



SEBI Board Meeting

The SEBI Board met in Mumbai today and, inter-alia, took the following decisions:

I. **Introduction of Regulatory Framework to facilitate Online Bond Platform Providers and reduction in the face value of listed privately placed debt securities**

The Board approved the following proposals:

1. To register Online Bond Platform Providers with SEBI as Stock Brokers under the debt segment of the Stock Exchanges;
2. To issue a procedural circular detailing the specifics and mechanics of the operations of the online bond platform providers; and
3. To reduce the face value of listed privately placed debt securities.

II. **Disclosure of Key Performance Indicators (KPIs) and price per share of issuer, in Public Issues, based on past transactions and past fund raising from the investors**

1. The Board approved the proposal to mandate the issuers coming out with IPO, to make disclosure of Key Performance Indicators (KPIs) and price per share of issuer based on past transactions and past fund

raising done by the issuer from the investors under 'Basis for Issue Price' section of the offer document, and in Price Band Advertisement.

2. Presently, Issuer companies, in addition to the audited financial numbers, also disclose their key numbers on various key performance metrics/indicators in different sections of DRHP which are not covered in the financial statements in the offer documents.
3. Issuer shall disclose details of pricing of shares based on past transactions and past fund raising from investors by issuer prior to IPO as under:
 - a. Disclose price per share of Issuer Company based on primary / new issue of shares and based on secondary sale / acquisition of shares, during the 18 months period prior to IPO.
 - b. In case there are no such transactions during the 18 months period prior to IPO, then information shall be disclosed for price per share of Issuer Company based on last five primary or secondary transactions, not older than three years prior to IPO.
 - c. Disclose weighted average cost of acquisition (WACA) based on primary/ secondary transaction(s) and IPO floor price and cap price being [●] times the WACA in the offer document and in the Price Band Advertisement.
 - d. Committee of Independent Directors shall recommend that the price band is justified based on quantitative factors / KPIs vis-à-vis the WACA of primary issuance / secondary transaction(s).

III. Amendment to Mutual Funds Regulations to facilitate faster payout of redemptions and dividends to unitholders

The Board approved amendment to SEBI (Mutual Funds) Regulations, 1996 to facilitate faster payout of redemption and dividend to unitholders by AMC's from existing 10 working days and 15 days respectively to such period as may be specified by SEBI from time to time, proposed as 3 working days and 7 working days.

IV. Net settlement of cash segment and F&O segment upon expiry of stock derivatives to facilitate efficient settlement

The Board was apprised of the proposed net settlement framework wherein the obligations arising out of cash segment settlement and physical settlement of F&O segment, upon expiry of stock derivatives, shall be settled on net basis, as against the current approach of settling such obligations separately.

The benefit of netting shall be available to all investors other than those required to mandatorily do delivery based transactions only.

The framework is aimed at strengthening the alignment of cash segment and F&O segment, bringing about netting efficiencies for participants, mitigation of price risk in certain cases and reduction of margin requirements after expiry.

V. Introduction of pre-filing of offer document as an optional alternative mechanism for the purpose of Initial Public Offer on the Main Board of Stock Exchanges

The Board approved the proposal to introduce pre-filing of offer document as an optional alternative mechanism for the purpose of Initial Public Offer on the Main Board of Stock Exchanges.

Pre-filing mechanism allows issuers to carry out limited interaction with without having to make any sensitive information public. Further the document which incorporates SEBI's initial observations would be available to investors for a period of at least 21 days, thereby, assisting them better in their investment decision making process. The existing mechanism of processing offer document shall continue in addition to this alternative mechanism of pre-filing.

VI. Flexibility in approval process for appointment and / or removal of Independent Directors - Amendments to the SEBI (LODR) Regulations

The Board approved the proposal to introduce a new optional provision in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("LODR Regulations") for appointment of Independent Directors and a related provision for removal of Independent Directors in listed entities.

As per the existing requirement under the LODR Regulations, appointment, re-appointment or removal of Independent Directors is to be made through a special resolution.

