



**THE INSTITUTE OF  
Company Secretaries of India**  
IN PURSUIT OF PROFESSIONAL EXCELLENCE  
Statutory body under an Act of Parliament

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# CS UPDATE

August 20, 2010

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# Forthcoming Programmes

- 38th National Convention of Company Secretaries at Kolkata on 2-3-4 September, 2010

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## 38<sup>TH</sup> NATIONAL CONVENTION OF COMPANY SECRETARIES

*Principal Sponsor*

**MCX SX**  
India's New Stock Exchange

*Dates*

September 2-3-4, 2010

*Venue*

Swissotel Kolkata,  
City Centre, New Town, Rajarhat, Kolkata

*Co-Sponsor*

**ESSAR**

**Theme : India Inc. and Inclusive Growth**

Dear Professional Colleague,

The **38<sup>th</sup> National Convention of Company Secretaries** is being held on Thursday, Friday and Saturday, September 2-3-4, 2010 at

Swissôtel Kolkata, City Centre New Town, Action Area 2, D. Plot No. 11/5, New Town, Rajarhat, Kolkata on the theme **"India Inc. and Inclusive Growth"**.

The Indian economy, which has over the last six decades passed through various phases of growth, is now one of the fastest growing economies of the world. The growth process is more wider and inclusive then ever before. Corporate being engines of inclusive growth interweaving the social and environmental concern in their overall business strategies. Almost all constituents of successful India Inc. have linked their business strategy with society for inclusive growth. The Company Secretaries being more closely associated with the decision making process in the companies should now assume the role of a leader – a driving force behind formulating business strategies towards inclusive growth.

### DELEGATE FEE

	Payment By Cash, Credit Card (HQ/RC), Demand Draft or Pay Order (Rs)
Members	5000
Non-Members	5500
Company Secretary in Practice	4500
Senior Members (60 years &	4500

above)	
Members admitted after 31.12.2007	4500
Students	4000
Foreign	US\$100
Spouse	4000
Licentiates	4500

The detailed brochure and delegate registration form for the Convention is available at the following link:

<http://www.icsi.edu/webmodules/LinksOfWeeks/38TH%20NATIONAL%20CONVENTION%20OF%20COMPANY%20SECRETARIES.pdf>

The registration form duly completed along with a crossed cheque (at par)/ demand draft / pay order drawn in favour of *The Institute of Company Secretaries of India* payable at **New Delhi** may please be sent to The Institute of Company Secretaries of India, C-37, Sector 62, Institutional Area, Noida - 201309.

I cordially invite you to participate in this annual mega event of the Institute.

I look forward to meet you at the National Convention at the City of Palaces.

Yours sincerely,

**CS N K JAIN**  
Secretary & CEO



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# SEBI Updates

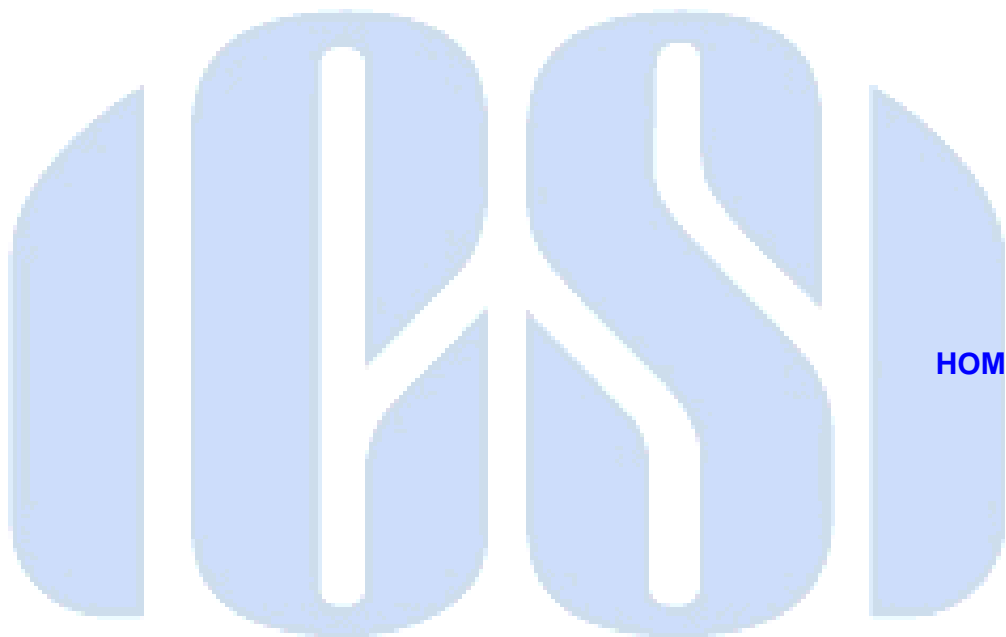
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**“Views solicited on Enhancement of limit for defining Retail Individual Investors in Public Issues’**

SEBI has placed on its website a Discussion Paper on ‘Enhancement of limit for defining Retail Individual Investors in Public Issues’.

