



SEBI Board Meeting

The SEBI Board met in Mumbai today and took the following important decisions:

I. Amendment to SEBI (Alternative Investment Funds) Regulations, 2012 regarding Angel Funds

In order to further develop the alternative investment industry and the startup ecosystem in India, SEBI, in March 2015, constituted a Committee of experts drawn from the across market participants called the "Alternative Investment Policy Advisory Committee" ("AIPAC") under the chairmanship of Shri. N.R. Narayana Murthy.

AIPAC had submitted its report to SEBI with various recommendations including certain recommendations relating to Angel Funds. Considering the recommendations in the report and public comments thereon, the SEBI Board has approved following amendments to SEBI (Alternative Investment Funds) Regulations, 2012 with respect to 'Angel Funds':

- i) The upper limit for number of angel investors in a scheme is increased from forty nine to two hundred.
- ii) The definition of start-up for Angel Funds investments be similar to definition of DIPP as given in their start-up policy. Accordingly, Angel Funds will be allowed to invest in start-ups incorporated within five years, which was earlier 3 years.
- iii) The requirements of minimum investment amount by an Angel Fund in any venture capital undertaking is reduced from fifty lakhs to twenty five lakhs.
- iv) The lock-in requirements of investment made by Angel Funds in the venture capital undertaking is reduced from three years to one year.
- v) Angel Funds are allowed to invest in overseas venture capital undertakings upto 25% of their investible corpus in line with other AIFs.

II. Amendment to SEBI (Foreign Portfolio Investors) Regulations, 2014 to permit FPIs to invest in unlisted Non-Convertible debentures and securitised debt instruments

As per the extant SEBI (Foreign Portfolio Investor) Regulations, 2014, investment in unlisted debt securities is permitted only in case of companies in the infrastructure sector. Further, investment by FPIs in securitised debt instruments is currently not permitted.

The Board decided that in order to enhance the investor base in unlisted debt securities and securitised debt instruments, FPIs shall be permitted to invest in the following:

i) Unlisted corporate debt securities in the form of non-convertible debentures/bonds issued by an Indian public or private company subject to the guidelines issued by the Ministry of Corporate Affairs from time to time. Investments in the unlisted corporate debt securities shall be subject to minimum residual maturity of three years and end use-restriction on investment in real estate business, capital market and purchase of land. The expression 'Real Estate Business' shall have the same meaning as assigned to it in Foreign Exchange Management (Transfer or issue of Security by a Person Resident outside India) Regulations, 2000 Notification No.FEMA.362/2016-RB dated February 15, 2016.

ii) Securitised debt instruments, including (i) any certificate or instrument issued by a special purpose vehicle (SPV) set up for securitisation of asset/s with banks, FIs or NBFCs as originators; and/or (ii) any certificate or instrument issued and listed in terms of the SEBI (Public Offer and Listing of Securitised Debt Instruments) Regulations, 2008.

Investment by FPIs in the unlisted corporate debt securities and securitised debt instruments shall not exceed INR 35,000 cr within the extant investment limits prescribed for corporate bond from time to time which currently is INR 2,44,323 cr. Further, investment by FPIs in securitised debt instruments shall not be subject to the minimum 3-year residual maturity requirement.

The above proposal shall be implemented through amendment of SEBI (Foreign Portfolio Investors) Regulations, 2014 and issue of circular.

III. Corporate Governance Issues in Compensation Agreements

The Board, in its meeting held on September 23, 2016, had deliberated the concerns related to private equity funds entering into compensation agreements to incentivize promoters, directors and key managerial personnel of listed investee companies which could potentially lead to unfair practices. Accordingly, it approved the proposal for initiation of public consultation process in this regard. The said consultation paper was issued on October 04, 2016 inviting public comments. Subsequently, comments/ suggestions have been received from the public.

Based on the consultative paper and the comments received thereon, the SEBI Board today approved the proposal to amend Listing Regulations to enforce disclosures and shareholder approval for all such agreements including existing agreements that extend beyond the date of the amendment. The revised norms for such disclosures and shareholder approvals are as under:

i) No employee including key managerial personnel, director or promoter of a listed entity shall enter into any agreement for himself or on behalf of any other person, with any shareholder or any other third party with regard to compensation or profit sharing unless prior approval has been obtained from the Board as well as public shareholders.

ii) All such agreements entered during the past three years from the date of notification shall be informed to the stock exchanges for public dissemination including those which may not be currently valid.

iii) Existing agreements entered into prior to the date of notification and which may continue to be valid beyond such date shall be informed to the stock exchanges and approval shall be obtained from public shareholders by way of an ordinary resolution in the forthcoming general meeting. The term 'public' shall carry the same meaning as defined under Rule 2 of Securities Contracts (Regulation) Rules, 1957.

iv) Interested persons involved in the transactions shall abstain from voting on the said resolution.

Mumbai

November 23, 2016

