Mission 2000

Investor Friendly
Self Regulated
Efficient Exchange

The Stock Exchange, Mumbai
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The Stock Exchange, Mumbai (BSE) was established as the “Native Share and Stock Brokers’ Association” on 9th July 1875. BSE is the oldest exchange not only in India but also in Asia, older than the Tokyo Stock Exchange, which was founded in 1878. It is also one of the oldest trade associations in the country. Amongst the 24 recognised stock exchanges in the country, it has been the only one to have the privilege of getting permanent recognition ab-initio under Securities Contracts (Regulation) Act of 1956.

With its long history, BSE has become an icon of capital markets in India. It has contributed significantly to the importance of the city of Mumbai as the “financial capital” of the country. It has aimed at creating an environment which induces members to strictly adhere to the code of conduct and unwritten traditions of this premier institution. The exchange has been an effective “Self Regulator Organisation”. In fact the regulations came much after the exchange itself.

BSE also has the highest numbers of listed scrips in the country thereby providing maximum liquidity to investors. The corresponding number of 5863 companies listed on the BSE is not merely the highest in the country, but also in the whole world on any exchange.

The exchange is a voluntary not for profit organisation. It is an independent institution and does not owe its existence either to the government or any industrial group. The Governing Board is the apex body laying down policies and making rules, regulations & by-laws for the efficient conduct of business of the exchange. The board consists of 19 members. The Executive Director (ED), who is also the administrative head of the exchange, is ex-officio member of the board. In addition, there are 9 elected members from amongst BSE members, 3 SEBI nominees, 5 public representatives and 1 RBI nominee. A team of functional directors reports to ED and looks after the overall administration of the exchange.
President
Mr. Anand Rathi (Elected)

Executive Director
Mr. A. N. Joshi

Elected Directors
Mrs. Deena Mehta (Vice-President)
Mr. Jayesh K. Seth (Honorary Treasurer)
Mr. Jasvantlal C. Parekh
Mr. Bhagirat Merchant
Mr. Kirit Shah
Mr. Ramesh M. Damani
Mr. Motilal Oswal
Mr. Himanshu Kaji

Public Representatives
Mrs. Anna Malhotra (Retd. IAS)
Former Chairman, Nirma Shree Port Trust
Mr. M. M. Chitale
Former President, The Institute of Chartered Accountants of India

Justice D. R. Dhanuka (Retd.)
Retired Judge of High Court

Mr. S. S. Thakur
Chairman, HDFC Bank

Prof. S. K. Barua
Professor, IIM, Ahmedabad

RBI Nominee
Mr. Janak Raj
Director, Capital Markets Division, Dept. of Economic Analysis & Policy, Reserve Bank of India.

SEBI Nominees
Mr. L. K. Singhvi
Senior Executive Director, SEBI

Mr. Samir Biswas
Regional Director, Western Region, Dept. of Ca. Affairs, Govt. of India

Mr. S. Jambunathan (Retd. IAS)
Former Home Secretary, Govt. of Maharashtra
Executive Director
Mr. A. N. Joshi

The Executive Director is the administrative head of BSE. He is responsible for the day-to-day working of the Exchange. He is ex-officio member of the Governing Board. All Functional Directors report directly to him.

Functional Directors
Mr. J. J. Bhatt
Director-Listing and Investors' Service Cell
Mr. A. A. Tirodkar
Director-Finance, Secretarial and Legal
Mr. G. L. Gera
Director-HRD and General Administration
Mr. S. B. Patankar
Director-Information Systems
Dr. Manoj Vaish
Director-Corporate Development
Trading System

Trading is done by members from their Trader Work Stations (TWS) in their offices, through the BSE On-Line Trading (BOLT) system. Since March 14, 1995, the BOLT system has replaced the open outcry system of trading that used to take place in the trading ring. The system is fully automated and does not require any manual intervention. There is a 2-second guaranteed response time from initiation from trader to response received by trader.

