3
Electronic Equipments/ Products	15	356	0.3	8	266	1.5
Engineering	5	542	0.5	9	467	2.6
Entertainment	4	759	0.7	1	1	0.0
Finance	8	9,847	9.4	4	3,739	20.5
Food processing	13	1,978	1.9	4	90	0.5
Healthcare	15	5,500	5.2	3	58	0.3
Hotels	3	2,558	2.4	3	1,647	9.0
Info Tech	18	1,869	1.8	2	45	0.3
Insurance	5	43,425	41.3	0	0	0.0
Oil and Natural Gas	0	0	0.0	1	10	0.1
Plastic	4	193	0.2	2	39	0.2
Power	4	36	0.0	0	0	0.0
Printing	1	14	0.0	0	0	0.0
Roads and Highways	1	601	0.6	0	0	0.0
Telecom	4	1,287	1.2	0	0	0.0
Textiles	16	749	0.7	10	1,321	7.3
Miscellaneous	62	20,118	19.1	74	8,189	44.9
Total	223	1,05,097	100	133	18,235	100

B. Resource Mobilisation through QIP**a. Qualified Institutions' Placement (QIP)**

Qualified Institutions' Placement (QIP) is an alternative mechanism for the listed companies to

raise funds from the domestic market. During 2018-19, 14 issues garnered a total of ₹ 8,678 crore through the QIP route as compared to ₹ 67,257 crore raised in 2017-18, a decline of 87.1 per cent. (Table 2.5)

Table 2.5 : Resource Mobilisation through QIP

Year	Only NSE		Only BSE		Common		Total	
	No. of Issues	Amount (₹ crore)	No. of Issues	Amount (₹ crore)	No. of Issues	Amount (₹ crore)	No. of Issues	Amount (₹ crore)
2017-18	0	0	1	36	52	67,221	53	67,257
2018-19	0	0	1	113	13	8,565	14	8,678

Source : BSE and NSE.

b. Offer for Sale through the Stock Exchange Mechanism

Offer for Sale (OFS) is a mechanism introduced in 2012 to help the promoters in the listed companies to sell their shares directly to the public in more transparent manner and reduce their holdings.

In 2018-19, there were 27 OFS issues made on the platforms of NSE and BSE. The total resources mobilisation through OFS was ₹ 21,903 crore during 2018-19 compared to ₹ 17,085 crore in the previous year. (Table 2.6).

Table 2.6 : Offer for Sale through the Stock Exchange Mechanism

Year	No. of Companies	No. of issues	Total Resources Mobilised (₹ crore)
2017-18	20	29	17,085
2018-19	21	27	21,903

Source : BSE and NSE

C. Resource Mobilisation through Preferential Allotments

Preferential allotments are covered under chapter V of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018. It is an alternative mode for resource mobilization used by the listed

companies to issue shares or convertible securities to a selected group of investors. During 2018-19, resource mobilisation through preferential allotment increased by 253.3 per cent to ₹ 2,10,138 crore (through 399 issues) from ₹ 59,473 crore (through 407 issues) in the previous year (Table 2.7).

Table 2.7 : Resource Mobilisation through Preferential Allotments

Year	Only NSE		Only BSE		Common		Total	
	No. of issues	Amount (₹ crore)	No. of issues	Amount (₹ crore)	No. of issues	Amount (₹ crore)	No. of issues	Amount (₹ crore)
2017-18	189	2,563	18	716	200	56,194	407	59,473
2018-19	208	10,825	20	8,032	171	1,91,281	399	2,10,138

Source : BSE and NSE.

II. DEBT MARKET

A. Resource Mobilization through Public Issues

During 2018-19, the resource mobilisation through public issue of debt witnessed a tremendous growth. The amount raised through public issuance rose by more than six times from ₹ 5,173 crore (through eight issues) in 2017-18 to ₹ 36,679 crore in 2018-19 (through 25 issues). (Table 2.8)

Table 2.8 : Resource Mobilization through Public Issues

Particulars	2017-18		2018-19	
	No. of Issues	Amount (₹ crore)	No. of Issues	Amount (₹ crore)
Public Issues (Bond / NCD)	8	5,173	25	36,679

Note : Data for debt issues have been taken on the basis of their closing date

Of the 25 public debt issues during 2018-19, 17 issues were of size more than ₹ 500 crore each whereas eight others were in the range of ₹ 100 crore to ₹ 500 crore.

As in the previous years, all of the resources mobilised by public issuance of debt during 2018-19 was done by private sector finance companies.

B. Resource Mobilisation through Private Placement of Corporate Debt

The private placement route continue to dominate issuance of the corporate debt in India during 2018-19 as well. Companies listed on recognised stock exchanges in India raised ₹ 6,10,318 crore in 2018-19 through private placement of corporate debt, 1.9 per cent higher than ₹ 5,99,147 crore raised in the previous year (Table 2.9). In terms of the number of issues, 2,358 issuances were made in 2018-19, as compared to 2,706 issues in 2017-18.

Table 2.9 : Private Placement of Corporate Bonds Reported to BSE and NSE

Year	Only NSE		Only BSE		Common		Total	
	No. of Issues	Amount (₹ crore)	No. of Issues	Amount (₹ crore)	No. of Issues	Amount (₹ crore)	No. of Issues	Amount (₹ crore)
2017-18	721	1,70,835	1,812*	2,34,615	173	1,93,698	2,706	5,99,147
2018-19	479	1,77,593	1,703	2,47,451	176	1,85,274	2,358	6,10,318

Note : *Data revised for 2017-18
Source : BSE and NSE.

2. SECONDARY SECURITIES MARKET

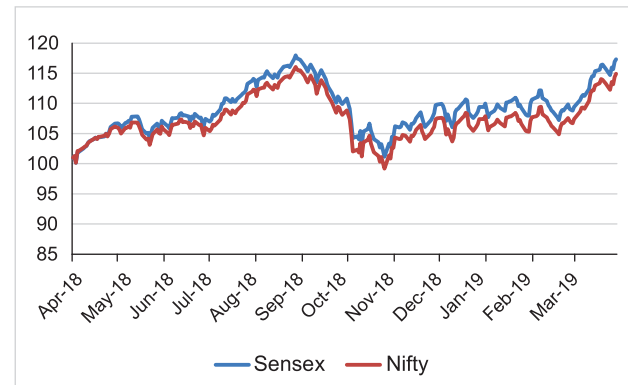
I. EQUITY MARKETS

Despite several challenges, including liquidity crises in domestic non-banking finance companies (NBFCs), the delay in Brexit and global trade tensions, Indian equity markets fared well during the year 2018-19. During the year, the mutual fund assets under the management rose by 11.4 per cent on account of strong participation of retail investors despite volatile markets. However, after two years of good foreign funds inflow, foreign inflows witnessed reversal in the trend during 2018-19. The foreign investors net sold ₹ 88 crore in 2018-19 compared to net inflow of ₹ 25,635 crore in 2017-18 and ₹ 55,705 crore in 2016-17, mainly on account of rising uncertainty over US-China trade war and capital outflows from emerging markets due to interest rate hike by US Federal Reserve.

India's benchmark blue chip indices S&P BSE Sensex (henceforth referred to as Sensex) and Nifty 50 (henceforth referred to as Nifty) continued its growth momentum in 2018-19, as Sensex and Nifty gained 17.3 per cent and 14.9 per cent respectively during the year (**Figure 2.2**). Both the indices have been normalised to 100. The Sensex closed at 38,673 on March 29, 2019 up by 5,704 points as compared to the level at the close of previous financial year. The Nifty closed at 11,624 on March 29, 2019 up by 1,510 points as compared to the level at the close of previous financial year.

Both Sensex and Nifty reached their respective all-time highs of 38,897 and 11,739 on August 28, 2018. The lowest level attained by the Sensex was 33,019 on April 04, 2018 while the Nifty recorded its lowest level of 10,030 on October 26, 2018.

Figure 2.2 : Movement of Stock Market Bluechip Indices



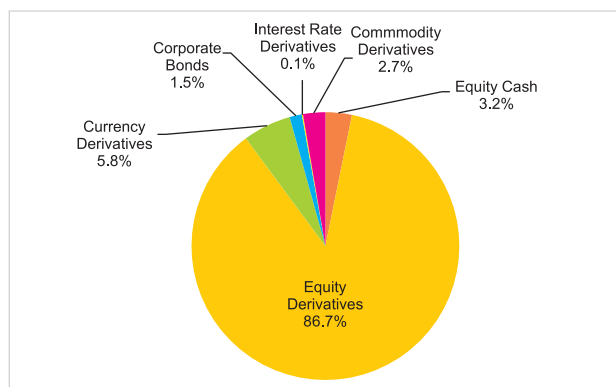
Source : BSE and NSE

In the cash segment, the turnover at NSE increased by 9.9 per cent during 2018-19 compared to 43.1 per cent growth in the previous year. The turnover of BSE decreased by 28.4 per cent during 2018-19 as compared to a growth of 8.5 per cent in the previous year. MSEI recorded very small volumes in the cash segment.

In the equity derivatives segment, the gross turnover at NSE rose by 44.0 per cent during 2018-19 as compared to 74.8 per cent growth in the previous year. The trading activity in equity derivative segment of BSE continued to decline during 2018-19. The gross turnover in the derivatives segment of BSE declined by 31.0 per cent during 2018-19, compared to decline of 53.0 per cent in the previous year. No trading was observed in equity derivatives segment of MSEI (**Table 2.10**). The segment-wise composition of the value traded in the secondary market is shown in **Figure 2.3**. In the secondary market, equity derivatives segment constitute highest market share of 86.7 per cent, followed by currency derivatives (5.8 per cent), equity cash segment (3.2 per cent),

commodity derivatives (2.7 per cent), corporate bonds (1.5 per cent) and interest rate derivatives (0.1 per cent).

Figure 2.3 : Share in Traded Value in the Secondary Market (per cent)



Source : National exchanges.

The market capitalisation of BSE and NSE witnessed a gain of 6.2 per cent and 6.3 per cent, respectively in 2018-19 over the previous year. In terms of valuations, the PE ratio of Sensex and Nifty increased to 28.0 and 29.0, respectively at the end of March 2019 from 22.7 and 24.7 respectively at the end of March 2018. The annualized volatility of Sensex and Nifty in 2018-19 was 12.1 per cent and 12.4 per cent, respectively compared to 10.0 per cent each in 2017-18. While the number of companies listed at BSE decreased to 5,262 at the end of March 2019 from 5,619 at the end of March 2018, the number of companies listed at NSE remained unchanged at 1,931 at the end of March 2019.

Table 2.10 : Major Indicators of the Indian Securities Markets

Item	2017-18	2018-19	Variation over the Previous Year (per cent)	
			2017-18	2018-19
A. Indices				
S&P BSE Sensex				
Year-end	32,969	38,673	11.3	17.3
Average	32,397	35,972	18.5	11.0
Nifty 50				
Year-end	10,114	11,624	10.2	14.9
Average	10,030	10,860	19.1	8.3
SX40				
Year-end	19,686	22,743	10.2	15.5
Average	19,395	21,230	17.6	9.5
B. Annualised Volatility (percent)				
S&P BSE Sensex	10.0	12.1	-17.4	21.0
Nifty 50	10.0	12.4	-18.7	24.0
SX40	9.7	12.2	-18.8	25.3
C. Total Turnover (₹ crore)				
Equity Cash Segment	83,17,987	87,24,653	37.4	4.9
of which				
BSE	10,82,968	7,75,590	8.5	-28.4
NSE	72,34,826	79,49,002	43.1	9.9
MSEI	193	61	-22.3	-68.6

Item	2017-18	2018-19	Variation over the Previous Year (per cent)	
			2017-18	2018-19
Equity Derivatives Segment	16,49,88,122	23,76,02,955	74.8	44.0
<i>of which</i>				
BSE	3,263	2,250	-53.0	-31.0
NSE	16,49,84,859	23,76,00,705	74.8	44.0
MSEI	Na	Na	Na	Na
Currency Derivatives Segment	95,80,665	1,59,17,864	15.1	66.1
<i>of which</i>				
BSE	44,36,430	73,52,274	39.9	65.7
NSE	50,28,502	85,18,351	3.5	69.4
MSEI	1,15,733	47,239	-61.2	-59.2
Interest Rate Derivatives Segment	5,45,308	3,56,629	24.4	-34.6
<i>of which</i>				
BSE	2,23,881	1,11,222	74.9	-50.3
NSE	3,21,208	2,45,407	4.4	-23.6
MSEI	219	0	-91.4	-100.0
Commodity Derivatives Segment	60,19,596	73,77,945	-7.3	22.6
<i>of which</i>				
NCDEX	5,89,497	5,31,588	-1.2	-9.8
MCX	53,93,350	67,72,373	-8.1	25.6
NMCE	34,591	13,675	21.6	-60.5
ICEX	2,158	24,061	NA	1,015.0
BSE	Na	32,804	Na	Na
NSE	Na	3,444	Na	Na
D. Market Capitalization (₹ crore)				
BSE	1,42,24,997	1,51,08,711	17.0	6.2
NSE	1,40,44,152	1,49,34,227	17.2	6.3
MSEI	1,38,96,724	1,47,51,584	17.5	6.2
E. No. of Listed Companies				
BSE	5,619	5,262	-3.7	-6.4
NSE	1,931	1,931	6.3	0.0
MSEI	270	287	237.5	6.3
F. P/E Ratio				
S&P BSE Sensex	22.7	28.0	0.3	23.7
Nifty 50	24.7	29.0	5.8	17.6
SX40	24.2	27.87	6.6	15.2

Source : National exchanges.

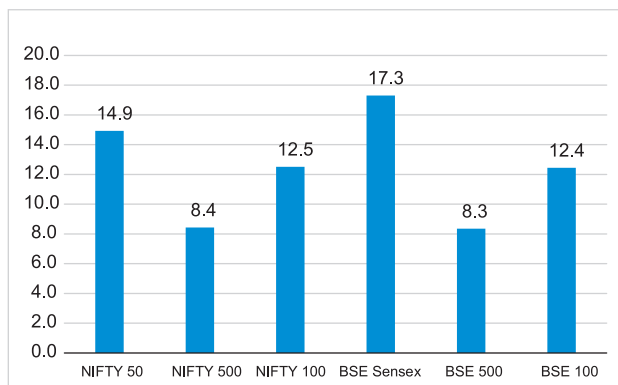
II. PERFORMANCE OF BROADER MARKET INDICES AND SECTORAL INDICES

During 2018-19, equity markets registered modest growth. India's leading equity bluechip

indices Nifty and Sensex grew by 14.9 per cent 17.3 per cent respectively. Among the broad based indices at NSE, NSE 500 index and Nifty 100 index grew by 8.4 per cent and 12.5 per cent, respectively

during 2018-19. Similarly, the broad-based indices at BSE, viz., S&P BSE 500 and S&P BSE 100 index rose by 8.3 per cent and 12.4 per cent, respectively during 2018-19.(Figure 2.4)

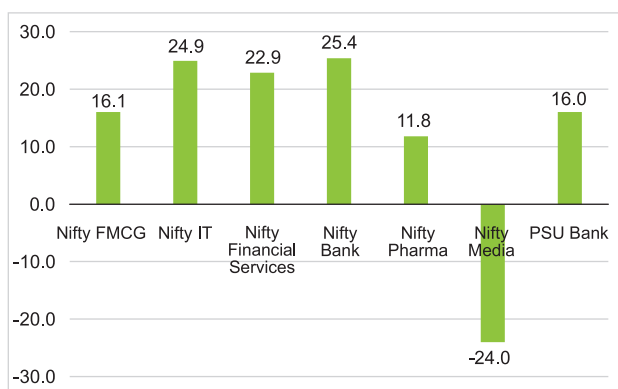
Figure 2.4 : Performance of Major Stock Indices during 2018-19



Source : NSE and BSE

Among the select sectoral indices at NSE, Nifty Bank Index gained the most (25.4 per cent) followed by Nifty IT Index (24.9 per cent), Nifty Financial Services Index (22.9 per cent), Nifty FMCG (16.1 per cent), Nifty PSU Bank Index (16.0 per cent), and Nifty Pharma Index (11.8 per cent). On the other hand, NSE's Nifty Media Index declined by 24.0 per cent during 2018-19. (Figure 2.5)

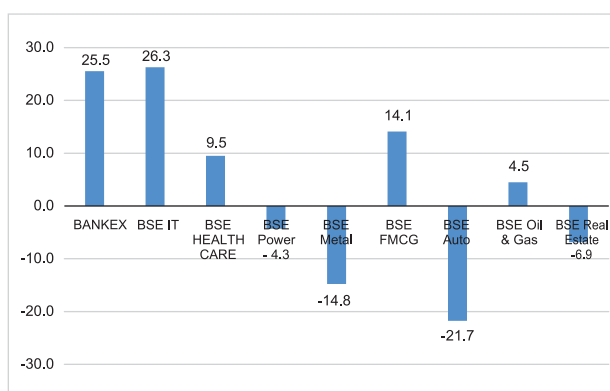
Figure 2.5 : Annual Returns of NSE's Sectoral Indices during 2018-19



Source : NSE

Among the select sectoral indices at BSE, BSE IT Index gained the most (26.3 per cent), followed by BANKEX (25.5 per cent), S&P BSE FMCG Index (14.1 per cent), S&P BSE Healthcare Index (9.5 per cent) and S&P BSE Oil (4.5 per cent). On the other hand, S&P BSE Auto Index, S&P BSE Metal, S&P BSE Real Estate and S&P BSE Power fell by 21.7 per cent, 14.8 per cent, 6.9 per cent and 4.3 per cent respectively during 2018-19.(Figure 2.6)

Figure 2.6 : Annual Returns of BSE's Sectoral Indices during 2018-19



Source : BSE

III. TURNOVER IN THE INDIAN STOCK MARKET

The combined turnover of all stock exchanges in the equity cash segment increased by 4.9 per cent to ₹ 87.2 lakh crore in 2018-19 from ₹ 83.2 lakh crore in the previous year. Of the aggregate turnover, NSE accounted for 91.1 per cent of the total turnover and BSE accounted for 8.9 per cent of the total turnover. NSE's turnover in the cash segment increased by 9.9 per cent to ₹ 79.5 lakh crore in 2018-19 from ₹ 72.3 lakh crore in the previous year. During the same period, BSE witnessed a decline in turnover by 28.4 per cent to ₹ 7.6 lakh crore from ₹ 10.8 lakh crore in the previous year. The annual turnover of MSEI decreased by 68.6 per cent to ₹ 61 crore during 2018-19 from ₹ 193 crore during the previous year (Table 2.11).

Table 2.11 : Exchange-wise Equity Cash Segment Turnover (₹ crore)

Stock Exchange	2017-18	2018-19	Share in total turnover (per cent)	Variation over 2017-18 (per cent)
BSE	10,82,968	7,75,590	8.9	-28.4
MSEI	193	61	0.0	-68.6
NSE	72,34,827	79,49,002	91.1	9.9
Total	83,17,988	87,24,653	100	4.9

Source : National Exchanges

The trading activity in GIFT city, a special economic zone in Gujarat which hosts BSE's India

INX exchange and NSE's NSE IFSC exchange, has started gaining momentum since 2017-18. India INX exchange, emerged as the largest player and recorded a total turnover of US\$ 196,934.0 million in 2018-19 as compared to US\$ 27,228.2 million during 2017-18 where equity derivatives, currency derivatives and commodities derivatives segments are available for trading. NSE IFSC exchange recorded gross turnover of US\$ 81,371.49 million in 2018-19 as compared to US\$ 7,370.4 million in those three segments in 2017-18. (Table 2.12).

Table 2.12 : Notional Turnover at IFSC (in US\$ Million)

Year		Equity Derivatives				Currency Derivatives		Commodity Derivatives
		Index Futures	Index Options	Stock Futures	Stock Options	Currency Futures	Currency Options	Commodity Futures
2017-18	India INX	11,784.7	2,689.8	499.6	-	0.3	-	12,253.9
	NSE IFSC	6,636.9	710.4	23.0	0.0	0.0	0.0	0.1
2018-19	India INX	43,319.4	1,00,266.7	4.8	0.0	0.0	0.0	53,343.2
	NSE IFSC	35,391.2	45,960.8	19.4	0.0	0.0	0.0	0.0

Source : BSE, NSE

The trading data for the top-20 cities in India shows that 60.0 per cent of BSE's total turnover in the equity cash segment and 66.2 per cent of NSE's total turnover in the equity cash segment was concentrated in Mumbai (including Thane), the financial hub of the country. At NSE, Gurugram

contributed 8.1 per cent to the total turnover, followed by Delhi/Ghaziabad (6.5 per cent), Kolkata/Howrah (5.0 per cent), and Bengaluru (3.9 per cent). At BSE, Gurugram contributed 12.1 per cent to the total turnover, followed by Ahmedabad (2.7 per cent) and Kolkata (2.6 per cent). (Table 2.13).

Table 2.13 : City-wise Turnover of the Top-20 Cities in the Cash Segment

BSE			NSE		
City	Turnover (₹ crore)	Percentage share in cash turnover	City	Turnover (₹ crore)	Percentage share in cash turnover
MUMBAI	8,75,063	60.0	MUMBAI / THANE	1,02,23,902	66.2
OTHERS	1,85,063	12.7	GURUGRAM	12,46,232	8.1
GURUGRAM	1,76,410	12.1	DELHI/GHAZIABAD	10,07,739	6.5
AHMEDABAD	39,412	2.7	KOLKATA / HOWRAH	7,69,666	5.0
KOLKATA	37,395	2.6	BENGALURU	6,10,135	3.9
RAJKOT	25,880	1.8	HYDERABAD/SECUNDERABAD/ KUKATPALY	5,34,910	3.5
NEW DELHI	24,890	1.7	AHMEDABAD	3,55,976	2.3
CHENNAI	16,921	1.2	RAJKOT	1,86,493	1.2
VADODARA	14,083	1.0	CHENNAI	1,36,229	0.9

BSE			NSE		
City	Turnover (₹ crore)	Percentage share in cash turnover	City	Turnover (₹ crore)	Percentage share in cash turnover
GHAZIABAD	9,282	0.6	KOCHI/ERNAKULAM/PARRAV/ KALAMSERASY/ALWAYE	1,19,150	0.8
JAIPUR	8,671	0.6	INDORE	69,283	0.4
BENGALURU	7,029	0.5	JAIPUR	50,683	0.3
SURAT	6,924	0.5	VADODARA	47,385	0.3
HYDERABAD	6,639	0.5	LUDHIANA	29,637	0.2
INDORE	5,436	0.4	CHANDIGARH/MOHALI/ PANCHKULA	28,005	0.2
PUNE	5,043	0.3	PUNE	15,207	0.1
NOIDA	4,838	0.3	GAJUWAKA/VISHAKHAPATNAM	10,458	0.1
KANPUR	4,357	0.3	COIMBATORE	7,564	0.0
NAGPUR	2,737	0.2	GHAZIABAD	5,907	0.0
CHANDIGARH	2,517	0.2	NOIDA	14	0.0
Total	7,29,295	100	Total	77,27,288	100

Source : BSE and NSE

IV. MARKET CAPITALISATION

The total market capitalisation at BSE and NSE increased by 6.2 per cent and 6.3 per cent respectively to ₹ 151.1 lakh crore and ₹ 149.3 lakh crore as at the end of 2018-19. The free float market capitalisation as a percentage of total market capitalisation at BSE and NSE stood at 47.0 per cent and 46.9 per cent, respectively, at the end of March 2019 (Table 2.14).

Table 2.14 : Market Capitalisation at BSE and NSE

	March 31, 2018	March 31, 2019	Change year -on year (per cent)
Free Float Market Capitalisation			
NSE	63,48,290	70,08,235	10.4
BSE	68,00,679	70,98,989	4.4
Total Market Capitalisation			
NSE	1,40,44,152	1,49,34,227	6.3
BSE	1,42,24,997	1,51,08,711	6.2
Free Float Market Capitalization as per cent of Total Market Capitalisation			
NSE	45.2	46.9	-
BSE	47.8	47.0	-

Source : BSE and NSE.

V. STOCK MARKET INDICATORS

The market capitalization-to-GDP ratio is a common metric of measuring whether the stock market is undervalued or overvalued. It is probably the best single measure of where valuations stand at any given moment. The BSE's market capitalisation to GDP ratio decreased from 83.2 per cent in 2017-18 to 79.5 per cent in 2018-19. Similarly, the NSE ratio also decreased from 82.2 per cent in 2017-18 to 78.6 per cent in 2018-19. The all-India equity cash segment turnover to GDP ratio decreased to 45.9 per cent in 2018-19 from 48.7 per cent in 2017-18. The turnover to GDP ratio for the equity derivatives segment of NSE and BSE increased from 965.1 per cent in 2017-18 to 1249.9 per cent in 2018-19. (Table 2.15)

Table 2.15 : Select Ratios Relating to the Stock Market (per cent)

Year	BSE Market Capitalisation to GDP Ratio	NSE Market Capitalisation to G DP Ratio	Total Turnover to GDP Ratio	
			Cash Segment (all-In- dia)	Equity Derivatives Segment (BSE+NSE)
2017-18	83.2	82.2	48.7	965.1
2018-19	79.5	78.6	45.9	1,249.9

Notes : 1. GDP figures are taken as nominal GDP at current prices.
Source : National exchanges and CSO.

The Price-to-earnings ratio (P/E) is a useful metric for evaluating the relative attractiveness of a company's stock price compared to the current earnings of a firm. As on March 31, 2019, BSE S&P

Sensex and NIFTY 50's P/E ratios were 28.0 and 29.0, respectively as compared to 22.7 and 24.7, respectively on March 31, 2018 (Table 2.16).

Table 2.16 : Price to Earnings Ratio

Year	S&P BSE Sensex	S&P BSE 100	S&P BSE Teck	S&P BSE Bankex	NIFTY 50	NIFTY Next 50	NIFTY IT	NIFTY Bank
2017-18	22.7	22.5	21.6	28.5	24.7	34.7	18.6	29.6
2018-19	28.0	26.2	23.9	44.0	29.0	45.5	23.3	64.8

Note : P/E ratio is as at the end of the respective year.
Source : BSE and NSE

The price to book (P/B) ratio is a financial ratio that is used to compare market value of a stock to its book value. As on March 31, 2019, BSE S&P

Sensex and NIFTY 50's P/B ratios were 3.2 and 3.7, respectively as compared to 3.0 and 3.4, respectively as on March 31, 2018 (Table 2.17).

Table 2.17 : Price-to-Book Value Ratio

Year	S&P BSE Sensex	S&P BSE 100	S& P BSE Teck	S&P BSE Bankex	NIFTY 50	NIFTY Next 50	NIFTY IT	NIFTY Bank
2017-18	3.0	3.0	3.8	2.2	3.4	3.3	4.5	2.8
2018-19	3.2	2.9	4.3	2.6	3.7	4.2	5.6	3.4

Source : BSE and NSE

VI. STOCK MARKET VOLATILITY

During 2018-19, the NIFTY 500 recorded a highest volatility of 16.8 per cent, followed by Nifty Next 50 (12.8 per cent). The annualized volatility of the Sensex increased to 12.1 per cent in 2018-19 from

10.0 per cent in the previous year. A similar trend was observed for NIFTY 50, whose annualised volatility moved up from 10.0 per cent to 12.4 per cent in 2018-19 (Table 2.18).

Table 2.18 : Annualized Volatility of Benchmark Indices (per cent)

Annualised Volatility	S&P BSE Sensex	NIFTY 50	S&P BSE 100	S&P BSE Small Cap	NIFTY 500	NIFTY Next 50
2017-18	10.0	10.0	10.2	15.6	10.6	13.5
2018-19	12.1	12.1	12.4	12.6	16.8	12.8

Note : Annualized volatility is computed as the standard deviation of the logarithmic returns of the closing levels of the indices multiplied with the square root of the number of trading days during the period.

VII. TRADING FREQUENCY

Trading frequency of stocks listed at NSE and BSE indicates in the liquidity condition. Number of stocks traded in the cash segment of BSE increased

from 5,221 in 2017-18 to 5,448 in 2018-19 whereas the number increased from 1,954 to 2,034 at NSE during the same period. At BSE, during 2018-19, 3,006 companies (or 55.2 per cent of the total companies)

traded for more than 100 days, while 1,820 companies (or 89.5 per cent of the total companies) traded for

more than 100 days in the cash segment of NSE during the same period. (Table 2.19).

Table 2.19 : Trading Frequency of Listed Stocks

Trading Frequency (Range of Days)	2017-18				2018-19			
	BSE		NSE		BSE		NSE	
	No. of Stocks Traded	Share in Total (per cent)	No. of Stocks Traded	Share in Total (per cent)	No. of Stocks Traded	Share in Total (per cent)	No. of Stocks Traded	Share in Total (per cent)
Above 100	3,127	59.9	1,730	88.5	3,006	55.2	1,820	89.5
91-100	93	1.8	22	1.1	93	1.7	19	0.9
81-90	93	1.8	18	0.9	101	1.9	17	0.8
71-80	109	2.1	10	0.5	123	2.3	23	1.1
61-70	124	2.4	20	1.0	110	2.0	19	0.9
51-60	137	2.6	14	0.7	123	2.3	14	0.7
41-50	147	2.8	16	0.8	165	3.0	20	1.0
31-40	157	3.0	17	0.9	193	3.5	23	1.1
21-30	213	4.1	21	1.1	227	4.2	18	0.9
11-20	247	4.7	21	1.1	340	6.2	20	1.0
0-10	774	14.8	65	3.3	967	17.7	41	2.0
Total	5,221	100.0	1,954	100.0	5,448	100.0	2,034	100.0

Note : No of stocks traded includes ETFs and Mutual Fund Unite.

Source : BSE and NSE.

The share of the top 100 brokers in the annual equity cash market turnover in 2018-19 at NSE and BSE was 85.7 and 82.0 per cent, respectively. While, the share of the top-100 securities in the annual equity

cash market turnover in 2018-19 at NSE and BSE was 70.9 per cent and 61.3 per cent, respectively (Table 2.20).

Table 2.20 : Share of Top-100 Brokers/Securities in Annual Cash Market Turnover

Particulars	2017-18		2018-19	
	BSE	NSE	BSE	NSE
Share of Top-100 Brokers in Annual Cash Market Turnover	82.8	82.0	82.0	85.7
Share of Top-100 Scrips/Securities in Annual Cash Market Turnover	51.7	61.3	61.3	70.9

Source : BSE and NSE

At NSE, the share of participants in the annual cash market turnover in 2018-19 shows that proprietary trades, FPIs and mutual funds had contributed 21.6 per cent, 15.1 per cent and 7.5 per cent respectively, whereas domestic institutions (excluding MFs)

contributed 2.8 per cent. Similarly, at BSE, proprietary trades, FPIs, mutual funds and domestic institutions (excluding mutual funds) contributed 22.4 per cent, 12.4 per cent, 7.9 per cent and 2.2 per cent, respectively in 2018-19 (Table 2.21).

Table 2.21 : Share of Participants in Annual Cash Market Turnover

Particulars	2017-18		2018-19	
	BSE	NSE	BSE	NSE
Proprietary trades	16.7	18.0	22.4	21.6
Domestic Institutions (excluding MFs)	2.2	2.9	2.1	2.8
FPIs	15.7	16.1	12.4	15.1
MFs	8.2	7.3	7.9	7.5
Others	57.2	55.7	55.2	53.1
Total	100.0	100.0	100.0	100.0

Notes :

1. Domestic institutions (excluding mutual funds) include banks, DFIs, insurance companies and the New Pension Scheme.

2. Others include retail, partnership firms, trusts, HUFs, NRIs and QFIs.

Source : BSE and NSE.

VIII. ACTIVITIES OF STOCK EXCHANGES

During 2018-19, the all-India turnover at the stock exchanges in terms of number of shares traded decreased by 6.1 per cent from 45,436 crore in 2017-18 to 42,681 crore in 2018-19. During 2018-19, the total value of shares delivered decreased by 8.4 per cent to ₹ 22,12,530 crore from ₹ 24,14,418 crore in 2017-18. Amongst all the nation-wide exchanges, NSE had a share of 87.9 per cent in terms of total quantity of shares traded in the cash segment during 2018-19, followed by BSE (12.1 per cent). In terms of the quantity of shares delivered, NSE's share is 81.2 per cent in 2018-19, followed by BSE (18.8 per cent). (Table 2.22).

Table 2.22 : Trading Statistics of Stock Exchanges

Stock Exchange	Quantity Traded		Quantity Delivered		Value of Shares Delivered (₹)	
	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19
	Quantity in crore				Amount in crore	
BSE	7,716	5,181	3,083	1,959	3,95,999	2,62,992
MSEI	1.5	0.1	0.3	0.1	44	30
NSE	37,718	37,500	9,513	8,443	20,18,375	19,49,508
Total	45,436	42,681	12,596	10,402	24,14,418	22,12,530
	Percentage share					
BSE	17.0	12.1	24.5	18.8	16.4	11.9
MSEI	0.0	0.0	0.0	0.0	0.0	0.0
NSE	83.0	87.9	75.5	81.2	83.6	88.1
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source : National Exchanges.

IX. DEMATERIALISATION

In the past few decades, the Indian capital market has undergone a phenomenal growth in terms of listed companies, number of stock exchanges, trade volumes of scrips, and investor population. This astounding growth of the capital market in India has been primarily due to the introduction of the dematerialisation. Demat accounts eliminate many problems that investors have to face while dealing

with physical securities. They minimise paperwork that is involved with the ownership, trading, and transfer of securities. It facilitates faster transactions and makes trading in securities extremely convenient and safe.

At the end of March 2019, there were 185 lakh demat accounts at the National Securities Depository Limited (NSDL) and 174 lakh demat accounts at the Central Depository Services (India) Limited

(CDSL); Further, 25,233 companies had signed up for dematerialisation at NSDL and 12,757 at CDSL. The quantity of dematerialised securities at NSDL increased by 24.0 per cent to 1.87 lakh crore as at end 2018-19 from 1.51 lakh crore as at end 2017-18. At CDSL, the quantity of dematerialised securities

increased by 27.5 per cent to 0.36 lakh crore as at end 2018-19 from 0.28 lakh crore as at end 2017-18. The ratio of dematerialised equity shares to total outstanding shares of listed companies was 86.6 per cent at NSDL and 11.6 per cent at CDSL at the end of 2018-19. **(Table 2.23).**

Table 2.23 : Depository Statistics

Particulars	NSDL		CDSL	
	2017-18	2018-19	2017-18	2018-19
No. of Investor Accounts (lakh)	171	185	148	174
No. of Companies Signed up (Listed and Unlisted)	19,865	25,233	10,628	12,757
• Of which No. of Companies that are Listed	5,916	6,150	6,208	6,407
Quantity of Securities in Demat Form (lakh) (at the end of period)	1,50,63,392	1,86,74,076	28,38,051	36,18,761
Value of Securities in Demat Form (₹ crore) (at the end of period)	1,72,20,167	18,680,372	19,83,981	20,79,693
No. of Shares Settled in Demat (lakh) (during the year)	13,13,733	11,71,653	9,37,973	6,65,645
Value of Shares Settled in Demat (₹ crore) (during the year)	32,53,753	31,16,228	9,39,117	6,97,546
Market Capitalisation of Listed Companies Joined in Demat (₹ crore)	1,41,56,713	1,51,46,276	1,46,42,754	1,56,23,662
• Custody Value of Shares of Listed Companies (₹ crore)	1,22,69,187	1,31,13,010	17,30,199*	17,57,785
Ratio of Dematerialised Equity Shares to Total Outstanding Shares Listed (per cent)	86.7	86.6	12.9	11.6

Note : * Data revised for 2017-18

Source : NSDL and CDSL.

The total value of commercial papers held with NSDL in the demat form decreased by 19.1 per cent from ₹ 7.1 lakh crore as at end 2017-18 to ₹ 5.7 lakh crore as at end 2018-19 while the total value of debentures held with NSDL increased by 8.7 per cent from ₹ 28.8 lakh crore as at end 2017-18 to

₹ 31.3 lakh crore as at end 2018-19. On the other hand, the total value of commercial papers and debentures, held with CDSL in the demat form increased by 47.2 per cent and 18.3 per cent, respectively. **(Table 2.24)**

Table 2.24 : Depository Statistics: Debentures/Bonds and Commercial Papers

Particulars	Debentures / Bonds				Commercial Papers			
	2017-18		2018-19		2017-18		2018-19	
	NSDL	CDSL	NSDL	CDSL	NSDL	CDSL	NSDL	CDSL
No. of Issuers	2,177	802	2,482	842	477	27	421	27
No. of Active Instruments	16,418	8,503	15,977	8,207	3,328	123	2,551	230
Demat Value (₹ crore)	28,75,021	73,538	31,26,167	86,968	7,05,129	2,937	5,70,320	4,324

Source : NSDL and CDSL.

The geographical coverage of CDSL's depository participants (DPs) increased, while that of NSDL declined slightly for the year 2018-19 as compared to the previous year. DP locations for NSDL decreased to 1,934 cities at the end of March 2019

compared to 1,940 cities at the end of March 2018. On the other hand, during the same period, DP locations of CDSL increased from 3,650 cities to 3,776 cities. **(Table 2.25).**

Table 2.25 : Geographical Spread of DP Locations:

No. of DP Locations	NSDL		CDSL	
	2017-18	2018-19	2017-18	2018-19
0 > 10	1,481	1,473	3,464	3,558
10-20	203	201	77	23
21-50	144	148	64	94
51-100	68	68	25	68
> 100	44	44	20	33
Total	1,940	1,934	3,650	3,776

Note : The number of DP locations for CDSL includes locations that have back office connected DP centres.

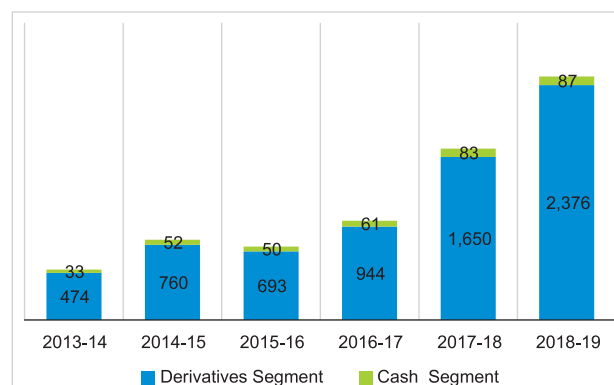
Source : NSDL and CDSL.

X. DERIVATIVES SEGMENT

A. Equity Derivatives Segment

The equity derivatives segment in India has grown exponentially over the years and has continued its momentum in 2018-19 as well. In 2018-19, the total turnover in equity derivatives segment rose by 44.0 per cent compared to the previous year. The ratio of turnover in equity derivatives to that in cash segment has increased from 20 times in 2017-18 to 27 times in 2018-19. Almost all the trading in the F&O segment, during 2018-19, happened on NSE, which dominated the F&O market and BSE's share has waned gradually over the years. (Figure 2.7).

Figure 2.7 : Derivatives' Turnover Vis-À-Vis Cash Market Turnover (in ₹ lakh crore)



Source : BSE and NSE

During 2018-19, the number of contracts traded at NSE increased by 65.4 per cent while the value of the contracts traded increased by 44.0 per cent. The turnover of NSE increased from ₹ 1,649.8 lakh crore in 2017-18 to ₹ 2,376.0 lakh crore in 2018-19. On the contrary, during the same period, the turnover at BSE decreased from 3,263 crore to 2,250 crore. The open interest in NSE's derivatives segment increased by 4.2 per cent from ₹ 2.7 lakh crore at the end of 2017-18 to ₹ 2.9 lakh crore at the end of 2018-19, whereas at BSE, the open interest was ₹ 0.67 crore at the end of 2018-19 as against ₹ 0.12 crore at the end of 2017-18 (Table 2.26).

Table 2.26 : Trends in Turnovers and Open Interest in the Equity Derivatives Segment

Year	No. of Contracts Traded		Turnover (₹ crore)		Open Interest at the end of the Year			
					No. of Contracts		Value (₹ crore)	
	NSE	BSE	NSE	BSE	NSE	BSE	NSE	BSE
2017-18	1,91,38,78,548	44,701	16,49,84,859	3,263	38,00,266	2	2,74,931	0.12
2018-19	3,16,48,02,420	31,167	23,76,00,705	2,250	40,38,916	9	2,86,403	0.67

Source : BSE and NSE

Over the years, index options have emerged as the most traded instrument in the Indian equity derivatives market. During 2018-19, the share of index options in total turnover at NSE increased

further to 85.6 per cent from 81.8 per cent in the previous year. However, the per cent share of single stock futures, single stock options and index futures declined to 6.8 per cent, 5.3 per cent and 2.3 per cent,

respectively, in 2018-19 compared to 9.5 per cent, 5.9 per cent and 2.9 per cent, respectively in 2017-18. (Table 2.27)

Table 2.27 : Product-wise Market Share in Equity Derivatives Segment (per cent)

Year	Index Futures	Index Options	Single Stock Options	Single Stock Futures
BSE				
2017-18	98.6	0.3	0.0	1.1
2018-19	1.7	97.5	0.0	0.8
NSE				
2017-18	2.9	81.8	5.9	9.5
2018-19	2.3	85.6	5.3	6.8

Source : BSE and NSE.

At the end of 2018-19, there were 196 and 208 stocks on which derivatives products were permitted to be traded on NSE and BSE, compared to 208 and 214 stocks, respectively at the end of previous year. While, the index futures were permitted on 3 and 11 indices at NSE and BSE, respectively, the index options were permitted on 3 and 7 indices at NSE and BSE, respectively.

The trading activity in derivatives on global indices declined significantly during 2018-19. (Table 2.28).

Table 2.28 : Trends in Turnover of Derivatives on Foreign Indices at NSE

Instrument Type	Name of the Underlying Global Index	No. of Contracts Traded	Traded Value (₹ crore)	2017-18		2018-19	
				No. of Contracts Traded	Traded Value (₹ crore)	No. of Contracts Traded	Traded Value (₹ crore)
FUTIDX	DJIA	22,785	1,473	0	0	0	0
FUTIDX	FTSE 100	19	1.4	0	0	0	0
FUTIDX	S&P 500	44,786	2,725	0	0	0	0
FUTIDX	FTSE100	0	0	2	0.1	2	0.1
Total		67,590	4,200	2	0.1	2	0.1

Source : NSE

Table 2.29 : Trends in Index Futures at NSE and BSE

Year	No. of Indices		No. of Contracts		Notional Turnover (₹ crore)		Open Interest at the End of the Year			
	NSE	BSE	NSE	BSE	NSE	BSE	No. of Contracts		Value (₹ crore)	
							NSE	BSE	NSE	BSE
2017-18	9	10	5,76,74,584	44,117	48,10,454	3,218	3,23,534	0	25,464	0
2018-19	3	11	6,98,24,522	438	55,68,914	39	3,51,847	0	27,678	0

Source : BSE and NSE

Table 2.30 : Trends in Stock Futures at NSE and BSE

Year	No. of Stocks		No. of Contracts		Notional Turnover (₹ crore)		Open Interest at the End of the Year			
	NSE	BSE	NSE	BSE	NSE	BSE	No. of Contracts		Value (₹ crore)	
							NSE	BSE	NSE	BSE
2017-18	208	214	21,47,58,366	467	1,55,97,520	37	16,81,635	2	1,10,277	0
2018-19	196	208	25,55,33,869	271	1,61,47,011	18	17,67,096	9	1,11,899	1

Source : BSE and NSE

Table 2.31 : Trends in Index Options at NSE and BSE

Year	No. of Indices		No. of Contracts		Notional Turnover (₹ crore)		Open Interest at the End of the Year			
	NSE	BSE	NSE	BSE	NSE	BSE	No. of Contracts		Value (₹ crore)	
							NSE	BSE	NSE	BSE
2017-18	8	6	151,50,34,222	114	13,49,21,876	8	16,54,658	0	1,29,862	0
2018-19	3	7	265,24,57,487	30,456	20,33,02,405	2,193	16,33,017	0	1,29,002	0

Source : BSE and NSE

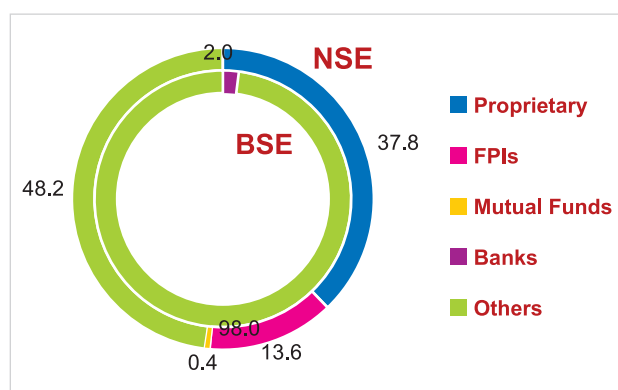
Table 2.32 : Trends in Stock Options at NSE and BSE

Year	No. of Stocks		No. of Contracts		Notional Turnover (₹ crore)		Open Interest at the End of the Year			
	NSE	BSE	NSE	BSE	NSE	BSE	No. of Contracts		Value (₹ crore)	
							NSE	BSE	NSE	BSE
2017-18	208	214	12,64,11,376	3	96,55,009	0	1,40,439	0	9,327	0
2018-19	196	208	18,69,86,542	2	1,25,82,375	0	2,86,956	0	17,823	0

Source : BSE and NSE

Participant-wise share in NSE F&O's turnover for 2018-19 shows that proprietary trades accounted for a 37.8 per cent share in the annual turnover (Figure 2.8). While FPIs had a share of 13.6 per cent in the total turnover, the 'others' category (comprising retail, HNIs and private and public companies) had an average share of 48.2 per cent in the total turnover; mutual funds constituted a miniscule share of 0.4 per cent. In BSE F&O's turnover, proprietary trades had a share of 2.0 per cent and the 'others' category had a share of 98.0 per cent.

Figure 2.8 : Participant-wise Share in the Equity Derivatives Turnovers



Source : BSE and NSE

B. Trends in the Currency Derivatives Market

Through trading in currency derivatives the stakeholders can hedge against foreign exchange risk and benefit from the Rupee's movements against major foreign currencies. There has been significant increase in volumes of trading in currency derivatives over the years. The Euro, Japanese Yen, British Pound and US Dollar are the major currencies for which currency derivatives are paired with the Rupee. Also, cross currency pairs are now allowed to be traded. Presently in Indian markets, currency derivatives are traded on BSE, NSE, and MSEI.

The aggregate turnover in the currency derivatives segment at the exchanges increased by 66.1 per cent to ₹ 159.2 lakh crore during 2018-19 from ₹ 95.8 lakh crore in the previous year. The turnover of BSE and NSE grew by 65.7 per cent and 69.4 per cent, respectively during 2018-19, while that of MSEI declined by 59.2 per cent. During 2018-19, the total turnover was the highest at NSE (₹ 85.2 lakh crore), followed by BSE (₹ 73.5 lakh crore) and MSEI (₹ 0.47 lakh crore). NSE accounted for 53.5 per cent of the total turnover in the currency segment followed by BSE (46.2 per cent) and MSEI (0.3 per cent) (Table 2.33).

Table 2.33 : Trends in the Currency Derivatives Segment

Year	MSEI			NSE			BSE		
	No. of Contracts Traded (Lakh)	Turnover (₹ crore)	Open Interest at the End of Year (₹ crore)	No. of Contracts Traded (Lakh)	Turnover (₹ crore)	Open Interest at the End of Year (₹ crore)	No. of Contracts Traded (Lakh)	Turnover (₹ crore)	Open Interest at the End of Year (₹ crore)
2017-18	178	1,15,733	628	7,650	50,28,502	25,726	6,902	44,36,430	5,919
2018-19	68	47,239	130	11,984	85,18,351	29,351	10,525	73,52,274	4,929

Source : National Exchanges

The trading activity in currency derivatives segment was concentrated mainly in USD-INR currency pair, with 93.7 per cent of total turnover at NSE, 99.8 per cent of total turnover at BSE and 96.1 per cent of total turnover at MSEI. Product-wise shares in the currency derivatives volume show

that the USD-INR Options emerged as a dominant product with 56.4 per cent in turnover at BSE. At NSE, the USD-INR Futures emerged as a dominant product with 48.4 per cent in turnover during 2018-19. At MSEI, USD-INR Futures had a major share of 77.7 per cent during 2018-19. (Table 2.34).

Table 2.34 : Product-wise Market Share in Currency Derivatives Segment (per cent)

Type	Currency Pair	NSE		BSE		MSEI	
		2017-18	2018-19	2017-18	2018-19	2017-18	2018-19
Futures	USD-INR	43.4	48.4	44.3	43.5	84.6	77.7
	GBP-INR	3.9	2.6	0.2	0.1	0.8	2.0
	EURO-INR	3.2	2.0	0.2	0.1	0.6	1.1
	JPY-INR	0.9	0.7	0.0	0.0	0.2	0.0
	EURO-USD	0.1	0.5	0.0	0.0	0.0	0.0
	GBP-USD	0.1	0.4	0.0	0.0	0.0	0.0
	USD-JPY	0.0	0.0	0.0	0.0	0.0	0.0
Options	USD-INR	48.4	45.3	55.2	56.4	13.8	18.4
	EURO-INR	0.0	0.0	0.0	0.0	0.0	0.3
	GBP-INR	0.0	0.0	0.0	0.0	0.0	0.5
	JPY-INR	0.0	0.0	0.0	0.0	0.0	0.0
	EURO-USD	0.0	0.0	0.0	0.0	0.0	0.0
	GBP-USD	0.0	0.0	0.0	0.0	0.0	0.0
	USD-JPY	0.0	0.0	0.0	0.0	0.0	0.0
Total		100	100	100	100	100	100

Source : National Exchanges.

C. Trends in Interest Rates Derivatives

Interest-rate derivatives are often used to hedge risk by institutional investors, banks, companies and

individuals to protect themselves against changes in interest rates and they can also be used to increase or refine the holder's risk profile. The trends observed

in turnover and open interest in the interest rate derivatives at NSE, BSE and MSEI are given in Table 2.35.

During 2018-19, the aggregate turnover in the interest rate derivatives (IRD) segment across all exchanges declined by 34.6 per cent. Gross turnover

in IRD segment of BSE declined by 50.3 per cent, to ₹ 1, 11,222 crore in 2018-19 as compared to ₹ 2, 23,881 crore in 2017-18. Gross turnover in IRD segment of NSE also fell by 23.6 per cent. However, there was no trading activity reported in the IRD segment of MSEI during 2018-19. (Table 2.35)

Table 2.35 : Trends in Interest Rate Derivatives at NSE, BSE and MSEI

Year	Total						Open Interest at the End of the Year					
	No. of Contracts (in Lakh)			Turnover (₹ crore)			No. of Contracts			Value (₹ crore)		
	NSE	BSE	MSEI	NSE	BSE	MSEI	NSE	BSE	MSEI	NSE	BSE	MSEI
2017-18	162	113	0.11	3,21,208	2,23,881	219	41,032	336	0	781	6	0
2018-19	128	59	0	2,45,407	1,11,222	0	1,03,589	60,205	0	2,054	1,214	0

Source : National Exchanges

D. Trends in the VIX Futures Segment

NSE launched trading in futures contracts on India VIX in the futures and options segment w.e.f. February 26, 2014. India VIX is a volatility index based on NIFTY's index options prices. India VIX is computed using the best bid and ask quotes of the out-of-the-money near and mid-month NIFTY options

contracts which are traded on the F&O segment at NSE. India VIX indicates investors' perceptions of the market's volatility in the near term. However, the trading activity in VIX contracts thinned down subsequent to the launch in 2014-15. No trading was reported in VIX contracts during 2018-19.

3. THE COMMODITY DERIVATIVES MARKET

I. AN OVERVIEW OF THE INDIAN COMMODITY DERIVATIVES MARKET

During 2018-19, Government of India raised the Minimum Support Price (MSP) to provide 50 per cent return over the cost of production. To support the agricultural sector, Government also launched PM-KISAN scheme during the year, which aims to provide direct monetary support to farmers. At regulatory front, SEBI permitted eligible foreign entities having actual exposure to Indian commodity markets to hedge their price risk by participating in commodity derivatives trading. Market was further broadened by permitting mutual funds to participate in commodity derivatives market. Further, in a move towards recalibration of fee charged to various intermediaries, the broker turnover fees for agri-commodity derivatives was reduced by 93.3 per cent to Rupee One per crore turnover from ₹ 15 per crore turnover. The reduced cost of trading is expected to boost the participation in agri-commodity derivatives in India.

During the year, the universal exchange principle was operationalized when BSE and NSE commenced their commodity derivatives trading platform. On the other hand, NMCE which had a presence in agricultural space, was merged with ICEX on September 24, 2018. Another notable development was introduction of new products, viz., Steel long (ICEX) and Oman Crude Oil (BSE).

The exchanges recorded increased trading activity in commodity derivatives in 2018-19 as compared to previous year. While the aggregate turnover increased in Metals, Bullions and Energy segment, it declined in Agricultural segment. With falling turnover, the share of Agricultural segment declined (to 8.8 per cent from 12.3 per cent) in aggregate turnover of all exchanges, on the other hand, it increased significantly for Energy segment (to 33.7 per cent from 29.8 per cent) during the year. Among commodities traded at exchange platform,

Crude oil was the highest traded commodity in terms of both volume and value. The crude oil futures accounted for 29.2 per cent of the aggregate traded value of all commodity exchanges.

According to provisional estimates of National Income released by CSO, the growth in Gross Value Added (GVA) for agriculture and allied sectors is estimated to slowdown to 2.9 per cent in 2018-19 as against 5.0 per cent in 2017-18. Due to low monsoon and post-monsoon rains, the foodgrain production in India is projected to decrease in 2018-19. As per the third advance estimates of foodgrain productions, foodgrain output declined by 0.6 per cent to 283.4 million tonnes in 2018-19, as compared with the final estimates of production for 2017-18.

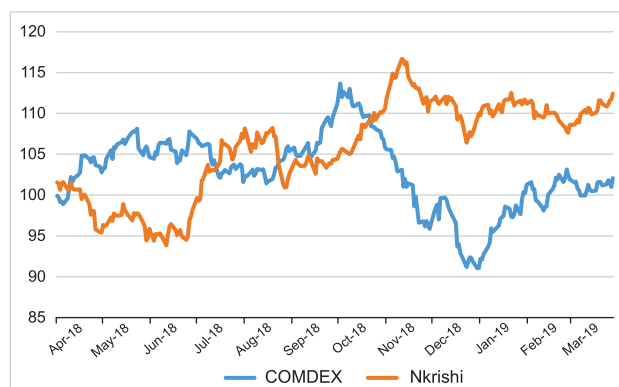
The decline in output is attributed to lower pulses production during the year. Among the commodities traded at commodity exchanges, production of Castor Seed, Cotton, Chana, Barley, Maize and Jute is estimated to decline in 2018-19, on the other hand, Soybean, Rape/Mustard seed and Wheat are estimated to witness an increase in production.

II. MAJOR INDICATORS OF COMMODITY DERIVATIVES MARKET

The benchmark commodity indices - MCX COMDEX and NKrishi Index (earlier known as Dhaanya Index), recorded an uptrend in 2018-19. MCX COMDEX, which is a composite index representing Agriculture, Metal and Energy segment, increased by 2.1 per cent, while, the NKrishi - the agri commodity index, moved up by 12.4 per cent during the year. An increase in MCX COMDEX was driven by rise in MCX Metal (3.4 per cent) and MCX Agri (2.0 per cent) sub-indices, which was partially offset by decline in MCX Energy sub-index (0.2 per cent). During 2018-19, NKrishi Index increased as seven out of 10 constituent commodities, viz., Chana, Guar Seed, Castor Seed, Cotton Seed Oilcake,

Coriander and Barley, recorded rise in futures prices. An upward movement by these gainers was partially offset by declining trend in Soybean, Rape/Mustard Seed and Turmeric during the year. (Figure 2.9)

Figure 2.9 : Movement of Benchmark Commodity Derivative Indices in 2018-19



Source : NCDEX, MCX

The annualised volatility for MCX COMDEX in 2018-19 was 13.4 percent as compared to 9.8 percent in previous year. As regards Nkrishi Index, the annualised volatility increased to 12.9 percent during the year, as compared to 10.9 percent in 2017-18.

Table 2.36 provides a snapshot of the key indicators of the domestic commodity derivatives segment for year 2017-18 and 2018-19.

Table 2.36 : Major Indicators of the Commodity Derivatives Market

Items	2017-18	2018-19	Percentage variation over previous year
A. Indices			
Nkrishi			
Year-end	3,037	3,414	12.4
Average	3,007	3,206	6.6
MCX COMDEX			
Year-end	3,663	3,739	2.1
Average	3,344	3,764	12.5
B. Annualised Volatility (in per cent)			
Nkrishi	10.87	12.93	19.0
COMDEX	9.77	13.43	37.4
C. Total Turnover (₹ Crore)			
All-India	60,19,894	73,77,945	22.6
MCX, of which	53,93,350	67,72,373	25.6
Futures	53,82,996	65,91,428	22.4
Options	10,354	1,80,945	1647.6
NCDEX, of which	5,89,795	5,31,588	-9.9
Futures	5,89,497	5,31,414	-9.9
Options	298.31	173.87	-41.7
NMCE	34,591	13,675	-60.5
ICEX	2,158	24,061	1014.7
BSE	Na	32,804	Na
NSE	Na	3,444	Na
D. Average Daily Open Interest Value (₹ Crore)			
All-India	15,399	18,723	21.6
MCX, of which	10,833	13,460	24.3
Futures	10,535	12,368	17.4
Options	298	1,093	266.4

Items	2017-18	2018-19	Percentage variation over previous year
NCDEX, of which	4,518	4,957	9.7
Futures	4,490	4,951	10.3
Options	28	6	-78.8
NMCE	34	28	-17.8
ICEX	14	30	122.1
BSE	Na	210	Na
NSE	Na	37	Na
E. No. of Permitted Commodities in Commodity Futures			
NCDEX	26	23	-11.5
MCX	19	21	10.5
NMCE	11	11	0.0
ICEX	3	14	366.7
BSE	Na	7	Na
NSE	Na	4	Na
F. No. of Permitted Commodities in Options			
NCDEX	1	5	400.0
MCX	1	5	400.0

Note : 1. Trading at BSE commenced on October 01, 2018
2. Trading at NSE commenced on October 12, 2018
3. Consequent upon merger of NMCE with ICEX, all contracts of NMCE were transferred to ICEX w.e.f September 24, 2018.
4. Na: Not Applicable

Source : MCX, NCDEX, NMCE, ICEX, BSE and NSE

III. INTERNATIONAL SCENARIO

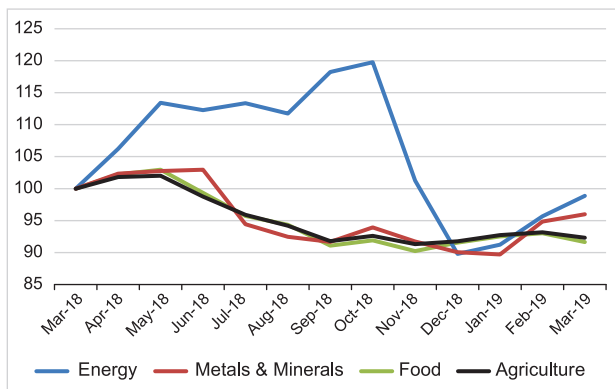
In 2018-19, majority of agricultural, metal and minerals prices recorded declining trends in global markets. While the price of food and agricultural segment fell consistently, energy segment was highly volatile during the year. The volatility in energy segment was driven mainly by crude oil, whose prices have been affected by an array of geopolitical and macroeconomic factors during the year. During the first three quarters of 2018, the oil prices were supported by production cuts by OPEC countries, US sanction on Iran and supply disruptions in Venezuela. However, the prices fell sharply in last quarter of 2018 after the US announced temporary exemptions to its sanctions on Iran for eight countries (including India and China). The downtrend was further boosted by stronger than expected US oil output. The crude oil prices recovered in first quarter

of 2019 on subsequent production cuts by OPEC. Movement of World Bank Commodity indices in 2018-19 is represented in **Figure 2.10**.

During the year weakness in metal and agricultural commodities mainly reflected concerns on slower world economic growth, U.S- China trade tensions and other commodity specific fundamentals. After witnessing a declining trend in 2018, metal segment recovered the losses partially in the first quarter of 2019 on account of improved growth prospects in China – the major consumer state and supply constraints in Chile, Brazil, China and Indonesia affecting the supply of Copper, Iron Ore, Nickel, Lead, Zinc and Tin in the world market. Agricultural commodities prices were supported by lower soybean production in U.S. and higher input costs, viz., fuel and fertilizer.

