



PR No.22/2021

SEBI Board Meeting

The SEBI Board met in Mumbai today. The Part-Time Members joined the meeting through video conferencing. The Board, inter-alia, took the following decisions:

I. Review and Merger of SEBI (Issue and Listing of Debt Securities) Regulations, 2008 and SEBI (Non-Convertible Redeemable Preference Shares) Regulations, 2013 into a single Regulation – SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021

The Board considered and approved the proposals relating to the review and merger of the SEBI (Issue and Listing of Debt Securities) Regulations, 2008 and SEBI (Non-Convertible Redeemable Preference Shares) Regulations, 2013 into a single Regulation to be called– SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021.

The major provisions of the new Regulations are as under:

1. Issuers other than unlisted REITs and InvITs who are in existence for less than 3 years, have been facilitated to tap the bond market, provided:
 - a. Issuance of their debt securities is made only on a private placement basis;
 - b. The issue is made on the EBP platform irrespective of the issue size; and;
 - c. The issue is open for subscription only to QIBs.

This will enable Special Purpose Vehicles created for specific infrastructure purposes/ NBFCs/ listed REITs/ listed InvITs and other companies who propose to list debt securities purely on private placement basis but who do not have a three-year existence history, to list their debt securities issued on private placement basis, while, all other requirements under the proposed

NCS Regulations and operating stipulations of the EBP mechanism shall continue to apply to such issuers.

2. Parameters for identification of risk factors have been introduced to assist issuers in disclosing pertinent risk factors on risks intrinsic to the issuer as well as the instrument, other risk factors which may have an impact on the issue etc.
3. The requirement to have a minimum rating of AA- for a public issuance of NCRPS has been done away with in requirement as is the case for a public issue of debt securities.
4. The requirement of a minimum tenure of three years for a public issuance of NCRPS has been removed thus providing flexibility to the issuers to structure their issuance as per their resource requirement and raise funds through an issue of NCRPS. This is also in line with the present requirement pertaining to debt securities.
5. To enable issuers to raise funds quickly without filing a separate prospectus each time, the restriction of not more than four issuances of debt securities in a year through a single shelf prospectus has been done away with.
6. The option for call and put has been introduced in case of debt securities issued on private placement basis. This will provide greater flexibility to the issuers and investors of debt securities and NCRPS as well. Further, the period for exercise of call and put option has been brought down to 12 months from 24 months in order to provide increased flexibility, both to issuers and investors.
7. Issuers who have cured the default in payment of interest / dividend / redemption amount to raise funds through non-convertible securities, have been permitted to file shelf prospectus post such curing of default provided they have cured the default atleast 30 days prior to filing the draft shelf prospectus.
8. In order to encourage public issuances of debt securities, the present stipulation that the minimum size of Rs. 100 crore has been done away with.
9. The Electronic Book Provider (EBP) platform has been made mandatory for issuance of eligible securities on private placement basis proposed to be listed amounting to INR 100 crore or above in a financial year which will improve price discovery and transparency.

10. The provision of creation of charge on the assets and properties of the issuer has been harmonized with the Companies Act thus allowing issuer to have an option to create charge over its properties or assets (movable, immovable, tangible, intangible), shares or any interest thereon, of the issuer or its subsidiaries or its holding companies or its associate companies. This will provide greater flexibility to the issuers for creation of charge.
11. The requirement of abridged prospectus has been streamlined to around 10 pages from over 50 pages, in order to enhance readability for the investor.
12. In case an issuer wishes to roll over the debt securities the provision of e-voting has been introduced in addition to postal ballot to facilitate issuers to seamlessly obtain voting for passing the resolution. This will also encourage wider investor participation in the voting.

II. Introduction of Framework for Accredited Investors in securities market

The Board after deliberation approved the proposal to introduce a framework for 'Accredited Investors' in the Indian securities market, a class of investors who may be considered to be well informed or well advised about investment products.

The salient features of the proposed framework include:

1. Eligibility criteria for Accredited Investors who may be Individuals, HUFs, Family Trusts, Sole Proprietorships, Partnership Firms, Trusts and Body Corporates based on financial parameters and information as may be specified by SEBI.
2. Eligible subsidiaries of depositories and specified stock exchanges, and any other specified institutions to be recognized as Accreditation Agencies. Accreditation Agencies to grant accreditation status and issue Accreditation Certificate to Accredited Investor.
3. Modalities of accreditation and procedure to avail benefits linked to accreditation.

The benefits linked to accreditation include:

1. Accredited Investors shall have flexibility to participate in investment products with an investment amount lesser than the minimum amount mandated in the Alternative Investment Funds (AIF) Regulations and Portfolio Managers (PMS) Regulations.

2. AIF for Accredited Investors where each investor invests minimum investment amount of Rs. 70 Crores may avail relaxation from regulatory requirements such as portfolio diversification norms, conditions for launch of schemes and extension of tenure of the AIF.
3. Accredited Investors with minimum investment of Rs. 10 Crores with registered PMS provider, may avail relaxation from regulatory requirement with respect to investment in unlisted securities and can enter into bilaterally negotiated agreements with the PMS provider.
4. Accredited Investors who are clients of Investment Advisers will have the flexibility to determine the limits and modes of fees payable to the Investment Adviser through bilaterally negotiated contractual terms.

