

An unclean chit: On the SEBI investigation and Hindenburg Research's allegations

The Supreme Court-appointed panel's report raises fresh questions on the Securities and Exchange Board of India's **functioning**

Last Wednesday, the Supreme Court **granted** the Securities and Exchange Board of India (SEBI) more time to complete its investigation into Hindenburg Research's allegations of **malfeasance, stock price manipulations** and **violations** of **minimum public shareholding** requirements in Adani Group firms. Ahead of the Court's original May 2 limit, SEBI had **sought** at least six more months, **citing complexities** and the need to **unravel layered** deals it **deemed "suspicious"**. The market **watchdog** has now got a three-month **reprieve**. But the **findings** of a six-member expert panel, **tasked** by the Court to **review** Indian securities market's overall regulatory and investor protection **framework in the wake of the dizzying volatility** in Adani Group stocks' prices, **do not inspire** much hope for an **expedient** closure. On its most **vital** term of reference — regulatory failure in **dealing with the alleged contravention** of securities market laws **in relation to** the Adani Group or other companies — the committee's findings are **far from emphatic**.

On the question of stock price manipulation, **for instance**, SEBI told the Justice A.M. Sapre-led panel that 849 automated "alerts" were **thrown up** by stock exchanges in the 57 months up to December 2022, **resulting in** four reports. The first of these reports, in September 2020, attracted SEBI's attention to some common **foreign portfolio investors** (FPIs) holding shares across the Adani Group. **Juxtaposing** this with earlier complaints, SEBI **commenced** a formal **probe** on **potential** violation of the 25% public shareholding **norms** in October 2020. SEBI cited Adani Enterprises' trading data to the panel and said no manipulation was found. But such analyses were still **underway** for other group stocks, **compelling** the panel to **conclude** that "...**prima facie**", it won't be possible to say there has been a "regulatory failure", even as it **stressed** that such investigations must be **time-bound**. Even on the probe into the public share-holding and related party transactions **flagged** by Hindenburg, the panel's **inference** is **cautiously** worded and **hints** at its own time **constraints**. "In these circumstances, it would not be possible to return a finding of regulatory failure... There **indeed** has to be a **coherent enforcement** policy." **The key reason** for SEBI **drawing a blank** in attempts (that began in 2020 and revived after the Hindenburg report) to identify the 42 **ultimate beneficiaries** behind 13 FPIs with **sizeable stakes** in Adani Group firms **is** that the **regulator** had itself **tweaked** the FPI norms in 2019 to make this **obfuscation** possible. Such a **self-inflicted 'chicken and egg' situation**, with **capricious legislation diverging** from enforcement, **is** rare and **must trigger** a closer look at SEBI's approach to its key **mandate** of protecting investors. [Practice Exercise]

- Red/blue coloring of words in the sentence indicates subject verb relationship; where 'red' denotes 'subject' and 'blue' denotes 'verb'.
- **Commence** (verb) – Start, begin, initiate, launch प्रारंभ करना

