



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

'ICSI House', 22 Institutional Area, Lodi Road, New Delhi-110003, India.
Phone-(011) 41504444, 45341000, Fax-(011)24626727, Email - info@icsi.edu

CS UPDATE

August 31, 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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38TH NATIONAL CONVENTION OF COMPANY SECRETARIES

Principal Sponsor

MCX²SX
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 **38th 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 & above)	4500

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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Clarification on Introduction of Call Auction in pre-open session

CIRCULAR

CIR/MRD/DP/27/2010

August 27, 2010

The Managing Director and CEO
Bombay Stock Exchange Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai - 400001

The Managing Director
National Stock Exchange of India Ltd.
Exchange Plaza, Bandra Kurla Complex
Bandra (E)
Mumbai - 400 051

Dear Sir,

Sub: Clarification on Introduction of Call Auction in pre-open session

This is further to the SEBI Circular No. CIR/MRD/DP/21/2010 dated July 15, 2010 regarding introduction of call auction in pre-open session.

2. It is clarified that para 11 of the aforesaid circular shall read as under:

a. In case the equilibrium price is not discovered in the pre-open session, wherein, there are only market orders, the market orders shall be matched at last traded price and all unmatched orders shall be shifted to the order book of the normal market at last traded price following time priority. Last traded price shall be the opening price.

b. In case the equilibrium price is not discovered in the pre-open session and there are no market orders to be matched at last traded price, all unmatched orders shall be shifted to the order book of the normal market following price time priority. The price of the first trade in the normal market shall be the opening price.

3. The stock exchanges should bring out this clearly in their communication to brokers, who in turn shall disseminate the information to their clients desirous of placing call auction orders in pre-open session.

4. This circular is being issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

Yours faithfully,

S V Murali Dhar Rao
Chief General Manager
022 26449370
mdrao@sebi.gov.in

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Mandatory disclosures by the media of its stake in corporate sector

SEBI had taken up with Press Council of India its concerns on practice of many media groups entering into agreements, such as 'Private Treaties', with companies. Typically, such arrangements are with companies which are listed or which proposes to come out with public offerings. These, in general, entail a company giving stake in it (shares, warrants, bonds etc.) in return for media coverage through advertisements, news reports, advertorials etc. in the print or electronic media.

It was felt that such agreements may give rise to conflict of interest and may, therefore, result in dilution of the independence of press. This may consequently compromise the nature, quality and content of the news/editorials relating to such companies. Needless to say, biased and motivated dissemination of information, guided by commercial considerations can potentially mislead investors in the securities market. Such journalism would not be in the interest of securities market.

SEBI, given its legal mandate to protect the interest of investors felt that such brand building strategies of media groups, without appropriate and adequate disclosures may not be in the interest of investors and financial markets. There are prescribed norms of Journalistic Conduct that require journalists to disclose any interest that they may have in the company about which they are reporting. However, there are no equivalent requirements in the case of media companies holding a stake in the company which is being reported / covered.

Press Council of India has informed SEBI that in its meeting held on 22.02.2010 at New Delhi, it has accepted the following suggestions of SEBI and has mandated the following:

- 1) Disclosures regarding stake held by the media company should be made in the news report/ article/ editorial in newspapers/television relating to the company in which the media group holds such stake.
- 2) Disclosure on percentage of stake held by media groups in various companies under such 'Private Treaties' on the website of media groups should be made.
- 3) Any other disclosures relating to such agreements such as any nominee of the media group on the Board of Directors of the company, any management control or other details which may be required to be disclosed and which may be a potential conflict of interest for media group, should also be mandatorily disclosed.

The copy of the [Press Release](#) sent to SEBI by Press Council of India in the matter, is available on www.sebi.gov.in

The above is for information and necessary compliance by all concerned.

Mumbai
August 27, 2010

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Securities Trading using Wireless Technology

CIRCULAR

CIR/MRD/DP/ 25/2010

August 27, 2010

To
All Stock Exchanges

Dear Sir/ Madam,

Sub: Securities Trading using Wireless Technology

1. It has been decided that SEBI registered brokers who provide Internet Based Trading as specified by SEBI circular no. SMDRP/POLICY/CIR-06/2000 dated January 31, 2000 shall be eligible to provide securities trading using wireless technology. All relevant requirements applicable to internet based trading shall also be applicable to securities trading using wireless technology.

2. Securities Trading using Wireless technology shall include devices such as mobile phone, laptop with data card, etc, that use Internet Protocol (IP).

3. In addition, the stock exchange shall ensure that the broker complies with the following –

(a) There shall be secure access, encryption and security of communication for internet based trading and securities trading using wireless technology. DOT policy and regulation shall govern the level of encryption.

(b) Adequate measures should be taken for user identification, authentication and access control using means such as user-id, passwords, smart cards, biometric devices or other reliable means, to prevent misuse of facility by unauthorized persons.

(c) Unique identification number as given in case of internet based trading shall be made applicable for securities trading using wireless technology.

(d) In case of failure of the wireless network, alternative means of communication for placing orders should be available.

(e) Additional provisions specifying possible risks, responsibilities and liabilities associated with securities trading using wireless technology should be incorporated in the Broker- Client agreement as an addendum or by bringing to the notice of clients, who are desirous of availing such facility, and taking their concurrence on the same.

(f) As it may not be possible to give detailed information to the investor on a hand held device e.g. mobile phones, it may be ensured that minimum information may be given with addresses of the Internet web site/web page where detailed information would be available.

