Tyagi stands out for his balanced views

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Securities and Exchange Board of India (Sebi) Chairman Ajay Tyagi, whose three-year tenure ends this week, will be remembered for his balanced approach.

Tyagi, who joined the Indian Administrative Service (IAS) in 1984, largely shied away from doing anything disruptive but at the same time didn't hesitate to take action against large entities such as Reliance Industries, the National Stock Exchange (NSE), and PwC.

THE HITS

- Orders in RIL, PwC, and NSE co-location case
- New corporate governance code
- Ensures autonomy and independence of Sebi
- Action against CARE, ICRA, and Ind-RA in IL&FS matter
- Bars P-note investors from taking naked positions in derivatives
- Postpones Budget proposal of increasing 35% public float

CONTROVERSIES

- Postpones mandate of splitting posts of CEO, MD, and chairman
- Bars Karvy Stock broking from acquiring new clients
- Implementation of extended trading hours
- Reclassification of mid-cap and small-cap MF schemes
- Pending action in ICICI Bank-Chanda Kochhar quid pro case
- Suspends trading of 331 shell firms

During his tenure, Sebi overhauled key regulations in areas such as corporate governance, foreign portfolio investors (FPIs), insider trading, mutual funds, and credit-rating agencies. Most of them largely saw smooth implementation.

Recently, when Tyagi was asked how he would rate his Sebi stint, he said "it was quite a good experience". He said he believed in public consultation and tried to work in a transparent manner.

People in the know said Tyagi worked with the right intensions. However, he often had to make adjustments to accommodate the views of key stakeholders. Some of these instances include the last-minute withdrawal of a circular asking companies to disclose bank-loan defaults within 24 hours, or the deferment of the deadline meant for companies to separate the posts of chairman and managing director.

Tyagi also had to struggle to preserve the autonomy of the market regulator.

In July, Tyagi, who is usually calm and composed, appeared agitated in North Block. The Budget 2019-20 had amended the Sebi Act, 1992, to ensure that the market regulator's three-fourth of surplus funds were transferred to the government. Tyagi tried to oppose the move and argued how the move was anti-investor and -market.

Previously, also Tyagi had friction with the government to the extent that then Department of Economic Affairs (DEA) secretary Subhash Garg exited the Sebi board and appointed an officer of lower rank in his place.

Since then, there has been a finance ministry representative on most of the Sebi committees, which some saw as an attempt to reduce the stature of the regulator.

Things improved between Sebi and the government after DEA Secretary Atanu Chakraborty joined the board. Sources say they share a good bonding and have a consultative approach.

Often Tyagi's "balanced approach" was put to the test. For instance, the market regulator ended up hurting lenders when it ordered depository participants return the client securities wrongfully pledged by Karvy Stock Broking. Also, Sebi had to abruptly tag over 300 listed firms as "suspected shell companies".

Under Tyagi, Sebi probed the red flag against large companies such as Infosys, Sun Pharmaceuticals, and ICICI Bank, and there were allegations against Tata group firms during the Ratan Tata-Cyrus Mistry feud. Also, the regulator showed its heavy hand in matters such as the Religare fund diversion and fraud at Gautam Thapar-led CG Power & Industrial Solutions.

Market watchers said Tyagi, whose tenure was cut short from five years to three, had made his intentions clear when within a month of taking charge he passed an order in the long-pending case against Reliance Industries, asking the firm to disgorge over ₹1,000 crore.

During his tenure, Sebi issued orders against the NSE, asking the exchange to stump up more than ₹1,000 crore for lapses at its co-location facility. The regulator also banned global accounting firm PwC for its role in the Satyam scandal. Sebi's move raised questions over its jurisdiction over accounting firms. Tyagi held his ground, making it clear that Sebi had powers in regulating entities that could have a bearing on the interests of investors.

Most market observers Business Standard spoke to praised Tyagi and said he deserved a longer tenure.

Prithvi Haldea, founder of Prime Database, said: "Tyagi has been an outstanding regulator, tough yet pleasant, willing to hear and learn, with zero arrogance, and very consultative in decision making, always focused on the greater good."

Amit Tandon, founder and managing director, IIAS, a proxy firm, said under Tyagi, Sebi had a consultative approach and took consensus-driven decisions. He said Tyagi deserved more time at Sebi because "he now understands the nuances and the market dynamics".

J N Gupta, former Sebi official, said: "I am surprised that he was not given a five-year tenure."

Sandeep Parekh, founder, Finsec Law firm, said: "As his term comes to an end, it is time to rethink some big changes to the regulatory architecture. The next 10 years should be focused on simplified regulations and harsher penalties. At the same time, mistakes and minor violations should meet with simple warning letters."