

EMERGING SCENARIO IN THE CAPITAL MARKET AND SEBI'S ROLE

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“Free Enterprise was born with man
and shall survive as long as man
survives.”

— **A. D. Shroff**
1899-1965
Founder-President
Forum of Free Enterprise

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By

V.H. PANDYA *

The Indian economy is no longer a stagnant economy. It has already transformed itself into a fast growing economy with the average annual growth rate during the decade of 80s being of the order of 5.5 percent as against the average growth rate of 3.5 percent witnessed in the earlier three decades. Equally significant is the savings ratio in the economy. Gross domestic savings as a percentage of gross domestic product zoomed more or less progressively from a low level of 10.2 percent in 1950-51 to 23.2 percent in 1978-79 before settling down to around 20 percent thereafter. India is thus blessed with a growing pool of savings, currently of the order of about Rs. 1,750 billion.

In so far as the capital market in India is concerned. I would like to stress that both the segments viz. the primary market and secondary market are equally important while not being mutually exclusive. In fact, in my view, only when a country's primary market is alive, it is possible to ensure a good degree of activity in the secondary market because it is the primary market which will ensure a continuous flow of securities to the

The author retired on 30th June 1994, as Senior Executive Director of Securities and Exchange Board of India (SEBI). The text is based upon a session conducted by him under the auspices of the Forum of Free Enterprise on 28th June 1994 in Bombay.

secondary market, more so in developing economies. Looking from the other angle, if a country's secondary market is only active but not transparent and disciplined, the cult of equity and related investment in the primary market will be difficult to be continuously developed and sustained because the liquidity which the secondary market imparts to such investments in the hands of the investors will be adversely affected.

It would be desirable to give you an idea of the broad statistical aspects of its growth. The scenario has changed very fast over the past decade or so. Capital market has emerged as a major source of finance for the corporate sector. As far as the primary market is concerned, the amount raised by the companies in the late seventies was around Rs. 90 crores a year. But in 1993-94, this figure leaped to as high as Rs. 22,000 crores. The market capitalization has also grown rapidly, from about Rs. 6,750 crores in 1980 to over Rs. 340,000 crores in 1993-94. This period also witnessed a tremendous rise in the investor population from about 2 million to around 40 million, including those with the mutual funds.

In the Secondary Market, the number of Stock Exchanges has gone upto 21 including the OTCEI while the NSE has become its proud addition. The number of listed companies has increased from about 2300 to around 7500. The daily turnover has also jumped from about Rs. 25 crores in 1979-80 to Rs.800 crores in 1993-94.

The Reforms Programme

As just indicated, the capital market having occupied a centre stage in the financial sector, let me now turn over to the developments which have taken place since June 1991, with the Government of India putting into place its economic reforms programme with liberalisation as

its main objective. The stress of the programme has been to bring about a real market economy and seek an increased role of Indian economy within global economic system. The core components of this reform programme are:

- a) Industrial Policy reforms.
- b) Trade Policy and Exchange Control reforms.
- c) Financial Sector reforms
- d) Public Enterprises reforms
- e) Increased direct foreign investment.

The Financial sector reforms programme encompassed both the banking sector and the capital market sector.

The broad objective of the financial sector reforms as advocated by the Narasimham Committee aimed at improving the efficiency and effectiveness of the financial system conceding operational freedom and flexibility to it through prudential regulation and supervision in a free financial environment. And, I must stress that a good part of this financial sector reforms covers the capital market. Surely the reforms carried out in the capital market in last 2 years are both significant and substantive and have gone a long way in imparting dynamism and growth to it both at the primary and secondary levels.

It should also be acknowledged that the structure of the market has evidenced significant change and development, with the establishment over the years of merchant banking and financial services companies, more stock exchanges, mutual funds, venture capital funds, credit rating agencies, portfolio management services, registrars to issues, stock depository and custodial service agencies etc.

Let me briefly indicate the reforms carried out in the capital market sector. These include apart from

statutory recognition to SEBI to regulate the market, removal of control on issue and price of capital, establishment of mutual funds in the private sector, freedom to Indian companies to raise capital abroad selectively, entry of foreign institutional investors to make direct investment both in the primary and secondary markets etc.

