

SEBI Board Meeting

June 27, 2024

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Key Points of the SEBI Board Meeting

1. Association of persons regulated by the SEBI with persons who directly or indirectly provide advice or recommendations without being registered with SEBI or make any implicit or explicit claim of return or performance in respect of or related to a security or securities

- a) The Board approved a proposal to regulate entities and individuals promoting **securities through misleading claims**.
 - Regulated persons and their agents are prohibited from associating in any way with entities making claims about security performance **unless authorized by the Board**.
- b) Regulated persons and their agents are exempt from the restriction when associating with:-
 - Entities solely engaged in investor education without providing financial advice
 - Approved digital platforms that prevent unauthorized financial advice or claims
- c) Regulated persons must ensure their associates do not engage in **prohibited activities**

2. Flexibility in Voluntary Delisting: Amendment to SEBI (Delisting of Equity Shares) Regulations, 2021

- a) Companies with frequently traded shares can now use a **fixed price method to delist, which must be at least 15%** higher than the floor price set by the Delisting Regulations
- b) Investment Holding Companies (**IHCs**) can delist through a scheme of arrangement by selectively reducing capital. To be eligible, IHCs must have at **least 75%** of their net value in direct investments in other listed companies. They can transfer these investments or make cash payments to public shareholders, and once all public shareholdings are bought out, the IHC can be delisted.
- c) In the **Reverse Book Building (RBB)** process, the threshold to make a counter-offer is reduced from **90% to 75%**, provided at **least 50%** of public shares are tendered. The counter-offer price must be at least the higher of either the **volume-weighted average price (VWAP)** of shares tendered or the indicative price offered by the acquirer. **Delisting is successful only if the acquirer's shareholding reaches 90% post-offer.**
- d) Adjusted Book Value is introduced as an additional parameter for determining the **floor price for both frequently and infrequently traded shares, except for Public Sector Undertakings.**
- e) The reference date for computing the floor price is changed from the date of board approval to the date of the initial public announcement for voluntary delisting, similar to the **Takeover Regulations.**

3. Proposal to facilitate ease of doing business with respect to the additional disclosure framework for FPIs

In order to facilitate ease of doing business for FPIs, the Board approved a proposal to exempt University Funds and University related Endowments registered or eligible to be registered as **Category I FPI, from additional disclosure requirements prescribed under SEBI's August 24, 2023, circular, subject to the following conditions:-**

- Its **India equity AUM is less than 25% of its Global AUM**
- Its global AUM is more than **INR 10,000 crore equivalent**
- It has filed appropriate returns/ filing to the respective tax authorities in its home jurisdiction to evidence that the entity is in the nature of a **nonprofit organization that is exempt from tax**

4. Flexibility in SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 for streamlining the public issue process for debt securities and Non-Convertible Redeemable Preference Shares

- The period for seeking public comments on draft offer documents is reduced from **7 working days to 1 day for issuers** with already listed securities, **and to 5 days for other issuers.**
- The minimum subscription period is shortened from **3 working days to 2 working days**
- The timeline for listing is reduced to **T+3 working days from T+6 working days**, initially as an option for one year, and then mandatory for all listings.
- Issuers can choose to advertise public issues through electronic modes. However, a window advertisement containing a **QR code and a link to the full advertisement must still be published in newspapers.**
- The application process for public issues of debt securities and NCRPS is aligned with that of specified securities. This includes mandating the use of UPI for individual investors for investments up to **₹5 lakhs**. Investors can still use other modes like **SCSBs and the Stock Exchange Platform.**

5. Measures towards Ease of doing Business- Amendments to SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 pertaining to rationalization of disclosure requirements in the offer document for non-convertible securities and modification in timeline of intimation to Stock Exchanges for listed Commercial Paper

