

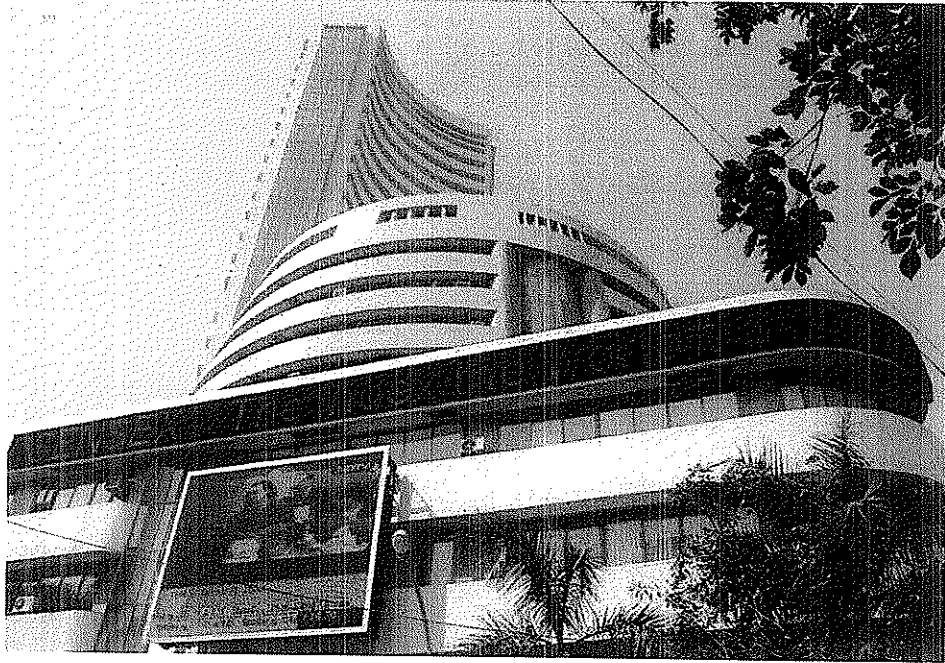


Bombay Stock Exchange Limited

BSE
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GLIMPSES

From The Past



Bombay Stock Exchange

Corporate Affairs



Bombay Stock Exchange Limited

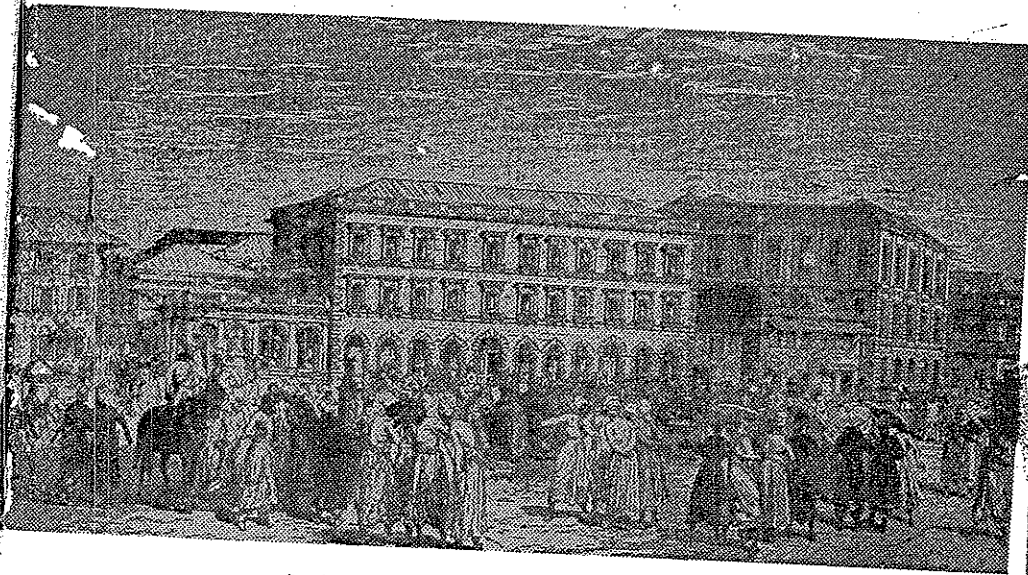
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Story of Indian Stock Exchanges



Bombay Share Brokers' Meeting Place, 1855-70

**THE STOCK EXCHANGE
BOMBAY**

1968

Cover Picture: Between 1855 and 1870, the Bombay Share Brokers' meeting place was between the old Fort Walls and the old Mercantile Bank on the open site now facing the Central Bank of India Head Office Building at the junction of Meadows Street and Mahatma Gandhi Road.

(Courtesy: J.R.B. Jeejeebhoy's collection)

I—1800-1865

EARLY BEGINNINGS

The stock market provides a market place for the purchase and sale of securities evidencing the ownership of business property or of a public or business debt. The origin of the stock market therefore goes back to the time when securities representing title to property or promises to pay were first issued and made transferable from one person to another.

The earliest records of security dealings in India are meagre and obscure. The East India Company was the dominant institution towards the close of the eighteenth century and business in its loan securities used to be transacted in those days.

By 1830's, there was a perceptible increase in the volume of business, not only in loans but also in corporate stocks and shares. In Bombay, business passed in the shares of banks like "the Commercial Bank, the Chartered Mercantile Bank, the Chartered Bank, the Agra Bank, the Oriental Bank and last, though not the least, the old Bank of Bombay", and among other prominent shares were those of Cotton Presses. In Calcutta, the *Englishman* reported in 1836 the quotations of 4%, 5% and 6% Loans of the East India Company as well as of the shares of the Bank of Bengal for which there were buyers at Rs. 5,000 premium and sellers at a premium of Rs. 7,500.

By 1840's, the trading list was broader. In 1839, Calcutta newspapers gave quotations of banks like the Union Bank and the Agra Bank and of business ventures like the Bengal Bonded Warehouse, the Docking Company and the Steam Tug Company. Brokers then were not a numerous community and in Bombay "between 1840 and 1850 there were half a dozen brokers recognised by the banks and merchants".

In 1850, the Companies Act introducing limited liability was enacted and with it commenced the era of modern joint stock enterprise in India.

STOCKBROKERS' RISE TO POWER UNDER PREMCHAND ROYCHAND

From 1850 to 1865, the history of brokers and their rise to power in Bombay is the history of Premchand Roychand. The 1850's witnessed a rapid development of commercial enterprise. The extension of railways and introduction of telegraphs and the gradual improvement in the system of communications promoted internal trade and commerce; at the same time, the demand for European manufactures increased in this country and was accompanied by the growth of a corresponding demand in Europe for our exports. Stockbrokers shared in this general progress. "The *hoondee* business was most prosperous and so was that of brokerage".

Brokerage business attracted many men into the field and by 1860 the number of brokers increased to 60. Their acknowledged leader was the legendary Premchand Roychand who had entered the trade in 1850. He was the first broker who could speak and write English. Within six or seven years, he nearly monopolised the broking business in shares, stocks, bullion and partly exchange and gathered all the strings in his hands. Not only shares but also "all the best gilt-edged securities of those days gave him splendid opportunity for the display of that brilliant financial strategy which crowned him as the Napoleon of Finance and he was acclaimed as such by myriads of his countrymen".

As the Civil War progressed, the price of cotton kept on rising till it reached 27d. per pound against 3d. to 5d. quoted before 1863. The large exports of cotton were paid for in bullion which poured into Bombay from Liverpool in the shape of silver and gold. As shown hereunder, the total import of bullion amounted to Rs. 85 crores between 1861-62 and 1864-65. Out of this, Bombay alone absorbed Rs. 52 crores, giving an average of Rs. 13 crores per annum.

Import of Gold and Silver

Year	INDIA Cr. of Rs.	BOMBAY Cr. of Rs.
1861-62	17.73	9.48
1862-63	19.63	13.98
1863-64	18.97	16.13
1864-65	28.49	12.19
Total	84.82	51.78

The import of all this bullion was in addition to the wealth of the City and served as fresh capital for a number of new ventures. As observed by the Bank of Bombay Commission in its Report —

“The great and sudden wealth produced by the price of cotton shortly after the commencement of the American War, coupled with the want of legitimate means of investment, was at this time producing its natural result in the development of excessive speculation . . . From this period everyone in Bombay appears to have become wild with the spirit of speculation. Companies were started for every imaginable purpose — banks and financial associations, land reclamation, trading, cotton cleaning, pressing and spinning, hotel companies, shipping and steamer companies and companies for making bricks and tiles.”

Although Premchand Roychand remained a broker all his life, in the 1860's he directed his financial genius to other pursuits and manifold activities. He led captive the imagination of Indians and Europeans alike and all the enterprises were either promoted by him or promoted through his goodwill and help. He "floated banks and financial institutions by the dozen, land and sea reclamations and trading and other Companies of diverse kinds with the rapidity of the prophet's gourd".

Premchand Roychand wielded the sceptre of kings. The Bank of Bombay Commission put it on record in its Report that the old Bank of Bombay was practically his. It was the same with the Asiatic Bank and a host of other institutions. The story of the boom that followed his activities was indeed "a marvellous history more fascinating in its incidents than many a tale of Arabian Nights. The unconscious maker of that history was primarily Premchand Roychand himself His was the master mind in finance which wrought those marvellous miracles on the Stock Exchange".

SHARE MANIA OF 1860-65

In 1860-61, the American Civil War broke out and totally stopped the supply of cotton from the United States to Europe. The resulting cotton famine led to a large and unlimited demand on India, and India really meant the Bombay Presidency where alone the largest stocks were available. In four years, exports fully doubled themselves from 5,66,000 bales to 11,18,000 bales.

exploited. Premchand Roychand dominated the Bank and under his influence the Bank advanced on a variety of supposed substantial securities with a highly fictitious value. The reckless lending policy of the Bank of Bombay was in a large measure imitated by others and it was in a considerable degree responsible for the speculation that followed.

From 1861 to the beginning of 1865, there was nothing however wild that was floated whose shares did not command a premium. The Back Bay Reclamation share with Rs. 5,000 paid-up was at Rs. 50,000 premium, the Port Canning share with Rs. 1,000 paid-up was at Rs. 11,000 premium, while the Mazgaon Land share was at Rs. 9,000 premium and the Elphinstone Land share at more than 500 per cent premium. Some of the banks and financial associations reached a premium of 50 per cent to 100 per cent without being tested by returns. The Asiatic Bank share of Rs. 200 was quoted at Rs. 460 in August 1864 and the Bank of Bombay share with Rs. 500 paid-up reached a maximum price of Rs. 2,850.

It was said that "man and woman, master and servant, employer and employee, banker and merchant, trader and artisan, rich and poor, of all races and creeds, officials in high position included, were deeply busy from day to day in the art of commuting bits of paper, variously called 'allotments', 'scrips' and 'shares' into gold and silver". The madness which seized the people at large was indescribable. The people only woke up when the end of the American Civil War came. Then, all rushed to sell their securities but there were no buyers and the entire wealth received during the Civil War was represented by a huge mass of unsaleable paper.

Between 1863-65, the capital drawn into these new ventures was nearly Rs. 30 crores and the premia they fetched in the market amounted to nearly Rs. 38 crores. As indicated below, more than 125 concerns were involved and in not a few cases the premia exceeded the paid-up capital.

New Company Flotations, 1863-65

No.	Kind of Company	Paid-up Capital Cr. of Rs.	Market Premia Cr. of Rs.
25	Banks	13.64	10.94
69	Financial Associations	6.22	4.42
7	Land Reclamation Cos.	8.34	17.56
30	Miscellaneous Cos.	1.56	5.00
131	Total	29.76	37.92

The first vital spark of the speculation which eventually burst out into a huge conflagration was kindled by the Asiatic Banking Corporation. Originally named the Bombay Joint Stock Bank, it was established in 1863 with a capital of Rs. 50 lakhs which was doubled within a year when a charter was obtained. Its shares were rigged up to a premium of 65 per cent in a few short months and it was the forerunner of 94 other monetary institutions which came into existence on its heels.

It was also in 1863 that the charter of the old Bank of Bombay was amended and its capital doubled from Rs. 52 lakhs to Rs. 104 lakhs. At the same time, the ban on the Bank prohibiting it from making advances on personal security was removed and permission to advance on Government securities was enlarged to cover securities of "other public companies in India". This new freedom was fully

~~II~~—1866-1900

FOUNDATION OF THE STOCK EXCHANGE AT BOMBAY

During the Share Mania of 1861-65, the number of brokers greatly increased and they became possessed of great influence, authority and wealth. Between 1840 and 1850, only half a dozen brokers had sufficed for the limited business that then existed and their meeting place was under the widespreading *banyan* trees in front of the Town Hall at the Cotton Green where the Elphinstone or Horniman Circle is now situate. Brokers continued to meet there till 1855 by which time their number had increased between 30 and 40. After 1855, brokers made their market place again under the shade of some *banyan* trees, between the old Fort Walls and the old Mercantile Bank on the open site now facing the Central Bank of India Head Office Building at the junction of Medows Street and Mahatma Gandhi Road.

By 1860, the number of brokers was about 60 and during the exciting period of the American Civil War their number increased to about 200 to 250. Brokers were then a privileged class, created as much noise as they pleased and obstructed without let or hindrance the streets, the shops and the lower premises of banks. Bank managers went to their rooms through a serried rank of brokers, bowing to them right and left, and the police had only *salams* for them.

The end of the American Civil War brought disillusionment and many failures and the brokers decreased in number and prosperity. Bank managers all of a sudden discovered that they were a nuisance to their customers and ordered the *hamals* to clear their steps, and the police drove

The fatal day was reached on the 1st of July, 1865, when hundreds of time bargains matured which no one was in a position to fulfil. A disastrous slump followed and it so completely overwhelmed the City that the Bank of Bombay share which had previously touched Rs. 2,850 could only be sold at Rs. 87 and the Back Bay Reclamation share at not more than Rs. 1,750 against its peak price of Rs. 50,000, while a share of the solid Elphinstone Company could only be sold at Rs. 450, of Colaba at Rs. 975, Mazgaon at Rs. 515 and Frere Land at Rs. 115.

Like the South Sea Bubble and the Tulip Mania of the eighteenth century in Europe, the Share Mania of 1861-65 caused widespread desolation, and Premchand Roychand and his broker friends were "anathematized". A large number of Companies failed and there were few left solvent in Bombay. A special legislation, being Act XXVIII of 1865, had to be enacted to deal with the mass failures swiftly and expeditiously. The liquidation went on till 1872.

The depression was long and severe, but the Share Mania had certain lasting effects. The expansion of liquid capital and the establishment of a regular market in securities were its direct results and they helped to make Bombay what it is today — "the chief centre of the money and capital market" and "the financial capital of India".

When the Exchange was constituted in 1875, the entrance fee for new members was Re. 1 and there were 318 members on the list. The number of members increased to 333 in 1896, 362 in 1916 and 478 in 1920, and the entrance fee was raised to Rs. 5 in 1877, Rs. 1,000 in 1896, Rs. 2,500 in 1916 and Rs. 48,000 in 1920.

At present, there are 504 members and they have the right of nomination, that is, they are entitled to transfer their right of membership with the approval of the Governing Board. The value of the right of nomination — called a "seat" on the London and New York Stock Exchanges and locally known as a "card" — has fluctuated according to the ebb and flow of market activity. The price was Rs. 1,800 in 1910 before the First World War, Rs. 48,111 in 1920 during the post First World War boom, Rs. 6,700 in 1932 during the Great World Depression, Rs. 64,000 in 1946 during the post Second World War boom, Rs. 14,000 during the slump in 1954 and Rs. 37,000 during the 1961-62 boom, while following the subsequent long drawn out recession the value stands at Rs. 15,000 in 1968.

CONSOLIDATION OF THE STOCK EXCHANGE AT BOMBAY

The organisation of the Stock Exchange at Bombay coincided with the recovery from the seven-year depression following the Share Mania of 1861-65. The enterprises promoted by the first generation of brokers, although they ruined the shareholders, were grand conceptions of genius before their time, the fulfilment of which we only see today. Awaking from these grand dreams, the capitalists and the Bombay brokers steadily promoted after 1872 only those enterprises which were useful and remunerative, such as, mills, presses and mining companies. A new departure in commerce and industry was thus taken, credit was restored and prosperity came back to Bombay with the firm establishment of the cotton industry, the building of new docks and the extension of railway facilities for transport of goods.

them from pillar to post. They had to shift from place to place, and wherever they went, through sheer habit, they overflowed into the streets. At last, in 1874, in a street that is now appropriately called *Dalal Street* after their name, they found a place where they could conveniently assemble; and on the place where they so assembled stood once the office of *The Advocate of India*.

It was in those troublous times between 1868 and 1875 that brokers organised an informal association, and finally, as recited in the Indenture constituting the Articles of Association of the Exchange, "on or about ninth day of July one thousand eight hundred and seventy five a few native brokers doing brokerage business in shares and stocks resolved upon forming in Bombay an association for protecting the character, status and interest of native share and stock brokers and of providing a hall or building for the use of the members of such Association".

At a meeting held in the Brokers' Hall on the 5th day of February, 1887, it was resolved to execute a formal Deed of Association, constitute the First Managing Committee and appoint the first Trustees. Accordingly, an Indenture was executed on the 3rd day of December, 1887, constituting the Articles of Association of the Exchange and the Stock Exchange was thus formally established in Bombay "as a Society to be called the Native Share and Stock Brokers' Association". The Association is now also known alternatively as "The Stock Exchange". The word "Native" in the original title which still survives marked no distinction from a parallel foreign association, for none existed. It was a sign of exclusiveness and pride, and Article II of the Articles of Association specifically declared "that no other persons except natives of India shall be admitted as members of the said Association". The Articles of Association so adopted by the Exchange form, with modifications and amendments, the basis of its government to this day.

India being the original home of options, a native broker would give a few points to the brokers of the other nations in the manipulations of puts and calls..... A native broker has borne a considerable share in the building of the present Bombay..... A portion of the prosperity of Bombay is owing to the mill industry and in its every stride forward the brokers have a considerable share."

The Exchange was at last comfortably housed, though for a time a crowd of dealers in Government Securities preferred to remain outside. After the First World War, the adjoining Old Building which had changed hands for Rs. 73,000 in 1913 was bought in 1920 at Rs. 10,30,000 to enlarge the trading hall for transacting the increasing volume of business. In 1928, the premises were further extended by acquiring from the Bombay Municipal Corporation for Rs. 5 lakhs the adjoining plot of land abutting on Apollo Street and flanked by Dalal Street and Hamam Street. A new building was constructed on the site at the cost of another Rs. 5 lakhs and it was thrown open for public use on the 1st of December, 1930. The process of extension, adaptation and renovation is not yet over. Lately, the surrounding property has been absorbed and the entire Stock Exchange properties are proposed to be rebuilt to provide for the constant growth of the institution. All the while, the two *peepal* trees on the Stock Exchange premises stand silent witness. The trees shed their leaves every autumn and the foliage is green again in spring, a perennial symbol of the cyclical fluctuations so characteristic of stock exchanges.

And so the Stock Exchange at Bombay has continued to expand in size and grow in its stature and influence. It is not only the oldest Stock Exchange but also the oldest trade association in the country. Among the eight Stock Exchanges recognised by the Government of India under the Securities Contracts (Regulation) Act, 1956, it was the first one to be recognised and it is the only one that has been granted the privilege of permanent recognition. Likewise,

The Stock Exchange played an important part in these new developments. The object of forming an association with fixed rules for conduct and settlement of business was "to facilitate the negotiation of the sale and purchase of joint stock securities promoted throughout the Presidency of Bombay. In this the Association entirely succeeded. Outside it, no securities could be negotiated, purchased or sold". In those days, "it was very difficult to float a public Company and secure large amounts of capital subscribed. It must be mentioned to the credit of the brokers that they always tried their best to popularise the new issues to enable the Companies to secure the necessary capital". The Stock Exchange thus channelled the flow of investment into stocks, shares and giltedged securities and materially helped Government and trade and industry.

As the Exchange grew in size, so did its accommodation. The premises taken in 1874 in Dalal Street on a rent of Rs. 130 per month were given up when what is now known as the Stock Exchange Old Building situate at Dalal Street was acquired for Rs. 97,000 in 1895. In the central court-yard of these premises and in what is now the Brokers' Hall flourished two sturdy *peepal* trees, which still survive. The Brokers' Hall was thrown open on the 18th of January, 1899. In his welcome address, the President of the Exchange, Sir Shapurji B. Bharucha, observed:

"A Bombay native broker is a very useful member of the society, whose virtues are not sufficiently recognised, although his faults are emblazoned forth. With rare exceptions, he is honest to the backbone and pays up for his own misfortunes or the defaults of his customers to the last pie. Without doubt this is the largest Rupee Paper Market in India, whether as regards the volume of business or the extent of the fluctuations. The Bombay Port Trust and the Bombay Municipality are under a debt of gratitude to them for raising their credit to enable them to borrow at the lowest rates obtaining in India, next to Government Paper.

The Exchange was organised as a voluntary non-profit-making association with a Trust Deed and a Deed of Association on the same lines as the Stock Exchange in Bombay. It followed the Bombay rules and practices and not a few of the members and their relatives were members of the Bombay Exchange. This close correspondence has been maintained ever since. The Ahmedabad market concentrated its business in the shares of local textile mills and of the Managing Agency Houses controlling those companies. After the First World War, a substantial increase in its trading volume led the Exchange to hire a building in the Manekchowk area where the members used to congregate and trade under the open sky. Business continued to expand and the Exchange thereupon purchased a nearby property and constructed its own building in the 1920's at a cost of Rs. 3,60,000. In 1950, it again acquired another adjoining property for Rs. 70,000.

The process of expansion continues. At present, out of its 461 members, only about 150 are active, but the indications are that the Ahmedabad Exchange will grow in size and importance as Ahmedabad is now the capital city of the new Gujarat State.

it is acknowledged to be the best organised and the largest — be it as a market for gilt-edged securities or for new issues of capital; or in regard to the paid-up capital and market value of listed securities, or the average size of listed companies; or from the point of view of turnover, price continuity, liquidity and negotiability, in all of which it enjoys outstanding pre-eminence. The primacy of the Stock Exchange at Bombay places it at the heart of the capital market. The Exchange thus helps materially to make Bombay “the chief centre of the money and capital markets” and contributes in no small measure to the importance of the city as “the financial capital of India”

FOUNDATION OF THE AHMEDABAD SHARE AND STOCK BROKERS' ASSOCIATION

The cotton textile industry which established the primacy of Bombay also contributed to the development of Ahmedabad as the next important city in the Bombay Presidency. After 1880, a number of mills were set up in Ahmedabad and it rapidly forged ahead. Soon the need arose for trading in the shares of those units which were incorporated as joint stock companies. The businessmen of Ahmedabad had inherited a tradition for dealings in stocks and shares. Many of them had actively participated in the Share Mania of 1861-65 in Bombay and in fact a number of Bombay brokers hailed from Ahmedabad and neighbouring places where they had their homes and where their families resided. Accordingly, as new cotton textile mills were floated, Ahmedabad brokers canvassed subscriptions for the capital issues of those new companies, and in return were remunerated by commission in the Managing Agency shares of the companies. The volume of business steadily grew, till in 1894 the brokers formed themselves into an Association under the named and style of “The Ahmedabad Share and Stock Brokers' Association”.

mill industry of Western India, the jute industry of Bengal and the coal and mining industry in Bihar, Orissa and Bengal. What the cotton textile industry was to Bombay in the West, the jute industry was to Calcutta in the East.

Jute mills were beginning to spring up on the banks of the Hooghly when Bombay was in the grip of the Share Mania in 1861-65. These were also boom years in Calcutta, and in 1864 there were some 91 joint stock companies in which business was being done. Of these, the largest group was teas consisting of 38 companies. The coal section was represented by Bengal, Beerbhoom, East Indian, Equitable and another company, while the miscellaneous group included several steam tug companies. Jute mills attained an important place in the trading list in the following years and in the 1870's there was a sharp boom in jute shares.

The boom in jute shares was followed by a boom in tea shares in the 1880's and 1890's. As the century drew to a close, the 4% Government Paper (converted into 3½% Government Paper in 1901) was an important market leader in Calcutta and the major industrial groups were teas, jutes and coals. Among miscellaneous shares, India Generals were one of the most popular and had a large following in the market.

A few years after the turn of the century, there was a coal boom in Calcutta, and between 1904 and 1908, coal shares staged a remarkable rise. Burrakur which was quoted at Rs. 85 in 1902 jumped up to Rs. 540 in 1908, Bengal Nagpur from Rs. 22 to Rs. 104, Raneegunge from Rs. 11-1|2 to Rs. 43-1|2, Gopalichuck from Rs. 6 to Rs. 21-1|2 and New Beerbhoom and Reliance Coal from Rs. 167 and Rs. 160 to the equivalent of Rs. 615 and Rs. 500 respectively. Dazzled by the running rise in prices, many persons who had never held or dealt in shares before were attracted to the

III-1901-1913

BEGINNINGS OF THE SWADESHI MOVEMENT

In the beginning of the 20th century, the industrial revolution was on the way in this country. Its first outposts had already been planted in the middle of the 19th century. There was then a revolution in transport and means of communications with the building up of a network of railways, roads and telegraphs. A new form of industry was also established in the plantations operated by the tea, coffee and indigo estates. Then followed two of the most important industries in India — the cotton mill industry in Bombay financed by Indian capital and enterprise and the jute industry in Bengal dominated by the Europeans. The industrial revolution thereafter spread to the mining and other miscellaneous industries such as coal, manganese, gold and mica, rice mills, oil mills and the rest.

The opening years of the 20th century saw the birth of the *swadeshi* movement. The institution of the Indian Industrial Conference in 1905 in association with the Indian National Congress was the first definite sign of an alliance between economic and political discontent. The *swadeshi* movement let loose a great wave of industrial enthusiasm in the country and an important stage in industrial advance under Indian enterprise was reached with the inauguration of the Tata Iron & Steel Co., Ltd., in 1907. These developments were portents of the industrial progress to come and of the part to be played by the Stock Exchanges.

FOUNDATION OF THE CALCUTTA STOCK EXCHANGE ASSOCIATION

The Stock Exchanges at Bombay and Ahmedabad were well set up as properly organised associations at the commencement of the 20th century, but the Calcutta Stock Exchange was not so constituted. At that time, the only large organised industries on a stable footing were the cotton

When the Calcutta Stock Exchange Association was constituted in 1908, the number of founder members was about 150 as compared to about 50 Indian and 4 or 5 European brokers who traded towards the close of the 19th century. On the 7th of June, 1923, the Association was incorporated as a limited liability company with an authorised capital of Rs. 3 lakhs consisting of 300 shares of Rs. 1,000 each and its membership was then 210. The membership was reconstituted in 1958 when the Rs. 1,000 share was split up into four shares of Rs. 250 each and 1,112 such shares were issued to individual members of partnership firms. The number of individual members was 544 in 1959 and 646 in 1966.

The Exchange had, however, to undergo much stress and strain before its membership so increased. Shortly after its formation in 1908, the severe trade depression that followed on the heels of the coal boom took a heavy toll. Many stockbrokers sustained serious losses and abandoned the trade, while some others defaulted and were expelled. Financial difficulties were then so acute that in the early part of 1910 the Association seriously considered whether it should not wind up its affairs. These difficulties were, however, surmounted because it was recognised that the Calcutta Stock Exchange performed a most useful function as the principal market in Bengal and Eastern India for stocks, shares and securities.

Even when the Exchange was founded, it had on its list shares of as many as 236 companies, among whom 10 were railways, 19 banks, 26 jute mills, 69 coal companies, 81 tea companies and 31 miscellaneous companies. This gave wide coverage which has more than doubled in the succeeding years and the Calcutta Stock Exchange Association has thus helped in no small measure to make Calcutta what it is today — "the industrial capital of India".

stock exchange as moths to a candle. Hectic buying all round raised prices to the roof and built up a vulnerable position. At last, the boom broke in 1908 and a severe depression followed.

Many new entrants, who had taken to share business during the boom, were strangers to the market and its traditions and devoid of all knowledge of its customs and usages. Many of them were a menace to themselves and to the general public and the trade. The crisis that followed the boom provoked endless differences and disputes among these brokers and ultimately led to a communal riot in May 1908. It was then realised that an organised body was necessary for the mutual protection and safety of the brokers and the trade. And so it was that on the 15th of June, 1908, an association was formed by some leading brokers under the name and style of "The Calcutta Stock Exchange Association".

CONSOLIDATION OF THE CALCUTTA STOCK EXCHANGE

When the Calcutta Stock Exchange was founded, it was housed in a new building at New China Bazar Street (later on known as Royal Exchange Place) where accommodation on a twenty year lease was taken on a monthly rent of Rs. 1,080 plus half share of the municipal rates and taxes. These premises were close to the previous venue where stock brokers carried on business under the shade of a *Neem* tree on the site where now stand the buildings of the Chartered Bank of India. As the end of the lease drew near, the Association acquired in 1926, on a lease of 99 years, a plot at the corner of Lyons Range and Royal Exchange Place. This plot was purchased outright in 1933, but before that, in 1928, a five-storeyed building was constructed to provide larger trading accommodation and to meet the needs of members whose number was greatly enlarged in 1920.

unable to move an inch further and they had to close their doors with three years". As Shri Bhulabhai Desai commented in his Minority Report of the Stock Exchange Enquiry Committee in 1923, "for some time past no business is being transacted on the new Exchange and it is now practically a dead institution. The figures relating to the business of the Association point to the same conclusion". An attempt was made to revive the Bombay Stock Exchange, Ltd., in 1922 but it failed. After the passing of the Bombay Securities Contracts Control Act in 1925, it made a last-ditch effort to obtain official recognition under the Act, but Government refused. Thereafter it went into liquidation and wound up its affairs. The fact was that, in spite of highly influential persons, the new Exchange did not command the confidence of the public which continued to support the existing Association.

Apart from Bombay and Ahmedabad, a new stock exchange was also organised in Madras under the name and style of "The Madras Stock Exchange" on the 6th of April, 1920; and in Northern India also Lala Harikishan Lal and others attempted to establish a registered stock exchange in the 1920's but did not succeed. The Madras Stock Exchange had 100 members on its rolls when it started and dealt chiefly in mill shares. However, when the boom faded, followed by company failures and a sharp fall in prices in 1921-22, the Madras Stock Exchange became moribund for want of business. By 1923, the number of its members stood reduced from 100 to 3 and so it went of existence.

FOUNDATION OF THE MADRAS STOCK EXCHANGE

After the First World War, some business in stocks and shares was being transacted in Madras by a broker or two. They continued to function even when the Stock Exchange formed in 1920 went out of existence in 1923. In the beginning of 1927, there were two broker firms, one European and the other Indian, and a Bombay firm opened a branch in Madras in that year. Less than a dozen transactions were

IV - 1914-1939

THE FIRST WORLD WAR BOOM: EPHEMERAL NEW STOCK EXCHANGES

On the eve of the First World War, the stock market in India consisted of the three Stock Exchanges at Bombay, Calcutta and Ahmedabad. As hostilities progressed, Europe ceased to produce any manufactured articles except those required for the prosecution of the war. The import of manufactures into India stopped almost completely and a boom ensued in all industrial enterprises. Mills, factories and workshops worked round the clock, fabulous profits were earned and large dividends were declared. Cotton and jute textiles, steel, sugar, paper and flour mills and all companies generally enjoyed phenomenal prosperity. Wealth accumulated and the volume of money increased, and the Stock Exchanges "soon became the centre of attraction for all".

The roaring trade in stocks and shares during the war and post-war boom led to the formation of rival Stock Exchanges in Bombay and Ahmedabad. A new limited company was formed and incorporated in Bombay under the name and style of the Bombay Stock Exchange, Ltd., in December 1917 and an unincorporated body called the Gujarat Share and Stock Exchange was established in Ahmedabad in 1920.

The Bombay Stock Exchange, Ltd., had on its Managing Committee a number of well-known industrialists and businessmen like Sir Purshottamdas Thakurdas, Sir Chunilal V. Mehta, Sir Ibrahim Rahimtoolla, Shri Rameshwardas Birla and others — men of high reputation but not conversant with the working of stock exchanges. They claimed that they would introduce reforms in matters in which, it was said, the existing Stock Exchange in Bombay was deficient, "but they found the same impracticable and were

limited by guarantee under the name and style of the Madras Stock Exchange, Ltd., on the 29th of April, 1957. In May 1961, it acquired a building of its own at a cost of Rs. 2,10,000. The Madras Stock Exchange now has 35 members on its rolls. Its activities are steadily expanding and companies covering all types of industries, including banks and insurance companies, are on its trading list.

RIVAL STOCK EXCHANGES

In 1917 and 1938 rival stock exchanges were set up in Bombay and Calcutta respectively. The steel boom in 1937 stimulated considerable interest in Calcutta, and as prices soared up and the volume of business increased, a number of new entrants invaded the field with a view to exploiting the favourable opportunity and making a fortune for themselves. Accordingly, another stock exchange under the name and style of the Bengal Share and Stock Exchange, Ltd., was organised in Calcutta in 1937 with the object of doing forward business in stocks and shares on a monthly settlement basis.

Very much for the same reasons, and for the second time in the history of Bombay, a new stock exchange limited by guarantee was started in February 1938 under the name and style of Indian Stock Exchange, Ltd. It had an influential Board of Directors consisting of well-known businessmen and industrialists like Sir Choonilal B. Mehta, Sir Behram Karanjia and others. Most of them were ineligible for membership of the existing Stock Exchange because its Rules, sanctioned by Government, prohibited members from engaging themselves as principals or employees in any business other than that of stocks and shares. The object of

done by these brokers and reported in the press. In the next quinquennium, a few more brokers joined the trade, and though there was no organised exchange, they helped in the flotation of many electricity companies, textile mills and planting and industrial concerns.

Up to 1933-34, stock and share business was almost entirely in the hands of two or three European firms and two Indian firms and their daily business was mostly confined to gilt-edged securities and South Indian plantations, the principal interest being in London shares. With the establishment of trunk telephone facilities in 1933, business gradually broadened as South Indian investors became interested in stocks and shares quoted on the Bombay Exchange and Bombay and Calcutta investors developed interest in Madras scrips. A few more Indian firms were started in 1935 by former assistants or constituents of English firms, and business continued to develop.

The improvement in business conditions and in stock market activity in 1935 was marked by growing public interest in stocks, shares and securities. In South India, there was a rapid increase in the number of textile mills and many new plantation companies were floated. To cater to this expanding trade in plantation and mill shares, a stock exchange was organised in Madras on the 4th of September, 1937, under the name and style of the "Madras Stock Exchange Association (Private) Ltd."

When the Madras Stock Exchange was established in 1937, it had 5 members and 84 companies on its list of officially quoted securities. Since then, with the rapid industrialisation of Madras and the neighbouring States, the Exchange has expanded in membership and in the scope of its activities. It was reorganised as a new company

V - 1939-1968

THE SECOND WORLD WAR BOOM: MUSHROOM STOCK EXCHANGES

The Second World War touched off a brief sharp boom which was followed by a slump. The situation changed radically in 1943 when India was fully mobilised as a supply base. Mills, factories and workshops were running day and night. Prosperity was rapidly increasing, inflationary finance expanded; money became cheaper and paper wealth multiplied. This war-time boom brought unprecedented prosperity to the Stock Exchanges. On account of restrictive controls on cotton, bullion, seeds and other commodities, those dealing in them found in the stock market the only outlet for their activities. They were anxious to join the trade and their number was swelled by numerous others who saw in the expanding volume of business and swiftly rising prices an opportunity for accumulating large fortunes overnight. Many new associations were constituted for the purpose and the organisation of stock exchanges in all parts of the country assumed the proportions of a craze.

In Ahmedabad where the Ahmedabad Share and Stock Brokers' Association recognised by Government and the Gujarat Share and Stock Exchange already existed, as many as four new stock exchanges were set up one after another. Two of them disappeared with equal speed, but the Indian Share and General Exchange Association and the Bombay Share and Stock Brokers' Association established in 1943 managed to survive till 1957-58. In that year, some of their members as well as those of the Gujarat Share and Stock Exchange were absorbed on concessional terms by the Ahmedabad Share and Stock Brokers' Association which was the only Stock Exchange in Ahmedabad recognised by the Central Government under the Securities Contracts (Regulation) Act, 1956.

the promoters of the new Exchange therefore was to force themselves into the stock exchange trade by the back-door through the medium of a new association. Apart from these industrialists and businessmen who also wished to become stock brokers and dealers, the membership of the Indian Stock Exchange, Ltd., was drawn at different stages from the elements which had been driven out from the bullion, cotton, seeds and other forward markets after they came under Government control.

The Indian Stock Exchange, Ltd., had a feverish existence. It functioned sporadically, and whenever it did, its interest was restricted to two or three highly volatile scrips. The Exchange failed to win public support, and its repeated applications for recognition under the Bombay Securities Contracts Control Act were refused by the Government of Bombay. The Government of India also rejected its application for recognition when the Securities Contracts (Regulation) Act came into force in 1957; but in view of the principle of unitary control, twenty-five of its members were then admitted to the membership of the Bombay Exchange on concessional terms. Since then, the Indian Stock Exchange, Ltd., has ceased to function and is now in a moribund condition.

Over and above the two new Exchanges in Calcutta and Bombay, the Madhya Pradesh Stock Exchange was established in Indore in 1930. Thereafter, the Lahore Stock Exchange was formed in Lahore in 1934. It had a brief career and merged with the Punjab Stock Exchange, Ltd., which was incorporated in 1936. There were thus nine Stock Exchanges in India, two each in Bombay, Calcutta and Ahmedabad and one each in Madras, Indore and Lahore, when the Second World War broke out in 1939.

and share dealings only, others were more forthright in permitting their members to deal in other commodities like cotton, bullion or oilseeds. Most of these Exchanges carried on forward trading either openly or in the guise of cash or ready delivery transactions, and in the absence of any listing regulations, dealings were allowed in all and sundry shares which had a speculative appeal.

This mushroom growth of stock exchanges fed on the war time boom and suffered almost a total eclipse in the aftermath of depression. The Exchanges in Lahore closed down during the holocaust which followed the partition of the country and later one of them migrated to Delhi where it was merged with the Delhi Stock Exchange. Most of the other Stock Exchanges withered away or languished till 1957 when they applied to the Central Government for recognition under the Securities Contracts (Regulation) Act, 1956. Only the old established Stock Exchanges at Bombay, Calcutta, Madras, Ahmedabad, Delhi, Hyderabad and Indore were recognised under the Act. Some of the members of the other Associations were required to be admitted by the recognised Stock Exchanges on a concessional basis, but acting on the principle of unitary control, all these pseudo stock exchanges were refused recognition by the Government of India and they thereupon ceased to function or to exist. The Bangalore Stock Exchange, Ltd., was registered subsequently in 1957 and recognised in 1963.

THE STOCK MARKET TODAY

The stock market in India is more than a century old and it has functioned continuously through the medium of organised Stock Exchanges. At present, there are eight such Stock Exchanges in India recognised by Government under the Securities Contracts (Regulation) Act, 1956. They are at Bombay, Calcutta, Madras, Ahmedabad, Delhi, Hyderabad, Indore and Bangalore. These recognised Stock Exchanges operate under Rules, Bye-laws and Regulations approved by Government and they constitute an organised capital market for securities issued by the Central and State Governments, public bodies and joint stock companies.

In Lahore, which witnessed a great expansion of monetary income during the war, the Punjab Share and Stock Brokers' Association, Ltd., the Lahore Stock Exchange Ltd., the Lahore Central Exchange, Ltd., and the All-India Stock Exchange, Ltd., were set up, and these were in addition to the Punjab Stock Exchange, Ltd., which was established in 1936.

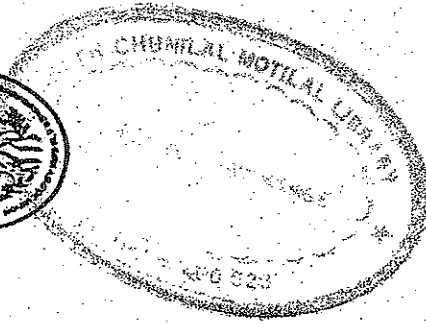
In Calcutta, over and above the existing Calcutta Stock Exchange Association, Ltd., and the Bengal Share and Stock Exchange Association, Ltd., a third Exchange called the Stock Exchange Association of Bengal, Ltd., was organised.

In Delhi, two new Stock Exchanges, the Delhi Stock and Share Brokers' Association, Ltd., and the Delhi Stocks and Shares Exchange, Ltd., were floated and later, on the 25th of June, 1947, amalgamated into the Delhi Stock Exchange Association, Ltd.

