

Chapter 22

Credit Rating and Information Services of India Limited (CRISIL)

GENESIS

The Credit Rating Information Services of India Limited (CRISIL) was established in the year 1987. The agency initiated and popularized the concept of credit rating in India. CRISIL is India's premier credit rating agency and ranks amongst the top five in the world. CRISIL's core competencies are in the areas of risk identification, classification and assessment.

RANGE OF SERVICES

CRISIL provides a broad range of services as described below:

1. Credit Ratings
2. CRISIL Advisory Services (CAS)
3. CRISIL.com Ltd
4. Credibility First (CF)
5. Global Data Services
6. CRISIL Training Services
7. CRIS

CRISIL's Credit Rating Division

The credit rating division of CRISIL became operational in 1987. Being a pioneer in credit rating business in India, the rating agency ranks amongst the top five in the world. CRISIL has rated over 1800 companies and 3600 instruments translating into a debt volume of more than USD 62.11 billion. CRISIL's capabilities have been further reinforced by its strategic alliance with Standard and Poor's, USA, the world's leading rating agency. CRISIL has many firsts to its credit. These include introduction of ratings for entities like banks, financial institutions, greenfield projects and new instruments like asset-backed securities and other structured obligations; development of performance rating methodologies for various business segments like real estate developers and parallel marketers of liquefied petroleum gas (LPG) and ratings of debt issues of large infrastructure projects, mutual funds and municipal bonds.

CRISIL Advisory Services (CAS)

CRISIL Advisory Services is the consultancy division of CRISIL. The range of services provided by CAS include advisory services covering the areas of energy, transport, urban infrastructure, corporates, capital markets, e-consulting, and banking and finance. CAS has been involved in both policy issues and transactions in these sectors. With radical reforms taking place in these sectors, the CAS has been actively involved in the

adaptation of new principles in the Indian situation. Government and government agencies, multilateral/bilateral lending agencies, regulatory bodies and private sector entities benefit from CAS expertise.

Some of the clients serviced by CAS include the Government of Maharashtra, the Gujarat State Finance Commission, international financers, multilateral agencies, USAID - the leading US consulting firm, nationalized banks, state financial corporations, state electricity boards, State Industrial Development Corporation, etc.

CAS key strengths include experienced analysts supported by multidisciplinary database. CAS has a dedicated team of analysts who provide incisive and proactive analysis for their clients. Specific sector specialist desks in CAS maintain a focused approach to research. CAS analysts have an in-depth understanding of the Indian business and financial markets.

As a leading opinion maker in the Indian financial community, CAS has the requisite far-sightedness to deal with complex issues relating to Indian business and its constituents. An extensive knowledge and in-depth understanding of Indian environment at the macro and micro market levels provides the cutting edge to CAS analysis.

The specialists at CAS continuously track developments in various sectors as events unfold in the markets. This ensures that CAS analysis is dynamic and updated. CAS is recognized internationally as a credible and independent opinion provider. In addition, CAS has an extensive international database and analytical research on industries and corporates. CAS enhances its international reach through third party electronic vendors, thus building a strong international client base.

CRISIL is an independent organization. It has no trading interest or association and hence its research and opinion is unbiased. CAS believes in working closely with clients. The research team at CAS strives to ensure that its analysis contribute towards enhancing the transaction capabilities of its clients.

CRISIL.com Ltd

The internet's ability to inform, educate, interact and customize is unlimited. CRISIL has recognized this medium as an opportunity to widen and deepen its customer reach in its existing and new segments, create value added content and deliver it to new market segments. The idea is to emerge as the new, quality infomediary in the new, online value chain.

CRISIL has transferred its internet business to CRISIL.com a wholly owned subsidiary in order to give it the required focus. CRISIL.com leverages CRISIL's existing competencies, resources and credibility, and positions itself as an important resource center for authentic information and a valuable decision support system. It works for increased penetration, exclusive and superior content, and increased market exposure. In the short span of its operations CRISIL.com has already launched many strategic initiatives. CRISIL.com's "Millennium Service", a premium research and information service is already the most widely used web based subscription service of its kind in India. CRISIL.com has also launched the most comprehensive Mutual Funds Research & Information Service in India. This includes the CRISIL Funds-view, which is a comprehensive monthly research report on Indian fund industry. The report covers Risk-adjusted Returns Rankings over a moving one-year, six-month and three-month period.

The CPR rankings and Popularity Index (the stock preferences of mutual funds) are covered each quarter. The Funds-view also covers the industry's performance in terms of the resources mobilized and CRISIL MF indices besides assessing the performance of sectoral funds and examining trends and reporting on SEBI regulations.

CRISIL.com is also pursuing Strategic Alliances/Tie-ups for creating rich content and value added products aimed at meeting the research and information needs of business and investment decision makers.

Credibility-First (CF)

Credibility-First provides rating and evaluation services across the cross-section of companies in the Indian economy. While, CRISIL's rating division focuses on top-end corporates, CF provides specialized credit and counter party rating services for a large spectrum of corporates, especially in the small-sized sector, where information is not easily available. CF provides its services to banks, financial institutions, B2B exchanges, yellow page directories and business counterparts.

CF provides the following services, tailor-made to suit the varying needs of counterparties:

1. Verification services
2. Certification services
3. Rating services

CF verification services are a prerequisite for corporates to list on some major B2B exchanges. CF is positioning this service as a national standard for listing on any domestic exchange.

CF certification services help merchants to communicate their business strength to the potential buyers. These certifications would help buyers shortlist suppliers from a number of similar suppliers. CF rating services are aimed at corporates to help them establish credibility in trade and financial transactions. These ratings facilitate the corporate's business transactions (acting as a credit risk mitigant) and financial transactions (acting as a credit risk manager).

Global Data Services

The Global Data Services of India Ltd is a 100 percent subsidiary of CRISIL. It has been formed with a view to using the existing strengths and resources of CRISIL to provide high quality, reliable and timely financial analysis of Indian corporates, covering more than 1,500 of the largest companies listed on the Indian stock exchanges. This list is gradually expanded. The data is provided both, online and offline.

It also provides data entry services and offers to maintain financial updates on credit and investment purchases of clients. This service is especially useful to institutional investors, capital market intermediaries, banks and financial institutions, mutual funds and high networth individual investors including NRI's.

