Forthcoming Programmes

• 11th National Conference Of Practising Company Secretaries at Chandigarh on April 30 & May 01, 2010
• 38th National Convention of Company Secretaries at Kolkata on 2-3-4 September, 2010
• COMPANY LAW BOARD – Regulations and Procedures

RBI Updates

• Statement by Mr. Duvvuri Subbarao, Governor, Reserve Bank of India at IMFC Leader of the Indian Delegation to the International Monetary and Financial Committee Washington D.C, April 24, 2010

SEBI Updates

• Execution of Power of Attorney (PoA) by the Client in favour of the Stock Broker/ Stock Broker and Depository Participant
• Reduction in time between issue closure and listing
• Guidelines for market makers on Small and Medium Enterprise (SME) exchange/separate platform of existing exchange having nation wide terminal

MCA Updates

• Every LLP shall mandatorily file Form 3 and Form 4 within 30 days of incorporation
• Form 7 shall be digitally signed by applicant's own DSC.

Disclaimer: - CS Update contains government notifications, case laws and contributions received from the members. Due care and diligence is taken in compilation of the CS Update. The Institute does not own the responsibility for any loss or damage resulting from any action taken on the basis of the contents of the CS Update. Anyone wishing to act on the basis of the contents of the CS Update is advised to do so after seeking proper professional advice.
Forthcoming Programmes

- 11th National Conference Of Practising Company Secretaries at Chandigarh on April 30 & May 01, 2010
- 38th National Convention of Company Secretaries at Kolkata on 2-3-4 September, 2010
- Company Law Board – Regulations and Procedures
11th NATIONAL CONFERENCE OF PRACTISING COMPANY SECRETARIES

**Dates**: April 30 & May 01, 2010 (Friday & Saturday)

**Venue**: Taj Chandigarh, Block No. 9, Sector 17A, Chandigarh – 160 017
Ph: 0172-6613000, Fax: 0172-6614000, Email: taj.chandigarh@tajhotels.com

**Timings**: April 30, 2010 – 11:45 am to 5:30 pm & May 01, 2010 – 9:00 am to 2:00 pm

**THEME**

Spread Wings to Reach New Horizons

**Sub Themes**:

1. Corporate Governance and Role of PCS
   a) Voluntary Guidelines on Corporate Governance & CSR
   b) Secretarial Audit
2. Role of PCS in Capital Markets / Banks
   a) Overview of IPO/FPO Certifications
   b) Diligence Report for Banks
3. Emerging Areas of Practice
   a) Corporate Insolvency & Restructuring in SMEs
   b) IFRS & XBRL

**Speakers**: Eminent faculty with comprehensive exposure to the practical aspects of the topics will address and interact with the participants.

**Participants**: Company Secretaries and other Professionals in Secretarial, Legal and Management disciplines would benefit by participating in the Conference.

HOME
38th National Convention of Company Secretaries

Dates
September 2 – 3 – 4, 2010

Venue
Kolkata
### COMPANY LAW BOARD – Regulations and Procedures

<table>
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<tr>
<th>Day, Date &amp; Time</th>
<th>Saturday, May 8, 2010</th>
<th>09.30 am – 02.00 pm Followed by lunch</th>
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<tr>
<td>Focus of Coverage</td>
<td>CLB Regulations and Procedures</td>
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| Inauguration          | **Shri Kanthi Narahari, Member**  
Company Law Board-Western Region has kindly agreed to inaugurate the program.  
**Dr. K S Ravichandran**  
Practising Company Secretary, Coimbatore |
| Speakers include      |                       |
| Fees                  | **Members and others**  
Rs. 800/- per participant  
**Students (50% discount)**  
Rs. 400/- per participant  
*to cover the cost of program kit, lunch and other organizational expenses.* |

Students attending the program will be entitled to 4 ADP/PDP hours

### SERVICE TAX

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<th>Day, Date &amp; Time</th>
<th>Saturday, May 8, 2010</th>
<th>02.30 pm – 06.30 pm with background material</th>
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<tr>
<td>Focus of Coverage</td>
<td>Overview of Service Tax Law, Registration / Liability for Service Tax, Taxable services including exempt services, Classification and valuation of services, “Reverse Charge Mechanism” such</td>
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<th>as Service Tax on Goods Transport Agency &amp; Imported Services, Cenvat etc</th>
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<td>Speakers include</td>
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| ➢ Shri Smitesh Amul Desai  
Practising Company Secretary, Valsad |
| ➢ Shri Shailesh P Sheth  
Advocate  
Central Excise, Customs & Service – Tax |
| Fees |
| Members and others | Rs. 600/- per participant |
| Students (50% discount) | Rs. 300/- per participant |

Registration:
The Fees may be drawn by way of D.D / local cheque payable at Mumbai in favour of “ICSI-CCGRT A/c” and sent to Shri Gopal Chalam, Dean, ICSI-CCGRT, Plot No. 101, Sector -15, Institutional Area, CBD Belapur, Navi Mumbai – 400 614,
☎ 022-27577814, 4102 1515, email : icsiccgrt@gmail.com
Statement by Mr. Duvvuri Subbarao, Governor, Reserve Bank of India at IMFC Leader of the Indian Delegation to the International Monetary and Financial Committee Washington D.C, April 24, 2010

Mr. Chairman:

1. Confounding our worst fears, the turn around in the global economy has been much faster than we had anticipated as recently as only a few months ago when we met in Istanbul. The global economy has experienced three quarters of positive growth following the sharp declines in the first quarter of 2009 and in the preceding quarter. There is, however, considerable heterogeneity in the pace of the upturn in different countries with emerging and developing countries leading the way.

