



SECURITIES EXCHANGE BOARD OF INDIA'S CIRCULARS:

SEBI clears insurance IPO norms

SEBI has approved share sale guidelines for insurance firms. The norms will be now sent to the government for its final go ahead and once cleared, the entry of the insurance industry is expected to revive the dormant primary market as the novelty value of the sector could attract more investors. IRDA had earlier said insurers that have completed 10 years of operations are eligible to go for share sale. Prior to filing of the draft document for making public offer with SEBI, the insurer should take a "formal approval" from IRDA.

SEBI issues show-cause notice to India Infolines

SEBI has issued a show-cause notice to India Infoline Ltd (IIFL) for alleged violation of certain norms. The notice issued by the SEBI after an enquiry, asks IIFL why a "higher penalty", including suspension of certificate of registration for a specified period or even cancellation of certificate of registration, should not be imposed on it. Ahead of this, the investigating officer of SEBI had issued a warning to the firm. According to the SEBI notice, the enquiry report has established alleged violations, including non-delivery of contract notes to clients, unauthorized trades, non-maintenance of records of receipts at offices, among others. Other violations include not displaying order details in the contract note to clients and also delaying inspection data or providing incomplete data to SEBI's inspection team.

SEBI to probe allegations against DLF, Sudipti Estates

SEBI will probe allegations by a Delhi-based businessman that he was duped of Rs 34 crore by DLF Ltd and Sudipti Estates. The probe order follows a Delhi High Court ruling on a complaint filed by Mr Kimsuk Krishna Sinha in 2007 against the DLF Group and Sudipti Estates. The Delhi High Court had in July directed the regulator to look into the complaint and pass an order within three months. SEBI said that the investigations would focus on the violations, if any, of the provisions of the erstwhile SEBI (Disclosure and Investor Protection) Guidelines, 2000, by the companies.

SEBI wants Finance Ministry to plug holes in Global Depository Receipts guidelines

SEBI is in talks with the finance ministry to tighten rules relating to issuance of Global Depository Receipts as the regulator has found that several local companies are skirting guidelines to raise funds overseas. Some firms are misusing the facility to raise funds through issuance of equity overseas in the form of Global Depository Receipts (GDRs) which have underlying shares of Indian companies. Over the past six months, a surveillance system put in place by SEBI to monitor GDR transactions has thrown up evidence that some issuers are attempting to bypass the rules.

SEBI panel rejects plan to raise MF net worth cap

A SEBI-constituted panel on mutual funds has retained the minimum capital requirement to start a fund house at Rs 10 crore, rejecting a proposal to increase the net worth criterion. The move comes as a breather for smaller fund houses and firms planning to enter the asset management business in India. Last year, the mutual fund advisory committee had proposed to raise the capital base of asset management companies to Rs 50 crore from Rs 10 crore to ward off 'non-serious players' and to ensure higher safety for investors.

SEBI to probe high volatility in IPOs

The high fluctuation in share prices of a number of companies on the listing day has caught the attention of the Securities and Exchange Board of India. SEBI had initiated an enquiry into possible price manipulation in the stock price of some of the recently-listed companies. SEBI is looking into the subscription and trading details of these stocks. The subscription details would help it get cues about the names of investors who subscribed to these issues. If the same people had applied in most issues, there could be a trend. The trading volumes in newly-listed companies were several times higher than the number of shares issued by companies in IPOs, indicating that there could also have been some circular trading in them.

SEBI for more details on P-Notes issue

SEBI said the new disclosure norms on participatory notes would be sufficient to keep a tab on hot money flowing into stocks and these guidelines would be in force by October-end. Any participatory notes issued by brokers, Know Your Customer (KYC) details have to be submitted to the SEBI from October-end. SEBI had made mandatory for KYC details for all participatory notes issued post-September quarter. P-Notes are instruments like contract notes issued by FIIs to overseas investors who cannot directly invest in equity market as they are not registered.

SEBI imposes Rs 5 lakh penalty on Pantaloon Retail

SEBI has imposed a penalty of Rs 5 lakh on Pantaloon for failing to address investor grievances within the stipulated timeframe. The SEBI had earlier identified the Kishore Biyani-promoted firm as one of the companies against whom a large number of investor grievances were pending for more than six months as on June 30 last year. In July 2010, SEBI had asked the company to redress the complaints and submit an action taken report within 30 days. However, Pantaloon Retail failed to do so. SEBI had then initiated proceedings against the company.

