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 Markets]

[Index]- provides Investors & stakeholders the snapshot of Market

popular Index providers in Index - 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 ₹25Cr must for Index providers

2. Individuals are barred from being Index provider.

3. Integrity and Impartiality + Independence has to be ensured

Data

process

Interest of Index determination

must be kept on sacrosant

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 ~~indices~~ ~~index~~ investor uses data from non-registered Index providers.

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