While Client Server Architecture using Microsoft Windows makes the software very user friendly, scalability of hardware and software gives it the flexibility of handling increase of volumes. The technological competence of the exchange is reflected in its successful shifting of 6800 stocks from open outcry to fully automated trading in a span of only 50 working days in 1995.

The scrips traded on the Exchange have been classified into 'A', 'B1', 'B2', 'F', and 'Z' groups. The number of scrips listed on the Exchange under 'A', 'B1' and 'B2' groups that represent the equity segments as at the end of Dec 1999 was 140, 1124 and 4521 respectively. The 'F' group represents the debt market (fixed income securities) segment wherein 682 securities were listed as at the end of Dec 1999. Number of scripts in Demat segment were 662.

Further, 'C' group covers the odd lot securities in 'A', 'B1' & 'B2' groups and Rights renunciations. The Stock Exchange, Mumbai, is the only exchange in the country to provide a facility of on-line trading in odd lot securities and Rights renunciations. This facility of trading in odd lots of securities and Rights renunciations not only offers an exit route to investors to dispose of their odd lot of securities but also provides them an opportunity to consolidate their securities into market lots. Trading in this segment covers all the scrips listed in the equity segment. The trading cycle for 'A', 'B1', 'B2', 'C' and 'Z' group securities representing the equity segment is from Monday to Friday and that for 'F' group securities is from Thursday to Wednesday. The transactions in 'A' group scrips are allowed to be carried forward from one settlement to another settlement subject to a maximum of 75 days from the date of original transactions.

In order to protect investors from unfriendly companies, the Stock Exchange has decided to transfer investor-unfriendly companies, which fail to comply with listing requirements and also fail to resolve complaints, to the 'Z' category. As of Dec 31st 1999, 546 companies have been transferred to 'Z' category. Winding-up petitions have been filed against 20 companies and winding-up notices have been dispatched to 183 companies.
**Settlement System**

*Pay-in and Pay-out for 'A', 'B1', 'B2', 'C' and 'Z' group securities*

The trades done by the members during the weekly trading period from Monday to Friday are settled by payment of money and delivery of securities in the following week. All deliveries of securities are required to be routed through the Clearing House, except for certain off-market transactions which, although are required to be reported to the Exchange, may be settled directly between the members concerned.

The Information Systems Department of the Exchange nets off all deliverable trades (purchases and sales in each scrip) done by a member during a settlement and generates delivery/receive orders and money statements which are downloaded by the members in their back offices. The delivery order provide information like scrip, quantity and the name of the receiving member to whom the securities are to be delivered through the Clearing House. The Money Statement provides details of payments/receipts for the settlement.
The securities, as per delivery orders issued by the Exchange, are to be delivered in the Clearing House on the day designated for pay-in, i.e., on Wednesday at any time and on Thursday as per prescribed time slots up to 1:00 p.m. However, member can submit delivery of Shares to the Clearing House between 1 and 2 p.m. on payment of late fees. No late delivery of shares is permitted after 2 p.m. on Thursday. Members have to deliver the securities in special closed pouches issued by the Exchange along with the relevant details (distinctive numbers, scrip code, quantity, receiving member) on a floppy. The data submitted by the members on floppies is matched against the master file data on the Clearing House computer systems. If there are no discrepancies, then a scroll number is generated and a scroll slip is issued. The members then submit the securities at the receiving counter. The Clearing House personnel arrange and tally the securities received against the receiving member-wise report generated on the Pay-in day. Once this reconciliation is complete, the bank accounts of members having pay-in positions are debited on Thursday. This procedure is called Pay-in. The Receiving Members collect securities on Friday and the accounts of the members having pay-out are credited on Saturday. This is referred to as Pay-out.

Auction is conducted for those securities which members fail to deliver/short deliver during the Pay-in. In case the securities are not received in an auction, the positions are closed out as per the close out rate fixed by the Exchange in accordance with the prescribed rules. The close out rate is calculated as the highest rate of the scrip recorded in the settlement in which the trade was executed or in the subsequent settlement up to the day prior to the day of auction or 20% above the closing price on the day prior to the day of auction, whichever is higher.