Vocabulary

1. **Allegation** (noun) – Accusation, charge, contention, assertion, claim आरोप
2. **Functioning** (noun) – Operation, working, running, performance, conduct कार्य
3. **Grant** (verb) – Give, accord, bestow, award, allocate प्रदान करना
4. **Malfeasance** (noun) – Misconduct, wrongdoing, misbehavior, crime, abuse भ्रष्टाचार
5. **Stock price manipulation** (noun) – It is conduct designed to deceive investors by controlling or artificially affecting the price of securities.
6. **Violation** (noun) – Breach, infringement, contravention, infraction, non-compliance उल्लंघन
7. **Minimum public shareholding** (noun) – The Minimum Public Shareholding (MPS) rule requires all listed companies in India to ensure that at least 25% of their equity shares are held by non-promoters (public). This rule was implemented after the amendment of Securities Contracts Regulation Rules by SEBI in 2010.
8. **Seek** (verb) – Ask for, call for, demand, solicit on मांगना
9. **Cite** (verb) – Mention, refer to, make reference to, quote हवाला देना
10. **Complexity** (noun) – Intricacy, complication, convolutedness, perplexity जटिलता
11. **Unravel** (verb) – Solve, resolve, clear up, untangle, unfold सुलझाना
12. **Layered** (adjective) – used to describe something that is complicated and interesting because it has many different levels or features बहुस्तरीय
13. **Deem** (verb) – Consider, regard, view as, see as मानना
14. **Suspicious** (adjective) – Doubtful, questionable, dubious, suspect, mistrustful संदिग्ध
15. **Watchdog** (noun) – Guardian, protector, defender, overseer, supervisor जाँचनेवाला
16. **Reprieve** (noun) – Respite, postponement, delay, stay, adjournment मोहलत
17. **Findings** (noun) – Results, discoveries, conclusions, observations नतीजे
18. **Task** (verb) – To allot task by someone विशेष कार्य देना
19. **Review** (verb) – Examine, inspect, scrutinize, evaluate, assess समीक्षा करना
20. **Framework** (noun) – Structure, system, organization, arrangement ढांचा

21. **In the wake of** (phrase) – Following, subsequent to, after, as a result of
परिणामस्वरूप
22. **Dizzying** (adjective) – Bewildering, confusing, astonishing, startling चकित करने वाला
23. **Volatility** (noun) – Unpredictability, changeability, instability, variability अस्थिरता
24. **Inspire** (verb) – Motivate, stimulate, encourage, influence, arouse प्रेरित करना
25. **Expedient** (adjective) – Convenient, practical, advantageous, beneficial लाभकारी
26. **Vital** (adjective) – Crucial, essential, necessary, indispensable महत्वपूर्ण
27. **Deal with** (phrasal verb) – Handle, manage, cope with, attend to, tackle सामना करना
28. **Alleged** (adjective) – Supposed, so-called, claimed, professed, purported कथित
29. **Contravention** (noun) – Violation, breach, infringement, disobedience उल्लंघन
30. **In relation to** (phrase) – Concerning, regarding, with respect to, in terms of संबंध में
31. **Far from** (phrase) – Not at all, hardly, scarcely, barely, nowhere near से दूर
32. **Emphatic** (adjective) – Decisive, categorical, absolute, unambiguous, definite प्रभावी
33. **For instance** (phrase) – For example, as an example, such as, like उदाहरण के लिए
34. **Throw up** (phrasal verb) – Produce, generate, yield, give off, create उत्पन्न करना
35. **Result in** (phrasal verb) – Lead to, cause, bring about, effect परिणामस्वरूप होना
36. **Foreign portfolio investor** (FPI) (noun) – Foreign portfolio investment or FPI is a form of investment wherein investors hold assets and securities outside their country.
37. **Juxtapose** (verb) – Place side by side, set side by side, compare, contrast साथ में रखना, मिलाना
38. **Probe** (noun) – Investigation, examination, inquiry, inspection जांच
39. **Potential** (adjective) – Possible, likely, prospective, future संभावित
40. **Norm** (noun) – Standard, rule, guideline, convention, criterion मानदंड
41. **Underway** (verb) – In progress, happening, occurring, taking place प्रक्रिया में
42. **Compel** (verb) – Force, coerce, make, oblige मजबूर करना