Role of SEBI vis-a-vis the Capital Market and Reforms

As part of the capital market reforms, the first step which the Government took was to grant statutory recognition to the Securities and Exchange Board of India (SEBI) as a regulatory body for the capital market in February, 1992. While granting such recognition, SEBI also has been vested with powers concerning various aspects of the capital market such as regulating the stock exchanges, various intermediaries and mutual funds, as also promoting investors' education and training of intermediaries and the establishment of SROs. These powers also require SEBI to take steps to prohibit fraudulent and unfair trade practices as also insider trading in the securities markets.

Let me point out here that the charter of SEBI has very clearly laid down protection of investors as its first priority while mentioning as secondary priority its role to promote the development of the capital market while regulating it. Thus, investor protection has been a credo with SEBI. As a regulatory Board with a developmental stance, SEBI's efforts in the direction of investor protection are varied and many. The measures so far brought in by SEBI broadly cover those to bring about allocative efficiency in the primary market with fair degree of disclosures and observances of discipline by the players, as also reforms in the secondary market for

visible and better trading practices in the stock exchanges and by the mutual funds, as also the regulation of various market intermediaries.

Measures taken by SEBI in the Primary Market

I would like to recount the various actions which we have taken in this direction. Insofar as the primary market is concerned, SEBI has become the focal point for regulating issues of capital by the corporate sector since June 1992 in the wake of the abolition of the control on capital issues by the Government of India as the second step for reforms in the capital market. Along with this, the control on pricing of capital and access to the market has also been abolished. SEBI has been entrusted with the responsibility to look after the interest of investors in this regard by providing them with adequate and full disclosures in the offer documents, and by regulating the various intermediaries connected with the issue of capital viz. Merchant Bankers, Underwriters, Registrars, etc. Towards this, the format of the prospectus has been redesigned so as to include information relating to specific areas such as terms of the issue, objects, cost of the project, means of financing, history and background of the company, its management and promoters, infrastructure facilities, schedule of implementation, future prospects including capacity utilisation, stock market data for existing companies, particulars of the companies within the same management, details of outstanding litigation and defaults as also any material developments after the date of the latest balance sheet and its impact on the performance and prospects of the company. More or less similar requirements have been also been laid down in respect of letters of offer covering the rights issues. A further step has been taken by introducing a Memorandum in the shape of an abridged prospectus

which is printed along with the application form and is required to be printed along with the application form and is required to be mandatorily supplied to every investor who wishes to apply for an issue of capital being placed by an issuer in the primary market. A concept of risk factors has also been introduced to match the highlights being furnished by the issuers. These risk factors cover aspects such as management/promoters, track record, specific economic aspect affecting the industry in which the issuer company operates, supply of raw materials, the state of statutory approvals particularly relating to environment/pollution, financial data and projections, especially if they do not form part of an institutional appraisal of the project/proposal, track record of service to investors in previous issues as also the explanation towards the gaps between promises and performances in respect of earlier issues. In doing this, due allowance is made for the perceptions of the management. At the same time highlights proposed to be disclosed by the management are vetted to ensure that they would not present a rosy or over-inducing picture to the investors. In short, effort is made to see that the disclosures are not only adequate but authentic and accurate so that the investors in the primary market are enabled to take informed investment decisions. The emphasis now is to improve the levels of disclosures and to see that financial/accounting statements move towards international standards. This also applies to disclosures by way of advertisements in newspapers, hoardings in public places and advertisements and slots in T.V. etc. A set of guidance series has also been issued to the investors explaining to them the factors that they need to take into account while considering investment in the primary market, as also to be alert about the illegal transactions taking place in the so-called 'Unofficial Premium' or the 'Grey Market'.

Introduction of "Stockinvest" as a new instrument

One of the grievances of the investors in the primary market in India in the recent times had been the reduced possibility of getting allotment in issues applied for, due to heavy oversubscription on account of the control on pricing of issues till June 1992. This led to the blocking of their funds for periods upto 4/6 months in a good number of cases where they were required to be refunded to them. This not only disabled the investors from rolling over their funds at a faster pace so as to be able to invest in a larger number of issues but it also deprived them from a return due to them on the funds so invested since the presentation of the instruments issued by them alongwith the cheques were collected soon on application and their bank accounts were debited right at that time. In order, therefore, to provide relief to the investors in this regard as also to remove the motivation from the issuers to delay the allotment/refunds, SEBI introduced with the support of the Government of India and the Reserve Bank of India a new instrument in the primary market named 'Stockinvest' from March 1992. While the instrument is not per se negotiable, it has the characteristics of a bank draft with the special feature being that its proceeds are not collected except in the event of allotment whether full or partial. The instrument is issued to the investor against his bank deposit in various denominations by marking a lien in the account to the extent of funds represented by it. The instrument is valid for payment for 4 months and is collected by the central branch of the collecting banker in respect of those users who have been successful allottees on its presentation to them by the Registrar to Issue. Another striking feature of this instrument is that if no allotment is made to the investor, the bank would lift the lien in his account

against advice in this regard, thereby restoring the limit available to him.

