



Accredited Investors

Why in News

Recently, the **Security and Exchange Board of India (SEBI)** sought comments on the proposal to introduce the concept of '**Accredited Investors**' in the Indian securities market.

- SEBI is a **statutory body established in 1992** in accordance with the provisions of the SEBI Act, 1992. Its headquarters is situated in **Mumbai**. One of its functions is to **protect the interests of investors** in securities and to **promote and regulate the securities market**.

Key Points

▪ Background:

- Currently, the Indian markets **have the concept of Qualified Institutional Buyers (QIBs)**, which include mutual funds, insurance companies or foreign portfolio investors. These investors enjoy greater market access.
- However, **an individual investor cannot obtain the QIB status**. The **concept of accredited investor will provide QIB-like status to individual investors**.
 - **Qualified Institutional Buyers:** They are those institutional investors who are generally perceived to possess expertise and the financial capacities to evaluate and invest in the capital markets.

▪ About:

- Accredited investors, **also called qualified investors or professional investors**, are those **who have an understanding of various financial products** and the risks and returns associated with them.
- They are able to **make informed decisions regarding their investments** and are recognised by many securities and financial market regulators globally.
- Generally, they are allowed to **trade securities that may not be registered with financial authorities**.
 - They are entitled to this **privileged access by satisfying requirements** regarding their income, net worth, asset size, governance status or professional experience.

▪ SEBI's Plan:

- SEBI has laid out **eligibility criteria for both Indian and non-resident Indians and foreign entities**.
- It has allowed the **validity of accreditation for a year** from the day it is granted.
- Such accreditation is to be carried out via '**Accreditation Agencies**' which may be the market infrastructure institutions or their subsidiaries.

▪ Significance:

- The accredited investor concept may **offer benefits to investors and financial product/service providers** such as:

- Flexibility in minimum investment amount.
- Flexibility and relaxation in regulatory requirements.
- Access to products/ services offered exclusively to accredited investors.

Source:TH

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