

**ANNUAL ASSESSMENT OF THE WORK PLAN UNDER THE PASA  
BETWEEN USAID/INDIA AND SEC (JULY 1, 2001-JUNE 30, 2002)**

**Prepared by**

**SEC's Office of International Affairs**

**Submitted to**

**USAID/New Delhi India  
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**General Information**

This is the annual assessment of the Work Plan based on the PASA between the USAID and the SEC. The Work Plan was for 12 months (July 1, 2001-June 30, 2002). As part of the assessment, the SEC has updated each of the technical assistance and training projects listed in the Work Plan.

**Objective**

The objective of the Work Plan is for the SEC to assist the SEBI in the following areas:

- I. Legal and Regulatory Framework;
- II. Capacity for Regulatory Oversight and Inspection of self-regulatory organizations (SROs) (which include stock exchanges, clearing agencies and depositories) and market participants (which include broker-dealers, registrars and transfer agents, and securities information processors);
- III. Capacity for Investigation and Enforcement of securities law violations; and
- IV. Disclosure and Reporting Standards, including accounting and auditing standards.

**Tasks**

The Work Plan was based on the SEC performing technical assistance and training in four task areas.

**Task 1:** Strengthening the legal and regulatory framework for investor protection.

**Task 2:** Assisting the SEBI to improve its capacity for regulatory oversight and inspections.

**Task 3:** Strengthening SEBI's capacity for investigations and enforcement actions for violations of the securities laws.

**Task 4:** Improvement in disclosure and reporting standards.

Assessment of Training and Technical Assistance Projects

- Review of Issuer Disclosure Documents

**Task:** This training program covered disclosure and financial reporting standards in Task 4.

**Deliverable:** A one-week training program on review of issuer disclosure documents. This program was primarily for Newly Independent States of the former Soviet Union and Central and Eastern European countries. This program was held in Budapest, Hungary the week of October 8, 2001. The SEC invited 4 regulators from the SEBI and the exchanges to the training program.

**Counterpart:** SEBI and the exchanges

**Target Date:** The week of October 8, 2001.

**Status/Comments:** The SEC invited 4 regulators from the SEBI and the two major exchanges, the Mumbai Stock Exchange (“MSE”) and the National Stock Exchange of India (“NSE”). Two persons, one person from the SEBI and one person from the NSE, attended the Disclosure training program in Budapest.

- International Institute for Securities Enforcement and Market Oversight

**Task:** This institute focused on practical techniques for conducting investigations, market surveillance and inspections of broker-dealers, mutual funds and investment advisers. This training program covered topics in Tasks 2 & 3.

**Deliverable:** A one-week program offered each fall at the SEC for regulatory officials from emerging and developed markets. The SEC invited 4 regulators from the SEBI and the exchanges to the 2001 Institute.

**Counterpart:** SEBI and the exchanges

**Target Date:** The week of October 15, 2001.

**Status/Comments:** Three persons from the SEBI and one person from the NSE attended the International Institute for Enforcement and Market Oversight.

- **International Institute for Securities Market Development**

**Task:** This annual institute is designed for senior regulators and stock exchange officials and is intended to promote market development, capital formation, and the building of sound regulatory structures in emerging market countries. The 2002 Institute covered topics in each of the four tasks.

**Deliverable:** An intensive two-week program of lectures, panels and workshops held each spring at the SEC and an optional internship with various market entities the week following the institute. The SEC invited four regulators from the SEBI and one person each from the MSE and the NSE to the 2002 Institute.

**Counterpart:** SEBI and stock exchanges

**Target Date:** The International Institute For Securities Market Development was held in Washington on April 22-May 3, 2002. The internship program was the week of May 6, 2002.

**Status/Comments:** Three persons from the SEBI attended the two-week training program. Two persons, one each from the NSE and the MSE, attended the two-week training program and the internship program.

- **Review of the Legal Structure for Securities Regulation**

**Task:** This technical assistance project reviewed the legal structure in India for securities regulation as covered in Task 1.

**Deliverables:**

- An appendix, drafted by Arthur Laby, to the World Bank mission report addressing governance issues at the SEBI, including issues related to SEBI's independence, authority, and use of discretion.
- A final Work Plan.