CRISIL Training Services

CRISIL provides a wide spectrum of training programmes, including the tailor-made ones, to meet the specific needs of various agencies and individuals connected with credit as well as investments. Programmes are specially designed for professionals whose business necessitates assessment of credit and investment risk. The programmes are especially useful for credit analysts, lending and investment officers of banks and financial institutions, portfolio managers and debt market traders, corporate treasurers and finance managers. Other training programmes have been designed for business strategists including entrepreneurs and company executives, faculty of educational institutions, individual investors and students. At present, all training programmes are available only offline, in various cities of India.

CRISIL Research & Information Services (CRISIL-INFAC)

CRISIL Research & Information Services Pvt. Ltd is a 100 percent subsidiary of CRISIL, formed on CRISIL's acquisition of the INFAC brand in January 2000. INFAC is a decade-old brand promoted by IPRS, a company that has pioneered the concept of Industry Analysis in India. CRISIL has pioneered the concept of credit rating in India and is currently the market leader. It is also the fourth largest credit rating agency in the world. It has over 800 clients including India's most reputed financial institutions and companies, consulting firms and corporate houses.

STRATEGIC ALLIANCE

CRISIL has a strategic alliance with the U.S based rating agency, the Standard & Poor's (S&P) rating services. The alliance was initially in the nature of a technical tie-up. This was further strengthened in May 1997, when Standard & Poor acquired a 9.6 percent equity stake in CRISIL. The alliance has provided CRISIL with the benefit of S&P's international experience and aided CRISIL in the development of rating criteria, operating systems and introduction of value added methodologies in newly developing areas. The alliance has also assisted Indian corporates in cross-border fund raising.

CRISIL'S STRENGTHS

As an important credit rating agency, CRISIL commands the following strengths:

- 1. Strong knowledge** CRISIL possesses a brilliant understanding of the Indian economy, industries and companies and their inter-relationships. An exhaustive information base on the Indian economy, 80 industries, 3,000 companies, 300 commodities satisfying the information needs of a large and diverse set of India's leading economic decision makers is available with CRISIL.
- 2. Efficient forecasting** CRISIL's experiment in building indigenous research methodologies has enabled it to make an accurate forecast of future trends and performance in industries. It maintains a vast nationwide primary source network spanning 1,200 companies, intermediaries, government bodies and consultants.
- 3. Professionalism** CRISIL maintains a team of highly qualified and experienced multi-disciplinary professionals from diverse streams such as business management, chartered accountancy and library sciences.
- 4. Reliable opinion** CRISIL provides independent, unbiased views and analysis. This is very much useful for the investors to make a realistic assessment of the issues of bonds and other securities.
- 5. Others** CRISIL also provides access to the client servicing facility, the information base, as well as the team of analysts.

CRISIL'S ACHIEVEMENTS

Over the past 14 years, the rating agency has successfully established the concept of credit rating among the major market participants. CRISIL is responsible for the innovation and institutionalization of a viable and market driven system of credit rating in India and has thus facilitated greater investments in debt instruments.

In the Indian context, ratings are virtually synonymous with CRISIL and the company has emerged as the country's premier rating agency. CRISIL had rated over 3,600 instruments translating into a debt volume of more than USD 62.11 billion till December 2000. CRISIL has completed rating assignments of over 1,800 companies and its client list includes among others, manufacturing companies, finance companies, financial institutions, banks, state governments, municipal bodies, utility companies, holding companies, etc both in the public as well as the private sector.

CRISIL currently employs over 150 professional analysts and has an extensive database spanning various industries and companies that assists in the rating exercise. In addition, CRISIL has dedicated resources in the form of Centers of Excellence for Manufacturing, Finance and Infrastructure with a view to give sharper qualitative focus to existing as well as proposed rating methodologies, and in-depth understanding of various industry prospects.

SUMMARY

The Credit Rating Information Services of India Limited (CRISIL) was established in the year 1987, with the objective of providing credit rating to debt and equity instruments issued by corporate entities and others. The range of services offered by the CRISIL include credit ratings, CRISIL Advisory Services (CAS), CRISIL.com Ltd., Credibility First (CF), Global Data Service, CRISIL training services, and CRIS. CRISIL operates ratings

Chapter 42

Insider Trading

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MEANING

The set of all unhealthy and manipulative dealings and practices indulged in by persons who are in better know of internal affairs of the companies is known as 'insider trading'. SEBI takes appropriate and necessary steps to curb and to prohibit such unfair and unethical practices so as to protect investor interest.

RATIONALE

Although insider trading is the bane of modern stock market trends, corporates often indulge in them for the following reasons:

1. Benefiting the company through unethical purchase and sale of the company's shares by withholding price sensitive information
2. Benefiting the individual indulging in this unethical practice

INSIDERS—CATEGORIES

Insiders are the persons who have connection with the company in such a way as to have access to price sensitive information. It includes any person who is or was connected with the company or is deemed to have been connected with the company and is reasonably expected to have access, by virtue of such connection, to unpublished price sensitive information in respect of securities of the company, or who has received or has had access to such unpublished price sensitive information.

The various categories of insiders who indulge in manipulative practices in stock market operations are as follows:

Primary Insiders

These insiders include directors of corporates and stock exchanges, merchant bankers, registrars, brokers, the company, top executives, auditors, banks, etc.

Secondary Insiders

These include dealers, agents and other employees having access to price sensitive information due to the proximity with the company.

INSIDER INFORMATION

For the purpose of describing insider trading, the term 'insider information' means any unpublished price sensitive information. This implies any information which is not yet made known, and which, when accessed, will either directly or indirectly be likely to materially affect the price of securities of that company in the market. The following unpublished information can be considered as price sensitive:

1. Financial results (both half yearly and annual) of the company
2. Intended declaration of dividends (both interim and final)
3. Issue of shares by way of public rights, bonus, etc
4. Any major expansion plans or execution of new projects
5. Amalgamation, mergers and takeovers
6. Disposal of the whole or substantially the whole of the undertaking
7. Any other information as may affect the earnings of the company *EPS*
8. Any changes in policies, plans or operations of the company

CONNECTED PERSONS

Connected persons mean and include the following:

1. Director of the company
2. Person deemed to be director of the company
3. Person occupying the position as an officer or an employee of the company
4. Person holding a position involving a professional or business relationship between himself and the company and who may reasonably be expected to have an access to unpublished price sensitive information relating to that company

DEEMED CONNECTED PERSONS

A person is deemed to be a connected person under the following circumstances:

1. **Same management** Where the said person is a company under the same management or group or any subsidiary company thereof.
2. **Member** Where the said person is an official or a member of a stock exchange or of a clearing house of that stock exchange, or a dealer in securities or any employee of such member or dealer of a stock exchange.
3. **Merchant banker** Where the said person is a merchant banker, share transfer agent, registrar to an issue, debenture trustee, broker, portfolio manager, investment adviser, sub-broker, investment company or an employee thereof, or is a member of the Board of Trustees of a Mutual Fund or a member of the Board of Directors of the Asset Management Company of a Mutual Fund or is an employee thereof who has a fiduciary relationship with the company.
4. **BoDs** Where the said person is a member of the Board of Directors or an employee of a public financial institution.
5. **SRO** Where the said person is an official or an employee of a Self Regulatory Organization (SRO) recognized or authorized by the board of a regulatory body.
6. **Relative** Where the said person is a relative of any of the aforementioned persons.
7. **Banker** Where the said person is a banker of the company.

