

CS Professional Group IV

Module IV

Paper-7

Due Diligence and Corporate Governance Management

Chapter-18

Dec 2012[1] (a) (i) Dec 2012

Answer-

The statement is false .

Establishment of whistle blower policy is recommendatory as per the clause 49 of the listing agreement and not mandatory.

Dec 2012 [1] (a) (ii)

Answer-

The statement is true.

An issuer may list its debt securities issued on private placement basis on a recognized stock exchange subject to the following conditions, as prescribed by SEBI (issue and listing of Debt Securities) Regulations, 2008:

- (a) The issuer has issued such debt securities in compliance with the provisions of the companies Act, 1956 rules prescribed .There under and other applicable laws.
- (b) Credit rating has been obtained in respect of such debt securities from at least one credit rating agency registered with the Board;
- (c) The debt securities proposed to be listed are in dematerialized form;
- (d) The disclosures as provided in regulation 21 have been made.

The issuer shall comply with conditions of listing of such debt securities as specified in the listing agreement with the stock exchange where such debt securities are sought to be listed.

Dec 2012 [1] (a) (iii)

Answer-

The statement is false.

As per SEBI (ICDR) Regulations, 2009 minimum subscription is applicable to public and right issue. As regard privately placed debt instrument by listed companies SEBI (Issue and Listing of Debt Securities) Regulations 2008 is applicable, under which minimum subscription is at the discretion of the issuer.

Dec 2012 [1] (a) (iv)

Answer-

The statement is false.

The date-stamping requirement is not applicable in relation to transfer deed executed for transfer of debentures or other securities in a company. It is applicable only to the shares of the company. The transfer deed so stamped is valid for lodgement in the case of a listed company within 12 months of the date so stamped or first closure of the register of members after it is so dated. stamped which ever is later. In the case of an unlisted company it is valid for lodgement within two months of the date so stamped.

Dec 2012 [1] (a) (v)

Answer-

The statement is false.

As per clause 49 of the listing agreement, independent director is non executive director of the company, who has not been an executive of the company in the immediately preceding three financial years.

Chapter-12

Dec 2012.[1] (b) (i)

Answer-

Compliance solution providers adopts following approaches for creating or enhancing an ethics and compliance program for companies-

- (1) Risk Cultural Assessment.
- (2) Program Design/update.
- (3) Policies and Procedures.
- (4) Communication, Training and Implementation.
- (5) On going self-assessment, monitoring and reporting.

Chapter-10

Dec 2012. [1] (b) (ii)

Answer-

According to Regulations 7 of Foreign Exchange Management (Transfer or Issue of any Foreign Security) Regulations, 2000 Indian party seeking to make investment in an entity engaged in the financial sector should fulfill the following additional conditions:

- (i) Be registered with the appropriate regulatory authority in India for conducting the financial sector activities;
- (ii) Have earned net profit during the preceding three financial years from the financial services activities;
- (iii) Have obtained approval for investment in financial sector activities abroad from regulatory authorities concerned in India and abroad. and
- (iv) Have fulfilled the prudential norms relating to capital adequacy on prescribed by the regulatory authority concerned in India.

Chapter-18

Dec 2012 [2] (a) (i)

Answer-

- (d) having average profit of ` 5 crore or above in the last three years.

Dec 2012. [2] (a) (ii)

Answer-

- (c) E form 5

Dec 2012 [2] (a) (iii)

Answer-

- (b) Online monitoring of complaints from investors.

Dec 2012 [2] (a) (iv)

Answer-

- (c) Varies from state to state.

Dec 2012. [2] (a) (v)

Answer-

(d) Conversion of loans into equity.

Dec 2012 . [2] (a) (vi)

Answer-

(a) 3-10

Chapter-6

Dec 2012. [2] (b) (i)

Answer-

Internal Audit and Concurrent Audit

Internal Audit: As per Bye law 10.3, every participant shall ensure that an internal audit in respect of its depository operations is conducted at intervals of not more than six months by a qualified Chartered Accountant or a company secretary holding a certificate of practice and copy of the internal audit shall be furnished to the Depository.

Concurrent Audit: Activities related to account opening, control and verification of Delivery Instruction Slips (DIS) are subject to concurrent audit which must be completed by the next working day. If such audit cannot be completed by next working day due to large volume, it must be completed within a week.