As per the commodity price data released by World Bank, the index (annual average) for Energy prices (based on nominal US dollars) increased by 19.7 per cent in 2018-19, as compared to 16.7 per cent in previous year; while the Metal and Minerals index (annual average) recorded a fall of 0.5 per cent during the year against 19.6 per cent increase recorded in 2017-18. The global food prices and agriculture commodity prices indices (annual average) declined by 1.6 per cent and 1.7 per cent, respectively in 2018-19, as compared to fall of 1.0 per cent and 2.2 per cent, respectively in previous year.

Figure 2.10 : Movement of World Bank Commodity Indices in 2018-19



Source : World Bank

IV. PERMITTED COMMODITIES

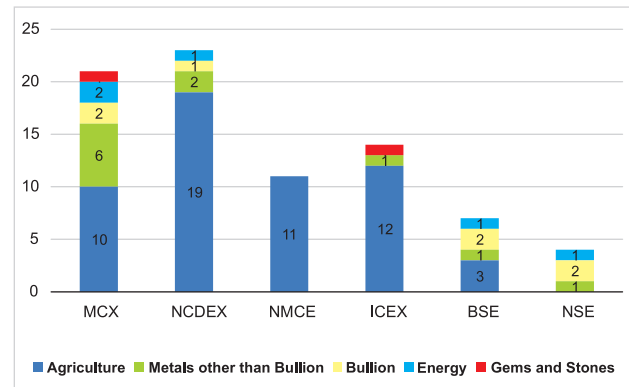
During 2018-19, the total number of commodities permitted for trading increased at MCX and ICEX, while it declined for NCDEX, as compared to previous year. At MCX, the permitted commodities increased to 21 from 19 in previous year as it added Rubber and Diamond to the list of permitted commodities during the year. (Figure 2.11)

NMCE, one of the first commodity derivatives exchanges, was merged with ICEX in 2018-19. Post-merger, all the agri-commodity contracts traded at NMCE were migrated to the ICEX platform, leading to significant increase in number of permitted as well as traded commodities at ICEX.

BSE and NSE launched trading in commodity derivatives during the year. At BSE, while both agri as

well as non-agri commodities are permitted to trade, NSE provides trading in only non-agri commodities.

Figure 2.11 : Number of Permitted Commodities at Commodity Derivative Exchanges in 2018-19

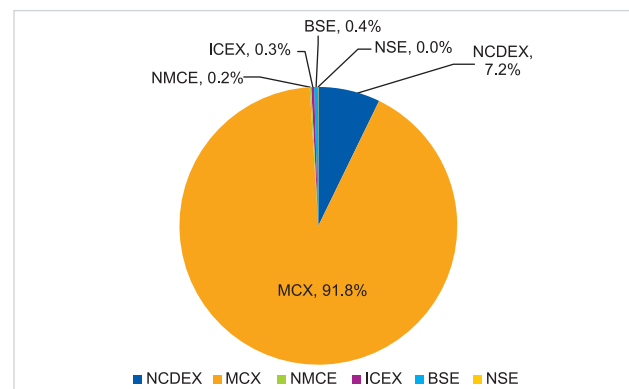


Note : All commodity variants are considered as one commodity
Source : MCX, NCDEX, NMCE, ICEX, BSE and NSE

V. TURNOVER/ OPEN INTEREST

The aggregate turnover at all the exchanges in commodity derivatives segment increased by 22.6 percent to ₹ 73,77,945 crore in 2018-19 from ₹ 60,19,894 crore in 2017-18. During the year, due to significantly high trading volumes in energy segment, the MCX's share in the all-India commodity derivatives turnover increased to 91.8 per cent from 89.6 per cent in 2017-18, while the share of NCDEX declined to 7.2 per cent from 9.8 per cent in previous year. (Figure 2.12)

Figure 2.12 : Exchange-wise Share in Commodity Derivatives Turnover in 2018-19



Source : MCX, NCDEX, NMCE, ICEX, BSE and NSE

During 2018-19, aggregate commodity derivatives turnover at MCX, increased by 25.6 per cent to ₹ 67,72,373 crore, while that of NCDEX, declined by 9.9 per cent to ₹ 5,31,588 crore.

At MCX, commodity futures turnover increased by 22.4 per cent to ₹ 65,91,428 crore in 2018-19, as compared to a decline of 8.2 per cent in previous year. The rise was driven by higher turnover at energy (36.7 per cent) and metal segment (19.6 per cent). On the other hand, futures turnover at NCDEX witnessed a fall of 9.9 per cent to ₹ 5,31,414 crore during the year, as compared to a decline of 1.2 per cent in 2017-18. The fall in turnover at NCDEX is attributed to lower trading volumes in major agri commodities viz., Guar Seed (13.2 per cent), Soybean (19.1 per cent), Guargum (15.2 per cent), Chana (5.8 per cent) and Soy Oil (19.7 per cent) during the year.

During the year, the futures turnover at ICEX increased 11 times to ₹ 24,061 crore due to higher trading volumes in Diamond futures, in addition of Steel long futures in metal segment and migration of agri commodities traded at NMCE to ICEX platform. During April –September (till its merger with ICEX) 2018, NMCE had recorded a turnover of ₹ 13,675 crore.

Since commencement of commodity trading in October 2018, BSE recorded a turnover of ₹ 32,804 crore, while NSE's turnover stood at ₹ 3,444 crore.

At the end of March 2019, the aggregate futures Open Interest (OI) at MCX was 27.1 per cent up at ₹ 14,244 crore, while that of NCDEX was 4.5 per cent higher at ₹ 5,328 crore, as compared to previous year. (Table 2.37)

Table 2.37 : Trends in Commodity Futures at National Commodity Exchanges

Year	No. of Trading days	Agriculture		Metals		Bullion / Gems and Stones*		Energy		Total		Open interest at the end of the period	
		Volume (Lots)	Turnover (₹ crore)	Volume (Lots)	Turnover (₹ crore)	Volume (Lots)	Turnover (₹ crore)	Volume (Lots)	Turnover (₹ crore)	Volume (Lots)	Turnover (₹ crore)	Open Interest (Lots)	Value (₹ crore)
MCX													
2017-18	254	23,17,338	1,14,082	6,81,33,042	21,12,532	2,78,40,060	13,63,703	10,76,34,572	17,92,678	20,59,25,012	53,82,996	3,00,172	11,205
2018-19	257	18,28,722	1,01,233	7,88,35,865	25,25,601	2,88,37,833	15,13,817	13,69,46,607	24,50,777	24,64,49,027	65,91,428	3,13,641	14,244
NCDEX													
2017-18	248	1,51,87,625	5,89,497	0	0	0	0	0	0	1,51,87,625	5,89,497	1,35,902	5,100
2018-19	248	1,40,05,485	5,31,414	0	0	0	0	0	0	1,40,05,485	5,31,414	1,28,339	5,328
NMCE													
2017-18	246	16,53,247	34,591	0	0	0	0	0	0	16,53,247	34,591	3,811	49
2018-19	120	6,11,289	13,675	0	0	0	0	0	0	6,11,289	13,675	346	6
ICEX													
2017-18	151	0	0	0	0	73,62,673	2,158	0	0	73,62,673	2,158	38,960	10
2018-19	257	72,604	1,097	1,15,585	4,063	5,53,12,169	18,902	0	0	5,55,00,358	24,061	1,29,291	77
BSE													
2017-18	Na	Na	Na	Na	Na	Na	Na	Na	Na	Na	Na	Na	Na
2018-19	128	1,01,429	4,719	21	0.99	1,03,678	28,080	77	4	2,05,205	32,804	1,052	73
NSE													
2017-18	Na	Na	Na	Na	Na	Na	Na	Na	Na	Na	Na	Na	Na
2018-19	120	Na	Na	Na	Na	36,315	3,375	11	69	36,326	3,444	159	7

Note : 1. Na: Not applicable

2. Consequent upon merger of NMCE with ICEX, all contracts of NMCE were transferred to ICEX w.e.f. September 24, 2018.

3. *Under Gems and Stones segment, Diamonds are traded at ICEX.

4. Conversion factor: Crude Oil (1 Tonne = 7.33 Barrels)

Source : MCX, NCDEX, NMCE, ICEX, BSE and NSE

Since its launch in 2017-18, commodity options have expanded significantly at MCX with the introduction of options on Crude Oil, Copper, Silver and Zinc futures. During the year, the total turnover of commodity options traded at MCX increased to ₹ 1,80,945 crore from ₹ 10,354 crore in 2017-18; on the other hand, options turnover at NCDEX declined by 41.7 per cent to ₹ 174 crore in 2018-19 as compared to previous year. (Table 2.38)

Table 2.38 : Trading in Commodity Options

Year	Volume (Lots)	Annual Turnover (₹ Crore)	Open interest at the End of the Period	
			Volume (Lots)	Value (₹ crore)
MCX				
2017-18	34,752	10,354	298	92
2018-19	14,95,517	1,80,945	9,471	802
NCDEX				
2017-18	6,609	298	569	25
2018-19	3,986	174	6	0.3

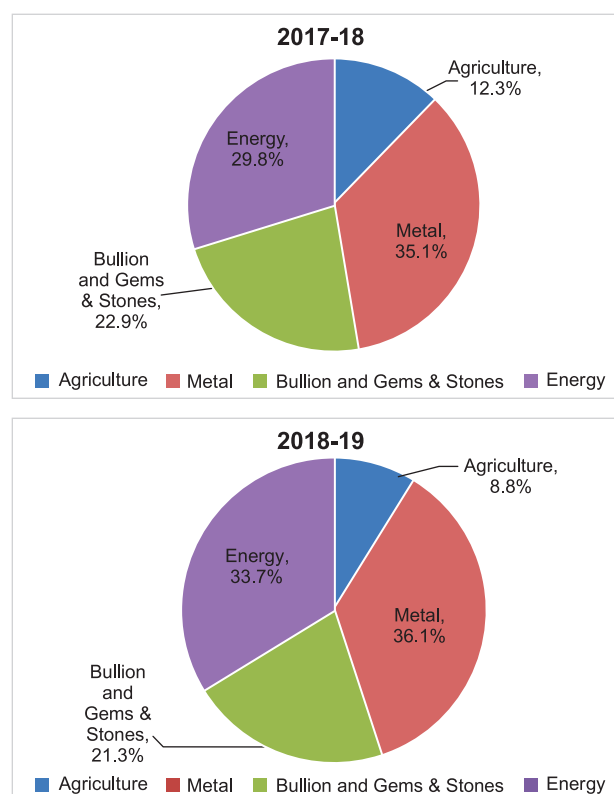
Source : MCX, NCDEX

VI. PRODUCT SEGMENT-WISE TURNOVER/ VOLUME TRADED

In 2018-19, non-agri commodities accounted for 91.2 per cent of the aggregate commodity derivatives turnover of all the exchanges, while the balance 8.8 per cent was contributed by agri commodities. As compared to previous year, share of agri commodities declined by 27.9 per cent in 2018-19 due to lower trading volumes.

Metals segment continued to account for the highest share in total derivatives turnover in 2018-19, followed by Energy, Bullion and Gems and Stones segment. (Figure 2.13)

Figure 2.13 : Product Segment-wise Share in All-India Commodity Derivatives Turnover



Note : Under Gems and Stones segment, Diamonds are traded at ICEX. In 2018-19, Diamond accounted for 0.26 percent share in aggregate turnover of all the exchanges.

Source : MCX, NCDEX, NMCE, ICEX, BSE and NSE

At MCX, the share of Bullion segment turnover decreased to 22.4 per cent in 2018-19 from 33.2 percent in previous year due to increase in trading volumes in energy segment. The Energy segment accounted for 36.8 percent share in turnover at MCX in 2018-19 as compared to 33.2 per cent in previous year. The share of Metal segment stood at 39.3 per cent, while that of agricultural sector was 1.5 percent.

At NCDEX and NMCE (till its merger with ICEX), the entire turnover was contributed by agriculture segment, while at NSE, only non-agri commodities were traded during the year.

In 2018-19, ICEX commenced trading in agricultural and Metals segment, in addition to Gems and Stones segment, which contributes to the lion's share (78.6 per cent) in futures turnover at the exchange. At BSE, trading in non-agri commodities accounted for 85.6 per cent to the total turnover, while the remaining 14.4 per cent was contributed by agri commodities.

A. Agricultural Commodities

Overall agriculture segment accounted for

8.8 per cent share in total turnover of all commodity derivative exchanges in 2018-19, as compared to 12.3 per cent in previous year. Of this, NCDEX and MCX had a share of 81.5 per cent and 15.5 per cent, respectively.

The top five agri commodities had a share of 55.0 per cent in overall agri commodity derivatives turnover across exchanges in 2018-19. While guar seed contracts had a share of 18.0 per cent in turnover, castor seed contracts garnered 10.9 percent share. (Table 2.39)

Table 2.39 : Top 5 Agricultural Commodities Traded in 2018-19

Name of the Commodity	Annual Traded Volume ('000 tonnes)	No. of Contracts traded	Annual Turnover in Future and Options (₹ Crore)	Share in Total Agri turnover of all Exchanges (per cent)	Average Daily OI Value (₹ Crore)	Average Daily OI ('000 tonnes)
Guar seed	27,517	30,15,840	1,17,401	18	581	137
Castor seed	14,563	21,57,274	71,316	10	785	160
Soybean	17,444	17,44,414	61,862	9	823	230
Guargum	6,115	12,23,087	54,784	8	610	68
Chana	13,218	13,21,891	53,112	8	372	94
Total	78,859	9,462,506	3,58,477	55	3,173	691

Note : For options, notional turnover is considered

Source : MCX, NCDEX, NMCE, ICEX and BSE

B. Non-Agricultural Commodities

Overall, non-agriculture segment accounted for 91.2 percent share in total turnover of all commodity derivatives exchanges in 2018-19, as compared to 87.7 per cent in previous year. During the year, MCX accounted for lion's share of 99.2 per cent of non-agri turnover across the commodity derivatives exchanges.

The top five non-agri commodities had a share of 79.6 per cent in overall non-agri derivatives turnover across commodity derivatives exchanges in 2018-19. While Crude Oil contracts had a share of 31.8 per cent in turnover, Zinc and Gold contracts garnered 13.6 per cent and 15.3 per cent share, respectively during the year.

At MCX, the share of non-agricultural commodities in the total turnover was 98.5 percent in 2018-19.

Under non-agri segment, Diamond accounted for 78.6 per cent share of futures turnover at ICEX in 2018-19, while the traded value for newly introduced commodity (Steel) was 16.9 per cent of the total futures turnover at the exchange.

At BSE, non-agricultural commodities accounted for 85.6 per cent share in turnover, of which majority share (77.5 per cent) was contributed by Gold futures. On the other hand, at NSE, Gold futures accounted for 82.4 per cent share in total turnover of the commodity derivatives segment, followed by Silver and Brent Crude.

Table 2.40 : Top 5 Non-Agricultural Commodities traded in 2018-19

Name of the Commodity	Annual Traded Volume ('000 tonnes)	No. of Contracts traded	Annual Turnover in Futures and Options (₹ Crore)	Percentage Share in total Non-Agri turnover of all Exchnage	Average Daily OI Value (₹ Crore)	Average Daily OI ('000 tonnes)
Crude Oil	6,85,407	12,58,87,723	21,38,250	31	1,047	692
Zinc	47,963	1,86,36,682	9,12,940	13	737	38
Gold	4	76,16,104	10,28,872	15	5,062	0
Silver	167	2,18,34,627	6,52,098	9	3,311	17
Copper	14,019	2,19,08,770	6,18,528	9	953	21
Total	7,47,562	19,58,83,906	53,50,690	79	11,112	769

Notes : 1. *Natural Gas volumes and Open Interest are in Trillion BTU and are not added in Annual Traded Volume and Average Daily OI ('000 tonnes).

2. Conversion factor: Crude Oil (1 Tonne = 7.33 Barrels)

3. For options, notional turnover is considered

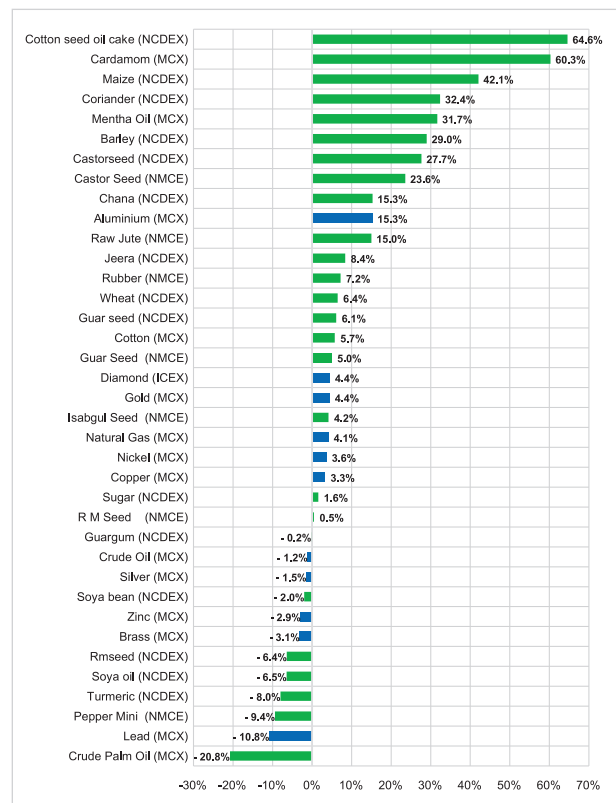
Source : MCX, BSE, ICEX and NSE

VII. COMMODITY PRICE TREND

During 2018-19, futures prices of commodities traded at commodity derivatives exchanges witnessed divergent trends. Among Non-agri commodities, Aluminium futures traded at MCX reported the highest gain of 15.3 per cent during the year, followed by Diamond (4.4 per cent), Gold (4.4 per cent) and Natural Gas (4.1 per cent). Cotton Seed oil cake, Cardamom, Maize, Coriander and Mentha Oil were the top gainers in agri segment, recording an increase in futures prices by 64.6 per cent, 60.3 per cent, 42.1 per cent, 32.4 per cent and 31.7 per cent, respectively during the year.

Among losers in non-agri segment, Lead, Brass and Zinc recorded decline in futures prices by 10.8 per cent, 3.1 per cent and 2.9 per cent, respectively. On the other hand, Crude Palm Oil, Pepper and Turmeric were the top losers in agri segment observing a fall of 20.8 per cent, 9.4 per cent and 8.0 per cent, respectively during 2018-19. (Figure 2.14)

Figure 2.14 : Movement in Futures Prices (Year-on-Year) of Commodities Traded at Commodity Derivatives Exchanges during 2018-19



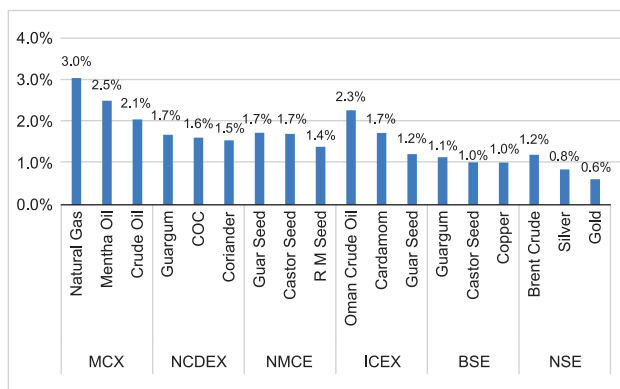
Source : MCX, NCDEX, NMCE

VIII. VOLATILITY

At MCX, Natural Gas was the most volatile commodity during 2018-19 with 3.0 per cent average daily volatility in futures prices, followed by Mentha Oil (2.5 per cent) and Crude Oil (2.1 per cent). On the other hand, Guargum, Cotton Seed Oilcake, and Coriander were the most volatile commodities traded at NCDEX.

In 2018-19, Oman Crude Oil, the newly traded commodity at ICEX, witnessed an average daily volatility of 2.3 per cent, followed by Cardamom and Guar Seed. Similarly, the Brent Crude launched for the first time by NSE was the top volatile commodity at the exchange, followed by Silver and Gold during the year. (Figure 2.15)

Figure 2.15 : Top 3 Volatile Commodities at Commodity Derivatives Exchanges in 2018-19



Note : 1. Daily volatility is calculated as standard deviation of natural log of daily returns in the near month expiry contracts during the year.

2. COC: Cotton Seed Oil Cake

Source : MCX, NCDEX, NMCE, ICEX, BSE and NSE

IX. EXCHANGE-WISE AND SEGMENT-WISE PARTICIPATION OF MARKET PARTICIPANTS

At MCX, client trades contributed for 61.8 per cent of the turnover in agri segment in 2018-19, while it was 72.4 per cent for non-agri segment. At NCDEX, 55.5 per cent of the turnover in 2018-19 was from client trades. Witnessing similar trend, ICEX also recorded higher client turnover in agri segment (92.8 per cent) as well as non-agri segment (54.5 per cent). At BSE and NSE, majority of the turnover was accounted for Proprietary trades. During the year, BSE recorded 93.0 per cent, while NSE witnessed 82.1 per cent of turnover from proprietary trades.

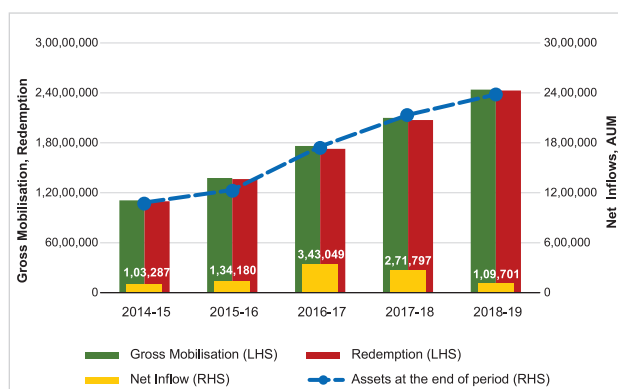
4. MUTUAL FUNDS

The strength of an economy can be gauged from the performance of a good financial market, which helps to channelize the savings of the people into diverse investment opportunities. In India, the mutual funds are playing a major role by bringing stability to the financial markets and through efficient resource mobilisation from various sectors. In the last two decades, the mutual fund industry is growing in a notable way by an increase in number of folios and Asset under Management (AUM). As compared to the previous year, the AUM of the mutual funds have witnessed a growth of 11.4 per cent in 2018-19.

I. RESOURCE MOBILISATION BY MUTUAL FUNDS:

The mutual fund industry maintained its growth momentum during 2018-19 as well. The industry saw gross resources mobilisation to the tune of ₹ 243.9 lakh crore during 2018-19 compared to ₹ 210.0 lakh crore during 2017-18. The AUM of mutual fund industry grew by 11.4 per cent to ₹ 23.8 lakh crore at the end of March 2019 from ₹ 21.4 lakh crore at the end of March 2018. The net resources mobilised by all mutual funds in India were ₹ 1.1 lakh crore during 2018-19. (Figure 2.16).

Figure 2.16 : Mobilization of Resources by Mutual Funds (₹ crore)



II. SECTOR-WISE RESOURCE MOBILISATION

Private sector mutual funds continued to retain their dominance in the mutual fund industry in 2018-19 as well, with a share of 80.6 per cent in gross resource mobilisation and 56.1 per cent in net resource mobilisation. The gross resource mobilisation by the private sector mutual funds rose by 13.1 per cent to ₹ 196.5 lakh crore in 2018-19, while that by public sector mutual funds rose by 31.1 per cent to ₹ 47.4 lakh crore in 2018-19 as compared to the last year. The share of public sector mutual funds in gross resource mobilisation increased to 19.4 per cent during 2018-19 from 17.2 per cent in the previous year. Similarly, the share of public sector mutual funds in net resource mobilisation increased to 43.9 per cent in 2018-19 from 15.9 per cent in the previous year. The net resource mobilisation by private sector mutual funds decreased by 73.1 per cent to ₹ 0.62 lakh crore in 2018-19 from ₹ 2.3 lakh crore in 2017-18, while that by public sector mutual funds increased by 11.2 per cent from ₹ 0.43 lakh crore to ₹ 0.48 lakh crore during the same period (Table 2.41).

The open ended schemes of private sector mutual funds witnessed a net inflow of ₹ 0.6 lakh crore in 2018-19 compared to ₹ 2.3 lakh crore in the previous year and open ended scheme of public sector mutual funds saw a net inflow of ₹ 0.43 lakh crore in 2018-19 compared to ₹ 0.37 lakh crore during previous year. In the close-ended schemes, both private sector and public sector mutual funds were recorded net inflows during 2018-19.

Table 2.41 : Sector-wise Resource Mobilisation by Mutual Funds (₹ crore)

Year	Private Sector MFs				Public Sector MFs				Grand Total
	Open-ended	Close-ended	Interval	Total	Open-ended	Close-ended	Interval	Total	
Mobilisation of Funds									
2017-18	1,73,28,249	51,896	2,043	1,73,82,189	35,94,129	22,067	266	36,16,463	2,09,98,652
2018-19	1,95,92,552	57,319	3,117	1,96,52,989	47,21,384	19,059	931	47,41,374	2,43,94,362
Repurchases / Redemption									
2017-18	1,70,95,484	55,597	2,636	1,71,53,718	35,56,776	16,275	86	35,73,137	2,07,26,855
2018-19	1,95,34,209	52,203	5,072	1,95,91,483	46,78,460	13,508	1,210	46,93,178	2,42,84,661
Net Inflow / Outflow of Funds									
2017-18	2,32,765	-3,701	-593	2,28,471	37,353	5,792	181	43,326	2,71,797
2018-19	58,343	5,116	-1,955	61,505	42,924	5,551	-279	48,196	1,09,701

III. SCHEME-WISE RESOURCE MOBILISATION

A scheme-wise pattern reveals that net inflows were positive for equity oriented schemes, balanced schemes, ETF schemes, and fund of funds investing overseas schemes and negative for income/debt oriented schemes. During 2018-19, equity oriented schemes registered the highest net inflows to the

tune of ₹ 1,07,970 crore on the back of buoyant equity market conditions, followed by the exchange traded schemes with an inflow of ₹ 42,940 crore, The balanced schemes with ₹ 6,864 crore and the fund of funds investing overseas with an amount of ₹ 246 crore, too registered net inflows during 2018-19 while the income/ debt-oriented schemes witnessed a net outflow of ₹ 48,320 crore.

Table 2.42 : Scheme-wise Resource Mobilisation by Mutual Funds and AUM

Schemes	No. of Schemes	Gross Funds Mobilised (₹ crore)	Repurchase/ Redemption (₹ crore)	Net Inflow/ Outflow of Funds (₹ crore)	AUM as on March 31, 2019 (crore)	Variation in AUM over March 31, 2018 (per cent)
A. Income/ Debt Oriented Schemes						
i) Liquid/Money Market	65	2,33,86,284	2,33,10,191	76,093	4,36,224	30.0
ii) Gilt	27	2,106	5,547	-3,441	8,099	-29.0
iii) Debt (other than assured returns)	1,252	5,49,508	6,70,633	-121,124	7,18,919	-8.5
iv) Infrastructure Development	10	153	0	153	2,650	7.4
Subtotal (i-iv)	1,354	2,39,38,051	2,39,86,371	-48,320	11,65,891	2.7
B. Growth/ Equity Oriented Schemes						
i) ELSS	69	20,382	7,611	12,771	96,019	19.2
ii) Others	485	2,83,424	1,88,224	95,200	7,96,082	19.0
Subtotal (i+ii)	554	3,03,805	1,95,835	1,07,970	8,92,101	19.0
C. Balanced Schemes						
Balanced Schemes	27	51,621	44,756	6,864	1,80,648	4.9
D. Exchange Traded Funds						
i) Gold ETFs	12	128	539	-411	4,447	-7.5
ii) Other ETFs	66	1,00,158	56,807	43,351	1,34,626	84.7
Subtotal (i+ii)	78	1,00,286	57,346	42,940	1,39,072	79.0
E. Fund of Funds Investing Overseas						
Fund of Funds Investing Overseas	29	600	353	246	1,871	29.0
TOTAL (A+B+C+D+E)	2,042	2,43,94,362	2,42,84,661	1,09,701	23,79,584	11.4

The AUM of equity oriented schemes rose by 19.0 per cent year on year during 2018-19. The AUM of balanced schemes reported a growth of 4.9 per cent and that of the ETF schemes rose by 79.0 per cent during 2018-19, compared to previous year. The AUM of income/debt oriented schemes, however, registered a modest growth of 2.7 per cent. (Table 2.42)

Table 2.43 : Number of Schemes by Investment Objective as on March 31, 2019

Schemes	As on March 31, 2019				As on March 31, 2018			
	Open-ended	Close-ended	Interval	Total	Open-ended	Close-ended	Interval	Total
A. Income/ Debt Oriented Schemes								
i) Liquid/ Money Market	65	0	0	65	52	0	0	52
ii) Gilt	27	0	0	27	38	0	0	38
iii) Debt (other than assured returns)	246	978	28	1,252	253	974	31	1,258
iv) Debt (assured returns)	0	0	0	0	0	0	0	0
v) Infrastructure Development	0	10	0	10	0	9	0	9
Subtotal (i to v)	338	988	28	1,354	343	983	31	1,357
B. Growth/ Equity Oriented Schemes								
i) ELSS	43	26	0	69	44	28	0	72
ii) Others	379	105	1	485	326	116	0	442
Subtotal (i+ii)	422	131	1	554	370	144	0	514
C. Balanced Schemes								
Balanced schemes	27	0	0	27	31	0	0	31
D. Exchange Traded Fund								
i) Gold ETF	12	0	0	12	12	0	0	12
ii) Other ETFs	66	0	0	66	56	0	0	56
Subtotal (i+ii)	78	0	0	78	68	0	0	68
E. Fund of Funds Investing Overseas								
Fund of Funds investing overseas	29	0	0	29	28	0	0	28
TOTAL (A+B+C+D+E)	894	1,119	29	2,042	840	1,127	31	1,998

Note : No. of schemes also includes serial plans

The total number of mutual fund schemes stood at 2,042 as on March 31, 2019. Out of the total number of schemes, the number of income/debt oriented schemes were 1,354, equity/growth oriented schemes were 554, balanced schemes were 27, exchange traded funds schemes were 78 and

the funds of fund investing overseas accounted for 29 schemes as on March 31, 2019. Among the 2,042 schemes 894 schemes were open ended schemes and 1,119 schemes were close ended schemes during the same period. (Table 2.43)

Table 2.44 : Trends in Transactions on Stock Exchanges by Mutual Funds (₹ crore)

Year	Equity			Debt			Total		
	Gross Purchase	Gross Sales	Net Purchase/Sales	Gross Purchase	Gross Sales	Net Purchase/Sales	Gross Purchase	Gross Sales	Net Purchase/Sales
2017-18	6,67,009	5,25,240	1,41,769	18,25,231	14,54,515	3,70,716	24,92,240	19,79,755	5,12,485
2018-19	7,08,991	6,21,112	87,879	22,67,416	18,77,490	3,89,925	29,76,407	24,98,603	4,77,804

Source : SEBI Website

Like in the past years, in 2018-19 too mutual fund investments in debt securities prevailed over those in equity securities, with net investments in debt being 81.6 per cent of the total mutual fund investments on stock exchanges. During 2018-19, combined net investments by mutual funds were ₹ 4.8 lakh crore as compared to ₹ 5.1 lakh crore in 2017-18. Mutual funds invested ₹ 0.9 lakh crore (net) in equity securities (compared to ₹ 1.4 lakh crore in previous year) and ₹ 3.9 lakh crore (net) in debt securities (compared to ₹ 3.7 lakh crore in previous year). (Table 2.44)

IV. UNIT HOLDING PATTERN

At the end of March 2019, the share of individual category in total AUM of mutual fund industry has increased from 50.8 per cent to 54.0 per cent. On the contrary, the share of corporates category has fallen from 45.1 per cent at the end of March 2018 to 41.9 per cent at the end of March 2019. As on March 31, 2019, 97.2 per cent of the total folios were contributed by the individuals category, whereas 0.9 per cent of the total folios were contributed by the corporates category. NRIs/overseas corporate bodies (OCBs), with 1.9 per cent share in the total number of folios, had 3.6 per cent share in total AUM as on March 31, 2019. (Figure 2.17).

Figure 2.17 : Unit Holding Pattern of All Mutual Funds (Percentage to Total AUM and Folios)

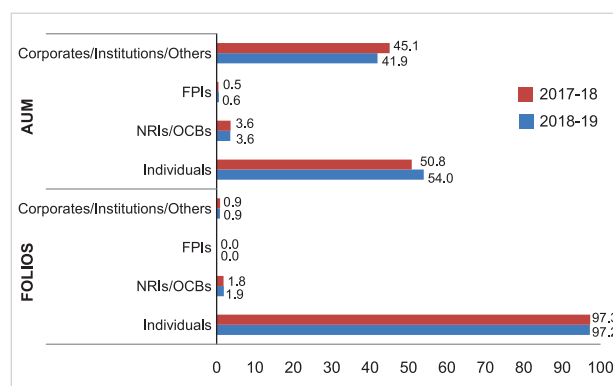


Table 2.45 provides data on private and public sector sponsored mutual funds, wherein it is evident that the private sector mutual funds dominated with a higher number of folios and larger AUM. The private sector mutual funds accounted for 72.4 per cent of the total number of folios and 80.8 per cent of the total AUM as on March 31, 2019. During the same period, the public sector mutual funds accounted for 27.6 per cent of the total number of folios with 19.2 per cent of the total AUM.

Table 2.45 : Unit Holding Pattern of Private Sector and Public Sector Mutual Funds

Category	No. of Folios	Total Folios under the Private Sector (per cent)	AUM (₹ crore)	Total Net Assets under the Private Sector (per cent)	No. of Folios	Total Folios under the Public Sector (per cent)	AUM (₹ crore)	Total Net Assets under the Public Sector (per cent)
Private Sector Sponsored Mutual Funds				Public Sector Sponsored Mutual Funds				
2018-19								
Individuals	5,77,82,629	96.8	10,58,745	55.1	2,23,91,458	98.3	2,25,045	49.2
NRIs/OCBs	13,04,164	2.2	73,065	3.8	2,57,216	1.1	11,407	2.5
Corporates/Institutions/Others	5,96,711	1.0	7,76,184	40.4	1,24,059	0.5	2,21,240	48.3
FPIs	149	0.0	13,806	0.7	25	0.0	92	0.0
Total	5,96,83,653	100.0	19,21,800	100.0	2,27,72,758	100.0	4,57,784	100.0
2017-18								
Individual	4,97,33,714	96.9	9,05,933	51.3	1,96,76,735	98.3	1,79,562	48.5
NRIs/OCBs	10,72,770	2.1	68,665	3.9	2,17,387	1.1	9,180	2.5
Corporates/Institutions/Others	5,31,182	1.0	7,81,194	44.2	1,15,350	0.6	1,81,462	49.0
FPIs	155	0.0	9,949	0.6	8	0.0	91	0.0
Total	5,13,37,821	100.0	17,65,740	100.0	2,00,09,480	100.0	3,70,295	100.0

5. INTERMEDIARIES ASSOCIATED WITH THE SECURITIES MARKET

I. TRADING MEMBERS OF THE EXCHANGES

At NSE, in equity derivatives trading, trading-cum-clearing members contributed 36.7 per cent in 2018-19, compared to 39.4 per cent in the previous year. During the same period, trading-cum-self-clearing member contributed 33.6 per cent compared to 37.2 per cent in the previous year. Further, trading members contributed 29.7 per cent in 2018-19, compared to 23.4 per cent in the previous year. The professional clearing member contribution is insignificant in equity derivatives segment of

NSE. In currency derivatives segment of NSE, trading members contributed significant share with 36.1 per cent in 2018-19 compared to 34.8 per cent in 2017-18. Trading-cum-clearing members followed with contribution of 35.3 per cent in 2018-19, compared to 39.6 per cent in previous year. Trading-cum-self-clearing members contributed 28.6 per cent in 2018-19, compared to 25.6 per cent in previous year. In this segment also, the professional clearing member's contribution was insignificant. (Table 2.46).

Table 2.46 : Share of Various Classes of Members in Equity, Currency and Interest Rate Derivatives Segments and Debt Segment of NSE

Segment	Member Category	NSE			
		2017-18		2018-19	
		Traded Value (₹ crore)	Per cent	Traded Value (₹ crore)	Per cent
Equity Derivatives Segment	TM	7,72,15,571	23.4	14,12,06,024	29.7
	TM_CM	12,99,00,714	39.4	17,41,88,441	36.7
	TM_SCM	12,28,12,901	37.2	15,97,48,867	33.6
	PCM	40,532	0.0	58,078	0.0
	Total	32,99,69,718	100.0	47,52,01,410	100.0
Currency Derivatives Segment	TM	35,00,210	34.8	61,53,212	36.1
	TM_CM	39,81,153	39.6	60,18,648	35.3
	TM_SCM	25,75,642	25.6	48,64,843	28.6
	PCM	0	0.0	0	0.0
	Total	1,00,57,004	100.0	1,70,36,702	100.0
Interest Rate Derivatives	TM	2,92,000	45.5	2,05,362	41.8
	TM_CM	3,09,711	48.2	2,76,034	56.2
	TM_SCM	40,705	6.3	9418	1.9
	PCM	0	0.0	0	0.0
	TOTAL	6,42,416	100.0	4,90,814	100.0
Debt Segment \$	TM	Nil	NA	Nil	NA
	TM_CM	10	100	10	100
	TM_SCM	10	100	10	100
	PCM	Nil	NA	Nil	NA
	TOTAL	10	100.0	10	100.0

Note : TM means Trading Members, TM_CM means Trading-cum-Clearing Members, TM_SCM means Trading-cum-Self Clearing Members, PCM means Professional Clearing Members

Data for 2017-18 is revised for Currency Derivatives Segment

\$Above data is based on Debt Segment membership

Traded value for Debt segment is at Member category level

Source : NSE

At BSE, in currency derivatives segment, trading members contributed significant share with 65.3 per cent in 2018-19 compared to 66.0 per cent in 2017-18. Trading-cum-self-clearing members followed with contribution of 18.8 per cent in 2018-19,

compared to 17.2 per cent in previous year. Trading-cum-clearing members contributed 15.9 per cent in 2018-19, compared to 16.8 per cent in previous year. **(Table 2.47).**

Table 2.47 : Share of Various Classes of Members in Equity, Currency and Interest Rate Derivatives Segments and Debt Segment of BSE

Segment	Member Category	BSE			
		2017-18		2018-19	
		Traded Value (₹ crore)	Per cent	Traded Value (₹ crore)	Per cent
Equity Derivatives Segment	TM	6,292	96.4	4,479	99.5
	TM_CM	224	3.4	21	0.5
	TM_SCM	9	0.2	0	0.0
	PCM	0	0.0	0	0.0
	Total	6,525	100.0	4,500	100.0
Currency Derivatives Segment	TM	58,63,171	66.0	96,08,471	65.3
	TM_CM	14,88,403	16.8	23,33,703	15.9
	TM_SCM	15,25,310	17.2	27,62,441	18.8
	PCM	0	0.0	0	0.0
	Total	88,76,884	100.0	1,47,04,615	100.0
Interest Rate Derivatives	TM	3,85,949	86.2	2,08,665	93.8
	TM_CM	54,157	12.1	11,996	5.4
	TM_SCM	7,656	1.7	1,784	0.8
	PCM	0	0.0	0.	0.0
	Total	4,47,762	100.0	2,22,445	100.0
Debt Segment	TM	5,294	59.5	8,530	67.4
	TM_CM	2,361	26.5	2,857	22.6
	TM_SCM	1,254	14.1	1,264	10.0
	PCM	0	0.0	0	0.0
	Total	8,909	100	12,651	100.0

Note : TM means Trading Members, TM_CM means Trading-cum-Clearing Members, TM_SCM means Trading-cum-Self-Clearing Members, PCM means Professional Clearing Members

Data for 2017-18 is revised for Currency Derivatives Segment

Source : BSE

In currency derivatives segment of MSEI, trading members contributed significant share with 60.2 per cent in 2018-19 compared to 40.8 per cent in 2017-18. Trading-cum-clearing members followed with contribution of 39.4 per cent in 2018-19,

compared to 52.9 per cent in previous year. Trading-cum-self-clearing members contributed 0.4 per cent in 2018-19 compared to 6.2 per cent in previous year. During 2018-19, no trading was observed in the interest rate segment at MSEI. **(Table 2.48).**

Table 2.48 : Share of Various Classes of Members in Currency and Interest Rate Derivatives Segments of MSEI

Segment	Member Category	MSE			
		2017-18		2018-19	
		Traded value (₹ crore)	Per cent	Traded value (₹ crore)	Per cent
Currency Derivatives Segment	TM	94,711	40.8	56,872	60.2
	TM_CM	1,22,749	52.9	37,197	39.4
	TM_SCM	14,442	6.2	408	0.4
	PCM	0	0.0	0	0.0
	TOTAL	2,31,903	100.0	94,477	100.0
Interest Rate Derivatives	TM	5	1.2	0	0.0
	TM_CM	432	98.8	0	0.0
	TM_SCM	0	0.0	0	0.0
	PCM	0	0.0	0	0.0
	TOTAL	437	100.0	0	0.0

Note: 1. TM means Trading Members, TM_CM means Trading-cum-Clearing Members, TM_SCM means Trading-cum-Self-Clearing Members, PCM means Professional Clearing Members

2. Turnover includes currency futures, notional value for currency options and IRF

3. Data for 2017-18 is revised

Source : MSEI

In commodity derivatives segment of MCX, trading-cum-self-clearing members contributed significant share with 51.4 per cent in 2018-19, compared to 50.2 per cent in 2017-18. The trading members at MCX contributed 45.5 per cent, compared to 46.2 per cent in the previous year. On the similar lines, the market share of trading-cum-self-clearing members at NCDEX is highest at

55.6 per cent, compared to 54.4 per cent share in 2017-18. The trading members at NCDEX has market share of 40.1 per cent, compared to 41.3 per cent in 2017-18. The trading members at ICEX and NMCE has market share of 67.1 per cent and 78.8 per cent, respectively in 2018-19. The market share of trading members at BSE and NSE is 40.0 per cent and 25.5 per cent, respectively in 2018-19. (Table 2.49).

Table 2.49 : Share of Various Classes of Members in Commodity Derivatives Segment of MCX, NCDEX, BSE, NSE, ICEX and NMCE

Segment	Exchange	Member Category	2017-18		2018-19	
			Traded Value (₹ crore)	Per cent	Traded Value (₹ crore)	Per cent
Commodity Derivatives Segment	MCX	TM	49,80,402	46.2	61,58,307	45.5
		TM_CM	3,87,678	3.6	4,20,805	3.1
		TM_SCM	54,18,620	50.2	69,65,633	51.4
		PCM	0	0.0	0	0.0
		Total	1,07,86,699	100.0	1,35,44,746	100.0
	NCDEX	TM	4,87,266	41.3	4,26,401	40.1
		TM_CM	50,327	4.3	45,985	4.3
		TM_SCM	6,41,388	54.4	5,90,440	55.6
		PCM	0	0.0	0	0.0
		Total	11,78,981	100.0	10,62,826	100.0

Segment	Exchange	Member Category	2017-18		2018-19	
			Traded Value (₹ crore)	Per cent	Traded Value (₹ crore)	Per cent
	BSE	TM	0	0.0	26,360.69	40.2
		TM_CM	0	0.0	22,337	34.1
		TM_SCM	0	0.0	16,910	25.8
		PCM	0	0.0	0	0.0
		Total	0	0.0	0	0.0
	NSE	TM	0	0.0	1,755	25.5
		TM_CM	0	0.0	4,349	63.1
		TM_SCM	0	0.0	783	11.4
		PCM	0	0.0	0	0.0
		Total	0	0.0	6,888	100.0
	ICEX	TM	2,268	52.5	32,271	67.1
		TM_CM	851	19.7	4,940	10.3
		TM_SCM	1,198	27.7	10,911	22.7
		PCM	0	0.0	0	0.0
		Total	4,317	100.0	48,122	100.0
	NMCE	TM	27,929	80.7	10,772	78.8
		TM_CM	5,321	15.4	2,565	18.8
		TM_SCM	1,341	3.9	339	2.5
		PCM	0	0.0	0	0.0
		Total	34,591	100.0	13,675	100.0

Note : TM means Trading Members, TM_CM means Trading-cum-Clearing Members, TM_SCM means Trading-cum-Self Clearing Members, PCM means Professional Clearing Members

Source : MCX, NCDEX, ICEX, NMCE, BSE and NSE

II. PORTFOLIO MANAGERS

Risk and return are the two important aspects of financial investment. Portfolio management involves selecting and managing a basket of assets that minimizes risk, while maximizing return on investments. A portfolio manager plays a pivotal role in designing customized investment solutions for the clients.

The total number of clients with the portfolio managers increased by 23.4 per cent to 1,49,720 at the end of March 2019 from 1, 21,361 at the end of March 2018. The number of clients under discretionary category rose by 22.0 per cent, while those under advisory and non-discretionary category increased by 87.1 per cent and 26.3 per cent, respectively during 2018-19.

The total AUM of the portfolio management industry increased by 9.5 per cent to ₹ 16.1 lakh crore at the end of March 2019 from ₹ 14.7 lakh crore at the end of March 2018. The AUM of discretionary services rose by 13.1 per cent in 2018-19 from ₹ 11.5 lakh crore as at end March 2018 to ₹ 13.0 lakh crore as at end-March 2019. The AUM of non-discretionary services rose by 21.4 per cent in 2018-19 from ₹ 0.9 lakh crore in the previous financial year to ₹ 1.1 lakh crore this financial year. The AUM of advisory services declined by 14.0 per cent in 2018-19 from ₹ 2.3 lakh crore in the previous financial year to ₹ 1.9 lakh crore this financial year. As on March 31, 2019, the discretionary services offered to the Employees Provident Fund Organization (EPFO)/Provident Funds (PFs) constituted 70.4 per cent of the total AUM of the portfolio managers (Table 2.50).

Table 2.50 : Assets Managed by Portfolio Managers

Year Ended	No. of Clients				AUM (₹ crore)				
	Discretionary	Non-Discretionary	Advisory	Total	Discretionary (EPFO/PFs)	Discretionary (Non EPFO/PFs)	Non-Discretionary	Advisory	Total
March 31, 2018	1,13,776	5,427	2,158	1,21,361	9,94,748	1,57,375	89,797	2,25,131	14,67,051
March 31, 2019	1,38,829	6,853	4,038	1,49,720	11,30,451	1,72,690	1,09,031	1,93,620	16,05,792

Note : The data has been compiled on the basis of information submitted by portfolio managers to SEBI

III. ALTERNATIVE INVESTMENT FUNDS

Alternative investments are defined as asset classes that fall outside of traditional investments, such as stocks, bonds and cash. Real estate, private equity, managed futures, hedge funds, etc. are all examples of alternative investments. Although the characteristics of each of these assets differ from the other, all tend to share the ability to offer diversification for a traditional portfolio through enhanced returns, reduced risk and/or improved risk-adjusted performance.

The commitments raised by AIFs, so far, increased from ₹ 1,65,095 crore at the end of March 2018 to ₹ 2,82,148 crore at the end of March 2019. By the end of March 2019, the cumulative net investment made by AIFs rose to ₹ 1,09,781 crore from ₹ 61,402 crore as at the end of March 2018. The cumulative amount mobilised by AIFs as on March 31, 2019 is given in **Table 2.51**. At the end of 2018-19, the cumulative investment made by Category II AIF, Category III AIF and Category I AIF stood at ₹ 68,086 crore, ₹ 30,802 crore and ₹ 10,893 crore, respectively.

Table 2.51 : Cumulative Amount Mobilised by AIFs (₹ crore)

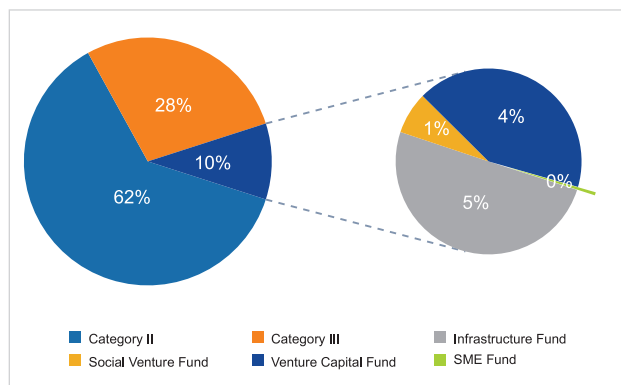
Category	Commitments Raised	Funds Raised	Investments Made	Commitments Raised	Funds Raised	Investments Made
	2017-18			2018-19		
Category I						
Infrastructure Fund	9,527	5,734	4,733	12,082	6,450	5,464
Social Venture Fund	1,135	422	295	1,315	859	797
Venture Capital Fund	17,148	4,442	3,147	19,876	6,272	4,572
SME Fund	225	196	47	261	208	59
Category I Total	28,036	10,794	8,223	33,534	13,789	10,893
Category II	1,05,799	50,451	34,023	2,05,360	83,554	68,086
Category III	31,261	24,031	19,156	43,255	36,866	30,802
Grand Total	1,65,095	85,276	61,402	2,82,148	1,34,209	1,09,781

Note : The data is compiled on the basis of quarterly/monthly information submitted to SEBI by registered Alternative Investment Funds

In terms of percentage share, Category II AIFs has the highest share of 62 per cent in the total cumulative investment by all AIFs at the end of March 2019, followed by Category III AIFs (28 per cent) and Category I AIFs (10 per cent). Out of the total

10 per cent share of Category I AIFs, Infrastructure Funds have five per cent share and Venture Capital Funds (VCFs) have four per cent share in the total cumulative investment by all AIFs (**Figure 2.18**).

Figure 2.18: Category-Wise Net Cumulative Investments by AIFs (in %)



IV. VENTURE CAPITAL FUNDS AND FOREIGN VENTURE CAPITAL INVESTORS

Venture Capital is an important source of seed capital funding for start-up ventures and technology projects. It is a type of funding which is different from traditional sources of financing as, unlike traditional sources of funding, venture capitalists finance innovation and ideas which have potential for high growth with inherent uncertainties. With a view to promote innovation, it is very important to promote venture capital activity in India.

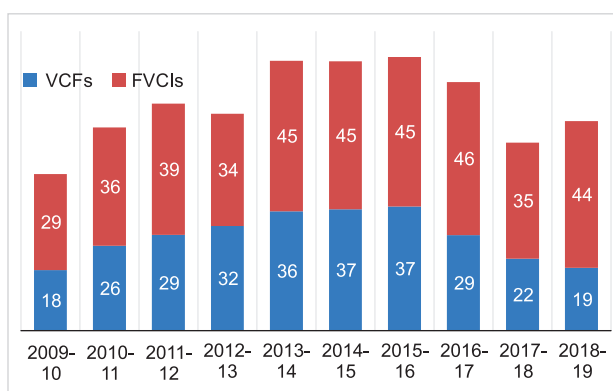
The cumulative net investment of VCFs decreased by 12.7 per cent to ₹ 18,919 crore at the end of March 2019 as compared to ₹ 21,679 crore at the end of March 2018. On the other hand, the cumulative net investment by FVCIs increased by 26.5 per cent to ₹ 44,158 crore at the end of March 2019, compared to ₹ 34,906 crore at the end of March 2018. The combined cumulative net investment of VCFs and FVCIs increased by 11.5 per cent at the end of this financial year. (Table 2.52).

Table 2.52 : Cumulative Net Investments by VCFs and FVCIs (₹ crore)

As on	VCFs	FVCIs	Total
March 31, 2018	21,679	34,906	56,585
March 31, 2019	18,919	44,158	63,077

The investments of VCFs has showed an increase from ₹ 18,000 crore to ₹ 37,000 crore during the period March 2010 to March 2016, whereas these investments have come down to ₹ 19,000 crore in last three years. On a similar trend, investments of FVCIs is also increased from ₹ 29,000 crore to ₹ 46,000 crore during the period March 2010 to March 2017 and decreased to ₹ 35,000 crore as on March 2018. However, the investments of FVCI rose strongly to ₹ 44,000 crore at the end of March 2019 (Figure 2.19).

Figure 2.19 : Trends in the Cumulative Net Investments by VCFs and FVCIs (₹ '000 crore)



V. REITs AND InvITs

Real estate investment trust (REITs) and Infrastructure investment trust (InvITs) are the innovative investment vehicles that help to attract private funds to the real estate and infrastructure sectors. REITs provide a platform for the investors (even those who with small budget) to make safe and rewarding investment into the operational functioning or ownership of real estate and related assets without actually buying the assets. It helps the investors in portfolio diversification and, thereby long term capital appreciation. In 2014, to make a platform for the financing and refinancing the infrastructure projects in India, the infrastructure investment trust (InvITs) were launched. The InvITs can pool small sums of money from various

investors over a period of time so as to enable them to participate in the growth of infrastructure sector.

Table 2.53 provides details of the activity of REITs and InvITs. As on March 31, 2019 there were two REITs registered with SEBI, as compared to one registered REIT as on March 31, 2018. During 2018-19, REITs raised ₹ 4,750 crore, as compared to no fund raising activity during 2017-18.

Table 2.53 : Details of REITs and InvITs during 2018-19

Particulars	REITs		InvITs	
	2017-18	2018-19	2017-18	2018-19
Number of Registered Trusts at the end of the period	1	2	7	10
Of which Number of Entities Listed on Stock Exchanges	0	1	2	4
Funds Raised during the Year (₹ crore)	0	4,750	7,283	11,465

As on March 31, 2019, there were 10 InvITs registered with SEBI as compared to seven registered

entities as on March 31, 2018. During 2018-19, InvITs raised funds to the tune of ₹ 11,465 crore from the investors as compared to ₹ 7,283 crore in the previous year. (**Table 2.53**)

VI. CUSTODIANS

Custodians are important registered service providers to the institutional participants in the market. The various categories of clients of the custodians and their holdings are provided in the **Table 2.54**. At the end of March 31, 2019, total clients of the 19 registered custodians were 34,574 compared to 30,364 clients at the end of March 31, 2018, an increase of 13.9 per cent. The custodial value of the holdings of all the clients of custodians rose to ₹102.5lakh crore at the end of March 31, 2019, compared to ₹ 93.2 lakh crore at the end of March 31, 2018, an increase of 10.1 per cent. While market value of assets of the FPIs represented 32.6 per cent of total assets under custody (AUC) of custodians as on March 31, 2019, assets of domestic mutual fund industry represented 22.2 per cent of total AUC of custodians.

Table 2.54 : Details of Clients of Custodians and Their Holdings

Client Category	No of Clients		Amount (in ₹ crore)	
	As on March 31, 2018	As on March 31, 2019	As on March 31, 2018	As on March 31, 2019
Banks	114	117	3,52,782	3,20,445
Corporates	459	499	87,065	1,04,563
FDI Investments	1,651	1,867	7,33,302	8,02,860
Financial Institutions	27	25	1,09,009	60,866
Foreign Depository	64	64	2,95,548	3,54,340
Foreign Venture Capital Investment	188	201	31,420	37,261
FPIs	9,326	9,556	31,48,349	33,42,680
Insurance Companies	856	781	15,78,987	17,32,889
Local Pension Funds	120	120	3,32,925	4,22,317
Mutual Funds	1,541	1,755	19,78,171	22,78,220
NRIs	415	547	3,249	3,486
OCBs	23	24	2,424	1,949
Others	15,580	19,018	6,62,458	7,91,088
Grand Total	30,364	34,574	93,15,689	1,02,52,964

Source : NSDL

VII. CREDIT RATING AGENCIES

The number of fresh ratings, assigned by seven Credit Rating Agencies (CRAs), to the long term corporate debt securities, decreased from 1,444 in 2017-18 to 1,326 in 2018-19. However, the amount of debt rated increased from ₹ 21.4 lakh crore in 2017-18 to ₹ 25.4 lakh crore in 2018-19,

a change of 19.0 per cent. During 2018-19, the seven CRAs collectively reviewed credit ratings of 8,687 corporate debt securities (amounting to ₹ 150.8 lakh crore) compared to rating reviews of 5,310 corporate debt securities (amounting to ₹ 116.9 lakh crore) in previous year. (Table 2.55).

Table 2.55 : Credit Ratings and Ratings Reviews of the Corporate Debt Securities by CRAs

Client Category	No of Issues		Amount (₹ Crore)	
	2017-18	2018-19	2017-18	2018-19
Ratings Assigned for Corporate Debt Securities *	1,444	1,326	21,37,637	25,43,807
Review of Accepted Ratings of Corporate Debt Securities *	5,310	8,687	1,16,83,276	1,50,79,016

Note : * the data pertains to long term corporate debt securities (with maturity >= 1 year)

Source : Credit Rating Agencies

VIII. OTHER INTERMEDIARIES

As on March 31, 2019, the number of registered intermediaries increased to 13,784, compared to 12,977 registered intermediaries at the end of March 31, 2018, a jump of 6.2 per cent. Table 2.56 shows that there were 9,390 FPIs, 19 custodians, 16 designated

depository participants, 547 AIFs, 195 venture capital funds, 250 foreign venture capital investors, 209 merchant bankers, 321 portfolio managers, 1,149 investment advisers and 625 research analysts registered with SEBI, as on March 31, 2019.

Table 2.56 : Number of Other Registered Intermediaries

Type of Intermediary	No. of Registered Intermediaries on March 31, 2018	No. of Registered Intermediaries as on March 31, 2019
Registrars to Issue and Share Transfer Agents	73	77
Merchant Bankers	195	209
Underwriters	1*	2
Depository Participants - NSDL	276	277
Depository Participants - CDSL	600	598
Credit Rating Agencies	7	7
Bankers-to-an-Issue	66	65
Debenture Trustees	31	32
KYC (Know Your Client) Registration Agency (KRA)	5	5
FPIs (including deemed FPIs)	9,227	9,390
Custodians	18	19
Designated Depository Participants	18	16
Alternative Investments Funds	414	547
Venture Capital Funds	196	195
Foreign Venture Capital Investors	225	250
Portfolio Managers	264	321
Investment Advisers	885	1,149
Research Analysts	476	625
Total	12,977	13,784

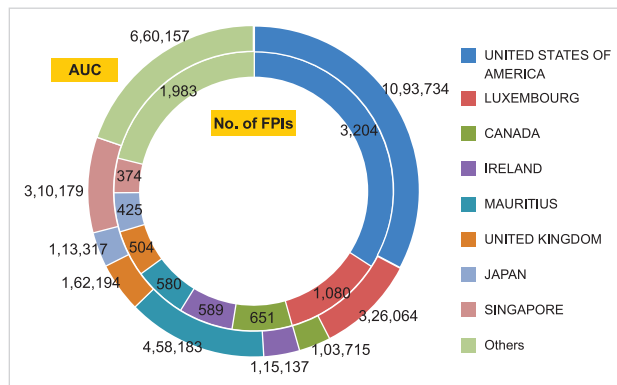
Note : * An active underwriter was erroneously marked as surrendered Data for 2017-18 has been revised.

6. FOREIGN PORTFOLIO INVESTMENT

Indian economy is one of the most attractive investment destination for the global investors. The Government of India, RBI and SEBI are undertaking key reforms and policy actions for encouraging the foreign investment into the Indian financial markets. The foreign portfolio investors (FPIs) investing in India have been increasing in number and hailing from diverse locations.

On the basis of country of incorporation, as on March 31,2019 a total of 9,390 FPIs were registered in India from 59 different countries with a total AUC of ₹ 33,42,680 crore. Based on the country of incorporation, the number of FPIs registered was the highest from USA (3,204), followed by Luxembourg (1,080), Canada (651), Ireland (589) and Ireland (589). In terms of AUC as well, FPIs from the USA had the maximum AUC (₹ 10,93,734 crore) followed by Mauritius (₹ 4,58,183 crore), Luxembourg (₹ 3,26,064 crore) and Singapore (₹ 3,10,179 crore). (Figure 2.20).

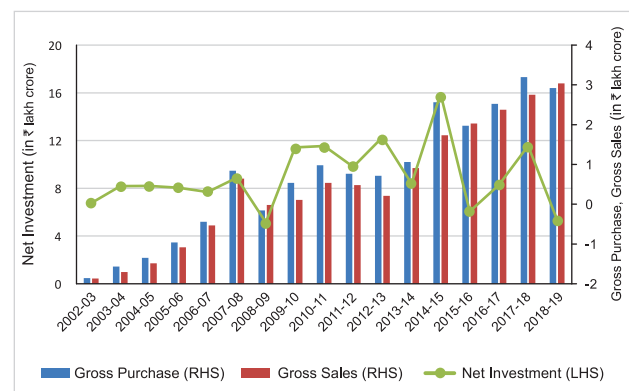
Figure 2.20 : Country-wise AUC (₹ crore) and Number of Registered FPIs



During 2018-19, FPI investments in India witnessed a significant decline as compared to the previous year. FPIs net sold ₹ 38,930 crore worth of Indian equity and debt securities during 2018-19, as compared to net investment of ₹ 1,47,117 crore in 2017-18. In US\$ terms, the net withdrawals stood

at US\$ 5,499 million in 2018-19, compared to net investments of US\$ 22,618 million in 2017-18. The gross purchases of FPIs declined by 5.3 per cent to ₹ 16.4 lakh crore in 2018-19 compared to ₹ 17.3 lakh crore in 2017-18. The combined gross sales increased by of 6.0 per cent to ₹ 16.8 lakh crore in 2018-19 from ₹ 15.8 lakh crore in 2017-18. (Figure 2.21).

