Market Reforms 2025: Boosting FPI Access and IPO Flexibility

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Market Reforms Latest News

- SEBI has announced major market reforms, including the **SWAGAT-FI framework** for foreign investors, relaxed IPO dilution norms, and stronger governance measures for exchanges.

Introduction

- The **Securities and Exchange Board of India** (SEBI) has announced sweeping reforms aimed at enhancing foreign investment inflows, easing IPO norms for large companies, and strengthening governance within market infrastructure institutions.
- These measures come at a time of heightened global economic uncertainty, with **foreign portfolio investors** (FPIs) pulling out significant capital due to U.S. tariffs, rich valuations, and weak corporate earnings.

- The reforms are expected to reinforce India's reputation as a competitive and investor-friendly market while balancing investor protection and regulatory compliance.

Foreign Investor Access through SWAGAT-FI

- One of the most significant announcements is the introduction of the **Single Window Automatic & Generalised Access for Trusted Foreign Investors (SWAGAT-FI)** framework.
- **Scope**: It covers FPIs and Foreign Venture Capital Investors (FVCIs) from categories such as sovereign wealth funds, central banks, insurance companies, pension funds, and regulated retail funds.
- **Features**:
  - A unified 10-year registration and KYC cycle (up from 3 years).
  - Exemption from the 50% cap on aggregate contributions by NRIs, OCIs, and resident Indians.
  - Simplified compliance and reduced paperwork through the **India Market Access portal**, launched alongside SWAGAT-FI.
- **Impact**: The move aims to restore investor confidence amid record foreign outflows of nearly Rs. 63,500 crore since July 2025.

Relaxed IPO Norms for Large Companies

- SEBI has also eased the **minimum public offer (MPO)** and **public shareholding requirements** for large issuers:
- **Companies with Rs. 1-5 lakh crore market cap** must now offer **2.75-2.8%** of their post-issue market cap, compared with **5% earlier**.
- **MPO size threshold** raised to **Rs. 6,250 crore** for very large issuers.
- **Public float timeline**: Firms with less than 15% public shareholding at listing now get **10 years** (up from 3–5 years) to meet the 25% minimum requirement.
- **Anchor Investor rules**:
  - Anchor quota raised to **40% from one-third**, including allocations for mutual funds, life insurers, and pension funds.
  - Minimum allotment size set at Rs. 5 crore.
  - Broader anchor investor participation permitted.
- These reforms are particularly beneficial for mega-IPOs, where immediate high dilution often deters promoters.

Strengthened Governance in Market Infrastructure Institutions

- SEBI has introduced structural changes to improve the governance of stock exchanges and clearing corporations:
  - **Two executive directors** will head separate verticals – **critical operations (trading, clearing, settlement)** and **regulatory compliance (risk management, investor grievances)**.
  - **Defined roles** for managing directors and key managerial personnel, enhancing accountability and succession planning.

- This comes in the wake of past governance concerns in major exchanges, where lapses undermined market trust.

Mutual Fund and Retail Investor-Centric Reforms

- To deepen financial inclusion, SEBI has announced measures to improve retail participation, especially from smaller towns and underrepresented groups:
  - **Exit load in mutual funds** has been reduced to **3% from 5%**.
  - **Distributor incentives** revised to promote investments from **beyond top-30 cities (B-30)** and to encourage participation by **women investors**.
  - Enhanced **disclosure and compliance norms** for related-party transactions (RPTs), with thresholds linked to company turnover.

Significance of the Reforms

- **For India's markets**: They provide flexibility for large companies tapping equity markets and simplify investment processes for trusted foreign players.
- **For global competitiveness**: SWAGAT-FI positions India as a stable long-term investment hub amid global capital volatility.
- **For retail investors**: The focus on smaller cities and women investors aligns with India's push for inclusive financial growth.

Source: IE | TOI
