

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:5186
ANSWERED ON:10.12.2010
INFLUENCE OF MNCS IN SHARE MARKET
Mahendrasinh Shri Chauhan

Will the Minister of FINANCE be pleased to state:

- (a) whether influence of foreign multinational companies (MNCs) is increasing in the stock exchanges of India posing a threat thereto;
- (b) the norms laid down by the Government to get rid of this problem;
- (c) whether such norms are not being adhered to properly; and
- (d) if so, the reaction of the Government thereto?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) Foreign direct investment (FDI) in major stock exchanges in India has decreased in the last three years while that of foreign institutional investors (FIIs) has increased during the same period as may be seen from the table below.

Equity Share Holding by Foreign Entities in Major Stock Exchanges (%)

As on BSE NSE MCX-SX
FDI FII FDI FII FDI FII

30-Sept-2008 25.653 Nil 26 Nil Nil Nil

30-Sept-2009 25.523 Nil 26 2.11 Nil Nil

30-Sept-2010 21.511 8.823 21 11.53 Nil Nil

(b) Regulation 8(2) of Securities Contracts (Regulation) (Manner of Increasing and Maintaining Public Shareholding in Recognised Stock Exchanges) Regulations, 2006 has laid out the norms for foreign ownership in stock exchanges. No foreign investor, including those acting in concert, shall hold more than 5% of the equity share capital of a recognised stock exchange. Further, investments by foreign institutional investors and through the foreign direct investment route in any recognised stock exchange is limited to 23% and 26% respectively of its total equity share capital. No foreign institutional investor shall have any representation in the Board of Directors of a recognised stock exchange. Also, no foreign institutional investor shall acquire shares of a listed recognised stock exchange other than through the secondary market.

(c) Stock Exchanges report on a quarterly basis, the shareholding pattern and the details regarding the transfer or issue of equity shares, to SEBI. Reports along with undertakings confirming the compliance of the provisions are being regularly received and monitored by SEBI. SEBI has not, till date, detected any breach of these norms.

(d) does not arise in view of the reply to part (c) above.