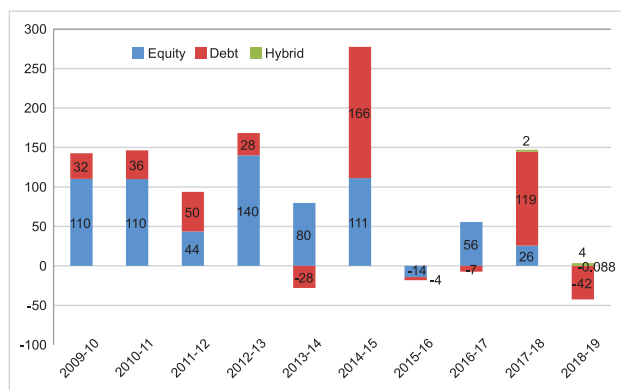
Figure 2.21 : Trends in Investments by FPIs (₹ lakh crore)



The foreign portfolio funds witnessed an outflow on account of withdrawals from both equity and debt segments during 2018-19. Net investments in equity segment recorded an outflow of ₹ 88 crore in 2018-19, as compared to ₹ 25,635 crore net investments in the previous year. FPIs were net sellers in the debt segment to the tune of ₹ 42,357 crore for the current year, compared to total of ₹ 1,19,036 crore net investment in the previous year.

Net selling in equity securities was highest in the months of October 2018 (₹ 28,921 crore), September 2018 (₹ 10,825 crore) and May 2018 (₹ 10,060 crore). The net investments in the equity segment recorded the highest inflow in the month of March 2019 amounting to ₹ 33,981 crore. The major withdrawal from the debt securities was in the month of May 2018 amounting to ₹ 19,654 crore and the highest net investment was in the month of March 2019 amounting to ₹ 12,002 crore.

Figure 2.22 : Trends in Net Investment by FPIs (₹ '000 crore)



The overall upper limit for the investment by the FPIs in corporate bonds was enhanced to ₹ 2, 89,100 crore in 2018-19 from ₹ 2, 22,323 crore at the end of previous year. The overall debt utilisation limit has reached 75.9 percent of the permissible investment limits in the corporate bonds category at the end of March 31, 2019. (Table 2.57)

Table 2.57 : Foreign Investment Limits in Corporate Bonds (₹ crore)

Year	Instrument Type	Eligible Foreign Investors	Upper Limit (Refer Note 1) (A)	Investment (B)	Unutilized Auctioned Limits Available with FPIs (C)	Total Investment (B+C)	Per cent of Limits Utilized	Limit Available for Investment
2018-19	Corporate Bonds	All Categories	2,89,100	2,19,428	0	2,19,428	75.9	69,672
2017-18	Corporate Bonds	All Categories	2,25,323	2,18,571	5,631	2,24,202	99.5	1,121

Note 1 : The limits of foreign investment in corporate bonds are as per RBI Circular No. RBI/2017-18/150 dated April 06, 2018

FPIs have been permitted to trade in the derivatives market since February 2002. As on March 31, 2019, the notional value of open interest held by FPIs was ₹ 1.7 lakh crore as compared ₹ 1.9 lakh crore as on March 31, 2018. The open interest position of FPIs in stock futures was the highest at ₹ 87,965 crore followed by index options (₹ 56,561 crore), index futures (₹ 17,751 crore), stock options (₹ 2,263 crore) and interest rate futures (₹ 39 crore) (Table 2.58).

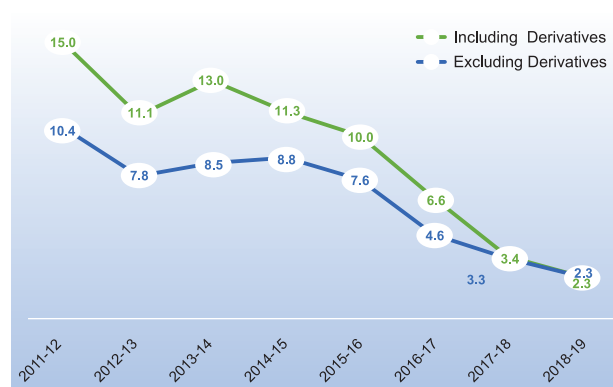
Table 2.58 : Notional Values of Open Interest Held by of FPIs in Derivatives (₹ crore)

Items	31-Mar-18	31-Mar-19
Index Futures	25,070	17,751
Index Options	76,019	56,561
Stock Futures	79,121	87,965
Stock Options	7,711	2,263
Interest Rate Futures	379	39
Total	1,88,301	1,64,578
Change in open position over the last year	42,805	-39,484
Change in Open Interest (Year on Year) (per cent)	29	-19

Offshore derivatives instruments (ODIs) are investment vehicles used by overseas investors for an

exposure to Indian securities or derivatives thereof. The total value of investments in ODIs inclusive of equity, debt and derivatives as underlying declined further during 2018-19, as it stood at ₹ 0.8 lakh crore as on March 31, 2019 compared to ₹ 1.1 lakh crore as on March 31, 2018. Excluding ODIs on derivatives, the total value of ODIs on equity and debt was ₹ 0.8 lakh crore as at the end of the current year as compared to ₹ 1.0 lakh crore at the end of previous year. Total value of ODIs on equity and debt (including derivatives) has been declining consistently over the years. (Figure 2.23).

Figure 2.23 : ODIs as a percentage of AUC of FPIs



7. OTHER ACTIVITIES HAVING A BEARING ON THE WORKING OF THE SECURITIES MARKET

I. CORPORATE BOND MARKET

Deep, vibrant and robust corporate bond market is essential to enhance stability of financial system of a country, mitigate financial crises and support the credit needs of corporate sector, which is vital for the growth of an economy. There is no doubt that the equity market in India is quite well developed and plays a crucial role in the growth of Indian economy. At the same time, Government Securities market in India has also experienced a tremendous growth in the last decade. Despite a lot of policy and regulatory attention in the past, the corporate debt segment in India still requires lot of focus on its development so as to make it more liquid.

NSE's share in total trades of corporate bonds report decreased from 73.3 per cent in 2017-18 to 67.6 per cent in 2018-19. The total value of corporate bonds trades reported at BSE rose by 23.7 per cent to ₹ 5.9 lakh crore from ₹ 4.8 lakh crore in the previous year whereas that of NSE declined by 5.9 per cent to ₹ 12.4 lakh crore from ₹ 13.2 lakh crore, during the same period. In terms of number of trades, the trades reported at BSE rose by 1.4 per cent to 2,44,174 in 2018-19 from 2,40,756 in 2017-18, whereas that at NSE increased by 1.8 per cent to 63,346 in 2018-19 from 62,215 in 2017-18. (Table 2.59). The value of corporate bond trades settled through clearing corporations increased by 33.6 per cent from ₹ 13.7 lakh crore in 2017-18 to ₹ 18.2 lakh crore in 2018-19 (Table 2.60).

Table 2.59 : Secondary Market: Corporate Bond Trades (Reported Trades)

Year	BSE		NSE	
	No. of Trades	Amount (₹ crore)	No. of Trades	Amount (₹ crore)
2017-18	2,40,756	4,80,575	62,215	13,21,738
2018-19	2,44,174	5,94,507	63,346	12,43,215

Source : BSE and NSE.

Table 2.60 : Settlement of Corporate Bonds

Year	NSCCL		ICCL	
	No. of Trades Settled	Settled Value (₹ crore)	No. of Trades Settled	Settled Value (₹ crore)
2017-18	55,814	11,55,765	17,374	2,10,334
2018-19	59,912	12,36,633	29,514	5,88,248

Source : NSCCL and ICCL.

II. WHOLESALE DEBT MARKET

During 2018-19, the turnover in the wholesale debt market (WDM) segment at NSE decreased by 31.7 per cent to ₹ 3.5 lakh crore from ₹ 5.2 lakh crore in 2017-18. The average daily turnover also decreased by 32.0 per cent to ₹ 1,461 crore from ₹ 2,149 crore in

2017-18. However, the turnover in the BSE's WDM segment increased by 33.2 per cent to ₹ 7.5 lakh crore from ₹ 5.7 lakh crore. In terms of number of trades, both BSE's WDM segment and NSE's WDM segment registered decline of 1.7 per cent and 32.8 per cent, respectively in 2018-19 (Table 2.61).

Table 2.61 : Business Growth in the WDM Segments at NSE and BSE

Year	No. of Trades	Net Traded Value (₹ crore)	Average Daily Traded Value (₹ crore)	No. of Trades	Net Traded Value (₹ crore)	Average Daily Traded Value (₹ crore)
	NSE			BSE		
2017-18	12,419	5,17,889	2,149	2,37,190	5,66,575	2,309
2018-19	8,341	3,53,659	1,461	2,33,183	7,54,510	3,034

Note : Average daily traded value is calculated as net traded value divided by the total number of trading days in the year. Source: NSE and BSE.

The trend in the instrument-wise share of securities traded in the WDM segment at NSE shows that during 2018-19, the share of G-Secs decreased to 52.4 per cent from 56.4 per cent in the previous year. The share of PSU/institutional bonds also decreased from 15.8 per cent in 2017-18 to 12.3 per cent during 2018-19. On the other hand, the share of Treasury Bills increased from 10.4 per cent in 2017-18 to 19.9 per cent in 2018-19. (Table 2.62).

At BSE, the instrument-wise share of securities traded in the WDM segment showed a decrease in the share of G-Secs from 36.9 per cent in 2017-18 to 20.7 per cent in 2018-19. On the other hand, share of PSU/ institutional bonds increased from 45.5 per cent to 49.0 per cent during the same period. The share of Treasury Bills also increased from 4.0 per cent in 2017-18 to 7.4 per cent in 2018-19.

Table 2.62 : Instrument-Wise Share of Securities Traded on the WDM Segments at NSE and BSE (per cent)

Year	Govt. Dated Securities	Treasury Bills	PSU / Institutional Bonds	Others	Govt. Dated Securities	Treasury Bills	PSU / Institutional Bonds	Others
	NSE				BSE			
2017-18	56.4	10.4	15.8	17.4	36.9	4.0	45.5	13.5
2018-19	52.4	19.9	12.3	15.4	20.7	7.4	49.0	22.9

Source : NSE and BSE

At NSE, trading member's category has the largest share (43.9 per cent of the total turnover) in the wholesale debt market (WDM) segment of NSE during 2018-19, compared to 39.9 per cent market share in the previous year. The share of both financial institutions/mutual funds/corporates and Primary dealers decreased from 20.8 per cent and 3.4 per cent, respectively in 2017-18 to 12.6 per cent and 2.9 per cent, respectively in 2018-19. During 2018-19, the share of Indian Banks and Foreign Banks increased to 26.0 per cent and 14.6 per cent, respectively from 24.8 per cent and 11.1 per cent, respectively in the previous year. (Table 2.63).

Table 2.63 : Share of Participants in Turnover of NSE's WDM Segment (per cent)

Year	Trading Members	FIs/ MFs/ Corporates	Primary Dealers	Indian Banks	Foreign Banks
2017-18	39.9	20.8	3.4	24.8	11.1
2018-19	43.9	12.6	2.9	26.0	14.6

Note : Category-wise classification not available for BSE. Source : NSE.

III. OPEN OFFER

During 2018-19, 72 open offers with open offer size of ₹ 28,594 crore closed compared to 50 open offers with offer size of ₹ 1,763 crore during 2017-18. Out of the 72 open offers, 64 with offer size of

₹ 23,016 crore were made with the objective of change in management control, 4 open offers of size ₹ 4,636 crore were made with the objective of

consolidation of holdings and 4 open offers with offer size of ₹ 941 crore were made with the objective of substantial acquisition of shares. (Table 2.64).

Table 2.64 : Trends in Open Offers

Year	Open Offers							
	Objectives					Total		
	Change in Control of Management		Consolidation of Holdings		Substantial Acquisition		No.	Amount (₹ crore)
	No	Amount (₹ crore)	No.	Amount (₹ crore)	No.	Amount (₹ crore)		
2017-18	40	1,503	3	38	7	222	50	1,763
2018-19	64	23,016	4	4,636	4	941	72	28,594

Source : SEBI

IV. BUY-BACK

Buy-back is one of the ways in which a company can return money to its shareholders. SEBI started regulating this activity with respect to listed entities from 1998 and accordingly framed the SEBI (Buy-back of Securities) Regulations, 1998. Recently, SEBI (Buy-back of Securities) Regulations, 2018 have been notified in September 2018 in lieu of the SEBI (Buy-back of Securities) Regulations, 1998.

63 buyback offers were received during 2018-19, of which 17 were through the open market purchase method and 46 were through the tender offer, compared to 60 buyback applications in 2017-18 (5 through open market purchase method and 55 through tender offer). Out of the 17 offers

for buyback through the open market purchase method, 10 offers have been closed and 7 offers are yet to close. Further, out of the 46 offers for buyback through tender offer, 39 offers have been closed and 7 offers have not been closed during 2018-19. The total buyback offer size during 2018-19 was ₹ 55,504 crore (excluding the buyback of ₹ 9000 crore made by Larsen & Toubro Ltd. but not proceeded with) compared to the buyback offer size of ₹ 50,793 crore during 2017-18 representing an increase of 9.27 per cent. It is also observed from the buyback offers which were opened and closed during 2018-19 that the average utilization was 99.50 per cent of the total offer size compared to 99 per cent of the buyback offers which were opened and closed during 2017-18. (Table 2.65).

Table 2.65 : Buy-back Cases

Particulars	2018-19			2017-18		
	No. of Cases	Buy-back Size	Actual Amount Utilized for Buy-back of Securities	No. of Cases	Buy-back Size	Actual Amount Utilized for Buy-back of Securities
		(₹ crore)	(₹ crore)		(₹ crore)	(₹ crore)
Buy-back through Open Market						
Cases Received and Closed	10	1,422	1,209	3	149	139
Cases Received but not Closed	7	9,090	NA	2	199	166
Buy-back through Tender Offer						
Cases Received and Closed	39	51,846 ¹ (42846)	42,837	51	50,220	49,969
Cases Received but not Closed	7	2,146	NA	4	225	222

Note : As on March 31, 2018, there were 2 buyback cases through open market and 4 buyback cases through tender offer which were received but not closed. These buyback cases have been closed during 2018-19.

¹ Out of 51,846 crores, the buyback offer of for ₹ 9,000 crores was made by Larsen & Toubro Limited (L&T). Based on examination of draft letter of offer filed with SEBI, SEBI provided its comments and advised L&T to not to proceed with this buy-back offer.

V. NATION-WIDE AWARENESS CAMPAIGN FOR SMALL AND MEDIUM ENTERPRISES (SMES)

SEBI has initiated awareness programs, in coordination with Stock Exchanges, to interact with SMEs from different clusters and familiarize them with the platform being offered by the stock exchanges for the benefits of SMEs. During 2018-19 SME meets were held at Bhubaneswar, Shimla, Varanasi and Lucknow. There was active participation by the respective State Government too in these programs.

During these programs, technical sessions

were held, wherein stock exchanges interacted with SMEs in small groups, apprised them about the regulatory framework for SMEs and addressed their queries and apprehensions. The technical sessions were followed by the main event wherein the senior management of SEBI, functionaries from the respective State Government and representatives of stock exchanges addressed the representatives of SMEs. The data with regard to SME listing is given in **Table 2.66**. The market capitalisation of companies listed in SME Exchange and capital raised by companies on SME exchanges are given in **Table 2.67** and **Table 2.68** respectively.

Table 2.66 : No. of Companies Listed on SME Exchanges

Year	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	Cumulative Total
No. of SME companies listed on BSE	1	17	36	36	38	47	60	56	291
No. of SME companies listed on NSE	0	2	3	2	8	31	87	62	195
Total No. of SME Companies listed on exchanges	1	19	39	38	46	78	147	118	486

Table 2.67 : Market Capitalisation of companies listed in SME Exchange

Market Capitalisation of Cos. Listed on NSE SME (₹ Cr.)	12,243
Market Capitalisation of Cos. Listed on BSE SME (₹ Cr.)	18,197
Total Market Capitalisation of SME listed companies	30,440

Table 2.68 : Capital Raised by Companies on SME Exchange

Total Amount of Money Raised on NSE SME Platform (₹ crore)	3,044
Total Amount of Money Raised on BSE SME Platform (₹ crore)	2,982
Total Fund Raised on SME Platform (₹ crore)	6,026

VI. INVESTOR GRIEVANCE REDRESSAL

SEBI has been taking various regulatory measures to expedite the redressal of investors grievances. The grievances lodged by investors are taken up with the respective listed company or intermediary and continuously monitored. Grievances pertaining to stock brokers and

depository participants are taken up with concerned stock exchange and depository for redressal and monitored by the concerned Department through periodic report obtained from them. Grievances pertaining to other intermediaries are taken up with them directly for redressal and continuously monitored by concerned Departments of SEBI.

The company/intermediary is required to respond in prescribed format in the form of Action Taken Report (ATR). Upon the receipt of ATR, the status of grievances is updated. If the response of the company/intermediary is insufficient / inadequate, follow up action is initiated. SEBI takes appropriate enforcement actions (Adjudication, 11B Directions, Prosecution, etc) as provided under the law where progress in redressal of investors grievances is not satisfactory.

SEBI Complaints Redressal System (SCORES) has helped the investors in real time knowledge of status of their grievances since investors can log onto SCORES at any time and from anywhere and check the status of the grievances with the help of user-name and password provided to them at the time of lodging grievances. Alternatively, investor can also call the SEBI Toll Free Helpline to check the status of the grievance.

Since SCORES has made receipt of grievance online it helps SEBI to take up issues very fast, including those that may require a policy change. Further, since companies are required to file Action Taken Reports within 30 days of receipt of complaint, in case of any such failure SEBI can initiate action against the company depending on the merit of the case.

The following paragraphs highlight SEBI's performance taken in the year 2018-19 for expediting the redressal of investor grievances.

A. Investor Grievances Received And Redressed

The number of investor complaints received by SEBI on cumulative basis increased from 30,46,585 as on March 31, 2018 to 30,88,787 as on March 31, 2019. During the same period the number of pending actionable complaints has reduced from 4,054 to 3,094. (Table 2.69).

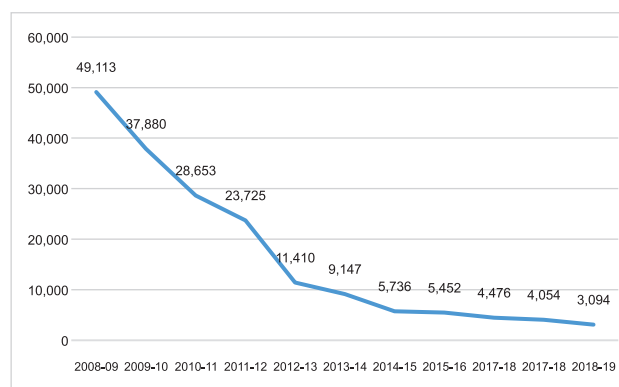
Table 2.69 : Status of Investor Grievances Received and Redressed

Financial Year	Grievances Received		Grievances Redressed		Pending Actionable Grievances*
	Year-wise	Cumulative	Year-wise	Cumulative	
2017-18	43,131	30,46,585	43,308	29,19,690	4,054**
2018-19	42,202	30,88,787	42,576	29,62,266	3,094

Note : * excludes complaints against which regulatory actions are initiated.

**3,771 pending actionable complaints were reported during 2017-18. However, actual pending actionable complaints during 2017-18 were 4,054. The difference of 283 complaints is due to data reconciliation.

Figure 2.24 : Pending Actionable Grievances on SCORES at the end of the Financial Years



The aforesaid table indicates that the number of pending grievances has been steadily declining over the years due to expeditious disposal by SEBI. Moreover, out of the pendency of 3,094 grievances as on March 31, 2019, 2,797 grievances are pending for less than 6 months. Further, only 297 grievances are pending for more than 6 months as on March 31, 2019 as compared to 751 grievances pending for more than 6 months as on March 31, 2018.

SCORES enables the investor to directly lodge the complaints online and such complaints are

considered as 'e-complaints'. During 2018-19, a total of 27,166 e-complaints were received. While investors can lodge e-complaints on SCORES, any physical complaint received against any of the entities in the SCORES database is also uploaded on SCORES and thereby converted into an e-complaint and action similar to that with regard to an e-complaint taken thereof. During 2018-19, a total of 15,036 p-complaints were received

A review module was implemented in SCORES in 2016 wherein an investor can make a onetime request for review of a complaint closed by a Dealing Officer of SEBI within 15 days of closure of a complaint. During 2018-19, SEBI received 2,118 requests for review; 2,210 review requests were resolved while 1,220 review requests were pending as on 31 March, 2019. **(Table 2.70)**

Table 2.70 : Status of Review Requests

Financial Year	Review Requests Received		Review Requests Redressed		Pending Review Requests
	Year-wise	Cumulative	Year-wise	Cumulative	
2017-18	1,767	3,875	1,958	2,572	1,303
2018-19	2,118	5,993	2,210	4,782	1,220

B. Investor Feedback for Calls Answered on SEBI Toll Free Helpline

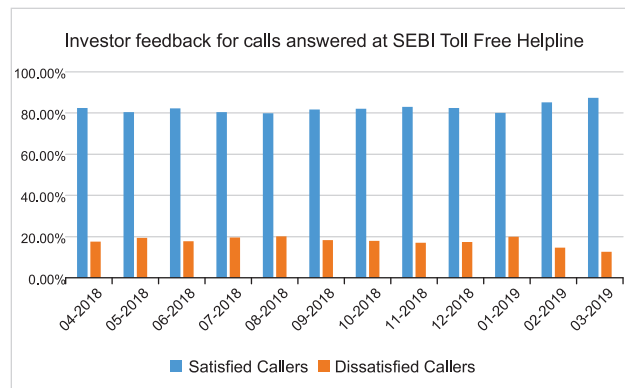
SEBI had launched toll free helpline service numbers 1800 22 7575/ 1800 266 7575 on December 30, 2011. The helpline service is available every day from 9:00 a.m. to 6:00 p.m. (except on declared public holidays in Maharashtra) to investors from all over India. The helpline service is available in English, Hindi and various regional languages. During 2018-19, SEBI has attended to 4,84,462 calls on Toll Free Helpline. Details of the calls received during the 2017-18 and 2018-19 are as follows: **Table 2.71**

Table 2.71 : Call Flow Details

Year	No. of Calls Attended
2017-18	6,55,845
2018-19	4,84,462

The feedback of the calls answered during 2018-19 is given in **Figure 2.25**.

Figure 2.25 : Investor Feedback for Calls Answered



Part Three A: Functions of the Securities and Exchange Board of India with respect to matters specified In Section 11 Of Sebi Act, 1992

1. REGULATION OF BUSINESS IN STOCK EXCHANGES AND CLEARING CORPORATIONS

A stock exchange is a platform for facilitating price discovery and risk management of various instruments available for trading. Stock exchanges play an important role in the efficient allocation of resources in any economy as the prices discovered provide a signal for efficient allocation of financial resources across corporations. Apart from providing platforms for trading, stock exchanges have also been entrusted with various regulatory responsibilities for ensuring market integrity and for protecting investor's interests. The stock exchanges' regulatory functions include issuer regulations, member regulations, trading regulations, investor protection, maintaining investor protection funds (IPFs) and product design. They also undertake a wide array of support functions like training and education, information/data services and technology solutions.

I. RECOGNITION OF STOCK EXCHANGES

Stock exchanges are granted recognition for their operations in the securities market by SEBI under Section 4 of the Securities Contracts (Regulation) Act (SCRA), 1956. As on March 31, 2019 there were three stock exchanges in India which had permanent recognition. During the year SEBI granted recognition to NSE IFSC Limited for one year commencing on May 29, 2018 and ending on May 28, 2019. Further, SEBI granted renewal of recognition to the Metropolitan Stock Exchange of India Ltd for one year, commencing on September 16, 2018 and ending on September 15, 2019. SEBI also granted renewal of recognition to India International Exchange (IFSC) Limited for one year commencing on of December 29, 2018 and ending on December 28, 2019 (Table 3.1, 3.2).

Table 3.1 : Stock Exchanges with Permanent Recognition

Sr. No.	Exchanges	Recognition
1	Bombay Stock Exchange	Permanent
2	Calcutta Stock Exchange	Permanent
3	National Stock Exchange of India	Permanent

Note : Stock exchanges exclude commodity derivatives exchanges.

Table 3.2 : Recognition Granted to Stock Exchanges during 2018-19

Sr. No.	Exchanges	Date of Notification	Period	Recognition
1	The Metropolitan Stock Exchange of India Ltd.	September 13, 2018	September 16, 2018 to September 15, 2019	Renewal
2	India International Exchange (IFSC) Limited	December 20, 2018	December 29, 2018 to December 28, 2019	Renewal
3	NSE IFSC Limited	May 18, 2018	May 29, 2018 to May 28, 2019	Renewal

II. GRANT OF RECOGNITION AND RENEWAL TO CLEARING CORPORATIONS

SEBI, in exercise of the powers conferred by Section 4 read with sub-section (4) of Section 8A of the Securities Contracts (Regulation) Act, 1956, granted recognition/renewal of recognition to following Clearing Corporations during the year 2018-19:

- A. NSE IFSC Clearing Corporation Ltd., for a period of one year commencing on May 29, 2018 and ending on May 28, 2019.
- B. Metropolitan Clearing Corporation of India Ltd., for a period of one year commencing on October 03, 2018 and ending on October 02, 2019.
- C. India International Clearing Corporation (IFSC) Ltd., for a period of one year commencing on December 29, 2018 and ending on December 28, 2019.

The grant of recognition/renewal of recognition to aforementioned clearing corporations has also been notified in the Gazette of India. Two clearing corporations namely National Securities Clearing Corporation Ltd. (NSCCL) and Indian Clearing Corporation Ltd. (ICCL) were granted renewal of registration for period of three years commencing on October 03, 2017 and ending on October 02, 2020.

III. EXIT OF STOCK EXCHANGES

SEBI formulated the exit policy for de-recognized/non-operational stock exchanges in 2012. Subsequent to this, SEBI received applications from de-recognized/non-operational stock exchanges seeking voluntary exit as stock exchanges. At present, Magadh Stock Exchange and Calcutta Stock Exchange are under process of compulsory exit (Table 3.3).

Table 3.3 : Stock Exchanges Which Are Under the Process of Exit

Sr. No.	Name of Stock Exchange	Status
1	Magadh Stock Exchange Ltd.	<ul style="list-style-type: none"> SEBI vide order dated September 3, 2007, Magadh Stock Exchange Ltd. was not granted renewal of recognition. Magadh Stock Exchange Ltd. did not apply for voluntary exit. Compulsory Exit process has been initiated against the stock exchange.
2	Calcutta Stock Exchange Ltd. (CSE)	<ul style="list-style-type: none"> Calcutta Stock Exchange Ltd (CSE) did not apply for voluntary exit and compulsory exit process has been initiated against the stock exchange. However, the matter is subjudice in Hon'ble Kolkata High Court.

Pursuant to the exit policy for de-recognized/non-operational stock exchanges notified by SEBI in 2012, 19 stock exchanges have exited so far. During

2018-19, Ahmadabad stock exchanges got exited (Table 3.4).

Table 3.4 : Stock Exchanges Which Have Already Exited

Sr. No.	Name of Stock Exchange	Date of Exit Order
1	Hyderabad Stock Exchange Ltd (HySE)	January 25, 2013
2	Coimbatore Stock Exchange Ltd (CSX)	April 03, 2013
3	Saurashtra Kutch Stock Exchange Ltd (SKSE)	April 05, 2013
4	Mangalore Stock Exchange Ltd (MgSE)	March 03, 2014
5	Inter-Connected Stock Exchange of India Ltd (ISE)	December 08, 2014
6	Cochin Stock Exchange Ltd (CoSE)	December 23, 2014
7	Bangalore Stock Exchange Ltd (BgSE)	December 26, 2014
8	Ludhiana Stock exchange Ltd (LSE)	December 30, 2014
9	Guwahati Stock Exchange Ltd (GSE)	January 27, 2015
10	Bhubaneswar Stock Exchange Ltd (BhSE)	February 09, 2015
11	Jaipur Stock Exchange Ltd (JSE)	March 23, 2015
12	OTC Exchange of India (OTCEI)	March 31, 2015
13	Pune Stock Exchange (PSE)	April 13, 2015
14	Madras Stock Exchange (MSE)	May 14, 2015
15	Uttar Pradesh Stock Exchange (UPSE)	June 09, 2015
16	Madhya Pradesh Stock Exchange (MPSE)	June 09, 2015
17	Vadodara Stock Exchange Limited (VSEL)	November 09, 2015
18	Delhi Stock Exchange Ltd (DSE)	January 23, 2017
19	Ahmedabad Stock Exchange Ltd (ASE)	April 02, 2018

IV. MEASURES ADOPTED FOR REGULATION OF STOCK EXCHANGES

A. Action Against Exclusively Listed Companies and its Promoters/Directors Pending Exit offer to the Shareholders

During 2016 SEBI provided options to the exclusively listed companies (ELCs) on dissemination board to raise capital for meeting the capital requirement for getting listed on the nationwide stock exchanges or to provide exit to investors. "Exclusively Listed Companies" refer to those companies whose equity shares were exclusively listed at a recognized stock exchange at the time of exit of such exchange and were subsequently moved to the dissemination board of NSE and BSE and whose shares are available for buying and selling on dissemination board. An exit mechanism for investors in such ELCs was also specified. Further, ELCs were required to furnish the plan of action by January 09, 2017 to the designated stock exchanges (DSEs), which was subsequently extended till June 30, 2017.

SEBI stipulated the following action against such ELCs, which remain non-compliant with the above timelines:

- a. The company, its directors, its promoters and the companies which are promoted by any of them shall not directly or indirectly associate with the securities market or seek listing for any equity shares for a period of ten years from the exit from the DB.
 - b. Freezing of shares of the promoters/directors.
 - c. List of the directors, promoters etc. of all noncompliant companies as available from the details of the company with NSE/BSE shall be disseminated on SEBI website and shall also be shared with other related agencies.
 - d. Attachment of bank accounts/other assets of promoters/directors of the companies so as to compensate the investors.
- In order to ensure that exit option is provided to the public shareholders of ELCs that are non-compliant with the directions of SEBI issued in 2016 and the ELCs that have not submitted plan of action to the DSEs and in order to protect the interest of investors in ELCs on DB, SEBI directed that:-
- a. Such ELCs and the Depositories shall not effect transfer, by way of sale, pledge, etc., of any of the equity shares and the corporate benefits such as dividend, rights, bonus shares, split, etc. shall be frozen, for all the equity shares, held by the promoters or directors of noncompliant exclusively listed companies till the promoters of such non-compliant exclusively listed companies provide an exit option to the public shareholders in compliance with directions issued by SEBI in 2016, as certified by the concerned designated stock exchanges;
 - b. The non-compliant exclusively listed companies, its directors, its promoters and the companies which are promoted by any of them shall not be eligible to access the securities market for the purposes of raising capital till the promoters of such non-compliant exclusively listed companies provide an exit option to the public shareholders in compliance with directions issued by SEBI in 2016, as certified by the concerned designated stock exchanges.
 - c. The promoters or directors of non-compliant exclusively listed companies shall not be eligible to remain or become director of any listed company till the promoters of such non-compliant exclusively listed companies provide an exit option to the public shareholders in compliance with directions issued by SEBI in 2016, as certified by the concerned designated stock exchanges.

V. RECOGNITION AND EXIT OF COMMODITY DERIVATIVES EXCHANGES

Pursuant to the Central Government's notifications and under the powers conferred by the Finance Act, 2015, the Securities Contracts (Regulation) Act, 1956 (SCRA) was amended to include commodity derivatives within the definition of securities.

During 2018-19, National Company Law Tribunal (NCLT) approved the merger of National Multi Commodity Exchange of India Limited (NMCE) with Indian Commodity Exchange Limited (ICEX). The merger was effective from September 07, 2018. In a separate development, SEBI permitted setting up of universal exchanges (enabling trading of commodity derivatives and other segments of securities market on single exchange) with effect from October 01, 2018. Subsequently, two exchanges namely NSE and BSE have launched commodity derivatives segments effective from October 12, 2018 and October 01, 2018, respectively on their Exchange platform.

Further, in different orders passed on June 29, 2018 and December 31, 2018, SEBI provided exit to the Hapur Commodity Exchange Limited (HCEL) and ACE Derivatives and Commodity Exchange Limited respectively.

VI. GRANT OF RECOGNITION OF CLEARING CORPORATIONS IN COMMODITY DERIVATIVES SEGMENT

- A. Grant of Recognition to Multi Commodity Clearing Corporation Limited (MCXCCL): SEBI has granted recognition to MCXCCL for a period of one year commencing on July 31, 2018 and ending on July 30, 2019.
- B. Grant of Recognition to National Commodity Clearing Limited (NCCL) as a Clearing Corporation: SEBI has granted recognition to NCCL as a Clearing Corporation for a period of one year commencing from September 10, 2018 to September 09, 2019.

- C. Transfer of Clearing and Settlement function of Indian Commodity Exchange Limited (ICEX) to Metropolitan Clearing Corporation of India Limited (MCCIL): SEBI vide letter dated September 27, 2018 granted approval to ICEX to transfer its clearing and settlement functions to MCCIL.

VII. MEASURES ADOPTED FOR REGULATION OF COMMODITY DERIVATIVES EXCHANGES AND CLEARING CORPORATION

A. Oversight of Recognized Stock Exchanges with Commodity Derivatives Segment

A review of market operations, organisational structure and administrative control of the commodity derivatives exchanges was conducted through periodic reporting as well as carrying out inspections to ascertain as to:

- whether it provides a fair, equitable, transparent and growing market to investors;
- whether its organisation system and practices are in accordance with the SCRA and the rules framed thereunder,
- whether it has implemented the directions, guidelines and instructions issued by SEBI / Government of India from time to time, and
- whether it has complied with the conditions, if any, imposed on it at the time of renewal/ grant of its recognition under Section 4 of the SC(R) Act, 1956/grant of its recognition under Section 4 of the SC(R) Act, 1956

During the financial year 2018-19, SEBI has carried out inspections of the commodity derivatives segment of all the recognized stock exchanges. Besides, inspections with respect to the transfer of clearing and settlement functions from National Commodity and Derivatives Exchange (NCDEX) to its subsidiary National Commodity Clearing Limited (NCCL) and Indian Commodity Exchange Limited (ICEX) to Metropolitan Clearing Corporation of India Limited (MCCIL) were also carried out.

2. REGISTRATION AND REGULATION OF WORKING OF INTERMEDIARIES ASSOCIATED WITH THE SECURITIES MARKET

Regulation of market intermediaries has three objectives:

- i. To protect client assets from insolvency of the intermediaries and guarding against defaults as well as sudden disruption in the market;
- ii. To ensure that the intermediaries are fair and diligent in dealing with their clients; and
- iii. To reduce conflict of interest.

The regulation sets qualifying standards, prudential standards, internal controls and risk management standards and enforces a code of conduct. In order to enhance investor confidence, it is necessary that all the intermediaries maintain high standards of integrity and fairness and also act with due skill, care and diligence in conducting their business with high levels of compliance. The various intermediaries' regulations have been framed under the SEBI Act, 1992 and the Depositories Act, 1996 for registration and regulation of all market intermediaries. Under these acts, the government and SEBI issue notifications, guidelines and circulars that market intermediaries need to comply with. SEBI ensures standard and quality of services to

stakeholders, besides fair and sound conduct and compliance practices.

I. REGISTRATION OF STOCK BROKERS

i. Cash Segment

During 2018-19, the cash segment witnessed higher cancellation or surrender of membership than fresh additions across the exchanges. Though the fresh membership were granted to 29 stock brokers in the cash segment of BSE and 32 stock brokers in the cash segment of NSE, 35 stock brokers at BSE and 36 stock brokers at NSE lost their membership either on account of cancellation or surrender. At the end of March 2019, the total number of registered brokers in the cash segment of BSE and NSE stood at 1,348 and 1,314 respectively, marginally lower than 1,354 and 1,318 stock brokers respectively at the end of previous year.

Details of registered stock brokers and clearing members, as on March 31, 2019 stock exchange/clearing corporation wise are given in Table 3.5 and Table 3.6 respectively. The data given in these tables pertains only to those exchanges which are active as on March 31, 2019.

Table 3.5 : Registered Stock Brokers

Details	BSE	NSE	MSEI
Registered Stock Brokers in the beginning of the year (as on 01/04/2018)	1,354	1,318	429
Addition during the Year 2018-19	29	32	2
Cancellation/ Surrender of Memberships	35	36	54
Registered Stock Brokers as on March 31, 2019	1,348	1,314	377

Source : National exchanges.

Table 3.6 : Registered Clearing Members

Details	ICCL	NSCCL	MSEI CCL
Registered Clearing Members in the beginning of the year (as on 01/04/2018)	1,354	1,318	429
Addition during the Year 2018-19	29	32	2
Cancellation / Surrender of Memberships	35	36	54
Registered Clearing Members as on March 31, 2019	1,348	1,314	377

Source : Clearing corporations.

As on March 31, 2019, 14 applications for brokers' registration were pending at different stages, compared to 25 pending applications at the end of previous year (Table 3.7).

Table 3.7 : Applications under Process for Registration

Category of Application	Number of Applications under Process (as on March 31, 2018)	Number of Applications under Process (as on March 31, 2019)
Stock Brokers	25	14
Sub-brokers	16	**
Total	41	14

Note : These applications are pending at different stages viz. stock exchanges/stock brokers for want of documents/clarifications or under process in SEBI. ** SEBI has derecognized Sub-Brokers as intermediary w.e.f. 01.04.2019. No Sub-broker registration application was pending with SEBI as on 31.03.2019

The number of corporate brokers was highest in NSE (1,150) followed by BSE (1,146) and MSEI (350). Corporate brokers constituted 92.8 per cent of the total stock brokers at MSEI whereas at NSE and BSE, their share was 87.5 per cent and 85 per cent respectively. The number of stock brokers in

'proprietorship' category was highest at BSE (155), followed by NSE (69) and MSEI (18). The number of stock brokers in 'partnership' category was highest in NSE (81) followed by BSE (31) and MSEI (9) (Table 3.8).

Table 3.8 : Classification of Stock Brokers

Stock Exchange	Proprietorship		Partnership		Corporate		Others (include LLPs)		Total
	No.	Per cent	No.	Per cent	No.	Per cent	No.	Per cent	
BSE	155	11.5	31	2.3	1,146	85	16	1.2	1,348
NSE	69	5.3	81	6.2	1,150	87.5	14	1.1	1,314
MSEI	18	4.78	9	2.4	350	92.8	0	0	377

Source : National exchanges.

The number of corporate clearing members was highest in ICCL (1,348) followed by NSCCL (1,314) and MCCIL (104). Corporate clearing members constituted 76 per cent of the total clearing members at MCCIL, whereas at NSCCL and ICCL, their share was 87.5 per cent and 85 per cent respectively. The

number of clearing members in 'proprietorship' category was highest at ICCL (155), followed by NSCCL (69) and MCCIL (2). The number of clearing members in 'partnership' category was highest in NSCCL (81) followed by ICCL (31) (Table 3.9).

Table 3.9 : Classification of Clearing Members

Clearing Corporation	Total No. of clearing members	Proprietorship		Partnership		Corporate		LLP		Others (if any)	
		No.	Percentage	No.	Percentage	No.	Percentage	No.	Percentage	No.	Percentage
ICCL	1348	155	11.5	31	2.3	1146	85	16	1.2	0	0
NSCCL	1314	69	5.3	81	6.2	1150	87.5	14	1.1	0	0
MCCIL	104	2	1.9	0	0	79	76	0	0	23	22.1

Source : Clearing corporations.

ii. **Equity Derivatives, Currency Derivatives and Debt Segment**

In equity derivative segment, 16 members were granted registration at BSE, 32 at NSE and two at MSEI. In currency derivative segment, 23

members were granted registration at both BSE and NSE whereas one member was granted registration at MSEI. In debt segment, six trading members were granted registration at both BSE and NSE (Table 3.10).

Table 3.10 : Number of Registered Stock Brokers (Segment and Stock Exchange-Wise)

Name of Segment	Registrations granted during 2018-19			Registered Members as on March 31, 2019		
	BSE	NSE	MSEI	BSE	NSE	MSEI
Equity Derivatives	16	32	2	965	1240	372
Currency Derivatives	23	23	1	549	818	610
Debt	6	6	0	152	257	15

Source : National exchanges.

iii. **The Commodity Derivatives Segment**

During 2018-19, MCX, ICEX and NCDEX added 64, 58 and 20 new brokers/ trading members in their commodity segment. Further, as SEBI allowed launch of Universal Exchanges in Indian capital market in 2018-19, BSE and NSE added 258

and 242 trading members respectively in their newly launched commodity segment.

Details of registered stock brokers in the Commodity Derivatives segment, as on March 31, 2019, is given in Table 3.11.

Table 3.11 : Registered Stock Brokers in Commodity Derivative Segment

Details	MCX	NCDEX	NMCE	ICEX	BSE	NSE
Registered Stock Brokers in the beginning of the year (as on 01/04/2018)	683	453*	43	86	0	0
Addition during the Year 2018-19	64	20	-	58**	258	242
Cancellation/ Surrender of Memberships / Declared as Defaulter / Application withdrawn	47	87	-	6	0	0
Registered Stock Brokers as on March 31, 2019	700	383	-	138	258	242

*Note: *3 PCMs are included. After segregation of clearing corporation w.e.f September 27, 2018, PCM are the members of NCCL only. (453+20-87-3 PCM members = 383), ** 30 Stock Brokers admitted by virtue of amalgamation of erstwhile NMCE with ICEX w.e.f Sep 07, 2018.*

The number of corporate brokers was highest in MCX (583) followed by NCDEX (336), BSE (242), NSE (224) and ICEX (103). The number of stock brokers in 'proprietorship' category was highest at MCX (57), followed by ICEX (20), NCDEX (17),

BSE (4) and NSE (3). The number of stock brokers in 'partnership' category was highest in MCX (53) followed by NCDEX (28), ICEX (14), NSE (9) and BSE (5) (Table 3.12).

Table 3.12 : Classification of Stock Brokers in Commodity Derivatives Segment

Stock Exchange	Proprietorship		Partnership		Corporate		LLP		Others		Total No.
	No.	Per cent	No.	Per cent	No.	Per cent	No.	Per cent	No.	Per cent	
MCX	57	8.1	53	7.6	583	83.3	7	1	0	0	700
NCDEX	17	4.4	28	7.3	336	87.7	2	0.5	0	0	383
ICEX	20	14.5	14	10.1	103	74.6	1	0.7	0	0	138
BSE	4	1.6	5	1.9	242	93.8	7	2.7	0	0	258
NSE	3	1.2	9	3.7	224	92.6	6	2.5	0	0	242

iv. **Clearing Members/Self-Clearing Members in Equity Derivatives, Currency Derivatives and Debt Segments**

During 2018-19, in equity derivative segment, one clearing member and three self-clearing members were granted registration at ICCL while three clearing member and 10 self-clearing members

were granted registration at NSCCL. In currency derivative segment, two clearing member and nine self-clearing members were granted registration at ICCL, while four clearing member and seven self-clearing member were granted registration at NSCCL (Table 3.13).

Table 3.13 : Number of Clearing Members/ Self-Clearing Members in the Equity Derivatives, Currency Derivatives and Debt Segments

Name of Segment	Registrations granted during 2018-19						Registered clearing members as on March 31, 2019					
	ICCL		NSCCL		MCCIL		ICCL		NSCCL		MCCIL	
	CM	SCM	CM	SCM	CM	SCM	CM	SCM	CM	SCM	CM	SCM
Equity Derivatives	1	3	3	10	0	0	85	33	180	279	34	33
Currency Derivatives	2	9	4	7	0	0	51	39	154	37	61	10
Debt	1	1	1	2	0	0	21	14	52	54	6	0

Source : Clearing corporations.

II. REGISTRATION OF SUB-BROKERS

SEBI Board in its meeting held on June 21, 2018 decided to discontinue with Sub-Broker as an intermediary to be registered with SEBI. Vide circular dated August 3, 2018, it was informed to the market that no fresh registration would be granted to sub – brokers and sub – brokers were advised to migrate to act as an Authorized Person/ trading

member by March 31, 2019, failing which they shall be deemed to have surrendered their registration as a sub – broker with SEBI.

III. REGISTRATION OF OTHER INTERMEDIARIES

As on March 31, 2019, the number of registered intermediaries other than Stock Brokers and Sub-Brokers are given in Table 3.14.

Table 3.14 : Registered Intermediaries Other than Stock Brokers and Sub-Brokers

Type of Intermediary	No. of other registered intermediaries as on March 31, 2018	No. of other registered intermediaries as on March 31, 2019
Registrar to Issue and Share Transfer Agent	73	77
Merchant Banker	195	209
Underwriter	2*	2
DPs - NSDL	276	277
DPs - CDSL	600	598
Credit Rating Agency	7	7
Bankers to an Issue	66	65
Debenture Trustee	32	32
KYC (Know Your Client) Registration Agency (KRA)	5	5

*The data is revised. In SEBI Annual Report 2017-18, an active underwriter was erroneously marked as surrendered

During 2018-19, 20 depository participants, 17 merchant bankers, six registrar to issue & share transfer agent, and one bankers to an issue were granted registration (Table 3.15).

Table 3.15 : Process of Registration of Other Intermediaries

Type of Intermediary	Application Received during 2018-19	Registration Granted during 2018-19	Pending as on March 31, 2019
Depository Participant	27	20	7
Merchant Banker*	19	17	3
Registrar to Issue and Share Transfer Agent#	14	6	3
Underwriter	0	0	0
Credit Rating Agency	0	0	0
Bankers to an Issue\$	0	1	0
Debenture Trustee	2	1	1
Total	62	45	14

*Note: * - 1 application pertaining to 2017-18 was granted in 2018-19; # - 3 applications were withdrawn and 2 applications were returned; \$ 1 - application approved in 2018-19 was received in 2017-18.*

IV. REGISTRATION OF FOREIGN PORTFOLIO INVESTORS AND CUSTODIANS

As on March 31, 2019 there were 9,390 foreign portfolio investors (FPIs), 19 custodians and 16 Designated Depository Participants (DDP) registered with SEBI (Table 3.16).

Table 3.16 : Number of FPIs, Custodians and DDPs

Particulars	As on March 31, 2018	As on March 31, 2019
Number of FPIs	9,227	9,390
No. of Custodians	18	19
No. of Designated Depository Participants	18	16

Source : NSDL and CDSL

V. REGISTRATION OF VENTURE CAPITAL FUNDS AND ALTERNATIVE INVESTMENT FUNDS (AIFs)

Alternative investment funds (AIFs) are funds established or incorporated in India for the purpose of pooling in capital from Indian and foreign investors for investing. As on March 31, 2019, 547 AIFs were registered with SEBI compared to 414 registered AIFs as on March 31, 2018. In addition, there were 195 venture capital funds and 250 foreign venture capital investors registered with SEBI as on March 31, 2019 (Table 3.17).

Table 3.17 : Registered Venture Capital Funds, Foreign Venture Capital Investors and Alternative Investment Funds

Particular	As on March 31, 2018	As on March 31, 2019
Venture Capital Funds	196	195
Foreign Venture Capital Investors	225	250
Alternative Investment Funds	414	547

VI. REGISTRATION OF PORTFOLIO MANAGERS, INVESTMENT ADVISERS AND RESEARCH ANALYSTS

A portfolio manager is any person who pursuant to a contract or arrangement with a client, advises, directs or undertakes on behalf of the client (whether as a discretionary portfolio manager or otherwise) the management or administration of a portfolio of securities or the client's funds as the case may be. As on March 31, 2019, there were 321 portfolio managers registered with SEBI as compared to 264 as on March 31, 2018.

An 'investment advisor' refers to any person, who for consideration is engaged in the business

of providing investment advice to clients or other persons or a group of persons and includes any person who holds out oneself as an investment advisor. As on March 31, 2019, there were 1,149 investment advisers registered with SEBI as compared to 885 as on March 31, 2018 (Table 3.18).

Table 3.18 : Registered Portfolio Managers, Investment Advisers and Research Analysts

Particulars	As on March 31, 2018	As on March 31, 2019
Portfolio Managers	264	321
Investment Advisers	885	1,149
Research Analysts	476	625

In a move to safeguard Indian markets from any manipulative research reports or misleading advice coming from any unregulated entity, SEBI notified norms for 'research analysts' i.e. SEBI (Research Analysts) Regulations, 2014, to ward off any conflict of interest in their activities. As on March 31, 2019, there were 625 research analysts registered with SEBI as compared to 476 in the previous year.

3. REGISTRATION AND REGULATION OF THE WORKING OF COLLECTIVE INVESTMENT SCHEMES INCLUDING MUTUAL FUNDS

I. REGISTRATION OF COLLECTIVE INVESTMENT SCHEMES

As on March 31, 2019, there was only one registered collective investment management company (CIMC), M/s GIFT Collective Investment Management Company Ltd., which was registered during 2008-09. However, no Collective Investment Scheme has been launched by this CIMC till now.

II. REGULATORY ACTIONS AGAINST UNAUTHORIZED COLLECTIVE INVESTMENT SCHEMES

During 2018-19, SEBI passed final orders against entities found to be carrying out unauthorised Collective Investment Schemes as tabulated below. The final orders, inter-alia, direct the company (and its directors) to wind up its existing collective investment schemes (CIS) and make repayments to investors within a specified time period (Table 3.19).

Table 3.19 : Regulatory Action against Unauthorized / Unregistered CIS

Year	No. of Final Orders
2017-18	19*
2018-19	12

Note : * One of the final orders is in the nature of revocation order.

Additionally, during 2018-19, SEBI, after examination, referred 163 cases of unauthorised money mobilisation to jurisdictional agency / regulator concerned, viz., State Governments, Reserve Bank of India, Ministry of Corporate Affairs, Ministry of Agriculture etc., as these cases did not fall under SEBI's purview.

III. DEEMED PUBLIC ISSUES

During 2018-19, SEBI passed 36 orders (23 final orders and 13 interim orders) against various entities which had raised money from the public through issuance of non-convertible debentures / non-convertible preference shares without complying

with statutory/regulatory provisions governing a public issue. (Table 3.20)

Table 3.20 : Number of Orders Passed by SEBI in the Cases of Deemed Public Issues

Year	No. of Interim Orders	No. of Final Orders
2014-2015	103	9
2015-2016	90	80
2016-2017	11	46
2017-2018	18	61
2018-2019	13	23

IV. REGISTRATION AND REGULATION OF MUTUAL FUNDS

As on March 31, 2019, there are 45 mutual funds registered with SEBI, of which 37 are from private sector and eight (including UTI) are from public sector. (Table 3.21).

Table 3.21 : Mutual Funds Registered with SEBI

Sector	As on March 31, 2018	As on March 31, 2019
Public Sector (including UTI)	7	8
Private Sector	38	37
Total	45*	45**

Note : * Out of 45 Mutual funds, four MFs namely CRB, KJMC, SREI MF (IDF), and JP Morgan are inactive, ** Out of 45 Mutual funds, two MFs namely CRB and SREI MF (IDF) were inactive.

V. REGULATORY ACTION AGAINST MUTUAL FUNDS

During 2018 - 19, 47 warning letters and 24 deficiency letters were issued to Mutual Funds / Asset Management Companies (AMCs) and two warning letters was issued to Trustees of Mutual Funds on account of non-compliance with SEBI Regulations / guidelines observed in compliance test reports, inspection reports, etc. Further, adjudication proceedings were initiated against five AMCs, four Trustee Companies and one CEO during 2018 - 19.

4. FRAUDULENT AND UNFAIR TRADE PRACTICES

To protect investor interests and to promote a fair and orderly securities market, SEBI ensures the integrity of the markets by detecting market frauds on a proactive basis, investigating abusive, manipulative or illegal dealings in the securities market and taking punitive action to punish the wrong-doers, while simultaneously reviewing policies and procedures to minimize the risk of recurrence of such practices.

I. TYPES OF FRAUDULENT AND UNFAIR TRADE PRACTICES

A. Bulk SMSs in certain scrips

Spreading false SMS amongst large number of retail investors is one of the routes used for price / volume manipulation in few scrips. The promoters / directors / connected entities of the company circulate unsolicited bulk SMSs recommending to buy the shares of the company thereby fraudulently inducing investors to buy the shares of the company.

- i) In one case, certain connected entities belonging to a group first manipulated the scrip price and thereby increased the price of the scrip. Around the same time, certain promoters of the company transferred shares to other connected entities through off market route. Subsequently, one of the connected entities (connected with promoters of the company) circulated bulk SMS containing unsolicited advice that recommended purchase of shares of the company and lured gullible investors to buy the shares of the company. Pursuant to sending such bulk SMS, connected entities and their promoters sold their shares at exchanges and thereby cheated the gullible investors.
- ii) In another case, Promoters-Directors of a company had devised a scheme to dump their shares. They sent unsolicited bulk SMS to investors that recommended purchase of shares of the company and thereby fraudulently

induced investors to buy the shares of the company. In this matter, two ex-parte interim orders were passed and certain entities were debarred from trading in securities market till further directions, pending investigation. Further, detailed investigation found that certain entities had acted in concert and were part of the scheme to plant unsolicited and misleading advice to induce gullible investors to purchase shares of the company. These entities had also manipulated the scrip price during the investigation period and created a misleading appearance of trading in the scrip. Promoters-Directors of the company offloaded large number of shares in the secondary market pursuant to such misleading recommendation.

- B. A company came out with a buy buyback offer in April 2016 and delisting offer in December 2016. On investigation, it was observed that, entities connected to promoters of the company, funded purchase of shares of company by certain entities, the bulk of which was subsequently sold under the buyback offer of the company and contributed towards making the buyback offer successful. Thereafter, these entities returned money received from selling shares in buyback offer to the entities connected to promoters.

Subsequently, another set of entities funded by promoter connected entities, purchased shares of the company at high prices and thereafter, bid under the delisting offer at a price substantially lower than the prevailing market price. It was further observed that by placing orders for large quantities at prices substantially lower than prevailing market price, these entities contributed towards depressing the cutoff price for the delisting offer in a manipulative manner. Further, one of these entities repeatedly sold shares at low price

in the market to trigger sharp decline in price of the scrip during the period in which auction for delisting offer was conducted. In this way, by their manipulative scheme, these entities depressed cutoff price in delisting and made the delisting offer successful.

- C. Complaints were received by SEBI and BSE in the matter *inter alia* alleging that, promoters of company were trying to delist its shares at a low price and that book building process was successful due to bidding by promoter / company connected entities. The matter was investigated and it was observed that, during investigation the promoters of company along with connected and /or related entities fraudulently made the trading as frequently traded in order to avoid using book value to determine floor price for the purpose of delisting. Further, promoter indirectly through his relative bought one private limited company which got shares of the company from other promoter group companies which were shown as public shareholders through a scheme of amalgamation. Subsequently, these shares were offered during book building process at low price to make delisting successful. It was also observed that, the company had not complied with minimum public shareholding requirements.
- D. As part of ongoing surveillance, SEBI came across certain instances / internal alerts wherein some entities had consistently incurred loss by trading in BSE's Stock Options segment by repeatedly reversing their transactions. On detailed investigation, it was observed that certain entities were involved in generation of artificial volume by executing non-genuine / reversal trades in stock options segment. The percentage of reversal / non-genuine trades was 81.38 per cent of total number of trades

that were executed in BSE's Stock Options segment during the Investigation Period.

II. FRAUDULENT AND UNFAIR TRADE PRACTICES CASES DURING 2018-19

- A. Interim Order in the matter of Kalpa Commercial Limited ("KCL")
- B. Final Order in respect of Mr. Nilesh Kapadia, Mr. Rajiv Sanghvi and Ors. in respect of front-running of HDFC Group's trades
- C. Final Order in respect of 36 entities in the matter of SMS Techsoft (India) Limited, with regard to irregularities in preferential allotment and use of proceeds for land deal.
- D. Final order in the matter of Sanraa Media Limited, with regard to violation in issuance of Global Depository Receipts ('GDRs') in overseas market by Sanraa Media Limited
- E. Final Order in the matter of M/s. Tarini International Ltd, with regard to diversion of IPO proceeds for the benefit of its group companies

Details of the above orders are available in part III B

III. STEPS TAKEN TO PREVENT OCCURRENCE OF FRAUDULENT AND UNFAIR TRADE PRACTICES

- A. SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 are in place. These regulations were suitably amended as per the recommendation of Fair Market Conduct Committee.
- B. Actions have been initiated in terms of provisions of SEBI Act, 1992 which also include disgorgement of unlawful gains or loss avoided and adjudication proceedings for levy of monetary penalty. This also acts as a deterrent.

5. INVESTOR EDUCATION AND TRAINING OF INTERMEDIARIES

Section 11(2) (f) of the SEBI Act, 1992, mandates SEBI to promote investors' education and foster training for intermediaries in the securities market. Along with investor awareness and financial literacy activities, SEBI also actively pursues investor grievance redressal in securities market with a view to protecting investor interests and enhancing the confidence of and participation of investors.

Office of Investor Assistance and Education (OIAE) undertakes financial education and investor awareness activities mentioned as below:

I. INVESTOR AWARENESS

For its mandate of investor protection, during 2018-19, SEBI's major thrust was on undertaking more investor education and awareness programmes, reaching out to more investors / potential investors for this purpose. Investor education and awareness along with grievance redressal were also the thrust areas for capacity building and for making investors confident and aware while investing in the securities market. With the aim of spreading investor education and awareness, SEBI has been undertaking following activities across the country:

A. SEBI Financial Education Resource Persons Program

- i. SEBI has been implementing an innovative model of financial education, the "SEBI financial education resource persons program", since June 2010. The main objective of the programme has been to familiarize the public with basic concepts relating to the financial sectors of banking, insurance, capital market, and pension funds and also to make them aware of the illegal Ponzi schemes etc. The participants are also made aware of various government schemes like Pradhan Mantri Jan Dhan Yojana, Pradhan Mantri Fasal Bima Yojana, Atal Pension Yojana, Sukanya Samruddhi Yojana etc. For this purpose, SEBI has adopted the model of empanelling individuals as SEBI Resource Persons (RPs) to spread financial education by targeting various identified target groups in districts across the country.



Image 1 : Financial awareness program for villagers organised by SEBI empaneled Resource Persons

- ii. The eligible individuals are selected as RPs who are then trained by SEBI so that they have a good understanding of various aspects of finance and financial markets. The Resource Persons, in turn, organise free workshops on financial literacy in the local language of the particular area/ district. The financial education booklets are also distributed to participants attending the programmes.
- iii. The National Centre for Financial Education (NCFE) has been set up as a Section 8 company promoted by financial sector regulators namely SEBI, RBI, IRDAI and PFRDA. Since, NCFE has been mandated to take efforts to include financial education in the school curriculum, it was felt that SEBI RP programs may focus on the target groups other than school children and students. Thus, the RP programs are now conducted for five target groups viz. home makers, self-help groups, executives, middle income groups and retired personnel.
- iv. As of March 31, 2019, there are 1,235 SEBI empanelled Resource Persons covering 468 districts in 29 states and four union territories. Since the inception of the program, SEBI empanelled Resource Persons have conducted

83,426 financial education workshops covering 48,33,629 participants, in more than 570 districts of 28 states and six union territories.

- v. During 2018-19, the Resource Persons have conducted 17,929 programmes covering 6,23,410 participants (Table 3.22).

Table 3.22 : Financial education workshops conducted by Resource Persons

	2017-18	2018-19
Total RP programs conducted	14, 607	17, 929
Total participants of RP programs	7,27,233	6,23,410

- vi. It is seen that there is an increase of 22.7 per cent in the number of financial education programs conducted by RPs in 2018-19 as compared to that of 2017-18. This increase may be attributed to the initiatives taken by SEBI in helping the RPs to conduct financial education programs by streamlining the procedures and making it easier for conducting programs. Further, the refresher training programs for RPs conducted by senior SEBI officials have also contributed to encourage RPs to undertake large number of programs.



