

Recent Developments in Capital Markets

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The Reform Story

- Institutions
 - Empowered regulator
 - New exchanges
 - Modern clearing & settlement systems
- Products
 - Equities
 - Derivatives
 - Debt

REFORMS IN SECURITIES MARKETS

Features	1991	2009
Regulator	No specific regulator, but GOI oversight	Securities and Exchange Board of India
Form of Securities	Physical	Dematerialised
Regulatory Approach	Merit based regulation	Disclosure based regulation
Access to Market	Granted by the Central Government	Eligible issuers access the market after complying with the issue requirements
Disclosure	Voluntary, vague, scanty and non-Standardised	Standardised, systematic and at par with the international standards.
Pricing of Securities	Determined by the CCI	Determined by market

REFORMS IN SECURITIES MARKETS contd..

Feature	1991	2009
Exchange Structure	Mutual, not-for-profit exchanges- fragmented	For profit, corporate, demutualised exchanges
Trading Mechanism	Open outcry	Screen based trading system
Settlement Cycle	14-days account period settlement, not adhered to always	Rolling settlement on T+2 basis
Risk Management	No focus on risk management	Comprehensive risk management system
Derivatives Trading	Absent	Wide array of exchange traded derivatives such as futures and options on indices and select securities and currencies, ETFs

RECENT DEVELOPMENTS

- Amendments to the Securities laws
 - to strengthen SEBI & to give it greater investigation powers
 - to provide for legal framework for trading of securitized instruments
- PAN as the sole identification number
- Short selling and securities lending and borrowing scheme
- Unified exchange traded market for corporate bonds
- Simpler and quicker procedures for registration and operation by Foreign Institutional Investors
- Simplification of issue process
 - ASBA, e-filing, compressing timelines

Emerging Themes

- Regulation
 - Unified Vs Multiple
 - Principles Vs Rules
 - Coordination & convergence
 - Autonomy & accountability
 - Capacity, Capture and SRO Models
 - For profit exchanges and conflicts of interest
 - Rush Vs harmonic approach to new architecture*
- Governance- ethics, law and management
 - For whom the company toils?

Promoters / Management	Shells
Customers/ shareholders/ company itself	Enterprises
Stakeholders / society	Institutions

Emerging Themes....

- Role of Gatekeepers- CRAs, Auditors...
 - Conflict of interest
 - Valuation and accounting related issues

From institutions to shells ?
- Products
 - Over – innovation ?
 - OTC Vs Exchange trade
 - Missing markets
 - financial literacy/ capability

THANK YOU