

Billionaire family offices face deeper scrutiny in India

Crain Currency

India's markets regulator has begun discussions on bringing family offices under its oversight, as the nation's billionaires become a growing force on exchanges, said 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.

The Securities & Exchange Board of India 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 people said. The final shape and timing of the new rules are unclear, the people said. There is no specific regulation for family offices in India currently.

The regulator did not respond to a request for comment.

The push shows how the country's superrich 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 startups, 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 Billionaires 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, a capital markets data provider.

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 multifamily 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 and author of a book on succession planning.

"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, Sridharan said.

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, they said.

That would give them preferential allocation in initial public offerings and bring family offices into line with other large market participants, such as mutual funds, insurance companies and big funds that invest from abroad. Previously the regulator had sought to restrict unregulated family investors from obtaining such access.