Image 2 : Financial awareness program organised by SEBI empanelled Resource Persons for Police personnel

vii. The following initiatives have been taken in 2018-19 for the improvement of RP programs:

- **New Operational Guidelines for Resource Person** - The working of Resource person are governed in terms of Operational Guidelines issued by SEBI. During 2018-19, SEBI has revised the Operational Guidelines for Resource Persons. The revised guidelines has simplified and standardised the procedures for the conduct of RP workshops.
- **Common Financial Education Booklet** - With the objective of simplifying and standardising the financial education material to be provided to the participants of RP Programmes, a common financial education booklet for all the target groups of RP Programmes has been developed. Further, information related to basic concepts about securities market, commodities derivative markets, various government schemes in the financial sector were added / updated. Do's and Don'ts pertaining to investment in financial sector were also included in the new booklet.
- **Refresher Training Program of RPs** - With the objective to update and enhance the knowledge base of RPs, SEBI had conducted refresher training programs for RPs in 2018-19 across different zones and regions. Senior SEBI officials have taken sessions in the above mentioned training programs and interacted with the RPs.
- **Financial Education Certification Examination** - SEBI, in coordination with NISM had initiated the development of "Financial Education Certification Examination" through which an individual may assess their financial awareness and understanding of various aspects of personal finances. This certification examination would also be useful for RPs who

desire to enhance and update their knowledge on financial awareness. This certification examination is planned to be launched from 2019-20.

- **On-tap empanelment of RPs** - Presently, SEBI empanels RPs based on the demands of a particular area/ district. In order to further develop an easier, flexible and less time consuming empanelment process, it was proposed to initiate a scheme of On-Tap empanelment of RPs wherein RPs could be empaneled on an ongoing basis and based on the need of a particular area/region. Any eligible individual, who desires to be empaneled as a SEBI RP, shall have to clear the "Financial Education Certification Examination". The process of On-Tap empanelment of RPs is planned to be launched in FY 2019-20.

B. Investor Education

During 2018-19, one of the major thrust in the area of investor protection was on undertaking more investor education and awareness programmes and reaching more investors / potential investors for this purpose. Post-merger of Forward Market Commission (FMC) with SEBI in 2015, SEBI has been taking measures to create more awareness about the commodities derivatives traded in Indian market, specifically among farmers, traders, etc. so as to increase their participation in commodities derivatives segment. The details of awareness activities across the country undertaken by SEBI in this regard are as mentioned below:

- a. **Regional Seminars** - SEBI, in association with stock exchanges organises regional seminars across the country, mainly focusing on Tier II and Tier III cities. The following stock exchanges, depositories and industry bodies are associated with SEBI in this regard:

Stock Exchange

- National Stock Exchange of India Ltd (NSE),
- Bombay Stock Exchange Ltd. (BSE)
- Metropolitan Stock Exchange of India Ltd (MSEI);

Commodity Derivative Exchange

- Multi Commodity Exchange of India Ltd (MCX)
- National Commodity & Derivatives Exchange Limited (NCDEX);

Depository

- National Securities Depository Limited (NSDL)
- Central Depository Services (India) Limited (CDSL)

Mutual Fund Industry Body

- Association of Mutual Fund in India (AMFI),

The regional seminars are attended by senior SEBI officials along with officials of stock exchange, commodities derivative exchanges, depositories and AMFI, where investors are provided useful information on securities market and basics of investing in securities market, mutual fund investments and also grievance redressal mechanism in securities market.

Since the beginning of this initiative in the year 2010, total 699 regional seminars have been conducted. During FY 2018-19, SEBI in association with stock exchanges, depositories, AMFI and commodities derivative exchanges has conducted 197 regional seminars (Table 3.23).



Image 3 : Regional Seminar on commodities derivatives market organised in association with MCX

Table 3.23 : Regional Seminars

	2017-18	2018-19
Total Regional seminars conducted	145	197
Total participants of Regional Seminars	18,068	23,871

Out of the 197 regional seminars conducted during 2018-19, 15 seminars were conducted in Tier I cities, 65 in Tier II cities and 117 seminars were conducted in Tier III cities. Further of 197 regional

seminars, 145 regional seminars were conducted on equities market in association with stock exchanges and depositories, 21 regional seminars were conducted on mutual funds in association with AMFI and 31 regional seminars were conducted on commodities derivatives covering various agricultural commodities (viz. Cardamom, Maize, Chana, Soybean, Turmeric, Wheat, Pepper, etc) and non-agricultural commodities (viz. Brass, Gold, Base Metals, Mentha Oil, Silver, etc).



Image 4 : Regional Seminar on commodities derivatives market organised in association with MCX



Image 5 : Regional Seminar on commodities derivatives organised in association with MCX

During 2018-19, certain measures were undertaken to simplify and standardise the process of conducting regional seminars, such as:

- Annual Calendar for Regional Seminars- During 2018-19, annual Calendar for conduct of Regional Seminars for the financial year was prepared. The annual calendar provides a guidance for conducting regional seminars in a organised and systematic manner during the financial year covering a wider stakeholder's base and imparting investor education to the people, with a major focus on Tier II and Tier III cities.
- Standardised Power Point Presentation (PPT) - With the objective to bring uniformity in the conduct of regional seminars across the country, standardised power point presentations (PPT) were prepared. The PPT covered topics like basics of securities market, new developments in securities market, investor grievance redressal mechanism, Do's and Don'ts pertaining to investment in securities market, etc.



Image 6 : Regional Seminar organised in association with NSE

b. Investor Awareness Programmes conducted by SEBI recognised Investors' Associations (IAs)

SEBI continues its association with Investors' Associations (IAs) for conducting programmes to ensure that more areas particularly Tier II and Tier III cities/ towns are covered. Investors' Associations (IAs) are recognised by SEBI in terms of Operational Guidelines (Investors' Associations), 2019.

As at the end of 2018-19, there are 25 Investors' Associations recognised with SEBI spread across nine (9) states and two (2) union territories. Since the beginning of this initiative, SEBI recognised Investors' Associations have organised 1,336 workshops on securities market.

During 2018-19, IAs have conducted 135 investor awareness programs (206 awareness programs were conducted during 2017-18)

During 2018-19, with a view to improve the working of Investors' Associations, SEBI has

introduced new Operational Guidelines (Investors' Associations), 2019 which were made effective from February 01, 2019.

c. Conducting awareness programs about SEBI and Indian Securities market for officials of various Government Departments/ Bodies

SEBI has conducted/ participated in awareness programs on SEBI and Indian Securities market for the officials of various government departments/ bodies. Some of these programs are as mentioned below:

- Government officials like officers of Army War College, Mhow;
- Indian Administration Services from Lal Bahadur Shastri National Academy of Administration, Mussoorie;
- Officer trainees of National Academy of Audit & Accounts, Shimla,
- Army personnel at Pathankot and Amritsar.

- Capacity building for Counsellors of Financial Literacy Centres (FLCs) of Government of Karnataka; Counsellors of FLC organised by RBI; etc.
- Special program for Paramilitary forces in Jharkhand viz. CRPF, CISE, Cobra Commandos, Anti- Terrorist Squad and also for the Jharkhand Police.

d. Visit to SEBI Programmes

SEBI had started the initiative 'Visit to SEBI' where groups of students from schools, colleges and professional institutes, who are interested in learning about SEBI and the securities market, visit offices of SEBI. These sessions cover various topics like basic

concepts of securities market, new developments of securities market, etc.

Since the beginning of this initiative, 2,628 Visit to SEBI programmes have been conducted covering 1,07,884 participants. During 2018-19, 716 Visit to SEBI programmes were conducted covering 32,944 participants (During the 2017-18, 742 "Visit to SEBI programs" were conducted)

With the objective of widening the reach of Visit to SEBI programs conducted by SEBI, in 2018-19, SEBI officers also visited different schools, colleges and different educational institutions as a part of conducting securities market related awareness programs at the respective educational institutions.



Image 7 : Visit to SEBI session conducted at SEBI office



Image 8 : Visit to SEBI session conducted at SEBI office

Special Visit to SEBI Sessions: Some of the Visit to SEBI sessions for special groups of participants conducted by SEBI are mentioned below:

- Students of professional courses like The Institute of Chartered Accountants of India, etc.
- National Defence College
- University of Petroleum and Energy Studies, Dehradun
- BSE Institute Ltd.
- Gujarat National Law University
- IIT Bombay
- National Institute of Financial Management, Faridabad
- National Academy of Audit and Accounts, Shimla

- Ministry of HRD sponsored refresher program for teachers conducted by R.A. Poddar College
- Tata Institute of Social Sciences (TISS)

Visit (to/ by) SEBI sessions for Visually Challenged students/working individuals in association with various Non-Government Organisations working in the field; e.g., Blind Graduate Forum of India (BGFI), National Association for the Blind, Unit Maharashtra, etc. Total of 17 such programs were conducted wherein SEBI officers imparted financial and securities market related knowledge.

Special Visit to SEBI program was conducted in association with Ved Vasudev Pratisthan (Sewa Sangh) for Visually Challenged Students of Jivhala Hostel, Dhayari, Pune on topic- “Investor Education and Financial planning”.



Image 9 : Visit to SEBI Session for visually challenged people

e. **Awareness programs for staff of International Stock Exchanges**

Awareness programmes about SEBI and Indian Securities Market were conducted by SEBI offices for officials of International Stock Exchanges like:

- Shanghai Stock Exchange
- Muscat Stock Exchange
- Bangladesh Securities and Exchange Commission

f. **Commodity Derivatives Awareness Programs (CAPs) by SEBI recognised Commodities Derivative Trainers (CoTs)**

Post-merger of Forwards Market Commission (FMC) with SEBI in September 2015, SEBI has been undertaking measures to create more awareness about the commodities derivatives traded in Indian market, benefits of derivatives contracts on commodities etc. With the intent of increasing awareness about commodities derivative segment, specifically among farmers, traders etc.

so as to increase their participation in this market segment, SEBI has developed a Scheme for conduct of Awareness Programmes for Commodities Derivatives in 2017-18.

In terms of above mentioned scheme, SEBI recognises institutions with prior experience in conducting financial and investor awareness programs as Commodities Derivative Trainers (CoTs). The CoTs are required to organise investor education and awareness programmes on Commodity Derivatives segment of the market. The target audience for such programmes are farmers / producers, farmers' cooperatives/ groups, processors etc.

In terms of said scheme, SEBI has so far, recognised 19 commodity derivatives trainers (CoTs), spread across 12 states and One Union Territory as on March 31, 2019. Many of these recognised CoTs also have the experience of conducting commodities awareness programs (CAPs) in association with the erstwhile FMC. SEBI recognised CoTs have also been provided training about the commodities derivatives and also about the format of the CAPs.

Operational Guidelines for conduct of Commodities Awareness Programs (CAPs) :

During 2018-19, SEBI, in order to further streamline the conduct of awareness programs in commodities derivatives, issued Operational Guidelines for CoTs. The guidelines contained guidance for the CoTs to conduct of commodities awareness programs, methodology of conducting awareness programs, matrices for various commodities traded in commodities derivative exchanges in India with details like different target groups like farmers, traders, food processors, etc., ideal locations for the conduct of programs etc.

Training programs for SEBI recognised Commodities Derivative Trainers (CoTs) :

With the objective to update and enhance the knowledge level of SEBI recognised CoTs and for giving guidance on conduct of commodities awareness programs, SEBI has undertaken the following training program for CoTs:

- One day workshop for CoTs at SEBI: SEBI recognised CoTs gained exposure about the scheme of CoTs and other processes to conduct the commodities awareness programs by attending a One-day workshop organised at SEBI office, Mumbai.

- Exposure to awareness programs of Commodity Derivatives Exchanges: CoTs were given exposure to the awareness programs conducted by Commodity Derivatives Exchanges to give them on-site exposure, practical knowledge by attending the commodities derivatives awareness programs organised by the commodity derivative exchanges.
- Comprehensive training for CoTs: Two day residential training programs viz. Training of Trainers (ToTs) program for Commodity Derivatives Trainers (CoTs) were organised at Delhi on August 9-10, 2018 and at Chennai on August 13-14, 2018. During these training sessions, the CoTs were trained on concepts of commodities derivatives market.

In 2018-19, the SEBI recognized CoTs have conducted 31 commodities awareness programs in various commodities. Some of the commodities in which the commodities awareness programs were conducted are like wheat, cotton, barley, mustard seed, gram (Chana), soybean, castor seed, maize, turmeric, rubber etc.



Image 10 : Commodities Awareness Program for farmers.

C. Co-operation with International Organisations

SEBI also actively participates in several conferences and symposiums organised by international organisations like IOSCO, OECD etc. SEBI is a full time member of OECD International Network on Financial Education (INFE) which promotes and facilitates international cooperation between policy makers and other stakeholders for financial education initiatives worldwide. In such conferences, SEBI shares its experiences in the areas of financial education, investor education, etc. and also draws experiences from other regulators.

a. Participation in Survey organised by International Organisations

SEBI participated in the Survey organised by OECD/ INFE and IOSCO Committee 8 (retail investors) for the development of a set of Core competencies on financial literacy specifically for retail investors. The purpose of the survey was to collect the members' views on the core competencies for retail investors.

b. Participation in World Investor Week – 2018 in association with IOSCO

With the objective of highlighting the initiatives taken by various financial market regulators in the direction of conducting investor protection and education awareness activities, IOSCO has been organising every year a week long global campaign referred to as World Investor Week (WIW). The first World Investor Week was organised in 2017 and the second World Investor Week in 2018. In order to contribute and celebrate World Investor

Week during October 1-7, 2018, SEBI participated in IOSCO WIW by organising various financial literacy and investor awareness programmes during this week across the country. SEBI was the national coordinator of WIW -2018 for India and conducted and co-ordinated various investor and financial education activities throughout the nation in association with stock exchanges viz. National Stock Exchange of India Ltd (NSE) and Bombay Stock Exchange Ltd. (BSE); commodities derivative exchanges viz. Multi Commodity Exchange of India Ltd (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX); depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd, (CDSL).

The activities undertaken during the WIW-2018 were as follows:

- Display of bilingual banners about celebration of WIW in all SEBI offices. Banners were also displayed at all the offices of SEBI recognized stock and commodity derivative exchanges and depositories.
- A ticker about celebration of World Investor Week was run on SEBI website and investor website along with the websites of stock and commodity exchanges and depositories in the following format: *“World Investor Week Oct 1 – 7 2018 being celebrated under aegis of IOSCO and SEBI.”*

Throughout the week various investor awareness programmes were conducted by SEBI which is summarised as follows (Table 3.24):

Table 3.24 : Activities conducted by SEBI during WIW, 2018

Details	Number of Programmes	Number of Participants attended
Financial Education workshops by SEBI empanelled Resource Person	1,072	39,097
Investor education programs conducted by SEBI and Exchanges/ Depositories/ AMFI/ SEBI recognised Investor Associations.	557	37,428
Financial Education programs conducted as a part of Visit to SEBI initiative	54	2,611
Grand Total	1,683	79,136

D. Investor Assistance

a. Dedicated Investor Website

A dedicated website <http://investor.sebi.gov.in> is maintained for the benefit of investors. The website provides relevant educational/ awareness material and other useful information. Further, schedules of various investor and financial education programmes are also displayed on the website for the information of investors. In 2018-19, SEBI's investor website has received around 1,83,241 total page views.

b. Investor Assistance by addressing queries raised by investors.

SEBI provides assistance/guidance to investors by replying to their queries received through e-mail, letters. In 2018-19, over 4,400 queries were replied in total, out of which approx. 4,100 queries were replied through e-mails, 165 through letters and 158 through phone-calls.

E. Mass Media Campaign

In order to reach out to people, SEBI has embarked on a mass media campaign giving relevant messages to investors through popular media. Since year 2012, SEBI has carried out various awareness campaigns in multi mass media (TV/Radio/Print/bulk SMS) on topics as mentioned below:

- Investor grievance redressal mechanism

- “Collective Investment Scheme - Unrealistic returns”.
- “Collective Investment Scheme – Don’t Go By Hearsay”.
- Application Supported by Blocked amount (ASBA) - Initial Public Offering (IPO).
- Dabba Trading
- Caution against Hot Tips

During 2018-19, SEBI has initiated the process of organising nationwide campaigns through social media and various digital channels such as Graphics Interchange Format (GIFs)/ Banners etc. The groundwork on these programs has been initiated and such programs are expected to reach a wider population in a cost effective manner and educating them about securities market and cautioning them against fraudulent practices etc.

II. TRAINING OF INTERMEDIARIES

A. National Institute Of Securities Markets

The National Institute of Securities Markets (NISM) has been established by the SEBI as a public trust registered under the Bombay Public Trusts Act, 1950 and a society under Societies Registration Act, 1860. NISM has been entrusted with education and training of investors and intermediaries of securities markets in terms of 11(2) of SEBI Act for

- promoting investors' education and training of intermediaries of securities markets;
- conducting research for various purposes."

Vision: "To lead, catalyse and deliver education initiatives to professionalise the securities markets."

Mission: "To engage in capacity building among stakeholders in the securities markets through financial literacy, professional education, enhancing governance standards and fostering policy research."

The National Institute of Securities Markets (NISM) is dedicated towards enhancing the quality of participation in securities market capacity building activities within the broad framework of its vision, mission and philosophy. This involves developing the knowledge and skill base of all stakeholders, which embodies its spirit of commitment to achieve these objectives. NISM has strong linkages with industry and the environment at NISM is conducive for designing and delivering high-quality programmes in the domain of securities markets. NISM's activities are carried out through its six schools: School for Securities Education (SSE), School for Securities Information and Research (SSIR), School for Regulatory Studies and Supervision (SRSS), School for Investor Education and Financial Literacy (SIEFL), School for Certification of Intermediaries (SCI) and School for Corporate Governance (SCG).

Considering the diversity in its stakeholders, activities under the NISM umbrella revolve around the following sections as depicted below:

i. Academic Programmes

The School for Securities Education (SSE), National Institute of Securities Markets has been involved in designing and offering academic programs that focusses on creating class leaders in securities markets. NISM's niche program – Post Graduate Program in Securities Markets (PGPSM) has been offered successfully since the beginning

of operations of NISM, creating specialised cadre of professionals in securities markets.

In the year 2017-18, the first batch of two-year Post Graduate Diploma in Management in Securities Markets (PGDM (SM)) was launched. The second batch was commenced in 2018-19. Currently, offering four full-time programmes viz. PGPSM, PGDM(SM), PGCSM & PGDQF and two part-time programmes viz. PGDDS & PGDFERM. Details of the academic programmes in comparison to the previous years is given in Table 3.25

Table 3.25: Academic and International Programmes

Particulars	2017-18	2018-19
No. of full-time, part-time programmes, certificate programmes etc.	7	5
Number of students	261	226
On-boarding programmes (including one month MT programme)	2	1
Number of students	85	15

ii. Training Programmes

NISM provides training to various professionals of financial market on subjects covering economic crimes, fund raising, mutual funds, securities operations, overview of securities market etc. Detailed status of training programmes organized by the School for Regulatory Studies and Supervision is shown below:

Table 3.26 : Training Programmes

Particulars	2017-18	2018-19
No. of Training Programmes, workshops etc.	37	27
Number of beneficiaries	2,527	809

Apart from the above training activities, NISM, through Corporate Solutions initiative under School for Certification of Intermediaries (SCI), conducted 23 training programmes covering 929 participants during 2018-19.

Table 3.27 : Training Programmes – Corporate Solutions

Particulars	2017-18	2018-19
No. of Training Programmes, workshops etc.	35	23
Number of beneficiaries	1,418	929

iii. Research and Publications

During the academic year 2018-19, research papers were published by faculty in well-known journals like Nomura Journal of Asian Capital Markets, The Afro-Asian Journal of Finance and Accounting (AAJFA), Vision, International Journal of Asian Business and Information Management (IJABIM), Amity Journal of Finance, etc.

During the year, faculty also presented 15 papers in conferences like 55th Annual Conference of the Indian Econometric Society (TIES), CRISIL Doctoral Symposium, 8th India Finance Conference (IFC) 2018, Indian Institute of Management Calcutta, Finance Symposium etc.

Table 3.28 : Research and Publications

Particulars	2017-18	2018-19
Research/Journal/Magazine/Conference/seminars papers	9	21
Research Workshops, conferences, seminars etc.	2	4

During the year NISM organised the 55th Annual TIES conference in association with Mumbai School of Economics and Public Policy, Mumbai University between 8th and 10th January 2019.

The research conference saw more than 200 paper presentations from academics, industry professionals and research scholars' papers in areas of financial economics, econometrics, financial markets, money and banking, monetary policy, international economics, public finance, growth and development economics, poverty and labour economics. The event was conducted in NISM Patalganga campus and was attended by more than 300 delegates comprising of PhD Scholars, faculty members, eminent economists, regulators, and government officials from ministry coming from all over the country.

The first student magazine Vriddhi and Alumni Magazine Jigyansa were brought out during the year.

Summer school and Global Exposure program: SSIR has also co-ordinated Kotak batch training Programme, global summer internship programme & summer school in the period May to July 2018. About 50 candidates have enrolled and went through the summer school program. Out of project reports prepared by Summer school interns, 5-6 papers have been shortlisted as Working papers to be put up on the NISM website.

iv. Investor Education and Financial Literacy

The activities relating to Investor Education and Financial Literacy at NISM are undertaken by School for Investor Education and Financial Literacy (SIEFL). During the year 2018-19, a series of refresher workshops were designed and implemented for the existing SEBI Financial Education Resource Persons at various centres. Fifteen workshops were held across India covering 716 resource persons.

Important event during the year was preparing a Common Booklet covering all the aspects of financial literacy concepts, financial products, grievance redressal mechanism etc. It intends to replace different materials for various segments of society

used previously. The Common Booklet will as a resource material for organizing financial education workshops in order to simplifying the process. The year also witnessed design and launch of NISM Financial Education Resource Persons Certification Examination. The year also witnessed design and launch of NISM Financial Education Resource Persons Certification Examination.

Table 3.29 : Refreshers Workshops for existing Resource Persons

SR. No.	Region	No. of Programs	No. of Participants
1	Northern	5	271
2	Western	5	222
3	Eastern	3	118
4	Southern	2	105
Total			716

Table 3.30 : Investor Education and Financial Literacy

Particulars	Number of Programs/ Workshops			Number of beneficiaries		
	2016-17	2017-18	2018-19	2016-17	2017-18	2018-19
No. of SEBI Financial Educations Resource Persons (FERPs) workshops	5	4	15	213	217	716
No. of Pocket Money Programmes	14	10	94	1,368	634	8407
No. of Refresher workshops for RPs	1	-	2	36	-	47
No. of Investor Education Programmes in colleges	64	57	49	7,151	5,772	5,581
No. of Master Trainers and Resource Persons for Financial Inclusion and Literacy created for IDFC	-	-	-	-	82	-
No. of Program on 'Mutual Fund Awareness' for SBI Officers	-	-	11	-	-	508
MDPs and FDPs organised	-	-	6	-	-	314

SIEFL arm during the financial year 2018-19, organised five Management Development Programs covering 214 participants. These include programs on 'Fixed Income Securities', 'Financial Inclusion' and 'Financial Planning and Wealth Management'.

Faculty Development Program : During the year, NISM in association with Faculty of Commerce,

Mutual Fund Awareness Programs : During the year, SBI Mutual Fund has partnered with NISM wherein officers serving in various branches of State Bank of India are trained in mutual fund operations. This awareness program intends to empower the desk officers in State Bank of India a good understanding about mutual fund operations, which ultimately result in better penetration of mutual fund investments in the country. Through eleven programs, 508 officers of SBI have been trained in these mutual fund awareness programs. The officers empowered through this awareness programs are better equipped to provide the services on investment in mutual fund products to clients. Summary of activities in comparison to earlier years is given below:

Madras University, has organized Faculty Development Program on Securities Markets during December 3-4, 2019. The program was attended by the members of the Commerce Faculty stream in the affiliated colleges of Madras University. More than 100 faculty members attended the program held at Madras University premises, Chennai.

v. Certification of Associated Persons in the Securities Market

NISM is mandated to develop Certification Examinations for various segments of the market as per powers conferred by sub-regulation (3) of regulation 7 of the SEBI (Certification of Associated Persons in Securities Markets) Regulations 2007.

NISM currently conducts 16 certification examinations that are mandated by regulators and five non-mandatory certifications.

Table 3.31 : Certification of Associated Persons in the Securities Market

Particulars	2017-18	2018-19
No. of certification modules mandatory	17	16
No. of certification modules non-mandatory	5	5
No. of test centers	246	287
Number of cities	174	169
Number of candidates enrolled	2,30,010	2,49,106

vi. Development and Administration of the Continuing Professional Education (CPE) Programme

To create awareness about securities market and to promote NISM certification examinations in the students' community, NISM launched CPE Program for NISM-Series-XIII: Common Derivatives Certification Examination. During 2018-19, NISM along with its CPE providers conducted 1,758 CPE programmes at 127 locations covering 53,954 candidates across various certification modules (Table 3.32)

Table 3.32 : Development and Administration of the Continuing Professional Education (CPE) Programme

Particulars	2017-18	2018-19
Number of CPE modules	9	12
Number of programmes	1,605	1,758
Number of locations	121	127
Number of trainers empanelled	271	271
Number of beneficiaries	52,742	53,954

B. Other Initiatives

i. Accreditation of Certification Exams

As specified in SEBI (Investment Advisers) Regulations, 2013, for accreditation of certification for investment advisers, NISM has drafted and finalized the Certification Accreditation Policy in consultation with the NISM Accreditation Committee. Under Regulation 7(2) of the SEBI (Investment Advisers) Regulations, 2013, NISM has granted accreditation to following certifications:

- a) Chartered Wealth Manager (CWM) Certification of the American Academy of Financial Management India Pvt. Ltd. (AAFMI India)
- b) Certified Financial Planner (CFP) Certification of Financial Planning Standards Board (FPSB) India
- c) International Certificate in Wealth & Investment Management (India) (ICWIM India) Certification of Chartered Institute for Securities & Investment (CISI)
- d) Wealth Management Certification (Advance Level) of Centre for Investment Education & Learning Pvt Ltd (CIEL)

ii. Joint Certifications

NISM along with Moody's Analytics has jointly launched Certificate in Fixed Income Trading and Sales and NISM-Moody's Certificate in Derivatives Market and Strategies (CDMS) in 2017-18. NISM also offered the Certified Credit Research Analyst (CCRA) Certification and Certified Alternative Investor Management (CAIM) in association with the Association of International Wealth management of India (AIWMI). NISM collaborated with the ICICI Direct centre for Financial Learning (ICFL) to carry out 'Certification in Equity Trading & investment' (CETI), wherein 164 candidates were certified, and the 'Foundation of Equity Trading & investments' (FETI) wherein 85 candidates were certified. NISM and ICICI securities developed the "Financial Education for defence Services (FEDS)", known as Mission Samruddhi Programme wherein 192 programmes were conducted for around 26,254 participants. They also collaborated in the implementation of "Mission Siddhika" – Women entrepreneurship" a financial education project for potential women entrepreneurs wherein 22 programmes were conducted for around 1,223 participants. (Table 3.33)

Table 3.33 : Joint Certifications Programmes

Particulars	2017-18	2018-19
Number of Joint Certification modules & Number of candidates enrolled	4	4
	327	390
Number of joint programmes implemented & Number of beneficiaries	65	214
	10,000	27,477

Other programs : To create awareness about securities market and to promote NISM certification examinations in the students' community, NISM launched five joint certification programs on capital markets and investment advisory modules with

three educational institutes in Mumbai, Pune and Kottayam, wherein 68 students enrolled for these programs.

iii. Corporate Governance

The School for Corporate Governance of NISM had conducted 20 programmes during the year 2018-19, covering around 1,000 participants. The programmes include Workshops, Training Programmes, Interactive Sessions and Conferences on various areas of corporate governance which include SEBI Listing Regulations, Prohibition of Insider Trading Regulations, governance issues relating to Takeover Regulations, Companies Act and Secretarial Standards. The targeted audience include Executive Directors, Independent Directors, Compliance Officers, Auditors, Legal Practitioners and Academicians. Data pertaining to Corporate Governance activities undertaken in comparison to previous year is presented in the Table 3.34.

Table 3.34 : Activities of Corporate Governance

Particulars	2017-18	2018-19
Number of training programmes, workshops etc. conducted	2	20
Number of participants	55	1,000

III. ISSUANCE OF NO OBJECTION CERTIFICATES

Companies raising capital through public issue of securities are required to deposit one per cent of the issue amount with the designated Stock Exchange. This deposit is released by the Stock Exchange only.

SEBI issues NOC to companies after satisfactory redressal of complaints received by SEBI against the Companies. During the year 2018-19, NOCs were issued to 201 applicant companies.

6. PROHIBITION OF INSIDER TRADING

I. TYPE OF INSIDER TRADING PRACTICES

- A. A company informed BSE and NSE 'that a dispute has arisen between one of the Company's subsidiary & its client in the APAC region which may result in claims and counter claims. The Company also informed that it is exploring various options to resolve the dispute. However, in terms of its accounting policy, the company shall be providing up to a value of US\$ 10mn, towards unbilled revenue, during the current quarter'. It was seen that the total impact of the above mentioned dispute was 3.47 per cent of the consolidated revenue of the company for the F.Y. 2014-15, which was considered to be a significant change in the operation of the company. Further, the price of the scrip of the company had fallen by around 6 per cent the next day of the announcement, making it a price sensitive information. On analyzing the trading pattern, it was observed that the CFO, Group Financial Advisor, President of the company had sold shares of the company during the UPSI period.
- B. A listed company informed the stock exchanges that the Board of Directors had approved a buyback of equity shares. The Executive Director of the company was in possession of unpublished price sensitive information (UPSI) concerning the proposed buyback. The suspected entities - the mother-in-law and the sister-in-law of the Executive Director had traded in the shares of the company during the UPSI period, while in possession of UPSI. The orders used to be received on behalf of the suspected entities from the Executive Director and from entities who are all family members of the Executive Director. It was observed that the

funds for trading in the scrip of the company were provided to the suspected entities by the Executive Director. An Ad-Interim Ex-Parte order had been passed against the said entities for impounding alleged unlawful gains.

- C. A listed company informed the stock exchanges that its wholly owned subsidiary (WOS) has signed a definitive agreement to sell its 100 per cent shareholding in its WOS (target company) to a WOS of another listed company. At first, target company approached buyer company with a proposal seeking loan facility against securities. The said proposal ultimately culminated in sale of target company. Certain entities, who were privy to the unpublished price sensitive information (UPSI) concerning the sale of a subsidiary, traded in the shares of the company during UPSI period. Further, the Non-Executive Director of the company and immediate relative of the Non-Executive Director had traded in the shares of the company during the UPSI period, when in possession of UPSI. The company had not closed trading window with respect to the UPSI. An Ad-Interim Ex-Parte order had been passed against the Non-Executive Director of the company and immediate relative of the Non-Executive Director for impounding alleged wrongful gains.

II. INSIDER TRADING CASES DURING 2018-19

- A. Final Orders in respect of V. Srinivas, G Ramakrishna and VS Prabhakara Gupta (all employees) and B. Ramalinga Raju, B Rama Raju, B. Suryanarayana Raju and SRSR Holdings Pvt. Ltd. (all promoters) in the matter of Satyam Computer Services Ltd.

- B. Final Order in the matter of Jagran Prakashan Limited, with respect to trading in the shares of Jagran Prakashan Limited while in possession of unpublished price sensitive information

III. STEPS INITIATED TO CURB INSIDER TRADING PRACTICES

- A. The erstwhile SEBI (Prohibition of Insider Trading) Regulations, 1992 was repealed and replaced with SEBI (Prohibition of Insider Trading) Regulations, 2015. Further, in the present financial year SEBI appointed T.K. Viswanathan Committee and, in accordance with the recommendations made by the Committee, these Regulations have been amended by way of SEBI (Prohibition of

Insider Trading) (Amendment) Regulations, 2018 to strengthen transparency, enforcement mechanism and to ensure institutional responsibility.

- B. Appropriate actions are initiated for the contravention of provisions of SEBI (Prohibition of Insider Trading) Regulations, 2015, in accordance with the provisions of SEBI Act, 1992 which includes direction for disgorgement of unlawful gains made or loss avoided, adjudication proceedings for levy of monetary penalties and prosecution proceedings for punishing the delinquents. Such measures act as deterrent.”

7. SUBSTANTIAL ACQUISITION OF SHARES AND TAKEOVERS

I. OPEN OFFER

During the financial year 2018-19, 80 draft letters of open offers were processed by SEBI, of which 63 draft letters of offer were filed during 2018-19 (1 under old takeover regulations). Out of

the 80 draft letters of offer processed, observations were issued in respect of 60 letters of offers during 2018-19 and 20 draft letters are pending with SEBI for issuance of observation as on March 31, 2019. (Table 3.35).

Table 3.35 : Status of Draft Letters of Offers for Open Offers

Status	2017-18	2018-19
Draft letters of offer for open offer		
Pending draft letters of offer at the beginning of the year	20	17
Draft letters of offer received during (under Old Takeover Regulations)	4	1
Draft letters of offer received during (under New Takeover Regulations)	52	62
Total	76	80
Observations issued by SEBI during	59	60
Draft letters of offer in process at the end of	17	20

Regulation 11 of the Takeover Regulations deals with applications for seeking exemption from open offer obligations (referred to as Takeover Panel Applications). As on March 31, 2018, 33 applications were pending with SEBI. During 2018-19, additional 19 applications were filed with SEBI seeking exemption as compared to 56 applications

filed during 2017-18. Among the 52 applications with SEBI, 16 applications were granted exemption from open offer vis-à-vis 27 applications which were granted exemption during 2017-18, 11 applications were returned/withdrawn without passing an order and 22 applications were pending with SEBI as on March 31, 2019 (Table 3.36).

Table 3.36 : Takeover Panel Applications

Status	2017-18	2018-19
Takeover Panel Applications		
Applications pending at the beginning of	23	33*
Applications received during the year	56	19
Total Applications	79	52
<i>Applications disposed of during the year</i>	50	30
Of which		
Exemption granted	27	16
Exemption not granted	3	3
Returned/ withdrawn (without passing order)	20	11
Applications in process at the end of the year	29	22

Note: *4 applications received in 2017-18 were inadvertently not counted earlier, now counted.

8. INFORMATION CALLED FROM, INSPECTIONS UNDERTAKEN, INQUIRIES AND AUDITS OF STOCK EXCHANGES AND INTERMEDIARIES AND SELF-REGULATING ORGANIZATIONS CONDUCTED BY SEBI

Supervision of intermediaries through on-site and off-site inspections, enquiries and adjudications in case of violation of rules and regulations and administrative and statutory actions are essential features of effective enforcement by SEBI. The basic objective of prudential supervision of market intermediaries is to safeguard the stability of the financial system; protecting client interests from undue risks of losses that may arise from failure, fraud or any opportunist behaviour on the part of the intermediaries; promoting the efficient performance of intermediaries and markets; and ensuring compliance by market intermediaries. SEBI conducts inspections directly as well as through organizations like stock exchanges and depositories. Inspections were also conducted during the year to verify intermediaries' compliance levels.

I. COMPREHENSIVE OVERSIGHT OF MARKET INFRASTRUCTURE INSTITUTIONS

With the objective of having oversight on the activities carried out by the MIIs, such as stock exchanges, clearing corporations and depositories, SEBI has conducted inspections, periodic compliance analysis and annual system audits of various MIIs over the period of years.

A. Oversight of Stock Exchanges

During the oversight of stock exchanges, a review of market operations, organizational structure and administrative control of a stock exchange is conducted through inspections to ascertain as to whether:

- a) It provides a fair, equitable, transparent and growing market to investors,

- b) Its organization system and practices are in accordance with the SC(R) Act, 1956 and the rules framed thereunder,
- c) It has implemented the directions, guidelines and instructions issued by SEBI/Government of India (GoI) from time to time, and
- d) It has complied with the conditions, if any, imposed on it at the time of renewal/ grant of its recognition under Section 4 of the SC(R) Act, 1956/grant of its recognition under Section 4 of the SC(R) Act, 1956.

During 2018-19, comprehensive inspection of Metropolitan Stock Exchange of India Limited (MSEI), National Stock Exchange of India Limited (NSE), India International Exchange (IFSC) Limited and NSE IFSC Limited were carried out by Market Regulation Department of SEBI. Inspection of BSE Ltd. has started from March 01, 2019 and the same is in progress.

B. Oversight of Clearing Corporations (CCs)

During 2018-19, comprehensive inspections of the NSE Clearing Limited (NCL) (formerly known as National Securities Clearing Corporation Limited), the Indian Clearing Corporation Limited (ICCL), the Metropolitan Clearing Corporation of India Ltd. (MCCIL), India International Clearing Corporation (IFSC) Limited and NSE IFSC Clearing Corporation Limited were carried out by Market Regulation Department of SEBI.

C. Oversight of Depositories

During 2018-19, comprehensive inspections of National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL) were undertaken during the year.

D. System audit of MIIs

Annual System Audit of MIIs such as Stock Exchanges, Clearing Corporations and Depositories were conducted during the year through external system auditor. The terms of reference of the same have been formulated in consultation with SEBI-Technical Advisory Committee.

E. Special Purpose Inspection

As per requirement, two special purpose inspections of NSE were conducted during the year.

II. INSPECTION OF MARKET INTERMEDIARIES

The number of inspections conducted during the financial year 2018-19 stands at 273. Selection of intermediaries for carrying out inspections is based on factors such as risk assessment of the intermediary, complaints lodged against the intermediary, whether the intermediary has made submissions in compliance with circulars etc. Special purpose inspections based on specific inputs received were also conducted from time to time.

Based on findings of inspections after considering the comments of intermediaries, intermediaries were specifically advised about the areas where improvement was required by them. Intermediaries were also required to report to SEBI about the corrective steps taken by them and also place the same before their board/ partners/ proprietor, as the case may be. These steps taken by SEBI have improved the level of compliance among the intermediaries. Administrative and quasi-judicial actions were initiated based on the deficiencies and seriousness of the violations committed by the intermediaries. Observations pertaining to non-compliance of market intermediaries with Anti-Money Laundering norms are being shared with FIU-IND.

A. Inspection of Stock Brokers and Sub-Brokers

During the financial year 2018-19, 159 stock brokers have been inspected. The focus of the inspections included themes such as compliance of norms regarding Investor Redressal Mechanism, Handling of funds and securities of clients, Settlement of accounts of clients on timely basis, Segregation of clients and proprietary funds/ securities, Pledging of securities by the broker, KYC norms, Clearing operations, etc.. During this financial year, apart from specific purpose inspections, the focus has been on comprehensive and combined inspections of stock brokers and depository participants. These inspections were conducted jointly with the respective Stock Exchanges and Depositories for ensuring that all aspects of the functioning of the entity are looked into by Exchanges/ Depositories and SEBI simultaneously, resulting in conduct of comprehensive inspections in true sense. This initiative of joint inspections also minimized multiple inspections of the same entity by SEBI/ Stock Exchanges/ Depositories during the year, thereby reducing the regulatory burden on intermediaries in relation to their inspection. During inspections, the compliance of specific provisions of SEBI regulations/ circulars was verified.

SEBI Board in its meeting held on June 21, 2018 decided to discontinue with Sub-Broker as an intermediary to be registered with SEBI. Vide circular dated August 3, 2018, it was informed to the market that no fresh registration would be granted to sub-brokers and sub-brokers were advised to migrate to act as an Authorized Person/ trading member by March 31, 2019, failing which they shall be deemed to have surrendered their registration as a sub-broker with SEBI. Consequently, inspection of Sub-brokers was discontinued from the financial year 2018-19. The details of inspection of stock brokers and sub-brokers carried out are given in Table 3.37.

Table 3.37 : Inspection of Stock Brokers/Sub Brokers

Particulars	2017-18	2018 - 19
Inspections Conducted – Stock Brokers	152	159
Inspections Conducted – Sub - brokers	32	0
Total	184	159

The number of entities inspected by the stock exchanges in 2018-19 is given in Table 3.38. Data pertains to those stock exchanges that are active as on March 31, 2019.

Table 3.38 : Inspection of Stock Brokers by Stock Exchanges

Year	NSE*	BSE*	MSEI*	MCX	NCDEX	NMCE**	ICEX
2017-18	770	673	130	363	238	0	0
2018-19	552	527	107	317	230	NA	18

Source : Stock exchanges

Note : Data for 2018 – 19 excludes joint inspections conducted with SEBI, * the no. of inspections for Exchanges also includes inspections done by respective Clearing Corporations, **Merged with ICEX w.e.f. Sep 7, 2018

The stock exchanges carried out inspections as per policy adopted by them in consultation with SEBI. Additionally, stock brokers/ clearing members are required to carry out complete internal audit on a half yearly basis by independent auditors. Stock exchanges are levying penalties for delay in filing the internal audit reports by stock brokers.

The system of internal audits of stock brokers by outside professionals, inspections by stock exchanges and by SEBI has improved the compliance level of stock brokers.

B. Inspection of Other Intermediaries

Risk based and special focus inspections of intermediaries are undertaken by SEBI to ascertain the extent of compliance on specific issues. SEBI has been carrying out comprehensive/ thematic

inspections of debenture trustees, merchant bankers, credit rating agencies and debenture trustees to check the due diligence exercised by them.

During 2018-19, inspections were conducted for 82 depository participants, 16 merchant bankers, 3 debenture trustees, 2 credit rating agencies and 11 registrars to issue & share transfer agent (RTIs & STAs). There was special focus on follow-up action after the inspections so that corrective steps are taken by the intermediaries. (Table 3.39).

Table 3.39 : Inspection of Other Market Intermediaries

Particulars	2017-18	2018-19
Credit Rating Agencies	2	2
Debenture Trustee	4	3
Depository Participants	64	82
Merchant Bankers	16	16
Registrars To an Issue and Share Transfer Agents	1	11
Total	87	114

C. Inspection of Portfolio Manager (PM), Alternative Investment Fund (AIF), Venture Capital Fund (VCF), Investment Adviser (IA) and Research Analyst (RA)

Inspection of books of accounts, records and other documents pertaining to the Portfolio Managers and Alternative Investment Funds has been carried out to verify whether the books of accounts, records and other documents are being maintained in the specified manner including the compliance in respect of AML/CFT and KYC norms.

During 2018-19, inspections of seven investment advisers, five AIFs, five research analysts and three portfolio managers were carried out (Table 3.40).

Table 3.40: No. of Inspections Conducted

S. No.	Intermediary/Fund	2017-18	2018-19
1.	Portfolio Manager	7	3
2.	Alternative Investment Fund (AIF)	4	5
3.	Venture Capital Fund (VCF)	1	0
4.	Investment Adviser	20	7
5.	Research Analyst	8	5
Total		40	20

The details of administrative warnings and deficiency letters issued to Portfolio Managers, Alternative Investment Funds, Venture Capital Funds, Investment Advisers and Research Analysts are as given in Table 3.41.

Table 3.41: Warnings/Deficiency Letters Issued to Portfolio Managers / Alternative Investment Funds / Venture Capital Funds / Investment Advisers / Research Analysts

Intermediaries / funds	2017-18		2018-19	
	Administrative Warning	Deficiency Letter	Administrative Warning	Deficiency Letter
Portfolio Managers	0	9	0	2
Alternative Investment Funds	0	8	0	0
Venture Capital funds	1	0	0	0
Investment Advisers	8	8	3	0
Research Analysts	2	0	3	1
Total	11	25	6	3

D. Inspection of Mutual Funds

A risk based inspection policy has been adopted by SEBI for inspection of Mutual Funds. The inspection is undertaken on the basis of various risk parameters such as liquidity risk, credit risk, financial risk, market risk, technological risk, operation risk etc. and impact parameters such as AUM (Assets Under Management) of the Mutual fund, Retail AUM, etc. During 2018-19, comprehensive inspection of 22 Mutual Funds were initiated. Further, a theme based inspection of 6 Mutual Funds was initiated during 2018-19.

Automation of inspection and surveillance of MFs : A project is currently underway to ingest MF related data in SEBI database and develop algorithms in order to generate instances of breaches of regulatory guidelines by MFs along-with alerts on possible non-compliances. This project will enable SEBI to leverage technology to move towards automation of inspections of Mutual Funds.

9. FEES AND OTHER CHARGES

Details of the amount of fees and other charges (2018-19 audited) collected by SEBI from market intermediaries on both recurring and non-recurring basis is provided in Table 3.42. During 2018-19, the total amount of fees and other charges received was ₹ 750.14 crore (audited) as against ₹ 624.44 crore in 2017-18 (audited). The recurring fee was 44.5 per cent in 2018-19 as compared to 48.9 per cent in 2017-18 of the total fee collected. During the year 2018-19,

the largest recurring fee of ₹ 100 crore was collected from Derivatives Members registration followed by ₹ 52.5 crore collected from Custodian of Securities, ₹ 37.3 crore collected from Foreign Portfolio Investors and ₹ 29.2 crore collected from Stock Brokers and Sub-Brokers. In non-recurring fee category, the highest fee was collected from Buy Back of Share (₹ 158.87 crore) followed by Offer Documents and prospectuses filed (₹ 89.6 crore).

Table 3.42 : Fees and Other Charges (₹ crore)

Particulars	2017-18 (Audited)			2018-19 (Audited)		
	Recurring fees #	Non-recurring fees # #	Total Fees Received	Recurring fees #	Non-recurring fees # #	Total Fees Received
	1	2	(1+2)	1	2	(1+2)
Offer Documents and prospectuses filed	-	112.24	112.24	-	89.60	89.60
Merchant Bankers	6.39	1.90	8.29	3.60	4.70	8.30
Underwriters	-	-	-	0.05	-	0.05
Portfolio Managers	3.43	4.32	7.75	4.55	7.71	12.26
Registrars to an Issue and Share Transfer Agents	0.28	0.06	0.34	0.48	0.39	0.87
Bankers to an Issue	0.45	0.02	0.47	3.06	0.01	3.07
Debenture Trustees	0.63	-	0.63	0.63	0.21	0.84
Takeover fees	-	29.70	29.70	-	82.26	82.26
Buy Back of Shares	-	106.12	106.12	-	158.87	158.87
Mutual Funds	13.01	12.13	25.14	13.45	20.71	34.16
Stock Brokers and Sub-Brokers	40.82	-	40.82	29.22	-	29.22
Foreign Portfolio Investors	31.32	22.43	53.75	37.34	16.26	53.60
Venture Capital Fund	-	-	-	-	1.77	1.77
Conversion Fee - Foreign Portfolio Investors	-	4.30	4.30	-	-	-
Depositories	3.53	-	3.53	2.89	-	2.89
Depository Participants	0.66	2.46	3.12	2.49	1.41	3.90
Custodian of Securities	40.64	-	40.64	52.53	0.50	53.03
Approved Intermediaries under Securities Lending Scheme	0.02	-	0.02	0.09	-	0.09

Particulars	2017-18 (Audited)			2018-19 (Audited)		
	Recurring fees #	Non-recurring fees ##	Total Fees Received	Recurring fees #	Non-recurring fees ##	Total Fees Received
	1	2	(1+2)	1	2	(1+2)
Credit Rating Agencies	0.30	0.55	0.85	0.15	0.20	0.35
Listing Fees Contribution from Stock Exchanges	20.42	-	20.42	22.59	-	22.59
Alternative Investment Scheme	-	13.00	13.00	-	18.17	18.17
KYC Registration Fees	0.03	-	0.03	0.02	-	0.02
Foreign Venture Capital	-	0.90	0.90	-	0.43	0.43
Derivatives Members registration	78.00	-	78.00	100.43	-	100.43
Derivatives-Commodity	24.49	0.33	24.82	26.02	0.95	26.97
Investment Advisor	-	3.50	3.50	2.03	4.17	6.20
Infrastructure Investment Trust	-	0.13	0.13	-	0.45	0.45
Informal Guidance Scheme	-	0.07	0.07	-	0.02	0.02
Share Based Employee Benefits	-	-	-	-	0.01	0.01
Regulatory Fees-Stock Exchanges	22.79	-	22.79	27.55	-	27.55
Regulatory Fees-Stock Exchanges commodity	4.79	-	4.79	0.01	-	0.01
Public Issue of Debt	-	-	-	-	1.40	1.40
Private Issue of Debt	0.65	-	0.65	3.69	-	3.69
Delisting of Shares	-	0.02	0.02	-	0.02	0.02
Research Analyst	-	1.06	1.06	-	1.59	1.59
ICDR Exemption Fees	-	0.51	0.51	-	0.90	0.90
Gift City ISFC	0.08	0.03	0.11	0.06	0.01	0.07
FPI Regulatory fees for ODI Subscription	12.60	-	12.60	0.78	-	0.78
Scheme of Arrangement fees	-	3.22	3.22	-	3.61	3.61
Real Estate Investment Trust	-	0.11	0.11	-	0.10	0.10
Total	305.33	319.11	624.44	333.71	416.43	750.14

- Notes :**
1. # Recurring fees: Fees which is received on annual/3-yearly/5-yearly basis (includes Fee/ Service Fee/annual fee/ Listing Fees from exchanges/ Regulatory Fees from stock exchanges).
 2. ## Non-recurring fees: Fees which is received on one time basis. Includes fee for Offer Documents Filed/Registration Fee Application Fee/ Takeover Fees/ Informal Guidance Scheme/ FPI Registration/Conversion
 3. Since the amount realised by way of penalties on or after 29.10.2002 has been credited to the Consolidated Fund of India, therefore, the same has not been included in the fees income of SEBI since 2003-04.
 4. Stock brokers and sub-brokers fee includes annual fees and turnover fees.
 5. Stock brokers and derivatives fees are of recurring nature and depend on the trading turnover of the stock brokers and members of derivatives segment.

10. RESEARCH STUDIES

Section 11(2) (1) of the SEBI Act, 1992 gives SEBI the powers to undertake research activities in connection with its primary mandate. The major research activities undertaken by SEBI during 2018-19 encompassed the following:

I. THE REPORTING MANDATE AND MAINTENANCE OF REPOSITORY OF INFORMATION/STATISTICS

A. Regulatory Reporting: The SEBI Annual Report

In accordance with Section 18(2) of the SEBI Act, 1992 SEBI is mandated to submit to the government a report providing a full and true account of its activities undertaken during a particular financial year within 90 days of the completion of the financial year. Accordingly, the Annual Report for 2017-18 was prepared and submitted to the Ministry of Finance within the specified timelines. The same has been uploaded under the publication section on SEBI website. The link for the same is as under,

<https://www.sebi.gov.in/sebiweb/home/HomeAction.do?doListing=yes&sid=4&ssid=24&smid=0>

B. Handbook of Statistics on the Indian Securities Market: Repository of Data

As a regulator, SEBI has the onus and obligation to maintain a repository of data for the entire securities market by collecting data from various sources, verifying their accuracy and maintaining/updating the data on a regular basis. In keeping up with its responsibility of disseminating data and ensuring transparency within its regulatory purview, SEBI has compiled the Handbook of Statistics on Indian Securities Market 2018. The Handbook provides historical data on the Indian securities market at one place arranged in annual and monthly series. The data for this Handbook has been compiled sourcing data from SEBI, RBI,

recognised stock exchanges, credit rating agencies, depositories, World Federation of Exchanges and others. The Handbook is available both in print and online versions. The link for the same is as under,

<https://www.sebi.gov.in/sebiweb/home/HomeAction.do?doListing=yes&sid=4&ssid=32&smid=0>

C. SEBI Monthly Bulletins

Monthly Bulletin encapsulating all the regulatory developments for the month and aggregating the data/information for the securities market is published regularly by SEBI. Apart from a review of the Indian securities market, the Bulletin also provides a monthly review of global financial markets. In addition to this, highlights of developments in the international securities market, data on macro-economic indicators in India and data/information related to various related segments of the securities market are disseminated in the SEBI Bulletin on a monthly basis. SEBI has been distributing these publications to various stakeholders like policy makers, research institutions, investor associations, mutual funds and banks without any charge. The electronic version of monthly Bulletin is available on the SEBI website under the publication section. The link for same is as under,

<https://www.sebi.gov.in/sebiweb/home/HomeAction.do?doListing=yes&sid=4&ssid=30&smid=0>

II. INFORMATION SUPPORT TO VARIOUS REGULATORS/GOVERNMENT AGENCIES

SEBI is also providing regular information to the Ministry of Finance (MoF), the RBI, the Ministry of Corporate Affairs and the Government of Maharashtra for their publications and policy decisions. This information support includes contributions to the Government of India's Economic Survey, MoF's Annual Report, and the Government of Maharashtra's Economic Survey. Inputs and suggestions are also provided to the Standing

Committee on Finance and Central Statistics Office, as and when requested.

On reference from Ministry of Commerce and Industry, Government of India, SEBI has undertaken work on construction of a quarterly “Securities Transaction Price Index” which will be used in preparation of national account statistics.

The Reserve Bank, as part of the macro-prudential framework for assessment of systemic risks, conducts Network Analysis to map the interconnectedness between financial institutions. SEBI provided inputs for the Network Analysis by RBI on periodic basis. SEBI inputs were also provided to RBI for the IMF Data Gap Analysis on Financial Stability Indicators (FSI), the BIS Red Book on Indian Payment system, the Fifth Global Payment Systems Survey, managed by the World Bank Payment Systems Development Group (PSDG)

Inputs were provided on economic and systemic risks related issues discussed in various international forums like IOSCO meetings and FSB meetings.

Inputs were contributed to the Financial Stability Report (FSR) of June and December 2018 published by RBI under the aegis of FSDC Sub Committee. Some of the important topics on which inputs were provided for and published in FSR, inter alia, included those on potential systemic risk issues as well as important measures taken by SEBI to further strengthen systemic stability and development of securities markets in India. On the systemic risk related issues, topics covered were - valuation of Indian equities and their sustainability, fund flows from MFs and FPIs; framework for liquidity risk management by MFs, credit ratings and framework for their role and accountability including trends in rating movements and further strengthening of the CRA framework, risk management and surveillance of commodity derivatives market, etc.

III. SYSTEMIC STABILITY

Systemic Stability Unit (SSU) of SEBI keeps a watch on systemic risks, if any, emanating from the securities market and engages and contributes to various fora under the Financial Stability and Development Council (FSDC) such as the FSDC, FSDC Sub-Committee (FSDC-SC), Inter-Regulatory Technical Group (IRTG), Early Warning Group (EWG), etc.

During 2018-19, potential risks emanating from emerging developments and their likely impact on Indian securities market were analyzed on a case to case basis. Additionally, Systemic Risk Monitoring Template (SRMT), an in-house template developed by SSU-SEBI, monitored some of the securities market indicators so as to assess any signs of systemic vulnerabilities in Indian securities market.

SEBI, contributed to the meetings of FSDC, FSDC Sub Committee and other committees/ taskforces/ working groups, including Early Warning Group, Macro Financial Monitoring Group, Inter-Regulatory Technical Group and Committee on Household Finance set up under the FSDC umbrella.

IV. INTERNAL KNOWLEDGE SUPPORT

A. Interactions: Under its SEBI Discussion Forum (SDF), SEBI invites renowned scholars and financial market practitioners to deliver lectures/talks on topics related to the securities market, economics and finance. Discussions between the speaker and SEBI staff members help SEBI officials to gain insights and enhance their knowledge about the latest developments in the marketplace, including market movements, policy requirements and regulations. In 2018-19, SEBI invited experts to speak on topics such as “Use of Behavioural Aspects in Regulating Markets”, “Regulatory Issues Associated with Fast Electronic

Markets”, “The Role and Importance of Rating Agencies and a Credit Culture”, “Banking and NPA Problem in India”, “Machine Learning and Artificial Intelligence” and “How Family Ownership Impacts Firm Performance”.

B. Monthly Review of the Global Securities Market’s Regulatory Developments:

A monthly review of the global securities market’s regulatory developments covering regulatory issues and developments in the global securities markets is prepared and disseminated internally. This endeavour is aimed at keeping SEBI staff members informed about the latest regulatory changes and market developments at the international level.

C. Developments in Commodities Markets:

In addition to the above publications, SEBI also prepares regular reports on daily, weekly, bi-monthly, monthly, quarterly, half yearly and annual basis on trends and developments in commodity derivatives market for various users and publications.

V. RESEARCH STUDIES

SEBI’s research department regularly conducts research on the topics related to securities market and contemporary developments in the international securities/financial markets. It also provides detailed analysis on policy proposals forwarded by operational and/or legal departments. Some of the research work undertaken during the year in this regard, inter alia, included:

- Analysis on the variation of yields pertaining to various debt instruments rated by different Credit Rating Agencies resulting into an alert generation mechanism based on yield based risk indicator model by CRAs.
- Impact analysis of the revision of block deal window mechanism
- Correlation of Indian stock market with US Dollar Index and Crude Oil Prices
- Comparison of return in primary market vis-à-vis secondary market.
- Yield Gap Analysis-Widening Spread in 10 Year G-Sec Yield and Earning Yield of Indices and potential implications
- Impact of FPI outflow in India – to assess the impact of FPI outflows on equity market (index returns) and Mutual Fund flows
- Pledging of Promoter shares - To assess the extent of share pledging by promoters of Indian companies to raise funds.
- Study on examining the differences in methodology of margins computation at commodity exchanges,
- Review of co-location practices and regulatory framework in commodity markets, impact of change in tick size,
- Impact of change in tick size, trading and delivery unit on cost of trading, trading volume, volatility and liquidity.

Some of the other short studies/ short-notes prepared during the year in SEBI, inter alia, included:

- Investor profiling to check the level of participation by different categories of investors in IPOs
- Average time taken by Main Board and SME companies to enter the primary market,
- Sources of borrowing by 100 random companies whose market capitalization is above ₹ 1000 crore to assess how much of the borrowing by large companies are through corporate bonds
- Investment Allocation by Long Term Debt Oriented Mutual Funds to different rated and unrated instruments

- Analysis of objectives of public and right issues,
- Investment behaviour of DIIs and FPIs in Indian stock market,
- Nifty 500 vs USD-INR movement analysis,
- Role of capital market in financing Indian infrastructure requirements,

VI. RESEARCH ADVISORY COMMITTEE

With a view to strengthen in-house research capabilities, SEBI constituted a Research Advisory Committee (RAC) consisting of experts from financial market and academia. The terms of reference of the Committee are:

- Defining objectives, scope and direction of research relevant for development and regulation of capital markets in India and for SEBI, especially keeping in view the linkage of research to policy making

- Strategy for effective execution and delivery of research
- Promotion/development/maintenance of database relevant for capital market regulation research
- Exploring research collaborations with external researchers, including other regulators as well as academic institutions, both domestically and overseas, as appropriate.
- Promotion/development of research proposals in-house as well as by interested external researchers

The committee held its first meeting on January 08, 2019 in Mumbai. Towards furthering its mandate, RAC has constituted multiple expert sub-groups to examine various relevant issues and give their recommendations for furthering research by SEBI.

11. SURVEILLANCE

Effective surveillance of the securities market is a pre-requisite for maintaining market integrity to enhance investor confidence. The stock exchanges are on the frontline as far as real time surveillance of the market segments that they operate in are concerned. SEBI is responsible for the surveillance of all the segments of the Indian securities market across the exchanges. Over the years, various amendments to the SEBI Act, 1992 have empowered SEBI to undertake credible surveillance action.

Complementing the surveillance infrastructure of the stock exchanges, SEBI has robust in-house systems in place to monitor activities across all market segments and exchanges and to check unfair trade practices like market manipulation, front running and insider trading. The Joint Fund-Bank Financial Sector Assessment Programme of India noted that building a robust market surveillance

system, among others, allowed SEBI to build a reputation of being a credible enforcement agency.

I. SURVEILLANCE ACTIONS

SEBI and the stock exchanges have robust surveillance mechanisms in place to track the activities on the stock exchange platform and to generate alerts based on dynamic, system-based parameters. The stock exchanges apprise SEBI of surveillance concerns and actions at the regular surveillance meetings. The stock exchanges initiate surveillance measures, like the periodic price bands, shifting to Trade-for-Trade (TfT), tightening the price bands, etc., on the basis of the alerts and the analysis of trading in the scrips. The stock exchanges also take punitive actions (suspension of the trading in the scrips, debarment of the suspected entities, etc.). Details of actions taken by the Stock Exchanges is given in Table 3.43:

Table 3.43 : Surveillance Action

Nature of Action	NSE		BSE		MSEI	
	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19
Scrips shifted to Trade-for-Trade segment	384	257	875	435	322	246
Number of scrips in which price bands were imposed (2 per cent, 5 per cent & 10 per cent)	1,157	2,206	1,866	1,603	743	642
Preliminary investigation taken up (Snap)	54	56	1,202	825	6	7
Rumours verified	273	222	294	235	3	1
Letter to Trading Members based on Price/Volume Variation	0	121	300	366	0	0

II. SURVEILLANCE MEASURES :

A. Surveillance Measures in Futures & Options (F&O) segment

1. Surveillance Measures taken from a Systemic Stability perspective

Over the years, there has been a significant

increase in open interest and turnover in the derivatives segment with no corresponding increase in the turnover, delivery volumes and net funds pay-in obligation in the underlying Cash Market. Derivatives market has been growing disproportionately as compared to the cash market which may pose systemic risk to market. Considering

this and the adequacy of minimum margins, it was decided in consultation with the stock exchanges, to put in place following Additional Surveillance Margin (ASM) on all gross open positions on futures contracts and on short positions in options contracts:

In previous financial year, ASM was levied based on hypothetical scenario of market fall by 20 per cent. In addition, to address the systemic risks associated with market rise, ASM based on a scenario of market rise by 17.74 per cent was levied to recover 50 per cent losses of top loss making clients.