SEBI, IRDA finalising rules for MFs, insurers to buy cover through credit default swaps

SEBI and IRDA are finalising rules for mutual funds and insurance companies to buy credit protection through credit default swaps (CDS), as RBI norms for trading in the product are set to kick in over the next few days. CDS provides insurance or protection against the risk of borrowers defaulting. Bond market players, while recognising the need for a tool to hedge credit risk, expect the product to take off only gradually, due to the inherent challenges in the domestic bond market. From October 24, commercial banks and primary dealers will be ready to sell credit protection to insurers and MFs and other banks, who are the biggest investors in corporate bonds.

SEBI makes it mandatory for companies to disclose promoters' shares

Indian promoters, several of whom have managed to dodge rules which make it mandatory for them to disclose details of shares pledged by them, will now find it tough to sidestep such norms, with regulator SEBI insisting on greater disclosures. SEBI has widened the scope of disclosures by replacing the term 'pledge' with 'encumbrance', which includes pledge. The new takeover rules make it mandatory for all shares encumbered by promoters or by persons acting in concert with promoters to be disclosed.

SEBI will tweak IPO process to match global standards

The SEBI plans to review the IPO process to benchmark it to the global best practices. Issues such as possibility of the participation of brokers and the role of merchant bankers will be analysed. SEBI has simplified the IPO process by reducing the size of IPO application forms to half and making information precise and indexed.

SEBI amends clauses on equity listing, DR, SME listing

SEBI has amended certain clauses related to equity listing, depository receipts and SME listing agreement, under which firms will henceforth have to submit limited review report of auditors along with unaudited results. Besides, with regard to disclosure of quarterly financial results, listed entities will now have to disclose figures in respect of immediately preceding quarter as well in addition to the existing requirements. According to the SEBI, this is intended to give a better comparative picture of the quarterly financial results. Companies will have to submit the last quarter results along with the audited annual results. The regulator has also amended clauses relating to the mode of supplying annual reports to shareholders.

SEBI disposes of HDFC Mutual, arm case through consent order

The SEBI has disposed of the case against HDFC AMC, HDFC Trustee Company and Mr Milind Barve MD & CEO HDFC AMC for failing to prevent front running by two of the AMC's employees — Mr Rajiv R. Sanghvi and Mr Chandrakant P. Mehta — by a consent order. SEBI had initiated adjudication proceedings against the three for violating SEBI's PFUTP regulations 2003 (prohibition of Fraudulent and Unfair Trade Practices), Mutual Fund regulations 1996, Portfolio Managers Regulations 1992, Brokers regulations 1992 and Clause IV (Operations Risk) in operating Manual for Mutual Funds.

SEBI announces uniform KYC norms for securities market

The SEBI announced introduction of uniform forms and documents for the purpose of customer identification by different market intermediaries like stock brokers and mutual funds, a step intended to bring uniformity to the process. The new rule will be effective from January 1 next year. The intermediaries shall take necessary steps to implement this and ensure its full compliance in respect of all new clients from January 1, 2012.

BSE's CIRCULARS



BSE, Financial Tech sign pact for ODIN terminal

Bombay Stock Exchange and Financial Technologies Ltd have signed an agreement to provide ODIN — brokerage solution tool — to its members. This is an attempt by the exchange to “re-launch its equity derivatives segment”. The empanelled members on BSE will trade on its derivative segments using the Computer-to-Company-Link (CTCL) platform.

NSE's CIRCULARS



National Stock Exchange course now at SMS Varanasi

School of Management Sciences (SMS), Varanasi has signed an agreement with the National Stock Exchange of India (NSE) to launch the NSE Certified Capital Market Professional (NCCMP) Course here at its Khushipur campus. The entire duration of the course is 4-6 months which aims at providing knowledge and awareness related to securities market. This is the first such type of association for an academic exercise in this part of the country.

The Director of the Institute, Prof. P. N. Jha was elated at this new feather in SMS cap and said that Varanasi being a transit point for a plethora of financial activities, would now be able to serve the people of the adjoining region to facilitate career-building in the area of securities market and related fields. He said SMS has always been a front-runner in providing value education to the citizens of Purvanchal region and would continue to explore more such academic tie-ups in future.