NEED FOR CONTROL

The need for controlling and reining in the insiders arises on account of the need for protecting the interest of investors. In addition, curbing this malicious trading practice will help protect and promote the interest and reputation of the company, besides helping maintenance of confidence in stock exchange operations and the financial system as a whole.

PROHIBITION OF INSIDER TRADING

SEBI has come out with the following directions regarding the prohibition of insider trading:

1. **No dealing** No individual may either on his own behalf or on behalf of any other person deal in securities of a company listed on any stock exchange on the basis of any unpublished price sensitive information.
2. **No communication** No individual can communicate any unpublished price sensitive information to any person, with or without his request for such information, except as required in the ordinary course of business or under any law.
3. **No counsel** No individual can counsel or procure any other person to deal in securities of any company on the basis of unpublished price sensitive information.

PENALTY

A penalty upto Rs. 5 lakhs can be imposed on an insider who indulges in dealing, communicating or counselling on matters relating to insider trading discussed above.

INVESTIGATION BY SEBI

Where SEBI suspects that some persons who are close to the company administration are indulging in insider trading, it may order for an investigation to inspect the books of accounts, and other records and documents of an insider by an investigating authority. SEBI may order investigations on the basis of the complaints received from investors, intermediaries or any other person on any matter having a bearing on the allegation of insider trading. It may also initiate investigations *suo-moto* upon knowledge or information in its possession to protect the interest of investors in securities against breach of these regulations. Besides, it is also possible for the SEBI to appoint a qualified auditor to investigate into the books of accounts or the affairs of the insider.

Obligations of Insiders

Where an investigation by SEBI has been ordered, the insiders are obligated to:

1. **Documents** Produce to the investigating authority such books, accounts and other documents in his custody or control, and furnish the statements and information relating to the transactions in securities market.
2. **Access** Allow investigating authority access to his premises and books, records, documents, etc required for such investigation, and otherwise cooperate with investigating authority.

SEBI's Action

SEBI may, on the basis of investigative report, initiate the following actions towards curbing the menacing practice of insider trading:

- a. Criminal prosecution against the insider, and/or
- b. Giving necessary directions to insiders for protecting the interest of investors and the securities market, and for due compliance with the provisions of the SEBI Act, Rules and Regulations, the directions may prohibit dealing in securities in any particular manner, may prohibit disposal of any of the securities acquired in violation of these regulations, and may restrain the insider to communicate or counsel any person to deal in securities.

Internal Code

It is a matter of great satisfaction that SEBI has been making efforts to prohibit insider trading. Following are some of the measures initiated by the SEBI in this regard:

1. **Financial Institutions** Encouraging various financial institutions, professional bodies and other relevant organizations to develop internal code of conduct as an effective aid. Such a step would have the effect of

ultimately curbing the menace of insider trading leading to price rigging, market manipulations and other frauds relating to securities.

2. **Stock exchanges** Advising stock exchanges, banks and secondary market institutions to evolve an internal code of conduct which should lay down internal procedures, and checks and balances for avoiding insider trading.

3. **Internal control** SEBI directly writing to banks, financial institutions, stock exchanges, mutual funds, merchant bankers and other intermediaries, and professional bodies, such as, the Institute of Chartered Accountants of India, Institute of Company Secretaries of India, Institute of Cost and Works Accountants of India and various Chambers of Commerce and Industry about the desirability of evolving an internal control for the purpose. These bodies in turn are expected to formulate procedures and checks and balances for operations by their members and institutions which would make a meaningful contribution towards ensuring that their employees or members, who at times are in possession of unpublished price sensitive information relating to listed companies, do not use such information for personal gain through trading in the securities of such companies.

ACTION BY CORPORATES

SEBI has suggested that companies work out and initiate the following actions in order to prevent the insiders gaining access to unpublished information:

Type of Information

Corporates shall initiate action to identify the types of information that could be considered to be price sensitive in relation to the business of the company and its subsidiaries, and associate companies. The possible such price sensitive information may include: earnings forecast or material changes therein, proposals for mergers and acquisitions, significant changes in investment plans, acquisition or loss of a significant contract, significant disputes with major suppliers, consumers or sub-contractors, significant decision affecting the product pricing, profitability, etc.

Type of Employees

Corporates shall initiate action to identify the types of employees and officers of the company who are likely to have access to such price sensitive information.

Type of Controls

Corporates shall initiate action to identify the types of controls that are put in place in order to handle the price sensitive information specified above, so as to publish such information wherever possible. This will help eliminate the non-public character of such information.

Norms

The corporates may prescribe certain norms to be followed by all officers and employees of the company in dealing with the company's own shares. The norms may include: time periods during which time the company employees and officers are not to deal in the company's shares, the time period for the company employees and officers to wait for the price sensitive information to be made public before dealing in the company's shares, the applicability of these norms to representatives of the financial institutions as well as other directors on the Board of the Company, etc.

Declaration

Corporates may strive to obtain declaration from employees and officers including transactions done by the relatives of employees and officers as relating to purchase and sale of the shares of the company.

Investor Protection

Stag

A speculator who applies for shares in a new issue like a genuine investor but with the intention of selling shares at a later date at a premium is known as a 'stag'. He neither buys nor sells securities, but merely applies for shares of a new company as if he were a genuine investor. He waits for the price of the script to go up immediately after the issue of shares and this is why he is popularly called the 'premium hunter'. His profit is equal to the difference between the price paid by him and the price at which he sells his allotment.

Although the stag operates cautiously, it may turn out that he may also run into the risk of loss when the public response is lukewarm and that he is not in a position to offload his holdings at a premium and instead has to sell at a discount. In such a case, the stag may have to sell the shares at a loss. When the stag begins to sell, the price naturally suffers a further decline.