Further, it was decided to increase the margin across markets instead of client specific margins. Hence, the total minimum initial margin on the index derivatives was increased by 2 per cent in case of index futures (i.e., from 8 per cent to 10 per cent) and by 4 per cent in case of index options (i.e., from 6 per cent to 10 per cent). In the case of stock derivatives it was increased by 5 per cent (i.e., from 12 per cent to 17 per cent). The additional surveillance margin was an interim measure which was subsequently taken as a policy input by Market Regulation Department (MRD) and necessary circular was issued.

2. Deep In the money (ITM) and deep out of money (OTM) contracts

Positions in deep ITM and OTM illiquid derivative contracts can be misutilised for the purpose of financing transactions and profit/loss transfer, etc. through exchange platform. In a very basic financing transaction that may be executed on the exchange platform, lender and borrower would enter into illiquid index/stock option transactions wherein the borrower would write illiquid option contracts (such as NIFTY option contracts with strike price of 5000 and June / December expiry) and the lender would buy such option contracts by paying the premium. Thus, the borrower receives the amount in form of option premium from the lender. Clearing corporations, as a risk management

measure, block Net Option Value from collateral of the option writer.

Therefore, to curtail such transactions, it was decided that net option value of contracts having strike price away from closing value of index/stock derivatives shall be payable only in the form of cash.

B. Additional Surveillance Measures in Cash segment

Additional Surveillance Measures (ASM) in the cash market were introduced by SEBI as preventive measures in March 2018 to achieve the following objectives:

- Cautioning investors before investing in certain stocks that have seen unusual price movements.
- Reducing scope for manipulation by restricting price movements
- Reducing excessive leverage in such stocks by mandating 100 per cent upfront margin
- Reducing excessive speculation by increasing delivery-based trades

The parameters of ASM framework are based on surveillance concerns, viz., price/volume variation and client concentration, etc. The stocks across various market capitalizations, i.e., Low/Mid/High cap, are covered under ASM framework. The entry/exit parameters along with thresholds have been made available in the public domain.

Considering the trends in the broader market and to have a dynamic surveillance approach, the ASM framework has been regularly reviewed. A working group was constituted to review the ASM framework and based on the recommendations of the working group, the ASM framework was rationalized.

The revised framework follows a two-pronged approach to take timely surveillance

action on the surveillance concerns in the short-term (~ 5 and 15 trading days) and long-term (~ 3 months to 1 year) period. Therefore, under the revised framework, stocks are shortlisted for immediate short term surveillance actions as well as long term surveillance actions based on the short term/long term surveillance concerns. The surveillance actions under the revised framework follow a stage-wise approach. At each stage, actions become more stringent in terms of higher margin, client specific margins, lower price bands and Trade for Trade settlement.

C. Additional Margins levied by Stock Exchanges and Clearing Corporations based on intra-day price movements: Cash market and F&O market

In light of volatility observed in the market on September 21, 2018, Stock Exchanges and Clearing Corporations were advised to levy minimum margin (i.e., VaR + Extreme Loss Margin + additional margin) that shall not be less than the highest intra-day price movement in last 1/6 calendar month(s). Such margin is applicable on stocks which have witnessed more than 10 per cent movements on any 3/10 trading days in last 1/6 calendar month(s). This minimum margin is applicable in both Cash and F&O segment and is continued for a minimum period of 3/12 months on rolling basis ending with the expiry of the respective month. Also, Stock Exchanges and Clearing Corporations were advised to take additional suitable measures, as deemed appropriate, to mitigate risk arising from intra-day volatility in stock prices.

D. Review of Graded Surveillance Measures (GSM) Framework:

In February 2017, Graded Surveillance Measures (GSM) was introduced to put in place certain preventive measures, so as to check the abnormal rises in the prices of scrips, more

particularly in the case of companies which have poor fundamentals. During the year, the entry/exit parameters for GSM along with thresholds have been made available in the public domain.

E. Dissemination of intra-day trading data in cash segment on exchange website

To bring greater level of transparency for the investors, exchanges were advised to disseminate indicative net intra-day open positions in the cash segment at a given point of time during trading hours on exchange website.

F. Measures on stocks having pledged shares more than 10 per cent of company's issued capital

To bring greater levels of transparency, exchanges were advised to prominently disseminate the pledge related information for stocks having pledged shares more than 10 per cent of company's issued capital on their website. Further, exchanges are required to display appropriate ticker on the trading terminal to facilitate awareness among the market participants while trading in such stocks.

G. Surveillance Measures with respect to Bulk SMSes:

SEBI has been taking several measures to prevent investors from getting induced to buy stocks for which unsolicited SMSes are circulated. In addition to the measures taken during 2017-18, the following measures were taken during the year:

- A joint inspection was carried out by SEBI, NSE & BSE of trading members having greater than 25 per cent net sell concentration in four or more such stocks and Stock Exchanges were advised to levy 25 per cent additional surveillance margin on such stock brokers.
- Trading members (TMs) whose clients had substantial net sell in such stocks were required

to withhold the payout of clients and transfer it to an escrow account.

- The payout can be in the form of own funds/ cash equivalents/stocks forming part of Nifty 500 or BSE 500.

H. Surveillance Measures for Companies relating to the Insolvency Resolution Process (IRP) as per Insolvency and Bankruptcy Code (IBC)

To create awareness among investors seeking to trade in the scrips of companies that have filed for Insolvency Resolution Process (IRP) as per Insolvency and Bankruptcy Code (IBC), Stock Exchanges have been directed to:

1. Prominently disseminate the list of companies who are undergoing IRP under IBC on the exchange websites.
2. To put in place system to send pop-up/ticker on trading terminals giving names of the companies under IRP.
3. Advise TMs to exercise due diligence while dealing in such scrips on behalf of their clients and inform TMs to advise their clients to remain cautious and take informed decisions.
4. Impose additional margins on such scrips in case of price volatility.
5. Advise listed companies to promptly inform the stock exchanges regarding the events pertaining to the IRP process as required under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the IBC
6. Advise listed companies to ensure that all participants, who have acquired confidential information in the course of insolvency proceedings, shall maintain the confidentiality of such information under the provisions

of the SEBI (Prohibition of Insider Trading) Regulations 2015.

7. Advise companies to confirm or deny and clarify any rumors or news regarding IBC proceedings to stock exchanges which are not announced by them.

I. Disclosure of price sensitive information by listed companies

For maintaining confidentiality of UPSI and to prevent incidents of leakage of price sensitive/ material information, Exchanges were advised to issue circular to the listed companies regarding the following:

1. All listed companies to disseminate the material information/event as soon as it becomes credible and concrete for maintaining information symmetry in the market.
2. Listed companies may choose to disseminate any material information/events where there is likelihood of crystallization of such events/ information but finality has not been reached. However, listed company may choose not to disclose the same if non-disclosure of such material information/event is in the interest of its stakeholders or the company ensures the confidentiality of such information.
3. The company shall immediately make appropriate and suitable disclosures through the Stock Exchanges to clarify the rumours in media.

III. SURVEILLANCE MEASURES – COMMODITIES

Following surveillance measures have been taken during 2018-19:

- A. Revised Commodity Watch System (CWS):** SEBI has prescribed a Commodity Watch

System (CWS) to Commodity Derivative Exchanges which contains base surveillance alerts and monitoring requirements. During 2018-19, in order to strengthen the indicators for the detection of potential illegal or improper activity, new alerts and surveillance reports have been added in the revised CWS.

- B. Review of Concentration Margin Policy:** As per SEBI circular, Commodity Derivative Exchanges are required to have a policy to impose the concentration margins (only on concentrated positions) to cover the risk of longer period required for liquidation of concentrated positions in any commodity derivative contract. During 2018-19, a review of the policy was undertaken by the exchanges to factor in the nature of the commodity i.e. agricultural and non-agricultural. The further classification of Agricultural Commodities has been done as per the SEBI guidelines viz., Broad, Narrow and Sensitive Commodities; and a higher percentage of concentration margin has been prescribed for Sensitive and Narrow Commodities at the client level. Further, hedgers have been exempted from levy of concentration margins for positions held in hedge code.
- C. Surveillance Meetings with Exchanges:** SEBI conducts monthly surveillance meetings with the senior officials of the exchanges to monitor the trading activities at Commodity Derivative Exchanges. The meetings are aimed at discussing various recent developments in the market and surveillance concerns; and required actions to address the surveillance concerns.
- D. Warehouse Inspections:** On the basis of past experiences, warehouse inspections have been conducted in the major commodities by the Exchanges in order to monitor the functioning and operations of the warehouses. In addition, SEBI has conducted surprise visits to some of these exchange accredited warehouses during 2018-19; and arising out of these visits, various suggestions have been made to the exchanges about record keeping, infrastructure, etc.
- E. Policy for Depositors of Commodities having high percentage of rejection:** In order to encourage commodity deposits at exchange accredited warehouses which meet the exchange specifications, Commodity Derivative Exchanges/Clearing Corporations have framed a policy to warn the depositors who frequently bring commodities which do not meet exchange specifications. Exchanges identify such depositors and initiate actions on depositors with repeated instances.
- F. Revision of penalty for non-genuine trades:** In order to address the issue of non-genuine trades emerging from reversal of trades, the penalty norms were revised to 100 per cent of the profit made / loss incurred / transferred as a result of such trades.
- G. Market Intelligence:** SEBI has initiated the process of gathering market intelligence by visiting the physical markets of Commodities traded at exchange platforms. During the year, based on the feedback received from the physical market participants, derivative contracts of Mentha Oil at MCX and Turmeric at NCDEX were reviewed and suitably modified.
- H. Major Govt. announcements at Exchanges' websites:** Pursuant to the discussions in the Surveillance meetings, the Commodity Derivative Exchanges have started displaying commodity wise significant government announcements on their websites for ease of reference by investors.

IV. SURVEILLANCE ACTIONS- COMMODITIES

Following surveillance actions have been taken during 2018-19:

A. Additional Margins / Special margins payable on buy and sell positions: During the financial year 2018-19, the prices of commodity derivative contracts like Castor Seed and Mentha Oil derivative contracts were found to be volatile in comparison with their spot prices. In order to deal with the high volatility

in derivative contracts and to maintain the integrity of the market, Commodity Derivative Exchanges have taken regulatory measures in line with the broad framework prescribed by the SEBI such as imposition of additional/special margins on futures contracts on these commodities during 2018-19.

The details of additional/special margins imposed/withdrawn during 2018-19 are given in Table 3.44.

Table 3.44 : Additional/special margins imposed/withdrawn during 2018-19

Commodity Name	Imposition of Margins		With Effect from
Mentha Oil	Imposition of Additional Margins	Additional Margin - 5 per cent on long and short side for all existing /running contracts of Mentha Oil	5-Apr-18
Jeera	Withdrawal of Additional Margin	Additional margin - 5 per cent on both long and short side of all running and yet to be launched contracts in Jeera	10-Apr-18
Coriander	Withdrawal of Additional Margin	Existing special cash margin - 5 per cent both long and short side of all the running and yet to be launched contracts	25-Apr-18
Mentha Oil	Imposition of Additional Margins	Additional Margin - 5 per cent (total 10 per cent) on long and short side for all existing /running contracts	9-Jul-18
Mentha Oil	Imposition of Additional Margins	Additional Margin - 5 per cent (total 15 per cent) on long and short side for all existing /running contracts	24-Jul-18
Chana Option Contracts	Imposition of Special Margin	Special margin - 20 per cent as applicable on short side of Future contracts will also be applicable on the Writer of Call option in Chana	9-Oct-18
Castor Seed	Imposition of Additional Margin	Additional margin - 5 per cent on both long and short side on all the running contracts and yet to be launched contracts	30-Oct-18
Castor Seed	Withdrawal of Additional Margin	Additional margin - 5 per cent on both long and short side of all running contracts and yet to be launched contracts	5-Mar-19
Cardamom	Withdrawal of Additional Margin	Additional Margin - 5 per cent on both long and short side of all running contracts and yet to be launched contracts	12-Mar-19

B. Surveillance Actions Taken by exchanges: A summary of surveillance actions taken by exchanges in the commodities segment is as given in Table 3.45.

Table 3.45 : Summary of Surveillance Actions – Commodities

Nature of Action	MCX		NCDEX		NMCE*		ICEX	
	Agri	Non-Agri	Agri	Non-Agri	Agri	Non-Agri	Agri	Non-Agri
No. of Commodities where further margins are imposed	2	0	1	0	0	0	2	0
	(1)	0	(4)	0	0	0	0	0
No. of Cases taken up for detailed investigation	39	95	36	0	0	0	0	0
	(39)	(33)	(36)	0	0	0	0	0
No. of Observation/Caution Letters issued	43	275	144	0	0	0	0	0
	(113)	(98)	(266)	0	(8)	0	0	0
No. of Commodities suspended from trading	0	0	0	0	0	0	0	0
	0	0	0	0	(1)	0	0	0

Note: 1. Figures in parenthesis pertains to financial year 2017-18, 2. NMCE merged with ICEX w.e.f. September 07, 2018. BSE and NSE have also started their trading operations in Commodity Derivatives segment w.e.f. October 01, 2018 and October 12, 2018 respectively.

V. INFORMATION CALLED FROM, INSPECTIONS UNDERTAKEN, ENQUIRES AND AUDITS OF STOCK EXCHANGES, INTERMEDIARIES AND SROS IN THE SECURITIES MARKET CONDUCTED BY SEBI

During 2018-19, SEBI has conducted annual surveillance inspections of NCDEX, MCX, NMCE

and ICEX. The inspections are being conducted with the objective of improvement in the surveillance systems and procedures of the exchanges; and various observations/suggestions in this respect have been made to the exchanges for implementation.

12. INVESTIGATION

Investigation is at the forefront of the various regulatory functions. SEBI undertakes investigation in the fulfilment of one of its core objectives of protecting investors' interests and ensuring fair, transparent and orderly functioning of the securities market. Investigation should serve as a potent means in dealing with various irregularities thereby strengthening the confidence of the investors in the integrity of the securities market. Importance of effective and credible use of investigation has also been underscored by IOSCO in its "Principles for the Enforcement of Securities Regulation". SEBI, therefore, constantly strives to upgrade its investigative skills by making use of Information Technology (IT) / automation and other latest investigative tools. SEBI performs its role with the objective of timely completion of investigation cases, causing effective, proportionate and dissuasive action in cases of violations of securities laws.

- A. Initiation of Investigations:** SEBI initiates investigation based on reference received from sources such as SEBI's integrated surveillance department, other operational departments within SEBI, and external government agencies.
- B. Process of Investigation:** The steps involved during investigation process include an analysis data namely order and trade log, transaction statements, KYC documents obtained from brokers, depository participants, bank records, financial results, events around major corporate developments, Call Data Records, etc. The purpose of such investigation is to gather evidence and to identify persons/entities behind irregularities and violations so that appropriate and suitable regulatory action can be taken, wherever required.

- C. Trends in Investigation Cases:** During 2018-19, 194 new cases were taken up for investigation and 110 cases were completed (Table 3.46).

Table 3.46 : Trends in Investigations

Year	Cases taken up for Investigation	Cases completed
2017-18	117	145
2018-19	194	110

- D. Nature of Investigations in the Cases Taken Up:** During 2018-19, 43 per cent (84 out of 194) of the cases taken up for investigation pertained to market manipulation and price rigging, while insider trading, takeover violation and "Issue" related manipulation cases accounted for 40 per cent (78 cases) and 17 per cent (32 cases) pertained to other violations of securities laws. (Table 3.47 and Figure 3.1)

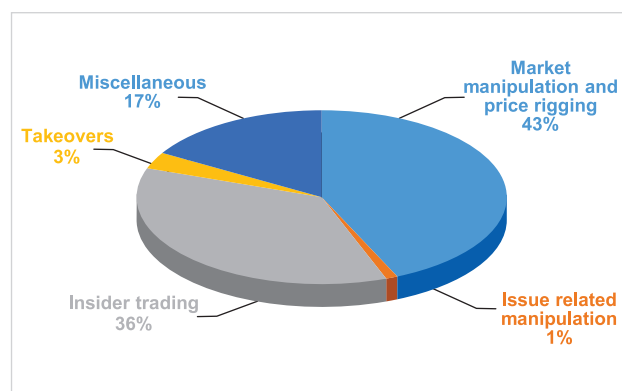
Table 3.47 : Category-Wise Nature of Investigations

Particulars	Investigations Taken Up		Investigations Completed	
	2017-18	2018-19	2017-18	2018-19
Market manipulation and price rigging	40	84	120	60
"Issue" related manipulation	1	2	9	1
Insider Trading	15	70	6	19
Takeovers	1	6	0	3
Miscellaneous	60*	32	10	27
Total	117	194	145	110

*Note: * Miscellaneous includes alleged violations of listing conditions, disclosure, SCRA for off market transfers, preferential allotment process and also includes matter related to role of statutory auditor, front running and complaints.*

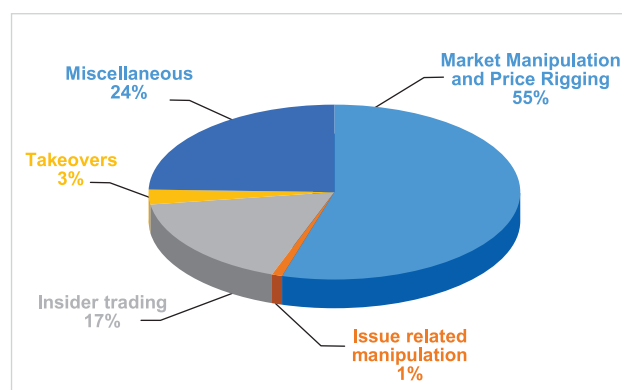
Since, several investigation cases involve multiple allegations of violations, water-tight classification under specific category becomes difficult. Therefore, cases were classified on the basis of main charge / violations.

Figure 3.1 : Category-wise Nature of Investigation Taken up



E. Nature of Investigation Cases Completed : During 2018-19, 55 per cent (60 out of 110) cases completed pertained to market manipulation and price rigging. The other categories of cases completed pertained to insider trading, takeover violations, “Issue” related manipulation and other violations of securities laws which accounted for 45 per cent (50 cases). (Table 3.47 and Figure 3.2).

Figure 3.2 : Category-wise Nature of Investigation Completed



F. Regulatory Action Approved : After completion of investigation, penal action is approved by the competent authority wherever violations of laws and obligations relating to securities market is observed. Action is decided based on the principles of objectivity, consistency, materiality and quality of evidence available, after thorough analysis and appreciation of facts. The actions include issuing warning letters, initiating enquiry proceedings for registered intermediaries, initiating adjudication proceedings for levy of monetary penalties, passing directions under Section 11 of SEBI Act, 1992 and initiating prosecution as given below.

Table 3.48 : Type of Regulatory Action Initiated

Regulatory Action approved by Competent Authority	No. of entities	
	2017-18	2018-19
Administrative warning	322	40
Proceedings under Section 11 of SEBI Act, 1992	1,195	498
Proceedings under Intermediaries Regulations	1	7
Adjudication proceedings	1,256	15,910

During 2018-19, four interim orders and one confirmatory order was passed. Interim orders includes two impounding orders for total amount of ₹ 19.3 crore.

13. OTHER FUNCTIONS

I. ENFORCEMENT FUNCTION

Effective enforcement lies at the heart of ensuring integrity, transparency and fairness in the market. It not only leads to a better compliance culture but also underscores the point that market misconduct and abuse will not go unpunished. A credible enforcement strategy underpins the importance of consistent, timely and transparent regulatory outcomes which are proportionate, dissuasive and effective. Under the SEBI Act, 1992; SCRA, 1956; and the Depositories Act, 1996 SEBI broadly pursues two streams of enforcement action, that is, administrative/civil or criminal. Administrative/civil action includes issuing directions such as remedial orders, cease and desist orders, suspension or cancellation of certificates of registration and imposition of monetary penalties under respective statutes. Proceedings of a criminal nature involve initiating prosecution proceedings against violators by filing criminal complaints before a competent court.

A. Enforcement Mechanisms

SEBI uses five enforcement mechanisms in case of any violation(s) pertaining to laws regulating the securities market.

Section 11/11B Proceedings : Under these proceedings, SEBI may issue directions or prohibitive orders in the interest of investors or the securities market, either pending investigation/inquiry or on completion of such investigation/inquiry. Under Section 11B of the SEBI Act, 1992, SEBI may suspend trading of any security in a recognized stock exchange; restrain persons from accessing the securities market; prohibit any person associated with the securities market to buy, sell or deal in securities; and direct any intermediary or any person associated with the securities market not to

dispose of or alienate an asset forming part of any transaction which is under investigation.

Enquiry Proceedings: SEBI may suspend or cancel the certificate of registration of an intermediary through the enquiry regulations on the recommendation of the enquiry officer/designated authority appointed for that purpose.

Adjudication Proceedings : Under chapter VIA of the SEBI Act, 1992, SEBI may appoint an adjudicating officer for conducting an enquiry and imposing monetary penalties after completing the investigation/inquiry for contravention of any provision of the SEBI Act, 1992 or any rules or regulations made thereunder.

Prosecution Proceedings : SEBI may initiate proceedings by filing a criminal complaint against any person, for contravention of any provision of the SEBI Act, 1992, Securities Contracts (Regulation) Act, 1956, Depositories Act, 1996, or any rules or regulations made thereunder. SEBI may also initiate prosecution proceedings for non-payment of penalty imposed by the adjudication officer or the Board or if a person fails to comply with any directions or order issued under the SEBI Act, 1992, the Securities Contracts (Regulation) Act, 1956, or the Depositories Act, 1996. The complaints filed by the SEBI for violation of the securities laws are tried by the SEBI Special Courts/ Sessions Court. Offences under the aforesaid securities laws are compoundable by the court.

Summary Proceedings: SEBI may initiate a summary enquiry against SEBI registered intermediaries or may issue a warning and deficiency letter for violation of rules and regulations for intermediaries. Chapter VA of the SEBI (Intermediaries) Regulations, 2008 provides SEBI the power to conduct summary proceedings in certain cases.

Administrative Actions: SEBI may take administrative actions like issuing warning letters, deficiency letters, caution letters or advice letters in cases of first time violations or violations which can be remedied with corrective actions.

B. Enforcement Actions Taken

Enforcement actions are initiated as approved by the competent authority wherever violations of laws and obligations relating to the securities market are observed. Action is decided based on the principles of objectivity, consistency, materiality and quality of evidence available after a thorough analysis and appreciation of facts. Table 3.49 presents a snapshot of the various types of enforcement actions taken by SEBI during the year 2018-19. Prohibitive directions under Section 11 of the SEBI Act, 1992 were issued against 672 entities, adjudication orders were passed against 2099 entities, followed by administrative warnings/warning letters issued against 481 entities and deficiency observations were issued to 100 entities.

Table 3.49 : Type of Enforcement Action Taken

Type of enforcement action taken	Number of entities against whom regulatory action was taken	
	2017-18	2018-19
Prohibitive directions issued under Section 11 of the SEBI Act, 1992	1,136	672
Adjudication Orders	2410	2099
Cancellations / Deemed Cancellation	2	5
Suspension	1	2
Warnings issued	43	3
Administrative warnings/warning letters issued	524	481
Deficiency observations issued	116	100
Advice letters issued	22	54
Prosecutions filed	407	399
Convictions by courts	31	19
Total	4,692	3,834

*Includes 130 entities against whom settlement order was passed.

II. SECTION 11/11B, ENQUIRY AND ADJUDICATION PROCEEDINGS

a. Section 11/11B Proceedings

During 2018-19, SEBI initiated enforcement action under Section 11, 11B and 11D in 78 cases, while it disposed of 121 cases. At the end of March, 2019, 309 cases were pending for action (Table 3.50).

Table 3.50 : An Age-Wise Analysis of Enforcement Actions- u/s 11, 11b and 11d of the SEBI Act, 1992

Particulars	2017-18	2018-19
Cases pending at the beginning of the period	364	352
Cases added during the period	171	78
Cases disposed of during the year	183	121
Cases pending at the end of the period	352	309
Break-up of pending cases at the end of the period		
Cases older than 2 years	173	165
Cases older than 1 but less than 2 years	67	78
Cases less than 1 year	112	66
Total	352	309

b. Nature of violations in Section 11/11B Proceedings

Analysis of the orders passed under Section 11/11B shows that 50 orders passed related to violation of PFUTP Regulations (market manipulation), 26 orders were on deemed public issues, 13 orders were on CIS Regulation violations, and 10 orders related to violation of SAST Regulations.

Table 3.51 : Nature of violation in Section11/11B proceedings

Nature of Violation	Number of cases
PFUTP	50
Insider Trading	2
SAST	10
Deemed Public Issue	26
ILDS Regulation	4
CIS Regulations	13
Others	16
Total	121

c. Adjudication Proceedings

During 2018-19, 812 cases involving adjudication proceedings were disposed of by SEBI. In respect of these cases, 1051 adjudication orders were passed (including 75 settlement orders) pertaining to 2099 entities. 822 fresh cases with adjudication proceedings were initiated during the year. As on March 31, 2019 adjudication proceedings were pending in 1,064 cases (Table 3.52).

Table 3.52 : An Age-Wise Analysis of Enforcement Action - Adjudication Proceedings

Particulars	2017-18	2018-19
Cases Pending at the beginning of the period	1283	1053
Cases added during the period	594	822
Cases disposed of during the year	888	811
Cases pending at the end of the period	1053	1064
Break up of pending cases at the end of the period		
Cases older than 2 years	516	363
Cases Older than 1 but less than 2 years	208	173
Cases less than 1 year	329	528
Total	1053	1064

d. Nature of Violations in Adjudication Proceedings

An analysis of the nature of violations for which penalty was imposed is given in the table below. It can be seen that maximum number of entities have been adjudicated for PFUTP violations followed by 653 entities for disclosure related violations under PIT and SAST Regulations.

Table 3.53 : Nature of Violations in Adjudication Matters

Nature of Violation	Number of entities
PFUTP	857
Insider Trading	4
Disclosure related under SAST and PIT	673
Takeover related	25
Listing / LODR	38
Non-compliance with SEBI orders	154
Stock Broker Regulations	53
Investor Grievances related	112
Non-compliance with summons	62
CIS Regulations	34
Others	87
Total	2,099

e. Enquiry and Adjudication Proceedings against intermediaries

During 2018-19, SEBI conducted enquiry and adjudication proceedings against various intermediaries. Majority of enquiries i.e. 92 were against brokers. 5 enquiries were conducted against Registrars to Issue and Share Transfer Agents and 3 against Merchant Bankers. 66 adjudication orders pertained to brokers, 13 to sub-brokers, and remaining to various other intermediaries. (Table 3.54).

Table 3.54 : Enquiry and Adjudication Proceedings against Intermediaries during 2018-19

Particulars	Enquiries conducted	Adjudication orders passed
Registrars to Issue and Share Transfer Agents	5	1
Merchant Bankers	3	2
Depository Participants	0	4
Credit Rating Agencies	0	1
Debenture Trustees	0	2
Brokers	92	66
Sub-brokers	0	13
Mutual Fund	0	4
Investment Advisor	0	1
FPI/sub-account	0	2
Total	101	96

Note : 2 enquiry proceedings were closed.

f. Enquiry Proceedings

Enquiry proceedings are initiated against registered intermediaries and involve a two-step process. In the first step, enquiry proceedings are conducted, and in the second step, proceedings are conducted before Whole Time Member of SEBI on the basis of recommendation of enquiry officer. During 2018-19, SEBI initiated 309 enquiry proceedings and conducted 103 enquiry proceedings. As on March 31, 2019, 278 enquiry proceedings were pending (Table 3.55).

Table 3.55: An Age-Wise Analysis of Enquiry Proceedings

Particulars	2017-18	2018-19
Enquiries Pending at the beginning of the period	75	72
Enquiries added during the period	16	309
Enquiries conducted during the year	23	103
Enquiries pending at the end of the period	72	278
Break up of pending cases at the end of the period		
Enquiry Cases older than 2 years	15	31
Enquiry Cases Older than 1 but less than 2 years	20	4
Cases less than 1 year	37	243
Total	72	278

g. Summary Proceedings

Summary enquiry proceedings were initiated in certain cases under the now repealed SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations 2002. Out of the 2,344 cases of summary proceedings initiated, 56 cases are remaining of which 49 cases pertain to 9 regional stock exchanges which have exited or are under the process of exiting. During 2018-19, no case for summary proceedings was disposed by SEBI.

II. PROSECUTIONS

A. Trends in Prosecution

a. Number of Prosecutions Launched

During 2018-19, 65 prosecution cases were launched against 399 persons/entities as compared to 56 prosecutions launched against 407 persons/entities in the previous year (Table 3.56).

Table 3.56 : Prosecutions Launched

Year	No. of cases in which prosecution has been launched	No. of persons/entities against whom prosecution has been launched
Up to 2003-04	891	4,332
2004-05	86	432
2005-06	30	101
2006-07	23	152
2007-08	40	185
2008-09	29	114
2009-10	30	109
2010-11	17	67
2011-12	29	60
2012-13	75	150
2013-14	269	652
2014-15	67	157
2015-16	46	268
2016-17	33	237
2017-18	56	407
2018-19	65	399
Total	1,786	7,822

Up to March 31, 2019, region-wise the highest number of prosecutions were launched in the head office/ western region (1,046) followed by the northern region (379), eastern region (242) and southern region (119) (Table 3.57).

Table 3.57 : Region-Wise Data on Prosecution Cases

Region	Number of Cases	Percentage to Total	Number of Cases	Percentage to Total
	As on March 31, 2018		As on March 31, 2019	
Head Office / Western Region	1,035	60.1	1,046	58.6
Northern Region	375	21.8	379	21.2
Southern Region	117	6.8	119	6.7
Eastern Region	194	11.3	242	13.5
Total	1,721	100.0	1,786	100.0

b. Nature of Prosecutions

SEBI launches prosecutions for violation of provisions of the SEBI Act, 1992; Companies Act, 1956; Depositories Act, 1996; SC(R) Act, 1956; and the Indian Penal Code. Up to March 31, 2019, 1,786 prosecution cases have been launched (Table 3.58).

Table 3.58 : Nature of Prosecutions Launched

Nature of Prosecution Launched	Number of Cases as on March 31, 2018	Number of Cases as on March 31, 2019
Securities and Exchange Board of India Act, 1992 (SEBI Act)	1,465	1,483
SEBI Act & Securities Contracts (Regulation) Act, 1956 (SCRA)	97	97
SEBI Act, SCRA & Companies Act	2	2
SEBI Act & Companies Act	28	74
SEBI Act & Indian Penal Code	5	5

Nature of Prosecution Launched	Number of Cases as on March 31, 2018	Number of Cases as on March 31, 2019
Companies Act, 1956	80	81
Securities Contracts (Regulation) Act, 1956	7	7
Depositories Act, 1996	29	29
Indian Penal Code	8	8
Total	1,721	1,786

Table 3.59 : Nature of violations in prosecutions launched during 2018 – 19.

Nature of violation	Number of Cases filed during 2018-19
Non-payment of penalty imposed by Adjudicating Officer	9
CIS Regulations	3
SAST Regulations	2
Illegal Fund Mobilisation in Violation of Companies Act, 1956	47
Non-payment of Dividends as per the Companies Act, 1956	1
Violation of SEBI(ILDS) Regulations, 2008	2
Non-compliance of summons issued by Investigating Authority	1
Total	65

c. Disposal of Prosecution Cases

As on March 31, 2019, the courts had disposed of 578 prosecution cases filed by SEBI, out of which 203 cases pertained to CIS entities and 375 pertained to non-CIS entities. Further, out of 578 prosecution cases decided by the courts, 205 cases resulted in convictions and 257 cases were compounded (Table 3.60).

Table 3.60 : Number of Prosecution Cases Decided by the Courts

Type of Decision by the Courts	CIS		Non-CIS		Total	
	As on March 31, 2018	As on March 31, 2019	As on March 31, 2018	As on March 31, 2019	As on March 31, 2018	As on March 31, 2019
Convictions	156	158	38	47	194	205
Compounded	8	8	199	249	207	257
Abated	6	6	8	12	14	18
Dismissed/Discharged	27	29	48	61	75	90
Withdrawn	2	2	3	3	5	5
Adjourned Sine Die/Filed for the Present	0	0	1	3	1	3
Total	199	203	297	375	496	578

Table 3.61 : Nature of violations in convictions

Nature of violations for which accused were convicted	Number of Cases Convicted during 2018-19
Non-payment of penalty imposed by Adjudicating Officer	7
CIS Regulations	2
PFUTP Regulations	1
Non-payment of Dividend in Violation of Companies Act, 1956	1
Total	11

III. SETTLEMENT AND COMPOUNDING

During the financial year 2018-19, SEBI received 419 applications for settlement as compared to 241 applications received in the previous year. During 2018-19, SEBI disposed of 137 applications by passing appropriate settlement order, while 164 others were rejected. For 137 applications settled during the year, SEBI collected ₹ 46.1 crore towards settlement / legal / administrative / disgorgement charges compared to ₹ 30.9 crore in previous year (Table 3.62).

Table 3.62 : Settlement Applications Filed with SEBI

Year	Pending at the beginning of the period	No. of settlement applications received ¹	No. of applications disposed of by passing order ²	Settlement charges (₹) ³	No. of applications rejected	Pending at the end of the period
2017-18	232	241	200	30,86,70,956	79	194
2018-19	194	419	137	46,11,30,881	164	312

Note: ¹ Under the SEBI (Settlement of Administrative and Civil Proceedings) Regulation, 2014 which is repealed and replaced with SEBI (Settlement Proceedings) Regulations, 2018 with effect from January 01, 2019, the process is now known as settlement instead of consent. ² The number of applications may include disposal of applications filed during previous financial years³. Out of total amount of ₹ 46,11,30,881/-, ₹ 92,18,727/- was received towards disgorgement, ₹ 45,10,04,929/- towards settlement and ₹ 9,07,225/- towards legal expenses

Out of the 163 applications filed with SEBI (76 fresh applications filed during 2018-19 and 87 pending applications from the previous years), 51 applications

were compounded during the year while 42 others were rejected (Table 3.63).

Table 3.63 : Compounding Applications Filed by the Accused in Criminal Courts

Year	Opening Balance (Applications pending) at the beginning of year	Applications filed during the year	Applications disposed		Compounding charges received by SEBI (₹)	Closing Balance at the end of year
			Compounded	Rejected		
2017-18	83	76	53	19	2,69,06,459	87
2018-19	87	76	51	42	3,14,07,793	70

IV. RECOVERY PROCEEDINGS

The Securities Laws (Amendment) Act, 2014 was notified in August 2014 amending the SEBI Act, 1992, SCRA, 1956 and the Depositories Act, 1996 w.e.f. July 18, 2013. As per Section 28A of the SEBI Act and the corresponding provisions of SCRA and the Depositories Act, SEBI is empowered to recover money from persons who fail to pay the penalty imposed by an adjudicating officer or fail to comply with any directions of the Board for refund of money

or fail to comply with the direction of disgorgement order or fail to pay any fees due to the Board. Table 3.64 presents the details of recovery proceedings by SEBI.

During 2018-19, 593 recovery proceedings were initiated for recovery of ₹ 2.032.9 crore. Of which ₹ 272.36 crore was recovered during the year. Recovery proceedings were completed in 121 cases after recovering the outstanding dues.

Table 3.64 : Recovery Proceedings by SEBI

Description	CIS & DPI						Other than CIS & DPI						Total (Cumulative)
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	
Recovery Certificates / Notice of Demand drawn by SEBI	1	14	47	34	33	37	63	526	244	241	179	556	1,975
No. of Certificates Cancelled	0	1	1	0	1	0	0	10	26	11	8	32	90
Amount covered under Certificates (₹ crore)	1,520	370.2	52,912.1	15,154	1,743.6	1,845.3	74.8	90.8	47.2	182.2	106.7	187.6	74,234.5
Amount Recovered (₹ crore)	0	2.3	213.2	80.8	187.2	262.02	7.8	16.9	11.4	8.4	16.2	10.34	816.56
Arrests and detention of Defaulter	0	0	0	0	0	0	0	3	0	0	0	0	3
Cases where recovery is completed	0	0	0	0	0	1	6	121	80	121	78	120	527
No. of Certificates Pending at the year end	1	14	60	94	126	162	57	452	590	699	792	1,196	1,358*

Notes: 1. * - figure excludes no. of Certificates Cancelled and cases where recovery is completed.

2. Amounts in other than CIS & DPI cases includes interest and costs till the date of issuance of Recovery Certificate

Box 3.1: Extraterritorial recovery through Federal Court of Australia in the matter of PACL

1. SEBI vide its order dated August 22, 2014 *inter alia*, directed PACL to wind up the existing schemes and refund ₹ 49,100 crore collected by it along with returns due to the investors as per the terms of the schemes. Upon PACL's failure to comply with the aforesaid direction, recovery proceedings were initiated wherein Recovery Officer, SEBI had issued Certificate No. 832 of 2015 dated December 11, 2015 against PACL and its promoters/directors for recovery of a sum of ₹ 49,100 crore along with promised returns, further interest, all costs, charges and expenses, etc. In furtherance of the same, SEBI filed a claim petition before Federal Court of Australia (FCA) for claiming the assets acquired out of the money mobilized by PACL and diverted to Australia (Hotel Sheraton Mirage situated at Gold Coast and two properties at Sanctuary Cove, Australia) upon rejection of its intervention application in a proceeding filed by Janlok Pratisthan Sanghatana, an investor group (Janlok). Trial of claim petition filed by SEBI and petition filed by Janlok before the FCA in the matter was concluded in April 2018. SEBI had claimed that the assets under litigation or their sale proceeds are to be held on trust for the Indian investors in PACL and be released to SEBI. The FCA pronounced judgment in the matter on July 20, 2018, *inter alia*, holding as under:

- (i). that SEBI conducted the proceedings with commendable efficiency;
- (ii). that FCA adopted the report submitted by Justice Ian Callinan, former judge of High Court of Australia, who was appointed as a Referee by the FCA to opine on the issue of SEBI's *locus standi* in the matter as a question of foreign law. The report observed that SEBI has full right, interest, power and authority to seek a relief in Australia;
- (iii). that after analysing the scheme pursuant to which PACL collected funds from Indian investors and relying on the report of Justice Ian Callinan, FCA concluded that the scheme operated by PACL is indeed a "collective investment scheme" and that the monies received by PACL from Indian investors are on trust for those investors;
- (iv). that the monies mobilised from the investors was transferred by PACL to Pearls Infrastructure Projects Ltd. (PIPL) and other entities and ultimately to Australia and that such transfers were in breach of trust;
- (v). that the trust monies were received by MiiResorts and MiiGroup and could be traced to the properties under litigation in Australia. Therefore, the investors would have a claim over such assets. Accordingly, the balance proceeds held in the bank account of McCullough Robertson is held on trust for the Indian investors;
- (vi). that FCA proposed to adopt a refund scheme with maximum efficiency and minimum cost of distribution. Since Janlok had submitted an alternate scheme of refund to be administered in Australia, the matter was adjourned for further discussion in the case management hearing to be held on July 23, 2018.

2. Pursuant to pronouncing the judgment, during the case management hearing on July 23, 2018, SEBI and Janlok made submissions on the appropriate form of reliefs that could be granted by FCA. SEBI sought release of the money to it for distribution based on the facts such as commencement of refund process by the Supreme Court of India appointed Committee, logical advantage over any other possible scheme of distribution, cost effectiveness, etc. Hence, Janlok's alternate scheme of distribution to be administered in Australia was abandoned during the hearing. Issues such as appointment of receiver for the Sanctuary Cove properties, determination of costs payable to SEBI and Janlok, etc. were also argued during the hearing.

3. After considering the submissions of SEBI and Janlok, FCA passed order dated July 23, 2018 issuing the following directions:

- (i). The balance money held in the trust account (remaining after pay-out to the Australian Taxation Office and MiiResorts) and the Sanctuary Cove properties are held on trust for all investors of PACL, who are not refunded in full;
- (ii). Mr. Steven Staatz was appointed as a receiver for the sale of Sanctuary Cove properties and deposit of proceeds to the trust account;
- (iii). For the purpose of deciding the amount that may be paid out of the trust account to SEBI and Janlok towards costs incurred for protecting the properties under litigation, Ms Janet Claire McDonald was appointed as a Referee for conducting an inquiry for ascertaining the amount properly and reasonably incurred by Janlok and SEBI in relation to the proceedings;
- (iv). To ensure that the funds currently held on trust are ultimately distributed to investors with as little deduction for SEBI's procuring and administering costs as possible, SEBI was directed to file a report in relation to the proposed distribution scheme.

4. In line with the aforesaid judgment, out of sale of properties at Australia so far, an amount of AUD 72.24 million is available in the trust account after deductions of levies, council rates, stamp duty and other expenses.

5. The property in Mont Albert, Victoria was not a part of the earlier proceedings. Therefore, the same remained to be the subject of a separate tracing exercise as to whether sufficient evidence could be obtained for tracing the funds purportedly used to acquire the said property back to the investors' funds. At the case management hearing on July 23, 2018, FCA indicated its willingness to allow SEBI to obtain the necessary evidence (including by subpoena, if necessary) to enable SEBI to undertake a tracing exercise. SEBI has now appointed a forensic expert in this regard and the matter is pending before FCA.

Recovery proceedings in the matter of Pancard Clubs Ltd.

In addition to the attachment of immovable properties of Pancard Clubs Ltd. (PCL) vide order dated December 21, 2016, attachment of movable properties available at eight premises of PCL and its directors was made simultaneously. Vehicles, jewellery and other movable assets were attached and the attached vehicles were auctioned subsequently. Further attachment of immovable assets of PCL was made vide order dated April 16, 2018. Possession was handed over to the successful purchasers who had bought properties in auctions till date by evicting occupants having adverse possession in those auctioned properties. In pursuance of Hon'ble SAT's order directing reconsideration of attachment of assets of Panoramic Universal Ltd., a subsidiary of PCL, another order confirming the said attachment was passed on August 21, 2018. An appeal challenging the said order is pending before Hon'ble SAT.

In the meantime, the immovable properties thus attached were put up for auction four times, i.e., vide notices dated April 9, 2018(5th auction), May 23, 2018(6th auction), July 18, 2018(7th auction) and September 18, 2018 (8th auction). Consecutive auctions were held for the reason that the properties failed to attract bidders and remained unsold in earlier auctions.

In the eight auctions so far, fifteen immovable properties were sold and a total amount of ₹ 110 crore (approx.) was realized. However, prior to issuance of confirmation of sale to the successful purchasers, Hon'ble High Court of Bombay in Writ Petition No.12998 of 2018 had vide an ex-parte order stayed confirmation of sale pursuant to auctions conducted in eighth auction. Later, after hearing SEBI, Hon'ble High Court vide order dated January 9, 2019 had permitted the purchasers to take possession of the auctioned properties and directed to maintain 'status quo' till further directions. The aforesaid writ petition is pending before Hon'ble High Court of Bombay.

V. SPECIAL ENFORCEMENT CELL

The Special Enforcement Cell was constituted by SEBI to specifically handle work relating to the verification process of documents submitted in terms of the directions of the Hon'ble Supreme Court with respect to M/s. Sahara India Real Estate Corporation Ltd., (SIRECL) and M/s. Sahara India Housing Corporation Ltd. (SHICL) and matters connected therewith. Developments in the matter of SIRECL and SHICL are given below.

A. Background:

SEBI is implementing the Hon'ble Supreme Court's judgment dated 31.08.2012 which inter alia upheld SEBI directions to SIRECL and SHICL (collectively referred to hereinafter as the "Saharas") to forthwith refund the money collected by them

through RHPs with 15 per cent interest from the date of receipt of money till the date of payment.

SEBI has been acting in accordance with the directions contained in the said judgment of the Hon'ble Supreme Court and its actions are overseen by Hon'ble Justice (retd.) B. N. Agrawal. SEBI has filed 20 status reports before the Hon'ble Supreme Court in this respect which have also been furnished to Saharas.

B. Developments in the Matter during 2018-19:

• Sale of Aamby Valley city:

Hon'ble Supreme Court, vide its Order dated 12.07.2018 had noticed that the properties situated in Aamby Valley City are not in a position to be auctioned because there had been no response with regard to the notice inviting tender. Further, the

Court Receiver as well as the Official Liquidator of the High Court of Bombay, appointed for the purpose of auctioning the properties of Aamby Valley City, were also been discharged by the Apex Court.

C. Amount received from the Saharas

Pursuant to various Orders passed by the Hon'ble Supreme Court and the attachment Orders dated 13.02.2013 passed by SEBI, as on 31.03.2019, an aggregate amount of about ₹ 15,438 crore has been recovered by SEBI. As on 31.03.2019, these amounts along with interest earned on them after providing for making refunds to the investors i.e. aggregate amount of ₹ 20,173 crore, has been deposited in 'nationalized banks' in terms of the judgment dated 31.08.2012 of the Hon'ble Supreme Court.

D. Status of Refunds Made By SEBI

Pursuant to the order of the Hon'ble Supreme Court dated 08.05.2013 permitting SEBI to make refunds to those genuine investors who have lodged their claims with SEBI, a press release was issued on 28.05.2012 followed by two series of advertisements released on August 2014 and December 2014 and the format of the "Application for Refund" was also uploaded on SEBI's website.

SEBI had further, with the approval of Justice B N Agrawal, released a final round of advertisement on 26.03.2018 by giving the last date for submission of

applications as 02.07.2018. Subsequently, an another advertisement, as a clarification to the advertisement issued on 26.03.2018 was also issued on 19.06.2018, informing the bondholders that the present opportunity to file the claim for refund is last and final and thereafter, no further refund claims would be entertained. Pursuant to said advertisement, SEBI had received 4,118 refund applications (including disputed cases) along with original bond certificates/passbooks and the same have been entered into the system and the cases were taken up for verification. While entering these cases into the system, duplicate reference numbers were also generated in respect of 132 cases (involving 0 control numbers) due to system error. Besides these, another 789 applications were received without original bond certificates/passbooks and the said applications were not entered into the system, as per extant practice.

As on 31.03.2019, SEBI has received 19,547 applications involving 53,233 accounts, and made refunds with respect to 13,543 applications involving 38,143 accounts for an aggregate amount of ₹ 106.10 crore including the interest amount of ₹ 49.24 crore. About 535 applications involving 1,634 accounts are referred back to applicants for removal of discrepancies and 131 applications involving 354 accounts fall under the disputed category (Table 3.65).

Table 3.65 : Status of Refunds Made by SEBI

Sl. No.	Particulars	No of Cases*	Account / Control Nos.	Amount Claimed by Bondholder (₹)
1.	Application received with Original Bond Certificates / Passbooks	19,547	53,233	80,79,75,010
2.	Disputed Cases	131	354	49,49,007
3.	Pending at Investors	1061	2559	3,84,27,700
4.	Pending at Sahara	254	549	71,60,800
5.	Pending at SEBI	4,016	10,583	17,31,39,816
6.	Closed cases (Investor not responded)	542	1045	1,57,30,287
7.	Cases already refunded	13,543	38,143	Principal: 56,85,67,400 Interest: 49,24,66,429

*Note : *An application may fall in more than one category, hence the no. of cases are not mutually exclusive.*

VI. APPEALS, LITIGATIONS AND COURT PRONOUNCEMENTS

Appeals before SAT

During 2018-19, 379 appeals were filed before the Securities Appellate Tribunal (SAT). Further, 138 appeals were dismissed (ruled in favour of SEBI)

while 25 were allowed (ruled against SEBI). At the end of March 31, 2019, 379 appeals were pending before SAT (Table 3.66).

Table 3.66 : Status of Appeals before SAT

Status of Appeals	2017-18	2018-19
Appeals pending at the beginning of the year	404	217
Appeals filed during the year	340	400
Appeals Dismissed	306	138
Appeals Remanded	37	21
Appeals Allowed	17	25
SEBI orders upheld with modifications	49	25
Appeals withdrawn	112	29
Appeals Pending at the end of the year	223	379

Note : The figures may not match with annual report 2017-18 due to reconciliation.

During 2018-19, SAT disposed of total 30 cases (3 filed by SEBI and 27 filed by other parties) compared to 36 cases (20 filed by SEBI and 16 filed by other parties) in 2017-18.

Cases before Supreme Court

As on March 31, 2019, there were 156 cases pending before the Supreme Court (compared to 165 pending in the previous year) out of which 73 cases are filed by SEBI and 83 cases filed by the other parties (Table 3.67)

Table 3.67 : Status of Cases before the Supreme Court

Subject Matter	2017-18			2018-19		
	Cases filed during	Cases disposed of during	Cases pending at the end of	Cases filed during	Cases disposed of during	Cases pending at the end of
Appeals filed by SEBI	13	20	68	7	3	73
Appeals filed by parties	42	16	97	13	27	83
Total	55	36	165	20	30	156

Out of the 156 cases pending before the Supreme Court, 135 cases are appeals filed under Section 15Z of the SEBI Act. During 2018-19, 5 appeals were filed by SEBI against SAT's orders,

whereas 13 appeals were filed by parties before the Supreme Court under Section 15Z of the SEBI Act. (Table 3.68)

Table 3.68: Status of Appeals against SAT orders before the Supreme Court

Subject Matter	2018-19		
	Appeals filed during	Appeals disposed of during	Appeals pending at the end of
Appeals filed by SEBI	5	3	66
Appeals filed by parties	13	26	69
Total	18	29	135

Appeals before High Court

As on March 31, 2019, there were 27 statutory appeals pending in the High Courts out of which

eight appeals were filed by SEBI and 19 others were filed by the other parties. During 2018-19, one appeal filed by parties was disposed by High Courts (Table 3.69).

Table 3.69: Status of Appeals before High Courts

Subject Matter	2017-18			2018-19		
	Appeals filed during	Appeals disposed of during	Appeals pending at the end of	Appeals filed during	Appeals disposed of during	Appeals pending at the end of
Appeals filed by SEBI	1	1	8	0	0	8
Appeals filed by parties	0	1	20	0	1	19
Total	1	2	28	0	1	27

Cases before various judicial forums

During 2018-19, of the 442 cases filed across various judicial forums, 220 cases were filed in High Courts, 86 cases were filed in Consumer Forums, 66 cases were filed in Permanent Lok Adalat and 34 cases were filed in NCLT/NCLAT. Meanwhile, High Courts and Consumer Forums disposed 89 cases each during 2018-19, followed by NCLT/NCLAT (16 cases). As on March 31, 2019, 1,266 cases were pending at different stages before various judicial forums (Table 3.70).

Table 3.70: Status of Court Cases where SEBI was a Party (Judicial Forum)

Subject	Filed During 2018-2019	Disposed During 2018-2019	Pending as on 31.03.2019
Supreme Court	5	5	83
High Court	220	89	772
Civil Courts	29	9	122
Criminal Courts	0	0	8
Consumer Forums	86	89	159
NCLT/NCLAT	34	16	43
Labor Commissioner/Labor Court	1	1	7
Commissioner of GST & CX/Sales Tax Appellate Tribunal	0	0	1

Subject	Filed During 2018-2019	Disposed During 2018-2019	Pending as on 31.03.2019
Commissioner of Income Tax	0	2	1
Municipal/Local Bodies	0	0	1
Permanent Lok Adalat	66	2	67
The Debt Recovery Tribunal	1	0	1
Central Administrative Tribunal	0	0	1
Total	442	213	1266

Note : Data in the table does not include statutory appeals filed before the SAT, High Courts and Supreme Court. The figures may not match with annual report 2017-18 due to reconciliation

During 2018-19, 485 fresh court cases where SEBI was a party were filed in different courts while 248 cases were disposed of. Of the 248 cases disposed of, 37 pertained to collective investment schemes, 22 pertained to intermediaries/ broker fee matter, and 21 each pertained to issues and listings and cases related to investor complaints. As on March 31, 2019 the highest number of cases pending were related to issues and listings (398 cases), followed by collective investment scheme cases (179 cases) and investor complaint cases (143 cases) (Table 3.71).

Table 3.71 : Status of Court Cases where SEBI was a Party (Subject Matter)

Subject	Filed During 2018-2019	Disposed During 2018-2019	Pending as on 31.03.2019
Issue and Listing	134	21	398
Takeover	10	13	16
Stock Exchanges/ Clearing corporations/ Depositories	27	14	40
Mutual Fund	2	1	4

Subject	Filed During 2018-2019	Disposed During 2018-2019	Pending as on 31.03.2019
Collective Investment Schemes	134	37	179
Surveillance & Investigations	20	15	33
Intermediaries/ Broker Fees matters	23	22	58
Cases relating to Investor Complaints	28	21	143
Right to Information	0	0	17
General Services Department	0	0	11
Human Resources	0	0	3
Commodities	2	1	20
Miscellaneous	105	103	365
Total	485	248	1,287

Note : Data does not include statutory appeals filed before SAT, High Courts and the Supreme Court. The figures may not match with annual report 2017-18 due to reconciliation

VII. REGULATORY CHANGES

Section 30 of the SEBI Act, 1992 empowers SEBI to make regulations consistent with the Act by issuing notifications. Every rule and every regulation made under this Act is to be laid before both Houses of Parliament. During 2018-19, SEBI took various regulatory measures to protect the interests of investors in the securities market, for developing the securities market and for regulating the securities market. It notified various new regulations and various amendments to existing regulations.

A. NEW REGULATIONS

(I) **Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018**

1. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (“ICDR Regulations”) have been amended on various occasions since its notification. Further, a number of informal guidance/ interpretative letters have been issued by SEBI regarding the interpretation of the provisions of the ICDR Regulations. The market practices and regulatory environment have changed over a period of time and different types of offerings to raise funds in the primary market have also been introduced.
2. In view of the above, it was felt to review and realign the ICDR Regulations with the developments and to ensure that they reflect the best practices adopted globally. Accordingly, SEBI constituted an Expert Group consisting of market participants to simplify the language and complexities in the regulations, to incorporate changes/ new requirements which have occurred due to change in market practices and regulatory environment and to make the regulations more readable and easier to understand.
3. The recommendation of the Expert Group was considered by the Primary Market Advisory Committee and upon receipt of public comments, SEBI notified the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 on September 11, 2018.
4. The salient features of the said regulations are as follows:
 - a. The requirement of announcing price band five working days before opening of the issue is reduced to two working days before opening of the issue;
 - b. Financial disclosures to be made for three years as against the earlier duration of five years;
 - c. Threshold for submission of draft letter of offer to SEBI in case of rights issues increased to Rs. 10 Crore as against the earlier prescribed Rs. 50 Lakhs;
 - d. Shortfall of upto 10 per cent in minimum promoters’ contribution may be met by institutional investors such as by foreign venture capital investors, scheduled commercial banks, public financial institutions and insurance companies registered with Insurance Regulatory and Development Authority of India, in addition to Alternative Investment Funds, without being identified as “Promoters”;
 - e. It has been decided to delete the chapter pertaining to Institutional Placement Programme and also the provisions pertaining to Safety net and IPO grading;
 - f. The shareholding threshold for identifying promoter group has been revised from 10 per cent to 20 per cent;
 - g. The definition of group companies has been made more specific by clarifying that group company/companies, shall include such companies (other than promoter(s) and subsidiary/subsidiaries) with which there were related party transactions, during the period for which financial information is disclosed (three years), as covered under the applicable accounting standards and also other companies as considered material by the board of the issuer.
 - h. Insurance Companies and Foreign Portfolio Investors except for Category III, promoted by entities related to the lead manager are

permitted to participate in the Anchor Investor category, in addition to mutual funds promoted by lead managers.

- i. Underwriting provisions aligned to requirements of minimum subscription, where if 90 per cent of the fresh issue is subscribed in a main board IPO, underwriting will be restricted to that portion only and accordingly the requirement to underwrite 100 per cent of the issue without regard to the minimum subscription requirements has been omitted;
- j. The provisions of Companies Act, 1956 (wherever applicable), Companies Act, 2013, Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 have been suitably incorporated.
- k. Various informal guidance / interpretative letters / frequently asked questions / Circulars regarding interpretation of various provisions of the regulations issued by SEBI from time to time have been suitably incorporated.

Further, the contents of the new Regulations have been streamlined as follows:

- i. All the chapters have been categorized on the basis of the type of offering so that all relevant information pertaining to regulations relating to a particular type of offering are available at one place.
- ii. The procedural requirements have been specified through Schedules to the draft regulations.
- iii. The provisions have been rearranged based on their sequence in the public issue process and relevance.

(II) Securities and Exchange Board of India (Buy-back of Securities) Regulations, 2018

1. The Securities and Exchange Board of India (Buy-back of Securities) Regulations, 1998 have been amended on various occasions since its notification. Further, number of informal guidance/ interpretative letters have been issued by SEBI regarding the interpretation of the provisions of the said Regulation. The market practices and regulatory environment have changed over a period of time, more particularly with the provisions of the new Companies Act, 2013.
2. In view of the same, an expert group under the Chairmanship of Shri. P. K. Malhotra, former Member, Securities Appellate Tribunal and former Secretary, Ministry of Law and Justice was constituted by SEBI. The objective of the Group was to:-
 - a. simplify the language of the said Regulations,
 - b. remove redundant and inconsistent provisions,
 - c. update the references to the Companies Act, 2013/ other new SEBI Regulations,
 - d. incorporate the circulars, Frequently Asked Questions (FAQs) and informal guidance in the Regulations, wherever possible
3. Upon receipt of the recommendation of the Expert Group and public comments thereon, SEBI notified the Securities and Exchange Board of India ((Buy-back of Securities) Regulations, 2018 on September 11, 2018.
4. The salient features of the said Regulations are as follows:
 - a. The relevant provisions outlined under sections 68 and 70 of the Companies Act, 2013 have been incorporated to make it self-contained;
 - b. The buyback period has been defined as the period between board of directors resolution/

date of declaration of results for special resolution authorizing the buyback of shares and the date on which payment consideration is made to the shareholders.

(III) Securities and Exchange Board of India (Settlement Proceedings) Regulations, 2018.

1. The Securities and Exchange Board of India (Settlement of Civil and Administrative Proceedings) Regulations, 2014 have been amended a number of times. In view of the experience gained over a period of time while handling settlement applications, it was felt appropriate to constitute a High Level Committee under the Chairmanship of Justice A. R. Dave (retd.) to *inter alia* review the existing Settlement Mechanism in SEBI.
2. Upon receipt of the recommendation of the High Level Committee and the public comments received thereupon, SEBI notified the Securities and Exchange Board of India (Settlement Proceedings) Regulations, 2018 on November 30, 2018 and the Regulations came into force with effect from January 1, 2019.
3. The salient features of the Regulations are as follows:
 - a. The Board may not settle any proceeding if it is of the opinion that the alleged default has market wide impact, loss to investors or affects the integrity of the market;
 - b. The Board may not settle any proceeding where the applicant is a wilful defaulter, a fugitive economic offender or has defaulted in payment of any fees due or penalty imposed under securities laws;
 - c. A new provision dealing with “settlement with confidentiality” to any person that provides material assistance to the Board in its fact-

finding process and proceedings has been specified;

- d. The Board may specify the procedure and terms of settlement of specified proceedings under a settlement scheme for any class of persons involved in respect of any similar specified defaults;
- e. Compounding applications shall be processed along the lines of settlement applications;
- f. The Board may provide for issuance of a notice of settlement prior to issuance of a show cause notice for other defaults (other than in case of summary settlement).

