

SEBI Board Meeting

September 30, 2024



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Key Points of the SEBI Board Meeting

The 207th SEBI Board meeting was held in Mumbai on 30th September 2024 to discuss the following topics

1. Option to investors to trade in the secondary market (cash segment) either using UPI block mechanism (ASBA-like for secondary markets), or 3-in-1 trading facility in addition to the current mode of trading: One of the two facilities to be mandatorily offered by Qualified Stockbrokers (QSBs) and other incidental matters

The SEBI Board has approved that, **starting February 1, 2025**, Qualified Stockbrokers (QSBs) must offer either a **3-in-1 Trading Account facility or an ASBA-like facility** using UPI for secondary market trades. Clients can choose to continue with the existing system of transferring funds to Trading Members (TMs) or opt for the new facility.

2. Enhancement of scope of Optional T+0 Settlement Cycle

The SEBI Board reviewed the Beta version of the optional T+0 settlement cycle and approved the following changes:

- The number of eligible scrips will gradually expand from **25 to the top 500 by market capitalization**. All stockbrokers can offer T+0 settlement and may charge different brokerage fees.
- **Qualified Stockbrokers (QSBs) and Custodians** must set up systems for clients' seamless participation in **T+0 settlement**, with adequate time for implementation.
- Foreign Portfolio Investors (FPIs) and Mutual Funds can also access **T+0 settlement**.
- A block deal window session for **T+0 settlement** will be introduced from **8:45 am to 9:00 am**, alongside the **T+1 block windows**.
- Moving to optional instantaneous settlement is not currently under consideration. The **T+0 settlement** will coexist with **T+1 settlement**.

3. Faster Rights Issue with flexibility of allotment to specific investors under SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018

- Rights Issues must be completed in **23 working days** from the board meeting, significantly faster than the current **317 days or 40 days** for preferential allotments.
- The Draft Letter of Offer will be filed with **Stock Exchanges (not SEBI) for approval**, with streamlined content focusing only on essential details like the issue's **purpose, price, and entitlement ratio**.
- Issuers no longer need to appoint a Merchant Banker, provided the rights issue is completed within **23 days**; other activities will be handled by the issuer, registrar, and market institutions.
- Stock Exchanges and Depositories will work together to validate applications and finalize allotments, with automated validation systems to be developed **within six months**.
- Promoters can renounce rights entitlements to specific investors, and issuers can allocate under-subscribed shares to chosen investors. A monitoring agency is mandatory for all rights issues, regardless of size.
- **Rights issues under ₹50 crore will fall under SEBI's 2018 capital and disclosure regulations.**

4. Facilitating ease of doing business under SEBI (LODR) Regulations 2015 and SEBI (ICDR) Regulations, 2018

- A single filing system will be introduced for listed entities, allowing them to submit reports and documents to one exchange, which will then disseminate the information automatically to other exchanges, enhancing efficiency.
- Periodic filings will be streamlined into **two categories Integrated Filing (Governance) and Integrated Filing (Financial)** to reduce the number of required submissions, improving overall compliance processes.
- Disclosure requirements for shareholding patterns and credit rating revisions will be system-driven by stock exchanges, minimizing the reporting burden on listed entities.
- Publishing detailed advertisements of financial results in newspapers will become optional for listed entities, allowing them to save on advertising costs while still ensuring compliance.
- An extended timeframe of three months will be granted for filling vacancies in Board Committees and Key Managerial positions for listed entities emerging from the **Insolvency and Bankruptcy Code, 2016**.
- The disclosure timeline for the outcome of board meetings held after trading hours will increase from **30 minutes to 3 hours**, and for litigations involving claims against the entity from **24 hours to 72 hours, enhances ease of doing business**
- Materiality thresholds for disclosing fines will be revised, with new thresholds set at **₹1 lakh for sector regulators and ₹10 lakhs** for other authorities, compared to the previous requirement of disclosing all fines within **24 hours, significantly reducing the disclosure burden.**

