

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:169
ANSWERED ON:12.12.2003
SHARP RISE IN THE CAPITAL MARKET
DR. KIRIT SOMAIYA

Will the Minister of FINANCE be pleased to state:

- (a) Whether the Government has taken note of sharp rise in capital market in the last three months;
- (b) if so, whether regulators, SEBI, RBI have studied the reasons;
- (c) if so, whether due to sharp increase in speculative business the market value has gone up;
- (d) if so, the details of real investment that has come in from Indian investors and from FII during the last six months; and
- (e) the action taken by regulators to safeguard capital market, small investors and to prevent any scam?

Answer

MINISTER OF FINANCE (SHRI JASWANT SINGH)

(a) to (e) : A statement is placed on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (e) OF LOK SABHA STARRED QUESTION NO.169 FOR 12TH DECEMBER, 2003 REGARDING SHARP RISE IN THE CAPITAL MARKET.

(a) and (b): Yes, Sir.

(c): According to SEBI, the recent rise in the stock market indices in India is attributed mainly to factors like the overall improvement in the global economy and liquidity, anticipated better GDP growth, good corporate earnings, low interest rates and increased FII inflows.

(d): The total market capitalization as on November 28, 2003 was Rs. 10,65,853 crore on Bombay Stock Exchange (BSE) and Rs. 9,79,540 crore on National Stock Exchange (NSE) out of which Rs. 87721.2 crore is on account of net investment by Foreign Institutional Investors (FIIs). The net investment by FIIs during June 2003 - November 2003 was Rs. 22,340 crore.

(e): SEBI along with stock exchanges has taken the following steps to ensure safety, integrity and efficiency of the stock market and safeguard investors' interests:

- 1 moving to shorter settlement cycles;
- 2 holding weekly surveillance meetings with stock exchanges and depositories;
- 3 imposition of special/ad-hoc margins on select scrips to curb speculation;
- 4 transferring about 587 scrips by the BSE and 143 scrips by the NSE for trading and settlement on trade to trade basis as a surveillance measure;
- 5 requiring information from FII/sub-accounts about issue of all offshore derivative instruments on the underlying Indian securities;
- 6 reducing gross exposure limits for trading members by both BSE and NSE;
- 7 action against `dabba trading` and supersession of the Governing Boards of Ahmedabad, Bhubaneswar, Pune and Calcutta Stock Exchanges.