BSE, NSE join hands with BRICS exchanges for cross-listing

Six of the world's largest emerging market exchanges inked an alliance in an unprecedented move that aims to capture rising investor interest in BRICS markets by cross-listing their derivative indices, indicating a further boost to the ongoing consolidation among global bourses. The initiative brings together the BM&FBOVESPA from Brazil, MICEX from Russia (currently merging with RTS Exchange), Hong Kong Exchanges and Clearing (HKEx) as the initial China representative, and the Johannesburg Stock Exchange (JSE) of South Africa apart from the BSE and NSE. The BSE and the NSE have signed letters of support and will join the alliance after finalising formalities.

RBI's CIRCULARS



RBI for penalty waiver on prepayment of home loans

The Reserve Bank of India (RBI) is in the process of directing banks to stop charging penalties for repayment of home loans ahead of schedule to ensure a level-playing field between banks and housing finance companies (HFCs).

RBI changes Date for Operationalisation of CDS Guidelines for Corporate Bonds

The Reserve Bank of India has decided to postpone operationalisation of the Credit Default Swaps (CDS) guidelines for corporate bonds. In this regard, necessary infrastructure which includes trade repository, documentation, publication of CDS curve for valuation, standardisation of contracts, etc., required for the launch of the product is being put in place. Further, market participants have asked for certain clarifications regarding documentation, operational aspects and the arrangement for necessary institutional framework. Hence it has been decided to postpone the date of operationalisation of the CDS guidelines issued in May 2011.

RBI turns heat on banks to check bad loans

Following the recent downgrade of the State Bank of India by credit rating agency Moody's Investor Services, the Reserve Bank of India (RBI) has asked banks to focus on recovery and follow a stringent credit appraisal procedure. The RBI has asked banks to remain cautious in the wake of a higher-than-expected rate hike that could have an adverse impact on the asset quality of banks.

RBI relaxes norms on small money transfers

With a view to facilitating fund transfers to people, particularly migrants, who do not have bank accounts, the Reserve Bank of India (RBI) relaxed norms by doubling the transaction cap on small money transfers. Under the new norms, the cash pay-out arrangements for amounts being transferred out of bank accounts to beneficiaries not having a bank account has been enhanced to Rs. 10,000 from the current limit of Rs. 5,000. The monthly cap on such transfer will be Rs. 25,000 per beneficiary.



IRDA: Ulip holders to get interest if they discontinue policies midway

Holders of unit-linked policies who discontinue their policies mid-way shall get a minimum guaranteed interest at par with SBI savings bank account rates. Changing the rules, the IRDA also asked the life insurers that the policyholders unit-linked insurance products (Ulips) should be allowed to revive their cover within two years of stoppage of premium payment, but not later than the expiry of lock-in period. Further, the policyholders would be duly compensated for the discontinuation charges in case the policies are revived.

IRDA slaps Rs 5-lakh fine on HDFC Standard Life

The IRDA has imposed a penalty of Rs 5 lakh on HDFC Standard Life Insurance Company for violating norms on claim settlements. The fine was imposed based on an enquiry conducted by the IRDA with regard to a complaint filed by a policyholder on non-receipt of death claim in 2009. It was also found that more than six months had lapsed in respect of a few more individual death claim cases without deciding the admissibility, among others.

IRDA tightens anti-money laundering regulations

From next month, your insurance premium beyond Rs 50,000 can be paid in cash only if you have a permanent account number (PAN). The insurers should verify the authenticity of the permanent account number, according to the modifications in the anti-money laundering norms announced by the IRDA. Insurers should also lay down proper mechanisms to check any kind of attempts to avoid disclosure of PAN details. Suspicious activities should be reported to the concerned authorities.

COMMODITY



MCX launches cotton futures

The Multi Commodity Exchange launched futures trading in cotton. The contract recorded a trading volume of 9,600 bales valued at Rs 17.73 crore. The new cotton contract for October, December and January was launched by Mr Ramesh Abhishek, Chairman of the FMC. The contract will be compulsory delivery with physical delivery available in multiples of 100 bales. Tick size of the contract will be Rs 10 a bale and the maximum order size is 1,200 bales. The initial margin required to trade will be five per cent or based on SPAN, whichever is higher.