Other Measures covering Intermediaries

The other steps taken by SEBI for investor protection in primary market are in respect of the intermediaries covering the areas of due diligence, allocation of responsibilities, observance of post issue requirements, and acting as a true interface between the issuer and the investors, which are enforced as a sequel to their registration and regulation, particularly for the merchant bankers, underwriters and the registrars. Merchant Bankers being the prime intermediary have been brought under SEBI's fold for over 3 years now and under the Rules and Regulations notified by the Government of India in 1992 in respect of them, they are required to observe and certify due diligence in respect of every offer document that they place before SEBI for vetting without which no issue of capital can be made in the primary market. They are also required to observe a statutorily laid down Code of Conduct and enter into a legally binding Memorandum of Understanding with the issuer and other intermediaries clearly laying down their rights and responsibilities so as to provide proper protection to investors in various activities which they are required to perform both at the pre issue and post issue stages. So far, about 450 merchant bankers have been registered with SEBI.

Insofar as the Registrars to Issue are concerned, they are also to be registered with SEBI with due satisfaction of the requirements laid down in the rules and regulations governing them which include, as in the case of merchant bankers, norms relating to capital adequacy, infrastructure, experienced personnel, computation facilities, clean track record, etc. The registrars are also required to observe a Code of

Conduct and comply with certain reporting requirements. Their number as registered with SEBI so far is over 125.

As far as the underwriters are concerned, they have to observe capital adequacy norms and levels of commitments for underwriting as part of their registration requirement with SEBI. They should enter into proper agreements with the issuers with the knowledge of merchant bankers, and in the event of under-subscription stand by such commitments which bear relationship with their net worth. The underwriters comprise the regular intermediaries in the market such as brokers and sub-brokers. A few more banks and FIIs etc. which are not registered as Merchant Bankers have taken specific registration as underwriters.

Guidelines for Disclosure and Investor Protection

In the wake of removal of control on issue and pricing of capital, SEBI issued the Guidelines for Disclosure and Investor Protection in June 1992 for due observance by the issuers and merchant bankers. These Guidelines broadly cover the requirements as to the first issue of new companies and existing private/closely held companies as also further issues of capital by listed companies by way of shares, debentures, bonds, etc. They intend to give broad directions relating to issue of capital and should be observed both in their letter and spirit.

The were reviewed in July 1993 comprehensively and in the light of various comments and suggestions received, SEBI modified the Guidelines in certain areas so as to help develop the capital market better and provide more disclosures to the investors for their protection. Some of the modifications brought about in August and October 1993 cover the following aspects:-

- (i) Relaxation in the manner of computation of promoters' contribution in respect of Issue of capital at premium by a new company being promoted by an existing company or highly capital intensive projects;
- (ii) Laying down of specific disclosures in respect of appraisal of projects, particulars of other income, adverse events, capacity utilisation, material change in key management personnel, market prices for listed companies etc.
- (iii) Provision to the investors of an additional facility for submission of applications in right issues and laying down a specific requirement of a minimum of 20% in respect of promoters' contribution and lock-in-period of 2/3 years, when such issues are made at a premium.
- (iv) Introducing a new facility by way of firm allotments in public issues to certain categories of persons and institutions to the extent of 75% (together with the promoters' contribution) leaving the balance 25% being the net offer to the public free from the requirement as to mandatory underwriting.
- (v) Rationalising reservations along with the public issue by improving the extent of reservations and removing the requirement of lock in period, while retaining the requirement of mandatory underwriting which shall cover the aggregate of the amount offered under reserved categories and the net offer to the public.

