

Towards Investor Awareness and Protection

Presented By



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Towards Investor Awareness and Protection

SMC, has number of times, conducted investors' awareness and protection programs aiming at promoting financial education among investors to reach their personal financial goals and shift from reactive to proactive decision-making and work towards fulfilling these goals. Under this initiative, the several special types of financial awareness programs are planned, which aim to educate market participants about the investment opportunities available in the equity market.

So far, we have organized several seminars and have successfully emerged as one of the best equity broking houses for the investment community.

There is a rapid and growing complexity of financial markets due to the result of deregulation, globalization and technological progress in the financial marketplace. Today's increasingly-complex financial services market offers investors a vast range of products, services, and providers to choose from to meet their financial needs. While this degree of choice provides investors with a great number of options, it also requires that they be equipped with the information, knowledge, and skills to evaluate the options and identify those that best suit their needs and circumstances. As some of these products are complex and difficult to take hold of, especially for financially unsophisticated investors, investor awareness and protection program plays an

important role to protect the interests of the investors.

BSE has been pioneered in expanding investor awareness program for decades. BSE has tried to reach every nook and corner of the country to educate investors about various products of capital markets in achieving the dream of financial inclusion in the country. As the management guru, Dr. C.K Prahalad has highlighted the concept of "fortune at the Bottom of Pyramid", BSE has left no stone unturned in reaching the last mile of the investor community.

In these efforts of BSE, SMC has tried to contribute as best possible in making the BSE's objective to reach the entire household across the country.



Securities and Exchange Board of India (SEBI) as a regulatory body

The Securities and Exchange Board of India was enacted on April 12, 1992 in accordance with the provisions of the Securities and Exchange Board of India Act, 1992.

Objectives of SEBI

The SEBI being the regulatory and developmental functions has the following objectives

- First is Investor protection, so that there is a steady flow of savings into the Capital Market.
- To make sure the fair practices by the issuers of securities, namely, companies so that they can raise resources at least cost.
- Promotion of efficient services by brokers, merchant bankers and other intermediaries so that they become competitive and professional.
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Investor protection measures by SEBI

Investor protection is one of the most important fundamentals of a thriving securities market or other financial investment institution. Investor protection focuses on making sure that investors are fully informed about their purchases, transactions, affairs of the company that they have invested in and the like. SEBI had issued guidelines for the protection of the investors through the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.

Compensation

The Investors' Protection Fund may provide compensation against a genuine and bonafide claim made by any client, who has either not received the securities bought from a trading member for which the payment has been made by such client to the trading member there against or has not received the payment for the securities sold and delivered to the trading member or has

not received any amount or securities which is/are legitimately due to such client from the trading member, who is either declared a defaulter or expelled by the Exchange or where the trading member, through whom such client has dealt, is unable to get

the securities rectified or replaced for the reason that the introducing trading member at the Exchange is either declared a defaulter or expelled by the Exchange, under the relevant Rules, Bye-laws and Regulations of the Exchange.

Corpus and Composition of the Fund

Every trading member of the Exchange shall contribute such amount, as may be determined by the Relevant Authority from time to time, to constitute the corpus of the Investors' Protection Fund. The Relevant Authority shall have the power to call for such additional contributions, as may be required from time to time to make up for any shortfall in the corpus of the Investors' Protection Fund. The Exchange shall also credit to the Investors' Protection Fund such amount out of the listing fees collected by it in each financial year, as may be prescribed by SEBI or as may be specified in the relevant Regulations from time to time. The Exchange may also augment the Investors' Protection Fund from such other sources, as it may deem fit.

Ceiling for Corpus

The Exchange or SEBI may from time to time determine the ceiling amount upto which the contribution from the trading members and contribution from the listing fees shall be collected and credited to the Investors' Protection Fund. While determining the ceiling amount, the Relevant Authority may be guided by factors, which may, inter alia, include highest amount of compensation disbursed from the Investors' Protection Fund in a financial year during the preceding five financial years, amount of interest accrued to the Fund in the previous financial

year and the number of times the size of the corpus is a multiple of the highest aggregate amount of compensation disbursed from the Investors' Protection Fund in any particular financial year. The Relevant Authority may, subject to taking prior approval of SEBI with proper justification, decide to reduce, and/or not to call for, any further contribution from the trading members and/or from listing fees.

Insurance Cover

The Relevant Authority may, at its absolute discretion, decide to have an insurance cover to protect the corpus of the Investors' Protection Fund.

Management of the Fund

The Investors' Protection Fund as above shall be held in trust and shall vest in the Exchange or any other entity or authority, as may be specified by the Relevant Authority from time to time. The Investors' Protection Fund shall be managed by the Trustees appointed under the Trust Deed created and executed and in accordance with the provisions contained in the Trust Deed and the Rules, Bye-laws and Regulations of the Exchange.

Utilisation of the Fund

The Trustees of the Fund shall be guided by the recommendations of the Committee for Settlement of Claims Against Defaulters, who may scrutinize and vet each of the claims placed before them for consideration after due screening by the officials of the Exchange and also by an Independent Chartered Accountant, if need be, for satisfying that each claim meets the requirements, as may be stipulated by the Committee for Settlement of Claims against Defaulters from time to time. The amount of compensation that may be disbursed out of the

Investors' Protection Fund to a client shall be

limited to the balance amount of the admitted claim of the client as may be remaining after adjustment of the amount paid out of distribution of the assets vesting in the Committee for Settlement of Claims Against Defaulters on account of the concerned defaulter or expelled trading member.

