

PR No. 05/2024

SEBI Board Meeting

The 204th meeting of the SEBI Board was held in Mumbai today.

The SEBI Board, *inter-alia*, approved the following:

1 Launch of Beta version of optional T+0 settlement

Taking into account stakeholder feedback, the Board approved the launch of a Beta version of optional T+0 settlement, for a limited set of 25 scrips, and with a limited set of brokers. In parallel, SEBI shall continue to do further stakeholder consultation, including with the users of the Beta version. The Board shall review the progress at the end of three months and six months from the date of this implementation, and decide on further course of action.

2 Additional disclosure requirements exempted for certain FPIs

- 2.1 In order 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:

2.1.1 Such FPI holds not more than 50% of its India equity AUM in the corporate group, after excluding its holding in the parent company with no identified promoter.

2.1.2 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 FPIs relaxed

3.1 In order to facilitate ease of doing business for FPIs, the Board approved a proposal to relax the timelines for disclosure of material changes by FPIs. Currently, FPIs must disclose to their DDP, material changes to information provided earlier, within seven working days.

3.2 Going forward, material changes required to be notified by the FPIs shall be categorized into two buckets, viz. Type I and Type II. Type I material changes, shall continue to be informed by FPIs to their DDP within seven working-days of the occurrence of the change. However, supporting documents for the same (if any) shall now be required to be provided within 30 days of such change. Other material changes (categorized as Type II) shall be informed along with supporting documents (if any) by FPIs to their DDP within 30 days of such change.

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

In order to facilitate ease of doing business for FPIs, the Board approved the following proposals:

4.1 FPI registrations that expire due to non-payment of registration fee, shall now be permitted to be reactivated within 30 days from such expiry. Such FPIs shall also be permitted to dispose off their securities holdings during

this 30-day period. Further, in cases where the FPI chooses not to re-activate its registration within 30 days, it shall be permitted a time period of 180 days for disposal of its securities.

4.2 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:

4.2.1 Adverse change in compliance status of the home jurisdiction of the FPI

4.2.2 Non-submission of documents for reclassification of FPI category from I to II

4.3 In cases where the securities held by an FPI have not been disposed off even after the lapse of the specified time period of 180 days, the following shall apply:

4.3.1 An additional time-period of 180 days shall be provided to the FPIs for disposal of their securities, subject to a financial disincentive of 5% of sale proceeds, which shall be credited by the custodian to SEBI's Investor Protection and Education Fund (IPEF).

4.3.2 Securities remaining unsold after expiry of the additional 180-day period shall be deemed to have been compulsorily written-off by the FPI.

This shall be applicable to all FPIs where the registration expires due to any reason, after issuance of this framework.

4.4 For existing cases, where securities are lying in the accounts of FPIs whose registration has expired, a one-time opportunity of 360 days (180 days without any financial disincentive, and an additional 180 days with a 5% financial disincentive) shall be provided for disposal of such securities

by the FPIs. Securities remaining unsold after expiry of the 360 days period shall be deemed to have been compulsorily written-off by the FPI.

- 4.5 Written-off securities shall be transferred to an escrow account, operated by an exchange empanelled broker, who shall attempt to sell the securities at the available market price until the securities are disposed-off. The proceeds from the sale shall be transferred to the 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:

- 5.1 Doing away with the requirement of one percent security deposit in public/rights issue of equity shares.
- 5.2 Promoter group entities and non-individual shareholders holding more than five percent of the post-offer equity share capital to be permitted to contribute towards minimum promoters' contribution (MPC) without being identified as a promoter.
- 5.3 Equity shares from the conversion of compulsorily convertible securities held for a year before filing the DRHP, to be considered for meeting MPC requirement.
- 5.4 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.
- 5.5 Flexibility in extending the bid/offer closing date on account of force majeure events by minimum one day instead of present requirement of minimum three days.

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

In order 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:

- 6.1 Market capitalization based compliance requirements for listed entities to be determined on the basis of average market capitalization of six months ending December 31, instead of single day's (March 31) market capitalization. Further, in order to ease the compliance requirements, a sunset clause of three years for cessation of applicability of market capitalization based provisions is also being introduced.
- 6.2 Extending the timeline from three months to six months for filling up vacancies of Key Managerial Personnel which require approval of statutory authorities.
- 6.3 Harmonization and reduction of timelines for prior intimation of board meetings to two working days.
- 6.4 Increasing the maximum permitted time gap between two consecutive meetings of the Risk Management Committee from 180 days to 210 days in order to provide flexibility to listed entities to schedule the meetings.