Two more stock exchanges were also formed. The U.P. Stock Exchange, Ltd., was incorporated in Cawnpore in 1940 and the Nagpur Stock Exchange, Ltd., was organised in Nagpur.

In Indian States, the Hyderabad Stock Exchange, Ltd., was incorporated in Hyderabad in 1944 as a company limited by guarantee and recognised under the Hyderabad Securities Contracts Control Act which was enacted in that year on the lines of the Bombay Securities Contracts Control Act of 1925. A small stock exchange also sprang up in Bangalore City in Mysore State.

Most of these new stock exchanges had a membership ranging from 20 to 100 but the Bombay Share and Stock Brokers' Association had more than 715 members. Among members of these Exchanges were businessmen, lawyers, bankers and others, but active members were few and the volume of business not considerable. While some of the Exchanges claimed to be concerned exclusively with stock



HISTORY AND ORGANISATION OF THE STOCK MARKET IN INDIA

**THE STOCK EXCHANGE
PHIROZE JEEJEEBHOY TOWERS
DALAL STREET
BOMBAY 400 001.**

HISTORY OF THE STOCK MARKET IN INDIA

I - 1800-1865

EARLY BEGINNINGS

1.1 The stock market provides a market for the purchase and sale of securities financing the ownership of business property or a public or business debt. The origin of the stock market therefore goes back to the time when securities representing this property or promises to pay were first issued and made transferable from one person to another.

1.2 The earliest records of security transactions in India are meagre and obscure. The East India Company was the dominant institution in those days and business in its loan securities used to be transacted towards the end of the eighteenth century.

1.3 By 1830's, there was a perceptible increase in the volume of business, not only in loans but also in corporate stocks and shares. In Bombay, business passed in the hands of banks like "the Commercial Bank, the Chartered Mercantile Bank, the Chartered Bank, the Oriental Bank and last, though not least, the old Bank of Bombay", and among other prominent shares were those of Cotton Presses. In Calcutta, the Englishman reported in 1836 the quotations of 4%, 5% and 6% on the shares of the East India Company as well as the shares of the Bank of Bengal for which there were buyers at Rs. 5,000 premium and sellers at a premium of Rs. 7,500.

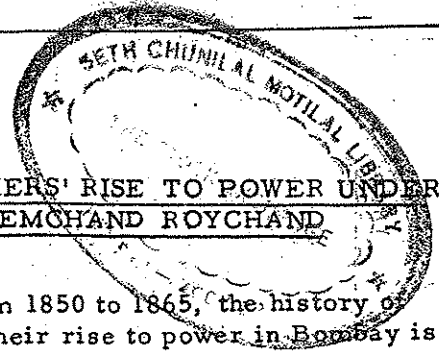
1.4 The trading list was broader in 1839 and Calcutta newspapers then gave quotations for shares of banks like the Union Bank and the Agra Bank and of business ventures like the Bengal Indigo Warehouse, the Docking Company and the Steam Tug Company. Brokers then were not a numerous community and in Bombay between 1840 and 1850 there were half a dozen brokers recognised by the banks and merchants. In 1850, the Companies Act introducing limited liability was enacted and with it commenced the era of modern joint stock enterprise in India.

STOCKBROKERS' RISE TO POWER UNDER PREMCHAND ROYCHAND

2.1 From 1850 to 1865, the history of stockbrokers and their rise to power in Bombay is the history of Premchand Roychand. The 1850's witnessed a rapid development of commercial enterprise. The extension of railways and introduction of telegraphs and the gradual improvement in the system of communications promoted internal trade and commerce; at the same time, the demand for European manufactures increased in this country and was accompanied by the growth of a corresponding demand in Europe for our exports. Stockbrokers shared in this general progress. "The hoondie business was most prosperous and so was that of brokerage".

2.2 Brokerage business attracted many men into the field and by 1860 the number of brokers increased to 60. Their acknowledged leader was the legendary Premchand Roychand who had entered the trade in 1850. He was the first broker who could speak and write English. Within six or seven years, he nearly monopolised the broking business in shares, stocks, bullion and partly exchange and gathered all the strings in his hands. Not only shares but also "all the best gilt-edged securities of those days gave him splendid opportunity for the display of that brilliant financial strategy which crowned him as the Napoleon of Finance and he was acclaimed as such by myriads of his countrymen".

2.3 Although Premchand Roychand remained a broker all his life, in the 1860's he directed his financial genius to other pursuits and manifold activities. He led captive the imagination of Indians and Europeans alike and all the enterprises were either promoted by him or promoted through his goodwill and help. He "floated banks and financial institutions by the dozen, land and sea reclamations and trading and other Companies of diverse kinds with the rapidity of the prophet's gourd".



HISTORY OF THE STOCK MARKET IN INDIA

Premchand Roychand wielded the of kings. The Bank of Bombay sion put it on record in its Report old Bank of Bombay was practically vas the same with the Asiatic Bank st of other institutions. The story of n that followed his activities was a marvellous history more fascinat- s incidents than many a tale of Arabian The unconscious maker of that history narily Premchand Roychand himself. . . . His was the master mind in fina- ch wrought those marvellous miracles tock Exchange".

SHARE MANIA OF 1860-65

.1 In 1860-61, the American Civil oke out and totally stopped the supply n from the United States to Europe. ulting cotton famine led to a large and ed demand on India, and India really he Bombay Presidency where alone the stocks were available. In four years, fully doubled themselves from 00 bales to 11, 18, 000 bales.

.2 As the Civil War progressed, the f cotton kept rising till it reached 27d. nd against 3d. to 5d. quoted before The large exports of cotton were paid ullion which poured into Bombay from ol in the shape of silver and gold. As n Table I, the total import of bullion ed to Rs.85 crores between 1861-62 4-65. Out of this, Bombay alone d Rs.52 crores, giving an average of crores per annum.

TABLE I

Import of Gold and Silver

	India Crores of Rs.	Bombay Crores of Rs.
-62	17.73	9.48
-63	19.63	13.98
-64	18.97	16.13
-65	28.49	12.19
Total	84.82	51.78

3.3 The import of all this bullion was in addition to the wealth of the City and served as fresh capital for a number of new ventures. As observed by the Bank of Bombay Commi- ssion in its Report -

"The great and sudden wealth pro- duced by the price of cotton shortly after the commencement of the American War, coupled with the want of legitimate means of investment, was at this time producing its natural result in the deve- lopment of excessive speculation From this period everyone in Bombay appears to have become wild with the spirit of speculation. Companies were started for every imaginable purpose— banks and financial associations, land reclamation, trading, cotton cleaning, pressing and spinning, hotel companies, shipping and steamer companies and companies for making bricks and tiles".

3.4 Between 1863-65, the capital drawn into these new ventures was nearly Rs.30 crores and the premia they fetched in the market amounted to nearly Rs.38 crores. As Table II indicates, more than 125 concerns were involved and in not a few cases the pre- mia exceeded the paid-up capital.

TABLE II

New Company Flotations, 1863-65

No.	Kind of Company	Paid-up Capital Crores of Rs.	Market Premia Crores of Rs.
25	Banks	13.64	10.94
69	Financial Associations	6.22	4.42
7	Land Reclama- tions Cos.	8.34	17.56
30*	Miscellaneous Cos.	1.56	5.00
131		29.76	37.92

*Approximate

HISTORY OF THE STOCK MARKET IN INDIA

3.5 The first vital spark of the speculation which eventually burst out into a huge conflagration was kindled by the Asiatic Bank Corporation. Originally named the Bombay Joint Stock Bank, it was established in 1861 with a capital of Rs. 50 lakhs which was doubled within a year when a charter was obtained. Its shares were rigged up to a premium of 65 per cent in a few short months and it was the fore-runner of 94 other monetary institutions which came into existence on its heels.

3.6 It was also in 1863 that the charter of the old Bank of Bombay was amended and its capital doubled from Rs. 52 lakhs to Rs. 104 lakhs. At the same time, the ban on the Bank prohibiting it from making advances on personal security was removed and permission to advance on Government securities was extended to cover securities of "other public companies in India". This new freedom was widely exploited. Premchand Roychand dominated the Bank and under his influence the Bank advanced on a variety of supposed substantial securities with a highly fictitious character. The reckless lending policy of the Bank of Bombay was in a large measure imitated by others and it was in a considerable measure responsible for the speculation that followed.

3.7 From 1861 to the beginning of 1865, there was nothing however wild that was floated whose shares did not command a premium. The Back Bay Reclamation share with Rs. 5,000 paid-up was at Rs. 50,000 premium, the Port Canning share with Rs. 1,000 paid-up was at Rs. 11,000 premium, while the Frere Land share was at Rs. 9,000 premium and the Elphinstone Land share at more than 100 per cent premium. Some of the banks and financial associations reached a premium of 50 per cent to 100 per cent without being tested by returns. The Asiatic Bank share of Rs. 200 was quoted at Rs. 460 in August 1864 and the Bank of Bombay share with Rs. 500 paid-up reached a maximum price of Rs. 2,850.

3.8 It was said that "man and woman, master and servant, employer and employee, banker and merchant, trader and artisan, rich and poor, of all races and creeds,

officials in high position included, were deeply busy from day to day in the art of commuting bits of paper, variously called 'allotments', 'scrips' and 'shares' into gold and silver". The madness which seized the people at large was indescribable. The people only woke up when the end of the American Civil War came. Then, all rushed to sell their securities but there were no buyers and the entire wealth received during the Civil War was represented by a huge mass of unsaleable paper.

3.9 The fatal day was reached on the 1st of July, 1865, when hundreds of time bargains matured which no one was in a position to fulfil. A disastrous slump followed and it soon completely overwhelmed the City that the Bank of Bombay share which had previously touched Rs. 2,850 could only be sold at Rs. 87 and the Back Bay Reclamation share at not more than Rs. 1,750 against its peak price of Rs. 50,000, while a share of the solid Elphinstone Company could only be sold at Rs. 450, of Colaba at Rs. 975, Mazgaon at Rs. 515 and Frere Land at Rs. 115.

3.10 Like the South Sea Bubble and the Tulip Mania of the eighteenth century in Europe, the Share Mania of 1861-65 caused widespread desolation, and Premchand Roychand and his broker friends were "anathematized". A large number of Companies failed and there were few left solvent in Bombay. A special legislation, being Act XXVIII of 1865, had to be enacted to deal with the mass failures swiftly and expeditiously. The liquidation went on till 1872.

3.11 The depression was long and severe, but the Share Mania had certain lasting effects. The expansion of liquid capital and the establishment of a regular market in securities were its direct results and they helped to make Bombay what it is today - "the chief centre of the money and capital market" and "the financial capital of India".

HISTORY OF THE STOCK MARKET IN INDIA

II -- 1866-1900

FORMATION OF THE STOCK EXCHANGE IN BOMBAY

1.1 During the Share Mania of 1840, the number of brokers greatly increased and they became possessed of great authority and wealth. Between 1840 and 1850, only half a dozen brokers had sufficient business to warrant a meeting place was under the wide-spreading banyan trees in front of the Town Hall on Cotton Green where the Elphinstone or Elphinstone Circle is now situated. Brokers continued to meet there till 1855 by which time the number had increased between 30 and 40. In 1855, brokers made their market place under the shade of some banyan trees, between the old Fort Walls and the old Mercantile Bank, on the open site now facing the Bank of India Head Office Building at the junction of Medows Street and Mahatma Road.

1.2 By 1860, the number of brokers was 100 and during the exciting period of the American Civil War their number increased to 200 to 250. Brokers were then a privileged class, created as much noise as they could and obstructed without let or hindrance the shops and the lower premises of the banks. Bank managers went to their rooms through a serried rank of brokers, bowing to the right and left, and the police had only to clear a way for them.

1.3 The end of the American Civil War brought disillusionment and many failures and the number of brokers decreased in number and prospective bank managers all of a sudden discovered that they were a nuisance to their customers. They ordered the hamals to clear their way and the police drove them from pillar to post. They had to shift from place to place, wherever they went, through sheer habit overflowed into the streets, till in 1874, a street that is now appropriately called the Elphinstone Street after their name, they found a place where they could conveniently assemble; this was the place where they so assembled till 1900, when the office of The Advocate of India.

4.4 It was in those troublous times between 1868 and 1875 that brokers organised an informal association, and finally, as recited in the Indenture constituting the Articles of Association of the Exchange, "on or about the ninth day of July one thousand eight hundred and seventy five a few native brokers doing brokerage business in shares and stocks resolved upon forming in Bombay an association for protecting the character, status and interest of native share and stock brokers and of providing a hall or building for the use of the members of such Association".

4.5 At a meeting held in the Brokers' Hall on the 5th day of February, 1887, it was resolved to execute a formal Deed of Association, constitute the First Managing Committee and appoint the first Trustees. Accordingly, an Indenture was executed on the 3rd day of December, 1887, constituting the Articles of Association of the Exchange and the Stock Exchange was thus formally established in Bombay "as a Society to be called the Native Share and Stock Brokers' Association". The Association is now also known alternatively as "The Stock Exchange". The word "Native" in the original title which still survives marked no distinction from a parallel foreign association, for none existed. It was a sign of exclusiveness and pride, and Article II of the Articles of Association specifically declared "that no other persons except natives of India shall be admitted as members of the said Association". The Articles of Association so adopted by the Exchange form, with modifications and amendments, the basis of its government to this day.

4.6 When the Exchange was constituted in 1875, the entrance fee for new members was Re. 1 and there were 318 members on the list. The number of members increased to 333 in 1896, 362 in 1916 and 478 in 1920, and the entrance fee was raised to Rs. 5 in 1877, Rs. 1,000 in 1896, Rs. 2,500 in 1916 and Rs. 48,000 in 1920.

4.7 At present, there are 504 members and they have the right of nomination, that is, they are entitled to transfer their right of

HISTORY OF THE STOCK MARKET IN INDIA

membership with the approval of the Government Board. The value of the right of nomination - called a "seat" on the London and New York Stock Exchanges and locally known as a "share" - has fluctuated according to the ebb and flow of market activity. The price was Rs. 1,800 in 1910 before the First World War, Rs. 48,111 in 1920 during the post First World War boom, Rs. 6,700 in 1932 during the Great Depression, Rs. 64,000 in 1946 during the post Second World War Boom and Rs. 14,000 in 1954 during the slump that followed the War, while ten years later the value was in the neighbourhood of Rs. 32,000.

CONSOLIDATION OF THE STOCK EXCHANGE AT BOMBAY

5.1 The organisation of the Stock Exchange at Bombay coincided with the recovery from the seven-year depression following the Panic of 1861-65. The enterprises promoted by the first generation of brokers, though they ruined the shareholders, were the conceptions of genius before their time, the fulfilment of which we only see today. Emerging from these grand dreams, the capitalists and the Bombay brokers steadily promoted after 1872 only those enterprises which were useful and remunerative, such as mills, railways and mining companies. A new department in commerce and industry was thus taken, credit was restored and prosperity came back to Bombay with the firm establishment of the cotton industry, the building of new docks and the extension of railway facilities for transport of goods.

5.2 The Stock Exchange played an important part in these new developments. The object of forming an association with fixed rules for conduct and settlement of business was "to facilitate the negotiation of the sale and purchase of joint stock securities promoted throughout the Presidency of Bombay. In this the Association entirely succeeded. Outside it, no securities could be negotiated, purchased or sold". In those days, "it was very difficult to float a public Company and secure large amounts of capital subscribed. It must be mentioned to the credit of the brokers that they always tried their best to popularise the new

issues to enable the Companies to secure the necessary capital. "The Stock Exchange thus channelled the flow of investment into stocks, shares and gilt-edged securities and materially helped Government and trade and industry.

5.3 As the Exchange grew in size, so did its accommodation. The premises taken in 1874 in Dalal Street on a rent of Rs. 130 per month were given up when what is now known as the Stock Exchange Old Building situated at Dalal Street was acquired for Rs. 97,000 in 1895. In the central court-yard of these premises and in what is now the Brokers' Hall flourished two sturdy peepal trees, which still survive. The Brokers' Hall was thrown open on the 18th of January, 1899, by Mr. James M. Maclean, M.P., previously an editor of the Bombay Gazette, and in the course of his inaugural address he declared:

"A Bombay native broker is a very useful member of the society, whose virtues are not sufficiently recognised, although his faults are emblazoned forth. With rare exceptions, he is honest to the backbone and pays up for his own misfortunes or the defaults of his customers to the last pie. . . . Without doubt this is the largest Rupee Paper Market in India, whether as regards the volume of business or the extent of the fluctuations. The Bombay Port Trust and the Bombay Municipality are under a debt of gratitude to them for raising their credit to enable them to borrow at the lowest rates obtaining in India, next to Government Paper. India being the original home of options, a native broker would give a few points to the brokers of the other nations in the manipulations of puts and calls. . . . A native broker has borne a considerable share in the building of the present Bombay. . . . A portion of the prosperity of Bombay is owing to the mill industry and in its every stride forward the brokers have a considerable share."

5.4 The Exchange was at last comfortably housed, though for a time a crowd of dealers in Government Securities preferred to remain outside. After the First World War, the adjoining Old Building which

changed hands for Rs. 73,000 in 1913 was bought in 1920 at Rs. 10,30,000 to enlarge the trading hall for transacting the increasing volume of business. In 1928, the premises were further extended by acquiring from the Bombay Municipal Corporation for Rs. 5 lakhs an adjoining plot of land abutting on Apollo Street and flanked by Dalal Street and Hamam Street. A new building was constructed on the site at the cost of another Rs. 5 lakhs and it was thrown open for public use on the 1st of December, 1930. The process of extension, renovation and renovation is not yet over. In the surrounding property has been developed and the entire Stock Exchange premises are proposed to be rebuilt to cater for the constant growth of the institution. All the while, the two peepal trees on the Stock Exchange premises stand silent witnesses. The trees shed their leaves every year and the foliage is green again in spring, a perennial symbol so characteristic of the local stock market fluctuations.

5.5 And so the Stock Exchange at Bombay has continued to expand in size and in its stature and influence. It is not only the oldest Stock Exchange but also the greatest trade association in the country. Amongst the eight Stock Exchanges recognised by the Government of India under the Securities Contracts (Regulation) Act, 1956, it was the first one to be recognised and it is the only one that has been granted the privilege of permanent recognition. Likewise, it is acknowledged to be the best organised and the most active - be it as a market for gilt-edged securities or for new issues of capital; or in relation to the paid-up capital and market value of securities or the average size of companies; or from the point of view of order, price continuity, liquidity and stability, in all of which it enjoys outstanding pre-eminence. The primacy of the Stock Exchange at Bombay places it at the centre of the capital market. The Exchange helps materially to make Bombay "the centre of the money and capital markets" and contributes in no small measure to the pre-eminence of the city as "the financial capital of India"***.

Bank of India Bulletin, June 1960, p. 801
Bombay Money Market by H.T. Parekh, p. 2.

FOUNDATION OF THE AHMEDABAD SHARE AND STOCK BROKERS' ASSOCIATION

6.1 The cotton textile industry which established the primacy of Bombay also contributed to the development of Ahmedabad as the next important city in the Bombay Presidency. After 1880, a number of mills were set up in Ahmedabad and it rapidly forged ahead. Soon the need arose for trading in the shares of those units which were incorporated as joint stock companies. The businessmen of Ahmedabad had inherited a tradition for dealings in stocks and shares. Many of them had actively participated in the Share Mania of 1861-65 in Bombay and in fact a number of Bombay brokers hailed from Ahmedabad and neighbouring places where they had their homes and where their families resided. Accordingly, as new cotton textile mills were floated, Ahmedabad brokers canvassed subscriptions for the capital issues of those new Companies, and in return were remunerated by commission in the Managing Agency shares of the Companies. The volume of business steadily grew, till in 1894 the brokers formed themselves into an Association under the name and style of "The Ahmedabad Share and Stock Brokers' Association".

6.2 The Exchange was organised as a voluntary non-profit-making association with a Trust Deed and a Deed of Association on the same lines as the Stock Exchange in Bombay. It followed the Bombay rules and practices and not a few of the members and their relatives were members of the Bombay Exchange. This close correspondence has been maintained ever since. The Ahmedabad market concentrated its business in the shares of local textile mills and of the Managing Agency Houses controlling those Companies. After the First World War, a substantial increase in its trading volume led the Exchange to hire a building in the Manekchowk area where the members used to congregate and trade under the open sky. Business continued to expand and the Exchange thereupon purchased a nearby property and constructed its own Building in the 1920's at a cost of Rs. 3,60,000. In 1950, it again acquired another adjoining property for Rs. 70,000.

HISTORY OF THE STOCK MARKET IN INDIA

7.3 The process of expansion continues. Present, out of its 461 members, only 160 are active, but the indications are that the Ahmedabad Exchange will grow in importance as Ahmedabad is now the chief city of the new Gujarat State.

III -- 1901-1913

BEGINNINGS OF THE SWADESHI MOVEMENT

7.1 In the beginning of the 20th century, industrial revolution was on the way in India. Its first outposts had already been planted in the middle of the 19th century. There was then a revolution in transport and means of communications with the setting up of a network of railways, roads and telegraphs. A new form of industry was established in the Plantations operated by tea, coffee and indigo Estates. Then followed two of the most important industries in India -- the cotton mill industry in Bombay led by Indian capital and enterprise and the jute industry in Bengal dominated by the British. The industrial revolution there spread to the mining and other miscellaneous industries such as coal, manganese, mica, rice mills, oil mills and the

7.2 The opening years of the 20th century saw the birth of the 'swadeshi' movement. The institution of the Indian Industrial Conference in 1905 in association with the Indian National Congress was the first definite sign of an alliance between economic and political sentiment. The 'swadeshi' movement let loose a wave of industrial enthusiasm in the country and an important stage in industrial advancement under Indian enterprise was reached with the inauguration of the Tata Iron & Steel Co., in 1907. These developments were the fruits of the industrial progress to come. A large part of the part to be played by the Stock Exchanges.

FOUNDATION OF THE CALCUTTA STOCK EXCHANGE ASSOCIATION

8.1 The Stock Exchanges at Bombay and Ahmedabad were well set up as properly organised associations at the commencement of the 20th century, but the Calcutta Stock Exchange was not so constituted. At that time, the only large organised industries on a stable footing were the cotton mill industry of Western India, the jute industry of Bengal and the coal and mining industry in Bihar, Orissa and Bengal. What the cotton textile industry was to Bombay in the West, the jute industry was to Calcutta in the East.

8.2 Jute mills were beginning to spring up on the banks of the Hooghly when Bombay was in the grip of the Share Mania in 1861-65. These were also boom years in Calcutta, and in 1864 there were some 91 joint stock companies in which business was being done. Of these, the largest group was teas consisting of 38 Companies. The coal section was represented by Bengal, Beerbhoom, East Indian, Equitable and another Company, while the miscellaneous group included several steam tug Companies. Jute mills attained an important place in the trading list in the following years and in the 1870's there was a sharp boom in jute shares.

8.3 The boom in jute shares was followed by a boom in tea shares in the 1880's and 1890's. As the century drew to a close, the 4% Government Paper (converted into 3½% Government Paper in 1901) was an important market leader in Calcutta and the major industrial groups were teas, jutes and coals. Among miscellaneous shares, India Generals were one of the most popular and had a large following in the market.

8.4 A few years after the turn of the century, there was a coal boom in Calcutta, and between 1904 and 1908, coal shares staged a remarkable rise. Burrakur which was quoted at Rs. 85 in 1902 jumped up to Rs. 540 in 1908, Bengal, Nagpur from Rs. 22 to Rs. 104, Raneegunge from Rs. 11½ to Rs. 43½, Gopalichuck from Rs. 21½ and New Beerbhoom and Reliance Coal from Rs. 167 and Rs. 160

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equivalent of Rs. 615 and Rs. 500 respectively. Dazzled by the running rise in prices, persons who had never held or dealt in before were attracted to the Stock Exchange as moths to a candle. Hectic buy-sell raised prices to the roof and a vulnerable position. At last, the boom in 1908 and a severe depression

Many new entrants, who had taken to business during the boom, were strangers to the market and its traditions and of all knowledge of its customs and usages. Many of them were a menace to themselves and to the general public and the trade. The crisis that followed the boom provoked differences and disputes among these newcomers and ultimately led to a communal fight in 1908. It was then realised that an all-India body was necessary for the mutual protection and safety of the brokers and the public and so it was that on the 15th of June, 1908, an association was formed by some brokers under the name and style of Calcutta Stock Exchange Association."

SOLIDATION OF THE CALCUTTA STOCK EXCHANGE

When the Calcutta Stock Exchange Association was founded, it was housed in a new building in Chitpore Bazar Street (later on known as Exchange Place) where accommodation for the next few years. A lease was taken on a month of Rs. 1,080 plus half share of the electricity rates and taxes. These premises were close to the previous venue where stock exchange business was carried on under the shade of a tree on the site where now stand the buildings of the Chartered Bank of India. As the term of the lease drew near, the Association acquired in 1926, on a lease of Rs. 1,000, a plot at the corner of Lyons Range and Exchange Place. This plot was purchased outright in 1933, but before that, a five-storeyed building was constructed to provide larger trading accommodation to meet the needs of members whose numbers greatly enlarged in 1920.

9.2 When the Calcutta Stock Exchange Association was constituted in 1908, the number of founder-members was about 150 as compared to about 50 Indian and 4 or 5 European brokers who traded towards the close of the 19th century. On the 7th of June, 1923, the Association was incorporated as a limited liability company with an authorised capital of Rs. 3 lakhs consisting of 300 shares of Rs. 1,000 each and its membership was then 210. The membership was reconstituted in 1958 when each of the Rs. 1,000 share was split up into four shares of Rs. 250 each and 1,112 such shares were issued to individual members of partnership firms. The number of individual members was 544 in 1959 and 646 in 1964.

9.3 The Exchange had, however, to undergo much stress and strain before its membership so increased. Shortly after its formation in 1908, the severe trade depression that followed on the heels of the coal boom took a heavy toll. Many stockbrokers sustained serious losses and abandoned the trade, while some others defaulted and were expelled. Financial difficulties were then so acute that in the early part of 1910 the Association seriously considered whether it should not wind up its affairs. These difficulties were, however, surmounted because it was recognised that the Calcutta Stock Exchange performed a most useful function as the principal market in Bengal and Eastern India for stocks, shares and securities.

9.4 Even when the Exchange was founded, it had on its list shares of as many as 236 companies, among whom 10 were railways, 19 banks, 26 jute mills, 69 coal companies, 81 tea companies and 31 miscellaneous companies. This gave wide coverage which has more than doubled in the succeeding years and the Calcutta Stock Exchange Association has thus helped in no small measure to make Calcutta what it is today - "the industrial capital of India".

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IV - 1914-1939

THE FIRST WORLD WAR BOOM - EPHEMERAL NEW STOCK EXCHANGES

10.1 On the eve of the First World War, the stock market in India consisted of the two Stock Exchanges at Bombay, Calcutta and Ahmedabad. As hostilities progressed, Europe ceased to produce any manufactured articles except those required for the prosecution of the war. The import of manufactures to India stopped almost completely and a slump ensued in all industrial enterprises. Still, factories and workshops worked round the clock, fabulous profits were earned and large dividends were declared. Cotton and textile, steel, sugar, paper and flour mills and all companies generally enjoyed phenomenal prosperity. Wealth accumulated at the volume of money increased, and the Stock Exchanges "soon became the centre of attraction for all".

10.2 The roaring trade in stocks and shares during the war and post-war boom led to the formation of rival Stock Exchanges in Bombay and Ahmedabad. A new limited company was formed and incorporated in Bombay under the name and style of the Bombay Stock Exchange, Ltd., in December 1917 and an unincorporated body called the Gujarat Share and Stock Exchange was established in Ahmedabad in 1920.

10.3 The Bombay Stock Exchange, Ltd., had on its Managing Committee a number of well-known industrialists and businessmen like Sir Purshottamdas Thakurdas, Sir Chulabhai V. Mehta, Sir Ibrahim Rahimtoolla, Shri Ameshwardas Birla and others - men of high reputation but not conversant with the working of Stock Exchanges. They claimed that they would introduce reforms in matters in which, it was said, the existing Stock Exchange in Bombay was deficient, "but they found the same impracticable and were unable to move an inch further and they had to close their doors within three years". As Shri Chulabhai Desai commented in his Minority Report of the Stock Exchange Enquiry Committee of 1923, "For some time past no business was being transacted on the new Exchange and

it is now practically a dead institution. The figures relating to the business of the Association point to the same conclusion". An attempt was made to revive the Bombay Stock Exchange, Ltd., in 1922 but it failed. After the passing of the Bombay Securities Contracts Control Act in 1925, it made a last-ditch effort to obtain official recognition under the Act, but Government refused. Thereafter it went into liquidation and wound up its affairs. The fact was that, in spite of highly influential persons, the new Exchange did not command the confidence of the public which continued to support the existing Association.

10.4 Apart from Bombay and Ahmedabad, a new Stock Exchange was also organised in Madras under the name and style of "The Madras Stock Exchange" on the 6th of April, 1920, and in Northern India also Lala Hari-kishan Lal and others attempted to establish a registered Stock Exchange in the 1920's but did not succeed. The Madras Stock Exchange had 100 members on its rolls when it started and dealt chiefly in mill shares. However, when the boom faded, followed by company failures and a sharp fall in prices in 1921-22, the Madras Stock Exchange became moribund for want of business. By 1923, the number of its members stood reduced from 100 to 3 and so it went out of existence.

FOUNDATION OF THE MADRAS STOCK EXCHANGE, LTD

11.1 The war and post-war boom was followed by a world depression in 1930's. The improvement in business conditions and in stock market activity in 1935 was marked by growing public interest in stocks, shares and securities. In South India, there was a rapid increase in the number of textile mills and many new plantation companies were floated. To cater to this expanding trade in plantation and mill shares, a Stock Exchange was organised in Madras on the 4th of September, 1937, under the name and style of the "Madras Stock Exchange Association (Private) Ltd."

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11.2 Long before that, some business deals and shares were apparently transacted by a broker or two after the First World War and a Stock Exchange was formed in Bombay only to go out of existence in 1923. In the beginning of 1927, there were two broker firms, one European and the other Indian, and the European firm opened a branch in Madras in the same year. Less than a dozen transactions were done by these brokers and reported in the newspapers. In the next quinquennium, a few more brokers joined the trade, and though there was no organised exchange, they helped in the flotation of many electricity companies, sugar mills and planting and industrial con-

11.3 Up to 1933-34, stock and share business was almost entirely in the hands of three European firms and two Indian firms and their daily business was mostly confined to gilt-edged securities and South Indian plantations, the principal interest being in Indian shares. With the establishment of telephone facilities in 1933, business gradually broadened as South Indian investors became interested in stocks and shares quoted on the Bombay Exchange and Bombay and Madras investors developed interest in Indian scrips. A few more Indian firms were introduced in 1935 by former assistants or consultants of English firms, and business continued to develop.

11.4 When the Madras Stock Exchange was established in 1937, it had 5 member firms on its list of officially listed securities. Since then, with the rapid industrialisation of Madras and the neighbourhood, the Exchange has expanded in membership and in the scope of its activities. It was reorganised as a new company limited by guarantee under the name and style of the Madras Stock Exchange, Ltd., on the 29th of August 1957, and in May 1961 it acquired a building of its own at a cost of Rs.2,10,000. The Madras Stock Exchange now has 35 member firms on its rolls. Its activities are steadily increasing and Companies covering all types of industries, including banks and insurance companies, are on its trading list.

RIVAL STOCK EXCHANGES

12.1 Apart from the Madras Stock Exchange, rival Stock Exchanges were set up in Bombay and Calcutta in 1937 and 1938 respectively. The steel boom in 1937 stimulated considerable interest in Calcutta, and as prices soared up and the volume of business increased, a number of new entrants invaded the field with a view to exploiting the favourable opportunity and making a fortune for themselves. Accordingly, another Stock Exchange under the name and style of the Bengal Share and Stock Exchange, Ltd., was organised in Calcutta in 1937 with the object of doing forward business in stocks and shares on a monthly settlement basis.

12.2 Very much for the same reasons, and for the second time in the history of Bombay, a new Stock Exchange limited by guarantee was started in February 1938 under the name and style of Indian Stock Exchange, Ltd. It had an influential Board of Directors consisting of well-known businessmen and industrialists like Sir Choonilal B. Mehta, Sir Behram Karanjia and others. Most of them were ineligible for membership of the existing Stock Exchange because its Rules, sanctioned by Government, prohibited members from engaging themselves as principals or employees in any business other than that of stocks and shares. The object of the promoters of the new Exchange therefore was to force themselves into the stock exchange trade by the back-door through the medium of a new association. Apart from these industrialists and businessmen who also wished to become stock brokers and dealers, the membership of the Indian Stock Exchange, Ltd., was drawn at different stages from the speculative elements which had been driven out from the bullion, cotton, seeds and other forward markets after they came under Government control.

12.3 The Indian Stock Exchange, Ltd., had a feverish existence. It functioned sporadically, and whenever it did, its interest was restricted to two or three highly speculative scrips. The Exchange failed to win public support, and its repeated applications for recognition under the Bombay Securities Contra-

HISTORY OF THE STOCK MARKET IN INDIA

Control Act were refused by the Government of Bombay. The Government of India rejected its application for recognition under the Securities Contracts (Regulation) Act which came into force in 1957; but in view of the principle of unitary control, twenty-five of its members were then admitted to the membership of the Bombay Exchange on concessional terms. Since then, the Indian Stock Exchange has ceased to function and is now in a dormant condition.

13.1 Over and above the two new exchanges in Calcutta and Bombay, the Lahore Stock Exchange was formed in Lahore in 1934. It had a brief career and merged with the Punjab Stock Exchange, Ltd., which was incorporated in 1936. There were thus eight stock exchanges in India, two each in Bombay, Calcutta and Ahmedabad and one each in Punjab and Lahore, when the Second World War broke out in 1939.

V - 1939-1965

THE SECOND WORLD WAR AND MUSHROOM STOCK EXCHANGES

13.1 The second world war touched off a sharp boom which was followed by a slump. The situation changed radically in 1941 when India was fully mobilised as a supply base. Mills, factories and workshops were working day and night. Prosperity was rapidly increasing, inflationary finance expanded, money became cheaper and paper wealth multiplied. This war-time boom brought unprecedented prosperity to the Stock Exchanges. On account of restrictive controls on cotton, jute, oilseeds and other commodities, those engaged in them found in the stock market the best outlet for their activities. They were anxious to join the trade and their number was increased by numerous others who saw in the expanding volume of business and swiftly rising prices an opportunity for accumulating their fortunes overnight. Many new associations were constituted for the purpose and the organisation of Stock Exchanges in all parts of the country assumed the proportions of a craze.

13.2 In Ahmedabad where the Ahmedabad Share and Stock Brokers' Association recognised by Government and the Gujarat Share and Stock Exchange already existed, as many as four new Stock Exchanges were set up one after another. Two of them disappeared with equal speed, but the Indian Share and General Exchange Association and the Bombay Share and Stock Brokers' Association established in 1943 managed to survive till 1957-58. In that year, some of their members as well as those of the Gujarat Share and Stock Exchange were absorbed on concessional terms by the Ahmedabad Share and Stock Brokers' Association which was the only Stock Exchange in Ahmedabad recognised by the Central Government under the Securities Contracts (Regulation) Act, 1956.

13.3 In Lahore, which witnessed a great expansion of monetary income during the war, the Punjab Share and Stock Brokers' Association, Ltd., the Lahore Stock Exchange Ltd., the Lahore Central Exchange, Ltd., and the All-India Stock Exchange, Ltd., were set up, and these were in addition to the Punjab Stock Exchange, Ltd., which was established in 1936.

13.4 In Calcutta, over and above the existing Calcutta Stock Exchange Association, Ltd., and the Bengal Share and Stock Exchange Association, Ltd., a third Exchange called the Stock Exchange Association of Bengal, Ltd., was organised.

13.5 In Delhi, two new Stock Exchanges, the Delhi Stock and Share Brokers' Association Ltd., and the Delhi Stocks and Shares Exchange, Ltd., were floated and later, on the 25th of June, 1947, amalgamated into the Delhi Stock Exchange Association, Ltd.

13.6 Two more Stock Exchanges were also formed. The U.P. Stock Exchange, Ltd., was incorporated in Cawnpore in 1940 and the Nagpur Stock Exchange, Ltd., was organised in Nagpur. In Indian States, the Hyderabad Stock Exchange, Ltd., was incorporated in Hyderabad in 1944 as a company limited by guarantee and recognised under the Hyderabad

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6. Securities Contracts Control Act which was passed in that year on the lines of the Securities Contracts Control Act of 1925. A Stock Exchange also sprang up in the City in Mysore State.

7. Most of these new Stock Exchanges had membership ranging from 20 to 100 but many Share and Stock Brokers' Associations had more than 715 members. Among the members of these Exchanges were business men, lawyers, bankers and others, but active members were few and the volume of business was considerable. While some of the Exchanges were limited to be concerned exclusively with share dealings only, others were active in permitting their members to trade in other commodities like cotton, bullion, etc. Most of these Exchanges were engaged in forward trading either openly or in the absence of any listing regulations were allowed in all and sundry which had a speculative appeal.

8. This mushroom growth of Stock Exchanges was followed on the war time boom and almost a total eclipse in the aftermath of the partition. The Exchanges in Lahore and Amritsar which had flourished during the holocaust which followed the partition of the country and later emigrated to Delhi where it was merged with the Delhi Stock Exchange. Most of the other Stock Exchanges withered away or closed down till 1957 when they applied to the Government for recognition under the Securities Contracts (Regulation) Act, 1956. Only the established Stock Exchanges in Bombay, Calcutta, Madras, Ahmedabad, Lucknow, Hyderabad and Indore were recognised under the Act. Some of the members of the Exchanges were required to be registered by the recognised Stock Exchanges on a concessional basis, but in the principle of unitary system all these pseudo Stock Exchanges were refused recognition by the Government of India and they thereupon ceased to function or to exist. The Bombay Stock Exchange, Ltd. was recognised subsequently in 1957 and

recognised in 1963. Eleven more stock exchanges were recognised by Government under the Securities Contracts (Regulation) Act, 1956 - the Cochin Stock Exchange, Ltd. in 1980, the Uttar Pradesh Stock Exchange Association, Ltd. (at Kanpur) and Pune Stock Exchange, Ltd. in 1982, the Ludhiana Stock Exchange Association, Ltd., in 1983, the Gauhati Stock Exchange, Ltd. in 1984, the Kanara Stock Exchange, Ltd., (at Mangalore) in 1985, the Magadh Stock Exchange Association (at Patna) in 1986, the Jaipur Stock Exchange, Ltd., the Bhubaneswar Stock Exchange Association, Ltd., the Saurashtra Kutch Stock Exchange, Ltd., in 1989 and the Vadodra Stock Exchange, Ltd., (at Baroda) in 1990. A Stock Exchange under the name and style of The Sikkim Stock Exchange Association Ltd., was established at Gangtok, Sikkim in 1985. No official recognition has been sought for this Exchange under the Securities Contracts (Regulation) Act, 1956 as the jurisdiction of this Act has not so far been extended to the State of Sikkim. An Over-the-Counter (OTC) Exchange India at Bombay promoted jointly by the ICICI, UTI, SBI Capital Markets Ltd., Canbank Financial Services, Ltd., GIC and LIC was approved for a period of 5 years by Government in August 1989.

THE STOCK MARKET TODAY

14. The stock market in India is more than a century old and it had functioned continuously through the medium of organised Stock Exchanges. At present, there are nineteen such Stock Exchanges in India recognised by Government under the Securities Contracts (Regulation) Act, 1956. They are at Ahmedabad, Bangalore, Baroda, Bhubaneswar, Bombay, Calcutta, Cochin, Delhi, Gauhati, Hyderabad, Indore, Jaipur, Kanpur, Ludhiana, Madras, Mangalore, Patna, Pune and Rajkot. These recognised Stock Exchanges operate under the Rules, Bye-laws and Regulations approved by Government and they constitute an organised capital market for securities issued by the Central and State Governments, public bodies and joint stock companies.



ORGANISATION OF THE STOCK MARKET IN INDIA

REGULATION

THE ATLAY COMMITTEE

1.1 The earliest legislation relating in any way to the stock market was introduced in the nineteenth century. The Government of Bombay then passed Act XXVIII of 1865 to deal with the situation arising out of the Share Crisis of 1860-65 which followed the outbreak of the American Civil War. This special Act had no significant influence on the subsequent legislation.

