

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4376
ANSWERED ON:08.08.2014
SEPARATE REGULATORS
Patil Shri Shivaji Adhalrao;Shrirang Shri Chandu Barne

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has noticed that the International Advisory Board (IAB) of the Securities and Exchange Board of India (SEBI) had underlined the need for an independent and separate regulator for various unregulated collective investment schemes and money circulation schemes in the country;
- (b) If so, the details thereof;
- (c) whether the board also highlighted the need to review the capital adequacy norms of market intermediaries;
- (d) if so, the response of the Government in this regard; and
- (e) the action taken or proposed to be taken by the Government in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SMT. NIRMALA SITHARAMAN)

(a) & (b) In the Second International Advisory Board (IAB) meeting held during November 03-04, 2012, the issue of regulation of Collective Investment Schemes was discussed. Subsequently, SEBI wrote a letter dated November 15, 2012 to the then Hon'ble Finance Minister inter-alia stating the following:

All activities where pooling of money from numerous investors is taking place (which include MLM schemes, timeshare schemes, gold purchase schemes, emu fanning, goat farming and deposit collection for real estate development) need to be brought under the clear ambit of one principal regulator with appropriate powers which can deal with all such cases.

The International Advisory Board extensively discussed the issue relating to regulatory gap in respect of various unregulated collective investment schemes and money circulation schemes in India. The IAB members also brought to the table a global perspective to the issue by sharing their experiences from other jurisdictions.

It was pointed out that the regulation of such schemes is not the primary objective of a securities market regulator and would require substantial resources. It was also underlined that such schemes are often localized and there is a criminal enforcement angle attached to the regulation of such schemes. It was, therefore, suggested that State Government participation is very important for the success of any regulatory framework for the same. Further, the need for an independent and separate regulator with sufficient resources was underlined.

(c) Yes. IAB in its meeting dated November 3-4, 2012 highlighted the need to review the capital adequacy norms of market intermediaries while keeping the regulatory costs within reasonable limit.

(d)& (e) Based on the recommendations of International Advisory Board, SEBI strengthened the capital, adequacy requirements for stock brokers by issuing the guidelines vide circular dated December 19, 2012. Capital requirements were realigned with the risk profiles of the stock brokers while dealing in various segments of the stock exchange.