Sebi chairman Ajay Tyagi has been hailed for his consultative management style which, though time-consuming, can lead to more informed decision-making. Photo: Abhijit Bhatlekar/Mint

Sebi committees a glimpse into Ajay Tyagi's style quotient

4 min read . Updated: 03 Jan 2019, 01:34 AM IST

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In his 21 months as Sebi chairman, Ajay Tyagi has set a unique recordconstituting 15 committees and introducing a whopping 34 consultation papers

Mumbai: Every leader brings in a unique management style that is a mix of his personality and work experience. Ajay Tyagi, the current chairman of the Securities and Exchange Board of India (Sebi), also seems to have drawn from his experiences as a bureaucrat in Delhi's corridors of power. In his 21 months at the helm of the powerful markets regulator, Tyagi has set a unique record, constituting 15 committees, including working groups, and introducing a whopping 34 consultation papers.

His record far outstrips those of previous chairmen. Tyagi's immediate predecessor, U.K. Sinha, for instance, constituted only 11 committees or working groups during his six-year stint that ended on 1 March 2017. C.B. Bhave, who held the office for three years till February 2011, formed just two such panels.

Five of the panels announced under Tyagi's chairmanship are notified core committees, which will continuously review relevant norms. Three were announced and set up for limited purposes such as "overseas listing" of Indian companies, according to press releases. Another seven were not announced but were and are being considered for relooking at key norms, according to Sebi's board agenda documents published on its website.

Tyagi, who has a master's degree in public administration from Harvard University, has been hailed by some for his consultative management style which, though time-consuming, can lead to more informed decision-making and efficiently address concerns of market participants.

"This is a peculiarity or rather speciality of this chairman who is willing to understand, consult with market experts for drafting regulations. He isn't shy to say that there are issues that he does not understand," said a market participant, who is a member on the regulator's committees.

The committees currently at work in Sebi have not only been instrumental in addressing the concerns of markets, but have also forced them to keep up with rapid changes.

Tyagi started his tenure by forming a panel on cyber security. The panel, headed by Sebi's whole-time member, Madhabi Puri Buch, is yet to release its report, but has from time to time made recommendations that have been implemented through circulars.

One critical committee on revamping corporate governance norms for listed companies was headed by banker Uday Kotak. The committee, with 25 members, completed the mammoth task in just four months and suggested 24 changes. Sebi has implemented half the proposals, including mandating one woman director each on listed company boards, a minimum quorum for board meetings, splitting the positions of chairman and managing director and demanding more disclosures.

The next committee to be notified was to review norms for exchanges and depositories. To be sure, the review was initiated by Tyagi's predecessor, Sinha, in February 2017. In October 2017, Sebi formed a committee headed by R. Gandhi, former deputy governor of the Reserve Bank of India (RBI). The panel's recommendations spanned changes for exchanges, debenture trustees, rating agencies and share transfer agents. While the recommendations were accepted in June, the norms for these intermediaries have not been notified.

The most controversial recommendations came from the T.K. Viswanathan panel on "fair market conduct". It recommended widening the definition of fraud, sought phone tapping powers for alleged cases of insider trading and suggested a so-called "affordability index". This index is to gauge income flows and net worth and use them to detect fraudulent trades.

The regulator has accepted all the recommendations, but is yet to implement the controversial aspects.

"The committee was made of an unwieldy 22 members. There was a lack of comparison with international standards. The definition of fraud is already wide; how much wider can it get," asked a senior academic, who did not want to be named.

for direct overseas listing of Indian companies. Under the chairmanship of Deep Kalra, chairman and group CEO of travel e-commerce company MakeMyTrip, the committee said that Indian companies could list on overseas exchanges. The regulator is likely to accept these recommendations. "Many times, these committees are just a means for the regulator to push for reforms and moves that it wants," said the academic cited earlier.

There have also been instances where Sebi did not wait for the committee recommendations before changing rules.

One such case was of ownership rules for foreign portfolio investors (FPIs). The unannounced committee, headed by former RBI deputy governor H.R. Khan, started work in January 2018. Sebi issued a press release about the committee only on 21 August. In April, Sebi changed the ownership rules for FPIs barring non-resident Indians, resident Indians from being beneficial owners of FPIs. The move faced a severe backlash, forcing Sebi to refer these norms to the panel for a relook. The ownership rules stand amended as of September. A final report taking a relook at all the rules for FPIs is yet to be submitted.

It is quite likely that Sebi will continue with this stakeholder consultation process in 2019, given the increasing complexity of markets and its inter-linkages with different parts of the financial sector.

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