Chapter-2

Dec 2012 .[2] (b) (ii)

Answer-

Pre issue advertisement

The company after registering the red herring prospectus (in case of book built issue) or prospectus (in case of fixed price issue) with the Registrar of companies is required to make a pre-issue advertisement format prescribed by SEBI (ICDR) Regulations 2009 and with required disclosures in one English national daily newspaper with wide circulation Hindi national daily news paper with wide circulation and one regional Language news paper, with wide circulation at the place where the registered office of the issuer is situated.

Post issue advertisement

It should be ensured that advertisement giving details relating to over subscription, basis of allotment member, value and percentage of all applications including ASBA, number, value and percentage of successfully allottees for all applications including ASBA, date of completion of despatch of refund orders or instructions to self certified syndicate Banks by the Register, date of dispatch of certificates and date of filling of listing application, etc. is released within ten days from the date of completion of the various activities in at least one English national daily news paper with wide circulation. one Hindi national daily newspaper with wide circulation and one regional language daily news paper with wide circulation at the place where registered office of the issuer is situated.

Chapter-4

Dec 2012 [3] (a)

Answer-

According to regulation 2 (h a):Price Sensitive information means any information which relates, directly or indirectly to a company and which if published is likely to materially affect the price of securities of

companies.

The following shall also be deemed to be price sensitive information:

- (i) Periodical financial results of the company;
- (ii) intended declaration of dividend (both interim and final);
- (iii) issue of securities or buy-back of securities;
- (iv) any major expansion plans or execution of new projects;
- (v) amalgamations mergers or takeovers;
- (vi) disposal of the whole or substantial part of the undertaking;
- (vii) any significant changes in policies, plans or operations of the company

In the given case the information regarding the negotiation between KMF Pvt. Ltd.

and the Hari Group of companies was price sensitive as it was likely to affect the price of the scripts of the company when published as it involves three listed companies of Hari Group. Ramesh on the one hand was negotiating with the company (Hari Group) whose shares listed on stock exchange and on the other hand he, as a Managing Director of the Private Ltd. Company (KMF Pvt. Ltd.) purchased shares in the name of the KMF Ltd Company. Thus, Ramesh purchased the shares of Hari Group when he was in possession of the unpublished price sensitive information and thereby violated regulation 3 of the SEBI (Prohibition of insider trading) Regulation,1992.

Dec 2012.[3] (b)

Answer-

(i) **Public Announcement**

A public announcement is an announcement made by the acquirer through a merchant banker, primarily disclosing his intention to acquire shares of the target company from existing shareholders by means of an open offer.

The disclosures in the announcement includes the identity of acquirer, purpose of acquisition offer price number of shares to be acquired from the public, future plans of acquirer regarding the target company. change in control over the target company. if any the procedure to be followed by acquirer in accepting the shares tendered by the shareholders and the time slab for completing the formalities.

(ii) **According to Regulation 3 (2):**

No acquirer, who together with persons acting in concert with him, has acquired and holds in accordance with these regulations shares or voting rights in a target company entitling them to exercise 25% of more of the voting rights in the target company but less than the maximum permissible non-public share holding shall acquire within any financial year additional shares or voting rights in such target company entitling them to exercise more than 5% of the voting rights, unless the acquirer makes a public announcement of an open offer for acquiring shares of such target company in accordance with these regulations:

Provided that such acquirer shall not be entitled to acquire or enter into any agreement to acquire shares or voting rights exceeding such number of shares as would take the aggregate shareholding pursuant to the acquisition above the maximum permissible non public shareholding.

Hence in the given situation, as NVN holdings Pvt. Ltd. has acquired shares/voting rights in the target company which entitled it to exercise more than 5%(6.17%) of the voting rights therein thereby triggering Regulation 3 (2) of the SEBI (SAST) Regulation 2011 as the two directors/ promoters of NVN holdings already

hold 33.38%

Thus, it can be concluded that since NVN holdings Pvt. Ltd. did not come out with a public announcement to acquire further shares of the target company, it has violated the SEBI Regulations.

Chapter-13

Dec 2012. [3] (c)

Answer-

According to section 630 of the Companies Act, 1956 in relation to penalty for wrongful withholding of property:

(1) If any officer or employee of a company-

- (a) Wrongfully obtains possession of any property of a company; or
- (b) having any such property in his possession wrongfully withhold it or knowing applies it to purpose other than those expressed or directed in the articles and authorised by this Act.

