

Our Views

Refreshing change is underway at SEBI – setting a new standard

The recently concluded Capital Markets Summit of FICCI, like always, hosted several regulators and policy makers as speakers. In the last several years that I have been hosting this conference, this year we have witnessed an energising and engaging change in the regulatory approach.

The change was stark and significant. There was a clearly laid out direction in which the regulatory framework to be headed. There was a recognition of the importance of market participants' views and their issues. There was focus on logic and data behind regulatory changes. And there was an acknowledgement that the role of regulators goes beyond regulating, to nation building.

Delivering the inaugural address, the chairperson, SEBI, clearly sent out the message that SEBI's regulations are disclosure based and not intended to be restrictive. For any product or transaction across primary or secondary markets, there could be more requirements to make adequate disclosures, but the intent will not be to stop things. She was emphatic that as a country we are not a "nanny state" that would prescribe what people should do.

The other striking aspect of her speech was about following a consultative approach. She invited suggestions from market players, participants, practitioners, and industry associations. The interdependence of the regulator and the market participants could be discerned by the acknowledgement that markets are working and working robustly only because of its participants. While it is important for market participants to work with the regulators and within the regulations, there was also a commitment by regulators to find solutions to the issues faced by the participants for a proper growth of the market. One notable move is that a dedicated officer has been appointed in every department of SEBI who is assigned the task of market development and to suggest improvements.

While the Chairperson welcomed practical suggestions from the market participants and industry bodies, there was an unequivocal stress on making specific recommendation backed by concrete data to justify the same. Apparently, a general remark or an anecdotal case is unlikely to be entertained. But there is an absolute openness to receiving practical suggestions for improvement if they were supported by sufficient background work, logic, and data. To me, it meant two transformative and visible changes – one, the regulators know their business and two, the days of general lobby are gone.

She very lucidly explained the logic and construct of the regulatory framework which will be a combination of principle based, and regulation based. While there has been a well-founded debate on principle-based v/s regulation-based approach I would agree that given our current legal construct, moving to a completely principle-based approach may be difficult. A right combination of both, which is backed by facts and data could be an appropriate method for the time being. May be as our market grows and matures further, leaning towards principle-based approach with the modernisation of the surveillance system could be the right combination.

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At the same time, it was clear that a disclosure-based framework or a combination of principle and regulation-based framework, will not dilute the need for compliance. There would be no compromise on compliance or orderly running of the market and violations will be dealt with appropriately.

A regulator that is cognizant of its role in nation building, is willing to have a constructive dialogue, is progressive and focussed on developing the market, is certainly unique. **Today, we often refer to global standards on policy matters. With the refreshing attitude we witnessed at the conference, the day may not be far when our regulators will be setting a global standard that is made in India.**

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