

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:5446
ANSWERED ON:22.12.2000
PROTECTION OF SMALL INVESTORS
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Will the Minister of FINANCE be pleased to state:

- (a) whether SEBI, market regulator, has played a dubious role in checking the spurt and melt down of shares of new economy companies in 2000, till date;
- (b) whether the Government are seriously considering to stop this menace forever to protect small investors who are tempted to rising prices; and
- (c) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (BALASAHEB VIKHE PATIL)

(a): Price fluctuations on stock markets is a market phenomena and depend on several factors which include domestic and international events, economic fundamentals, market sentiments, expectations of investors regarding the performance of the corporate sector and the economy in general, about economic policies of the Government, developments in international capital markets etc. The globalisation of commerce has created correlation in market movements world wide. The recent fall in the US markets, particularly the shares of new economy companies, has influenced other markets in the world and globally, the markets have been on a downtrend.

(b) and (c): The objective of the Government and the regulator is to ensure that capital markets operate in an orderly, transparent, safe and fair manner. To ensure this and to protect interests of investors, SEBI has put in place several surveillance and risk containment measures such as capital adequacy, margining systems, exposure controls and price bands. The surveillance measures implemented include the stock watch system which is expected to enhance surveillance capabilities. The risk containment measures include upfront margins in the form of base and additional capital, and imposition and collection of mark to market margin, volatility margin and carry forward margin.