SUMMARY

Speculative activity is an important activity of modern stock exchanges which allows for the justification of the existence of a stock exchange. Speculation, although a risky activity, is rampant prevalent on stock exchanges, the world over. A speculator makes an attempt to make profit out of an anticipated change in price. Speculation is different from gambling. While speculation involves a legitimate enterprise of buying and selling property, commodities, etc. on the basis of an intelligent study and analysis of market trends, and other factors having a bearing on prices, gambling, involves no such intelligent activity. It is rather a reckless blood-betting on the future without application of mind and intelligence, and without even possessing resources necessary to meet the commitments. In the same way, those who have a genuine intention of buying and selling securities based on the price quotations, selling for the purpose of realising cash and buying for the purpose of getting an income are called investors; speculators indulge in buying and selling securities for the purpose of making profits arising from future price movements.

Speculators of different types operate on a stock exchange. Bulls, bears, lame ducks and stags are some of the popular speculators. A 'bull' speculator also called 'jintwala' in local parlance expects a rise in the price of a certain security. Bullish sentiments are supposed to be prevailing in a market when it is dominated by expectation of a rise in price. In a bullish market, the general atmosphere is one of optimism. A 'bear' speculator, who is also called 'maandiwala', conversely expects a fall in the price of the security of a company. He would then take advantage of an expected fall in the price, at which time he would sell (give delivery) on a fixed date such securities that he may or may not possess. Where a speculator finds it difficult to meet his commitment immediately, he is said to be a 'lame duck'. A speculator who applies for shares in a new issue like a genuine investor but with the intention of selling the shares at a later date at a premium is known as a 'stag'.

KEY TERMS AND CONCEPTS

Speculation	Speculator	Gambling
Bear	Bull	Bullish Trend
Bull Campaign	Bear	Bearish Trend
Lame duck	Stag	

REVIEW QUESTIONS

- What is speculative activity? How is it useful in trading in scripts?
- Distinguish between speculation and gambling.
- Distinguish between a speculator and an investor.
- Describe the activity of speculators operating on a stock exchange.
- Who is a bear speculator? How does he operate? Illustrate.
- Who is a lame duck? How does he differ from a stag speculator?
- What is 'bull campaign'? How is it different from 'bear raid'?
- What is 'bullish trend'?
- What is 'bearish trend'?

GENESIS

Investors, especially small investors constitute an important segment of the Indian stock market. The developments in the stock market do affect the sentiments of these investors. In turn, the sentiments of small investors also affect the stock market. Hence, protecting and promoting their interest is of paramount importance for the efficient growth of the capital market.

All the stock exchanges in India have put in place adequate measures of protection for the benefit of small investors. In addition, the government, regulatory authority, and SEBI have initiated several steps towards strengthening the position of small investors.

LOSS OF CONFIDENCE OF SMALL INVESTOR—CAUSES

Although small investors (defined by the SEBI, as a person who holds a small number of shares in different companies, a minimum of hundred shares of Rs. 10 each for a considerable time, looking for capital appreciation of his holdings, and disinvests his holdings only when he needs to meet a huge amount of expenditure for ceremonies like marriage of his children etc and defined under Section 2(2) of the Companies Act as a person holding shares of nominal value of Rs. 20,000 or less in a public company) are supposed to be protected both by the SEBI and the Companies Act, keeping in view the need for promoting and developing the regulation of the securities market, there has been noticed a terrible loss of confidence in them. This could be attributed to the following factors:

Failing Mutual Funds

Many of the mutual funds in India are in doldrums. The measures of liberalization and the concerted and conscious efforts of the government and SEBI to drive the small investor towards mutual funds have met with little success. Mutual funds have failed to come up to the expectations of the small investors, since the investors never got a consistent return on their investments. All these have resulted in the diversion of savings to other avenues such as bank deposits. A major complaint against the mutual funds is that they are not delivering the goods as advertised by them. The security and service offered by the mutual funds are far from satisfactory.

Private Placement

The private placement route often chosen by the corporate sector with banks, financial institutions and high net-worth individuals, has denied the hopes of innumerable small investors for an affordable capital market investment. Many corporate enterprises adopt this route because of the negligible cost involved in raising the money. To the extent the amount is raised through private placement, the small investor is denied the opportunity of subscribing to the issues in the capital market. This handicap is sought to be removed by an amendment to

Section 67 of the Companies (Amendment) Act, 2000 whereby the issuer is expected to offer to public a minimum of 50 percent of the issue.

Dematerialization

The recent provisions of the Depositories Act and the regulations of the SEBI require that the securities be dematerialized and kept with the Depository. This process has contributed to enormous costs of dematerialization and safekeeping to investors. The compulsory dematerialization by the investors before selling their securities has caused considerable consternation among the small investors.

Lack of Corporate Interest

The amount of regulations regarding listing etc. clamped on the issuers by the SEBI has created hurdles in the way of entrepreneurs tapping the capital market. Some of the demanding regulations include more and more disclosure requirements insisted upon by SEBI, the tightening of the clauses of the listing agreements, codes of Corporate Governance, etc. Moreover, financial institutions and banks do not insist on the company to be listed on in order to extend long-term finances.

Delisting by MNCs

Small investors are crippled of their ability and deprived of an opportunity to make investment of funds in the highly profit making MNCs. This is because many of the foreign companies operating in India are either incorporated as wholly owned subsidiaries or indulge in buy-back of the shares from the public. This process reduces the public float in the capital market. Further, this has created a roadblock in the development of the capital market and works against the interest of small investor.

Book-building

The recently introduced 'book-building' process is considered to be highly pernicious for small investors. This mechanism allows for setting the issue price at unreasonably high levels. This has greatly affected the interest of common investors. Such a price discovery practice often goes unrealistic as the market price immediately after the issue nosedives much below the issue price. Hence, the public is not enamored at all by the fanciful price fixed by this process.

Takeover and Buy-back

The buy-back mechanism introduced by the Companies Act, 1999, paved way for promoters acquiring the shares easily and cheaply. This has in turn reduced the quantum of floating stock in many well-managed companies in the stock market. The capital market developments are much in tune with the interest of the promoters than in tune with protecting the investors' interests.