43. **Conclude** (verb) – Decide, resolve, determine निष्कर्ष निकालना
44. **Prima facie** (noun) – On the face of it, apparently, seemingly, ostensibly प्रथम दृष्टि में
45. **Stress** (verb) – Emphasize, highlight, underline, underscore जोर देना
46. **Time-bound** (adjective) – Scheduled, under a deadline, with a time limit समयबद्ध
47. **Flag** (verb) – Signal, indicate, sign, point out सूचित करना
48. **Inference** (noun) – Conclusion, deduction, assumption, presumption निष्कर्ष
49. **Cautiously** (adverb) – Carefully, with care, warily, vigilantly सतर्कता से
50. **Hint** (verb) – Suggest, imply, indicate संकेत देना
51. **Constraint** (noun) – Restriction, limitation, restraint, check बाधा
52. **Indeed** (adverb) – In fact, truly, certainly, unquestionably, no doubt वास्तव में
53. **Coherent** (adjective) – Logical, consistent, clear, well-organized, unified सुसंगत
54. **Enforcement** (noun) – Implementation, execution, application, imposition, administration प्रवर्तन
55. **Draw a blank** (phrase) – Fail to produce a result, come up empty, get nowhere, find nothing निष्फल होना
56. **Ultimate** (adjective) – Final, eventual, conclusive, decisive, supreme अंतिम
57. **Beneficiary** (noun) – Recipient, receiver, payee, donee, inheritor लाभार्थी
58. **Sizeable** (adjective) – Substantial, considerable, significant, large, hefty काफी बड़ा
59. **Stake** (noun) – Share, interest, investment, involvement, claim हिस्सेदारी
60. **Regulator** (noun) – Controller, supervisor, overseer, authority, administrator नियामक
61. **Tweak** (verb) – Adjust, modify, fine-tune, change, alter संशोधन करना
62. **Obfuscation** (noun) – Confusion, complication, bewilderment, mystification, perplexity उलझन
63. **Self-inflicted** (adjective) – caused by your own actions
64. **Chicken and egg situation** (phrase) – Dilemma, quandary, predicament, vicious circle; a situation in which it is impossible to say which of two things existed first and which caused the other one मुश्किल स्थिति; दुविधा

65. **Capricious** (adjective) – Unpredictable, inconsistent, changeable, variable, volatile
अस्थिर, मनमौजी

66. **Legislation** (noun) – Law, statute, enactment, bill, ordinance कानून

67. **Diverge** (verb) – Deviate, differ, drift, stray, vary अलग होना, भिन्न होना

68. **Trigger** (verb) – Cause, lead to, provoke, precipitate, generate उत्पन्न करना

69. **Mandate** (noun) – Directive, instruction, command, order, decree आदेश

Summary of the Editorial

1. The Supreme Court granted the Securities and Exchange Board of India (SEBI) additional time to investigate Hindenburg Research's allegations of malfeasance, stock price manipulations, and violations of public shareholding requirements against Adani Group.
2. SEBI received a three-month extension despite initially asking for six more months due to the complexity of the case.
3. A six-member expert panel, appointed by the Court to review the overall regulatory framework of the Indian securities market, has been examining the case.
4. The committee's findings regarding possible regulatory failures, specifically concerning the allegations against Adani Group, are inconclusive.
5. SEBI reported to the panel that 849 automated alerts were raised by stock exchanges within 57 months, culminating in four reports.
6. The first report in September 2020 pointed to common foreign portfolio investors (FPIs) holding shares across Adani Group, leading SEBI to launch an investigation in October 2020.
7. No stock manipulation was found in Adani Enterprises' trading data according to SEBI, but investigations into other group stocks are still ongoing.
8. The panel couldn't definitively conclude a regulatory failure but insisted that investigations should be time-bound.
9. Investigations into public shareholding and related party transactions highlighted by Hindenburg are ongoing with cautiously worded inferences by the panel, indicating time constraints.
10. The panel believes that a coherent enforcement policy is crucial.
11. SEBI's inability to identify the 42 ultimate beneficiaries behind 13 FPIs with sizeable stakes in Adani Group is largely due to changes made by SEBI to the FPI norms in 2019.
12. These changes inadvertently facilitated obfuscation, creating a complex issue for SEBI's investigation.
13. This situation reflects a conflict between legislation and enforcement, requiring a critical reassessment of SEBI's approach.
14. The panel's report raises concerns about the functioning of SEBI, especially regarding its mandate of protecting investors.
15. The ongoing investigation and the issues identified by the panel do not suggest a quick resolution to the case.