A couple of new measures have also been introduced so as to help the issuers to appoint collection agents other than the banks to collect applications in respect of public issue and to have the number of mandatory collection centres reduced from 57 to 30 subject to that

such centres should include places where stock exchanges have been established. The manner of determining the basis of allotment on oversubscription has been revised to be on a proportionate basis, so as to help reduce the work load on the Registrars and the Bankers; and to minimize the hitherto prevalent bad practice of making multiple/benami applications. This step has been reinforced by providing that the minimum application amount (aggregate) shall be Rs. 5,000 against Rs. 1000 earlier so that the number of investors wishing to play in the market could be reduced to a fairly manageable level. These measures are expected to reduce the cost of issue of capital and bring about speedier allotment, while at the same time gearing up the process of institutionalisation of the market.

We have also recently supported the moves for introduction of non voting shares, observation of equitable norms for the approval and pricing of preferential allotments to promoters, allowing flexibility in pricing by way of a band etc.

We have also been endeavouring to promote the introduction of new financial institutions in the market, while working on a new mode of issue of capital to the public by way of the 'Bought Out Deal' route.

Euro Issues

In keeping with the pace of liberalisation a number of Indian companies have made issues of capital in the Euro market by way of GDRs and Euro-Convertibles. Since June 1992 till March 1994, 25 companies have accessed the Euro market for an aggregate amount of about US\$ 2.5 billion with GDRs, Euro Bonds and Warrants.

Mutual Funds

In the field of Mutual Funds, SEBI requires registration of all of them - whether in the public or private sector.

This number has now gone upto 15. A Code of Advertisement has been laid down and Mutual Funds are required to disclose risk factors. They are also required not to give rosy pictures of high returns. They have to follow prudential accounting and reporting requirements. Recently they have been allowed to invest in money market instruments. With more Mutual Funds coming up in the private sector, there is enough competition in these activities which should go a long way to the advantage of the investors. The Mutual Funds have to establish themselves strongly in the minds of the small investors as the major vehicle for channelising their investments.

Foreign Institutional Investors (FIIs)

As mentioned earlier, FIIs have been permitted to make investments in the primary and the secondary markets by the Government of India under the guidelines issued by them in September 1992. Under these guidelines, the intending FIIs are required to be registered with SEBI as also RBI. So far, over 195 FIIs have been registered with SEBI and the amount invested by them in the capital market in India has been over Rs. 6,000 crores.

Measures in the Secondary Market

Let me now come to the measures taken by SEBI covering the secondary markets which involve the Stock Exchanges and the intermediaries such as the stock brokers, sub brokers, dealers etc. Since this has been the older market more visible to the average investor and having its presence in over 20 centres in India, it has attracted immediate public attention vis-a-vis SEBI as the regulatory authority. The secondary market, at the outset, virtually presented an institutional mechanism which was inadequate, non transparent, hardly regulated and rarely geared for investor protection. There are a number of areas in which SEBI had to

intervene to bring about reforms using its regulatory authority provided to it in terms of the Securities Contracts (Regulations) Act of 1956 (SCRA) and the SEBI Act of 1992.

Reconstitution of Governing Boards

Deficiencies in the secondary market include the weakness and irregular functioning of the stock exchanges right at the level of the governing boards. Since these boards had been by and large dominated by a majority of member brokers, they generally tended to decide matters normally in their favour vis-a-vis investors. The Stock Exchanges which are conceived to function as Self Regulatory Organisations (SRO) have hardly done so when it came to regulating the brokers/dealers and their organisations. SEBI had, therefore, to issue an order under SCRA with a view to bring about a broad based constitution of the governing boards of Exchanges as also their disciplinary, arbitration and default committees mainly by having equal representation of members by way of brokers on one side and public representatives on the other side.

Deficiencies in the functioning of Stock Exchanges

SEBI also observed deficiencies in the functioning of Stock Exchanges concerning listing of securities, monitoring of trading and settlement and attending to investor grievances. SEBI has, therefore, required them to have separate departments for various purposes under qualified and experienced staff. The other area relates to the stock brokers and dealers. These have been brought under the statutory purview of SEBI with notification of the rules and regulations concerning their registration etc. In the light of these, the first requirement taken up is to ensure fulfilment of capital adequacy norms for brokers in relation to their outstanding positions in the exchanges. The Indian

stock exchanges have been dominated by non-corporate members, which made it difficult to prescribe specific capital adequacy norms for them. While such norms have since been prescribed for both categories by way of base minimum capital and additional capital related to volume of business, steps have been taken to introduce and encourage corporate membership.