He shall on the complaint of the company or any creditor or contributory thereof be punishable with fine which may be extended to ten thousand rupees.

(2) The court trying the offence may also order such officer or employee to deliver up or refund, within a time to be fixed by the court, any such property wrongfully obtained or wrongfully withheld or knowingly misapplied, or in default to suffer imprisonment for a term which may extend to two years.

Thus, where the ex-employee upon separation from the company does not return the laptop provided to him for discharging his official duty or continues to occupy the accommodation and fails to handover the property to the employer, sec 630 could be invoked and criminal complaint could be filed for recovery of such properties.

Chapter-15

Dec 2012. [4] (a) (i)

Answer-

According to proviso to subsection of 1 of section 209 of the Companies Act, all or any of the books of account as specified in this section may be kept at such other place in India other than its registered office as the Board of directors may decide and when the Board of directors so decides the company shall within seven days of the decision file with the registrar a notice in e-form 23 A A, in writing giving the full address of that other place.

Dec 2012. [4] (a) (ii)

Answer-

The daughter of the managing director who is employed in the company as company secretary is entitled for salary advance in her official capacity and section 295 of the companies Act may not be attracted in this case.

Because in the given case, she wants to take salary advance in her official capacity and not in her capacity as a daughter of managing director. As company secretary she should be entitled to salary advance. Therefore, ₹ 80,000 salary advance does not seem to be disproportionate to her salary.

Chapter-13

Dec 2012. [4] (b)

Answer-

According to section 293 (1 d) of the companies act, 1956 the Board of directors

of a public company or of a private company which is a subsidiary of a public company shall not except with the consent of such public company or subsidiary in general meeting borrow moneys where the money to be borrowed together with the moneys already borrowed by the company (apart from temporary loans obtained from the company's bankers in the ordinary course of business), will exceed the aggregate of the paid-up capital of the company and its free reserve, That is to say, reserves not set apart for any specific purpose.

In the given case, the company wants to borrow ` 65 crores and the amount already borrowed is ` 50 crores in the form of secured loans. The aggregate of paid up capital and reserves is ` 60 crores. As this transaction requires approval of shareholders, Kamal consulting Ltd. is required to call general meeting and to obtain the approval of shareholders to ratify the resolution passed by the Board of directors on May 10, 2012 and to make the resolution a valid one.

Chapter-6

Dec 2012- [4] (c)

Answer-

Regulation 58 of SEBI (Depositors and Participants) Regulations, 1996 provides

That:

- (1) If a beneficiary owner intends to create a pledge on a security owned by him, he shall make an application to the depository through the DP who has his account in respect of such securities.
- (2) The DP after satisfaction that the securities are available for pledge shall make a note in its records of the notice of pledge and forward the application to the depository.
- (3) The depository after confirmation from the pledger that the securities are available for pledge with the pledger shall within 15 days of the receipt of the application create and record the pledge and send an intimation of the same to the DPs of the pledger and pledgee.
- (4) On receipt of the intimation under sub-regulation (3) the DPs of both the pledger and the pledgee, shall inform the pledger and the pledgee respectively of the entry of creation of the pledge.
- (5) If the depository does not create the pledge, it shall send along with the reasons as intimation to the DPs of the pledger and the pledgee.
- (6) The entry of pledge made under sub- regulation (3) may be cancelled by the depository if pledger or the pledgee makes an application to the depository through its DP:
Provided that no entry of pledge shall be cancelled by the depository without prior concurrence of the pledgee.
- (7) The depository on the cancellation of the entry of pledge shall inform the DP of the pledger.
- (8) Subject to the provisions of the pledge document the pledgee may invoke the pledge and on such invocation he depository shall register the pledgee as beneficial owner of such securities and amend its records accordingly.
- (9) After amending its records under the sub-regulation (8) of the depository shall immediate inform the DPs of the pledger and pledgee of the change who in turn shall make the necessary changes in their records and inform the pledger and pledgee, respectively.
- (10)
 - (a) If a beneficial owner intends to create a hypothecation on a security owned by him he may do so in accordance with the provisions of sub-regulations (1) to (9).

(b) The provisions of sub-regulations (1) to (9) shall mutatis mutandis apply in such cases of:

Provided that the depository before registering the hypothecation as a beneficial owner shall obtain the prior concurrence of the hypothecator.