Practice Exercise: SSC Based

1. **Why did the Supreme Court grant more time to SEBI for its investigation into the Adani Group firms?** Editorial Page
 - A. SEBI requested more time because of a need to conduct more interviews.
 - B. The Supreme Court was not satisfied with the initial findings of the SEBI.
 - C. SEBI needed more time due to the complexity of the case and to unravel what it deemed "suspicious" layered deals.
 - D. The Adani Group requested a delay in the investigation.
2. **What was the conclusion of the six-member expert panel's review of the Indian securities market's overall regulatory and investor protection framework?**
 - A. The panel determined that there was clear regulatory failure.
 - B. The panel was emphatic about the violations by the Adani Group.
 - C. The panel's findings were inconclusive about regulatory failure in dealing with alleged contraventions of securities market laws.
 - D. The panel found no signs of violation by the Adani Group or any other companies.
3. **What can be inferred about SEBI's approach to its mandate of protecting investors based on the passage?**
 - A. SEBI has been efficient in safeguarding investors by promptly detecting potential stock price manipulation.
 - B. SEBI's approach to protecting investors is consistent and reliable.
 - C. SEBI has been negligent in its mandate to protect investors.
 - D. SEBI's approach might require reconsideration due to a potential discrepancy between its legislation and enforcement.
4. **What conclusion did the Justice A.M. Sapre-led panel reach regarding the stock price manipulation investigation?**
 - A. The panel couldn't definitively conclude there has been a regulatory failure.
 - B. The panel found evidence of regulatory failure.
 - C. The panel confirmed that SEBI successfully identified all potential violations.
 - D. The panel found substantial evidence of stock price manipulation.
5. **Select the most appropriate meaning of the highlighted idiom.**
Don't throw away a decent offer in pursuit of pie in the sky
 - A. something very small
 - B. something not possible
 - C. difficult to find
 - D. an easy situation
6. Select the correct **homonym** from the given options to fill in the blank.
He decided to _____ a new book on astronomy.
 - A. right
 - B. write

- C. rite
D. wright
7. **For the four-sentence (S1 to S4) paragraph below, sentences S1 and S4 are given. From the options P, Q, R and S select the appropriate sentences for S2 and S3, respectively.**
S1: The new employee seemed excited about her first day at work.
S4: By the end of the day, she felt welcomed and was eager to learn more.
P: She met her colleagues who were friendly and eager to help.
Q: During lunch, she discovered a new restaurant nearby.
R: Her supervisor introduced her to the different aspects of the job.
S: She played a few games on her phone while taking a break.
- A. P and Q
B. P and R
C. Q and S
D. R and S
8. **The following sentence has been divided into parts. One of them may contain an error. Select the part that contains the error from the given options. If you don't find any error, mark 'No error' as your answer**
The helicopter of the enemies / hovered exact / over their bunker.
- A. No error
B. Over their bunker.
C. The helicopter of the enemies
D. hovered exact
9. **Select the most appropriate option to fill in the blank.**
I have visited several places in India, but I _____ the Andaman and Nicobar Islands yet.
- A. haven't been visiting
B. didn't visit
C. haven't visited
D. don't visit
10. **The following sentence has been split into four segments. Identify the segment that contains a grammatical error**
She had resign / from the / post before / he apologised.
- A. She had resign
B. he apologised
C. post before
D. from the
11. **Select the INCORRECTLY spelt word.**
- A. Nauceas
B. Naughty
C. Naturalistic
D. Nautical
12. **Select the option that expresses the given sentence in reported speech.**

