

Foreign investments up to 49 pc allowed in stock exchanges

No foreign investor can hold more than 5 pc of equity, says SEBI

Our Bureau

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The Reserve Bank of India on Friday allowed foreign investment up to 49 per cent in stock exchanges, depositories and clearing corporations.

Foreign Direct Investment, with the prior approval of the Foreign Investment Promotion Board, has been capped at 26 per cent while the limit on Foreign Institutional Investment (FII) is 23 per cent. FIIs can pick up stakes only through secondary market purchases and "shall not seek and will not get representation on the Board of Direc-

tors", says a RBI release.

In a separate release, the SEBI has stipulated that "no foreign investor, including persons acting in concert, will hold more than 5 per cent of the equity in these companies". This will apply only to stock exchanges.

SEBI GUIDELINES

In November, the SEBI had capped individual investment, direct or indirect, at five per cent. It had also stipulated that persons (or persons acting in concert) must meet eligibility requirements

Opening up

Foreign Institutional Investment has been limited to 23 per cent.

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set down by the SEBI to acquire more than one per cent of the paid up equity capital of a recognised stock exchange.

While FII investment in stock exchanges has been up for debate, FII in depositories appears to have opened up a whole new set of opportunities, said industry sources.

However, National Securities Depository Ltd Chief, Mr C.B. Bhawe was not available for comment.

Dr R.H. Patil, Chairman of Clearing Corporation of India Ltd and erstwhile Managing Director of the National Stock Exchange, said the directive will have a more direct impact on the Bombay Stock Exchange rather than the NSE.

"NSE has been a corporate entity since its inception. The only impact, if any, would be if the existing shareholders of NSE decide to sell their shares thereby allowing some

FIIs to purchase them. Given that it is a profit making organisation, there appears to be no reason for NSE to tap the market to finance any of its expansion plans," Dr Patil said.

REACTIONS

With the National Securities Clearing Corporation Ltd (NSCCL) being a wholly owned subsidiary of NSE, there is no question of FIIs buying shares in the company. Currently, NSCCL is the sole clearing corporation in the country. There could be some

change if the BSE, at some time, were to decide to float a separate clearing corporation.

When contacted, a top NSE official said, "It is a good development for the securities industry."

"This clears up uncertainties regarding strategic ties-ups by stock exchanges. However, it is debatable if the guidelines are good or bad," said Ms Deena Mehta, Managing Director of Asit C. Mehta Investment Intermediates Ltd. Earlier, Ms Mehta was vice-president of BSE.

'UK Takeover Panel is an independent body'

D. Murali

Chennai, Dec. 23

The Commerce Minister, Mr Kamal Nath, was recently quoted as saying that the UK Government should not get involved in business matters such as the Corus deal. And that the Government should let the shareholders deal with the same.

"His comments came after the UK's Takeover Panel decided to intervene by arranging an auction of Corus," noted www.forbes.com in a story dated December 20. A section of the media carried the report under the headline,

'UK need not meddle in Corus'.

On this, *Business Line* sought the views of a leading City of London lawyer. "The Panel is an independent body whose views do not reflect those of the Government. To suggest that the Government has intervened is ill-informed and frankly quite ridiculous," he says.

As a general rule, the Panel would only intervene at the request of the target or bidders, and its ruling in this case would certainly have been agreed by all parties concerned prior to being publish-

ed, he explains. "This is not meddling."

The primary purpose of the Panel and the City Code of Takeovers and Mergers is to ensure fair and equal treatment of shareholders in a takeover, explains the UK legal expert. "By setting a deadline at the end of next month, the Panel has protected Corus from a long and drawn out siege and it has created an even playing field between Tata and CSN, thus, ensuring that the best offer wins on its merits. This is the best possible outcome for shareholders."