Our Views

Capital market regulator SEBI, setting precedents in an unprecedented year!

Marching strong into 2021 is a consequence and amalgamation of the various events that composed the year that went by. The COVID-19 pandemic – an unexpected global crisis, a once in a century event – shook, rattled, and disrupted the global economy in 2020. Governments and Regulators worldwide were faced with a situation required quick policy responses, and our own Indian Government and Regulators indeed responded with immense alacrity to alleviate the crisis!

In a flashback, by March 2020, with the pandemic enveloping most of the world, all economic activity had come to a grinding halt. Beyond the wildest expectations! Mounting worries on the outbreak quickly percolated into the capital markets resulting in a sharp decline of 23.1% in the benchmark NIFTY index in March 2020, against the global downfall of 13.8%, 10.5% and 9.7% in FTSE, NIKKIE and HANG SENG indices, respectively. With the uncertainty and panic, there was no buying demand in the Indian capital market, and instead an immense selling pressure.

In the backdrop of such a deteriorating and alarming situation, market regulator SEBI responded extremely promptly, proactively, and efficiently. A truly outstanding effort to ensure the smooth functioning of the capital markets, to provide extensive options to issuers to raise capital and to protect the investors. Even during the lockdown, SEBI team continued to operate seamlessly, day after day in full spirit, to guard the markets and solve for all the bottlenecks – even risking their own health! Truly a stupendous endeavor. We, as members of society and as practitioners in the capital markets, must acknowledge the gratitude we owe to our Government and our Regulators.

A model illustration of the mounting pressure on SEBI was witnessed at the onset of the pandemic when evaporating liquidity in the capital markets resulted in SEBI getting requests from various organizations, to shut down the stock exchanges or reduce trading hours. However, SEBI exhibited leadership and proactiveness by maintaining continuity and liquidity in the market to enable a broad-based recovery.

The market regulator implemented a slew of proactive measures towards relaxation in regulatory compliance, ease of fund raising and development of corporate debt market. The initiatives included extension of deadline for filings to stock exchanges, one-time relaxation in primary market fund raising norms, relaxation of the eligibility criteria for issuances, fast-tracking of issuances, rationalization of disclosures, new rules on margin pledge and relaxation of the minimum subscription requirements, among others. Apart from the support to listed entities, SEBI also provided relaxation for market intermediaries such as stockbrokers, depository participants and share transfer agents (RTAs). It is noteworthy, that during the market adversity, SEBI issued over 40 measures to cushion the impact of the pandemic and enable smooth and uninterrupted functioning of the country's capital markets.

SEBI's proactive initiatives and policy support had a positive effect and facilitated Indian companies to raise record high capital in 2020, defying disruptions caused by COVID-19 and economic slowdown. Fund raising through public equity markets was at a record of INR 1.7 trillion in 2020, an increase of 116% compared to 2019. The primary market witnessed 15 main-board IPOs which collectively raised INR 26,611cr in 2020, up 115%

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compared to INR 12,362cr in 2019. Mobilization of resources through rights issues was also at record high in 2020 with 20 companies raising INR 64,984 cr, up 25% from INR 52,053 cr in 2019. The markets witnessed innovative structures such as InvITs and ReITs raising record of INR 29,715 cr, an increase of 271% compared to 2019. A special callout and testimony of SEBI's supportive effort was the largest ever rights issue of shares in a 'fast track' mode, executed at the peak of the pandemic in June 2020.

It is commendable that not only did SEBI hold the reins tight when required but as the country witnessed unlocking, the market regulator was reasonable enough to phase out the measures earlier adopted to ease compliance and curb volatility. It gradually brought normalcy back to the markets. To put it in perspective, SEBI's reluctance to extend the new margins norms may be noteworthy.

It is laudable that SEBI managed this quick turnaround so effectively, by taking an inclusive and consultative approach by reaching out to market participants and various committees, including the Primary Market Advisory Committee (PMAC), to form a cohesive view on various changes. This combination of proactive and consultative approach enabled the capital market to ride the high tide of the pandemic smoothly. SEBI, as the market regulator, set its vision high and strategically intervened to streamline processes. It is befitting to compliment the leadership of SEBI and its staff, which successfully managed to maintain continuity and normalcy at a time when all eyes were on the capital market - the barometer of Indian economy.

We must applaud the SEBI team for its support and proactive approach during these tough times. The entire organization rose to the occasion, provided great leadership, intervened with appropriate policy responses, ensured greater access to capital, and made sure that the capital markets functioned efficiently and fully!

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https://www.financialexpress.com/opinion/sebi-does-well-in-covid-times/2178722/lite/