- The commander ordered his battalion to march on.
- A. The commander says to his battalion, "Please march on."
B. "March on!" the commander said to his battalion.
C. The commander says to his battalion, "March on!"
D. The commander gives his battalion order, "March on!"
13. **Select the option that expresses the given sentence in active/passive voice.**
They sealed all unauthorized farms on the highway.
- A. All unauthorized farms on the highway were sealed.
B. They are sealing all unauthorized farms on the highway.
C. All unauthorized farms on the highway have sealed the authorities.
D. The authorities were sealing all unauthorized farms on the highway.
14. **Select the option that expresses the given sentence in passive/active voice.**
Do you think that the government will accept our demands?
- A. Do you think we will accept the government demands?
B. Do you think that our demands will be accepted by the government?
C. Do you think that the government is going to accept our demands?
D. Do you think that our demands have been accepted by the government?
15. **Select the most appropriate option that can substitute the underlined segment in the given sentence. If there is no need to substitute it, select 'No substitution required'.**
In spite of being seriously handicapped, Stephen Hawking's is one of most eminent modern scientists.
- A. is one of the most
B. was one among most
C. been one of the
D. No substitution required
16. **Sentences of a paragraph are given below in jumbled order. Arrange the sentences in the correct order to form a meaningful and coherent paragraph**
- A. In those allotted minutes the directors have the freedom to interpret the segments in their own unique way.
B. The play has been divided into segments of 10 minutes each by the directors.
C. Eight young directors, over 50 actors and one landmark play-Hayavadana.
D. This unique collaboration is a tribute to the playwright Girish Karnad.
- A. BACD
B. CDBA
C. ADBC
D. CABD
17. **Select the most appropriate ANTONYM of the underlined word.**
The country's turbulent history
- A. Raging
B. Peaceful
C. Forceful
D. Swirling

18. Select the most appropriate option to fill in the blank

The rescue team dug out a soldier from the snow _____ how he could have survived for seven days buried under it.

- A. wondering
- B. wondered
- C. to wonder
- D. wonder

19. Sentences of a paragraph are given below in jumbled order. Arrange the sentences in the correct order to form a meaningful and coherent paragraph.

- A. Furthermore, make sure that you give some vivid details of the city making it as real as you can.
- B. For example, if it begins in a city, give details about the city.
- C. First of all make it as specific as possible.
- D. While writing a story or a novel the setting is very important.

- A. DCBA
- B. CABD
- C. ACBD
- D. DABC

20. Select the option that expresses the given sentence in reported speech.

The lawyer says, "My client is innocent."

- A. The lawyer said that his client is innocent.
- B. The lawyer says that his client is innocent.
- C. The lawyer says my client was innocent.
- D. The lawyer said that my client is innocent

21. Select the option that can be used as a one-word substitute for the given group of words

Economic structure organized and controlled by capitalists

- A. Prophet
- B. Patronymic
- C. Capitalism
- D. Relapse

22. Identify the INCORRECTLY spelt word in the given sentence.

- A. lathargy
- B. latter
- C. lateral
- D. latitude

23. Replace the underlined word with its synonym to make the sentence more meaningful.

The artist's determination and dedication to their craft allowed them to persevere through difficult times

- A. Sequester
- B. Forsake
- C. Persist
- D. Emigrate

24. Fill in the blank with the most appropriate idiom

Now that Mr. Krishna Murthy has retired from the company, his daughter is _____.

- A. in the doghouse
- B. in the driver's seat
- C. in the lap of luxury
- D. in the pink

25. Given below are four jumbled sentences. Select the option that gives their correct logical sequence.

- A. Therefore, I firmly believe that this curriculum be extended to all schools.
- B. I believe that India as a country needs the happiness curriculum.
- C. They are a dejected lot and will definitely benefit from this curriculum.
- D. It is really needed for the younger generation.