An alternative method for the appointment and removal of Independent Directors appointed for the first term has been approved by the Board. Under the alternate mechanism, if the special resolution for appointment of an Independent Director does not get the requisite majority, then the following thresholds would be tested:

- a) Threshold for Ordinary Resolution
- b) Threshold for Majority of minority shareholders

If the resolution crosses the above two thresholds, in the same voting process, then such a resolution for appointment of the Independent Director would be deemed to be approved by shareholders. The same threshold will also be applicable for removal of an Independent Director appointed under this alternate mechanism.

VII. Amendments to SEBI (Real Estate Investment Trusts) Regulations, 2014 to allow reduction in minimum holding by sponsors

The Board approved the proposals relating to the reduction in the minimum holding requirement of units from twenty-five percent to fifteen percent by sponsor(s) and sponsor group(s) of the total outstanding units of the Real Estate Investment Trust (REIT) on post-initial offer basis in line with the requirements specified for sponsor(s) in the SEBI (Infrastructure Investment Trusts) Regulations, 2014.

VIII. Amendments to SEBI (Infrastructure Investment Trusts) Regulations, 2014 relating to unlisted InvITs

The Board approved the proposals relating to discontinuation of a separate regulatory framework for unlisted Infrastructure Investment Trust (InvIT).

IX. Amendment to SEBI (Alternative Investment Funds) Regulations, 2012 to facilitate clarity in tenure of AIF schemes and requirements for change in manager/ sponsor

The Board approved the proposal to amend SEBI (Alternative Investment Funds) Regulations, 2012 to:

1. prescribe the timeline for declaring First Close of a scheme of an Alternative Investment Fund ('AIF'), along with the minimum corpus at which the First Close may be declared;
2. specify that the tenure of close ended schemes of AIFs shall be calculated from date of declaration of First Close;

3. specify that change in manager/sponsor shall require prior approval of SEBI.

X. Review of the existing framework for Offer for Sale (OFS) of Shares through Stock Exchange Mechanism to facilitate greater flexibility in the process.

The Board has approved the following major modifications with respect to the existing framework for Offer for Sale (OFS) through Stock Exchange Mechanism:

1. Currently, non-promoter shareholders holding at least 10% of the share capital of eligible company and willing to offer shares of at least Rs. 25 Cr. are eligible to offer their shares through OFS mechanism. It has been decided to do away with the requirement of minimum 10% shareholding for the non-promoter shareholders for offering shares through OFS mechanism.
2. The existing cooling off period of ± 12 weeks for OFS has been reduced to a range of ± 2 weeks to ± 12 weeks based on the liquidity of securities of such eligible companies.
3. Retail investors have been allowed to bid for the unsubscribed portion of non-retail segment.
4. OFS mechanism has been made available to unit holders / sellers of listed REITs / InvITs to offer their holdings.

These changes are aimed at bringing in more flexibility and efficiency to the OFS Framework.

XI. Monitoring of utilization of issue proceeds raised through Preferential Issue and Qualified Institutions Placement (QIP) issue, in terms of SEBI (ICDR) Regulations, 2018

1. The Board approved the proposal to introduce monitoring of utilization of issue proceeds raised through Preferential Issue and Qualified Institutions Placement (QIP) through CRAs as monitoring agencies for issue size exceeding Rs. 100 crore. This will enable shareholders to know the status of the utilization of funds raised by the company as against the disclosed objective of the funds mobilized by the issuer company.
2. Presently, monitoring of utilization of issue proceeds is required for all public and rights issues of size above Rs.100 crore. Today's decision now aligns the requirements for monitoring of utilization of issue proceeds for Preferential Issue and Qualified Institutions Placement (QIP) issue of size exceeding Rs. 100 crore in the same manner, as applicable for public and rights issues.