The settlement schedules for various groups of securities have been strictly adhered to by the Exchange and there
has been no case of clubbing of settlements or postponement of pay-in and pay-out nearly during the last four years. The Exchange is also maintaining a database of fake/forged/stolen securities with the Clearing House so that distinctive numbers submitted by members on delivery may be matched against the database to weed out bad paper from circulation.

**Demat Segment**

The Exchange has commenced trading in the Dematerialised (Demat) segment with effect from December 29, 1997 where there is no physical delivery of securities as in the physical segment. The pay-in and pay-out for the transactions in this segment are both conducted on a single day. Auction session for shortages in demat segment is conducted on BOLT on the day after pay-in/pay-out. The pay-in/pay-out (money part) takes place through computerised posting of debits and credits in the members' bank accounts as in the case of physical segment.

**Disclosure and Listing Norms:**

Guidelines relating to disclosure, laid down by the Securities and Exchange Board of India, are followed by companies who wish to raise money from capital market. Some of the disclosure norms are:

- Details of 'other income' if it constitutes more than 10% of total income.
- All material events affecting the operations of the company on price sensitive information.
- Any change in key managerial personnel.
- Risk factors specific to the company and those which are external to the company.

The basic listing requirements are as follows:

1. New companies can be listed on the Stock Exchange, Mumbai if their Issued Equity Capital after the public issue is Rs. 10 Crores and above subject to minimum 25% offered to the public.
2. Existing listed companies having issued capital of Rs.3 crores to Rs.10 crores listed on other Stock Exchanges can also be listed on BSE if their minimum market capitalisation is Rs. 20 crores coupled with good profit earning record and adequate liquidity in the scrip.

The listing requirements with the Exchange call for further disclosure by companies to promote public confidence. Important disclosures are:

- The company is required to furnish unaudited quarterly financial results in the prescribed Performa.
- The company must explain to the Stock Exchange any large variation between audited and unaudited results in respect to any item.
- When any person or an institution acquires or agrees to acquire any security of a company which would result in his/hers holding five percent or more of the voting capital of the company, including the existing holding, the Exchange must be notified within two days of such acquisition by the company or by authorised intermediary or by the acquirer.
- Any take-over offer made either voluntarily or compulsorily to a company, requires a public announcement by acquirer.
**ARBITRATION MACHINERY**

1) **MEMBER VS MEMBER:**

There exists a three level arbitration machinery for resolving dispute between members. The first two levels consist of member-brokers comprising a two-member bench and a full bench that conducts proceedings with a minimum quorum of 1/3rd of its strength. The third level of the arbitration machinery consists of the Governing Board of the Exchange.

2) **CLIENT/INVESTOR VS MEMBER:**

A dispute between a client/investor and a member is also referred to arbitration if it remains unresolved. The client/investor can appoint his own Arbitrator from the panel of member-broker and outsiders who are either Chartered Accountants/Retired Judges/Company Secretaries etc. The composition of the Arbitration panel is in accordance with the norms approved by SEBI. The Applicant and the Respondent can appoint one Arbitrator each from the panel of Arbitrators. The panel consists of 24 outside Arbitrators and 16 members of the Exchange. If the client/investor is not satisfied with the award given by the Arbitrators, he can challenge the same only in the Court of Law.

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**Investor Protection:**

The Exchange considers investors to be the backbone of the capital market. To keep the primary & secondary market vibrant and active one has to keep their confidence up and high. The Exchange has set up a separate Investors Service Cell to redress the grievances of Investors against Members of the Exchange and Members inter-se.

The Investors' Service Cell of the Exchange is an integral part of the BSE. Since its establishment as a full-fledged department in the year 1986, this cell has been playing a pivotal role in enhancing and maintaining the investors' faith and confidence by resolving their grievances relating to capital market. The Cell is divided into three separate sections, viz.

- Companies' Section
- Member-Member Complaints/Arbitration
- Client-Member Complaints/Arbitration

**Grievance Redressal**

The Investors' Services Cell redresses investors' grievances against listed companies and member-brokers. However, the Exchange does not have powers to take penal action against listed companies, except delisting for specified periods.
Disciplinary Action

The Exchange has an eight member Disciplinary Action Committee (DAC) which decides on punitive action against errant members in disciplinary cases referred to it by various departments of the exchange.

