



SEBI 204th BOARD MEETING

Dated: 15th March 2024



▪ Background of the Board Meeting

SEBI held its **204th Board Meeting in Mumbai on March 15, 2024**, to discuss the following matters.

▪ Brief of the Board Meeting

1. Launch of Beta version of optional T+0 settlement

The Board approved launching a Beta version of optional **T+0 settlement for 25 scrips** with select brokers. SEBI will conduct stakeholder consultations, including with Beta users. Progress will be reviewed at **three and six months for further decisions**.

2. Additional disclosure requirements exempted for certain FPIs.

To facilitate ease of doing business, the Board approved a proposal to exempt additional disclosure requirements for FPIs having more than **50%** of their India equity AUM in a single corporate group, in case the concentrated holdings of the FPIs are in a listed company with no identified promoter, if the following conditions are met.

- a) The FPI holds less than **50% of its India equity AUM** in the corporate group, excluding its holding in the parent company with no identified promoter.
- b) The composite holdings of all such FPIs (that hold in excess of the 50% concentration criteria and are not exempted) in the company with no identified promoter, is **less than 3% of its total equity share capital**.

3. Timelines for Disclosure/documentation related to material Changes by FPI relaxed

- Board approved relaxing timelines for FPIs' disclosure of material changes.
- Currently, FPIs must inform their DDP of material changes **within 7 working days**.
- Material changes categorized into **Type I and Type II**.
- **Type I changes** still require notification within 7 working days, with supporting documents due **within 30 days**.
- **Type II changes**, along with supporting documents if any, must be informed **within 30 days**.

4. Enhancing ease of doing business for FPIs by providing flexibility to FPIs in dealing with their securities post expiry of their registration

1. To facilitate ease of doing business for FPIs, the Board approved the following proposals:
 - FPI registrations that lapse due to non-payment of fees can now be reactivated within 30 days. During this period, FPIs can also sell off their securities. If the FPI chooses not to reactivate **within 30 days**, they have **180 days to dispose** of their securities.
2. A minimum **time-period of 180 days** or end of registration block, whichever is later, shall be provided for disposal of securities in case of:
 - Adverse change in compliance status of the home jurisdiction of the FPI
 - Non-submission of documents for reclassification of FPI category **from I to II**
3. In cases where the securities held by an FPI have not been disposed of even after the lapse of the specified time period of **180 days**, the following shall apply.
 - FPIs have an additional **180 days** for securities disposal, subject to **5% financial** disincentive on sale proceeds to be credited to SEBI's IPEF. Unsold securities after this period will be deemed compulsorily written off by the FPI.
4. Existing cases with expired FPI registrations get a **one-time 360-day disposal** opportunity, split into **180 days** without financial disincentive and **180 days with a 5% disincentive**. Unsold securities after **360 days** are compulsorily written off by the FPI.
5. Written-off securities transferred to an escrow account managed by an exchange empaneled broker, who sells them at market price; proceeds from the sale shall be transferred to **SEBI's IPEF**.

5. Facilitating ease of doing business for companies coming for IPOs /fund raising

In order to facilitate ease of doing business for companies coming for IPOs / fund raising, the Board has approved amendments to SEBI (**Issue of Capital and Disclosure Requirements**) **Regulations, 2018** in respect of the following.

- Removal of **one percent security deposit requirement** for **public/rights issue of equity shares**.
- Promoter group entities and non-individual shareholders holding **over five percent post-offer equity** can contribute to minimum promoters' contribution without being identified as promoters.
- Equity shares from the conversion of compulsorily convertible securities **held for a year** before filing the DRHP, to be considered for meeting minimum promoters' contribution.

- The increase or decrease in size of **offer for sale (OFS)** requiring fresh filing shall be based on only one of the criteria i.e. either issue size in rupees or number of shares, as disclosed in the draft offer document.
- Flexibility to extend bid/offer closing date by **a minimum of one day** in case of force majeure events instead of the current **three-day requirement**.

6. Facilitating ease of doing business for listed companies – on-going compliance requirements

To facilitate ease of doing business for listed entities, the Board has approved amendments to **SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015** in respect of the following: -

- Listed entities' compliance requirements will now be based on the average market capitalization **over six months ending December 31 instead of a single day's (March 31)** market capitalization, with a **three-year sunset clause for easing compliance**.
- Extending the timeline from three to six months for filling vacancies of Key Managerial Personnel requiring statutory authority approval
- Harmonization and reduction of prior intimation timeline for board meetings to **two working days**
- Increasing maximum time gap between consecutive Risk Management Committee meetings from **180 to 210 days for scheduling flexibility**.

7. Facilitating a uniform approach to verification of market rumours by equity listed entities

Industry Standards Forum (ISF) pilot project, with **ASSOCHAM, CII, and FICCI**, addressed rumour verification for listed entities in consultation with SEBI. Board approved.

