

## Statutory Regulatory Authorities (SRAs)

### Why in news?

The recent allegations against the SEBI management board has brought to the fore the overall management issues in statutory bodies.

### What are statutory regulatory authorities (SRAs)?

- **SRAs** - They are *government authorities* created under the *legislations of parliament and state legislatures*.
- **Powers** - They have the powers of
  - **The legislative** - Formulating regulations
  - **The executive** - Enforcing regulations
  - **The judiciary** - Quasi-judicial powers
- **Role** - It is to *regulate various economic and legal activities* in the country.
- They are created to ensure distance regulatory decisions from political considerations and efficient administration.
- **Apolitical administration** - It is *to ensure independence from "politics"* and to distance regulatory decisions from political considerations.
  - For instance, the interest rate set by RBI shall not be influenced by the electoral objectives of the incumbent political party.
- It is to make investigations and prosecution by investigation agencies at arm's length from politics.
  - Example: Central Bureau of Investigation (CBI)
- **Administrative Efficiency** - Technical expertise and subject matter knowledge of the regulated domain is integrated with civil administration through regulatory bodies.

## Functions of Self Regulating Authorities

- ✦ Industry Specialised Knowledge- Direct Market Contact
- ✦ Industry Motivation- Direct Substantial Involvement
- ✦ Contractual Relationship- Efficient Control over Players
- ✦ Transparency & Accountability- Accessibility to Public
- ✦ Flexible Compliance Programs- Responses to changes
- ✦ Coordination & Information Sharing- Better Framework

### What are the various SRA in India?

- In India - There are **over 20 SRAs at the Union level**, spanning sectors such as finance, telecommunications, electricity, water, food safety etc.

Sectors	Regulatory Bodies
Banking	<ul style="list-style-type: none"><li>• Reserve Bank of India-RBI Act, 1934</li><li>• Small Industries Development Bank of India- SIDBI Act, 1990</li><li>• National Bank for Agriculture and Rural Development- NABARD Act, 1982</li></ul>
Capital Market	Securities and Exchange Board of India-SEBI Act 1992
Insurance	Insurance Regulatory and Development Authority of India-IRDA Act, 1999
Pension	Pension Fund Regulatory & Development Authority-PFRDA Act, 2013
Information, Communication and Technology	Telecom Regulatory Authority of India-TRAI Act , 1997
Quality Standards - Food, Pharmaceuticals	<ul style="list-style-type: none"><li>• Food Safety and Standards Authority of India-FSSAI Act, 2006</li><li>• Bureau of Indian Standards-BIS Act, 1986</li><li>• Central Drugs Standard Control Organisation-Drugs and Cosmetics Act, 1940</li></ul>

*SRAs in India directly regulate over 75% of India's gross domestic product (GDP).*

### What are the issues in SRA management?

- **Lack of autonomy** - Appointment and Removal of Chairperson and members are done

by the executive government and the subordinates by SRA, with different degrees of government involvement.

*CCI law is the only SRA legislation that requires an inquiry by a Supreme Court judge (like for UPSC members) before removal.*

- Investigation of SRA members by executive investigation agencies like CBI and CVC affect their independent functioning.
- **Dominance of government officials** - The senior level people in almost all SRAs are largely former/serving government officials.
- In part, this is because the appointment process is dominated by the executive government with nominal external expert participation.
- **Inconsistency in service conditions** - The tenures and service conditions of many of the chairperson and board members are *varying and unpredictable*.
- **Wide discretion** - *Lack of specificity* in the provisions of statutory bodies.
  - *RBI Act* simply says that the governor of the RBI can be removed by the government.
  - Whole-time members & chairman of the *SEBI* can be removed by the government, if there is anything that renders their continuation detrimental to the public interest.
- **Inadequate provisions** - *Lack of process definition* in the statutory laws to deal with disciplinary matters and alleged misdemeanours of SRA functionaries.
- **Conflict of Interest** - Appointment of industrial person of same sector in the management of regulatory bodies often causes conflict of interest between their personal interest and activities of the body.

### What are measures can be taken to improve the status of SRAs?

- *Institute oversight mechanisms* for regulators, who oversee markets, without compromising their autonomy.
- *Ensure autonomy* in the processes of appointment, discipline and removal of chairperson and member of the body.
- *Ensure security of tenure and service* conditions to the regulatory authorities.
- Form commissions like Financial Sector Legislative Reforms Commission to frame codes like Indian Financial code for other sectors also.
- Create *separate frameworks for discipline and integrity* of non-civilian board members but based on the same underlying principles of civil servant.
- Appoint more independent persons as board members.
- Ensure accountability through clarity of functions and role and ensure audit by the Comptroller and Auditor General of India.

### References

1. [Business Standard| Challenges with SRAs in India](#)
2. [Business Standard| Measures to be taken to reform SRAs](#)



**SHANKAR**  
**IAS PARLIAMENT**  
*Information is Empowering*