THE INSTITUTE OF
Company Secretaries of India
भारतीय कम्पनी सचिव संस्थान
IN PURSUIT OF PROFESSIONAL EXCELLENCE
Statutory body under an Act of Parliament
(Under the jurisdiction of Ministry of Corporate Affairs)

SUPPLEMENT PROFESSIONAL PROGRAMME (SYLLABUS 2017)

(Supplements covers amendments/developments from July, 2021 to May, 2024)

Corporate Funding and Listings in Stock Exchanges

MODULE 3, PAPER 8

Students appearing in Examination shall note the following:

Students appearing in examination should also update themselves on all the relevant Notifications, Circulars, Clarifications, etc. issued by the MCA, SEBI, RBI & Central Government upto May, 2024.

The students are advised to acquaint themselves with the monthly and Regulatory updates published by the Institute.

This supplement is to be read with the CFLSE study material updated up to July , 2021.

New SEBI Regulations	**Old Regulations which stand Repealed**	**Effect in study Lesson**
SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021	• SEBI (Issue and Listing of Debt Securities) Regulations,2008 • SEBI (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013	Lesson 6 and Lesson 11
SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021	• SEBI (Share Based Employee Benefits) Regulations, 2014 • SEBI (Issue of Sweat Equity) Regulations, 2002	Lesson 5
SEBI (Delisting of Equity Shares) Regulations, 2021	• SEBI (Delisting of Equity Shares) Regulations, 2009	Lesson 11

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LESSON 1
INDIAN EQUITY- PUBLIC FUNDING

(1) SEBI (Issue of Capital and Disclosure Requirements) (Third Amendment) Regulations, 2021 (August 13, 2021)

SEBI vide its notification dated August 13, 2021, amended the provisions of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, which shall come into force on the date of their publication in the Official Gazette.

The following amendments have been made:

- **Omission: Regulation 2(1)(pp)(iii)(C)**

  The amendment is made in the definition of promoter group where the promoter is a body corporate, by omitting the following provision:

  C) any body corporate in which a group of individuals or companies or combinations thereof acting in concert, which hold twenty per cent. or more of the equity share capital in that body corporate and such group of individuals or companies or combinations thereof also holds 20% or more of the equity share capital of the issuer and are also acting in concert;

- **Substitution: Regulation 16(1)(a) - Lock-in of specified securities held by the promoters in case Initial Public Offer**

  The words "three years from the date of commencement of commercial production or date of allotment in the initial public offer, whichever is later", shall be substituted with the words "eighteen months from the date of allotment in the initial public offer".

  The aim of this amendment is to reduce the lock-in period of specified securities held by the promoters from **3 years from the date of commencement of commercial production or date of allotment in the IPO, whichever is later to 18 months from the date of allotment in the IPO.**

- **Insertion: Proviso to Regulation 16(1)(a)**

  Provided that in case the majority of the issue proceeds excluding the portion of offer for sale is proposed to be utilized for capital expenditure, then the lock-in period shall be three years from the date of allotment in the initial public offer.

- **Substitution: Regulation 16(1)(b)**

  The words **"one year"** shall be substituted with the words **"six months".**

  Promoters' holding in excess of minimum promoters' contribution shall be locked-in for a period of **6 months** from the date of allotment in the IPO instead of existing **1 year.**

- **Insertion: Proviso to Regulation 16(1)(b)**

  Provided that in case the majority of the issue proceeds excluding the portion of offer for sale is proposed to be utilized for capital expenditure, then the lock-in period shall be one year from the date of allotment in the initial public offer.

- **Substitution: Explanation to Regulation 16(1)**

  Explanation: For the purpose of this sub-regulation, "capital expenditure" shall include civil

  work, miscellaneous fixed assets, purchase of land, building and plant and machinery, etc. The concept of **date of commencement of commercial production** is completely removed from Regulation 16, consequently its meaning is also deleted from the explanation and the meaning of capital expenditure is added.

- **Substitution: Regulation 17 -Lock-in of specified securities held by persons other thanthe promoters**

  The words **"one year"** shall be substituted with the words **"six months".**

  The entire pre-issue capital held by persons other than the promoters shall be locked-in for aperiod of 6 months from the date of allotment in the IPO instead of 1 year.

- **Substitution: Proviso to Regulation 17(c)**

  The words **"one year"** shall be substituted with the words **"six months".**

  Provided that such equity shares shall be locked in for a period of at least **six months** from the date of purchase by the venture capital fund or alternative investment fund or foreign venture capital investor.

- **Substitution: Regulation 115(a) -Lock-in of specified securities held by the promoters in case Further Public Offer**

  The words **"three years from the date of commencement of commercial production or from the date of allotment in further public offer, whichever is later;"** shall be **substituted** with the words **"eighteen months from the date of allotment of the further public offer:"**

  The aim of this amendment is to reduce the lock-in period of specified securities held by the promoters from **3 years from the date of commencement of commercial production or from the date of allotment in the FPO, whichever is later to 18 months from the date of the allotment of the FPO.**

- **Substitution: Regulation 115(b)**

  The words **"one year"** shall be substituted with the words **"six months".**

  Promoters' holding in excess of minimum promoters' contribution shall be locked-in

for aperiod of **6 months** instead of **1 year.**

- **Substitution: Regulation 117 -Lock-in of party-paid securities**

  The words **"three years"** shall be substituted with the words **"eighteen months".**

  Where the specified securities which are subject to lock-in are partly paid-up and the amount called-up on such specified securities is less than the amount called-up on the specified securities issued to the public, the lock-in shall end only on the expiry of eighteen months after such specified securities have become *pari passu* with the specified securities issued to the public.

For details:
https://www.sebi.gov.in/legal/regulations/aug-2021/securities-and-exchange-board-of-india-issue-of-capital-and-disclosure-requirements-third-amendment-regulations-2021_51884.html

(2) SEBI (Issue of Capital and Disclosure Requirements) (Fourth Amendment) Regulations,2021 (October 26, 2021)

SEBI vide its notification dated October 26, 2021, amended the provisions of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, which shall come into force on the dateof their publication in the Official Gazette.

Eligibility requirements for an initial public offer

Regulation 6(3) of SEBI (ICDR) Regulations, 2018 provides that if an issuer has issued SR equity shares to its promoters/ founders, the said issuer shall be allowed to do an initial public offer of only ordinary shares for listing on the Main Board subject to compliance of various clauses specified in Regulation 6(3).

Vide this notification, the clause (ii) of Regulation 6(3) has been substituted with the following:

"(ii) The net worth of the SR shareholder, as determined by a Registered Valuer, shall not be more than Rs. 1000 crore.

Explanation: While determining the individual net worth of the SR shareholder, his investment/ shareholding in other listed companies shall be considered but not that of his shareholding in the issuer company."

Further clause (v) of Regulation 6(3) has been substituted with the following: -

(v) the SR equity shares have been issued prior to the filing of draft red herring prospectus andheld for a period of at least three months prior to the filing of the red herring prospectus.

For details:https://www.sebi.gov.in/legal/regulations/oct-2021/securities-and-exchange-board- of-india-issue-of-capital-and-disclosure-requirements-fourth-amendment-regulations-2021_53516.html

(3) Non-compliance with certain provisions of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("ICDR Regulations")

(Circular No. SEBI/HO/CFD/DIL1/P/CIR/2021/0660 dated November 23, 2021)

SEBI issued a circular bearing reference number SEBI/HO/CFD/DIL2/CIR/P/2019/94 dated August 19, 2019, specifying the fines to be imposed by the Stock Exchanges for non-compliance with certain provisions of SEBI (ICDR) Regulations, 2018. In partial modification of the circular dated August 19, 2019, para 9A is inserted which provides that the Stock Exchanges may deviate from the provisions of the circular, wherever the interest of the investors are not adversely affected, if found necessary, only after recording reasons in writing.

For details:https://www.sebi.gov.in/legal/circulars/nov-2021/non-compliance-with-certain-provisions-of-sebi-issue-of-capital-and-disclosure-requirements-regulations-2018_54130.html

(4) SEBI (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2022 (January 14, 2022)

SEBI vide its notification dated January 14, 2022, has amended the provisions of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, which has come into force on the date of their publication in the Official Gazette. Provided that the amendments to sub- regulation (3A) of regulation 32, regulation 49, regulation 129, regulation 145, clause (10) and clause (15) of Part A of Schedule XIII and Schedule XIV shall come into force from April 1,2022, for issues opening on or after April 1, 2022.

The amendments *inter alia* provide that-

- In regulation 2(1)(lll), in the definition the words "wilful defaulter" wherever it appears, shall be substituted with the words "wilful defaulter or a fraudulent borrower" and the words "wilful defaulters" shall be substituted with the words "wilful defaulters or fraudulent borrowers".
- **General conditions for object of the issue for IPO/FPO/Right issue [Insertion: Regulation 7(3), 62(2A) and 104(3)]**

  An issuer making an IPO/FPR/Right issue shall ensure that the amount for general corporate purposes and such objects where the issuer company has not identified acquisition or investment target, as mentioned in objects of the issue in the draft offer document and the offer document, shall not exceed 35% of the amount being raised by the issuer.

  However, the amount raised for such objects where the issuer company has not identified acquisition or investment target, as mentioned in objects of the issue in the draft offer document and the offer document, shall not exceed twenty 25% of the amount being raised by the issuer.

Further, provided that such limits shall not apply if the proposed acquisition or strategic investment object has been identified and suitable specific disclosures about such acquisitions or investments are made in the draft offer document and the offer document at the time of filing of offer documents.

- Regulation (8A) is inserted prescribing the additional conditions for an offer for sale for issues under regulation 6(2).

  Regulation (8A) - For issues where draft offer document is filed under sub-regulation (2) of regulation 6 of these regulations:

  a. shares offered for sale to the public by shareholder(s) holding, individually or with personsacting in concert, more than twenty per cent of pre-issue shareholding of the issuer based onfully diluted basis, shall not exceed more than fifty per cent of their pre-issue shareholding onfully diluted basis;

  b. shares offered for sale to the public by shareholder(s) holding, individually or with personsacting in concert, less than twenty per cent of pre-issue shareholding of the issuer based on fully diluted basis, shall not exceed more than ten per cent of pre-issue shareholding of the issuer on fully diluted basis;

  c. for shareholder(s) holding, individually or with persons acting in concert, more than twenty per cent of pre-issue shareholding of the issuer based on fully diluted basis, provisions of lock-in as specified under regulation 17 of these regulations shall be applicable, and relaxation from lock-in as provided under clause (c) of regulation 17 of these regulations shall not be applicable.

- **Lock-in period for venture capital fund or alternative investment fund [Amendment: Regulation 17(c)]**

  The equity shares held by a venture capital fund or alternative investment fund of category I or Category II or a foreign venture capital investor shall be locked in for a period of at least 6 months from the date of purchase by the venture capital fund or alternative investment fund of Category I or Category II or foreign venture capital investor.

- **Price and Price Band [Insertion: Proviso to Regulation 29(2)]**

  As per regulation 29(2), the cap on the price band, and the coupon rate in case of convertible debt instruments, shall be less than or equal to 120% of the floor price. **Provided that the capof the price band shall be at least 105% of the floor price.**

- **Allocation in the net offer [Insertion: Regulation 32(3A) and 129 (3A)]**

  In an issue made through book building process, the allocation in the non-institutional investors' category shall be as follows:

  (a) 1/3rd of the portion available to non-institutional investors shall be reserved for applicants with application size of more than Rs. 2 lakh and up to Rs. 10 lakh;

  (b) 2/3rd of the portion available to non-institutional investors shall be reserved for

applicants with application size of more than Rs. 10 lakh.

Provided that the unsubscribed portion in either of the sub-categories specified in clauses (a) or (b) may be allocated to applicants in the other sub-category of non-institutional investors.

- **Monitoring of utilization of IPO proceeds [Amendment: Regulation 41, 82 and 137]**
  If the issue size exceeds one hundred crore rupees, the issuer shall make arrangements for the use of proceeds of the issue to be monitored only by a credit rating agency registered with the SEBI instead of Scheduled commercial Banks and Public Financial Institutions. Monitoring of the funds raised by the issuer companies must be done for the entire proceeds instead of the erstwhile requirement of 95% of the amounts raised.

- **Refund of Application Money [Amendment: Regulation 45, 86 and 141]**

  In the event of non-receipt of minimum subscription of 90%, all application monies received shall be refunded to the applicants forthwith, but not later than **4 days** (earlier 15 days) fromthe closure of the issue**.**

- **Release of subscription money [Amendment: Regulation 53(2) and Regulation 94(2)]**

  In case the issuer fails to obtain listing or trading permission from the stock exchanges where the specified securities were to be listed, it shall refund through verifiable means the entire monies received within 4 days (earlier 7 days) of receipt of intimation from stock exchanges rejecting the application for listing of specified securities, and if any such money is not repaid within 4 days (earlier 8 days) after the issuer becomes liable to repay it, the issuer and every director ofthe company who is an officer in default shall, on and from the expiry of the 4th day (earlier 8th day), be jointly and severally liable to repay that money with interest at the rate of 15% per annum.

- **Period of subscription [Amendment: Regulation 87]**

  The rights issue shall be kept open for subscription for a minimum period of **7 seven days** (earlier 15 days) and for a maximum period of 30 days and no withdrawal of application shallbe permitted after the issue closing date.

- **Eligibility requirements for further public offer [Amendment: Regulation 103]**

  (1) An issuer shall be eligible to make a further public offer, if it has not changed its name in the last one year period immediately preceding the date of filing the relevant offer document:

  Provided that if an issuer has changed its name in the last one year period immediately preceding the date of filing the relevant offer document, such an issuer shall make further public offer if at least fifty per cent. of the revenue for the preceding one full year has been earned by it from the activity indicated by its new name.

(2) An issuer not satisfying the condition stipulated in the proviso to sub-regulation (1), shall make a further public offer only if the issue is made through the book building process and the issuer undertakes to allot at least seventy five per cent. of the net offer, to qualified institutional buyers and to refund full subscription money if it fails to make the said minimum allotment to qualified institutional buyers.

- **Issuers Ineligible to Make a Preferential Issue [Regulation 159]**

  a. Amendment to Regulation 159(1)

  Preferential issue of specified securities shall not be made to any person who has sold or transferred any equity shares of the issuer during the **90 trading days** (earlier six months) preceding the relevant date.

  b. Regulation 159(4) has been inserted as:

  An issuer shall not be eligible to make a preferential issue if it has any outstanding dues to the Board, the stock exchanges or the depositories. However, this shall not be applicable in a case where such outstanding dues are the subject matter of a pending appeal or proceeding(s), which has been admitted by the relevant Court, Tribunal or Authority, as the case may be.

- **Conditions for preferential issue [Insertion: Regulation 160(f)]**

  The issuer has made an application seeking in-principle approval to the stock exchange, where its equity shares are listed, on the same day when the notice has been sent in respect of the general meeting seeking shareholders' approval by way of special resolution.

- **Tenure of convertible securities[Insertion: 162(2)]**

  Upon exercise of the option by the allottee to convert the convertible securities within the tenure, the issuer shall ensure that the allotment of equity shares pursuant to exercise of the convertible securities is completed within 15 days from the date of such exercise by the allottee.

- **Disclosures to Shareholders [Regulation 163]**

  a. Amendment to Regulation163(2)

  The issuer shall place a copy of the certificate of **a practicing company secretary** before the general meeting of the shareholders considering the proposed preferential issue, certifying that the issue is being made in accordance with the requirements of the SEBI (ICDR) Regulations, 2018.

  b. Amendment to Regulation163(3)

  Specified securities may be issued on a preferential basis for consideration other than cash: Provided that consideration other than cash shall comprise only swap of shares pursuant to a valuation report by an independent registered valuer, which shall be submitted to the stock

exchange(s) where the equity shares of the issuer are listed.

- **Lock-in [Amendment: Regulation 167]**

  Lock in requirement for securities allotted to promoters/ promoter group (upto 20% of the post issue capital) has been reduced to 18 months. For allotment exceeding 20% of the post issue capital, lock in period has been reduced to 6 months. Lock in requirement for allotment to persons other than promoters and promoter group has been reduced to 6 months.

- **Pledge of locked-in specified securities [Insertion: Regulation 167A]**

  167A. Specified securities, except SR equity shares, held by the promoters and locked-in under the provisions of these regulations, may be pledged as collateral for a loan granted by a scheduled commercial bank or a public financial institution or a systemically important non- banking finance company or a housing finance company:

  Provided that the loan has been granted to the issuer or its subsidiary(ies) for the purpose of financing one or more of the objects of the issue and pledge of specified securities is one of the conditions for sanction of the loan:

  Provided further that the lock-in on the specified securities shall continue pursuant to the invocation of the pledge and the entity invoking the pledge shall not be eligible to transfer the specified securities till the lock-in period stipulated in these regulations has expired.
  For details: https://www.sebi.gov.in/legal/regulations/jan-2022/securities-and-exchange-board-of-india-issue-of-capital-and-disclosure-requirements-amendment-regulations-2022_55351.html

(5) Disclosures in the abridged prospectus and front cover page of the offer document (Circular No. SEBI/HO/CFD/SSEP/CIR/P/2022/14 dated February 04, 2022)

Background

Section 2(1) of the Companies Act, 2013 defines an abridged prospectus as *a memorandum containing such salient features of a prospectus as may be specified by the Securities and Exchange Board India by making regulations in this behalf*.

In terms of Regulation 34(1) SEBI (Issue of Capital and Disclosure Requirements), 2018, abridged prospectus shall contain the disclosures as specified in Annexure I of Part E of Schedule VI of ICDR Regulations.

Further, Section 33(1) of the Companies Act stipulates that that every application form for the purchase of any securities of a company shall be accompanied by an abridged prospectus.

Brief Analysis

In order to further simplify, provide greater clarity and consistency in the disclosures across various documents and to provide additional but critical information in the abridged prospectus, the format for disclosures in the abridged prospectus has been revised and is placed at AnnexureA of this Circular. This Circular shall be applicable for all issues opening after the date of this Circular. While the disclosures in the abridged prospectus shall be as per Annexure A of this Circular instead of Annexure I of Part E of Schedule VI of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 and the disclosure on front outside cover pageshall be as per Annexure B of this Circular.

For details: https://www.sebi.gov.in/legal/circulars/feb-2022/disclosures-in-the-abridged-prospectus-and-front-cover-page-of-the-offer-document_55920.html

(6) SEBI (Issue of Capital and Disclosure Requirements) (Second Amendment) Regulations, 2022 (April 27, 2022)

SEBI has notified the SEBI (Issue of Capital and Disclosure Requirements) (Second Amendment) Regulations, 2022, which shall come into force on the date of their publication in the Official Gazette. Vide this notification it is provided that the amendments relating to regulations 32(3A), 49, 129, 145, clause (10) and clause (15) of Part A of Schedule XIII and Schedule XIV carried out by the SEBI (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2022 shall come into force in the following manner: -

a. for public issues of a size less than Rs. 10,000 crore and opening on or after April 1, 2022;with effect from April 1, 2022;
b. for public issues of a size equal to or more than Rs. 10,000 crore and opening on or afterApril 1, 2022; with effect from July 1, 2022.

For details: https://www.sebi.gov.in/legal/regulations/apr-2022/securities-and-exchange-board-of-india-issue-of-capital-and-disclosure-requirements-second-amendment-regulations- 2022_58496.html

(7) Streamlining the Process of Rights Issue

(Circular No. SEBI/HO/CFD/SSEP/CIR/P/2022/66 dated May 19, 2022)

SEBI has streamlined the rights issue process and provided that the trading in Right Entitlements (REs) on the secondary market platform of stock exchanges commence along with the opening of the right issue and has to be closed at least three working days prior to the closure of the rights issue. Earlier, the requirement was four days. SEBI received representation from the market that in case there are trading holidays between the last date of REs trading date and issue closure, the provision of the minimum gap of four days may not always ensure thatthere are adequate days for settlement, as minimum 2 working days are required for the settlement of REs traded on last day of REs trading window. REs traded on the exchange platform have a T+2 rolling settlement.

For details: https://www.sebi.gov.in/legal/circulars/may-2022/streamlining-the-process-of-rights-issue_59023.html

(8) Processing of ASBA applications in Public Issue of Equity Shares and Convertibles (Circular No. SEBI/HO/CFD/DIL2/P/CIR/2022/75 dated May 30, 2022)

SEBI has reviewed the processing of Application Supported by Blocked Amount (ASBA) applications in the Public Issues by market intermediaries and Self-Certified Syndicate Banks (SCSBs) as a part of the continuing efforts to further streamline the bidding process and to ensure the orderly development of securities market.

SEBI vide this circular has provided that the ASBA applications in Public Issues shall be processed only after the application monies are blocked in the investor's bank accounts. Accordingly, all intermediaries / market infrastructure institutions are advised to ensure that appropriate systemic and procedural arrangements are made within three months from the date of issuance of this circular.

Further provided that the Stock Exchanges shall accept the ASBA applications in their electronic book building platform only with a mandatory confirmation on the application monies blocked. The circular shall be applicable for all categories of investors viz. Retail, QIB, NII and other reserved categories and also for all modes through which the applications are processed and for public issues opening on or after September 01, 2022.
For details: https://www.sebi.gov.in/legal/circulars/may-2022/processing-of- asba-applications-in-public-issue-of-equity-shares-and-convertibles_59338.html

(9) SEBI (Issue of Capital and Disclosure Requirements) (Third Amendment) Regulations, 2022 (Notification No. SEBI/LAD-NRO/GN/2022/90 dated July 25, 2022)

SEBI vide its notification dated July 25, 2022, has amended the provisions of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, which shall come into force on thedate of their publication in the Official Gazette.

Vide this notification SEBI has prescribed the framework for Social Stock Exchange and inserted a separate Chapter X-A under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.

Social Stock Exchange-Meaning

Social Stock Exchange means a separate segment of a recognized stock exchange having nationwide trading terminals permitted to register Not for Profit Organizations and / or list the securities issued by Not for Profit Organizations in accordance with provisions of these regulations.

Applicability of the Chapter

The provisions of the above mentioned Chapter shall apply to

- a Not for Profit Organization seeking to only get registered with a Social Stock

Exchange;

- a Not for Profit Organization seeking to get registered and raise funds through a Social StockExchange; and
- a For Profit Social Enterprise seeking to be identified as a Social Enterprise under the provisionsof this Chapter.

Access to Social Stock Exchange: A Social Stock Exchange shall be accessible only to institutional investors and non-institutional investors. However, the SEBI may permit other class(es) of investors, as it deems fit, for the purpose of accessing Social Stock Exchange.

Social Stock Exchange Governing Council: Every Social Stock Exchange shall constitute a Social Stock Exchange Governing Council to have an oversight on its functioning. The composition and terms of reference for such Governing Council shall be specified by the SEBI from time to time. **(Specified by SEBI vide its Circular No. SEBI/HO/MRD/MRD-RAC-2/P/CIR/2022/141 dated October 13, 2022)**

Eligibility conditions for being identified as a Social Enterprise:

- A Not for Profit Organization or a For Profit Social Enterprise, to be identified as a Social Enterprise, shall establish primacy of its social intent.

- In order to establish the primacy of its social intent, such Social Enterprise shall meet the prescribed eligibility criteria and shall be indulged in at least one of the activities such as eradicating hunger, poverty, malnutrition and inequality; promoting health care including mental healthcare, sanitation and making available safe drinking water; promoting education, employability and livelihoods; protection of national heritage, art and culture etc.

Requirements relating to registration for a Not for Profit Organization:

A Not for Profit Organization shall mandatorily seek registration with a Social Stock Exchange before it raises funds through a Social Stock Exchange. Provided that a Not for Profit Organization may choose to register on a Social Stock Exchange and not raise funds through it.

- The minimum requirements for registration of a Not for Profit Organization on a Social Stock Exchange shall be specified by the SEBI from time to time.
- The Social Stock Exchange may specify the eligibility requirements for registration of a Not for Profit Organization in addition to the minimum requirements specified by the SEBI.

Fund raising by Social Enterprises:

A Not for Profit Organization may raise funds on a Social Stock Exchange through:

- issuance of Zero Coupon Zero Principal Instruments to institutional investors and/or

non-institutional investors in accordance with the applicable provisions of this Chapter;

- donations through Mutual Fund schemes as specified by the SEBI;
- any other means as specified by the SEBI from time to time.

A For Profit Social Enterprise may raise funds through:

- issuance of equity shares on the main board, SME platform or innovators growth platform or equity shares issued to an Alternative Investment Fund including a Social Impact Fund;
- issuance of debt securities;
- any other means as specified by the SEBI from time to time.

Framework on Social Stock Exchange ("SSE")

SEBI vide its circular No. SEBI/HO/CFD/PoD-1/P/ CIR/2022/120 dated September 19, 2022 has issued a detailed framework for social stock exchange, specifying minimum requirements for a Not-for-Profit Organisation (NPO) for registering with the Stock exchange and disclosure requirements. This circular has specified minimum requirements to be met by a NPO for registration with SSE, disclosure requirement for NPOs raising funds through the issuance of zero-coupon zero principal instruments and put in place annual disclosure requirements that needs to be made by NPOs on SSE.

Governing Council for Social Stock Exchange

SEBI vide its Circular No. SEBI/HO/MRD/MRD-RAC-2/P/CIR/2022/141 dated October 13,

2022 has prescribed a framework for governing council of the Social Stock Exchange (SSE). Every SSE is required to constitute a Social Stock Exchange Governing Council (SGC) which will have an oversight on the functioning of the Board. The SGC shall comprise of individuals with relevant experience who can contribute to the development of the Social Stock Exchange. SGC will have a minimum of 7 members having representation from non-profit organisations, Stock exchange, Social impact investors, Philanthropic and social sectors, Information Repositories, Social Audit Profession and Capacity Building Fund. The same shall be supportedby the administrative staff from SSE. The SGC is expected to provide oversight and guidance to facilitate the smooth functioning of the operations of the Social Stock Exchange, with regard to registration, fund raising and disclosures by Social Enterprises.

For details: https://www.sebi.gov.in/legal/regulations/jul-2022/securities-and-exchange-board- of-india-issue-of-capital-and-disclosure-requirements-third-amendment-regulations-2022_61171.html

https://www.sebi.gov.in/legal/circulars/sep-2022/framework-on-social-stock-exchange_63053.html

(10) SEBI (Issue of Capital and Disclosure Requirements) (Fourth Amendment) Regulations,2022

(Notification No. SEBI/LAD-NRO/GN/2022/107 dated November 21, 2022)

The SEBI on November 21, 2022, has notified the SEBI (Issue of Capital and Disclosure Requirements) (Fourth Amendment) Regulations, 2022 which shall come into force on the dateof their publication in the Official Gazette. Vide this Notification, the following has been amended-

- In regulation 25(1) the words "with the concerned regional office of the Board (SEBI) under the jurisdiction of which the registered office of the issuer company is located" shall be substituted with the words "with the Board (SEBI)" with reference to filing of draft offer document and offer document.
- New Chapter IIA "Initial public offer on the main board through the pre-filing of the draft offer document" has been inserted.

For details: https://www.sebi.gov.in/legal/regulations/nov-2022/securities-and-exchange-board-of-india-issue-of-capital-and-disclosure-requirements-fourth-amendment-regulations-2022_65407.html

(11) Manner of achieving minimum public shareholding

(Circular No. SEBI/HO/CFD/PoD2/P/CIR/2023/18 dated February 03, 2023)

To facilitate listed entities achieve minimum public shareholding (MPS) compliance, few of the existing methods have been reviewed and rationalized and two additional methods have been introduced. Accordingly, a listed entity shall adopt any of the methods as prescribed in this circular in order to achieve compliance with the MPS requirements mandated under rules 19(2)(b) and 19A of the SCRR read with regulation 38 of the LODR Regulations.

The listed entities can adopt rights issue of shares to public shareholders and bonus issue to public shareholders to comply with the MPS requirements. However, promoters will have to forgo their entitlement to equity shares that may arise from such issuances.

The listed companies can opt for any other method as approved by it on a case to case basis. In such cases, listed entities would approach SEBI with an application containing relevant details to obtain prior permission.

In addition, the SEBI has rationalised existing mechanisms as under:

- With regard to the existing rule of promoters selling up to 2 per cent stake in the open market and promoters offloading up to a maximum of 5 per cent stake during a financial year, subject to certain conditions, promoters can use either of the mechanisms to comply with MPS requirements, but not both.
- The listed entity should at least one trading day prior to such proposed sale, announce to the stock exchange details such as the intention of the promoter to sell and the purpose of sale;

the details of promoters who propose to divest their shareholding; total number of shares and percentage of shareholding in the listed entity that is proposed to be divested; and the period within which the entire divestment process will be completed.

- Also, the listed entity would have to give an undertaking to the stock exchange obtained from the persons belonging to the promoter group stating that they will not buy any shares in the open market.
- In case of increase in public holding pursuant to exercise of options and allotment of shares under an employee stock option (ESOP) scheme, this is subject to a maximum of 2 % stake in the listed company. However, promoter(s)/promoter group would not be allotted any shares.
- For transfer of shares held by promoters to an Exchange Traded Fund (ETF), subject to a maximum of 5 per cent stake in the listed entity, the listed entities will have to disclose certain things to stock exchanges at least one trading day prior to such proposed transfer.
  For details: https://www.sebi.gov.in/legal/circulars/feb-2023/manner-of-achieving-minimum-public-shareholding_67801.html

(12) SEBI (Issue of Capital and Disclosure Requirements) (Second Amendment) Regulations, 2023

(Notification No. SEBI/LAD-NRO/GN/2023/130 dated May 23, 2023)

With the objective of increasing transparency and streamlining certain issue processes, SEBI has notified the SEBI (Issue of Capital and Disclosure Requirements) (Second Amendment) Regulations, 2023. Vide this notification following amendments have been made:
The words "SEBI (Share Based Employee Benefits) Regulations, 2014" wherever they appear, will be substituted with the words "SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021".

- Regulation 40 and 136 pertaining to Underwriting in the case of an initial public offer (IPO) and further public offer (FPO), respectively, have been replaced.

Underwriting [Regulation 40 and 136]

(1) If the issuer making an initial public offer or further public offer, other than through the book building process, desires to have the issue underwritten to cover under-subscription in the issue, it shall, prior to the filing of the prospectus, enter into an underwriting agreement with the merchant bankers or stock brokers registered with the Board to act as underwriters, indicating therein the maximum number of specified securities they shall subscribe to, either by themselves or by procuring subscription, at a predetermined price which shall not be less than the issue price, and shall disclose the fact of such underwriting agreement in the prospectus.

(2) The issuer making an initial public offer or further public offer, other than through the book building process, shall, prior to the filing of the prospectus, enter into an underwriting agreement with the merchant bankers or stock brokers registered with the Board to act as

underwriters, indicating therein the number of specified securities they shall subscribe to on account of rejection of applications, either by themselves or by procuring subscription, at a predetermined price which shall not be less than the issue price, and shall disclose the fact of such underwriting agreement in the prospectus.

(3) If the issuer makes a public issue through the book building process:

i. the issue shall be underwritten by lead manager(s) and syndicate member(s):
Provided that at least 75% of the net offer proposed to be compulsorily allotted to qualified institutional buyers for the purpose of compliance of the eligibility conditions specified in sub-regulation (2) of regulation 6 shall not be underwritten.

ii. the issuer shall, prior to the filing of the prospectus, enter into an underwriting agreement with the lead manager(s) and syndicate member(s), indicating therein the number of specified securities they shall subscribe to on account of rejection of bids, either by themselves or by procuring subscription, at a price which shall not be less than the issue price, and shall disclose the fact of such underwriting agreement in the prospectus.

iii. if the issuer desires to have the issue underwritten to cover under-subscription in the issue, it shall, prior to the filing of the red herring prospectus, enter into an underwriting agreement with the lead manager(s) and syndicate member(s) to act as underwriters, indicating therein the maximum number of specified securities they shall subscribe to, either by themselves or by procuring subscription, at a price which shall not be less than the issue price, and shall disclose the fact of such underwriting agreement in the red herring prospectus.

iv. if the syndicate member(s) fail to fulfil their underwriting obligations, the lead manager(s) shall fulfil the underwriting obligations.

v. the lead manager(s) and syndicate member(s) shall not subscribe to the issue in any manner except for fulfilling their underwriting obligations.

vi. in case of every underwritten issue, the lead manager(s) shall undertake minimum underwriting obligations as specified in the Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992.

vii. where the issue is required to be underwritten, the underwriting obligations should be at least to the extent of minimum subscription."

- In regulation 293 pertaining to conditions for a Bonus issue, the following clause is inserted:
"It has received approval from the stock exchanges for listing and trading of all the securities, excluding options granted to employees pursuant to an employee stock option scheme and convertibles securities, issued by the issuer prior to the issuance of bonus shares."

- In regulation 294 pertaining to restrictions on a bonus issue, the following clause is inserted:
"Bonus issue shall be made only in dematerialised form.
For details: https://www.sebi.gov.in/legal/regulations/may-2023/securities-and-exchange-board-of-india-issue-of-capital-and-disclosure-requirements-second-amendment-regulations-2023_71705.html

(13) Reduction of timeline for listing of shares in Public Issue from existing T+6 days to T+3 days (Circular No. SEBI/HO/CFD/ TPD1/CIR/P/2023/140 dated August 09, 2023)

SEBI, consequent to extensive consultation with the market participants and considering the public comments received pursuant to consultation paper on the aforesaid subject matter, reduced the time taken for listing of specified securities after the closure of public issue to 3 working days (T+3 days) as against the present requirement of 6 working days (T+6 days). **'T' being issue closing date.**

The T+3 timeline for listing shall be appropriately disclosed in the Offer Documents of public issues. The timelines for submission of application, allotment of securities, unblocking of application monies and listing shall prominently be made a part of pre-issue, issue opening and issue closing advertisements issued by the Issuer for public issues in terms of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.

For details: *https://www.sebi.gov.in/legal/circulars/aug-2023/reduction-of-timeline-for-listing-of-shares-in-public-issue-from-existing-t-6-days-to-t-3-days_75122.html*

(14) SEBI (Issue of Capital and Disclosure Requirements) (Third Amendment) Regulations, 2023 (Notification No. SEBI/LAD-NRO/GN/2023/162 dated December 21, 2023)

SEBI has notified the SEBI (Issue of Capital and Disclosure Requirements) (Third Amendment) Regulations, 2023 on 21st December, 2023 which shall come into force on the date of their publication in the Official Gazette. Vide this notification, the following amendments have been made in the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018:

1. The words "Social Auditor" and "Social Audit Firm" is substituted with the words "Social Impact Assessor" and "Social Impact Assessment Firm" respectively. [Regulation 292A(f) and 292A(g)]
2. Social Stock Exchange shall be accessible to institutional investors, non-institutional investors and retail investors. [Regulation 292C]
3. A Not for Profit Organization may raise funds on a Social Stock Exchange through issuance of Zero Coupon Zero Principal Instruments **to eligible investors**. [Regulation 292G(a)(i)]
4. The procedure and other conditions in respect of public issuance of Zero Coupon Zero Principal Instruments by a Not for Profit Organization shall be as specified by SEBI. [Regulation 292K]
5. The contents of the fund raising document shall be as specified by SEBI. [Regulation 292M]
6. The regulation 292N has been omitted specifying the other conditions relating to issuance of Zero Coupon Zero Principal Instruments.

For details: https://www.sebi.gov.in/legal/regulations/dec-2023/securities-and-exchange-board-of-india-issue-of-capital-and-disclosure-requirements-third-amendment-regulations-2023_80419.html

(15) Guidelines for returning of draft offer document and its resubmission (Circular No. SEBI/HO/CFD/PoD-1/P/CIR/2024/009 dated February 06, 2024)

Adequate disclosures by the issuer and timely processing of offer documents are important for the vibrancy of the primary market. It is imperative that the offer documents as filed by the issuers and

lead manager(s) are compliant with Schedule VI of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("ICDR Regulations"), which specifies information for disclosure in the draft offer document or the draft letter of offer and the offer document or the letter of offer, as applicable.

