Our Views

Beyond India@75: Accelerating Growth through Capital Markets

FICCI hosted its 18th annual capital markets conference CAPAM 2021 on July 28 and 29th with the theme **'Beyond India@75: Accelerating Growth Through Capital Market".**

Inaugurating the conference, Chairman, **Securities & Exchange Board of India (SEBI),** shared his vision for the growth of capital markets and gave a peek into some of the significant policy reforms in pipeline which are as follows:

Revisiting the concept of promoter to controlling shareholder. Chairman, SEBI mentioned that "the concept of promoter has been existing in India for years. Concentrated ownership is still predominant in our country. However, over time, with high level of Private Equity and Venture Capital funding, we have seen an increase in start-up culture. There is an increasing trend of companies with diversified shareholding and in many cases, with professional management and no promoter."

If you have been following my articles for a while, you would know that SEBI has issued a consultation paper on whether there is a need to shift from the 'promoter' regime to a 'controlling shareholder' regime. Chairman, SEBI highlighted that Sebi is analysing the feedback received from market participants for taking an appropriate view on this subject.

Initial Public Offerings (IPOs) and equity fund raising reforms.

SEBI is working on certain proposals to reduce promoter obligation at the time of IPO such as lock- in period. Further, Chairman, SEBI also mentioned that "SEBI's Primary Market Advisory Committee is deliberating on whether a framework for **SPACs** should be introduced in India and if yes, given certain concerns being raised on such vehicles, with what safeguards."

Additionally, Chairman, SEBI also noted that SEBI has few other proposals in pipeline in early stage of discussion such as IPO reforms on the book building & fixed price framework and provisions relating to price band and further reforms on preferential issue.

In the session on Creating a vibrant Gold Ecosystem, Mr. G. Mahalingam, Whole time Member, SEBI, stated that India consumes 800 to 900 tons of gold annually and around 25000 to 28000 tons of gold is lying with the households. India should be a price creator for gold and not a price taker. We need a proper ecosystem for the gold to be traded in paper form rather than in physical form and secondly it should be traded as safely as financial instrument (where there is no fear of security and there is a perfect settlement mechanism, and the price discovery is transparent). Moreover, there should be no issue with quality or delivery.

Even if some part of 25000 tons of gold which is lying idle gets traded, it will be very positive for the economy as India is one of the biggest importers of gold. Digitizing the gold will help in recycling of gold which will reduce the import of gold thereby reducing the current account deficit.

Turkey and Singapore's gold exchanges have been able to digitize gold and it's a big initiative in Turkey after the exchange was set up. Consumer appetite shifted to digital gold from physical gold, which in turn substantially reduced current account deficit of Turkey.

Delivering the theme address at the conference I made the following suggestions.

I made a point that there should be a trading platform for **unlisted private securities.** Globally there is a formal market for unlisted securities. Even Facebook traded **and traded well** in the unlisted market before going for IPO. Now that there is significant non-founder capital put in businesses before it goes public a **structured private securities trading platform** could be useful. This could open a new potential market segment.

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Second point was about **Permanent Capital Vehicles** (PCVs) which are close ended funds designed to facilitate raising of permanent capital for investments. This is an interesting concept which requires proper consideration by the regulators.

Third suggestion was for Creation of a **Capital Markets Green Corridor** – It could be like **a high-speed train** providing fast track execution and capacity creation. It could be based on the principle of self-compliance and regulatory supervision instead of going through an approval process. Policies could be clearly defined and put out in the public domain for people to follow. Based on scrutiny of select cases, any non-compliance could be dealt with severely.

The final suggestion was to have **one super regulator** like a **super app** for capital markets in the form of SEBI. It could replace the requirement of sequential approvals from multiple regulators.

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