The Global Economy

2. Although the global outlook is more reassuring than it was a few months ago, uncertainty about the shape and pace of global recovery persists. While macroeconomic risks have
decreased, vulnerabilities remain. There is growing concern about the deterioration in the sovereign risk profile and dangers posed to financial stability in some countries. It is often said that every financial crisis is followed by a sovereign debt crisis because of the public sector’s support to affected parts of the economy. Will this time be different? Recent developments have shown the merits of a gradualist approach to allowing external financing of fiscal deficits. The crisis and the post-crisis experience should usher in some rethink on how and by how much debt markets be opened up for external financing.

3. Volatile capital flows have been a central issue during the crisis, and continue to be so now as the crisis is ebbing. Emerging Market Economies (EMEs) saw a sudden stop and reversal of capital flows during the crisis as a consequence of global deleveraging. Now the trend has reversed once again, and many EMEs are seeing net inflows - a consequence of a global system awash with liquidity, the assurance of low interest rates in advanced economies over ‘an extended period’ and the promise of growth in EMEs. Capital flows can also potentially impair financial stability. The familiar question of how EMEs can maximize the benefits and minimize the costs of volatile capital flows has returned to haunt the policy agenda.

4. The recent crisis has clearly been a turning point in the world view on capital controls. The crisis saw, across emerging economies, a rough correlation between the extent of openness of the capital account and the adverse impact of the crisis. Surely, this should not be read as a denouncement of open capital account, but a powerful demonstration of the tenet that premature opening hurts more than it helps. Notably, the IMF published a policy note in February 2010 that reversed its long held orthodoxy. The note has referred to certain ‘circumstances in which capital controls can be a legitimate component of the policy response to surges in capital flows’. Now that there is wide agreement that controls can be ‘desirable and effective’ in managing capital flows, the IMF and other international bodies must pursue research on studying what type of controls and under what circumstances so that emerging economies have useful guidelines to inform policy formulation.

The Mandate of the Fund

5. The Fund has done a remarkable job of managing the crisis response. Drawing on the lessons of the crisis, the Fund
needs to adapt to the post-crisis scenario. We welcome the review of the mandate of the Fund which should help it effectively refocus on areas such as macro-financial stability and the spillover impact of policies of systemically important countries. Such a review should lead to significant improvements in the surveillance and lending tool kits of the Fund.

6. The surveillance and lending functions of the Fund are distinct and need to be performed in a manner that best serves the interests of the global economy. A key lesson of the crisis is that systemic risks lie not only in less mature markets but in advanced countries as well. The clear lines of distinction between the surveillance and lending functions have to be maintained to ensure that the Fund’s more intense surveillance focuses not only on borrowers and potential borrowers but also on the creditor members.

Surveillance

7. The Fund’s surveillance has a preemptive role in focusing on vulnerabilities and detecting the onset of crises in contrast to the Fund’s financing function which essentially plays a crisis mitigation role. The lessons of the crisis warrant a careful scrutiny of the manner in which the Fund conducts its surveillance, both multilateral and bilateral.

8. For surveillance to be effective and for it to inspire trust and confidence, it is vital that it is even-handed, candid and unbiased. How do we operationalize this? A mandate that is derived only from an Executive Board decision obtained by a simple majority could be open to differing interpretations subsequently, thereby sacrificing clarity for expediency. In our view, the best way to achieve this objective is by amending the Articles of Agreement to give the Fund oversight over the international monetary and financial system and over financial sector policies within the conduct of domestic policies by members.

9. We believe that the Fund is strategically positioned to conduct effective multilateral surveillance by virtue of its universal membership and the forum for peer review that it provides. Accordingly, we can engage constructively and with an open mind towards building a wider consensus on improving multilateral surveillance through innovative instruments such as spillover reports; multilateral consultations; and enhanced interaction with regional/country groups. For a reality check, there should be trial runs before taking a view on their usefulness.
10. Bilateral surveillance is at the core of the Fund’s mandate and the proposals for improving multilateral surveillance should not compromise the pursuit of robust and even-handed bilateral surveillance. There is need for ensuring synergy between IMF’s bilateral and multilateral surveillance. Improvement in timeliness and increased communication is desirable, but care needs to be exercised to eschew undue proliferation of reports whereby the quality of surveillance is compromised by spreading resources thinly and widely.