1.2 The next step was taken after the First World War and the post war boom. There was a spate of corners in Bombay which attracted public notice. Lord Lloyd, the then Governor of Bombay, therefore proposed the formation of a Committee of Appeal or Control, consisting of a member or two of the Exchange and other outside representatives, to supervise the management of the Association. The Exchange, however, refused "any sort of control of or interference from outsiders who would not be conversant with the workings of the Stock Exchange or who might at times of boom abuse their position on the Exchange and rob wealthy investors and help down the poor, as was done by well-to-do persons during the last boom". This refusal led to the appointment of the Atlay Stock Exchange Enquiry Committee on the 10th of September, 1923.

1.3 The Committee's Minority Report written by Shri Bhulabhai Desai vindicated the actions of the Stock Exchange in regard to the corners, and in turn was vindicated by facts and subsequent events. The Minority Report stated "proved by the evidence recorded before us (and there is no evidence to the contrary) that the majority, if not all, of the corners in recent times were entirely due to capitalist interests attempting to squeeze the members of the Association or their unwary clients". The Minority Report also expressed the view, which later turned out correct, that "within a short time one will hear as little of corners in the Bombay market as of the ruinous speculation which reigned in the boom period".

1.4 On the second main question that there should be constituted a controlling authority on which the various commercial

associations of Bombay should be represented both the Majority and Minority Reports were unanimous. They agreed that the suggestion was not feasible, as it would be difficult to find men of the requisite skill and experience.

1.5 The only other major recommendation of the Atlay Committee was in the matter of Stock Exchange Rules and Regulations. Before 1924, the chief weakness of the Bombay Exchange was in the chaotic condition of its Rules. The Atlay Committee remedied the defect by codifying the Rules, Bye-laws and Regulations. It was a reform of lasting value.

OFFER OF GOVERNMENT CHARTER

2.1 In its Report, the Atlay Stock Exchange Enquiry Committee had stressed and emphasised the necessity of the Stock Exchange framing and maintaining a systematic and settled body of Rules and Regulations in the interests of the general investing public and of the trade itself. In pursuance of this strong recommendation, the Government of Bombay offered a Charter to the Bombay Exchange on the 21st of July, 1925.

2.2 The Charter did not visualise any direct control of the Exchange; what Government sought to do thereby was to assume authority to control the rule-making power of the Exchange and in return to grant it by Charter a monopoly of organised trading in securities. The President and the other two representatives who had carried on negotiations with Government urged the Exchange to accept the Charter; but the Exchange, fearing official tyranny in matters of free monetary trade, turned down the offer on the 25th of August, 1925. It was a grievous mistake.

2.3 The rejection of the Charter compelled the Government of Bombay to initiate special legislation. The second thought of the members of the Bombay Exchange that the Charter should be accepted came all too late.

ORGANISATION OF THE STOCK MARKET IN INDIA

THE BOMBAY SECURITIES CONTRACTS CONTROL ACT, 1925

3.1 A special legislation for controlling Exchanges was enacted for the first time in India when the Bombay Securities Contracts Control Act, 1925, was passed by the Bombay Legislative Assembly on the 29th of December, 1925. It came into force in Bombay on the 1st of January, 1926.

3.2 The Act empowered Government to give recognition to a Stock Exchange and to make such recognition. It also provided that the Rules of a recognised Stock Exchange could only be made or amended subject to Government approval.

3.3 The Bombay Exchange applied for recognition under the Act and submitted a complete set of Rules and Regulations for Government approval. The Exchange was duly granted statutory recognition and its Rules sanctioned by Government on the 14th of February, 1927. The Ahmedabad Share and Stock Exchanges' Association was recognised under the Act on the 1st of May, 1939, and before long its rules were remodelled on those of the Bombay Exchange.

3.4 The Bombay Securities Contracts Control Act remained in force till the Securities Contracts (Regulation) Act, 1956, enacted by the Central Government came into operation on the 20th of February, 1957. However, the Bombay Act proved ineffective in regulating security trading, and Government control under it was nominal, amounting to practical non-interference.

3.5 The Act defined the term "ready delivery contract" as meaning one for the performance of which no time was specified which had to be performed within a reasonable time. This definition was found to be vague and ambiguous. The Act was also defective in its principal provision that contracts for purchase and sale of securities, other than those for ready delivery, would be void if not entered into through or between members of recognised Stock Exchanges in accordance with the Rules sanctioned by Government. If the Act was to be effective,

such contracts should have been declared not only void but also illegal, as it is permissible in law for agents to claim on void contracts on the basis of indemnity; and further, a specific short period of time should have been prescribed for performance of ready delivery contracts.

THE BOMBAY FORWARD CONTRACTS CONTROL ACT, 1947

4.1 The defects of the Bombay Securities Contracts Control Act were rectified in a Bill that was drafted in 1939. The Bill aimed at uniform control of all forward markets in Bombay, but before it could be introduced in the legislature, the Congress Government then in office resigned. The Bill was revived in 1947, but with certain misconceived alterations and it was passed into an Act in that year. The Bombay Forward Contracts Control Act, 1947, as it is called, was applied to cotton, bullion and seeds. Its operation was not extended to stocks and shares because of objections raised by the Bombay Exchange.

4.2 Subsequently, under the new Constitution of India which came into force in 1950, futures markets and stock exchanges became an exclusively Union subject. In due course, appropriate Central legislation, based largely on the original principles of the Bombay Forward Contracts Control Act, 1947, was enacted for commodity markets in 1952 and for stock exchanges in 1956.

DEFENCE OF INDIA RULE 94-C

5.1 Prior to 1956, Central legislation was attempted by Government during the Second World War when the Defence of India Rule 94-C was promulgated in 1943. Its professed object was "to counter speculative operations". As it was felt that there was an "increase in speculative activity", the Defence of India Rule prohibited stock exchanges from offering facilities for carry-over transactions and other than ready delivery transactions -- ready delivery transactions being defined as those which had to be fulfilled by delivery and payment within seven days of the date of contract.

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5.2 The Defence Rule which was issued by Government without in any way consulting the stock exchanges was mistaken in its intention. It established a one-way market in which bonafide sellers laboured under a handicap while speculative buyers were encouraged. It penalised the bonafide sellers of shares and favoured the bulls whose activities were very responsible for the speculative rise in prices. Not only was the market mechanism distorted in this manner, but also the ill-considered ban on the provision of normal and necessary trade facilities had the effect of driving out stock and share business from the organised Stock Exchanges into the streets and mushroom markets.

5.3 The Defence of India Rules automatically lapsed in September 1946 and so did the first experiment by Government in stock legislation.

DEPARTMENTAL COMMITTEE (1948)

6. In view of its unfortunate experience under Defence of India Rule 91-C, Government proceeded with circumspection before introducing more permanent legislation. It took official notice of what passed for a report on regulation of the stock market in India was presented in July 1947 by an inexperienced Economic Adviser to the Ministry of Finance. Instead, Government appointed in 1948 a Departmental Committee to submit a report on suitable legislation for regulation of Stock Exchanges in India. The Departmental Committee submitted its report in August 1948, in the course of which it expressed the view that legislation for stock exchanges should be finalised only after holding a conference of the representatives of the Central Government, the State Governments concerned and the Reserve Bank as well as the Presidents or other representatives of existing Stock Exchanges.

GORWALA COMMITTEE

7. On the 26th of January, 1950, the Constitution of India came into force and Item 48 of the Union List "stock exchanges and futures markets" became exclusively central subject. In the following year, a

draft Bill for stock exchange regulation was prepared by Government, partly on the basis of the draft suggested by the Departmental Committee of 1948 but more broadly on the lines of the Forward Contracts (Regulation) Bill, 1950, for controlling commodity exchanges that was then pending before the Lok Sabha. The draft Stock Exchange Bill was referred by Government to an Expert Committee under the chairmanship of Shri A.D. Gorwala. The Committee, on which the Bombay, Calcutta and Madras Stock Exchanges were represented by their Presidents, submitted its report on the 14th of July, 1951.

THE SECURITIES CONTRACTS (REGULATION) ACT, 1956

8.1 An official Bill called the Securities Contracts (Regulation) Bill, 1954, prepared on the lines of the draft recommended by the Gorwala Committee was introduced in the Lok Sabha on the 24th of December, 1954. On the 28th of November, 1955, and 5th of December, 1955, the Bill was referred by the Lok Sabha and Rajya Sabha respectively to a Joint Committee which presented its Report on the 29th of February, 1956. The Bill as amended by the Joint Committee was passed with some amendments by the Lok Sabha on the 16th of July, 1956, and by the Rajya Sabha on the 6th of August, 1956.

8.2 The Securities Contract (Regulation) Act, 1956, as it is called, was assented to by the President and published in the Gazette of India on the 4th of September, 1956. By a notification published in the Gazette of India on the 16th of February, 1957, the Act came into force throughout India on the 20th of February, 1957.

RECOGNISED STOCK EXCHANGES

9.1 The Securities Contracts (Regulation) Act, 1956, permits only those stock exchanges which have been recognised by the Central Government to function in any notified State or area. The recognised Stock Exchanges are thus placed in a privileged position, but at the same time the Act vests in Government wide powers of supervision and control.

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9.2 An Exchange is recognised only if the Government is satisfied that its Rules and Bye-laws conform to the conditions prescribed for ensuring fair dealings and protection of investors. Government has also to be satisfied that it would be in the interest of the public and public interest to grant such recognition.

9.3 The Rules of the recognised Stock Exchange relating in general to the constitution of the Exchange, the powers of management and governing body and its constitution (including the appointment thereon of not more than three Government nominees), the admission of members, the qualifications for membership, the expulsion, suspension and re-entrance of members, the registration of members and the appointment of authorised representatives and clerks must be duly approved by Government. These Rules can be amended, varied or rescinded only with the previous approval of Government. Likewise, the Bye-laws of the recognised Exchange prescribed in detail for the regulation and control of trading activities of members must be sanctioned by Government and any amendments or modifications must be similarly approved. Government's authority extends much further. It is empowered by the Act to make or amend suo moto any Rules or Bye-laws of a recognised Stock Exchange if it considers desirable in the interest of the trade and the public interest.

9.4 The Act arms Government with even more drastic powers - the power to make itself a party into the affairs of a recognised Stock Exchange and its members, to supersede the governing body and take over the properties of the recognised Exchange, to suspend its business and lastly to withdraw the recognition granted to an Exchange, should such steps be considered indispensable in the interest of the public and in the public interest. Government thus has complete control over the recognised Stock Exchanges.

LICENCED DEALERS

10. The recognised Stock Exchanges are the media through which Government regulation of the stock market is made effective. Where there are no stock exchanges, the Securities Contracts (Regulation) Act, 1956, empowers Government to licence dealers in securities and prescribe the conditions subject to which they carry on the business of dealing in securities.

ILLEGAL AND VOID CONTRACTS

11.1 The crux and centre of the Securities Contracts (Regulation) Act is in its provision that, in any notified State or area, all contracts in securities (other than spot delivery contracts) which are not entered into through, with or between members of recognised Stock Exchanges shall be illegal and punishable with fine or imprisonment or both. Equally important is the provision that in any notified State or area all contracts in securities entered into in contravention of certain specified Bye-laws of a recognised Stock Exchange shall be void and unenforceable at law as respects the rights of the members of the recognised Stock Exchange who have entered into such contracts and also as respects the rights of any other persons who have knowingly participated in the transactions entailing such contravention.

11.2 In order to prevent undesirable speculation, the Act further empowers Government to declare that no contract for the sale or purchase of specified securities shall be entered into in any notified State or area except to the extent and in the manner prescribed in the notification. Option business is also totally prohibited and all options in securities are made illegal under pain of fine and imprisonment.

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OTHER IMPORTANT PROVISIONS

12. The Act contains other important provisions. It imposes certain restrictions on the right of the equitable holders of shares to recover dividend from the registered holder and confers on Government the authority to compel any public Company to have its shares listed on a recognised Stock Exchange by complying with such requirements as may be prescribed for the purpose.

SECURITIES CONTRACTS (REGULATION) RULES, 1957

13. Under the Act, Government has promulgated the Securities Contracts (Regulation) Rules, 1957, for carrying into effect the objects of the legislation. These rules provide, among other things, for the procedure to be followed for recognition of stock exchanges; submission of periodical returns and annual reports by recognised stock exchanges; inquiry into the affairs of recognised stock exchanges and their members; and requirements relating to listing of securities. The rules are statutory and they constitute a code of standardised regulations uniformly applicable to all the recognised stock exchanges.

PATEL COMMITTEE

14.1 A high-powered 12-member committee under the Chairmanship of Mr. G.S. Patel, former Chairman of the Unit Trust of India, was set up by the Government on 17th May, 1984 to conduct a comprehensive review of the functioning of the Stock Exchanges and to make recommendations. Besides Mr. Patel, the Committee consisted of Shri K. Mehta, joint Secretary of the Department of Economic Affairs, Shri M. Dugar, Member of the Company Law Board, Dr. S.A. Dave, Executive Director of the Industrial Development Bank of India, Shri S.S. Nadkarni, Chairman and Managing Director of the Industrial Credit and Investment Corporation of India (ICICI), Dr. D.H. Pai Panadiker, Secretary General of the Federation of

Indian Chambers of Commerce and Industry, Shri K.V. Shanbhogue, President of the Institute of Company Secretaries of India, Shri M.J. Pherwani, Chairman of the Unit Trust of India, Shri M.R. Mayya, Executive Director of Bombay Stock Exchange, Shri E.R. Krishnamurthy, Executive Director of Madras Stock Exchange and Dr. L.C. Gupta, Dean of Development Banking Centre, Shri Paul Joseph, Joint Director in the Department of Economic Affairs, acted as the member - secretary of the Committee.

14.2 The terms of reference of the committee were:

- a) to examine the general functioning of the stock exchanges as an integral part of the financial system;
- b) to suggest measures to improve overall service to the investors by the members of stock exchanges and to encourage small investors particularly in semi-urban and rural areas to invest in industrial securities with a view to mop up a larger volume of capital for productive investments;
- c) to look into the existing system of organisation and management of stock exchanges with view to broaden it so as to make it representative of all concerned interests, and to suggest a uniform model of organisation;
- d) to examine the existing procedures relating to stock transactions with a view to simplification and minimising delays;
- e) to look into the existing system of membership of stock exchanges with a view to facilitate periodic increase in membership and to evolve a system of agents of stock exchanges;
- f) to look into the existing system of bye-laws and regulations of stock exchanges relating to trading in securities and to suggest measures with a view to ensure smooth functioning of stock exchanges so that they are not disrupted by recurring crises and that they are able to efficiently handle a much larger volume of securities;

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) to examine the existing system of regulations relating to listing of securities in stock exchanges and the listing agreement between companies and stock exchanges;

) to suggest measures to minimise the public issue of capital;

) to suggest a code of conduct for members of stock exchanges to safeguard the interests of investors and the members and suggest guidelines for creation of a members' protection fund and insurance of membership.

) to suggest methods for acquisition/consolidation of the premises for stock exchanges and the manner of its financing; and,

) to make suggestion on any other matters which is relevant to the above for the development of stock exchanges.

4.3 After deliberations which lasted more than a year, the Committee submitted its report to the Union Finance Ministry on 10th December, 1985. In the light of the recommendations made by the Committee in their interim report, the Government issued several orders and directives to the Stock Exchanges relating to matters such as bringing down the cost of public issue of securities, listing of securities at Stock Exchanges, creation of a members' Protection Fund and insurance cover for members of Stock Exchanges.

SECURITIES AND EXCHANGE BOARD OF INDIA

4.1 While presenting the Budget for 1986-87, the Prime Minister, who held the finance portfolio, announced the decision of the Government to set up a separate Board for the regulation and orderly functioning of stock exchanges and the securities markets. Accordingly, the Securities and Exchange Board of India (SEBI) was constituted by the Government of India on 12, 1988 to promote orderly and healthy development of the securities market and to provide adequate investor protection. Dr. S.A. Dave, formerly

Executive Director, Industrial Development Bank of India, has been appointed as the Chairman of SEBI. The Board has its headquarters in Bombay and its office is at Mittal Court, B' Wing, Nariman Point, Bombay- 400 021.

15.2 The Securities and Exchange Board would seek to create an environment to facilitate mobilisation of adequate resources through the securities markets. This environment includes rules and regulations, institutions and their inter-relationships, instruments, practices, infrastructure and policy framework. These objectives are proposed to be accomplished by being responsive to the needs of the three groups which basically constitute the market, viz., the issuers of securities, the investors and the market intermediaries. To the issuers, it should afford a market place in which they can confidently look forward to raising all finance they need in an easy and efficient manner; to the investors, it should provide a high degree of protection of their rights and interests through adequate, accurate and authentic information and disclosure of information on a continuous basis; to the intermediaries, it should offer a competitive, professionalised and expanding market with adequate and efficient infrastructure so that they are able to render better service to the investors and the issuers.

15.3 The first task of the Board is to evolve a comprehensive legislation covering all aspects of the securities markets in an integrated framework. It would consolidate and rationalise existing legislation and extend regulatory purview to areas where it is needed but does not exist. The new framework will aim at better investor safeguards through improved disclosure requirements, accounting standards, compensation and arbitration, small investors' protection fund, steps against insider trading and other market malpractices.

15.4 The Board, to begin with, has been formed as a non-statutory body to serve as a precursor to the proposed Statutory Board. The necessary bill to give it a statutory status is proposed to be introduced in Parliament very

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on. The Board shall deal with all matters relating to the development and regulation of securities markets and investor protection, and advise Government on these matters; prepare comprehensive legislation for the regulation and development of securities market; and carry out such actions as may be delegated by the Central Government for the development and regulation of securities markets.

CONCLUSION

16. The Securities Contracts (Regulation) Act, 1956, thus sets up a general framework of control which makes Government influence all-pervasive. At the same time, as an enabling legislative measure, the Act provides Government with a flexible apparatus for the regulation of the stock market in India.

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ORGANISATION

RECOGNISED STOCK EXCHANGES

The Stock Market in India is regulated under the Securities Contracts (Regulation) Act, 1956. At present, there are nineteen Stock Exchanges recognised by Government under the Act. They are at Ahmedabad, Baroda, Bhubaneswar, Bombay, Calcutta, Cochin, Delhi, Gauhati, Madras, Mangalore, Patna, Raipur, and Rajkot. The Bombay Exchange was granted permanent recognition at first instance. The other exchanges were given, in the first instance, only temporary recognition for a period of three years and at the end of each term recognition was renewed for a like period. The exchanges at Calcutta, Madras, Ahmedabad, Hyderabad, and Bangalore have now been granted permanent recognition. The position of these recognised Stock Exchanges is reflected in the Table on the ninth page.

ORGANISATION

As the Table shows, the recognised Stock Exchanges at Bombay are voluntary non-profit-making institutions, while the Calcutta, Bangalore, Cochin, Uttar Pradesh, Ludhiana, Gauhati and Kanara Exchanges are joint stock companies limited by shares and the Hyderabad and Pune Stock Exchanges are companies limited by guarantee. Since the Rules or Articles of Association defining the constitution of recognised Stock Exchanges are framed by the Central Government, there is a broad uniformity in their constitution. In fact, the Madras Exchange was re-constituted and Calcutta Stock Exchange had to undergo a major re-organisation as a precedent to their recognition by the Government of India.

GOVERNING BODY

The governing body of a recognised Stock Exchange has wide governmental and administrative powers. It has the power, with Government approval, to make, amend and suspend the operation of the Rules, Regulations and Bye-Laws of the Exchange. It has complete jurisdiction over all matters relating to the Exchange and in practice its powers of management and control are almost absolute.

3.2 Under the constitution, the governing body has the power to admit and expel members; to warn, censure, fine and suspend members and their partners, attorneys, remisiers, authorised clerks and employees; to approve the formation and dissolution of partnerships and appointment of attorneys, remisiers and authorised clerks; to enforce attendance and information, to adjudicate disputes and impose penalties; to determine the mode and conditions of stock exchange business and regulate stock exchange trading in all its aspects; and generally to supervise, direct and control all matters and activities affecting the Stock Exchange.

MEMBERSHIP

4.1 The regulations governing the admission of members of the recognised Stock Exchanges are uniform in terms of the provisions of the Securities Contracts (Regulation) Rules, 1957. These statutory Rules provide that no person shall be eligible to be elected as a member if he is less than twenty-one years of age; or is not a citizen of India; or has been adjudged bankrupt or proved to be insolvent or has compounded with his creditors; or has been convicted of an offence involving fraud or dishonesty; or is engaged as principal or employee in any business other than that of securities; or is a member of any other association in India where dealings in securities are carried on; or is a director, partner or employee of any company whose principal business is that of dealing in securities.

4.2 Firms and companies were hitherto not eligible for membership of a recognised Stock Exchange. Steps are now being taken to enlist financial institutions and corporate bodies as members of a recognised Stock Exchange. The enrolment of financial institutions and corporate bodies as members of recognised Stock Exchanges would ensure professionalisation of stockbroking and better services to the investors. Individuals are ordinarily not deemed to be qualified unless they have had at least two years' market experience as an apprentice or as a partner or authorised assistant or authorised clerk or remisier of a member.

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ORGANISATION OF MEMBERSHIP STOCK EXCHANGES

Name of Stock Exchange	Year of Establishment	Type of Association	Recognition			Entrance Fee/Par Value of Share Rs.	Membership Security Deposit Rs.	Annual Subscription Rs.	No. of Members
			Original Date	Period	Permanent Date				
Bombay	1875	Voluntary non-profit-making association of persons	31. 8. 1957	Permanent	--	2,00,000	5,000	555	
Calcutta	1908 (Incorporated in 1923)	Public Limited Company	10.10.1957	5 years @	14. 4. 1980	2,00,000	3,000	650	
Madras	1937 (Recognised 29.4.1957)	Company Limited by Guarantee	15.10.1957	5 years @	15.10.1982	50,000	2,000	168	
Ahmedabad	1894	Voluntary non-profit-making association of persons	16. 9. 1957	5 years @	16. 9. 1982	75,000	2,000	299	
Delhi	1947	Public Limited Company	9.12.1957	5 years @	9.12.1982	4,000	3,000	321	
Hyderabad	1943	Company Limited by Guarantee	29. 9. 1958	5 years @	29. 9. 1983	50,000	2,000	111	
M.P. (Indore)	1930	Voluntary non-profit-making association of persons	24.12.1958	5 years @	24.12.1988	15,000	2,000	184	
Bangalore	1957	Incorporated as a Pvt. Ltd. Company & Converted into a Pub. Ltd. Co. on 3.4.1982.	16. 2. 1983	5 years @	16. 2. 1983	1,000	2,000	126	
Cochin	1978	Public Limited Company	10. 5. 1979	5 years @	--	5,000	2,040	476	
U.P. (Kanpur)	1982	Public Limited Company	3. 6. 1982	5 years	--	1,01,000	2,000	445	
Pune	1982	Company Limited by Guarantee	2. 9. 1982	5 years	--	2,500	2,000*	69	
Ludhiana	1983	Public Limited Company	29. 4. 1983	5 years	--	10,000	2,000	220	
Gauhati	1984	Public Limited Company	1. 5. 1984	5 years	--	5,000	2,000	184	
Kanara (Mangalore)	1985	Public Limited Company	9 9. 1985	5 years	--	250	1,000	74	
Magadh (Patna)	1986	Company Limited by Guarantee	11.12.1986	5 years	--	5,000	3,000	189	
Jaipur	1983-84	Public Limited Company	9. 1. 1989	1 year	--	2,500	2,000	500	
Bhubaneswar	1989	Company Limited by Guarantee	5. 6. 1989	5 years	--	50,000	2,000	87	
Saurashtra Kutch	1989	Company Limited by Guarantee	10. 7. 1989	3 years	--	10,000	2,000	300	
Vadodara (Baroda)	1990	N.A.	5. 1. 1990	5 years	--	25,000	N.A.	176	

* Renewed after every 5 years till grant of permanent recognition. \$ Renewed for further 5 years from 8.5.1989. * Cash deposit as security and Rs.50,000 Bank Guarantee or shares of the market value of Rs.75,000 of reputed listed companies. +Membership Security Deposit for cash shares participation is 1,10,000 and Rs.1,65,000 for hand delivery participation. N.A. = Not Available

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PARTNERSHIPS AND REPRESENTATIVE MEMBERS

5. Members of the Exchange are entitled to work either as individual entities, or in partnership, or as representative members acting business on the floor of the market in their own name but in the name of the appointing members who assume the market responsibility for the business so transacted. Formation of partnerships and appointment of representative members is subject to the approval of the governing body.

ATTORNEYS

Members are entitled to appoint attorneys to supervise their stock exchange business. Such persons must satisfy in all respects the conditions of eligibility prescribed for membership of the Exchange and their appointment must be approved by the governing body.

REGISTERED ASSISTANTS AND REMISIERS

Active members are also entitled to employ authorised assistants or clerks to enter into bargains in the market on their behalf and to introduce clientele business. In addition to authorised assistants or clerks, members may appoint remisiers who bring in other members' business and are remunerated with a percentage of brokerage. Registered remisiers are not permitted an entry to the floor of the Exchange but are permitted to transact any business through the appointing members or authorised assistants or clerks. The appointment of authorised assistants or clerks and remisiers is subject to the approval of the governing body.

BROKERS AND DEALERS

All active members are required to maintain with the Exchange a security deposit. The primary function is to negotiate purchase and sale of securities in the market. The stability of the market, its liquidity and efficiency depend on the influence exerted by different groups of members engaged in diversified activities of one type or another.

Broadly speaking, the members of the Exchange perform two clearly

distinguishable functions — (a) that of brokers acting as agents buying and selling securities for others on a commission basis; and (b) that of traders or dealers acting as principals buying and selling securities on their own account for a profit or at a loss.

8.3 Members are permitted to act both as brokers and dealers. However, under Section 15 of the Securities Contracts (Regulation) Act, no member can enter into a contract as a principal with any person other than a member of a recognised stock exchange unless he secures in writing the consent or authorisation of such person and discloses in the note, memorandum or agreement of sale or purchase that he is acting as a principal. In such cases, it is obligatory under the Stock Exchange Bye-laws and Regulations that the price at which the transaction is completed should be fair and reasonable and justified by the condition of the market.

FUNCTIONAL SPECIALISATION

9. The Stock Exchange Rules, Bye-laws and Regulations do not prescribe any functional distinction between members. However, as a matter of fact, there is on the Bombay Exchange a fairly well-established specialisation under the following main categories: (a) the commission broker; (b) the floor broker; (c) the taravniwalla, akin to a jobber or specialist; (d) the dealer in non-cleared securities; (e) the odd-lot dealer; (f) the budliwalla or financier; (g) the arbitrageur or dealer in foreign securities, that is, securities listed on other recognised Stock Exchanges; (h) the security dealer or dealer in Government securities. Such specialisation appears in varying degrees on the other Stock Exchanges also.

COMMISSION BROKER

10. Almost all members act as commission brokers. The commission broker executes on the floor of the Exchange buying and selling orders placed by his constituents to whom he renders contracts containing a charge for commission at rates not exceeding the official scale of brokerage.

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FLOOR BROKER

11. The floor brokers, not large in number, are not officially attached to other members. The floor broker executes orders for any member and receives as his compensation a share of the brokerage charged by the commission broker to his constituent.

'TARAVNIWALLA'

12. The taravniwalla may be a jobber or specialist who specialises in stocks located at the same trading post. He trades in and out of the market for a small difference in price and such is an important factor in 'making a market', i.e., maintaining a continuous and liquid market in stocks in which he specialises. The taravniwalla who specialises in stocks that are relatively not so active frequently receives from other members orders that are away from the market price which he records in his book and executes when business is possible.

DEALER IN NON-CLEARED SECURITIES

13. The dealer in non-cleared securities specialises in buying and selling on his own account shares which are not on the active list. He is generally prepared to buy what is on offer and sell what is required but the price at which he deals varies with the activity of the particular stock.

ODD-LOT DEALER

14. The odd-lot dealer specialises in buying and selling in amounts less than the prescribed trading units. He buys odd lots and makes them up into marketable trading units. He likewise sells odd lots obtained by buying or by splitting up round lots. The odd-lot dealer does not rely on commission but makes his profit on the difference between the prices at which he buys and sells. His importance has grown in recent times because of the allotment of shares in small lots among many applicants for new issues.

'BUDLIWALLA'

15. The budliwalla or financier lends to the market by taking up delivery on the due date at the end of the Clearing for those who wish to carry over their purchases; or loans securities to the market when it is short by

giving delivery on the due date at the end of the Clearing for those who wish to carry over their sales. His purchases or sales on the last day of the current Clearing are matched by corresponding concurrent sales to or purchases from the same party for the ensuing Clearing. The difference between the two is the contango or the backwardation charge for the continuation facility offered to the market, i.e., for loaning money or stock for a short period of two to three weeks. The loan is fully secured and the return is governed by the technical position of the market and the ruling rate of interest.

ARBITRAGEUR

16. The arbitrageur specialises in making purchases and sales in different markets at the same time and profits by the difference in prices between the two centres. Arbitrage depends on the number of securities dealt in common on more than one Stock Exchange and the existence of ready means of communication. The growth in the number of stocks simultaneously listed on different Stock Exchanges and the development of trunk telephone, telex and teleprinter facilities have contributed to the increase of arbitrage business in recent times. The business is subject to such restrictions as the Governing Board may impose in order to avoid the evil of "joint account" with members of other Stock Exchanges and the consequent involvement of one Exchange in the difficulties of another.

SECURITY DEALER

17. The security dealer specialises in buying and selling gilt-edged securities, that is, securities issued by the Central and State Governments and by statutory public bodies such as Municipal Corporations, Improvement Trusts and Electricity Boards. He acts mainly as a jobber and is prepared to take risks inherent in the ready purchase and sale of securities to meet current requirements. The gilt-edged market is an over-the-counter market and each purchase and sale has to be separately negotiated. The market therefore tends to be restricted. There are about half a dozen active firms of security dealers in Bombay and the number elsewhere is more limited. They are in daily contact with the

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ve Bank as well as with commercial the Life Insurance Corporation and institutional investors. They also keep ch with each other and with other ial centres, and as a result of their ties gilt-edged securities enjoy the t of extremely fine quotations.

ORGANISED MARKET

The foregoing are the principal nts constituting the stock market and all m are highly developed in Bombay. help to make up an extremely well ised and a free, open and active market outstanding characteristics are ity and price continuity. It is because high degree of specialisation that ases and sales are relatively more easy through than in the other markets, that are or security can always be bought so desired sold at a reasonable price it immediately.

DEALINGS

Members of the Exchange are itted to deal only in listed securities. governing body so decides, they are permitted to deal in securities listed on her recognised Stock Exchanges. The g requirements a company must comply before its share are admitted to dealings ow uniform for all the recognised Stock anges.

BARGAINS

0. Under the Regulations now in force, ers of recognised Stock Exchanges are tted to enter into transactions in ities as under:

- (a) For "spot delivery", i.e., for delivery and payment on the same day as the date of the contract or on the next day.
- (b) For "hand delivery", i.e., for delivery and payment within the time or on the date stipulated when entering into the bargain, which time or date shall not be

more than fourteen days following the date of the contract.

- (c) For "special delivery", i.e., for delivery and payment within any time exceeding fourteen days following the date of the contract as may be stipulated when entering into the bargain and permitted by the Governing Board or the President.

DEALINGS IN GILT-EDGED SECURITIES

21. Business in gilt-edged securities starts in Bombay all around 12 Noon and continues till 3 P.M. During this time, important centres like Calcutta, Madras and Delhi contact Bombay on the trunk telephone lines to execute the orders in hand. Orders received locally by members of the Exchange are also passed on to the security brokers and dealers who then try the various sources such as banks, the L.I.C. and the Reserve Bank. The security market is mainly confined to institutional investors, but the brokers and dealers also explore possibilities of business among themselves or with their up-country correspondents.

GILT-EDGED SECURITIES — DELIVERY AND PAYMENT

22. Once the orders are executed, delivery and payment have to be made on the due date. Though the Stock Exchange By-laws and Regulations give sellers an option to deli at any time within a fortnight subject to a day's notice in advance, normally deliveries are effected on the seventh day following the date of the contract. The delivery is in the form of promissory notes, title to which passes by endorsement and delivery. The business is settled largely through Banks because, except for small lots owned by individual investors, the holdings are of institutional investors who keep them in safe custody accounts with Banks. In Bombay, documents are delivered through Banks against payment at the contract rate plus interest accrued to the date of delivery. This method is in vogue as endorsed bonds

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asier to handle and it is considered able that as far as possible third party sements should be avoided.

DEALINGS IN SHARES

23.1 Bombay has an auction market in es. The trading session commences at noon. Prior to that, members visit their constituents and collect orders from Banks and other institutional investors. Orders also come in from important centres like Calcutta, Madras, Ahmedabad and Delhi as well as from a number of other places situated all over the country. The orders are communicated either personally or on the telephone or by telegram or through post and members have a teleprinter or telex service whereby they keep in constant touch with other markets.

23.2 As soon as the orders are received, they are transmitted to the floor for execution. Hundreds of persons are assembled in the trading ring during the official session which runs from 12 Noon to 3 P.M. There are separate trading posts for different groups of securities, at which business in such securities is primarily transacted. A member wishing to buy or sell a security takes his way to the particular trading post where he finds a number of other members who are similarly interested in buying or selling the same security. Bids and offers are made aloud and the bargain is closed at a price mutually agreed upon.

23.3 The transaction entered into may be through a commission broker executing an order on behalf of a constituent, or with a broker, or with an 'odd-lot man', or with an arbitrageur, depending on the kind of the security, the nature of the security and the state of the market. In each case, the bargain is generally completed in a matter of minutes and reported back to the office from where the constituent is immediately informed of his purchase or sale.

23.4 The bargains entered into are by word of mouth but there are seldom any serious mistakes and all bargains are scrupulously honoured no matter what the

fluctuation in price. There is a computerised system for comparison of bargains every day and any discrepancies are immediately adjusted. Delivery and payment are then effected on the due date of the contract.

SHARES — DELIVERY AND PAYMENT

24.1 In Bombay, bargains in Equity shares are generally for 14-day settlement, commencing from a Friday and ending a fortnight later. Purchases and sales made on any day of a given period may be crossed-out by subsequent sales and purchases made during the same period. All outstanding bargains at the end of the period have to be settled by delivery and payment on the prescribed days.

24.2 After the last business day, all business done during the period is temporarily adjusted at making-up prices fixed on the basis of the average or closing rates. Amounts due to or from other members are determined on this footing and payment made through the Clearing House.

24.3 In the matter of delivery, Equity shares are classified into two groups. For both the groups, there is a computerised system of settlement which eliminates all intermediaries and brings the first and last parties together. Delivery Orders and Receive Orders are issued to the first and last parties. Delivery in respect of the first group of securities passes through the Clearing House. In the case of the other group, the delivering member hands over directly to the receiving member named in the Delivery Order the shares certificates together with duly executed transfer deeds. Such delivery has to be effected before 2 P.M. on the prescribed day which is generally a Thursday.

25. All bargains in other than Equity shares, all odd lot bargains and all bargains subject to a special stipulation entered into from Thursday of any week upto the following Wednesday are required to be settled by delivery and payment on Wednesday in the week thereafter. On the due date, the delivering member hands over to the

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giving member the share certificates together with duly executed transfer deeds before 2 P.M. and if the documents are in order the receiving member makes payment before 5 P.M. by a crossed "Payee's account" cheque drawn on the Fort area branch of a scheduled Bank. Should the documents be deemed to be not in order, they are returned to the delivering member before 4 P.M. Any differences between the buying and selling members as to whether the documents are defective or otherwise are immediately decided by a reference to the Exchange authorities.

CLEARING HOUSE

16.1 The Clearing House of the Bombay Stock Exchange was established as far back as 1921. It has been managed since its inception by the Clearing House of India acting under the instructions of the Government of India. All the leading Banks of the country are members of the Clearing House. It receives delivery and payment on behalf of their customers. The Clearing House guarantees that, when shares are sold, payment would be duly made or the shares returned to the Bank in the event of default of the member concerned; and per contra that, when payment is made, the shares would be duly delivered or the moneys paid to the Bank in the event of default.

16.2 The Clearing House is maintained at a heavy cost but it renders a most useful service and offers a measure of protection to the investing public. It can avail of it without any special charge. The large volume of business in the market has made it essential to have an efficient clearance arrangement and these arrangements ensure regular delivery and settlement.

16.3 The Ahmedabad Stock Exchange has its own Clearing House from early times. The clearing system was introduced in Calcutta in 1914 and in Madras and Delhi after 1957.

STATUTORY REGULATION

17. Trading in the market, whether for delivery, or for cash or hand delivery,

or for the Clearing is governed by Bye-laws and Regulations which are now more or less uniform for all the recognised Stock Exchanges. These Bye-laws and Regulations have been approved by Government under the Securities Contracts (Regulation) Act, 1956, and they provide in detail for the regulation and control of dealings in stocks, shares and Government securities.

RECOGNISED EXCHANGES

28.1 The Securities Contracts (Regulation) Act, 1956, permits only those stock exchanges which have been recognised by the Central Government to function in any notified State or area. The recognised Stock Exchanges are thus placed in a privileged position, but at the same time the Act vests in Government wide powers of supervision and control.

28.2 An Exchange is recognised only after Government is satisfied that its Rules and Bye-laws conform to the conditions prescribed for ensuring fair dealings and protection of investors. Government has also to be satisfied that it would be in the interest of the trade and public interest to grant such recognition.

28.3 The Rules of the recognised Stock Exchange relating in general to the constitution of the Exchange, the powers of management of the governing body and its constitution (including the appointment thereon of not more than three Government nominees), the admission of members, the qualifications for membership, the expulsion, suspension and readmission of members, the registration of partnerships, and the appointment of authorised representatives and clerks must be duly approved by Government. These Rules can be amended, varied or rescinded only with the previous approval of Government. Likewise, the Bye-laws of the recognised Exchange providing in detail for the regulation and control of contracts in securities and for every aspect of the trading activities of members must also be sanctioned by Government and any amendments or modifications must be similarly approved. Government's authority extends much further,

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owered by the Act to make or amend any Rules or Bye-laws of a Stock Exchange if it so considers in the interest of the trade and in the interest.

The Act arms Government with extensive powers — the power to make into the affairs of a recognised Stock Exchange and its members, to supersede the body and take over the properties of the Stock Exchange, to suspend its business and to withdraw the recognition granted to the Stock Exchange, should such steps be deemed desirable in the interest of the trade and public interest. Government has thus control over the recognised Stock Exchanges.

LICENCED DEALERS

The recognised Stock Exchanges are regulated through which Government regulation of the stock market is made effective. Where there are no stock exchanges, the Securities Contracts (Regulation) Act, 1956, empowers Government to licence dealers in securities and to prescribe the conditions subject to which they may carry on the business of dealing in securities.

VOID AND ILLEGAL CONTRACTS

The crux and centre of the Securities Contracts (Regulation) Act is in its provision that, in any notified State or area, contracts in securities (other than spot contracts) which are not entered into with or between members of a recognised Stock Exchange shall be illegal and punishable with fine or imprisonment or equally important is the provision that in any notified State or area all contracts in securities entered into in contravention of the specified Bye-laws of a recognised Stock Exchange shall be void and unenforceable. It respects the rights of the members of a recognised Stock Exchange who have entered into such contracts and also as respects the rights of any other persons who have willingly participated in the transactions entered into in such contravention.

30.2 In order to prevent undesirable speculation, the Act further empowers Government to declare that no contract for the sale or purchase of specified securities shall be entered into in any notified State or area except to the extent and in the manner prescribed in the notification. Option business is also totally prohibited and all options in securities are made illegal under pain of fine and imprisonment.

LISTING REGULATIONS

31. The Act contains an important provision for compulsory listing of public companies when, having regard to the securities issued by them or to the dealings in them, such a step is considered to be in the interest of the trade or the public interest. In that event, Government has the power to compel such companies to have their shares listed on a recognised Stock Exchange by complying with the prescribed listing requirements. The importance of these listing regulations approved by Government under the Act is widely appreciated and their usefulness has been acknowledged as under:

"To a not insignificant extent, the stock exchanges in India have functioned as the watch-dogs of investors' interest. They have done much to raise the standards of company reporting to build up well-defined practices as regards new capital issues, dividend announcements, closure of transfer books, etc., through rigorous listing requirements. Their standards, in some cases, have been more rigorous than those of the Company Law."

FLEXIBLE STATUTORY CONTROL

32.1 Under the Act, Government has promulgated the Securities Contracts (Regulation) Rules, 1957, for carrying into effect the objects of the legislation. These rules provide, among other things, for the procedure to be followed for recognition of stock exchanges; submission of periodical returns and annual reports by recognised

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Exchanges; enquiry into the affairs of listed Stock Exchanges and their affairs; and requirements for listing of securities. The Rules are statutory and they constitute a code of standardised regulations equally applicable to all the recognised Exchanges.