However, SEBI has observed that at times, draft offer documents / draft letter of offer filed for public issue / rights issue of securities are found lacking in compliance with respect to instructions provided under Schedule VI of ICDR Regulations. Such documents require revisions/changes and thus lead to a longer processing time.

In order to ensure completeness of the offer document for investors and provide greater clarity & consistency in the disclosures and for timely processing**, SEBI has issued 'Guidelines for returning of draft offer document and its resubmission'.**

Accordingly, the draft offer document shall be scrutinized based on the broad guidelines and such documents which are not compliant with the instructions provided under Schedule VI of ICDR Regulations and guidelines provided, shall be returned to the issuer. The Broad guidelines for returning of draft offer document and its resubmission are provided below:

Return of Draft Offer Document

- Draft offer document must be drafted in simple language with visual representation of data, so as to ensure ease of understanding of its contents.
- The information in the draft offer document is presented in a clear, concise, and intelligible manner.
- The draft offer document avoids complex presentations, vague, ambiguous and imprecise explanations, complex information, repetition of disclosures and inconsistency.
- The risk factors are appropriately worded in simple, clear and unambiguous language to bring out clearly the risk to the investor, without undermining the same.

Resubmission of Draft Offer Document

- While there shall be no requirement for payment of any fees on account of resubmission of draft offer document, the requirement for paying applicable fees for the changes, if any, in terms of changes specified in Schedule XVI of the ICDR Regulations for the updated offer document shall continue to apply as is applicable to issuer for updation in offer document.
- There shall be no refund of the filing fees on account of non-submission of draft offer document by the issuer after return.
- The issuer, within two days of resubmission of draft offer document with the SEBI, shall make a public announcement in the mode and manner as prescribed under ICDR Regulations, as applicable, and the issuer shall also include a disclosure that it is a resubmitted document.

- Issuer shall make written intimation to its sectoral regulator, if any, informing about the return and resubmission of the draft offer document, as applicable.

For details: https://www.sebi.gov.in/legal/circulars/feb-2024/guidelines-for-returning-of-draft-offer-document-and-its-resubmission_81146.html

(16) SEBI (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2024 (Notification No. SEBI/LAD-NRO/GN/2024/178 dated May 17, 2024)

SEBI has notified the SEBI (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2024 on 17th May, 2024 which shall come into force on the date of their publication in the Official Gazette. Vide this notification, the following amendments have been made in the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018:

Promoters' Contribution in case of Initial Public Offer

- The promoters of the issuer shall hold at least twenty per cent. of the post-issue capital. Provided that in case the post-issue shareholding of the promoters is less than twenty per cent., alternative investment funds or foreign venture capital investors or scheduled commercial banks or public financial institutions or insurance companies registered with IRDAI or **any non-individual public shareholder holding at least five per cent. of the post-issue capital or any entity (individual or non-individual) forming part of promoter group other than the promoter(s)** may contribute to meet the shortfall in minimum contribution as specified for the promoters, subject to a maximum of ten per cent. of the post-issue capital without being identified as promoter(s). **[Regulation 14(1)]**

Lock-in Requirements in case of Initial Public Offer

- Minimum promoters' contribution including contribution made by alternative investment funds or foreign venture capital investors or scheduled commercial banks or public financial institutions or insurance companies registered with Insurance Regulatory and Development Authority of India **or any non-individual public shareholder holding at least five per cent. of the post-issue capital or any entity (individual or non-individual) forming part of promoter group other than the promoter(s)** referred to in proviso to sub-regulation (1) of regulation 14, shall be locked-in for a period of eighteen months from the date of allotment in the initial public offer. Provided that in case the majority of the issue proceeds excluding the portion of offer for sale is proposed to be utilized for capital expenditure, then the lock-in period shall be three years from the date of allotment in the initial public offer. **[Regulation 16(1)(a)]**

Period of Subscription

- An IPO/FPO shall be kept open for at least 3 working days and not more than 10 working days. In case of force majeure, banking strike or similar **unforeseen** circumstances, the issuer may, for reasons to be recorded in writing, extend the bidding (issue) period disclosed in the red herring prospectus (in case of a book built issue) or the issue period disclosed in the prospectus (in case of a fixed price issue), for a minimum period of **one working day. [Regulation 46 and 142]**

Adjustments in Pricing in case of Preferential Issue - Frequently and Infrequently Traded Shares

- The effect on the price of the equity shares of the issuer due to material price movement and confirmation of reported event or information may be excluded as per the framework specified under sub-regulation (11) of regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 for determination of the price for a preferential issue in accordance with regulations 164, 164A, 164B or 165 of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 **[Insertion: Regulation166(2)]**

Pricing in case of Qualified Institutions Placement

- The effect on the price of the equity shares of the issuer due to material price movement and confirmation of reported event or information may be excluded as per the framework specified under sub-regulation (11) of regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 for calculation of the issue price under SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018. **[Insertion: Regulation176(5)]**

Promoters' Contribution in case of Initial Public Offer by Small and Medium Enterprises

- The promoters of the issuer shall hold at least twenty per cent. of the post-issue capital. Provided that in case the post-issue shareholding of the promoters is less than twenty per cent., alternative investment funds or foreign venture capital investors or scheduled commercial banks or public financial institutions or insurance companies registered with Insurance Regulatory and Development Authority of India **or any non-individual public shareholder holding at least five per cent. of the post-issue capital or any entity (individual or non-individual) forming part of promoter group other than the promoter(s)** may contribute to meet the shortfall in minimum contribution as specified for the promoters, subject to a maximum of ten per cent. of the post-issue capital without being identified as promoter(s). **[First proviso to Regulation 236(1)]**

Lock-in of specified securities held by the promoters in case of Initial Public Offer by Small and Medium Enterprises

- Minimum promoters' contribution including contribution made by alternative investment funds or foreign venture capital investors or scheduled commercial banks or public financial institutions or insurance companies registered with Insurance Regulatory and Development Authority of India **or any non-individual public shareholder holding at least five per cent. of the post-issue capital or any entity (individual or non-individual) forming part of promoter group other than the promoter(s),** as applicable, shall be locked-in for a period of three years from the date of commencement of commercial production or date of allotment in the initial public offer, whichever is later. **[Regulation 238(a)]**

Period of subscription in case of Initial Public Offer by Small and Medium Enterprises

- A public issue shall be kept open for at least 3 working days and not more than 10 working days. In case of force majeure, banking strike or similar **unforeseen** circumstances, the issuer may, for reasons to be recorded in writing, extend the bidding (issue) period disclosed in the red herring prospectus (in

case of a book-built issue) or the issue period disclosed in the prospectus (in case of a fixed price issue), for a minimum period of **one working day**. **[Regulation 266]**

- The provisions mentioned in Regulation 38, Regulation 80, Regulation 135 and Regulation 197 and Regulation 259 pertaining to Security deposit have been omitted.

Brief Analysis:

In order to facilitate ease of doing business for companies coming for IPOs / fund raising, SEBI has amended the provisions of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 and notified SEBI (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2024. The amendments, inter alia, have been made in respect of the following:

- 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
- Doing away with the requirement of one percent security deposit in public/rights issue of equity shares.
- 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.

For details: https://www.sebi.gov.in/legal/regulations/may-2024/securities-and-exchange-board-of-india-issue-of-capital-and-disclosure-requirements-amendment-regulations-2024_83469.html

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LESSON 2 AND LESSON 3

REAL ESTATE INVESTMENT TRUSTS AND INFRASTRUCTURE INVESTMENT TRUSTS

(1) Continuous disclosures in compliances by REITs Amendments (June 22, 2021)

The Securities & Exchange Board of India (SEBI) through a circular dated 22nd July, 2021 has issued amendment to Continuous disclosures in compliances by the Real Estate Investment Trusts (REITs). To further enhance the investor protection and to increase transparency in grievance redressal, Para 5.3 of Annexure-B of SEBI Circular No CIR/IMD/DF/127/2016 dated November 29, 2016 which prescribes guidelines for grievance mechanism for REIT has been modified which reads as-

"All complaints including SCORES complaints received by the REIT shall be disclosed in the format mentioned in Annexure- A on the website of the REIT and also filed with the recognized stock exchange(s), where its units are listed within 21 days from the end of financial year or endof quarter, as the case may be."

For details: https://www.sebi.gov.in/legal/circulars/jul-2021/continuous-disclosures-in-compliances-by-reits-amendments_51305.html

(2) Securities and Exchange Board of India (Real Estate Investment Trusts) (Amendment) Regulations, 2021 (July 30, 2021)

- In regulation 14, in sub-regulation (14),the word "amount" shall be inserted after the word "subscription", and the words and symbols "and/or public offer shall be fifty thousand" shall be substituted with the words and symbols "and follow-on offer shall fall in the range of ten thousand rupees to fifteen thousand rupees".

- In regulation 16, in sub-regulation (4), the words and figures "100 units" shall be substituted with the words "one unit"

For details: https://www.sebi.gov.in/legal/regulations/jul-2021/securities-and-exchange-board-of- india-real-estate-investment-trusts-amendment-regulations-2021_51549.html

(3) Securities and Exchange Board of India (Infrastructure Investment Trusts) (Amendment) Regulations, 2021 (July 30, 2021)

In regulation 14, in sub-regulation (4), in clause (c), the word "amount" shall be inserted after the word "subscription", and the words "be one lakh rupees" shall be substituted with the words "fall within the range of ten thousand rupees to fifteen thousand rupees".

In regulation 16, in sub-regulation (9), in clause (b), the words and figures "100 units" shall be substituted with the words "one unit".

In regulation 26B, after sub-regulation (2), the following new sub-regulation shall be

inserted, namely, -

"(3) The minimum number of unit holders in an InvIT, other than the sponsor(s), its related parties and its associates, shall be five, together and collectively holding at least twenty-five percent of the total units of the InvIT, at all times.

For details: https://www.sebi.gov.in/legal/regulations/jul-2021/securities-and-exchange-board-of-india-infrastructure-investment-trusts-amendment-regulations-2021_51547.html

(4) Requirement of minimum number and holding of unit holders for unlisted InfrastructureInvestment Trusts (InvITs) (August 04, 2021)

As per regulation 26B(3) of the InvIT Regulations, the minimum number of unit holders in an InvIT, other than the sponsor(s), its related parties and its associates, should be five, together and collectively holding at least 25 percent of the total units of the InvIT at all times.

Further through this revised framework the registered unlisted InvITs which have already issued units as on the date of this circular, shall comply with the above provision within aperiod of six months from the date of this circular.

For details: https://www.sebi.gov.in/legal/circulars/aug-2021/requirement-of-minimum-number-and-holding-of-unit-holders-for-unlisted-infrastructure-investment-trusts-invits-_51631.html

(5) Amendments pertaining to manner and mechanism of providing exit option to dissenting unit holders pursuant to Regulation 22(6A) and Regulation 22(8) of SEBI (Real Estate Investment Trusts) Regulations, 2014 (October 05, 2021)

The Securities and Exchange Board of India (SEBI) on October 05, 2021 has issued a notification on manner and mechanism of providing exit options to dissenting unit holders pursuant to Regulation 22(6A) and Regulation 22(8) of SEBI (Real Estate Investment Trusts) Regulations, 2014 by modifying an earlier circular SEBI/HO/DDHS/DDHS/CIR/P/2020/123dated July 17, 2020, which specifies "manner and mechanism of providing exit option to dissenting unit holders pursuant to Regulation 22(6A)and Regulation 22(8) of SEBI (Real Estate Investment Trusts) Regulations, 2014.

Clause 2.5A which specifies the change in sponsor or change in control of sponsor and their exit options timelines, has been inserted.

For details: https://www.sebi.gov.in/legal/circulars/oct-2021/amendments-to-manner-and-mechanism-of-providing-exit-option-to-dissenting-unit-holders-pursuant-to-regulation-22-6a-and-regulation-22-8-of-sebi-real-estate-investment-trusts-regulations-2014-se-_53137.html

(6) Amendments to manner and mechanism of providing exit option to dissenting unit holders pursuant to Regulation 22(5C) and Regulation 22(7) of SEBI Infrastructure Investment Trusts Regulations, 2014 (October 05, 2021)

The Securities and Exchange Board of India (SEBI) through a circular dated 5th October, 2021 has issued amendment to manner and mechanism of providing exit option to dissenting unit holders pursuant to Regulation 22(5C) and Regulation 22(7) of SEBI (Infrastructure Investment Trusts) Regulations, 2014. In case of an acquisition described under Regulation 22(5C) or change in sponsor or change in control of sponsor or inducted sponsor under Regulation 22(7) of SEBI (InvIT) Regulations is triggered pursuant to an open offer the summary of activities pertaining to exit option/offer is prescribed in the circular along with the prescribed timelines.

For details: https://www.sebi.gov.in/legal/circulars/oct-2021/amendments-to-manner-and- mechanism-of-providing-exit-option-to-dissenting-unit-holders-pursuant-to-regulation-22-5c- and-regulation-22-7-of-sebi-infrastructure-investment-trusts-regulations-2014-s-_53139.html

(7) Framework for conversion of Private Listed InvIT into Public InvIT

(Circular No. SEBI/HO/DDHS/DDHS_Div3/P/CIR/2022/15 dated February 09, 2022)

The Securities and Exchange Board of India (SEBI) vide this circular has published a framework for conversion of Private Listed infrastructure investment trust (InvIT) into a Public InvIT. A Private Listed InvIT may convert into a Public InvIT on making a public issue of units through a fresh issue and/or an offer for sale in exercise of powers conferred by Section 11(1) of the Securities and Exchange Board of India Act, 1992 read with Regulation 33 and Regulation 34 of InvIT Regulations.

Units held by an existing unit holder of a Private Listed InvIT may be offered for sale in the public issue in accordance with Regulation 14(4)(v) of the InvIT Regulations. Provided that such units shall be free from any encumbrance or lock-in on the date of filing of draft offer document. Provided further that unitholders, other than the sponsor(s), its related parties and its associates, who offer units towards the offer for sale shall not be eligible to participate in the public issue.

The Minimum sponsor(s) contribution for the public issue of units shall be either to the extent of 15% of the units issued through the public issue or to the extent of 15% of the post-issue capital. Further the Units held by the sponsor(s) in excess of minimum sponsor(s) contribution, shall be locked-in for a period of one year from the date of listing of units allottedin the public issue.

The Maximum subscription from any investor other than sponsor(s), its related parties and its associates, in initial offer shall not be more than 25 percent of the total unit capital on post-issue basis.

For details: https://www.sebi.gov.in/legal/circulars/feb-2022/framework-for-conversion-of-private-listed-invit-into-public-invit_55971.html

(8) Reduction of timelines for listing of units of Real Estate Investment Trust (REIT) Infrastructure Investment Trust (InvIT)

(Circular No. SEBI/HO/DDHS/DDHS_Div3/P/CIR/2022/54 and SEBI/HO/DDHS/DDHS_Div3/P/CIR/2022/55 dated April 28, 2022)

As a part of the continuing endeavour to streamline the process of public issue of units ofReal Estate Investment Trust (REIT) and Infrastructure Investment Trust (InvIT), SEBI has reduced the time taken for allotment and listing after the closure of issue to 6 working days as against the present requirement of within 12 working days. SEBI vide this circular has prescribed the indicative timelines from issue closure till listing. The provisions of this circular shall be applicable to a public issue of units of REIT and InvIT under the SEBI (Real Estate Investment Trusts) Regulations, 2014 and SEBI (Infrastructure Investment Trusts) Regulations, 2014 which opens on or after June 01, 2022.

For details:

https://www.sebi.gov.in/legal/circulars/apr-2022/reduction-of-timelines-for-listing-of-units-of-infrastructure-investment-trust-invit-_58517.html

https://www.sebi.gov.in/legal/circulars/apr-2022/reduction-of-timelines-for-listing-of-units-of-real-estate-investment-trust-reit-_58515.html

(9) SEBI (Infrastructure Investment Trusts) (Amendment) Regulations, 2022 (May 04, 2022)

SEBI has notified the SEBI (Infrastructure Investment Trusts) (Amendment) Regulations, 2022, which shall come into force on the date of their publication in the Official Gazette.

Vide this notification, the following amendments to the SEBI (Infrastructure Investment Trusts) Regulations, 2014, have been made:

- **In Schedule II, paragraph 4 has been substituted with the following:**

With respect to privately placed InvIT, the InvIT shall pay non-refundable filing fees of:

i. 0.1% in case of initial offer; and

ii. 0.05% in case of rights issue,

of the total issue size including green shoe option, if any, at the time of filing of draft placementmemorandum or letter of offer, as applicable, with the Board.

For details: https://www.sebi.gov.in/legal/regulations/may-2022/securities-and-exchange-board-of-india-infrastructure-investment-trusts-amendment-regulations-2022_58820.html

(10) Introduction of Unified Payments Interface (UPI) mechanism for Real Estate InvestmentTrusts

(Circular No. SEBI/HO/DDHS/DDHS_Div3/P/CIR/2022/086 dated June 24, 2022)

SEBI vide its Circular dated January 15, 2019 lays down the process for payment for

applications in public issue of units of Real Estate Investment Trust (REIT) through the facilityof ASBA.

SEBI vide this circular has provided an additional option to individual investors to apply in public issues of units of REITs with a facility to block funds through Unified Payments Interface (UPI) mechanism for application value upto Rs. 5 Lac. The process flow for availing the option of blocking funds through UPI mechanism is placed at Annex I to this Circular.

The provisions of these circular shall be applicable to a public issue of units of the SEBI (Real estate Investment Trusts) Regulations, 2014 which opens on or after August 01, 2022.
For details: *https://www.sebi.gov.in/legal/circulars/jun-2022/introductionof-unified- aymentsinterface-upimechanism-for-realestate-investmenttrusts-reits-_60070.html*

(11) Introduction of Unified Payments Interface (UPI) mechanism for Infrastructure Investment Trusts

(Circular No. SEBI/HO/DDHS/DDHS_Div3/P/CIR/2022/085 dated June 24, 2022)

SEBI vide its Circular dated January 15, 2019 lays down the process for payment for applications in public issue of units of Infrastructure Investment Trust (InvIT) through the facility of ASBA.
SEBI vide this circular has provided an additional option to individual investors to apply in public issues of units of InvITs with a facility to block funds through Unified Payments Interface (UPI) mechanism for application value upto Rs. 5 Lac. The process flow for availing the option of blocking funds through UPI mechanism is placed at Annex I to this Circular.
The provisions of this circular shall be applicable to a public issue of units of InvIT under the SEBI (Infrastructure Investment Trusts) Regulations, 2014 which opens on or after August 01, 2022.
For details: https://www.sebi.gov.in/legal/circulars/jun-2022/introduction-of-unified-payments- interface-upi-mechanism-for-infrastructure-investment-trusts-invits-_60072.html

(12) Reduction of timelines for listing of units of privately placed Infrastructure Investment Trust (InvIT)

(Circular No. SEBI/HO/DDHS/DDHS_Div3/P/CIR/2022/087 dated June 24, 2022)

Regulation 16(8)(a) of SEBI (Infrastructure Investment Trusts) Regulations, 2014 ("InvIT Regulations) provides that the listing of privately placed units shall be done within thirty working days from the date of allotment. These timelines prescribed in the InvIT Regulations are indicative. Considering the time taken for listing of units of privately placed InvIT in recent past, it was decided to examine the reduction of timelines for listing of units of privately placed InvIT.

Hence, as a part of the continuing endeavor to streamline the process of allotment and listing

of units, it has been decided to reduce the time taken for allotment and listing of units of privately placed Infrastructure Investment Trust (InvIT), after the closure of issue to six working days as against the present requirement of thirty working days.
For details:
https://www.sebi.gov.in/web/?file=https://www.sebi.gov.in/sebi_data/attachdocs/jun-2022/1656069414462.pdf#page=1&zoom=page-width,-16,792

(13) Amendments to guidelines for preferential issue and institutional placement of units by a listed REIT/InvIT
(Circular No. SEBI/HO/DDHS/DDHS_Div3/P/CIR/2022/0115 and SEBI/HO/DDHS/DDHS_Div3/P/CIR/2022/0116 dated August 26, 2022)

The Securities and Exchange Board of India on 26th August 2022, issued a circular amending its Guidelines for preferential issue and institutional placement of units by a listed Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs).

Vide this circular, it is provided that post allotment, the REIT/InvIT shall make an application for listing of the units to the stock exchange and the units shall be listed within 2 working days from the date of allotment. However, where the REIT/InvIT fails to list the units within the specified time, the monies received shall be refunded through verifiable means within 4 working days from the date of the allotment, and if any such money is not repaid within such time after the issuer becomes liable to repay it, the REIT/InvIT, the manager of the REIT/InvIT and its director or partner who is an officer in default shall, on and from the expiry of the fourth working day, be jointly and severally liable to repay that money with interest at the rate of fifteen percent per annum.
For details: https://www.sebi.gov.in/legal/circulars/aug-2022/amendments-to-guidelines-for- preferential-issue-and-institutional-placement-of-units-by-a-listed-invit_62399.html
https://www.sebi.gov.in/legal/circulars/aug-2022/amendments-to-guidelines-for-preferential-issue-and-institutional-placement-of-units-by-a-listed-reit_62396.html

(14) Issue and listing of Commercial Paper by listed REITs and InvITs (September 22, 2022) (SEBI/HO/DDHS/DDHS_Div3/P/CIR/2022/ 123 dated September 22, 2022) (SEBI/HO/DDHS/DDHS_Div3/P/CIR/2022/ 122 dated September 22, 2022)

In terms of Reserve Bank Commercial Paper Directions, 2017 dated August 10, 2017 REIT and InvIT having net worth of INR 100 Crore or higher are eligible to issue commercial paper.

It has been decided that REITs and InvITs may issue listed commercial papers subject to certain conditions, including REITs and InvITs need to abide by the guidelines prescribed by the Reserve Bank of India (RBI) for issuances of commercial papers, conditions of listing norms prescribed by SEBI under SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 and the issuance of listed CPs shall be within the overall debt limit permitted under SEBI REITs and InvITs Regulations.

For details: https://www.sebi.gov.in/legal/circulars/sep-2022/issue-and-listing-of-commercial-paper-by-listed-reits_63264.html
https://www.sebi.gov.in/legal/circulars/sep-2022/issue-and-listing-of-commercial-paper-by-listed-invits_63263.html

(15) SEBI issues Amendment to guidelines for preferential issue and institutional placementof units by a listed InvIT/ REIT (September 28, 2022)

(Circular No. SEBI/HO/DDHS/DDHS_Div3/P/CIR/2022/129 dated September 28, 2022) SEBI vide this circular has amended the guidelines for preferential issue and institutional placement of units by listed InvITs/ REITs which were issued vide circular dated 27-11-2019. Through this circular, the bar for minimum listing period of 12 months required in case of issuance of units through institutional placement is removed and the unsubscribed portion of the units can be allotted to the sponsors fulfilling the following conditions:

a) Atleast 90% of the issue size has been subscribed;
b) The issue should be made for acquisition of assets from that sponsor;
c) Units allotted should be locked in for a period of 3 years from the date of trading approvalgranted for the units.
d) Approval of unit holders has been taken before allotting the unsubscribed portion of theunit.

For details: https://www.sebi.gov.in/legal/circulars/sep-2022/amendments-to-guidelines-for- preferential-issue-and-institutional-placement-of-units-by-a-listed-invit_63450.html

(16) Securities and Exchange Board of India (Real Estate Investment Trusts) (Amendment)Regulations, 2022 (November 11, 2022)

The SEBI vide e-gazette notification dated November 09, 2022 amended the (Real Estate Investment Trusts) Regulations, 2014 as under:

Regulation 11(3) has been substituted with the following sub-regulation, -

"The sponsor(s) and sponsor group(s) shall collectively hold a **minimum of fifteen percent** of the total units of the REIT for a period of at least three years from the date of listing of suchunits pursuant to initial offer on a post-issue basis:

Provided that any holding of the sponsor(s) and sponsor group(s) exceeding the minimum holding, shall be held for a period of at least one year from the date of listing of such units."

Regulation 11(4) has been inserted after Regulation 11(3) as under:

"Notwithstanding anything contained in any contract or agreement, the sponsor(s) and the sponsor group(s) shall continue to be liable to the REIT, trustees and unit holders for all acts of commission or omission, representation or covenants related to the formation of

the REIT and the sale or transfer of assets or holdco or SPV to the REIT.

These regulations shall come into force on the date of their publication in the Official Gazette.

For details: https://www.sebi.gov.in/legal/regulations/nov-2022/securities-and-exchange-board-of-india-real-estate-investment-trusts-amendment-regulations-2022_64911.html

(17) Securities and Exchange Board of India (Infrastructure Investment Trusts) (Second Amendment) Regulations, 2022 (November 11, 2022)

The SEBI vide e-gazette notification dated November 09, 2022 amended the SEBI (Infrastructure Investment Trusts), 2014. These Regulations shall come into force on January 1, 2023.

As per the amended Regulations, No InvIT shall undertake any activity under Chapter VIA which deals with Framework for Private Placement of units of InvITs which are not listed. Hence, No InvIT shall make a private placement of unlisted shares.

In regulation 26F, (a) the provision of regulation 26F shall be numbered as sub -regulation (1); and after sub- regulation (1), the following shall be inserted, namely -

"Notwithstanding anything contained in these regulations, the Board may grant any exemptions to the InvITs which have issued units in terms of the provisions of this Chapter, from these regulations, for the purpose of facilitating listing the units of such InvITs on a recognized stock exchange having nationwide trading terminals."

For details: https://www.sebi.gov.in/legal/regulations/nov-2022/securities-and-exchange- board-of-india-infrastructure-investment-trusts-second-amendment-regulations-2022_64909.html

(18) Facility of conducting meetings of unit holders of REITs and InvITs through Video Conferencing or Other Audio-Visual means

(Circular No. SEBI/HO/DDHS/DDHS_Div2/P/CIR/2023/13 and SEBI/HO/DDHS/DDHS_Div2/P/CIR/2023/14 dated January 12, 2023)

In order to allow maximum participation of unit holders in the annual meeting and for better governance, SEBI has allowed Manager of the REIT and InvIT to conduct meetings of unit holders through Video Conferencing or Other Audio Visual means. While conducting meetings of unit holders through Video Conferencing or Other Audio Visual means, the Manager of the REIT and InvIT is required to adopt the procedures as prescribed under these circulars in addition to any other requirement specified under the SEBI (Real Estate Investment Trusts) Regulations, 2014 and SEBI (Infrastructure Investment Trusts) Regulations, 2014.

For details: https://www.sebi.gov.in/legal/circulars/jan-2023/facility-of-conducting-meetings-of-unit-holders-of-reits-through-video-conferencing-or-other-audio-visual-means_67316.html https://www.sebi.gov.in/legal/circulars/jan-2023/facility-of-conducting-meetings-ofunit-holders-of-invits-through-video-conferencing-or-other-audio-visualmeans_67315.html

(19) SEBI (Real Estate Investment Trusts) (Amendment) Regulations, 2023 and SEBI (Infrastructure Investment Trusts) (Amendment) Regulations, 2023

(Notification No. SEBI/LAD-NRO/GN/2023/122 and SEBI/LAD-NRO/GN/ 2023/ 123 dated February 14, 2023)

With the intention to introduce governance norms for REITs and InvITs in line with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the SEBI on February 14, 2023, notified the SEBI (Real Estate Investment Trusts) (Amendment) Regulations, 2023 and SEBI (Infrastructure Investment Trusts) (Amendment) Regulations, 2023 which shall come into force on the date of their publication in the Official Gazette. The following amendments have been made:

- The definition of Independent Director and Senior Management has been inserted.
- The manager of the REIT/ investment manager of the InvIT shall appoint an individual or a firm as the auditor, who shall hold office from the date of conclusion of the annual meeting in which the auditor has been appointed till the date of conclusion of the sixth annual meeting of the unitholders.
- Statutory auditor of REIT/ InvIT to undertake limited review of audit of all the entities or companies whose accounts are to be consolidated.
- Investment in overnight fund to be considered as cash and cash equivalent, for the purpose of computation of leverage.
- Unclaimed / unpaid distributions for REIT/ InvIT to be transferred to the 'Investor Protection and Education Fund' constituted by SEBI.
- Chapter VIA Obligations of the Manager has been inserted which prescribed the provisions for Vigil Mechanism, Secretarial Compliance Report, Quarterly Compliance Report on Corporate governance and additional requirements.

For details: https://www.sebi.gov.in/legal/regulations/feb-2023/securities-and-exchange-board-ofindia-real-estate-investment-trusts-amendment-regulations-2023_68053.html
https://www.sebi.gov.in/legal/regulations/feb-2023/securities-and-exchange-board-ofindia-infrastructure-investment-trusts-amendment-regulations-2023_68051.html

(20) Dematerialization of securities of Hold Cos and SPVs held by Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs)

(Circular No. SEBI/HO/DDHS-PoD-2/P/CIR/2023/75 and SEBI/HO/DDHS-PoD2/P/CIR/2023/76 dated May 22, 2023)

Regulation 14(18) of SEBI (Real Estate Investment Trust) Regulations, 2014 ("REIT Regulations") and Regulation 14(4)(r) of SEBI (Infrastructure Investment Trusts) Regulations, 2014 ("InvIT Regulations") provide that the units of REIT and InvIT shall be issued only in dematerialized form to all the applicants. In order to promote dematerialization of securities, encourage ease of doing business, improve transparency in the dealings of securities of Hold Cos/ SPVs, SEBI has prescribed that REIT and InvITs shall henceforth hold the securities of Hold Cos and SPVs in dematerialized form only.

For details: https://www.sebi.gov.in/legal/circulars/may-2023/dematerialization-of-securities-ofhold-cos-and-spvs-held-by-infrastructure-investment-trusts-invits-_71449.html
https://www.sebi.gov.in/legal/circulars/may-2023/dematerialization-of-securities-ofhold-cos-and-spvs-held-by-real-estate-investment-trusts-reits-_71448.html

(21) Offer for Sale framework for sale of units of Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) (Circular No. SEBI/HO/MRD/MRD-PoD-3/P/CIR/2023/134 dated August 03, 2023)

SEBI vide its circular dated January 10, 2023 specified the comprehensive framework on Offer for Sale (OFS) of shares including units of REITs and InvITs through stock exchange mechanism. Vide this circular, SEBI has modified the aforesaid framework and prescribed that OFS for sale of units of REITs and InvITs by sponsor(s) or sponsor group entities, and other unit holders are permitted only in units of listed REITs and listed InvITs.

However, in case of OFS for listed InvITs, the trading lot shall be same as the trading lot prescribed for such InvITs in the secondary market in terms of SEBI (Infrastructure Investment Trusts) Regulations, 2014.

For details: https://www.sebi.gov.in/legal/circulars/aug-2023/offer-for-sale-framework-for-sale-of-units-of-real-estate-investment-trusts-reits-and-infrastructure-investment-trusts-invits-_74938.html

(22) Securities and Exchange Board of India (Real Estate Investment Trusts) (Second Amendment) Regulations, 2023 (Notification No. SEBI/LAD-NRO/GN/2023/144 dated August 16, 2023)

SEBI on 16th August, 2023 has published the Securities and Exchange Board of India (Real Estate Investment Trusts) (Second Amendment) Regulations, 2023. Brief of the amendments are placed below:

New Definitions/clauses introduced

- In regulation 2, sub-regulation (1), after clause (q), the following clause shall be inserted, namely,-

  "(qa) "group entities of the Manager" means:

  (i) entities or person(s) which are controlled by the Manager;
  (ii) entities or person(s) who control the Manager;
  (iii) entities or person(s) which are controlled by entities or person(s) specified in sub-clause (ii)."

- After clause (zr), the following clause shall be inserted, namely,-

  "(zxa) "Self-Sponsored Manager" means the Manager of an REIT who has dual responsibilities of both the Manager as well as the sponsor;

Minimum Unitholding Requirement:

The revised regulations mandate that sponsor(s) and sponsor group(s) collectively hold not less than-

- 15% of units of the REIT, for three years from the date of listing of units in the initial offer: If it exceeds from 15 % by any sponsor or sponsor groups, it shall be held for a period of not less than one year from the date of listing.

- 5% of total units of REITs from beginning of 4th year till the end of 5th year
- 3% of total units of REITs from beginning of 6th year till the end of 10th year
- 2% of total units of REITs from beginning of 11th year till the end of 20th year
- 1% of total units of REITs after the end of 20th year from the date of listing of units issued in the initial offer

However, the maximum value of the units to be held by the sponsor(s) and sponsor group(s) for compliance shall not exceed five hundred crore rupees.

The units required to be held as mentioned above shall be locked in and shall not be encumbered.

After Regulation 22(8), the sub- regulation (9) has been added specifying the conditions for the existing sponsor(s) proposing to disassociate as sponsor(s) by seeking to convert the Manager to Self-Sponsored Manager

(i) the REIT has been listed for a period of at least five years;

(ii) the REIT has undertaken not less than twelve distributions on a continuous basis and has complied with the distribution norms as per these Regulations in the preceding five years;

(iii) the REIT is rated AAA by a registered credit rating agency for a continuous period of five years immediately preceding exit of the sponsor;

(iv) during the period of preceding five years, the REIT has not breached, at any time, the maximum leverage thresholds specified in these regulations;

(v) the Manager is meeting the net worth criteria for the sponsor;

(vi) the minimum unitholding requirement applicable to sponsor(s) and sponsor group(s) shall be complied with, on or after the date of conversion of the Manager to Self-Sponsored Manager, by the Manager, shareholders of the Manager and/or group entities of Manager:

Explanation: Manager, shareholders of the Manager and/or group entities of Manager may acquire units of the REIT for the purpose of compliance of the above condition.

(vii) the sponsor(s) or its associate(s) do not own or control the Manager of the REIT on or after the date of conversion of the Manager to Self-Sponsored Manager;

(viii) the Sponsor has not transferred / sold assets to the REIT in the last three years and no assets/ projects shall be acquired by the REIT from the outgoing sponsor(s) for a period of one year from the date of conversion to Self-Sponsored Manager;

(ix) atleast one of the sponsor(s) proposing to disassociate should have been a sponsor of the REIT for a minimum period of five years;

(x) the REIT shall not have any under-construction properties acquired from the sponsor that have not commenced commercial operations;

(xi) unitholders approval in terms of sub-regulation (8) of this regulation and consent of the Trustee has been obtained for conversion to Self-Sponsored Manager;

(xii) such other condition as may be specified by the SEBI.

Stewardship Code

Schedule IX on Stewardship Code has been inserted which states that the following principles of stewardship code shall be complied with by any unitholder holding not less than 10% of the total outstanding units of the REIT:

1. They must act in the best interests of the REIT and its unitholders as a whole;
2. They should formulate a comprehensive policy on the discharge of their stewardship responsibilities and review and update the same periodically;
3. They should have a policy to manage issues of conflict of interest while fulfilling their stewardship responsibilities;
4. They should periodically monitor the REIT and its investee entities viz. HoldCo(s) and SPV(s);
5. They should have a policy on intervention in the REIT and its HoldCo(s) and SPV(s);
6. They should have a policy on voting.