- Removed the requirement to disclose the **Permanent Account Number (PAN)** and personal addresses of promoters in the offer document.
- Clarified that the disclosure period for key operational and financial parameters should align with the requirement for financial information.
- Allowed issuers to provide branch and vendor details via **QR codes and web links** if immovable property is purchased using issue proceeds. These details must also be provided **to the debenture trustee and be available for inspection.**
- Aligned disclosure requirements regarding the utilization of issue proceeds with the **ICDR (Issue of Capital and Disclosure Requirements) Regulations.**
- Standardized the timeline for submitting payment obligation status of listed **commercial papers with that of listed debt securities.**

6. Measures to facilitate Ease of Doing Business for Infrastructure Investment Trusts and Real Estate Investment Trusts

- Investment Managers of **InvITs and Managers of REITs** can now call meetings with less **than 21 days'** notice if unitholders agree
- Every three months, the Investment Manager's Board of Directors and the Trustee must review a report on investor complaints.
- The timeline for disclosing any deviations or variations in the use of funds must match the financial results reporting **timeline to the stock exchange.**
- All unitholders can now vote electronically and attend meetings online. Records can be maintained electronically **with backup and disaster recovery protocols in place.**
- The minimum trading lot for privately placed **InvITs is reduced to ₹25 lakhs.**
- Any new entry or exit of a sponsor in an InvIT is clearly defined. The timeline for paying distributions to unitholders is **reduced to five working days from the record date.** The record date is **now two working days after the declaration date.**

7. Guidelines for borrowing by Category I and II AIFs (facilitating ease of doing business) and specifying of maximum permissible limit for extension of tenure by Large Value Funds.

- In order to facilitate ease of doing business and provide operational flexibility to AIFs, the Board approved a proposal to permit **Category I & II AIF to borrow for up to 30 days to cover temporary shortfalls in investor drawdowns while making investments**. The borrowing costs must be charged to the investors responsible for the shortfall. Additionally, to prevent continuous borrowing, there must be a **30-day cooling-off period between two borrowings for these AIFs**.
- Board approved a proposal to limit Extension of LVFs tenure to **5 years subject** to approval of **2/3rd unit holders by value**. If the fund is not liquidated after this period, it can opt for a further dissolution period, similar to other AIFs.
- Existing LVFs not having limit on extension period or having extension longer than **5 years will have to comply with requirement within 3 months from The date of issuance of circular in this regard**.

8. Parameters for independent external evaluation of performance of Market Infrastructure Institutions

- The evaluation aims to provide a basic set of criteria to assess the performance of stock exchanges, clearing corporations, and depositories.
- The criteria are based on the requirements set out in the Securities Contracts **(Regulation) Regulations, 2018, and SEBI (Depositories and Participants) Regulations, 2018**.
- External evaluations will be conducted **every three years**. The first evaluation should be done **within 12 months from the implementation of this mechanism**

9. Cybersecurity and Cyber Resilience Framework (CSCRF) for SEBI Regulated Entities (REs)

- The CSCRF was approved by SEBI to protect against cyber attacks. It is based on five goals: **Anticipate, Withstand, Contain, Recover, and Evolve**
- REs are categorized into **five groups based on their operations**, client numbers, trade volume, and assets. These groups are
 - **Market Infrastructure Institutions (MIIs)**
 - **Qualified REs**
 - **Mid-size REs**
 - **Small-size REs**
 - **Self-certification REs**
- The framework offers a structured approach to enhance cybersecurity. It includes measures for data protection, setting up Security Operations Centers (SOC), and guidelines for securing APIs and mobile applications
- Data is divided into '**Regulatory Data**' and '**IT and Cybersecurity Data**'. Regulatory Data must be kept within the country, while IT and Cybersecurity Data can be offshored under strict conditions
- The new standards and controls will be adopted in phases. Entities already following cybersecurity regulations will **comply by January 1, 2025, and others by April 1, 2025**

10. Proposal to remove Financial Disincentive applicable on Managing Director and Chief Technology Officer of MIIs on account of Technical Glitch

- The Board was informed that SEBI proposes to remove the Financial Disincentive automatically imposed on **MD and CTO of MIIs** in the event of technical glitches in the nature of disaster, at MIIs
- Recommendations were received from various advisory committees in this regard and separately **MIIs had represented that such disincentives on individuals have hampered attracting and retaining the right talent.**



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