(IV) Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018, and

(V) Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018

1. The Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996 and the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 provide for regulations in respect of Market Infrastructure Institutions (MIIs) like depositories, stock exchanges and clearing corporations. The said regulations were amended from time to time. SEBI had also issued various circulars to be complied with by such MIIs.
2. In order to comprehensively review the regulations and relevant circulars pertaining to MIIs, SEBI in addition to seeking public comments, had set-up a Committee under the Chairmanship of Shri R. Gandhi, former Deputy Governor, Reserve Bank of India. Pursuant to the recommendations of the

- said Committee and the decisions of the Board in respect of such recommendations, the Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018, and Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 were notified by SEBI in the Gazette on October 3, 2018.
3. The salient features of the said Regulations are the following:-
 - a. The shareholding limits, which can be held by both eligible domestic and foreign entities in a MII, are harmonized across all MIIs. Eligible domestic and foreign entities, are permitted to hold upto 15 per cent shareholding in case of Depository and Clearing Corporation, as is the case for Stock Exchanges. Additionally, multilateral and bilateral financial institutions, as notified by the Government, may also hold upto 15 per cent in an MII.
 - b. The concept of Sponsor has been removed in case of Depository, with existing sponsor entities being allowed upto 5 years to reduce their respective shareholding upto 15 per cent.
 - c. The Board shall be the deciding authority in case any issues arises in rendering non-discriminatory access to services of a recognised clearing corporation;
 - d. New norms (in matters pertaining to tenure, number of public interest directors in MIIs, quorum for meetings, etc.) in respect of "Public Interest Director ("PID")" and Managing Director/CEO in MIIs are incorporated. Number of PIDs shall not be less than the shareholder directors in the Governing Board of an MII;
 - e. MII should disclose the resources committed towards regulatory functions and towards ensuring regulatory compliance, backed by activity based accounting;
 - f. Considering the importance of the role played by Key Management personnel (KMP), the definition and norms relating to disclosure of their compensation have been modified, where a KMP shall be any person who directly reports to CEO or director of the Governing Board of the MII, or any person upto two levels below MD/CEO, or as identified by the Nomination and Remuneration Committee and the compensation ratio paid to KMPs vis-à-vis median of compensation paid to all employees of the MIIs shall be disclosed by the MII;
 - g. Treasury investments as per the investment policy of the Governing Board of an MII allowed as the same would provide adequate flexibility to the MIIs in deciding their day to day investments. Any other activity whether involving deployment of funds or otherwise would need prior permission of the regulator;
 - h. Merger and restructuring of mandatory committees of MIIs to avoid inter related and overlapping thereby reducing the number of committees from existing 15 to 7, viz, -
 - i. Functional Committees, comprising of three committees, i.e. Member Selection Committee, Investor Grievance Redressal Committee and Nomination and Remuneration Committee; and
 - ii. Oversight Committees, comprising of four committees, i.e. Standing Committee on Technology, Advisory Committee, Regulatory Oversight Committee and Risk Management Committee.

- i. In order to adequately capture the risks faced by a clearing corporation, the regulations adopt a risk based approach towards computation of net-worth. Recognised clearing corporation to maintain net-worth of INR 100 crore or such other amount to counterparty credit risk, business risk, legal and operational risk;

(VI) Securities and Exchange Board of India (Appointment of Administrator and Procedure for Refunding to the Investors) Regulations, 2018

1. The aforesaid Regulations provide for a legal framework in respect of liquidating the properties of a defaulter who has not complied with the orders of the Board for disgorgement of ill-gotten profits or for making refunds (in cases pertaining to deemed public issues and unregistered collective investment schemes) to investors.
2. The Regulations provides for matters *inter alia* pertaining to –
 - a. appointing an Administrator (who is an Insolvency Resolution professional registered with the Insolvency and Bankruptcy Board of India), eligibility norms, tenure etc.,
 - b. powers and functions of the Administrator, which includes selling of the properties of the defaulter that have been attached by the Recovery Officer and to call for and verify the claims from investors for effecting refunds in terms of the Board’s Orders;
 - c. the Administrator seeking the services of a registrar and share transfer agent, chartered accountant and valuer, for effective discharge of his functions;
 - d. action against the Administrator in case of his default/breaches.

B. AMENDMENTS TO EXISTING REGULATIONS

(1) Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2018 notified on April 02, 2018

Details: Specific provisions dealing with commodity derivative exchanges are either omitted or suitably amended.

Rationale: Amendment to enable all recognized stock exchanges to deal with all the segments of the securities markets.

(2) Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018

The new ICDR Regulations have been amended twice since coming into force on September 11, 2018. The amendments are as follows:

1. **Amendment Notification dated December 31, 2018:** Amendment to Regulation 253 of ICDR Regulations by adding a similar provision to Regulation 32(4) of ICDR Regulations to enable allocation in the net offer for issues made other than through book building process in the IPO Offerings in the SME segment. Further, in case of an Offer for sale, change in the number of shares offered for sale may be permitted upto 50 per cent without requiring fresh filing, irrespective of the issue size.

Rationale: SME IPO issues can either be book built issues or issues made other than through book building process, i.e. fixed price issues. However, provision for IPO Offerings in the SME segment is presently only for book built issues. In the SME Segment, many issues are made through the fixed price method and thus, creating an enabling provision for allocation in the net offer for fixed price issues would

facilitate fund raising by SMEs. Further, the Primary Market Advisory Committee (PMAC) recommended that change may be permitted upto 50 per cent of shares offered for sale, only in case of offer for sale component of IPO offerings, irrespective of the issue size and accordingly fresh filing may not be required in such cases and that fresh filing would continue to be a requirement where there is a variance in issue size of fresh issues (excluding OFS component) by more than 20 per cent.

2. **Amendment Notification dated March 29, 2019:** The amendment *inter alia* takes into account the changes brought in by the Insolvency and Bankruptcy Code and the revisions made by RBI in its debt restructuring guidelines and confines the exemption from lock-in only to lenders converting their debt to equity under such revised guidelines or to a resolution plan approved by the Adjudicating Authority under the Insolvency and Bankruptcy Code and the exemption from lock-in in preferential issue of shares available to new investors who purchase equity from lenders pursuant to debt restructuring has been removed.

Rationale: The amendments are pursuant to the changes brought in by the Insolvency and Bankruptcy Code and the revisions made by RBI in its debt restructuring guidelines required appropriate amendment in the Regulations.

- (3) **Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015**

The LODR Regulations have been amended seven times this year. The amendments are as follows:

1. **Amendment Notification dated May 09, 2018:** Amendments in respect of improving corporate governance norms pursuant to the recommendations of the Kotak Committee on Corporate Governance.

Rationale: SEBI constituted a Committee under the Chairmanship of Shri Uday Kotak to make recommendations to SEBI for improving standards of corporate governance of listed entities in India. This Committee submitted its recommendations on October 5, 2017. Pursuant to the recommendations, amendments were made for improving corporate governance norms.

2. **Amendment Notification dated May 30, 2018:** Amendments to provide an option to the listed companies for distribution of cash benefits through the depositories in addition to the present system of distribution either directly by them or through Registrar to an issue and/or Share Transfer Agents.

Rationale: The amendment was done as a beneficial measure to the investors as well as the issuers.

3. **Amendment Notification dated June 01, 2018:** Amendments in relation to insolvency resolution process, approved resolution plan under section 31 of the Insolvency and Bankruptcy Code, 2016.

Rationale: The insolvency resolution process and implementation of plan approved under section 31 of the Insolvency and Bankruptcy Code, 2016 required certain dispensation in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

4. **Amendment Notification dated June 08, 2018:** Amendments to implement the decision to

mandate transfer of securities compulsorily in dematerialized mode.

Rationale: Amendment to mandate transfer of securities only in dematerialized mode to make it easier and safer for the investors as this would prevent loss in transit, bad deliveries, fake securities, delays, mutilation, thefts etc.

5. **Amendment Notification dated September 06, 2018:** Amendment to insert 'security receipts' and a corresponding new chapter in the regulations for application of the regulations on security receipts.

Rationale: Amendment has been carried out to permit the trading of security receipts on the stock exchanges.

6. **Amendment Notification dated November 16, 2018:** Insertion of "fugitive economic offender" and disclosures pertaining to Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act under the 'Corporate Governance' section of the Annual Report. Further, to revise provisions relating to re-classification of promoter/public, provide procedure for filing exemption requests under regulation 102 and align the transmission provisions in Schedule VII of the regulations.

Rationale: It was decided to include the definition of "fugitive economic offender" pursuant to the definition under the Fugitive Economic Offenders Act, 2018. It was also decided to revise the provisions pertaining to re-classification of promoter/public, based on the recommendations of the Kotak Committee and PMAC and comments received from the public. Further, vide circular dated September 15, 2016, SEBI had modified and simplified the procedure to be followed for transmission

of securities held in physical mode to bring it in line with the Indian Succession Act, 1925. Accordingly, these provisions in the circular have now also been incorporated in the regulations.

7. **Amendment Notification dated March 29, 2019:** Regulation 23(1A) of the regulations provides that payment made to related parties towards brand usage or royalty are to be considered material if the transactions exceeds 2 per cent of the annual consolidated turnover of the listed entity during a financial year. This provision was to come into effect from April 01, 2019, which has been now by amendment deferred till June 30, 2019.

Rationale: Based on the representation received, the Board had decided to defer the implementation of this provision by three months, i.e., w.e.f. June 30, 2019.

- (4) **Securities and Exchange Board of India (Mutual Funds) Regulations, 1996:** The mutual fund regulations have been amended thrice this year and the amendments are as follows:

1. **Amendment Notification dated May 30, 2018:** Amendments to permit charging additional expenses of upto 0.20 per cent of the daily net assets of Mutual Fund Schemes and implement 'Go Green initiative in Mutual Funds'.

Rationale: A study by SEBI brought out that most AMCs, especially in case of equity and balanced schemes, charge significantly higher additional expenses as compared to the quantum of exit load credited to MF schemes. Accordingly, a need was felt to rationalize the additional expenses of 20 bps to the extent of exit load credited back to the scheme. The Go Green Initiative in Mutual Funds was to enable

disclosures in investor friendly electronic form.

2. **Amendment Notification dated December 06, 2018:** Amending the norms for shareholding and governance in Mutual Funds by inserting a proviso after regulation 7B(3).

Rationale: The amendment was to address the issues arising out of incidental acquisition of shares or voting rights by virtue of corporate restructuring like merger, acquisition or any other scheme of arrangement happening involving the sponsor or a Mutual Fund, its associate companies or group companies.

3. **Amendment Notification dated December 13, 2018:** Amending the existing slab-wise total expense ratio (TER) limits and its applicability to various categories of schemes in the Mutual Fund Regulations as specified in Regulation 52(6) of the Mutual Fund Regulations

Rationale: The amendment was based on the recommendations of the Mutual Fund Advisory Committee to revise the existing slab-wise total expense ratio.

(5) **Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014**

The Foreign Portfolio Investors regulations have been amended thrice this year and the amendments are as follows:

1. **Amendment Notification dated April 05, 2018:** Amendment for rationalization of fit and proper criteria, modification in encumbrance obligation to address statutory requirements and simplification of broad based requirement

Rationale: The amendments were to further ease the access norms for investments by Foreign Portfolio Investors (FPI) in the Indian capital market.

2. **Amendment Notification dated April 27, 2018:** Amendment in regulation 32, in sub-regulation (2), in clause (d), the words “equity shares” has been substituted by the words “the securities”.

Rationale: Designated depository participants are required to ensure that equity shares held by FPIs are free from all encumbrances. However, lien/set-off on investments of FPIs are required for regulatory reasons such as Irrevocable Payment Commitment, payment of clearing & settlement obligations, and as such, these may not be treated as encumbrance for the purpose of this clause.

3. **Amendment Notification dated December 31, 2018:** Amendment for insertion of definition for the terms “control” and “Investment Manager”, laying of eligibility conditions in respect of non-resident Indians or overseas citizens of India or resident Indians who are constituents of an FPI applicant or an existing FPI and the timelines for compliance with the new provisions, change in the Explanation with reference to the terms “person”, “non-resident Indian”, “overseas citizen of India” and “resident in India”, the term “beneficial owner” shall be as defined in section 2(1)(a) of the Depositories Act, 1996, and the term ‘beneficial owner’ is substituted with the terms “ownership or control”.

Rationale: After considering the recommendations of SEBI working group under the Chairmanship of Shri Harun R. Khan and comments received from public, SEBI Board had decided that the clubbing of investment limit for FPIs should not be done on the basis of same set of beneficial owners as per Prevention of Money-laundering

(Maintenance of Records) Rules, 2005. The proposal that clubbing of investment limit for FPIs will be on the basis of common ownership of more than 50 per cent or common control was also decided. However, in the case of appropriately regulated public retail funds, investment limits will not be clubbed on the basis of common control.

(6) Securities and Exchange Board of India (Infrastructure Investment Trusts) (Amendment) Regulations, 2018 notified on April 10, 2018

Details: Amendments for inserting the definition of “institutional investor”, clarifications and other minor changes.

Rationale: The amendments are for providing more clarity and coherent reading of the Regulations.

(7) Securities and Exchange Board of India (Real Estate Investment Trusts) (Amendment) Regulations, 2018 notified on April 10, 2018

Details: Amendment to allow REITs to invest in holdco/SPV with 50 per cent stake; Rationalizing the definition of sponsor group in case of REITs; Enabling investment in unlisted shares under the 20 per cent investment category and Amendments for clarification and other minor changes.

Rationale: Amendment to provide flexibility in identification of the sponsor group, such that the entities forming part of sponsor group shall be those which have a relationship with the business and operations of the REIT and which are enabling the sponsor to meet the eligibility criteria and to permit investment by REITs in unlisted equity shares of companies or body corporate in real estate sector within the limits prescribed.

(8) Securities and Exchange Board of India (Employees’ Service) Regulations, 2001

The Employee Service regulations have been amended thrice this year and the amendments are as follows:

1. **Amendment Notification dated April 27, 2018:** Amendments in respect of ordinary leaves (OLs), further credit of OLs into an additional OL account and encashment thereof.

Rationale: To implement Board’s decision in respect of OLs and encashment thereof.

2. **Amendment Notification dated June 01, 2018:** Amendment for implementation of policy on deputation and external assignment and define such terms.

Rationale: Implementation of policy on ‘deputation’ and ‘external assignment’.

3. **Amendment Notification dated August 13, 2018:** Regulation has been amended to implement the Board approved recruitment policy and grant of special casual leave for differently abled employees.

Rationale: To have a wider pool of talent for recruitment of officers and to enable the differently abled employees to participate in seminars, trainings or workshops related to disability and development related programmes.

(9) Securities and Exchange Board of India (Bankers to an Issue) (Amendment) Regulations, 2018, notified on May 30, 2018

Details: Amendment in regulation 12(3) of the regulations, wherein, the word “three” shall be substituted with the word “eight”.

Rationale: Since the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

requires that listed companies are to preserve records and documents for a minimum period of eight years after completion of relevant transactions, amendments are accordingly being made to the regulations to harmonize the period of preserving records and documents for eight years.

(10) Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993

The regulations have been amended twice this year and the amendments are as follows:

- 1. Amendment Notification dated May 30, 2018:** Amendment in regulation 14(1) and 15, wherein, the word “three” shall be substituted with the word “eight”.

Rationale: Since the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 requires that listed companies are to preserve records and documents for a minimum period of eight years after completion of relevant transactions, amendments are accordingly being made to the regulations to harmonize the period of preserving records and documents for eight years.

- 2. Amendment Notification dated June 08, 2018:** Amendment to mandate transfer of securities only in dematerialized mode.

Rationale: The amendment to mandate transfer of securities only in dematerialized mode was to make it easier and safer for the investors as this would prevent loss in transit, bad deliveries, fake securities, delays, mutilation, thefts etc.

(11) Securities and Exchange Board of India (Credit Rating Agencies) Regulations, 1999

The regulations have been amended twice this year and the amendments are as follows:

- 1. Amendment Notification dated May 30, 2018:** Amendment to include FATF membership as a requirement for a foreign credit rating agency, increasing minimum net worth from 5 crore to 25 crore and for credit rating agencies not to carry on any other activity other than credit rating of securities unless required by a financial sector regulator as defined under the Insolvency and Bankruptcy Code, 2016.

Rationale: It was felt necessary for a foreign credit rating agency to have FATF membership. Further, credit rating agencies have been carrying out activities by RBI and other financial sector regulators and therefore, it was felt necessary to clarify the same.

- 2. Amendment Notification dated September 11, 2018:** Amendment to regulation 9(f) to make it more stringent and limit the activities of credit rating agencies permitted by financial sector regulators to only rating of financial instruments and not any other activity.

Rationale: Prior to this amendment, credit rating agencies could engage in any other activity as may be required by a financial sector regulator. The amendment has made it more stringent and has limited other activities permitted by financial sector regulators to rating of financial instruments only.

(12) Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009

The Delisting of Equity shares regulations have been amended twice this year and the amendments are as follows:

- 1. Amendment Notification dated June 01, 2018:** Amendment to make the Delisting Regulations

not applicable to any delisting of equity shares of a listed entity if made pursuant to a resolution plan approved under section 31 of the Insolvency and Bankruptcy Code, 2016 (IBC), subject to certain conditions.

Rationale: To enable delisting of equity shares pursuant to an approved plan under the IBC.

2. **Amendment Notification dated November 14, 2018:** Amendment to the definition of “acquirer”, “public shareholders”, for inserting Explanations on participation in delisting offer and making bids by eligible public shareholders and participation in the reverse book building process by holders of depository receipts, restrictions in compulsory delisting of a company by stock exchanges and clarifications on shareholding.

Rationale: Amendments were pursuant to the recommendations by the Primary Advisory Committee of SEBI and also pursuant to a review carried out by an external expert, Shri P.K. Malhotra, former member Securities Appellate Tribunal and former Secretary, Ministry of Law and Justice. The review was aimed at simplifying the language, updating the references to the Companies Act, 2013/ other new SEBI Regulations, and incorporating the relevant circular(s), FAQs in the Delisting Regulations, without making any substantive policy change.

- (13) **Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011**

The regulations have been amended four times this year and the amendments are as follows:

3. **Amendment Notification dated June 01, 2018:** Amendment to allow exemption from the

obligation under proviso to sub-regulation (2) of regulation 3 if such acquisition is pursuant to a resolution plan approved under section 31 of the Insolvency and Bankruptcy Code, 2016 (IBC).

Rationale: Acquisition pursuant to a resolution plan under the IBC may take the shareholding beyond 75 per cent. Acquirer was not entitled to acquire or enter into any agreement to acquire shares/voting rights exceeding such number of shares as would take the aggregate shareholding pursuant to the acquisition above the maximum permissible non-public shareholding. This amendment exempts acquisition under IBC plan from this prohibition.

4. **Amendment Notification dated September 11, 2018:** Amendment to grant additional time for upward revision of open offer price till one working day before the commencement of the tendering period. Further, the definition of “fugitive economic offender”, “list regulations” and “postal ballot” have been inserted in the regulations, and the word “listing agreement” wherever occurring has been replaced by the word “listing regulations”.

Rationale: SEBI had earlier issued a discussion paper on March 28, 2018 soliciting public comments for reviewing the SEBI Takeover Regulations. The amendments are mainly aimed at simplifying the language, removing redundant provisions and inconsistencies, updating the references to the Companies Act, 2013 and other new SEBI Regulations, and incorporating the relevant circulars, FAQs, informal guidance in the regulations.

5. **Amendment Notification dated December 31, 2018:** Amendment to regulation 29(4) of the Regulations to extend the exemption from disclosure to deposit taking Housing Finance

Companies (HFCs) or HFCs with asset size of Rs.500 crore or more, registered with the National Housing Bank; and Systemically Important Non-Banking Financial Companies (NBFCs).

Rationale: Under the regulations, shares taken by way of encumbrance are treated as an acquisition and shares given upon release of encumbrance are treated as a disposal. Such acquisition and disposal are required to be disclosed. However, such disclosure requirements were not applicable to a scheduled commercial bank or public financial institution as pledgee in connection with a pledge of shares for securing indebtedness in the ordinary course of business. Pursuant to the amendment, shares taken by way of encumbrance (or shares given upon release of encumbrance) by the said HFCs and NBFCs shall not be treated as acquisition (or disposal) for the purpose of disclosure requirements under Regulation 29 of Takeover Regulations.

6. **Amendment Notification dated March 29, 2019:** The exemptions available to debt restructuring approved by a “competent authority” other than a Court or Tribunal have been removed. Further, the exemption available to new investors who purchase equity from lenders pursuant to debt restructuring has been removed.

Rationale: The amendment inter alia takes into account the changes brought in by the Insolvency and Bankruptcy Code, 2016 and the revisions made by the Reserve Bank of India in its debt restructuring guidelines and confines the exemption from open offer only to lenders converting their debt to equity under

such revised guidelines or to a resolution plan approved by the Adjudicating Authority under the Insolvency and Bankruptcy Code, 2016.

- (14) **Securities and Exchange Board of India (Alternative Investment Funds) (Amendment) Regulations, 2018, notified on June 01, 2018**

Details: Relevant provisions referring to Companies act, 1956 in the regulation have been updated with the corresponding provisions of the Companies Act, 2013 and the words “Companies Act, 1956” wherever occurring has been replaced with “Companies Act, 2013”.

Rationale: The amendments have been made to update the regulations with the Companies Act, 2013.

- (15) **Securities and Exchange Board of India (Public Offer and Listing of Securitised Debt Instruments)(Amendment) Regulations, 2018, notified on June 26, 2018**

Details: Amendment to include the public offer and listing of Security Receipts. Relevant provisions, chapter and Schedule pertaining to issuance and listing of security receipts have been inserted. The regulations which were earlier titled as SEBI (Public Offer and Listing of Securitised Debt Instruments) Regulations, 2008 shall now be titled as SEBI (Issue and Listing of Securitised Debt Instruments and Security Receipts) Regulations, 2008.

Rationale: Based on the recommendations of a committee consisting of representatives from Reserve Bank of India, issuers of Security Receipts, rating agencies, law firm, exchanges, securitization experts and merchant bankers, it

was proposed to set up to provide a framework for listing of security receipts on Stock Exchanges. Accordingly, appropriate chapter and provisions have been inserted in the SEBI (Public Offer and Listing of Securitised Debt Instruments) Regulations, 2008 to include and deal with the issuance and listing of security receipts.

(16) Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) Regulations, 1992

The Stock Broker regulations have been amended twice this year and the amendments are as follows:

1. Amendment Notification dated July 30, 2018:

Amendment to discontinue the category of sub-broker as a market intermediary and accordingly delete all clauses and provisions with respect to sub-brokers in the regulations.

Rationale: Under the current regulations and the procedure prescribed by the Stock Exchanges, there is no difference between role and functioning of a Sub-Broker and that of an Authorized Person. Hence, it was decided to discontinue the category of sub-broker under the regulations.

(17) Securities and Exchange Board of India (Issue and Listing of Debt Securities) (Amendment) Regulations, 2018, notified on October 09, 2018

Details: Regulation 19B on the requirement of 1 per cent security deposit to be deposited by the issuer with the stock exchange prior to the opening of subscription list has been omitted.

Rationale: In order to ease the cost and compliance burden on the issuer in case of public issue, it was decided that the

requirement of 1 per cent security deposit may be deleted from the regulations.

(18) Securities and Exchange Board of India (Issue and Listing of Non-Convertible Redeemable Preference Shares) (Amendment) Regulations, 2018, notified on October 09, 2018

Details: Regulation 16B on the requirement of 1 per cent security deposit to be deposited by the issuer with the stock exchange prior to the opening of subscription list has been omitted.

Rationale: In order to ease the cost and compliance burden on the issuer in case of public issue, it was decided that the requirement of 1 per cent security deposit may be deleted from the regulations.

(19) Securities and Exchange Board of India (Issue and Listing of Securitised Debt Instruments and Security Receipts) (Second Amendment) Regulations, 2018, notified on October 09, 2018

Details: Regulation 35B on the requirement of 1 per cent security deposit to be deposited by the issuer with the stock exchange prior to the opening of subscription list has been omitted.

Rationale: In order to ease the cost and compliance burden on the issuer in case of public issue, it was decided that the requirement of 1 per cent security deposit may be deleted from the regulations.

(20) Securities and Exchange Board of India (Regulatory Fee on Stock Exchanges) (Amendment) Regulations, 2018, notified on October 23, 2018

Details: Amendment to the Explanation to sub-regulation (1) of Regulation 4.

Rationale: It was decided to give relaxation in charging regulatory fees on the trading turnover

of agricultural commodity derivatives in a manner that would help the stock exchanges to reduce the cost burden on the farmers/FPOs under different cost heads such as transaction charges, delivery fees, warehouse charges, assaying charges etc. by way of subsidizing these costs from the amount that will be saved by them from the reduction of regulatory fees by SEBI. For this purpose, it was decided that instead of levying regulatory fee at the prescribed turn-over based slab rates discussed above, a nominal regulatory fee at a flat rate of INR 1,00,000 per stock exchange, irrespective of the aggregate value of the transactions on agricultural commodity derivatives shall be levied.

(21) Amendments to SEBI (Prohibition of Insider Trading) Regulations, 2015 and SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003

Pursuant to the recommendations of the Committee on Fair Market Conduct which was set up under Chairmanship of Shri T.K. Viswanathan, SEBI amended SEBI (Prohibition of Insider Trading) Regulations, 2015 (PIT Regulations) and SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations 2003 (PFUTP Regulations).

PIT Regulations

1. Amendments to the PIT Regulations were made to strengthen transparency and enforcement aspects of the PIT regulations, and to bring clarity in respect of certain regulations for better implementation.
2. A framework for institutional responsibility has been created to ensure that the institution takes responsibility to formulate a code of

conduct and put in place an effective system of internal controls to ensure compliance with the various requirements specified in the PIT Regulation to prevent insider trading. Listed companies are required to have written policies and procedures for inquiries into leak of unpublished price sensitive information (UPSI) or suspected leak of UPSI, which are duly approved by board of directors of the company, and to have whistle-blower policies that make it easy for employees to report instances of leak of UPSI. Further, every listed company / market participant is required to maintain an electronic record containing the names of person / entities with whom UPSI is shared to facilitate tracing of UPSI.

3. Amendments to the PIT Regulations were made to bring further clarity on sharing of UPSI for due diligence or legitimate purposes. Board of directors of listed company or market participants are now required to define their own policy / definition relating to “legitimate purposes” within the contours provided under law.
4. Certain defences are available to insider who trade when in possession of UPSI. Regulation 4(1) of PIT Regulations were amended to extend the defence available for off-market inter-se transfers between promoters, who were in possession of the same UPSI, to other insiders in possession of same UPSI subject to disclosure of such transactions, transactions carried out through the block deal window mechanism among persons possessing the same UPSI, transactions carried out in a bona fide manner pursuant to a statutory or regulatory obligation and for transactions undertaken pursuant to the exercise of stock options.

5. Designated persons to whom Code of Conduct is applicable have been defined and additional disclosures have been mandated for such persons including names of immediate relatives, persons with whom such designated person(s) share a material financial relationship, name of educational institutions and past employers of designated persons. Further, trading window closure period has been extended from last day of quarter till 48 hours after declaration of financial results.

PFUTP Regulations

The key amendments to the PFUTP Regulations are as follows:

1. The definition of 'dealing in securities' in the PFUTP Regulations to be amended to include such acts or omissions which may be knowingly designed to influence the decision of investors in securities and any act of providing assistance to carry out buying, selling or subscribing to securities.
2. The scope of the regulations has been expanded to include employees and agents of intermediaries.
3. Deeming provisions for fraud have been strengthened to include activities such as misleading information on digital media, front running by non-intermediaries, mis-selling of securities and services related to securities, mis-utilisation of client account and diversion of client funds, manipulating bench mark price of securities, etc.

(22) Securities and Exchange Board of India (Custodian of Securities) Regulations, 1996

The Custodian of Securities regulations have been amended twice this year and the amendments are as follows:

1. **Amendment Notification dated January 01, 2019:** Amendments to include the words "goods" in various provisions of the Regulations to enable a custodian to offer services in 'goods' underlying commodity derivatives contracts and thereby enable institutional participation in the commodity derivatives market.

Rationale: To enable institutional participation in the commodity derivatives market regarding custodial services in 'goods' underlying commodity derivatives contracts.

2. **Amendment Notification dated March 22, 2019:** Amendment to substitute Regulation 9A to provide for permanent validity of certificate granted under sub-regulation (3) of regulation 8 unless suspended or cancelled by the Board. Further, Regulation 9B and Explanation II Part A of Second Schedule dealing with renewal of certificate was omitted.

Rationale: Amendment was carried out to give effect to the board approval for granting permanent certificate of registrations to the custodians.

(23) Securities and Exchange Board of India (Prohibition of Insider Trading) (Amendment) Regulations, 2019 notified on January 21, 2019

Details: Amendment to insert definition of the term "promoter group". The term 'promoter' has been aligned with the provision in ICDR Regulations, 2018. Further, Regulation 7 has been suitably amended to restore various disclosure requirements on promoter group.

Rationale: Amendment to extend the disclosure requirement to promoter group in line with the provisions in erstwhile SEBI (Prohibition of Insider Trading) Regulations, 1992.

(24) Securities and Exchange Board of India (Payment of Fees) (Amendment) Regulations, 2019, notified on March 22, 2019

Details: Amendment to the payment of fees in the following regulations:

- a. SEBI (Stock Brokers and Sub-brokers) Regulations, 1992,
- b. SEBI (Regulatory Fee on Stock Exchanges) Regulations, 2006, and
- c. SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.

Following amendments have been made with regard to calibration of fees:

- a. Reduction in turnover fees payable by stock brokers (other than debt securities and agri commodity derivatives)
- b. Reduction in turn over fees payable by stock broker for agri commodity derivatives
- c. Reduction in fees in case of the Issues re-filed
- d. Rationalization of regulatory fees payable by the stock exchanges

Rationale: Based on the recommendations of the Committee on Rationalization of Financial Resources, constituted on November 12, 2018, it was decided to review the fees levied by SEBI for rationalization/reduction of fees.

VIII. RIGHT TO INFORMATION ACT, 2005

SEBI, as a public authority, has been implementing the various provisions of the Right to Information Act, 2005 (RTI Act) in true spirit. As per the provisions of the RTI Act, SEBI has designated Shri G.P. Garg as a Central Public Information Officer (CPIO) at its Head Office in Mumbai. SEBI has appointed two officials in the rank of Executive Director as the First Appellate Authority (AA) to whom an appeal can be made against the Order of the

CPIO. The two First Appellate Authorities are Shri. Anand Rajeshwar Baiwar and Shri Amarjeet Singh.

In compliance with the direction of the Central Information Commission (CIC), SEBI has designated Shri P. K. Nagpal, Executive Director, as the Transparency Officer. Further, SEBI has also appointed 20 Central Assistant Public Information Officers (CAPIO) at its regional and local offices to streamline the process of attending to RTI applications for efficient and time bound response. All applications for information and appeals filed at the various regional offices are referred to the CPIO-HO by the respective CAPIO.

SEBI has endeavored to provide the disclosable information within the stipulated time, although the information sought in a single application may be voluminous and pertaining to number of issues handled by various departments of SEBI. Wherever felt appropriate, SEBI has provided additional information / guidance voluntarily to the information seeker about the securities market. Applications are received in various regional languages, which is internally translated and replied to, in bi-lingual i.e Hindi & English.

Where applications received by SEBI are in the nature of complaints / seeking redressal of complaints, the office of CPIO voluntarily provides guidance to the information seeker providing links and relevant Acts, SEBI regulations, and various amendments from time to time as available, on SEBI website. Many applications being in the nature of grievance, SEBI provides reply accordingly informing the information seekers of a separate designated website viz. investor.sebi.gov.in that has been set up and about the web-based, centralized grievance redressal system, SCORES (<http://scores.gov.in>) for the investors of the securities market.

Around 80 per cent of the RTI applications

received by SEBI are through the RTI MIS Portal (web portal). For applications received in the physical mode, in its reply to the information seeker, the office of CPIO requests them to file their application/appeal online at <https://rtionline.gov.in>, which enables them to receive the reply online, thus encouraging the use of the paperless option.

The RTI department provides its inputs to the

department handling Investor Awareness Programs for including the same in the investor awareness programs in order to make aware the citizens how the RTI act would be relevant to their concerns and how they can exercise this right.

The details of RTI applications, first appeals to SEBI Appellate Authority during 2017-18 and 2018-19 are given in Table 3.72:

Table 3.72: Details of RTI Applications, First Appeals & Appeals before Hon'ble CIC

Particulars	2017-18	2018-19
No. of applications received (including applications transferred from other public authorities)	3,698	2,612
Total no. of issues raised in applications	7,651	6,149
No. of appeals received by the Appellate Authority, SEBI	328	400
No. of orders passed by the Appellate Authority, SEBI*	328	397
No. of appeals rejected / dismissed by the Appellate Authority, SEBI*	234	348
No. of appeals allowed / partially allowed by the Appellate Authority, SEBI *	16	49

*Includes Orders passed on Appeals received prior to April 1, 2018

The details of Appeals before Central Information Commission (CIC) against Orders passed by SEBI AA, during 2017-18 and 2018-19 are given as under

Table 3.73: Trends in Appeals before Central Information Commission

Particulars	2017-18	2018-19
No. of hearings held before CIC in SEBI matters	16	17
No. of appeals rejected / dismissed by CIC	12	11
No. of appeals with directions by CIC to furnish part of information	04	06

It is SEBI's continual endeavor to fulfill all the obligations cast upon it, in terms of the Section 4 of the RTI Act, as a public authority to make disclosures on a proactive basis and ensuring transparency and accountability in its functioning.

IX. PARLIAMENT QUESTIONS

The Parliament Questions Cell of SEBI, interfaces with the various Departments in Government of India, for addressing issues relating to Parliament Questions, Assurances thereof, visits of Parliamentary Committees, references from Honorable Members of Parliament and other references received through various Ministries of the Government of India.

A. Parliament Questions

During the financial year 2018-19, SEBI received a number of Parliament and State Assembly Questions, referred by the Government of India, mainly from Ministry of Finance and Ministry of Corporate Affairs, Ministry of Agriculture and various departments of the State government. Of the 122 questions referred/ taken-up, 84 questions were admitted and SEBI furnished information and material for replies. The number of parliamentary questions received session-wise is given in table 3.74.

Table 3.74: Parliament Queries Received and Replied to by SEBI

Parliament Session	Period	No. of Questions Received/ Taken-Up		Admitted Questions	
		Starred	Unstarred	Starred	Unstarred
Monsoon Session	July 18, 2018 –August 10, 2018	11	41	4	27
Winter Session	December 11, 2018 - January 08, 2019	6	49	2	38
Budget Session 2019	January 31, 2019 – February 13, 2019	0	15	0	13
Total		17	105	6	78

The PQs received includes three questions from Chhattisgarh Legislative Assembly, whereby, the material was provided for answer by the Ministers in the respective Legislative Assembly.

In addition, material sought for a calling attention notice on Collective Investment Schemes, Under

Rule 377 and a private member resolution on Credit Rating Agencies in Rajya Sabha was also provided.

B. Responses/Material to Committees

During the year 2018-19, SEBI interacted with and provided the required information and clarifications desired by the following Parliamentary Committees in a time bound manner (Table 3.75).

Table 3.75: Parliamentary Committees that Raised Queries

Sr. No.	Parliamentary Committee
1.	Study Visit of the Committee on “Subordinate Legislation, Rajya Sabha” (October, 2018)
2.	Study visit of the Parliamentary Standing Committee on Finance on “The Banning of Unregulated Deposit Scheme Bill, 2018. (October, 2018)

X. INTERNATIONAL COOPERATION

SEBI engages with a range of foreign regulators, standard setting bodies and law enforcement agencies to promote international regulatory and enforcement cooperation. SEBI has emerged as a key member of international standard setting bodies and global forums, where it is making effective contribution to their ongoing work programmes. Some key engagements are as follows:

- 1. Engagement with Financial Stability Board (FSB):** SEBI is one of the three members of FSB from India. SEBI participates in the FSB plenary meetings and Regional Consultative Group Meetings. SEBI contributes in its various work streams through responses to surveys, questionnaires and reviews as carried out by

FSB from time to time. During 2018-19, SEBI provided inputs on (a) Questionnaire on SME Financing and (b) Data Gaps Progress Report and Securities Financing Transactions data collection.

- 2. Engagement with International Organization of Securities Commissions (IOSCO):** SEBI is a member of the IOSCO Board, the governing and standard-setting body of the IOSCO, which is comprised of 34 securities regulators. SEBI is also a member of IOSCO Growth and Emerging Markets Committee (GEMC) and Asia Pacific Regional Committee (APRC). The policy work of IOSCO is conducted by its eight policy committees under the aegis of the Board. SEBI has representation in seven of these policy committees.

3. **Engagement with International Forums:** SEBI provides assistance to other securities regulators by:

- a. **Central Facilitation Cell:** Acting as a central facilitation cell for regulatory issues and concerns and regulatory assistance.
- b. **Technical Assistance:** Providing technical assistance in various aspects of securities markets regulations.
- c. **Study visits:** Hosting a number of delegations to promote mutual co-operation and establish inter-regulatory dialogue.
- d. **Speaker requests:** Nominating experts as panelists and speakers at international seminars and conferences.

I. Financial Sector Assessment Programme (FSAP)

The Financial Sector Assessment Programme (FSAP), a joint programme of the International Monetary Fund (IMF) and the World Bank (WB), is a comprehensive and in-depth analysis of a country's financial sector.

The latest FSAP Mission to India in 2017 had acknowledged that SEBI has developed, adopted and implemented regulatory policy in virtually every area of responsibility, and has contributed to growth and development of India's capital markets. The Mission also made certain recommendations based on which SEBI has introduced reforms such as in the commodity derivatives market which include measures for increased participation from a diverse set of participants, introduction of new products, rationalization of cost of trading, steps to enhance awareness amongst the players, clearing corporations in the commodity derivatives market adhering to international standards with a goal of strengthening financial stability, etc.

II. Bilateral Engagements

SEBI has signed Bilateral Memorandum of Understanding (MoU) with various securities regulators for enhancing cooperation and exchange of information for regulatory enforcement purposes and bilateral cooperation. The objective of such bilateral MoUs is strengthening cross-border cooperation in the area of securities regulations.

As of March 31, 2019, SEBI has signed 23 bilateral MoUs to facilitate mutual assistance, contribute towards efficient performance of the supervisory functions, aid in imparting technical domain knowledge and enable effective enforcement of the laws and regulations governing the securities markets.

III. Engagement with other international regulators

1. Engagement with ESMA (European Securities and Markets Authority) on EMIR (European Market Infrastructure Regulations)

The European Parliament and the Council adopted EMIR effective from August 2012. As per Article 25(1) of the EMIR, "a Central Counter Party (CCP) established in third country may provide services to clearing members or trading venues established in the Union only where the CCP is recognized by ESMA". Therefore, the securities market CCPs established and operating in India have to seek recognition from ESMA for clearing trades of entities which are originating from European Union (EU).

One of the preconditions, for recognition of Indian CCPs by ESMA was that ESMA had to enter into a MoU with the regulator (SEBI) of the CCPs. SEBI and ESMA signed the MoU in July 2017.

Subsequently, the Indian CCPs i.e., The Indian Clearing Corporation Limited and The National

Securities Clearing Corporation Ltd were recognized by ESMA from 27 September, 2017.

2. Engagement with Financial Conduct Authority, United Kingdom

During the year, various interactions were held from time to time with the officials of Financial Conduct Authority, United Kingdom to discuss application of Machine Learning and Artificial Intelligence in various areas including for Market Supervision.

3. Sharing of information with foreign regulatory authorities

SEBI engages with various regulators globally in order to obtain information/ clarification on topical issues and also provide the same on requests made by such authorities. During the year, SEBI exchanged information with other regulators on various issues including trends in the securities market, applicable regulatory framework, policies on equity trading platform and surveillance, accredited investors, mid-market permanent capital vehicles, regulators' policies relating to human resources, issues relating to deregulation, framework relating to technical glitches for market infrastructure institutions, etc.

IV. Ministry References- Contribution to various International Treaties and Dialogues

SEBI provides its inputs on various issues, agenda items and topics relating to the securities markets for various international bilateral dialogues.

During 2018-19, SEBI provided its inputs in various bilateral dialogues such as:

- Address of Hon'ble Prime Minister of India in the 3rd Annual Meeting of Asian Infrastructure Investment Bank (AIIB)
- Bilateral meetings of the Hon'ble Finance Minister of Poland with the Hon'ble Finance Minister of India and Governor of RBI on the

sidelines of 3rd Annual Meeting of Board of Governors of AIIB

- 9th India - EU Macroeconomic Dialogue
- 4th Indo - Switzerland Financial Dialogue
- India-Mauritius Comprehensive Economic Cooperation and Partnership Agreement (CECPA) Negotiations (in the area of Financial Services in India)
- Regional Comprehensive Economic Partnership (RCEP) of India with other countries (in the area of Financial Services)
- India - US Financial and Economic Partnership Dialogue and 8th India - US Financial Regulatory Dialogue
- Concept Note on India - UK Financial Services Technical Cooperation
- World Bank's Survey on Global Indicators of Regulatory Governance Project, etc.

V. Association with IOSCO

1. IOSCO Board

The IOSCO Board is the governing and standard-setting body of the International Organization of Securities Commissions (IOSCO) and is comprised of 34 members. There are 128 ordinary members, 32 associate members and 63 affiliate members of IOSCO. SEBI attended 3 meetings of the IOSCO Board during the year.

SEBI is a member of IOSCO Board. SEBI participates in the various work streams of IOSCO and makes contributions to the policy decisions on different issues pertaining to the securities market. SEBI has its representation in seven out of the eight Policy Committees of IOSCO. During the year 2018-19, SEBI provided inputs for various surveys such as IOSCO's IFRS Financial Reporting Surveillance Survey, IOSCO MMoU Monitoring Group 2018 Survey, etc.

2. Assessment Committee

The Assessment Committee (AC) was formed by IOSCO in February 2012 to drive IOSCO's key strategic goal of being the recognized standard setter for securities regulations. The main objectives of AC are identifying and assessing the implementation of IOSCO Principles and Standards and promoting the full, effective and consistent implementation of IOSCO Principles and Standards across IOSCO membership. AC was chaired by Shri. Amarjeet Singh, Executive Director, SEBI for a term of 2 years over the period from November 2016 to October 2018.

Under the leadership of SEBI, AC progressed on several Thematic Reviews. Additionally, AC developed new tools for promoting implementation of IOSCO Principles and Standards such as IOSCO Standards Implementation Monitoring (ISIM) and capacity building for self-assessments. One of the important projects recently completed by AC was the first ISIM report on secondary market principles. The report was published on February 12, 2019.

3. Asia-Pacific Regional Committee (APRC)

APRC is one of the four regional committees constituted by the IOSCO to focus on regional issues relating to securities regulation. The APRC comprises 24 members including SEBI and represents securities regulators from the Asia-Pacific jurisdictions.

SEBI participated in the APRC meeting held during October 2018 in Kuala Lumpur, Malaysia. There was also APRC Director's enforcement meeting which included discussions pertaining to enforcement measures taken by the member jurisdictions and APRC plenary meeting where the participants shared their respective jurisdiction's experience on current and evolving issues like crypto assets, crowd-funding, enforcement measures, etc.

4. Growth and Emerging Markets Committee (GEM Committee)

GEM Committee seeks to promote the development and greater efficiency of emerging securities and futures markets by establishing principles and minimum standards, providing training programs and technical assistance for members and facilitating exchange of information and transfer of technology and expertise. SEBI is a member of the GEM Committee.

SEBI participated in the IOSCO GEM Committee's online tool, viz. 'Data Sharing Platform (DSP)' for sharing practical and organizational information among regulators. The purpose of DSP is to offer readily available information at one place, regarding regulatory frameworks and markets' architectures and data across GEM jurisdictions, so that GEM members could consult and consider such information as needed. At its initial stage, the DSP will include two types of data: information on the Regulator (competencies and functions, personnel, revenues and supervisory fees), and other information and statistics on the market for 2017 (market size, mutual funds, SMEs). The DSP will evolve and be adapted over time, reflecting both an increased number of GEM participants and additional data.

During 2018-19, the members of GEM Committee discussed several issues relevant for the IOSCO emerging market members such as key emerging risks in global securities markets, impact of technology and electronic communication on investment and trading activities, cyber security, sustainable financing in emerging markets, etc.

VI. Participation in Other International Programmes/ Conferences/ Study Tours

SEBI receives requests from its international counterparts and other trade/ industry forums to nominate speakers for their conferences/

seminars/training programmes. This provides a great opportunity for SEBI officials to engage with international regulators and participants and contribute to the global regulatory agenda. Further, SEBI on a regular basis organizes study tour of SEBI officials to overseas authorities. These study tours help the officials in gaining deeper understanding of the systems and mechanisms. SEBI in the past has benefitted a lot from these experiences, and the knowledge transfer helps improve the processes within SEBI.

During 2018-19, SEBI organised study tours to U.S. Securities and Exchange Commission (SEC), U.S. Commodity Futures Trading Commission (CFTC), Ontario Securities Commission (OSC), Australian Securities and Investments Commission (ASIC) and Monetary Authority of Singapore (MAS) to study Initial Coin offerings. SEBI also nominated speaker for a Workshop on Agri-Commodity Exchange organized held in Myanmar.

VII. MMoU Requests

SEBI is committed towards the IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (MMoU), to which SEBI has been a signatory since April 2003. The MMoU has proven to be an effective tool in cross border cooperation in combating financial fraud and misconduct. SEBI thereby provides cooperation and facilitates exchange of information with its counterparts in other jurisdictions for the purpose of regulatory enforcement.

During 2018-19, SEBI received a total of 52 requests for information from the overseas regulators seeking SEBI's assistance. SEBI responded to such requests subject to the provisions of the MMoU. Similarly, 9 such requests were made by SEBI to its regulatory counterparts in other jurisdictions. The table below highlights the past trends of Regulatory Assistance made and received by SEBI over the last 3 years:

Table 3.76 : Trends of Regulatory Assistance Made and Received by SEBI

Type of References	2017-18	2018-19
Requests Received by SEBI from Foreign Authorities	56	52
Requests Made by SEBI	23	9

In addition to the above, during the year, SEBI also received four unsolicited references with information from four securities regulators who are members of the IOSCO. According to latest data available from IOSCO, during the year 2017, 4803 regulatory assistance were made/ received by all capital market regulators under the IOSCO MMoU. The table below highlights the past trends of Regulatory Assistance made and received by all capital market regulators over the last 3 years under IOSCO MMoU:

Table 3.77 : Trends of Regulatory Assistance Made and Received by All Capital Market Regulators

Type of References	2015*	2016*	2017*
MMoU Information Requests	3,203	3,330	4,803

*Calendar Year: January to December

VIII. Visits of Foreign Delegations / Dignitaries to SEBI

SEBI hosted a number of international organizations including regulatory bodies, business and ministerial delegations during 2018-19. These meetings foster deeper levels of cooperation and facilitate a better understanding of the Indian securities market and further collaboration with visiting institutions.

1. Delegation of Securities and Exchange Commission (SEC), Ghana

A delegation from Ghana led by Ms. Evelyn Essien (Head of Exchanges and Markets Department,

SEC Ghana) was hosted by SEBI in April 2018 to understand operations and regulations pertaining to Commodity Exchange and Warehouse receipts in India. This also included visit to a Warehouse.

2. Delegation of Capital Market Development Authority (CMDA), Maldives

A team from CMDA, Maldives led by Mr. Makhzoom Saleem (Director General, Legal and Regulation) was hosted by SEBI in May 2018 to understand issuance of privately placed debt securities, its subsequent listing and trading requirements/ processes.



Visit of the Hon'ble Ambassador of Kazakhstan

4. Delegation of Royal Monetary Authority of Bhutan

A meeting between the Chairman, SEBI and a delegation headed by the Deputy Governor, Royal Monetary Authority of Bhutan was held at SEBI

3. Delegations of AFSA Kazakhstan, and Embassy of Kazakhstan

A delegation of Astana Financial Services Authority (AFSA) from Kazakhstan led by Mr. Stephen Glynn (CEO, AFSA) visited SEBI in June 2018 to consider collaboration with SEBI.

Further, a delegation from the Embassy of Kazakhstan led by H. E. Mr. Bulat Sarsenbayev, the Ambassador of Kazakhstan to India, visited SEBI in March 2019 to discuss further collaboration between Astana International Financial Centre (AIFC) and SEBI for regulations in Gujarat International Finance Tec-City (GIFT).

Head Office in August 2018. The agenda of the meeting was to discuss Mutual Funds and Alternate Source of Financing apart from improving bilateral ties.



Delegates from the Royal Monetary Authority of Bhutan

5. Delegation from Kenya

A delegation comprising officials from the Capital Markets Authority, Kenya; Central Depository and Settlement Corporation, Kenya; and Central Bank of Kenya was hosted by SEBI in September 2018. The topic of the visit was to understand the mechanism of Securities Lending and Short Selling in the Indian Securities Market. The team engaged with SEBI officials as well as officials from market participants such as Stock Exchange, Clearing Corporation, Depository, Mutual Fund, etc.

6. Delegation of SASAC China

A delegation of State-Owned Assets Supervision and Administration Commission of the State Council (SASAC) from China led by Mr. Li Xiaoling (Deputy Director General, Property Right Management Bureau) visited SEBI in October 2018 to discuss possibility of having Chinese companies float shares or bonds in Indian capital market.

7. Meeting with World Bank on capital markets in the South Asian Association for Regional Cooperation (SAARC) Region

A delegation from World Bank (WB) led by Mr.

Marius Vismantas (Lead Financial Sector Specialist, WB) visited SEBI in November 2018 to discuss a new World Bank advisory activity which will focus on supporting policy makers in the South Asia Region on the ongoing co-operation and integration of their financial markets.

8. Delegation from Thailand

SEBI organised a study visit of delegates from the Thai Capital Market (Securities Exchange Commission, Thailand; Bank of Thailand; Thailand Futures Exchange and The Stock Exchange of Thailand) in January 2019. The study visit was designed around the development and key success factors of algorithmic trading in India.

9. Meeting with USIBC and financial sector participants

SEBI hosted a delegation comprising representatives from the U.S. - India Business Council (USIBC) and other participants from the global financial sector in February 2019. Issues pertaining to Foreign Portfolio Investors, Asset Management and Initial Public Offerings were discussed in the said meeting.



USIBC Meeting

10. Delegation of Financial Services Agency (FSA), Japan

A meeting was held with Mr. Motonobu Matsuo (official in-charge of FinTech in FSA, Japan) in March 2019. The agenda of the meeting was to exchange views on regulation and potential collaboration in the area of FinTech.

XI. INTERNATIONAL EVENTS IN INDIA

IOSCO is recognized as the global standard setter for the securities sector. The 'Committee on Issuer Accounting, Audit and Disclosure (Committee 1)' of IOSCO is dedicated to improving the development of accounting and auditing standards, and enhancing the quality and transparency of the information that investors receive from listed companies, including financial institutions. Committee 1 was headed by Shri. P. K. Nagpal, Executive Director, SEBI for a term of 2 years over the period from October 2016 to October 2018.

A meeting of the said Committee was hosted by SEBI during September 2018 in Mumbai. The meeting witnessed participation of more than 30 delegates representing securities regulators from over 20 countries. During the said meeting, the Committee held wide ranging deliberations on several issues including on the proposed IOSCO Statement on disclosure of Environmental, Social and

Governance (ESG) matters by Issuers; draft report on Good Practices for Audit Committees in Supporting Audit Quality, Financial Reporting Surveillance Survey, Monitoring Group Reform Proposals, etc. The contributions made by the Committee resulted in important publications of IOSCO which are detailed below.

1. IOSCO issued a statement on January 18, 2019 which sets out the importance for issuers of considering the inclusion of ESG matters when disclosing information material to investors' decisions. The statement briefly captures the perspectives of different market participants, including investors, issuers, and other stakeholders. It also summarizes the different approaches taken by securities regulators globally in this respect.
2. IOSCO's report on good practices for audit committees in supporting audit quality was published on January 17, 2019. It provides good practices that audit committees may consider, inter alia, when (i) recommending the appointment of an auditor; (ii) assessing potential and continuing auditors; (iii) setting audit fees; (iv) facilitating the audit process; (v) assessing auditor independence; (vi) communicating with the auditor; and (vii) assessing audit quality.

Part Three B: Regulatory Actions

1. SIGNIFICANT COURT PRONOUNCEMENTS

I. SUPREME COURT OF INDIA

A. Judgment dated 14.05.2018 in C.A. no. 16805/2017 - Chintalapati Srinivasa Raju Vs SEBI, and other connected appeals.

This matter pertains to the Satyam Scam. The issue involved is whether appellants who were promoters and directors of Satyam Computer Services Ltd. (“SCSL”), were liable as an “insider”, having knowledge of undisclosed price sensitive information (“UPSI”), as a result of which they stood to gain by selling their shares at an inflated value.

SEBI, vide an Order dated September 10, 2015, had debarred the appellants for a period of 7 years and also directed them to disgorge unlawful gains as quantified therein, in respect of violations of securities laws committed by them. On appeal, the Hon’ble SAT inter alia upheld the findings of SEBI that appellants were insiders under the PIT Regulations and that the appellants had pledged/sold the shares of Satyam when in possession of UPSI and thus, they have violated the SEBI Act and the PIT Regulations.

While deciding the appeals, the Hon’ble Supreme Court laid down certain important observations:

a) Definition of Insider:

With regard to definition of “insider”, the Hon’ble Court observed that regulation 2(e)(i) of SEBI (Prohibition of Insider Trading) Regulations, 1992 (“PIT”) is in two parts. The first part has reference to any person who is connected with the company or is deemed to be connected with the company. Thus, connection of a person with the company, as defined in Regulation 2 (c) of PIT Regulations would bring him in clause (i) of the definition of insider. However, the second limb of clause 2(e)(i) also has to be satisfied, which is that such person must reasonably be expected to have access to UPSI by virtue of such connection in respect of securities of a company. On the use of word “and” in clause (i) of the regulation 2(e), Hon’ble Court held that the word “and” should be given its ordinary meaning and should be understood in a conjunctive sense, unless it would lead to an absurd situation or an unintelligible result. The Hon’ble Court also observed that the disjunctive

“or” contained in the 2015 PIT Regulations must be contrasted with the expression “and” contained in the 1992 PIT Regulations. Accordingly, the Hon’ble Court held that the majority view of Hon’ble SAT in giving effect to only the first part of regulation 2(e) (i) of the 1992 PIT Regulations cannot be sustained in law.

b) Proof of Reasonable Access:

With respect to how “reasonable expectation of access to UPSI” can be proved, the Hon’ble Court held that under the second part of Regulation 2(e) (i) of PIT, the connected person must be “reasonably expected” to have access to unpublished price sensitive information. The expression “reasonably expected” cannot be a mere ipse dixit – there must be material to show that such person can reasonably be so expected to have access to UPSI. Hon’ble Court in this regard, accepted the submissions of SEBI that in cases like the present, a reasonable expectation to be in the know of things can only be based on reasonable inferences drawn from foundational facts and *inter alia* reiterated its observations regarding the standard of evidence made in the matter of SEBI v. Kishore R. Ajmera, (2016) 6 SCC 368 that the test would always be that what inferential process that a reasonable /prudent man would adopt to arrive at a conclusion.

B. Judgment dated 25.10.2018 in C.A. no. 1877/2015- Financial Technologies (India) Ltd. (“FTIL”) Vs. SEBI.

The Forward Markets Commission (“FMC”) vide its order dated December 17, 2013 held that FTIL was not a ‘fit and proper’ person to continue to be a shareholder of 2 per cent or more of the paid-up equity capital of the Multi Commodity Exchange of India Ltd. (MCX) as prescribed under the guidelines issued by the Government of India for capital structure of commodity exchanges post 5-years of operation. FTIL challenged the said order by way

of a Writ Petition No.337/2014, FTIL Vs FMC before the Hon’ble High Court at Bombay. The Hon’ble High Court, vide its order dated February 28, 2014, rejected the prayer of interim relief for staying the operation of the impugned order. FTIL, assailed the said order dated February 28, 2014, refusing to grant interim relief, by way of an SLP (C) No.CC 20184/2014 before the Hon’ble Supreme Court. However, the said petition was dismissed as withdrawn vide order dated February 06, 2015.

FTIL was having shareholding in several recognised Stock Exchanges and Clearing Corporations. Accordingly, proceedings were initiated by SEBI against FTIL alleging therein that FTIL does not satisfy the “fit and proper criteria” as specified under Regulation 20(1)(b)(v) read with Regulation 19 of the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012, for holding shares in recognised stock exchanges and clearing corporations. The aforesaid proceedings culminated into passing of an Order dated March 19, 2014 by SEBI, wherein inter alia it was held that FTIL is not a ‘fit and proper person’ to acquire or hold any equity share or any instrument that provides for entitlement for equity shares or rights over equity shares at any future date, in a recognized stock exchange or clearing corporation, either directly or indirectly.

Challenging the aforesaid SEBI Order, FTIL filed an appeal in Appeal no. 130 of 2014 before the Securities Appellate Tribunal (“SAT”). SAT, vide its majority decision dated July 09, 2014, dismissed the Appeal. Assailing the said order of SAT, the captioned Civil Appeal was filed. The Hon’ble Court, after hearing the arguments of both the sides, had on October 25, 2018 disposed of the appeal by observing that the present appeal ought not to be heard at this stage as the order impugned (of the Whole Time Member, SEBI) is based on another order passed by the Forward Markets Commission which

is pending challenge in the Bombay High Court and accordingly permitted the appellant to pursue the proceedings before the Bombay High Court. The appeal was closed with liberty to the appellant to move this Court in the event such necessity arises in the future.

C. Judgment dated 28.02.2019 in CA No. 11311/2013 -SEBI Vs. Bhavesh Pabari and other connected appeals.

In the aforesaid appeals, two important questions of law were raised, which are:

- i) Whether the conditions stipulated in clauses (a), (b) and (c) of Section 15J of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "SEBI Act") are exhaustive to govern the discretion in the Adjudicating Officer to decide on the quantum of penalty or the said conditions are merely illustrative?
- ii) Whether the power and discretion vested by Section 15J of the SEBI Act to decide on the quantum of penalty, regardless of the manner in which the first question is answered, stands eclipsed by the penalty provisions contained in Section 15A to Section 15HA of the SEBI Act?

The Hon'ble Supreme Court, vide common judgment and order dated February 28, 2019, disposed of all the 13 Civil Appeals by observing that the parameters under Section 15J are not exhaustive. The important observations of the Hon'ble Court are as under:

- a) Hon'ble Court, with reference to the first question, observed that Section 15-I(2) empowers the AO to impose penalty as he thinks fit and such empowering provision will be in consonance with the harmonious construction of Section 15A(a) with Section 15J. Hon'ble Court further observed that

the factors provided under Section 15J may not be present at all in cases of certain violations covered under Section 15A-15C and in case none of the factors are applicable, it cannot be said that penalty cannot be imposed. As the factors enlisted under Section 15J are not exhaustive, AO can take other factors to arrive at the quantum of penalty, as imposition of penalty is dependent on the substantive provisions, 15A-15HA.

- b) Hon'ble Court, while answering the second question, observed that to answer the doubts created due to judgment in Roofit matter, an Explanation has been inserted in Section 15J by the Finance Act, 2017, which has clarified the situation and vested discretion in the AO for deciding the quantum of penalty to be imposed under Section 15A to 15HA. As per the said clarification, the AO shall always be deemed to have exercised the discretion to adjudge the quantum of penalty under Section 15A to 15E, Section 15F(b)-(c), 15G, 15H and 15HA of the SEBI Act. Hon'ble Court deemed it appropriate to hold that the provisions of section 15-J were never eclipsed and had continued to apply.

- c) Hon'ble Court also discussed the legislative intent behind the term 'whichever is less' in Section 15A(a) (as it existed during the period 29.10.2002 to 07.09.2014). Hon'ble Court held that in normal parlance, the term "whichever is less" would take away the discretion as minimum penalty has been prescribed, however, Section 15A(a) read with explanation to Section 15J clearly establishes the legislative intent was not to stipulate mandatory minimum penalty for the period of violation. Hon'ble Court also held that the intention to insert such term was not to restrict the discretion of the AO, by stipulating minimum mandatory penalty of ₹ 1 lakh per day, for cases involving technical default where no loss has been caused to the investor and no disproportionate gain or unfair advantage has been made. By the 2014 amendment, minimum penalty

of ₹ 1 lakh per day was modified to a penalty of upto ₹ 1 lakh and the said amendment was clarificatory as the same was not retrospective.

d) Hon'ble Court also observed that in light of the Explanation added in 2017, AO has discretion to impose penalty of minimum one lakh per day under Section 15A(a) as it existed during the period 29.10.2002 to 07.09.2014, by considering period of default, and other aggravating and mitigating circumstances including those provided under Section 15J, as the factors enumerated under Section 15J are illustrative in nature and have to be considered only when such factors exist. AO can always consider factors apart from those enumerated under Section 15J in order to decide the quantum of penalty.

e) With respect to continuing offence, Hon'ble Court distinguished 'continuing' from 'recurring' and held that 'repetitive', as used under Section 15J, is a recurring default giving rise to a separate cause of action for each such default and the said factor may be considered by the AO for deciding the quantum. The Court also observed that a 'continuing' default would also be a relevant facts as it was held that clauses (a) – (c) of section 15-J of the SEBI Act are merely illustrative and are not the only grounds/factors which can be taken into consideration while determining the quantum of penalty.