RIGHTS OF INVESTORS

1. To receive all benefits/material information declared for the investors' by the company
2. To obtain prompt services from the company such as transfers, sub-divisions and consolidation of holdings in the company
3. To subscribe to further issue of capital by the company in the case of existing equity shareholders
4. To pay a maximum brokerage of 2.5 percent of the contract price
5. To receive the contract note from the broker in the specified format showing transaction price and brokerage separately
6. To obtain delivery of shares purchased/value of shares sold within 2 days after the payout day

FACILITIES BY BSE

The Bombay Stock Exchange (BSE), Mumbai, is the forerunner and the pioneer in the realm of providing several facilities for the benefit of investors as shown below:

Investor's Service Cell

Protecting the interest of investors dealing in securities is one of the main objectives of the exchange. In pursuit of this objective, Bombay Stock Exchange (BSE) set up an Investors' Services Cell (ISC) in 1986. The grievances of investors against listed companies and members of the exchange are redressed by the exchange. The exchange also assists in the arbitration process both between members and investors. The capital market can grow only when the investors' find it safe for them to invest in the capital market and only if they are assured that the rules governing the market are fair and just to all the players in the market.

With a view to ensure speedy and effective resolution of claims, differences, and disputes between non-members, the exchange has laid down a set of procedures for arbitration thereof. These procedures are embodied in the rules, bye-laws and regulations of the exchange, which have been duly approved by the Government of India/Securities and Exchange Board of India (SEBI).

Safeguards for Investors'

Some of the safeguards that need to be adhered to by the investors' before trading in the securities market are as follows:

1. **Selecting the broker/sub-broker** Investors should deal with only SEBI registered broker/sub-broker after due diligence. Details of list of brokers can be procured from the member's list published by the Exchange and also from the website of the exchange.

2. **Formal agreement** An investor is expected to enter into a formal agreement with the broker before transacting business. For this purpose, he is advised to scrupulously adhere to the following procedures:

- a. **Registration** Fix in a client registration form with broker/sub-broker.
- b. **Agreement** Enter into broker/sub-broker-client agreement. This agreement is mandatory for all investors for registering as a client of a BSE trading member. Before entering into agreement, the client is expected to carefully read and understand the terms and conditions of the agreement. Similarly, the agreement shall be executed on a valid stamp paper of the requisite value. The client and the member or their representative who has the authority to sign the agreement shall sign the agreement on all the pages. Agreement has also to be signed by witnesses too, by giving their name and address.

3. **Transacting business** The following are to be borne in mind by the investor before transacting business:

- a. **Specifying exchange** Specify to the broker/sub-broker, exchange through which your trade is to be executed and maintain separate account per exchange.
- b. **Contract note** Obtain a valid Contract Note (from Broker)/Confirmation Memo (from sub-broker) within 24 hours of the execution of the trade. Contract note is a confirmation of trade(s) done on a particular day for and on behalf of a client in a format prescribed by the exchange. It establishes a legally enforceable relationship between the member and client in respect of settlement of trades executed on the exchange as stated in the contract note. Contract notes are made in duplicate, and the member and the client keep one copy each. The client is expected to sign on the duplicate copy of the contract note for having received the original.
 - **Contract Note—Form 'A'** issued where member is acting for constituents as brokers and agents
 - **Contract Note—Form 'B'** issued by members dealing with constituents as principals.
 - **Confirmation memo—Form 'C'** issued by registered sub-brokers acting for clients/constituents as sub-brokers

The investor should ensure that the contract note/confirmation memo contains such details as registration number of the member/sub-broker. Further, such details of trade as, order number, trade date, quantity, price, brokerage, settlement number and details of other levies must also be mentioned. The trade price should be shown separately from the brokerage charged.

4. Brokerage As stipulated by SEBI, the maximum brokerage that can be charged is 2.5 percent of the value. This maximum brokerage is inclusive of the brokerage charged by the sub-broker (Sub-brokerage can exceed 1.5 per cent of the trade value). Any additional charges that the member can charge are service tax, percent of the brokerage and any penalties arising on behalf of the client (investor).

The brokerage and service tax is indicated separately in the contract note. Signature of authorized representative in the arbitration clause, stating that the trade is subject to the jurisdiction of Mumbai, must be present on the face of the contract note.

5. Ensuring settlement Following are the procedures to be followed by investors for ensuring settlement:

- Delivery** Delivery of securities/payment of money to the broker is to be ensured immediately upon getting the contract note for sale/purchase but in any case, before the prescribed pay-in-day. Member should pay the money or deliver the securities to the investor within 48 hours of the payment.
- Demat account** Open demat account. Preferably opt for buying and selling demated securities.
- Depository participant (DP)** - For delivery of shares from Demat a/c, give the Depository Participant (DP) 'Delivery out' instructions to transfer the same from the beneficiary account to the pool account of broker through whom shares and securities have been sold. The details such as the pool account of broker to which the shares are to be transferred, details of scrip, quantity etc. As per the requirement of depositories the delivery out instruction should be given at least 48 hours prior to the cut-off time for the prescribed securities pay-in.

For receiving shares in the Demat account, give the Depository Participant (DP) 'Delivery in' instructions to accept shares in beneficiary account from the pool account of broker through whom shares have been purchased.

6. Delivery If physical deliveries are received, check the deliveries received as per good/bad delivery guidelines issued by SEBI. Bad delivery cases should be sorted out through exchange machinery immediately. All registration of shares for ownership of physical shares should be executed by a valid, duly completed and stamped transfer deed.

General Do's and Don'ts for Investors

- Not to deal with unregistered intermediaries which might expose to counter party risk
- To give clear and unambiguous instructions to broker/sub-broker
- To keep a record of all instructions issued to the broker/sub-broker
- To confirm with the broker/sub-broker whether delivery is in physical or demat form before selling shares
- Not to fall prey to promises of unrealistic high returns
- Not to indulge in speculative trading but to go by the fundamentals only
- To trade within the predetermined limits
- To use the Investors' Grievance Redressal system of the exchanges to redress grievances, if any
- To understand the working of the Investor Service Cell for complaint against listed companies, brokers, and
- To preferably trade personally through Internet based trading by registering with a broker.

Solving Investors' Grievances—Process

BSE has established a full-fledged Investors' Services Cell (ISC) to redress investor's grievances. Since its establishment in 1986, the cell has played a pivotal role in enhancing and maintaining investors' faith and confidence by resolving their grievances either against listed companies or against Members of the Exchange. The services offered by the ISC are as under:

i. Grievances against listed companies ISC forwards the complaints to the respective company and directs them to solve the matter within 15 days. In spite of the above efforts, if the company fails to resolve the complaints and the total number of pending complaints against the company exceeds 25 and are pending for more than 45 days, after issue of show cause notice for 7 days, the scrip of the company is suspended from trading till grievances are resolved. ISC also transfers such scrip to 'Z' category for non-resolution of investors' complaints.