(11) No transfer of security in respect of which a notice or entry of pledge or hypothecation is in force shall be effected by a DP without the concurrence of the pledgee or the hypothecate as the case may be.

Chapter-5

Dec 2012- [5] (a) (i)

Answer-

No, Mr. Krishna who is an executive of a company. Cannot be appointed as independent director. Because as per clause 49 of the listing agreement, independent director means a non executive director of the company who has not been an executive of the company in the immediately preceding three financial years.

Dec 2012- [5] (a) (ii)

Answer-

Yes Soumitro, who holds 1.5% of the equity shares of the company having voting rights, can be appointed as independent director, because independent director is not a substantial shareholder of the company i.e. owning two percent or more of the block of voting shares.

Dec 2012- [5] (a) (iii)

Answer-

Yes, Mr. pradeep can be appointed as an independent director in the company because as per section 75 of the companies act, 1956 his total directorship is not more than 15 companies on the date of appointment.

Chapter-5

Dec 2012 - [5] (a) (iv)

Answer-

Shalini, who is appointed by a financial institution which has lent funds to the company, can be appointed as independent director as Nonminee Directors appointed by an institution which has invested in or lent to the company shall be deemed to be independent directors under clause 49 of the listing agreement.

Chapter-15

Dec 2012- [5] (b)

Answer-

As per sub-section (1) of section 383 A of the companies Act, 1956, every company having a paid-up share capital of ` 5 crore or more, shall have a whole time secretary, and where the Board of Directors of any such company comprises only two directors, neither of them shall be the secretary of the company.

Thus, in the given case the paid up capital being less than ` 4 crore is not required to appoint a whole time secretary. Thus, the director who is the member of the (ICSI) can be appointed as company secretary.

Chapter-8

Dec 2012- [5] (c) (i)

Answer-

Yes, a foreign company can access Indian securities market for raising funds through issue of Indian Depository

Receipts (IDRs).

Dec 2012 - [5] (c) (ii)

Answer-

The parties involved in the issue of Indian Depository Receipts are:

- (a) Issuing Company (Foreign Company)
- (b) Overseas Custodians (Custodian located at the same country where issuing company is located).
- (c) Domestic Depository (Depository located in India)
- (d) Indian Investors who has invested in IDR issue.

Chapter-8

Dec 2012- [5] (c) (iii)

Answer-

- Pre-issue paid up capital and free reserve of at least US 50 million and have a minimum average market capitalization (during the last 3 years in its parent country of at least US 100 million;
- A continuous trading record or history on a stock exchange in its parent country for at least three immediately preceding years;
- A track record of distributable profit for at least three out of immediately preceding five years;
- Listed in its home country and not been prohibited to issue securities by any regulatory Body and has a good trade record with respect to compliance with securities market regulations;
- The size of an IDR issue shall not be less than ` 50 crores.

Chapter-8

Dec 2012- [5] (c) (iv)

Answer-

IDR can be purchased by any person who is resident in India as defined under FEMA Act. 1999. Minimum application amount in an IDR issue shall be ` 20,000.

Chapter-18

Dec 2012-[6] (a)

Answer-

- (i) 15 days
- (ii) vertical merger
- (iii) 400%
- (iv) Hybrid securities
- (v) Three months
- (vi) Two months

Chapter-15

Dec 2012- [6] (b)

Answer-

According to section 617 Government Company means any company in which not less than 51% of the paid up share capital is held by the Central Government or by any State Government or Government (s) or partly by the Central

Government and partly by one or more State Governments and includes a company which is a subsidiary of a government company as thus defined.

Further, the provisions of section 619 B are attracted in this case as corporations owned or controlled by the Central Government hold among themselves more than 51% of the paid-up share capital of Azad Limited [section 619 B (f)]. This has also been clarified by circular issued by MCA that LIC and nationalised banks as corporations owned and controlled by Central Government for the purpose of 619 B, relating to the appointment of auditors of government companies.

Thus, the company will be deemed to be a government company for the purpose of appointment of Auditors under section 619 B. The auditor in the given company is to be appointed by the Comptroller and Auditor General of India.

