

Family offices may come under SEBI scrutiny

Bloomberg

The Securities & Exchange Board of India (SEBI) has begun discussions on bringing family offices under its oversight, as the nation's billionaires become a growing force on exchanges, according to people familiar with the matter.

The discussions include asking family offices to disclose their entities, assets and investment returns for the first time, as well as a separate category to regulate the investment vehicles, said the people who asked not to be identified discussing private information.

SEBI wants more visibility into how sprawling family-run conglomerates invest in publicly traded securities and the potential risks, said the people. The watchdog held meetings with some of the nation's biggest family offices

earlier this year, and asked for written submissions from others. The final shape and timing of the new rules are unclear. There is no specific regulation for family offices in India currently.

KEY FINANCIERS

The push shows how the country's super-rich families have become dominant players with significant investments that can disrupt markets. Family offices, which numbered just a handful in India two decades ago, have emerged as important financiers to start-ups, investors in private equity and initial public offerings. Many invest through regulated entities like alternative investment funds or shadow lenders.

India is home to some of the world's richest people, including oil-refinery tycoon Mukesh Ambani, with a net worth of \$96.4 billion according to the Bloomberg Billion-



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aires Index, and Gautam Adani, whose \$89.6 billion fortune spans ports to coal trading.

Several family offices are already anchor investors in initial public offerings, such as Wipro billionaire Azim Premji's Premji Invest, the Bajaj

automobile dynasty's Bajaj Holdings and Investment Ltd, and the private investment firms of tech billionaires Shiv Nadar and Narayana Murthy, according to data from Prime Database.

Single family offices are firms dedicated to managing the lives and the wealth of one main clan. In Singapore, they need to meet a minimum assets under management to benefit from tax incentives. In Hong Kong, single family offices do not need a license, but multi-family offices frequently do.

While the firms represent one family, dozens of individuals, entities and companies may contribute to a family office's capital in India. SEBI wants a better overview of how family members more broadly invest their wealth to avoid conflicts of interest and insider trading and other issues, a person with knowledge of the talks said. "Almost every

founder of a listed company in the Nifty 1000 maintains at least one investment entity in India or abroad and often several more, depending on the number of family branches," said Srinath Sridharan, corporate advisor. "That means we're looking at upwards of 3,000 entities, including real estate holding firms, that are separate from the operating businesses. Yet only a handful are professionally managed with formal governance and risk frameworks," he said. How SEBI chooses to define family offices and if it focuses narrowly on a few large outfits or opts for a more comprehensive approach will be critical, said Sridharan.

VIEWS SOUGHT

In discussions with several of India's largest family offices, the markets regulator has also sought views on allowing the firms to participate as qualified institutional buyers.