2.2 The Securities Contracts (Regulation) Act, 1956, thus sets up a general framework of control which makes Government intervention all-pervasive. At the same time, as an enabling legislative measure, the Act enables Government with a flexible apparatus for the regulation of the Stock market in India.

ORGANISED AND REGULATED MARKET FOR SHARES AND SECURITIES

3.1 The Securities Contracts (Regulation) Act, 1956, is based on the prestige gained in Bombay where the Bombay Securities Contracts Control Act, 1925, was in operation for thirty years. The same Rules, Bye-laws and Regulations now govern all the recognised Stock Exchanges have also been modelled almost entirely on the Rules and Regulations in force at the Bombay Exchange for almost a century. The Bombay market is fully developed and it is unrivalled in the country in functional specialisation, liquidity and volume of business in shares and securities. As pointed out in the June 1960 issue of the Reserve Bank of India Bulletin, Bombay is "the chief centre of the money and

capital markets", and because of this pre-eminence the city of Bombay is recognised as "the financial capital of India".

3.2 The nineteen recognised Stock Exchanges regulated by Government under the Securities Contracts (Regulation) Act, 1956, offer an organised market for gilt-edged securities and for shares and debentures of joint stock companies. As the tempo of industrialisation increases and new issues of securities are made from year to year, the volume of outstanding securities and the volume of transactions will go on rising more or less simultaneously. The market mechanism will have to be adapted and improved in response to the growing demands. The mobilisation of the savings of the small man for investment in joint enterprise and the broader spread of shareownership are factors which in the course of time are likely to exert a significant influence on the recognised Stock Exchanges. The stock market must therefore so organise itself and develop its activities as to ensure reasonable service, safety and security to all those who utilise its facilities. Basically, however, the recognised Stock Exchanges must continue to provide an orderly market, price continuity and free negotiability of shares and securities which are of vital significance if investment interest is to grow and expand throughout the country.

ADDRESSES OF REGULATING AGENCIES

Name	Address	Telephone/Telex, Grams
Controller of Capital Issues	Dept. of Economic Affairs Ministry of Finance North Block New Delhi 110 001.	001-3014452
Stock Exchange Division	Dept. of Economic Affairs Ministry of Finance North Block New Delhi 110 001.	001-3012882 Telex : 3166175 FINE IN
Securities and Exchange Board of India	Mittal Court, 'B' Wing, 1st Floor, 224, Backbay Reclamation Bombay 400 021.	2044502,3166175 Telex : 0118-5765 SEBI IN

RECOGNISED STOCK EXCHANGES IN INDIA

Name	Address	Telephone/Telex, Grams
The Stock Exchange, Bombay	Phiroze Jeejeebhoy Towers, Dalal Street, Bombay - 400 001.	270563 (Executive Director) 275581, 275860, 275861, 275626 Telex: 11-85925 STEX IN FAX: 91-22-2028121 'SHARATION'
2. The Ahmedabad Stock Exchange Assn., Ltd.	Manek Chowk, Ahmedabad - 380 001.	347149, 341988, 348883 Telex: 0121-6789 ASEX IN 'SHARATION'
3. Bangalore Stock Exchange Ltd.	'M' Block, First Floor, Unity Building, J.C. Road, Bangalore - 560 002.	220163,225548,226567,227238,226631 Telex : 2874 BSE IN Trading Hall : 226567 'BANGSTOCKS'
4. Bhubaneswar Stock Exchange Assn., Ltd.	217, Budh Raja Building, Jharpada Cuttack Road, Bhubaneswar - 751 006.	52340, 52341 Telex: 0675-437 BSTX IN 'STOCK EX'
5. The Calcutta Stock Exchange, Ltd.	7, Lyons Range, Calcutta - 700 001.	209366, 201488, 202514, 206977, 206957, 201489,203335 Telex: 021-7414 CSEA IN 'CALSTOCK'

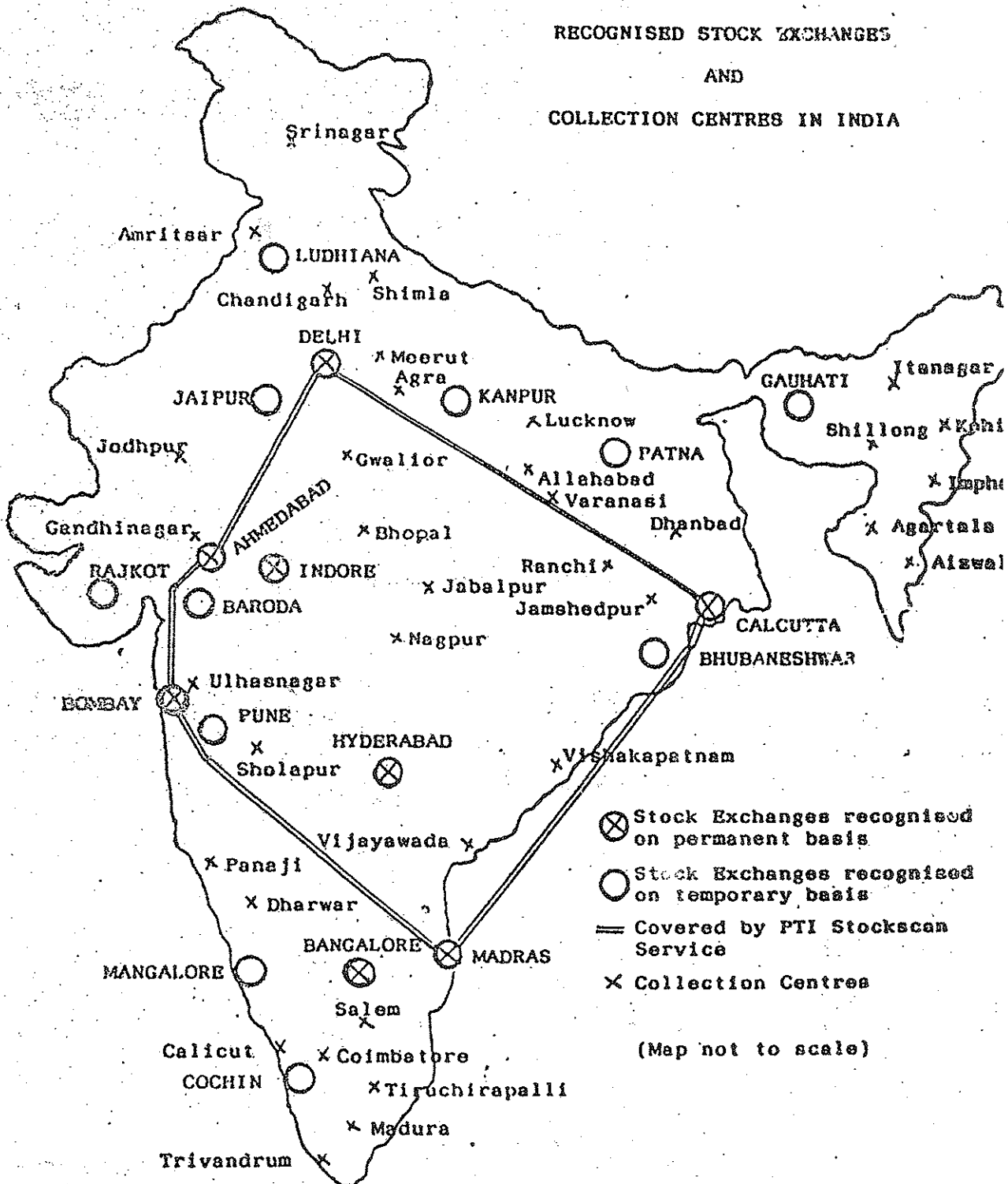
RECOGNISED STOCK EXCHANGES IN INDIA

Name	Address	Telephone/Telex, Grams
5. Cochin Stock Exchange, Ltd.	Exchange House, 38/1431, Veekshanam Road, P.B. No. 3529 Cochin - 682 035, Kerala.	367728 Telex: 885-6298 COST IN 'STOCK'
7. The Delhi Stock Exchange Association, Ltd.	3 & 4/4B, Asaf Ali Road, New Delhi - 110 002.	3271038, 3273073 Telex: 31-65317 DSEA IN 'UPKARI'
8. The Gauhati Stock Exchange, Ltd.	Saraf Building Annexe, A.T. Road, Guwahati - 781 001.	33670, 33672, 33667 Telex: 235-2412 STOCK IN 'STOCKS'
9. The Hyderabad Stock Exchange, Ltd.	3-6-275, Himayatnagar, Hyderabad - 500 029.	231985, 236746 Telex: 0425-6053 HSE IN 'STOCKCHANG'
10. Jaipur Stock Exchange Ltd.	Rajasthan Chamber Bhawan, M.I. Road, Jaipur - 302 001.	563517, 563521, 564962 Telex: 365-2648 JSEL IN 'JAISTOCK'
11. Kanara Stock Exchange, Ltd.	4th Floor, Rambhavan Complex, Kodialbail, Mangalore 575 003.	32606, 35614, 35613, 35853, 34736 Telex: 0832-374 MSEM IN 'STOCKANARA'
12. The Ludhiana Stock Exchange Assn., Ltd.	Lajpat Rai Market, Clock Tower, Ludhiana 141 008.	39318, 39319, 32748 Telex: 386429 LSEA IN 'DEALWELL'

RECOGNISED STOCK EXCHANGES IN INDIA

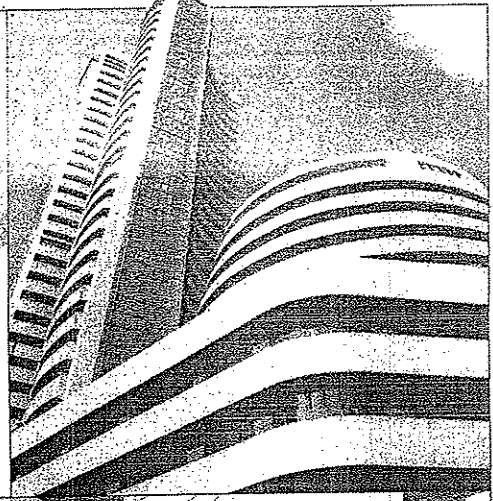
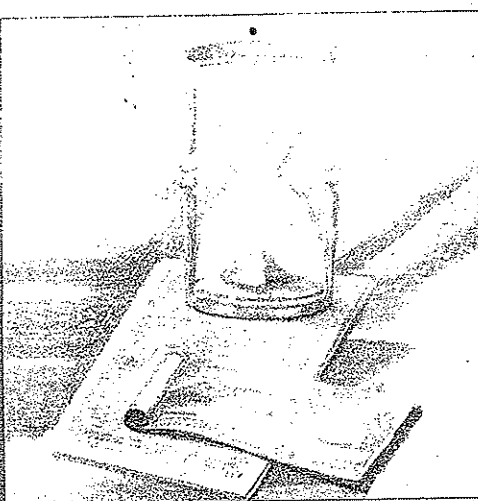
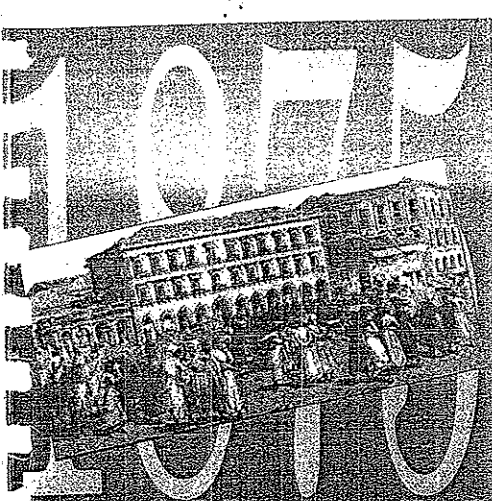
Name	Address	Telephone/Telex, Grams
Madras Stock Exchange, Ltd.	'Exchange Building', Post Box No. 183, 11, Second Line Beach Madras - 600 001.	512237 (Executive Director) 510845, 514897, (Secy.) 513081 Telex : 041-8059 MSEX IN 'MASTEX'
Madhya Pradesh Stock Exchange, Ltd.	Rajani Bhawan, 3rd floor, M.G. Road, Opp. Hgh Court, Indore - 452 001.	37423 Telex: 735 - 244 MPSE IN 'INDSTEX'
The Magadh Stock Exchange, Ltd.	Bihar Industries Assn. Premises, Sinha Library Road, Patna - 800 001.	220960, 223644, 222852 Telex: 22 - 407 MSEA IN 'MAGEXCHANG'
Pune Stock Exchange, Ltd.	1177, Budhwar Peth, Bank of Maharashtra Bldg., 2nd Floor, Bajirao Road, Pune - 411 002.	441679, 421584 Telex: 145462 PSEX IN 'STOCKEX'
Saurashtra Kutch Stock Exchange, Ltd.	21, New Jagnath, Dr. Yagnik Road, Rajkot 360 001.	48176
The Uttar Pradesh Stock Exchange Assn., Ltd.	Padam Towers, 14/113, Civil Lines, Kanpur 208 001.	210822, 210601 Telex: 0325 - 420 UPSE IN 'SHAREBAZAR'
The Vadodara Stock Exchange, Ltd.	Paradise Complex, Opp. Commercial College, Tilak Road, Sayajiganj, Baroda 390 005.	324334, 324335

RECOGNISED STOCK EXCHANGES
AND
COLLECTION CENTRES IN INDIA

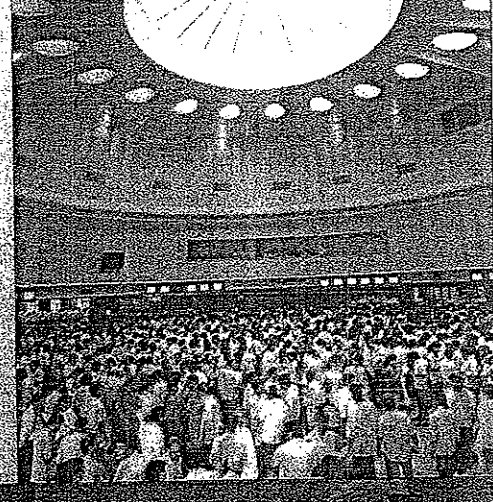


(Map not to scale)

Sr. No.	Year (April to March)	Names
1.	1887 - 1896	Shri Choonilal Motilal Patwari (Founder President)
2.	1896- 1919	Sir Shapurji Broacha
3.	1920 - 1922	Sir Kikabhai Premchand
4.	1922	Shri N.P.Karani
5.	1923 - 1966	Shri K.R.P. Shroff
6.	1966	Shri Kantilal Ishwarlal
7.	1966 - 1970	Shri Dhirajlal Maganlal
8.	1971 - 1973	Shri Laldas Jamnadas
9.	1973 - 1977	Shri Jayant Amarchand
10.	1977 - 1979	Shri Mathradas S. Kothari
11.	1980 - 1986	Shri Laldas Jamnadas
12.	1986 - 1987	Shri Ramdas Lallubhai
13.	1987 - 1988	Shri Mahendra N. Kampani
14.	1988 - 1991	Shri G.B. Desai
15.	1991 - 1992	Shri Hemendra Kothari
16.	1992 - 1994	Shri G.B. Desai
17.	1994 - 1995	Shri Bhagirat B. Merchant
18.	1995 - 1996	Shri Kamal S. Kabra



**HISTORY,
REGULATION &
ORGANISATION
OF
THE STOCK MARKET
IN INDIA**



1995



THE STOCK EXCHANGE
PHIROZE JEEJEEBHOY TOWERS,
25th FLOOR, DALAL STREET,
MUMBAI - 400 001.

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M. F. PANDYA
MANAGER
RISK MANAGEMENT

**HISTORY,
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THE STOCK EXCHANGE, MUMBAI

PHIROZE JEEJEEBHOY TOWERS, 25th FLOOR, DALAL STREET,
MUMBAI - 400 001.

Tel. : 265 5581, 265 5626, 265 5860 - 61

GRAMS : "SHARATION", MUMBAI - 400 001:

TELEX : 011-85925 STEX IN . FAX : 91-22-265 8121

HISTORY OF THE STOCK MARKET IN INDIA

HISTORY

1 - 1800-1865

EARLY BEGINNINGS

1.1 The stock market provides a market place for the purchase and sale of security evidencing the ownership of business property or of a public or business debt. The origin of the stock market therefore goes back to the time when securities representing this property or promises to pay were first issued and made transferable from one person to another.

1.2 The earliest records of security dealings in India are meagre and obscure. The East India Company was the dominant institution in those days and business in its loan securities used to be transacted towards the close of the eighteenth century.

1.3 By 1830's, there was a perceptible increase in the volume of business, not only in loans but also in corporate stocks and shares. In Bombay, business passed in the shares of banks like "the Commercial Bank, the Chartered Mercantile Bank, the Chartered Bank, the Oriental Bank and last, though not the least, the old Bank of Bombay", and among other prominent shares were those of cotton presses. In Calcutta, the Englishman reported in 1836 the quotations of 4%, 5% and 6% loans of the East India Company as well as of the shares of the Bank of Bengal for which there were buyers at Rs.5,000 premium and sellers at a premium of Rs.7,500.

1.4 The trading list was broader in 1839 and Calcutta newspapers then gave quotations of banks like the Union Bank and the Agra Bank and of business ventures like the Bengal Bonded Warehouse, the Docking Company and the Steam Tug Company. Brokers then were not a numerous community and in Bombay "between 1840 and 1850 there were half a dozen brokers recognised by the banks and merchants". In 1850, the Companies Act introducing limited liability was enacted and with it commenced the era of modern joint stock enterprise in India

STOCKBROKERS' RISE TO POWER UNDER PREMCHAND ROYCHAND.

2.1 From 1850 to 1865, the history of brokers and their rise to power in Bombay is the history of Premchand Roychand. The 1850's witnessed a rapid development of commercial enterprise. The extension of railways and introduction of telegraphs and the gradual improvement in the system of communications promoted internal trade and commerce; at the same time, the demand for European manufactures increased in this country and was accompanied by the growth of a corresponding demand in Europe for our exports. Stockbrokers shared in this general progress. "The hoondée business was most prosperous and so was that of brokerage".

2.2 Brokerage business attracted many men into the field and by 1860 the number of brokers increased to 60. Their acknowledged leader was the legendary Premchand Roychand who had entered the trade in 1850. He was the first broker who could speak and write English. Within six or seven years, he nearly monopolised the broking business in shares, stocks, bullion and partly exchange and gathered all the strings in his hands. Not only shares but also "all the best gilt-edged securities of those days gave him splendid opportunity for the display of that brilliant financial strategy which crowned him as the Napoleon of Finance and he was acclaimed as such by myriads of his countrymen".

2.3 Although Premchand Roychand remained a broker all his life, in the 1860's he directed his financial genius to other pursuits and manifold activities. He held captive the imagination of Indians and Europeans alike

and all the enterprises were either promoted by him or promoted through his goodwill and help. He "floated banks and financial institutions by the dozen, land and sea reclamations and trading and other Companies of diverse kinds with the rapidity of the prophet's gourd".

2.4 Premchand Roychand wielded the sceptre of kings. The Bank of Bombay Commission put on record in its Report that the old Bank of Bombay was practically his. It was the same with the Asiatic Bank and a host of other institutions. The story of the boom that followed his activities was indeed "a marvellous history more fascinating in its incidents than many a tale of Arabian Nights. The unconscious maker of that history was primarily Premchand Roychand himself.....His was the master mind in finance which wrought those marvellous miracles on the Stock Exchange".

SHARE MANIA OF 1860-65

3.1 In 1860-61, the American Civil War broke out and totally stopped the supply of cotton from the United States to Europe. The resulting cotton famine led to a large and unlimited demand on India, and India really meant the Bombay Presidency where alone the largest stocks were available. In four years, exports doubled from 5,66,000 bales to 11,18,000 bales.

3.2 As the Civil War progressed, the price of cotton kept on rising till it reached 27d. per pound against 3d. to 5d. quoted before 1863. The large exports of cotton were paid for in bullion which poured into Bombay from Liverpool in the shape of silver and gold. As shown in Table I, the total import of bullion amounted to Rs. 85 crores between 1861-62 and 1864-65. Out of this, Bombay alone absorbed Rs.52 crores, giving an average of Rs.13 crores per annum.

TABLE I

Import of Gold and Silver

Year	India Crores of Rs.	Bombay Crores of Rs.
1861-62	17.73	9.48
1862-63	19.63	13.98
1863-64	18.97	16.13
1864-65	28.49	12.19
Total	84.82	51.78

3.3 The import of all this bullion was in addition to the wealth of the City and served as fresh capital for a number of new ventures. As observed by the Bank of Bombay Commission in its Report:-

"The great and sudden wealth produced by the price of cotton shortly after the commencement of the American War, coupled with the want of legitimate means of investment, was at this time producing its natural result in the development of excessive speculation..... From this period everyone in Bombay appears to have become wild with the spirit of speculation. Companies were started for every imaginable purpose - banks and

financial associations, land reclamation, trading, cotton cleaning, pressing and spinning, hotel companies, shipping and steamer companies and companies for making bricks and tiles”.

3.4 Between 1863-65, the capital drawn into these new ventures was nearly Rs.30 crores and the premia they fetched in the market amounted to nearly Rs.38 crores. As Table II indicates, more than 1256 concerns were floated and in a few cases the premia exceeded the paid-up capital.

TABLE II

New Company Flotations, 1863-65

No.	Kind of Company	Paid-up Capital Crores of Rs.	Market Premia Crores of Rs.
25	Banks	13.64	10.94
69	Financial Associations	6.22	4.42
7	Land Reclamations Cos.	8.34	17.56
30*	Miscellaneous Cos.	1.56	5.00
131		29.76	37.92

* Approximate

3.5 The first vital spark of the speculation which eventually burst out into a huge conflagration was kindled by the Asiatic Banking Corporation. Originally named the Bombay Joint Stock Bank, it was established in 1863 with a capital of Rs.50 lakhs which was doubled within a year when a charter was obtained. Its shares were rigged up to a premium of 65 per cent in a few short months and it was the fore-runner of 94 other monetary institutions which came into existence on its heels.

3.6 It was also in 1863 that the charter of the old Bank of Bombay was amended and its capital doubled from Rs.52 lakhs to Rs.104 lakhs. At the same time, the ban on the Bank prohibiting it from making advances on personal security was removed and permission to advance on Government securities was enlarged to cover securities of “other public companies in India”. This new freedom was fully exploited. Premchand Roychand dominated the Bank and under his influence the Bank advanced on a variety of supposed substantial securities with a highly fictitious value. The reckless lending policy of the Bank of Bombay was in a large measure imitated by others and it was in a considerable degree responsible for the speculation that followed.

3.7 From 1861 to the beginning of 1865, there was nothing however wild that was floated whose shares did not command a premium. The Back Bay Reclamation share with Rs.5,000 paid-up was at Rs.50,000 premium, the Port Canning share with Rs.1,000 paid-up was at Rs.11,000 premium, while the Mazgaon Land share was at Rs.9,000 premium and the Elphinstone Land share at more than 500 per cent premium. Some of the banks and financial associations reached a premium of 50 per cent to 100 per cent without being tested by returns. The Asiatic Bank share of Rs.200 was quoted at Rs.460 in August 1864 and the Bank of Bombay share with Rs.500 paid-up reached a maximum price of Rs.2,850.

3.8 It was said that "man and woman, master and servant, employer and employee, banker and merchant, trader and artisan, rich and poor, or all races and creeds, officials in high positions included, were deeply busy from day to day in the art of commuting bits of paper, variously called 'allotments', 'scrips', and shares' into gold and silver". The madness which seized the people at large was indescribable. The people only woke up when the end of the American Civil War came. Then, all rushed to sell their securities but there were no buyers and the entire wealth received during the Civil War was represented by a huge mass of unsalable paper.

3.9 The fatal day was reached on the 1st July, 1865, when hundreds of time bargains matured which no one was in a position to fulfil. A disastrous slump followed and it so completely overwhelmed the City that the Bank of Bombay share which had previously touched Rs.2,850 could only be sold at Rs.87 and the Back Bay Reclamation share at not more than Rs.1,750 against its peak price of Rs.50,000, while a share of the solid Elphinstone Company could only be sold at Rs.450, of Colaba at Rs.975, Mazgoan at Rs.515 and Frere Land at Rs.115.

3.10 Like the South Sea Bubble and Tulip Mania of the eighteenth century in Europe, the share Mania of 1861-65 caused widespread desolation, and Premchand Roychand and his broker friends were "anathematized". A large number of Companies failed and there were few left solvent in Bombay. A special legislation, being Act XXVIII of 1865, had to be enacted to deal with the mass failures swiftly and expeditiously. The liquidation went on till 1872.

3.11 The depression was long and severe, but the Share Mania had certain lasting effects. The expansion of liquid capital and the establishment of a regular market in securities were its direct results and they helped to make Bombay what it is today - "the chief centre of the money and capital market" and "the financial capital of India".

II — 1866 -1900

FOUNDATION OF THE STOCK EXCHANGE IN BOMBAY

4.1 During the Share Mania of 1861-65, the number of brokers greatly increased and they became possessed of great influence, authority and wealth. Between 1840 and 1850, only half a dozen brokers had sufficed for the limited business that then existed and their meeting place was under the widespreading banyan trees in front of the Town Hall at the Cotton Green where the Elphinstone or Horniman Circle is now situated. Brokers continued to meet there till 1855 by which time their number had increased between 30 and 40. After 1855, brokers made their market place again under the shade of some banyan trees, between the old fort Walls and the old Mercantile Bank, on the open site now facing the Central Bank of India Head Office building at the junction of Medows Street and Mahatma Gandhi Road.

4.2 By 1860, the number of brokers was about 60 and during the exciting period of the American Civil War their number increased to about 200 to 250. Brokers were then a privileged class, created as much noise as they pleased and obstructed without let or hindrance the streets, the shops and the lower premises of banks. Bank managers went to their rooms through a serried rank of brokers, bowing to them right and left, and the police had only 'salams' for them.

4.3 The end of the American Civil War brought disillusionment and many failures and the brokers decreased in number and prosperity. Bank Managers all of a sudden discovered that they were a nuisance to their customers and ordered the hamals to clear their steps, and the police drove them from pillar to post. They had to shift from place to place, and wherever they went, through sheer habit they overflowed into the streets, till in 1874, in a street that is now appropriately called Dalal Street after their name, they found a place where they could conveniently assemble; and on the place where they so assembled stood once the office of the Advocate of India.

4.4 It was in those troublesome times between 1868 and 1875 that brokers organised an informal association, and finally, as recited in the Indenture constituting the Articles of Association of the Exchange, "on or about ninth day of July one thousand eight hundred and seventy five a few native brokers doing brokerage business in shares and stocks resolved upon forming in Bombay an association for protecting the character, status and interest of native share and stock brokers and of providing a hall or building for the use of the members of such Association".

4.5 At a meeting held in the Brokers Hall on the 5th day of February, 1887, it was resolved to execute a formal Deed of Association, constitute the First Managing Committee and appoint the first Trustees. Accordingly, an Indenture was executed on the 3rd day of December, 1887, constituting the Articles of Association of the Exchange and the Stock Exchange was thus formally established in Bombay "as a society to be called the Native Share and Stock Brokers' Association". The Association is now also known alternatively as "The Stock Exchange". The word "Native" in the original title which still survives marked no distinction from a parallel foreign association, for none existed. It was a sign of exclusiveness and pride, and Article II of the Articles of Association specifically declared "that no other persons except natives of India shall be admitted as members of the said Association". The Articles of Association so adopted by the Exchange form, with modifications and amendments, the basis of its governance to this day.

4.6 When the Exchange was constituted in 1875, the entrance fee for new members was Re.1 and there were 318 members on the list. The number of members increased to 333 in 1896, 362 in 1916 and 478 in 1920, and the entrance fee was raised to Rs.5 in 1877, Rs.1,000 in 1896, Rs.2,500 in 1916 and Rs.48,000 in 1920.

4.7 At present, there are 641 members and they have the right of nomination, that is, they are entitled to transfer their right of membership with the approval of the Governing Board. The value of the right of nomination — called a "seat" on the London and New York Stock Exchanges and locally known as a "card" — has fluctuated according to the ebb and flow of market activity. The price was Rs.1,800 in 1910 before the First World War, Rs.48,111 in 1920 during the post First World War boom, Rs.6,700 in 1932 during the Great World Depression, Rs.64,000 in 1946 during the post Second World War Boom and Rs.14,000 in 1954 during the slump that followed the War Boom. While ten years later the value was in neighbourhood of Rs.32,000.

CONSOLIDATION OF THE STOCK EXCHANGE AT BOMBAY

5.1 The organisation of the Stock Exchange at Bombay coincided with the recovery from the seven-year depression following the Share Mania of 1861-65. The enterprises promoted by the first generation of brokers, although they ruined the shareholders, were grand conceptions of genius before their time, the fulfillment of which we only see today. Awaking from these grand dreams, the capitalists and the Bombay brokers steadily promoted, after 1872, only those enterprises which were useful and remunerative, such as mills, presses and mining companies. A new departure in commerce and industry was thus taken, credit was restored and prosperity came back to Bombay with the firm establishment of the cotton industry, the building of new docks and the extension of railway facilities for transport of goods.

5.2 The Stock Exchange played an important part in these new developments. The object of forming an association with fixed rules for conduct and settlement of business was "to facilitate the negotiation of the sale and purchase of joint stock securities promoted throughout the Presidency of Bombay. In this the Association entirely succeeded. Outside it, no securities could be negotiated, purchased or sold". In those days, "it was very difficult to float a public company and secure large amounts of capital subscribed. It must be mentioned to the credit of the brokers that they always tried their best to popularise the new issues to enable the companies to secure the necessary capital. "The Stock Exchange thus channelled the flow of investment into stocks, shares and gilt-edged securities and materially helped Government, trade industry.

5.3 As the Exchange grew in size, so did its accommodation. The premises taken in 1874 in Dalal street on a rent of Rs. 130 per month were given up when what is now known as the Stock Exchange Old Building

situated at Dalal Street was acquired for Rs.97,000 in 1895. In the central court-yard of these premises and in what is now the Brokers' Hall flourished two sturdy peepal trees, which still survive. The Brokers' Hall was thrown open on the 18th of January, 1899, by Mr. James M. Maclean, M.P., previously editor of the Bombay Gazette, and in the course of his inaugural address he declared:

"A Bombay native broker is a very useful member of the society, whose virtues are not sufficiently recognised, although his faults are emblazoned forth. With rare exceptions, he is honest to the backbone and pays up for his own misfortunes or the defaults of his customers to the last pie..... Without doubt this is the largest Rupee Paper Market in India, whether as regards the volume of business or the extent of the fluctuations. The Bombay Port Trust and the Bombay Municipality are under a debt of gratitude to them for raising their credit to enable them to borrow at the lowest rates obtainable in India, next to Government Paper. India being the original home of options, a native broker would give a few points to the brokers of the other nations in the manipulations of puts and calls.. A native broker has borne a considerable share in the building of the present Bombay..A portion of the prosperity of Bombay is owing to the mill industry and in its every stride forward the brokers have a considerable share."

5.4 The Exchange was at last comfortably housed, though for a time a crowd of dealers in Government Securities preferred to remain outside. After the First World War, the adjoining Old Building which had changed hands for Rs.73,000 in 1913 was bought in 1920 at Rs.10,30,000 to enlarge the trading hall for transacting the increasing volume of business. In 1928, the premises were further extended by acquiring from the Bombay Municipal Corporation for Rs.5 lakhs the adjoining plot of land abutting on Apollo Street and flanked by Dalal Street and Hamam Street. A new building was constructed on the site at the cost of another Rs. 5 lakhs and it was thrown open for public use on the 1st December, 1930. Recently the entire Stock Exchange properties have been rebuilt to provide for the constant growth of the institution. All the while, the two peepal trees on the Stock Exchange premises stand silent witness. The trees shed their leaves every autumn and the foliage is green again in spring, a perennial symbol so characteristic of the cyclical stock market fluctuations.

5.5 And so the Stock Exchange at Bombay has continued to expand in size and grow in its stature and influence. It is not only the oldest Stock Exchange but also the oldest trade association in the country. Among the twenty-two Stock Exchanges recognised by the Government of India under the Securities Contracts (Regulation) Act, 1956, it was the first one to be recognised and it is the only one that has been granted the privilege of permanent recognition. Likewise, it is acknowledged to be the best organised and the largest - be it as a market for gilt-edged securities or for new issues of capital; or in regard to the paid-up capital and market value of listed securities or the average size of listed companies; or from the point of view of turnover, price continuity, liquidity and negotiability, in all of which it enjoys outstanding pre-eminence. The primacy of the Stock Exchange, Bombay places it at the heart of the capital market. The Exchange thus helps materially to make Bombay "the chief centre of the money and capital markets and contributes in no small measure to the importance of the city as "the financial capital of India.

FOUNDATION OF THE AHMEDABAD SHARE AND STOCK BROKER'S ASSOCIATION

6.1 The cotton textile industry which established the primacy of Bombay also contributed to the development of Ahmedabad as the next important city in the Bombay Presidency. After 1880, a number of mills were set up in Ahmedabad and it rapidly forged ahead. Soon the need arose for trading in the shares of those units which were incorporated as joint stock companies. The businessmen of Ahmedabad had inherited a tradition for dealings in stocks and shares. Many of them had actively participated in the Share Mania of 1861-65 in Bombay and in fact a number of Bombay brokers hailed from Ahmedabad and neighbouring places where they had their homes and where their families resided. Accordingly, as new cotton textile mills were floated, Ahmedabad brokers canvassed subscription for the capital issues of these new companies, and in return were renewed by commission in the Managing Agency shares of the Companies. The volume of business steadily grew till in 1894 the brokers formed themselves into an Association under the name and style of "The Ahmedabad Shares and Stock Brokers' Association".

6.2 The Exchange was organised as a voluntary non-profit-making association with a Trust Deed and a Deed of Association on the same lines as the Stock Exchange in Bombay. It followed the Bombay rules and practice and a few of the members and their relatives were members of the Bombay Exchange. This close correspondence has been maintained ever since. The Ahmedabad market concentrated its business in the shares of local textile mills and of the Managing Agency Houses controlling those companies. After the First World War, a substantial increase in its trading volume led the Exchange to hire a building in the Manek Chowk area where the members used to congregate and trade under the open sky. Business continued to expand and the Exchange thereupon purchased a nearby property and constructed its own Building in the 1920's at a cost of Rs. 3,60,000. In 1950, it again acquired another adjoining property for Rs.70,000.

III — 1901-1913

BEGINNINGS OF THE SWADESHI MOVEMENT

7.1 In the beginning of the 20th century, the industrial revolution was on the way in this country. Its first outposts had already been planted in the middle of the 19th century. There was then a revolution in transport and means of communications with the building up of a network of railways, roads and telegraphs. A new form of industry was also established in the plantations operated by the tea, coffee and indigo estates. Then followed two of the most important industries in India - the cotton mill industry in Bombay financed by Indian capital and enterprise and jute industry in Bengal dominated by the Europeans. The industrial revolution thereafter spread to the mining and other miscellaneous industries such as coal, manganese, mica, rice mills, oil mills and the rest.

7.2 The opening years of the 20th century saw the birth of the 'swadeshi' movement. The institution of the Indian Industrial Conference in 1905 in association with the Indian National Congress was the first definite sign of an alliance between economic and political discontent. The Swadeshi movement let loose a great wave of industrial enthusiasm in the country and an important stage in industrial advance under Indian enterprise was reached with the inauguration of the Tata Iron & Steel Co. Ltd., in 1907. These developments were portents of the industrial progress to come and of the part to be played by the stock exchanges.

FOUNDATION OF THE CALCUTTA STOCK EXCHANGE ASSOCIATION

8.1 The Stock Exchange at Bombay and Ahmedabad were well set up as properly organised associations at the commencement of the 20th century, but the Calcutta Stock Exchange was not so constituted. At that time, the only large organised industries on a stable footing were the cotton mill industry of Western India, the jute industry of Bengal and the coal and mining industry in Bihar, Orissa and Bengal. What the cotton textile industry was to Bombay in the West, the jute industry was to Calcutta in the East.

8.2 Jute mills were beginning to spring up on the banks of the Hooghly when Bombay was in the grip of the Share Mania in 1861-65. These were also boom years in Calcutta, and in 1864 there were some 91 joint stock companies in which business was being done. Of these, the largest group was tea consisting of 38 Companies. The coal section was represented by Bengal, Beerbhoom, East Indian, Equitable and other companies, while the miscellaneous group included several steam tug companies. Jute mills attained an important place in the trading list in the following years and in the 1870's there was a boom in jute shares.

8.3 The boom in jute shares was followed by a boom in the tea shares in the 1880's and 1890's. As the century drew to a close, the 4% Government Paper (converted into 3% Government Paper in 1901) was an important market leader in Calcutta and the major industrial groups were teas, jute and coal. Among miscellaneous shares, India Generals was one of the most popular and had a large following in the market.

8.4 A few years after the turn of the century, there was a coal boom in Calcutta, and between 1904 and 1908, coal shares staged a remarkable rise. Burrakur which was quoted at Rs.85 in 1902 jumped up to Rs.540 in

1908, Bengal Nagpur from Rs. 22 to Rs.104, Raneegunge from Rs. 11,1/2 to Rs. 43,1/2 Gopalichuck from Rs. 21,1/2 and New Beerbhoom and Reliance Coal from Rs.167 and Rs.160, to the equivalent of Rs.167 and Rs.500 respectively. Dazzled by the running rise in prices many persons who had never held or dealt in shares before were attracted to the Stock Exchange as moths to a candle. Hectic buying all round raised prices to the roof and built up a vulnerable position. At last, the boom broke in 1908 and a severe depression followed.

8.5 Many new entrants, who had taken to share business during the boom, were strangers to the market and its traditions and devoid of all knowledge of its customs and usages. Many of them were a menace to themselves and to the general public and the trade. The crisis that followed the boom provoked endless differences and disputes among these brokers and ultimately led to a communal riot in May 1908. It was then realised that an organised body was necessary for the mutual protection and safety of the brokers and the trade. And so it was that on the 15th of June, 1908, an association was formed by some leading brokers under the name and style of "The Calcutta Stock Exchange Association"

CONSOLIDATION OF THE CALCUTTA STOCK EXCHANGE

9.1 When the Calcutta Stock Exchange was founded, it was housed in a new building at New China Bazar Street (later on known as Royal Exchange Place) where accommodation on a twenty year lease was taken on a monthly rent of Rs.1,080 plus half share of the municipal rates and taxes. These premises were close to the previous venue where stock brokers carried on business under the shade of a Neem tree, on the site where now stands the building of the Chartered Bank of India. As the end of the lease drew near, the Association acquired in 1926, on a lease of 99 years, a plot at the corner of Lyons Range and Royal Exchange Place. This plot was purchased outright in 1933, but before that, in 1928 a five storeyed building was constructed to provide larger trading accommodation and to meet the needs of members whose number was greatly enlarged in 1920.

9.2 When the Calcutta Stock Exchange Association was constituted in 1908, the number of founder-members was about 150 as compared to about 50 Indian and 4 or 5 European brokers who traded towards the close of the 19th century. On the 7th June, 1923, the Association was incorporated as a limited liability company with an authorised capital of Rs.3 lakhs consisting of 300 shares of Rs.1,000 each and its membership was then 210. The membership was reconstituted in 1958 when each of the Rs.1,000 share was split up into four shares of Rs.250 each and 1,112 such shares were issued to individual members of partnership firms.

9.3 The Exchange had, however, to undergo much stress and strain before its membership so increased. Shortly after its formation in 1908, the severe trade depression that followed on the heels of the coal boom took a heavy toll. Many stockbrokers sustained serious losses and abandoned the trade, while some others defaulted and were expelled. Financial difficulties were then so acute that in the early part of 1910 the Association seriously considered whether it should not wind up its affairs. These difficulties were, however, surmounted because it was recognised that the Calcutta Stock Exchange performed a most useful function as the principal market in Bengal and Eastern India for stocks, shares and securities.

9.4 Even when the Exchange was founded, it had on its list shares of as many as 236 companies, among whom 10 were railways, 19 banks, 26 jute mills, 69 coal companies, 81 tea companies and 31 miscellaneous companies. This gave wide coverage which has more than doubled in the succeeding years

IV - 1914 - 1939

THE FIRST WORLD WAR BOOM - EPHEMERAL NEW STOCK EXCHANGES

10.1 On the eve of the First World War, the stock market in India consisted of the three Stock Exchanges at Bombay, Calcutta and Ahmedabad. As hostilities progressed, Europe ceased to produce any manufactured articles except those required for the prosecution of the war. The import of manufactures into India stopped almost completely and a boom ensued in all industrial enterprises. Mills, factories and workshops

worked round the clock, fabulous profits were earned and large dividends were declared. Cotton and jute textiles, steel, sugar, paper and flour mills and all companies generally enjoyed phenomenal prosperity. Wealth accumulated and the volume of money increased, and the Stock Exchanges "soon became the centre of attraction for all".

