



INTERVIEW WITH MR. SUMIT AGRAWAL

By – Mr. Sumit Agrawal¹



1. How in your opinion will the Budget 2019 impact the Capital Markets in India?

Budgets come and budgets go. The reaction of markets in terms of index movement is usually temporary. For the Union Budget 2019, the response of the markets has been mixed. Initially the announcement that a mandatory increase in public shareholding in listed companies to 35% from the current 25% is being considered was seen as a downer, especially when achieving 25% itself has not been met with compliance. Now this information seems to have been subsumed and SEBI itself has also shown reservations about implementing this decision in the near future.

The proposal to limit the corporate tax rate cut only to companies with a turnover of up to Rs. 400 crores have not enthused the markets while on the other hand, several expectations of increase in the basic income tax exemption slab and increase in income tax rates for the super-rich have not materialized. If you couple these proposals with the ongoing trade war and the increase in petrol/diesel prices after the cess hike in the Budget, it deals a body blow to the investors who were perhaps hoping for big bang reforms after the incumbent government secured a thumping majority in the general elections. Therefore, the Budget hasn't gained the attraction it was expected to.

2. A lot of Law Schools do not have an adequate Securities Law course in their Curriculum, what in your opinion is the best way for interested students to study this field of law?

Offering courses on specialized subjects have always been a challenge at law schools. This is primarily due to lack of availability of domain expert faculty, geographical challenges and inability of the colleges to attract enough students as well as infrastructural challenges.

Some of the colleges do have a Securities Law course as part of their corporate law curriculums however, the courses need to be structured in a way that students learn practical aspects that are helpful to them when they step in to their chosen area of practice, for example, reading of circulars, informal guidance, etc. along with reading the regulations and bare acts. The gap between academicians' and practitioners' perspective needs to be bridged. This gap is filled to a certain extent by long-term internships but in most cases, it does not prove to be enough.

3. How will Machine Learning (ML) and Artificial Intelligence (AI) change the functioning of Capital Markets?

Machine Learning and Artificial Intelligence are already changing how markets function as we speak. To speak of some of the changes that could be brought about, is the way listed companies deal with their statutory compliances, fund managers and investment advisers providing better

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suggestions to their clients based on the analysis of fundamentals combined with machine learning, increase in the efficiency of the markets and so on and so forth. Machine Learning and Artificial Intelligence can be important tools for increasing the quality of the disclosures by finding patterns of words such as “despite” “notwithstanding” “expects” etc. used in disclosures.

However, Machine Learning (ML) and Artificial Intelligence (AI) is likely to bring new 21st century challenges to the regulators and financial regulation. Regulators not only in India, but globally, are exploring if AI and ML could be used to prevent insider trading and securities frauds by incorporating it in their surveillance tools.

It is important to exercise caution here too as we would not want a repeat of what unraveled in the NSE Co-location orders.

4. *Could you please share your experience and the challenges involved being a founding partner of a law firm?*

As any entrepreneur, as a founder of a law firm, you chose to undertake multiple challenges - right from signing clients to maintaining the quality of deliverables to keeping your team in high spirits. I am one for appreciating diversity in the team as people from different backgrounds and interests bring different perspectives to the process, thus making it robust.

The key, in my opinion, is setting yourself short terms goals and clear objectives that you can keep reassessing from time to time. Finally, I would say that not taking up challenges would be a waste of life, and any failure will only propel us to do things in a better way in future.

5. *What will be the impact of Cross Listing of Shares in the Securities Market?*

Introduction of Cross listing and direct overseas listing is being considered by the financial regulators for some time. Both of these concepts have inter-related issues. Currently, there are limited ways in which Indian companies can access overseas markets and the same goes for overseas companies in Indian markets. So far, the regulator had been looking at one aspect, that India may lose capital, but now, there is a renewed thinking that is showcasing the talent of Indian companies overseas and attracting good quality foreign companies to list in India.

SEBI is one of India’s most innovative and dynamic regulators and is open to new ideas.

In the domestic context, NSE to list on BSE and BSE to list on NSE has been a bone of contention for some time. Overseas Cross Listing has always been a sticky subject owing to concerns such as flight of capital or the extent of the regulatory ambit but with an unambiguous framework, it could prove to be beneficial in the long-run. By allowing companies with new fund-raising avenues and diversifying investors, cross listing can help make the markets more competitive.

Once the tax related considerations and jurisdictional issues are figured out, there is strong economic sense in allowing cross listing. There is a case for such economic liberalization.



6. How will the recent SEBI Circular on confidentiality impact settlement proceedings?

In my respectful view, SEBI's circular on confidentiality is broad-based and is fraught with excessive discretion and does not achieve the purpose for which confidentiality is sought by listed companies, intermediaries, or other persons associated with securities market. SEBI Circular dated June 18, 2019 is akin to reward of confidentiality to a whistleblower for providing assistance to regulator. Time will tell how it is implemented in practice.

While Circular dated June 18, 2019 aims to provide certain guidance for considering approval or denial of confidentiality in settlement proceedings, unless the reasoned orders (of such approval or denial) are made available in public domain, markets will only be guessing the regulatory thoughts and concerns.

7. How different is the field of Securities Law from when you first entered the profession?

Securities Law is one field which is very dynamic. That's the nature of the beast.

Straight from National Law University Jodhpur's second batch, I had chosen to join SEBI as a Legal Officer where I learnt the perspective of regulator and public service. I also learnt a lot while authoring the book on SEBI Act and teaching at Government Law College. The questions from securities law aspirants or working professionals enlarges one's horizons.

Today, as a practitioner on the other side, I experience that the perspective of corporates are usually at divergence with what regulators behold. Sometimes regulations are made sitting in ivory towers while sometimes regulated entities look to walk the thin line. There are various permutations and combinations of perspectives on enforcement and policy. Viewed from that point, my experience is and has been very different from others. I have thoroughly enjoyed my journey and continue to do so.

Field of Securities Law today has become more diverse, vibrant and lucrative as well. Given the dynamism of the field, it also brings the pressure to remain at the top of things in no time. In my view, the field of securities law is always growing and would be a fertile ground for new graduates to make a mark.

TECH COS. AND DIFFERENTIAL VOTING RIGHTS IN INDIA – THE BEGINNING OF A PROMISING JOURNEY

By – *Tejas Mundley* (V Year - Hidayatullah National Law University, Raipur)

WHAT ARE 'DVR' SHARES?

Dual class shares ('DCS') or shares with differential voting rights ('DVRs') are shares where rights are disproportionate to economic ownership. Thus, while one share

generally has one vote, a company may opt for a shareholding pattern where one share may carry ten votes and/or yet another class of shares may be such that ten shares will confer on the shareholder only one vote.

GLOBAL SCENARIO AND NEED FOR THE SAME IN INDIA

With more than fifteen start-ups in India now in the 'Unicorn Club', access to greater funding for their ventures without dilution in promoter shareholding is now the need of the hour. Global tech giants like Facebook,