**We have to make some corrections on the fiscal side. If we dont do it now,it will be too late | The Indian Express**

Related. In this Walk the Talk on NDTV 24×7 with The Indian Express Editor-in-Chief Shekhar Gupta,SEBI chairman UK Sinha says that despite the gloom,there is still a lot of hope in the market. I am at the SEBI headquarters in Mumbais new financial district. My guest this week is somebody who has the onerous task of bringing some cheer back to our financial and stock markets which have lately begun to look like a sad Meena Kumari movie. Mr UK Sinha,Chairman of SEBI,welcome to Walk the Talk. There is not only gloom,there is a lot of hope in the market. Tell us the bad news first. The bad news is that people generally do not have a good perception about how things are going to evolve. I recently had an interaction with a group of around 30 investors in Singapore and when I gave them some figures about how the fundamentals of this country are still very,very attractive for them,they were quite surprised. For example,look at the price to earning (PE) ratio of our main index. Whenever our PE index has gone below 14 in the past,people have made lots of money in a span of six to eight months. It has happened thrice in the past. Look at the price to book ratio. It is less than 2.8. At that level,our market is a very good market to buy. So for foreigners having a view about our market,it is very important to realise that India today is providing a good opportunity. Our market may not have done very well in the last one year or two years… But why has the mood dived? We cant ignore what is happening outside India…the global situation. In spite of that,if you look at the last six months,our market has given a positive return of 10 per cent. But,of course,on a one-year period or a three-year period,people are having problems. But its the same case with other markets. Look at any other BRICS market,their performance is no way better than the Indian market. But there is a gloom and doom mood in Indiajob losses,rupee declining. Do you have an analysis of what led to this? All I can say is that when quantitative easing happened in the rest of the world,India also came out with some fiscal policies. In hindsight,I can say that the rolling back of some of these incentives and stimulus was perhaps delayed. Ideally,we should have rolled them back a little earlier,both on the expenditure side and revenue side. And nobody had imagined that inflation will remain so persistent. Look at all the forecast by eminent people. Unfortunately,their forecast and hopes have not been found to be true in the long run. So they have been a little off the mark. Something has gone wrong. Does it have something to do with our perception or have we been in denial? In Breakout Nations,author Ruchir Sharma says that there is a 50-50 chance of India becoming a breakout nation. But what are these factors that will quantify or determine whether well be on the positive side or the negative side? The main concern hes highlighting is about the fiscal side. I will not get into the components of the subsidy and who should benefit and who should not,but the fact remains that we have to make some corrections on the fiscal side. It is high time we do it now. Its problematic. If we dont do it now,we wont get another occasion. Maybe six months from now,it will be too late. And now means the work has to start today? I hope so. I would say so. So what do you do at your end so that this Meena Kumari film ends like a Raj Kapoor film? SEBI has been trying to restore the faith of the people in the system. We want the frame of reference of SEBI to change. Is SEBI an organisation that comes to peoples mind when there is a scam or when something bad happens or is SEBI an organisation which is giving comfort to the general publicthat if anything wrong happens,here is a preventive organisation that is going to take action fearlessly and freely? …or because of this organisation,I feel safe investing my money in this market,knowing that nobody will steal it. Exactly. In todays society,there is a lot of disappointment about the larger system and people have a mistrust,disbelief about what the authorities are doing. I want people to believe in SEBI. We should provide an apparatus so that people have the belief that if anything bad happens,SEBI will take action. How do you explain the fact that over the past few years,a large number of retail investors have left the capital markets and mutual funds? Look at the decline in the number of folios here. Individuals are running away from the markets and going into company fixed deposits or gold. Here again,what guides investor behaviour is which particular asset classsuch as gold or real estateis giving you a better return on a short-term basis. Not only in India. Look at USA. They have seen a decline of more than 20 per cent in the inflow of mutual funds. Look at IPOs. Even in China,IPOs have come down substantially. In our country,IPOs have vanished. Seven IPOs have taken place even in the last quarter. The important thing is how the IPOs are priced and what disclosures are made. SEBI has made some changes in the IPO system in the last six months. We have provided,for example,that whenever any IPO is being made,the track record of the merchant banker will be disclosed. The price band will be disclosed well in advance. The forms will be simplified. On the opening day,there used to be lot of volatility. Prices used to go up by 100 per cent or so. So we have provided what is called the call auction market for the opening day. Today,if you ask anybody if there is any manipulation happening on the opening day,I am sure 10 out of 10 people will tell you that it has stopped. So these are some confidence-building measures. What are the other confidence-building measures that SEBI can bring in now to bring investors back in the market,because you do not want Indias savings going into gold? The prime minister has said so several times. There is a mechanism called consent mechanism. So if somebody has committed an offence under the SEBI Act,can his offence can be compounded,a settlement decided and can he walk away free,without even admitting guilt? SEBI has tried to make it very simple and effective. We have said that certain offences cant be compounded. Offences like insider trading,for example. And then,I have removed the discretion that SEBI had or its officers had. I have given a mathematical formula. Of course,some people have criticised that you cant develop a mathematical formula for things like that but we have done that. How does this formula work? This formula works depending on the quantum of the offence. Which means,have you done it once or are you a habitual offender? And at what stage of the offence did you came to SEBI for