For details:
https://www.sebi.gov.in/legal/regulations/aug-2023/securities-and-exchange-board-of-india-real-estate-investment-trusts-second-amendment-regulations-2023_75791.html

(23) Securities and Exchange Board of India (Infrastructure Investment Trusts) (Second Amendment) Regulations, 2023 (Notification No. SEBI/LAD-NRO/GN/2023/145 dated August 16, 2023)

SEBI on 16th August, 2023 has published the Securities and Exchange Board of India (Infrastructure Investment Trusts) (Second Amendment) Regulations, 2023. Brief of the amendments are placed below:

New Definitions/clauses introduced

- In regulation 2, sub-regulation (1), after clause (s), the following clause shall be inserted, namely,-

  "(sa) "group entities of the Investment Manager" means:

  (i) entities or person(s) which are controlled by the Investment Manager;

  (ii) entities or person(s) who control the Investment Manager;

  (iii) entities or person(s) which are controlled by entities or person(s) specified in sub-clause (ii)."
- After clause (zx), the following clause shall be inserted, namely,-

  "(zxa) "Self-Sponsored Investment Manager" means the Investment Manager of an InvIT who has dual responsibilities of both the Investment Manager as well as the sponsor;
- After clause (zxb), the following clause shall be inserted, namely,-

  "(zxc) "sponsor group" includes-

  (i) the sponsor(s);

  (ii) entities or person(s) which are controlled by such sponsor;

  (iii) entities or person(s) who control such body corporate;

(iv) entities or person(s) which are controlled by entities or person(s) specified in clause (iii)."

Minimum Unitholding Requirement:

The revised regulations mandate that sponsor(s) and sponsor group(s) collectively maintain a minimum unitholding of 15% of total outstanding units for the first three years after unit listing subject to certain conditions as mentioned in the amended regulations. The amendment specifies conditions for conversion to a Self-Sponsored Investment Manager, such as continuous AAA rating, compliance with leverage thresholds, net worth criteria, and more.

Lock-In Period and Encumbrance:

Units held to fulfill the minimum unitholding requirements will be locked in and cannot be encumbered. Notwithstanding the above, any encumbrance created on units held to comply with the minimum unit holding requirement applicable before the date of coming into effect of the Securities and Exchange Board of India (Infrastructure Investment Trusts) (Second Amendment) Regulations, 2023, may continue if the encumbrance exist on such date.

Director Nomination and Exit Option:

Unitholders possessing a minimum of 10% of outstanding units now have the authority to nominate a director on the board of the Investment Manager, subject to certain conditions. In cases where a conversion to a Self-Sponsored Investment Manager occurs, dissenting unitholders must be offered an exit option through the purchase of their units.

Schedule VIII on Stewardship Code has been inserted which states that the following principles of stewardship code shall be complied with by any unitholder holding not less than 10% of the total outstanding units of the InvIT

1. They must act in the best interests of the InvIT and its unitholders as a whole;
2. They should formulate a comprehensive policy on the discharge of their stewardship responsibilities and review and update the same periodically;
3. They should have a policy to manage issues of conflict of interest while fulfilling their stewardship responsibilities;
4. They should periodically monitor the InvIT and its investee entities viz. HoldCo(s) and SPV(s);
5. They should have a policy on intervention in the InvIT and its HoldCo(s) and SPV(s);
6. They should have a policy on voting.

For details:
https://www.sebi.gov.in/web/?file=https://www.sebi.gov.in/sebi_data/attachdocs/aug-2023/1692785987960.pdf#page=1&zoom=page-width,-15,842

(24) Board nomination rights to unitholders of Real Estate Investment Trusts (REITs) and Infrastructure Investment Trust (InvITs) (Circulars no. SEBI/HO/DDHS-PoD-2/P/CIR/2023/153 and SEBI/HO/DDHS-PoD-2/P/CIR/2023/153 dated September 11, 2023)

Unitholders of Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts

(InvITs) now have the framework to nominate directors on the boards of the investment manager of the trusts. The eligibility of the unitholders will be decided based on the unitholding pattern as on September 30, 2023. In two circulars issued on September 11, 2023 the SEBI detailed the framework for this and asked the investment managers to inform the unitholders of this within 10 days from September 30, 2023 and to request unitholders to send in their nominations if they wish to exercise this right. The eligibility of the nominee director will be confirmed by the investment manager, based on the evaluation done by the Nomination and Remuneration Committee and/or the Board of Directors of the investment manager in line with the policy formulated for this and within 10 days of receipt of notice from eligible unitholders.

For details:

https://www.sebi.gov.in/legal/circulars/sep-2023/board-nomination-rights-to-unitholders-of-real-estate-investment-trusts-reits-_76709.html

https://www.sebi.gov.in/legal/circulars/sep-2023/board-nomination-rights-to-unitholders-of-infrastructure-investment-trusts-invits-_76708.html

(25) Securities and Exchange Board of India (Real Estate Investment Trusts) (Third Amendment) Regulations, 2023 (Notification no. SEBI/LAD-NRO/GN/2023/160 October 20, 2023)

Securities and Exchange Board of India (Infrastructure Investment Trusts) (Third Amendment) Regulations, 2023 (Notification no. SEBI/LAD-NRO/GN/2023/159 dated October 20, 2023)

SEBI has amended the SEBI (Infrastructure Investment Trusts) Regulations, 2014 ("**InvIT Regulations**") and (Real Estate Investment Trusts) Regulations, 2014 ("**REITs Regulations**") respectively vide gazette notification dated October 20, 2023. The Regulation 18(6) of the InvIT Regulations and Regulation 18(16) of the REITs Regulations have been amended.

Regulation 18(6)(e) of the InvIT Regulations and Regulation 18(16)(f) of the REITs Regulations provide that any amount which is unpaid or unclaimed out of the distributions declared by an InvIT/REIT as per Regulation 18, shall be transferred to the Investor Protection and Education Fund ("**Fund**") constituted by the SEBI, in such manner as may be specified by the board.

The Notifications inserted a proviso to the above Regulation 18(6)(e) and Regulation 18(16)(f) stating that the amount transferred to such Fund shall not bear any interest.

Further, Notification 1 inserted sub-clause (f) in Regulation 18(6) of the InvIT Regulations which provided that the unclaimed or unpaid amount of a person that has been transferred to the Fund in terms of sub-clause (e), may be claimed in such manner as may be specified. Notification 2 also inserted a similar sub-clause (g) in Regulation 18(16) of the REITs Regulations stating the above. This amendment has enabled the unit holders/InvIT/REIT to reclaim the unclaimed or unpaid distribution amount which was previously not provided for.

For details:

https://www.sebi.gov.in/legal/regulations/oct-2023/securities-and-exchange-board-of-india-real-estate-investment-trusts-third-amendment-regulations-2023_78627.html

https://www.sebi.gov.in/legal/regulations/oct-2023/securities-and-exchange-board-of-india-infrastructure-investment-trusts-third-amendment-regulations-2023_78625.html

(26) Revision in manner of achieving minimum public unitholding requirement– Infrastructure Investment Trusts (InvITs) (Circular No. SEBI/HO/DDHS-PoD-2/P/CIR/2023/174 October 31, 2023)

SEBI vide circular dated October 31, 2023 has provided for revision in manner of achieving minimum public unitholding requirement by Infrastructure Investment Trusts (InvITs). There are already nine different methods to achieve minimum public unitholding requirement for infrastructure investment trusts which were prescribed in a master circular dated July 6, 2023. In addition to the available methods, the following shall be an additional method for privately placed InvITs in order to achieve minimum public unitholding requirements:

1. Issuance of units through preferential allotment;
2. Sale of units held by Sponsor(s) / Investment Manager /Project Manager and their associates/related parties in the open market;
3. Sponsor(s) / Investment Manager / Project Manager and their associates/related parties can sell upto a maximum of 5% of the paid-up unit capital of the InvIT during a financial year.

For details: https://www.sebi.gov.in/legal/circulars/oct-2023/revision-in-manner-of-achieving-minimum-public-unitholding-requirement-infrastructure-investment-trusts-invits-_78561.html

(27) Revised framework for computation of Net Distributable Cash Flow (NDCF) by Infrastructure Investment Trusts (InvITs) and Real Estate Investment Trusts (REITs) (December 06, 2023)

In order to promote Ease of Doing Business, SEBI has standardize the framework for calculation of available Net Distributable Cash Flows. The revised framework for computation of NDCF by InvITs / REITs and its Holdcos/SPVs shall be as per Annexure A to the circulars. The revised framework will be applicable with effect from April 1, 2024 and supersedes the Framework for calculation of Net Distributable Cash Flows provided in Paragraph F of Chapter 3 of the Master Circular for InvITs / REITs dated July 06, 2023.

For details: https://www.sebi.gov.in/legal/circulars/ dec-2023/revised-framework-forcomputation-of-net-distributable-cashflow-ndcf-by-infrastructure-investmenttrusts-invits-_79657.html

https://www.sebi.gov.in/legal/circulars/dec-2023/revised-framework-forcomputation-of-net-distributable-cashflow-ndcf-by-real-estate-investmenttrusts-reits-_79656.html

(28) SECURITIES AND EXCHANGE BOARD OF INDIA (REAL ESTATE INVESTMENT TRUSTS) (AMENDMENT) REGULATIONS, 2024

i. SEBI vide this amendment regulations substituted the definition of REIT [Regulation 2(1)(zm)] as under:

"REIT" or "Real Estate Investment Trust" means a person that pools rupees fifty crores or more for the purpose of issuing units to at least two hundred investors so as to acquire and manage real estate asset(s) or property(ies), that would entitle such investors to receive the income generated therefrom without giving them the day-to-day control over the management and operation of such real estate asset(s) or property(ies).
A REIT or Real Estate Investment Trust shall include Small and Medium REIT (SM REIT).
However, any company which acquires and manages real estate asset(s) or property(ies) and offers or issues securities to the investors, shall not be construed as a REIT or Real Estate Investment Trust;"

ii. Also, a new Chapter VI B has also been added pertaining to Small an d Medium REITs as under:

SMALL AND MEDIUM REITS (SM REITs) (Chapter VIB of the Regulations)

Applicability

The provisions of SEBI REITs Regulations, except chapters II, IV, V and regulation 22 under chapter VI, shall *mutatis mutandis* be applicable to unless otherwise provided. However, any reference to the "manager" or the "sponsor" of the REIT under the applicable provisions of these regulations shall be construed as a reference to an "investment manager" of the SM REIT.

Definitions

- ***"investment manager"*** means a company incorporated in India, which sets up SM REIT and manages assets and investments of the SM REIT and undertakes operational activities of the SM REIT;
- ***"liquid net worth"*** means net worth deployed in liquid assets, which are unencumbered.

  Here, "liquid asset" means cash, units of overnight or liquid mutual fund schemes, fixed deposits, government securities, treasury bills and repo on government securities;
- ***"Small and Medium REIT" or "SM REIT***" means a REIT that pools money from investors under one or more schemes in accordance with these regulations.
- ***"scheme"*** means a distinct and separate scheme of an SM REIT launched for owning of real estate assets or properties through special purpose vehicles;
- ***"scheme offer document"*** means any document described or issued as a scheme offer document including any notice, circular, advertisement or other document inviting offers for subscription or purchase of units of a scheme from the public;
- ***"special purpose vehicle***" or "SPV" means any company which is a wholly owned subsidiary of the scheme of the SM REIT and the SPV shall not have any other capital or ownership interest in it;
- ***"trustee"*** means a trustee registered under Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993, who holds the assets of SM REIT and its schemes in trust and for the benefit of the unit holders, in accordance with these regulations.

Registration of SM REIT and Grant of Certificate

- An application for grant of certificate of registration as SM REIT shall be made, by the investment manager on behalf of the Trust as specified in the Schedule IA to these regulations along with a non-refundable application fee of Rupees One lakh. Further, a non-refundable registration fees of

rupees ten lakhs shall be paid within 15 days from the date of receipt of intimation from the SEBI.

- In order to protect the interests of investors, the SEBI may appoint any person to take charge of records, documents of the SM REIT and also determine the terms and conditions of such an appointment.
- The SEBI shall take into account requirements as specified in these regulations for considering the grant of certificate of registration and the registration may be granted with such conditions as may be deemed appropriate by the SEBI.

Eligibility criteria

The SEBI shall consider the following, namely,–

(a) the applicant is the investment manager on behalf of the trust and the instrument of trust is in the form of a deed duly registered in India under the provisions of the Registration Act, 1908;

(b) the trust deed has its main objective as undertaking activity of SM REIT through one or more schemes and includes responsibilities of the trustee;

(c) separate persons have been designated as investment manager of the SM REIT and trustee of the SM REIT;

(d) with regard to the investment manager,–

- the investment manager is clearly identified in the application for grant of certificate of registration to the SEBI and in the scheme offer document;
- the investment manager has a net worth of not less than Rs. 20 crore (including Rupees 10 crores in the form of positive liquid net worth)
- the investment manager has at least two years' experience in the real estate industry or real estate fund management: however, in case the investment manager is unable to meet the requirement, it shall employ at least two key managerial personnel, each of whom have not less than five years' experience in the real estate industry orreal estate fund management;
- not less than half of the directors of the investment manager are independent and are not directors of the manager or investment manager of another REIT or SM REIT, as the case may be; and
- the investment manager has entered into an investment management agreement with the trustee, which provides for the responsibilities of the investment manager in accordance with these regulations;

(e) the trustee is not an associate of the investment manager;

(f) no unit holder of the scheme of the SM REIT enjoys superior voting or any other rights over another unit holder in the same scheme and there are no multiple classes of units of scheme of the SM REIT;

(g) the rights of each unitholder in the scheme are pro-rata and *pari-passu*;

(h) the applicant has clearly described at the time of application for registration, details pertaining to proposed activities of the SM REIT;

(i) the SM REIT and the parties to the SM REIT are fit and proper persons based on the criteria as specified in Schedule II of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008;

(j) whether any previous application for grant of certificate by the applicant or the parties to the SM REIT or their directors, for registration as a REIT or an SM REIT, has been rejected by the SEBI;

(k) whether any disciplinary action has been taken by the Board or any other regulatory authority against the SM REIT or the parties to the SM REIT or their promoters or directors under any Act or the regulations or circulars issued thereunder.

Migration of existing persons, entities or structures

1) An applicant may apply for registration of existing persons, entities or structures owning real estate asset(s) or property(ies) in the nature of SM REIT within six months from the date of notification of this chapter i.e March 08, 2024 or within such period as may be specified by the SEBI.

2) For migration of such existing persons, entities or structures under these regulations:

   a. The applicant shall submit details of existing persons, entities or structures proposed to be migrated and a migration plan along with the application for certificate of registration; and

   b. The applicant shall complete the migration of existing persons, entities or structures within six months from the date of grant of registration or within suchperiod as may be specified by the SEBI.

3) The applicant shall comply with the provisions of this chapter in relation to the scheme being migrated, unless otherwise provided.

Eligible issuers

(1) An SM REIT shall not be eligible to make an initial offer of units of a scheme if:

(a) the SM REIT or the parties to the SM REIT are debarred from accessing the securities market or dealing in securities by the SEBI;

(b) any of the promoters, promoter group or directors of the parties to the SM REIT are debarred from accessing the securities market or dealing in securities by the SEBI;

(c) any of the promoters or directors of the parties to the SM REIT is a promoter or director of another company which is debarred from accessing the securities market by the SEBI; (*This is not applicable to a person who was appointed as a director only by virtue of nomination by a debenture trustee in other company.)*

(d) the SM REIT or the parties to the SM REIT or any of the promoters or directors of the parties to the SM REIT are wilful defaulters;

(e) any of the promoters or whole-time directors of the parties to the SM REIT is a promoter or whole-time director of another company which is a wilful defaulter;

(f) any of the promoters or directors of the parties to the SM REIT is a fugitive economic offender; or

(g) any fine or penalties levied by the SEBI or stock exchanges is pending to be paid by the SM REIT at the time of filing the scheme offer document:

However, the clauses (a), (b) and (c) shall not be applicable if the period of debarment is over as on the date of filing of the scheme offer document with the SEBI and the designated stock exchange.

(2) No offer of units by a scheme of the SM REIT shall be made unless,–

(a) the size of the asset proposed to be acquired in a scheme of the SM REIT is at least rupees fifty crores and less than rupees five hundred crores; and

(b) the minimum number of unitholders of the scheme of the SM REIT other than the investment manager, its related parties and associates of the SM REIT are not less than two hundred investors:

This shall not be applicable to the migration of existing persons, entities or structures as on the date of this chapter coming into force which are included as part of the migration plan in case the applicant is applying for a certificate of registration under regulation 26N (1).

Appointment of merchant banker

The investment manager shall appoint one or more merchant bankers registered with the SEBI to carry out the obligations relating to the issue.

Conditions for initial offer

1. The investment manager shall identify the real estate assets or properties it proposes to acquire or provide the features of the real estate assets or properties including location or such other details for the particular scheme in the draft scheme offer document.
2. The investment manager shall, through a merchant banker, file the draft scheme offer document with the Board, along with fees specified in Schedule IIA and with the designated stock exchange.
3. The minimum price of each unit of the scheme of the SM REIT shall be rupees ten lakhs or such other amount as may be specified by the SEBI from time to time.
4. Each scheme of the SM REIT shall be identified by a separate name, which shall not be misleading and shall not portray any guaranteed returns to the investors.
5. The value of real estate assets or properties in each scheme shall be at least fifty crore rupees.
6. The investment manager and the trustee shall ensure that the assets of each scheme, the bank accounts, investment or demat accounts and the books of accounts of each scheme are segregated and ring-fenced.
7. The investment manager and the trustee shall ensure that the property documents evidencing the title to the real estate assets or properties along with the related papers shall be duly maintained in safe-deposit boxes, at a scheduled commercial bank and be annually inspected by the trustee.
8. The draft scheme offer document filed with the SEBI shall be made public, for comments, if any, by hosting it on the websites of the SEBI, designated stock exchanges and merchant bankers associated with the issue, for a period of not less than twenty-one days.
9. The SEBI may issue observations, if any, to the merchant banker within thirty days from the later of:
   (a) the date of receipt of the draft scheme offer document;
   (b) the date of receipt of satisfactory reply from the merchant banker, where the SEBI has sought any clarification or additional information from the merchant banker;
   (c) the date of receipt of clarification or information from any regulator or agency, where the SEBI has sought any clarification or information from such regulator or agency; or
   (d) the date of receipt of a copy of in-principle approval letter issued by the designated stock exchange(s).
10. The merchant banker shall ensure that the observations issued by the SEBI are addressed in the scheme offer document prior to launch of the scheme.

Investment conditions

1. The SPV shall directly and solely own all assets that are acquired or proposed to be acquired by

the scheme of the SM REIT, of which SPV is the wholly owned subsidiary.

2. The scheme of the SM REIT shall invest at least 95% of the value of the schemes' assets for each of its schemes in completed and revenue generating properties and shall not invest in under-construction or non-revenue generating real estate assets:

   However, up to 5% of the value of the schemes' assets may be invested in liquid assets, which are unencumbered.
3. The scheme of SM REIT shall not be permitted to lend to any entity other than lending to its own SPV.
4. The SPV shall not be permitted to lend to any entity.

Modes of fund raising

1. The scheme of the SM REIT may raise funds from any investor whether Indian, or foreign by way of issuance of units. However, the investment by foreign investors shall be subject to the guidelines as may be specified by Reserve Bank of India and the Government of India from time to time.
2. The scheme of a SM REIT and the SPV(s) thereunder may undertake leverage if the option to undertake leverage is disclosed in the scheme offer document filed for initial offer.
3. With regard to modes of fund raising by a scheme of SM REIT, the following shall apply:
   (a) The scheme of the SM REIT shall raise capital only by way of issuance of units pertaining to the particular scheme.
   (b) For a scheme of SM REIT opting to utilize leverage in accordance with sub- regulation (2), the scheme may undertake leverage through borrowings or issuance of debt securities under SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021.
4. With regard to modes of fund raising by a SPV of a scheme of SM REIT, the following shall apply:
   (a) The SPV shall raise capital only from equity investment from the scheme of SM REIT.
   (b) The SPV may raise funds by way of borrowings from the scheme of SM REIT.
   (c) For a scheme of SM REIT opting to utilize leverage in accordance with sub- regulation (2), the SPV(s) under such scheme may undertake leverage through external borrowings or issuance of debt securities under Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021.
5. For a scheme of SM REIT opting to utilize leverage in accordance with sub-regulation (2), the total borrowings and deferred payments net of cash and cash equivalents, at the scheme level, shall not exceed 49% of the value of the scheme assets: Provided that if the total borrowings and deferred payments net of cash and cash equivalents, at the scheme level, exceeds 25% of the value of the scheme assets, then for any further borrowings, -
   (a) credit rating shall be obtained from a credit rating agency registered with the SEBI; and
   (b) approval of unit holders shall be obtained in the manner as specified in regulation 26ZM.

Maintenance of website

- The investment manager shall, at all times, maintain a functioning website of SM REIT. The investment manager shall specify on the website, the details of all the schemes of the SM REIT and details of the real estate assets and properties proposed to be acquired or acquired and held under each scheme.
- The investment manager shall provide the link to the scheme offer document for the investors on the website of the SM REIT. It shall be ensured that the trademark, brand name, website and other

medium of communication of the SM REIT are used exclusively for the activities of SM REIT and no links or information about any other entity, structure or person shall be made available on its website or on any other medium of communication.

Issue period

The issue period shall not be more than thirty days.

Dematerialization

(1) The SM REIT shall issue units of its scheme only in dematerialized form.

(2) The investments of scheme of the SM REIT in SPV(s) shall be held in dematerialized form.

Lock-in requirements

1) The minimum unitholding requirement applicable to the investment manager for the period of first three years commencing from the date of listing of units in the initial offer till the end of the third year from the date of listing of units in the initial offer, shall be as under:

    a) in a scheme of the SM REIT which has opted not to undertake leverage as per disclosures in the scheme offer document filed for initial offer, the investment manager shall hold at least five per cent. of the total outstanding units at all times;
    b) in a scheme of the SM REIT which has opted to undertake leverage as perdisclosures in the scheme offer document filed for initial offer, the investment manager shall hold at least fifteen per cent. of the total outstanding units at all times:

    Provided that any holding in excess of fifteen per cent or five per cent., as the case may be, shall be held by the investment manager for a period of at least one year from the date of listing of units issued in the initial offer.

2) The investment manager shall hold at least five per cent. of the total outstanding units in each scheme of the SM REIT, at all times, for a period of two years commencing from the fourth year of the date of listing of units in the initial offer till the end of fifth year from the date of listing of units issued in the initial offer.

3) The investment manager shall hold at least three per cent. of the total outstanding units in each scheme of the SM REIT, at all times, for a period of five years commencing from the sixth year of the date of listing of units in the initial offer till the end of tenth year from the date of listing of units issued in the initial offer.

4) The investment manager shall hold at least two per cent. of the total outstanding units in each scheme of the SM REIT, at all times, for a period of ten years commencing from the eleventh year of the date of listing of units in the initial offer till the end of twentieth year from the date of listing of units issued in the initial offer.

5) The investment manager shall hold at least one per cent. of the total outstanding units in each scheme of the SM REIT, at all times, after the completion of twentieth year from the date of listing of units issued in the initial offer.

6) The units in which holding is required to be maintained under this regulation shall be unencumbered and locked-in.

    However, the units issued to investors against swap of securities allotted prior to the date of this chapter coming into force by an SM REIT that has received a certificate of registration pursuant to an application made under sub-regulation (1) of regulation 26N, shall not be considered for calculating the total outstanding units of the schemes of the SM REIT under this regulation.

Allotment and listing

1) The units of the scheme of the SM REIT shall be mandatorily listed on the recognized stock exchange(s) having nationwide trading terminals.

2) The units of the SM REIT of the particular scheme shall be allotted and listed with such timelines as may be specified by the SEBI from time to time:

   However, if the investment manager fails to allot or list units within the specified timelines, the investment manager shall pay interest to investors at the rate of 15% per annum and such interest shall not be recovered in the form of fees or any other form payable to the investment manager by the SM REIT.

3) The listing of the units of the scheme of the SM REIT shall be in accordance with the listing agreement entered into between the SM REIT and the designated stock exchange.

4) The units of the scheme of the SM REIT listed in designated stock exchanges shall be traded, cleared and settled in accordance with the bye-laws of concerned stock exchanges and such conditions as may be specified by the SEBI.

5) No person, other than investment manager, its related parties and its associates, shall hold units of a scheme of the SM REIT which taken together with units held by him and by persons acting in concert with him in such scheme of the SM REIT, exceed 25% of the total outstanding units of such scheme of the SM REIT.

Filing of post issue report

The merchant banker shall submit post-issue report, along with due diligence certificate, within seven working days of the date of finalization of allotment or within seven working days of refund of money in case of failure of issue, as per the format and in such manner as may be specified by the SEBI.

Minimum public unit holding

1) The minimum offer and allotment to the public in each scheme of SM REIT shall be at least 25% of the total outstanding units of such scheme.

2) The minimum public holding for the units of each scheme of SM REIT shall be in accordance with point (1) above, failing which action may be taken as may be specified by the SEBI and by the designated stock exchange including delisting of units under regulation 26ZI.

Distributions

1) With respect to distributions made by the scheme of SM REIT and SPV, the investment manager shall ensure, –

   (a) not less than 95% of net distributable cash flows of the SPV are distributed to the scheme of SM REIT subject to applicable provisions in the Companies Act, 2013:

   However, the amount retained by the SPV shall be utilized only in such manner as may be specified by the SEBI from time to time;

   (b) 100% of the net distributable cash flows of the scheme of SM REIT shall be distributed to the unit holders;

   (c) the distributions are declared at least once in every quarter of the financial year and not later than fifteen working days from the end of the quarter;

   (d) the distributions are paid to the unitholders within seven working days of such declaration.

2) If the investment manager fails to make payment within the said timelines, then the investment

manager shall pay interest at the rate of 15% per annum to the unitholders, for the delayed period and such excess interest shall not be recovered by the investment manager from the SM REIT in any form.

Related party transactions

The SM REITs shall not enter into any transaction with related parties including transactions for facility management and property management:

This regulation shall not apply to payment of fees by the SM REIT to the investment manager and the trustee for carrying on the activities of the REIT.

Rights and meetings of unit holders

1) The unitholders of the scheme shall have the right to receive distributions as provided for in the scheme offer document.

2) With respect to any matter requiring approval of the unit holders, –

   (a) a resolution shall be considered as passed when the votes cast by unit holders, so entitled and voting, in favour of the resolution exceed a certain percentage or criteria;

   (b) the unitholders of the scheme shall have the right to vote in any unitholders' meeting of that particular scheme of SM REIT;

   (c) in case the scheme of the SM REIT proposes to purchase a property or proposes to sell a property at a value which is greater than 105% or less than 95% of the value of property as assessed by the valuer respectively, approval from unitholders shall be required wherein votes cast in favour of the resolution shall be at least three times the number of votes cast, against the resolution;

   (d) the investment manager shall also provide the option to the unitholders to vote either by way of post or through electronic mode;

   (e) a notice of not less than twenty one clear days shall be provided to the unit holders:

   Provided that a meeting of the unit holders of each scheme may be called after giving shorter notice, if consent, in writing or by electronic mode, is accorded thereto, by not less than 95% of the unit holders of the scheme entitled to vote at such meeting;

   (f) no person who is interested in any transaction as well as associates of such person(s) shall vote on any matter related to that transaction;

   (g) investment manager shall be responsible for all the activities pertaining to the meeting of the unit holders of scheme, subject to oversight of the trustee:
   Provided that in issues pertaining to the investment manager including changein the investment manager, removal of the investment manager, change in control of the investment manager, the trustee shall convene and handle all activities pertaining to conduct of the meetings of unit holders:

   Provided further that in respect of issues pertaining to the trustee including change in the trustee, the trustee shall not be involved in any manner in the conduct of the meeting.

3) An annual meeting of unit holders of each scheme shall be held at least once every year, within one hundred and twenty days from the end of financial year and the time between two meetings shall not exceed fifteen months.

4) The investment manager or the trustee, as applicable, of the SM REIT shall conduct the meetings in accordance with the procedure as may be specified by the Board.

5) The investment manager of a SM REIT may conduct meeting of unitholders of each scheme through video conferencing or through other audio-visual means.

6) In the annual meeting of unitholders of each scheme, the investment manager shall place following matters before the unit holders for consideration of:

   (a) latest annual accounts and audit report of the SM REIT and its schemes, and a report on performance of the scheme of the SM REIT;

   (b) the appointment of, and the fixing of the fees of the auditor and the valuer; and

   (c) the latest valuation reports.

7) The matters mentioned in sub-regulation (6) of this regulation shall require approval of unitholders of the scheme, where votes cast in favour of the resolution shall be more than the votes cast against the resolution.

8) Any information that is required to be disclosed to the unitholders of each scheme may also be taken up in the annual meeting of the unitholders of such scheme.

9) Approval from unitholders of the concerned scheme shall be required, where votes cast in favour of the resolution shall be more than the votes cast against the resolution, in case of following items,–

   (a) any transaction, value of which is equal to or greater than ten per cent. of the value of the assets of the particular scheme of SM REIT;

   (b) any borrowing in excess of limit specified under proviso to sub-regulation (5) of regulation 26U;

   (c) any issue for which the Board or the recognized stock exchanges require such approval under this sub-regulation;

   (d) any issue, in the ordinary course of business, which in the opinion of the Investment Manager or Trustee, is material and requires approval of the unitholders.

10) Approval from the unitholders of the scheme of the SM REIT shall be required, where votes cast in favour of the resolution shall not be less than one and a half times the votes cast against the resolution in case of the following items, –

   (a) any change in investment manager including removal of the investment manager or change in control of the investment manager;
   (b) any material change in investment strategy or any change in the fees payable to the investment manager by the SM REIT;
   (c) any issue of units after initial offer by a scheme of SM REIT, in whatever form;
   (d) the trustee and investment manager proposing to seek voluntary delisting of units of the scheme of the SM REIT;
   (e) any issue, not in the ordinary course of business, which in the opinion of the investment manager or trustee requires approval of the unitholders;
   (f) any issue, which in the opinion of the Board or the recognized stock exchanges, requires approval under this sub-regulation;
   (g) removal of the auditor or valuer and appointment of another auditor or valuer to the SM REIT;
   (h) change in the trustee;
   (i) delisting of the scheme of the SM REIT if the unit holders have sufficient reason to believe that such delisting would act in the interest of the unitholders; and
   (j) extension of time period as specified under clause (b) of sub-regulation (1) of regulation 26ZI.

(3) The unitholders of the scheme of SM REIT may request any matter to be taken up in the unitholders' meeting of such scheme if ten per cent. of the unitholders of a particular scheme by value, apply in writing, to the trustee and the trustee shall require the investment manager to place the matter for voting in accordance with these regulations:

Provided that the request of the unitholders of a scheme for change in the trustee shall be sent, in writing, to the investment manager, who shall, on receipt of such a request, place the matter for voting in the manner as specified in accordance with these regulations.

(29) SECURITIES AND EXCHANGE BOARD OF INDIA (INFRASTRUCTURE INVESTMENT TRUSTS) (AMENDMENT) REGULATIONS, 2024

***(i)* The following definition has been added:**

"Subordinate unit" means an instrument issued by an InvIT which can be reclassified as an ordinary unit";

(ii) Regulation 4(2) (h) shall be substituted with the following (Refer other conditions of eligibility Criteria):

There shall be only one class of units and all units shall carry equal voting rights and distribution rights associated with such units.

(iii) Also after clause (h), the following clause shall be inserted :

(i) The unitholder(s) holding not less than 10% of the total outstanding units of the InvIT, either individually or collectively, shall -

a) be entitled to nominate one director on the board of directors of the Investment Manager,in such manner as specified by the SEBI. However, the director so nominated shall recuse from voting on any transaction where such nominee director or associate of such nominee director or the unitholder who nominated such nominee director or associate of such unitholder is a party;

b) comply with stewardship code specified in Schedule VIII of these regulations which states the following principles:

(iv) The following new Regulations have been inserted:

12(4) - Subordinate units shall not be considered in computing total outstanding units of the InvIT while calculating the minimum unitholding requirements.

12(5) - Subordinate units shall not be eligible for meeting the minimum unitholding requirement.

14(5B) [***Offers and Listing of Unit]*** - No InvIT shall raise funds through public issue if any subordinate units have been issued and are outstanding.

22 (8) (xiia)- There are no outstanding subordinate units.

23 (10) - The investment manager shall disclose the unitholding pattern for ordinary units and subordinate units separately in such manner as may be specified by the Board."

(v) Further, a new chapter IV A has been inserted which deals with the framework for issuance of subordinate units as under:

FRAMEWORK FOR ISSUANCE OF SUBORDINATE UNITS

Applicability

- Applicable to subordinate units issued.
- Disclosure requirements mentioned in this framework shall also apply to any subordinate units issued prior to notification of this Chapter.
- The provisions of these regulations applicable to ordinary units shall apply mutatis mutandis to issuance of subordinate units.

Issuance of Subordinate Units

- The subordinate units shall only be issued by a privately placed InvIT upon acquisition of an infrastructure project.
- The subordinate units shall be issued only to the sponsor, its associates and the sponsor group and shall be deemed to be a part of the consideration for acquisition of the infrastructure project from such sponsor, its associates and the sponsor group.
- The subordinate units shall not carry any voting rights or distribution rights.
- The subordinate units shall be issued in a dematerialized form with an International Securities Identification Number, distinct from that of the ordinary units.
- The subordinate units shall be listed on a recognised stock exchange after their reclassification into ordinary units.
- The subordinate units may be issued by way of an initial offer or any offer subsequent to the initial offer, either along with the issue of ordinary units or without the issue of ordinary units.
- The issue of subordinate units made after the initial offer by the InvIT shall require the approval of the unitholders where votes cast in favour of the resolution shall not be less than one and a half times the votes cast against the resolution. However, any unitholder who is party to the acquisition of the infrastructure project including the sponsor, its associates and sponsor group, shall not be entitled to vote.
- The price of subordinate units shall be determined according to the pricing guidelines applicable for issuance of ordinary units.
- Prior to issuance of subordinate units, the investment manager shall obtain in-principle approval from the recognised stock exchange for listing of such subordinate units after their reclassification into ordinary units.
- The enabling provisions authorising the issuance of subordinate units shall be specified in the Trust Deed.
- The investment manager shall disclose the terms and conditions governing subordinate units in the Term Sheet.
- The investment manager shall disclose the impact of potential reclassification of subordinate units into ordinary units in the Term Sheet in such manner as specified by the SEBI.
- The investment manager shall disclose the Term Sheet in the placement memorandum, the explanatory statement to the notice for unitholders meeting as well as any document which may be disclosed to investors including prospective investors.

- The InvIT shall also disclose the Term Sheet, the placement memorandum and the notice for unitholders meeting including the explanatory statement on its website and shall file the same with the recognised stock exchange.
- The amount of subordinate units issued at the time of acquisition of an infrastructure project by the InvIT shall not exceed 10% of the acquisition price of the infrastructure project.
- The total number of outstanding subordinate units issued by an InvIT at any point of time shall not exceed 10% of the total number of outstanding ordinary units issued by such InvIT.
- The terms and conditions of the subordinate units shall not be varied after their issuance.

Transfer of subordinate units

- The subordinate units shall be locked in till its reclassification into ordinary units
- The subordinate units shall not be transferable to any person except the sponsor, its associates and the sponsor group entities.
- The subordinate units shall not be encumbered in favor of any person except the sponsor, its associates and the sponsor group entities.
- The depository shall not register the transfer or encumbrance of a subordinate unit in favour of any person unless such a person is a sponsor of the InvIT, associate of such sponsor or belongs to the sponsor group of the InvIT.
- The investment manager shall disclose any inter-se transfer or inter-se encumbrance of subordinate units to the recognised stock exchange within one working day of such transfer or encumbrance.
- In case of a change in the sponsor, the outgoing sponsor shall transfer the subordinate units held by it, if any, to another sponsor, its associates or sponsor group.