10.2 The roaring trade in stocks and shares during the war and post-war boom led to the formation of rival stock exchanges in Bombay and Ahmedabad. A new limited company was formed and incorporated in Bombay under the name and style of the Bombay Stock Exchange, Ltd., in December 1917 and an unincorporated body called the Gujarat Share and Stock Exchange was established in Ahmedabad in 1920.

10.3 The Bombay Stock Exchange, Ltd., had on its Managing Committee a number of well-known industrialists and businessmen like Sir Purshottamdas Thakurdas, Sir Chunilal V. Mehta, Sir Ibrahim Rahimtoolla, Shri Rameshwardas Birla and others - men of high reputation but not conversant with the working of Stock Exchanges. They claimed that they would introduce reforms in matters in which, it was said, the existing Stock Exchange in Bombay was deficient, "but they found the same impracticable and were unable to move an inch further and they had to close their doors within three years". As Shri Bhulabhai Desai commented in his Minority Report of the Stock Exchange Enquiry Committee of 1923, "For some time past no business is being transacted on the new exchange and it is now practically a dead institution. The figures relating to the business of the Association point to the same conclusion". An attempt was made to revive the Bombay Stock Exchange, Ltd., in 1925, it made a last-ditch effort to obtain official recognition under the Act, but Government refused. Thereafter, it went into liquidation and wound up its affairs. The fact was that, in spite of highly influential persons, the new exchange did not command the confidence of the public which continued to support the existing Association.

10.4 Apart from Bombay and Ahmedabad, a new stock exchange was also organised in Madras under the name and style of "The Madras Stock Exchange" on the 6th April, 1920, and in Northern India also Lala Harikishan Lal and others attempted to establish a registered stock exchange in the 1920's but did not succeed. The Madras Stock Exchange had 100 members on its rolls when it started and dealt chiefly in mill shares. However, when the boom faded, followed by company failures and sharp fall in prices in 1921-22, the Madras Stock Exchange became moribund for want of business. By 1923, the number of its members stood reduced from 100 to 3 and so it went out of existence.

FOUNDATION OF THE MADRAS STOCK EXCHANGE, LTD

11.1 The war and post-war boom was followed by a world depression in 1930's. The improvement in business conditions and in stock market activity in 1935 was marked by growing public interest in stocks, shares and securities. In South India, there was a rapid increase in the number of textile mills and many new plantation companies were floated. To cater to this expanding trade in plantation and mill shares, a Stock Exchange was organised in Madras on the 4th of September, 1937, under the name and style of the "Madras Stock Exchange Association (Private) Ltd."

11.2 Long before that, some business in stocks and shares was apparently transacted in Madras by a broker or two after the First World War and a stock exchange was formed in 1920 only to go out of existence in 1923. In the beginning of 1927, there were two broker firms, one European and the other Indian, and a Bombay firm opened a branch in Madras in that year. Less than a dozen transactions were done by these brokers and reported in the press. In the next quinquennium, a few more brokers joined the trade, and though there was no organised exchange, they helped in the flotation of many electricity companies, textile mills, plantations and industrial concerns.

11.3 Up to 1933-34, stock and share business was almost entirely in the hands of two or three European firms and two Indian firms and their daily business was mostly confined to gilt-edged securities and South

Indian plantations, the principal interest being in London shares. With the establishment of trunk telephone facilities in 1933, business gradually broadened as South Indian investors became interested in stocks and shares quoted on the Bombay Exchange and Bombay and Calcutta investors developed interest in scrips quoted on Madras. A few more Indian firms were started in 1935 by former assistants or constituents of English firms, and business continued to develop.

11.4 When the Madras Stock Exchange was established in 1937, it had 5 members and 84 companies on its list of officially quoted securities. Since then, with the rapid industrialisation of Madras and the neighbouring states, the Exchange has expanded in membership and in the scope of its activities. It was reorganised as a new company limited by guarantee under the name and style of the Madras Stock Exchange Ltd., on the 29th of April, 1957, and in May 1961 it acquired a building of its own at a cost of Rs.2,10,000. Its activities are steadily expanding and companies covering all types of industries, including banks and insurance companies, are on its trading list.

RIVAL STOCK EXCHANGES

12.1 Apart from the Madras Stock Exchange, rival stock exchanges were set up in Bombay and Calcutta in 1937 and 1938 respectively. The steel boom in 1937 stimulated considerable interest in Calcutta, and as prices soared up and the volume of business increased, a number of new entrants invaded the field with a view to exploiting the favorable opportunity and making a fortune for themselves. Accordingly, another stock exchange under the name and style of the Bengal Share and Stock Exchange, Ltd., was organised in Calcutta in 1937 with the object of doing forward business in stocks and shares on a monthly settlement basis.

12.2 Very much for the same reasons, and for the second time in the history of Bombay, a new stock exchange, limited by guarantee, was started in February 1938 under the name and style of Indian Stock Exchange, Ltd. It had an influential Board of Directors consisting of well-known businessmen and industrialists like Sir Choonilal B. Mehta, Sir Behram Karanjia and others. Most of them were ineligible for membership of the existing Stock Exchange because its rules, sanctioned by Government, prohibited members from engaging themselves as principals or employees in any business other than that of stocks and shares. The object of the promoters of the new exchange, therefore, was to force themselves into the stock exchange trade by the back-door through the medium of a new association. Apart from these industrialists and businessmen who also wished to become stock brokers and dealers, the membership of the Indian Stock Exchange Ltd. was drawn at different stages from the speculative elements which had been driven out from the bullion, cotton, seeds and other forward markets after they came under Government control.

12.3 The Indian Stock Exchange, Ltd., had a feverish existence. It functioned sporadically, and whenever it did, its interest was restricted to two or three highly speculative scrips. The Exchange failed to win public support, and its repeated applications for recognition under the Bombay Securities Contracts Control Act were refused by the Government of Bombay. The Government of India also rejected its application for recognition when the Securities Contracts (Regulation) Act came into force in 1957; but in view of the principle of unitary control, twenty-five of its members were then admitted to the membership of the Bombay Exchange on concessional terms. Since then, the Indian Stock Exchange Ltd., has ceased to function and is now in a moribund condition.

12.4 Over and above the two new exchanges in Calcutta and Bombay, the Lahore Stock Exchange was formed in Lahore in 1934. It had a brief career and merged with the Punjab Stock Exchange, Ltd., which was incorporated in 1936. There were thus eight Stock Exchanges in India, two each in Bombay Calcutta and Ahmedabad and one each in Madras and Lahore, when the Second World War broke out in 1939.

THE SECOND WORLD WAR BOOM - MUSHROOM STOCK EXCHANGES

13.1 The second world war touched off a brief sharp boom which was followed by a slump. The situation changed radically in 1943 when India was fully mobilised as a supply base. Mills, factories and workshops were running day and night. Prosperity was rapidly increasing, inflationary finance expanded, money became cheaper and paper wealth multiplied. This war-time boom brought unprecedented prosperity to the stock exchanges. On account of restrictive controls on cotton, bullion, seeds and other commodities, those dealing in them found in the stock market the only outlet for their activities. They were anxious to join the trade and their number was swelled by numerous others who saw in the expanding volume of business and swiftly rising prices an opportunity for accumulating large fortunes overnight. Many new associations were constituted for the purpose and the organisation of stock exchanges in all parts of the country assumed the proportions of a craze.

13.2 In Ahmedabad, where the Ahmedabad Share and Stock Brokers' Association recognised by Government and the Gujarat Share and Stock Exchange already existed, as many as four new stock exchanges were set up one after another. Two of them disappeared with equal speed, but the Indian Share and General Exchange Association and the Bombay Share and Stock Brokers' Association established in 1943 managed to survive till 1957-58. In that year, some of their members as well as those of the Gujarat Share and Stock Exchange were absorbed on concessional terms by the Ahmedabad Share and Stock Brokers' Association which was the only stock exchange in Ahmedabad recognised by the Central Government under the Securities Contracts (Regulation) Act, 1956.

13.3 In Lahore, which witnessed a great expansion of monetary income during the war, the Punjab Share and Stock Brokers' Association, Ltd., the Lahore Stock Exchange Ltd., and the Lahore Central Exchange, Ltd., were set up, and these were in addition to the Punjab Stock Exchange, Ltd., which was established in 1936.

13.4 In Calcutta, over and above the existing Calcutta Stock Exchange Association, Ltd., and the Bengal Share and Stock Exchange Association, Ltd., a third Exchange called the Stock Exchange Association of Bengal Ltd., was organised.

13.5 In Delhi, two new Stock Exchanges, the Delhi Stock and Share Brokers' Association Ltd., and the Delhi Stocks and Shares Exchange, Ltd., were floated and later, on the 25th of June, 1947, amalgamated into the Delhi Stock Exchange Association, Ltd.

13.6 Two more Stock Exchanges were also formed. The U.P. Stock Exchange, Ltd., was incorporated in Cawnpore in 1940 and the Nagpur Stock Exchange, Ltd., was organised in Nagpur. In Indian States, the Hyderabad Stock Exchange, Ltd., was incorporated in Hyderabad in 1944 as a company limited by guarantee and recognised under the Hyderabad Securities Contracts Control Act which was enacted in that year on the lines of the Bombay Securities Contracts Control Act of 1925. A small Stock Exchange also sprang up in Bangalore City in Mysore State.

13.7 Most of these new Stock Exchanges had a membership ranging from 20 to 100 but the Bombay Share and Stock Brokers' Association had more than 715 members. Among members of these Exchange were businessmen, lawyers, bankers and others, but active members were few and the volume of business was not considerable. While some of the Exchanges claimed to be concerned exclusively with stocks and shares dealings only, others were more forthright in permitting their members to deal in other commodities like cotton, bullion or oilseeds. Most of these Exchanges carried on forward trading either openly or in the guise of cash or

ready delivery transactions, and in the absence of any listing regulations, dealing were allowed in all the sundry shares which had a speculative appeal.

13.8 This mushroom growth of stock exchanges fed on the war time boom, suffered almost a total eclipse in the aftermath of depression. The exchanges in Lahore closed down during the holocaust which followed the partition of the country and later one of them migrated to Delhi where it was merged with the Delhi Stock Exchange. Most of the other stock exchanges withered away or languished till 1957 when they applied to the Central Government for recognition under the Securities Contracts (Regulation) Act, 1956. Only the established Stock Exchanges in Bombay, Calcutta, Madras, Ahmedabad, Delhi, Hyderabad and Indore were recognised under the Act. Some of the members of the other Associations were required to be admitted by the recognised stock exchanges on the concessional basis, but acting on the principle of unitary control, all these pseudo stock exchanges were refused recognition by the Government of India and they, thereupon, ceased to function or to exist. The Bangalore Stock Exchange, Ltd., was registered subsequently in 1957 and recognised in 1963. Fourteen more stock exchanges were recognised by Government under the Securities Contracts (Regulation) Act, 1956 - the Cochin Stock Exchange, Ltd., in 1980, the Uttar Pradesh Stock Exchange association, Ltd. (at Kanpur) and Pune Stock Exchange, Ltd., in 1982, the Ludhiana Stock Exchange Association, Ltd., in 1983, the Gauhati Stock Exchange, Ltd., in 1984, the Kanara Stock Exchange Ltd., (at Mangalore) in 1985, the Magdh Stock Exchange Association (at Patna) in 1986, the Jaipur Stock Exchange, Ltd., the Bhubaneswar Stock Exchange Association, Ltd., The Saurashtra Kutch Stock Exchange, Ltd., and Over-The-Counter (OTC) Exchange of India, in 1989, the Vadodara Stock Exchange, Ltd., (at Baroda) in 1990, Coimbatore Stock Exchange, Ltd., and the Meerut Stock Exchange, Ltd., in 1991. Recognition to the Meerut Stock Exchange under Securities Contracts (Regulation) Act, 1956 was withdrawn in November, 1994. The OTC Exchange was promoted jointly by the ICICI, UTI, SBI Capital Markets, Ltd., Canbank Financial Services, Ltd., GIC and LIC and was approved for a period of 5 years from August 1989. A Stock Exchange under the name and style of The Sikkim Stock Exchange Association Ltd., was established at Gangtok, Sikkim in 1985. No official recognition has been sought for this exchange under the Securities Contracts (Regulation) Act, 1956 as the jurisdiction of this Act has not so far been extended to the State of Sikkim.

THE STOCK MARKET TODAY

14. The stock market in India is more than a century old and it has functioned continuously through the medium of organised stock exchanges. At present, there are twenty-two stock exchanges in India recognised by Government under the Securities Contracts (Regulation) Act, 1956. They are at Ahmedabad, Bangalore, Baroda, Bhubaneswar, Bombay, Bombay (OTC), Bombay (National Stock Exchange), Calcutta, Cochin, Coimbatore, Delhi, Gauhati, Hyderabad, Indore, Jaipur, Kanpur, Ludhiana, Madras, Mangalore, Patna, Pune and Rajkot. These recognised stock exchanges operate under the Rules, Bye-laws and Regulations approved by Government and they constitute an organised capital market for securities issued by the Central and State Governments, public bodies and joint stock companies.

14.1 During 1992-93, the Finance Minister Dr. Manmohan Singh, announced a decision to allow reputed foreign institutional investors such as pension funds, investments trusts, asset management companies etc., to invest in capital market. As on 31st March, 1995 at Bombay there were 308 number of foreign institutional investors (FIIs) recognised by the Securities Exchange Board of India.

14.2 With a view to encouraging professionalism and rendering better services to the investing public, the Government of India has allowed a company, formed under either the provisions of Section 12 (of the Companies Act, 1956) or Section 322 to become a member of the Stock Exchange subject to certain conditions. Till mid July 1995, there were 40 Corporate Members, in the Stock Exchange, Bombay.

ORGANISATION OF THE STOCK MARKET IN INDIA

REGULATION

THE ATLAY COMMITTEE

1.1 The earliest legislation relating in a sense to the stock market was introduced in the nineteenth century. The Government of Bombay then passed Act XXVIII of 1865 to deal with the situation arising out of the Share mania of 1860-65 which followed the outbreak of the American Civil War. This special Act had no significant influence on the subsequent legislation.

1.2 The next step was taken after the First World War and the post war boom. There were a spate of corners in Bombay which attracted public notice. Lord Llyod, the then Governor of Bombay, therefore proposed the formation of a committee of Appeal or Control, consisting of a member or two of the Exchange and other outside representatives, to supervise the management of the Association. The Exchange, however, refused "any sort of control or interference from outsiders who would not be conversant with the working of the Stock Exchange or who might during times of boom abuse their position on the Exchange and rob wealthy investors and grind down the poor, as was done by well known persons during the last boom". This refusal led to the appointment of the Atlay Stock Exchange Enquiry Committee on the 14th of September, 1923.

1.3 The Committee's Minority Report written by Shri Bhulabhai Desai vindicated the position of the Stock Exchange in regard to corners, and in turn was vindicated by facts and subsequent events. The Minority Report held it "proved by the evidence recorded before us (and there is no evidence to the contrary) that the majority, if not all, of the corners in recent times were entirely due to capitalist interests attempting to squeeze the members of the Association or their unwary clients". The Minority Report also expressed the view, which later turned out correct, that "within a short time one will hear as little of corners in the Bombay market as of the ruinous speculation which reigned in the boom period".

1.4 On the second main question that there should be constituted a controlling authority on which the various commercial associations of Bombay should be represented, both the Majority and Minority Reports were unanimous. They agreed that the suggestion was not feasible, as it would be difficult to find men of the requisite skill and experience.

1.5 The only other major recommendation of the Atlay Committee was in the matter of Stock Exchange Rules and Regulations. Before 1924, the chief weakness of the Bombay Exchange was in the chaotic condition of its Rules. The Atlay Committee remedied the defect by codifying the Rules, Bye-laws and Regulations. It was a reform of lasting value.

OFFER OF GOVERNMENT CHARTER

2.1 In its Report, the Atlay Stock Exchange Enquiry Committee had stressed and emphasised the necessity of the Stock Exchange framing and maintaining a systematic and settled body of Rules and Regulations in interests of the general investing public and of the trade itself. In pursuance of that strong recommendation, the Government of Bombay offered a Charter to the Bombay Exchange on the 21st of July, 1925.

2.2 The Charter did not visualise any direct control of the Exchange; what Government sought to do thereby was to assume authority to control the rule-making power of the Exchange and in return to grant it by

Charter a monopoly of organised trading in securities. The President and the other two representatives who had carried on negotiations with Government urged the Exchange to accept the Charter; but the Exchange, fearing official tyranny in matters of free monetary trade, turned down the offer on the 25th of August, 1925. It was a grievous mistake.

2.3 The rejection of the Charter compelled the Government of Bombay to initiate special legislation. The second thought of the members of the Bombay Exchange that the Charter should be accepted came all too late.

THE BOMBAY SECURITIES CONTRACT CONTROL ACT, 1925

3.1 A special legislation for controlling stock exchanges was enacted for the first time in India when the Bombay Securities Contracts Control Act, 1925, was passed by the Bombay Legislative Assembly on the 29th of October, 1925. It came into force in Bombay from the 1st of January, 1926.

3.2 The Act empowered Government to grant recognition to a stock exchange and to withdraw such recognition. It also provided that the Rules of a recognised stock exchange could only be made or amended subject to prior Government approval.

3.3 The Bombay Exchange applied for recognition under the Act and submitted a complete set of Rules and Regulation for Government approval. The Exchange was duly granted statutory recognition and its Rules were sanctioned by Government on the 14th of May, 1927. The Ahmedabad Share and Stock Brokers' Association was recognised under the Act on the 1st of May, 1939, and before sanction its rules were remodelled on those on the Bombay Exchange.

3.4 The Bombay Securities Contracts Control Act remained in force till the Securities Contracts (Regulation) Act, 1956, enacted by the Central Government came into operation on the 20th of February, 1957. However, the Bombay Act proved ineffective in regulating security trading, and Government control thereunder was nominal amounting to practical non-interference.

3.5 The Act defined the term "ready delivery contract" as meaning one for the performance of which no time was specified and which had to be performed within a reasonable time. This definition was found to be vague and ambiguous. The Act was also defective in its principal provision that contracts for purchase and sale of securities, other than those for ready delivery, would be void in law if not entered into through or between members of recognised stock exchanges in accordance with the Rules sanctioned by Government. If the Act was to be effective, such contracts should have been declared not only void but also illegal, as it is permissible in law for agents to claim on void contracts on the basis of indemnity; and further, a specific short period of time should have been prescribed for performance of ready delivery contracts.

THE BOMBAY FORWARD CONTRACTS CONTROL ACT, 1947

4.1 The defects of the Bombay Securities Contracts Control Act were rectified in a Bill that was drafted in 1939. The Bill aimed at uniform control of all forward markets in Bombay, but before it could be introduced in the legislature, the Congress Government then in office resigned. The bill was revived in 1947, but with certain misconceived alterations and it was passed into an Act in that year. The Bombay Forward Contracts Control Act, 1947, as it is called, was applied to cotton, bullion and seeds, Its operation was not extended to stocks and shares because of objections raised by the Bombay Exchange.

4.2 Subsequently, under the new Constitution of India which came into force in 1950, futures markets and stock exchanges became an exclusively Union Subject. In due course, appropriate Central legislation, based largely on the original principles of the Bombay Forward Contracts Control Act, 1947, was enacted for commodity markets in 1952 and for stock exchanges in 1956.

DEFENCE OF INDIA RULE 94-C

5.1 Prior to 1956, Central legislation was attempted by Government during the Second World War when the Defence of India Rule 94-C was promulgated in 1943. Its professed object was "to counter speculative operations". As it was felt that there was an "increase in speculative activity", the Defence of India Rule prohibited stock exchanges from offering facilities for carry-over transactions and other than ready delivery transactions — ready delivery transactions being defined as those which had to be fulfilled by delivery and payment within seven days of the date of contract.

5.2 The Defence Rule which was issued by Government without in any way consulting the stock exchanges was mistaken in its operation. It established a one-way market in which bonafide sellers laboured under a handicap while speculative buyers were encouraged. It thus penalised the bonafide sellers of shares and favoured the bulls whose activities were partly responsible for the speculative rise in prices. Not only was the market mechanism distorted in this manner, but also the illconceived ban on the provision of normal and necessary trade facilities had the effect of driving out stock and share business from the organised stock exchanges into the streets and mushroom markets.

5.3 The Defence of India Rules automatically lapsed in September 1946 and so ended the first experiment by Government in Central legislation.

DEPARTMENTAL COMMITTEE (1948)

6. In view of its unfortunate experience of Defence of India Rule 94-C, Government proceeded with circumspection before introducing more permanent legislation. It took no official notice of what passed for a report on the regulation of the stock market in India that was presented in July 1947 by an inexperienced Economic Adviser to the Ministry of Finance. Instead, Government appointed in May 1948 a Departmental Committee to submit a report on suitable legislation for regulation of stock exchanges in India. The Departmental Committee submitted its report in August 1948, in the course of which it expressed the view that legislation for stock exchanges should be finalised only after holding a conference of the representatives of the Central Government, the State Governments concerned and the Reserve Bank as well as the Presidents or other representative of the leading stock exchanges.

GORWALA COMMITTEE

7. On the 26th of January, 1950, the new Constitution of India came into force and under item 48 of the Union List "stock exchanges and futures markets" became exclusively a Central subject. In the following year, a draft Bill for stock exchange regulation was prepared by Government, partly on the basis of the draft suggested by the Departmental Committee of 1948 but more broadly on the lines of the Forward Contracts (Regulation) Bill, 1950, for controlling commodity exchanges that was then pending before the Lok Sabha. The draft Stock Exchange Bill was referred by Government to an Expert Committee under the chairmanship of Shri A.D. Gorwala. The Committee, on which the Bombay, Calcutta and Madras Stock Exchanges were represented by their Presidents, submitted its report on the 14th of July, 1951.

THE SECURITIES CONTRACTS (REGULATION) ACT, 1956

8.1 An official Bill called the Securities Contracts (Regulation) Bill, 1954, prepared on the lines of the draft recommended by the Gorwala Committee was introduced in the Lok Sabha on the 24th of December, 1954. On the 28th of November, 1955, and 5th of December, 1955, the Bill was referred by the Lok Sabha and Rajya Sabha respectively to a Joint Committee which presented its Report on the 29th of February, 1956. The Bill as amended by the Joint Committee was passed with some amendments by the Lok Sabha on the 16th of July, 1956, and by the Rajya Sabha on the 6th of August, 1956.

8.2 The Securities Contract (Regulation) Act, 1956, as it is called, was assented to by the President and published in the Gazette of India on the 4th of September, 1956. By a notification published in the Gazette of India on the 16th of February, 1957, the Act came into force throughout India on the 20th of February, 1957.

Recent amendments in Securities Contracts (Regulation) Act 1956 and Securities Contracts (Regulation) Rules, 1957 are given in Annexures I to VI.

RECOGNISED STOCK EXCHANGES

9.1 The Securities Contracts (Regulation) Act, 1956, permits only those stock exchanges which have been recognised by the Central Government to function in any notified State or area. The recognised stock exchanges are thus placed in a privileged position, but at the same time the Act vests in Government wide powers of supervision and control.

9.2 An exchange is recognised only after Government is satisfied that its Rules and Bye-laws conform to the conditions prescribed for ensuring fair dealings and protection of investors. Government has also to be satisfied that it would be in the interest of the trade and public interest to grant such recognition.

9.3 The Rules of the recognised stock exchange relating in general to the constitution of the Exchange, the powers of management of the governing body and its constitution (including the appointment thereon of not more than three Government nominees), the admission of members, the qualifications for membership, the expulsion, suspension and re-admission of members, the registration of partnerships and the appointment of authorised representatives and clerks must be duly approved by Government. These Rules can be amended, varied or rescinded only with the previous approval of Government. Likewise, the Bye-laws of the recognised exchange providing in detail for the regulation and control of contracts in securities and for every aspect of the trading activities of members must also be sanctioned by Government and any amendments or modifications must be similarly approved. Government's authority extends much further. It is empowered by the Act to make or amend suo moto any Rules or Bye-laws of a recognised stock exchange if it so considers desirable in the interest of the trade and in the public interest.

9.4 The Act arms Government with even more drastic powers - the power to make inquiries into the affairs of a recognised stock exchange and its members, to supersede the governing body and take over the properties of a recognised exchange, to suspend its business and lastly to withdraw the recognition granted to an exchange, should such steps be deemed indispensable in the interest of the trade and in the public interest. Government has thus complete control over the recognised stock exchanges.

LICENSED DEALERS

10. The recognised stock exchanges are the media through which Government regulation of the stock market is made effective. Where there are no stock exchanges, the Securities Contracts (Regulation) Act, 1956, empowers Government to licence dealers in securities and prescribe the conditions subject to which they carry on the business of dealing in securities.

ILLEGAL AND VOID CONTRACTS

11.1 The crux of the Securities Contracts (Regulation) Act is in its provision that, in any notified State or area, all contracts in securities (other than spot delivery contracts) which are not entered into through with or between members of recognised stock exchanges shall be illegal and punishable with fine or imprisonment or both. Equally important is the provision that in any notified State or area all contracts in securities entered into in contravention of certain specified Bye-laws of a recognised stock exchange shall be void and unenforceable at law as respects of the rights of the members of the recognised stock exchange who have entered into such

contracts and also as respects of the rights of any other persons who have knowingly participated in the transactions entailing such contravention.

11.2 In order to prevent undesirable speculation, the Act further empowers Government to declare that no contract for the sale or purchase of specified securities shall be entered into in any notified State or area except to the extent and in the manner prescribed in the notification.

OTHER IMPORTANT PROVISIONS

12. The Act contains other important provisions. It imposes certain restrictions on the right of the equitable holders of shares to recover dividend from the registered holder and confers on Government the authority to compel any public company to have its shares listed on a recognised stock exchange by complying with such requirements as may be prescribed for the purpose.

SECURITIES CONTRACTS (REGULATION) RULES, 1957

13. Under the Act, Government has promulgated the Securities Contracts (Regulation) Rules, 1957, for carrying into effect the objects of the legislation. These rules provide, among other things, for the procedure to be followed for recognition of stock exchanges; submission of periodical returns and annual reports by recognised stock exchanges; inquiry into the affairs of recognised stock exchanges and their members; and requirements for listing of securities. The rules are statutory and they constitute a code of standardised regulations uniformly applicable to all the recognised stock exchanges.

PATEL COMMITTEE

14.1 A high-powered 12 member committee under the Chairmanship of Shri G.S. Patel, former Chairman of the Unit Trust of India, was set up by the Union Government on 17th May, 1984 to make a comprehensive review of the functioning of stock exchanges and make recommendations. Besides Shri Patel, the committee consisted of Shri D.R.Mehta, joint Secretary of the Department of Economic Affairs, Shri S.M.Dugar, Member of the Company Law Board, Dr. S.A. Dave, Executive Director of the Industrial Development Bank of India, Shri S.S Nadkarni, Chairman and Managing Director of the Industrial Credit and Investment Corporation of India (ICICI), Dr. D.H.Pai Panandiker, Secretary General of the Federation of Indian Chambers of Commerce and Industry Shri K.V.Shanbhogue, President of the Institute of Company Secretaries of India, Shri M.J. Pherwani, Chairman of the Unit Trust of India, Shri M.R. Mayya, Executive Director Bombay Stock Exchange, Shri E.R. Krishnamurthy, Executive Director of Madras Stock Exchange and Dr. L.C. Gupta, Dean of Development Banking Centre. Shri Paul Joseph, Joint Director in the Department of Economic Affairs, acted as the member - Secretary of the committee.

14.2 The terms of reference of the committee were :

- a) to examine the general functioning of stock exchanges as an integral part of the financial system;
- b) to suggest measures to improve overall service to the investors by the members of stock exchange and to encourage small investors, particularly in semi - urban and rural areas, to invest in industrial securities with a view to mop up a larger volume of capital for productive investments;
- c) to look into the existing system of organisation and management of stock exchanges with a view to broad base it so as to make it representative of all concerned interests, and to suggest a uniform model of organisation,;

- d) to examine the existing procedures relating to stock transactions with a view to simplify and minimise delays;
- e) to look into the existing system of membership of stock exchanges with a view to facilitate periodic increase in membership and to evolve a system of agents of stock exchanges;
- f) to look into the existing of bye-laws and regulations of stock exchanges relating to trading in securities and to suggest measures with a view to ensure smooth functioning of stock exchanges so that they are not disrupted by recurring crisis and that they are able to efficiently handle a much larger volume of securities;
- g) to examine the existing system of rules and regulations relating to listing of securities in stock exchanges and the listing agreement between companies and stock exchanges;
- h) to suggest measures to minimise the cost of public issue of capital;
- i) to suggest a code of conduct for members of stock exchange to safeguard the interest of investors and the members and to suggest guidelines for creation of a customer protection fund and insurance for members;
- j) to suggest methods of acquisition/construction of premises for stock exchanges and the manner of its financing, and;
- k) to make suggestion on any other matter which is relevant to the above for further development of stock exchange activities.

14.3 After deliberation which lasted more than a year, the committee submitted its reports to the Union Finance Minister on 10th December, 1985. In the light of the recommendations made by the committee, Government issued several guidelines and directives to the stock exchanges relating to matters such as bringing down the cost of public issue of securities, listing of securities on the stock exchange, creation of a Customers' Protection Fund and insurance cover for members of stock exchanges.

SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI)

15.1 While presenting the Budget for 1986-87, the Prime Minister, who also held the finance portfolio, announced the decision of the Government to set up a separate board for the regulation and orderly functioning of stock exchanges and the securities industry. Accordingly, the Securities and Exchange Board of India (SEBI) was constituted by the Government of India on April 12, 1988, as a non-statutory body to promote orderly and healthy development of the securities market and to provide adequate investor protection. Dr. S.A. Dave, formerly Executive Director, Industrial Development Bank of India, was appointed as the first Chairman of SEBI. The Board has its headquarters in Bombay and its office is at Mittal Court, 'B' Wing, Nariman Point, Bombay-400 021. The Present Chairman is Shri D. R. Mehta.

15.2 The SEBI was given statutory recognition by an Ordinance promulgated in March, 1992. The Ordinance was replaced by the Securities and Exchange Board of India Act, 1992 (referred to as the SEBI Act, 1992, from now on) on 4th April, 1992, deemed to have come into force on 30th January, 1992. Under the provisions of the Act, it shall be the duty of SEBI to protect the interest of investors in securities and to promote the development of, and to regulate the securities market. The Act, inter alia, provides the SEBI with the following powers :

- (a) to regulate the business in stock exchanges;
- (b) to register and to regulate the working of stock brokers, sub-brokers, share transfer agents, bankers

to an issue, trustees of trust deeds, registrars to an issue, merchant bankers, underwriters, portfolio managers, investment advisers and such other intermediaries who may be associated with securities markets in any manner;

- (c) to register and to regulate the working of collective investment schemes, including mutual funds;
- (d) to promote and to regulate self-regulatory organisations;
- (e) to prohibit fraudulent and unfair trade practices relating to securities markets;
- (f) to promote investors' education and training of intermediaries of securities markets;
- (g) to prohibit insider trading in securities;
- (h) to regulate substantial acquisition of shares and take-over of companies;
- (i) to call for information from, to undertake inspection, to conduct inquiries and audits of stock exchanges and intermediaries and self-regulatory organisations in the securities markets;
- (j) to perform such functions and to exercise such powers under the provisions of the Capital Issues (Control) Act, 1947 (29 of 1947) and the Securities Contracts (Regulation) Act, 1956, (42 of 1956) as may be delegated to it by the Central Government;
- (k) to levy fees or other charges for carrying out the purposes of this section;
- (l) to conduct research for the above purposes;
- (m) to perform such other functions as may be prescribed.

REGISTRATION OF STOCK BROKERS, SUB-BROKERS, SHARE TRANSFER AGENTS, ETC.

16. Under the SEBI Act, 1992, no stock-broker, sub-broker, share transfer agent, banker to an issue, trustee of trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser and such other intermediary who may be associated with securities market shall buy, sell or deal in securities except under, and in accordance with the conditions of a certificate of registration obtained from the Board.

POWERS DELEGATED TO THE SEBI UNDER THE SECURITIES CONTRACTS (REGULATION) ACT, 1956

17. Also under the SEBI Act, 1992, some of the powers so far exercised by the Central Government under the Securities Contracts (Regulation) Act, 1956, have now been vested with SEBI. They are as under:

- (a) powers to call for periodical returns or direct enquiries to be made from any recognised stock exchange;
- (b) grant approval to any recognised stock exchange to make bye-laws for the regulation and control of contracts;
- (c) powers to make or amend bye-laws of recognised stock exchange;

- (d) licensing of dealers in securities in certain areas;
- (e) powers to compel listing of securities by public companies;
- (f) granting approval to amendments to the rules of recognised stock exchange;
- (g) powers to ask every recognised stock exchange to furnish to SEBI a copy of the annual report containing particulars as may be prescribed;
- (h) powers to direct recognised stock exchanges to make rules;
- (i) powers to supersede the governing body of a recognised stock exchange ;
- (j) powers to suspend business of any recognised stock exchange; and,
- (k) powers to prohibit contracts in certain cases.

CURRENT STATUS OF SEBI

18. On the 27th January, 1995, the Government of India, by an ordinance called the Securities Laws (Amendment) Ordinance 1995, strengthened the regulatory powers of the SEBI over capital market intermediaries and companies. The Government withdrew the provision wherein SEBI had to seek prior approval of the Union Government for effecting changes in existing regulation thereby reinforcing SEBI's autonomy. In addition, Government extended regulatory powers to SEBI over corporate in issuance of capital, the transfer of securities and other related matters, which had earlier vested solely with the Department of Company Affairs. The ordinance empowered SEBI to impose monetary penalties on capital market intermediaries and other participants for a range of violations. The existing SEBI Act provides for suspension and cancellation of registration and for the prosecution of intermediaries. By allowing for monetary penalties, the government brought violation of SEBI Act Provisions under civil law proceedings which was hitherto under criminal law. With a view to inducting more professionals on the SEBI Board, the Government has provided for the deleting of the existing provision which disqualifies a member of the Board once he is appointed as a director of a company. The ordinance also empowers the SEBI to summon the attendance of and call for documents from all categories of stock market intermediaries including person in the securities market. Further, the SEBI has been given power to issue directions to all concerned parties so as to protect investor interest and to ensure orderly development of the securities market. In addition, the Ordinance has brought the listing agreement under the purview of the SEBI Act. Hence any violation of the existing agreement would be punishable under the SEBI Act.

REPEAL OF CAPITAL ISSUES (CONTROL) ACT, 1947

19. By an Ordinance no. 9 of 1992, the Capital Issues (Control) Act 1947, which controlled the issue of capital, was repealed on May 29, 1992. In consequence thereof, issue of capital and pricing of issues by companies has been freed from the requirements of prior approval from the Controller of Capital Issues. However, with a view to ensure proper disclosure and investor protection, the SEBI has issued certain Guidelines for due observance by the companies making issue of capital.

19.1 These Guidelines broadly cover the requirements as to first issue by new companies and existing private/closely held companies; and also further issues of capital by other companies by way of shares, debentures, bonds, etc. These Guidelines will apply to all issues of capital to be made hereafter. However, those companies holding consents from the Controller of Capital Issues obtained prior to the promulgation of the Ordinance may proceed with the issues on the terms and conditions contained therein, subject to the requirement

that the Guidelines now issued by SEBI would also apply to such issues to the extent they are not inconsistent with the terms of the CCI .

19.2 The following are the provisions of the Guidelines:

- (a) Not less than 25 percent of the equity should be offered to the public in case of new issues made either by a new company or by the existing closely held/private companies going to public.
- (b) In case of public issues by the listed companies there should be disclosure of highs and lows of prices of their shares for the last 2 years.
- (c) (i) The promoters contribution shall not be diluted for a lock in period of 5 years from the date of commencement of the production or date of allotment whichever is later. Promoters must bring in their full subscription to issues in advance before public issue.
- (ii) The share certificate issued for firms allotments to promoters, friends, relatives and associates etc. should carry the inscription, "not transferable" for a period of 3 or 5 years as may be applicable from the date of commencement of production or date of allotment whichever is later.

In short, the Securities Contracts (Regulation) Act, 1956, thus sets up a general frame-work of control which makes Government influence all pervasive. At the same time, as an enabling legislative measure, the Act provides Government with a flexible apparatus for the regulation of the stock market in India.

RECOGNISED STOCK EXCHANGES

20. The stock market in India is regulated under the Securities Contracts (Regulation), Act, 1956. At present, there are twenty-two stock exchanges recognised by Government under the Act. They are at Ahmedabad, Bangalore, Baroda, Bhubaneswar, Bombay, Bombay (OTC), Bombay (National Stock Exchange), Calcutta, Cochin, Coimbatore, Delhi, Gauhati, Hyderabad, Indore, Jaipur, Kanpur, Ludhiana, Madras, Mangalore, Patna, Pune and Rajkot. The Bombay Exchange was granted permanent recognition at the first instance. The other exchanges were given, in the first instance, official recognition for a period of five years and at the end of each term the recognition was renewed for a like period. The exchanges at Calcutta, Delhi, Madras, Ahmedabad, Hyderabad, Indore and Bangalore have now been granted permanent recognition.

ORGANISATION

21. The recognised stock exchanges at Ahmedabad, Bombay, Indore are voluntary non-profit-making associations, while the Calcutta, Delhi, Bangalore, Cochin, Uttar Pradesh, Ludhiana, Gauhati and Kanara Stock Exchanges are joint stock companies limited by shares and the Madras, Hyderabad, Pune Bhubaneswar, Magadh and Saurashtra Stock Exchanges are companies limited by guarantee. Since the Rules or Articles of Association defining the constitution of the recognised stock exchanges are approved by the Central Government, there is a broad uniformity in their organisation. In fact, the Madras Stock Exchange was re-constituted and the Calcutta Stock Exchange had to undergo a major re-organisation as a condition before their recognition by the Government of India.

GOVERNING BODY

22.1 The governing body of a recognised stock exchange has wide governing and administrative powers. It has the power subject to Government approval, to make, amend and suspend the operation of the Rules,

Bye-laws and Regulations of the exchange. It also has complete jurisdiction over all members and in practice its powers of management and control are almost absolute.

22.2 Under the constitution, the governing body has the power to admit and expel members; to warn, censure, fine and suspend members and their partners, attorneys, remisiers, authorised clerks and employees; to approve the formation and dissolution of partnerships and appointment of attorneys, remisiers and authorised clerks, and employees; to enforce attendance and information, adjudicate disputes and impose penalties; to determine the mode and conditions of stock exchange business and regulate stock exchange trading in all its aspects; and generally to supervise, direct and control all matters and activities affecting the stock exchange.

MEMBERSHIP

23.1 The regulations governing the admission of members of the recognised stock exchanges are uniform in terms of the provisions of the Securities Contracts (Regulation) Rules, 1957. These statutory Rules provide that no person shall be eligible to be elected as a member if he is less than twenty-one years of age; or is not a citizen of India; or has been adjudged bankrupt or proved to be insolvent or has compounded with his creditors; or has been convicted of an offence involving fraud or dishonesty; or is engaged as principal or employee in any business other than that of securities; or is a member of any other association in India where dealings in securities are carried on or is a director, partner or employee of any company whose principal business is that of dealing in securities. Individuals are ordinarily not deemed to be qualified unless they have had at least two years' market experience as an apprentice or as a partner or authorised assistant or authorised clerk or remisier of a member.

23.2 Firms and companies were hitherto not eligible for membership of a recognised stock exchange. Steps were taken to enlist financial institutions and corporate bodies as members of a recognised stock exchange. During 1993-94, financial institutions and corporate bodies were enlisted as members of the stock exchange. The enrolment of financial institutions and corporate bodies as members of a recognised stock exchange ensure professionalisation of stockbroking and better services to the investors.

PARTNERSHIPS AND REPRESENTATIVE MEMBERS

24. Members of an exchange are entitled to work either as individual entities, or in partnership, or as representative members transacting business on the floor of the market not in their own name but in the name of the appointing members who assume the market responsibility for the business so transacted. The formation of partnerships and appointment of representative members is subject to the approval of the governing body.

