**DEPARTMENT OF CAREER DEVELOPMENT**

**THE ECONOMIC TIMES**

**INDIAN FISCAL POLICY**

**ABOUT:** SEBI needs to revamp norms for institutional and non-institutional investors

**SYNOPSIS:** With startups, tech entrepreneurship and new business models growing by the day, the capital market regulator, SEBI, has put out a discussion paper seeking to revamp rules for the Institutional Trading Platform (ITP), which allows small and medium enterprises (SMEs) to list and issue capital without an initial public offering (IPO).

KEY HIGHLIGHTS

* The ITP framework makes possible trading in specified securities of SMEs for informed investors, either institutional or non-institutional, to arrive at better valuation.
* **The Norms:** the norms stipulate that 75 per cent of the net offer needs to be allocated to institutional investors, with remaining 25 per cent earmarked for the non-institutional type.
* **Revisions by SEBI**: SEBI has sought to revise this to ‘not less than 50 per cent’ for institutional investors, and ‘not more than 50 per cent’ for non-institutional investors.
* **Barriers:** They are barriers that distort valuation. Rightly, the paper seeks to junk the present cap on post-issue capital, which mandates that no person, individually or collectively with persons acting in concert, shall hold 25 per cent or higher stake in an entity on ITP.
* **Raising the ceiling:** The SEBI paper seeks to raise the ceiling on allotment to individual institutional investors from 10 per cent to 25 per cent.
* Raising the limit to 15 per cent would be more market friendly, especially as the definition of institutional investor is sought to be broadened to include family trusts and s, etc, with net worth of more than Rs 500 crore.
* Further, while there is now no scope for market making on ITP, the move to mandate doing so for issue sizes of less than Rs 100 crore and a minimum period of three years is sensible and forward looking.

KEY WORDS

1. SEBI: The **Securities and Exchange Board of India** (**SEBI**) is the [regulator](https://en.wikipedia.org/wiki/Regulatory_agency) for the [securities](https://en.wikipedia.org/wiki/Securities) market in India. It was established in the year 1988 and given statutory powers on 12 April 1992 through the [SEBI Act, 1992](https://en.wikipedia.org/wiki/Securities_and_Exchange_Board_of_India_Act,_1992).
2. INSTITUTIONAL INVESTORS: Institutional investor is a term for entities which pool money to purchase [securities](https://en.wikipedia.org/wiki/Security_(finance)), [real property](https://en.wikipedia.org/wiki/Real_property), and other investment assets or originate loans. Institutional investors include [banks](https://en.wikipedia.org/wiki/Bank), [insurance companies](https://en.wikipedia.org/wiki/Insurance), [pensions](https://en.wikipedia.org/wiki/Pension), [hedge funds](https://en.wikipedia.org/wiki/Hedge_fund), [REITs](https://en.wikipedia.org/wiki/REIT), [investment advisors](https://en.wikipedia.org/wiki/Registered_Investment_Advisor), [endowments](https://en.wikipedia.org/wiki/Financial_endowment), and [mutual funds](https://en.wikipedia.org/wiki/Mutual_fund).
3. NON INSTITUTIONAL INVESTORS: Non-institutional investors are, by definition, any investors that aren't institutional. That's pretty much everyone who buys and sells debt, equity or other investments through a [broker](http://www.investopedia.com/terms/b/broker.asp), bank, [real estate agent](http://www.investopedia.com/terms/r/realestateagent.asp) and so on. These are the people or organizations that manage their own money, usually to plan for retirement or to save for a large purchase.
4. INITIAL PUBLIC OFFERINGS: Initial public offering (IPO) or stock market launch is a type of [public offering](https://en.wikipedia.org/wiki/Public_offering) in which shares of a company usually are sold to [institutional investors](https://en.wikipedia.org/wiki/Institutional_investor)[[1]](https://en.wikipedia.org/wiki/Initial_public_offering#cite_note-1) that in turn, sell to the general public, on a [securities exchange](https://en.wikipedia.org/wiki/Stock_exchange), for the first time.
5. ITP: The institutional trading platform (ITP) is a new window on stock exchanges where electronic commerce, data analytics, bio-technology and other startups can list and trade on their shares.
6. SME: Indian Small and Medium Enterprises (SME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy. SMEs not only play crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in industrialization of rural areas. SMEs are complementary to large industries as ancillary units and this sector contributes enormously to the socio-economic development of the country. The Sector consisting of 36 million units, provides employment to over 80 million persons. The Sector through more than 6,000 products contributes about 8% to GDP besides 45% to the total manufacturing output and 40% to the exports from the country. The SME sector has the potential to spread industrial growth across the country and can be a major partner in the process of inclusive growth.