

SEBI BOARD MEETING

The SEBI in its Board Meeting held on December 16, 2020, took the following decisions:

I. Amendments to SEBI (Mutual Funds) Regulations, 1996

- >> Sponsors who may not fulfil profitability criteria at the time of making application, shall also be considered eligible to sponsor a mutual fund subject to having a net-worth of minimum INR 100 Crore for the purpose of contribution towards the net-worth of the Asset Management Company (AMC) which has to be maintained till the AMC makes profit for 5 consecutive years. This is done to facilitate innovation and enhanced reach to more investors at faster pace, including tech-enabled solutions.
- >> Streamlining the manner of computation of net worth of AMCs and making it mandatory for them to maintain minimum net-worth on a continuous basis.
- >> All assets and liabilities of each scheme shall be segregated and ring-fenced from other schemes of the mutual fund in addition to the existing requirement of segregating bank accounts and securities accounts.
- >> The Board has further approved proposals including dispensing with the requirement to issue physical unit certificates, reducing maximum permissible exit load, reducing the timeline for payment of dividend, permitting other modes for payment of dividend and providing clarity with respect to payment of interest and penalty in case of delay in dividend payment, etc.

II. Recalibration of Minimum Public Shareholding Norms For Listed Companies Going Through Corporate Insolvency Resolution Process (CIRP)

With respect to companies which continue to remain listed as a result of implementation of the resolution plan under the Insolvency and Bankruptcy Code, SEBI has prescribed certain norms as opposed to the current norm during CIRP wherein the listed companies whose public shareholding falls below 10% are required to bring the public shareholding to at least 10% within a period of 18 months and to 25% within 36 months. The new norms include the following:

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>> Such companies that continue to remain listed must have minimum 5% public shareholding at the time of their admission to dealing on stock exchange, as against the no minimum requirement at present.

>> The revised timeline for such companies to bring the public shareholding to 10% shall be 12 months from the date such shares of the company are admitted to dealings on stock exchange, and 36 months to bring the public shareholding to 25% from the said date.

>> The lock-in on equity shares allotted to the resolution applicant under the resolution plan shall not apply to achieve 10% public shareholding within 12 months.

>> Such companies will be required to make additional disclosures such as material liabilities imposed on a company, details of securities continuing to be imposed on the companies' assets, proposed steps to be taken by the incoming investor/acquirer for achieving the minimum public shareholding and quarterly disclosure of the status of achieving the minimum public shareholding.

III. Amendments to SEBI (ICDR) Regulations, 2018

The SEBI (ICDR) Regulations, 2018 have been amended to do away with the applicability of Minimum Promoters' Contribution and the subsequent lock in requirements for the issuers making a Further Public Offer of specified securities contingent to fulfilling following conditions:

>> The equity shares of the issuer are frequently traded on a stock exchange for a period of at least 3 years.

>> The issuer has been in compliance with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 for a period of at least 3 years,.

>> The issuer has redressed minimum 95% of the complaints received from the investors.

IV. Amendment to SEBI (Investment Advisers) Regulations, 2013 (IA Regulations)

Following amendments have been approved to SEBI (Investment Advisers) Regulations, 2013:

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>> There is a requirement of Investment Advisers (IAs) to seek membership of a body recognized by SEBI for administration and supervision of Investment Advisers under these Regulations.

>> Modification to the structure of fees payable by IAs, while ensuring that the total cost borne by IAs towards fees remains same as that payable by IAs under the present IA Regulations.

V. Amendment to SEBI (Alternative Investment Funds) Regulations, 2012

SEBI (Alternative Investment Funds) Regulations, 2012 shall be amended to provide exemptions to Alternative Investment Funds in respect of Investment Committee members in terms of Regulation 20(6) of these Regulations. It shall however be conditional upon capital commitment of minimum INR 70 Crore from each investor accompanied by a suitable waiver.

VI. Amendment to the Securities and Exchange Board of India (Intermediaries) Regulations, 2008

The following amendments have been approved to the Securities and Exchange Board of India (Intermediaries) Regulations, 2008 to rationalize the process and avoid duplicity of proceedings before the Designated Authority and the Designated Member:

>> The Designated Member shall remit the matter to the Designated Authority, in the interest of justice, if required, and the reasons shall be recorded in writing, to either enquire afresh or further enquire and resubmitting the report.

>> The Designated Member may consider granting an opportunity of personal hearing in a case where either the Designated Authority has recommended cancellation of the certificate of registration of the Intermediary, or the Designated Member is of the prima facie view that the matter at hand is a fit case for cancellation of the certificate of the registration of the Intermediary.

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VII. Repeal of Securities and Exchange Board of India (Central Database of Market Participants) Regulations, 2003

Securities and Exchange Board of India (Central Database of Market Participants) Regulations, 2003 shall be repealed considering the discontinuance of the requirement of the Unique Identification Number issued under the aforesaid Regulations and related Circulars; and the introduction of the Permanent Account Number as the sole identification number for all securities market transactions.

-Beacon Research & Analytics Wing

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