

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1961
ANSWERED ON:09.03.2001
PROTECTION OF SMALL INVESTORS
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Will the Minister of FINANCE be pleased to state:

- (a) the details of legal and administrative measures, which safeguarded the interest of the small and individual investors;
- (b) whether the Government have taken some more steps in this regard;
- (c) if so, the details thereof; and
- (d) the role of SEBI safeguarding interest of the investors ?

Answer

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

(a), (b), (c) & (d): Over the years, the Securities and Exchange Board of India (SEBI) has taken various measures such as introduction of disclosure norms, tightening of entry norms for initial public offerings, introduction of book building mechanism for issue of securities, enforcing of lock-in provisions etc. SEBI's regulations for collective investment schemes were notified in 1999. In the secondary market, SEBI has advised all stock exchanges to augment their Investor Protection Funds and to set up Trade Guarantee/Settlement Guarantee Funds. Other measures by SEBI include a margining system, implementation of circuit filters, gross exposure limits for stock brokers linked with capital adequacy and dematerialization of securities.

Companies which take deposits from the public are regulated by the Department of Company Affairs. The Companies (Amendment) Act, 2000 which was passed in December, 2000 proposed an amendment in the Companies Act, providing inter-alia, that every company which accepts deposits from small investors shall intimate to the Company Law Board any default made by it in repayment of such deposits.

Non-Banking Finance Companies (NBFCs) are under the jurisdiction of the Reserve Bank of India (RBI). A comprehensive regulatory framework has been put in place which is aimed at protecting the interests of depositors and ensuring that NBFCs function on sound and healthy lines. The regulatory framework includes inter-alia, compulsory registration, maintenance of liquid assets, transfer of at least 20% of net profits to reserve funds and empowerment of RBI to issue directions to NBFCs. RBI takes various actions against errant NBFCs for contravention of provisions of the RBI Act and directions issued thereunder. Government has recently introduced a Bill in the Lok Sabha which is expected to provide better safeguards to NBFC depositors.