Entitlement date, entitlement event and performance benchmark

- The entitlement date, the entitlement event and the performance benchmark for reclassification of subordinate units to ordinary units shall be clearly defined and specified in the Term Sheet.
- The performance benchmark for reclassification of subordinate units shall be quantifiable, objective and based on the audited financial statements.
- The minimum time period between the issuance of subordinate units and entitlement date for reclassification of the subordinate units to ordinary units shall be three years.
- The entitlement date may be extended in the manner specified in the Term Sheet, subject to the following conditions:
  (a) the entitlement date shall not be extended for more than one year at a time and shall not be extended more than two times in total;
  (b) the extension of the entitlement date may be done only for cases where a possibility of such extension is clearly contemplated, duly approved and disclosed in the Term Sheet prior to the issuance of subordinate units;
  (c) the extension of entitlement date shall be allowed only in case of any unforeseen circumstances as mentioned in the Term Sheet such as impossibility on account of a force majeure event or illegality on account of change in law or an order of any court or

authority;

(d) the explanatory statement to the notice of unitholders meeting convened for seeking approval for the extension in entitlement date shall disclose the reasons for proposing such extension and the potential impact on account of such extension on the ordinary unitholders, including any potential dilution of their beneficial interest in the InvIT; and

(e) the extension of the entitlement date shall require the approval of the unitholders as per the regulations.

Progress related to achievement of performance benchmark

(1) The investment manager shall monitor the progress related to the achievement of performance benchmark and shall report such progress annually or with such frequency as may be specified by the Board, after certification by the statutory auditor of the InvIT and approval of the trustee and the audit committee of the investment manager.

(2) The investment manager shall disclose the progress related to achievement of performance benchmark in the Annual Report of the InvIT

(3) The investment manager shall disclose the diluted NAV and the diluted distribution per unit to the stock exchange along with NAV and distribution per unit till the time subordinate units are outstanding.

"Diluted NAV" or "Diluted Net Asset Value" means the value of the InvIT assets reduced by the external debt divided by the total number of outstanding ordinary units and subordinate units; and

"***Diluted Distribution per unit"*** means the value of total distribution, divided by the total number of outstanding ordinary units and subordinate units.

Process for reclassification of subordinate unit

(1) The status of achievement of performance benchmark shall be certified by the statutory auditor of the InvIT for reclassification of subordinate units to ordinary units and shall be reviewed by the trustee and the audit committee of the investment manager.

(2) If the performance benchmark is achieved at the end of the entitlement date, including extended period, if any; the subordinate units shall be reclassified into equal number of ordinary units on a *pari passu basis* in accordance with the terms and conditions of subordinate units mentioned in the Term Sheet.

Explanation 1. - The reclassification can happen for all subordinate units either together or on a piecemeal basis in accordance with the terms and conditions and on the achievement of performance benchmarks as disclosed in the Term Sheet.

Explanation 2. - The subordinate units may be reclassified into ordinary units, in part or in full in accordance with the terms and conditions and on the achievement of performance benchmarks as disclosed in the Term Sheet.

(3) If the performance benchmark is not achieved at the end of the entitlement date, including extended period, if any, the subordinate units shall be extinguished without any payment to the holder of subordinate units.

(4) The board of directors of the investment manager shall consider reclassification of subordinate units into ordinary units or extinguishment of the subordinate units depending on the achievement of the performance benchmark and pass a resolution making the necessary recommendation to this effect to the trustee.

(5) The recommendation for reclassification of the subordinate units into ordinary units or extinguishment of the subordinate units, as the case may be, shall be considered by the trustee and after ensuring compliance with the provisions of these regulations, the trustee may approve reclassification of the subordinate units into ordinary units or extinguishment of the subordinate units, as the case may be, and intimate the same to the investment manager.

(6) Pursuant to the approval of the trustee, the investment manager shall make the necessary intimation to the recognised stock exchange, depositories and the Registrar and Transfer Agent.

(7) The investment manager shall ensure that the record date is disclosed as part of the intimation made under this regulation, at least two working days prior to the record date, excluding the date of intimation and the record date.

Record date here means the date from when subordinate units shall be reclassified as ordinary units.

(8) The subordinate units upon being reclassified as ordinary units shall be listed on the recognised stock exchange(s) upon receipt of final listing and trading approval from such stock exchange(s).";

(30) Revised Pricing Methodology for Institutional Placements of Privately Placed Infrastructure Investment Trust (InvIT) (February 08, 2024)

Regulation 14(4) of the SEBI (Infrastructure Investment Trusts) Regulations, 2014 ('InvIT Regulations') provides that any subsequent issue of units after initial public offer may be by way of institutional placement, in addition to other mechanisms provided in the regulations. To promote Ease of Doing Business, the guidelines for pricing of institutional placements InvITs has been reviewed. It is provided that the floor price for institutional placement for privately placed InvITs shall be NAV per unit of such InvIT.

For details: https://www.sebi.gov.in/legal/circula rs/feb-2024/revised-pricingmethodology-for-institutionalplacements-of-privately-placedinfrastructure-investment-trust-invit- _81268.html

LESSON 4
INDIAN EQUITY-PRIVATE EQUITY

(1) SEBI (Alternative Investment Funds) (Third Amendment) Regulations, 2021 (August 3,2021)

SEBI vide its notification dated August 03, 2021, amends the provisions of SEBI (Alternative Investment Funds) Regulations, 2012, which shall come into force on the date of their publicationin the Official Gazette.

The amendment introduced a framework for, "accreditation agency", "accredited investor" and "large value fund for accredited investors" as under:

1) **"accreditation agency"** means a subsidiary of a recognized stock exchange or a subsidiary ofa depository or any other entity as may be specified by the Board from time to time.

2) **"accredited investor"** means any person who is granted a certificate of accreditation by anaccreditation agency who,

(i) in case of an individual, Hindu Undivided Family, family trust or sole proprietorship has:

(A) annual income of at least two crore rupees; or

(B) net worth of at least seven crore fifty lakh rupees, out of which not less than three croresseventy-five lakh rupees is in the form of financial assets; or

(C) annual income of at least one crore rupees and minimum net worth of five crore rupees, outof which not less than two crore fifty lakh rupees is in the form of financial assets.

(ii) in case of a body corporate, has net worth of at least fifty crore rupees;

(iii) in case of a trust other than family trust, has net worth of at least fifty crore rupees;

(iv) in case of a partnership firm set up under the Indian Partnership Act, 1932, each partnerindependently meets the eligibility criteria for accreditation:

Provided that the Central Government and the State Governments, developmental agencies set up under the aegis of the Central Government or the State Governments, funds set up by the Central Government or the State Governments, qualified institutional buyers as defined under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, Category I foreign portfolio investors, sovereign wealth funds and multilateral agencies and any other entity as may be specified by the Board from time to time, shall deemed to be an accredited investor and may not be required to obtain a certificate of accreditation;"

3) **"large value fund for accredited investors"** means an Alternative Investment Fund or scheme of an Alternative Investment Fund in which each investor (other than the Manager, Sponsor, employees or directors of the Alternative Investment Fund or employees or directors of the Manager) is an accredited investor and invests not less than seventy crore rupees;"

The notification further provides that-

- the minimum level of investment value i.e., Rs. 1 crore is not applicable to accredited investors.[Proviso to Reg. 10 (c)]
- large value funds for accredited investors may be permitted to extend its tenure of the close ended Alternative Investment Fund beyond 2 years, subject to terms of the contribution agreement, other fund documents and such conditions as may be specified by the SEBI from time to time. [Proviso to Reg.13(4)]
- large value funds for accredited investors of Category I and II may invest up to 50% of the investable funds in an investee company directly or through investment in the units of other Alternative Investment Funds. [Proviso to Reg. 15(1)(c)]
- large value funds for accredited investors of Category III may invest up to 20% of the investable funds in an investee company directly or through investment in units of other Alternative Investment Funds. [Proviso to Reg. 15(1)(d)]

(2) Modalities for implementation of the framework for Accredited Investors

(Circular No. SEBI/HO/IMD/IMD-I/DF9/P/CIR/2021/620 dated August 26, 2021)

SEBI has come out with detailed modalities for implementation of the Accredited Investors (AIs) framework, a move expected to open up a new channel of raising funds from sophisticated investors. The SEBI has issued guidelines on eligibility criteria for AIs, procedure as well as validation for accreditation, procedure to avail benefits linked to accreditation and flexibility to investors to withdraw 'consent'. The SEBI had earlier this month introduced the concept of "Accredited Investors" in the securities market.

For details:

https://www.sebi.gov.in/legal/regulations/aug-2021/securities-and-exchange-board-of-india-alternative-investment-funds-third-amendment-regulations-2021_51670.html

https://www.sebi.gov.in/legal/circulars/aug-2021/circular-on-modalities-for-implementation-of-the-framework-for-accredited-investors_52116.html

(3) SEBI (Alternative Investment Funds) (Fifth Amendment) Regulations, 2021 (November 09,2021)

SEBI vide its notification dated November 09, 2021, amended the provisions of SEBI (Alternative Investment Funds) Regulations, 2012, which shall come into force on the on the 30th day from the date of their publication in the Official Gazette.

1) **Vide this notification, a definition of co-investment under Regulation2(1)(fa) is inserted-**

"Co-investment" means investment made by a Manager or Sponsor or investor of Category I andII Alternative Investment Fund(s) in investee companies where such Category I or Category II Alternative Investment Fund(s) make investment:

Provided that Co-investment by investors of Alternative Investment Fund shall be through a Co-investment Portfolio Manager as specified under the Securities and Exchange Board of India

(Portfolio Managers) Regulations, 2020;"

2) **In Regulation 15(1) related to General Investment Conditions by all categories of Alternative Investment Funds**

- clause (b) shall be substituted with the following, namely,-

  "(b) The terms of Co-investment in an investee company by a Manager or Sponsor or co-investor, shall not be more favourable than the terms of investment of the Alternative Investment Fund:

  Provided that the terms of exit from the Co-investment in an investee company including the timing of exit shall be identical to the terms applicable to that of exit of the Alternative Investment Fund:

  Provided further that the above proviso shall be applicable only for co-investment made from the date of coming into force of this regulation."

- clause (d) shall be substituted with the following, namely,-

  "(d) Category III Alternative Investment Funds shall invest not more than ten per cent of the net asset value in listed equity of an Investee Company and shall invest not more than ten per cent of the investable funds in securities other than listed equity of an Investee Company, directly or through investment in units of other Alternative Investment Funds:

  Provided that large value funds for accredited investors of Category III Alternative Investment Funds may invest up to twenty per cent of the net asset value in listed equity of an Investee Company and may invest up to twenty per cent of the investable funds in securities other than listed equity of an Investee Company, directly or through investmentin units of other Alternative Investment Funds;"

3) **In Regulation 20 related to General Obligations, after sub-regulation (14) the following sub-regulation has been inserted, namely-**

"(15) The manager shall not provide advisory services to any investor other than the clients of Co-investment Portfolio Manager as specified in the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020, for investment in securities of investee companies where the Alternative Investment Fund managed by it makes investment."

For details: ***https://www.sebi.gov.in/legal/regulations/nov-2021/securities-and-exchange-board-of-india-alternative-investment-funds-fifth-amendment-regulations-2021_53830.html***

(4) Introduction of Special Situation Funds as a sub-category under Category I AIFs (January 27, 2022)

SEBI has notified the SEBI (Alternative Investment Funds) (Amendment) Regulations, 2022,which shall come into force on the date of their publication in the Official Gazette.

The amendment inserted Chapter III-B on Special Situation Fund in the Securities and ExchangeBoard of India (Alternative Investment Funds) Regulations, 2012.

Meaning: "special situation fund" means a Category 1 Alternative Investment Fund that investsin special situation assets in accordance with its investment objectives and may act as a resolution applicant under the Insolvency and Bankruptcy Code, 2016.

Applicability: The provisions of this Chapter shall apply to special situation funds and schemes launched by such special situation funds.

Investment in special situation funds

1) Each scheme of a special situation fund shall have a corpus as may be specified by the SEBI.
2) The special situation fund shall accept from an investor, an investment of such value as may bespecified by the SEBI.
3) The special situation fund shall not accept investments from any other Alternative InvestmentFund other than a special situation fund.

Investment by special situation funds

(1) Special situation funds shall invest only in special situation assets and may act as a resolution applicant under the Insolvency and Bankruptcy Code, 2016. However, the special situation fund shall not invest in, its associates; or

- the units of any other Alternative Investment Fund other than the units of a special situation fund; or
- units of special situation funds managed or sponsored by its manager, sponsor or associates ofits manager or sponsor.

(2) Any investment by a special situation fund in the stressed loan acquired under clause 58 of the Master Direction – Reserve Bank of India (Transfer of Loan Exposures) Directions, 2021 as amended from time to time shall be subject to lock-in period as may be specified by the SEBI.

In this context, SEBI vide its Circular No. SEBI/HO/IMD-I/DF6/P/CIR/2022/009 dated January 27, 2022 has specified the following:

(a) Each scheme of SSF shall have a corpus of at least 100 crore rupees.

(b) SSF shall accept an investment of value not less than 10 crore rupees from an investor. In case of an accredited investor, the SSF shall accept an investment of value not less than 5 crore rupees. Further, in case of investors who are employees or directors of the SSF or employees or directors of the manager of the SSF, the minimum value of investment shall be 25 lakh rupees.

(c) SSF intending to act as a resolution applicant under the Insolvency and Bankruptcy Code,

2016 shall ensure compliance with the eligibility requirement provided thereunder.

For details: https://www.sebi.gov.in/legal/regulations/jan-2022/securities-and-exchange-board-of-india-alternative-investment-funds-amendment-regulations-2022_55525.html
https://www.sebi.gov.in/legal/circulars/jan-2022/introduction-of-special-situation-funds-as-a-sub-category-under-category-i-aifs_55625.html

(5) SEBI (Alternative Investment Funds) (Second Amendment) Regulations, 2022 (March 16, 2022)

SEBI has notified the SEBI (Alternative Investment Funds) (Second Amendment) Regulations, 2022, which shall come into force on the date of their publication in the Official Gazette.

Vide this notification, clause (d) of regulation 15(1) regarding general investment conditions, has been substituted which provides that-

"Category III Alternative Investment Funds shall invest not more than ten per cent of the investable funds in an Investee Company, directly or through investment in units of other Alternative Investment Funds and the large value funds for accredited investors of Category III Alternative Investment Funds may invest up to twenty per cent of the investable funds in an Investee Company, directly or through investment in units of other Alternative Investment Funds:

Provided that for investment in listed equity of an Investee Company, Category III Alternative Investment Funds may calculate the investment limit of ten per cent of either the investable funds or the net asset value of the scheme and large value funds for accredited investors of Category III Alternative Investment Funds may calculate the investment limit of twenty per cent of either the investable funds or the net asset value of the scheme, subject to the conditions specified by the Board from time to time."

For details: https://www.sebi.gov.in/legal/regulations/mar-2022/securities-and-exchange-board-of-india-alternative-investment-funds-second-amendment-regulations-2022_56966.html

(6) Guidelines for Large Value Fund for Accredited Investors under SEBI (Alternative Investment Funds) Regulations, 2012 and Requirement of Compliance Officer for Managers of all AIFs

(Circular No. SEBI/HO/AFD/RAC/CIR/2022/088 dated June 24, 2022)

Background

Pursuant to introduction of framework for "Accredited Investors" in the securities market, SEBI (Alternative Investment Funds) Regulations, 2012 ('AIF Regulations') have been amended to provide certain relaxations from regulatory requirements to 'Large Value Fund for Accredited Investors' (LVF).

Brief of the Circular

In terms of proviso to Regulation 12 of AIF Regulations, LVFs are exempt from filing their placement memorandum with SEBI through Merchant Banker and incorporate comments of SEBI, if any, in their placement memorandum i.e. LVFs can launch their scheme under intimationto SEBI.

While filing the placement memorandum for LVF schemes with SEBI, a duly signed and stamped undertaking by CEO of the Manager to the AIF (or person holding equivalent role or position depending on the legal structure of Manager) and Compliance Officer of Manager to the AIF shall be submitted in the format as mentioned at Annexure A to this circular.

Further, all AIFs shall ensure that Manager to AIF designates an employee or director as Compliance Officer who shall be a person other than CEO of the Manager (or such equivalent role or position depending on the legal structure of Manager). The compliance officer shall be responsible for monitoring compliance with the provisions of the SEBI Act, AIF Regulations and circulars issued thereunder.

For details: https://www.sebi.gov.in/legal/circulars/jun-2022/guidelines-for-large-value-fund-for- accredited-investors-under-sebi-alternative-investment-funds-regulations-2012-and-requirement- of-compliance-officer-for-managers-of-all-aifs_60104.html

(7) SEBI (Alternative Investment Funds) (Third Amendment) Regulations, 2022 (July 25, 2022)

SEBI vide its notification dated July 25, 2022, has amended the provisions of SEBI (Alternative Investment Funds) Regulations, 2015, which shall come into force on the date of their publication in the Official Gazette.

Vide this notification SEBI has introduced the definition "social impact fund" and "social units". Social impact fund means an Alternative Investment Fund which invests primarily in securities, units or partnership interest of social ventures or securities of social enterprises and which satisfies the social performance norms laid down by the fund.

Social units means units issued by a social impact fund or schemes of a social impact fund to investors who have agreed to receive only social returns or benefits and no financial returns against their contribution.

In regulation 10, which deals with Investment in Alternative Investment Fund, it is provided that the Alternative Investment Fund may raise funds from any investor whether Indian, foreign or non-resident Indians by way of issue of units. Provided that a social impact fund or schemes of a social impact fund may also issue social units. Each scheme of the Alternative Investment Fund shall have corpus of at least twenty crore rupees. Provided that each scheme of the social impactfund shall have a corpus of at least five crore rupees. [Insertion: Proviso to 10(a) and 10(b)].

In regulation 16, which deals with Conditions for Category I Alternative Investment Funds, in sub-regulation (4), clause (a) has been substituted with the following, namely,-

(a) at least seventy-five percent of the investable funds shall be invested in unlisted securities or

partnership interest of social ventures or in units of social ventures or in securities of social enterprises.

Provided that an existing social impact fund may invest the remaining investable funds in securities of not for profit organizations registered or listed on a social stock exchange with theprior consent of at least 75% of the investors by value of their investment.
For details: https://www.sebi.gov.in/legal/regulations/jul-2022/securities-and-exchange-board-of- india-alternative-investment-funds-third-amendment-regulations-2022_61156.html

(8) Guidelines for overseas investment by Alternative Investment Funds (AIFs) / Venture Capital Funds (VCFs) (August 17, 2022)

In terms of Regulation 12(ba) of erstwhile SEBI (Venture Capital Funds) Regulations 1996 and Regulation 15(1)(a) of SEBI (Alternative Investment Funds) Regulations, 2012, AIFs/VCFs may invest in securities of companies incorporated outside India subject to such conditions or guidelines that may be stipulated or issued by the Reserve Bank of India and SEBI from time to time. SEBI vide this circular has issued Guidelines for overseas investment by AIFs /VCFs. It is specified that AIFs/VCFs shall file an application to SEBI for allocation of overseas investment limit in the format specified at Annexure A to this circular.

For details: https://www.sebi.gov.in/legal/circulars/aug-2022/guidelines-for-overseas-investment-by-alternative-investment-funds-aifs-venture-capital-funds-vcfs-_62020.html

(9) SEBI (Alternative Investment Funds) (Fourth Amendment) Regulations, 2022 (NotificationNo SEBI/LAD-NRO/GN/2022/105 dated November 15, 2022)

The SEBI vide notification dated 15th November, 2022 has issued the SEBI (Alternative Investment Funds) (Fourth Amendment) Regulations, 2022 which shall come into force on thedate of their publication in the Official Gazette. Vide this notification, the new sub-regulation 16 has been inserted which provides that–

- the Manager and
- either the trustee or
- the trustee company or
- the Board of Directors or
- designated partners

of the Alternative Investment Fund, as the case may be, shall ensure that the assets and liabilitiesof each scheme of an Alternative Investment Fund are segregated and ring-fenced from other schemes of the Alternative Investment Fund; and bank accounts and securities accounts of each scheme are segregated and ring-fenced.
For details: https://www.sebi.gov.in/legal/regulations/nov-2022/securities-and-exchange-board-of-india-alternative-investment-funds-fourth-amendment-regulations-2022_65161.html

(10) Foreign investment in Alternative Investment Funds (AIFs)
(Circular No. SEBI/HO/AFD-1/PoD/P/CIR/2022/171 dated December 09, 2022)

In terms of Regulation 10(a) of the SEBI (Alternative Investment Funds) Regulations, 2012 ('AIF Regulations'), AIFs may raise funds from any investor whether Indian, foreign or non-resident Indians, by way of issue of units.

In this regard, SEBI has specified that at the time of on-boarding investors, the manager of an AIF shall ensure the following:

(a) Foreign investor of the AIF is a resident of the country whose securities market regulator is a signatory to the International Organization of Securities Commission's Multilateral Memorandum of Understanding (Appendix A Signatory) or a signatory to the bilateral Memorandum of Understanding with SEBI.

(b) The investor, or its underlying investors contributing 25% percent or more in the corpus of the investor or identified on the basis of control, is not the person(s) mentioned in the Sanctions List notified from time to time by the United Nations Security Council and is not a resident in the country identified in the public statement of Financial Action Task Force as–

- a jurisdiction having a strategic Anti-Money Laundering or Combating the Financing of Terrorism deficiencies to which counter measures apply; or
- a jurisdiction that has not made sufficient progress in addressing the deficiencies or has not committed to an action plan developed with the Financial Action Task Force to address the deficiencies. In case an investor who has been on-boarded to scheme of an AIF, subsequently does not meet the conditions specified above, the manager of the AIF shall not drawdown any further capital contribution from such investor for making investment, until the investor again meets the said conditions. The same shall also apply to investors already on-boarded to existing schemes of AIFs, who do not meet conditions specified above.

For details:
https://www.sebi.gov.in/legal/circulars/dec-2022/foreign-investment-in-alternativeinvestment-funds-aifs-_66045.html

(11) SEBI (Alternative Investment Funds) (Amendment) Regulations, 2022
(Notification No. SEBI/LAD-NRO/GN/2023/113 dated January 09, 2023)

SEBI on January 09, 2023, notified the SEBI (Alternative Investment Funds) (Amendment) Regulations, 2023 which shall come into force on the date of their publication in the Official Gazette. The amendments have been made in regulation 16, 17, 18 pertaining to conditions for Alternative Investment Funds and regulation 20 pertaining to general obligations of Sponsor or Manager of the Alternative Investment Fund. The following has been provided:

- Category I Alternative Investment Funds may engage in hedging, including credit default swaps in terms of the conditions as may be specified by the SEBI from time to time.

- Category II Alternative Investment Funds may buy or sell credit default swaps in terms of the conditions as may be specified by the SEBI from time to time."
- Category III Alternative Investment Funds may buy or sell credit default swaps in terms of the conditions as may be specified by the SEBI from time to time."
- The Sponsor or Manager of the Category I and Category II Alternative Investment Fund transacting in credit default swaps shall appoint a custodian registered with the SEBI and comply with such terms and conditions as may be specified by the SEBI.

For details: https://www.sebi.gov.in/legal/regulations/jan-2023/securities-exchange-board-ofindia-alternative-investment-funds-amendment-regulations-2023_67165.html

(12) Direct plan for schemes of Alternative Investment Funds (AIFs) and trail model for distribution commission in AIFs (Circular No. SEBI/HO/AFD/PoD/CIR/2023/054 dated April 10, 2023)

Direct Plan for schemes of AIFs:

To provide flexibility to investors for investing in AIFs, bring transparency in expenses and curb mis-selling, SEBI has prescribed that schemes of AIFs shall have an option of 'Direct Plan' for investors. Such Direct Plan shall not entail any distribution fee/ placement fee. AIFs shall ensure that investors who approach the AIF through a SEBI registered intermediary which is separately charging the investor any fee (such as advisory fee or portfolio management fee), are on-boarded via Direct Plan only.

Trail model for distribution commission in AIFs:

AIFs shall disclose distribution fee/placement fee, if any, to the investors of AIF/scheme of AIF at the time of on-boarding. Category III AIFs shall charge distribution fee/ placement fee, if any, to investors only on equal trail basis i.e. no upfront distribution fee/ placement fee shall be charged by Category III AIFs directly or indirectly to their investors.

Category I AIFs and Category II AIFs may pay upto one-third of the total distribution fee/ placement fee to the distributors on upfront basis, and the remaining distribution fee/ placement fee shall be paid to the distributors on equal trail basis over the tenure of the fund.

The aforesaid provisions shall be complied with for investors on-boarded in AIFs/ schemes of AIFs from May 01, 2023 onwards.

For details: https://www.sebi.gov.in/legal/circulars/apr-2023/direct-plan-for-schemes-of-alternativeinvestment-funds-aifs-and-trail-model-for-distribution-commission-in-aifs_69996.html

(13) Guidelines with respect to excusing or excluding an investor from an investment of AIF (Circular No. SEBI/HO/AFD-1/PoD/P/CIR/2023/053 dated April 10, 2023)

SEBI has prescribed that an AIF may excuse its investor from participating in a particular investment in the following circumstances:

1. If the investor confirms that its participation in the investment opportunity would be in violation of an applicable law or regulation; or

2. If the investor had disclosed to the manager that, participation of the investor in such investment opportunity would be in contravention to the internal policy of the investor.

Further, an AIF may exclude an investor from participating in a particular investment opportunity, if

1. The manager of the AIF is satisfied that the participation of such investor in the investment opportunity would lead to the scheme of the AIF being in violation of applicable law or regulation or would result in material adverse effect on the scheme of the AIF.

2. If the investor of an AIF is also an AIF or any other investment vehicle, such investor may be partially excused or excluded from participation in an investment opportunity, to the extent of the contribution of the said fund/investment vehicle's underlying investors who are to be excused or excluded from such investment opportunity.

For details: https://www.sebi.gov.in/legal/circulars/apr-2023/guidelines-with-respect-to-excusingor-excluding-an-investor-from-an-investment-of-aif_69995.html

(14) Securities and Exchange Board of India (Alternative Investment Funds) (Second Amendment) Regulations, 2023 (E-Gazette Notification No. SEBI/LAD-NRO/GN/2023/132 June 15, 2023)

SEBI by way of its notification dated June 15, 2023 amended the SEBI Alternative Investment Fund ('**AIF**') Regulations, 2012 ('**AIF Regulations**'). Details of certain key amendments are summarized below:

1. **Addition of a new category of AIF called Specified Alternative Investment Fund.**

The addition of the new category of AIF i.e., specified Alternative Investment Fund expands the existing three categories of AIFs, namely Category I AIF, Category II AIF, and Category III AIF, as outlined in Regulation 3(4) of the SEBI Regulation. The introduction of the Specified AIF category provides further diversification and opportunities for investment within the alternative investment landscape, subject to the criteria and guidelines set by SEBI.

2. **Introduction of 'Corporate Debt Market Development Fund' (CDMDF)**

Corporate Debt Market Development Fund as a new category of AIF has been introduced in which investment shall be made in accordance with Chapter III-C of these regulations. Further, the concepts of liquidation scheme and liquidation period has also been inserted. The SEBI has prescribed the modalities for launching Liquidation Scheme and for distributing the investments of Alternative Investment Funds (AIFs) vide circular dated June 21, 2023. (Please refer the link: https://www.sebi.gov.in/legal/circulars/jun-2023/modalities-for-launching-liquidation-scheme-and-for-distributing-the-investments-of-alternative-investment-funds-aifs-in-specie_72922.html for details). The amendments with regards to CDMDF are as under:

- **Registration of CDMDF:** The CDMDF shall be structured as a trust, and its establishment requires the execution of a registered deed in accordance with the provisions of the Indian Registration Act of 1908. The CDMDF shall operate as a close-ended fund, meaning that it has a predetermined duration of 15 years from the date of its initial closing. The CDMDF are made available for investment to Asset Management Companies (AMCs) and specified debt-oriented schemes of mutual funds.

  The SEBI vide circular dated July 27, 2023 prescribed the framework for Corporate Debt Market Development Fund (CDMDF) which states that CDMDF shall comply with the Guarantee Scheme for Corporate Debt (GSCD) as notified by Ministry of Finance vide notification no. G.S.R. 559(E) dated July 26, 2023, which includes the Framework for Corporate Debt Market Development Fund. In addition to the scheme, CDMDF shall comply with the conditions as mentioned in the circular. For details, please refer https://www.sebi.gov.in/legal/circulars/jul-2023/framework-for-corporate-debt-market-development-fund-cdmdf-_74416.html
- **Investment Conditions:** During periods of market dislocation, the Corporate Debt Market Development Funds hall purchase corporate debt securities from the specified debt-oriented schemes of mutual funds which meet the following eligibility criteria:
  a) corporate debt securities shall be listed and have an investment grade rating;
  b) the residual maturity of such securities shall not exceed five years on the date of purchase;
  c) securities where there is no material possibility of default or adverse credit news or views.
- **Disclosure Norms:** The portfolio of the CDMDF will be made available to the unitholders on a fortnightly basis. Additionally, the net asset value (NAV) of the CDMDF will be disclosed to the unitholders on a daily basis. These regular disclosures ensure transparency and provide timely information to the unitholders regarding the fund's holdings and NAV.
- **Compliance with governance mechanism:** The CDMDF will select and appoint a trustee company. The appointment of both the board of directors of the trustee company and the manager of the CDMDF necessitates prior approval from SEBI.

The trustee company is authorized to engage solely in activities where it acts as the trustee of the CDMDF, unless prior written consent is obtained from SEBI. In terms of composition, two-thirds of the members on the board of the trustee company must be independent directors who do not have any affiliation with the sponsor or manager.

The appointment of any individual as a director of the trustee company is subject to the prior approval of SEBI. Furthermore, an audit committee must be established within the trustee company to oversee and assess compliance with the provisions outlined in the placement memorandum.

3. Issuance of units of AIFs in dematerialised form (June 21, 2024)

A new clause into Regulation 10 mandated every AIF to issue units in dematerialized form, subject to conditions specified by the SEBI.

All schemes of AIFs shall dematerialise their units in the following time frame:

Particulars	Schemes of AIFs with corpus ≥ Rs 500 Crore	Schemes of AIFs with corpus < Rs 500 Crore
Dematerialization of all the units issued	Latest by October 31, 2023	Latest by April 30, 2024
Issuance of units only in dematerialized form	November 01, 2023 onwards	May 01, 2024 onwards

The above requirements is not applicable to the AIF Schemes whose original tenure ending on or before April 30, 2024. Dematerialization of units by AIFs shall help in Ease of monitoring for investors/managers/regulatory compliances; Ease of transfer and transmission of AIF units; Safer option to hold securities - reduces risk of loss/damage of certificate, forgery etc. and to facilitate transparency and adequate monitoring

For details: https://www.sebi.gov.in/legal/circulars/jun-2023/issuance-of-units-of-aifs-in-dematerialised-form_72921.html

4. **Appointment of Compliance Officer**

Each AIF is mandated to appoint a compliance officer who holds the responsibility of overseeing adherence to the provisions of the act, rules, regulations, notifications, circulars, guidelines, and any other directives issued by SEBI. The compliance officer must fulfill the eligibility criteria specified by SEBI.

5. **Independent Valuation**

The manager of an AIF bears the responsibility of ensuring that the AIF appoints an independent valuer who meets the criteria specified by the SEBI on a periodic basis.

(SEBI has prescribed the standardised approach to valuation of investment portfolio of Alternative Investment Funds (AIFs) vide circular dated June 21, 2023. For details refer the circular- https://www.sebi.gov.in/legal/circulars/jun-2023/standardised-approach-to-valuation-of-investment-portfolio-of-alternative-investment-funds-aifs-_72924.html)

For details: https://www.sebi.gov.in/legal/regulations/jun-2023/securities-and-exchange-board-of-india-alternative-investment-funds-second-amendment-regulations-2023_72778.html

(15) Validity period of approval granted by SEBI to Alternative Investment Funds (AIFs) and Venture Capital Funds (VCFs) for overseas investment (Circular No. SEBI/HO/AFD/PoD/CIR/P/2023/137 August 04, 2023)

AIFs and VCFs have a time limit of six months from the date of prior approval from SEBI to making the allocated investments in offshore venture capital undertakings. SEBI reduced the validity period of approval given to alternative investment funds (AIFs) and venture capital funds (VCFs) for making overseas investments to four months from six months at present. In case the applicant AIFs and VCFs does not utilize the limits allocated to them within six months then SEBI can allocate such unutilized limit to another applicant.

For details: https://www.sebi.gov.in/legal/circulars/aug-2023/validity-period-of-approval-granted-by-sebi-to-alternative-investment-funds-aifs-and-venture-capital-funds-vcfs-for-overseas-investment_74979.html

(16) Regulatory Reporting by Alternative Investment Funds (AIFs) (Circular No. SEBI/HO/AFD/SEC-1/P/CIR/2023/0155 September 14, 2023)

In order to enable the AIF industry to have uniform compliance standards, ease compliance reporting and for regulatory and developmental purposes, the existing quarterly reporting format has been reviewed and the revised format has been prepared by SEBI. It is prescribed that the said revised reporting format shall be hosted by the AIF associations on their website within 2 working days of issuance of this circular. The report shall be submitted within 15 calendar days from the end of each quarter. The association shall engage with all AIFs to ensure that to begin with and to carry out a trial run, quarterly report for the June 2023 quarter is submitted in the revised format by October 15, 2023 on the SEBI Intermediary Portal (SI Portal).

For details: https://www.sebi.gov.in/legal/circulars/sep-2023/regulatoryreporting-by-aifs_76908.html

(17) (Alternative Investment Funds) (Amendment) Regulations, 2024 (January 05, 2024)

The following new regulation have been inserted:

Regulation 15(1)(i)

Alternative Investment Funds shall hold their investments in dematerialised form, subject to such conditions as may be specified by the SEBI from time to time. However, this shall not apply to:

a) investments by Alternative Investment Funds in such type of instruments which are not eligible for dematerialisation,

b) investments held by a liquidation scheme of the Alternative Investment Funds that are not available in the dematerialised form, and

c) such other investments by Alternative Investment Funds and such other schemes of Alternative Investment Funds as may be specified by the Board from time to time.

Regulation 20 (11A)

A Custodian which is an associate of the Sponsor or Manager of an Alternative Investment Fund may act as a custodian for that Alternative Investment Fund only when all the following conditions are met:

a) the Sponsor or Manager has a net worth of at least twenty thousand crore rupees at all points of time;

b) fifty per cent or more of the directors of the Custodian do not represent the interest of the Sponsor or Manager or their associates;

c) the Custodian and the Sponsor or Manager of the Alternative Investment Fund are not subsidiaries of each other;

d) the custodian and the Sponsor or Manager of the Alternative Investment Fund do not have common directors; and

e) the Custodian and the Manager of the Alternative Investment Fund sign an undertaking that they shall act independently of each other in their dealings of the schemes of the Alternative Investment Fund."

Regulation 20 (11) has been substituted with the following:

The Sponsor or Manager of the Alternative Investment Fund shall appoint a Custodian registered with the Board for safekeeping of the securities of the Alternative Investment Fund, in the manner as may be specified by the Board from time to time:

Provided that the Custodian appointed by the Sponsor or Manager of a Category III Alternative Investment Fund shall keep the custody of the securities and goods received in delivery against the physical settlement of commodity derivative:

Provided further that the Custodian appointed by the Sponsor or Manager of an Alternative Investment Fund shall report or disclose such information regarding investments of the Alternative Investment Fund in such manner as may be specified by the Board from time to time."

For details: https://www.sebi.gov.in/legal/regulations/jan-2024/securities-and-exchange-board-of-india-alternative-investment-funds-amendment-regulations-2024_80608.html

(18) SEBI (Alternative Investment Funds) (Second Amendment) Regulations, 2024 (Notification No. SEBI/LAD-NRO/GN/2024/168 dated April 25, 2024)

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 SEBI in its Board Meeting had 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. In this regard, the SEBI (Alternative Investment Funds) Regulations, 2012 ("AIF Regulations") have been amended and notified on April 25, 2024. The following amendments have been made under the SEBI (Alternative Investment Funds) Regulations, 2012:

1. The definitions on "Dissolution Period" and "Encumbrance" in regulation 2(1) have been added as:
   a) Dissolution Period means the period following the expiry of the liquidation period of the scheme for the purpose of liquidating the unliquidated investments of the scheme of the Alternative Investment Fund.
   b) Encumbrance shall have the same meaning as assigned to it under chapter V of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

2. Regulation 16(1)(c), pertaining to investment conditions for Category I Alternative Investment Funds, states that the Category I Alternative Investment Funds shall not borrow funds directly or indirectly or engage in any leverage except for meeting temporary funding requirements for not

more than thirty days, on not more than four occasions in a year and not more than ten percent of the investable funds. In aforesaid regulation 16(1)(c) the following proviso is added:

"Provided that Category I Alternative Investment Funds may create encumbrance on equity of investee company, which is 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 issued by the Central Government, only for the purpose of borrowing by such investee company and subject to such conditions as may be specified by the Board from time to time."

