

FM, Sebi likely to announce market-friendly steps on Saturday

Finance Minister P Chidambaram is likely to address the board of the Securities and Exchange Board of India (Sebi) on Saturday, when some stock-market-friendly measures could be announced.

“The Sebi board is likely to announce measures towards lowering transaction costs, relaxing collateral norms for foreign institutional investors (FIIs) and other intermediary-friendly measures,” said a source claiming knowledge of the development.

The board on Saturday is likely to consider FII demands on accepting instruments such as government securities, fixed deposits, bank guarantees and mutual fund holdings as collateral. Foreign investors are not allowed to use such instruments as collateral for the value of their trades, according to margining rules.

Among other things, the board is also likely to discuss the road map for bringing down the trade settlement cycle from T+2 to T+1. In other words, the settlement of a securities transaction will be done the day after the trade. Now, it takes at least two days after a transaction for the shares to come into an investor’s demat account.

Similarly, Sebi is likely to discuss the implementation and deadline for achieving the reduced initial public offering (IPO) timeline of seven days, from 12 days. The market regulator aims to achieve this by making the facility of applications supported by blocked amount (Asba) compulsory for retail investors and also by tweaking the distribution model.

Asba ensures an investor’s money debited from his account if he is allotted shares during an IPO

Sebi is also likely to announce intermediary-friendly measures such as reduction in transaction costs and further rationalisation of permanent licences granted to intermediaries.

“The measures announced will be aimed at sending a signal to the market that Sebi and government are working towards removing major irritants and restoring confidence,” said the source.

At the meeting, Sebi chairman U K Sinha will also apprise the finance minister on the state of the securities market and highlight the recent measures taken by the Sebi board in the primary market and mutual fund space.

Sinha is also likely to discuss the implementation of a common know-your-customer (KYC) requirement for the financial sector. Sebi is already in discussion with other regulators, including the Forward Markets Commission, for implementation of a common KYC.

Before addressing the Sebi board, Chidambaram is also likely to meet senior Reserve Bank of India officials here on Saturday.

(Business Standard)