

3. The governance of indices in capital markets, assumes greater significance and needs to be regulated. Discuss

Security Exchange board of India
recently proposed regulatory framework on.
Index governance

Index in Capital Market

Index - provides Investors & stakeholders the
Snapshot of Market

Popular Index providers in India - Nifty 50 by
National Stock Exchange [NSE] and Sensex.

Why Regulation?

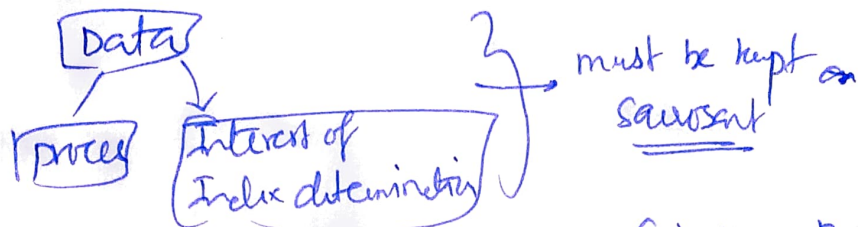
Since, the investment in capital market
through passive Mutual fund Scheme is on rise,
and depends on Index provider, there is need
to govern the Index provider.

§ Regulator's proposed Regulation

1. Minimum networth of ₹25 cr must for
Index providers

2. Individuals are barred from being index provider.

3. Integrity and Impartiality + Independence has to be ensured



4. Accountability & High degree of governance } via Grievance Redressal mechanism, Audit trails by external auditors, etc;

5. Department submitting indices, must be ensured of Independence to maintain objectivity

In Addition, Index providers must be careful whether the index investor uses data from non-registered Index providers.

Since the passive mutual fund Scheme and Asset management investors depends on Indices to capture market situation, Regulatory new proposals, assume great significance