**Financial Institutions Reform and Expansion (FIRE) II – Work Plan**

- A general report assessing the technical assistance and training needs to effectively regulate India's securities market.

**Counterpart: SEBI**

**Target Dates:**

- The target date for delivery of the draft appendix was October 2001.
- The target date for the Work Program was October 2001.
- The target date for the general report assessing the technical assistance and training needs to effectively regulate India's securities market was November 2001.

**Status/Comments:** This technical assistance project started in June 2001 with a visit to India by Arthur Laby, an Assistant General Counsel at the SEC, as part of a World Bank team to assess India's capital market and regulatory structure. A copy of the draft report was previously made available to USAID.

Ester Saverson visited India from September 18-29, 2001 to review the technical assistance and training needs. Subsequently, Mr. Saverson wrote a report assessing the technical assistance and training needs of the Indian Capital Market. A copy of the report was attached to the 1<sup>st</sup> quarter 2002 report.

Mr. Saverson met with USAID/India officials and with officials of the private consultants to this project, PWC, in India to discuss the draft Work Plan. The SEC submitted a final work plan at the end of September 2002.

- **Assessment of Inspection Procedures for SROs and Broker-Dealers**

**Task:** This technical assistance project covers the SEBI's inspection procedures for SROs and broker-dealers in Task 2.

**Deliverables:**

- A report assessing the SEBI's inspection procedures for SROs and broker-dealers.

## Financial Institutions Reform and Expansion (FIRE) II – Work Plan

- A four-day program in India to train the inspection staff at the SEBI about inspecting SROs and the inspection staff at the SEBI and the SROs about inspecting broker-dealers.

**Counterpart:** SEBI

**Target Date:** First or Second Quarter 2002

**Status/Comments:** The SEC staff reviewed the manuals used to inspect exchanges and broker-dealers. The SEC issued reports on its assessment of the two manuals in April 2002. The reports were attached to the third quarterly report.

The SEC conducted a workshop based on its findings from its review the week of May 13, 2002. Forty-four participants attended the training program, 23 from the SEBI, and 21 from the MSE and NSE.

- **Video Conference Training Program**

**Task:** This was not part of the original work plan. The SEC offered this training program with the use of the facilities at the World Bank.

**Deliverables:** The SEC conducted a videoconference training program covering insider trading and internet fraud. The conference was transmitted to participants in Russia, India, Mexico and Brazil.

**Counterpart:** SEBI

**Target Date:** December 6, 2001

**Status/Comments:** Approximately 30 persons from India participated in the conference.

### Training

The SEC has provided Indian officials access to 78 person weeks of training during the period of this work plan (July 1, 2001-June 30, 2002). Indian officials participated in 50 person weeks of training in India, 18 person weeks training in the United States and 6 person weeks of training in other SEC sponsored programs.

Training of India Officials

<b>Training Program</b>	<b>Number of Person Weeks Offered</b>	<b>Number of Person Weeks Participated</b>
<b>Review of Issuer Disclosure Documents</b>	<b>4</b>	<b>2</b>
<b>International Institute for Securities Enforcement and Market Oversight</b>	<b>4</b>	<b>4</b>
<b>International Institute for Securities Market Development</b>	<b>18</b>	<b>12</b>
<b>SRO and Broker-Dealer Inspection Program</b>	<b>44</b>	<b>44</b>
<b>Video Conference Training Program</b>	<b>6</b>	<b>6</b>
<b>TOTAL</b>	<b>76</b>	<b>68</b>

SEC Staff Time

<b>Task Description</b>	<b>LOE (person months)*</b>
<b>1. SEBI's Capacity for Rule-making, Regulatory oversight and Inspection</b>	<b>3</b>
<b>2. SEBI's Capacity for Investigation and Enforcement</b>	<b>2</b>
<b>3. Disclosure and Reporting Standards</b>	<b>0.75</b>
<b>4. Legal and Institutional Framework for Investor Protection</b>	<b>1.25</b>
<b>TOTAL</b>	<b>7</b>

\* "LOE" is the level of effort to date that the SEC staff has spent on each task.