- A. ABDC
- B. BCAD
- C. BDCA
- D. CDAB

Answers

1. C 2. C 3. D 4. A 5. B 6. B 7. B 8. D 9. C 10. A 11. A 12. B
 13. A 14. B 15. A 16. B 17. B 18. A 19. A 20. B 21. C 22. A 23. C 24. B
 25. C

Explanations

1. C) According to the passage, SEBI requested more time to complete its investigation into the Adani Group firms because of the complexity of the case and the need to unravel layered deals it considered "suspicious"
2. C) The passage indicates that the committee's findings were not emphatic about regulatory failure in dealing with the alleged contravention of securities market laws in relation to the Adani Group or other companies, suggesting that the findings were inconclusive
3. D) The passage discusses SEBI's detection of potential stock price manipulation and the investigation it carried out as a result. However, it mentions that the organization has had issues identifying beneficiaries behind certain FPIs due to its own changes in the FPI norms in 2019. The term "self-inflicted 'chicken and egg' situation" suggests that there is a potential discrepancy between SEBI's legislation and its enforcement
4. A) The passage states that the panel concluded that it "won't be possible to say there has been a 'regulatory failure'", even while noting that the investigation must be time-bound. This suggests that the panel did not find definitive evidence of a regulatory failure, but also recognized that the investigation was still ongoing and must proceed with a certain timeline.
5. B) **Pie in the sky** (phrase) – something not possible असाध्य, संभव नहीं
6. B) **Write** (verb) – compose, write, and send (a letter) to someone. लिखना
 - **Rite** (noun) – Ritual, ceremony, sacrament रीति
 - **Wright** (noun) – a maker or builder; a carpenter or joiner. बढई
7. B) The correct option is P and R, as these sentences focus on the new employee's first day at work and her interactions with colleagues and the job itself. Option Q discusses a new restaurant, and Option S is unrelated to her work experience, making them less appropriate in this context.
8. D) 'exact' के बदले 'exactly' का प्रयोग होगा क्योंकि verb 'hover' कि विशेषता, बताने के लिए एक adverb की जरूरत है! ध्यान रखे की absolute एक exact है, जबकि exactly एक adverb.
9. C) The most appropriate option to fill in the blank is C. haven't visited. The sentence is talking about a past action that is still relevant to the present. The verb tense needed here is the present perfect, which is formed with "have" or "has" followed by the past participle of the main verb.
10. A) 'resign' के बदले 'resigned' का प्रयोग होगा क्योंकि 'had + V3' का प्रयोग होता है!
11. A) The correct spelling of 'naucea' is nausea which means 'biliousness, seasickness, vomiting, queasiness, motion sickness' जी मिचलाना

12. B) "March on!" the commander said to his battalion.
13. A) All unauthorized farms on the highway were sealed.
14. B) Do you think that our demands will be accepted by the government?
15. A) 'is one of the most' का प्रयोग होगा क्योंकि 'one of' के बाद 'the' article का प्रयोग होता है !
- One of + the superlative degree + plural noun + singular noun
16. B) **CDBA**
The paragraph starts with sentence C, introducing the play "Hayavadana" and its participants. Sentence D follows, explaining the purpose of the collaboration. Sentence B then provides information on how the play is divided, and sentence A concludes by discussing the creative freedom the directors have in interpreting the segments. This order forms a logical and coherent paragraph.
17. B) **Turbulent** (adjective) – Stormy, tempestuous, raging, choppy अशांत
- **Raging** (adjective) – Powerful, intense, furious, strong उग्र
 - **Peaceful** (adjective) – Quiet, serene, clam, still, non-violent शांतिपूर्ण
 - **Swirling** (adjective) –Whirling, twirling, spinning घूमता
18. A) In this sentence, the action of "wondering" is happening simultaneously with the action of "digging out" the soldier. The present participle form "wondering" correctly shows this ongoing action at the time the rescue team was digging out the soldier. The other options (B, C, and D) don't convey the same meaning or are grammatically incorrect in this context.
19. A) DCBA
- **Sentence D** provides an introduction to the topic, discussing the importance of setting in a story or novel. It serves as an appropriate starting point for the paragraph.
 - **Sentence C** follows, suggesting a specific approach to writing the setting - making it as specific as possible.
 - **Sentence B** then provides an example of how to make the setting specific, by giving details about the city if the story begins in one.
 - **Finally**, Sentence A elaborates on the example given in sentence B, advising to provide vivid details to make the city feel real.
20. B) The lawyer says that his client is innocent.
21. C) **Capitalism** – Economic structure organized and controlled by capitalists पूंजीवाद
- **Prophet** – One who foretells events correctly पैगम्बर
 - **Patronymic** – Name derived from that of father or ancestor गोत्रनाम
 - **Relapse** – Fall into a former state. पुनः पतन
22. A) The correct spelling of 'lathargy' is lethargy which means 'Weariness, lassitude, stupor, tiredness' – कमजोरी/ थकावट
23. C) **Persevere** (verb) – Persist, continue, insist, endure, proceed दृढ़ रहना
- **Sequester** (verb) – To set or keep apart पृथक, एकांत में रहना