3. Regulation 17(c), pertaining to investment conditions for Category II Alternative Investment Funds, states that Category II Alternative Investment Funds may not borrow funds directly or indirectly and shall not engage in leverage except for meeting temporary funding requirements for not more than thirty days, not more than four occasions in a year and not more than ten percent of the investable funds. In aforesaid regulation 16(1)(c) the following proviso is added:

   "Provided that Category II Alternative Investment Funds may create encumbrance on equity of investee company, which is 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 issued by the Central Government, only for the purpose of borrowing by such investee company and subject to such conditions as may be specified by the Board from time to time."

4. In regulation 20, pertaining to the General Obligations, the new sub-regulation 20(20) is inserted which provides that every Alternative Investment Fund, Manager of the Alternative Investment Fund and Key Management Personnel of the Manager and the Alternative Investment Fund shall exercise specific due diligence, with respect to their investors and investments, to prevent facilitation of circumvention of such laws, as may be specified by the Board from time to time.

5. In regulation 29, related to winding up of an Alternative Investment Fund set up as a trust, the following sub-regulations have been inserted:

   "(9A) If the liquidation period for a scheme of an Alternative Investment Fund has expired or is expiring within three months from the date of notification of the Securities and Exchange Board of India (Alternative Investment Funds) (Second Amendment) Regulations, 2024, such schemes may be granted an additional liquidation period, subject to such conditions and in the manner as may be specified by the Board.

   Provided that the additional liquidation period granted under sub-regulation (9A) shall be without prejudice to the issuance of any direction or measures in accordance with the provision of the Act and regulations framed thereunder.

   (10) If the scheme of an Alternative Investment Fund enters into a dissolution period as provided under regulation 29B and the unliquidated investments of the scheme are not sold by the expiry of the dissolution period, such investments shall be mandatorily distributed in-specie to the investors, in the manner as may be specified by the Board."

6. In regulation 29A, related to Liquidation Scheme, the following sub-regulation has been inserted:

"(8) No Alternative Investment Fund shall launch any new liquidation scheme under this regulation after the notification of the Securities and Exchange Board of India (Alternative Investment Funds) (Second Amendment) Regulations, 2024.

Provided that any liquidation scheme launched by an Alternative Investment Fund prior to the notification of the Securities and Exchange Board of India (Alternative Investment Funds) (Second Amendment) Regulations, 2024 shall continue to be governed by regulation 29A and the other provisions of these regulations till such schemes are wound up."

7. The new regulation 29B on Dissolution Period has been inserted:
"(1) A scheme of an Alternative Investment Fund may enter into a dissolution period in the manner and subject to such conditions as may be specified by the Board.
(2) The scheme entering into a dissolution period shall file an information memorandum with the Board through a merchant banker in the manner as may be specified by the Board.
(3) The dissolution period of a scheme of an Alternative Investment Fund shall not be more than the original tenure of the scheme and shall not be extended in any manner upon expiry of the dissolution period.
(4) The scheme of the Alternative Investment Fund shall not accept any fresh commitment from any investor and shall not make any new investment during the dissolution period."
For details: https://egazette.gov.in/(S(514ebahev23ytpl3kfjllrlc))/ViewPDF.aspx

(19) Framework for Category I and II Alternative Investment Funds (AIFs) to create encumbrance on their holding of equity of investee companies (Circular No SEBI/HO/AFD/PoD1/CIR/2024/027 dated April 26, 2024)

In terms of provisos to Regulation 16(1)(c) and 17(c) of SEBI (Alternative Investment Funds) Regulations, 2012 ("AIF Regulations"), Category I and Category II AIFs may create encumbrance on equity of investee company, which is in the business of development, operation or management of projects in any of the infrastructure subsectors listed in the Harmonised Master List of Infrastructure issued by the Central Government, only for the purpose of borrowing by such investee company and subject to such conditions as may be specified by the Board from time to time.

In this regard, SEBI vide this circular has specified the following conditions:

- Existing schemes of Category I or Category II AIFs who have not on-boarded any investors prior to April 25, 2024, may create encumbrance on equity of investee company subject to explicit disclosure with respect to creation of such encumbrance in this regard and disclosure of associated risks in their Private Placement Memorandums (PPMs).
- Any encumbrances already created by a scheme of Category I or Category II AIF prior to April 25, 2024, may continue if such encumbrances were created after making an explicit disclosure in the PPM of the scheme.

- In case such encumbrances were created by a scheme of Category I or Category II AIF without making an explicit disclosure in the PPM, consent of all investors in the scheme of the AIF is obtained to this effect latest by October 24, 2024. If consent of all investors is not obtained within the aforesaid time period, the encumbrances shall be removed latest by January 24, 2025.
- Category I or Category II AIFs shall ensure that the borrowings made by the investee company against the equity investments encumbered by the AIFs are utilised only for the purpose of development, operation or management of investee company, and not utilised otherwise including to invest in another company.
- In case of default by the borrower investee company, Category I or Category II AIF shall ensure that the fund or its investors are not subject to any liability over and above the equity of the borrower investee company encumbered by the AIF.
- The pilot Standard Setting Forum for AIFs (SFA) in consultation with SEBI shall formulate implementation standards to ensure that the encumbrance created on equity of investee company by Category I or Category II AIFs, is only utilized for facilitation of debt raising at the infrastructure sector investee company. Managers of such AIFs shall adopt and adhere to such implementation standards.

  For details: https://www.sebi.gov.in/legal/circulars/apr-2024/framework-for-categoryi-and-ii-alternative-investment-funds-aifs-to-create-encumbrance-on-their-holding-ofequity-of-investee-companies_83067.html

(20) Flexibility to Alternative Investment Funds (AIFs) and their investors to deal with unliquidated investments of their schemes (Circular No. SEBI/HO/ AFD / PoD-I/P/CIR/2024/026 dated April 26, 2024)

SEBI in its meeting 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.

In this regard, SEBI (Alternative Investment Funds) (Second Amendment) Regulations 2024 ("AIF Regulations Amendment"), have been notified on April 25, 2024, inter alia, to provide additional flexibility to AIFs and their investors to deal with unliquidated investments of their schemes. (Same is covered under point 8 above)

Further, SEBI vide this circular has specified the following conditions:

- If an alternative investment fund (AIF) or its manager wants to enter unliquidated assets of a scheme into dissolution period, then they have to arrange bid for a minimum of 25% of the value of the unliquidated assets.
- The performance of the manager during the Dissolution Period will be captured separately and reported to Performance Benchmarking Agencies, distinct from the performance of the scheme before entering into Dissolution Period.
- The manager will also not be allowed to charge a fee during the dissolution period.
- Before seeking the consent of the investors to enter the assets into dissolution period, the fund or the manager must disclose the following to the investors.
    - The proposed tenure of the Dissolution Period, details of unliquidated investments, value recognition of the unliquidated investments for reporting to Performance Benchmarking Agencies, etc.
    - An indicative range of bid value, along with the valuation of the unliquidated investments carried out by two independent valuers.
- Before the expiry of the liquidation period, the AIF / manager shall intimate SEBI about obtaining the investor consent and the investors' decision to enter into Dissolution Period.
- If the scheme of the AIF fails to sell the unliquidated investments during the Dissolution Period, such investments shall be mandatorily distributed in-specie to the investors. It is clarified that no further extension or Liquidation Period shall be available to these schemes after the expiry of Dissolution Period.

For details: https://www.sebi.gov.in/legal/circulars/apr-2024/flexibility-to-alternative-investmentfunds-aifs-and-their-investors-to-deal-with-unliquidated-investments-of-theirschemes_83065.html

LESSON 5 - INDIAN EQUITY – NON-FUND BASED

(1) Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021

BACKGROUND

SEBI (Issue of Sweat Equity) Regulations, 2002 ("Sweat Equity Regulations") and SEBI (Share Based Employee Benefits) Regulations, 2014 ("SBEB Regulations") were notified on September 24, 2002 and October 28, 2014 respectively. The Sweat Equity regulations provided framework for issuance of Sweat Equity shares by listed companies and the SBEB Regulations provided framework to regulate Employee Stock Option Scheme, Employee Stock Purchase Scheme and other share based employee benefits.

Further, to improve ease of doing business from a regulatory perspective, it was observed that, both the SBEB Regulations and the Sweat Equity Regulations regulate employee benefits arising out of and relating with the equity shares of listed companies, thus the possibility of merging both such regulations may be explored.

Accordingly, the SEBI constituted the Expert Group to analyze the above proposals, and to provide its recommendations on the following:

- Revisiting the framework of SBEB regulations and suggesting policy change thereto.
- Revisiting the framework of SEBI Sweat equity regulations vis-à-vis the Companies Act,2013 and suggesting policy changes thereto.
- Suggesting, whether it is advisable to combine both the regulations and if so, providing adraft of combined regulations.

The changes in the two regulations and their merger into a single regulation were approved by SEBI in the Board Meeting held on August 06, 2021. **Thereafter, the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 (herein referred as "New Regulations") have been notified and become effective on August 13, 2021.**

Pursuant to this, the SEBI (Share Based Employee Benefits) Regulations, 2014 and SEBI (Issue of Sweat Equity) Regulations, 2002 (herein referred as "Erstwhile Regulations") stand repealed.

SHARE BASED EMPLOYEE BENEFITS(CHAPTER I, II and III)

APPLICABILITY

The provisions of these regulations shall apply to the following: -

(i) employee stock option schemes;

(ii) employee stock purchase schemes;

(iii) stock appreciation rights schemes;

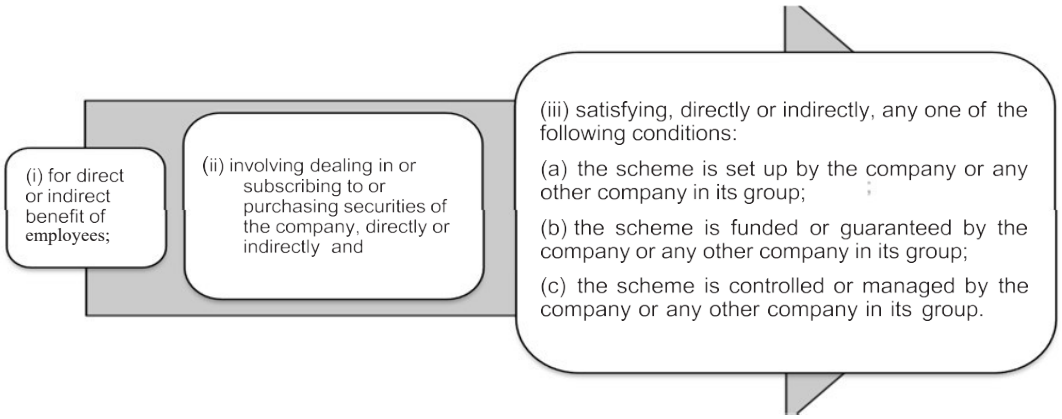
(iv) general employee benefits schemes;

(v) retirement benefit schemes; and

(vi) sweat equity shares.

COMPANIES COVERED

The provisions of these regulations shall apply to any company whose shares are listed on a recognised stock in India and who seeks to issue sweat equity shares or has a scheme:-



NON- APPLICABILITY

The provisions pertaining to preferential issue as specified in the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 shall not be applicable in case of a company issuing new shares in pursuance and compliance of these regulations except wherever specifically provided for in these regulations.

IMPORTANT DEFINITIONS

- **"Employee"**, except in relation to issue of sweat equity shares, means, —

  (i) an employee as designated by the company, who is exclusively working in India or outside India; or

  (ii) a director of the company, whether a whole time director or not, including a nonexecutive director who is not a promoter or member of the promoter group, but excluding an independent director; or

(iii) an employee as defined in sub-clauses (i) or (ii), of a group company including subsidiary or its associate company, in India or outside India, or of a holding company of the company, but does not include—

(a) an employee who is a promoter or a person belonging to the promoter group; or

(b) a director who, either himself or through his relative or through any body corporate, directly or indirectly, holds more than ten per cent of the outstanding equity shares of the company.

- **"Scheme"** means a scheme of a company proposing to provide share based benefits to its employees under Chapters III of these regulations, which may be implemented and administered directly by such company or through a trust, in accordance with these regulations.
- "**Secretarial auditor"** means a company secretary in practice appointed by a company under rule 8 of the Companies (Meetings of Board and its Powers) Rules, 2014 to conduct secretarial audit pursuant to regulation 24A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- "**Employee stock option scheme or ESOS**" means a scheme under which a company grants employee stock options to employees directly or through a trust.
- "**Employee stock purchase scheme or ESPS**" means a scheme under which a company offers shares to employees, as part of public issue or otherwise, or through a trust where the trust may undertake secondary acquisition for the purposes of the scheme.
- "**General employee benefits scheme or GEBS"** means any scheme of a company framed in accordance with these regulations, dealing in shares of the company or the shares of its listed holding company, for the purpose of employee welfare including healthcare benefits, hospital care or benefits, or benefits in the event of sickness, accident, disability, death or scholarship funds, or such other benefit as specified by such company.
- "**Retirement benefit scheme or RBS"** means a scheme of a company framed in accordance with these regulations, dealing in shares of the company or the shares of its listed holding company, for providing retirement benefits to the employees subject to compliance with existing rules and regulations as applicable under laws relevant to retirement benefits in India.
- "**Sweat equity shares**" means sweat equity shares as defined in sub-section (88) of section 2 of the Companies Act, 2013 (18 of 2013).
- "**Appreciation**" means the difference between the market price of the share of a company on thedate of exercise of SAR or the date of vesting of SAR, as the case may be, and the SAR price.
- "**Exercise**" means making of an application by an employee to the company or to the trust for issue of shares or appreciation in form of cash, as the case may be, against vested options or vested SARs in pursuance of the schemes covered under Part A or Part C of Chapter III of these regulations, as the case may be.
- "**Exercise period**" means the time period after vesting within which an employee can exercise

his/her right to apply for shares against the vested option or appreciation against vested SAR in pursuance of the schemes covered under Part A or Part C of Chapter III of these regulations, asthe case may be.

- **"Exercise price"** means the price, if any, payable by an employee for exercising the option or SAR granted to such an employee in pursuance of the schemes covered under Part A or Part C of Chapter III of these regulations, as the case may be.
- **"Grant"** means the process by which the company issues options, SARs, shares or any other benefits under any of the schemes.
- **"Grant date"** means the date on which the compensation committee approves the grant.

  Explanation,—For accounting purposes, the grant date will be determined in accordance with applicable accounting standards;
- **"Option"** means the option given to an employee which gives such an employee a right to purchase or subscribe at a future date, the shares offered by the company, directly or indirectly, at a pre-determined price.
- "**Option grantee**" means an employee having a right but not an obligation to exercise an option in pursuance of an ESOS.
- "**Relevant date**" means,-
  - (i) in the case of grant, the date of the meeting of the compensation committee on whichthe grant is made; or
  - (ii) in the case of exercise, the date on which the notice of exercise is given to the company or to the trust by the employee.
- "**Stock appreciation right or SAR"** means a right given to a SAR grantee entitling him to receive appreciation for a specified number of shares of the company where the settlement of suchappreciation may be made by way of cash payment or shares of the company.

  Explanation 1, A SAR settled by way of shares of the company shall be referred to as equitysettled SAR.

  Explanation 2, For the purpose of these regulations, any reference to stock appreciation right or SAR shall mean equity settled SARs and does not include any scheme which does not, directly or indirectly, involve dealing in or subscribing to or purchasing, securities of the company.
- "**Stock appreciation right scheme or SAR scheme**" means a scheme under which a company grants SAR to employees.
- **"SAR grantee**" means an employee to whom a SAR is granted.
- "**SAR price**" means the base price defined on the grant date of SAR for the purpose of computing appreciation.
- "**Trust**" means a trust established under the provisions of the Indian Trusts Act, 1882 (2 of 1882) including any statutory modification or re-enactment thereof, for implementing any of the schemes covered by these regulations.
- "**Vesting**" means the process by which the employee becomes entitled to receive the benefit of a grant made to him/her under any of the schemes.

- "**Vesting period**" means the period during which the vesting of option, SAR or a benefit granted under any of the schemes takes place.

IMPLEMENTATION OF SCHEMES THROUGH TRUST

1. A company may implement a scheme(s) either directly or by setting up an irrevocable trust(s). If the scheme is to be implemented through a trust, the same has to be decided upfront at the time of taking approval of the shareholders for setting up the scheme(s).

   However, if prevailing circumstances so warrant, the company may change the mode of implementation of the scheme subject to the condition that a fresh approval of the shareholders bya special resolution is obtained prior to implementing such a change and that such a change is not prejudicial to the interests of the employees.

   Further it is provided that if the scheme(s) involves secondary acquisition or gift or both, then it shall be mandatory for the company to implement such scheme(s) through a trust(s).

2. A company may implement several schemes as permitted under these regulations through a single trust.

   However, such single trust shall keep and maintain-

   - proper books of account;
   - records and documents;

   for each such scheme so as to explain its transactions and to disclose at any point of time the financial position of each scheme and in particular give a true and fair view of the state of affairs of each scheme.

3. The trust deed, under which the trust is formed, shall contain provisions as specified in Part A of Schedule – I of these regulations and such trust deed and any modifications thereto shall be mandatorily filed with the recognised stock exchange(s) in India where the shares of the company are listed.
4. Any person can be appointed as a trustee of the trust, except in cases where such person—
   i. is a director, key managerial personnel or promoter of the company or its group company including its holding, subsidiary or associate company or any relative of such director, key managerial personnel or promoter; or
   ii. beneficially holds ten percent or more of the paid-up share capital or the voting rights of the company.

   However, where individual(s) or "one person company" as defined under the Companies Act, 2013 is appointed as trustee(s), there shall be a minimum of two such trustees, and in case a corporate entity is appointed as a trustee, then it may be the sole trustee.
5. The trustees of a trust, which is governed under these regulations, shall not vote in respect of the shares held by such trust, so as to avoid any misuse arising out of exercising such voting rights.
6. The trustee should ensure that the requisite approval from the shareholders has been obtained by the company in order to enable the trust to implement the scheme(s) and undertake secondary acquisition for the purposes of the scheme(s).

7. The trust shall not deal in derivatives and shall undertake only delivery-based transactions for the purposes of secondary acquisition as permitted by these regulations.

8. Subject to the requirements of the Companies Act, 2013 read with Companies (Share Capital andDebenture) Rules, 2014, as amended from time to time, as may be applicable, the company maylend monies to the trust on appropriate terms and conditions to acquire the shares either through new issue or secondary acquisition, for the purpose of implementation of the scheme(s).

9. For the purpose of disclosures to the recognised stock exchange, the shareholding of the trust shallbe shown as "non-promoter and non-public" shareholding.
   Explanation,—The shares held by the trust shall not form part of the public shareholding which needs to be maintained at a minimum of twenty five per cent as prescribed under the SecuritiesContracts (Regulation) Rules, 1957.

10. Secondary acquisition in a financial year by the trust shall not exceed two per cent of the paid up equity capital of the company as at the end of the previous financial year.

11. The total number of shares under secondary acquisition held by the trust shall at no point of time exceed the below mentioned limits as a percentage of the paid up equity capital of the company as at the end of the financial year immediately prior to the year in which the shareholders' approvalis obtained for such secondary acquisition:

Sl. No.	**Particulars**	**Limit**
A	For the schemes enumerated in Part A, Part B or Part C of Chapter III ofthese regulations	5%
B	For the schemes enumerated in Part D, or Part E of Chapter III of these regulations	2%
C	For all the schemes in aggregate	5%

12. The unappropriated inventory of shares which are not backed by grants, acquired through secondary acquisition by the trust under Part A, Part B or Part C of Chapter III of these regulations, shall be appropriated within a reasonable period which shall not extend beyond the end of the subsequent financial year, or the second subsequent financial year subject to approval of the compensation committee/nomination and remuneration committee for such extension to the second subsequent financial year.

13. The trust shall be required to hold the shares acquired through secondary acquisition for a minimum period of six months except where they are required to be transferred in the

circumstances enumerated in these regulations, whether off-market or on the platform of recognised stock exchange.

14. The trust shall be permitted to undertake off-market transfer of shares only under the following circumstances: -

(a) transfer to the employees pursuant to scheme(s);

(b) while participating in an open offer under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 or while participating in a buy-back, delisting or any other exit offered by the company generally to its shareholders.

15. The trust shall not become a mechanism for trading in shares and hence shall not sell the shares in secondary market except under the following circumstances:

(a) to enable the employee to fund the payment of the exercise price, the amount necessary to meet his/her tax obligations and other related expenses pursuant to exercise of options granted under the ESOS;

(b) on vesting or exercise, as the case may be, of SAR under the scheme covered by Part C ofChapter III of these regulations;

(c) in case of emergency for implementing the schemes covered under Part D and Part E of ChapterIII of these regulations, and for this purpose –

(i) the trustee(s) shall record the reasons for such sale; and

(ii) money so realised on sale of shares shall be utilised within a definite time period as stipulated under the scheme or trust deed.

(d) participation in buy-back or open offers or delisting offers or any other exit offered by thecompany generally to its shareholders, if required;

(e) for repaying the loan, if the unappropriated inventory of shares held by the trust is not appropriated within the timeline as provided above;

(f) winding up of the scheme(s); and

(g) based on approval granted by the Board to an applicant, for the reasons recorded in writing in respect of the schemes covered by Part A or Part B or Part C of Chapter III of these regulations, upon payment of a non-refundable fee of rupees one lakh to the Board along with the application by way of direct credit in the bank account through NEFT/RTGS/IMPS or any other mode allowed by the Reserve Bank of India.

16. The trust shall be required to make disclosures and comply with the other requirements applicable to insiders or promoters under the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 or any modification or re-enactment thereto.

ELIGIBILITY CRITERIA

An employee shall be eligible to participate in the schemes of the company as determined by the compensation committee.

COMPENSATION COMMITTEE

(1) A company shall constitute a compensation committee for administration and

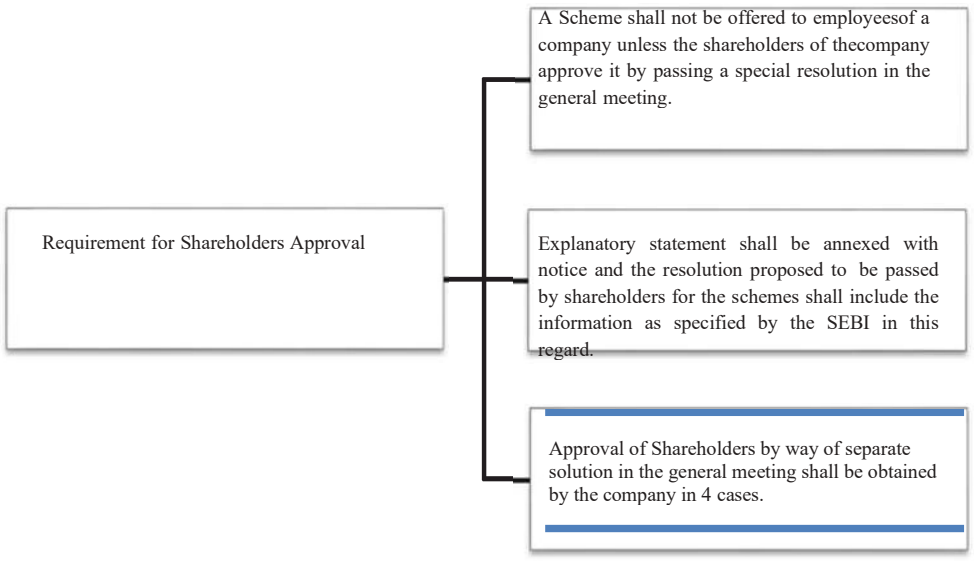
superintendence of the schemes. Where the scheme is being implemented through a trust the compensation committee shall delegate the administration of such scheme(s) to the trust.

(2) The compensation committee shall be a committee of such members of the Board of Directors of the company as provided under regulation 19 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time. Provided that a company may also opt to designate its nomination and remuneration committee as the compensation committee for the purposes of these regulations.

(3) The compensation committee shall, inter alia, formulate the detailed terms and conditions of the schemes which shall include the provisions as specified in Part B of Schedule – I of theseregulations.

(4) The compensation committee shall frame suitable policies and procedures to ensure that there is no violation of securities laws including the SEBI (Prohibition of Insider Trading) Regulations, 2015 and the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to the Securities Market) Regulations, 2003, as amended from time to time, by the trust, the company and its employees, as may be applicable.

SHAREHOLDERS APPROVAL



Approval of shareholders by way of separate resolution in the general meeting shall be obtainedby the company in case of:

a) Secondary acquisition for implementation of the schemes.

Such approval shall mention the percentage of secondary acquisition (subject to limits specified under these regulations) that could be undertaken;

b) Secondary acquisition by the trust in case the share capital expands due to capital expansion undertaken by the company including preferential allotment of shares or qualified institutions placement, to maintain the five percent cap as prescribed in these regulations of such increased capital of the company;

c) Grant of option, SAR, shares or other benefits, as the case may be, to employees of subsidiary or holding company;

d) Grant of option, SAR, shares or benefits, as the case may be, to identified employees, during any one year, equal to or exceeding one per cent. of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant of option, SAR, shares or incentive, as the case may be.

VARIATION OF TERMS OF THE SCHEMES

(1) A company may by special resolution of its shareholders vary the terms of the schemes offered pursuant to an earlier resolution of the general body but not yet exercised by the employees, ifsuch variation is not prejudicial to the interests of the employees

(2) A company shall be entitled to vary the terms of the schemes to meet any regulatory requirement without seeking shareholders' approval by special resolution.

(3) The provisions of regulation 6 (Shareholders' Approval) of these regulations shall apply to such variation of terms as they apply to the original grant of option, SAR, shares or other benefits, as the case may be.

(4) The notice for passing a special resolution for variation of terms of the schemes shall disclose full details of the variation, the rationale therefor, and the details of the employees who are beneficiaries of such variation.

(5) A company may reprice the options, SAR or shares, as the case may be, which are not exercised, whether or not they have been vested, if the schemes were rendered unattractive due to fall in the price of the shares in the stock market.

Provided that the company ensures that such repricing is not detrimental to the interests of the employees and approval of the shareholders by a special resolution has been obtained for such repricing.

WINDING UP OF THE SCHEMES

In case of winding up of the schemes being implemented by a company, the excess monies orshares remaining with the trust after meeting all the obligations, if any, shall be utilised for repayment of loan or by way of distribution to employees or subject to approval of the shareholders, be transferred to another scheme under these regulations, as recommended by the compensation committee.

NON-TRANSFERABILITY

- Option, SAR or any other benefit granted to an employee under the regulations shall not be transferable to any person. No person, other than the employee to whom the option, SAR or other benefit is granted, shall be entitled to the benefit arising out of such option, SAR or other benefit.

- The option, SAR, or any other benefit granted to the employee shall not be pledged, hypothecated, mortgaged or otherwise alienated in any other manner.

- In the event of death of the employee while in employment, all the options, SAR or any other benefit granted under a scheme to him/her till his/her death shall vest, with effect from the date of his/her death, in the legal heirs or nominees of the deceased employee, as the case may be.

- In case the employee suffers a permanent incapacity while in employment, all the options, SAR or any other benefit granted to him/her under a scheme as on the date of permanent incapacitation, shall vest in him/her on that day.

- In the event of resignation or termination of an employee, all the options, SAR or any other benefit which are granted and yet not vested as on that day, shall expire.

LISTING

In case a new issue of shares is made under any scheme, shares so issued shall be listed immediately on all recognised stock exchange(s) where the existing shares are listed, subject tothe following conditions:

(a) The scheme is in compliance with these regulations;

(b) A statement, as specified in Part D of Schedule – I of these regulations, is filed and the company obtains an in-principle approval from the recognised stock exchange(s);

(c) As and when an exercise is made, the company notifies the concerned recognised stock exchange(s) as per the statement as specified in Part E of Schedule – I of these regulations.

CERTIFICATE FROM AUDITORS

In the case of every company which has passed a resolution for the scheme(s) under these

regulations, the Board of Directors shall at each annual general meeting place before the shareholders a certificate from the **secretarial auditors** of the company that the scheme(s) has been implemented in accordance with these regulations and in accordance with the resolution of the company in the general meeting.

ADMINISTRATION OF SPECIFIC SCHEMES

Employee Stock Option Scheme (ESOS)

Administration and Implementation	• An ESOS shall contain the details of the manner in which the scheme will be implemented and operated. ESOS shall not be offered unless the disclosures, as specified by SEBI in this regard, are made by the company to the prospective option grantees.
Pricing	• The company granting options to its employees pursuant to an ESOS shall be free to determine the exercise price subject to conforming to the accounting policies specified in these regulation.
Vesting Period	• There shall be a minimum vesting period of one year in case of ESOS.
Rights of the option holder	• The company may specify the lock-in period for the shares issued pursuant to exercise of option.
Consequence of failure to exercise option	• An employee shall not have right to receive any dividend or to vote or in any manner enjoy the benefits of a shareholder in respect of option granted to him/her, till shares are issued upon exercise of option. • The amount paid by the employee, if any, at the time of grant, vesting or exercise of option, - • may be forfeited by the company if the option is not exercised by the employee within the exercise period; or • may be refunded to the employee if the options are not vested due to non- fulfilment of conditions relating to vesting of option as per the ESOS.

Note :

In regard to Vesting period, -

- where options are granted by a company under an ESOS in lieu of options held by an employee under an ESOS in another company which has merged, demerged, arranged or amalgamated with the first mentioned company, the period during which the options grantedby the transferor company were held by such employee shall be adjusted against the minimum vesting period.
- In the event of death or permanent incapacity of an employee, the minimum vesting period of one year shall not be applicable and in such instances, the options shall vest in terms of sub- regulation (4) of regulation 9 of these regulations, on the date of the death or permanent incapacity.

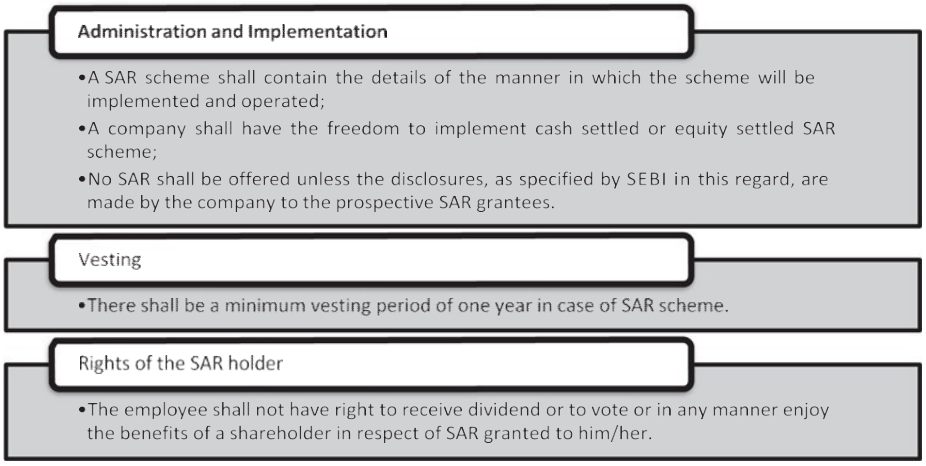
Employee Stock Purchase Scheme (ESPS)

Administration and Implementation	Pricing and Lock-In
• An ESPS scheme shall contain the details of the manner in which the scheme will be implemented and operated.	• A company may determine the price of shares to be issued under an ESPS, provided they conform to the provisions of accounting policies under these regulation. • Shares issued under an ESPS shall be locked-in for a minimum period of one year from the date of allotment. • If ESPS is part of a public issue and the shares are issued to employees at the same price as in the public issue, the shares issued to employees pursuant to ESPS shall not be subject to lock-in.

Note :

In regard to pricing and Lock-in-

- where shares are allotted by a company under an ESPS in lieu of shares acquired by the employee under an ESPS in another company which has merged or amalgamated with the first mentioned company, the lock-in period already undergone in respect of shares of the transferor company shall be adjusted against the lock-in period.
- In the event of death or permanent incapacity of an employee, the requirement of lock-in shall not be applicable from the date of death or permanent incapacity.



Stock Appreciation Rights Scheme (SAR Scheme)

Note :

- In Point No. 1, in case of equity settled SAR scheme, if the settlement results in fractionalshares, then the consideration for fractional shares should be settled in cash.
- In Point No. 2-
  - in a case where SAR is granted by a company under a SAR scheme in lieu of SAR held by the employee under a SAR scheme in another company which has merged or amalgamated with the first mentioned company, the period during which the SAR

    granted by the transferor company were held by the employee shall be adjusted against the minimum vesting period.
  - In the event of death or permanent incapacity, the minimum vesting period of one year shall not be applicable and in such instances, the options shall vest on the date of deathor permanent incapacity.

General Employee Benefits Scheme (GEBS)

Administration and Implementation

(1) GEBS shall contain the details of the scheme and the manner in which the scheme shall be implemented and operated.
(2) The shares of the company or shares of its listed holding company shall not exceed ten per cent of the book value or market value or fair value of the total assets of the scheme, whichever is lower, as appearing in its latest balance sheet (whether audited or limited reviewed) for thepurposes of GEBS.

(3) The secretarial auditor of the company shall certify the above mentioned point (2) compliance at the time of adoption of such balance sheet by the company.

Retirement Benefit Scheme (RBS)

Administration and Implementation

(1) Retirement benefit scheme may be implemented by a company subject to compliance with these regulations and provisions of any other law in force in relation to retirement benefits.

(2) The retirement benefit scheme shall contain the details of the benefits under the scheme and the manner in which the scheme shall be implemented and operated.

(3) The shares of the company or shares of its listed holding company shall not exceed ten per cent of the book value or market value or fair value of the total assets of the scheme, whichever is lower, as appearing in its latest balance sheet (whether audited or limited reviewed) for the purposes of RBS.

(4) The secretarial auditor of the company shall certify compliance with above mentioned point (3) at the time of adoption of such balance sheet by the company.

ISSUE OF SWEAT EQUITY BY A LISTED COMPANY(CHAPTER IV)

Applicability

Nothing contained in this chapter shall apply to an unlisted company:

Provided that an unlisted company coming out with initial public offer and seeking listing of its securities on the recognized stock exchange, pursuant to issue of sweat equity shares, shall comply with the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirement) Regulations, 2018.

Definition of employee in relation to issue of sweat equity shares

The term 'employee' means,

(i) an employee of the company working in India or abroad; or

(ii) a director of the company whether a whole time director or not.

Issue of sweat equity shares to employees

A company whose equity shares are listed on a recognised stock exchange may issue sweat equity shares in accordance with section 54 of the Companies Act, 2013 and these regulations to its employees for their providing know-how or making available rights in the nature of intellectual property rights or value additions, by whatever name called.

Maximum quantum of sweat equity shares

A company shall not issue sweat equity shares for more than fifteen percent of the existing

paid up equity share capital in a year. However, the issuance of sweat equity shares in the company shall not exceed twenty five percent of the paid up equity share capital of the company at any time.

Further, a company listed on Innovators Growth Platform shall be permitted to issue not more than fifteen percent of the paid up equity share capital in a financial year subject to overall limit not exceeding fifty percent of the paid up equity share capital of the company, up to ten years from the date of its incorporation or registration.