Measures

ISC takes many other pro-active measures to resolve the investor's grievance such as the following:

- **Calling the company representative** to the exchange to interact with investor's members to resolve the complaints.
- **Calling major registrar and transfer agent** to the Exchange to interact and resolve the grievances of the investor's and members of the exchange.
- **Issuing monthly press release** listing top 25 companies against whom maximum complaints are pending for resolution. The same is also released on the website of the exchange.
- **Pursuing Mumbai based companies** to depute their representative to the exchange to take the pending list of complaints and resolve the same immediately.

2. Grievances against members

Nature of complaints

The nature of complaints received by the exchange can be broadly classified into the following categories:

1. Non-receipt of delivery of shares/Non-removal of objection/Non-receipt of sale proceeds of shares/
Non-receipt of dividend/Non-receipt of Rights, Bonus shares
2. Disputes regarding rate difference
3. Disputes relating to non-settlement of accounts
4. Miscellaneous items

Procedures

The complaints are forwarded to the concerned members to reply/settle the complaints within 7 days from the receipt of the letter. If no reply is received or reply received is not satisfactory, the matter is placed before the IGRC (Investor's Grievance Redressal Committee) headed by a retired high court judge. IGRC is constituted by the governing board to resolve the complaints of non-members against members through the process of reconciliation. The parties are heard and the matter is tried to be solved amicably or it is referred for arbitration under the rules, bye-laws and regulations of the exchange.

3. Arbitration The investors' complaints referred by IGRC can be against the (i) active members of the exchange as well as the (ii) defaulter-members of the exchange. The process of solving the investors' complaints through the arbitration procedure is as mentioned below:

- Arbitration committee** For the purpose of resolution of grievances between investors and member-brokers, the exchange has constituted an arbitration committee with the approval of SEBI. The non-member arbitration panel consists of retired High Court and City Civil Court Judges, Chartered Accountants, Company Secretaries, Solicitors and other professionals having in-depth knowledge of the capital market.

- b. **Filing supporting documents.** On receiving the direction for arbitration from the NGRCL, complainant (applicant) files relevant supporting documents for arbitration. A set of the arbitration documents is sent to the other party (respondent) for giving his counter reply.
- c. **Hearing.** After completion of the formalities, the matter is fixed for hearing before arbitration. If claim is less than Rs. 10 lakhs, the applicant has to propose the name of three arbitrators and respondent(s) has to give consent or the name of one of the arbitrators. In case respondent(s) does not give consent or the name of one of the arbitrators, the exchange appoints the arbitrators. For claims above Rs. 10 lakhs, a panel of three arbitrators, one each to be appointed by the applicant(s) and respondent(s) and the presiding arbitrator has to be appointed by the exchange to adjudicate the matter.

The date for hearing is fixed and the concerned parties are informed about the date through notices. At hearing both the parties are taking the submissions and the documents on record, the arbitrator(s) close reference and the award (decision) is given.

d. **Appeal.** If the applicant is not satisfied with the award he can appeal against the same in the exchange within 15 days of its receipt. The appeal bench of five arbitrators hears the matter and gives the award. However, if the aggrieved party has to deposit the awarded amount given by the Arbitral Tribunal within the exchange unless and until the appeal bench exempts it partly or wholly. If the award is in favor of the applicant, the aggrieved member has to abide by the decision. If he fails to abide by the award, the Disciplinary Action Committee (DAC) takes necessary action against him. The award becomes a decree after 3 months from the date on which it is given and can be executed as a court decree through a competent court of jurisdiction. The same can be challenged only in the High Court of Judicature, Mumbai.

e. **Arbitration procedure against defaulter member of the exchange.** Any complaint against defaulter member of the exchange can directly be filed in arbitration. However, the same has to be filed within 6 months from the date of declaring the member as defaulter by the exchange. The rest of the process is the same as above.

An award obtained against a defaulter-member is scrutinized by the Defaulter's Committee (DC), a standing committee constituted by the exchange, to ascertain their genuineness, etc. The awarded amount or Rs. 10 lakhs whichever is lower is paid from the Customer's Protection Fund (CPF). After the approval of the DC & Trustee of CPF, the amount is distributed to the clients who have obtained the award against defaulter-member.

Investor's or Customer's Protection Fund

BSE is the first exchange to have set up the "Stock Exchange Customer's Protection Fund" in the interest of the customers of the defaulter members of the exchange. This fund was set up on 10th July, 1986 and has been registered with the Charity Commissioner, Government of Maharashtra as a Charitable Fund. BSE is the only exchange in India, which offers the highest compensation of Rs. 10 lakhs in respect of the approved claims of any investor against the defaulter members of the exchange. The members at present contribute Rs. 1.50 per Rs. 10 lakhs of turnover. The stock exchange contributes 2.5 percent of the listing fees collected by it. Also the entire interest earned by the exchange on 1 percent security deposit kept with it by the companies making public offering issues is credited to the Fund.

Trade Guarantee Fund

In order to introduce a system of guaranteeing settlement of trades and ensuring that market equilibrium is maintained in case of payment default by the Members, the Trade Guarantee Fund was constituted and it came into force with effect from May 12, 1997. The main objectives of the fund are as given below:

1. **Settlement.** To guarantee settlement of bona fide transactions of members of the exchange under firm part of the stock exchange settlement system, so as to ensure timely completion of settlements of contracts and thereby protect the interest of investors and the members of the exchange.
2. **Confidence.** To inculcate confidence in the minds of secondary market participants generally and global investors' particularly, to attract larger number of domestic and international players in the capital market.
3. **Protection.** To protect the interest of investors' and to promote the development of and regulation of the secondary market.

The Fund is managed by the Defaulter's Committee, which is a standing Committee constituted by the exchange, the constitution of which is approved by SEBI.

Investor Awareness Program

Investor awareness programs are being regularly conducted by BSE to educate the investors and to create awareness among them regarding the working of the capital market and in particular the working of the stock exchanges. These programs have been conducted in Gujarat, Kerala, Tamilnadu, Uttar Pradesh, Rajasthan, Punjab, Haryana and within Maharashtra.