11. The issue of financial sector oversight is indeed a crucial one. We find merit in assessing the efficacy of new approaches. Mapping global financial networks, deeper engagement with large complex financial intermediaries (LCFIs), asset managers and central counterparties (CCPs); and closer and more effective cooperation with standard setting bodies, including the ongoing engagement with the Financial Stability Board (FSB) on the Early Warning Exercise (EWE) are some initiatives in this genre. The lessons of the crisis also underscore that the focus on important financial centres and systemically important countries should be intensified.

12. There is a rationale for strengthened financial sector surveillance in assessing macro-systemic risks in view of the lessons of the crisis. However, the modalities of operation in this role would need deeper consideration to guard against mission creep and to preserve the distinct roles of the IMF on the one hand and the FSB and the Bank for International Settlements (BIS) on the other. We have concerns about the need and utility of a mandatory Financial Sector Assessment Programme (FSAP) at this stage. It is better to preserve the voluntary nature of FSAP with enhanced efforts to secure the widest participation by making FSAP forward looking and focused. Priority should be given to the first round of FSAP for all systemically important countries before repeating FSAP for countries which have already gone through a similar exercise.

13. A key pre-requisite for effective surveillance is governance reforms that reflect changing global economic realities and ensure equity and balance. Effective implementation will also develop a broader consensus for further reforms.

**The Financing Role of the Fund**

14. The crisis affected even economies with sound policies and those far from its epicenter, highlighting the need to strengthen the global financial safety net as a matter of
priority. The Fund should play a key role in putting together such a safety net. The global financial safety net needs to be “global” and encompass multiple partners - individual countries, central banks, regional arrangements, International Financial Institutions (IFIs) including the IMF and other multilateral institutions. The Fund needs to catalyze such a global arrangement, while being careful not to over-extend itself.

15. While flexible precautionary instruments would help crisis prevention, the crisis has also taught us that reserve accumulation by countries is a very important element of the financial safety net. This is particularly so in countries where reserves have been built up in the context of current account deficits to deal with inherently volatile capital flows. Such countries should be treated as partners in the global safety net, with multilateral mechanisms acting as a complement and not a substitute for reserves accumulated at the national level.

16. The proposed evolutionary reform of the Fund’s lending toolkit should receive careful consideration on merits and on the basis of possible utility to a sufficiently large segment of the Fund’s membership. The attempt should be to improve existing and recently created instruments and keep the net addition of new instruments to the minimum. Such an approach would enhance the signaling impact and predictability of the instruments in the eyes of both potential users and financial markets.

17. The implications of the Multi-country Swap Line (MSL), which proposes a unilateral offer of Fund assistance in the interest of systemic stability, have to be considered carefully. The instrument holds the promise of mitigating stigma of borrowing from the Fund and the potential interest in such an instrument amongst the membership should be assessed. Communication issues and the market signals generated by an instrument of this nature could leave the Fund with enormous power over its sovereign members, which would have to be appropriately tempered. It will be advisable to allow more time for debating the merits and demerits of this proposal before taking a final view.

**IMF Resources**

18. The announcement of a trebling of the Fund’s resources in the London Summit in April 2009 had a salutary impact on reducing uncertainty when the crisis was still raging. As a follow up to that announcement, we welcome the expansion
of the New Arrangements to Borrow to US $600 billion, and call on all members to ratify the increased level at the earliest. Countries which have not been traditional creditors, including India, have come forward with sizeable contributions to the expanded NAB. This should signal the need for further governance changes in the Fund.

19. We have always affirmed the importance of maintaining the Fund as a quota based organization. This implies that the quota-based resources and borrowed resources should be in an appropriate proportion. We supported the decision to substantially increase the NAB on the understanding that since the need for resources is urgent, and a quota increase is time taking, the NAB would be a temporary bridge to an eventual quota increase. We do not see the need for the Fund’s lendable resources to be increased any further at this stage. We support a substantial increase in the quota resources so that the NAB can be rolled back once an increase in quotas is effected. This will ensure that the Fund remains a quota-based organization as it should be.

Governance Reform

20. Governance reform will be central to the legitimacy and effectiveness of the Fund’s mandate. We appreciate that the Managing Director has acknowledged this in his statement. If the clarification and refocusing of the mandate of the IMF is to have legitimacy, it should follow and not precede a change in the governance structure, including quota shares reflecting the present and emerging global economic realities measured in the most appropriate manner rather than on the basis of an improved but still flawed formula.

21. The size of the quota increase is closely linked to the crucial governance issue of realignment of quota shares in the Fund. A large quota increase not only affords the opportunity for, but also requires an ambitious realignment of quotas, to meet the expectations of the Emerging Markets and Developing Countries (EMDCs) who form a large section of the membership. Only such a substantial shift of quota shares from advanced countries to EMDCs so as to better reflect current global economic realities would enhance the legitimacy of the Fund.

22. We reiterate our call for at least a 7 per cent shift in quota shares in favour of EMDCs as a group. The initial staff proposals fall well short of expectations. We are disappointed that the ambition displayed in proposals for expanding the
mandate of the Fund and its resources are not matched by the ambition in the proposals for realigning quota shares.

