



PR No.08/2024

SEBI Board Meeting

The 205th meeting of the SEBI Board was held in Mumbai today.

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

1 **Amendments to SEBI (Infrastructure Investment Trusts) Regulations, 2014 and SEBI (Real Estate Investment Trusts) Regulations, 2014 in order to provide a framework for Unit Based Employee Benefit Scheme**

The Board approved the proposal to provide a framework for Unit Based Employee Benefit schemes (UBEB) for the employees of investment manager/manager of InvIT/REIT. The investment manager/manager may receive the units of InvIT/REIT in lieu of management fees, for the purpose of providing unit based employee benefits. Such units shall be allotted directly to the Employee Benefit Trust so that these units are used exclusively for the UBEB scheme.

2 **Flexibility to Venture Capital Funds, registered under the erstwhile SEBI (Venture Capital Regulations), 1996 ('VCF Regulations'), to deal with unliquidated investments of their schemes upon expiry of tenure by opting to migrate into SEBI (Alternative Investment Funds) Regulations, 2012 ('AIF Regulations')**

With a view to address the issues faced by VCFs registered under the erstwhile VCF Regulations with respect to their inability to fully liquidate the investments of their schemes within the tenure of the scheme, the Board has

approved a proposal to provide an option to such VCFs to migrate into AIF Regulations and avail the facilities available for AIFs to deal with unliquidated investments.

Salient features of the framework for migration are as under:

- A separate sub-category shall be created under Category I AIFs - VCFs called "Migrated VCFs".
- VCFs registered under the erstwhile VCF Regulations may opt for registering themselves as Migrated VCFs. No application fee or registration fee shall be levied for the same. Migrated VCFs shall not be subject to any additional investment conditions which were not applicable to them under the erstwhile VCF Regulations.
- Migrated VCFs can avail the flexibilities under AIF Regulations with respect to extension of tenure, liquidation period and Dissolution Period, to deal with unliquidated investments.
- Schemes of VCFs whose tenure has expired and opt for migration shall be provided a one year additional liquidation period, as long as they do not have any investor complaint with regard to non-receipt of funds or securities.

The option to migrate shall be available for a period of 12 months from the date of notification of amendment to AIF Regulations in this regard.

3 Amendments to SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 to modify provisions relating to disclosure of financial results in the offer documents, record date, due-diligence certificate and reduction in face value of debt securities and Non-convertible Redeemable Preference Shares

3.1 Facilitating listed entities to disclose audited financials for the last three years in the offer document through insertion of a web-link and QR code of the stock exchange website, where such financials are hosted

In order to reduce the size of the offer document, the Board approved the proposal that issuers which have listed outstanding non-convertible securities as on the date of the offer document may be allowed to disclose audited financials for the last three years through insertion of a web-link and QR code in the offer document/ placement memorandum.

3.2 Standardization of the record date for identifying eligible holders

In order to address the inconsistencies relating to fixation of record dates and to bring uniformity and standardization in terms of market practice followed by various issuers, the Board approved the proposal that record date for the payment of interest (or dividend)/ repayment of principal of debt securities/ non-convertible redeemable preference shares shall be 15 days prior to the due dates of such payment obligations.

3.3 Harmonization of the format of due diligence certificate provided by Debenture Trustee under the NCS Regulations and Master Circular for Debenture Trustees

The Board approved the proposal to align the formats specified under SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 in line with that specified in Master Circular for Debenture Trustees.

3.4 Reduction in denomination of face value to Rs.10,000/- for privately placed debt securities (NCDs) and Non-Convertible Redeemable Preference Shares (NCRPS) at the option of the Issuer, subject to the appointment of the Merchant Banker

To enhance participation of non-institutional investors in the bond market while safeguarding the interest of such investors, the Board approved the proposal to provide an option to the Issuers to issue NCDs or NCRPS through private placement mode at a reduced face value of Rs. Ten thousand along with the requirement to appoint a Merchant Banker. Such NCDs and NCRPS shall be plain vanilla, interest/ dividend bearing instruments. However, credit enhancements shall be permitted in such instruments.

4 **Amendments to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 for providing flexibility regarding publication of financial results in newspapers for entities that have listed only Non-Convertible Securities.**

In order to reduce cost of compliance for the listed entity, the Board approved the proposal that entities with only listed non-convertible securities, shall have

the option to give an intimation (in the form of a window advertisement) with a reference to QR code and link of website of listed entity and stock exchange in the newspapers regarding the financial results of the listed entity instead of disclosure of full financial results.

The above option can be exercised by the issuers as under:

- 4.1 For outstanding non-convertible securities, the listed entity shall obtain prior approval of Debenture Trustee.
 - 4.2 For future issuances, the listed entity has to either make a disclosure in the offer document or obtain prior approval from the Debenture Trustee.
- 5 **Flexibility for increased participation by Non-Resident Indians (“NRIs”), Overseas Citizens of India (“OCIs”) and Resident Indian (“RIs”) individuals in SEBI registered Foreign Portfolio Investors (FPIs) based out of International Financial Services Centres (“IFSCs”) in India and regulated by the International Financial Services Centres Authority (“IFSCA”)**
- 5.1 The Board approved a regulatory framework for providing flexibility for increased contribution by NRIs, OCIs and RI Individuals, in the corpus of certain FPIs based out of IFSCs in India and regulated by IFSCA. The flexibility for such increased participation shall be subject to certain conditions to manage regulatory risk.
 - 5.2 100% contribution limits shall be available subject to the FPI submitting copies of PAN cards of all their NRI/OCI/RI individual constituents, along with their economic interest in the FPI, to the DDP. If a constituent does not have a PAN, the FPI shall submit a suitable declaration along with copies of prescribed Identity documents such as Indian passport, OCI Card, Aadhaar, etc. Similar disclosure shall also be required in case of indirect holding in the FPI through non-individual constituents that are majority contributed to/owned/controlled by NRI/OCI/RI individuals on a look through basis.
 - 5.3 Alternatively, funds set up in IFSC and regulated by IFSCA, desirous of having upto 100% aggregate contribution in their corpus from NRIs/OCIs/RI individuals, shall not be required to submit the above mentioned documents, provided they satisfy the following conditions in terms of IFSCA’s regulatory framework:

- 5.3.1 Pooling: Contribution of all investors of the fund are pooled into one investment vehicle that is registered as an FPI, with no side-vehicles.
 - 5.3.2 Pari-passu and Pro-rata: The corpus of the fund is a blind pool (i.e. common portfolio) with no segregated portfolios. All investors in the fund shall have pari-passu and pro-rata rights in the fund.
 - 5.3.3 Diversification of investors: The fund has a minimum of 20 investors with each investor contributing not more than 25% to the corpus of the fund.
 - 5.3.4 Diversification of investments: A maximum of 20% of the corpus of the fund may be invested in the equity shares of an Indian listed entity.
 - 5.3.5 Independent Investment Manager: The investors in the fund do not have a say in the investment decisions of the fund. The Investment Manager (IM) is completely independent with respect to taking investment decisions for the fund.
 - 5.3.6 The IM of the fund is an Asset Management Company of a SEBI registered Mutual Fund which is sponsored by a RBI regulated Bank or its IFSC based subsidiary/branch.
- 5.4 Apart from the extant provisions of SEBI (FPI) Regulations, the above mentioned FPIs shall be bound by disclosure obligations with respect to all entities holding any ownership, economic interest, or exercising control in the FPI on a look through basis (in terms of SEBI circular dated August 24, 2023) if:
- 5.4.1 such FPI holds more than 33% of their Indian equity AUM in a single Indian corporate group; or such FPI along with its investor group holds more than INR 25,000 crore of equity AUM in the Indian markets.
 - 5.4.2 such FPI along with its investor group holds more than INR 25,000 crore of equity AUM in the Indian markets.

6 Streamlining of prudential norms for passive schemes with respect to exposure to securities of group companies of the sponsor to facilitate a level playing field for mutual funds

- 6.1 Currently, Mutual Fund schemes are not allowed to invest more than 25% of their net asset value (NAV) in group companies of the sponsor. This restricts

the passive funds to effectively replicate the underlying index, in cases where group companies of sponsor comprise of more than 25% in the index. This also puts such AMC's to a relative disadvantage as compared to other AMC's who may not have a sponsor group company(ies) comprising more than 25% in the underlying index.

6.2 Accordingly, to streamline the aforesaid norm and create a level playing field for all AMC's, the Board approved amendment to SEBI (Mutual Funds) Regulations, 1996 to allow equity passive schemes, on indices to be specified by SEBI, to take exposure up to the weightage of the constituents in the underlying index. This exposure would, however, be subject to an overall cap of 35% investment in the group companies of Sponsor.

7 AMC's to have an institutional mechanism for deterrence of potential market abuse including front-running

7.1 Considering the recent front-running instances observed by SEBI, the Board approved amendments to SEBI (Mutual Funds) Regulations, 1996 ('Regulations') for enhancing the existing regulatory framework by requiring Asset Management Companies (AMC's) to put in place a structured institutional mechanism for identification and deterrence of potential market abuse including front-running and fraudulent transactions in securities. The mechanism shall consist of enhanced surveillance systems, internal control procedures and escalation processes to identify, monitor and address specific types of misconduct including front running, insider trading, misuse of sensitive information, etc.

The Board also approved amendments to the Regulations to a) enhance responsibility and accountability of management of AMC's for such an institutional mechanism; and b) foster transparency by requiring AMC's to have a whistle blower mechanism.

7.2 While SEBI will specify the broad framework of the institutional mechanism, the industry body i.e. Association of Mutual Funds in India ('AMFI'), in consultation with SEBI, shall specify detailed standards for such an institutional mechanism.

7.3 Further, with respect to the requirement of recording of all communication by Dealers and Fund Managers, the Board approved exemption from the requirement of recording face to face communication, including out of office

interactions, during market hours. This will be made effective after implementation of the institutional mechanism by the AMCs.

8 Ease of Doing Business for Market Infrastructure Institutions (MIIs)

With the objective of easing compliance requirements and removing redundant provisions applicable to MIIs, under Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018, the Board approved various proposals including the proposal that the MIIs may continue to disclose their shareholding pattern in the format applicable to listed companies and are no longer additionally required to disclose it in a separate format.

Other decisions related to ease of doing business like issuance of Consolidated Account Statement in electronic form by default, rationalization of inspection period of commodity warehouses, etc. will be issued by way of circular(s).

Mumbai
April 30, 2024