Trade Guarantee Fund (TGF)

Trade Guarantee Fund (TGF) has been created to ensure that the market equilibrium is not disturbed in case of payment crisis faced by the members. The TGF has been brought into force from 12th May 1997. The Defaulters’ Committee of the exchange manages the fund.

The main objectives of creating fund are:

1. To guarantee settlement of bonafide transactions of the members of the Exchange inter-se which form a part of the Stock Exchange Settlement System so as to ensure timely completion of the settlements of contracts and thereby protect the interests of the investors and members of the Exchange.

2. To inculcate confidence in the minds of Secondary market operators generally and global Foreign Institutional Investors.

3. To protect the interests of the investors in securities and to promote the development and regulation of the secondary market.

With 6000-plus listed stocks and a daily turnover of approximately Rs. 20 billion, investor protection has been enunciated by the BSE as a top Mission 2000 objective. Not surprising, as this 125 year old Body has a tradition of functioning largely as a self-regulated exchange. In high gear, therefore, have been moves to strengthen provisioning for the financial security of investors.

Customer Protection Fund

From the current year, the maximum amount payable from the Customer Protection Fund, in case of default, by a member has been enhanced from Rs. 3,00,000/- to Rs. 5,00,000/- an undoubtedly reassuring development for small investors, in particular. With a corpus of approximately Rs. 770 million as of Dec 1999, the Customer Protection Fund of the BSE is the largest such fund in the country.

<table>
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<th>Disbursement From Customer Protection Fund</th>
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<td>(Rs. Lakh)</td>
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<td>Disbursement</td>
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Brokers' Contingency Fund

Another important safety net, is the Brokers' Contingency Fund, to which members contribute on the basis of their gross turnover for every settlement. Started in 1997, today the fund has a corpus of approximately Rs. 160 million. The fund provides assistance to members facing a temporary mismatch of funds and helps them meet their financial obligations to the exchange. While a credit of Rs. 1 million is automatically made into the account of eligible members in case of shortfall of funds during settlements, the total credit that members can request and avail of has now been augmented to Rs. 2.5 million from 1999. In helping to avoid default and the consequent dislocation of the market, this facility will go a long way in minimising investors' risk in trading on the exchange.

Training and Research

The Exchange is continuously strengthening its training and research activities. It is constantly innovating and developing new training programmes to meet the needs of members, market participants and investors. The BSE's mission is to make this institute a Centre for Excellence in Capital Markets. The training programs provided here include:

- Comprehensive Programme on Capital Markets
- Basic Programme on Derivatives
- Training Programme on Carry Forward System (BADLA)
- Investor Awareness Programme

The Exchange has also developed an on-line certification programme covering derivatives and this programme has been approved by SEBI.

BSE Training Institute
Indices

The Exchange compiles and publishes four indices that are based on market capitalisation. The first index compiled was the BSE Sensitive Index with 1978-79 as the base year. It comprises of equity shares of 30 companies from specified group. The companies have been selected on the basis of market capitalisation, trading volumes and industry representation.

The BSE-30 Sensitive index is the benchmark index of the Indian capital market and one that has the longest social memory. In fact the index, also known as SENSEX, is considered to be the pulse of the Indian stock markets. It is the oldest index in India and has acquired a unique place in the collective consciousness of investors. Further, as one of the oldest barometers of the Indian Stock market, it provides time series data over a fairly long period of time. This helps the technical analysts in predicting the markets.

The BSE 30 is a benchmark index with wide acceptance among individual investors, institutional investors, foreign investors and fund managers. Subsequently, a more broad based index, BSE-100 Index with 1983-84 as base year, was compiled. This index is made up of 100 scrips. With divestment of Public Sector Units (PSUs) and a sharp increase in the number of companies listed over the period, it was felt that a new index which is more representative of the recent changes and is more balanced is necessary. The BSE-200 introduced in May 1994 consists of equity shares of 200 companies with 1989-90 as the base year. As the presence of foreign investors grew, a need was felt to express the index values by taking into account the Rupee-Dollar conversion rate. Consequently, the BSE-200 was modified by dividing the current Rupee market value by Rupee-Dollar conversion rate and the base value by a constant average Rupee-Dollar conversion rate in the base year. This index which indicates the movement of the market in dollar values, is called the Dollex.

