

SEBI for allowing more players to set up bourses, depositories

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Proposes 100% control provided the institution is a public limited company.

In a move that will broad base ownership of stock exchanges and depositories and bring in new players, a SEBI consultation paper on Wednesday proposed easing of ownership and governance norms.

According to the discussion paper, any resident individual/domestic institution (resident-owned and controlled) can set up a market infrastructure institution such as a stock exchange or a depository with 100 per cent control, provided it is a public limited company. Earlier, individuals (resident or foreign), either directly or indirectly, either individually or together, could not hold more than 5 per cent in a stock exchange or a depository.

The paper, however, suggested that the promoter shareholding be brought down to either 51 per cent or 26 per cent in 10 years from the date of commencement of business.

Similarly, foreign individuals or entities regulated in FATF (Financial Action Task Force, which checks money laundering across countries) member jurisdictions can hold up to 49 per cent shares in a Market Infrastructure Institution (MII), it said. However, the foreign promoter should bring down its holding (either 26 per cent or 15 per cent) within 10 years from the date of commencement of business, it further said.

Entities wanting to set up MIIs should not have conflict of interest and at least 50 per cent of ownership of the proposed institution should be held by individuals/entities having experience (5 years or more) in areas of capital markets or technology related to financial services, the paper said.

“The Indian securities market has been characterised by dominant level of market concentration by a single entity in the trading and depository space. Since stock exchanges and depositories fundamentally represent the intersection of technology and markets, there is a concern that excessive concentration may lead to abuse of one’s dominant position in the business as well as institutional tardiness in responding in a timely manner to the changing dynamics of capital markets ecosystem,” it said.

BSE’s CEO, Ashish Chauhan, declined to comment on the proposals.

Analysts hail move

But analysts have welcomed the moves, as they will not only increase competition but also transparency in data sharing, particularly in index management and others.

However, the listing fee should be minimal, as many companies would not like to pay listing fees to several exchanges, they added. SEBI has sought public comments on the proposals by February 5.