II. HIGH COURTS

A. Order dated 29.8.2018 in Writ Petition no. 1434 of 2017- SAMCO Securities Ltd. & Ors. v SEBI & Ors. (Hon'ble High Court at Bombay)

The instant writ petition was filed in the Hon'ble High Court at Bombay by SAMCO Securities Ltd. and Samruddhi Finstock Ltd. (who were running a competition called Indian Trading League for ranking performance of clients of SAMCO Securities Ltd. trading in securities and giving out

certain awards/rewards) challenging inter alia SEBI Circular dated November 03, 2016 vide which it was informed that stock broker or its associates / group companies cannot directly or indirectly sponsor or be associated with any schemes / leagues / competition, etc. which may involve distribution of monies / prizes / gifts / medals, etc. The petitioners contended that the circular was violative of the constitutional rights guaranteed under Article 14 and Article 19(1)(g) of the Constitution of India, as the same is arbitrary and based on irrelevant and extraneous considerations.

The Hon'ble Court did not find any merit in the contentions of the petitioners and held that the impugned circular did not have any bearing on the primary business of the petitioner and the guidelines are issued to achieve the object that investors are not misguided and lured into trading on the pretext of receiving monetary incentives from the stock brokers. It was further observed that by the impugned circular, the stock brokers like petitioner No. 1 are prohibited from being associated with any sort of competition or league which involves distribution of prizes or monies or gifts. The primary business of petitioner No.1 is to carry on the stock-broking activities and not the promoting or participating in leagues or competitions. By the impugned circular, by no stretch of imagination it can be said that the primary business of petitioner No.1 is affected.

Further, considering the restriction (in Schedule-II of the SEBI (Stock Brokers and Sub-brokers) Regulations, 1992) on a stock broker from advertising his business publicly without permission of the Exchange or resorting to unfair means for inducting the clients from other stock-brokers, the Court held that the impugned circulars only clarified that what the stock-broker cannot do directly is also not permitted to do indirectly. Accordingly, vide Order dated August 29, 2018, the Hon'ble Court had dismissed the Writ Petition.

B. Order dated 4.10.2018 in W.P. (L) No. 3295/2018 - IIFL Commodities Ltd. (Erstwhile India Infoline Commodities Ltd.) and others Vs. SEBI and other connected petitions (before the Hon'ble High Court of Bombay).

The petitioners were commodity derivatives brokers. Pursuant to the merger of FMC with SEBI, vide amendments made to the Forward Contract Regulation Act (FCRA) and the Securities Contracts (Regulation) Act, 1956, a commodity derivatives broker who was acting so before the merger was allowed to do so for a period of three months from such date of merger or if an application for registration was made with the said period of three months, till the disposal of such application.

These petitioners, who had filed their application seeking registration as commodity derivatives brokers, had sought to withdraw their applications. However, SEBI had rejected their request for withdrawal on the ground that there were certain adverse findings against them and had accordingly initiated proceedings against them.

The petitioners had approached the Hon'ble High Court challenging SEBI's communication dated September 4, 2018 informing the petitioners that their application for withdrawal of the application for registration has been rejected. The petitioners had also challenged the order dated August 30, 2018 issued by SEBI, vide which the petitioners have been directed to submit written submissions within a period of two weeks from the date of the said order and to appear for personal hearing. The Petitioners have also challenged the notices/report in the enquiry proceedings.

The issue before the Hon'ble Court was whether SEBI was bound to allow the application of the petitioners for withdrawal of their application for registration and whether the continuation of the proceedings under the various regulations are permissible or not.

After hearing the parties, the Hon'ble High Court inter alia observed that while it was not necessary for intermediaries like the petitioners to have registration under the FCRA, after the merger came to effect, it has become necessary for every intermediary, who is dealing in commodity derivatives to get registered with SEBI. As a transitory measure, three months period has been given to them, so as to enable them to get themselves registered with SEBI. Even if within three months such persons move an application for registration, they are entitled to continue with their activities, till their application is finally decided by SEBI. Therefore, such intermediaries who were dealing in commodity derivatives and who had made an application within a period of three months have been brought under the control of SEBI.

The Hon'ble High Court applied Heydon's rules of interpretation and rejected the petitions and observed that after SEBI came to a prima facie finding that there exists some adverse finding against the petitioners, the petitioners have moved an application for withdrawal of registration with an apprehension that some findings adverse to the interest would be arrived at by SEBI. The Hon'ble High Court observed that the conduct of the petitioners was nothing else, but an attempt to leave the proceedings in the nip of the bud.

C. Order dated 08.10.2018 in Bank of Baroda v. Securities & Exchange Board of India and Ors. (before the High Court of Gujarat at Ahmedabad)

M/s Jaltarang Motels Limited ("Jaltarang") made a public issue of thirty six lacs equity shares of ₹ 10/- for cash at par aggregating to ₹ 36,00,000/-. The issue opened for subscription on December 21, 1995 and closed on 26th December, 1995. The issue was oversubscribed by 11.78 times, however, the applications in respect of 2,11,26,300 shares were withdrawn before the allotment was made.

SEBI, by an order dated December 19, 1996, held that the transactions had been entered into in order to create a false market for inducing the people to subscribe to the public issue of Jaltarang and directed the third respondent Shri Atul Shah be directed to refund the subscriptions received from the public issue of Jaltarang Motels. SEBI addressed a letter dated 19th September, 1998 to the Registrar of Companies for registering a charge in its favour on all the properties of Jaltarang and M/s Jaltarang Merry Town Ltd. under section 125 of the Companies Act, 1956.

Further, SEBI issued directions dated January 19, 2000, under section 11B of the SEBI Act, 1992 by way of remedial measures to the petitioner Bank and the Union Bank of India, directing them to refund the application money collected by them from the subscribers in their capacity as the Bankers to the public issue of shares made by Jaltarang in December, 1995. SEBI, however, reserved its right to proceed against the Bank under the SEBI (Bankers to an issue) Regulation, 1994 for the irregularities. The above order came to be challenged by the petitioner before the Hon'ble Securities Appellate Tribunal (SAT), Mumbai in Appeal No.2 of 2000, which came to be dismissed by an order dated July 27, 2000. Being aggrieved, the petitioner has filed an appeal before the Bombay High Court, which is pending.

In the meanwhile, the petitioner presented a petition before Hon'ble High Court of Gujarat wherein it challenged that SEBI has been selective in taking action, inasmuch as, it is pursuing its remedy against the petitioner Bank, whereas it is not taking any steps for recovering the amount fraudulently taken away by the respondents No.2 to 9 i.e. Jaltarang and Ors., from the properties over which the SEBI has got a charge. Thus, the petitioner sought a direction in the nature of mandamus, directing SEBI to forthwith attach, take possession, sell and dispose of the properties of Jaltarang and the others

and to utilize the net sale proceeds for refunding the subscription of members of the investing public of the said public issue.

The issue before the Court was whether the petitioner bank who is stranger to the order dated December 19, 1996 has a legal right to insist on such performance and whether it has suffered, or suffers from any legal injury to challenge the act/action/inaction/order, etc. of SEBI in a court of law.

The Hon'ble Court inter alia held that –

- (i) a writ petition under Article 226 of the Constitution is maintainable either for the purpose of enforcing a statutory or legal right, or when there is a complaint by the appellant that there has been a breach of statutory duty on the part of the authorities.
- (ii) the court can enforce the performance of a statutory duty by a public body, using its writ jurisdiction at the behest of a person, provided that such person satisfies the court that he has a legal right to insist on such performance.
- (iii) a person who raises a grievance must show how he has suffered a legal injury. In the facts of the present case, the petitioner was not a party to the proceedings leading to the order dated December 19, 1996. Thus, being a total stranger to such proceedings the Hon'ble Court held that a petitioner is not entitled to seek compliance of such order against the other respondents.

D. Order dated 6.2.2019 in Notice of Motion No. 345/ 2017 in Suit No. 50 of 2017- Janak Mathuradas & ors. vs. Union of India & Ors (before Hon'ble High Court at Bombay)

The plaintiffs had, inter alia, sought that the promoter/ promoter groups be directed to abstain from voting on any resolution seeking removal of an Independent Director at the Extra Ordinary General

meeting and to provide for removal of Independent Director only by way of Special Resolution at the Extra Ordinary General meeting. The plaintiffs sought necessary amendments to the Companies Act, 2013 ("Act") by issuing certain orders in exercise of powers under Section 470 of the Act and Regulation 101 of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 (LODR Regulations).

SEBI contended that the appointment and removal of Directors is dealt with in the Companies Act, 2013, which is regulated by MCA/Government of India and that the provisions of LODR Regulations, inter alia, deal with disclosure requirements of the listed entities and corporate governance and as such the said Regulations do not provide for matters relating to the manner of the appointment and removal of Directors including that of Independent Directors.

After hearing the parties, the Hon'ble Court dismissed the suit as withdrawn vide order dated February 6, 2019. Furthermore, since no reason was offered for the withdrawal of the suit, the Court has imposed costs on the plaintiffs, wherein, the plaintiffs were directed to pay each of the defendants including SEBI (Defendant no. 3), a sum of ₹ 2,00,000/- each within six weeks from the date of the Order, which amount, SEBI has received from the plaintiffs, in compliance with the Court direction.

E. Order dated 15.02.2019 in Misc. Bench No. 36170/2018 - Vijay Prakash v. SEBI & Ors. (before Allahabad High Court at Lucknow)

The issue in the matter was whether the Union of India can be considered as a 'person acting in concert' with Life Insurance Corporation (LIC) and whether the price of ₹ 71.82/- per share (being the price at which the Government of India

had acquired shares of the target company (i.e. IDBI Bank Ltd.) on May 25, 2018) should be the open offer price in respect of public announcement made by LIC on December 7, 2018 to acquire shares of the target company instead of the open offer price of ₹ 61.73/-. The petition was filed by a person claiming to a minority shareholder of IDBI Bank.

The Hon'ble Court, on the issue of maintainability of the petition, observed that the petitioner has not furnished any documentary proof to show that he is a minority shareholder of IDBI Bank Ltd. and held that the petitioner had failed to establish his locus for filing the petition and consequently, writ petition is liable to be dismissed on this ground alone. However, the Hon'ble Court decided the matter on merits also.

On the issue of 'persons acting in concert', the Hon'ble Court applied the ratio in the judgment of the Hon'ble Supreme Court in the matter of M/s Daiichi Sankyo Company Ltd. v. Jayaram Chigurupati & Ors. and observed that persons acting in concert are persons who directly or indirectly cooperate by acquiring (or agree to do so) shares/voting rights or control over the target company "for a common objective or purpose of substantial acquisition of shares or voting rights or control and the relationship of "persons acting in concert" must exist not at the time of the public announcement, but at the time of acquisition, for the purposes of Regulation 20(4) (b) of SAST Regulations. Accordingly, it was held that Union of India cannot be termed as person acting in concert with LIC. Accordingly, the open offer price of ₹ 61.73 per share calculated in terms of the SAST Regulations and already affirmed by a judicial verdict (in another matter) was held to be in accordance with the applicable legal provisions.

III. SECURITIES APPELLATE TRIBUNAL

A. Common order dated 10.4.2018 in Appeal No. 114 of 2015 - Rajkumar C. Basantani Vs SEBI and another connected appeal.

The appeals were filed against the orders of the Adjudicating Officer for violating the SEBI (PFUTP) Regulations, 2003, levying a penalty of ₹ 15 crore in the matter of Kolar Biotech Limited and ₹ 10 lakh in the matter of Adam Comsof Ltd.

Before considering the merit of the appeals, SAT dismissed the delay condonation application and observed that the appellant had successfully evaded service of notices/orders for decades initially by running away from the country and thereafter changing his residence every now and then. SAT also observed that SEBI had discharged its duty to serve the appellant by sending the notices through Registered Post with Acknowledgment Due and also by way of affixation. According to SAT, merely because, SEBI, at this belated stage, was unable to produce the Acknowledgement, it cannot be said that SEBI had failed to serve notices/ orders and failed to comply with the procedure for holding inquiry.

B. Common Order dated 26.4.2018 in Appeal No. 479 of 2016: Karvy Financial Services Limited versus SEBI and another connected appeal.

Appeals were filed against the order of SEBI dated October 27, 2016 directing the appellant to acquire through open offer, the shares of Regalia Realty Limited (target company) in accordance with the provisions of SEBI (SAST) Regulations, 2011 (SAST Regulations). The appellant also challenged the communication of SEBI dated September 6, 2016 whereby the application filed by the appellant on July 21, 2016 seeking exemption from making the open offer under regulation 11(1) of the SAST Regulations

in relation to the shares acquired by invoking pledge on February 16, 2012 was rejected by SEBI.

SAT dismissed the appeals and observed that the obligation to make open offer on account of acquiring 20,00,100 shares of the target company on invocation of pledge arose on February 16, 2012, whereas, the application seeking exemption from making open offer was made belatedly after four years on July 21, 2016 and that the appellant was not justified in making application seeking exemption.

SAT also observed that the acquisition of 55.56 per cent shares of the target company was not disputed by the appellant and that appellant was entitled to exercise more than 25 per cent of the voting rights in the target company.

SAT also noted the fact that the appellant after acquiring the shares had not exercised controlled over the target company, had not exercised the voting rights in the target company and had not received any dividend cannot be ground either for not making the open offer or seeking exemption from making open offer after lapse of four years.

C. Common Order dated 20.6.2018 in Appeal No. 356 of 2015: PVP Ventures Limited & Anr. Vs SEBI and another connected appeal

The appeals were filed against the separate orders of the Adjudicating Officer dated March 27, 2015 for imposing a penalty of ₹ 15 crore each for violation of Regulation 3(1) and 3(ii) of the Insider Trading Regulations and of ₹ 15 Lakh each on PVP Energy Pvt. Ltd (PEL) and Prasad V. Potluri (Promoter - Director) for not making requisite disclosures under regulation 7(1A) of Takeover Regulations and ₹ 15 lakh each for violating regulation 3(1) and 3(ii) of the SEBI (PIT) Regulations, 1992 and for not making requisite disclosures under regulation 13(6) of the said Regulations.

Allegation is that the unpublished price sensitive information (UPSI) of PVP Ventures Limited (PVL) pertaining to negative financial results on account of write-off in the value of investments and advances to PVP Energy Pvt. Ltd (PEL) came into existence on September 30, 2009. However, the financial results were published on stock exchange website only on October 31, 2009. During, September 30, 2009 to October 30, 2009, approximately 1.9 crore shares of PVL were sold by PEL and Mr. Prasad V. Potluri, Chairman and Managing Director of PVL and also a director of PEL who traded on behalf of PEL. In view of the same, SEBI found that the aforesaid persons have violated the provisions of SEBI (PIT) Regulations, 1992 and imposed penalty accordingly.

SAT, while disposing of the appeals rejected the main contention of PEL that UPSI came into existence only on October 15, 2009 and not on September 30, 2009. The supporting argument of the appellants, that the journal vouchers through which the net loss of ₹ 599.91 crore was written off came into existence on October 15, 2009 and the same were back dated to September 30, 2009 to reflect the true value of the assets as on September 30, 2009, was found held to be inadmissible by the SAT.

SAT upheld the penalty of ₹ 15 crore imposed on PEL and reduced the penalty of ₹ 15 crore imposed by SEBI on Mr. Prasad Potluri to ₹ 5 crore. It also upheld the penalty of ₹ 15 lakh against PVP Ventures and Prasad V. Potluri for disclosure violations under the Insider Trading Regulations in the other appeal.

D. Order dated 22.6.2018 in Appeal No.450 of 2015 - IL&FS Engineering and Construction Company Limited vs SEBI in the matter of Satyam Computer Services Limited

Appeal against the order dated September 10, 2015, wherein SEBI held that several entities

including the Maytas Infra Limited ("MIL") (presently known as IL&FS Engineering and Construction Company Limited (IL&FS) have made unlawful gain on account of sale/ transfer of shares of Satyam Computer Services Limited (Satyam) while in possession of unpublished price sensitive information (UPSI) with complicity and involvement of Mr. B. Ramalinga Raju and Mr. B. Rama Raju (Ex-Chairman and Managing Director respectively of Satyam). Accordingly, the entities set out in the order were directed to disgorge jointly and severally an amount to the tune of ₹ 543.93 crore, out of which ₹ 59.16 crore was directed to be disgorged by Maytas Infra Limited (MIL).

As IL&FS had acquired MIL under special circumstances after the impugned insider trading by MIL, IL&FS was directed to disgorge the aforesaid amount which was challenged by the appellants before Hon'ble SAT.

SAT, vide separate order dated August 11, 2017 upheld the order of SEBI against the connected/related entities of Satyam while the present appeal was pending before Hon'ble SAT. The Hon'ble Supreme Court, on appeal by connected/related entities, vide order dated May 14, 2018 had set aside the aforesaid order of the SAT by holding that most of the entities connected/related to Mr. B. Ramalinga Raju/ Mr. B. Rama Raju could not be said to be reasonably expected to have access to the UPSI.

The appellant submitted that, since the Hon'ble Supreme Court of India has held that Mr. B. Teja Raju could not be said to be reasonably expected to be privy to the UPSI, the charge against MIL was not sustainable, as held by SEBI in its order dated September 10, 2015.

Hon'ble SAT held that in view of the decision of the Hon'ble Supreme Court of India dated May 14, 2018 wherein it is held that several entities including

Mr. B. Teja Raju (Son of Mr. B. Ramalinga Raju) could not be considered as an 'insider', impugned decision which holds that MIL was an 'insider' on account of its director Mr. Teja Raju (Son of Mr. B. Ramalinga Rju) was an 'insider' cannot be sustained.

E. Order dated 27.6.2018 in Appeal No. 92/2018: Shaswat Agarwal vs. SEBI

The appeal was filed against the order of the Adjudicating Officer dated January 31, 2018 wherein a penalty of ₹ 5,00,000/- was imposed on the appellant.

The appellant, promoter as well as managing director of the appellant company, Rich Universe Network Limited, though held 6.85 per cent of the total paid up share capital of the company, Rich Universe Network Limited however, did not make timely disclosure to the stock exchange, with respect to the his entire shareholding and thus violated SEBI (SAST) Regulations, 2011 and also the SEBI (PIT) Regulations, 1992.

SAT upheld the order of the Adjudicating Officer and dismissed the appeal and observed that though the appellant disputed the purpose of the transfer, he did not dispute the transfer. SAT also observed that National Securities Depository Limited (NSDL) had confirmed that share transfer had taken place from the client ID on September 26, 2014 and the consideration value was ₹ 1.78 crore, the appellant was liable to disclose the stock exchange in terms of the aforesaid Regulations.

SAT further examined the matter as to whether the ratio of its earlier order in respect of Mr. Ravi Mohan & Ors. vs. SEBI (Appeal No. 97 of 2014 decided on December 16, 2015) is applicable in the matter. SAT noted that the same was not applicable since sub-regulation 29(2) and 29(3) of the SEBI (SAST) Regulations, 2011 require disclosure of changes in shareholding, and not only acquisition.

F. Common Order dated 28.6.2018 in Appeal No. 303 of 2016: Pratik Minerals Pvt. Ltd. Vs. SEBI and other connected appeals in the matter of Platinum Corporation Ltd (PCL)

The appeals were filed against the order of SEBI dated August 12, 2016 by which several entities, including the appellants were held to have inter alia violated SEBI (PFUTP) Regulations, 2003, SEBI (SAST) Regulations, 1997 and issued various directions such as restraint from dealing in the securities market directly or indirectly/disgorgement of the unlawful gains made/ direction to make an open offer as detailed therein have been issued, by SEBI.

Between July 20, 2005 and September 15, 2006 Platinum Corporation Ltd (PCL) made a number of misleading corporate announcements which led to increase in its share price and volume of trading in its shares. Promoters of PCL had transferred shares in off-market transactions to related entities (appellants) who in-turn sold the shares in the market after the corporate announcements and made unlawful gains to the extent of ₹ 12 crore at the cost of innocent investors. PCL and its directors misled the public investors by providing incorrect information on promoters' shareholding for 11 quarters (i.e. from March 2005 till September 2007) to the BSE Limited.

PCL made fraudulent preferential allotment of 290 lakh shares to seven connected entities /persons without real inflow of funds from the preferential allottees. The allottees of the aforesaid preferential issue, four of whom were directors of the company, were connected to one another and were acting in concert, acquired 21.32 per cent of the post issue paid up capital of the company. However, they failed to make open offer as prescribed by Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

SAT dismissed all the appeals and upheld the SEBI order except in case of appellant nos. 2 and 3 in Appeal No. 306 of 2016, where Hon'ble SAT has given benefit of doubt based on the finding that no concrete connection could be established with between them and PCL.

G. Common Order dated 29.6.2018 in Appeal No. 423 of 2015: Alchemist Holdings Limited & ors., and other connected appeals

The appeals were filed against the orders dated August 3, 2015 and August 14, 2015 by which, SEBI had directed, Alchemist Capital Limited and its Directors and Alchemist Holdings Limited and its Directors, respectively, to refund jointly and severally the money collected through Redeemable Preference Shares (RPS) as they were found to have inter alia violated sections 56, 60 and 73 of the Companies Act, 1956 (Act).

Alchemist Holdings Limited, duly registered as a Non-Banking Financial Company (NBFC) had raised funds through issuance of RPS during the period from March 25, 2006 to February 28, 2009, whereas, Alchemist Capital Limited had raised funds through issuance of RPS even before it was registered as NBFC with the Reserve Bank of India (RBI) and also after it was registered as NBFC with RBI.

SAT, while upholding the orders of SEBI, deleted the direction of SEBI to pay interest 'compounded at half yearly intervals', and observed that in terms of the Act, every company intending to offer shares or debentures to the public for subscription by issue of prospectus is required before such issue to make an application to one or more recognized stock exchanges seeking permissions for the said shares or debentures to be listed with the stock exchanges.

SAT observed that the plain and unambiguous language used in Section 67 of the Act clearly show that NBFCs are also required to follow the provisions contained in Sections 67 and 73 therein.

SAT further observed that the argument of the appellants that they had no 'intention' to offer shares to the public and, therefore, SEBI could not invoke jurisdiction under Section 55A of the Act was held to be without any merit, because:-

firstly, the offer made by the company was not a private placement restricted to the persons to whom the offer was addressed but was open to the public namely individual, trusts, corporate bodies, etc.

secondly, reading Section 67 of the Act as a whole makes it abundantly clear that when an NBFC offers shares to the general public and not to the persons to whom the offer/ invitation is made, then all the provisions applicable to a public offer would apply.

SAT also observed that as per the first proviso to Section 67(3) of the Act, where an offer or invitation to subscribe to the shares or debentures of the company is made to more than 49 persons receiving the offer or invitation, then, that offer or invitation shall be treated to have been made to the public.

According to SAT, since the offer/ invitation of the company was not restricted to the persons to whom the offer/ invitation was made, SEBI was justified in holding that the company had made the offer to the public without following the provisions applicable to public offer under the Act. SAT also held that any offer or invitation by an NBFC to more than 49 persons to subscribe to its shares or debentures shall not be a public offer.

H. Order dated 29.6.2018 in Appeal No. 01 of 2017: Factorial Master Fund Vs SEBI

The appeal was filed to challenge the order dated December 8, 2016 in which SEBI had held that the appellant had indulged in unusual and aggressive trading in the scrip of L&T Finance Holdings Limited (LTFH) on March 13, 2014 ahead of the announcement of 'Offer for Sale' (OFS) of shares of LTFH on March 14, 2014 by the promoter, Larsen & Toubro Limited (L&T) and thereby gained a profit of ₹ 20.04 crore which was an unlawful gain and accordingly directed the appellant to disgorge the said amount with simple interest @ 10 per cent per annum from March 2014 till the date of payment.

SAT allowed appeal and set aside the order of SEBI and observed the fact that, on March 10, 2014 L&T had applied to SEBI seeking exemption from the cooling off period so as to offload the LTFH shares through OFS prior to March 17, 2014 (date on which cooling off period was to expire) could not be considered as UPSI. SAT also observed that the mere fact that the appellant had participated in the market gauging exercise conducted by Merchant Banker could not be a ground to hold that the appellant was privy to the UPSI that L&T would sell shares of LTFH through OFS imminently.

SAT further observed that as there was no bar on the investors who had participated in the market gauging exercise to trade in the scrip in which the market gauging exercise was conducted and that SEBI was not justified in presuming that the appellant had traded in the scrip of LTFH in the F&O segment on March 13, 2014 while being in possession of the UPSI that L&T would sell the shares of LTFH through OFS imminently.

I. Order dated 15.3.2019 in Appeal no. 78/2012- Anandkumar Baldevbhai Patel vs. SEBI [In the matter of Passport India Investment (Mauritius) Ltd.]

This appeal was filed against order of Adjudicating Officer dated September 30, 2011 vide which a penalty of ₹ 1,00,00,000 (One Crore only) was imposed for violation of Regulations 3 (a), (b), (c) & (d) of SEBI (PFUTP) Regulations, 2003.

SAT dismissed the appeal and observed that it was not necessary that there has to be a clinching evidence or that the intention has to be proved in order to impose penalty under the SEBI Act and that the standard of proof is preponderance of probability and the proof of manipulation always depends on the inferences drawn from a host of circumstances. According to SAT, a finding has to be arrived at from the pattern of trading.

SAT further observed that the circumstantial evidence could be sufficient to raise a presumption with regard to the existence of a fact which is sought to be proved and that where a transaction has been executed with the intention to manipulate the market or defraud its mechanism will depend on the intention of the parties which could be inferred from the attending circumstances since direct evidence in such cases are not available.

J. Order dated 1.2.2019 in Appeal no. 278 of 2017- MLB Capital Pvt. Ltd. vs. SEBI

The appellant, who was earlier granted the benefit of fee continuity by the Hon'ble Supreme Court, had made a claim for interest on the principal amount i.e. the fee paid under protest. SEBI had rejected the claim *inter alia* holding that there is no

provision for payment of interest under the Act or statute and that the Supreme Court while allowing the appeal by judgment dated December 9, 2015 did not issue any direction for refunding the fee along with interest.

The appellant challenged the aforesaid decision of SEBI in rejecting its claim for interest vide the captioned appeal. The Hon'ble SAT observed that since the appellant did not claim the relief of interest while seeking the refund of fee liability before it or before the Hon'ble Supreme Court of India, the claim of the appellant was barred by principle of Order II Rule 2 of Civil Procedure Code from claiming the refund of interest. Therefore, it was held that the claim of interest was rightly rejected by SEBI and accordingly the appeal was dismissed.

**K. Order dated 15.2.2019 in Appeal No. 192/2018-
Abhey Ram Dahiya & Anr. vs. SEBI & Anr.**

The appellants through their merchant banker filed a draft letter of offer on November 14, 2017 for acquisition of 6,79,520 equity shares of the target company, Polo Hotels Limited. SEBI vide a letter dated May 11, 2018 communicated to the Merchant Banker that as per an earlier Order dated August 1, 2003 of SEBI, the appellants were required to make a public announcement for acquiring 20 per cent of shares and therefore the public announcement should be made for acquiring 44,74,851 equity shares which would constitute 20 per cent of the capital of the target company which is 2,23,74,253 as per regulation 21 of the SAST Regulations.

The appellants being aggrieved by the observations of SEBI regarding the offer size had filed the captioned appeal before the Hon'ble SAT. It was the contention of the appellants/acquirers that the offer size was already determined when they came

out with an open offer in the year 1999. However, the Hon'ble SAT, vide Order dated February 15, 2019, dismissed the appeal while observing the following:

a) The communication dated May 11, 2018 issued by SEBI in modifying the Draft Letter of Offer amounts to a quasi-judicial order and cannot be termed as an administrative order. The said communication by SEBI has civil consequences and affects the rights of the appellant and therefore becomes appealable before the SAT.

b) In respect of invoking regulation 16(4) of the SAST Regulations, 2011 was concerned, the Hon'ble SAT observed that in the matter, the provisions of 1997 SAST Regulations were alone to be invoked and be considered while complying with SEBI directions dated August 01, 2003. However, SAT opined that the same does not make the impugned order dated May 11, 2018 patently illegal and the use of words "Regulation 16(4) of the Regulations of 2011" was only a clerical error.

c) SEBI found that the public announcement made under Regulation 10 on April 24, 1999 was not in accordance with the provisions of the SAST Regulations, 1997 and the same had affected the interest of the shareholders of the target company. SEBI, accordingly, directed the appellant/acquirer to make public announcement under Chapter III of the SAST Regulations, 1997. In the opinion of SAT, such public announcement has to be made afresh and the provisions of Chapter III of the SAST Regulations, 1997 was required to be complied with afresh. The contention that only a corrigendum to the earlier public announcement was required to be issued was held to be per se misconceived and cannot be accepted. The Hon'ble SAT further observed that it was immaterial whether equity share capital of the company has increased in the interim.

d) After noting that the SEBI Order dated August 01, 2003 has not been complied with for almost 15 years in spite of the said order reaching finality, Hon'ble SAT dismissed the captioned appeal with costs of ₹ 50,000/- to be paid to the Registrar of SAT within a period of four weeks.

L. Order dated 28.2.2019 in Appeal No. 73/2019- Mr. Mahendra Giridharilal vs. NSE & Ors.

The appellant is a shareholder of the company, T. Stanes and Company Limited. The company was listed on the erstwhile Madras Stock Exchange (MSE). Pursuant to MSE surrendering its recognition, the company was placed in the Dissemination Board of National Stock Exchange of India Limited ("NSE"), with effect from December 1, 2014. The company intimated its shareholders vide a circular dated December 2, 2014 that they can avail the limited facility of buying and selling their shares on the Dissemination Board of the NSE.

The company had made an offer to its shareholders to buy-back their shares and pursuant to such buy-back offer, had bought back the shares by making payments to the shareholders. Accordingly, NSE had issued an order removing the company from the Dissemination Board. The appellant did not accept the letter of offer and chose not to sell the shares back to the company. After a period of two of completion of the buy-back, the appellant challenged the same and inter alia contended that buy-back offer made by the company was wholly illegal in as much as the circular dated April 17, 2015 and October 10, 2016 issued by SEBI only permitted the promoters to buy-back the shares and did not allow the company to buy-back the shares.

While dismissing the appeal, the Hon'ble SAT held that SEBI issued a circular dated July 25, 2017 permitting the company to buy-back its shares

so as to provide an exit to the public shareholders and therefore there was no illegality in the buy-back of shares made by the company and there was no reason to disturb the arrangement made two years ago at a belated stage.

IV. SESSIONS COURT/SPECIAL COURT:

A. Order dated 14.3.2019 in Cr. Case No. 10/2016- SEBI Vs. Golden Land Development Ltd. (Judgment of ASJ, Tis Hazari Court, Delhi)

The accused company had launched an unregistered Collective Investment Scheme (CIS) and collected ₹ 60.25 crores from the general public. SEBI therefore filed a prosecution case against the company and its directors for the alleged violation of sections 11B, 12 (1B) of the SEBI Act, 1992 (SEBI Act) read with regulations 5(1), 68(1), 68(2), 73 and 74 of SEBI (Collective Investment Scheme) Regulations, 1999 ("CIS Regulations") punishable under section 24(1) of the SEBI Act. The directors were also accused in respect of the alleged violations in terms of section 27 of SEBI Act.

The Hon'ble Court, in its order dated March 14, 2019, observed that sub-section (2) of Section 12(1B) contains absolute bar that no person could sponsor or cause to sponsor or carry on any venture or CIS scheme without obtaining a certificate of registration from SEBI in accordance with the CIS Regulation. The Hon'ble Court also observed that the company did not file the Winding-up and Repayment Report in spite of the rejection of its application for registration and thus was running a CIS in violation of SEBI Act and CIS Regulations. The requirement of obtaining a certificate of registration was applicable in respect of persons carrying on business prior to January 20, 1995, as they could do continue to do so, after notification of regulations only after

obtaining certificate of registration as per Regulation 5. Further, the Directors of company were also held guilty of violating the provisions of the SEBI Act and CIS Regulations as there were admitted documents that clearly established that they were responsible for the conduct of the business and affairs of the company.

V. JUDGMENT OF FEDERAL COURT OF AUSTRALIA IN THE MATTER OF PACL

SEBI vide its order dated August 22, 2014 inter alia, directed PACL to wind up the existing schemes and refund ₹ 49,100 crore collected by it along with returns due to the investors as per the terms of the schemes. Upon PACL's failure to comply with the aforesaid direction, recovery proceedings were initiated wherein Recovery Officer, SEBI had issued Certificate No. 832 of 2015 dated December 11, 2015 against PACL and its promoters/directors for recovery of a sum of ₹ 49,100 crore alongwith promised returns, further interest, all costs, charges and expenses, etc.

In furtherance of the same, SEBI filed a claim petition before Federal Court of Australia (FCA) on March 17, 2017 for claiming the assets (Hotel Sheraton Mirage situated at Gold Coast and two properties at Sanctuary Cove, Australia) acquired out of the money mobilized by PACL and diverted to Australia upon rejection of its intervention application in a

proceedings filed by Janlok Pratisthan Sanghatana, an investor group (Janlok). Trial of claim petition filed by SEBI and petition filed by Janlok before the FCA in the matter was concluded in April, 2018. SEBI had claimed that the assets under litigation or their sale proceeds are to be held on trust for the Indian investors in PACL and be released to SEBI.

The FCA pronounced judgment in the matter on July 20, 2018, inter alia, holding as under:

- i) that SEBI conducted the proceedings with commendable efficiency;
- ii) that SEBI has full right, interest, power and authority to seek a relief in Australia and therefore locus standi of SEBI was upheld in this regard;
- iii) that after analysing the scheme pursuant to which PACL collected funds from Indian investors and relying on the report of Justice Ian Callinan, FCA concluded that the scheme operated by PACL is indeed a "collective investment scheme" and that the monies received by PACL from Indian investors are on trust for those investors;
- iv) that the monies mobilised from the investors was transferred by PACL to Pearls Infrastructure Projects Ltd. (PIPL) and other entities and ultimately to Australia and that such transfers were in breach of trust.

2. SEBI ORDERS

A. Interim Order dated April 27, 2018 in the matter of Kalpa Commercial Limited (“KCL”):

SEBI had carried out an examination into the trading activity in the scrip of KCL and *prima facie* found out that 28 connected entities including one Mr. Abhishek Ashoka, Mr. Tejas Abhiram Nathwani, Managing Director of KCL, Mr. Sunil Kumar, Additional (Non – Executive Independent) Director of the company, etc., had employed a scheme for offloading a large number of shares of KCL in a fraudulent and manipulative manner. Such offloading was facilitated by group entities participated in the larger scheme of sending misleading ‘buy’ recommendations through over 3.42 crore bulk Short Message Services (“SMSes”) designed to create investor interest to buy those shares, in contravention of provisions of section 12A (a) (b) and (c) of the SEBI Act and regulation 3 (a), (b), (c) and (d) and regulation 4(1) and 4(2) (f) and (r) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003.

Accordingly, SEBI passed an ad-interim ex-parte order dated April 27, 2018, *inter alia*, prohibiting 28 connected entities listed therein from buying, selling or dealing in securities, directly or indirectly, in any manner whatsoever, till further directions. Further, SEBI also directed them to cease and desist from directly or indirectly disseminating messages or news in any form related to the securities market.

B. Interim order dated May 29, 2018 in the matter of F6 Finserve Pvt. Ltd. (“F6”) and others:

NSE forwarded to SEBI findings of its inspection of F6 carried out during January 2017. Considering the gravity of the violations observed,

SEBI also conducted inspection of F6 between August 10-30, 2017 for the period April 01, 2015 to August 10, 2017 and found several lapses/violations such as non-settlement of funds of inactive clients, improper use/mis-utilisation of client funds, non-segregation and mis-utilization of client securities, use of client beneficiary accounts for purposes other than specified, taking loans against clients’ securities, wrong reporting of margin collection and failure to furnish information to the SEBI inspection team. Thereafter, NSE carried out another inspection of F6 during January 2018 and reported several violations to SEBI. These acts and omissions of F6 noted in the inspections of SEBI / NSE were *prima facie* found to be in violation of the provisions of SEBI (Stock Brokers and Sub-brokers) Regulations, 1992 and various Circulars issued by SEBI.

Accordingly, SEBI issued directions including restraining F6, its commodities broking group company and their directors from accessing the securities market and further prohibited them from buying, selling or otherwise dealing in securities, either directly or indirectly, or being associated with the securities market in any manner whatsoever, till further directions. The entities were also directed to cease and desist from undertaking any activity in the securities market, directly or indirectly, in any manner whatsoever till further directions. Further, the entities were directed not to dispose of or alienate any assets, whether movable or immovable, or any interest or investment or charge in any of such assets excluding money lying in bank accounts except with the prior permission of SEBI.

C. Order in respect of Therm Flow Engineers Private Ltd. the matter of Patels Airtemp (India) Limited:

The case involved *inter alia* the question whether in respect of inter-se transfer of shares

between promoter entities, the transferor and the transferee promoter entities can be deemed to be 'persons acting in concert' in terms of regulation 2(1)(q)(2) of the SEBI (SAST Regulations), 2011. Placing reliance on the judgment of the Hon'ble Supreme Court in the matter of Daiichi Sankyo Company Ltd. vs. Jayaram Chigurupati & Ors. (AIR 2010 SC 3089), it was held that since the transferor and the transferee promoter entities did not have a common objective or purpose of acquisition but were rather acting in opposite directions, where one promoter entity had purchased the shares and another entity had sold the same shares, the deeming provision provided under regulation 2(1)(q)(2) does not make the said promoter entities "persons acting in concert". Another issue involved in the matter was whether any change in the individual shareholding of any acquirer entity, beyond the threshold limit prescribed under regulation 3(1), would trigger open offer requirements, even if the overall shareholding of the acquirer and PACs remains the same. Considering the explicit clarification provided in regulations 3(3), the question was decided in affirmative.

D. Order dated July 27, 2018 in respect of Mr. Nilesh Kapadia, Mr. Rajiv Sanghvi and Ors. in respect of front-running of HDFC Group's trades:

SEBI had received references from BSE and NSE regarding suspected instances of front-running of the orders of HDFC Mutual Fund and other related entities. In that backdrop, SEBI carried out a detailed investigation in the matter and after completion thereof, SEBI vide *ad interim ex parte* order dated January 15, 2016 issued directions in the matter to Sanghvi Group, i.e., Mr. Nilesh Kapadia, Mr. Rajiv Sanghvi, Rajiv Sanghvi-HUF, Mr. Sanjay Sanghvi, Ms. Dipti Mehta and Ms. Sonal Sanghvi and Kalpana Group i.e., Mr. Nilesh Kapadia and Ms. Kalpana Kapadia. The directions were *inter*

alia for impounding the unlawful gains of a sum of ₹ 2,17,14,284/- (gain of ₹ 1,05,02,417/- + interest of ₹ 1,12,11,866/-) jointly and severally from the Sanghvi Group, and a sum of ₹ 1,18,45,638/- (gain of ₹ 47,24,293/- + interest of ₹ 71,21,345/-) jointly and severally from the Kalpana Group.

Aggrieved by the said order, all the entities except Ms. Dipti Mehta filed appeals before Hon'ble SAT. Vide order dated March 4, 2016, Hon'ble SAT disposed of the appeals and permitted the appellants to sell the securities lying in their respective demat accounts so as to enable them to deposit only the amount of undue profits set out in the impugned order and not the interest amount. All the contentions on both the sides were kept open. Accordingly, the entities deposited the amount of undue profit as set out in the SEBI order.

Thereafter, in view of the findings of the detailed investigation, a show cause notice dated February 14, 2017 was issued to the entities. The entities were given opportunities to file their replies/written submissions and appear for personal hearing which were availed by them.

After consideration of the submissions of the entities, it was *inter alia* observed by SEBI that front running is a fraud against the securities market as a whole and not only against the specific person, whose trades have been front run. The person, who does front running, makes profit not only at the expense of the person being front run but also at the expense of other investors in the market who incidentally suffer loss because of the transactions of the front runner. Thus, it was held that the calculation of the profit has to be done from the perspective of the person who is doing front running and not from the perspective of the person who is being front run. It was also observed that SEBI was justified in levying interest on amount of ill-gotten gains which had to be disgorged from the Noticees.

SEBI found that the entities had violated the provisions of section 12A of the SEBI Act, 1992 and regulations 3 and 4 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 and the entities were, *inter alia*, directed to disgorge the wrongful gains (made on account of the fraud) along with interest thereupon @12 per cent from the respective dates of the transactions.

E. Order dated July 27, 2018 in respect of 36 entities in the matter of M/s SMS Techsoft (India) Limited:

SEBI passed an order dated July 27, 2018 in the matter of SMS Techsoft Limited. The order held that on March 13, 2012 SMS Techsoft Limited (hereinafter referred to as "SMS Tech") had allotted 3 crore shares on preferential basis to 31 connected entities without any actual consideration amount received by SMS Tech. Thereafter, in November 2012 these shares were sub divided into 1:10 ratio leading to creation of 30 crore shares. Subsequently, the preferential allottees have offloaded 22.21 crore shares in the market from March 13, 2013 to November 05, 2013. Thereby the preferential allottees had earned the profit of ₹ 6.79 crore. The order also held that SMS Tech in its annual report for the Financial Year (FY) 2011-12 and 2012-13 had misrepresented its financials to the effect that ₹ 30 crore was raised by way of preferential allotment and the proceeds of the preferential allotment was used for a land deal. Thus, the order held that 36 Noticees had violated the provisions of Section 12A (a), (b), (c) of SEBI Act, 1992 read with Regulations 3 (b), (c), (d), 4 (1), (2)(a) of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003.

The said order dated July 27, 2018 directs Noticees to disgorge an amount of ₹ 6,78,85,716/- along with simple interest calculated at the rate

of 12 per cent per annum from the date of end of investigation period i.e. November 05, 2013, till the date of payment and prohibits the Noticees to buy, sell or otherwise deal in the securities market in any manner whatsoever or access the securities market, directly or indirectly, for a period of 10 (ten) years from the date of completion of disgorgement.

F. Order in respect of Maithili N. Desai Family Private Trust in the matter of Apar Industries Limited:

An Application seeking exemption from the requirement to make an open offer was filed by the Acquirer Trust for its proposed acquisition in Apar Industries Limited (Target Company) i.e. to acquire 21.43 per cent of its equity share capital by way of a gift from the Transferor Promoters. The Application was rejected by SEBI vide an Order dated July 31, 2018, in view of the following –

- a. The inclusion of a clause in the Trust Deed providing for the management of the Trust being vested with a company and not with an individual Promoter or his/her immediate relatives or lineal descendants;
- b. The inclusion of a clause in the Trust Deed providing for arbitration of disputes in accordance with the Arbitration Act, which was not found to be appropriate in the context of the Hon'ble Supreme Court's decision in the matter of Vimal Kishor Shah & Ors. vs. Jayesh Dinesh Shah (Judgment dated August 17, 2016), which had *inter alia* held that such disputes have to be decided by the Civil Court as specified under the Trust Act.

G. Order in respect of Vakrangee Holdings Pvt Ltd. (VHPL) in the matter of acquisition of the shares of Vakrangee Limited.

It was alleged that VHPL, one of the promoter entities of the Vakrangee Ltd, triggered an open

offer obligation under Regulation 3 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (“Takeover Regulations”), by exceeding the threshold limit of 25 per cent of total share capital of the company on May 27, 2013.

VHPL inter-alia submitted that it was a person acting in concert along with the Promoters and Dinesh Nandwana had the ultimate control over the target company. Since the promoters collectively already held more than 25 per cent, the noticee could not be alleged to have independently triggered the Takeover Regulations. SEBI in its order dated August 9, 2018 held that Regulation 3(3) unambiguously provides that acquisition of shares or voting rights beyond the threshold of 25 per cent, even by a single entity amongst the PACs would attract the obligation to make an open offer. The contention raised by the Noticee that VHPL was controlled by Dinesh Nandwana at the relevant time, would at best be a defence to counter an allegation levelled under Regulation 4, but the same is not a valid defence for an allegation under Regulation 3, where specific threshold is stipulated without contemplating or considering, who exercises control over the target company.

H. Final Order dated September 07, 2018 in the matter of Surana Corporation Limited (“SCL”):

SEBI, based on a reference received from the Directorate of Revenue Intelligence (‘DRI’), Department of Revenue, Ministry of Finance, conducted an investigation into the alleged discrepancy in financial statements and documents pertaining to sale and purchase of goods and stock of goods of SCL. SEBI found that Mr. Vijayraj Surana, Mr. S. Guruswamy as directors of SCL and Mr. K.E. Devarajan AVP of (Finance and Accounts) of SCL during the investigation period, have not diligently performed the role entrusted upon them to protect

the interests of the stakeholders of the company by approving incorrect and misstated financial results declared by the company without exercising adequate due diligence. It was found that the Noticees were responsible for falsification of gold purchases and sales in the books of accounts of the company and were involved in accounting manipulations and created a misleading picture in a deceitful manner to influence the decision of investors dealing in the securities of SCL and thereby violated the provisions of Regulations 3(a), (c), (d), 4(1), 4(2) (e) (k) and (r) of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as the “PFUTP Regulations”) read with Sections 12A (a), (b) and (c) of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the “SEBI Act”).

Accordingly, SEBI vide order dated September 07, 2018 directed Mr. K.E. Devarajan to ensure that internal records of the SCL reflect the correct data in respect of the impugned transactions and publish forthcoming quarterly filings before the stock exchanges reflecting the changes. Further, SEBI also restrained the Noticees from accessing the securities market and prohibited from buying, selling and dealing in securities market directly or indirectly for a period of five years. SEBI also restrained from associating themselves or holding any position with any listed public company and/or any public company which intends to raise money from the public, either directly or indirectly, or with any intermediary registered with SEBI during the period of debarment.

I. Order in the matter of SBEC Sugar Limited:

In this case, the allegation was that the collective shareholding of the promoter entities (the Noticees) in SBEC Sugar Limited (the target company), had increased by more than 5 per cent

within one financial year, without complying with the obligation under regulation 3(2) of the SEBI (SAST) Regulations, 2011, to make an open offer for shares of the Target Company in accordance with the provisions of the said Regulations. The Noticees had sought relief from the obligation to make an open offer *inter alia* on the grounds that the shares in question were acquired by two promoter entities from two borrowers against adjustment of loans, in order to arrange funds for the company and since the company was sick and was in dire need of funds for its revival, the obligation of open offer would jeopardize the future prospects of the company. Vide order dated September 17, 2018, SEBI held that the provisions of the SEBI (SAST) Regulations, 2011 do not provide for an exemption to any acquisition of shares from obligation of an open offer merely on the ground that the shares were received by the acquirer in lieu of settlement of loans. It was further held that under the SEBI (SAST) Regulations, 2011, it is the interest of the investors and their protection which is paramount and not that of the promoters. The shareholders' interest cannot be sacrificed at the altar of the company's interest or that of its promoters. According, the Noticees were directed to make an open offer for shares of the target company, in accordance with the provisions of the SEBI (SAST) Regulations, 2011.

J. Order dated October 05, 2018 in the matter of Celestial Biolabs Limited:

SEBI passed an Order dated October 05, 2018 in respect of Celestial Biolabs Ltd., its Directors and statutory Auditor. The Order held that the company has employed deceptive devices by projecting inflated sales in Bio-IT and had adopted dubious and inconsistent practices in drawing up accounts for manipulating the financial results of the company to present a rosy picture to its shareholders and to the public at large. It was noted that one of the Directors was the Managing Director of the company and was

also the controlling Promoter of the company, holding along with his family members 38.06 per cent for year ending March, 2012 while the other Director was also part of the Promoter Group wherein she along with her family members was holding 38.06 per cent for the year ending March, 2012. Company though a legal entity, cannot act by itself and would not have been able to draw up this elaborate scheme without its Directors and statutory Auditor being part of the manipulative and deceptive device. Therefore, the company, its Directors and statutory Auditor have contravened the provisions of Section 12A (b) of SEBI Act and Regulation 3(c) and Regulations 4(1) and 4(2),(a),(e),(f),(k), and (r) of the PFUTP Regulations. It was also held that by virtue of showing fake sales in the Annual Reports, the company has violated Regulations 4(1)(a), (b), (c), (d), (e), (g) and (j) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR Regulations). It was also held that Directors by virtue of their fraud have not performed their obligation under LODR Regulations in question and they along with the company were liable for non-compliance of Regulations 4(1)(a), (b), (c), (d), (e), (g) and (j) of LODR Regulations read with Regulation 4 (2) (f) (ii) (7) and (8) of LODR Regulations.

In view of the above violations, the Company and its Directors were, *inter-alia* restrained from buying, selling or otherwise dealing in the securities market in any manner whatsoever or access the securities market, directly or indirectly, for a period of ten years from the date of the order. Further, the Directors were also restrained from associating themselves with any listed public company and any public company which intends to raise money from the public, or any intermediary registered with SEBI for a period of ten years from the date of the order. The directions against the company and Directors were made contingent to them submitting a reply to the charge of violation of LODR Regulations

against the company and the charge of violation of provisions of SEBI Act and PFUTP Regulations against the Directors, within 30 days of service of the order. The statutory Auditor was directed not to directly or indirectly issue any certificate of audit of listed companies, compliance of obligations of listed companies and intermediaries registered with SEBI and the requirements under SEBI Act, Securities Contracts (Regulation) Act, 1956, Depositories Act, 1996, those provisions of the Companies Act 2013 which are administered by SEBI under Section 24 thereof, the Rules, Regulations and Guidelines made under those Acts which are administered by SEBI for a period of five years.

K. Orders in respect of V. Srinivas, G Ramakrishna and VS Prabhakara Gupta (all employees) and B. Ramalinga Raju, B Rama Raju, B. Suryanarayana Raju and SRSR Holdings Pvt. Ltd. (all promoters) in the matter of Satyam Computer Services Ltd.

SEBI had earlier passed an order dated July 15, 2014 against the noticees, in the context of them having orchestrated fraudulent and manipulative practices by falsifying financial statements of SCSL and for having made illegal gains by indulging in insider trading in SCSL's shares. SAT passed an order dated May 12, 2017, upholding the findings in the said SEBI order on merits. However, it remanded the matter to SEBI for a fresh decision on the quantum of illegal gain to be disgorged and the period of restraint to be undergone. Accordingly two separate orders were passed - one against the promoters (November 02, 2018) and one against the employees (order dated October 16, 2018). In both cases, cost of acquisition (being the ESOP strike prices) and taxes, wherever provided were reduced from the illegal gain (as computed in the previous SEBI order). In the case of one of the employees i.e. VS Prabhakara Gupta, it was found that the liability of Noticee No.3

begins only from August 2007 onwards and therefore the quantum of illegal gain must be computed only for the said period. With respect to the promoters it was also concluded that the liability to disgorge would be joint and several. As regards the period of restraint, while the direction in the previous SEBI order against promoters were not disturbed, in light of the relatively lesser role of Mr. Gupta in the fraud perpetrated at SCSL, the period of restraint against him was reduced to four years. Accordingly, while the promoters were restrained from dealing in and accessing the securities market for a period of 14 years, Mr. VS Prabhakara Gupta was restrained for a period of 4 years and the other two employees were restrained for a period of 7 years. The aforesaid periods stand reduced by the period of restraint already suffered i.e. from the date of the previous SEBI Order.

L. Final Order in the matter of Sanraa Media Limited

SEBI investigated the issuance of Global Depository Receipts ('GDRs') in overseas market by Sanraa Media Limited for the period of April 01, 2008 to May 31, 2008 which revealed that Sanraa Media Limited issued 10.00 million GDRs (amounting to USD 27.50 million) on May 02, 2008 on the Luxembourg Stock Exchange.

The scrip of Sanraa Media Limited was listed on BSE. Clifford Capital Partners A.G.S.A., a company incorporated in the British Virgin Islands was the only subscriber to the GDR issue and that the subscription amount was paid by obtaining a loan facility from Banco Elisa S.F.E., S.A. through a Credit Agreement in April, 2008. The loan facility was secured by Account Charge Agreement between Sanraa Media Limited and Banco whereby the GDR issue proceeds were pledged to Banco for loan taken by Clifford Capital. The Credit Agreement was entered into between Clifford Capital Partners

A.G.S.A. and Banco for the specific purpose of subscribing to the GDR issue by SML. The Account Charge Agreement was an integral part of the Credit Agreement. The Account Charge Agreement was signed by the Chairman of Sanraa Media Limited, on its behalf, who was authorised by the Board of Directors through a resolution passed in one of its meetings held in January, 2008. The Board of Directors in the same meeting had also approved a resolution authorizing Banco to use the funds as deposited in the account where GDR proceeds were to be credited as security in connection with any loan. The GDR issue would not have been subscribed if Sanraa Media Limited had not given such security towards the loan taken by Clifford Capital Partners A.G.S.A. Further, the fraudulent arrangement of Credit Agreement and Account Charge Agreement, which resulted in facilitating the subscription of GDR issue of the company was not disclosed to the stock exchange. SEBI observed that information regarding execution of Account Charge Agreement was material information about contingent liability to the extent of proceeds from GDR issue. Suppression of such material information shows that the corporate announcement was primarily meant to mislead Indian retail investors that GDRs were genuinely subscribed, whereas in reality, the GDR issue was facilitated by SML itself.

SEBI also observed that Sanraa Media Limited requested transfer of an amount of USD 27.244 million to Clifford Capital Partners A.G.S.A towards repayment of the loan taken by Clifford Capital Partners A.G.S.A for subscription of GDRs issued by Sanraa Media Limited. On account of default on repayment of loan obtained by Clifford Capital Partners A.G.S.A, GDR proceeds were set off by Banco. Therefore, Sanraa Media Limited did not receive consideration for the GDR issue to the extent of US\$ 27.244 million.

SEBI passed order dated January 02, 2019 wherein it held that Sanraa Media Limited, its directors and Sanraa Media Limited had violated that sections 12A (a),(b) and (c) of SEBI Act, 1992 read with Regulations 3(a), (b), (c), (d) and 4(1) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003.

In the order dated January 02, 2019, SEBI directed Sanraa Media Limited to recover a sum of US \$27.244 million from Clifford Capital Partners A.G.S.A. and bring back the money into Sanraa Media Limited's bank account in India within three months from the date of SEBI's order. SEBI also directed that the directors of the company shall ensure and facilitate the compliance of the direction issued to Sanraa Media Limited, and furnish a Certificate from a peer reviewed Chartered Accountant of ICAI along with necessary documentary evidences to SEBI, certifying the compliance of the direction, within three months from the date of SEBI's order. Sanraa Media Limited and its directors along with Clifford Capital were also debarred from accessing the capital markets.

M. Final Order in the matter of Shreekrishna Biotech Ltd.

An investigation into the scrip of Shreekrishna Biotech Ltd. for the period from November 1, 2012 to July 31, 2015 revealed that certain entities had devised a scheme to manipulate the price of the scrip by squeezing the supply of the shares in the market. In the instant matter, it was observed that a director of the company transferred the shares of the company in off-market deals, directly or indirectly, to eight entities, who were found to be connected/related with each. The entities who had received shares dealt in a unique way by repeatedly placing sell orders

in very small quantities on the trading platform of the stock exchange at a price much higher than the Last Traded Price (LTP), while buy orders for large quantities were pending in the system. It was not found that no two person amongst the connected persons placed sell orders on the same day and the trades of these entities contributed 81.44 per cent to positive LTP in the market which caused abnormal increase in the price of the scrip.

In view of the above, vide order dated January 31, 2019, it was found that the trades of the Noticees in the scrip were fraudulent and unfair and were not executed in the normal course dealing in securities. The Noticees were therefore restrained from accessing the securities market and were further prohibited from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner, whatsoever, for a period of three years, from the date of the order.

N. Final Order in the matter of Maitreya Plotters and Structures Pvt. Ltd.

It was revealed during the investigation that Maitreya Plotters and Structures Pvt. Ltd. (MPSPL) and its directors, Ms. Varsha Madhusudan Satpalkar and Mr. Janardan Arvind Parulekar, had mobilized an amount of ₹ 1,775 crore (till August 30, 2013) under various schemes offered by MPSPL to the public. The funds were received from the investors towards schemes involving booking, purchase and development of plots of land with option of returns. The company was offering to sell plots of land without identifying and specifying any detail of plot except for the plot size. The contributions received from the investors under the garb of sale of plots of land were pooled and the investor did not have any control over day to day management of the pooled

funds and the land placed under the scheme or arrangement.

During the course of inquiry, based on the material available on record, it was found that the company and its directors had indulged in illegal mobilization of funds from the public through schemes in the nature of Collective Investment Schemes without obtaining certificate of registration from SEBI and thus had contravened section 12(1B) read with Section 11AA of the SEBI Act, 1992 and regulation 3 of the SEBI (Collective Investment Schemes) Regulations, 1999. Therefore, vide order dated January 31, 2019 they were directed, inter-alia, to wind up the schemes offered by the company and refund the contributions collected from the investors.

O. Order in the matter of REIL Electricals India Ltd (REIL)

REIL sought exemption from the provisions of Regulation 27(3) (c) & (d) of the SEBI (Delisting of Equity Shares) Regulations, 2009, dealing with special provisions for small companies which states that at least ninety per cent of the public shareholders should give positive consent in a matter of voluntary delisting. SEBI vide order dated February 04, 2019 acceded to the request considering inter alia the following-

- (i) The company's equity shares were listed around 40 years before.
- (ii) The alleged non-compliance was a pre-existing one and not a wanton breach subsequent to amendment to the norms in Securities Contracts (Regulation) Rules, 1957.
- (iii) The poor financial condition of the company and the inadequate potential for its revival would mean that investors are unlikely to evince interest in acquiring shares of the

company making it almost impossible for the company to be in compliance with MPS norms.

- (iv) The percentage of public shareholding is only around 1.81 per cent and several public shareholders remain untraceable despite the company's best efforts.
- (v) There are no investor grievances as on date pending against the company.

P. Order dated February 22, 2019 in respect of India Infoline Commodities Limited (Now known as "IIFL Commodities Limited"); Order dated February 22, 2019 in respect of Motilal Oswal Commodities Broker Private Limited; Order dated February 25, 2019 in respect of Anand Rathi Commodities Limited; Order dated February 25, 2019 in respect of Geofin Comtrade Limited (formerly known as "Geojit Comtrade Limited); Order dated February 27, 2019 in respect of Phillip Commodities India Pvt. Ltd. (Formerly known as "MF Global SIFY Securities India Ltd."):

The orders held that considering the facts and circumstances of the case and since the Noticee has applied for registration to SEBI, for the purpose of granting registration to the Noticee to act as a commodity derivatives broker, SEBI has jurisdiction to determine whether the Noticee is a fit and proper person to act as a commodity broker. The order notes that the concept of a fit and proper person has a very wide amplitude. In order to determine the Fit and Proper status of Person, as per Schedule II of Securities and Exchange Board of India (Intermediaries Regulations), 2008 (hereinafter referred to as "Intermediaries Regulations"), the Board may take into account of any consideration

including integrity, reputation, competence and character of the Noticee. The said order states that the following two parameters would be enough for the Board to ascertain the reputation of the Noticee in order to determine the Fit and Proper status of the Noticee:

- (a) The existence of material, if any, adversely impacting the reputation of the Noticee or its close associates, even if such material is prima facie in nature.
- (b) The existence of a close association or even prima facie evidence of a close association, if any, of the Noticee with a person who does not enjoy a good reputation.

The said order finds that various Courts and Authorities in the country have made serious adverse observations against NSEL and Paired Contracts, observing the transactions to be violative of the Forward Contracts (Regulation) Act, 1952 (hereinafter referred to as "FCRA") and to be in the nature of financing transactions that were violative of Maharashtra Protection of Interest of Depositors (in Financial Establishments) Act, 1999 (hereinafter referred to as MPID Act) Act. Such adverse observations made by various Courts / Competent Authorities had seriously impacted the reputation and belief in competence, fairness, honesty, integrity of NSEL and paired contracts. The Noticee, by virtue of being a broker, and by its own admission, has facilitated transactions in the said Paired Contracts for its clients on the NSEL platform. This in itself establishes a close association between the Noticee on the one hand and Paired Contracts and NSEL on the other. Further, the order holds that Noticee allowed itself to become a channel and instrument for NSEL to promote Paired Contracts amongst its clients. The Order further states that the close association of the Noticee to NSEL and the Paired

Contracts, and the relatability of the same to the Noticee, had seriously eroded the reputation and belief in competence, fairness, honesty, integrity and character of the Noticee. Reputation is an important factor for consideration of Fit and Proper Criteria and the reputation of the Noticee has been seriously eroded. Thus, the order held that the Noticee is not a fit and proper person to be granted registration/ to operate as a commodity derivatives broker.