ATTORNEYS

25. Members are entitled to appoint attorneys to supervise their stock exchange business. Such persons must satisfy in all respects the conditions of eligibility prescribed for membership of the exchange and their appointment must be approved by the governing body.

AUTHORISED ASSISTANTS AND REMISIERS

26. Active members are also entitled to appoint authorised assistants or clerks to enter into bargains in the market on their behalf and to introduce clientele business. In addition to authorised assistants or clerks, members may appoint remisiers who bring in customers' business and are remunerated with a share of brokerage. Registered remisiers are given entry to the floor of the exchange but are not permitted to transact any business except through the appointed members or their authorised assistants or clerks. The appointment of authorised assistants or clerks and of remisiers is subject to the approval of governing body.

BROKERS AND DEALERS

27.1 All active members are required to maintain with the exchange a security deposit. Their primary function is to negotiate purchase and sale of securities in the market. The working of the market, its liquidity and efficiency depends on the influence exerted by different groups of members engaged in specialised activities of one type or another.

27.2 Broadly speaking, the members of the Exchange perform two clearly distinguishable functions - (a) that of brokers acting as agents buying and selling securities for others on a commission basis; and (b) that of traders or dealers acting as principals buying and selling securities on their own account for a profit or at a loss.

27.3 Members are permitted to act both as brokers and dealers. However, under Section 15 of the Securities Contracts (Regulation) Act, 1956, no member can enter into a contract as a principal with any person other than a member of a recognised stock exchange unless he secures in writing the consent or authorisation of such person and discloses in the note, memorandum or agreement of sale or purchase that he is acting as a principal. In such cases, it is obligatory under the stock exchange Bye-laws and Regulations that the price at which the transaction is completed should be fair and reasonable and justified by the condition of the market.

FUNCTIONAL SPECIALISATION

28. The Stock Exchange Rules, Bye-laws and Regulations do not prescribe any functional distinction between members. However, as a matter of fact, there is on the Bombay Exchange a fairly well-established specialisation under the following main categories: (a) the commission broker; (b) the floor broker; (c) the taravaniwalla, akin to a jobber or specialist; (d) the dealer in non-cleared securities; (e) the odd-lot dealer; (f) the arbitrageur or dealer in foreign securities that is, securities listed on other recognised Stock Exchanges; (g) the security dealer or dealer in Government securities. Such specialisation appears in varying degrees on the other stock exchanges also.

COMMISSION BROKER

29. Almost all members act as commission brokers. The commission broker executes on the floor of the exchange buying and selling orders placed by his constituents to whom he renders contracts containing a charge for commission at rates not exceeding the official scale of brokerage.

FLOOR BROKER

30. The floor brokers, not large in number, are not officially attached to other members. The floor broker executes orders for any member and receives as his compensation a share of the brokerage charged by the commission broker to his constituent.

TARAVANIWALLA

31. The taravaniwalla may be a jobber or specialist who specialises in stocks located at the same trading post. He trades in and out of the market for a small difference in price and as such is an important factor in 'making a market', i.e., maintaining a continuous and liquid market in stocks in which he specialises. The taravaniwalla who specialises in stocks that are relatively not so active frequently receives from other members orders that are away from the market price which he records in his book and executes when business is possible.

DEALER IN NON-CLEARED SECURITIES

32. The dealer in non-cleared securities specialises in buying and selling on his own account shares which are not on the active list. He is generally prepared to buy what is on offer and sell what is required but the price at which he deals varies with the activity of the particular stock.

ODD-LOT DEALER

33. The odd-lot dealer specialises in buying and selling in amounts less than the prescribed trading units. He buys odd lots and makes them up into marketable trading units. He likewise sells odd lots obtained by buying or by splitting up round lots. The odd lot dealer does not rely on commission but earns his profit on the difference between the prices at which he buys and sells. His importance has grown in recent times because of the allotment of shares in small lots among many applicants of new issues.

ARBITRAGEUR

34. The arbitrageur specialises in making purchases and sales in different markets at the same time and profits by the difference in prices between the two centres. Arbitrage depends on the number of securities dealt in common on more than one stock exchange and the existence of ready means of communication. The growth in the number of stocks simultaneously listed on different stock exchanges and the development of trunk telephone, telex and teleprinter facilities have contributed to the increase of arbitrage business in recent times. The business is subject to such restrictions as the Governing Board may impose in order to avoid the evil of "joint account" with members of other stock exchanges and the consequent involvement of one exchange in the difficulties of another.

SECURITY DEALER

35. The security dealer specialises in buying and selling gilt-edged securities, that is, securities issued by the Central and State Governments and by statutory public bodies such as Municipal Corporations, Improvement trust and Electricity Boards. He acts mainly as a jobber and is prepared to take risks inherent in the ready and sale of securities to meet current requirements. The gilt-edged market is an over-the-counter market and each purchase and sale has to be separately negotiated. The market therefore tends to be restricted. There are about half a dozen active firms of security dealers in Bombay and the number elsewhere is more limited. They are in daily contact with the Reserve Bank as well as with commercial banks, the Life Insurance Corporation and other institutional investors. They also keep in touch with each other and with other financial centres, and as a result of their activities gilt-edged securities enjoy the benefit of extremely fine quotations.

ORGANISED MARKET

36. The foregoing are the principal elements constituting the stock market and all of them are highly developed in Bombay. They help to make up an extremely well organised and a free, open and active market whose outstanding characteristics are liquidity and price continuity. It is because of the high degree of specialisation that purchases and sales are relatively more easy to put through than in the other markets, that any share or security can always be bought or if so desired sold at a reasonable price almost immediately.

DEALINGS

37. Members of the Exchange are permitted to deal only in listed securities. If the governing body so decided, they are also permitted to deal in securities listed on the other recognised stock exchanges. The listing requirements of a company must comply with, before its share are admitted to dealings, are now uniform for all the recognised stock exchanges.

BARGAINS

38. Under the Regulations now in force, members of recognised Stock Exchanges are permitted to enter into transactions in securities as under :

- (a) For "spot delivery", i.e., for delivery and payment on the same day as the date of the contract or on the next day.
- (b) For "hand delivery", i.e., for delivery and payment within the time or on the date stipulated when entering into the bargain, which time or date shall not be more than fourteen days following the date of the contract.
- (c) For "special delivery", i.e., for delivery and payment within any time exceeding fourteen days following the date of the contract as may be stipulated when entering into the bargain and permitted by the Governing Board or the President.

SHARES - DELIVERY AND PAYMENT

39.1 In Bombay, bargains in Equity shares are generally for 14-day settlement. Purchases and sales made on any day of a given period may be crossed-out by subsequent sales and purchases made during the same period. All outstanding bargains at the end of the period have to be settled by delivery and payment on the prescribed days.

39.2 After the last business day, all business done during the period is temporarily adjusted at making-up prices fixed on the basis of the average or closing rates. Amounts due to or from other members are determined on this footing and payment made through the Clearing House.

39.3 In the matter of delivery, equity shares are classified into two groups. For both the groups, there is a computerised system of settlement which eliminates all intermediaries and brings the first and last parties together. Delivery orders and received orders are issued to the first and last parties. Delivery in respect of the A group of securities passes through the clearing house. In the case of the B group, the delivering member hands over directly to the receiving member named in the Delivery order the shares certificates.

CLEARING HOUSE

40.1 The Clearing House of the Bombay Exchange was established as far back as 1921. It has been managed since its inception by the Bank of India acting under the instructions of the Exchange. All the leading banks of the country are members of the Clearing House which receives delivery and payment on behalf of their customers. The Clearing House guarantees that, when shares are delivered, payment would be duly made or the shares returned to the Bank in the event of default of the member concerned; and per contra that, when payment is made, the shares would be duly delivered or the moneys returned to the Bank in the event of default.

40.2 The Clearing House is maintained by the Exchange at a heavy cost but it renders a most useful service and offers a measure of protection to the investing public which it can avail of it without any special charge. The large volume of business in Bombay has made it essential to have an organised clearance arrangement and these clearing facilities ensure regular delivery and payment.

40.3 The Ahmedabad Stock Exchange has had a Clearing House from early times. The clearing system was introduced in Calcutta in 1944 and in Madras and Delhi after 1957.

STATUTORY REGULATION

41. Trading in the market, whether for spot delivery, or for cash or hand delivery, or for the Clearing is governed by Bye-laws and Regulations which are now more or less uniform for all the recognised stock

exchanges. These Bye-laws and Regulations have been approved by Government under the Securities Contracts (Regulation) Act, 1956, and they provide in detail for the regulation and control of dealings in stocks, shares and Government securities.

LISTING REGULATIONS

42. The Securities Contracts (Regulation) Act contains an important provision for compulsory listing of public companies when, having regard to the securities contracts (Regulation) issued by them or to the dealing in them, such a step is considered to be in the interest of the trade or the public interest. In that event, Government has the power to compel such companies to have their shares listed on a recognised stock exchange by complying with the prescribed listing requirements. The importance of these listing regulations approved by Government under the Act is widely appreciated and their usefulness has been acknowledged as under.

"To a not insignificant extent, the stock exchanges in India have functioned as the watch-dog of investors' interest. They have done much to raise the standards of company reporting to build up well-defined practices as regards new capital issues, dividend announcements, closure of transfer books, etc., through rigorous listing requirements. Their standards, in some cases, have been more rigorous than those of Company Law."

LISTING REQUIREMENTS

43. As per the Securities Contracts (Regulation) Rules, 1957, guidelines issued by Securities and Exchange Rules, Bye-laws and Regulations, a company must comply with the following in order to get its shares listed on any recognised stock exchange. Basic listing requirements are as follows :

- (i) The Memorandum and Articles of Association must not contain any provisions that restrict free transfer of shares .
- (ii) The company must offer for public subscription at least 25 percent of its issued capital .
- (iii) The minimum issued capital of the company should be at least Rs.3 crores .
- (iv) Application should be invited in denominations of market units of trading :
- (v) No previous track record is necessary .

FLEXIBLE STATUTORY CONTROL

44.1 Under the Act , Government has promulgated the Securities Contracts (Regulation) Rules , 1957, for carrying into effect the objects of the legislation. These rules provide among other things, for the procedure to be followed for recognition by stock exchanges; enquiry into the affairs of recognised stock exchanges and their members; and requirement for listing of securities. The Rules are statutory and they constitute a code of standardised regulations uniformly applicable to all the recognised stock exchanges.

44.2 The Securities Contracts (Regulation) Act, 1956, thus sets up a general framework of control which makes Government influence all-pervasive. At the same time, as an enabling legislative measure, the Act provides Government with a flexible apparatus for the regulation of the stock market in India.

AN ORGANISED AND REGULATED MARKET FOR SHARES AND SECURITIES

45.1 The Securities Contracts(Regulation) Act, 1956, is based on the experience gained in Bombay where the Bombay Securities Contracts Control Act, 1925, was in operation for thirty years. The uniform Rules, Bye laws and Regulations which now govern all the recognised stock exchanges have also been modelled almost entirely on the Rules and Regulations in force on the Bombay Exchange for almost a generation. The Bombay market is fully organised and it is unrivalled in the country for its functional specialisation, liquidity and large volume of business in shares and securities. As pointed out in the June 1960 issue of the Reserve Bank of India bulletin, Bombay is "the chief centre of the money and capital markets," and because of this pre-eminence the city of Bombay is recognised as "the financial capital of India".

45.2 The twenty-two recognised stock exchanges regulated by government under the Securities Contracts (Regulation) Act, 1956, offer an organised market for gilt-edged securities and for shares and debentures of joint stock companies. As the tempo of industrialisation increases and new issues of securities are made from year to year, the volume of outstanding securities and the volume of transactions will go on rising more or less simultaneously. The market mechanism will have to be adopted and improved in response to the growing demands. The mobilisation of the savings of the small man for investment in joint enterprise and the broader spread of share ownership are factors which in the course of time are likely to exert a significant influence on the recognised stock exchanges. The stock market must, therefore, so organise itself and develop its activities as to ensure reasonable service, safety and securities to all those who utilise its facilities. Basically, however, the recognised stock exchange must continue to provide an orderly market, price continuity and free negotiability of shares and securities which are of vital significance if investment interest is to grow and expand throughout the country.

GROWTH PATTERN OF LISTED STOCK

As of 31st March	1946*	1961*	1971*	1975*	1980*	1993	1994	1995	% increase in 1995						
									Over 1946	Over 1961	Over 1971	Over 1975	Over 1980	Over 1993	Over 1994
1. No. of Stock Exchanges	7	7	8	8	9	21	22	22	214	214	175	175	144	5	-
2. No. of Listed Companies	1,125	1,203	1,599	1,852	2,265	6,925	7,811	9,077	707	655	468	390	301	31	16
3. No. of Stock Issues of Listed Companies	1,506	2,111	2,883	3,230	3,697	11,310	12,026	14,185	842	572	392	339	284	25	18
4. Capital of Listed Companies (Cr. Rs.)	270	753	1,812	2,614	3,973	56,533	152,322	174,819	64,648	23,116	9,548	6,588	4,300	209	15
5. Market Value of Capital of Listed Companies (Cr. Rs.)	971	1,292	2,675	3,273	6,750	252,845	541,050	639,575	65,768	49,403	23,809	19,441	9,375	153	18
6. Capital per Listed Companies (Lakhs Rs.)	24	63	113	141	175	816	1,950	1,925	7,921	2,956	1,604	1,265	1,000	136	-1
7. Market Value of Capital per Listed Company. (Lakhs Rs.)	86	107	167	177	298	3,651	6,926	7,046	8,093	6,485	4,119	3,881	2,264	93	2

* As on 31st December

STRUCTURAL PATTERN OF LISTED STOCK (As On 31st March 1995)

Exchanges	Comp. Listed	No. of Stock Issues				Capital Listed (cr. Rs.)				Market Value (Cr. Rs.)			
		Equity	Deb./Bonds	Pref.	Total	Equity	Deb./Bonds	Pref.	Total	Equity	Deb./Bonds	Pref.	Total
Bombay	4702	6798	1649	238	8685	61514	28482	180	90176	435481	33177	179	468837
Calcutta	3115	3951	452	247	4650	41666	63773	188	105557	324374	64275	127	388776
Delhi	3137	4465	299	179	4943	51091	11220	122	62433	325775	11492	116	337383
Ahmedabad	2410	3745	606	74	4425	37321	16917	78	54316	252407	19692	85	272184
Madras	1267	1840	275	65	2180	36613	10944	35	47592	248690	11866	35	260591
Hyderabad	547	547	45	26	618	14962	1832	70	16864	54057	1903	70	56030
M.Pradesh #	140	140	21	5	166	1203	607	4	1814	9216	516	8	9740
Bangalore	456	462	138	42	642	17441	6610	47	24098	95370	7662	47	103079
Pune #	131	131	44	9	184	3259	1583	9	4851	32540	1764	10	34315
Cochin	175	178	41	7	226	6224	2950	3	9177	64887	3350	3	68240
Ludhiana	299	299	26	0	325	5624	521	0	6145	31537	631	0	32168
U.P. #	798	798	0	0	798	12081	0	0	12081	54300	0	0	54300
Guwahati *	218	307	9	6	322	1638	993	1	2632	35946	955	1	36902
Mangalore	36	36	5	1	42	3225	1308	5	4538	14238	1504	5	15747
Patna	46	46	12	4	62	2643	670	2	3315	10328	600	2	10930
Bhubaneswar S	45	48	3	1	52	3349	58	1	3408	7407	36	1	7444
Boroda	363	363	10	0	373	5705	721	0	6426	25404	716	0	26120
Jaipur	513	513	38	11	562	11724	1884	63	13671	27245	1903	63	29211
Rajkot	68	69	9	0	78	2405	853	0	3258	5537	1817	0	7354
OTCEI	49	48	1	0	49	122	1	0	123	671	1	0	672
Coimbatore	106	106	3	2	111	532	37	5	574	2808	37	5	2850
NSE <	0	0	0	0	0	0	0	0	0	0	0	0	0
All India	99077	11407	2145	633	14185	79361	95100	358	174819	538711	100497	367	639575

Source : Daily Official lists published by the Exchanges.

* The figures pertain to 31st March 1992.

@ The figures pertain to 31st March, 1994.

< > Information is not available.

The figures pertain to 31st March, 1993.

ANNEXURE I

AMENDMENT TO THE SECURITIES CONTRACTS (REGULATION) ACT, 1956

17. In the Securities Contracts (Regulation) Act, 1956 (hereafter in this Chapter referred to as the principal Act), in the preamble, the words " by prohibiting options and " shall be omitted.

18. In section 8, in sub-section (1), for the words "six months", the words "two months" shall be substituted.

19. In section 10 of the Principal Act, in sub-section (3), for the words "six months". the words "two months" shall be inserted.

20. After section 13 of the principal Act, the following section shall be inserted namely:-

"13 A. A stock exchange may establish additional trading floor with the prior approval of the Securities and Exchange Board of India in accordance with the terms and conditions stipulated by the said Board.

Explanation-For the purpose of this section, "additional trading floor" means a trading ring or trading facility offered by recognised stock exchange outside its area of operation to enable the investors to buy, the sell securities through this trading floor under the regulatory frame work of that stock exchange".

21. Section 20 of the principal Act shall be omitted.

22. For Section 21 of the principal Act, the following section shall be substituted namely:-

21. Where securities are listed on the application of any person in any recognised stock exchange, such person shall comply with the conditions of the listing agreement with the stock exchange.

23. In section 23 of the principal Act -

(a) in sub-section (1) clause (d) shall be omitted.

(b) in sub-section (2) for the words and figures "or who fails to comply with the orders of the Securities and Exchange Board of India under section 21", the words and figures " or who fails to comply with the provisions of section 21 or with the orders of " shall be substituted.

24. In section 30 of the principal Act, in sub-section (3) the words "shall be subject to the condition of previous publication and shall be omitted.

ANNEXURE II

TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRA ORDINARY PART II, SECTION 3,
SUB-SECTION (I)

Ministry of Finance
Department of Economic Affairs
(ECB and Investment Div.)

NOTIFICATION

New Delhi, dated the 12th October, 94

G.S.R. No. 749 (E) Whereas certain draft rules further to amend the Securities Contracts (Regulation) Rules, 1957 were published as required by sub-section (1) of Section 30 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956), in the Gazette of India, Extraordinary, Part II, section 3, sub-section (i) dated, 15th July, 1994 under the Notification of the Government of India in the Ministry of Finance (Department of Economic Affairs) No. G.S.R. 588 (E) dated the 15th July, 1994, inviting objection and suggestions from all persons likely to be affected thereby before the expiry of 45 days from the date on which the copies of the Gazette of India in which the said notification was published were made available to the public;

And whereas the copies of the said Gazette were made available to the public on 25th August, 1994.

Now, therefore, in exercise of the powers conferred by sub-section (I) of section 30 of the said Act, the Central Government hereby makes the following rules further to amend the Securities Contracts (Regulation) Rules, 1957 namely :-

1. (1) These rules may be called the Securities Contracts (Regulation) Second Amendment Rules, 1994.
(2) They shall come into force on the date of their publication in the Official Gazette.
2. In the Securities Contracts (Regulation) Rules, 1957 in rule 8, in clause (4A), sub-clause (iii) shall be omitted.

F.No.2/3/SE/93

(Sd.)

(P.J.Nayak)

Joint Secretary to the Government of India.

Note:-

The Principal Notification was issued under S.O.576 dated 21.2.1957 published in the Gazette of India Part II, section 3, page 619 dated 21.2.1957 and subsequent amendment Notifications Nos. G.S.R. 666 (E) dated 20th July, 1987 and No. G.S.R. 870 (E) dated 13th November, 1992 were published in the Gazette of India, Part II, section 3, sub-section (i).

ANNEXURE III

Ministry of Finance
Department of Economic Affairs
FCB and Investment Div.

NOTIFICATION

New Delhi, dated the 26th October, 94.

G.S.R. No. 780 (E) Whereas certain draft rules further to amend the Securities Contracts (Regulation) Rules, 1957 were published as required by sub-section (1) of section 30 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956), in the Gazette of India, Extraordinary, Part-II, section 3, subsection (i) dated 5th August, 1994, under the notification of the Government of India in the Ministry of Finance (Department of Economic Affairs) No. G.S.R. 608 (E) dated 5th August, 1994 inviting objections and suggestions from all persons likely to be affected thereby before the expiry of 45 days from the date on which the copies of the Gazette of India in which the said notification was published were made available to the public;

And whereas the copies of the said Gazette were made available to the public on 31st August, 1994;

Now, therefore, in exercise of the powers conferred by sub-section (i) of section 30 of the said Act, the Central government hereby makes the following rules further to amend the Securities Contracts (Regulation) Rules, 1957, namely:-

1. (1) These rules may be called the Securities Contracts (Regulation) (Third Amendment) Rules, 1994.
(2) They shall come into force on the date of their publication in the official Gazette.
2. In the Securities Contracts (Regulation) Rules, 1957 (a) in the marginal heading of rule 10, for the words "Government nominees", the words "Nominees of the Securities and Exchange Board of India" shall be substituted.

F.No.1/3/SE/94

Sd/-

(P.J.Nayak)

Joint Secretary to the Government of India

Note : The Principal Notification was issued under No. S.O. 576 dated 21.2.1957 dated 21.2.1957 published in the Gazette of India, Part II, Section 3, page 619 dated 21.2.1957.

ANNEXURE IV

MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS
INVESTMENT DIVISION

New Delhi, the 20th September, 1993.

NOTIFICATION

G.S.R :- Whereas certain draft rules further to amend the Securities Contracts (Regulation) Rules, 1957 were published as required by Sub-section (I) of section 30 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956), in the Gazette of India, Extra-ordinary, Part II, Section 3, Sub-section (i), dated 17th June, 1993 under the Notification of the Government of India in the ministry of Finance (department of Economic Affairs) No. G.S.R. 458 (E), dated the 17th June, 1993, inviting objections and suggestions from all persons likely to be affected there by before the expiry of 45 days from the date on which the copies of Gazette of India in which the said Notification was published were made available to the public;

And whereas the copies of the said Gazette were made available to the public on 28th June, 1993;

And whereas the objections and suggestions received from the public on the said draft have been considered by the Central Government:

Now, therefore, in exercise of the powers conferred by sub-section (I) of section 30 of the said Act, the Central Government hereby makes the following rules further to amend the Securities Contracts (Regulation) Rules, 1957, namely:-

- (1) These rules may be called Securities Contracts (Regulation) Amendment Rules, 1993.
- (2) They shall come into force on the date of their publication in the Official Gazette.

In rule 19, in sub rule, in clause (b)

- (a) in the opening portion for the words sixty percent, the words "twenty-five percent" shall be substituted.
- (b) For the existing provision, the following proviso shall be substituted, namely:-

"Provided that a recognised stock exchange may relax this requirements, with the previous approval of the Central Government in respect of a Government Company within the meaning of section 617 of the Companies Act, 1956 (I of 1956) and subject to such instructions as that Government may issue in this behalf from time to time".

- (c) In the Explanation, for the words "up to eleven percent shall be construed as a part of the sixty percent of the securities to be offered to the public", the words "shall not form part of the twenty-five percent of the securities to be offered to the public" shall be substituted.

(F.No. 1/33/SE/92)

Sd/-

(P.J.NAYAK)

JOINT SECRETARY TO THE GOVERNMENT OF INDIA

e : The principal Notification was issued under No. SRO 576 dated 21.2.1957 published in the Gazette of a Part II, Section 3, page 619 dated 21.2.1957, and subsequent amendment Notification No. GSR 685 dated 1972 was published in the Gazette of India Part II, Section 3 (i) dated 10.6.1972, page 1556.

ANNEXURE IV 'A'

Government of India
Ministry of Finance
Department of Economic Affairs
(Investment Division)

PRESS NOTE

Subject:- Amendments to Rules on listing of shares of companies on Stock Exchanges.

The Ministry of Finance has amended Rule 19(2)(b) of the Securities Contracts (Regulation) Rules, 1957 relating to the requirement of a public offer of securities by a company seeking listing on a Stock Exchange by lowering the minimum public offer of capital to be made by a company to 25% of its issued capital, as compared to the earlier requirement of 60% or such other percentage as was admissible under the administrative guidelines of the Ministry. The amendment also incorporates a proviso under which the Central Government can relax this 25% limit for Government Companies. This relaxation has been incorporated in order to facilitate the listing of companies where Government is proposing to disinvest share capital. Finally, the amendment also excludes the reservation of securities to Government or other specified institutions from the minimum 25% of securities to be offered to the public.

2. The amendment so notified eliminates the requirements for companies other than Government companies to seek relaxation of the minimum requirements of public offer of capital from the Stock Exchanges. The amendment is expected to simplify the procedure for listing of shares of companies on Stock Exchanges. It is also expected to encourage the listing of a larger number of companies on Stock Exchanges and thereby broaden the capital market.

3. A copy of the notification dated 20th September, 1993 is enclosed

New Delhi

Dated 20.9.93

E.No.1/33/SE/92

ANNEXURE V

TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY PART, II SECTION 3, SUB-SECTION (I)

Ministry of Finance
Department of Economic Affairs
(External Commercial Borrowings and Investment Division)

NOTIFICATION

New Delhi, dated 9th March, 1995

G.S.R. Whereas certain draft rules further to amend the Securities Contracts (Regulation) Rules, 1957 were published as required by sub-section (I) of section 30 of the Securities Contracts (Regulation) Act, 1956(42 of 1956), in the Gazette of India, Extraordinary, Part II, Section 3, sub-section (i), dated 19th December, 1994 under the Notification of the Government of India in the Ministry of Finance (Department of Economic affairs) No G.S.R. 869 (E) dated 19th December, 1994 inviting objection and suggestion from all persons likely to be affected thereby before the expiry of 45 days from the date on which the copies of the Gazette of India in which the said Notification was published were made available to the public;

And, whereas the copies of the said Gazette were made available to the public on 12th January, 1995, and no objections or suggestion have been received from the public on the said date.

Now, therefore, in exercise of the powers conferred by sub-section (i) of section 30 of the said Act, the Central Government hereby makes the following rules further to amend the Securities Contracts (Regulation) Rules, 1957, namely:-

1. (1) These rules may be called the Securities Contracts (Regulation) amendment Rules, 1995.
(2) They shall come into force on the date of their publication in the Official Gazette.
2. In the Securities Contracts (Regulation) Rules, 1957 after sub - rule (6) of Rule 19 the following shall be inserted namely:-

" (6A) All the requirements with respect to listing prescribed by these rules, shall, so far as they may be also apply to a body corporate constituted by an Act of Parliament or any State Legislature."

F.No. 1/33/SE/92

(Sd.)

(P.J. Nayak)

Joint Secretary to the Government of India.

Note:- The Principal Notification was issued under No. SRO 576 dated 21.2.1957 published in the Gazette of India Part II, Section 3, page 619 dated 21.2.1957 and subsequent amendment Notification No. GSR 685 dated 3.6.1972 was published in the Gazette of India, Part II, Section 3, Sub-section (i) dated 10.6.1972, page 1556 and Notification GSR No. 617 (E) dated 20.9.1993. was published in the Gazette of India, Extraordinary, Part II, section 3, sub-section (i) dated 20.9.1993.

ANNEXURE VI

Ministry of Finance
Department of Economic Affairs
(ECB and Investment Division)

PRESS NOTE

Subject : Amendment to Rule 19 of the Securities Contracts (Regulation) Rules 1957 for enabling listing of Securities of a body corporate constituted by an Act of Parliament or any State Legislature.

Government have published today a Notification in the Gazette of India Extraordinary for inserting a Sub Rule (6A) in Rule 19 of the Securities Contracts (Regulation) Rules, 1957 (SCR/Rules) in order to enable listing of securities of a body corporate constituted by an Act of Parliament or any State legislature.

2. At present, there are various body corporates functioning in the country, which are constituted by an Act of Parliament or State legislature. Since such body corporates are not companies as defined under the companies Act, 1956, they are unable to get their securities listed on a Stock Exchange. The amendment to the SCR rules, 1957 given effect from today would enable listing of their securities on a Stock Exchange by providing that the requirements with respect to listing prescribed by these Rules shall also apply to a body corporate constituted by an Act of Parliament or any State legislature.

3. This amendment is expected to encourage body corporates to raise capital from the public through issue of securities and to list their securities on Stock Exchanges. As a consequence, such body corporates would have access to increasingly larger volume of funds from the market which would enable them to substantially expand their development activities. In addition, this amendment would also contribute to the further growth of the capital market of the country

F. 1/33/SE/92

New Delhi :

Date : 9th March, 1995.

ADDRESSES OF REGULATING AGENCIES

Name	Address	Telephone / Telex. Grams
1. Stock Exchange Division	Dept. of Economic Affairs Ministry of Finance North Block New Delhi 110 001	3014871 Telex : 031-66175- FINE- IN Fax : 011 - 3014420 011-3017271
2. Securities and Exchange Board of India	<p>Head office: BOMBAY Mittal Court 'B' Wing 1st Floor, 224, Nariman Point Bombay-400 021</p> <p>Regional offices :</p> <p>CALCUTTA FMC Fortuna, 5th Floor 234/3A AJC Bose Road Calcutta 700 020</p> <p>DELHI Kailash Building, 5th Floor 26, Kasturba Gandhi Marg New Delhi 110 001</p> <p>MADRAS Karumuttu Center 498, Anna Salai, Nandanam Madras 600 035</p>	<p>Tel : 022-2850451, 2850452, 2850453, 2850454, 2850455, 2850456, Telex : 011-85765 SEBI IN Fax : 022-2021073, 2855585</p> <p>Tel : 033-402435 Telex : 021-5091 SEBI IN Fax : 033-404307</p> <p>Tel : 3329266, 3355810, 3329277 Telex : 031-61481 SEBI IN Fax : 011-3329272</p> <p>Tel : 4349568 Telex : 041-23205 SEBI IN Fax : 4346348</p>

RECOGNISED STOCK EXCHANGES IN INDIA

Sr. No.	Name & Address of the Exchange	Office Telephone/ Telex/ Fax Nos.
1.	The Stock Exchange, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001.	2650536, 2655581 2655860, 2655861 STD : 022 TLX : 011-85925 STEX IN FAX : 022-2658121 GRAM : SHARATION
2.	The Stock Exchange, Manek Chowk Ahmedabad - 380 001	2147149, 2141988, 2112341, 2112342, STD : 079 TLX ; 0121-6789 ASEX IN FAX : 079-2140117 GRAM : SHARATION
3.	The Calcutta Stock Exchange Assn. Ltd. 7, Lyons Range, Calcutta-700 020	2203335/1488/6977 2206957/ 1489/ 9366 2202514/2206136 STD : 033 (ED) 340533 TLX : 021-7414 CSEA IN FAX : 283724, 2202514 GRAM : CALSTOCK
4.	Madras Stock Exchange Ltd. Exchange Building Post Box No. 183 11, Second Line Beach Madras-600 001	510845, 513081, 5221085, 514897, 5221071 (ED) STD : 044 TLX : 041-8059 MSEX IN FAX : 044-514897 GRAM : MASTEX
5.	The Delhi Stock Exchange Ltd. West plaza, I.G. Stadium Indra Prastha Estate New Delhi - 100 002. & 3 & 4/4B, Asaf Ali Road, New Delhi - 110 002.	335 2951, 335 2952, 335 2953, 335 2954, 332 6803, 332 6804, 375 5314, 372 4387, STD : 011 TLX : 031-65317 DSEA IN FAX : 011-3326182 GRAM : UPKARI
6.	The Hyderabad Stock Exchange Ltd. Kautilya Complex, 4th Floor, Next to	236707, 240818, 242254 231985, 235079, Trading Hall:

RECOGNISED STOCK EXCHANGES IN INDIA

Sr. No.	Name & Address of the Exchange	Office Telephone/ Telex/ Fax Nos.
	Syndicate Bank Somajiguda, Hyderabad 500 482	231985, 236746, 235079 235087, 240804, 242375 STD : 040 FAX : 240804 TLX : 240804 TLX : 0425-6053 HSE IN GRAM STOCKXCHAGE
7.	Madyapradesh Stock Exchange Ltd. Rajani Bhavan 3rd Floor, M.G. Road, Opp. High Court, Indore - 452 001.	374 23, 217 73, STD : 0731 TLX : 0735-244 MPSE IN GRAM : INDSTX
8.	Bangalore Stock Exchange Ltd. UNI Building, Millers Tank, Vasanthnagar, Bangalore - 560 052	2204433 (D), 2204481 2204483/84/89/90 STD 080 TLX : 08845-2874 BSE IN GRAM : BANGSTOCKS FAX ; 080-2204479
9.	Cochin Stock Exchange Ltd. Veekshanam Road Ernakulam, P.B. 3529 Cochin - 682 035	367728, 364578, 369020 364528, 364864, 364582 STD : 0484 FAX : 0484-370471 TLX : 885-6298 COST IN GRAM : STOCK
10.	The Uttar Pradesh Stock Exchange Association Ltd. Padam Towers, 14/113, Civil Lines Kanpur - 208 001.	293115, 293174, 293134, 293437, STD : 0512 TLX : 0325-420 UPSE IN GRAM : SHAREBAZAR FAX : 293175.
11.	Pune Stock Exchange Ltd., Shivleela Chambers 752, Sadashiv Peth, R.B. Muthekar Marg, Pune - 411 030	475679, 471584, 475682 STD : 0212 TLX : 0145-462 PSEX IN GRAMS : STOCKEX FAX : 0212-470764
12.	The Ludhiana Stock Exchange Assn. Ltd., Feroze Gandhi Market, Ludhiana-141 001	39318, 39319, 404748 STD : 0161 TLX : 0386-429 LSEA IN GRAM : DEALWELL FAX : 0161-405756
13.	The Gauhati Stock Exchange Ltd., Saraf Bldg. Annexe, A.T.Road, , Gauhati - 781001.	33667/ 33672/ 33670 STD : 0361 TLX : 0235-2412 STX IN GRAM : STOCKS

RECOGNISED STOCK EXCHANGES IN INDIA

Sr. No.	Name & Address of the Exchange	Office Telephone/ Telex/ Fax Nos.
14.	Mangalore Stock Exchange Ltd. 4th Floor Rambhavan Complex Kodialbail Mangalore - 575 003	440813/440811-440582/440275 STD : 0832- TLX ; 0832-374 MSEM IN FAX : 440736, 441306 GRAMS : STOCKANARA
15.	The Magadh Stock Exchange Ltd 9th Floor, Ashina Plaza, Budh Marg, Patna- 800,001.	223644, 222852, 220960 262312/2320; 655780 STD : 0612 TLX : 22407 MSEA IN GRAM : MAGEXCHANGE FAX : 0612-220960
16.	Jaipur Stock Exchange Ltd., Rajasthan Chamber Bhawan, M.I. Road, Jaipur - 302 001.	563521 (P) 563521 (VP), 563517 (ED), 564962 (Sec), 568335 STD : 0141 TLX : 0365-2648 JSEL IN FAX ; 0414-563517 GRAM : JAISTOCK
17.	Bhubaneshwar Stock Exchange Assn. Ltd. A-22, Falcon House, Jharapara, Cuttak Road, Bhubaneshwar - 751 006	482340/ 41,482140 STD : 0674 TLX : 0675-437 BSTX IN GRAM : STOCKEX FAX : 0674-482283
18.	Saurashtra Kutch Stock Exchange Ltd. 21, New Jagnath, Dr. Yagnik Road, Rajkot-360 001.	56081, 42145/46 STD : 0281 , GRAM: SAURASTOCK TLX : 0169-352 SKSE IN FAX : 0281-43431
19.	The Vadodara Stock Exchange Ltd. 3rd Floor, Fortune Towers, Dalal Street, Sayajigunj Vadodara-390 005.	331452, 340378 (ED) STD : 0265 TLX : 0175-606 VSE IN GRAM : FAIRDEAL FAX : 0265-331452
20.	The Coimbatore Stock Exchange Ltd. Chamber Towers, 8/732 Avanashi Rd., Coimbatore - 641018	215100, 215101 STD : 0422 TLX : 0855-644 CSX IN FAX : 0422-213947 GRAM : COSTOCK
21.	OTC Exchange of India, 92-93 Maker Towers-F Cuffe Parade, Bombay- 400 005	2188164/65/66 2188023, 2180789 STD : 022 FAX : 022-2872462

RECOGNISED STOCK EXCHANGES IN INDIA		
Sr. No.	Name & Address of the Exchange	Office Telephone/ Telex/ Fax Nos.
22.	National Stock Exchange of India Ltd., Mahindra Towers 1st Floor, A-Wing R.B.C. Worli, Mumbai - 400 018.	4960525 (10 lines) FAX : 4935631

COMPANY LAW BOARD

		Office	Residence
Chairman : Shri S Balasubramanian (Acting)	Room No. 514, 5th Floor 'A' Wing Shastri Bhawan Dr. Rajendra Prasad Road New Delhi 110 001	383452	4692128
Member : Shri A. R. Ramanathan	-do- Room No. 512	381236	7115283

REGIONAL DIRECTORS

Eastern Region :	Nizam Palace, 3rd Floor 2nd MSO Building, 234/4 Acharya Jagdish Chandra Bose Road, Calcutta 700 020	2477380 2470382 2477437	3501928
Northern Region :	10/499-B, Allenganj Khalasi Lines, P. O. 137 Kanpur 208 002	291791 291782 291769	246035
Southern Region :	Block-1, V Floor, Shastri Bhawan 35, Haddows Road Madras 600 006	8271737 8276381 8276882	8250325
Western Region :	100, Marine Drive 5th Floor, Everest Mumbai 400 002	2017259 2053760	

OFFICE OF THE CUSTODIAN

THE SPECIAL COURT (Trial of offences relating to transactions in Securities) Act, 1992
16, Parliament Street, New Delhi - 110 001