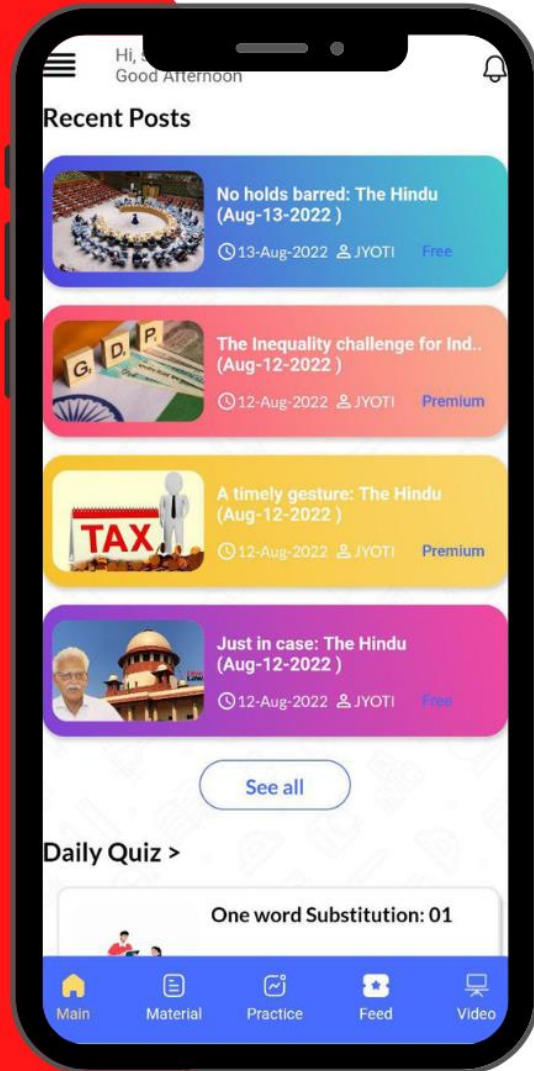
- **Forsake** (verb) – To abandon; to renounce; to relinquish त्यागना
- **Emigrate** (verb) – To move to new country; to move to a new place to live; to expatriate स्वदेश त्यगना

24. B) **in the driver's seat** (phrase) – in a position in which one is able to control what happens.

- **In the doghouse** (phrase) – be in disgrace or disfavour. अपमान में
- **in the lap of luxury** (phrase) – in conditions of great comfort and wealth
- **in the pink** (phrase) – in very good health

25. C) **BDCA**

- **B.** I believe that India as a country needs the happiness curriculum.
This sentence serves as the main idea or central argument, stating the author's belief that India needs the happiness curriculum.
- **D.** It is really needed for the younger generation.
This sentence expands on the main idea by specifying the target group for the happiness curriculum - the younger generation.
- **C.** They are a dejected lot and will definitely benefit from this curriculum.
This sentence provides a reason for the need of the happiness curriculum, stating that the younger generation is dejected and will benefit from it.
- **A.** Therefore, I firmly believe that this curriculum be extended to all schools.
This sentence concludes the argument by reiterating the belief in the importance of the happiness curriculum and suggesting that it should be implemented in all schools.



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