We seek your views/suggestions on the same and would appreciate to receive the same on [sonia.baijal@icsi.edu](mailto:sonia.baijal@icsi.edu) by August 31<sup>st</sup>, 2010 for sending to SEBI.

[Discussion Paper](#)



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## **Transferability of Mutual Fund units**

### **CIRCULAR**

CIR/IMD/DF/10/2010

August 18, 2010

**All Mutual Funds/Asset Management Companies/ Trustee Companies/Boards of Trustees of Mutual Funds/All registered Stock Exchanges/NSDL/CDSL/All registered Registrars and Share transfer Agents/AMFI**

Sir/Madam,

#### **Sub: Transferability of Mutual Fund units**

1. Regulation 37(1) of SEBI (Mutual Fund) Regulations, 1996 states that *"a unit unless otherwise restricted or prohibited under the scheme, shall be freely transferable by act of parties or by operation of law."* The spirit and intention of this regulation is not to prohibit transferability of units as a general rule or practice. However, it is noticed that mutual fund schemes prohibit transfer on a regular basis instead of on an exceptional basis.

2. In order to facilitate transferability of units of mutual funds held in one demat account to another demat account, it has been decided that all AMCs shall clarify by way of an addendum that units of all mutual fund schemes held in demat form shall be freely transferable from the date of the issue of said addendum which shall be not later than October 1, 2010. However, restrictions on transfer of units of ELSS schemes during the lock-in period shall continue to be applicable as per the ELSS Guidelines.

3. This circular is issued in exercise of powers conferred under section 11(1) of the Securities and Exchange Board of India Act, 1992, read with the provisions of regulation 77 of SEBI (Mutual Funds) Regulations, 1996 to protect the interests of Investors in securities and to promote the development of and to regulate the securities market.

Yours faithfully,

**S.Ravindran**  
**Chief General Manager**  
**Tel no. 022-26449340**  
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**Review of norms for investment and disclosure by Mutual Funds in derivatives**

**CIRCULAR**

Cir/ IMD/ DF/ 11/ 2010

August 18, 2010

**All Mutual Funds, Asset Management Companies (AMCs)**

Sir/Madam,

**Sub: Review of norms for investment and disclosure by Mutual Funds in derivatives**

1. Please refer to the circular DNPd/CIR-29/2005 dated September 14 2005, circular MFD/CIR/9/120/2000 dated November 24 2000, and SEBI circular MFD/CIR/18337/2002 dated September 19, 2002 on investment in derivatives by mutual funds and disclosures thereof in half yearly portfolio statement.

2. In order to have prudential limits for derivative investments by mutual funds and to bring in transparency and clarity in the disclosure of the same to investors, it has been decided to bring in certain modification in the aforesaid circulars.

**Exposure Limits**

3. The cumulative gross exposure through equity, debt and derivative positions should not exceed 100% of the net assets of the scheme.

4. Mutual Funds shall not write options or purchase instruments with embedded written options.

5. The total exposure related to option premium paid must not exceed 20% of the net assets of the scheme.

6. Cash or cash equivalents with residual maturity of less than 91 days may be treated as not creating any exposure.

7. Exposure due to hedging positions may not be included in the above mentioned limits subject to the following

a. Hedging positions are the derivative positions that reduce possible losses on an existing position in securities and till the existing position remains.



b. Hedging positions cannot be taken for existing derivative positions. Exposure due to such positions shall have to be added and treated under limits mentioned in Point 3.

c. Any derivative instrument used to hedge has the same underlying security as the existing position being hedged.

d. The quantity of underlying associated with the derivative position taken for hedging purposes does not exceed the quantity of the existing position against which hedge has been taken.