Recently, the Exchange has launched a new Index christened as the BSE-500 Index. It consists of 500 companies selected diligently by the Index Committee of the Exchange. The BSE-500 Index will represent almost the entire market and is expected to become the standard index amongst the existing indices representing major market capitalisation.

**SECTORAL INDICES**

The exchange has also launched sectoral indices (18 in number to enable investors to analyse the performance of various sectors of the economy. Five sectoral indices that have already been placed on the BOLT on a real-time basis include Healthcare, FMCG, Consumer Durable, IT and Capital Goods.

**Central Depository Services (India) Ltd. (CDSL)**

CDSL was promoted by BSE as the second depository in the country to meet the surging needs of investors for reliable depository services, while also infusing the element of competition in this area. CDSL has already helped to bring about a more competitive rate structure for depository services. Institutions viz. State Bank of India, Bank of India, Bank of Baroda and HDFC Bank Ltd. have co-sponsored the CDSL.

The three main entities that derive considerable benefits from the depository system are the investors, Companies and the Depository participants. The main objectives of CDSL are:

- To accelerate scripless trading
- To make a major thrust in the individual investors’ participation in the depository system.
- To create a competitive environment, which will be responsive to users’ interests and concerns.
Risk Management

The introduction of the Modified Carry-Forward System coupled with the BOLT expansion to cities all over India has led to a significant increase in liquidity and volumes at the Exchange. As a consequence, the risk management function at the Exchange has assumed great importance. The margin, risk-management and surveillance systems at the exchange are the best in the country. The Exchange has set up a separate Surveillance Department to keep a close watch on the price movement of scrips, detect market manipulation, monitor abnormal prices and volumes which are inconsistent with the normal trading pattern and monitor positions of members to ensure that defaults do not occur.

BSE On-Line Surveillance System (BOSS):

Consistent with the philosophy of self-regulation, the BSE developed a state-of-the-art, real-time, On-Line Surveillance System, the only one of its kind in India. The system has been designed to detect trading abnormalities related to price, volume and exposure and to issue alerts. The exchange believes that the surveillance system, which compares well with what exists in developed markets, will bring about greater transparency and fairness in market operations and curb unhealthy practices such as price rigging and manipulation. The system has advanced features built into it, which will enable generation of alerts, visual benchmarking, market reconstruction and alert qualification.

In order to process the voluminous data in real time, the Exchange has procured sophisticated hardware and software. Comprehensive security features have been built into the system. BOSS incorporates four comprehensive databases, related to issuers, securities, trading and members. BOSS was formally inaugurated by the Hon’ble Minister of Finance, Shri Yashwant Sinha, on July 15, 1999.

Margin System

(a) Base Minimum Capital and Additional Capital

All active members of the Exchange are required to maintain a base minimum capital of Rs. 10 lakhs with the Exchange. The base minimum capital is to be kept in the form of cash (minimum 12.5%), Fixed Deposit Receipts of bank(s) (minimum 12.5%) and 75% or balance in approved shares
and securities or bank guarantees. For valuation of approved shares and securities, a haircut of 15% is applied, i.e., only 85% of the value of securities tendered is considered. The members are allowed to deposit additional capital with the Exchange for availing of the higher intraday trading limit (i.e., gross purchases + gross sales) and gross exposure limit (i.e., cumulative net purchases + sales) which have been prescribed @ 33.33 times and 18 times respectively of the base minimum capital + additional capital deposited by the members with the Exchange.

(b) Daily Margins

The Exchange collects daily margins from members based on their outstanding positions in the market. The Exchange has two types of members, i.e., Type-I and Type-II. Type-I members are those who have opted to carry-forward their transactions in 'A' group scrips. They are required to separately indicate at the end of each trading day, whether the outstanding position is for delivery or carry-forward.