The investor awareness program covers extensive topics like Instruments of Investment, Portfolio Approach, Mutual Funds, Tax Provisions, Trading, Clearing and Settlement, Rolling Settlement, Investors' Protection Fund, Trade Guarantee Fund, Dematerialization of shares, information on Debt Market, Investors' Grievance Redressal system available with SEBI, BSE & Company Law Board, information on Sensex and other Indices, Walkshops and Information on Derivatives, Futures and Options, etc.

Other Facilities

In addition to the above, the BSE offers the other facilities for the benefit of the investors:

BSE Training Institute. The institute organizes Investor Education programs periodically on various subjects like comprehensive program on Capital Markets, Fundamental Analysis, Technical Analysis, Derivatives, Index Futures and Options, Debt Market, etc. Further, for the derivatives market, BSE also conducts the compulsory BCDL certification for members and their dealers to impart basic minimum knowledge of the derivatives markets.

BSE's official website. The site serves as the focal point for information dissemination and updates investor with the latest information on stock markets on a daily basis through real time update of statistical data on market activity, corporate information and results. Educational articles on various products and processes are also available on the site. BSE regularly comes out with publication for investor education on various products and processes like quick reference guide for investors, etc.

OMBUDSMAN

Genesis

The scheme of Ombudsman has been provided for under the SEBI (Ombudsman) Regulations, 2003 and under sub-section 1 of section 11 of the SEBI Act. The purpose is to redress the grievance of the investors in securities and for matters connected therewith or incidental thereto.

Definition

According to the SEBI, the term "Ombudsman" means any person appointed under regulation 3 of the SEBI (Ombudsman) Regulations, 2003 and unless the context otherwise requires, includes Secondary Ombudsman.

"Stipendiary Ombudsman" means a person appointed under regulation 9 for the purpose of acting as ombudsman in respect of a specific matter or matters in a specific territorial jurisdiction and for which he may be paid such expenses, honorarium or sitting fees as may be determined by the Board from time to time.

Eligibility for ombudsman

In order to be appointed as an Ombudsman a person shall be:

1. A citizen of India;
2. Of high moral integrity;
3. Not below the age of 45 years of age; and
4. Either
 - A retired District Judge or qualified to be appointed a District Judge or
 - Having at least ten years experience of service in any regulatory body or
 - Having special knowledge and experience in law, finance, corporate matters, economics, management or administration for a period not less than ten years, or
 - An office bearer of investors' association recognized by the Board having experience in dealing with matters relating to investor protection for a period not less than 10 years

Disqualification for Ombudsman

A person shall not be qualified to hold the office of the Ombudsman if he:

1. Is an un-discharged insolvent;
2. Has been convicted of an offence involving moral turpitude;
3. Has been found to be of unsound mind and stands so declared by a competent court;
4. Has been charged with any offence including economic offences; or
5. Has been a whole-time director in the office of an intermediary or a listed company and a period of at least 3 years has not elapsed.

Eligibility for Stipendiary Ombudsman

A person shall be eligible to be appointed as Stipendiary Ombudsman who:

1. Has held a judicial post or an executive office under the Central or State Government for at least ten years; or
2. Is having experience of at least ten years in matters relating to consumer or investor protection, or
3. Has been a legal practitioner in corporate matters for at least 10 years; or
4. Has served for a minimum period of 10 years in any public financial institution within the meaning of section 4A of the Companies Act, 1956 (1 of 1956) or a regulatory body.

Powers and Functions of Ombudsman

1. General The Ombudsman shall have the following powers and functions:

- a. To receive complaints specified in regulation 13 against any intermediary or a listed company or both;
- b. To consider such complaints and facilitate resolution thereof by amicable settlement;
- c. To approve a friendly or amicable settlement of the dispute between the parties;
- d. To adjudicate such complaints in the event of failure of settlement thereof by friendly or amicable settlement.

2. Other powers and functions The Ombudsman shall

- a. Draw up an annual budget for his office in consultation with the Board and shall incur expenditure within and in accordance with the provisions of the approved budget;

- b. Submit an annual report to the Board within three months of the close of each financial year containing general review of activities of his office, and
- c. Furnish from time to time such information to the Board as may be required by the Board.

Procedure for Redressal of Grievance

1. Grounds of complaint A person may lodge a complaint on any one or more of the following grounds either to the Board or to the Ombudsman concerned:

- a. Non-receipt of refund orders, allotment letters in respect of a public issue of securities of companies or units of mutual funds or collective investments schemes
- b. Non-receipt of share certificates, unit certificates, debenture certificates, bonus shares
- c. Non-receipt of dividend by shareholders or unit-holders
- d. Non-receipt of interest on debentures, redemption amount of debentures or interest on delayed payment of interest on debentures
- e. Non-receipt of interest on delayed refund of application monies
- f. Non-receipt of annual reports or statements pertaining to the portfolios
- g. Non-receipt of redemption amount from a mutual fund or returns from collective investment scheme
- h. Non-transfer of securities by an issuer company, mutual fund, Collective Investment Management Company or depository within the stipulated time
- i. Non-receipt of letter of offer or consideration in takeover or buy-back offer or delisting
- j. Non-receipt of statement of holding corporate benefits or any grievances in respect of corporate benefits, etc.
- k. Any grievance in respect of public, rights or bonus issue of a listed company
- l. Any of the matters covered under section 55A of the Companies Act, 1956
- m. Any grievance in respect of issue or dealing in securities against an intermediary or a listed company

2. Procedure of filing complaint Any person who has a grievance against a listed company or an intermediary, may himself or through his authorized representative or any investors association recognized by the Board, shall make a complaint against a listed company or an intermediary to the Ombudsman within whose jurisdiction the registered or corporate office of such listed company or intermediary is located. The complaint shall be in writing, duly signed by the complainant or his authorized representative.

However, there shall be no complaint made to the Ombudsman:

- a. Where the complainant had, before making a complaint to the Board or the Ombudsman concerned, made a written representation to the listed company or the intermediary named in the complaint and the listed company or the intermediary, as the case may be, had rejected the complaint or the complainant had not received any reply within a period of one month after the listed company or intermediary concerned received his representation or the complainant is not satisfied with the reply given to him by the listed company or an intermediary;
- b. Unless the complaint is made within six months from the date of the receipt of communication of rejection of his complaint by the complainant or within seven months after the receipt of complaint by the listed company or intermediary under clause (a) above;
- c. If the complaint is in respect of the same subject matter which was settled through the Office of the Board or Ombudsman concerned in any previous proceedings, whether or not received from the same complainant or along with any one or more other complainants or any one or more of the parties concerned with the subject matter;
- d. If the complaint pertains to the same subject matter for which any proceedings before the Board or any court, tribunal or arbitrator or any other forum is pending or a decree or award or a final order has already been passed by any such competent authority, court, tribunal, arbitrator or forum;

e. If the complaint is in respect of or pertaining to a matter for which action has been taken by the Board under Section 11(4) of the Act or Chapter VI A of the Act or under sub-section (3) of section 12 of the Act or under any other regulations made under the Act.

