

Corpsec Hotline

June 29, 2005

HEDGE FUNDS: NOT A COMPLETE NO-NO

The issue of hedge funds has been doing the rounds in the regulatory circles for sometime now, starting with the Securities and Exchange Board of India (**SEBI**) report on hedge funds released in May 2004. Currently there are around 700 FIs registered with SEBI, of which 22 to 25% are hedge funds.

In his recent interview (featured in Business Standard, June 27, 2005), the SEBI Chairman, Mr. M. Damodaran, has expressed the regulator's perspective and concerns on hedge funds per se and their exposure to Indian capital markets.

The Chairman clarified that the traditional concern with hedge funds is the volatility that they bring to the capital markets on account of sudden flight of capital triggered by their high risk taking preferences. However, the Chairman expressed that this would not be a major concern if there are enough players to balance out the exit of some players. In fact, in response to the specific question regarding whether SEBI proposes to take any additional market stabilization measures he categorically declined and added that more money and more stocks would be the market's own contribution to itself. The Chairman also expressed that in terms of hedge funds the real worry is the character of entities and not the conduct of the market players.

Thus, if entities that are regulated in their home jurisdictions are willing to comply with the KYC norms under the FI regime, they are welcome provided the home country regulators adhere to governance levels acceptable to SEBI.

To read the whole interview, [click here](#). To read the SEBI report on hedge funds, [click here](#).

You can direct your queries or comments to [Shagoofa Khan](#) and [Kishore Joshi](#).

DISCLAIMER

The contents of this hotline should not be construed as legal opinion. View detailed disclaimer.

This Hotline provides general information existing at the time of preparation. The Hotline is intended as a news update and Nishith Desai Associates neither assumes nor accepts any responsibility for any loss arising to any person acting or refraining from acting as a result of any material contained in this Hotline. It is recommended that professional advice be taken based on the specific facts and circumstances. This Hotline does not substitute the need to refer to the original pronouncements.

This is not a Spam mail. You have received this mail because you have either requested for it or someone must have suggested your name. Since India has no anti-spamming law, we refer to the US directive, which states that a mail cannot be considered Spam if it contains the sender's contact information, which this mail does. In case this mail doesn't concern you, please unsubscribe from mailing list.

Research Papers

Structuring Platform Investments in India For Foreign Investors

March 31, 2025

India's Oil & Gas Sector— at a Glance?

March 27, 2025

Artificial Intelligence in Healthcare

March 27, 2025

Research Articles

2025 Watchlist: Life Sciences Sector India

April 04, 2025

Re-Evaluating Press Note 3 Of 2020: Should India's Land Borders Still Define Foreign Investment Boundaries?

February 04, 2025

INDIA 2025: The Emerging Powerhouse for Private Equity and M&A Deals

January 15, 2025

Audio

CCI's Deal Value Test

February 22, 2025

Securities Market Regulator's Continued Quest Against "Unfiltered" Financial Advice

December 18, 2024

Digital Lending - Part 1 - What's New with NBFC P2Ps

November 19, 2024

NDA Connect

Connect with us at events, conferences and seminars.

NDA Hotline

[Click here to view Hotline archives.](#)

Video

Vyapak Desai speaking on the danger of deepfakes | Legally Speaking with Tarun Nangia | NewsX

April 01, 2025

**Vaibhav Parikh, Partner, Nishith
Desai Associate on Tech, M&A, and
Ease of Doing Business**

March 19, 2025

**SIAC 2025 Rules: Key changes &
Implications**

February 18, 2025