There is a limit of Rs. 20 crores for a Type-I member for carrying forward the outstanding position in all 'A' group scrips put together from one settlement to another. There is also a sub-limit of Rs.4 crores on value of trades carried forward from one settlement to another in a single scrip. However, within a settlement, a member can have a maximum outstanding carry-forward position of Rs.50 crores in all scrips and Rs. 6 crores in a single scrip. The limits mentioned above are exclusive of vyaj badla position and scrips which are in their 'No-Delivery' period. There is no monetary ceiling or restriction on Vyaj badla position.

The daily margin for Type-I members on their transactions in 'A' group scrips is computed at 15% on transactions whether marked for delivery or carry-forward. Half of the daily margin (i.e.7.5%) is required to be paid up-front, i.e., either before the execution of the transaction or on the day of the transaction itself. Further Mark to Market (MTM) margin is also computed on outstanding positions and recovered only if the amount of MTM margin payable exceeds the amount paid/payable as daily margin. The daily margin is payable on all transactions during the settlement.

The daily margin for Type-I members in respect of their transactions in 'B1' and 'B2' group scrips and Type-II members for their transactions in 'A', 'B1' and 'B2' group scrips is calculated on the basis of the Gross Exposure. The Gross Exposure (outstanding cumulative net sales + cumulative net purchases) beyond Rs. 1 crore attracts daily margin at the rates prescribed.

The Exchange also computes MTM margin on the outstanding positions in addition to the gross exposure margin and recovers the same only if it is higher than the margin payable on the basis of gross exposure. Thus, the members are required to pay the higher of the two margins on a daily basis, i.e., Gross Exposure or MTM.

The daily margin on transactions done in the demat segment is computed @ 10% on the basis of the members' gross outstanding position, subject to a basic exemption of Rs. 10 lakhs. The gross outstanding position means the aggregate of scrip-wise net purchases + net sales. Further, MTM is also computed on these transactions and recovered only if the same exceeds the amount of daily margin payable on the basis of gross exposure in this segment.
**Carry-Forward System**

Carry-Forward System (CFS) is a unique product offered by BSE. BSE has been allowing this facility in one form or the other for the past 30 years.

Carry-forward system serves four very important economic functions. In our country, hedging tools like derivatives are not available. In the absence of derivatives, CFS provides an opportunity to an investor to hedge specific stock or combination of stocks. Speculation is also an integral part of any capital market. Speculators provide liquidity to the market. CFS provides a facility to speculate by allowing carrying forward positions by payment of margins. Similar facility is also prevalent in the western countries and is popularly known as **margin trading**. CFS therefore allows an investor to take a long-term view without investing 100% money. Margin trading is very popular in western countries because the funds to finance stock market activities are easily available. Banks/Brokers/Institutions freely lend money to their clients to participate in margin trading. In India, unfortunately, providing funds for buying stocks is considered very risky and banks/institutions do not lend money freely for this purpose. **Money lending** is in built into CFS since it brings lenders of money and borrowers who need money to fund their stock purchases, together. **Stock lending** is at a very nascent stage in our country. Short sellers provide stability to the market and are integral part of the market. However, due to high costs, and low liquidity in stock lending, it is very difficult for investors to take a bearish view of the market without possessing requisite stocks. The facility of stock lending at a very reasonable cost to the borrower and at an attractive return to the lender is in built in CFS.

**Turnover**: BSE has seen a sharp growth (65% compounded annual growth) in its turnover in the last few years and if the same rate of growth continues, it would become the number one exchange in the country in near future.