- Establishing objective criteria for verifying rumors based on material price movement of listed entity's equity shares.
- Considering unaffected price for transactions if rumour confirmed **within 24 hours**.
- Mandating timely responses from promoters, directors, and key personnel to verify market rumors.
- Unverified events or media-reported information not considered 'generally available information' under **SEBI (Prohibition of Insider Trading) Regulations, 2015**.

8. Flexibility provided to Category I and II AIFs to create encumbrance on their holding of equity in infrastructure sector investee companies

The Board has approved allowing Category I and II Alternative Investment Funds (AIFs) to create an encumbrance on the equity of their investee companies in the infrastructure sector. This aims to facilitate raising debt/loans by investee companies, subject to compliance with RBI regulations.

Companies in the infrastructure sector are such companies engaged in project development, operation, or management fall under this provision, as per the Government of India's Harmonised Master List of Infrastructure sub-sectors.

9. Enhancing trust in the AIF ecosystem by introducing due diligence measures with respect to investors and investments, thereby paving the way for introduction of other Ease of Doing Business measures:-

The Board approved a proposal requiring Alternative Investment Funds (AIFs), AIF Managers, and Key Management Personnel (KMPs) to conduct due diligence of investors and investments. This aims to prevent circumvention of financial sector regulations. Specific implementation standards for this due diligence will be formulated by the pilot Industry Standards Forum for AIFs, in consultation with SEBI, to ensure clarity and consistency.

10. Timeline for mandatory applicability of Listing Norms for High Value Debt Listed Entities (HVDLEs) extended.

The Board has approved the proposal to extend the timeline for mandatory applicability of listing norms (i.e. Regulation 16 to 27 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015) and compliance thereof for High Value Debt Listed Entities **till March 31, 2025**.

11. Additional flexibility to AIFs and their investors to deal with unliquidated investments of their schemes beyond expiry of tenure

The Board approved a proposal allowing Alternative Investment Funds (AIFs) to retain unliquidated investments during winding up by entering a Dissolution Period instead of launching a new scheme. These investments will be valued according to SEBI norms for reporting purposes. Additionally, a one-year extension is granted for AIF schemes to manage unliquidated investments whose liquidation period has expired or will expire within three months, subject to the conditions.

12. Framework for issuance of subordinate units by a privately placed InvIT to facilitate purchase of infrastructure assets.

The Board approved amendments to SEBI (Infrastructure Investment Trusts) Regulations, 2014, allowing privately placed InvITs to issue subordinate units initially. This framework aims to address valuation gaps between asset sellers and buyers by using subordinate units and includes risk mitigation measures.

Note

- Stock Exchange' to be recognized as a body for administration and supervision of Research Analysts and Investment Advisers and Budget for the Financial year 2024 – 2025 was approved by the Board.

Impact

1. **T+0 Settlement Beta Launch:** This initiative will potentially revolutionize trading by allowing quicker settlements, enhancing market efficiency, and reducing risks.
2. **Exemption for FPIs:** Simplifying disclosure requirements for FPIs will encourage investment, streamline processes, and improve ease of doing business.
3. **Relaxed Timelines for FPIs:** This move will reduce regulatory burden and administrative hurdles for FPIs, promoting a more investor-friendly environment.
4. **Flexibility for Expired FPI Registrations:** Providing flexibility in dealing with securities post-registration expiry will ensure smoother operations for FPIs and mitigate market disruptions.
5. **IPO and Fundraising Facilitation:** Amendments to IPO regulations will simplify procedures, reduce financial burdens, and encourage more companies to go public, fostering capital market growth.
6. **Listed Companies Compliance Ease:** These amendments will streamline compliance requirements, reduce administrative burdens, and enhance operational efficiency for listed entities.
7. **Rumor Verification Standardization:** Establishing a uniform approach to rumor verification will enhance market transparency, reduce volatility, and boost investor confidence.
8. **AIF Encumbrance Flexibility:** Allowing AIFs to create encumbrance on infrastructure sector investments will ease capital raising, support project development, and stimulate infrastructure growth.
9. **AIF Due Diligence Requirement:** Implementing due diligence measures will boost investor protection, enhance regulatory compliance, and foster a more trustworthy AIF ecosystem.
10. **Extension for HVDLEs Listing Norms:** Extending the timeline for listing norms compliance will provide HVDLEs with additional time for adaptation, ensuring smoother transitions and regulatory compliance.
11. **Flexibility for Unliquidated AIF Investments:** Introducing dissolution period and additional liquidation period to deal with unliquidated investments for AIFs will provide flexibility in handling unliquidated investments, ensuring orderly winding-up processes and investor protection.
12. **Subordinate Unit Framework for InvITs:** This framework will facilitate smoother transactions, bridge valuation gaps, and enhance risk mitigation in the infrastructure investment sector, encouraging more investments in infrastructure projects.



Visit Beacon Research Webpage to get more updates like these.

www.beacontrustee.co.in/research

Follow Us On:



Disclaimer:

This document is neither a legal interpretation nor a statement of the Gazette Notification. All information is posted merely for educational and informational purposes. It is not intended as a substitute for professional advice. Should you decide to act upon any information in this document, you do so at your own risk.