Special Resolution

(1) For the purposes of passing a special resolution under clause (a) of sub-section (1) of section 54 of the Companies Act, 2013), the explanatory statement to be annexed to the notice for the general meeting pursuant to section 102 of the Companies Act, 2013 shall contain disclosures as specified in the Schedule – II of these regulations.

(2) The issue of sweat equity shares to employees who belong to promoter or promoter group shall be approved by way of a resolution passed by a simple majority of the shareholders in general meeting.

However, for passing such a resolution, voting through postal ballot and/or e-voting as specified under Companies (Management and Administration) Rules, 2014 shall also be adopted.

Further, provided that the promoters/promoter group shall not participate in such resolution.

(3) Each issue of sweat equity shares shall be voted by a separate resolution.

(4) The resolution for issue of sweat equity shares shall be valid for a period of not more than twelvemonths from the date of passing of the resolution.

Pricing of sweat equity shares

The price of sweat equity shares shall be determined in accordance with the pricing requirements stipulated for a preferential issue to a person other than a qualified institutional buyer under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.

Valuation

(1) The valuation of the know-how or intellectual property rights or value addition shall be carriedout by a merchant banker.

(2) The merchant banker may consult such experts and valuers, as it may deem fit, having regard to the nature of the industry and the nature of the valuation of know-how or intellectual property rights or value addition.

(3) The merchant banker shall obtain a certificate from an independent chartered accountant certifying that the valuation of the know-how or intellectual property rights or value

addition isin accordance with the relevant accounting standards.

Accounting Treatment

Where the sweat equity shares are issued for a non-cash consideration, such non-cash consideration shall be treated in the following manner in the books of account of the company:-

(a) where the non-cash consideration takes the form of a depreciable or amortizable asset, it shall be carried to the balance sheet of the company in accordance with the relevant accounting standards; or

(b) where clause (a) is not applicable, it shall be expensed as provided in the relevant accounting standards.

Placing of auditor's certificate before annual general meeting

In the general meeting subsequent to the issue of sweat equity shares, the Board of Directors shall place before the shareholders, a certificate from the secretarial auditor of the company that the issue of sweat equity shares has been made in accordance with these regulations and in accordance with the resolution passed by the company authorizing the issue of such sweat equity shares.

Ceiling on managerial remuneration

The amount of sweat equity shares issued shall be treated as part of managerial remuneration for the purpose of sections 196, 197 and other applicable provisions of the Companies Act, 2013, if the following conditions are fulfilled:

(i) the sweat equity shares are issued to any director or manager; and

(ii) the sweat equity shares are issued for non-cash consideration, which does not take the form of an asset which can be carried to the balance sheet of the company in accordance with the relevant accounting standards.

Lock-in of sweat equity shares

(1) The sweat equity shares shall be locked in for such period of time as specified in relation to a preferential issue under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended from time to time.

(2) The provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosures Requirements) Regulations, 2018 in respect of public issue in terms of lock-in and computation of promoters' contribution shall apply if a company makes a public issue after it has issued sweat equity shares.

Listing

The sweat equity shares issued by a listed company shall be eligible for listing subject to their issuance being in accordance with these regulations.

Any acquisition of sweat equity shares shall be subject to the provisions of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

General Obligations

The company shall ensure that –

(a) the explanatory statement to the notice for general meeting contains the disclosures specified under clause (b) of sub-section (1) of section 54 of the Companies Act, 2013 and sub-regulation (1) of regulation 32 of these regulations.

(b) the secretarial auditor's certificate required under regulation 36 is placed in the general meeting of the shareholders.

(c) the company, within seven days of the issue of sweat equity shares, sends a statement to the recognised stock exchange, disclosing:

(i) number of sweat equity shares issued;

(ii) price at which the sweat equity shares are issued;

(iii) total amount received towards sweat equity shares;

(iv) details of the persons to whom sweat equity shares have been issued; and

(v) the consequent changes in the capital structure and the shareholding pattern before and after the issue of sweat equity shares.

For details: **https://www.sebi.gov.in/legal/regulations/aug-2021/securities-and-exchange-board-of-india-share-based-employee-benefits-and-sweat-equity-regulations-2021_51889.html**

LESSON 10

INTER-CORPORATE LOANS AND INVESTMENT/DEPOSIT

Case Law

19/09/2018	M/s Ind-Swift Limited (Appellant) vs. Registrar of Companies (Respondent)	NCLT

Repayment of Deposits accepted before Commencement of the Companies Act, 2013
The Company filed application before CLB and obtained relief under Section 58AA read with Section 58A(9) of the Companies Act,1956 and got instalments fixed to repay deposits, Appellant sought re-fixing of periods, instalments and rate of interest from NCLT, New Delhi under Section 74 of the Companies Act, 2013 which was rejected by NCLT, New Delhi bench. This Appeal is against rejection of the application/s.

The NCLAT observed that the NCLT considered that the Appellant had at the time of first grant of time got relief of huge extension and that there was no reason to accept the plea for further extension. The NCLT appears to have found that when big relief had already been granted to the Company, further extension was not justified.

Section 76 makes it clear that legislature has put in many safeguards when deposits are to be taken from public. One of the important provisions is to ensure that the Company creates a charge of its assets of an amount not less than the amount of deposits accepted in favour of the deposit holders.

Section 76(2) read with Sections 73 and 74 would apply to acceptance of deposits from public by eligible Companies but it saves the Company which had accepted or invited public deposits under the relevant provisions of the old Act and Rules thereunder and has been repaying such deposits and interests thereon in accordance with such provisions, then the provisions of Clause (b) of Sub-Section (1)of Section 74 of the new Companies Act, 2013 shall be deemed to have been complied with. This is, however, subject to the fact that the Company complies with the requirements under the Act and the Rules and "continues to repay such deposits and interest due thereon on due datesfor the remaining period" as per the terms and conditions.

Considering these provisions, it appears to us that Section 74(1)(b)was attracted and when it appears from record that the Appellant defaulted, the penal provisions would get attracted.

LESSON 6 AND 7 - DEBT FUNDING – INDIAN FUND BASED
LESSON 11 - NON-CONVERTIBLE REDEEMABLE PREFERENCE SHARES

(1) **Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities)Regulations, 2021 (August 09, 2021)**

The SEBI vide e-Gazette notification dated August 09, 2021, has notified the Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021. These regulations shall come into force on the seventh day from the date of its publication in the Official Gazette. Unless otherwise provided, these regulations shall apply to the:

(1) issuance and listing of debt securities and nonconvertible redeemable preference shares by an issuer by way of public issuance;

(2) issuance and listing of non-convertible securities by an issuer issued on private placement basis which are proposed to be listed; and

(3) listing of commercial paper issued by an issuer in compliance with theguidelines framed by the Reserve Bank of India.

The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 and the Securities and Exchange Board of India (Issue and Listing of Non- Convertible Redeemable Preference Shares) Regulations, 2013 shall stand repealed from the date on which these regulations come to force.

The objective to bring out these regulations is to simplify and to align the Regulations in line with the various circulars/guidance and various provisions of the regulations, issued by SEBIand improve the structure of the regulations in order to enhance readability. Also, to identify policy changes in line with the present market practices and the prevailing regulatoryenvironment and to ease doing business.

For details: https://www.egazette.nic.in/WriteReadData/2021/228840.pdf

Relevant portion of old Regulations as mentioned in the book of Corporate Funding and Listings in Stock Exchanges to be replaced with the relevant portion of new regulations as mentioned below:

SEBI vide its notification dated August 09, 2021 introduced **SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 ('NCS Regulations').** The NCS Regulations came into effect from the 7th day from the date of their publication in the officialgazette i.e. 16th August, 2021.

The new NCS Regulations provides for issuance and/or listing of the following securities:

a. Debt securities;

b. Non-Convertible redeemable preference shares;

c. Perpetual debt instruments or Perpetual Non-cumulative preference shares;

d. Commercial Paper.

"Non-convertible securities" means debt securities, non-convertible redeemable preference shares, perpetual non-cumulative preference shares, perpetual debt instruments and any other securities as specified by the SEBI.

Since the enactment of ILDS Regulations and NCRPS Regulations, SEBI had issued multiple circulars covering procedural and operational aspects thereof. Hence, for ease of reference, all the existing circulars and provisions were merged into a single SEBI operational circular dated August 10, 2021, with consequent changes, which detailed chapter wise. This circular acts as a 'single-point' reference for primary issuance and listing of non- convertible securities in India.

Corporate bond markets are an important part of the global capital markets and play a key role in financing the real economy. They act as an alternative to the banking channels. Hence, it is imperative to ensure fair, efficient and transparent functioning of these markets.

IMPORTANT DEFINITIONS

Debt securities: A non-convertible debt security with a fixed maturity period which creates or acknowledge indebtedness and includes debentures, bonds or any other security whether constituting a charge on the assets/ properties or not, but excludes security receipts, securitized debt instruments, money market instruments regulated by the Reserve Bank of India, and bondsissued by the Government or such other bodies as may be specified by the SEBI.

Draft offer document: It is a draft prospectus or draft shelf prospectus filed with the stock exchange(s) and the Board in relation to a public issue of debt securities or non- convertible redeemable preference shares under these regulations.

Issuer: A company or a body corporate or a statutory corporation or a multilateral institution or a trust registered with the Board as a Real Estate Investment Trust (REIT) or an Infrastructure Investment Trust (InvIT), authorised to issue non-convertible securities and/or commercial paper under the relevant laws and in accordance with these regulations and seeks to list its non- convertible securities, with any recognized stock exchange(s).

Lead manager: He is a merchant banker registered with the Board and appointed by the issuerto manage the public issue of debt securities and/or non-convertible redeemable preference shares and in case of a book- built issue, the lead manager(s) appointed by the issuer who act(s)as the book

running lead manager(s) for the purposes of book building.

Non-convertible securities: These are debt securities, non-convertible redeemable preference shares, perpetual non-cumulative preference shares, perpetual debt instruments and any other securities as specified by the Board.

Offer document: It is a prospectus, shelf prospectus, tranche prospectus in case of public issue of debt securities and/or non-convertible redeemable preference shares and a placement memorandum in case of private placement of non-convertible securities and includes a draft offer document.

Private placement: It is an offer or invitation to subscribe or issue of non-convertible securities to a select group of persons by a company (other than by way of public offer), which satisfies the applicable conditions specified in Section 42 of the Companies Act, 2013.

Public issue: It is an offer or invitation by an issuer to the public to subscribe to its debt securities and/or non- convertible redeemable preference shares which is not in the nature of a private placement.

Secured debt securities: These are such debt securities which are secured by creation of a charge on the properties or assets of the issuer or its subsidiaries or its holding companies or its associate companies having a value which is sufficient for the due repayment of principal and payment of interest thereon.

Electronic Book Provider Platform: An electronic platform for private placement of non-convertible securities provided by a recognized stock exchange(s) or a recognised depository, pursuant to obtaining approval from the Board.

Non-convertible redeemable preference share: A preference share which is redeemable in accordance with the relevant provisions of the Companies Act, 2013 and does not include a preference share which is convertible into or exchangeable with equity shares of the issuer at a later date, at the option of the holder or not.

Perpetual debt instrument: A perpetual debt instrument issued in accordance with the guidelines framed by the Reserve Bank of India.

Perpetual non-cumulative preference share: A perpetual non-cumulative preference share issued in accordance with the guidelines framed by the Reserve Bank of India.

APPLICABILITY [REGULATION 3]

Unless otherwise provided, SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 regulations shall apply to the:

(a) issuance and listing of debt securities and non-convertible redeemable preference shares by an issuer by way of public issuance;

(b) issuance and listing of non-convertible securities by an issuer issued on private placement basis which are proposed to be listed; and

(c) listing of commercial paper issued by an issuer in compliance with the guidelines framed bythe Reserve Bank of India.

GENERAL CONDITIONS AND ELIGIBILITY CRITERIA [CHAPTER II]

Applicability of this chapter (Regulation 4)

This chapter shall apply to the issuance and listing of:

(a) debt securities and non-convertible redeemable preference shares by an issuer by way of public issuance;

(b) non-convertible securities by an issuer on private placement basis.

Unless otherwise provided in these regulations, an issuer making an offer ofnonconvertible securities shall satisfy the conditions of these regulations as on:

(a) date of filing of the draft offer document with the Board or stock exchange(s);

(b) date of filing the offer document with the Board or stock exchange(s), as the case maybe; and

(c) date of filing the offer document with the Registrar of Companies.

Eligible issuers (Regulation 5)

(l) The issuer shall not make an issue of non-convertible securities if as on the date offiling of draft offer document or offer document:

(a) The issuer, any of its promoters, promoter group or directors are debarred from accessing the securities market or dealing in securities by the SEBI;

(b) Any of the promoters or directors of the issuer is a promoter or director of anothercompany which is debarred from accessing the securities market or dealing in securities by the SEBI;

(c) The issuer or any of its promoters or directors is a wilful defaulter;

(d) Any of the promoters or whole-time directors of the issuer is a promoter or whole-time director of another company which is a wilful defaulter;

(e) Any of its promoters or directors is a fugitive economic offender; or

(f) Any fine or penalties levied by the SEBI/Stock Exchanges is pending to be paid by the issuer at the time of filing the offer document.

However, the:

(i) Restrictions mentioned at (b) and (d) above shall not be applicable in case of aperson who was appointed as a director only by virtue of nomination by a debenture trustee in other company.

(ii) Restrictions mentioned in (a) and (b) above shall not be applicable if the period of debarment is over as on date of filing of the draft offer document with the SEBI.

(iii) Restrictions mentioned at (c) and (d) shall not be applicable in case of privateplacement of non-convertible securities.

(2) Issuer shall not make a public issue of non-convertible securities if as on the date of filing of draft offer document or offer document, the issuer is in default of payment of interest or repayment of principal amount in respect of non-convertible securities, if any, for a period of more than six months.

In-principle approval (Regulation 6)

The issuer shall make an application to one or more stock exchange(s) and obtain an in- principle approval for listing of its non-convertible securities from the stock exchange(s) where such securities are proposed to be listed. However, where the application is made to more than one stock exchange, the issuer shall choose one among them as the designated stock exchange.

Depositories (Regulation 7)

The issuer shall enter into an arrangement with a depository for dematerialization of the non-convertible securities in accordance with the Depositories Act, 1996 and regulations made thereunder and also take such steps to ensure that such securities are admitted on all the depositories.

Debenture Trustee (Regulation 8)

The issuer shall appoint a debenture trustee in case of an issue of debt securities.

Registrar to the Issue (Regulation 9)

The issuer shall appoint a Registrar to the Issue, registered with the SEBI, which has established connectivity with all the depositories. However, if the issuer itself is a Registrar to the Issue, it shall not appoint itself as a Registrar to the Issue. Provided further that the lead manager shall not act as a Registrar to the Issue in which it is also handling the post-issue responsibilities.

Credit rating (Regulation 10)

The issuer shall obtain credit rating from at least one credit rating agency, which shall be disclosed in the offer document. However, where the credit ratings are obtained from more than one credit

rating agency for the issue, all the ratings, including the unacceptedratings, shall be disclosed in the offer document.

Creation of Recovery Expense Fund (Regulation 11)

The issuer shall create a recovery expense fund with the designated stock exchange, by depositing such amount and in such form and manner as may be specified in the regulations.

Electronic Issuances (Regulation 12)

An issuer proposing to issue non-convertible securities through the on-line system of the stock exchange and depositories shall comply with the relevant applicablerequirements as may be specified in the regulations.

Regulatory fees (Regulation 13)

In case of public issue of debt securities and/or non-convertible redeemable preference shares, the issuer shall while filing a draft offer document with the stock exchange forward a soft copy of the draft offer document to SEBI for its records along with regulatory fees asspecified in the regulations.

In case of non -convertible securities issued on a private placement basis, the designated stock exchange shall collect a regulatory fee as specified in Schedule VI of these regulationsfrom the issuer at the time of their listing.

Right to recall or redeem prior to maturity (Regulation 15)

An issuer making issuance of non-convertible securities shall:

(a) have the right to recall such securities prior to the maturity date (call option); or,

(b) shall have a right to provide such right of redemption of debt securities prior to the maturity date (put option) to all the investors or only to retail investors.

Such right to recall non-convertible securities or redeem debt securities prior to the maturity date shall be exercised in accordance with the terms of issue and detailed disclosure in this regard shall be made in offer document including date from which such right is exercisable, period of exercise (which shall not be less than three working days) and redemption amount (including the premium or discount at which such redemption shalltake place).

The issuer or investor may exercise such right with respect to all the non-convertible securities issued or held by them respectively or with respect to a part of the non-convertible securities so issued or held.

In case of partial exercise of such right in accordance with the terms of the issue by the issuer,it shall be done on proportionate basis only. No such right shall be exercisable before the expiry of one year from the date of issue of such non-convertible securities. Issuer shall send notice to all the eligible

holders of such non-convertible securities and debenture trustee at least twenty-one days before the date from which such right is exercisable.

Issuer shall also provide a copy of such notice to the stock exchange(s) where such nonconvertible securities are listed for wider dissemination and shall make an advertisement in an english national daily and regional daily having wide circulation at the place where the registered office of the issuer is situated, indicating the details of such rights and eligibility of the holders who are entitled to avail such right. Issuer shall pay interest at the rate of fifteen percent per annum for the period of delay, if any.

After the completion of the exercise of such right, the issuer shall:

(a) submit a report to the stock exchange(s) where the non-convertible securities are listed for public dissemination regarding the details of non-convertible securities redeemed during the exercise period and details of redemption thereof;

(b) inform the debenture trustee regarding the debt securities redeemed during the exercise period and details of redemption thereof; and

(c) inform the depositories for extinguishing the non-convertible securities that have been redeemed.

Debenture Redemption Reserve/ Capital Redemption Reserve (Regulation 16)

The issuer shall create a debenture redemption reserve or capital redemption reserve in accordance with the relevant provisions of the Companies Act, 2013.

International Securities Identification Number (Regulation 17)

An issuer issuing non-convertible securities shall comply with the conditions relating to the issue of International Securities Identification Number, as may be specified by the SEBI from time to time.

Any default committed by the issuer shall be reckoned at the International Securities Identification Number level notwithstanding the debt securities and/or non-convertible redeemable preference shares being issued under different offer documents.

Trust Deed (Regulation 18)

The issuer and the debenture trustee shall execute the trust deed within such timelines as may be specified by the SEBI. Where an issuer fails to execute the trust deed within the specified period, the issuer shall also pay interest of at least 2 percent per annum or such other rate, as specified by the SEBI to the holder of debt securities, over and above the agreed coupon rate, till the execution of the trust deed.

Every debenture trustee shall amongst other matters, accept the trust deeds which shall contain the matters as provided under Section 71 of the Companies Act, 2013 and Form No. SH.12 of the Companies

(Share Capital and Debentures) Rules, 2014. Such trust deed shallconsist of two parts:

(a) Part A containing statutory/standard information pertaining to the debt issue.

(b) Part B containing details specific to the particular debt issue. The trust deed shall not contain any clause which has the effect of:

  (a) Limiting or extinguishing the obligations and liabilities of the debenture trustees or the issuer in relation to any rights or interests of the holders of the debt securities.

  (b) Limiting or restricting or waiving the provisions of the Act, these regulations and circulars or guidelines issued by the SEBI.

  (c) Indemnifying the debenture trustees or the issuer for loss or damage caused by their act of negligence or commission or omission.

The trust deed shall contain the issuer's bank details from which it proposes to pay the interest and redemption amount of the debt securities and the issuer shall pre-authorise the debenture trustee at the time of executing the trust deed to allow the debenture trustee to seek information about interest payment and redemption payment from such bank.

The trust deed shall also contain such other particulars as may be specified by SEBI.

Listing Agreement (Regulation 19)

Every issuer desirous of listing its non-convertible securities on a recognised stock exchange shall execute an agreement with such stock exchange.

Continuous Listing Conditions (Regulation 20)

All the issuers of non-convertible securities which are listed on stock exchange shall comply with the listing regulations and/or such other conditions and disclosurerequirements as may be specified by the SEBI from time to time.

Trading of Non-Convertible Securities (Regulation 21)

The trades in non-convertible securities listed on stock exchange shall be cleared and settled through clearing corporation of stock exchange, subject to conditions as specified bythe SEBI.

In case of trades of non-convertible securities which have been traded over the counter, such trades shall be reported on any one of the reporting platforms of a recognized stock exchange having a nation-wide trading terminal or such other platform as may be specifiedby the SEBI.

The SEBI may specify conditions for reporting of trades on the recognized stock exchange orsuch other platform as referred to in the regulations.

Distribution of Dividend in case of default in payment of interest or redemption of debt securities (Regulation 22)

Where the issuer has defaulted in payment of interest or redemption of debt securities or in creation of security in accordance with the terms of the offer document, any distribution of dividend shall require approval of the debenture trustee.

Obligations of the Issuer (Regulation 23)

- The issuer shall treat all applicants to an issue of non-convertible securities in a fair and equitable manner as per the procedures as may be specified by the SEBI.
- The issuer shall not employ any device, scheme, or artifice to defraud in connection with issue or subscription or distribution of non-convertible securities which are listed or proposed to be listed on the recognized stock exchange.
- The issuer shall apply for Securities and Exchange Board of India Complaints Redress System (SCORES) authentication in the format specified by the SEBI and shall use the same for all issuance of non- convertible securities.
- In case of a public issue, the issuer shall provide all required information/ documents to the lead managers for conducting the due diligence, in the form and manner as may be specified by the SEBI.
- The issuer shall ensure that the secured debt securities are secured by 100% security cover or higher security cover as per the terms of the offer document and/or Debenture Trust Deed, sufficient to discharge the principal amount and the interest thereon at all times for the issued debt securities.

Obligations of Debenture Trustee (Regulation 24)

- The debenture trustee shall be vested with the requisite powers for protecting the interest of holders of debt securities including a right to appoint a nominee director on the Board of the issuer in consultation with holders of such debt securities and in accordance with applicable law.
- The debenture trustees shall supervise the implementation of the conditions regarding creation of security for the debt securities, creation of recovery expense fund and debenture redemption reserve, as applicable.
- The debenture trustee shall monitor the security cover in relation to secured debt securities in the manner as specified by the Board.

PUBLIC ISSUE AND LISTING OF DEBT SECURITIES AND NON CONVERTIBLE REDEEMABLE PREFERENCE SHARES [CHAPTER III]

Conditions for public issue: The issuer shall appoint one or more merchant bankers registered with the SEBI, as lead manager to the issue. Where the issue is managed by more than one lead manager, the rights, obligations and responsibilities, relating to disclosures, allotment, refund and underwriting obligations, if any, of each lead manager shall be predetermined and disclosed in the draft offer document and the offer document.

Where there is only one lead manager it shall not be an associate of the issuer as provided under the Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992. However, in case the lead manager is an associate of the issuer, it shall disclose itself as an associate of the issuer and its role shall be limited to marketing of the issue. Such lead manager shall not issue any due diligence certificate, in relation to the issue of such debt securities and/or non-convertible redeemable preference shares: Provided further that in case there is more than one lead manager, at least one lead manager to the issue shall not be an associate.

The issuers shall not make a public issue of debt securities and non-convertible redeemable preference shares for providing loan to or acquisition of shares of any entity who is part of the promoter group or group companies. However, where the issuer is a Non-Banking Finance Company, Housing Finance Company or a Public Financial Institution the aforesaid restriction shall not apply and appropriate disclosures shall be made as specified in the Schedule I of these regulations.

Issuance of green debt securities: An issuer desirous of issuing and listing of green debt securities shall comply with the conditions as may be specified by the SEBI.

Green Debt Security means a debt security issued for raising funds that are to be utilised for project(s) and/or asset(s) falling under any of the following categories, subject to the conditions as may be specified by theSEBI from time to time:

(i) Renewable and sustainable energy including wind, solar, bioenergy, other sources of energy whichuse clean technology,

(ii) Clean transportation including mass/public transportation,

(iii) Sustainable water management including clean and/or drinking water, water recycling,

(iv) Climate change adaptation,

(v) Energy efficiency including efficient and green buildings,

(vi) Sustainable waste management including recycling, waste to energy, efficient disposal of wastage,

(vii) Sustainable land use including sustainable forestry and agriculture, afforestation,

(viii) Biodiversity conservation, or

(ix) a category as may be specified by the SEBI, from time to time

Filing of draft offer document

- Issuer shall not make a public issue of debt securities and/or non-convertible redeemable preference shares unless a draft offer document has been filed with all the stock exchanges onwhich such securities are proposed to be listed, through the lead manager.
- The draft offer document filed with the stock exchange shall be made public by posting the sameon the website of the stock exchange for seeking public comments for a period of 7 working days from the date of filing the draft offer document with stock exchange.
- The draft offer document shall also be displayed on the website of the issuer and the lead manager.
- The lead manager shall ensure that the draft offer document clearly specifies the names and contact particulars including the postal and email address and telephone number of the compliance officer who shall be a Company Secretary of the issuer.
- The lead manager shall ensure that all comments received on the draft offer document are suitably addressed prior to the filing of the offer document with the Registrar of Companies.
- The lead manager shall, prior to filing of the offer document with the Registrar of Companies, furnish tithe SEBI a due diligence certificate in the format as per the regulations.

Disclosures in the offer document: The offer document shall contain all material true, fair and adequate disclosures which are necessary for the subscribers of the debt securities and non-convertible redeemable preference shares to take an informed investment decision and shall not omit/ include any material fact which may make the statements made therein, in light of the circumstances under which they are made, misleading or untrue.

Mode of Disclosure of the offer document: The offer document shall be displayed on the websites of stock exchange, issuer and lead manager which shall be available for download in PDF or any other format as may be specified by the SEBI. The issuer shall file the offer document with the stock exchange, simultaneously while filing thereof with the Registrar of Companies, for dissemination on their respective websites prior to the opening of the issue.

Advertisements for Public issues: The issuer shall make an advertisement in an English national daily and regional daily with wide circulation at the place where the registered office of the issuer is situated, on or before the issue opening date and such advertisement shall, amongst other things, contain the disclosures as specified in Schedule V.

Prohibition on payment of incentives: Any person connected with the issue shall not offer any incentive, whether direct or indirect, in any manner, whether in cash or kind or services or otherwise to any person for making an application in the issue, except for fees or commission for services rendered in relation to the issue.

Abridged Prospectus and application forms: The issuer and lead manager shall ensure that every application form and the abridged prospectus is in the format as specified by the SEBI and the abridged prospectus shall not contain matters which are extraneous to the contents of the offer document. The issuer may provide the facility for subscription of application in electronic mode.

Price Discovery and Book building: The issuer may determine the price and/or coupon of debt securities and non- convertible redeemable preference shares in consultation with the lead manager. The issue of debt securities and non-convertible redeemable preference shares may be at fixed price and fixed coupon or the issuer may determine the demand and price or coupon of the debt securities and non-convertible redeemable preference shares through book building process in accordance with the procedure as may bespecified by the SEBI.

Minimum subscription: Minimum subscription for a public issue shall not be less than 75% of the base issue size or as may be specified by the SEBI. In the event of non-receipt of minimum subscription, all blocked application money shall be unblocked forthwith, but not later than 8 working days from the date of closure of the issue or such time as may be specified by the SEBI.

Allotment of securities and payment of interest: The issuer shall ensure that in case of listing of debt securities and non-convertible redeemable preference shares issued to public, allotment of securities offered to public shall be made within such timeline as may be specified by the SEBI.

Where the debt securities and non-convertible redeemable preference shares are not allotted and/or application monies are not unblocked within the period stipulated, the issuer shall undertake to pay interest at the rate of 15% per annum to the investors.

Underwriting: A public issue of debt securities and non-convertible redeemable preference sharesmay be underwritten by eligible intermediaries, either in full or part and in such case, adequate disclosures regarding the underwriting arrangements shall be disclosed in the offer document.

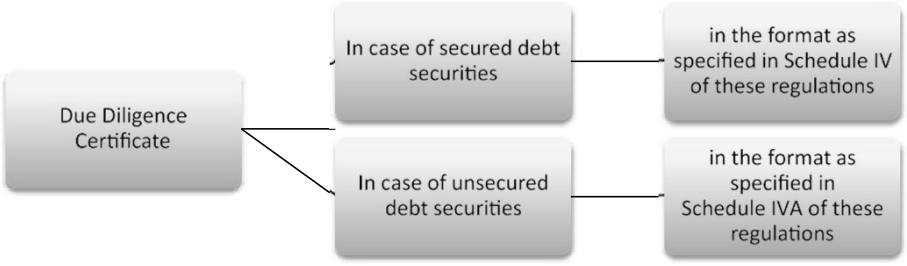
Mandatory listing of a public issue of debt securities and non-convertible redeemable preference shares: An issuer desirous of making an offer of debt securities and non-convertible redeemable preference shares to the public shall make an application for listing to stock exchange in terms of sub- sections (1) and (2) of Section 40of the Companies Act, 2013.

Other Obligations of the Lead Manager

- The lead manager shall not employ any device, scheme, or artifice to defraud in connection with issue or subscription or distribution of debt securities and non-convertible redeemable preference shares which are listed or proposed to be listed on a recognized stock exchange.
- The lead manager shall ensure that the secured debt securities are secured by hundred percent security cover or higher security cover as per the terms of the offer document and/or Debenture Trust Deed, sufficient to discharge the principal amount and the interest thereon at all times for the issued debt securities.
- The lead manager shall ensure payment of additional interest by the issuer in accordance with these regulations in case of non-allotment of debt securities and non-convertible redeemable preference shares.

Due Diligence by Debenture trustee

The debenture trustee shall, at the time of filing the draft offer document with the stock exchange and prior to opening of the public issue of debt securities, furnish to the SEBI and stock exchange, a due diligence certificate:



LISTING OF PRIVATE PLACEMENT OF DEBT SECURITIES AND NON-CONVERTIBLE REDEEMABLEPREFERENCE SHARES [CHAPTER IV]

Listing Application: Where the issuer has disclosed the intention to seek listing of debt securities and non- convertible redeemable preference shares issued on private placement basis, the issuer shall forward the listing application along with the disclosures as per this regulation to the stock exchange within such days as may be specified by the SEBI from the date of closure of the issue.

- The issuer shall file the following documents along with the listing application to the stock exchange and with the debenture trustee (in case of debt securities):
  - (a) Placement Memorandum;
  - (b) Memorandum of Association and Articles of Association;
  - (c) Copy of the requisite board/ committee resolutions authorizing the borrowing and list of authorised signatories for the allotment of securities;
  - (d) Copy of last three years Annual Reports;
  - (e) Statement containing particulars of, dates of, and parties to all material contracts and agreements;
  - (f) An undertaking from the issuer stating that the necessary documents for creation of the charge, wherever applicable, including the Trust Deed has been executed within the time frame prescribed in the relevant regulations/Act/rules etc. and the same would be uploaded on the website of the designated stock exchange, where such securities have been proposed to be listed;
  - (g) In case of debt securities, an undertaking that permission / consent from the prior creditor for a second or *pari passu* charge being created, wherever applicable, in favour of the debenture trustee to the proposed issue has been obtained; and
  - (h) Any other particulars or documents that the recognized stock exchange may call for as it deems fit:

  However, the issuers desirous of issuing debt securities on private placement basis who are in existence for less than three years may provide Annual Reports pertaining to the years of existence.
- Debenture trustee shall submit a due diligence certificate to the stock exchange in the format as specified in Schedule IV of these regulations.
- The stock exchange(s) shall list the debt securities only upon receipt of the due diligence certificate from the debenture trustee as per format specified by the SEBI

Disclosures in respect of Private Placements

- The issuer making a private placement of debt securities and non-convertible redeemable preference shares and seeking listing thereof on a recognised stock exchange shall make thefollowing disclosures in the placement memorandum:
  - (a) disclosures specified in Schedule II of these regulations;
  - (b) disclosures specified in the Companies Act, 2013, as applicable;
  - (c) additional disclosures as may be specified by the SEBI.

- The disclosures as provided in sub-regulation (1) shall be made on the websites of stock exchange(s) where such securities are proposed to be listed and shall be available for download in PDF or any other format as may be specified by the SEBI.

- The issuer shall ensure that the audited financial statements contained in the placement memorandum and tranche placement memorandum shall not be more than six months old from the date of filing placement memorandum or the issue opening date, as applicable: However, in case of:
  (a) listed issuers (whose non-convertible securities or specified securities are listed on recognised stock exchange(s)), who are in compliance with the listing regulations;
  (b) the issuers of non-convertible securities, who are subsidiaries of entities who have listedtheir specified securities, and are in compliance with the listing regulations,

  instead of audited financial statements for the stub period, they may disclose unaudited financial information for such period in the format as prescribed in the listing regulations with limited review report, as filed with the stock exchange(s), subject to necessary disclosures in this regard in the placement memorandum including risk factors.

Allotment of securities: The issuer shall ensure allotment of debt securities and non-convertible redeemable preference shares issued on a private placement basis and credit to the dematerialised account of the investors,is made within such time as may be specified by the SEBI.

ISSUANCE AND LISTING OF PERPETUAL DEBT INSTRUMENTS, PERPETUAL NON-CUMULATIVE PREFERENCE SHARES AND SIMILAR INSTRUMENTS [CHAPTER V]

General Conditions: An issuer may issue perpetual debt instruments, perpetual non-cumulative preference shares and instruments of similar nature in compliance with the guidelines issued by the Reserve Bank of India and/or any other relevant laws applicable to them.

Issuers permitted by the Reserve Bank of India to issue perpetual debt instruments, perpetual non- cumulative preference shares and instruments of similar nature forming part of non-equity regulatory capital may list such instruments after complying with the conditions stipulated under chapter V of these Regulations.

LISTING OF COMMERCIAL PAPER [CHAPTER VI]

- Issuers desirous of listing of commercial paper shall comply with the conditions as may be specified bythe SEBI from time to time.
- The designated stock exchange shall collect a regulatory fee as specified in the regulations from an issuer of commercial paper at the time of their listing.

- The issuer shall apply for Securities and Exchange Board of India Complaints Redress System (SCORES) authentication in the format specified by the Board and shall use the same for issuance and listing of commercial paper.

ROLE OF A COMPANY SECRETARY

A Company Secretary is a vital link between the company and its Board of Directors, shareholders, Government and regulatory authorities and all other stakeholders. A Company Secretary can play an important role in fulfilling the role as a governance professional for companies with listed debt securities.

The Company Secretary monitors, manages the information updates and conducts regular assessment to ensure that company remains abreast of the regulatory standards.

(2) Revision to Operational Circular for issue and listing of Non-convertible Securities, Securitised Debt Instruments, Security Receipts, Municipal Debt Securities and Commercial Paper (Circular No. SEBI/HO/DDHS/P/CIR/2022/0028 dated March 8, 2022)

SEBI vide its circular dated August 10, 2021, provided the procedures pertaining to issue and listing of Non-convertible Securities, Securitised Debt Instruments, Security Receipts, Municipal Debt Securities and Commercial Paper. The said Circular, inter-alia, provides anoption to investors to apply in public issues of debt securities with the facility to block funds through Unified Payments Interface (UPI) mechanism for application value upto Rs. 2 lakh.

In order to bring about uniformity in the requirements and for ease of investment for investors, the limit for investment through **UPI mechanism to Rs. 5 lakh has been increased**. This will be applicable to public issues of debt securities which open on or after May 1, 2022.

For details: https://www.sebi.gov.in/legal/circulars/mar-2022/change-in-upi-limits-revision- to-operational-circular-for-issue-and-listing-of-non-convertible-securities-securitised-debt- instruments-security-receipts-municipal-debt-securities-and-commercial-p-_56665.html

(3) SEBI (Issue and Listing of Non-Convertible Securities) (Amendment) Regulations, 2022(April 11, 2022)

SEBI has notified the SEBI (Issue and Listing of Non-Convertible Securities) (Amendment) Regulations, 2022, which shall come into force on the date of their publication in the Official Gazette.

