

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2004

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FOREIGN FUND IN CAPITAL MARKETS

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Will the Minister of FINANCE be pleased to state:

- (a) whether Indian Capital Market is becoming dependent on foreign money flow causing instability in the market;
- (b) if so, whether the Government is formulating plans to monitor/regulate fund/money flow in the capital market;
- (c) whether the Government has taken steps to safeguard the interests of retail investors; and
- (d) if so, the details thereof and the outcome thereof?

Answer

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

(a) and (b): FII (Foreign Institutional Investors) investments as a percentage of Indian market capitalization across Nifty scrips have ranged between 16.15 per cent in December 2007 to 15.8 per cent in September 30, 2008. There is no instability in the Indian capital market. Markets are dynamic in nature and price and volume movements in the market are influenced by demand and supply interplays as well as a host of other factors including domestic and international events, market sentiments, corporate performance and future economic growth. The stock market capitalises the present and future values of growth opportunities while evaluating the growth of all sectors in economy. FII fund flows to the capital market are regulated in accordance with SEBI FII Regulations 1992 and monitored by RBI and SEBI.

(c) and (d) The Government and SEBI have put in place systems and practices to promote a safe, transparent and efficient market and to protect market integrity. The systems instituted include advanced risk management mechanisms comprising on-line monitoring and surveillance, various limits on positions, margin requirements, circuit filters, etc. Measures taken to broaden and deepen markets include: screen based trading system, dematerialization of securities, corporatization and demutualization of exchanges, settlement through clearing corporation, trading in derivatives, etc.

The systems and practices are reviewed continuously and modified to meet emerging needs. Besides, SEBI maintains a constant vigil in the market, and in case of any abnormality, takes appropriate action against the concerned entities. SEBI and market participants are undertaking massive awareness programmes to educate investors about the precautions they need to take while dealing in securities and how to seek redressal of their grievances.