

Sebi likely to review norms

In the wake of a recent report by the Supreme Court- appointed special investigation team (SIT) on black money, the Securities and Exchange Board of India (Sebi) is likely to review the regulations governing participatory notes (P- notes), according to a person with knowledge of the matter." Sebi will consider closer scrutiny if found to be necessary." An official request for comment, however, did not elicit a response.

The SIT had asked Sebi to examine whether the transfer of P- notes would be conducive for foreign portfolio investor flows. Sebi had in the past raised concerns on the misuse of P- notes.

In its report, the SIT was critical of barring entities that were using the stock exchange platform to evade taxes under the provision of long- term capital gains and suggested to Sebi to launch prosecution under the Sebi Act. Launching prosecution in these matters might not be possible quickly as the investigation in these cases is yet to be completed, said a source. The regulator has started issuing show cause notice for hearings in the cases, leading to an interim ban of 900 entities from securities market. This will be followed up with a confirmatory order to be passed on to Sebi's investigation department. After the completion of investigation, it will be followed up with another round of hearing. Thereafter, the final order will be passed.

"The process of adjudication and prosecution would start only after the investigation is complete," said the person cited above.

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