

Secondary Market

18. The performance of secondary market has a vital bearing on the performance of primary market. A number of measures were taken to modernise the stock exchanges in the country. These measures focussed on infrastructure development, transparency, efficiency and enhanced investor protection. Risk management was further strengthened during the year by implementing a comprehensive system of margins, exposure limits and improving the efficiency of clearing and settlement systems through the introduction of settlement guarantee funds. With a view to enhancing market safety, SEBI fixed intra-day trading and gross exposure limits for brokers. These measures which bolstered risk management of the market were tested out several times in conditions of market volatility, especially in the wake of the crisis in the East Asian financial markets. SEBI continued to maintain a constant

interface with the stock exchanges on various issues concerning investor protection, automated market infrastructure and overall improvement in quality of intermediation. SEBI also directed its efforts towards encouraging the stock exchanges to become effective as self-regulatory institutions.

19. Automated screen based trading which was introduced in the country through the setting up of the OTCEI and NSE and subsequently introduced by the BSE had brought about a qualitative improvement in the market and its transparency. Transaction costs and time were also significantly reduced. During the year several of the smaller exchanges also introduced on-line screen based trading bringing the total number of exchanges having this facility to 20 as against 22 stock exchanges in the country. This implied that 98.8 per cent of the total all India turnover on the exchanges had shifted to on-line screen based trading.