8. Mutual Funds may enter into plain vanilla interest rate swaps for hedging purposes. The counter party in such transactions has to be an entity recognized as a market maker by RBI. Further, the value of the notional principal in such cases must not exceed the value of respective existing assets being hedged by the scheme. Exposure to a single counterparty in such transactions should not exceed 10% of the net assets of the scheme.

9. Exposure due to derivative positions taken for hedging purposes in excess of the underlying position against which the hedging position has been taken, shall be treated under the limits mentioned in point 3.

#### Definition of Exposure in case of Derivative Positions

10. Each position taken in derivatives shall have an associated exposure as defined under. Exposure is the maximum possible loss that may occur on a position. However, certain derivative positions may theoretically have unlimited possible loss. Exposure in derivative positions shall be computed as follows:

Position	Exposure
Long Future	Futures Price * Lot Size * Number of Contracts
Short Future	Futures Price * Lot Size * Number of Contracts
Option bought	Option Premium Paid * Lot Size * Number of Contracts.

#### Disclosure of derivatives in Half Yearly Portfolios

11. The manner of disclosure of derivatives position in half yearly portfolio disclosure reports has not been specified in the SEBI (Mutual Funds) Regulations, 1996 and the disclosures being currently made are not uniform across the industry. Therefore, the following format for the purpose of uniform disclosure of investments in derivative instrument by mutual fund in half yearly portfolio disclosure, annual report or any other disclosure as may be prescribed.

12. Further, while listing net assets, the margin amounts paid should be reported separately under cash or bank balances.

13. The portfolio disclosure for derivative positions shall be made as follows:

**Hedging Positions through Futures as on ...**

Underlying	Long / Short	Futures when purchased	Price	Current price of the contract	Margin maintained in Rs. Lakhs
Total %age of existing assets hedged through futures					
For the period ended ... specify the following for hedging transactions through futures which have been squared off/expired					
Total Number of contracts where futures were bought					
Total Number of contracts where futures were sold					
Gross Notional Value of contracts where futures were bought					
Gross Notional Value of contracts where futures were sold					
Net Profit/Loss value on all contracts combined					

Exposure created due to over hedging through futures (quantity of hedging position exceeding the quantity of existing position being hedged) shall be reported in the next table.

**Other than Hedging Positions through Futures as on...**

Underlying	Long / Short	Futures when purchased	Price	Current price of the contract	Margin maintained in Rs. Lakhs
Total exposure due to futures (non hedging positions) as a %age of net assets					

For the period ended ... specify the following for non-hedging transactions through futures which have been squared off/expired

Total Number of contracts where futures were bought

Total Number of contracts where futures were sold

Gross Notional Value of contracts where futures were bought

Gross Notional Value of contracts where futures were sold

Net Profit/Loss Value on all contracts combined

### **Hedging Positions through Put Options as on...**

Underlying	Number of Contracts	Option Price when purchased	Current Option Price
Total %age of existing assets hedged through put options			
For the period ended ... specify the following for hedging transactions through options which have already been exercised/expired			
Total Number of contracts entered into			
Gross Notional Value of contracts			
Net Profit/Loss on all contracts (treat premium paid as loss)			

Exposure created due to over hedging through options (quantity of hedging position exceeding the quantity of existing position being hedged) shall be reported in the next table.

### **Other than Hedging Positions through Options as on ...**

Underlying	Call / Put	Number of contracts	Option Price when purchased	Current Price
Total Exposure through options as a %age of net assets				
For the period ended ... with regard to non-hedging transactions through options which have already been exercised/expired specify:				
Total Number of contracts entered into				
Gross Notional Value of contracts				
Net Profit/Loss on all contracts (treat premium paid as loss)				

### **Hedging Positions through swaps as on ...**

Swaps should be disclosed separately as two notional positions in the underlying security with relevant maturities. For example, an interest rate swap under which a mutual fund is receiving floating rate interest and paying fixed rate will be treated as a long position

in a floating rate instrument of maturity equivalent to the period until the next interest fixing and a short position in a fixed rate instrument of maturity equivalent to the residual life of the swap.

14. The aforesaid circulars stand modified to the said extent.

15. The provisions shall be applicable for all new schemes launched post the issue of the circular. For all existing schemes, compliance with the circular shall be effective from October 01, 2010.

16. This circular is issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992, read with the provisions of Regulation 77 of SEBI (Mutual Funds) Regulations, 1996, to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

Yours faithfully,

S.Ravindran

Chief General Manager

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