CUSTODIAN
Dy. Secretary

Shri A. K. Menon
Shri Rajiv Bhardwaj

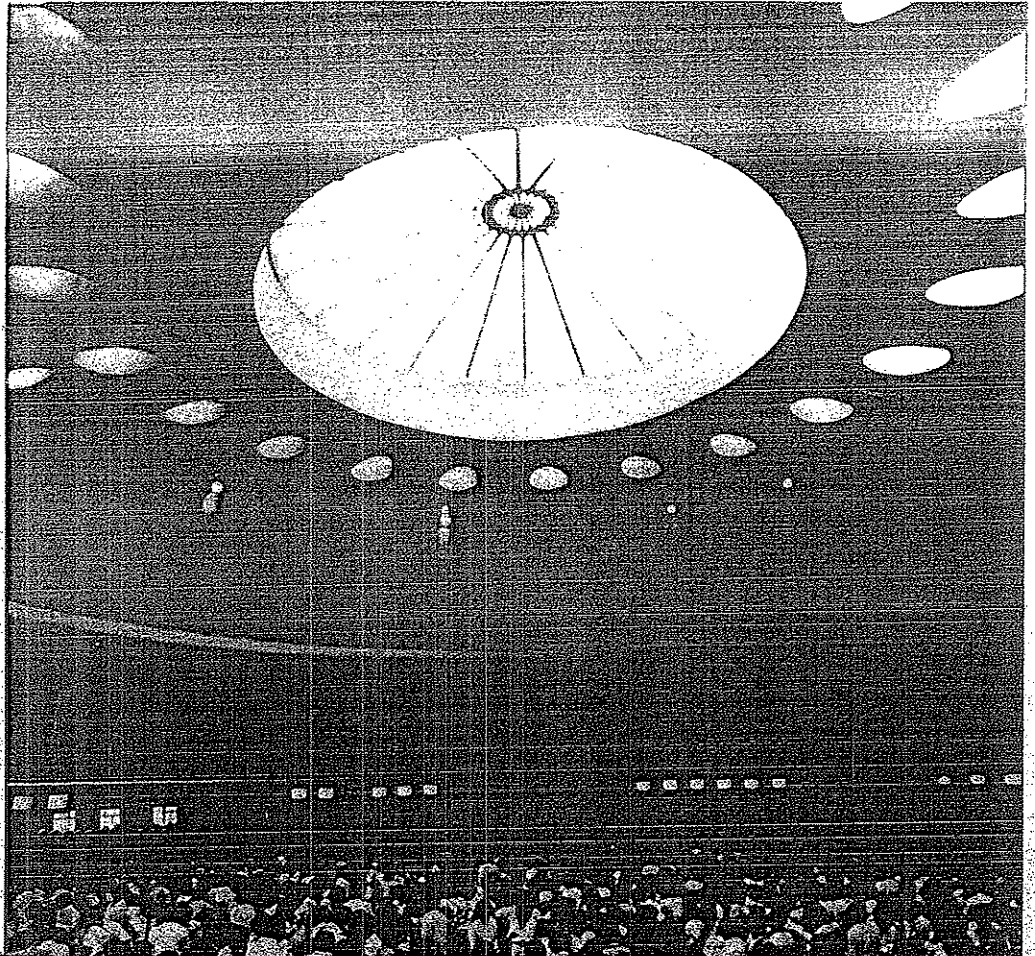
Phone : 3326836
Phone : 3327279

OFFICES OF REGISTRAR OF COMPANIES

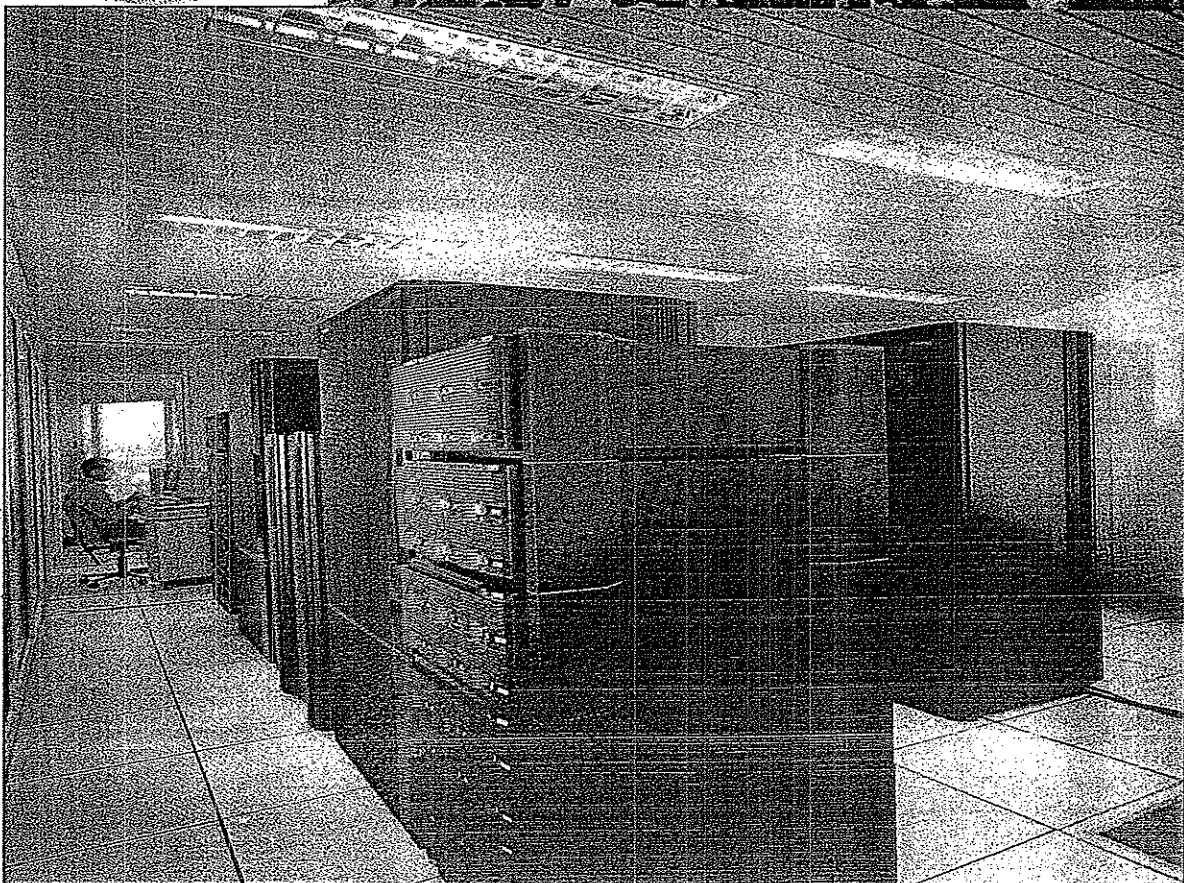
NAME	STATE	ADDRESS	TELEPHONE	
			OFFICE	RESIDENCE
N. R. Sridharan	Andhra Pradesh	1st Floor, Chirag Ali Lane	41030	
		5-8-525/C, Abid Road	41307	
		Hyderabad 500 001	41324	
D. N. Pegu	Assam, Tripura, Meghalaya	Morellow Building, Ground Floor, Shillong 793 001	223665	227235
S. K. Majumdar	Bihar	Jamal Road Patna 800 001	222172	
V.S. Galgali	Delhi & Haryana	2nd Floor, 'B' Block	4362708	6885609
		Paryavaran Bhawan	4362523	
		C.G.O. Complex, Lodhi Road	4362771	
		New Delhi - 110 003		
M. L. Sharma	Gujarat	Jiabhai Chambers	403328	
		Ashram Road, Navrangpura	448460	
		Ahmedabad 380 009		
R. V. Dani	Goa, Daman & Diu	Daulat Building, 2nd Floor Santa Inner Panaji Goa 403 001	44180	
J. N. Tiku	Jammu & Kashmir	478, Jawahar Nagar Srinagar 190 008	32162	
V. S. Rao	Karnataka	1st Floor, World Trade Centre, EKCCI, K. G. Road, Banglore 560 009	266879	592804
A. V. Menon	Kerala	M. G. Road, Ernakulam Cochin 682 011	355231	312099
Har Lal	Madhya Pradesh	Chamber of Commerce & Industry Building, Nissar Mandir Marg, Lashkar, Gwalior 474009	321907	
G.Srinivasan	Maharashtra	EVERest, 100 Marine Drive	291977	
		Bombay 400 002	292627	
			292645	
K.Ananda Rao	Orissa	Sudam Babu Building Ganga Mandir Marg, Baxi Bazar Cuttack 753001	21561	25608

NAME	STATE	ADDRESS	TELEPHONE	
			OFFICE	RESIDENCE
V.Selvarej	Pondicherry	27, Mahatma Gandhi Road, Pondicherry	36129	--
K.L.Kamboj	Punjab, Himachal Pradesh & Chandigarh	Kothi No. 286, Defence Colony, Jalandhar 144 033	223843	--
D.K.Gupta	Rajasthan	G-15 Krishna Marg, 'C'Scheme, Jaipur 302004	360492	517760
S. Srinivasan	Tamilnadu	Shastri Bhawan, Block VI, 2nd Floor, 35, Haddows Road, Madras 600 006	8276652 8277182 8272676	--
Gopalkrishnan		Bank of Baroda Building 5th Floor, Eastern Wing 82, Bank Road, Coimbatore 641018	213473	--
R.D.Kureel	Uttar Pradesh	Westcott Building Mahatma Gandhi Road Kanpur 201001	252304 267253	41543
C.D. Paik	West Bengal	Nizam Palace, IIMSO Building 234/4 Acharya Jagdish Chandra Bose Road, Calcutta 700 020	2477359 2477437 2477380	--

Trading Hub - Past

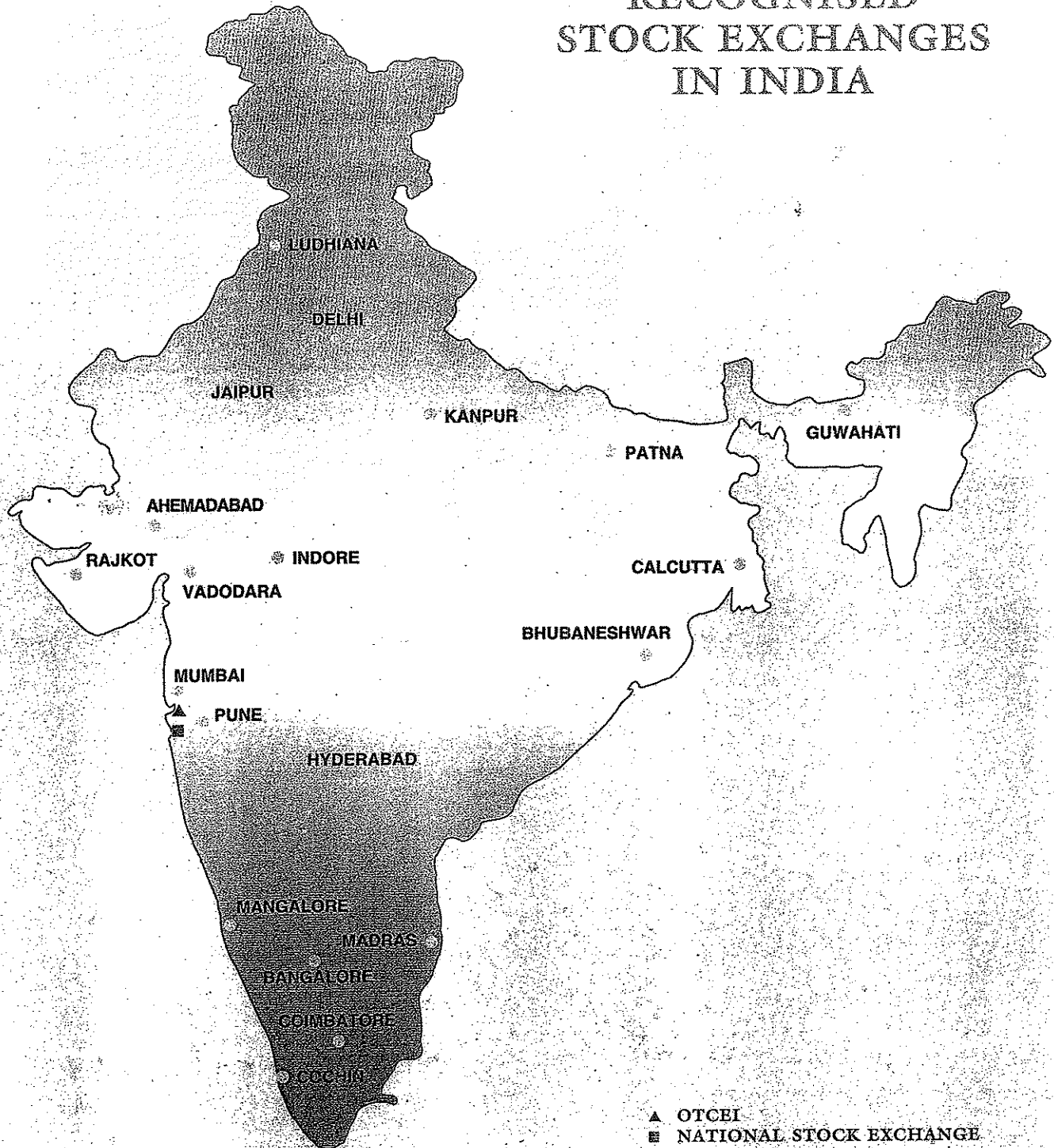


Trading Hub - Present





RECOGNISED STOCK EXCHANGES IN INDIA

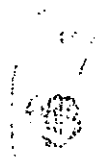


▲ OTCEI
■ NATIONAL STOCK EXCHANGE

MAP NOT TO SCALE



THE STOCK EXCHANGE
BOMBAY



K. R. P. SHROFF

"It has always to be remembered that the fortunes of institutions are made by persons of outstanding ability, character and faith. Institutions may make men; but more than that, it is men that make institutions and feed their growing lives. If you have men of faith, character and ability always coming in to guide your affairs as occasion demands, the institution you serve prospers and grows in influence. It is by faith that business, steadily pursued, is bound to come into its own; it is the character that is the stay behind the faith; and lastly, it is the ability inspiring confidence in others that preserves the institution from harm in bad times and prospers it on the tide of good fortune.

As I gather it, these were the traits of character of those who have risen among you, from time to time, to shape your policy and mould and maintain your traditions along right lines.....

In your President, you have today a guide, friend and philosopher who is full of the spirit implied in the principle of all sound business, namely — ability, which includes insight and foresight; character and industry that will take no defeat and know no blackness; and alertness to wait upon opportunities, profit by them and use them to go ahead with courage. You trust him and he trusts you; you love him and he gives his all in your service; you raise him and he in turn raises you. The portrait you have voted to him on the present occasion of your Diamond Jubilee is a clear indication how high he is in your esteem, trust and affection. He maintains your ancient traditions; he not only maintains them but knows how to improve and add to them and ennoble them. The manner in which he has handled the many crises in your recent past — at the same time he has stood firm on principles — the way in which he has helped to give your Association its new constitution, the spirit in which he has stood for you facing all attacks and misrepresentations, point out one thing more than another that leadership of the right kind is a much needed ingredient in the healthy, expansive and solid activity of any institution. You are fortunate in such leadership and you signalise your good fortune by adorning your wall with a portrait of one who should be an example for all to emulate. Not riches alone constitute the glory of a community but riches combined with wisdom and charity.

-The Hon'ble Sir Dhunjishaw B. Cooper, Revenue and Finance Member, Government of Bombay, speaking on the occasion of the unveiling of Shri K. R. P. Shroff's portrait on the 24th of April, 1936, during the Diamond Jubilee celebrations of The Stock Exchange.

K. R. P. SHROFF

Patriarch of The Stock Exchange

and

The Father of The Stock Market in India

Enshrined for all time in the history of India's Stock Exchanges will be the solid contribution of Shri K. R. P. Shroff to the growth of investment markets in the country. It is rare that in an under-developed economy there should be a well-developed capital market such as we have in India today. The credit for this achievement undoubtedly belongs to Shri K. R. P. Shroff who presided over the destinies of The Stock Exchange at Bombay for an unbroken period of 43 years — from 1923 to 1966 — a record unparalleled anywhere. During this extraordinary term of office, Shri Shroff identified himself as one with the Exchange by his complete devotion to the cause of the stock market, his indefatigable energy, his deep understanding of the intricate mechanics of market activity, his power of lucid exposition of complex market situations, his deft handling of the market whenever it ran into difficulties, his vision, foresight and shrewdness, and the courage of his convictions. Shri Shroff's courage was not confined to the market place. Occasion arising, he had the courage to speak fearlessly to Government and to men holding the highest public office. If the Bombay Exchange enjoys pride of place and is so well organised and disciplined as to be the

only one deemed worthy of permanent Government recognition, that is because Shri Shroff has dedicated his life to its development. Shri Shroff is the Patriarch of the Exchange and as such he is widely honoured as 'The Father of the Stock Market in India'.

Shri Shroff belongs to a generation that has passed away. Born in 1878 and educated at the New High School and the Byramjee Jeejeebhoy College of Commerce, Shri Shroff first became a school teacher by profession. During these formative years, he produced a treatise on the construction of perpetual calendars — an exercise in skill, ingenuity and original thinking which were demonstrated in ample measure in later years. Out of a sense of filial duty, Shri Shroff abandoned the chosen profession in 1902 and joined his father in his business as a share, stock, finance and exchange broker. After the death of his father in 1916, he became a member of the Exchange; in 1920, he was elected as a director; in 1921, he became Joint Hon. Secretary and Treasurer; and finally, he was elected President of the Exchange on the 26th of May, 1923.

Shri Shroff's long term of office as President from 1923 to 1966 was crowded with events. 1920 to 1930 was a decade of recurring corners and emergencies. Corners in Finlay, Nagpur, Swadeshi, Currim, Broacha, Kohinoor and New Great shares were in full spate one after another. Then came several crises — the Great Depression in 1929, the Currimbhoy Ebrahim Group Crash in 1933, the Indian Iron crisis in 1937-38, the Japanese crisis in 1942, the

Liaquat Ali Khan Budget crisis in 1947, the commercial markets crisis in 1951 and the Chinese crisis in 1962. Shri Shroff steered the course of the market through these troubles and difficulties with remarkable success. Under his able and sagacious guidance, the Exchange invariably met its obligations in full and came out of each crisis not only stronger but with its honour untarnished. The members of the Exchange reposed their trust in Shri Shroff implicitly and he inspired confidence and respect in Government and the public at large.

Shri Shroff's creative ability and genius for constructive work found expression in several directions. He collaborated with the Atlay and Morison Stock Exchange Enquiry Committees appointed by Government in 1923 and 1936 and his help and assistance were gratefully appreciated by these Committees. In the field of stock market legislation also, he pioneered new ideas and laid the foundation of the present system of Government control and regulation. The basic provisions suggested by Shri Shroff were incorporated in the Bombay Forward Contracts Control Act, 1947, as well as in the subsequent Central legislation when the Forward Contracts (Regulation) Act was passed in 1956. The Securities Contracts (Regulation) Rules promulgated by Government in 1957 were almost wholly in accordance with his recommendations and so were the uniform Bye-laws and Regulations sanctioned by Government for all the recognised Stock Exchanges. The handsomest tribute to the contribution made by Shri Shroff was paid by the Chairman and the Secretary of the Gorwala Committee on

Stock Exchange Legislation when they remarked that "there is no better authority than him on the subject of the stock exchanges". Shri Shroff gave the market a code of rules, bye-laws and regulations, standardised its usages and trading practices, revolutionised the settlement procedures, established a clearing house for the safety of members and the investing public, and gradually built up the Exchange to its pre-eminent position as the best organised trade association in India.

In the course of the last half a century when Shri Shroff was at the helm of affairs, the Bombay Exchange underwent a remarkable transformation. The stock market now is no more what it was during the inter-war years and in the post-war and post-Independence periods until the 'fifties. In response to a series of structural changes in the economy and self-imposed regulations, the Exchange imperceptibly assumed a new character and outlook as it adapted itself to the changing circumstances. Shri Shroff piloted the Exchange in this transitional period with consummate skill. He evolved high standards of self-discipline and extended constructive co-operation to Government authorities. He jealously guarded the interest of the Exchange and its members, but only by reconciling it with public interest which he always respected as of paramount importance. If the market gained considerably in strength, stability and reputation, the credit in no small measure was due to the genius of Shri Shroff.

For more than a generation, Shri Shroff was a highly respected figure in business and financial circles. The high

standards maintained by the Exchange in listing securities showed that Shri Shroff was no respecter of persons. He refused to be brow-beaten by even the biggest industrial houses and successfully withstood all pressures when the interest of the Exchange demanded strict and impartial enforcement. He graced the boards of some well-established banking, insurance, shipping and other joint stock companies. His moderation at the conference table was no less valued than his wise counsel and mature judgment by his colleagues. Shri Shroff commanded universal respect throughout the business world and in each case his association lengthened into a life-time of service and abiding loyalty.

The secret of Shri Shroff's successful career was in his many qualities of head and heart. His outstanding simplicity and kindly disposition endeared him to the stock exchange community and made him a popular figure in the business and official world. His good nature was proverbial. His doors were always wide open and he was easily accessible to one and all. Rarely was he seen not surrounded by a friendly crowd in which brokers, assistants and clerks mingled freely on equal terms. Under Shri Shroff's benign care, the Exchange presented the picture of one large family. He showed in ample measure his patriarchal qualities when dealing with the day-to-day problems on the Exchange throughout his long years of office. A staunch disciplinarian, he displayed a profound sense of justice, but always tempered justice with mercy.

His kindly and sympathetic disposition evoked for him respect and affection from one and all.

Conservative in character, Shri Shroff was nevertheless progressive in his outlook. He constantly took active steps to keep the Bombay Exchange abreast of the developments of the modern age. He initiated an up-to-date investment information service through the publication of investment analysis of joint stock companies and silently prepared the ground for inaugurating a new era in the public relations of the Stock Exchange. With the construction of its new edifice having up-to-date equipment and facilities, the Exchange will be able to modernise the various services for its members and the general public. In this sense, the new building itself will be a permanent monument to Shri Shroff's contribution to the advancement of the Stock Exchange and his identification with the welfare and progress of the stock market in India. The groundwork of continuing progress and improvement has been laid down by Shri Shroff during the concluding years of his Presidentship and it can be justifiably claimed that he has been instrumental in ushering in a revolution in the working of the Bombay Exchange.

Shri Shroff mellowed with age. As years passed by and Shri Shroff neared the end of his term of office, the respect for this patriarch grew in proportion; and it was respect combined with admiration for the extraordinary alertness, mental vigour and clarity of thought he displayed notwithstanding his advanced years. The Bombay

Exchange, as it has developed, was so much his creation, and he was so much an integral part of the Exchange, that it was difficult for the members to imagine the Stock Exchange without the towering personality of Shri Shroff as its guiding spirit. They were reluctant to part with his stewardship. When, therefore, he expressed his desire to be relieved of his onerous responsibilities in view of failing health, he was appointed Patron of the Exchange in which capacity he was also designated as its principal adviser. The retirement of Shri Shroff in April 1966 as President of the Exchange at the incredible age of 88 — after holding that office for 43 years — marked not only the fruitful completion of a most eminent Presidentship but also the end of an epoch in the history of the stock market in India.

As Patron and principal adviser of the Bombay Exchange, Shri Shroff continues to make available his wise counsel and mature experience gained over a period of 66 years in the business world. His long vigil is not yet over. Shri Shroff has taken infinite pains on the Stock Exchange, served it with a rare tenacity of purpose, patience and devotion, and worked his way into the heart of one and all connected with the Exchange. There can be therefore no more fitting honour than to have a permanent monument enshrining his distinguished and dedicated services not only to the Stock Exchange but to the financial and business community at large. His bust to be unveiled on the 16th of May, 1968, by Shri Morarji Desai, the Hon'ble the Deputy Prime Minister and the Minister for Finance of the Government of India, is a deeply

cherished gift from members and it will be a perpetual reminder to the coming generations of the eminence of Shri K. R. P. Shroff as a benefactor of the Exchange and a multifarious genius whose outstanding contribution as a master builder will be written in golden letters in the history of Stock Exchanges in India.



K. R. P. SHROFF
Director of the Stock Exchange
President from 1926 to 1966
Honored and Respected
by
the Stock Exchange Community
and honoured as
The Father of the Stock Market
in India

SHRI PHEROZE JEEJEE BHOY

He served the Stock Exchange for the whole of his career – for more than four and a half decades. He joined the Stock Exchange in 1937, was Secretary from 1946 to 1966 and Chairman from 1.4.1966 until his sudden and sad demise on 9.2.1980.

He played a stellar role in moulding the Bombay Stock Exchange to its present status and was instrumental in developing the Indian Stock Markets in general. He was a visionary and foresaw great future for the stock market, investment, financial services and economic growth.

1. He was the first in the country to introduce computerization on Stock Exchange which became a precursor for other markets, financial services etc., in its present form.
2. He was the first in India to conceive, conceptualize and canvass for a Stock Holding Corporation – i.e. Depository . The detailed scheme prepared by him was published and circulated as far back as in 1979 for provoking the public thought process for its establishment.
3. He was a harbinger of the modern corporate governance as is evident from the exhaustive provisions incorporated in the Listing Agreement which forms part of the Stock exchange Rules, Bye-laws and Regulations drafted by him and approved by Government for adoption by all the recognized Stock Exchanges for the purpose of recognition under the Securities Contracts (Regulations) Act, 1956 and the Regulations promulgated there under. It is binding on all the listed companies on all the recognized Stock Exchanges comprising almost 90% market capitalization of the entire Indian Corporate world.

He was thus the Architect of Modern Stock Exchanges in India.

It was mainly due to his vision, mission and efforts that the present land mark Stock Exchange premises have been built and hence have been named as “ P. J. Jeejeebhoy Towers” to commemorate his immense contribution to the Stock Exchange.

Mr. Phiroze Jamshedji Jeejeebhoy belonged to a family well-known in the Bombay Presidency. He was born at Deolali in 1915 and received his early education at the Zoroastrian Boarding High School. After passing his Matriculation in 1931, he joined St. Xavier's College, Bombay, and completed his First Year in Arts. In 1932, he entered the Sydenham College of Commerce and Economics, where he read for three years. At the end of that period, he passed the University Examination for the Degree of Bachelor of Commerce with Actuarial Science as his special subject and secured the First Place in English and the Second Place in Order of Merit. He re-appeared for the B.Com. Degree in 1936 and specialised in Advanced Accounting and Auditing.

Mr. Jeejeebhoy joined the Stock Exchange Office in 1937 and his services were specially engaged in connection with the work arising from the Morrison Stock Exchange Inquiry Committee appointed by the Government of Bombay. He continued in the Office till 1939, when he proceeded to England on study leave.

During his stay in England, Mr. Jeejeebhoy had a brilliant career at the Cambridge and London Universities. He was admitted to St. John's College, Cambridge, in 1939 and read for Part II of the English Literature Tripos which normally is a three years' course. He passed the Literature Tripos Examination with Honours in 1940 within a year of his enrolment. In the following year, he completed a similar three years' course in Economics passing the Economics Tripos Examination with Honours in 1941. Apart from thus taking his M.A. Degree of the Cambridge University first with Honours in English Literature and then with Honours in Economics, Mr. Jeejeebhoy also graduated simultaneously from the London University. After finishing his Intermediate Commerce Examination, he specialised in Finance and Banking and secured the B.Com. Degree of the London University with Honours in 1940. A year later, in 1941, he obtained the B.Sc. (Econ.) Degree with Honours, specialising in Statistics and Demography. Some time later, he was elected a Fellow of the Royal Statistical Society and of the Royal Economic Society. This completed an academic career of distinction, covering a range of specialisation in six different subjects that is rare in this or any other country.

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ROUGH MEMO



THE STOCK EXCHANGE
MUMBAI

of Business Management, US Companies
Reference (6 Copies). He was the first
to introduce computerization in the
India Stock Exchanges which laid ^{the} foundation
of the present ^{imaging} ~~digital~~ format of the
Capital, financial and Community
market of the country. He conceived
and conceived Depository System and
published it as far back as in 1979.
In order to promote thought and
action for its establishment on the
part of the ^{of the} concerned Government authorities
and Corporation in various world, who
very first people in the country had
this idea of knowledge of benefits of
a Depository and its benefits.
By visualizing the tremendous ^{potential} ~~benefit~~
of the debt and secured
business, he embarked on an
ambitious part of the building
the Stock Exchanges ~~facilities~~ ^{potential} on
modern lines with modern amenities.

ROUGH MEMO



THE STOCK EXCHANGE
MUMBAI

and technological facilities
worthy of its national status and
standing. In spite of severe
financial and other unexpected
difficulties, he shouldered the great
responsibility of building the present
premises, encountering host of
unimaginable problems. It would
not be wrong to say that the resulting
unsubstantiated tension took its
toll in the middle when he suffered
a fatal collapse in the morning
of 15th February, 1960 after having
worked with his assistants
and other consultants for starting
presumption of the construction of work.
The present huge and solid edifice
has rightly been named 'The Exchange
Towers' in the ^{by the Stock Exchange itself} honor and grateful
memory of that great personality,
which has come to be recognized as
a symbol and synonym for the Indian

Speech has been read & telecast in Marathi
Wells - Oversea by T.V. Channels
Printed in Marathi - Marathi Journals etc.
Journalists

IN MEMORIAM

Died: Phiroz Jamshedji Jeejeebhoy, 63, chairperson of the Bombay Stock Exchange (BSE) for 14 years, of brain haemorrhage on 9 February 1980 in Bombay.

Identifying himself totally with the BSE for over four decades, Jeejeebhoy was reportedly responsible for modernizing the market's activities. He was instrumental in publishing a directory, which gives information and data about companies on various stock exchanges, introducing computerization and during the latter part of his life was involved in the Stock Exchange building project of which he was the conceptual and financial architect.

"Market people recall the tact with which Jeejeebhoy was able to resolve the major crises the market faced at least on three occasions in the last two decades. On all these occasions Jeejeebhoy contributed a great deal to bring normalcy in market activities," according to an *Economic Times* report.

"The loss due to the death of Jeejeebhoy will be felt not only by his family and friends but also by the financial circles of the country," said L. K. Panday, member of the BSE, at a specially convened meeting by the governing body of the BSE to condone Jeejeebhoy's death and place on record his many services to the exchange according to the *Financial Express* report. Among those who paid tribute to him at the 9 February meeting were Mathuradas Shamaldas, president of the BSE, and Laldas Jamnadas, member of the body and chairperson of LIC, UTI and GIC. The market remained officially closed on 9, 11 and 12 February as a mark of respect to Jeejeebhoy. The Ahmedabad and Delhi exchange markets also remained closed on 9 February.

Another condolence meeting was held by the working committee of the Stock Exchange Badge Holders Association on 18 February, when a resolution noting Jeejeebhoy's service in the best interest of the exchange, his enforcement of discipline and systematic working of the exchange and the enhancement of the prestige of the institution during his tenure, was passed.

In a statement to the press, the Share Bazar Staff Union, representing the gumastas, are reported to have observed that what law could not provide them, Jeejeebhoy provided by using his good offices, that he was their security in ensuring fair employ-

ment and service conditions.

"He served the interest of all connected with the Stock Exchange without fear or favour. He was in the right sense of the word an institution by himself," reports the *Free Press*



Jeejeebhoy

Journal. The van carrying Jeejeebhoy's body was parked in front of the Stock Exchange building for half an hour before proceeding to Dongarwadi.

Born in 1915 in Deolali, Jeejeebhoy studied at the Zoroastrian Boarding High School from where he passed his matric in 1931, according to a life sketch with the family. After studying arts for a year in St. Xavier's College, Bombay, Jeejeebhoy joined Sydenham College of Commerce and Economics and obtained his B.Com. in Actuarial Science in 1935, placing second in the Order of Merit. The following year he reappeared for his B.Com. with specialization in Advanced Accounting and Auditing.

In 1937 Jeejeebhoy joined the Stock Exchange Office and worked for two years on the Morison Stock Exchange Inquiry Committee appointed by the Government of Bombay according to his life sketch provided by his family. In 1939 he went to England to study further and joined St. John's College, Cambridge University and also London University. Completing three year courses in one year he obtained a M.A. in Literature from Cambridge University and a B.Com. in Finance and Banking from London University simultaneously. The following year again he obtained a M.A. in Economics from

Cambridge and a B.Sc. in Economics in Statistics and Demography from London University. Commenting on his scholastic achievements one professor writes "I can recall no previous instance when such rapid progress was made with so much competence..." while another refers to him as a "pupil under circumstance somewhat out of the ordinary."

"I recall him reading from the very beginning," says his elder brother Dosoo. "Shakespeare was his favourite author... he was also a great lover of music and though he did not take a single music lesson he was a first class violinist."

On returning to India he rejoined the Stock Exchange as an assistant to the chairperson of the Exchange, K. R. P. Shroff, and was promoted to secretary in 1946. On Shroff's retirement in 1966 Jeejeebhoy was appointed as the chairperson of the Exchange.

"He was loved by all who worked with him because of his human approach. Jeejeebhoy was respected in Government circles. He was a man of high principles to which he held fast," notes a *Financial Express* report.

Jeejeebhoy remained a bachelor. He is survived by his two brothers Dosoo and Nani.

Parsiiana-

May 1980.

Mr. Phiroze Jemshedji Jeejeebhoy belonged to a family well-known in the Bombay Presidency. He was born at Deolali in 1915 and received his early education at the Zoroastrian Boarding High School. After passing his Matriculation in 1931, he joined St. Xavier's College, Bombay, and completed his First Year in Arts. In 1932, he entered the Sydenham College of Commerce and Economics, where he read for three years. At the end of that period, he passed the University Examination for the Degree of Bachelor of Commerce with Actuarial Science as his special subject and secured the First Place in English and the Second Place in Order of Merit. He re-appeared for the B.Com. Degree in 1936 and specialised in Advanced Accounting and Auditing.

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BRIEF HISTORY OF THE NEW BUILDING

I - Preliminary

The idea of development and re-building of the entire property of the Exchange germinated as far back as 1960 when the Governing Board was authorised by a resolution passed in the Annual General Meeting of the Exchange held on 8-10-1960 to build the fifth floor on the new building (later on called Stone Building). Apparently this course was adopted with a view to shift offices located in one of the old structures to be demolished for starting construction of the new building.

By another resolution passed in the same meeting, the Governing Board was authorised to purchase from the L.I.C. the Karson Natha building situated at 5-A, Hamam Street, admeasuring about 764 sq. yards together with the structures standing thereon at a price of Rs. 550/- sq. yard.

By a resolution passed in the Annual General Meeting held on 29-7-1961, the Governing Board was authorised to acquire / purchase from the Bombay Municipal Corporation the lane between the New Building and Karson Natha building.

In the Annual General Meeting held on 30-11-63, the Governing Board was authorised to have master plan prepared for the entire property of the Exchange and to start construction accordingly in the first instance on the vacant space on the Hamam Street. At that time, the meeting was informed that M/s J.A. Ritchi and our Architects M/s Shapoorji N. Chandabhoj would be appointed as associate Architects, with M/s R. J. Patel as joint Architects. Mr J.A. Ritchi, who was an internationally famous Architect, was to prepare the design and plans, and starting ^{from} ~~work on~~ the Hamam Street space, construction was proposed to be carried out in phases, according to our convenience. Preparation of design and plans by those architects took long time and they were considered to be

unacceptable as not being upto the expectations for impressive and aesthetic looks and maximum utilization of space. It was, therefore, decided to terminate that arrangement.

Then, Shri Chandrakant Patel of Architectural Research Unit, who had about that time returned from the continent, after having worked with internationally renowned architects there and having taken part and won medals in some international architectural design competitions, got introduced. He undertook and prepared integrated design and plans of the present building. A presentation of the plans and a model of the projected building was made to the Urban Development Minister and the Bombay Municipal Commissioner who were very much impressed with its design, aesthetic looks, thoughtful utilization of space, integration of various essential services, height, etc., as the tallest and a landmark building at that time and found the design and plans acceptable.

In November 1968, the Exchange made a detailed submission to the Government of Maharashtra that the Stock Exchange was a semi-government institution. Government was duly satisfied and informed the Municipal Corporation accordingly in March 1969. The Exchange was then advised to submit the plans to the Municipal Corporation in July 1969. In October, 1969, the then Municipal Commissioner, Shri J.B. Desouza recommended a higher F.S.I for the Stock Exchange and Government was pleased to approve the recommendation towards the end of November 1969. Thereafter, the plans submitted to the Municipal Corporation were approved in January 1970.

The Foundation Stone of the new Building was laid by the then Hon'ble Finance Minister, Shri Morarji ^{Desai} ~~Desai~~ on the 16th May, 1968.

By a resolution passed in the Extra-Ordinary General Meeting of the Exchange held on 28-3-1972, the Governing Board was authorized to purchase the immovable property known as Cama

Building, situated at 24-26 Dalal Street, admeasuring about 972 sq. yards, together with structures standing thereon, for a price not exceeding Rs. 5,00,000

As there were many non member tenants, including Solicitors and Chartered Accountants, who refused to vacate and give peaceful possession of the offices occupied by them and the Municipal Corporation also refused to give permission for demolition of that building, some of the members of the Exchange having table spaces and offices in other old buildings which were demolished later on were accommodated therein and the additional F.S.I. in respect thereof was transferred and availed of for the twin towers. For this amended plans were submitted to the Municipal Corporation and got approved along with other alterations suggested by the Municipal Corporation.

Construction of the first phase of the new building was started in 1971.

II – Financing of the Project

To meet the cost of construction of the new building, the Governing Board of the Exchange was authorised progressively to borrow upto Rs. 15 crores as mentioned below :-

<u>Date of the General Meeting of the Exchange</u>	<u>Total borrowing limit</u>
A.G. M. on 31-08-1971	Rs. 2.5 crores
A.G. M. on 20-12-1974	Rs. 7.0 crores
A.G. M. on 18-11-1978	Rs. 9.5 crores
E.G. M on 22-04-1980	Rs. 15.0 crores

- (a) In the beginning, the Stock Exchange had issued 8% 1981-86 Debentures of Rs. 2 crores. The date of maturity of the Debentures was extended from 31-12-86 to 31-12-93 and the rate of interest thereon was raised to 14% p.a. with the necessary approvals of the Debenture holders and the General Body of the Exchange.

- (b) About Rs.4 crores were raised by accepting fixed deposits from the members of the Exchange and public at the rate of 13% interest for 1 year and 14% interest for 2 and 3 years.
- (c) As the construction was stopped by the BMC from 6-3-1975 and the permission for resumption was received after more than 2 years and plans of the project were also subsequently revised to take care of some BMC and other requirements, escalation in the cost and financial requirements of the project became inevitable. In that scenario, negotiations were started with several financial institutions for obtaining loans against leasing out to them large blocks of office premises in the new building. After lengthy negotiations and over a period, agreements were entered into with the under-mentioned institutions to lease to the area of the space shown against them.

Name of the Institution

Area allotted in sq.ft.

- | | |
|-------------------|---|
| 1. Bank of Baroda | 65,000 sq. ft. in the Tower Block comprising a portion of ground floor and 6 floors |
|-------------------|---|

2. G. I. C. 39,000 sq. ft. – 4 floors in the Tower Block.
3. Bank of India 20,000 sq. ft. in the Tower Block comprising a portion of the ground floor with mezzanine and 1 floor.

The loans were equivalent to 5 years' lease rent and were to be repaid together with the interest ^{at 8 1/2% p.a.} in 15 years in equated monthly installments by appropriating the rent payable by them.

- (d) About 100 car parking spaces were provided in the basement which were allotted to the members of the Exchange against payment of interest-free deposit of Rs. 1 lakh per car space.
- (e) 50 new members were admitted on payment of the entrance fee of Rs. 6,00,000/- per member, during 1988-89
- (f) Subsequently 50 new members were admitted against payment of the entrance fee of Rs. 55,00,000/- per member, in 1992.
- (g) Introduction of admission fee, except in the case of transfer among close family members, beginning with Rs. 11,000/- in

1986, gradually raised to Rs. 51,000, Rs. 1,00,000 and finally Rs. 2,50,000 in 1993.

(h) (i) After completion of the second phase, that is the Rotunda building, 32,000 sq. ft. of area could ^{be} made available for allocation of additional space to the members of the Exchange. This was allotted as non-transferable space on the basis of interest-free deposit of Rs. 5,000/- sq. ft. carpet area.

(ii) Those who had already been allotted office space in the new building in lieu of the table space occupied by them in the old building were ^{requested} requested to pay interest-free deposit of Rs. 1,500/- sq. ft. carpet area of the space so allotted to them.

III - Construction

The foundation stone of the new building was laid by the then Hon'ble Finance Minister Shri Morarji ^{Desai} ~~Desai~~ on the 16th May, 1968

As the main building materials like cement and steel were in short supply and controlled by Government, it was necessary to make arrangements for adequate supplies of the right quality cement and

steel in required quantities in time as the construction work progressed. The Urban Development, Public Health and Housing Department of the Government of Maharashtra were very helpful in the matter. It issued a certificate dated August 31, 1971, that –

“The Stock Exchange, Bombay, has been considered as a semi-Government Institution and on this consideration additional Floor Space Index under Development Control Rules for construction of the additional accommodation at the existing premises has been sanctioned”.

The central Government was also very helpful in the matter and with the active support of the various departments, the necessary quotas were secured.

The construction was started about that time beginning with the foundation work. The foundation, the super-structure with its double basement and the podium block of the first phase was completed. In February 1975, the central service core was erected by the latest slip-form technology to a height of more than 366 ft. The astounding speed with which this giant core was built within

the space of 4-5 weeks attracted the attention of many suspicious minds. Even a prominent leader of a political party alleged in the Legislative Council of Maharashtra on 6-3-1975 that top Government officials used influence to get the F. S. I. of the Stock Exchange building increased which would result in a benefit of Rs. 4,05,60,000 to the Stock Exchange in the sale of additional floors and that he suspected that a substantial amount of money must have changed hands in the transactions. He urged the Chief Minister to enquire into the matter. As a result, further construction work had to be stopped on account of a notice dated the 6th March 1975 issued by the Municipal Corporation u/s 354 of the Municipal Act.

Immediately a strong representation was made to the then Chief Minister, Shri S.B. Chavan on the 12th April 1975, denying the above-mentioned allegations and giving factual information regarding recognition of the Stock Exchange as a semi-Government Institution, grant of higher FSI, Municipal approval

and sanction of the project and its plans after meeting all the requirements, financial aspects of the project and constraints, etc. The Chief Minister was urged to intervene on behalf of the Exchange and prevail upon Municipal Corporation to allow resumption of the construction work forthwith. A copy of that representation was forwarded to Dr Rafiq Zakaria, the Hon'ble Minister for Urban Development and Public Health, who started enquiry and was furnished all the relevant information on the 19th June, 1975 in the form of a Note. The Chairman, Shri P.J. Jeejeebhoy visited several times Dr Zakaria and the concerned officials and furnished to them all the further information and clarifications required by them.

Full and convincing information was furnished regarding the space required for

- (a) The tenants of the buildings demolished and to be demolished
- (b) Trading hall and visitors' galleries

- (c) Stock Exchange administration, Clearing House, Settlement Hall , reading room and library and various other Stock market facilities and services
- (d) Members' offices
- (e) Leasing on reasonable rent to Banks and financial institutions to raise loans from them for meeting a major part of the construction cost and making the project viable.

Such loans were intended to be equivalent to 5 years' rent in advance to be repaid in 10 years with accrued interest by appropriating the rent as equated monthly installments.

