



# Foreword

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Dr. Manoj Vaish, is the Chief Executive Officer and Executive Director of the BSE. Prior to this appointment he held significant positions in the Exchange as Director, Training and Research; Director, Corporate Development, and Deputy Executive Director. He is the first CEO of the Exchange. Before joining BSE, he had stints with ANZ Grindlays Bank and Deutsche Bank.

This Review comes out at a time when the mood of the market is upbeat and its movement buoyant. It was the second quarter of 2003 that proved to be stimulating for the stock markets and every one hopes that the surge is based on sound fundamentals and thus could be sustainable. On the economy side, it was never better than now in the recent years and drawing on the growth prospects, one could look forward towards a rewarding year. After three years of drought in the markets, this year could be the one that may herald recovery and new hope.

At the same time preserving the pace of growth is a major challenge. The regulatory changes and the market mechanisms that came into being in the last two and half year set a more stronger base for orderly growth of markets, particularly in the realm of securities settlement (T+2), surveillance (enhanced monitoring), introduction of new products (stock futures, retail debt, Interest rate futures) transparency and disclosure (more information dissemination), greater focus on investor protection (Securities Market Awareness Campaign) etc. Consolidation of stock exchanges gained further momentum with the nation's two major exchanges accounting for the entire national volumes. Alternatives to promote greater liquidity for small cap stocks are being actively considered. Setting up of Central Listing Authority is expected to streamline the listing process that is crucial for strengthening the functioning of the primary markets. Simultaneously, SEBI has undertaken an important task of benchmarking Indian securities markets with international institutions that would greatly help in promoting best practices in securities market operations.

The last three years, are no doubt particularly painful but at the same time served as a useful learning experience for the capital markets. Several instances of lack of integrity and market abuse have severely dented the reputation and image of the markets and also led to massive

retrenchment of retail investors from the stock markets. Securities markets suffered huge erosion in business and so as the sentiments and confidence of investors.

In the light of the recent experience, it becomes imperative that the current rise in the markets is more systematic, sound and sustainable. Having a firm ground already laid, it now becomes the responsibility of the institutions; intermediaries and investors to ensure that no major lapses take place that could abruptly halt the pace of progress. It is in this direction that the BSE Annual Capital Market Review could fulfill an important responsibility; providing perspectives on a wide range of issues from top professionals and practitioners that could provide useful insights and broaden the understanding about various intricacies of functioning of the markets and strategies and solutions for overcoming the emerging challenges. The Review has been very fortunate to receive a warm support from a wide range of professionals who contributed insightful articles on a number of topics that have great relevance and significance for Indian finance. I take this opportunity to acknowledge the immense value their contributions made to the Review and sincerely thank them for their kind cooperation and support.

The Review is an important part of the BSE endeavors to strengthen knowledge and know how on capital markets. BSE has made elaborate and extensive initiatives in this regard encompassing capital market training, certification, on-line financial training, investor awareness programmes and special workshops, publications, website etc., to promote knowledge and skill levels in the Indian capital markets that would enable it to benchmark itself to international standards.

The cooperation and support of the capital market fraternity is crucial in furthering these initiatives, and I must admit that we have been very fortunate to receive them in abundance and hope to receive similar support in the future.

**Dr. Manoj Vaish**  
Chief Executive Officer