Vide this Notification the following amendments have been made:

- Regulation 23 which specify "Obligations of the Issuer", sub-regulation (5) has been

substituted with the following, namely, -

"(5) The issuer shall ensure that the secured debt securities are secured by hundred percent security cover or higher security cover as per the terms of the offer document and/or Debenture Trust Deed, sufficient to discharge the principal amount and the interest thereon at all times for the issued debt securities."

- Regulation 38 which specify "Other Obligations of the Lead Manager", sub-regulation (2) hasbeen substituted with the following, namely, -

"(2) The lead manager shall ensure that the secured debt securities are secured by hundred percent security cover or higher security cover as per the terms of the offer document and/or Debenture Trust Deed, sufficient to discharge the principal amount and the interest thereon at all times for the issued debt securities.201D

- Regulation 40 shall be substituted with the following, namely, - "Due Diligence by Debenture trustee

40. The debenture trustee shall, at the time of filing the draft offer document with the stock exchange(s) and prior to opening of the public issue of debt securities, furnish to the Board andstock exchange(s), a due diligence certificate:

(a) in case of secured debt securities, in the format as specified in Schedule IV of theseregulations; and

(b) in case of unsecured debt securities, in the format as specified in Schedule IVA ofthese regulations."

For details: https://www.sebi.gov.in/legal/regulations/apr-2022/sebi-issue-and-listing-of-non- convertible-securities-amendment-regulations-2022_57986.html

(4) Operational Circular for listing obligations and disclosure requirements for Non-convertible Securities, Securitized Debt Instruments and/ or Commercial Paper

(Circular No. SEBI/HO/DDHS/DDHS_Div1/P/CIR/2022/0000000103 dated July 29, 2022)

SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'), prescribes the continuous disclosure requirements for issuers of listed Non-convertible Securities, Securitized Debt Instruments and Commercial Paper. Multiple circulars

have been issued, over the years, covering the operational and procedural aspects thereof. For effective regulation of the corporate bond market and to enable the issuers and other market stakeholders to get access to all the applicable circulars at one place, this Operational Circular has been prepared.

This Operational Circular is a compilation of the relevant existing circulars, with

consequent changes. Accordingly, the circulars listed at Annex - 1 stand superseded by this Operational Circular.

For details: https://www.sebi.gov.in/legal/circulars/jul-2022/lodr-single-operational-circular-for-listing-obligations-and-disclosure-requirements-for-non-convertible-securities-securitized-debt-instruments-and-or-commercial-paper_61345.html

(5) SEBI (Issue and Listing of Non-Convertible Securities) (Second Amendment) Regulations, 2022

(Notification No. SEBI/LAD-NRO/GN/2022/102 dated November 09, 2022)

The SEBI on November 09, 2022 has notified the SEBI (Issue and Listing of Non-Convertible Securities) (Second Amendment) Regulations, 2022 which shall come into force on the date of their publication in the Official Gazette. Vide this notification SEBI has prescribed a framework for entities operating/ desirous of operating as Online Bond Platforms (OBPs) under regulation 51A of the SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021.

For details: https://www.sebi.gov.in/legal/regulations/nov-2022/securities-and-exchange-board-of-india-issue-and-listing-of-non-convertible-securities-second-amendment-regulations-2022_64912.html

(6) Review of timelines for listing of securities issued on Private Placement basis

(Circular No. SEBI/HO/DDHS/DDHS_Div1/P/CIR/2022/167 dated November 30,2022)

In order to bring about clarity and standardization in the process of issuance and listing of Non-convertible Securities, Securitised Debt Instruments, Security Receipts and Municipal Debt Securities, on private placement basis, a list of the steps involved, pre-listing and post-listing, and relevant timelines have been detailed, both through Electronic Book Provider (EBP) platform and otherwise. Further, to bring about efficacy in the listing process and to expedite the availability of securities for trading by the investors, the timeline for listing is being reduced from T+4 to T+3 days (wherein T refers to issue closure date).

Additionally, in terms of Regulation 6 of the SEBI (Issue and listing of Non- convertible Securities) Regulations, 2021 and Regulation 4A of the SEBI (Issue and Listing of Municipal Debt Securities) Regulations, 2015, timelines for making an application for in-principle approval to the stock exchange where the issuer intends to list its securities and/ or receipt of in-principle approval from the stock exchange(s), are being incorporated. Accordingly, the extant Chapter VII (Standardization of timelines for listing of securities issued on a private placement basis) of the aforementioned Operational Circular is being replaced with a revised Chapter, as enclosed herewith, Annex – A.

The provisions of this circular shall come into effect from January 1, 2023.

For details: https://www.sebi.gov.in/legal/circulars/nov-2022/review-of-timelines-for-listing-of-securities-issued-on-private-placement-basis-chapter-vii-of-the-operational-circular-issued-under-sebi-issue-and-listing-of-non-convertible-securities-regulation-

_65659.html

(7) Clarification w.r.t. issuance and listing of perpetual debt instruments, perpetual non-cumulative preference shares and similar instruments under Chapter V of the SEBI (Issue and Listing of Non-convertible Securities) Regulations, 2021

(Circular No. SEBI/HO/DDHS/DDHS-RACPOD1/P/CIR/2023/027 dated February 08, 2023)

It is clarified by SEBI that only securities which have characteristics as stated below, shall necessarily be required to comply with the provisions for issuance and listing as specified under Chapter V - Issuance and Listing of Perpetual Debt Instruments, Perpetual Non-Cumulative Preference Shares and Similar Instruments of the SEBI (Issue and Listing of Non-convertible Securities) Regulations, 2021 and circulars issued thereunder:

a) The issuer is permitted by RBI to issue such instruments,
b) The instruments form part of non-equity regulatory capital,
c) The instruments are perpetual debt instruments, perpetual non-cumulative preference shares or instruments of similar nature and
d) The instruments contain a discretion with the issuer/ RBI for events including but not restricted to all or any of the below events:
   - conversion into equity;
   - write off of interest/ principal;
   - skipping/ delaying payment of interest/principal;
   - making an early recall;
   - changing any terms of issue of the instrument.

For details: https://www.sebi.gov.in/legal/circulars/feb-2023/clarification-w-r-t-issuance-and-listingof-perpetual-debt-instruments-perpetual-non-cumulative-preference-shares-and-similarinstruments-under-chapter-v-of-the-sebi-issue-and-listing-of-non-conver-_67913.html

(8) SEBI (Issue and Listing of Non-Convertible Securities) (Amendment) Regulations, 2023 (Notification No. SEBI/LAD-NRO/GN/2023/119 dated February 02, 2023)

SEBI on February 02, 2023, notified the SEBI (Issue and Listing of Non-Convertible Securities) (Amendment) Regulations, 2023 which shall come into force on the date of their publication in the Official Gazette. The following amendments have been made:

• The definition of Green debt security has been inserted:

"Green debt security" means a debt security issued for raising funds subject to the conditions as may be specified by the Board from time to time, to be utilised for project(s) and/ or asset(s) falling under any of the following categories:

i. renewable and sustainable energy including wind, bioenergy, other sources of energy which use clean technology,

ii. clean transportation including mass/public transportation,

iii. climate change adaptation including efforts to make infrastructure more resilient to impacts of climate change and information support systems such as climate observation and early warning systems,

iv. energy efficiency including efficient and green buildings,

v. sustainable waste management including recycling, waste to energy, efficient disposal of wastage,

vi. sustainable land use including sustainable forestry and agriculture, afforestation,

vii. biodiversity conservation,

viii. pollution prevention and control (including reduction of air emissions, greenhouse gas control, soil remediation, waste prevention, waste reduction, waste recycling and energy efficient or emission efficient waste to energy) and sectors mentioned under the India Cooling Action Plan launched by the Ministry of Environment, Forest and Climate Change,

ix. circular economy adapted products, production technologies and processes (such as the design and introduction of reusable, recyclable and refurbished materials, components and products, circular tools and services) and/or eco efficient products,

x. blue bonds which comprise of funds raised for sustainable water management including clean water and water recycling, and sustainable maritime sector including sustainable shipping, sustainable fishing, fully traceable sustainable seafood, ocean energy and ocean mapping,

xi. yellow bonds which comprise of funds raised for solar energy generation and the upstream industries and downstream industries associated with it,

xii. transition bonds which comprise of funds raised for transitioning to a more sustainable form of operations, in line with India's Intended Nationally Determined Contributions, and Explanation: Intended Nationally Determined Contributions (INDCs) refer to the climate targets determined

xiii. by India under the Paris Agreement at the Conference of Parties 21 in 2015, and at the Conference of Parties 26 in 2021, as revised from time to time.

xiv. any other category, as may be specified by the Board from time to time.

• Regulation 33A pertaining to Period of subscription has been inserted.

Period of subscription

33A. (1) A public issue of debt securities or, non-convertible redeemable preference shares shall be kept open for a minimum of three working days and a maximum of ten working days.

(2) In case of a revision in the price band or yield, the issuer shall extend the bidding (issue) period disclosed in the offer document for a minimum period of three working days: Provided that the overall bidding (issue) period shall not exceed the maximum number of days, as provided in sub-regulation (1).

(3) In case of force majeure, banking strike or similar circumstances, the issuer may, for reasons to be recorded in writing, extend the bidding (issue) period disclosed in the offer document: Provided that the overall bidding (issue) period shall not exceed the maximum number of days, as provided in sub-regulation (1).

For details: https://www.sebi.gov.in/legal/regulations/feb-2023/securities-and-exchange-boardof-india-issue-and-listing-of-non-convertible-securities-amendment-regulations2023_67798.html

(9) Extension of compliance period – Fund raising by large corporates through issuance of debt securities to the extent of 25% of their incremental borrowings in a financial year

(Circular No. SEBI/HO/DDHS/DDHS-RACPOD1/P/CIR/2023/049 dated March 31, 2023)

Chapter XII of NCS Operational Circular on 'Fund raising by issuance of Debt Securities by Large Corporates' (LCs Chapter), inter-alia, mandates large corporates to raise minimum 25% of their incremental borrowings in a financial year through issuance of debt securities which has to be met over a contiguous block of two years from Financial Year (FY)2021-22 onwards.

The contiguous block of two years over which large corporates need to meet the mandatory requirement of raising minimum 25% of their incremental borrowings in a financial year through issuance of debt securities will be extended to a contiguous block of three years (from the present requirement of two years) reckoned from FY 2021-22 onwards.

For details: https://www.sebi.gov.in/legal/circulars/mar-2023/extension-of-compliance-periodfund-raising-by-large-corporates-through-issuance-of-debt-securities-to-the-extent-of25-of-their-incremental-borrowings-in-a-financial-year_69574.html

(10) Additional requirements for the issuers of transition bonds (Circular No. SEBI/HO/DDHS/DDHS_Div1/P/CIR/2023/66 dated May 04, 2023)

In order to facilitate transparency and informed decision making amongst the investors in the transition bonds and to ensure that the funds raised through transition bonds are not being misallocated, SEBI has prescribed certain additional requirements for issuance and listing of transition bonds.

'Transition bonds' is one of the sub categories of the revised definition of 'green debt security'. As per the SEBI (Issue and Listing of Non-Convertible Securities), transition bonds comprise of "funds raised for transitioning to a more sustainable form of operations, in line with India's Intended Nationally Determined Contributions."

An issuer desirous of issuing transition bonds shall make the following additional disclosures:

- Disclosure in the offer document for public issues /private placements of such transition bonds.
- Disclosure in the Centralised Database for corporate bonds.
- Disclosure to Stock Exchanges, in case of a revision in the transition plan.
- Disclosure in the Annual report.

For details: https://www.sebi.gov.in/legal/circulars/may-2023/additional-requirements-for-theissuers-of-transition-bonds_70937.html

(11) Transactions in Corporate Bonds through Request for Quote (RFQ) platform by Stock Brokers (SBs). (Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/083 June 02, 2023)

In a bid to increase the liquidity on Request for Quote (RFQ) platform of stock exchanges and to enhance the transparency and disclosure pertaining to trading in secondary market in corporate bonds, SEBI has asked stock brokers (SBs) to undertake at least 10% of their total secondary market trades by value in Corporate Bonds in that month by placing/seeking quotes through one-to-one (OTO) or one-to-many (OTM) mode on the RFQ platform of stock exchanges, w.e.f July 01, 2023 for all the trades in proprietary basis.

Further, Stock Brokers have to undertake 25% of their total secondary market trades by value on the RFQ platform of stock exchanges, w.e.f April 01, 2024 for all the trades in proprietary basis.

SBs shall consider the trades executed by value through OTO or OTM mode of RFQ with respect to the total secondary market trades in CBs, during the current month and immediate preceding two months on a rolling basis.

For details: https://www.sebi.gov.in/legal/circulars/jun-2023/transactions-in-corporate-bonds-through-request-for-quote-platform-by-stock-brokers-sbs-_72231.html

(12) Adherence to provisions of regulation 51A of SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 by Online Bond Platform Providers on product offerings on Online Bond Platforms (Circular No.: SEBI/HO/DDHS/POD1/P/CIR/2023/092 dated June 16, 2023)

SEBI vide its circular dated June 16, 2023 issued a circular regarding adherence to provisions of regulation 51A of SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 by Online Bond Platform Providers on product offerings on Online Bond Platforms.

Regulation 51Aof SEBI (Issue and Listing of Non-Convertible Securities) Regulations,

2021(NCS Regulations), *inter-alia, defines "online bond platform provider" as 'any person operating or providing an online bond platform' and "online bond platform" as 'any electronic system, other than a recognised stock exchange or an electronic book provider platform, on which the debt securities which are listed or proposed to be listed, are offered and transacted.'*
SEBI Circular dated November 14, 2022 ('OBP Circular') provides for the registration and regulatory framework for Online Bond Platform Providers. Clause 5.2 of the OBP circular reads as follows:
"An entity acting as an OBPP on or prior to this circular coming into force, shall cease to offer products or services or securities on its OBP other than the following:
5.2.1. Listed debt securities and
5.2.2. Debt securities proposed to be listed through a public offering.
Such OBPP shall divest itself of offerings of other products or services or securities."

While a few Online Bond Platform Providers have commenced operations, the following are observed, which are not as per the mandate provided in the NCS Regulations and the OBP circular:

a) Certain Online Bond Platform Providers continue to offer products other than listed debt securities and debt securities proposed to be listed through a public offering on their Online Bond platform;
b) Certain Online Bond Platform Providers are offering unlisted bonds/other products on a separate platform/website and have not divested of such offerings in terms of clause 5.2 of the OBP circular; and
c) Certain Online Bond Platform Providers have a link on the online bond platform/website to another platform/website for transacting in unlisted bonds/ other products.

Taking into account representations from Online Bond Platform Providers, SEBI has revised the provisions of Clause 5.2 of the OBP circular to permit them to offer certain other securities on their Online Bond Platforms, as under:
"5.2 An entity acting as an Online Bond Platform Provider on or prior to November 14, 2022, shall divest itself of offerings of products or services or securities on its Online Bond Platform or any other website/ platform other than the following:

5.2.1 Listed debt securities, listed municipal debt securities and listed securitised debt instruments;
5.2.2 Debt securities, municipal debt securities and securitized debt instruments proposed to be listed through a public offering;
5.2.3 Listed Government Securities, State Development Loans and Treasury Bills; and
5.2.4 Listed Sovereign Gold Bonds."

For details: https://www.sebi.gov.in/legal/circulars/jun-2023/adherence-to-provisions-of-regulation-51a-of-sebi-issue-and-listing-of-non-convertible-securities-regulations-2021-by-online-bond-platform-providers-on-product-offerings-on-online-bond-platforms_72762.html

(13) SEBI (Issue and Listing of Non-Convertible Securities) (Second Amendment) Regulations, 2023 (Notification No. SEBI/LAD-NRO/GN/2023/135 dated July 03, 2023)

SEBI has notified the SEBI (Issue and Listing of Non-Convertible Securities) (Second Amendment) Regulations, 2023 which shall come into force on the date of their publication in the Official Gazette.

The amendment introduces new clauses, modifies existing definitions, and establishes additional requirements for issuers. Key changes include the insertion of a clause defining "key managerial personnel" and the inclusion of the term "senior management" in the regulations.

- "Key managerial personnel" means key managerial personnel as defined in sub-section (51) of section 2 of the Companies Act, 2013."
- "Senior management" shall mean the officers and personnel of the issuer who are members of its core management team, excluding the Board of Directors, and shall also comprise all the members of the management one level below the Chief Executive Officer or Managing Director or Whole Time Director or Manager (including Chief Executive Officer and Manager, in case they are not part of the Board of Directors) and shall specifically include the functional heads, by whatever name called and the **Company Secretary** and the Chief Financial Officer."

The amendment also introduces Chapter VA, which focuses on the issuance and listing of non-convertible securities on a private placement basis.

In order to avoid the repetitive nature of the disclosures and to reduce the number of redundant placement memoranda filed for listed NCS by entities for multiple issuances in the same year, SEBI has introduced the concept of a general information document (GID) and a key information document (KID)

The issuers proposing to list NCS on a private placement basis to file a GID with the stock exchange(s), containing the specific disclosures set out in Schedule I of the Second Amendment Regulations. The GID would be valid for a period of one year from the date of opening of the first offer of non-convertible securities. If the issuer wants to issue securities for a second or subsequent time, during the validity of the GID, it would only be required to file a KID for each such second or subsequent offer of non-convertible securities, with the stock exchange instead of filing the GID.

The key information document shall contain the following information:

a) details of the offer of non-convertible securities in respect of which the key information document is being issued;
b) financial information, if such information provided in the general information document is more than six months old;
c) material changes, if any, in the information provided in the general information document;
d) any material developments not disclosed in the general information document, since the issue of the general information document relevant to the offer of non-convertible securities in respect of which the key information document is being issued; and
e) disclosures applicable in case of private placement of non-convertible securities as specified in schedule I, in case the second or subsequent offer is made during the

validity of the shelf prospectus for which no general information document has been filed.

The provisions introduced by Chapter VA are applicable on a '*comply or explain*' basis till March 31, 2024 and on a mandatory basis thereafter.

Under Chapter VA, '*comply or explain*' means that the issuer shall endeavor to comply and achieve full compliance, by filing a GIC instead of a placement memorandum for private placement of non-convertible securities sought to be listed, until March 31, 2024. In case the entity is not able to achieve full compliance with the provisions, till such time, it shall explain the reasons for such non-compliance or partial compliance, and the steps initiated to achieve full compliance.

The amendment also introduces requirements for "Large Corporates" under Chapter VB.

Schedule I (Disclosures for Public Issue of Debt Securities and Non-Convertible Redeemable Preference Shares) and Schedule II (Disclosures for Private Placement of Non-Convertible Securities) of the NCS Regulations have been replaced by a common and new Schedule I (Disclosures for Issue of Securities) under the Second Amendment Regulations. Schedule I also consolidates certain disclosures specified under the Companies (Prospectus and Allotment of Securities) Rules, 2014, issued under the Companies Act, 2013, which were applicable for private placements and certain identified disclosures from Form PAS-4 have now been applied for public issues as well.

For details: *https://www.sebi.gov.in/legal/regulations/jul-2023/securities-and-exchange-board-of-india-issue-and-listing-of-non-convertible-securities-second-amendment-regulations-2023_73592.html*

(14) New format of Abridged Prospectus for public issues of Non-Convertible Debt Securities and/or Non-convertible Redeemable Preference Shares (Circular No. SEBI/HO/DDHS/POD1/P/CIR/2023/150 September 04, 2023)

SEBI vide circular dated September 04, 2023 has published a new format of abridged prospectus for public issues of Non-Convertible Debt Securities and/or Non-convertible Redeemable Preference Shares to further simplify, provide greater clarity and consistency in the disclosures across various documents and to provide additional but critical information in the abridged Prospectus. As per the revised process following shall be complied:

1. A copy of the Abridged Prospectus shall be made available on the website of issuer, merchant bankers, registrar to an issuer and a link for downloading Abridged Prospectus shall be provided in issue advertisement for the public issue.
2. Further, the issuer/ Merchant Bankers shall insert a Quick Response (QR) code on the last on the last page of the Abridged Prospectus. The scan of such QR code on the abridged prospectus would lead to the Prospectus. Further, the issuer entity/ Merchant Bankers shall insert a QR code on the front page of the documents such as front outside cover page, advertisement, etc. as deemed fit by them. The scan of the QR code would lead to the prospectus or abridged prospectus as applicable. The Issuer /Merchant Bankers shall ensure that the disclosures in the Abridged Prospectus are adequate, accurate and do not contain any misleading or misstatement.

3. Furthermore, the Issuer/ Merchant Bankers shall ensure that the qualitative statements in the Abridged Prospectus shall be substantiated with quantitative factors. Also, no qualitative statement shall be made which cannot be substantiated with quantitative factors.

   For details: https://www.sebi.gov.in/legal/circulars/sep-2023/new-format-of-abridged-prospectus-for-public-issues-of-non-convertible-debt-securities-and-or-non-convertible-redeemable-preference-shares_76430.html

(15) Ease of doing business and development of corporate bond markets –revision in the framework for fund raising by issuance of debt securities by large corporates(LCs) (Circular No. SEBI/HO/DDHS/DDHS-RACPOD1/P/CIR/2023/172 dated October 19, 2023)

SEBI on October 19, 2023 has issued a revised framework for fund raising by issuance of debt securities by large corporates (LCs). The framework applies to all listed entities except for Scheduled Commercial Banks. To be subject to these regulations, a listed entity must meet specific criteria:

1. Have their specified securities, debt securities, or non-convertible redeemable preference shares listed on recognized stock exchanges under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
2. Maintain outstanding long-term borrowings of Rs. 1,000 crore or more. Outstanding long-term borrowings exclude external commercial borrowings, inter-corporate borrowings involving holding company and subsidiaries, government grants, interest capitalization, and borrowings related to mergers, acquisitions, and takeovers.
3. Have a credit rating of "AA," "AA+," or "AAA," specifically for unsupported bank borrowings or plain vanilla bonds, without any structural support.

Identifying Large Corporates (LCs)

Once an entity fulfills the criteria, it is categorized as a "Large Corporate" (LC). LCs must adhere to the following key provisions:

Raising Debt Securities: LCs must raise a minimum of 25% of their "qualified borrowings" through the issuance of debt securities in subsequent financial years.

Contiguous Three-Year Block: Starting from FY 2025, LCs must meet the mandatory qualified borrowing requirement over a contiguous block of three years. For LCs following April-March financial years, this block starts from March 31, FY "T-1," and for LCs with January-December financial years, it starts from December 31, FY "T-1."

Incentives and Disincentives

Incentives and dis-incentives are applied based on an LC's borrowing performance:

Surplus in Required Borrowings: If an LC exceeds the 25% borrowing requirement in the three-

year block, it is entitled to incentives such as reduced annual listing fees and a credit in the form of a reduction in the contribution to the Core Settlement Guarantee Fund (SGF) of LPCC.

Shortfall in Required Borrowings: If an LC fails to meet the 25% borrowing requirement, it faces a dis-incentive in the form of an additional contribution to the core SGF.

Responsibilities of Stock Exchanges and LPCC

Stock Exchanges will play a crucial role in identifying LCs and calculating incentives or dis-incentives. They will notify LCs and facilitate the implementation of these provisions. LPCC will need to make necessary changes and ensure LCs comply with the requirements related to contribution to the core SGF.

Requirements for LCs Identified Based on Erstwhile Criteria

LCs that were identified based on previous criteria and meet the new criteria have the flexibility to comply with the 25% borrowing requirement over three years, starting from FY 2022.

For details: https://www.sebi.gov.in/web/?file=https://www.sebi.gov.in/sebi_data/attachdocs/oct-2023/1697798741187.pdf#page=1&zoom=page-width,-15,288

(16) Modifications to provisions of Chapter XXI of NCS Master Circular dealing with registration and regulatory framework for Online Bond Platform Providers (OBPPs) (Circular No. SEBI/HO/DDHS/POD1/P/CIR/2023/194 dated December 28, 2023)

SEBI vide this circular has modified the provisions of Chapter XXI of the NCS Master Circular, specifically focusing on the registration and regulatory framework for Online Bond Platform Providers (OBPPs). The provisions pertaining to the products or securities or services offered by Online Bond Platform Provider on its Online Bond Platform, divestment requirements, disclaimer for links/tab, agreement with third party seller or advertisement code, have been modified. The modifications will come into force with immediate effect.

For details:

https://www.sebi.gov.in/legal/circulars/dec-2023/modifications-to-provisions-ofchapter-xxi-of-ncs-master-circular-dealing-with-registration-and-regulatoryframework-for-online-bond-platform-providers-obpps-_80235.html

LESSON 13

LISTING –INDIAN STOCK EXCHANGES

(1) SEBI (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2021 (August 3, 2021)

SEBI vide its notification dated August 03, 2021, amends the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, which shall come into force on January 1, 2022.

The amendments, inter alia, include the following:

- The listed entity shall ensure that approval of shareholders for appointment of a person on the Board of Directors is taken at the next general meeting or within a time period of three months from the date of appointment, whichever is earlier. [Reg. 17(1C)]- New Insertion
- **At least** 2/3rd of the members of the audit committee shall be independent directors and all related party transactions shall be approved by only independent directors on the Audit Committee. [Reg. 18(1)(b)]
- The composition of Nomination and remuneration committee has been modified to include at least 50% independent directors instead of existing requirement of 2/3rd of independent directors. [Reg. 19(1)(c)]
- The appointment, re-appointment or removal of an independent director of a listed entity, shall be subject to the approval of shareholders by way of a special resolution. [Reg. 25(2A)]- New Insertion
- The requirement of undertaking Directors and Officers insurance has been extended to the top 1000 companies with effect from January 01, 2022. [Reg. 25(10)]
- No independent director, who resigns from a listed entity, shall be appointed as an executive / whole time director on the board of the listed entity, its holding, subsidiary or associate company or on the board of a company belonging to its promoter group, unless a period of one year has elapsed from the date of resignation as an independent director. [Reg. 25(11)]- New Insertion

For details:https://www.sebi.gov.in/legal/regulations/aug-2021/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-third-amendment-regulations-2021_51719.html

(2) Disclosure of shareholding pattern of promoter(s) and promoter group entities (Circular No. SEBI/HO/CFD/CMD/CIR/P/2021/616 dated August 13, 2021)

As per Regulation 31(4) SEBI (LODR) Regulations, 2015, it is mandatory that all entities falling under promoter and promoter group be disclosed separately in the shareholding pattern on the website of stock exchanges, in accordance with the format specified by SEBI. The shareholdings of promoters and promoter group entities, which are currently collectively disclosed under 'table II-Statement showing shareholding pattern of the promoter and

promoter group', shall now be segregated into promoter(s) and promoter group in the revised format as annexed to this circular.

For details: https://www.sebi.gov.in/legal/circulars/aug-2021/disclosure-of-shareholding-pattern-of-promoter-s-and-promoter-group-entities_51847.html

(3) SEBI (Listing Obligations and Disclosure Requirements) (Fifth Amendment) Regulations, 2021 (September 07, 2021)

SEBI vide gazette notification dated September 07, 2021 amends the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, which shall come into force on the date of their publication in the Official Gazette.

- The amendments, inter-alia, provides the terms "'non-convertible debt securities', 'non-convertible redeemable preference shares', 'non-convertible securities', 'perpetual debt instrument' and 'perpetual non-cumulative preference share' shall have the same meaning as defined under the SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021.
- SEBI (LODR) Regulations, 2015 shall also apply to a listed entity which has listed non-convertible securities on recognised stock exchange(s). The provisions of these regulations which become applicable to listed entities on the basis of the criterion of the value of outstanding listed debt securities shall continue to apply to such entities even if they fall below such thresholds.
- The regulation 15 and regulation 16 to regulation 27 of SEBI (LODR) Regulations, 2015, w.r.t.the corporate governance provisions shall apply to a listed entity which has listed its non-convertible debt securities and has an outstanding value of listed non-convertible debt securitiesof Rs. 500 crore and above.

  However, in case an entity that has listed its non-convertible debt securities triggers the specified threshold of Rs. 500 crore during the course of the year, it shall ensure compliance with these provisions within six months from the date of such trigger.

  Further, it has been provided that these provisions shall be applicable to a 'high value debt listed entity' on a 'comply or explain' basis until March 31, 2023 and on a mandatory basis thereafter.
- **Intimation to stock exchange(s) [Regulation 50].**

  (1) The listed entity shall give prior intimation to the stock exchange of at least two working days

  in advance, excluding the date of the intimation and the date of the meeting of the board of directors, about the Board meeting in which any of the following proposals is to be considered:

  a. an alteration in the form or nature of non-convertible securities that are listed on the stockexchange or in the rights or privileges of the holders thereof;

b. an alteration in the date of the interest/ dividend/ redemption payment of non-convertiblesecurities;

c. financial results viz. quarterly or annual, as the case may be;

d. fund raising by way of issuance of non-convertible securities; or

e. any matter affecting the rights or interests of holders of non-convertible securities.

(2) The listed entity shall also intimate the stock exchange not later than the date of commencementof dispatch of notices, in case of:

(a) any annual general meeting or extraordinary general meeting that is proposed to be held forobtaining shareholder approval for the proposals at clauses (c) and (d) mentioned above;

(b) any meeting of the holders of non-convertible securities in relation to the proposal at clause (e)mentioned above.

- **Financial Results. [Regulation 52]**

(1) The listed entity shall prepare and submit un-audited or audited quarterly and year to date standalone financial results on a quarterly basis in the format as specified by the Board within forty- five days from the end of the quarter, other than last quarter, to the recognised stock exchange(s).

However, in case of entities which have listed their debt securities, a copy of the financial results submitted to stock exchanges shall also be provided to Debenture Trustees on the same day the information is submitted to stock exchanges.

(2) The listed entity shall comply with following requirements with respect to preparation, approval, authentication and publication of annual and quarterly financial results:

(a) Un-audited financial results on quarterly basis shall be accompanied by limited review report prepared by the statutory auditors of the listed entity, in the format as specified by the Board:

Provided that in case of issuers whose accounts are audited by the Comptroller and Auditor General of India, the report shall be provided by any practising Chartered Accountant.

(b) The quarterly results shall be taken on record by the board of directors and signed by the managing director / executive director.

(c) The audited results for the year shall be submitted to the recognised stock exchange(s) in the same format as is applicable for quarterly financial results.

(d) The annual audited standalone and consolidated financial results for the financial year shall be submitted to the stock exchange(s) within sixty days from the end of the financial year along with the audit report:

Provided that issuers, who are being audited by the Comptroller and Auditor General of India, shall adopt the following two step process for disclosure of the annual audited financial results:

(i) The first level audit shall be carried out by the auditor appointed by the Comptroller and Auditor General of India, who shall audit the financials of the listed entity and such financial results shall be submitted to the Stock Exchange(s) within sixty days from the end of the financial year.

(ii) After the completion of audit by the Comptroller and Auditor General of India, the financial results shall be submitted to the Stock exchange(s) within nine months from the end of the financial year.

(e)Modified opinion(s) in audit reports/limited review reports that have a bearing on the interest payment/ dividend payment pertaining to non-convertible securities/ redemption or principal repayment capacity of the listed entity shall be appropriately and adequately addressed by the board of directors while publishing the accounts for the said period.

(f) The listed entity shall also submit as part of its standalone or consolidated financial results for the half year, by way of a note, a statement of assets and liabilities and statement of cash flows asat the end of the half year.

- **Intimations/ other submissions to stock exchange(s). [Regulation 57]**

(1) The listed entity shall submit a certificate to the stock exchange within one working day of the interest or dividend or principal becoming due regarding status of payment in case of non-convertible securities.

For details:https://www.sebi.gov.in/legal/regulations/sep-2021/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-fifth-amendment-regulations-2021_52488.html

(4) SEBI (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations,2021 (November 09, 2021)

SEBI vide its notification dated November 09, 2021, amended the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, which shall come into force with effect from April 1, 2022 unless otherwise specified in the respective provision of the regulation.

- The amendments, inter-alia, have been carried out in the definitions of Related Party and Related Party transactions.

In the existing provision under Regulation 2(1)(zb) it was provided that, any person or entity belonging to the promoter or promoter group of the listed entity and holding 20% or more of shareholding in the listed entity shall be deemed to be a related party.

However, vide this amendment, it is provided that, any person or entity forming a part of the promoter or promoter group or any person or any entity, holding equity shares of 20% or more (10% w.e.f. 1st April, 2023) in the listed entity either directly or on a beneficial interest basis, at

any time, during the immediate preceding financial year, shall be deemed to be a related party.

Further, the definition of related party transaction under regulation 2(1)(zc), has been substituted with the following, namely, -

"Related Party Transaction" means a transaction involving a transfer of resources, services or obligations between:

(i) a listed entity or any of its subsidiaries on one hand and a related party of the listed entity orany of its subsidiaries on the other hand; or

(ii) a listed entity or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the listed entity or any of its subsidiaries, with effect from April 1, 2023;

regardless of whether a price is charged and a "transaction" with a related party shall be construedto include a single transaction or a group of transactions in a contract:

Provided that the following shall not be a related party transaction:

(a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;

(b) the following corporate actions by the listed entity which are uniformly applicable/offeredto all shareholders in proportion to their shareholding:

i. payment of dividend;

ii. subdivision or consolidation of securities;

iii. issuance of securities by way of a rights issue or a bonus issue; and

iv. buy-back of securities.

(c) acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in theformat as specified by the Board:
Provided further that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s)."

- In the existing provisions, it was provided that, a transaction with a related party shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds 10% of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

Vide this amendment, it is provided that, a transaction with a related party shall be considered material, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, **exceeds Rs. 1000 crore or 10%** of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower."

- In regulation 23(2), after the words "party transactions" the words "and subsequent material modifications" shall be inserted and the words and symbol "audit committee." shall be substituted with the words and symbol "audit committee of the listed entity:"

  Vide this amendment, it is clarified that even the subsequent material modifications in a related party transaction shall require prior approval of the audit committee of the listed entity.

- In regulation 23(2), after the existing proviso, the following shall be inserted, namely, -
  "Provided further that:

  (a) the audit committee of a listed entity shall define "material modifications" and disclose it as part of the policy on materiality of related party transactions and on dealing with related party transactions;

  (b) a related party transaction to which the subsidiary of a listed entity is a party but the listedentity is not a party, shall require prior approval of the audit committee of the listed entity if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent of the annual consolidated turnover, as per the last audited financial statements of the listed entity;

  (c) with effect from April 1, 2023, a related party transaction to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent of the annualstandalone turnover, as per the last audited financial statements of the subsidiary;

  (d) prior approval of the audit committee of the listed entity shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.

  Explanation : For related party transactions of unlisted subsidiaries of a listed subsidiary as referred to in (d) above, the prior approval of the audit committee of the listed subsidiary shall suffice."

- In regulation 23(4), after the words "related party transactions" the words and symbol "and subsequent material modifications as defined by the audit committee under sub-regulation (2)," shall be inserted and after the words "shall require" the word "prior" shall be inserted.

  Vide this amendment it is clarified that **prior** approval of shareholders shall be required for material related party transactions.

- In regulation 23(4), before the existing proviso, the following shall be inserted, namely, -

  "Provided that prior approval of the shareholders of a listed entity shall not be required for a relatedparty transaction to which the listed subsidiary is a party but the listed entity is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.

  Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary as referred above, the prior approval of the shareholders of the listed subsidiary shall suffice."

- In regulation 23(5), after clause (b), the following new clause shall be inserted, namely, -

  "(c) transactions entered into between two wholly-owned subsidiaries of the listed holding company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval."

- Regulation 23(7) shall be omitted

  Omitted Provision:
  For the purpose of this regulation, all entities falling under the definition of related parties shall not vote to approve the relevant transaction irrespective of whether the entity is a party to the particular transaction or not.