3. Power to call for information For the purpose of carrying out his duties under these regulations, an institution or authority to provide any information or furnish certified copy of any document relating to the subject matter of the complaint which is or is alleged to be in its or his possession. If the information is not provided, the ombudsman would draw the inference that the information if provided or copies if furnished, would be unfavorable to the listed company or intermediary.

The Ombudsman shall maintain confidentiality of any information or document coming to his knowledge or possession in the course of discharging his duties and shall not disclose such information or document to any person except and as otherwise required by law or with the consent of the person furnishing such information or document unless warranted by compliance with the principles of natural justice and fair play in the proceedings.

4. Settlement by mutual agreement

As soon as it may be practicable so to do, the Ombudsman shall cause a notice of the receipt of any complaint along with a copy of the complaint sent to the registered or corporate office of the listed company or office of the intermediary named in the complaint, and endeavor to promote a settlement of the complaint by agreement or mediation between the complainant and the listed company or intermediary named in the complaint. If any amicable settlement or friendly agreement is arrived at between the parties, the Ombudsman shall pass an award in terms of such settlement or agreement within one month from the date thereof and direct the parties to perform their obligations in accordance with the terms recorded in the award. For the purpose of promoting a settlement of the complaint, the Ombudsman may follow such procedure and take such actions, as he may consider appropriate.

5. Award on adjudication

In the event of the matter not being resolved by mutually acceptable agreement within a period of one month of the receipt of the complaint or such extended period as may be permitted by the Ombudsman, he shall, based upon the material placed before him and after giving opportunity of being heard to the parties, give his award in writing or pass any other directions or orders as he may consider appropriate. Ombudsman shall make the award on adjudication within a period of three months from the date of the filing of the complaint. The Ombudsman shall send his award to the parties to the adjudication to perform their obligations under the award.

6. Evidence act not to apply

In proceedings before the Ombudsman, strict rules of evidence under the Evidence Act, shall not apply and the Ombudsman may determine his own procedure in consistent with the principles of natural justice. Ombudsman shall decide whether to hold oral hearings for the presentation of evidence or for oral argument or whether the proceeding shall be conducted on the basis of documents and other materials. It shall not be necessary for an investor to be present at the oral hearing of proceedings under these regulations and the Ombudsman may proceed on the basis of the documentary evidence submitted before him. No legal practitioner shall be permitted to represent the defendants or respondents at the proceedings before the Ombudsman except where a legal practitioner has been permitted to represent the complainants by the Ombudsman.

7. Finality of award

Subject to the provisions of this regulation, an award shall be final and binding on the parties and persons claiming under them respectively. Any party aggrieved by the award on adjudication may within one month from the receipt of the award, file a petition before the Board setting out the grounds for review of the award. The Board may review an award only if there is substantial miscarriage of justice, or there is an error apparent on the face of the award.

Where a petition for review of the award under sub-regulation (2) is filed by a party from whom the amount mentioned in the award is to be paid to the other party in terms of the award, such petition shall not be entertained by the Board unless the party filing the petition has deposited with the Board seventy-five percent of the amount mentioned in the award. The Board may review the award and pass such order, as it may deem appropriate. The Board shall endeavor to dispose of the matter within a period of forty-five days of the filing of the petition for review.

The award passed by the Ombudsman shall remain suspended till the expiry of period of one month for filing review petition or till the review the Board disposes off petition. The party so directed shall implement the award within 30 days of receipt of the order of the Board on review or within such period as may be specified by the Board, in the order disposing off the review petition. The Board may determine its own procedure consistent with principles of natural justice in the matter of disposing of review petition, and may dismiss the petition if it does not satisfy any of the grounds specified in sub-regulation (3).

8. Cost and Interest The Ombudsman or the Board, as the case may be, shall be entitled to award reasonable compensation along with interest including future interest till date of satisfaction of the award at a rate, which may not exceed one percent per month. The Ombudsman in the case of an award, or the Board in the case of order passed in petition for review of the award, as the case may be, may determine the cost of the proceedings in the award and include the same in the award or as the case may be, in the order. The Ombudsman or the Board may impose cost on the complainant for filing complaint or any petition for review, which is frivolous.

9. Non-implementation

The award shall be implemented by the party so directed within one month of receipt of the award from the Ombudsman or an order of the Board passed in review petition or within such period as specified in the award or order of the Board. If any person fails to implement the award or order of the Board passed in the review petition, without reasonable cause:

- He shall be deemed to have failed to redress investors' grievances and shall be liable to a penalty under section 15C of the Act
- He shall also be liable for an action under section 11(4) of the Act; or suspension or delisting of securities; or being debarred from accessing the securities market; or being debarred from dealing in securities; or an action for suspension or cancellation of certificate of registration; or such other action permissible which may be deemed appropriate in the facts and circumstances of the case

Display of the Particulars

Every listed company or intermediary shall display the name and address of the Ombudsman as specified by the Board, to whom the complaints are to be made by any aggrieved person in its office premises in such manner and at such place, so that it is put to notice of the shareholders or investors or unit holders visiting the office premises of the listed company or intermediary. The listed company or intermediary in its offer document or clients agreement shall give full disclosure about the grievance redressal mechanism through Ombudsman under these regulations. Any failure to disclose the grievance redressal mechanism through Ombudsman under sub-regulation (2) or any failure to display the particulars as per sub-regulation (1) shall attract the penal provisions contained in Section 15A of the Act.

SUMMARY

Investors, especially small investors who constitute an important segment of the Indian stock market need all the support and protection so as to enable them to trade on the stock exchange fearlessly and truthfully. Further, protecting and promoting their interest is of paramount importance for the efficient growth of the capital market. It is interesting to note that several factors were responsible for the loss of confidence of the investor on the activities of the stock exchange. The unsuccessful and failing mutual funds is one of the chief reasons for the loss of investor interest on the stock market activities. The menacingly and growingly popular