Chapter-16

Dec 2012- [6] (c)

Answer-

Registration of Creation/ Modification/ Satisfaction of Charge

- (i) The charge falls within any one of the categories of registrable charges as provided in sub-section (4) of section 125;
- (ii) The prescribed particulars of the charge requiring registration were filed with the ROC in e-form No. 8 digitally signed by the company as well as the charge-holder and alongwith the original/ certified copy of the instrument, if any, within 30 days after the date of its creation or within the time permitted by the ROC under proviso to sub-section (1) of section 125 of the Companies Act;
- (iii) The e-form & was pre-certified by a Practicing Company Secretary or Chartered accountant or Cost accountant;
- (iv) in case of issue of debentures of a series, if there has been any charge to the benefit of debenture holders of that series, the required particulars have been filed with the registrar in form No. 10 (Form 10 should also have been pre-certified as above)within 30 days from the date of execution of the debentures of the series;
- (v) in case commission, allowance, discount is paid or made in consideration for subscribing, etc, to debentures, whether the forms included particulars of such commission ,etc;
- (vi) The documents were duly registered by the ROC or a charge identification number was allotted;
- (vii) abstract of registration is duly endorsed on every debenture or certificate of debenture stock issued, The payment of which is secured by the charge registered;
- (viii) particulars of modification of charges were filed in e-form No.8 duly signed with the ROC within 30 days of the modification or within the extended period;
- (ix) a copy of the instrument creating modifying charge/ a copy of debenture of the series, if any, required to be registered was kept at the registered office;
- (x) Where payment or satisfaction of charge registered has been effected in full intimation thereof has been sent to the ROC in e- form No. 17 by the company as well as the charge- holder within 30 days from the date of such payment or satisfaction (Section 138);
- (xi) The satisfaction of charge has been registered by the ROC;
- (xii) in case of delay/ omission/ mis-statement in filing particulars of charge created/ modified or issue of debentures of a series or intimation of satisfaction of charge, to the ROC a petition has been made to the Company Law Board in accordance with the Company Law Board Regulation ,1991 and (CLB) order obtained and certified copy of such order has been furnished to the ROC alongwith e-form No. 21

Chapter-12.

Dec 2012-[7] (i)

Information Technology can play an effective role in implementation of a Corporate Compliance Management Programme across various departments of an organisation in terms of real time compliance reminders, generation of reports, sending warning signals, generation of reports, sending warning signals, generation of compliance calendar etc.

Many companies are introducing comprehensive web-based compliance systems that links various offices/ units for better co-ordination and Continued Compliance. Companies prefer to introduce full- fledged compliance management systems for smooth compliance of multiple laws. Web -based compliance software are available industry- wise and tailor made compliance software can also be made according to company specifications which has to be updated on continuous basis.

Chapter-13

Dec 2012-[7] (ii)

Answer-

Please refer Question 2006- June [2] (a) on Page...

same as 2006- June [2] (a)

Chapter-5

Dec 2012-[7] (iii)

Answer-

Please refer Question 2011 June [1] {c} (i) on Page....

same as 2011-June [1]{C} (b) (i)

Chapter-1

Dec 2012- [7] (iv)

Answer-

Documents to be checked in Due Diligence Process

The following are the few types of information or documents to be checked, during the process of due diligence:

1. Basic Information
2. Financial Data
3. Important Business Agreements
4. Litigation Aspects
5. IPR Details
6. Marketing Information
7. Internal control system
8. Taxation aspects
9. Insurance coverage
10. Human resources aspects
11. Environmental impact
12. Cultural aspects

Chapter-2

Dec 2012- [7] (v)

Answer-

Book-Building

- (i) It is a method of Initial Public Offer (IPO) to raise capital, whereby The company offers its shares for subscription at an indicative price range.
- (ii) The investors are to subscribe at a price within the range offered by the company.
- (iii) The price at which shares will finally be allotted will be based on the bidding process, prescribed.

Reverse Book Building

- (i) It is method of buy-back of securities. It is an efficient price discovery process adopted when the company aims to buy the shares from the public and other shareholders.
- (ii) This is generally done when the company wishes to delist itself from the trading exchange.