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

Industry Standards Forum (ISF), comprising of three industry associations viz. ASSOCHAM, CII and FICCI, took up the rumour verification requirement as one of the pilot projects for formulating standards for effective implementation of the said requirement, in consultation with SEBI. Based on the discussions with ISF and consultation with stakeholders, a proposal was presented to the Board which inter-alia, approved the following to facilitate a uniform approach to verification of market rumours by equity listed entities:

- 7.1 Specifying an objective and uniformly assessed criteria for rumour verification in terms of material price movement of equity shares of the listed entity.
- 7.2 Considering unaffected price for transactions wherever pricing norms have been prescribed under SEBI Regulations provided that the rumour pertaining to such transaction has been confirmed within twenty-four hours from the trigger of material price movement.
- 7.3 Promoters, directors, key managerial personnel and senior management to provide timely response to the listed entity for verifying market rumour.
- 7.4 Unverified event or information reported in print or electronic media not to be considered as '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

With an objective to provide ease of doing business for Alternative Investment Funds (AIFs) and to foster an ecosystem wherein private capital effectively complements the various modes available for infrastructure financing, the Board has approved the proposal to allow Category I and II AIFs to create an encumbrance on the equity of its investee companies in infrastructure sector to facilitate raising of debt/loan by such investee companies, subject to certain conditions, including compliance with RBI regulations. For this purpose, the companies in the infrastructure sector are such companies which are engaged in the business of development, operation or management of projects in any of the infrastructure sub-sectors listed in the Harmonised Master List of Infrastructure sub-sectors, as issued by the Government of India.

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 to require AIFs, Managers of AIFs, and their Key Management Personnel (KMPs), to carry out specific due diligence of their investors and investments, so that AIFs do not facilitate circumvention of

specified regulations administered by financial sector regulators. The same is envisaged so that the verifiable compliance with such due-diligence requirements would provide the regulatory comfort necessary for the introduction of other Ease of Doing Business (EoDB) proposals/ measures relating to AIFs, to facilitate sustained capital formation.

In order to ensure that the due-diligence requirements are not open ended or subject to interpretation, the specific implementation standards for verifiable due diligence to be conducted on investors and investments of AIFs shall be formulated by the pilot Industry Standards Forum for AIFs, in consultation with SEBI.

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 to allow AIFs to deal with unliquidated investments which are not sold due to lack of liquidity during the winding up process, by continuing to hold such investments in the same scheme of the AIF and entering into a Dissolution Period. The value of such investments carried forward into the Dissolution Period shall be recognised as per norms specified by SEBI for capturing in the track record of the manager and for reporting to Performance Benchmarking Agencies. The said facility of entering into Dissolution Period has been introduced in place of the existing option of launching a new scheme (viz. Liquidation Scheme).

The Board also approved the proposal to provide a one-year additional Liquidation Period to schemes of AIFs to deal with unliquidated investments whose Liquidation Period had expired in the past or shall expire within three

months from the date of notification of amendment to AIF Regulations, subject to certain conditions.

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

The Board, inter-alia, approved amendments to SEBI (Infrastructure Investment Trusts) Regulations, 2014 to provide a framework for issuance of subordinate units by privately placed InvITs only to start with. The objective of the framework for issuance of subordinate units is to enable usage of subordinate units to bridge the valuation gaps that may arise as a result of difference in the valuation of an asset assessed by the Sponsor (in its capacity of the asset seller) and the InvIT (in capacity of the asset buyer). The framework is designed to also include risk mitigation measures in respect of such units.

13 ‘Stock Exchange’ to be recognised as a body for administration and supervision of Research Analysts and Investment Advisers

13.1 The Board approved the proposal to recognise a stock exchange as a “Research Analyst Administration and Supervisory Body” (RAASB) and “Investment Advisers Administration and Supervisory Body” (IAASB).

13.2 As in the case of Investment Advisors, the RAASB framework will be fee neutral to the Research Analysts.

13.3 Further, in order to provide ease of doing business and to ensure smooth operationalisation of the RAASB/IAASB framework and prevent disruption, the Board approved deemed enlistment of existing registered RAs/IAs.

14 Budget for the Financial Year (FY) 2024-25

The SEBI Budget for the financial year 2024-25 was approved by the Board.

Mumbai

March 15, 2024