III. Review of Regulatory provisions related to Independent Directors

The Board approved amendments to Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR Regulations) pertaining to regulatory provisions related to Independent Directors (IDs), which include the following:

1. Appointment/Re-appointment and Removal of IDs
 - Appointment/Re-appointment and Removal of IDs shall be through a special resolution of shareholders for all listed entities.
 - The process to be followed by Nomination and Remuneration Committee (NRC), while selecting candidates for appointment as IDs, has been elaborated and made more transparent including enhanced disclosures regarding the skills required for appointment as an ID and how the proposed candidate fits into that skillset.
 - The composition of NRC has been modified to include 2/3rd IDs instead of existing requirement of majority of IDs.
 - Shareholder approval for appointment of all directors including IDs shall be taken at the next general meeting, or within three months of the appointment on the Board, whichever is earlier.
2. Eligibility requirement
 - A cooling off period of three years has been introduced for Key Managerial Personnel (and their relatives) or employees of the promoter group companies, for appointment as an ID.

- Relatives of employees of the company, its holding, subsidiary or associate company have been permitted to become IDs, without the requirement of a cooling off period, in line with Companies Act, 2013.

3. Resignation of IDs

- The entire resignation letter of an ID shall be disclosed along with a list of her/his present directorships and membership in board committees.
- A cooling-off period of one year has been introduced for an ID transitioning to a whole-time director in the same company/ holding/ subsidiary/ associate company or any company belonging to the promoter group.

4. Audit Committee - At least 2/3rd of the members of the audit committee shall be independent directors and all related party transactions shall be approved by only Independent Directors on the Audit Committee.

5. Directors and Officers insurance - The requirement of undertaking Directors and Officers insurance has been extended to the top 1000 companies (by market capitalization).

These amendments shall be made applicable with effect from Jan 01, 2022.

The Board also agreed to make a reference to the Ministry of Corporate Affairs (MCA), for giving greater flexibility to companies while deciding the remuneration for all directors (including IDs), which may include profit linked commissions, sitting fees, ESOPs, etc., within the overall prescribed limit specified under Companies Act, 2013.

IV. Amendments to SEBI (Infrastructure Investment Trusts) Regulations, 2014

The Board considered and approved the amendments to SEBI (Infrastructure Investment Trusts) Regulations, 2014, for introduction of minimum unit holders requirement for unlisted InvITs. The minimum number of unit holders, other than sponsor, its related parties and its associates shall be five together holding not less than 25% of the total unit capital of the InvIT.

V. Amendments to SEBI (Infrastructure Investment Trusts) Regulations, 2014 and SEBI (Real Estate Investment Trusts) Regulations, 2014

The Board considered and approved the amendments to SEBI (Real Estate Investment Trusts) Regulations, 2014 and SEBI (Infrastructure Investment Trusts) Regulations, 2014, for revision in minimum subscription and trading lot

for publicly issued REITs and InvITs. The revised minimum application value shall be within the range of INR 10,000-15,000 and the revised trading lot shall be of one unit.

VI. Permitting Resident Indian fund managers to be constituents of FPIs

The Board approved the proposal to amend the SEBI (Foreign Portfolio Investors) Regulations, 2019 to permit eligible Resident Indian Fund Managers (other than individuals) to be constituents of Foreign Portfolio Investors (FPIs). Such FPIs shall be investment funds approved by Central Board of Direct Taxes (CBDT) under Section 9A of the Income-Tax (IT) Act, 1961, read with the IT Rules, 1962. These amendments shall bring the SEBI (FPI) Regulations, 2019 in line with the recent amendments in Section 9A of the IT Act, thereby facilitating Indian fund managers in managing investment funds incorporated/established/ registered outside India.

VII. Amendment to SEBI (Mutual Funds) Regulations, 1996

The Board approved amendment to SEBI (Mutual Funds) Regulations, 1996, to provide for investment of a minimum amount as skin in the game in the Mutual Fund (MF) schemes by Asset Management Companies (AMCs) based on the risk associated with the scheme, instead of the current requirement of one percent of the amount raised in New Fund Offer or an amount of INR fifty lacs, whichever is less.

VIII. Amendment to SEBI (Credit Rating Agencies) Regulations, 1999

SEBI (Credit Rating Agencies) Regulations were amended to define a Credit Rating Agency (CRA) in terms of rating of securities that are listed or proposed to be listed on a recognized stock exchange, and to provide for an explanation in clause (f) of Regulation 9 specifying that ratings undertaken by a CRA under the respective guidelines of a financial sector regulator or authority shall be under the purview of the concerned financial sector regulator or authority.

IX. Amendment to SEBI (Bankers to an Issue) Regulations, 1994

To provide easy access to investors to participate in Public/Rights issues by using various payment avenues, the Board approved the proposal of amending

the SEBI (Bankers to an Issue) Regulations, 1994 by way of permitting such other banks, other than scheduled banks, as may be specified by SEBI from time to time, to register as a Banker to an Issue.

X. Amendments to the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015

With a view to streamlining the process of reward payment and to enhance the quantum of reward under the informant mechanism, the Board considered and approved certain amendments to SEBI (Prohibition of Insider Trading) Regulations, 2015.

The amendments, inter alia, include the following:

1. The maximum amount of reward has been increased from Rupees One Crore, at present, to Rupees Ten Crore.
2. If the total reward payable to the informant is less than or equal to Rupees One Crore, then the reward may be granted by SEBI, after the final order is issued.
3. If the total reward payable to the informant is more than Rupees One Crore, then an interim reward not exceeding Rupees One Crore may be granted by SEBI, after the final order is issued. The remaining reward amount will be granted only upon receipt of the monetary sanctions amounting to at least twice the balance of the reward amount payable by SEBI.

XI. Annual Report : 2020-21

The Board considered and approved the SEBI Annual Report: 2020-21. In compliance with Section 18(2) of SEBI Act, 1992, the Annual Report would be submitted to the Central Government.

Mumbai

June 29, 2021