

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS
FINANCIAL MARKETS DIVISION

LOK SABHA
UNSTARRED QUESTION NO. 178

TO BE ANSWERED ON FRIDAY, 15th DECEMBER, 2017/ AGRAHAYANA 24, 1939 (Saka)

REFORMS IN PRIMARY AND SECONDARY SECURITIES MARKET

QUESTION

178. SHRI OM BIRLA:

Will the Minister of FINANCE be pleased to state:

- (a) the details as to the reforms introduced by the Securities and Exchange Board of India (SEBI) in the primary and secondary securities market during the last four years;
- (b) whether the Government has also initiated reforms conducive for safe and better investment environment and plans to push rules for the merger of mutual funds and common investment plans and if so, the details thereof;
- (c) the intended benefit and impact of the above step as envisaged by the Government; and
- (d) whether there has been an increment in the activity of insider trading in the recent years and as a result of which the SEBI is also considering the complete overhaul of the insider trading and disclosure norms and if so, the details thereof?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI PON RADHAKRISHNAN)

(a): Some of the major reforms introduced by the Securities and Exchange Board of India (SEBI) during the last four years (Financial Year 2014-15 to date) are the following:

- i. Amendments to Clause 49 of the Listing Agreement to align the provisions of the Listing Agreement with the provisions of the Companies Act, 2013 and to strengthen the corporate governance framework for listed companies in India.
- ii. Amendments to SEBI (Delisting of Equity Shares) Regulations, 2009 for reducing the timelines for completing the delisting process from 137 calendar days to 76 working days.
- iii. Introduction of system-driven disclosures to eliminate the possibility of inadvertent violations by entities and reduction of compliance burden.
- iv. Streamlining the public issue process by mandating Applications Supported by Blocked Amount (ASBA) in public issues and reducing listing timeline from T+12 days to T+6 days.
- v. Restrictions imposed on promoters and Whole-Time Directors of compulsorily delisted companies, pending fulfilment of exit offers to the shareholders.
- vi. Mandating the appointment of Monitoring Agency for monitoring the utilisation of issue proceeds in cases where the issue size is more than Rs. 100 crore.
- vii. Relaxations for debt restructuring in distressed companies from the applicability of provisions relating to preferential issues.
- viii. Provided for single registration for stock brokers/ clearing members for operating in all stock exchanges/ clearing corporations.
- ix. The SEBI (International Financial Services Centers) Guidelines, 2015 were issued to provide for an enabling regulatory framework for the registration and conduct of securities market activities in the International Financial Services Centre (IFSC).
- x. The SEBI (Infrastructure Investment Trusts) Regulations, 2014 and SEBI (Real Estate Investment Trusts)

- Regulations, 2014 were issued for monetizing completed and revenue generating infrastructure assets and providing investors an opportunity to invest in this asset class.
- xi. The SEBI (Research Analysts) Regulations, 2014 were notified to foster objectivity and transparency in research and provide investors with more reliable and useful information to make informed decisions.
 - xii. SEBI prescribed norms for Core Settlement Guarantee Fund (Core SGF), Default Waterfall and Stress Testing to bring greater clarity and uniformity as well as align the same with international best practices and to enable Clearing Corporations to deal with defaults of the clearing members effectively.
 - xiii. Enabled a single consolidated view of all the investments of an investor in Mutual Funds (MF) and in securities held in demat form with the Depositories vide the Consolidated Account Statement (CAS).
 - xiv. SEBI (Issue and Listing of debt Securities by Municipalities) Regulations, 2015 were notified to provide a framework governing the issuance and listing of bonds by Municipalities.
 - xv. Alternative Investment Funds (AIFs) were allowed to invest in equity and equity linked instruments only of off-shore venture capital undertakings, which have an Indian connection, subject to overall limit of USD 500 million.
 - xvi. Provided the regulatory framework for Commodity Derivatives Brokers and integrated broking activities in equity markets and commodity derivatives markets.
 - xvii. Electronic book mechanism was introduced for issuance of debt securities on private placement basis and to enhance transparency in price discovery.
 - xviii. SEBI issued guidelines on 'Disclosure requirements for issuance and listing of green debt securities'.
 - xix. An online system of registration for Portfolio managers, AIFs, Foreign Venture Capital Investors, Venture Capital Funds, Research Analysts and Investment Advisers was introduced.

(b) and (c): SEBI has informed that it has not initiated any reforms intending to push rules for the merger of mutual funds. However, vide Circulars dated 6th October, 2017 and 4th December, 2017, it has provided guidelines with respect to categorization and rationalization of mutual fund schemes, the intended benefit and impact of which is as follows:

- i. To bring uniformity in the practice, across Mutual funds, which would enable the investors to clearly identify the nature of the scheme and compare the scheme with its peers before making investment.
- ii. Remove duplicate or similar schemes and standardize the scheme categories.
- iii. Create a level playing field in the mutual fund industry.

(d): The details of insider trading cases taken up and completed by SEBI during the last three financial years are given below:

Financial Year	Cases taken up	Cases completed
2014-15	10	15
2015-16	12	20
2016-17	34	15

(Source: SEBI)

Regulatory intervention has been made in the areas of market manipulation and insider trading in the form of Regulations such as SEBI (Prohibition of Insider Trading) Regulations, 1992 which was replaced by SEBI (Prohibition of Insider Trading) Regulations, 2015 and the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Markets) Regulations, 2003. The Regulations on Insider Trading and disclosure norms are reviewed as and when the need arises for the same. In this regard, SEBI has set up a Committee on Fair Market Conduct consisting of 15 members, under the chairmanship of Dr. T.K. Viswanathan, inter-alia, for identification of opportunities for improvement in SEBI (Prohibition of Insider Trading) Regulations, 2015 and SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003, particularly with respect to trading plans, handling of unpublished price sensitive information during takeovers and aligning Insider Trading Regulations with the provisions of the Companies Act, 2013.