23. The improved, but still flawed quota formula does not adequately reflect global economic realities. The shortcomings of the formula, including the relative weights and definitions of the variables are well known, and in April 2008 the Board of Governors of the Fund decided that the issue requires to be revisited before the formula is used again. The approach so far relies too much on the existing formula, rather than “working from it” and hence cannot be seen as enhancing the legitimacy of the Fund. Ideally, a rework of the formula is called for; with a substantial increase in weight for PPP-GDP in order to better reflect current economic realities.

24. To preserve credibility, the deadline of January, 2011 has to be adhered to. We are open to taking up the formula revision task on a parallel track with a longer time frame. In the meantime, the quota allocation in the present round can be completed on the basis of an alternative mechanism which operates on a uniform and transparent basis without complex and opaque adjustments. This approach should remedy real under-representation and automatically identify dynamic EMDCs.

25. We are committed to protecting the vote share of the poorest countries. This is best done through an allocation of quotas rather than through an increase in basic votes which would require further amendments to the Articles and could delay the whole process.

26. The most crucial area of governance reform is a significant and meaningful quota and voice reform. All other aspects of governance reform should follow and flow from this reform. Enhanced political engagement of Ministers in IMF related issues is certainly welcome. At this juncture, such engagement is best achieved through improvements in the functioning of the IMFC. We value the IMFC as a consensus based body and believe enhancement of the legitimacy of the Fund will enhance the effectiveness of the IMFC as well.

27. Redistributing the chairs in the Executive Board on a more equitable basis amongst the regions of the world is also a priority. An appropriate balance needs to be struck between representativeness and effectiveness. This could involve changes to the size of the Board, including a possible reduction, without affecting the representation of emerging market economies and developing countries. The special majority threshold of 85 per cent brings decisions closer to a consensus and we see no compelling reason to change the existing voting majorities in the Fund.
Developments in the Constituency

28. I now turn to developments in my constituency.

India

29. The Indian economy is recovering rapidly from the growth slowdown caused by the crisis. Current estimates are that real GDP had grown at 7.2 per cent during the just completed fiscal year 2009-10, up from 6.7 per cent during 2008-09. For policy purposes, the Reserve Bank of India (RBI) has placed the baseline projection of real GDP growth for 2010-11 at 8.0 per cent with an upside bias. The monetary and fiscal stimulus measures initiated in the wake of the global financial crisis played an important role, first in mitigating the adverse impact from the crisis contagion and then in ensuring that the economy recovered quickly.

30. The developments on the inflation front, however, are worrisome. Inflation, which was earlier driven entirely by supply side factors, is now getting increasingly generalised. Keeping in view the inflation risk, the Reserve Bank embarked on a calibrated exit from the expansionary monetary policy. The Union Budget of 2010-11 has begun the process of fiscal consolidation by programming a reduction in the revenue deficit to 4.0 per cent of GDP from 5.3 per cent, and in the fiscal deficit to 5.5 per cent from 6.7 per cent during the previous year. Going forward, three major uncertainties cloud the outlook for inflation. First, the prospects of the monsoon in 2010-11 are not yet clear. Second, crude prices continue to be volatile. Third, there is evidence of demand side pressures building up. On balance, keeping in view domestic demand-supply balance and the global trend in commodity prices, the baseline projection for WPI inflation for March 2011 is placed at 5.5 per cent. Against this background, the conduct of monetary policy will continue to condition and contain perception of inflation in the range of 4.0-4.5 per cent. This will be in line with the medium-term objective of 3.0 per cent inflation consistent with India’s broader integration into the global economy. In this context, accommodative monetary policies in the advanced economies, coupled with better growth prospects in India, could trigger large capital flows into the country. While the absorptive capacity of the Indian economy has been increasing, excessive flows pose a challenge for exchange rate and monetary management.

Sri Lanka
31. The economy of Sri Lanka demonstrated resilience, growing at 3.5 per cent in 2009 amidst challenging domestic and external conditions. This performance was largely due to the steady recovery in the economy since the second quarter of 2009, building up to a robust growth of 6.2 per cent in the final quarter. Coordinated and timely policy actions of the authorities were instrumental in turning around the domestic economy, enabled by the end to the prolonged conflict. Enhanced investor confidence in the economy was reflected in a sharp reversal in foreign financial flows, resulting in an unprecedented surplus in the balance of payments (BOP) of US $ 2.7 billion. The level of foreign exchange reserves rose by more than 450 per cent to a historic high level of US $ 5.1 billion by end-2009. A notable achievement was the sharp deceleration in inflation to 4.8 per cent by end 2009 from 28.2 per cent in June 2008, a result of stringent monetary policy measures adopted over the last two years and the significant decline in global commodity prices. Inflation, as measured by the year-on-year change in the Colombo Consumers’ Price Index (CCPI), eased to an average rate of 3.4 per cent in 2009, the lowest since 1985. Timely policy actions successfully mitigated the contagion of the global financial crisis and the failure of a few entities connected to certain domestic financial institutions. The strong regulatory and supervisory framework and enhanced risk management systems enabled the financial system to withstand the shocks from the external and domestic fronts and maintain confidence in the financial system. In a challenging environment, financial institutions remained profitable and reasonably well capitalised, although credit risk increased due to tight market conditions. Despite several measures introduced during 2009, there was a significant shortfall in revenue due to the slowdown in economic activities and the contraction in imports. In addition, government expenditure increased due to higher security related spending during the decisive phase of the conflict and continued urgent rehabilitation, resettlement and reconstruction (RRR) activities since the second half of the year, as well as increased salaries and wages, interest payments and expenditure on continuing public investment projects. Accordingly, the budget deficit widened to 9.8 per cent of GDP in 2009 compared to the revised target of 7.0 per cent leading to an increase in the borrowing requirement. The end to the prolonged internal conflict and the restoration of peace provide greater optimism for economic prosperity and a strong basis for long-term sustainable development, supported by appropriate policies.
Bangladesh