Trading and Settlement Systems

Another area in which investors' interest is sought to be protected is by bringing about improvements in trading systems and settlement periods. The trading hours have since been increased for various stock exchanges and settlement periods have been reduced to a weekly cycle for non-specified scrips. Greater transparency in trading practices by brokers has also been sought to be brought about by prescribing compulsory issue of contract notes to the clients detailing separately transaction price and the brokerage. A code of conduct has also been laid down statutorily for stock brokers and sub-brokers.

Broker-Client Relationship

An attempt has also been made to regularise transactions between clients and brokers by laying down certain norms so as to ensure safety of the monies of the clients as also the interest of the brokers. These relate to maintenance by the brokers of the clients' monies in separate accounts from their own. The brokers should also issue contract notes within 24 hours as also make payments to clients or deliver securities within 48 hours of payout by the stock exchange.

Insider Trading and other Prohibitions

Another area where SEBI has taken specific step is to prevent insider trading for which it has got regulations notified by the Government. Such insider trading regulations would help SEBI in detecting and policing

price rigging, market manipulation, unfair practices etc. by various players. SEBI has also taken steps to prohibit transactions in securities through securities trading organisation other than regular stock exchanges by the invocation of powers under SCRA.

Investor protections

One of the very important areas in relation to carrying out its responsibility for investor protection is the role being played by SEBI in providing investor grievance redressal and investor education/ guidance.

It is perceived that there is an absence of adequate professionalism and fair competition among the various players in the market. Some companies are found to be indulging into malpractices like inadequate and at times coloured disclosure of material information while entering into the market, dissemination of manipulated financial information and financial window-dressing, price rigging, insider trading, unethical practices in terms of private placement/promoter's quota, etc. The high volatility and speculative practices, and large scale trading irregularities like non-disclosure to the client of the actual sale/purchase price of share, debentures, non-delivery of shares/debentures against payment made (or delivered late), etc. by the brokers, sub-brokers and their agents have generated a large number of complaints from the investors.

Investors have also been facing a lot of hardships in the primary market on account of non-receipt/delay in receipt of refund order/allotment advice, share/debenture certificates after transfer/allotment/endorsement/conversion, etc. non-receipt or delayed receipt of declared dividend, non-receipt of principal amount of debenture after redemption, non-receipt or delayed receipt of interest on fixed deposits and non-repayment of fixed deposits on maturity, non-receipt of Rights forms, etc.

As a part of its role towards investors protection, SEBI has, since inception, evolved a system of redressal of investor grievances and is consistently taking up investors' complaints against companies, brokers and other intermediaries. In the recent months, in view of the multi-pronged measures such as computerisation of processing, regular follow up with the issuer companies/their registrars and Merchant Bankers, recommendation of legal action against defaulting companies to the Government and suspension of trading/delisting to Stock exchanges, redressal of investor grievances has shown significant improvement. Some of the other measures taken in this regard include collection of deposit by the Regional Stock Exchanges for every issue of capital placed in the market since last year, appointment of public representatives to oversee the allotment process, updating of information in the offer documents, etc.

One very important step taken recently by SEBI is to share the information on investor complaints with recognised Investors Associations, including Consumer Fora, to facilitate filing by them of class action suits in Consumer Court against erring companies.

SEBI has also taken steps by way of investor education. It has issued a number of Investors' guidance advertisements and published a book regarding 'Investor Grievances - Rights and Remedies.' The latest guidance series issued in March 1994 covered the aspects of Grey Market Operations, precautions to be taken for risk-free transactions in the secondary market and additional guidelines on the Stockinvest Scheme. We are also working on a more specific Education Programme to be brought to the Investors through the medium of TV/ Video.

Besides, to increase investors' awareness and to make them come up as a strong community, SEBI has also

registered certain active investors' associations who have been given a place on our Advisory Committees.

Legislative Scenario

This review would not be complete unless I also bring before you the current legislative scenario in relation to our capital markets.

A mention has already been made about the Capital Issues (Control) Act, 1947, which was repealed in May 1992. Let me refer to another statute which allows the Government to have control on the securities market viz. the Securities Contracts (Regulation) Act of 1956. The Act provides for regulation of establishment of the stock exchanges, management of their affairs and also of their members. Option trading in securities was prohibited under the Act and it was provided that transactions in securities could take place only between members of the exchange except on spot delivery basis.