5. Pro-rata and pari-passu rights of investors of Alternative Investment Funds

- The Board clarified that the rights of investors in AIFs will be pro-rata to their commitment in a scheme, ensuring fair treatment among investors while maintaining pari-passu rights in all other respects, subject to specific exemptions.
- To enhance operational flexibility, entities controlled by governments and development financial institutions will be permitted to invest in **junior classes of AIF units** with less than their pro-rata rights, allowing for greater participation in funding.
- Existing AIF schemes that prioritize certain investor classes in distributions will not be allowed to raise new commitments or invest in new companies, ensuring fairness in investment opportunities across all investors.
- AIFs will have the ability to offer differential rights to certain investors without compromising the rights of others, with terms developed by a Standard Setting Forum in consultation with SEBI, promoting flexibility for AIF managers.
- Large Value Funds are exempt from ensuring pari-passu rights among their investors, provided each investor waives this requirement, allowing for more tailored investment structures while still safeguarding investor interests.

6. Proposal to ensure that Offshore Derivative Instruments (ODIs, or erstwhile P-Notes) and segregated portfolios of FPIs are subject to disclosure requirements on par with FPIs

- The additional disclosure framework established by the SEBI circular dated **August 24, 2023**, will now apply to ODI subscribers, sub-fund structures, and separate classes of shares, aligning their disclosure requirements with those of Foreign Portfolio Investors (FPIs).
- A compliance mechanism will be implemented requiring **ODI-issuing FPIs to submit relevant subscriber** information to depositories and segregated portfolio details to the Designated Depository Participant (DDP) or custodian, enhancing monitoring.
- Non-compliance with disclosure requirements will result in the redemption of ODIs or liquidation of segregated portfolios **within 180 days**, and defaulting subscribers will be ineligible to subscribe or hold positions through **ODIs from any issuing FPI**.
- ODI-issuing FPIs will be prohibited from issuing ODIs with derivatives as references or hedging them with derivative positions on stock exchanges, ensuring that ODIs are based solely on cash equity, debt securities, or other non-derivative investments.
- Existing ODIs hedged with derivatives must either be redeemed or converted to a one-to-one cash hedge within one year of the new guidelines, and all new ODIs (**except those with government securities**) must be issued through a dedicated FPI registration without proprietary investments.

7. Facilitating fund raising by corporates by expanding the scope of Sustainable Finance Framework in the Indian Securities Market by amendments to SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021

- The Board approved frameworks for the issuance of social bonds, sustainability bonds, and sustainability-linked bonds, collectively referred to as ESG Debt Securities along with green debt securities.
- SEBI will specify these frameworks, which will include adaptations of international standards tailored to meet Indian requirements.
- The frameworks will incorporate necessary disclosure requirements to enhance transparency in the issuance process.
- Related standards for ESG Debt Securities will be developed by the Industry Standards Forum in consultation with SEBI to ensure alignment with best practices.
- The initiative aims to broaden the scope of sustainable finance within the Indian securities market, promoting responsible investment practices.

8 .To facilitate growth of the Bond market, Ease of Doing Business measures by streamlining compliance for listed Non-Convertible Securities and easing disclosures regarding appointment of Debenture Trustee in the offer document

- The maximum number of International Securities Identification Numbers (ISINs) that issuers can list for originally unlisted ISINs will be relaxed, allowing for more flexibility in listing unlisted securities outstanding as of **December 31, 2023**.
- The requirement for a consent letter will be replaced by a **debenture trustee agreement (DTA)**, with copies accessible to **investors via a QR code or web link in the offer document, enhancing transparency**.
- The approval and authentication of financial results for entities with listed NCS will align with the requirements for equity-listed entities, improving regulatory consistency.
- Disclosure requirements regarding fraud or default related to price-sensitive information for NCS will also be standardized to match those for equity-listed entities, ensuring better investor protection.
- The timeline for notifying stock exchanges of the record date will be reduced from at least seven working days to **at least three working days, streamlining the process for issuers of listed non-convertible securities**.



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