(g) Order confirmation should be provided to the user on submitting the order. Order

modification / cancellation facilities should also be provided. Trade confirmation should be provided to the user, along with history of trades for the day.

(h) Session login details should not be stored on the devices used for internet based trading and securities trading using wireless technology.

(i) Network security protocols and interface standards should be as per prevalent industry standards and sound audit trails should be available for all transactions conducted using wireless devices.

(j) The broker's server routing orders to the exchange trading system shall be located in India.

(k) Stock exchanges shall arrange for periodic systems audits of broker systems to ensure that requirements specified in the circulars are being met.

(l) Stock exchange shall also include securities trading using wireless technology in their ongoing investor awareness and educational programme

4. Stock exchanges may take such other measures and implement such other safeguards as they deem fit to ensure security and integrity of transactions conducted using wireless technology.

5. Exchanges are advised to

a) make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision.

b) bring the provisions of this circular to the notice of the member brokers/clearing members of the Exchange and also to disseminate the same on the website.

c) communicate to SEBI, the status of the implementation of this circular in the Monthly Development Report.

6. This circular is being issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

Yours faithfully,

S V MURALI DHAR RAO
CHIEF GENERAL MANAGER
022-26449370
mdrao@sebi.gov.in

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Introduction of Smart Order Routing

CIRCULAR

CIR/MRD/DP/26/2010

August 27, 2010

To
All Stock Exchanges

Dear Sir / Madam,

Sub: Introduction of Smart Order Routing

1) SEBI has received proposal from the stock exchanges and market participants for introducing Smart Order Routing which allows the brokers trading engines to systematically choose the execution destination based on factors viz. price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order.

2) Upon examination of the proposal, feedback of the stock exchanges and based on the recommendations of the Technical Advisory Committee, it has been decided to permit Smart Order Routing in Indian Securities Market.

3) Stock Exchanges are advised to ensure the following conditions with regard to the Smart Order Routing facility:

i. Stock broker interested to offer Smart Order Routing facility shall apply to the respective stock exchanges.

ii. Stock broker shall submit a third party system audit of its Smart Order Routing system and software. Stock exchanges shall disseminate to its stock brokers a list of approved system auditors (CISA or equivalent) qualified to undertake such system audits.

iii. Stock broker shall provide the following to the respective stock exchanges:

a. An undertaking to the respective stock exchanges that Smart Order Routing shall route orders in a neutral manner.

b. Provide the features of the Smart Order Routing to stock exchange.

iv. Stock exchange shall communicate its decision to the broker within 30 calendar days of the date of receipt of application by the exchange.

v. Stock exchange shall ensure that brokers adhere to the best execution policy while using Smart Order Routing.

- vi. Smart Order Routing facility shall be provided to all class of investors.
- vii. Stock broker shall enter into a specific agreement with the client to provide Smart Order Routing facility. Broker-client agreement shall clearly describe the features of the Smart Order Routing facility and the obligations and rights associated with Smart Order Routing facility.
- viii. Stock broker shall maintain logs of all activities to facilitate audit trail. Broker shall maintain record of orders, trades and data points for the basis of decision.
- ix. In case the client has availed Smart Order Routing facility and does not want to use the same for a particular order, the same shall be well documented by the stock broker.
- x. System audit of the Smart Order Routing systems and software shall be periodically carried out by the brokers as may be specified by the exchange and certificate in this regard shall be submitted to the exchange.
- xi. Stock exchange shall ensure that Smart Order Routing is not used to place orders at venues other than the recognised stock exchanges.
- xii. The stock broker shall carry out appropriate validation of all risk parameters before the orders are placed in the Smart Order Routing system.
- xiii. Stock exchange shall provide unique identification number for the orders placed through Smart Order Routing system. Further, stock exchanges shall maintain data on Smart Order Routing orders and trades.
- xiv. Stock exchange shall have necessary surveillance mechanism in place to monitor trading done through Smart Order Routing.
- xv. Stock broker shall ensure that alternative mode of trading system is available in case of failure of Smart Order Routing facility.
- xvi. Stock exchange shall ensure that within a period of three months from implementation of Smart Order Routing, a system is put in place to time stamp market data feed that is disseminated to the market, if the same is not already available.
- xvii. Stock exchange shall strengthen investor grievance cell in order to address complaints, if any, received with regard to Smart Order Routing. Further, in case of any disputes or complaints, stock exchanges shall share necessary data as and when required in order to facilitate necessary examination.
- xviii. Stock exchange shall synchronise their system clocks with atomic clock before the start of market.

xix. The broker server routing orders placed through Smart Order Routing system to the exchange trading system shall be located in India.

xx. All other existing obligations for the broker as per current regulations and circulars will continue.

xxi. Stock exchange may specify additional safeguards as they deem fit for allowing Smart Order Routing facility to their brokers.

4) The Stock Exchanges are advised to:

i. put in place the adequate systems and issue the necessary guidelines for implementing the above decision.

ii. make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the above

iii. bring the provisions of this circular to the notice of the stock brokers and also disseminate the same on their website.

iv. communicate to SEBI, the status of the implementation of the provisions of this circular in the Monthly Development Report.

5) This circular is issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

Yours faithfully,

S V Murali Dhar Rao
Chief General Manager
022 26449370

mdrao@sebi.gov.in

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TAX Updates

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Direct Tax Code Bill, 2010

The Direct Tax Code Bill, 2010 was introduced before the parliament on 30th August 2010. The Code will be effective from 1st April, 2012.

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