Panel Report on Fair Market Conduct

Why in news?

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Expert panel report of SEBI on fair market conduct has been released.

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What is the report about?

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- The Securities Exchange Board of India (SEBI) has been anointed with sweeping powers to haul up offenders.
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- But this has clearly failed to have a deterrent effect on the conduct of market players, with scams, frauds and accounting manipulations cropping up all too frequently at India Inc.
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- In this regard SEBI-appointed TK Viswanathan committee on fair market conduct has released its report.
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What are the highlights of the committee report?

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- The report has reviewed key securities market laws in light of recent cases and contemporary practices, to suggest changes that can make them watertight.
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- The committee seeks to empower SEBI to act directly against a listed company, its directors and auditors where its books of accounts are falsified.
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- Rather than rely on provisions of the Companies Act, the committee has sensibly recommended that the SEBI Act be amended to allow SEBI to prosecute entities manipulating accounts.
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- The definition of fraudulent trades under the PFUTP rules has been widened to include front-running, orchestrated trades, circular trading and benchmark fixing.
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- Recognising that staffing constraints at SEBI often lead to long delays in enforcement actions, the committee suggests a special fast-track process for cases involving marquee names.
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- Whistle-blowers play a key role in alerting regulators to malpractice and the report recommends that SEBI, rather than the Central Government, be empowered to grant immunity to whistle-blowers.
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What is the way forward?

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- The report's recommendations for SEBI has proved a far more proactive regulator than the Ministry of Corporate Affairs.
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- Few recommendations of the report could result in regulatory overreach.
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- This would include the suggestion to characterise trading by market players in excess of their ‘verifiable financial resources’ as fraud.
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- The other is granting SEBI the powers to intercept calls.
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- Overall, most of the committee’s recommendations are worth taking forward, and if implemented, can significantly raise the bar on the conduct of market players.
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- However, the sheer number of gaps flagged in the report also highlights the need for updates to securities market laws at more frequent intervals.
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Source: Business Line

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