32. A broad-based upturn is taking hold in Bangladesh, drawing strength from the multi-speed global recovery and robust domestic demand that has been supported by resilient workers’ remittances and the fiscal stimulus. In fact, Bangladesh has been adequately resilient to external shocks, particularly to the adverse impact of the recent world recession. Despite these unfavorable conditions, its external position remains robust with sufficient foreign exchange reserves and positive current account balances. Manufacturing returned to positive growth in the second half of 2009-10 and a rising trend in industrial imports is pointing to industrial activity firming up further. There are also lead indications that the decline in merchandise exports is bottoming out, with swelling order books in respect of textile and apparel exports which constitute more than three-fourths of total exports. The growing geographical diversification of export markets in favour of Japan and China is offsetting sluggish demand in the traditional export markets of North America and Europe. Construction activity is buoyant, especially in urban areas, fuelled by remittances and surging real estate prices. Service sector activity has also gained strength, especially in education, health, retailing and catering, and financial services. Agricultural production lost some momentum in 2009-10 after the strong growth of 4.6 percent in the preceding year. Improved terms of trade for the farm sector, timely availability of inputs and credit should brighten the prospects for agriculture in 2010-11, barring unforeseen weather adversities. Overall, real GDP growth is expected to be in the range of 5.5-6.0 percent in 2009-10 with an upside bias as against 5.9 percent in the previous year, thus extending strong and stable economic growth over nearly one decade. Inflation in terms of consumer prices has been on an easing path, retreating to 5.1 percent in October 2009 from 6.6 percent at the beginning of 2009-10. Reflecting the hardening of international food and non food commodity prices, however, domestic prices have been firming in recent months and may edge up to around 6.5 percent by June 2010. With domestic demand conditions remaining strong and with private sector credit and imports picking up, monetary and liquidity conditions have tightened. The inter-bank call money rate which went below one percent in July 2009 is now above four percent. On the other hand, public sector borrowing from the banking system has declined, freeing up resources for growing private sector activities. It is expected
that the stance of monetary policy will continue to remain accommodative while maintaining price stability. In respect of public finances, contingent fiscal pressures on the government are relatively benign as outstanding guarantees for state owned enterprises are low. However, public finances would be impacted by expenditure cutbacks on account of implementation capacity constraints, notwithstanding higher external and non-bank financing. The estimated budget deficit for 2009-10 is placed at 4.5 percent of GDP as against the projected level of 5.0 percent. Efficient and expeditious implementation of development programme projects can create conditions for crowding in private sector investments and together with monetary policy, can support broad-based, inclusive and environmentally sustainable growth.

Bhutan

33. Bhutan’s economic performance has been strong in the recent past anchored in political stability and prudent economic policies. The country is well on its way to achieving its Millennium Development Goals with the 10th Five year Plan (2008-13) outlining a wide-ranging development agenda. The impact of the financial crisis was limited and confined to the tourism sector. Growth is expected to be close to 7 per cent throughout the medium term supported by the Punatsangchhu-I and Mangdechhu hydropower projects. Average inflation was lower in 2009, at about 4 percent but following inflation developments in India, inflation has risen in the first quarter of 2010. Government revenue and expenditure both rose strongly in 2008/09, with revenue rising to 39 percent of GDP from 33 percent, and expenditure to 41 percent from 33 per cent. In the external sector, convertible currency reserves remain high, while rupee reserves have increased sharply in recent months. In the financial sector, credit growth is still strong but slowing somewhat in the private sector. The focus of the financial sector liberalisation policy is on increasing competition and efficiency in the sector and three new private sector banks have been licensed and external commercial borrowing was also permitted for selected private sector entities.