The said order declare that the Noticee is not a fit and proper person to hold, directly or indirectly, the certificate of registration as commodity derivatives broker, and hereby, reject the application filed by the Noticee for registration as commodity derivatives broker. The order further held that Noticee shall cease to act, directly or indirectly, as a commodity derivatives broker.

Q. Final order in the matter of Polytex India Ltd.

Polytex India Ltd., whose shares are listed on BSE witnessed an abnormal movement in its price and trading volume without any significant change in the fundamentals of the Company. The investigation by SEBI revealed that a group of entities had engaged in creating artificial trading volume of the shares of the Company (trading entities) and another group of entities, who had been restrained (restrained entities) by an order of SEBI from accessing the securities market, have funded the trading entities.

After giving a show cause notice and personal hearing to the Noticees, SEBI has passed order dated February 27, 2019, finding that the restrained entities had continuously provided funds from time to time to the trading entities for meeting their pay-in obligations for trading in scrips including Polytex and the funds received pursuant to the sale of securities were transferred back by the trading entities to the account of restrained entities, showing

direct and immediate nexus between the trades and the fund transfers. Funding the trades of the trading entities by the restrained entities were in violation of the earlier restraint order and considering that a large portion of these trades were in the nature of self-trades & reversal of trades have been found to have indirectly traded in the securities market in violation of provisions of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003.

The restrained entities, were, therefore, vide order dated February 27, 2019 directed to be restrained from accessing the securities market and further prohibited them from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner, whatsoever, for a period of seven years.

R. Final Order in the matter of Jagran Prakashan Ltd.

SEBI had conducted an investigation in the trading activity of certain entities in the scrip of Jagran Prakashan Limited for the period August 01, 2009 to October 31, 2009. Upon such investigation, SEBI observed that Mr. Amit Jaiswal, Company Secretary & Compliance Officer of Jagran Prakashan Limited and his wife, Ms. Mansi Jaiswal had traded in the shares of Jagran Prakashan Limited while in possession of unpublished price sensitive information and made unlawful gains in the process.

SEBI passed an ad-interim ex-parte order dated November 20, 2015 impounding the alleged illegal gains of ₹ 10,41,005/- made by the Noticees with a direction to the Noticees not to dispose of or alienate any of their assets/ properties/ securities till the aforesaid amount is credited into an escrow account. The aforesaid impounded amount was deposited by the Noticees as directed on December 21, 2015.

A show cause notice was issued to Mr. Amit Jaiswal and Ms. Mansi Jaiswal. After considering their replies and hearing the submissions made by their authorized representatives, SEBI passed order dated March 14, 2019 wherein it held that Mr. Amit Jaiswal has violated of Regulation 3(i) and (ii) of SEBI (Prohibition of Insider Trading) Regulations, 1992 read with Regulation 12 of SEBI (Prohibition of Insider Trading) Regulations, 2015 and Section 12A (d) & (e) of SEBI Act and Ms. Mansi Jaiswal has violated Regulation 3(i) of SEBI (Prohibition of Insider Trading) Regulations, 1992 read with Regulation 12 of SEBI (Prohibition of Insider Trading) Regulations, 2015 and Section 12A (d) & (e) of SEBI Act.

In the order dated March 14, 2019, SEBI also directed that an amount of ₹ 10,41,005/- impounded by SEBI vide its interim order dated November 20, 2015 from Mr. Amit Jaiswal and Ms. Mansi Jaiswal shall be disgorged and credited to the Investor Protection and Education Fund established by the Board under Securities and Exchange Board of India (Investor Protection and Education Fund) Regulations, 2009.

S. Final order dated March 18, 2019 in the matter of the Canning Industries Cochin Limited (“CAICO”) and others:

SEBI passed an interim order dated August 9, 2017 against CAICO and its past and present directors and Debentures Trustee in respect of an issue of Fully Convertible Debentures (FCDs). SEBI *prima facie* observed that CAICO through the offer of FCDs raised an amount of ₹ 2.83 crore from 335 allottees during the financial year 2015-2016. The said offer of FCDs was *prima facie* found to be in the nature of deemed public issue under Section 42 of the Companies Act, 2013 read with Rule 14 (2) (b) of the Companies (Prospectus and Allotment of Securities) Rules, 2014 and therefore in violation of respective provisions of the SEBI Act, 1992, the Companies Act,

2013 and the rules and regulations made thereunder including SEBI (Issue of Capital and Disclosure Requirements), Regulations, 2009.

Taking into consideration of the legal and factual circumstances of the case, SEBI concluded that CAICO came with an offer of FCDs to 1,929 persons (members of the Company) and allotted FCDs to 335 persons during the financial year 2015-2016 and raised an amount of ₹ 2.83 crore. It was also held that the term FCDs are covered under expression “Shares or other securities” as per the Explanation (ii) to Rule 13 of the Companies (Share Capital and Debentures) Rules, 2014 and hence Explanation ii to Rule 13(1) which mandates compliance of conditions stipulated in Section 42 of the Companies Act, 2013 is applicable to the said issue of FCDs on preferential basis to existing members of the Company. As the Offer of FCDs made by the Company was more than 200 persons, the same is a deemed to be “public issue” as envisaged under Section 42(4) of the Companies Act, 2013 read with Rule 14(2) (b) of the Companies (Prospectus and Allotment of Securities) Rules 2014. Since the Offer of FCDs is deemed to be public issue the Company was mandated to comply with the ‘public issue’ norms as prescribed under the SEBI Act and Companies Act, 2013 which it failed to do. CAICO failed to make an application to one or more stock exchanges and the prospectus was required to state the name of such stock exchange under Section 40(1) and (2) of the Companies Act, 2013. CAICO has also failed to keep the monies received on application from the public for subscription to the securities in a separate bank account under Section 40(3) of the Companies Act, 2013. CAICO has also failed to comply with the provisions of ICDR Regulations for the said issue and allotment of FCDs.

As a consequence of violation of “deemed public issue norms” envisaged under Companies Act, 2013 read with ICDR Regulations, SEBI in

exercise of its mandate under Section 24(2) of the Companies Act, 2013 read with Sections 11(1), 11A, 11B and 11(4) of the SEBI Act, vide an order dated March 18, 2019 *inter alia*, directed the Company to cancel the FCDs and refund the money collected from the investors with an interest of 12 per cent per annum from the date of collection of funds till the date of actual payment along with a debarment for a period of four years after completion of refunds. SEBI also restrained the directors and debenture trustee for a period of 4 (four) years.

T. Order dated March 27, 2019 in the matter of Aplaya Creations Limited:

SEBI passed Order dated March 27, 2019 in respect of Aplaya Creations Ltd., its Directors and two related entities of the company. The Order held that after the company came out with preferential allotment, the price of the scrip was artificially manipulated by price manipulators, connected to the company. A factor that enabled the price manipulators in their manipulation was that the shares available for trading in the demat form was controlled by ACL/ Promoter and its connected entities. At a subsequent stage, the preferential allottees were provided exit at the manipulated price by the exit providers who were also connected to the company. These acts of preferential allotment, price manipulation and subsequent providing of exit constitutes a scheme. The company, its Directors, and price manipulators and exit providers played their respective roles in order to constitute the above scheme to operate as fraud in connection with dealing in securities which undermined the integrity of the trading system of the Exchange hampering the price discovery. The scheme has in effect resulted in benefit to the preferential allottees. Therefore, the company, its Non-Executive and Non- Independent Directors and the price manipulators connected to the company have contravened the provisions of

Regulations 3(a), (b), (c), (d) and Regulations 4(1), 4(2) (a) and (e) of PFUTP Regulations.

In view of the above violations, company, its Non-Executive and Non- Independent Directors and the price manipulators connected to the company were, *inter-alia* restrained from from accessing the securities market for a period of eight years from the date of the order and were further prohibited from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner, whatsoever, for a period of eight years, from the date of the order.. Further, the Directors were also restrained from associating themselves with any listed public company and any public company which intends to raise money from the public, or any intermediary registered with SEBI for a period of eight years from the date of the order.

U. Final Order in the matter of M/s. Tarini International Ltd.

M/s. Tarini International Ltd. (Tarini/ Company) brought its IPO for generating fund from the public to the tune of ₹ 16.3 crore in the SME segment. SEBI investigation revealed that the Company had not utilized the IPO proceeds for the objected as stated in the Prospectus and diverted major part of the IPO proceeds to its group companies.

SEBI passed order dated March 29, 2019 finding that Tarini has mainly diverted the IPO proceeds for the benefit of its group companies and has not used it towards the accomplishment of the objects as mentioned in the prospectus. The Company was also found to have used the IPO proceeds to buy its own shares and to have concealed material information from the investors of the Securities Market about a loan taken by the Company before the allotment of shares to the subscribers.

In view thereof, the Company and directors have been found to be in violation of provisions of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 which mandates the Issuer Company to make all material and adequate disclosures in the offer document to enable the share applicants to take an informed investment decision. The Company and directors have also been found in violation of provisions of SEBI Act, 1992 and SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 for committing fraud on the investors by concealing material information and not utilizing the funds in terms of the objects stated in the Prospectus. The Company and its direction have misled the investors so as to induce the investors to subscribe to the IPO.

Accordingly, the Company has been directed to bring back the diverted IPO proceeds worth ₹ 11.7 crore. The Company and directors have further been directed not to access the securities market, directly or indirectly and were prohibited from buying, selling or otherwise dealing in the securities market, directly or indirectly in any manner whatsoever and were restrained from associating themselves with any listed public company and/or any public company which intends to raise money from the public, or any intermediary registered with SEBI till the expiry of four years from the date of completion of recovery of the diverted funds with interest.

V. Order in the matter of Kavit Industries Limited:

Interim and Confirmatory Orders were passed by SEBI against Kavit Industries Limited in the years 2017 and 2018, respectively, in the context of the company having been featured in the list of 331 suspected '*Shell Companies*' released by the Ministry of Corporate Affairs. Vide Order dated September 28, 2018, SEBI observed that (a) the irregularities/ misstatements observed from the Annual Reports, Books of Accounts, etc. of Kavit Industries were within the knowledge of the Company and its Directors, (b) the Company and its Directors had misused company funds including through grant of loans, which have in most cases not been recovered and (c) the Company and its Directors had not been able to substantiate the increase in revenue from operations from ₹ 33.96 crore in Financial Year 2015–16 to ₹ 177.93 crore in the Financial Year 2016–17 with sufficient documentary evidence, found them to have violated the provisions of the SCRA, LODR Regulations, 2015 and the Listing Agreement. SEBI also found that the aforementioned actions of the Company and its Directors clearly resulted in '*fraud*' as defined under the PFUTP Regulations 2003. Accordingly, the Company and its Directors were restrained from accessing the securities market and dealing in securities for a period of 3 years, and the Directors of the Company were prohibited from holding any position as Director or Key Managerial Person of any other listed company for a period of 3 years.

Part Four: Organizational Matters

■ 1. ABOUT SEBI

I. SEBI'S ESTABLISHMENT

SEBI was constituted on April 12, 1988 as an interim administrative body under the overall administrative control of the Ministry of Finance (MoF) by a notification published in the Gazette of India: Extraordinary. The objective of establishing SEBI was investor protection and promotion of the orderly and healthy growth of the securities market. SEBI was accorded statutory status on January 30, 1992 by an Ordinance. SEBI was formally established on April 12, 1992 in accordance with the provisions of the SEBI Act, 1992.

II. SEBI'S PREAMBLE

SEBI's preamble describes its core functions as: '...to protect the interests of investors in securities and to promote the development of, and to regulate the securities market and for matters connected therewith or incidental thereto.'

III. SEBI'S BOARD

Shri Santosh Kumar Mohanty was appointed as a Whole Time Member (WTM) of SEBI under clause (d) of sub-section (1) of Section 4 of the SEBI Act, 1992 by the Government of India (GoI) vide notification dated April 27, 2018. Shri Santosh Kumar Mohanty assumed charge as Whole Time Member with effect from June 25, 2018. Shri Ananta Barua was appointed as a WTM of SEBI under clause (d) of sub-section (1) of Section 4 of the SEBI Act, 1992 by GoI vide notification dated July 30, 2018. Shri Ananta Barua assumed charge as Whole Time Member with effect from August 01, 2018. Shri Anand Mohan Bajaj, Joint Secretary, Department of Economic Affairs (DEA), MoF, GoI was nominated as one of the Members on the SEBI Board in terms of GoI Notification dated January 02, 2019 in place of Shri Subhash Chandra Garg. Shri Arun Sathe, Part-Time Member, relinquished the office on expiry of his term of appointment on August 23, 2018. The compositions of the SEBI's board is given in Table 4.1.

Table 4.1 : Composition of the SEBI's Board as on March 31, 2019

Name	Position	Provision
Shri Ajay Tyagi	Chairman	Appointed under Section 4(1)(a) of the SEBI Act, 1992
Shri G. Mahalingam	WTM	Appointed under Section 4(1)(d) of the SEBI Act, 1992
Ms Madhabi Puri Buch	WTM	Appointed under Section 4(1)(d) of the SEBI Act, 1992
Shri Santosh Kumar Mohanty	WTM	Appointed under Section 4(1)(d) of the SEBI Act, 1992
Shri Ananta Barua	WTM	Appointed under Section 4(1)(d) of the SEBI Act, 1992
Shri Injeti Srinivas	Part Time Member	Nominated under Section 4(1)(b) of the SEBI Act, 1992
Shri N. S. Vishwanathan	Part Time Member	Nominated under Section 4(1)(c) of the SEBI Act, 1992
Shri Anand Mohan Bajaj	Part Time Member	Nominated under Section 4(1)(b) of the SEBI Act, 1992

During 2018-2019, the SEBI Board met on five occasions. The details of the meetings attended by each member is provided in Table 4.2.

Table 4.2 : Details of Meetings of SEBI Board Held during 2018-19

Name	Number of Meetings Held	Number of Meetings Attended
Shri Ajay Tyagi	5	5
Shri G. Mahalingam	5	5
Ms Madhabi Puri Buch	5	5
Shri Santosh Kumar Mohanty	4*	4
Shri Ananta Barua	4*	4
Shri Injeti Srinivas	5	4
Shri N. S. Vishwanathan	5	2
Shri Anand Mohan Bajaj	2*	2

Note : 1. * Number of meetings held after assuming charge.

2. Shri Subhash Chandra Garg attended 3 out of 3 meetings held during the year, prior to his demitting the Office of the Part-Time Member.

3. Shri Arun Sathe attended 1 out of 1 meeting held during the year, prior to his demitting the Office of the Part-Time Member.

2. HUMAN RESOURCES

Continuing to discharge the multiple responsibilities of recruiting suitable candidates, identifying and meeting the training needs of the existing employees, ensuring employee welfare and providing a safe working environment, the Human Resource Department (HRD) made significant achievements during 2018-19.

I. STAFF STRENGTH, RECRUITMENT, RESIGNATION

As on March 31, 2019, the total number of employees in various grades is 785 (including employees on deputation/ contract), out of which 699 employees are officers and 86 employees comprise of secretaries and other staff. The male and female composition is 519 and 266 respectively.

A. Grade-wise Distribution

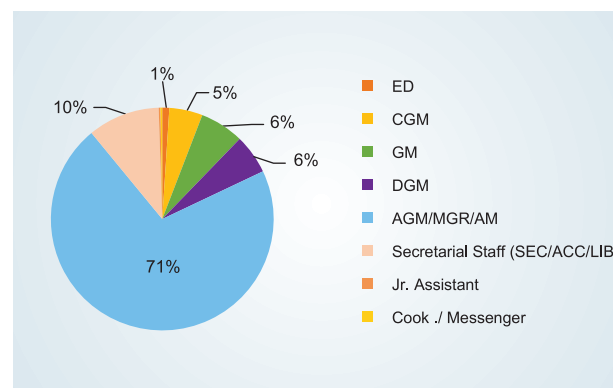
The grade-wise distribution of the staff members is provided in the table 4.3:

Table 4.3 : Grade-wise Distribution of Staff Members

Staff Members in Various Grades	2017-18	2018-19
Executive Director (ED)	9	8*
Chief General Manager (CGM)	25	38
General Manager (GM)	36	50
Deputy General Manager (DGM)	78	45
Assistant General Manager (AGM)/ Manager (MGR)/ Assistant Manager (AM)	550	558
Secretarial Staff (SEC/ACC/LIB)	92	82
Jr. Assistant	2	2
Cook/ Messenger	2	2
Total	794	785

Note: *includes Chief Vigilance Officer appointed by Government of India in the rank of Executive Director

Figure 4.1 : Grade-wise Distribution of Staff Members 2018-19



During 2018-19, three (General category) officers in Grade 'A' (Assistant Managers) in IT Stream joined the services of the Board. Further, 13 staff members, across various grades, exited from the services of the Board by way of retirement/relieving/ end of deputation/end of contract. Ms. Arti C Srivastava was appointed as Chief Vigilance Officer of SEBI vide Government of India notification dated November 14, 2018. She assumed charge on December 17, 2018.

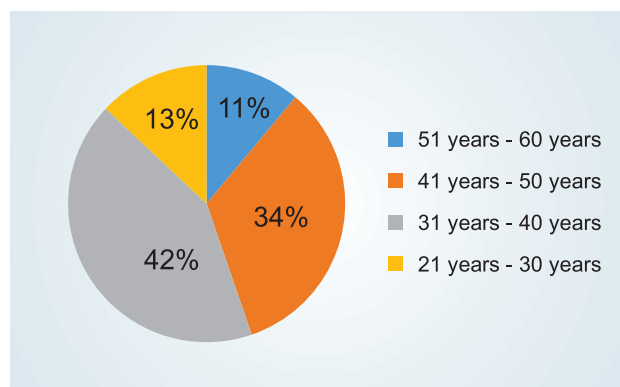
B. Age Profile of the Staff Members

SEBI is a young and dynamic organization and more than 55 per cent of SEBI staff are 40 years or below in age. The average age of the staff members is around 40 years. The distribution of staff members across different age brackets is given below:

Table 4.4 : Distribution of Staff Members (Age Brackets)

Age (Years)	2017-18		2018-19	
	No of Officers	Per cent	No of Officers	Per cent
51 - 60	77	9.7	87	11.1
41 - 50	246	31.0	264	33.6
31 - 40	332	41.8	332	42.3
21 - 30	139	17.5	102	13.0
Grand Total	794	100	785	100

Figure 4.2 : Distribution of Staff Members (by Age groups) during 2018-19



C. Distribution of Officers by Qualification

SEBI endeavors to strike a balanced composition of generalists and specialists in the relevant fields. The distribution of Officers by qualification is presented below (an officer may have more than one qualification):

Table 4.5 : Distribution of Officers by Qualification

Particulars	No. of Officers	Per cent
BE/BTech/ME/MTech	31	4.4
CA/CS/ICWA/CFA	90	12.9
Law (LLB/LLM)	113	16.2
M.A. (Eco)	59	8.4
MBA/PGDM/PGDBA	335	47.9
MCA/DCA	8	1.1
M.Com.	41	5.9
Others *	22	3.1
TOTAL	699	100

* includes M.Sc, M.A., B.Sc, B.Com, etc.

D. Promotions

In line with our belief that aspirations of the organization are aligned with the ambitions of its employees, an elaborate review of the opportunities for career progression at various levels in the

organization was carried out. As a result, a broad promotion exercise covering all levels of hierarchy spread over current and forthcoming year has been initiated. The posts identified for the promotion at grades D, E and F have been the highest in the history of SEBI. The details of the same are provided in Table 4.6

Table 4.6 : Promotions of Staff Members in Various Grades

Promoted From	Promoted To	No. of Persons Promoted during 2017-18	No. of Persons Promoted during 2018-19
CGM	ED	2	-
GM	CGM	6	18
DGM	GM	10	32
AGM	DGM	20	-
MGR	AGM	15	-
AM	MGR	74	-
Secretary / Accounts Assistant / Library Assistant	Assistant Manager / Manager	-	9
Private Secretary - Grade B	Private Secretary - Grade C	1	-

E. Job Rotation

Rotation of the job is essential for all round development of officers. Officers in various grades have been transferred as part of inter-departmental and inter-office job rotation measure. Around 315 officers have been transferred/rotated between various departments/ regional/ local offices during 2018-19. Reallocation of departments among the Executive Directors was also undertaken.

F. Region-Wise Distribution of Staff Members

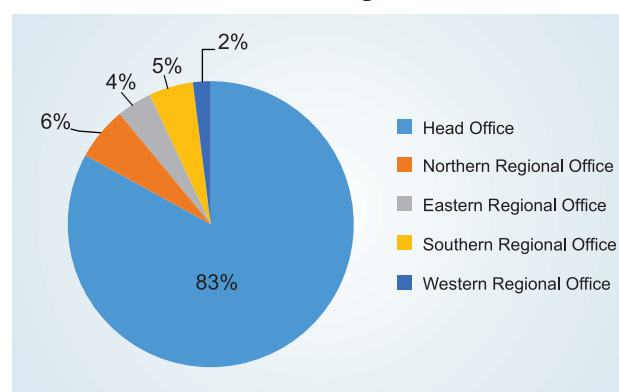
As on March 31, 2019, 120 staff members (around 17 per cent of total employee strength) in various grades were posted at Regional and Local Offices.

Distribution of staff at Head Office and Regional Offices, including Local Offices under them, is provided in the chart below:

Table 4.7 : Region-Wise Distribution of Staff Members

Staff Details Grade Wise	2017-18		2018-19	
	No of Officers	Percentage of total	No of Officers	Percentage of total
Head Office	654	82.4	665	84.7
Northern Regional Office	56	7.1	44	5.6
Eastern Regional Office	26	3.3	24	3.1
Southern Regional Office	35	4.4	34	4.3
Western Regional Office	23	2.9	18	2.3
Total	794	100	785	100

Figure 4.3 : Region-Wise Distribution of Staff Members during 2018-19



II. POLICY INITIATIVES

A. Revision of Benefits and Reimbursements

During the year, SEBI has revised certain benefits and reimbursements for all staff members. The concerns of employees from all the spheres, the “divyangs”, retiring/ retired employees, employees living far from office premises, aggrieved employees, were sought to be addressed by reviewing existing schemes or introducing new schemes.

B. Introduction of Special Casual Leave (SCL) for Persons with Disabilities

Special casual leave (SCL) for persons with disabilities, as defined in the Rights of Persons with Disabilities Act, 2016, was introduced for maximum of ten (10) days of SCL in a calendar year for participating in conference / seminars / training / workshop for disability and development related programs and maximum of four (4) days of SCL in a calendar year for specific requirements relating to the disability of the employee.

C. Employment after retirement / resignation

To bring the conditions on employment of SEBI employees after resignation / retirement in line with the policy of RBI and Government of India, SEBI Board reviewed and reduced the restriction for accepting/ undertaking commercial employment / employment / associating with an intermediary registered with SEBI post retirement/ resignation from two years to one year. However, employees joining any organization shall not represent at organization before the Board or against the Board in quasi-judicial proceedings for a period of two years from the date of being relieved from the services of the Board.

D. Compassionate Package for family members of SEBI employee (dying in harness)

In order to provide much needed relief to the family members of employees dying in harness, SEBI has revised the ex-gratia amount payable to the family members of the SEBI employee dying in harness to two times of gross annual Cost to Company (CTC) of the employee at the time of death. However, the ex-gratia payment shall not exceed the CTC for the remaining service of the deceased employee worked out notionally as per the age of retirement. Further, the Board shall also waive off 50 per cent of the outstanding housing loan (with accrued interest thereon), taken from SEBI.

E. Enhancement of Flexible Office Timings

Flexible Office Timings introduced during FY 2017-18 were enhanced further, keeping in mind the traffic constraints and aiming towards reducing the commute time of staff members thereby increasing the productivity levels, and allowing optimum utilization of available resources and also helping achieve work-life balance.

F. Disclosure of the Annual Performance Appraisal Reports (APAR)

As a historic development by HRD to promote transparency, it was decided to disclose the Annual Performance Appraisal Reports (APAR) of all officers since their joining the organisation. Accordingly APARs of all the officers since their joining were made available to them in SHARE portal.

G. Grievance Redressal Procedure

The employees can now view / print / download their own APAR files. To ensure efficient and effective handling of employee grievances, a comprehensive procedure for dealing with various

types of employee grievances, including those related to annual performance appraisals, has been put in place.

H. Review of Recruitment Policy

The recruitment policy of SEBI was comprehensively reviewed to make it more robust and efficient with a view to attract the best talent available in the market. The review was carried out after studying the systems adopted by other regulatory agencies as well as UPSC.

An additional phase of screening has been introduced as part of the process in order to select meritorious candidates for appointment as Officers in Grade 'A'. The recruitment process now has three phases: the first phase is a screening exam and the second phase is the main exam, followed by an interview in the third phase. The candidates who clear the cut-offs in Phase I appear for Phase II and candidates who clear the cut-offs in Phase II are shortlisted for the interview. The number of candidates shortlisted is based on the number of vacancies.

To have a larger pool of candidates for selection, maximum age limit for a candidate to apply for the post of Officer in Grade 'A' has been increased to 30 years as against the earlier age limit of 27 years. Further, to avail talent from across disciplines, the minimum educational qualification in the General Stream was relaxed to include Master's Degree in any discipline, Bachelor's Degree in Law and Bachelor's Degree in Engineering, from a recognized University.

SEBI has also widely publicized its role in the regulatory landscape, salary structure and the career opportunities it offers in order to attract talented candidates.

I. Scheme for Deputation/ External Assignment

A scheme for Deputation/ External Assignment (viz. Secondment, Tour of Duty, Staff Exchange Program) had been introduced for the employees of SEBI. As per the scheme, the employees of SEBI may undertake Deputation/ External Assignment to various other Domestic Regulatory Bodies, Government Departments, Foreign Regulatory Bodies, Multilateral Organizations and other organizations relevant to financial market. The objective of the scheme were to give developmental experience and enhance employee performance, to pursue innovative ideas to learn new approaches to regulatory issues and to bring expertise in a particular field/ area related to capital market.

J. Creation of New Departments

To address the need of the growing responsibilities of SEBI, like efficient recovery of dues to SEBI and investors and orderly refund of the same. The following new departments / divisions were created:

a. Recovery and Refund Department (RRD)

A department named Recovery and Refund Department has been created. The broad functions of the Department are:

- a) Formulation and implementation of policy related to recovery proceedings;

- b) Formulation and implementation of policy related to refund of money recovered as a result of recovery proceedings;
- c) Other work related to recovery proceedings and refund of money.

b. NISM Cell under MRD:

A dedicated cell termed NISM Cell, has been created for handling all matters pertaining to NISM under the Market Regulation Department.

III. TRAINING AND DEVELOPMENT

Training and Development is critical for helping staff members to develop their personal and professional skills, knowledge, and abilities. In order to enhance and widen the knowledge base, staff members across all grades have been nominated for various training programs, both domestic and foreign. Several training initiatives were undertaken during the year to enhance the knowledge, skills and efficiency of staff members. The details are given below:

A. Internship

SEBI, as an integral part of its policy, offers short-duration projects/ internships to students of reputed management and law schools. SEBI offered internships to 44 candidates/ students during the year (27 in the previous year).

Box 4.1: Training Initiatives taken by HRD in FY 2018-19 (Domestic)

Training and Development is critical for helping staff members to develop their personal and professional skills, knowledge, and abilities. In order to enhance and widen the knowledge base, staff members across all grades have been nominated for various training programs, both domestic and foreign. Several training initiatives were undertaken during the year to enhance the knowledge, skills and efficiencies of staff members. Brief details provided below:

Domestic Training

1. In order to identify the training needs of employees, list of various training programs being organized by NISM was circulated to all Executive Directors and Divisions Chiefs. The officers nominated by the Departments were sent for training as per interest shown by them.
2. A total of as many as 820 nominations (some of the officers were nominated for more than one training) were made for 37 training programs organized by HRD in FY 2018-19 (485 nominations were made in the previous year).
3. **In-house training:** To effectively utilize the experience of SEBI officers and to build their awareness and wherewithal, considering job rotation, HRD organized 'in-house trainings' on recent policy changes and developments and functioning of various Departments of SEBI. Such trainings have not only kept the officers abreast of developments in various segments of securities markets but will also help them to perform better when they are transferred to other Departments. In total 6 such training sessions were conducted which were attended by 320 officers in total.
4. Various sessions have been held throughout the year wherein significant legal / legislative developments in Securities Laws were discussed. Enforcement Department and Legal Affairs Department jointly organized such discussion / presentation every month inter-alia covering important court pronouncements and legislative changes/ amendments/developments in securities laws and rules and regulations made there under. In total 10 such sessions were conducted in FY 2018-19 which were attended by approx. 600 officers in total (some officers attended more than one session).
5. Additionally, to create more awareness and knowledge with respect to mental health care, HRD, in coordination with NISM, conducted a 'Talk on Mental Health Care' for senior officers in Grade D, E and F at SEBI Bhavan. It was attended by 33 officers.
6. To create awareness and sensitize senior officers a talk on prevention of sexual harassment at workplace was also conducted in which 81 officers were present.
7. Based on the interest expressed by employees, HRD organized trainings (some were organized in coordination with NISM), wherein in total 200 officers were nominated. Some of the topics for workshops/ training program arranged/ conducted for staff members during the year are:
 - a. Regtech/Fintech
 - b. Forensic Accounting Analysis
 - c. Macroeconomics for Regulators
 - d. Algo and High Frequency Trading
 - e. Commodities Markets – Operations

8. Various other training programs were organized in which approx. 270 nominations were made and some of the workshops/training program arranged/ conducted for staff members during the year are:
 - a. Basic and Advanced Training in Excel
 - b. Workshop on Vigilance Administration
 - c. Workshop on Disciplinary Rules and Procedures
 - d. Empower 2018 Conference on Assistive Technology
 - e. Training and Familiarization Program on Investigation for officers in IVD
 - f. Workshops on Annual Performance Appraisal Report

B. Internal Complaints Committee (ICC)

In accordance with its mandate to provide a safe working environment and in compliance with “The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013”, an Internal Committee at Head Office and separate Committees for each of the four Regional Offices

(and Local Offices under their purview) are in place. During 2018-19, number of workshops/ awareness programs have been conducted at various Offices of SEBI to create awareness on sexual harassment and gender sensitization.

During 2018-19, the ICC received one complaint which was disposed of, after taking action based on the recommendations of the ICC.

Box 4.2 : Training Initiatives taken by HRD in FY 2018-19 (Foreign)

Foreign Training

1. With a view to carrying out its core functions effectively and efficiently in a globalized market structure and for building adequate capacity, a proper understanding of international best practices on various aspects of securities markets is required. In this context, SEBI nominated staff members for various foreign study tours, seminars, conferences, training programs, etc. organized by various foreign regulatory/multilateral agencies/ organisations. Moreover, SEBI is also an active member of the International Organization of Securities Commissions (IOSCO) and is represented on many of its committees and sub-committees.
2. During the year, around 141 nominations were made for various international trainings/seminars/ meetings/ conferences.
3. **Training in Data Analytics:** To create a pool of skilled officers having capabilities of data science/ analytics, 17 officers have been nominated for foreign training in field of data analytics based on their performance assessed through a test.
4. **Fellowships:** SEBI always endeavors to encourage the employees of the Board to pursue higher studies and upgrade their skills. The Global Financial Partnership Center (GLOPAC) established by the FSA, Japan, offers a fellowship program inviting financial regulators and supervisors around the world as “visiting fellows”. One SEBI employee was selected as a visiting fellow for the same.
5. SEBI officials were nominated to attend a two-phase program jointly developed by the IOSCO and PIFS-Harvard Law School. The program was aimed at offering IOSCO members an executive education program exclusively tailored for securities markets regulators.

C. Recreational Activities for the Staff Members

a. Sports Activities

The SEBI Sports Committee organized various sports activities for SEBI employees throughout the year. Sports activities like trekking, cycling, rafting, cricket and football were organized by SEBI Sports Committee for the employees. The intra-SEBI sports tournaments like the SEBI Premier League (Cricket) and SEBI Badminton League saw tremendous enthusiasm of and active participation by the staff members. Staff members also participated in the Mumbai Marathon.



c. SEBI Masterminds

The 3rd edition of SEBI Masterminds, an internal quiz competition for staff members, was held in February 2019 in which 41 teams (123 participants) participated.

d. Scheme for recognizing and rewarding academic excellence of children of employees

During 2018-19, 18 children of SEBI employees were rewarded for academic excellence in 10th / 12th standards. They were also presented Certificate of Recognition by the Chairman on Republic Day.

b. Yoga Day

International Yoga Day is celebrated annually on June 21 as was declared by the United Nations General Assembly (UNGA) on December 11, 2014. To celebrate the same, Yoga workshop was conducted at SEBI Bhavan, Mumbai. Teachers from B K S Iyengar Yoga Institute were invited to conduct the workshop in which various employees participated and benefitted from the workshop. For the holistic development of physical and mental health of SEBI employees and to promote a culture of well-being at the workplace, the Sports Committee has organized Yoga/Power Yoga Sessions.

e. Disciplinary Matters

Disciplinary proceedings were initiated against twelve employees during the year. Minor penalty of withholding increments from future service against four employees and censure against six employees were imposed under SEBI (Employees' Service) Regulations, 2001. One of the employees against whom minor penalty of withholding increments was imposed, appealed against the decision. However, the appeal was disposed of after giving personal hearing to the employee. Further, advisory letter was issued to one employee. Disciplinary proceedings against two employees are pending.

3. PROMOTION OF OFFICIAL LANGUAGE

During 2018-19, many initiatives were taken for implementation of the official language Hindi in SEBI's Offices to ensure compliance with various requirements of the Official Language Policy of the GoI. A summary of such initiatives is given below:

I. BILINGUALIZATION

During 2018-19, all regulations, notifications, public notices and registration certificates granted to various market participants, intermediaries, etc. were issued in both Hindi and English. All the papers were submitted before various Parliamentary Committees in diglot form. Furthermore, all the Memorandum of Understandings (MoUs) between SEBI and the regulators etc. of other countries were also prepared in diglot form. Further, statutory reports such as the Annual Report and the Audit Report were also brought out in both Hindi and English. Regional Offices and Local Offices of SEBI also issued public notices in diglot form. In order to encourage more and more usage of Hindi in day-to-day official work, standard documents frequently used by various departments / divisions / cells were made available in diglot form, so that the staff members may use the standard documents while carrying out their day-to-day official work, contributing thereby towards implementation of the Official Language Policy of the GoI.

II. RAJBHASHA PORTAL OF THE OFFICIAL LANGUAGE DIVISION

Rajbhasha Portal was made live on SEBI's Share Portal, which was developed exclusively for the staff members. This Rajbhasha Portal is aimed at providing single point of access to all the relevant information pertaining to official language Hindi

for the staff members of SEBI. With the help of this Rajbhasha Portal, staff members would also be able to learn as to how to use Hindi while working on computer. During 2018-19, all heads of the Rajbhasha Portal were made available in diglot form, i.e., in both Hindi and English, in order to ensure optimum utilization of the Rajbhasha Portal even by non-Hindi speaking staff members. During the year, a brief introduction of the Rajbhasha Portal was once again given to all the staff members. Salient features of the Rajbhasha Portal, in brief, are given below.

a. Information on Official Language Policy

The complete details of the Official Language Policy of the Government of India (along with annual programme) were made available on the Rajbhasha Portal, so that the staff members may refer the policy as and when required.

b. Standard Documents

Various standard documents frequently used in SEBI were also made available in diglot form on the Rajbhasha Portal, so that the staff members may use the standard documents (such as office notes, letters, office orders, office intimations, etc.) while carrying out their day-to-day official work with a view to achieve the targets as specified for correspondence in Hindi.

c. Glossary

A glossary of the terms generally used in SEBI was also made available on the Rajbhasha Portal. With the help of this glossary, the staff members would be able to find Hindi equivalents of English words and vice versa, while carrying out their day-to-day official work.

d. *Aaj Ka Shabd*, Hindi Noting (*Aaj Ka Vakyansh*) and Hindi Quotes

Also, one Hindi word (**Aaj Ka Shabd**), one phrase / noting (Hindi noting) and one motivational quote is also displayed through this Portal on a daily basis.

e. Hindi Typing

In this era of modern technology, considering the importance of computers in day-to-day official work, helpful material is available for the staff members on this Portal, so that they may learn as to how to use Hindi, while working on computer.

f. Online submission of Quarterly Progress Reports

One of the salient features of the Rajbhasha Portal is to facilitate the online submission of Quarterly Progress Reports by each Department / Division / Cell / Office to the Official Language Division of SEBI regarding progressive use of official language Hindi.

g. Frequently Asked Questions (FAQs)

A set of Frequently Asked Questions (FAQs) on Official Language Policy is also available on this Portal with a view to address the queries frequently raised by the staff members.

h. Helpful Material

Apart from this, a lot of other helpful material, viz., list of names and designations of all the staff members, list of all Departments, Divisions etc. and a list of Hindi notings, is available in diglot form on the Rajbhasha Portal, in order to enable the staff members to carry out their day-to-day official work in Hindi with ease.

i. Other Information

Rajbhasha publications as well as information about all the schemes and relevant web-links have also been made available on this Portal.

Rajbhasha Portal not only facilitates the staff members in timely complying with various requirements of the Official Language Policy of the Government of India, but also serves as a source of encouragement for the staff members to use official language Hindi in their day-to-day official work.

III. HINDI WEBSITE

Towards the implementation of the Official Language Policy of the Government of India, SEBI continued its efforts in uploading the information in Hindi on its websites on a regular basis. During 2017-18, Hindi replica of the newly launched website was also made available. However, continuous efforts are being made to upload all other information in Hindi. In this direction, efforts are being made to make relevant information / material available in Hindi for the investors, such as FAQs, caution notices for the Investors and other important notices, on priority basis. Towards this end, some of the FAQs have been uploaded in Hindi on SEBI website. Besides, Hindi version of various regulations, amendments and other notifications notified in the Official Gazette were also made available on SEBI's Hindi website. Even, updation of Hindi regulations is also in progress. Moreover, the orders passed by the Appellate Authority under the Right to Information Act, 2005 in Hindi were also uploaded on the website.

Moving a step forward towards the complete bilingualization of the Investor website, relevant material related to investor education was also uploaded on the investor website. Towards this end, material available under the heads "FAQ",

“What’s New” and “Question of the day” was also made available in Hindi, in order to enhance the knowledge base of investors in securities market.

IV. HINDI MAGAZINE

During 2018-19, two issues of Hindi magazine (“**Viniyamika**”) of SEBI were published. Whereas the first issue showcased the literary talent of staff members and their family members in the form of articles, stories, poetry, etc., articles of the staff members who were declared winners in the Hindi competitions found a place in the second issue of the magazine. Staff members also took part in the competitions announced through the two issues of the magazine.

V. RAJBHASHA MEETINGS

a. For Head Office

During the year, four meetings of the Official Language Implementation Committee of the Head Office were conducted to ensure compliance with the Official Language Policy of the Government of India. During 2018-19, several important decisions were taken towards implementation of the Official Language Policy of the Government of India.

b. For Regional and Local Offices

Furthermore, Official Language Implementation Committees of the Regional Offices were also reconstituted during the year. After reconstitution, the Committees moved towards organizing meetings of the Official Language Implementation Committees in their respective Offices. During the meetings, several important decisions were taken towards implementation of the Official Language Policy of the Government of India in all the Regional Offices and the Local Offices under their jurisdiction.

VI. RAJBHASHA COMPETITIONS

In order to encourage the staff members to use Hindi in their day-to-day official work, various Hindi competitions were organized for the staff members during the year. Out of these, two competitions, viz., (1) *Katha Lekhan Pratiyogita*; and (2) *Kavita Lekhan Pratiyogita* were organized for all the staff members of SEBI irrespective of their place of posting. Eight competitions were organized for the staff members posted at Head Office, viz., (1) *Ashubhashan Pratiyogita*; (2) *Prashnottari Pratiyogita*; (3) *Hindi Karyalayeen Kaamkaaj Pratiyogita*; (4) *Hindi Tankan Pratiyogita*; (5) *Varg Paheli Pratiyogita*; (6) *Main Boloon Tasveer Kya Bole Pratiyogita*; (7) *Kavita Path Pratiyogita*; and (8) *Hindi Vaktritva Pratiyogita*. One of these competitions, namely, *Hindi Vaktritva Pratiyogita* was especially organized for the officers in the rank of General Managers or above, in order to encourage them too to use Hindi in their day-to-day official work. Besides, Hindi competitions were also organized in Northern Regional Office of SEBI. In addition to this, three competitions were organized during the year for the staff members posted at Western Regional Office of SEBI in line with the competitions organized in the Head Office of SEBI, namely, (1) *Ashubhashan Pratiyogita*; (2) *Hindi Tankan Pratiyogita*; and (3) *Kavita Path Pratiyogita*. Thus, a total of 134 participants were declared as winners in these competitions.

These competitions were designed in such a way that all the staff members including the senior officials may contribute towards the implementation of Official Language Policy in their day-to-day official work and it was also emphasized that more and more staff members use Hindi in their day-to-day official work, i.e., in correspondence, notings, etc. Furthermore, the objective was to make the staff members conversant with more and more Hindi terms and to encourage them to learn Hindi typing.

One of the key objectives of these competitions was to make the staff members aware of various requirements of the Official Language Policy of the Government of India. Apart from this, one of the key objectives behind organizing these competitions was to make the staff members familiar with Hindi terminology, so that they may communicate with the investors in Hindi even during the programmes organized for the investors without a hitch.

VII. HINDI WORKSHOPS

During the year, Hindi workshops were organized for the staff members of SEBI to make them aware of various requirements of the Official Language Policy of the Government of India. This would enable them to ensure timely implementation of various requirements of the Official Language Policy of the Government of India in their day-to-day official work. A brief description of the workshops so conducted is given below:

a. For Head Office

During the year, six workshops were organized for the staff members posted at the Head Office of SEBI. During the workshops, they were apprised of various requirements of the Official Language Policy of the Government of India as well as the mandatory requirements of timely submission of the quarterly progress report and the relevant provisions. Apart from this, training on Hindi typing was also imparted to the staff members during the workshops in order to enable them to carry out their day-to-day official work in Hindi with ease. Besides, one Hindi workshop was also organized for the staff members nominated under the Hindi Teaching Scheme.

b. For Regional and Local offices

During the year, Hindi workshops were also organized for the staff members posted at Regional and Local Offices of SEBI. Two workshops were organized in the Western Regional Office of SEBI, and one workshop was organized in each of the other Regional Offices viz., Northern Regional Office, Eastern Regional Office and Southern Regional Office. Thus, *in toto*, five workshops were organized for the staff members posted at Regional and Local Offices of SEBI.

VIII. SESSIONS IN HINDI

During 2018-19, a series of organizing sessions in Hindi on variety of topics was kicked off with its first session on immense power of human mind (“*Adbhut Mann*”). The first session “*Adbhut Mann*” received an overwhelming response from the staff members. The aim of organizing such sessions is to build a pro-Hindi environment as well as to stimulate the interest of the staff members in usage of Hindi.

IX. PARTICIPATION IN THE PROGRAMMES ORGANIZED BY THE GOVERNMENT OF INDIA

A weekly orientation programme was organized by the Central Hindi Training Institute, Ministry of Home Affairs, Government of India. The said programme was especially designed for the officers from the field of Official Language Policy Implementation, with a view to provide up to date information on official language Hindi and to get them acquainted with the responsibilities towards official language Hindi for successful implementation of the Official Language Policy. Accordingly, one officer from the field of official language took part in the said programme.

X. NOMINATION UNDER HINDI TEACHING SCHEME

In conformity with the requirements of the Official Language Policy of the Government of India, it is mandatory to nominate the staff members under the Hindi Teaching Scheme who do not possess working knowledge of Hindi or proficiency in Hindi. In view of the same, 10 officers were nominated for the Correspondence Courses (seven officers for Prabodh Correspondence Course and three officers for Praveen Correspondence Course) being run by the Central Hindi Training Institute of the Government of India, so that they may also use Hindi in their day-to-day official work.

XI. REGIONAL AND LOCAL OFFICES

Efforts were also made in Regional and Local Offices towards compliance with the Official Language Policy of the Government of India, which include bilingualization, correspondence in Hindi, Rajbhasha Competitions, etc. Thus, during the year, besides compliance with the Official Language Policy in all SEBI's offices, efforts continued towards usage of Hindi in day-to-day official work.

XII. USAGE OF HINDI IN SEMINARS / PROGRAMMES ETC. CONDUCTED BY SEBI FOR INVESTORS

SEBI conducts various seminars / programmes for investors from time to time, such as regional seminars, programmes conducted by SEBI empanelled Resource Persons (RPs), investor awareness programmes, etc. During the year, Hindi was used as a means of communication in 7,742 programmes conducted by SEBI empanelled resource persons; in 16 awareness programmes conducted by Commodities Derivatives Trainers; in 59 regional seminars conducted in association with stock exchanges, depositories and other institutions; in 87 awareness programmes conducted in association with investors' associations as well as in 172 "Visit to SEBI" programmes. Thus, Hindi and other regional languages were used as means of communication in around 94 per cent of the programmes conducted during the year, so that the investors participating in such programmes may be apprised of various aspects of securities markets in the languages they feel comfortable with. This will certainly help them to take well-informed decision while making investments. Furthermore, SEBI Toll Free Helpline for investor assistance is also available in Hindi and other regional languages.

4. SEBI OFFICES

I. ACQUISITION OF OWN OFFICE PREMISES AT AHMEDABAD FOR WESTERN REGIONAL OFFICE

To meet the office space requirements for Western Regional Office at Ahmedabad, SEBI has acquired an office premises comprising land admeasuring 837 sq. meter and building constructed thereupon having built up area of 2056.36 sq. meter. The building comprises of one cellar, Ground Floor and three upper floors. The property is located at prime location in Panchvati, C. G. Road, Ahmedabad - 380 009 and the possession of the same was taken over on January 24, 2019.

II. TRANSFER OF LAND AND BUILDING FROM NISM TO SEBI

As per the directions of Board, two plots of land, i.e., Plot No. IS-1 & IS-2 admeasuring 60 acres

(approx.) and Plot No. IS-4 admeasuring 10 acres (approx.) and the buildings constructed thereupon at Patalganga, Raigad District have been transferred to SEBI's name. All the plots of land are on long term lease (95 years) from Maharashtra Industrial Development Corporation. The lease deed between MIDC and SEBI with NISM as confirming party has been executed on February 08, 2019 followed by registration on February 13, 2019.

III. OPENING OF LOCAL OFFICE IN VIJAYAWADA, ANDHRA PRADESH

The Board has opened its Local Office in Vijayawada (in the State of Andhra Pradesh) to bring physical proximity of SEBI Office to the investors and intermediaries and to facilitate redressal of investor grievances and to spread investor education and financial literacy. With this new office, SEBI now has presence in 22 States in the country.

5. INTERNAL INSPECTION DEPARTMENT (IID)

Internal inspection is equivalent to an internal audit system and plays a significant role in assisting the management of any organization in evaluating whether the duties are being discharged in an effective and efficient manner.

In this backdrop, Internal Inspection Department (IID) was formed in SEBI in August 2017 to carry out periodic inspections / reviews of the various Departments of SEBI. The role of IID is to ensure that each Department / Division is complying with the laid down SEBI benchmarks / timelines, guidelines and procedures. Another aspect of internal inspections is to check whether there are effective supervision systems in the Departments / Divisions and to make recommendations to improve their functioning and systems and procedures.

Since setting up, IID has completed comprehensive inspections of three of the largest Departments in SEBI. Further, theme based focussed inspections of five Departments have been carried out.

IID made recommendations for further improvement of the working of the Departments / Divisions after considering their comments on findings of the inspections. The recommendations made by IID in all these Departments / Divisions have been accepted and corrective steps have been taken by them.

Apart from regular inspections, IID will also develop the mechanism for monitoring the implementation of its recommendations by various Departments / Divisions.

6. VIGILANCE DEPARTMENT

The Vigilance Department in SEBI is responsible for guiding and facilitating impartial, fair and transparent decision making. It performs its functions as per guidelines issued by CVC from time to time. The functions of Vigilance Department can be categorized into preventive, punitive and surveillance and detection.

To enable information regarding corrupt practices, Vigilance Department corner has been created on the SEBI website and a facility has been made available to lodge vigilance related complaints.

During 2018-19, complaints received from various sources were investigated and reports were forwarded to concerned authorities.

All the Departments/ Regional Offices of SEBI were requested for dissemination and publicizing the integrity pledge concept. In this regard, a hyperlink to CVC website (<https://pledge.cvc.nic.in>) has also been provided on the SEBI website (www.sebi.gov.in), SEBI Investor's website (investor.sebi.gov.in), SEBI Complaints Redress System (www.scores.gov.in) and SEBI e-Registration portal to enable the citizens, private firms, securities market intermediaries and organizations to take the integrity pledge. The integrity pledge was also circulated to the Market Infrastructure Institutions (MIIs), i.e., Stock Exchanges, Clearing Corporations and Depositories, and they were also advised to take the e-pledge as

available on CVC website. All the employees were encouraged to take e-pledge by visiting the website of CVC. Around 700 employees of SEBI have already taken the e-pledge and obtained the certificate of commitment.

Vigilance Awareness Week for 2018 was observed at SEBI in a befitting manner from October 29, 2018 to November 03, 2018. The observance of Vigilance Awareness Week renews commitment of officials to achieve the goals of promoting integrity, transparency and accountability in public life. It commenced with Chairman, SEBI administering the pledge to Whole Time Members, Executive Directors and Division Chiefs posted at Head Office, Mumbai, who, in turn, administered the pledge to staff members reporting to them. Similarly, the integrity pledge was administered to the staff at the four Regional Offices i.e., Northern Regional Office (New Delhi), Eastern Regional Office (Kolkata), Southern Regional Office (Chennai) and Western Regional Offices (Ahmedabad), and all Local Offices by their respective Regional Directors and the office in charge. During the week, slogan writing contest was also organized at SEBI wherein about 200 employees participated.

Also, SEBI officers participated in the walkathon held at BKC on November 01, 2018. Vigilance Study Circle, Mumbai had collaborated with NABARD to organize the walkathon.

7. INFORMATION TECHNOLOGY

I. OBJECTIVES

During the year, the Information Technology (IT) Department set itself three key objectives:

- a. Strategic deployment of technology within SEBI to create significant impact on the effectiveness and productivity of its key operational and administrative departments, while building a secure and resilient IT infrastructure.
- b. Partnership with the key market facing departments to facilitate Ease of Doing Business for all market participants, while co-creating policies to ensure both, a secure cyber ecosystem in the securities market, as well as an encouraging environment for innovation.
- c. Create a Hub and Spoke Model for data analytics capability within SEBI, with the Hub residing in IT department and spokes residing in each and every operational department of SEBI.

In order to achieve these objectives, IT department drew up a four year IT roadmap that was approved by the Board and various projects have been initiated, which are at different stages of planning and implementation.

II. COMMITTEES

In line with SEBI's strong tradition of consultation and seeking of expert advice in every area of its work, SEBI has four advisory committees, in the technology area, with distinguished members having significant experience and insight in IT matters including practitioners, regulators and academics. These four committees are:

- a. Project Advisory Committee that advises SEBI on its various IT projects right from conceptualization and procurement to implementation.
- b. Committee of Financial and Regulatory Technologies that advises SEBI on emerging trends in technology and their potential application to the securities market.
- c. Technical Advisory Committee that advises SEBI on all matters relating to the IT infrastructure and policies to be made applicable to various market participants.
- d. High Powered Steering Committee on Cyber Security that advises SEBI on all matters related to Cyber Security to help build a secure cyber ecosystem in the securities market.

While IT department leads the Project Advisory Committee chaired by Prof D. B. Phatak, Padma Shri with a focus on implementation, it partners MRD in the other three committees in order to create a synergistic blend of domain and IT inputs in policy formulation.

III. POLICY FORMULATION

Given the increasing criticality of Information Technology and Data Analytics in the functioning of the securities market, during the year, SEBI came out with a number of policies in this space:

- a. Data Sharing Policy: Adopting a view that free and easy availability of data is a critical building block not only for transparency in the markets, but also for encouraging research and innovation, SEBI published its first Data Sharing Policy in October 2018.
- b. Circular on Innovation Sandbox: In order to encourage innovation irrespective of its place of origin, this circular seeks to provide access to test environments and test data of the key Market Infrastructure Institutions including stock exchanges, clearing corporations,

depositories and Qualified Registrar and Transfer Agents, to a wide variety of persons including startups and entities not otherwise registered with or regulated by SEBI.

- c. Circular on Regulatory Sandbox: Adopting a view that certain innovations in technology and process need to be tested in live environments and the results need to be reviewed in order to assess the suitability of possible changes in policy and regulation, this circular seeks to provide such an opportunity to entities already registered with and regulated by SEBI.
- d. Circulars on Cyber Security: With increasing deployment of technology in all aspects of the functioning of the securities market, the issue of cyber security has been assessed to be critical, both to protect the privacy of investors and to prevent disruption of the markets. In this context, various circulars have been issued to Market Infrastructure Institutions, various Market Intermediaries and Mutual Funds. IT department also conducts joint inspections of these market participants along with the relevant operational departments to ensure compliance with the circulars.
- e. Circular on Market SOC (Security Operations Centre): The small intermediaries in securities market play a crucial role in increasing the reach of the market in the country. However, they find it hard to make the necessary investments in cyber security. This circular facilitates the setting up of Market SOCs, by large Market Infrastructure Institutions, which small intermediaries can subscribe to protect their systems while paying only a small subscription fee.
- f. Circular on Artificial Intelligence/ Machine Learning (AI/ML): As emerging technologies

like AI/ML are poised to play an important role in the future, this circular seeks to create a simple, reporting mechanism for market participants to report on their use of this technology.

- g. Circular on Interoperability of Clearing Corporations: As creating interoperability of clearing corporations in the market could involve significant IT and systems related challenges, a small working group was created under the aegis of the Secondary Market Advisory Committee to address all IT related issues. The report of this working group addressed all these issues, thereby contributing to the issuance of the final circular.

IV. EASE OF DOING BUSINESS

During the year, IT department focused its efforts in terms of facilitating Ease of Doing Business through the following key initiatives:

1. SEBI portal : As the principal interface between SEBI and market intermediaries, the portal was enhanced significantly during the year covering various functionalities including:
 - a. Payment gateway facility for payment of various fees by the market intermediaries using electronic fund transfers and card based payments.
 - b. Online Filing System : for submission of monthly reports by the exchanges, clearing corporations, alternate investment funds etc.
 - c. Interactive Filing System : for Offer Documents, Schemes of Arrangement, Takeovers and Buybacks. The entire process of filing, seeking clarifications and sending observation letters is now online.
2. SCORES System: This investor grievance redressal system was enhanced to facilitate a smoother flow of information and speedier

resolution of investor grievances through the implementation of the “First Port of Call” feature to enable the investor to submit his grievance directly to any company/intermediary through the SEBI SCORES interface.

3. SEBI website: The SEBI website acts as an important interface with the public to disseminate information. The website was enhanced to enrich the data and information on the site as well as to facilitate interaction with SEBI:

- a. Rolled out the “Visit SEBI / Visit by SEBI” module wherein online requests can be made by educational institutions to visit SEBI or request SEBI to visit their institutions for running financial awareness and investor awareness programs.
- b. Rolled out a new section on Awareness Programs for Commodities Derivatives
- c. Updation of responses under RTI Act
- d. Enrichment/Updation of data on Enforcement actions
- e. Enrichment/Updation of data and reports available for download

V. DATA ANALYTICS: HUB AND SPOKE MODEL

Given the increasing volume and complexity of activity in the securities market and the resultant explosion in volume and complexity of data, SEBI has felt an increasing need to develop data analytics capability within the organization. The objective of building this capability is threefold:

- a. Using data analytics for policy formulation
- b. Using data analytics for surveillance and investigation
- c. Using data analytics for automation of various functions

In order to achieve these objectives, SEBI adopted a Hub and Spoke model with the following structure:

- a. The data warehouse team of IT department functions as the Hub for data and programming support to the Spokes which reside in every department of SEBI.
- b. Across all departments of SEBI, officers are selected, on the basis of tests in the field of statistics and basic programming, to undergo training in data analytics, domestically and overseas.
- c. On return from their training, the officers self-select data analytics projects of their choice, to create a proof of concept.
- d. The proof of concept is then presented to the relevant user department that works with the officer to fine tune the concept.
- e. The final proof of concept is presented to the senior management of SEBI and if found suitable, is selected for full scale implementation.
- f. Independently, other officers are also encouraged to devise their own proof of concept for evaluation and implementation.

The Hub and Spoke model has created significant capability within SEBI and as many as seven projects have been selected for full scale implementation:

- a. Automation of data analysis and creation of investigation report for Price- Volume manipulation.
- b. Data analysis for offsite inspection of brokers : use of client securities
- c. Data Analysis for offsite inspection of mutual funds : compliance with prudential norms and other regulations
- d. Study of Algorithmic Trading

- e. Analysis of Unstructured Data to automate processing of offer documents (Buy Back) in the Corporation Finance Department.
- f. Early Warning System : Model to detect potential fraud in financial reporting
- g. Data Analysis to identify focus areas for investor education

VI. DEPLOYMENT/ ENHANCEMENT OF SOLUTIONS

In line with its technology roadmap, SEBI initiated numerous projects during the year which are at various stages of planning and implementation:

- a. Case Management System : This workflow based system was significantly enhanced during the year to capture cases and case related details including investigation, adjudication, action under Section 11 B of SEBI Act, Prosecution, Compounding and Recovery and to track them from stage to stage.
- b. SAP Enhancement: The enterprise wide ERP solution was significantly enhanced during the year to strengthen the modules related to payroll, accounting, facilities management and HRD.
- c. NOC/SOC : An enterprise wide Network Operations Centre cum Security Operations Center was conceived during the year and after a comprehensive study, detailed specification of the same were designed. Through the SOC, enterprise wide information technology assets such as websites, applications, databases, datacenters, servers, networks, desktops, mobile devices and other end points will be monitored, assessed and defended. The project is expected to be completed in the year 2019-20.

- d. Cloud Infrastructure: Based on a comprehensive review of its existing infrastructure including its Disaster Recovery site, and global trends in computing, SEBI decided to evaluate the setting up of a private cloud in order to build more flexible and resilient infrastructure for the future. Detailed specifications for the same have been drawn up and the procurement process for the same is under progress.

- e. Data Analytics: Based on the success of the Hub and Spoke model for building Data Analytics capability within SEBI, projects have been identified for implementation in almost every department in SEBI. All these requirements along with Big Data Modelling needs identified by the Surveillance and Research departments, have been detailed out for implementation and the procurement process for the same is under progress.

VII. FOUNDATION FOR THE FUTURE

With a continuing focus on strategic building blocks for the future, IT department has also initiated the following:

- a. Information exchange with government agencies and regulators :
- a. SEBI has been working with government agencies and other regulators to sign a Memorandum of Understanding (MoU) so as to create a digital mechanism to share information bi-laterally on an automated, near real-time basis. This is expected to make various aspects of investigation and enforcement by SEBI more efficient and timely. The first MoU with the Ministry of Corporate Affairs is expected to be signed shortly.

- b. Internship anchored FinTech Programme offered by NISM:
- a. NISM, in collaboration with SEBI, has developed a post graduate diploma programme in management (Financial Technology): PGDM-FinTech (AICTE approved). The programme is structured to be anchored in an intensive internship programme for four days of the week and classroom training for two days of the week covering Data Analytics, RegTech, and Cyber Security etc. The objective of the programme is to create a specialist cadre of professionals who understand the securities market and at the same time have the skills to deploy technology across the board. The programme is expected to commence in July 2019.
- c. Cyber Lab in partnership with MRD:
It is envisaged that the Cyber Lab will provide following functionalities for securities market–
- i. Super Securities Operation Center (SOC): To collate data on the number of cyber-attacks that have taken place on the systems of MIIs to analyze the threat patterns specific to securities market. This will aid to build effective cyber-risk mitigation and response.
 - ii. Incidence Response: To build processes for an organized approach to address and manage the aftermath of security breaches or cyber-attacks with a view to limit the damage and reduce recovery time.
 - iii. Digital Forensic: To build capabilities to perform structured investigations by collecting, identifying and validating the digital information for the purpose of reconstructing past cyber events.
- Going forward, IT department would endeavor to continue to deploy technology strategically to help SEBI achieve its mandate of development and regulation of the securities market and protection and education of investors.



भारतीय प्रतिभूति और विनिमय बोर्ड

प्रधान कार्यालय

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