

## Market-based financing supplement to bank financing: SEBI chief Ajay Tyagi

**Mumbai, 6 September 2017:** Mr. Ajay Tyagi, Chairman, Securities and Exchange Board of India (SEBI), today expressed great hope and optimism for Indian capital markets. He was speaking at the inaugural session of 14th CAPAM, the Annual Capital Market Conference organised here today by Federation of Indian Chambers of Commerce and Industry (FICCI).

*"In 2016-17, the public offer of equity was Rs 32,520 crore, posting a growth of 70 per cent over that of 2013-14. And the current year promises even more action,"* he said in his inaugural address. This success could be attributed to stable macro-economic fundamentals, political stability and the structural reforms that the present government has been endeavouring towards over the last three years.

Other upward trends that he cited were corporate bonds and mutual fund investments, which he described as the *"backbone of the investment mechanism in capital markets."* There is an upward trend in equity oriented mutual funds, which is very encouraging. *"As the MF industry grows, we need greater governance norms to keep the faith and trust of investors."* The way forward is fraught with challenges. If public markets have to sustain, they must satisfy some broad conditions. Corporate governance is extremely important, and much needs to be done on this front. A committee has been set up to look into this, and its report is expected shortly.

SEBI's mandate on disclosure of voting policy by institutional investors has yielded desired results. Another important issue is the stewardship code. With the institutionalising of markets, institutional investors need to play a role in the governance of their investing companies. *"SEBI would like uniform norms for all institutional investors,"* said Mr. Tyagi.

Market integrity is also very important; it is necessary to prevent fraudulent and unfair trade. Other issues that he flagged up were ease of doing business and materiality of disclosure, and sanctity of financial statements. Fintech is changing the way financial markets function, and the regulator is faced with new challenges. A committee is advising SEBI on an ongoing basis in this regards, he informed the gathering.

**Mr. Rashesh Shah**, Senior Vice President, FICCI and Chairman & CEO, Edelweiss Group said that *"today, capital markets in India are as good as anywhere in the world,"* he said, with costs going down and volumes going up. The last few years have seen very important trends such as financialisation of savings, where mutual funds have played a big role. This is very important for capital markets. Capital markets are now complementing the banking system. With the expansion of asset class bond markets, currency futures, and the commodities market, they are poised to become multi-asset class. Even real estate, he observed will become part of capital markets.

Fall in interest rates is also important in driving financialisation. Another important trend that he highlighted is democratisation of credit, observing that the bond market is growing at more than 30 per cent per year. He called upon capital markets to make use of this trend and ensure that credit also gets democratised. With the growth of retail, Domestic Institutional Investors (DIIs) have become more important than FIIs.

In his theme address, **Mr. Sunil Sanghai, Chairman, FICCI Capital Markets Committee**, observed that barely last October, the 13th CAPAM conference talked about achieving a market capital of 1.5 trillion dollars. Less than a year, later, that figure has crossed 2 trillion dollars. He took stock of the factors that contributed to this success. A combination of a stable macro-economy and political situation could facilitate low interest rates, low inflation, and a stable currency. Liquidity from domestic investors brought stability to the markets. In such a situation, “a vigilant and proactive regulator is important,” he pointed out, observing that the new SEBI leadership touched on very important issues in a span of six months.

Ms Shilpa Kumar, Co-Chair, FICCI Capital Markets Committee and Managing Director & CEO, ICICI Securities Limited, presented concluding remarks at the inaugural session.

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