a settlement? Based on that,there are factors assigned. What I am intending to do is that anybody can calculate if someone has committed an offence. At the same time,certain offences we just cant consent. For example,in the criminal law,if someone has committed a murder,it cannot be compounded by paying money. So weve applied the same logic. Do we see at some point see stock market offenders in jail in India? I hope so. But I must also add that under our system,the SEBI system,our jurisdiction ends at providing them with a monetary penalty and putting restrictions on their activities. Seize and resist. We do file cases for criminal action,which we can do. Right,but then you have to go to an investigating and prosecuting agency. Yes,we have to go to a court of law. Would you like these powers enhanced? For example,look at Rajat Guptas case. It was all based on wire taps. Would you like SEBI to get some of these powers? Data tapping or wire tapping? Our social and political system is very sensitive about how many agencies can be given this power. So at this stage,my demand to the government has been to allow us to get at least the call data records. If not the right to eavesdrop and record conversations,at least give us the call data records. Ill give an example to make my point. If we suspect that two people are jointly manipulating the market and if they claim that they dont know each other,if I can get a data record to show that in one single day,they have spoken 20 times to each other,it helps strengthen my case. Unfortunately,it has not yet been done. I hope it will be done some day. It is funny because call data records are the most public documents. What response have you got from the government? The government has told me that they are considering it and that it requires certain amendments to the rules. Not of Acts,but of some rules. I have been given to understand that it will happen. I think the establishment also got a bit hassled by this wide misuse of off-air phonetapping equipment. They have a point of view,but so far as SEBI is concerned,even call data records will help. And what else? You should also be feared a little more. What SEBI is trying to do is to be more preventive than punitive. Ill give you an example of what SEBI has done. We have developed a very sophisticated surveillance and data warehousing mechanism. As part of this mechanism,I get more than 100 alerts a day. We pursue each and every alert and maybe 5-10 per cent of these alerts lead to the next stage of action and then we start our enforcement. I have been telling industry bodies,Look,I am watching. I have been telling them that we have a very sophisticated surveillance mechanism and if somebody is doing round-tripping and a lot of other things that they have been doing,we will be able to catch them. So I am saying,be alert,and dont do these things. In spite of that,if they are going to do it,then SEBI is going to be very,very harsh on them. The government of India has to do something to revive IPOs. Somebody has to kickstart this process. What is your advice to the government? I would partially agree with you. Because if you are on the one hand arguing for free markets and if you are a private sector person,why would you expect somebody else,who is also the owner or promoter of a company,to come first at a lower price? But globally and in India,when the market has reached a situation where revival is required,public sector IPOs have brought in good quality revival. The beauty is not who comes in first but the quality of the IPO you bring. By and large,the majority of our PSUs can bring in good quality IPOs if they are brought at attractive prices. What is the most disturbing thing that youve heard from foreigners when they come and talk to you? We have started QFIqualified foreign investors. This is a new route. Earlier,through the FII regulations,large institutions could come. Now,individuals can come into the market and SEBI has finalised all the rules about QFI investments in the country. The ministry and SEBI had also done some roadshows. Do they talk about the imposition of GAAR,that there is no clarity? What do you tell them? We have to take it up with the government and my feeling is that the government is willing to consider legitimate points raised by the FIIs. Some of the FIIs initially had doubts and suspicions,but they have been examined. So I think the areas of discordance are not very wide today. And you want them to stay,more of them to come? Definitely. Even the prime minister has said that we need foreign investors in the country. Has there been any point where you felt despondent over the last 15 months or so? No,I am very optimistic. I keep trying. I not only try to keep my organisation on a higher footing,I try to look at the problems and what the future of SEBI can be. I am ultimately trying to give SEBI a different frame of reference. We have engaged global consultants to see the impact SEBI has created so far. Perhaps no other regulator has done it. We are going to make organisational changes and prepare ourselves for the long run. We have created an international advisory board. The point is,we are open to change and to correction. I think this approach will help us. But the decision paralysis of the Centre has begun to reflect on SEBI as well. You have one whole-time member and two vacancies. These are not organisations which should carry vacancies. Are you hitting the right buttons in Delhi? Yes,I am speaking to people. I feel it will be done shortly. You come from one of the most interesting cadres for civil service in IndiaBihar. In terms of challenge and interest,where would you rank this job (after being collector in three districts in Bihar)? I would say that the current job gives me the most important opportunity to do what I would like to do in public life in India. This is an organisation where you can achieve a lot and you can make changes. And as I was saying,we are trying to make a complete change in the way we work. From a long-term point of view,we are trying to make a transformation. Today,for example,anyone can come to SEBI with an appointment and narrate his problems and those are brought up to my level. We are an open organisation,we receive inputs from industries. We recently made an offer for sale on stock exchange platform. We discovered that the 100 per cent margin we were asking was not a good idea. We have done the changes. But while we make the changes,we have to be mindful that they dont generate new risks. So keeping the small investor in mind,whatever developmental change we can do,we are ready to do that. Most importantly,keep the smile on your face at this time of crisis because the markets are cyclical and at some point,it will become a crisis of plenty and that has to be handled…