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**Chart Showing Average Daily Turnover on the BSE (Rs. Crores)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Turnover (Rs. Crores)</th>
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<tr>
<td>1995-96</td>
<td>215.79</td>
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<tr>
<td>1996-97</td>
<td>517.85</td>
</tr>
<tr>
<td>1997-98</td>
<td>851.00</td>
</tr>
<tr>
<td>1998-99</td>
<td>1,283.93</td>
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<tr>
<td>Apr-Dec '99</td>
<td>2,248.34</td>
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MISSION 2000

BSE has adopted the mission of reinforcing its position as the most "investor friendly, self regulated and efficient exchange" of the country and the following initiatives are planned during the current year:

Exclusive market making in poorly traded scrips: Ready liquidity is one of the key hallmarks of an efficient market. The Exchange intends to re-activate less traded scrips. In line with this objective, the BSE will shortly introduce exclusive market making in poorly traded scrips, in line with SEBI’s guidelines, which are under finalisation.

Scrutiny of prospectuses: The BSE has started scrutinising the prospectuses of companies that want to get themselves listed on the BSE. This move is aimed at preventing dubious companies from raising capital.

Resolution of investor complaints: In 1998-99, the BSE resolved 54579 investor complaints against listed companies, bringing down the number of pending complaints at the end of the year to 9923, down from 20,775 a year earlier. During the year, the BSE resolved 476 complaints against Members, bringing down the number of pending complaints to 45. As a result of continuous efforts made by the Exchange and arbitrators, the number of pending arbitration cases has dropped from 233 to 148. During the current year efforts are being made to further reduce the number of pending complaints/arbitrations.

Institution of Annual Awards: The exchange has instituted three annual awards - for Corporate Governance, Investor Friendliness and Shareholder Wealth Creation. The awards are likely to be finalised towards the end of February 2000.

Derivatives: The Exchange has taken comprehensive steps to introduce derivatives trading in index futures. All hardware and software related work is being put in place and the exchange will be in a position to commence operations in February 2000.

The first derivative product to be introduced on the BSE will be Index Futures on BSE Sensex.
Expansion of BOLT

BSE BOLT has rapidly expanded to 232 cities/towns through 1020 VSAT-TWSs. The expansion of BOLT will progressively bring the stock market to the doorstep of every potential investor throughout the country. During the current year, BSE also proposes to expand BOLT to 500 centres, and ultimately to about 2,000 centres in the next two years, for which BSE is setting up its own VSAT network at a cost of above Rs. 70 crores. After the SEBI permission to allow BSE to expand BOLT Terminals all over the country, the exchange is expecting a huge expansion of BOLT Terminals and consequently increase in volumes. The BSE also proposes expansion of BOLT to overseas centres.

An accent on self-regulation

The BSE is strongly committed to self-regulation. It is in the process of formulating clear ethical guidelines for Members of the Governing Board and Administration. Self-regulation also extends to the area of risk-management. The average pay-in liability per settlement is covered more than 5 times by the aggregate of total margin, Trade Guarantee Fund and the value of Membership Rights of active members. Over the past three years, not a single member-broker of BSE has been declared defaulter on account of settlement related defaults.

E-BUSINESS IS HERE

The Stock Exchange, Mumbai has outlined a series of initiatives under business development as a part of its Mission 2000. One of the strategic decision taken by the Business Development Committee of the Exchange is to provide for web-based trading facility to the members as it is felt that Internet Trading will fundamentally change the way exchange and brokers interact with their customers.

The foremost objective of the proposed Centralised Exchange based Internet Trading system is that it should enable the Exchange to service its members and the customers of the members in an efficient and cost-effective manner.

The Exchange is desirous of using the Internet technology to:

- Promote transparency through dissemination of market and other information, real-time, to members and investors in dynamic and interactive manner.
- Enhance customer service and provide ‘execution’ facility to investors.
- Reduce cost of transactions to investors and members.
- Improve Efficiency.

The exchange has formed a task force to allow at the entire e-commerce solution in securities trading. Internet Trading will not only bring enormous benefits to clients (in terms of low transaction cost, easy accessibility, etc) but will also bring efficiency at the Broker-dealer end.