Concluding Observations

34. Concerted and decisive actions by both advanced and emerging and developing countries helped the world to deal with an unprecedented financial and economic crisis. Our
response has strengthened international cooperation and instilled confidence that together we can secure the financial stability of the world and achieve sustainable economic growth. Towards this objective, a number of significant and concrete steps have been taken, an important one being the substantial strengthening of the Fund, including refinements in its surveillance, the expansion of resources and the improvement of lending facilities. Looking ahead, the Fund will have a pivotal role in warning about future crises, strengthening the defences of its membership against potential threats to stability, mitigating the hardships brought on by crises if and when they strike, and in general, fostering a global environment conducive to strong and sustainable growth. This will require the Fund to reshape and redefine its role and mandate so as to adapt to the requirements of changing times. A lot has been achieved towards a new-look Fund, but more needs to be done, and in particular, the organisational and governance reforms that are being envisaged to vest it with acceptability, legitimacy and independence.
Execution of Power of Attorney (PoA) by the Client in favour of the Stock Broker/Stock Broker and Depository Participant

CIRCULAR

CIR/MRD/DMS/13/2010

To

The Managing Directors of Stock Exchanges and Depositories

Dear Sir(s),

Sub: Execution of Power of Attorney (PoA) by the Client in favour of the Stock Broker/Stock Broker and Depository Participant

1. A Power of Attorney is executed by the client in favour of the stock broker/stock broker and depository participant to authorize the broker to operate the
client’s demat account and bank account to facilitate the delivery of shares and pay – in/ pay – out of funds.

2. Generally, the PoA is taken from the clients who want to avail internet based trading services. For offering internet based trading services, a Stock Broker requires necessary authorizations for seamless trading, collection of margins as well as settlement of funds and securities. Further, some of the Stock Brokers also obtain authorizations from their clients to offer non-internet based services.

3. It has come to SEBI’s notice that the clients are compelled to give irrevocable power of attorney to manage client’s demat account and bank account so that the client is able to pay funds or deliver shares to its broker on time. In some cases, the PoA even allows a broker to open and close accounts on behalf of the client and to trade on client’s account without the consent of the client.

4. In order to standardize the norms to be followed by stock brokers/ stock broker and depository participants while obtaining PoA from the clients guidelines have been finalized based on discussions in Secondary Market Advisory Committee of SEBI (SMAC) and feedback from market participants, investor associations, major stock exchanges and depositories on discussion paper on the captioned subject put on SEBI website. It has been decided that the guidelines as set out in the annexure shall be made applicable to stock brokers/ stock broker and depository participants.

5. Standardizing the norms for PoA must not be construed as making the PoA a condition precedent or mandatory for availing broking or depository participant services. PoA is merely an option available to the client for instructing his broker or depository participant to facilitate the delivery of shares and pay-in/pay-out of funds etc. No stock broker or depository participant shall deny services to the client if the client refuses to execute a PoA in their favour.

6. The Stock Brokers shall take necessary steps to implement this circular latest by May 31, 2010 for the new clients and ensure to take necessary steps latest by September 01, 2010 to revoke those authorizations given by the existing clients to the stock brokers/ stock broker and depository participants through PoA that are inconsistent with the present guidelines.

7. The Stock Exchanges/ Depositories are directed to:

   a) bring the provisions of this circular to the notice of the Stock Brokers/Depository Participants and also disseminate the same on their websites;

   b) make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision;
c) communicate to SEBI, the status of the implementation of the provisions of this circular in their Monthly Development Reports.

8. 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 markets.

Yours faithfully,

MANOJ KUMAR
General Manager
+91-22-26449260
manojk@sebi.gov.in

Encl: Guidelines for execution of Power of Attorney by Clients favouring Stock Brokers / Stock Broker and Depository Participants

Guidelines for execution of Power of Attorney by Clients favouring Stock Brokers / Stock Broker and Depository Participants

PoA favouring Stock Brokers

PoA executed in favour of a Stock Broker by the client should be limited to the following:

1. Securities
   i. Transfer of securities held in the beneficial owner account(s) of the client(s) towards stock exchange related margin / delivery obligations arising out of trades executed by the Client(s) on the stock exchange through the same Stock Broker.

   ii. Pledge the securities in favour of Stock Broker for the limited purpose of meeting the margin requirements of the client(s) in connection with the trades executed by the clients on the stock exchange through the same Stock Broker. Necessary audit trail should be available with the Stock Broker for such transactions.

   iii. To apply for various products like Mutual Funds, Public Issues (shares as well as debentures), rights, offer of shares, tendering shares in open offers etc. pursuant to the instructions of the Client(s). However, a proper audit trail should be maintained by the Stock Broker to prove that the necessary application/act was made/done pursuant to receipt of instruction from Client.

2. Funds
   iv. Transfer of funds from the bank account(s) of the clients for the following:
a. For meeting the settlement obligations of the client(s)/margin requirements of the client(s) in connection with the trades executed by the clients on the stock exchange through the same Stock Broker.

b. For recovering any outstanding amount due from the client(s) arising out of clients trading activities on the stock exchanges through the same Stock Broker.

c. For meeting obligations arising out of the client subscribing to such other products/facilities/services through the Stock Broker like Mutual Funds, Public Issues (shares as well as debentures), rights, offer of shares in etc.

d. Towards monies/fees/charges, etc. due to the Stock Broker/Depository Participant/Principal payable by virtue of the client using/subscribing to any of the facilities/services availed by the Client at his/her instance. Necessary audit trail should be available with the Stock Broker for such transactions.

**POA favouring Stock Brokers and Depository Participants**

PoA executed in favour of a Stock Broker and Depository Participant by the client should:

3. identify/provide the particulars of the beneficial owner account(s) and the bank account(s) of the client(s) that the Stock Broker is entitled to operate.