Chapter-3

Dec 2012-[7] (vi)

Answer-

As per SEBI (Issue and Listing of Debt Securities) Regulations,2008 The company has comply with the following while redemption and roll over of debt securities:

- To redeem the debt securities in terms of the offer document.
- Where it is desired to roll-over the debt securities issued, ensure to pass a special resolution of holders of such securities and give 21 days notice containing the disclosure with regard to credit rating, rationale for roll-over etc.
- The issuer shall, prior to sending the notice to holders of debt securities, file a copy of the notice and proposed resolution with the stock exchanges where such securities are listed, for dissemination of the same to public on its website.
- The debt securities issued can be rolled over subject to the following conditions:
 - (a) The roll over is approved by a special resolution passed by the holders of debt securities through postal ballot having the consent of not less than 75% of the holders by value of such debt securities;
 - (b) AT least one rating is obtained from a credit rating agency within a period of six months prior to the due date of redemption and is disclosed in the notice;
 - (c) Fresh trust deed shall be executed at the time of such roll-over or or the existing trust deed may be continued if the trust deed provides for such continuations;
 - (d) Adequate security shall be created or maintained in respect of such debt securities to be rolled over.
- Ensure to redeem the debt securities of all the debt securities holders, who have not given their positive consent to the roll-over.

Chapter-4

Dec 2012- [8] (i)

Answer-

The acquirer has to undertake a preliminary study on the target company, before taking any action for taking over a company. He may consider the following points:

- (a) Information has to be collected on target company and to be analysed on financial and legal angle.
- (b) Register of members to be examined to verify the profile of the shareholders.
- (c) Title of the target company. with respect to immovable properties may be verified.
- (d) financial statement of Target company have to be examined.
- (e) Examination of Articles and memorandum of Association of the company.
- (f) Examination of charges created by the company.
- (g) Applicability of FEMA provisions if any relating to FDI has to be looked into.
- (h) Import and Export of technology if any.
- (i) Business prospects etc.

Chapter-5

Dec 2012-[8] (ii)

Answer-

Where the issuer company is required to achieve the minimum level of public shareholding specified in Rule 19 (2) (b) and or Rule 19 (A) of the securities Contracts (Regulation) Rules, 1957. it shall adopt any of the following methods to raise the public shareholding to the required level:

- (a) Issuance of shares to public through prospectus; or
- (b) Offer for sale of shares held by promoters to public through prospectus; or
- (c) sale of shares held by promoters through the secondary market. Such sale require prior approval of the Specified stock Exchange.
- (d) Institutional Placement Programme (IPP) in terms of chapter VIII A of SEBI (Issue of capital and Disclosure Requirements) Regulations, 2009 as amended; or
- (e) Rights issues to public shareholders with promoter/ promoter group shareholders foregoing their entitlement to equity shares, whether present or future, That may arise from such issue; or
- (f) Bonus issue to public shareholders with promoter/ promoter group shareholders foregoing Their entitlement to equity shares whether present or future, That may arise from such issue; or
- (g) Any other method as may be approved by SEBI, on a case to case basis.

Dec 2012- [8] (iii)

Answer-

Due diligence investigations are generally for corporate acquisitions and mergers i.e. investigation of the company being acquired or merged. The buyer or transferee company wants to make sure to know what it is buying. some other transactions where due dilligence is appropriate could be:

- (a) Strategic Alliances and joint-ventures
- (b) Strategic Partnership
- (c) Partnering Agreements
- (d) Business Coalitions
- (e) Outsourcing Arrangements
- (f) Technology and Product Licensing
- (g) Technology sharing and cross Licensing Agreements

(h) Distribution Relationship, etc.

Chapter-16

Dec 2012- [8] (iv)

Answer-

The scope of a search report depends upon the requirements of the Bank or financial institutional concerned. A search report prepared by the company secretary in Practice enables the Bank/ Financial Institution to evaluate the extent upto which the company has already borrowed moneys and created charges on the security of its movable and/ or immovable properties. The information is very vital for considering the companies request for grant and loans and other credit facilities. The search report thus, acts as an important source of information enabling the lending Bank/ Institution to take an informed and speedy decision, and also assures it about the credit- worthiness or otherwise of the borrowing company.

Chapter-17

Dec 2012- [8] (v)

Answer-

The securities market facilitates the internationalization of an economy by linking it with the rest of the world. This linkage assists through the inflow of capital in the form of portfolio investment. moreover, a strong domestic stock market performance forms the basis for well performing domestic corporate to raise capital in the international market. This implies that the domestic economy is opened upto international competitive pressures which help to raise efficiency. It is also very like that existence of a domestic securities market will defer capital outflow by providing attractive investment opportunities within domestic economy.