XII. Amendment to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 in the context of schemes of arrangement

The Board approved amendments to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, to introduce provisions pertaining to schemes of arrangement for debt listed entities, handling of unclaimed amounts pertaining to non-convertible securities of listed entities which do not fall within the definition of 'company' under the Companies Act, 2013 and the Rules made thereunder, and continuous disclosure norms for entities with listed non-convertible securities, pertaining to financial results and related requirements. The key amendments are:

1. Introduction of provisions pertaining to schemes of arrangement for entities which have listed Non-convertible Debt Securities/ Non-convertible Redeemable Preference Shares viz. filing of draft schemes

of arrangement/ schemes of arrangement with Stock Exchange(s) for obtaining the No-objection Letter, the process to be followed by the Stock Exchange(s) including forwarding the draft schemes to SEBI and consequential fee payments.

2. Any amount lying unclaimed in the escrow account for more than seven years pertaining to non-convertible securities issued by listed entities which do not fall within the definition of 'company' under the Companies Act, 2013 and the Rules made thereunder and are governed by separate statutes, shall be transferred to the Investor Protection and Education Fund created by SEBI in terms of section 11 of the SEBI Act, 1992.
3. Easing of the requirements/ timelines pertaining to submission of financial results, clarity in provisions pertaining to disclosure of line items/ ratios, publication of results in newspapers, etc. thereby bringing about uniformity in the disclosure requirements in parity with those for specified securities.

XIII. Amendment to SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 ("Takeover Regulations") in the context of strategic disinvestment of PSUs and consideration payable under open offer

In terms of the Takeover Regulations, one of the parameters prescribed to determine open offer price of a frequently traded scrip is volume-weighted average market price ("VWAMP") of such shares for a period of 60 trading days immediately preceding the date of the public announcement. However, the strategic disinvestment process of a Public Sector Undertaking (PSU) requires public announcements to be made at different stages (at the time of approval of transactions by Cabinet Committee on Economic Affairs' (CCEA), Expression of Interest (EoI) stage, Shortlisting of bidders and subsequent Request for proposal (RFP) release) unlike private transactions which are made public only upon execution of binding agreements. As a result, the market price of the PSU company undergoing strategic disinvestment becomes susceptible to such periodic disclosures. Considering the unique nature of transaction and

process involved in a PSU disinvestment spanning over a long period, such a requirement of determination of open offer price under the Takeover Regulations many a time, acts as an impediment in fructifying such strategic disinvestment of PSUs. The Board therefore approved the proposal to dispense with requirement of calculating 60 days' VWAMP for determination of open offer price in case of disinvestment of PSU Companies ("Target company"), wherein it results in its change in control, either by way of direct acquisition or indirect acquisition.

The Board has also approved the proposal to permit the acquirer to provide an unconditional and irrevocable bank guarantee for the entire consideration payable under the open offer which will be an alternative to the existing requirement of depositing cash, subject to approval of RBI. Such guarantee needs to be issued by a Scheduled Commercial Bank having 'AAA' rating on any of its long term debt given by a SEBI registered credit rating agency.

XIV. Inclusion of units of Mutual Funds under the SEBI (Prohibition of Insider Trading) Regulations, 2015

The Board approved the proposal for amendment to the SEBI (Prohibition of Insider Trading) Regulations 2015, for inclusion of trading in units of Mutual Funds through a separate chapter, which inter-alia provides for the following:

1. Definitions of Unpublished Price Sensitive Information, Generally Available Information and other related terms for mutual funds.
2. A separate Code of Conduct in line with the existing SEBI (Prohibition of Insider Trading) Regulations, 2015 for designated persons in respect of Mutual Funds.
3. Reporting and monitoring requirements with respect to transactions in mutual fund units by designated persons.

XV. Amendments to Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 for orderly winding down of Clearing Corporations

The Board has approved the proposal to insert an enabling provision under the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 for Clearing Corporations (CCs) to have a framework for orderly winding down of its critical operations and services.

Every CC will be required to ensure that the said framework provides for –

- a. the timely and orderly settlement or cessation or transfer of position(s), and/ or;
- b. the transfer of the collateral(s) or deposit(s) or margin(s) or any other asset(s) of the members to another recognised clearing corporation that would take over the operations of the clearing corporation.

Mumbai

September 30, 2022