Ceiling for Compensation

The amount of compensation that may be considered for payment against a claim of a client shall not exceed such ceiling amount, as may be decided by the Relevant Authority from time to time.

Use of Interest Amount Accrued on Investments of the Fund

Notwithstanding anything contained in any other Bye-laws, the Relevant Authority shall have the authority to utilize the interest income earned on the investments made out of Investors' Protection Fund, either in part or whole, for the purpose of imparting education or training to investors, for creating awareness among the investing community at large and for any research connected therewith or incidental thereto

Procedure and Bar for Making a Claim by a Client

- Public Notice
- Claim in Prescribed Form
- Notice for Disallowance of Claim

Undertaking by a Client Making a Claim

Any client desirous of making a claim under these Bye-laws shall be required to sign and submit an undertaking to the Exchange while submitting a claim to the effect that the decision of the Relevant Authority shall be final and binding on him.



Bombay Stock Exchange (BSE)

Bombay Stock Exchange Limited (BSE) is the oldest Stock Exchange in Asia with a rich heritage. In the year 1875m, it was established as “The Native Share & Stock Brokers Association”. It is the first Stock Exchange in the country to obtain permanent recognition in 1956 from the Government of India under the Securities Contracts (Regulation) Act, 1956. The Exchange's pivotal and pre-eminent role in the development of the Indian capital market is widely recognized and

its Index, SENSEX, is tracked worldwide. Earlier an Association of Person (AOP), the Companies Act, 1956, pursuant to the BSE (Corporatisation and Demutualisation) Scheme, 2005 notified by the Securities and Exchange Board of India (SEBI).

The Exchange not only provides an efficient market but also upholds the interests of the Investors and ensures redressal of their grievances, whether against the companies or its trading members. It strives to educate and enlighten the Investors by making available to them the necessary information.

Investor Protection Fund (BSE)

In the year 1986, BSE has set up an Investor Protection Fund (IPF) in order to compensate the clients who suffer financial loss due to their member being declared as defaulter, in accordance with the Guidelines issued by the Ministry of finance, Government of India. IPF is managed by the Trustees appointed by BSE.

The Fund corpus is created as follows:

The Members contribute Re. 0.01 per Rs.1 lakh of gross turnover, which is debited to their General Charges Account. BSE contributes, on a quarterly basis, 1% of the listing fees collected by it. The entire interest earned by BSE on 1% security deposit kept with it by companies making public/rights issues is credited to the Fund. As per the SEBI directive, auction proceeds that have been impounded in certain cases where price manipulation / rigging was suspected are transferred to the Fund. The surplus lying in the account of the defaulters after meeting their liabilities on BSE is released to them after transferring 5% of the surplus amount to this Fund. The interest received on amounts invested from the corpus of the fund is credited to the fund at the end of each financial year.

Compensation Policy

At present the Exchange compensate to the maximum extent of Rs. 15,00,000/- to the client of a defaulter from its Investors Protection Fund (IPF). The amount is paid to the extent of award amount or Rs. 15,00,000/-, whichever is lower. The revised amount of Rs. 15,00,000/- shall be applicable to the clients of the Trading Member of the Exchange, who

are declared Defaulter after 5th December, 2009. (This amount has been progressively raised by BSE from Rs.10,000 in 1988 to the present level).

The arbitration Award obtained by investors against defaulters are scrutinized by the Defaulters Committee, a Standing Committee constituted by BSE, which may recommend to the Trustees of the Fund for release the payment as per the applicable limits to the clients of Trading Members which have been declared Defaulter. After the approval of the Trustees of the Fund, the amount is disbursed to the investors from the Fund. Those claims which are permissible for payment from IPF as per the Trust Deed are considered by the Defaulters' Committee for recommending payment from the fund.

Key objectives of IPF

- To compensate clients of “defaulter” trading members
- To aid, assist, subsidize, support, promote and foster research activities
- Preparation and publication of statistical and other information
- To further the advancement and propagation of education and learning
- To promote investors education awareness and research
- To organize events and conferences in association with local chambers and industry related to investor education
- Educate the investors on various products available in the capital markets
- Conduct researches exclusively for second class illiquid securities

SMC objective

- We at SMC value the trust reposed in by the clients and is committed to uphold it at all cost.
- Integrity, honesty and transparency are the underlying principles in all our dealings.
- The most valued asset is our relationship with

the clients, which has been built over years by giving personalized attention.

- SMC offers proactive and timely world class research based advice and guidance to its clients to enable them to take informed decisions.

Directors Message



Since the inception of SMC, we have been exercising principles of integrity, honesty and transparency in all our dealings. SMC also values the trust reposed in by the clients and is committed to uphold it at all costs. So, in order to facilitate market participation, we conduct investor awareness program across India from time to time. The recent global financial crisis has highlighted the importance of financial awareness and protection to protect and edify investors from the consequences of market failure. As the Indian capital market is the best market in terms of

systems and procedures, promoting Investor Awareness and Protection have always been high priority for SEBI. On the flip side, there is an urgent need to bridge the gap which exists in the retail level when it comes to understanding of financial products and knowledge of investor's rights.

We at SMC believe that promoting financial literacy and investor awareness remains critical to bridge this gap. We

strongly believe that effective investor protection and sufficient financial awareness will make the retail financial markets efficient and transparent, thereby enhancing the depth of the markets as well. We strongly feel that financial education should also be developed hand in hand with improving access to financial markets and services. As India is multi-linguistic country with average literacy levels, our effort is to promote awareness in regional languages too including visual aids.