4. provide the list of clients’ & brokers’ Bank accounts & demat accounts where funds and securities can be moved. Such bank & demat accounts should be accounts of related party only.

5. be executed in the name of the concerned SEBI registered entity only and not in the name of any employee or representative of the Stock Broker/Depository Participant.

6. not provide the authority to transfer the rights in favour of any assignees of the Stock Broker/Depository Participant.

7. be executed and stamped as per the rules / law prevailing in the place where the PoA is executed or the place where the PoA is kept as a record, as applicable.

8. contain a clause by which the Stock Broker would return to the client(s), the securities or fund that may have been received by it erroneously or those securities or fund that it was not entitled to receive from the client(s).

9. be revocable at any time, without notice.
10. be executed by all the joint holders (in case of a demat account held jointly). If the constitution of the account is changed for whatever reason, a new PoA should be executed.

11. authorize the Stock Broker/Depository Participant to send consolidated summary of Client's scrip-wise buy and sell positions taken with average rates to the client by way of SMS / email on a daily basis, notwithstanding any other document to be disseminated as specified by SEBI from time to time.

**General Guidelines**

The POA shall not facilitate the stock broker to do the following:

12. Transfer of securities for off market trades.

13. Transfer of funds from the bank account(s) of the Clients for trades executed by the clients through another stock broker.

14. Open a broking / trading facility with any stock broker or for opening a Beneficial Owner account with any Depository Participant.

15. Execute trades in the name of the client(s) without the client(s) consent.

16. Prohibit issue of Delivery Instruction Slips (DIS) to beneficial owner (client).

17. Prohibit client(s) from operating the account.

18. Merging of balances (dues) under various accounts to nullify debit in any other account.

19. Open an email ID/ email account on behalf of the client(s) for receiving statement of transactions, bills, contract notes etc. from stock broker / Depository Participant.

20. Renounce liability for any loss or claim that may arise due to any blocking of funds that may be erroneously instructed by the Stock Broker to the designated bank.

**Stock Broker / Depository Participant should ensure that:**

21. A duplicate/ certified true copy of the PoA is provided to the Client(s) after execution.

22. In case of merger/ demerger of the Stock Broker/Depository Participant with another entity/ into another entity, the scheme of merger/ demerger should be approved by High Court and one month prior intimation given to the client about the corporate restructuring to facilitate investor/ client to continue or discontinue with the broker.
Reduction in time between issue closure and listing

CIRCULAR
CIR/CFD/DIL/3/2010
April 22, 2010

To All Registered Bankers to an Issue
To All Registered Merchant Bankers
To All Registered Registrars to an Issue
To All Stock Exchanges
To All Depositories

Dear Sirs,

Sub.: Reduction in time between issue closure and listing

1. Presently, it takes on an average around 22 days to list the securities after an issue closes. This exposes investors as well as issuers to market risk as well as leading to infrastructural stress and costs. One of the reasons identified for this delay is data entry at multiple level and reconciliation thereof. Needless to say, any reduction in the period taken to list an issue after closure is in general interest of investors.

2. In consultation with market intermediaries, SEBI has decided to reduce the time between issue closure and listing to 12 working days.

3. In the new process, the syndicate members shall capture all data relevant for purposes of finalizing basis of allotment while uploading bid data in the electronic bidding system of the stock exchanges. In order that the data so captured is accurate, syndicate members may be permitted an additional day to amend some of the data fields entered by them in the electronic bidding system.

4. It is to be noted that syndicate members shall be responsible for any error in the bid details uploaded by them. In case of apparent data entry error by either syndicate member or collecting bank in entering the application number in their respective schedules other things remaining unchanged, the application may be considered as valid and such exceptions may be recorded in minutes of the meeting submitted to stock exchange(s). In the event of mistake in capturing the application number by either the syndicate member or collecting bank leading to rejection of application, the registrar may identify...
based on the bid form, the entity responsible for the error. Valid records in
electronic file will be those for which money is received.

5. This circular contains indicative timelines for the various activities in the
issue process. The non-ASBA process in this regard is given in Annexure I of
the circular. Since the ASBA process also needs to be revised pursuant to the
reduced timelines, the revised ASBA process is indicated in Annexure II of the
circular.

6. Details of the mandatory data fields which are required to be captured into
the electronic bidding system by the syndicate members including the fields
which are modifiable/non-modifiable is given in Annexure III of the circular.

7. In order to facilitate quicker processing of applications for the purpose of
allotment, instead of the name of the applicant, it is proposed to use PAN
which is a unique identification number of the applicant. In this regard, the
merchant bankers are directed to ensure that the following is clearly disclosed
in the prospectus/abridged prospectus, application form and the pre-issue
advertisements: “The applicants may note that in case the DP ID & Client ID
and PAN mentioned in the application form and entered into the electronic
bidding system of the stock exchanges by the syndicate members do not
match with the DP ID & Client ID and PAN available in the depository
database, the application is liable to be rejected.”

8. Stock Exchanges are directed to ensure that in case of revision of bids,
there shall be appropriate provisions to capture the details of the payment
instrument for difference of amount, if any.

