

**PR No.17/2024**

### **SEBI statement on the Hindenburg Research's Report dated August 10, 2024**

SEBI takes note of the report published by Hindenburg Research on August 10, 2024.

Investors should remain calm and exercise due diligence before reacting to such reports. Investors may also like to take note of the disclaimer in the report that states that readers should assume that Hindenburg Research may have short positions in the securities covered in the report.

The report *inter alia* claims that SEBI has not taken any action against the Adani Group. It questions SEBI's action of issuing a show cause notice to Hindenburg Research on June 27, 2024. It further claims that SEBI has made changes to the SEBI (REIT) Regulations 2014, in order to benefit a diversified multinational financial conglomerate.

These issues warrant an appropriate response.

Notably, the allegations made by Hindenburg Research, against the Adani Group, have been duly investigated by SEBI.

Hon'ble Supreme Court in its Order of January 3, 2024 noted that SEBI had completed twenty-two out of twenty-four investigations into the Adani group. Subsequently, one more investigation was completed in March 2024, and one remaining investigation is close to completion. During the ongoing investigation in this matter, more than 100 summons, around 1,100 letters and emails have been issued to seek information. Further, more than 100 communications have been made seeking assistance from domestic/foreign regulators and external agencies. Also more than 300 documents containing around 12,000 pages have been examined.

It may be noted that pursuant to the completion of investigations, SEBI initiates enforcement proceedings which are quasi-judicial in nature. This comprises issuing of show cause notice and giving of opportunity of hearing which culminates in the passing of a speaking order. Such order is then made available in the public domain. Where investigations have been completed, enforcement proceedings initiated are ongoing and appropriate actions are being taken in accordance with the applicable securities laws. SEBI, as a matter of policy, refrains from commenting on any investigation/ ongoing enforcement matter.

The report also seeks to question SEBI's action in issuing a show cause notice to Hindenburg Research, on June 27, 2024. The show cause notice in question, alleging violations of securities laws by Hindenburg Research, has been issued by following the due process of the law. It is noted that Hindenburg Research has itself made the show cause notice issued to it available on its website. The show cause notice contains the reasons for its issuance. The proceedings in this matter are ongoing and the same is being dealt with in accordance with the established procedure and in compliance with the principles of natural justice.

The report has also stated that the implementation of the SEBI (REIT) Regulations 2014 as well as changes in such regulations had resulted in significant benefit to a large multinational financial conglomerate. In this regard, it may be noted that the SEBI (REIT) Regulations, 2014 has been amended from time to time.

As with all cases involving introduction of a new regulation or amendment to an existing regulation, a robust consultation process for seeking inputs and feedback of the industry, investors, intermediaries, relevant Advisory Committee and the public at large is in place. Only after consultation, a proposal for introduction of a new regulation or change in the existing regulation is placed for the consideration of and deliberation of the SEBI Board. Regulations are notified after approval of the SEBI Board. As a measure of transparency, the agenda papers for Board meetings and outcomes of Board discussions are also published on SEBI website. Hence, claims that such regulations, changes to regulations or circulars issued related to REITs were to favour one large multinational financial conglomerate, are inappropriate.

For the development of the Indian securities market, SEBI has at various times underscored the potential of REITs, SM REITs, InvITs and Municipal Bonds amongst other asset classes for democratisation of markets, financialisation of household savings and for capital formation through the capital markets. These are also highlighted in the latest SEBI Annual Report, as part of Chairperson's Statement (see *paragraphs titled 'Financial Inclusion and Democratization of Markets' and 'New Avenues for Capital Formation'*). Therefore, the claim that promoting REITs and SM REITs among various other asset classes by SEBI was only for benefitting one large multinational financial conglomerate, is inappropriate.

Lastly, it is emphasized that SEBI has adequate internal mechanisms for addressing issues relating to conflict of interest, which include disclosure framework and provision for recusal. It is noted that relevant disclosures required in terms of holdings of securities and their transfers have been made by the Chairperson from time to time. Chairperson has also recused herself in matters involving potential conflicts of interest.

SEBI, over the years, has built a robust regulatory framework that not only aligns with best global practices but also ensures protection of investors.

SEBI remains committed to ensuring the integrity of India's Capital markets and its orderly growth and development.

**Mumbai**  
**August 11, 2024**