Sebi to increase time gap for board meetings to four months

Mumbai: The Securities and Exchange Board of India (Sebi) is considering enhancing the time gap for holding board meetings from the current three months to four months.

"Sebi is presently working on increasing the time gap for corporates to hold the board meetings and it will allow the companies to hold the board meeting in four months. There are four board meetings in a year," Sebi chairman M. Damodaran said while delivering the inaugural address at the corporate governance summit organised by the Confederation of Indian Industry (CII). The Sebi chief also cautioned India Inc that in order to maintain the integrity of the independent directors, it should be ensured that they were not overcompensated. He also said that listed companies would have to adhere to the clause 49 stipulations of having 50 per cent independent directors on their boards by December 31.

Meanwhile with the deadline for the implementation of clause 49 due from Dec 31, whereby 50 per cent of a listed company's board should comprise independent directors, it is estimated, that as many as 30,000 independent directors would be required by the 9,000 listedcompanies in order to comply with clause 49 of the listing norms.

The newly-created website www.primedirectors.com prepared by BSE, NSE and CII, with the help of Prime Database, was also inaugurated by Damodaran.

Back to News Review index page   Currency converter

Sebi clears futures trading by mutual funds

Mumbai: The Securities and Exchange Board of India has now allowed mutual funds to participate in the derivatives market. The move brings the funds at par with foreign institutional investors. So far mutual funds could only hedge and re-balance their portfolios in the derivatives market.

According to fund managers the move, theoretically, had the potential of releasing funds worth Rs60,000 crore in the futures and options (F&O) segment of the market. They warned that though the market is bound to take an upbeat view of the move, volatility in the futures and options segment would also rise as a consequence.

The mutual funds will now be considered as trading members like the FIIs in respect of position limits in index futures, index options, stock options and stock futures contracts. Their schemes will be treated as clients like sub-accounts of FIIs.

The new policy will be applicable to all new schemes or to those for which offer documents have been submitted, seeking the approval of Sebi. A Sebi release said the mutual funds would have to disclose the extent and manner of participation in derivatives and the risk factors in the offer documents.

The mutual funds will have to acquire positive consent from a majority of unit holders and provide an exit option to dissenting unit holders. The exit option will have to be kept open for one month prior to the scheme commencing trading in derivatives.

The mutual funds will also not be allowed to charge exit load to unit holders exercising the exit options. The ban on mutual funds' participation in the derivatives market was imposed in accordance with the recommendations of the LC Gupta panel on derivatives.

The lifting of the ban follows recommendations by the Secondary Market Advisory Committee.

According to fund managers the mutual funds will now be able to increase their exposure to the F&O segment to up to 80 per cent, backed by liquid securities or cash, unlike earlier when they could not exceed the limit of 50 per cent backed by cash alone.

Back to News Review index page   Currency converter