SEBI’s Measure to Increase Market Liquidity

In April, SEBI had relaxed certain regulatory requirements related to rights issues and initial public offerings (IPOs) to help companies to raise funds during this pandemic. It allowed any listed entity with a market capitalization of at least Rs. 100 crore could use the fast-track route for a rights issue. Earlier, the norm was Rs. 250 crore for such offerings.

Further, any company that had been listed for 18 months was permitted to raise funds through a fast-track rights issue. Earlier it was 3 years. Also, the minimum subscription requirement to make an issue successful was lowered from the earlier 90% of the offer size to 75%.

- Recently, SEBI has allowed companies to make 2 qualified institutional placements (QIPs) with a gap of just 2 weeks between them.
- This is a significant move as the earlier regulations mandated a minimum gap of 6 months between two such issuances.
- It also permitted promoters to increase their stakes in their companies through preferential allotments by up to 10% without triggering an open offer, the cap was earlier set at 5%.
- SEBI allowed the above relaxation only for the current financial year.
- These moves would help in enhancing liquidity in the market as companies would be able to better time fund-raising while promoters could also acquire shares at a time when valuations were quite low compared with the historic highs.

SEBI

- It was first established in 1988 (originally formed in 1992) as a non-statutory body for regulating the securities market.
- It was given Statutory Powers through the SEBI Act, 1992.
- It was constituted as the regulator of capital markets in India under a resolution of the Government of India.
- After the amendment of 1999, collective investment schemes were brought under SEBI except Nidhis, chit funds and cooperatives.

The SEBI is managed by its members, which consists of the following:

- The chairman is nominated by the Union Government of India.
- Two members, i.e., Officers from the Union Finance Ministry.
- One member from the Reserve Bank of India.
- The remaining five members are nominated by the Union Government of India, out of them at least three shall be whole-time members.