It was also pointed out and stressed that there was no intention and no space available for letting out to any other outsider and hence the question of profiteering by sale of additional floors did not arise.

The Stock Exchange was informed by the Dy. Secretary, Urban Development Department, vide Government letter No.

FSI.1175/28914 – UD 7 dated the 5th November, 1976, that the Stock Exchange Governing Board should appoint a committee consisting of the President, Chairman and vice- President of the Exchange, Secretary (Urban Development) Government of Maharashtra and the Municipal Commissioner for the purpose of considering and approving the terms and conditions on which the Stock Exchange premises were to be leased to outsiders and the parties to whom the premises were to be leased. After the work of the Allotment Committee was over Government would consider the question of permitting the Stock Exchange to continue and complete the work of the project.

The Allotment Committee was appointed accordingly. By its letter No. FST 1175/28914-UD 7, dated the 29th March 1977, Government advised the Exchange – that “since the Allotment Committee appointed by the Stock Exchange has now completed its work and forwarded its recommendations to the Government,

Government has no objection to the Stock Exchange resuming and completing the construction of its building”.

Thus the permission for resumption of construction was given after stoppage of work for more than 2 years. The stoppage had cost an unbearable financial burden on the Exchange and to make the project viable, permission was obtained from the Allotment Committee to lease out considerably more extra space to Banks and Financial Institutions.

The construction work was then restarted. As the Core housing the services had already been erected before stoppage of the construction work on 6-3-1975, construction of the wings of the twin towers was started and as it was carried out progressively, BMC's occupation certificates in respect of phase I were applied for and obtained for the basements to 2nd floors in 1979, for the 3rd to 14th floor in 1980 and 15th to 28th floors in 1983.

'Demolition of the 3 old buildings – Hamam Street building, Central building and Apollo Street building (stone building) was carried out according to the undertaking given to the BMC.

Construction of Phase II comprising the Trading Hall and Rotunda was commenced on 24-4-1987. Applications for the completion and occupation certificate in respect thereof were submitted to the BMC, vide our letters dated 18-10-1991 and 28-11-1991.



**One Twenty five years
of Investing in the future**

Message from the President



The 125th anniversary of the Bombay Stock Exchange is truly a very special and memorable occasion. Established in 1875 as the "Native Share and Stock Brokers' Association", the BSE is the oldest stock exchange in Asia. Its existence predates even the formation of the Indian National Congress. An institution that has survived and prospered over such an extended period of time clearly has enormous strengths. An institution that has lived to be 125 is also necessarily heir to a rich history. It is most fitting that the rich pestry of such a long-lived institution be put between the covers of a book.

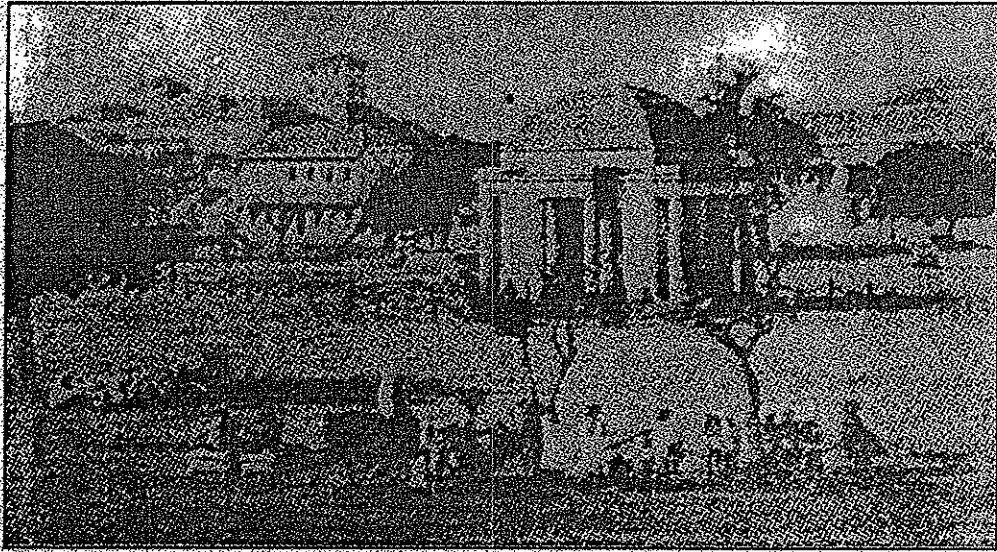
I am sure that by learning about the history of Bombay Stock Exchange, we will also begin to appreciate its perennial youth. Rooted in its traditions, the BSE has always kept pace with times. *While the Exchange is a colourful and storied past, we are working towards a future where the BSE is the Exchange of choice globally.*

We must pay a special tribute to the men who founded the Exchange and to those who took the torch forward and built it into the premier institution that it is today. The movers and shakers over the 125 years have been very special, men of character, integrity and dedication. We are profoundly grateful to the members and employees of the Exchange – past and present. As always, behind the bricks and mortar and in this case, the trading terminals – it is the people who matter.

Of course, this towering achievement would not have been possible without the investor. To the investors we owe a special gratitude and, as we mark this milestone, we pledge to rededicate ourselves to their use. *The Exchange has been fortunate in that it has always been blessed with large multitudes of well wishers. We seek their continued blessings.*

Manoj Kumar Rath





Brokers doing business under the shade of trees at the
Bombay Green in 1840.

YESTERDAY

It is delightful to transport one's self into the spirit of the past, to see how a wise man has thought before us, and to what a glorious height we have at last reached.

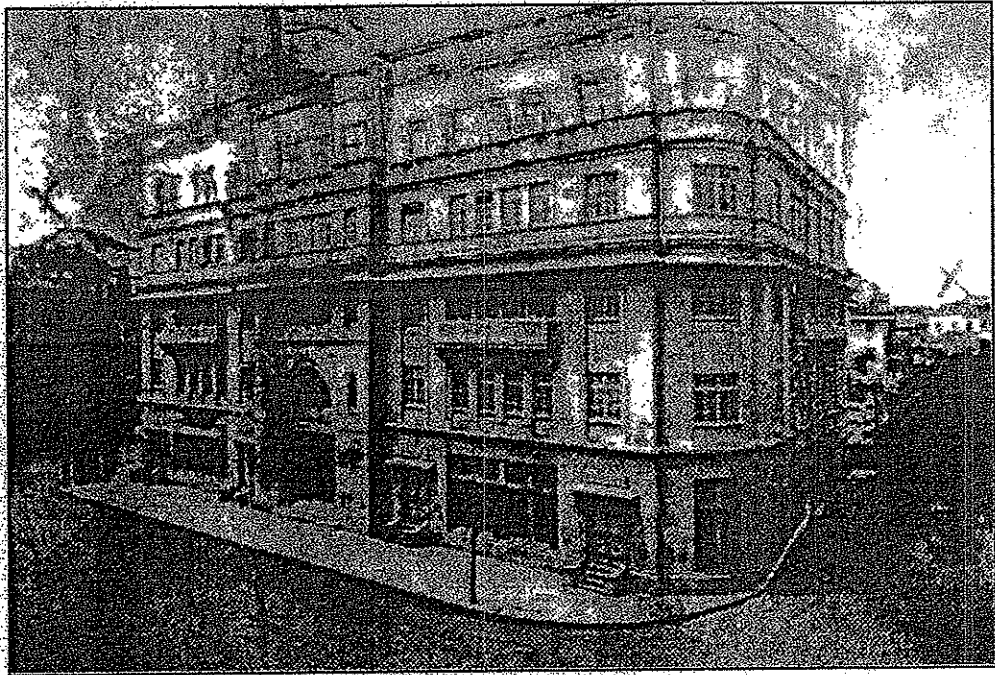
.....Goethe

There aren't many institutions in the country, which can boast, of having a 125 year old history, which makes us immensely proud. Over this life span we have had our good times and our bad. Adversity, and the way those at the helm of affairs coped with it, is what makes us today, an institution that is vibrant and dynamic.

Least one thinks that the stock market has become important in the last couple of decades, it would be interesting to recall the words of British Member of Parliament, Mr. J.M. Maclean, on 18th January, 1899, who said:

'A Bombay native broker is a very useful member of the society, whose virtues are not sufficiently recognised, although his faults are emblazoned forth. With rare exceptions, he is honest to the backbone and pays up for his own misfortunes or the defaults of his customers to the last pie. Without doubt this is the largest Rupee Paper Market in India, whether as regards the volume of business or the extent of the fluctuations. The Bombay Port Trust and the Bombay Municipality are under a debt of a gratitude to them for raising their credit to enable them to borrow at the lowest rates obtaining in India, next to government paper. A native has borne a considerable share in the building of the present Bombay. A portion of the prosperity of Bombay is owing to the mill industry and in its every stride forward the brokers have a considerable share.'





The Humble Beginning

one may find it surprising that, The Stock Exchange, Bombay (BSE) owes a debt of gratitude to Abraham Lincoln!

BE LINCOLN — the U.S. President???

Yes, the very same.

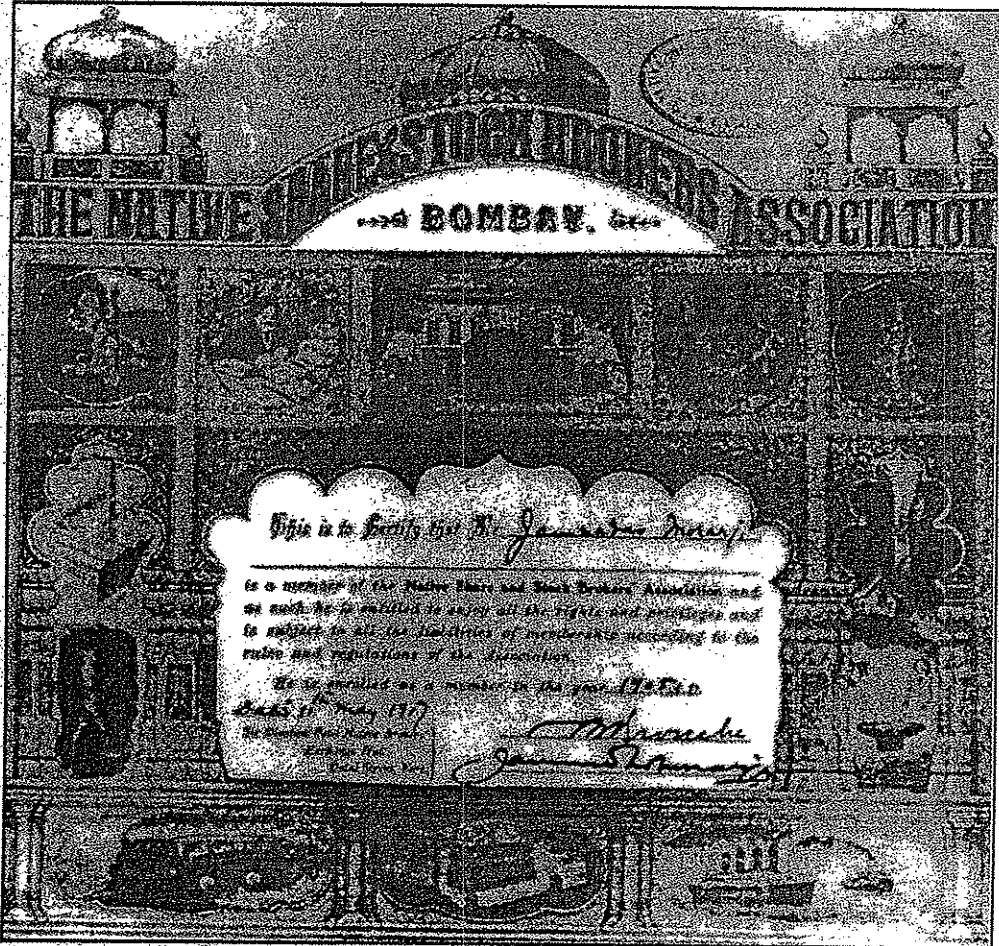
As you see, though the passing of the Company's Act, 1850 paved the way for stock trading, this activity couldn't pick up in the absence of large basket of stocks available for trade. In those days, the number of shares available were few, mainly Bank stocks like the Commercial Bank, the Chartered Bank, the Oriental Bank and the Bank of Bombay. Also, people didn't really have large investible funds for trading in stocks. No wonder trading activity was thin and was initially carried out by a handful of only a few brokers. There was no trading hall or stock exchange building (there was no money for that, then), and trading was carried out in the open, under the balmy shade of a banyan tree. By 1860, however, the number had grown to sixty.

Abraham Lincoln changed all that. His declaration of abolition of slavery led to the American Civil War (1860-65), which resulted in an acute global shortage of cotton. Lancashire mills had to turn to other sources, including India. As cotton was exported from India in large quantities, its price soared. Surat Cotton, for example, went from a price of between 3 to 5 pence per pound to between 20 and 24 pence.

Thus, between 1861-65, export of cotton resulted in an unusual influx of wealth in the form of bullion amounting to Rs.85 crores, much of which landed on the beckoning shores of Bombay.

Naturally, this huge inflow of wealth sought investment opportunities. Such opportunities sprang up spontaneously.





Membership Certificate

History is replete with examples of people who, being in the right place at the right time, play their designated role. As Shakespeare would have said, 'all the world's a stage where each man plays his part'. In the year 1860, the mantle fell on Premchand Roychand, who, by virtue of being the first Indian broker to read and write English, found himself eminently suited for the role. He floated, or helped in the flotation of several companies, including many land reclamation companies. Thus was born the first Indian "share mania".

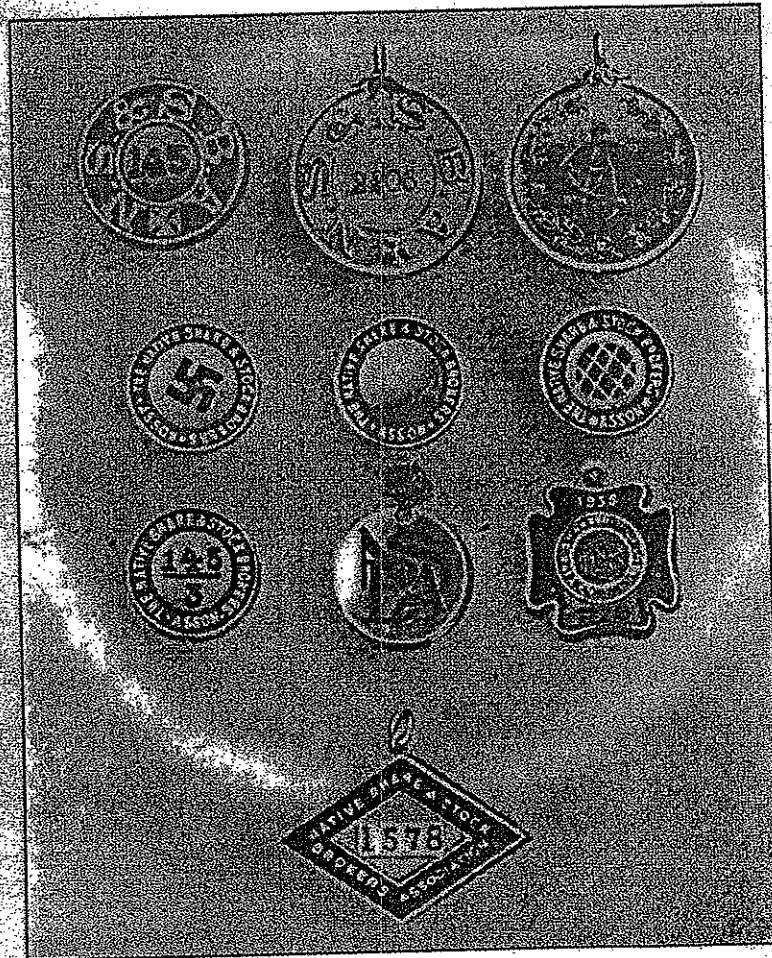
These shares commanded huge premiums, an offshoot of the paucity of investible outlets and a surfeit of funds. The Back Bay Reclamation share, of Rs. 5,000 paid up, quoted at Rs. 50,000; the Port Canning Land Improvement share quoted eleven times its Rs. 1,000 paid up value, and so on. With the increase in activity, the number of brokers went up, to between 200-250, as did their prestige and clout. They congregated in bank premises, shouting and disturbing the peace, but were tolerated by bank managers and customers.

The end of the American Civil war in 1865, and the consequent reduction in inflow of money against export of cotton, put an abrupt end to the "share mania". Overnight, share prices fell dramatically. So did the tolerance of the bank managers, who had the vociferous brokers thrown out of their premises.

It was then they thought of forming a Broker's Association, and of having their own place to transact business in rather than be driven from one place to another. At first an informal association was made between 1868 and 1873.

On Dec 3, 1887, the brokers formalised the arrangement through an indenture, spelling out Articles of Association of "*The Native Share and Stock Broker's Association*".





Stock Exchange Badges

was in July of 1875 that 318 persons became, on payment of a princely sum of Rs.1 entrance fee, members of the Stock Exchange Mumbai! And this was the resolution they passed.

Resolved to form an Association for protecting the character, status and interest of the share and stock brokers and of providing a hall or building for the use of the members of such Association”

It wasn't until 1887, however, that they could formalise their resolution by a Trust Deed, which read:

This indenture made the twenty third day of December in the Christian year one thousand eight hundred and eightyseven between Choonilal Motilal, Byramji Bhikabhai Wadia, Hurukchand Hansraj.....”

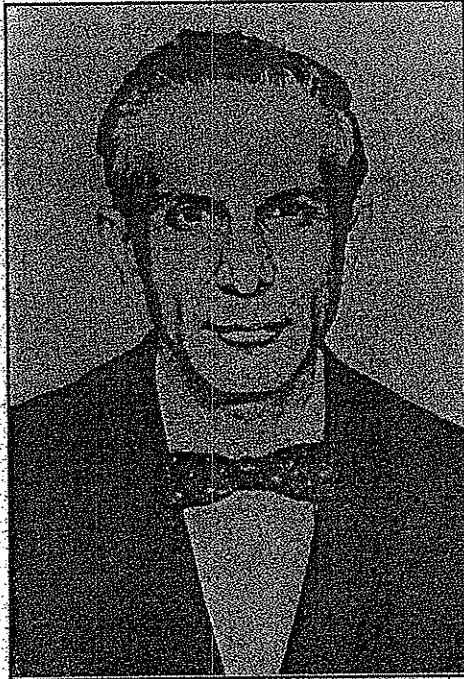
The words above are the beginning of the deed of Trust, made in 1887, which was the foundation of the present Bombay Stock Exchange. Any Institution, like the BSE, is made possible by the efforts of certain people.

On this, the 125th year of our existence, it behoves us to pay homage to at least some of those early pioneers, though constraints of information on them deny the mention of their names.

Among them *Shri Choonilal Motilal*, a signatory to the original Trust Deed and the first President of the BSE.

Shri Shapoorji Bharucha, who was knighted in 1912, and who, as the second honorary President of the BSE, was responsible for setting up rules and regulations of the Exchange.





Late Shri P. J. Jeejeebhoy

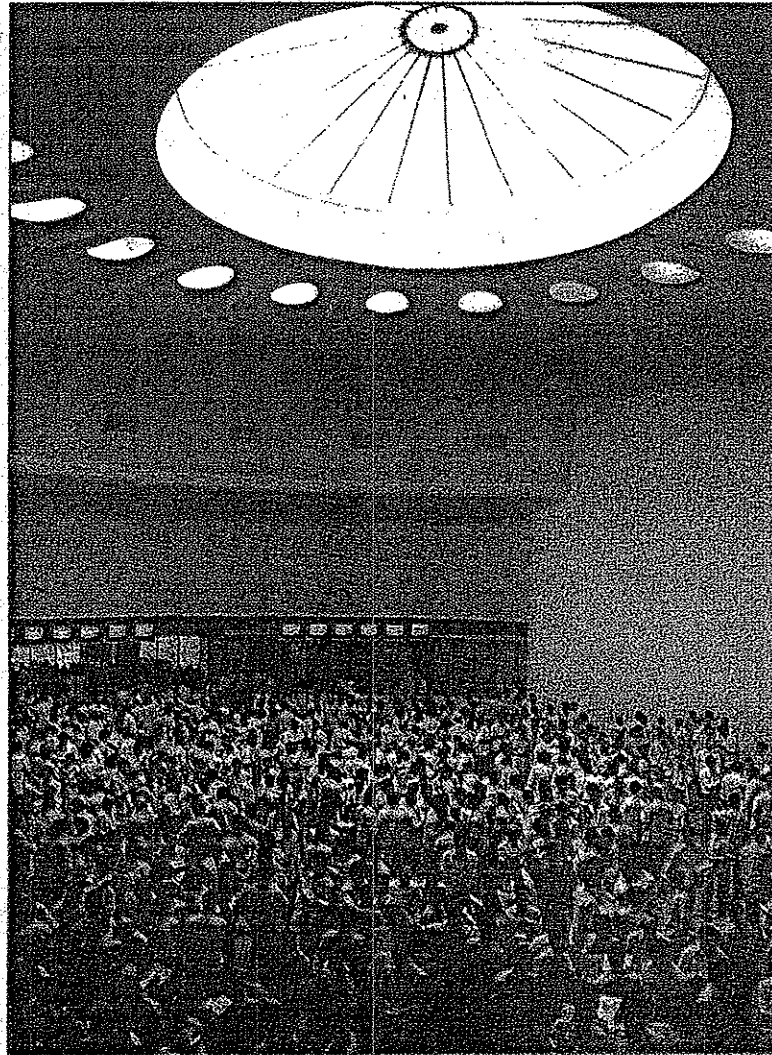
i Kikabhai Premchand, our third President, knighted in 1931 and later became the
riff of Bombay.

i K.R.P. Shroff's passage in time from a teacher to the Presidentship of the BSE,
me of infinite interest. His sterling character, impressive appearance imprinted an
: of endurance, strength of will and compassion. In 1916 he became a Member, in
0 a Director, and was President from October 26, 1923 to 1966, and thus contributed
the longest period to the growth of the BSE.

i Pheroze Jeejeebhoy played a stellar role in moulding the Bombay Stock Exchange
its present status. He was a visionary and instrumental in developing the Indian stock
kets in general and Bombay in particular. It was to commemorate his first contribution,
t as its Secretary and later as its Chairman that the present Stock Exchange building
; named after him.

i many others...





A View of the
Open Outcry System of Trading

T O D A Y

*The best preparation for the future is the present well seen to,
and the last duty done.*

..... G. Macdonald.

Growth Of Indian Stockmarkets

We, at the Bombay Stock Exchange, can claim, like the line from a famous ad., that we have come a long way. The journey has not been a bed of roses; we have had ups and downs. In fact, the first Indian 'share mania' was in 1860 - 65, when several companies such as The Backbay Reclamation Company, were floated and went to absurd heights only to crash later. Remarkable events also took place such as in 1865 when, in spite of a fall in prices by over 90%, the brokers met their commitments. But think of it another way. If it were not for the mania, the development of Backbay reclamation would have been delayed. Or, maybe, the Raja Clock Tower would never be! Out of the ashes good things can arise.

There were crises in 1962, when the market fell after the Chinese aggression and the BSE had to be closed for a week and in September 1965, after the war with Pakistan. In 1969 forward trading was banned (and now we are going in for derivative products, can you imagine?) Then came another war with Pakistan in 1971, the oil price hike



BOLT(M) - THE STOCK EXCHANGE BOMBAY, Ver [4.15] [2001/2] Continuous

Order Entry

Order Type: Buy @ Sell: 1100
 1/1 @ 236.50 / 5 @ 237.00

Script Code: RELIANCE
 Script Name: RELIANCE
 MLot: 50

Client: []
 Order No: []
 MPlot: []
 Position: []
 AvgRate: []
 NetPos: []

Details - Buy: RELIANCE (325)

Order	Rate	Qty	Order	Rate	Qty	Order	Rate	Qty
236.50	1500	20672	237.00	1500	31071			
236.50	2000	2074	237.00	500	31072			

Best Order: 236.50 2000 237.00 400

Trades: 5963
 Volume: 2579050
 Value: 1110831.0

STATUS: SUCCEEDED

Bolt Screen



f 1974 and emergency measures undertaken by the Government. In 1976, the forced dilution of equity by FERA companies created a bull run. Followed by another in 1985. *The BSE was virtually ripped apart by a horrendous bomb blast in 1993, but the spirit of the members was undeterred. The exchange opened without losing a single day's trading! That was, indeed, one of our finest moments!*

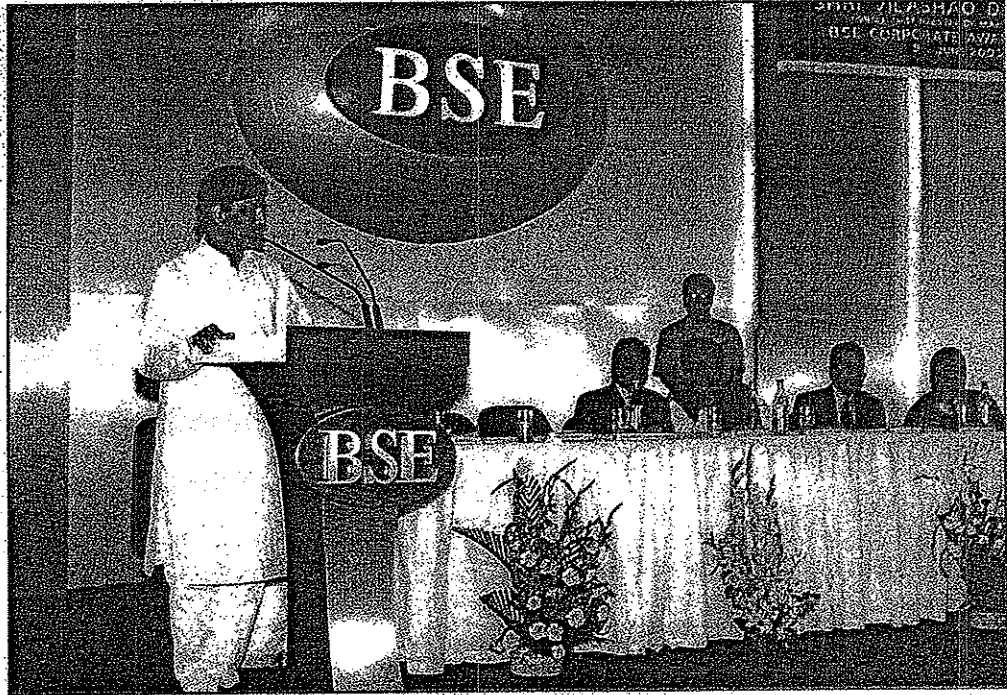
Today the average daily turnover has increased to Rs. 27 billion, in 1999-2000. During 1985, a boom year, the annual turnover was Rs. 61 billion. On a good day we sometimes trade as much as we did in an entire year, fifteen years ago! And yet, the possibility to do much more, nay, indeed, the necessity to do much more, compels us to constantly strive to improve upon our systems.

We are now a screen based market instead of a floor based one. Not only has this allowed greater transparency (for investors can now see the prices for themselves before they enter into a transaction, instead of being informed about the price later as in floor trading) but it has greatly improved the vocal chords of our members! *The switchover from a 120 year old tradition of open outcry involving 4816 scrips was completed in 50 working day – a world record!*

Our BSE OnLine Trading system is appropriately acronymed BOLT; it struck our members like lightning! *BOLT has expanded nation wide and has covered 243 centers.* Incidentally even the New York Stock Exchange still remains partially a floor based system. *We are also proud that our transaction costs are amongst the lowest in the world, bar a few developed stock exchanges like the American Exchange.*

There are now, according to a recent study by SEBI, an estimated 19 million investors





Shri Pramod Mahajan at the First BSE
Corporate Awards for Excellence



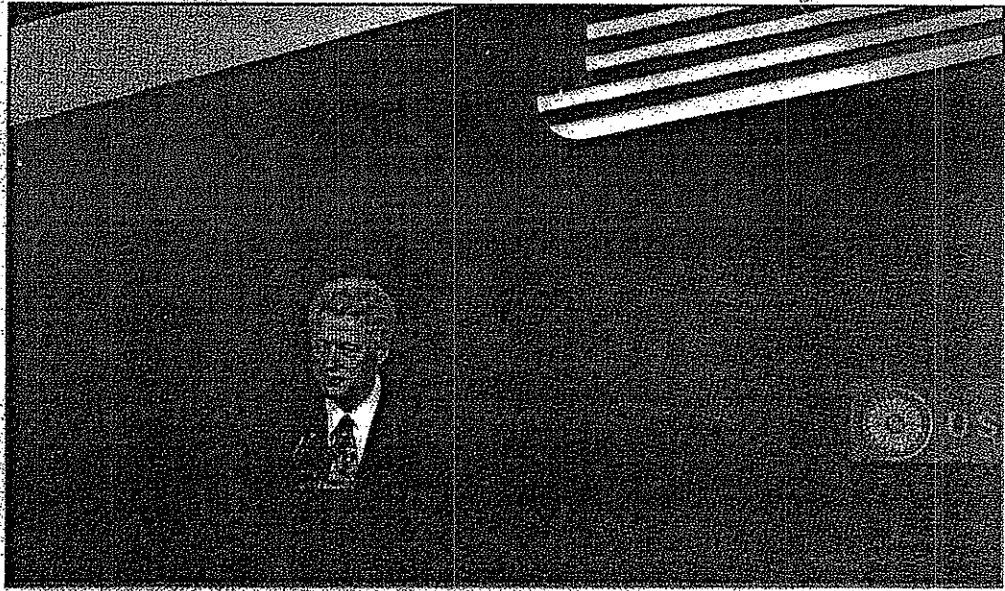
n India. The BSE has singularly played a unique role in the widening of the equity culture amongst Indians. Yet, as a percentage of our total population it is still a small number and again, we at the BSE, strive constantly to increase it. Use of technology and ease of transaction combined with greater safety to the investor is driving a greater participation of Indian savers into wealth creation through stockmarkets.

There are other, equally important measures of growth. In terms of the number of listed companies, India, with its 6500 companies ranks among the highest in the world, next only to USA. This is about five times the 1125 companies that were listed in 1946. This large number, though, has posed a problem, not least of 'vanishing companies' and we at the BSE are making attempts, alongwith Government Agencies, to address these concerns. Ways to weed out thinly traded companies or disappearing companies will have to be found. *We have moved over 1563 companies not complying with listing norms and not responding to investor complaints, to the 'Z', or 'caveat emptor' category.*

The BSE sensex, an index of 30 shares weighted by market capitalisation, remains the most oft quoted and popular index. It is continually monitored and revised by the BSE. Besides, the BSE comes out with, and disseminates, several other indices.

Investor protection is another area of concern to us at the BSE, even though many of you may not think so. We have laid down a code of conduct embodied in the bye-laws of the exchange, and have our own arbitration process to look after the redressal of investor complaints against the members. We have, in October 1986, also established a customer protection fund, financed partly by a levy on the turnover of members and partly by earmarking listing fees. *The common investor is reimbursed upto Rs. 500,000 in the event of default by a member broker as against Rs. 1,00,000 prescribed by the*





US President Mr. Bill Clinton Visits BSE



Securities and Exchange Board of India (SEBI). This is significantly more than paid by any other Exchange in India.

We have also introduced a risk management scheme, acronymed 'BOSS'. *The trade guarantee fund corpus stands at over Rs.1600 crores*, and provides comfort to investors, both domestic and foreign.

We, at the Bombay Stock Exchange, have, in 1989, set up a training institute to provide continuing education for stockbrokers, jobbers, authorised clerks, merchant bankers, portfolio managers and investors.





Shri J. R. Verma Inaugurates the Derivative Segment

T O M O R R O W

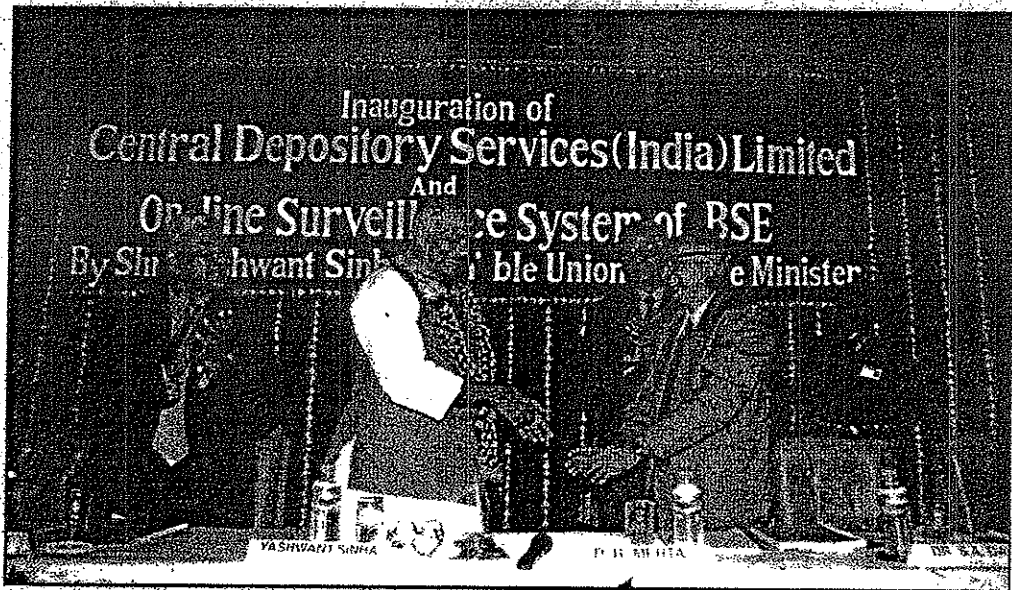
*Today is but yesterday's dream,
If we do not continue to dream,
Will there be a tomorrow?*

*I*t has been well said that change is the only constant. And we need to constantly plan for change. Advances in technology, computing and communication are dramatically speeding up the pace of change and making possible things which only a few years ago seemed like a dream.

Towards this end we have established a modern technological backbone at the Exchange. The number of Trader Work Stations has gone up to 4116, up 72 per cent in a year. The number of cities this backbone serves has gone up to 253. We are constantly increasing bandwidth of our LAN network, using Gigabit technology. Our S-class Tandem system (the second such installation in the world) now has a capacity to handle 1.2 million trades a day. Since our average number of trades per day now is 0.3 million, this is an indication of our planning for the future.

We have recently started trading in derivatives based on the BSE sensex, the most popular index. We are in negotiation with international stock exchanges for an arrangement to allow these derivative products to be traded there. The BSE is to hive off its indices into a separate company and is in talks with international players for co-branding of indices. We are soon to implement an Internet trading system for all our brokers. We are also in discussion with stock exchanges that are trying to link global stock markets into a 24 hour continuous trading system.





Inauguration of the Central Depository Service (India) Ltd.
by Hon'ble Finance Minister Shri. Yashwant Sinha.

The BSE displayed its commitment to the small investors by promoting the Central Depository Services (India) Limited which saved the Indian investor hundreds of crores. This depository has set new standards in set up time, cost efficiency and investor service.

The BSE is mooted the idea of Indian Depository Receipts (IDR) to allow domestic investors a chance to participate in global equity markets. We wish to use our BOLT network to market IPOs on a nationwide basis, thereby hoping to widen the investor base in the country.

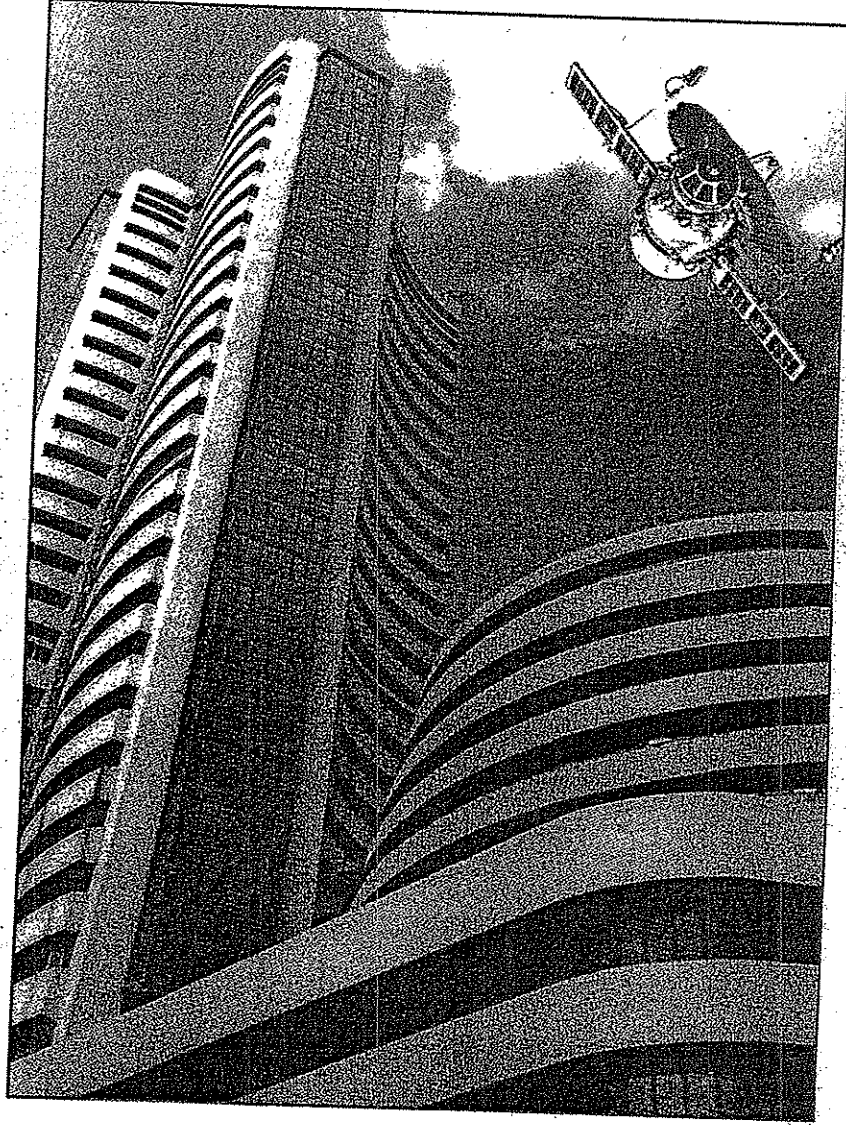
An issue that keeps coming up is about the efficacy of self regulation. Interestingly, this issue came up first 77 years ago! In September of 1923 the Atlay Committee was set up after Lord Lloyd, the then Governor of Bombay wanted to have a committee of Appeals over the BSE, comprising of two outside representatives. The Atlay committee, set up when this was refused by the BSE, concluded that speculative corners were 'entirely due to capitalist interests attempting to squeeze the members of the Association or their unwary clients.' It also concluded that it would be difficult to find among outsiders 'men of the requisite skill and experience' to adjudicate on stock market related matters.

Notwithstanding, doubts about the efficacy of self regulation remain an area of concern and we at the BSE are conscious of this. We are considering the option to modify the structure and corporatise the exchange. Besides addressing the above concern, this would also provide resources to move the Institution forward in this technological era.

Our journey continues, and we are happy to share today, a part of it with all of you.

This Book is compiled by *eminent journalist, Mr. J. Mulraj*





25
BSE



The Stock Exchange, Mumbai

List of Past Presidents since 1875

Sr. No.	Name of the President	Period	
		From	To
1.	Shri Choonilal Motilal	1875	1896
2.	Sir Shapurji B. Broach ^a Kt.	1896	1919
3.	Sir Kikabhai Premchand	1920	1922
4.	Shri N.P. Karani	1922	1922
5.	Shri K.R.P. Shroff	1923	1966
6.	Shri Kantilal Ishwarlal	1966	1967
7.	Shri Dhirajlal Maganlal	1967	1971
8.	Shri Laldas Jamnadas	1971	1973
9.	Shri Jayant Amarchand	1973	1977
10.	Shri Mathradas Shamaldas	1977	1980
11.	Shri Laldas Jamnadas	1980	1986
12.	Shri Ramdas Lallubhai Dalal	1986	1987
13.	Shri Mahendra N. Kampani	1987	1988
14.	Shri Govindbhai B. Desai	1988	1991
15.	Shri Hemendra M. Kothari	1991	1992
16.	Shri Govindbhai B. Desai	1992	1994
17.	Shri Bhagirat B. Merchant	1994	1995
18.	Shri Kamal Kabra	1995	1996
19.	Shri M.G. Damani	1996	1998
20.	Shri Jasantlal C. Parikh	1998	1999
21.	Shri Anand Rathi	1999	2001
22.	Smt Deena Mehta	8-03-2001	11-03-2001