

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:979

ANSWERED ON:23.11.2007

BOOM IN STOCK MARKET

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Will the Minister of FINANCE be pleased to state:

- (a) whether the Government's attention has been drawn to recent boom in the stock market;
- (b) if so, the reaction of the Government thereto;
- (c) whether the Government has analyzed the reasons behind this;
- (d) if so, the details thereof;
- (e) whether such boom has any co-relation with higher production and real economic development; and
- (f) if not, the steps taken, to rationalize it for safety of investors and transparency in share market?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE(SHRI PAWAN KUMAR BANSAL)

(a): SEBI has informed that during the current financial year (up to 15th November, 2007), the benchmark indices, namely Sensex and Nifty have moved up by 58.85% and 62.71% respectively.

(b)to(d): Exchanges have been directed by SEBI to analyze steep falls or rises in the market to detect untoward patterns or skewed concentrations. Preliminary analysis for October 2007 does not reveal such findings.

(e): The movement in stock market is a function of the perception of investors " domestic and overseas, retail and institutional - about the economy, the sector and the company. This perception is influenced by many factors including the macro-economic environment, growth potential of the economy, corporate performance, domestic and international events, and market sentiments.

(f): SEBI and the Exchanges have put in place systems and practices to promote a safe, transparent and efficient market and to protect market integrity. The systems include advanced risk management mechanisms comprising on-line monitoring and surveillance and various limits on positions, margin requirements, circuit filters, etc. which reduce the scope for excessive volatility in the market. SEBI has been keeping a constant vigil on the market, irrespective of the levels of the market indices and in case of any abnormality, takes appropriate action against the concerned entities. It has advised the stock exchanges to step up surveillance measures and to initiate expeditious demonstrative action wherever warranted so as to protect investors interest and ensure orderly functioning of the stock market.