9. It is given to understand that there is no uniformity in the documents
required to be submitted to the stock exchanges along with the listing
application which results in delay in the process. In this regard, stock
exchanges are directed to clearly indicate the list of documents which they
require for giving listing approval, at the time of grant of in-principle approval.

10. Stock Exchanges, Merchant Bankers, Registrar to an Issue, Bankers to an
issue including those acting as Self Certified Syndicate Banks and
depositories are directed to ensure that the instructions contained in this
circular are complied with.

11. This revised procedure shall be applicable to all public issues opening on
or after May 3, 2010.

12. This circular is issued in exercise of the powers conferred under Section
11 read with Section 11A of the Securities and Exchange Board of India Act,

13. This circular is available on SEBI website at www.sebi.gov.in under the
categories “Legal Framework” and “Issues and Listing”.
Guidelines for market makers on Small and Medium Enterprise (SME) exchange/separate platform of existing exchange having nation wide terminal

CIRCULAR

CIR/MRD/DP/ 13 /2010

April 26, 2010

To,

The Executive Directors/Managing Directors of all Stock Exchanges

Dear Sir/Madam,

Sub: Guidelines for market makers on Small and Medium Enterprise (SME) exchange/separate platform of existing exchange having nation wide terminal

SEBI has put in a framework for setting up of new exchange or separate platform of existing stock exchange having nationwide terminals for SME (hereinafter referred to as the ‘Exchange/ SME Exchange’). In order to operationalise the said framework, necessary changes have been made to applicable Regulations, circulars etc. As per the framework, market making has been made mandatory in respect of all scips listed and traded on SME exchange. The following guidelines shall be applicable to the Market Makers on this exchange.

1. Applicability
These guidelines are applicable to all the registered Market makers for making market in all scrips listed and traded on SME exchange.

2. Registration of the Market Maker

Any member of the Exchange would be eligible to act as Market Maker provided the criteria laid down by the exchange are met. The member brokers desirous of acting as Market Maker in this exchange shall apply to the concerned stock exchange for registration as Market Makers unless already registered as a Market Maker.

3. The obligations and responsibilities of Market Makers

The Market Maker shall fulfil the following conditions to provide depth and continuity on this exchange:

(a) The Market Maker shall be required to provide a 2-way quote for 75% of the time in a day. The same shall be monitored by the stock exchange. Further, the Market Maker shall inform the exchange in advance for each and every black out period when the quotes are not being offered by the Market Maker.

(b) The minimum depth of the quote shall be Rs.1,00,000/- . However, the investors with holdings of value less than Rs 1,00,000 shall be allowed to offer their holding to the Market Maker in that scrip provided that he sells his entire holding in that scrip in one lot along with a declaration to the effect to the selling broker.

(c) Execution of the order at the quoted price and quantity must be guaranteed by the Market Maker, for the quotes given by him.

(d) There would not be more than five Market Makers for a scrip. These would be selected on the basis of objective criteria to be evolved by the Exchange which would include capital adequacy, networth, infrastructure, minimum volume of business etc.

(e) The Market Maker may compete with other Market Makers for better quotes to the investors;

(f) Once registered as a Market Maker, he has to start providing quotes from the day of the listing / the day when designated as the Market Maker for the respective scrip and shall be subject to the guidelines laid down for market making by the exchange.

(g) Once registered as a Market Maker, he has to act in that capacity for a period as mutually decided between the Merchant Banker and the market maker.
(h) Further, the Market Maker shall be allowed to deregister by giving one month notice to the exchange, subject to (g) above.

4. Dissemination of Information

The exchange should disseminate the list of Market Makers for the respective scrip to the public.

5. Number of Shares per Market Maker

The number of companies in whose shares a Market Maker would make market should be linked to his capital adequacy as decided by the exchange.

6. Risk Containment Measures and monitoring for Market Makers

All applicable margins should be levied and collected without any waiver/exemption.

Capital Adequacy

The exchanges would prescribe the capital adequacy requirement for its members to commensurate with the number of companies which Market Maker proposes to make market. Further, the stock exchange may lay down additional criteria also for Market Makers as risk containment measures. The same shall be monitored by the stock exchange.

Monitoring

All the requirements with regard to market making shall be monitored by the stock exchange and any violation of these requirements would be liable for punitive action to be taken by the Disciplinary Action Committee (DAC) of the Exchange, which may also include monitory penalty apart from the trade restriction as decided by the DAC under intimation to the Merchant Banker.

7. Price Band and Spreads

The exchanges shall prescribe the maximum spread between bid and ask price. The exchange, may at its discretion also prescribe the price bands for the same. Further, in case of new issue the spread shall also be specified in the offer document with the prior approval of the exchange.

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,

D. Rajesh Kumar
Deputy General Manager
022-26449242
rajeshkd@sebi.gov.in
1) Every LLP shall mandatorily file Form 3 and Form 4 within 30 days of incorporation failing which Rs.100/- per day will be charged as additional fees on each Form.

2) Form 7 shall be digitally signed by applicant's own DSC. The DSC of other partners and professionals should not be used while applying Form 7.