



## SEBI Chairmanship: Teen Ka Paanch

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Menaka Doshi

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Eventually Ajay Tyagi will serve a full five-year term..

That was how it was meant to be when he was first appointed as SEBI chairman in February 2017. Tyagi, then 58 and additional secretary in the Finance Ministry's Department of Economic Affairs, was appointed chairman of the Securities and Exchange Board of India "for a period not exceeding 05 years or till the age of 65 years or until further orders, whichever is the earliest," said the government notification.

By the time he took over from UK Sinha the following month, that five-year term had been [cut down](#) to three years with no explanation from the government.

In January this year, as Tyagi's three-year term neared completion, the government [advertised for applications](#) from eligible candidates for the post of chairman. The message seemed clear—Tyagi wasn't going to get an extension even though he was eligible for two more years, at least. Reason? Unknown. Nor was he interested in reapplying for the post, [surmised](#) news agency *PTI*, as he wasn't among the two dozen applications filed.

A month after the government advertisement appeared, and with just 24 hours of his term remaining, Tyagi got a [six-month extension](#). While no explanation was forthcoming, again, the short-duration extension suggested it was a stopgap measure.

Was it because none of the applicants qualified?

Or the selection process, of just a month, ran out of time?

The pandemic had yet to start shutting down the country, so it's clear that wasn't why. In fact in the last week of February, Prime Minister Narendra Modi was busy saying *Namaste Trump*.

Now, a month before the first extension runs out, Tyagi's chairmanship has been given [18 more months](#), allowing him to serve till February 2022.

That makes it a full five years. The original length of his term and the maximum permitted under the SEBI Act barring reappointment.

“ The Chairman and every whole-time member shall hold office for such period, not exceeding 5 years, as may be specified in the order of his appointment; but he shall be eligible for reappointment: Provided that no person shall hold office as the Chairman or a Member after he attains the age of sixty-five years.

#### SEBI RULES

No explanation is forthcoming this time too. Though this latest extension will likely pass for continuity-in-pandemic-times.

“The process of appointment of regulators in India is, to say the least, disappointing,” former SEBI Chairman Meleveetil Damodaran told BloombergQuint.

“The correct way is to give every regulator a term of five years, with no extension of tenure, under any circumstances, and no reappointment. The selection process for the successor should commence at least six months before the end of the five-year term.”

Damodaran, a veteran bureaucrat—and now chairman of Excellence Enablers, a governance consultancy—says ad hoc extensions undermine the independence of a regulator.

**“An ad hoc approach with multiple short-term extensions, far from inspiring confidence, erodes the credibility of the process and adversely impacts on the perception of functional autonomy.”**

**Meleveetil Damodaran, Chairperson, Excellence Enablers and Former Chairman, SEBI**

# SEBI CHAIRMEN



**UK Sinha**

Feb 18, 2011 - Mar 01, 2017



**CB Bhave**

Feb 19, 2008 - Feb 17, 2011



**M Damodaran**

Feb 18, 2005 - Feb 18, 2008



**GN Bajpai**

Feb 20, 2002 - Feb 18, 2005



**DR Mehta**

Feb 21, 1995 - Feb 20, 2002



**SS Nadkarni**

Jan 17, 1994 - Jan 31, 1995



**GV Ramakrishna**

Aug 24, 1990 - Jan 17, 1994



**SA Dave**

Apr 12, 1988 - Aug 23, 1990



## Tenure Tangle

The debate over the term of the SEBI chairman has been raging since as far back as 1998 when [DR Mehta](#) served a five-year first term though the rules then permitted only up to three years. He was reappointed for two years making him the longest serving SEBI chairman to date. The rules were subsequently amended in July 2009 to permit an up to five-year term, but both appointments have since been for an initial three years.

“ The interview for the post of chairman of SEBI took place in December 2010. That same evening, I got a call informing me that the committee had unanimously recommended my name for selection as the chairman. While I was hoping to be appointed this time and for the revised tenure of five years, to my surprise, the appointment order stated that I was to take the post ‘initially for a period of 3 years...’ In spite of this setback, I joined SEBI in February 2011.

*Going Public: My Time at SEBI by UK Sinha*

In his memoir, former SEBI Chairman UK Sinha noted “there was no consistency about the tenure of the chairman, and different people were selected for different lengths of time”.

Eventually, Sinha ended with the second-longest term as chairman, starting with three years plus a two-year extension and then a reappointment for one year.

The idea of keeping a shorter term combined with a renewal at the end of the first term has its disadvantage and advantage, says Sandeep Parekh a capital market lawyer, and a former executive director at SEBI.

**“The advantage is that there can be closer alignment with the executive, and greater accountability to the finance ministry. That is also its disadvantage. It can be used by bureaucrats or even politicians to misuse their powers disturbing the autonomy of the regulator.”**

**Sandeep Parekh, Managing Partner, Finsec Law Advisors and Former ED, SEBI**



Ajay Tyagi, chairman of Securities and Exchange Board of India during a press conference in Mumbai. (Source: PTI)

## How Much Power Is Enough?

SEBI regulates the securities market, including listed equity and debt, derivatives markets including commodity, mutual and other kinds of funds, collective schemes and more. Needless to say, these cover a substantial portion of the economy.

This cavalier approach taken by successive governments towards the appointment of an important regulatory position is despite the total control it already has over SEBI's board.

The central government has the power to appoint almost all of the nine people on the SEBI board—the chairman, two members from within the finance and corporate affairs ministries, and five other members—of which at least three should be whole-time members. The remaining one member is to be from among RBI officials. The central government also has the power to terminate the services of the chairman or any board member on [grounds of public interest](#), among others.

Yet, neither the second UPA government nor the current NDA government have trusted an appointee with a full term. Scrambling last minute to find a successor, offering piecemeal extensions and generally putting paid to the little regulatory independence India affords.

**“Regulatory organisations need to be independent and it is for that purpose the tenures are fixed under the respective act. Any changes curtailing the term indirectly amounts to not following the provisions of the act in its spirit. And piecemeal extension doesn't allow the incumbent to focus on his work, which is very much required in all organisations, especially in regulatory organisations because a regulator's action not only impacts the organisation but the entire ecosystem.”**

**JN Gupta, Managing Director, Stakeholder Empowerment Services, and former ED, SEBI**

The selection process itself deserves another 1,000 words ... at least.