

Allegations against Buch: Sebi board lacks power to act, experts point out

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The Securities and Exchange Board of India (Sebi) board meeting on Monday was expected to address allegations of disclosure lapses and conflicts of interest involving Chairperson Madhabi Puri Buch. However, two board members disclosed that the matter was not brought up, leaving some participants disappointed, especially in light of a slew of accusations from the country's main Opposition party, the Congress.

Former Sebi officials and legal experts have pointed out that the board has limited scope to act on such issues.

“Chairpersons and whole-time members (WTMs) are appointed by the government. Only the government has the authority to take disciplinary action against them. Unlike a typical company board, Sebi's board cannot remove or penalise these officials. Even in cases of apparent conflict of interest, the board lacks the power to initiate formal proceedings,” a former Sebi chairperson explained.

Although conflicts of interest allegations were never part of the official board meeting agenda, there had been speculation that the issue might still be discussed. According to a Sebi rule, “any significant event since the previous meeting concerning the market can be taken note of by the board”.

Sebi currently has eight board members, including the chairperson and four WTMs. The external members are Ajay Seth, secretary of the Department of Economic Affairs (DEA), Rajeshwar Rao, deputy governor of the Reserve Bank of India, and Deepti Gaur Mukerjee, secretary of the Ministry of Corporate Affairs.

Sumit Agrawal, a former Sebi officer and founder of Regstreet Law Advisors, suggested that the board may have discussed the matter privately but chose not to include it in the official press release.

“Not all agenda discussions are shared publicly. If indeed the board didn't address the issue, it could be due to an internal process or an ongoing review by the DEA. As market speculation grows, the finance ministry must communicate the procedural steps being taken to avoid

CAUSE CÉLÈBRE

- Congress levelled several allegations of conflict of interest on Sebi Chair
- Earlier, Hindenburg Research questioned objectivity in Adani probe
- Sebi chair Madhabi Puri Buch, husband Dhaval Buch refuted the allegations; rebutted claims of benefiting from corporates
- Sebi board met on Monday for the first time following the allegations
- Board has limited scope to act on such issues, say former Sebi board members
- Only the govt has the authority to take disciplinary action

further uncertainty.”

Governance experts believe that a statement from the Sebi board could have helped mitigate negative perceptions.

“The Sebi board might not be empowered to act against the chairperson, but it could have still discussed the issue of conflict of interest more proactively. This would have helped overcome the perception that the regulator is shirking the issue. While the chairperson has refuted all the allegations, the Sebi board as an entity could have discussed the issue,” said Shriram Subramanian, founder and managing director of InGovern Research Services.

The Congress has been vocal in its accusations against Buch, alleging violations of the code of conduct and a conflict of interest due to payments received from her former employer, ICICI Bank. The party has also claimed that Buch, her husband Dhaval Buch, and their consultancy firm Agora Advisory received payments from corporations in exchange for favours.

In a six-page letter, Buch and her husband have firmly denied these accusations, labelling them as false, malicious, and motivated.