With the rapid expansion of industries resulting in manifold expansion in the issue of securities and transactions therein, the present regulating system became insufficient. Besides, in the absence of an independent agency to oversee the functions of the securities market both at the primary level and the secondary level, many committees proposed establishment of an independent statutory agency to regulate and supervise functions of the securities market. It was in this context that the Securities and Exchange Board of India Act was passed in early 1992.

The Securities and Exchange Board of India Act, 1992

The SEBI Act provides for establishment of a statutory Board with a Chairman and five other members. SEBI has been given autonomous status by treating it as a body corporate with perpetual succession and common

seal. The preamble of the Act provides that the Board has been established to protect the interest of the investors in securities and to promote the development of and to regulate the securities market etc. The statutory Board was established on February 21, 1992. The scheme of the Act lays down that various Rules and Regulations would be issued to enable SEBI to register, regulate and monitor intermediaries in the capital market. So far, this has been accomplished in respect of Brokers, Sub-Brokers, Merchant Bankers, Portfolio Managers, Mutual Funds, Insider Trading, Registrars to Issue and Share Transfer Agents, Underwriters and Debenture Trustees.

While SEBI has been vested with exclusive power to regulate the primary market, the Government of India has provided it with only concurrent powers as far as the secondary market is concerned. The SEBI Act provides for registration of intermediaries like stock brokers, sub-brokers, and others who transact business in the secondary market. Besides, certain powers under the Securities Contracts (Regulation) Act have been delegated to SEBI for regulating the dealings in securities on the stock exchanges. It has been vested with powers to inspect and inquire into the affairs of the stock exchanges and their members.

The matters concerning issue of capital are primarily governed by the provisions of the Companies Act, 1956. In this regard as mentioned earlier, SEBI's role is to ensure that proper guidelines are followed by the companies and that they provide adequate disclosures in the offer documents to the investors. However, recently, the Government have vested SEBI with certain powers concurrently with the Department of Company Affairs authorising it to file complaints against defaulting companies in respect of certain matters having a bearing on investor protection.

You will no doubt appreciate that various powers governing the capital market need to be harmonised by placing them together in a single piece of comprehensive legislation so that their implementation can be both expeditious and effective. This also underscores the need to have a co-ordinated approach for developing and regulating the capital market.

Formation of Self-regulatory organisations

The legislative scene depicted above notwithstanding, SEBI has been advocating a self-regulatory set up regulation of capital markets, and in this connection, the Stock Exchanges have been designated to play the role of Self-Regulatory Organisations for brokers/sub-brokers etc. Similarly, SEBI has helped the merchant banking community to bring about the Association of Merchant Bankers of India, (AMBI) as a Self-Regulatory Organisation for Merchant Bankers and granted it registration as such. The other intermediaries such as Registrars to the Issue and the Underwriters have also formed their Associations, viz the Registrars Association of India (RAIN) and the Stock-brokers Underwriters Association (SUA), which could become SROs in the near future, calling for SEBI recognition.

Conclusion

As we all know, the role of a regulatory body in the securities market is determined by the stage of its development. In our context, having regard to the emerging nature of the market, SEBI as a regulatory body has necessarily to play the twin role of development and regulation. Let me emphasise once again that the development and regulatory functions of any regulatory body including SEBI are very much interlinked, and towards this objective, SEBI's efforts have been to create an effective surveillance mechanism for the securities market in India and encourage

responsible/accountable autonomy on the part of all the players who need to discipline themselves and observe the rules of the game. This would largely be possible if the intermediaries make themselves effective self regulatory bodies as mentioned above. While self regulation is the the cornerstone of the regulatory framework advocated by SEBI, it should be realized by one and all concerned that self regulation can work satisfactorily only if there is an effective and vigilant regulatory body overseeing their activities.

As mentioned in the foregoing paragraphs covering the primary market, SEBI's regulatory role in relation thereto will continue to be development of healthy practices on the part of issuers, observance of proper standards on the part of intermediaries and provision of better and fuller disclosures for the protection of the investors along with their guidance and education. In so far as the reforms in the secondary markets are concerned, SEBI will further endeavour to bring about automation in the stock exchanges at the level of brokers, introduce as early as possible the system of market makers, work for the establishment of urgently needed custodial and depository services to provide comprehensive nation-wide trading facilities to the investors through automated screen-based transactions.

The views expressed in this booklet are not necessarily those of the Forum of Free Enterprise.

"People must come to accept private enterprise not as a necessary evil, but as an affirmative good."

- **Eugene Black**

FORUM OF FREE ENTERPRISE

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