

NEWSFLASH DATED 15TH SEP. 2005.

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CAPITAL MARKETS

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» Further Amendments to the Guidelines governing Euro Issues

In light of requests from Indian Industry and in order to remove hardship to Indian companies that have taken verifiable "effective steps" before August 31, 2005 and have incurred costs date the Central Government has directed that such companies would be exempt from:

- the requirement of prior or simultaneous listing in case of unlisted companies, and
- the revised pricing guidelines in case of listed companies

provided these companies complete their issues by December 31, 2005.

All other conditions laid down in the amendments of August 31, 2005 (please refer to our Capital Markets Legal Eye dated September 14, 2005 for additional details) however, including those relating to the eligibility of the issuer and that of the subscriber would continue to be applicable.

The Government has gone on to define "effective steps" as used above, to mean:

- That the concerned Indian company has completed due diligence and filed an offering circular in an overseas exchange(s); or
- That approval of overseas exchange(s) has been obtained; or
- That payment of listing fees is made; or

- That approval of the Reserve Bank of India ("RBI"), where applicable, for meeting issue related expenses has been obtained.

It has also been provided that issues through the private placement mode, where no offering circular was placed before an overseas exchange(s), would not qualify for the above exemptions.

For further details please contact our Capital Markets Team.

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» Mutual Fund trading in Exchange Traded Derivative Contracts

Presently Mutual Funds are only permitted to participate in the derivatives market for hedging and portfolio rebalancing. In consideration of the changes in the structure of the Indian cash market, the significant increases both in the volumes in the derivatives market and retail participation in the derivatives market, the Mutual Funds have now been permitted (vide SEBI Circular No. DNP/Cir-29/2005 dated September 14, 2005) to participate in the derivatives market on par with Foreign Institutional Investors ("FIIs").

It has been provided that the revised policy shall apply to all new schemes yet to be launched or for which offer documents have been submitted to SEBI for approval. The participation of existing schemes in the derivatives market has been made subject to certain conditions. Some of which are as follows:

- That positive consent be obtained from a majority of the unit holders; and
- The above-mentioned circular goes on to lay down certain limits in the case of the Mutual Fund's position in Index Option contracts; Index Futures contracts; and Stock based derivative Contracts. Position limits have also been laid down for each scheme and additional limits for the purpose of hedging. Guidelines have also been laid down for the monitoring of the above position limits.

For further details please contact our Capital Markets Team.

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