

Should the SEBI chief step down?

By G. Sabarinathan | Sep 9, 2024

It is time Madhabi Puri Buch and the Board of SEBI applied the same standards that they would expect from the Board of a listed company if the CEO was under a cloud



Madhabi Puri Buch, chairperson, Securities and Exchange Board of India (SEBI). Image: Niharika Kulkarni/NurPhoto via Getty Images

A capable institution

One of the more capable and effective institutions of independent India is the Securities and Exchange Board of India (SEBI). After its toothless origins in 1988, the SEBI Act 1992 equipped it with significant power. Successive heads of that institution have put that authority to good use—mostly.

SEBI can assume justifiable credit for the growth and development of the market from a

highly inefficient and (now looking back) tiny market with a capitalisation of Rs 3 lakh crores and less than 1 percent of the population participating in it to a market cap of more than Rs450 lakh crore market, close to 4 crore investor depository accounts and so on.

Not that its record has not been unblemished. Observers point fingers at its tardiness in enforcement, holding the guilty to account, returning the proceeds of ill-gotten gains of unscrupulous market operators, and so on. It could have done a lot more to foster a culture of research that will aid evidence policy making.

However, by and large, one has to acknowledge SEBI's role in shaping the development of the securities market. One has to equally acknowledge that SEBI chiefs have stayed clear of controversies, barring the as-yet unclear role of the then SEBI Chief in the co-location episode.

A new chief and a break from tradition

It is against this backdrop that the recent developments surrounding the current incumbent appear troubling. When Madhabi Puri Buch assumed that office, the government was departing from the tradition of appointing a bureaucrat to that office. Although technically, she was a whole-time member by then, the markets and remote observers like myself looked at her as someone from the private financial services industry with exalted academic credentials.

To be fair, she largely lived up to the expectations. Bringing errant promoters to book, strengthening the surveillance infrastructure, warning about the welfare effects of futures on retail investors, and calling out elevated valuations as “froth” were all pointers to a chief who was willing to step beyond the conservatism of a bureaucrat. Her emphasis on corporate governance was well placed as record sums of money were being mobilised from the public markets.

During her term, growing retail participation in the markets—as evident from the increase in the number of investor folios and flow of capital into systematic investment plans—has driven the market to grow from around Rs250 lakh crores to around Rs440 lakh crores in the market capitalisation. Around 16 crore investors, more than 10 percent of the Indian population, participate in the Indian securities market. The financial future of several million more is now tied into the market through the new pension scheme. In short, the stock market is an important institution in India now.

Recent Developments

The recent developments surrounding the SEBI Chief need to be seen in this light. The media has covered these developments in detail. Admittedly, as of now, these are all accusations at

best. Like every citizen, Ms Buch needs to be given the benefit of the doubt until she is proven guilty.

Her continuance as the Chief of SEBI is another matter, though. Given its importance, its chief has to be someone that investors can trust unquestioningly. She holds an office with a fine bureaucratic tradition, starting with GV Ramakrishna. She has to uphold that tradition by taking steps that will assure the average Indian investor that SEBI can do an honest job protecting their investments.

Upholding accountability

From being tentative hazy, wisps and smoke now seeming to be billowing out of SEBI's office, one is tempted to wonder if there was no fire after all. It is time Ms Buch and the Board of SEBI applied the same standards that they would expect from the Board of a listed company if the CEO was under a cloud. Ms Buch could learn from what the Managing Director of Axis Bank PJ Nayak did when the Joint Parliamentary Committee accused him in 2002 of standing to gain from the failed merger with Global Trust Bank.

Ms Buch must uphold those traditions of accountability. The plausible argument that stepping down from office would be tantamount to accepting guilt is the sort of line that only incarcerated politicians can take to keep their offices. John Citizen would expect better from the chief of SEBI.

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