

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:2737  
ANSWERED ON:31.08.2007  
MISUSE OF PN ROUTE  
Fanthome Shri Francis

**Will the Minister of FINANCE be pleased to state:**

- (a) whether the Government is aware that several financial experts have pointed out that participatory notes are being misused by speculators in the market;
- (b) if so, whether these experts have suggested that participatory notes should not be allowed as financial instruments for trading on the stock exchange as the beneficiary of the transactions are unknown;
- (c) whether the Government has examined such a proposal; and;
- (d) if so, by when the Government proposes to ban p-notes usage by foreign investors in the Indian stock market?

**Answer**

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

(a) to (c): The Government had constituted an Expert Group headed by Dr. Ashok Lahiri, constituted by the Government of India, on "Encouraging FII Flows and Checking the Vulnerability of Capital Markets to Speculative Flows". It included representatives from Reserve Bank of India (RBI) and Securities and Exchange Board of India (SEBI) as members. The Expert Group examined the issue of PNs and recommended that the current dispensation of FIIs issuing PNs to entities overseas may continue. Currently the FIIs can issue PNs only to regulated entities overseas and the FIIs are required to file a report at the end of each month with SEBI disclosing the names of all subscribers to the PNs issued by it.

(d) At present, there is no such proposal under consideration.