Proposals from vendors have been received. A consultant has been appointed to help in vendor selection and the proposal evaluation is in process. The selection of the vendor will be done by early January and Internet
trading is expected to be launched by the second quarter of 2000. BSE is also in the process of upgrading its Website www.bseindia.com

VISION 2005

One of the strategic objectives of 'Mission 2000' is to establish 'Vision 2005', in recognition of the need to define a long-term plan for the success and growth of the exchange. 'Vision 2005' the road map for the next five years, will include the study of best practices across the various exchanges internationally, the current and future environment that the exchange is likely to face, and the needs of our key stakeholders, namely investors, members, issuers, custodians and regulators. The Exchange has appointed Price Waterhouse Coopers as their consultant for charting out 'Vision 2005'.

The road map will include a comparative study of aspects such as regulatory structure, role of regulatory bodies, supervision of exchanges and broker dealers, investor protection regulations, ethical standards and market structure and size. Vision 2005 will also look into the organization structure of exchanges, trading settlement and clearing systems, clearing organizations, new products, technology, competition and the internet, of which one component would be E-Broking.
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<td>No. of Listed Companies</td>
<td>5,603</td>
<td>5,832</td>
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<td>Market Capitalisation (Year end)</td>
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<td>(In Rs. Billion)</td>
<td>5,264.76</td>
<td>4,639.15</td>
<td>4,834.20</td>
<td>5,740.64</td>
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<td>(In US $ Billion)</td>
<td>153.27</td>
<td>129.22</td>
<td>113.59</td>
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<td>Annual Turnover</td>
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<td>(In Rs. Billion)</td>
<td>500.64</td>
<td>1,242.84</td>
<td>2,076.44</td>
<td>3119.99</td>
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<td>(In US $ Billion)</td>
<td>14.57</td>
<td>34.62</td>
<td>52.57</td>
<td>73.60</td>
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<td>0.27</td>
<td>0.43</td>
<td>0.54</td>
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<td>Avg. Daily Turnover</td>
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<tr>
<td></td>
<td>(In Rs. Billion)</td>
<td>2.16</td>
<td>5.18</td>
<td>8.51</td>
<td>12.84</td>
<td>22.48</td>
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<td></td>
<td>(In US $ Billion)</td>
<td>0.06</td>
<td>0.14</td>
<td>0.22</td>
<td>0.28</td>
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<td>6</td>
<td>No. of Shares Traded</td>
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<td>(In Million Nos.)</td>
<td>7,718.00</td>
<td>8,809.20</td>
<td>8,587.00</td>
<td>12927.20</td>
<td>15267.10</td>
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<td>7</td>
<td>Avg. No. of Daily Deals</td>
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<td>73,855</td>
<td>64,503</td>
<td>80,192</td>
<td>145,825</td>
<td>2,592,280</td>
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<td>BSE Sensitive Index (Year End)</td>
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<td>3,892.75</td>
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<td>BSE 100 Index (Year End)</td>
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<td>Dow Jones (Year End)</td>
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<td>151.90</td>
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<td>496</td>
<td>450</td>
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<td>FII Net Investment</td>
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<td>(In Rs. Billion)</td>
<td>31.63</td>
<td>30.49</td>
<td>24.54</td>
<td>-1.17</td>
<td>56.69</td>
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<td></td>
<td>(In US $ Billion)</td>
<td>0.92</td>
<td>0.85</td>
<td>0.62</td>
<td>-0.028</td>
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<td>Total No. of Members (Year End)</td>
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<td>641</td>
<td>638</td>
<td>637</td>
<td>639</td>
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<td>15</td>
<td>No. of Corporate Members (Years End)</td>
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<td>26</td>
<td>63</td>
<td>93</td>
<td>355</td>
<td>376</td>
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*Velocity = Annual turnover/Mkt. Cap.*
<table>
<thead>
<tr>
<th>Name</th>
<th>Price</th>
<th>Change</th>
<th>Open</th>
<th>Close</th>
<th>High</th>
<th>Low</th>
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<tr>
<td>Stock 1</td>
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<td>120.00</td>
<td>121.60</td>
<td>125.00</td>
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<td>3.45</td>
<td>564.00</td>
<td>567.50</td>
<td>572.00</td>
<td>560.00</td>
</tr>
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</table>

The Stock Exchange, Mumbai
Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001.
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