- Regulation 23(9) shall be substituted with the following, namely, -

  "(9) The listed entity shall submit to the stock exchanges disclosures of related party transactionsin the format as specified by the Board from time to time, and publish the same on its website:

  Provided that a 'high value debt listed entity' shall submit such disclosures along with its standalone financial results for the half year:

  Provided further that the listed entity shall make such disclosures every six months within fifteendays from the date of publication of its standalone and consolidated financial results:

  Provided further that the listed entity shall make such disclosures every six months on the date of publication of its standalone and consolidated financial results with effect from April 1, 2023."
  For details: https://www.sebi.gov.in/legal/regulations/nov-2021/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-sixth-amendment-regulations-2021_53851.html

(5) Disclosure obligations of listed entities in relation to Related Party Transactions (CircularNo. SEBI/HO/CFD/CMD1/CIR/P/2021/662 dated November 22, 2021)

Background.

Vide notification dated November 9, 2021, Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015 ('LODR Regulations') was amended, inter-alia, mandating listed entities that have listed specified securities to submit to the stock exchanges

disclosure of Related Party Transactions (RPTs) in the format specified by the Board from time to time.

SEBI vide this circular has prescribed the information to be placed before the audit committee and the shareholders for consideration of RPTs.

A. Information to be reviewed by the Audit Committee for approval of RPTs

The listed entity shall provide the following information, for review of the audit committee for approval of a proposed RPT:

a. Type, material terms and particulars of the proposed transaction;

b. Name of the related party and its relationship with the listed entity or its subsidiary, including nature of its concern or interest (financial or otherwise);

c. Tenure of the proposed transaction (particular tenure shall be specified);

d. Value of the proposed transaction;

e. The percentage of the listed entity's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);

f. If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary:

i) details of the source of funds in connection with the proposed transaction;

ii) where any financial indebtedness is incurred to make or give loans, intercorporate deposits, advances or investments,

- nature of indebtedness;
- cost of funds; andtenure;

iii) applicable terms, including covenants, tenure, interest rate and repayment schedule,whether secured or unsecured; if secured, the nature of security; and

iv) the purpose for which the funds will be utilized by the ultimate beneficiary of suchfunds pursuant to the RPT.

g. Justification as to why the RPT is in the interest of the listed entity;

h. A copy of the valuation or other external party report, if any such report has been relied upon;

i. Percentage of the counter-party's annual consolidated turnover that is represented by the valueof the proposed RPT on a voluntary basis;

j. Any other information that may be relevant

The audit committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis.

B. Information to be provided to shareholders for consideration of RPTs

The notice being sent to the shareholders seeking approval for any proposed RPT shall, in addition to the requirements under the Companies Act, 2013, include the following informationas a part of the explanatory statement:

a. A summary of the information provided by the management of the listed entity to the audit committee as specified above;
b. Justification for why the proposed transaction is in the interest of the listed entity;
c. Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary, the details specified under point 4(f) above; (The requirement of disclosing source of funds and cost of funds shall not be applicable to listed banks/NBFCs.)
d. A statement that the valuation or other external report, if any, relied upon by the listed entity in relation to the proposed transaction will be made available through the registered email address of the shareholders;
e. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT, on a voluntary basis;
f. Any other information that may be relevant.

C. Format for reporting of RPTs to the Stock Exchange

The listed entity shall make RPT disclosures every six months in the format provided at Annex to this circular.
This Circular shall come into force with effect from April 1, 2022.

For details: ***https://www.sebi.gov.in/legal/circulars/nov-2021/disclosure-obligations-of-listed-entities-in-relation-to-related-party-transactions_54113.html***

(6) SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2022 (January 24, 2022)

SEBI vide its notification dated January 24, 2022, has amended the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, which shall come into force on the date of their publication in the Official Gazette. The amendments inter alia provide that-

- The listed entity shall ensure that approval of shareholders for appointment of a person on the Board of Directors **or as a manager** is taken at the next general meeting or within a time periodof three months from the date of appointment, whichever is earlier. **[Regulation 17(1C)]**
- The appointment or a re-appointment of a person, including as a managing director or a whole-time director or a manager, who was earlier rejected by the shareholders at a general meeting, shall be done only with the prior approval of the shareholders. Further, the statement referred to under sub-section (1) of section 102 of the Companies Act, 2013, annexed to the notice to the shareholders, for considering the appointment or re-appointment of such a person earlier rejected by the shareholders shall contain a detailed explanation and justification by the Nomination and Remuneration Committee and the Board of directors for recommending such a person for appointment or re-appointment. **[Insertion: Proviso to Regulation 17(1C)]**

- Where the listed entity has appointed a monitoring agency to monitor the utilisation of proceeds of a public or rights issue, the monitoring report of such agency shall be placed before the audit committee on **a quarterly basis**, promptly upon its receipt. **[Regulation 32(7)]**
- Issuance of duplicates or new certificates in cases of loss or old decrepit or worn out Certificates in dematerialised form. This will improve ease, convenience and safety of transactions for investors. **[Regulation 39(2)]**
- The requests for effecting transfer of securities shall not be processed unless the securities are held in the dematerialised form with a depository. Further, transmission or transposition of securities held in physical or dematerialised form shall be effected only in dematerialised form. **[Substitution: Proviso to 40(1)]**

  For details: https://www.sebi.gov.in/legal/regulations/jan-2022/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-amendment-regulations-2022_55526.html

(7) SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2022 (March 22, 2022)

SEBI has notified SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2022 on March 22, 2022, which shall come into force on the date of their publication in the Official Gazette. SEBI vide this notification has omitted the regulation 17(1B) related to separation of role of Chairperson and MD/CEO. It is provided that this provision may not be retained as a mandatory requirement and instead be made applicable to the listed entities on a voluntary basis.

For details:

https://www.sebi.gov.in/legal/regulations/mar-2022/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-second-amendment-regulations-2022_57098.html

(8) SEBI (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations,2022 (April 11, 2022)

SEBI dated April 11, 2022, has notified the SEBI (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2022, which shall come into force on the date of their publication in the Official Gazette.

Vide this notifications SEBI has amended the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, to align the framework and terminology with respect to 'Security Cover' wherein the term 'Asset Cover' has been substituted with term 'Security Cover' in regulation 54 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Further, it is prescribed that the maintenance of security cover is sufficient to discharge both principal **and interest thereon** in SEBI (Listing Obligations and Disclosure Requirements)

Regulations, 2015.
For details: https://www.sebi.gov.in/legal/regulations/apr-2022/sebi-listing-obligations-and-disclosure-requirements-third-amendment-regulations-2022_57988.html

(9) Simplification of procedure and standardization of formats of documents for issuance of duplicate securities certificates

(Circular No. SEBI/HO/MIRSD/MIRSD_RTAMB/P/CIR/2022/70 dated May 25, 2022)

With a view to make issuance of duplicate securities more efficient and investor friendly, SEBI has simplified the procedure and documentation requirements for issuance of duplicate securities.

The requirements are as specified below:

1. Submission by the security holder of copy of FIR including e-FIR/Police complaint/Court injunction order/copy of plaint, necessarily having details of the securities, folio number, distinctive number range and certificate numbers.

2. Issuance of advertisement regarding loss of securities in a widely circulated newspaper. However, there shall be no requirement to comply with above mentioned Para 1 and 2, if the value of securities as on the date of submission of application, along with complete documentation as prescribed by the SEBI does not exceed Rs.5 Lakhs.

3. Submission of Affidavit and Indemnity bond as per the format prescribed by the SEBI. There shall be no requirement of submission of surety for issuance of duplicate securities

4. In case of non-availability of Certificate Nos./Distinctive Nos./ Folio nos., the RTA (upon written request by the security holder) shall provide the same, to the security holder only where the signature and the address of the security holder matches with the RTA / listed company's records. In case the signature and/or the address do not match, the security holder shall first comply with the KYC procedure and then only the details of the securities shall beprovided to the security holder by the RTA/listed company.
   As mandated vide SEBI Circular dated January 25, 2022, duplicate securities shall be issuedin dematerialized mode only.

For details: https://www.sebi.gov.in/legal/circulars/may-2022/simplification-of-procedure-and-standardization-of-formats-of-documents-for-issuance-of-duplicate-securities-certificates_59173.html

(10) SEBI (Listing Obligations and Disclosure Requirements) (Fifth Amendment) Regulations, 2022

(Notification No. SEBI/LAD-NRO/GN/2022/88 dated July 25, 2022)

SEBI vide its notification dated July 25, 2022, has amended the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, which shall come into force on the date of their publication in the Official Gazette.

Vide this notification SEBI has inserted "Zero Coupon Zero Principal Instruments" in the definition of Designated Securities and notified a new chapter IX-A which deals with obligations of social enterprises.

Applicability:

The provisions of this Chapter IX-A shall apply to a "For Profit Social Enterprise" whose designated securities are listed on the applicable segment of the Stock Exchange(s) and a "Not for Profit Organizations" that is registered on the Social Stock Exchange(s).

Disclosures by a For Profit Social Enterprise and Not for Profit Organization:

A For Profit Social Enterprise whose designated securities are listed on the Stock Exchange(s) shall comply with the disclosure requirements contained in these regulations with respect to issuers whose specified securities are listed on the Main Board or the SME Exchange or the Innovators Growth Platform, as the case may be.

A Not for Profit Organization registered on the Social Stock Exchange(s), including a Not for Profit Organization whose designated securities are listed on the Social Stock Exchange(s), shallbe required to make annual disclosures to the Social Stock Exchange on matters specified by the SEBI, within 60 days from the end of the financial year or within such period as may be specified by the SEBI.

Intimations and disclosures by Social Enterprise of events or information to Social Stock Exchange(s) or Stock Exchange(s):

- A Social Enterprise whose designated securities are listed on the Social Stock Exchange(s) or the Stock Exchange(s), as the case may be, shall frame a policy for determination of materiality, duly approved by its board or management, as the case may be, which shall be disclosed on the Social Stock Exchange(s) or the Stock Exchange(s).
- The board and management of the Social Enterprise shall authorize one or more of its Key Managerial Personnel for the purpose of determining materiality of an event or information and for the purpose of making disclosures to the Social Stock Exchange(s) or the Stock Exchange(s), as the case may be, under this regulation and the contact details of such personnel shall also be disclosed to the Social Stock Exchange(s) or the Stock Exchange(s).

- A Social Enterprise whose designated securities are listed on the Social Stock Exchange(s) or the Stock Exchange(s), as the case may be, shall disclose to the Social Stock Exchange(s) or theStock Exchange(s) where it is registered or has listed its specified securities, as the case may be, any event that may have a material impact on the planned achievement of outputs or outcomes.

- The disclosure shall be made as soon as reasonably possible but not later than seven days or

within such period as may be specified by the Board, from the occurrence of the event and shall comprise details of the event including the potential impact of the event and the steps being taken by the Social Enterprise to address the same.

- The Social Enterprise shall provide updates on a regular basis along with relevant explanations in respect of the disclosures required in sub-regulation (3) till the time the concerned event remains material.

- The Social Enterprise shall provide specific and adequate reply to all queries raised by the Social Stock Exchange(s) or the Stock Exchange(s), as the case may be, with respect to any events or information. However, the Social Stock Exchange(s) or the Stock Exchange(s), as the case maybe, shall disseminate the information and clarification as soon as reasonably practicable.

- The Social Enterprise may suo moto confirm or deny any reported event or information to Social Stock Exchange(s) or the Stock Exchange(s), as the case may be.

- The Social Enterprise shall disclose on its website all such events or information which have been disclosed to the Social Stock Exchange(s) or the Stock Exchange(s), as the case may be, under this regulation.

Disclosures by a Social Enterprise in respect of social impact:

A Social Enterprise, which is either registered with or has raised funds through a Social Stock Exchange or a Stock Exchange, as the case may be, shall be required to submit an annual impact report to the Social Stock Exchange or the Stock Exchange in the format specified by the Board from time to time. The annual impact report shall be audited by a Social Audit Firm employing Social Auditor. The Social Stock Exchange(s) may specify parameters, in addition to those specified by the Board, which shall be required to be disclosed by a Social Enterprise on an annual basis.

Statement of utilisation of funds:

A listed Not for Profit Organization shall submit to the Social Stock Exchange(s) the following statement in respect of utilisation of the funds raised, on a quarterly basis:-

(a) category-wise amount of monies raised;

(b) category-wise amount of monies utilised;

(c) balance amount remaining unutilised.

The unutilised amount shall be kept in a separate bank account and shall not be co-mingled with other funds. The statement required shall be given till the time the issue proceeds have been fully utilised or the purpose for which they were raised, has been achieved.

For details: https://www.sebi.gov.in/legal/regulations/jul-2022/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-fifth-amendment-regulations-2022_61169.html

(11) SEBI (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2022 (Notification No. SEBI/LAD-NRO/GN/2022/103 dated November 14, 2022)

The SEBI on November 14, 2022, notified the SEBI (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2022 which shall come into force on the date of their publication in the Official Gazette.

The following amendments have been made under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015: –

(1) In Regulation 25 pertaining to "Obligations with respect to Independent Directors", in sub-regulation (2A), the following provisos have been inserted, namely, -

"Provided that where a special resolution for the appointment of an independent director fails to get the requisite majority of votes but the votes cast in favour of the resolution exceed the votes cast against the resolution and the votes cast by the public shareholders in favour of the resolution exceed the votes cast against the resolution, then the appointment of such an independent director shall be deemed to have been made under sub-regulation (2A):

Provided further that an independent director appointed under the first proviso shall be removed only if the votes cast in favour of the resolution proposing the removal exceed the votes castagainst the resolution and the votes cast by the public shareholders in favour of the resolution exceed the votes cast against the resolution."

(2) In Regulation 32, in sub-regulation (6) and in sub-regulation (7), the words "public or rights issue" have been substituted with the words "public issue or rights issue or preferential issue or qualified institutions placement".

According to the amendment in Regulation 32, listed entities are mandated to submit a quarterly statement of deviation(s) or variation(s) to stock exchanges indicating if they have deviated or varied in using the proceeds from issue of the object stated for the issue, till the complete use of fund from proceed. Earlier to the amendment this statement had to be submitted for public, rights and preferential issues. With the amendment, SEBI had broadened the scope of disclosure and submission of such statement even in funds raised from Qualified Institutional Placements.

For details: https://www.sebi.gov.in/legal/regulations/nov-2022/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-sixth-amendment-regulations-2022_65048.html

(12) SEBI (Listing Obligations and Disclosure Requirements) (Seventh Amendment) Regulations, 2022

(Notification No. SEBI/LAD-NRO/GN/2022/109 dated December 05, 2022)

SEBI on December 05, 2022, notified the SEBI (Listing Obligations and Disclosure Requirements) (Seventh Amendment) Regulations, 2022 which shall come into force on the date of their publication in the Official Gazette. In Regulation 102 pertaining to power to relax strict

enforcement of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a new regulation (1A) has been inserted stating that *"SEBI may after due consideration of the interest of the investors and the securities market and for the development of the securities market, relax the strict enforcement of any of the requirements of these regulations, if an application is made by the Central Government in relation to its strategic disinvestment in a listed entity."*

For details: https://www.sebi.gov.in/legal/regulations/dec-2022/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-seventh-amendment-regulations-2022_65883.html

(13) SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2023 (Notification No. SEBI/LAD-NRO/GN/2023/117 dated January 17, 2023)

SEBI on January 17, 2023, notified the SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2023. Vide this notification, the following amendments have been made:

1. In regulation 15 pertaining to governance norms, in sub-regulation (1A), Explanation (4) has been omitted.

2. Sub-regulation (1B) and (1C) has been inserted under regulation 15, namely, -
"(1B) Notwithstanding anything contained in this regulation, in case of an Infrastructure Investment Trust registered under the provisions of the SEBI (Infrastructure Investment Trusts) Regulations, 2014, the governance norms specified under the SEBI (Infrastructure Investment Trusts) Regulations, 2014 shall be applicable."
"(1C) Notwithstanding anything contained in this regulation, in case of a Real Estate Investment Trust registered under the provisions of SEBI (Real Estate Investment Trust) Regulations, 2014, the governance norms specified under the SEBI (Real Estate Investment Trust) Regulations, 2014 shall be applicable."
For details: https://www.sebi.gov.in/legal/regulations/jan-2023/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-amendment-regulations-2023_67410.html

(14) (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2023 (Notification No. SEBI/LAD-NRO/GN/2023/131 dated June 14, 2023)

SEBI has notified the SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2023 on June 14, 2023. Vide this notification the following amendments have been made in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015:

1. The new definition Mainstream media is added **[Regulation 2(1)(ra)]:**

Mainstream media shall include print or electronic mode of the following:

i. Newspapers registered with the Registrar of Newspapers for India;
ii. News channels permitted by Ministry of Information and Broadcasting under Government of India;

iii. Content published by the publisher of news and current affairs content as defined under the Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021; and

iv. Newspapers or news channels or news and current affairs content similarly registered or permitted or regulated, as the case may be, in jurisdictions outside India.

2. Vacancy to be filled in the office of the Compliance Officer: Any vacancy in the office of the Compliance Officer shall be filled by the listed entity at the earliest and in any case not later than 3 months from the date of such vacancy.

   However, the listed entity shall not fill such vacancy by appointing a person in interim capacity, unless such appointment is made in accordance with the laws applicable in case of a fresh appointment to such office and the obligations under such laws are made applicable to such person.
   [Insertion: Regulation 6(1A)]

3. The following Regulation 17(1D) is added:

   Shareholder approval required for Appointment or Reappointment
   17(1D) With effect from April 1, 2024, the continuation of a director serving on the board of directors of a listed entity shall be subject to the approval by the shareholders in a general meeting at least once in every five years from the date of their appointment or reappointment, as the case may be. However, the continuation of the director serving on the board of directors of a listed entity as on March 31, 2024, without the approval of the shareholders for the last five years or more shall be subject to the approval of shareholders in the first general meeting to be held after March 31, 2024.
   Provided further that the requirement specified in this regulation shall not be applicable to the Whole-Time Director, Managing Director, Manager, Independent Director or a Director retiring as per the sub-section (6) of section 152 of the Companies Act, 2013, if the approval of the shareholders for the reappointment or continuation of the aforesaid directors or Manager is otherwise provided for by the provisions of these regulations or the Companies Act, 2013 and has been complied with.
   The requirement specified in this regulation shall not be applicable to the director appointed pursuant to the order of a Court or a Tribunal or to a nominee director of the Government on the board of a listed entity, other than a public sector company, or to a nominee director of a financial sector regulator on the board of a listed entity.
   The requirement specified in this regulation shall not be applicable to a director nominated by a financial institution registered with or regulated by the Reserve Bank of India under a lending arrangement in its normal course of business or nominated by a Debenture Trustee
   registered with the Board under a subscription agreement for the debentures issued by the listed entity.

4. The following Regulation 17(1E) is added:

   Vacancy to be filled in the office of a director: Any vacancy in the office of a director shall be filled by the listed entity at the earliest and in any case not later than 3 months from the date such vacancy. However, if the listed entity becomes non-compliant, due to expiration of the term of office of any director, the resulting vacancy shall be filled by the listed entity not later than the date

such office is vacated.

5. The following Regulation 26A is added:

Vacancies to be filled in respect of certain Key Managerial Personnel

- Any vacancy in the office of Chief Executive Officer, Managing Director, Whole Time Director or Manager shall be filled by the listed entity at the earliest and in any case not later than 3 months from the date of such vacancy.
- Any vacancy in the office of the Chief Financial Officer shall be filled by the listed entity at the earliest and in any case not later than 3 months from the date of such vacancy.
- The listed entity shall not fill such vacancy by appointing a person in interim capacity, unless such appointment is made in accordance with the laws applicable in case of a fresh appointment to such office and the obligations under such laws are made applicable to such person.

6. **Disclosure of Cybersecurity Breaches**: Details of cyber security incidents or breaches or loss of data or documents shall be disclosed along with quarterly compliance report on corporate governance. **[Insertion: Regulation 27(2)(ba)]**

7. **Disclosure of events or information:**

- The omission of an event or information, whose value or the expected impact in terms of value, exceeds the lower of the following:
    - 2% of turnover, as per the last audited consolidated financial statements of the listed entity;
    - 2% of net worth, as per the last audited consolidated financial statements of the listed entity, except in case the arithmetic value of the net worth is negative;
    - 5% percent of the average of absolute value of profit or loss after tax, as per the last three audited consolidated financial statements of the listed entity. **[Regulation 30(4)(i)(c)]**
- In case where the criteria specified is not applicable, an event or information may be treated as being material if in the opinion of the board of directors of the listed entity, the event or information is considered material. **[Insertion: Regulation 30(4)(i)(d)]**
- The listed entity shall first disclose to the stock exchange all events or information which are material in terms of the provisions of this regulation as soon as reasonably possible and in any case not later than the following:
    - 30 minutes from the closure of the meeting of the board of directors in which the decision pertaining to the event or information has been taken;

- 12 hours from the occurrence of the event or information, in case the event or information is emanating from within the listed entity;
- 24 hours from the occurrence of the event or information, in case the event or information is not emanating from within the listed entity.

However, disclosure with respect to events for which timelines have been specified in Part A of Schedule III shall be made within such timelines. Provided further that in case the disclosure is made after the timelines specified under this regulation, the listed entity shall, along with such disclosure provide the explanation for the delay. **[Regulation 30(6)]**

- The top 100 listed entities (with effect from October 1, 2023) and thereafter the top 250 listed entities (with effect from April 1, 2024) shall confirm, deny or clarify any reported event or information in the mainstream media which is not general in nature and which indicates that rumours of an impending specific material event or information in terms of the provisions of this regulation are circulating amongst the investing public, as soon as reasonably possible and not later than 24 hours from the reporting of the event or information. However, if the listed entity confirms the reported event or information, it shall also provide the current stage of such event or information. **[Insertion: Provisos to Regulation 30(11)]**
- In case an event or information is required to be disclosed by the listed entity in terms of the provisions of this regulation, pursuant to the receipt of a communication from any regulatory, statutory, enforcement or judicial authority, the listed entity shall disclose such communication, along with the event or information, unless disclosure of such communication is prohibited by such authority. **[Insertion: Regulation 30(13)].**

8. **Disclosure requirements for certain types of agreements binding listed entities:** All the shareholders, promoters, promoter group entities, related parties, directors, key managerial personnel and employees of a listed entity or of its holding, subsidiary and associate company, who are parties to the agreements specified in clause 5A of para A of part A of schedule III to these regulations, shall inform the listed entity about the agreement to which such a listed entity is not a party, within 2 working days of entering into such agreements or signing an agreement to enter into such agreements**. [Insertion: Regulation 30A]**

9. **Special rights to shareholders:** Any special right granted to the shareholders of a listed entity shall be subject to the approval by the shareholders in a general meeting by way of a special resolution once in every five years starting from the date of grant of such special right. **[Insertion: Regulation 31B]**

10. **Submission of Financial Results for newly listed entity:** The listed entity shall, subsequent to the listing, submit its financial results for the quarter or the financial year immediately succeeding the period for which the financial statements have been disclosed in the offer document for the initial public offer, in accordance with the timeline specified in regulation 33(3)(a) i.e. 45 days from end of each quarter or in regulation 33(3)(d) i.e.60 days from the end of the financial year or within 21 days from the date of its listing, whichever is later. **[Insertion: Regulation 33(3)(j)]**

11. **Annual Report Disclosures:** For the top 1000 thousand listed entities, the annual report shall contain a Business Responsibility and Sustainability Report (BRSR) on the environmental, social and governance disclosures, in the format as may be specified by SEBI. The assurance of the BRSR Core shall be obtained, with effect from and in the manner as may be specified by SEBI. The listed entities shall also make disclosures and obtain assurance as per the BRSR Core for their value chain, with effect from and in the manner as may be specified by SEBI.

    The remaining listed entities, including the entities which have listed their specified securities on the SME Exchange, may voluntarily disclose the BRSR or may voluntarily obtain the assurance of the Business Responsibility and Sustainability Report Core, for themselves or for their value chain, as the case may be. **[Regulation 34(2)(f)]**

For details: https://www.sebi.gov.in/legal/regulations/jun-2023/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-second-amendment-regulations-2023_72609.html

(15) SECURITIES AND EXCHANGE BOARD OF INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) (THIRD AMENDMENT) REGULATIONS, 2023 (NOTIFICATION NO. SEBI/LAD NRO/GN/2023/149 DATED AUGUST 23, 2023)

SEBI has notified the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2023 which shall come into force on the date of their publication in the Official Gazette. Vide this notification, Chapter VIA ***"framework for voluntary delisting of non-convertible debt securities or non-convertible redeemable preference shares and obligations of the listed entity on such delisting"*** has been added and the following have been prescribed in this regard:

• **Applicability**

The provisions of this Chapter VIA will be applicable to voluntary delisting of all listed non-convertible debt securities or non-convertible redeemable preference shares from all or any of the stock exchanges where such non-convertible debt securities or nonconvertible redeemable preference shares are listed.

• **In-principle approval of the stock exchanges**

The listed entity shall make an application to the relevant stock exchange(s) for seeking in-principle approval for the proposed delisting of nonconvertible debt securities or non-convertible redeemable preference shares in the form specified by such stock exchange, not later than 15 working days from the date of passing of the board resolution to that effect or of receipt of any other statutory or regulatory approval, whichever is later.

The application seeking in-principle approval for the delisting of the non-convertible debt securities or nonconvertible redeemable preference shares shall be disposed of by the relevant stock exchange(s) within a period not exceeding fifteen working days from the date of receipt of such application that is complete in all respects.

• **Notice of delisting**

The listed entity shall send the notice of delisting to the holders of non-convertible debt securities or non-convertible redeemable preference shares, not later than 3 working days from the date of receipt of in-principle approval from the stock exchanges.

• **Approval from the holders and No-Objection Letter from the Debenture Trustee**

The listed entity shall obtain approval from all the holders of non-convertible debt securities or non-convertible redeemable preference shares within 15 working days from the date of the notice of delisting. The listed entity shall also obtain the No-Objection Letter from the debenture trustee in case of delisting of non-convertible debt securities.

• **Failure of delisting proposal.**

The delisting proposal shall be deemed to have failed under any of the following circumstances:

(a) non-receipt of in-principle approval from any of the stock exchanges; or

(b) non-receipt of requisite approval from the holders of non-convertible debt securities or nonconvertible redeemable preference shares; or

(c) non-receipt of No-Objection Letter from the debenture trustee in case of proposal for delisting of non-convertible debt securities. In case of failure of the delisting proposal, the listed entity shall intimate the same to the stock exchanges within 1 working day from the date of event of failure.

• **Final application to the stock exchange**

Within 5 working days from the date of obtaining the requisite approval from the holders of non-convertible debt securities or non-convertible redeemable preference shares, the listed entity shall make the final application for delisting to the stock exchange in the form specified by such stock exchange. The final application for delisting shall be disposed of by the stock exchange within 15 working days from the date of receipt of such application that is complete in all respects. Upon disposal of the final application for delisting by the stock exchange, the non-convertible debt securities or non-convertible redeemable preference shares of the listed entity, as the case may be, shall be delisted from the stock exchange.

For details: https://www.sebi.gov.in/legal/regulations/aug-2023/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-third-amendment-regulations-2023_75861.html

(16) SECURITIES AND EXCHANGE BOARD OF INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) (FOURTH AMENDMENT) REGULATIONS, 2023 (Notification No. SEBI/LAD-NRO/GN/2023/151 dated September 19, 2023)

SEBI has notified the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Fourth Amendment) Regulations, 2023 which shall come into force on the date of their publication in the Official Gazette. Vide this notification regulation 62A regarding "Listing of subsequent issuances of non-convertible debt securities" has been inserted and the same is provided hereunder:

62A(1) A listed entity, whose nonconvertible debt securities are listed shall list all non-convertible debt securities, proposed to be issued on or after January 1, 2024, on the stock exchange.

(2) A listed entity, whose subsequent issues of unlisted non-convertible debt securities made on or before December 31, 2023 are outstanding on the said date, may list such securities, on the stock exchange.

(3) A listed entity that proposes to list the non-convertible debt securities on the stock exchange on or after January 1, 2024, shall list all outstanding unlisted non-convertible debt securities previously issued on or after January 1, 2024, on the stock exchange within 3 months from the date of the listing of the nonconvertible debt securities proposed to be listed.

(4) A listed entity shall not be required to list the following securities:

i. Bonds issued under section 54EC of the Income Tax Act, 1961;
ii. Non-convertible debt securities issued pursuant to an agreement entered into between the listed entity of such securities and multilateral institutions;
iii. Non-convertible debt securities issued pursuant to an order of any court or Tribunal or regulatory requirement as stipulated by a financial sector regulator namely, the Board, Reserve Bank of India, Insurance Regulatory and Development Authority of India or the Pension Fund and Regulatory Development Authority.

(5) The securities issued by the listed entity under clauses (ii) and (iii) of sub-regulation (4) shall be locked in and held till maturity by the investors and shall be unencumbered.

(6) A listed entity proposing to issue securities under sub-regulation (4) shall disclose to the stock exchanges on which its non-convertible debt securities are listed, all the key terms of such securities, including embedded options, security offered, interest rates, charges, commissions, premium (by any name called), period of maturity and such other details as may be required to be disclosed by SEBI from time to time.

For details: https://www.sebi.gov.in/legal/regulations/sep-2023/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-fourth-amendment-regulations-2023_77193.html

(17) SECURITIES AND EXCHANGE BOARD OF INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) (FIFTH AMENDMENT) REGULATIONS, 2023 (NOTIFICATION NO. SEBI/LAD-NRO/GN/2023/155 DATED OCTOBER 09, 2023)

SEBI has notified the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Fifth Amendment) Regulations, 2023 which shall come into force with effect from October 1, 2023.

Vide this notification, in the first proviso of regulation 30(11) under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015,-

(i) the symbols, words and numerals "with effect from October 1, 2023" have been omitted;

(ii) the symbols, words and numerals "with effect from April 1, 2024" have been substituted with the symbol and words "with effect from the date as may be specified by the Board".

Brief Analysis

As per Regulation 30(11) of the SEBI (LODR) Regulations, 2015, the listed entity may on its own initiative also, confirm or deny any reported event or information to stock exchange. However, the top 100 listed entities and thereafter the top 250 listed entities, **with effect from the date as may be specified by SEBI,** shall confirm, deny or clarify any reported event or information in the mainstream media which is not general in nature and which indicates that rumours of an impending specific material event or information in terms of the provisions of this regulation are circulating amongst the investing public, as soon as reasonably possible and not later than 24 hours from the reporting of the event or information.

For details: https://www.sebi.gov.in/legal/regulations/oct-2023/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-fifth-amendment-regulations-2023_77867.html

(18) SEBI (Listing Obligations and Disclosure Requirements) (Seventh Amendment) Regulations, 2023 (Notification No. SEBI/LAD-NRO/GN/2023/161 dated December 21, 2023)

SEBI has notified the SEBI (Listing Obligations and Disclosure Requirements) (Seventh Amendment) Regulations, 2023 on 21st December, 2023 which shall come into force on the date of their publication in the Official Gazette. The amendment has been made in regulation 91E(2) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, which provides that the annual impact report shall be assessed by a Social Impact Assessment Firm employing Social Impact Assessor(s). Prior to the amendment, the requirement was to audit the annual impact report by a Social Audit Firm employing Social Auditor.

For details: https://www.sebi.gov.in/legal/regulations/dec-2023/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-seventh-amendment-regulations-2023_80417.html

(19) Extension of timeline for verification of market rumours by listed entities (Circular No. SEBI/HO/CFD/CFD-PoD-2/P/CIR/2024/7 dated January 25, 2024)

The proviso to Regulation 30(11) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("LODR Regulations") inter-alia requires top 100 listed entities by market capitalization and thereafter the top 250 listed entities by market capitalization to mandatorily verify and confirm, deny or clarify market rumours from the date as may be specified by SEBI.

SEBI vide its Circular dated September 30, 2023, has made the said provision applicable to top 100 listed entities by market capitalization from February 1, 2024 and to top 250 listed entities by market capitalization from August 1, 2024.

SEBI has extended this timeline for effective date of implementation of the proviso to regulation 30(11) of the LODR Regulations for **top 100 listed entities** by market capitalization, to **June 1, 2024** and for **top 250 listed entities** by market capitalization, to **December 1, 2024**.

For details: https://www.sebi.gov.in/legal/circulars/jan-2024/extension-of-timeline-for-verification-of-market-rumours-by-listed-entities_80867.html

(20) SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2024 (Notification No. SEBI/LAD-NRO/GN/2024/177 dated May 17, 2024)

SEBI has notified the SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2024 which shall come into force on the date of their publication in the Official Gazette except the amendments in Regulations 3, 17, 21(5), 25, 30 [omission of the Explanation under sub-regulation (11)], 34, 43A and 44 which shall come into force with effect from December 31, 2024.

- SEBI vide this notification has made amendments in Regulation 3(2) specifying the applicability of the provisions of SEBI LODR regulations to a listed entity on the basis of market capitalisation. It is provided that-
    (a) every recognized stock exchange shall, at the end of the calendar year i.e., 31st December, prepare a list of entities that have listed their specified securities ranking such entities on the

basis of their average market capitalisation from 1st July to 31st December of that calendar year.

(b) The relevant provisions shall then become applicable to a listed entity that is required to comply with such requirements for the first time (or, if applicable, required to comply after any interim period) after a period of three months from December 31 (i.e. April 1) or from the beginning of the immediate next financial year, whichever is later.

Provided that the listed entity, which is required to comply for the first time or after a period of cessation, shall put in place systems and processes for compliance with clause (f) of sub-regulation (2) of regulation 34 within a period of three months from December 31 (i.e. on or before April 1) or from the beginning of the immediate next financial year, whichever is later, and further disclose the Business Responsibility and Sustainability Report and/or assurance as per the Business Responsibility and Sustainability Report Core in the Annual Report prepared for the financial year in which systems and processes were required to be put in place in accordance with this proviso.

(c) The listed entity shall continue to comply with relevant provisions that were applicable to it based on the market capitalisation of previous year and continue(s) to remain applicable on the basis of its rank in the list prepared by recognized stock exchanges as per clause (a) of this sub-regulation.

- In Regulation 3, the Regulations (2A) and (2B) have been added:

(2A) The provisions of these regulations, which become applicable to a listed entity on the basis of criteria of market capitalisation, shall continue to apply to such an entity unless its ranking changes in the list prepared in accordance with sub-regulation (2) of this regulation and such change results in the listed entity remaining outside the applicable threshold for a period of three consecutive years.

(2B) For such listed entities which remain outside the applicable threshold for a period of three consecutive years in terms of sub-regulation (2A) of this regulation, the provisions that apply on the basis of criteria of market capitalisation shall cease to apply at the end of the financial year following the 31st December of the third consecutive year:
Provided that for those listed entities that follow January to December as its financial year, the provisions shall cease to apply at the end of three months from 31st December of the third consecutive year (i.e. on 31st March).

- In accordance with second proviso to Regulation 15(1A), the Corporate Governance provisions shall be applicable to a 'high value debt listed entity' on a 'comply or explain' basis until March 31, 2024 earlier. Now, the said timelines have been extended to March 31, 2025.

- In proviso to Regulation 17(1)(a), the following is omitted:
    1. the words, numerals and symbols "top 500 listed entities shall have at least one independent woman director by April 1, 2019 and the Board of directors of the"

2. the words, numerals and symbols “by April 1, 2020”
3. the Explanation

- In Regulation 17(1)(c), the following is omitted:
    1. the words, numerals and symbols “top 1000 listed entities (with effect from April 1, 2019) and the”
    2. the words, numerals and symbols “(with effect from April 1, 2020)”
    3. the Explanation

- In sub-regulation 17(2A), the following is omitted:
    1. the words, numerals and symbols “top 1000 listed entities with effect from April 1, 2019 and of the”
    2. the words, numerals and symbols “with effect from April 1, 2020”
    3. Explanation II

- Regulation 21(3C) is amended and provides that, the meetings of the risk management committee shall be conducted in such a manner that on a continuous basis not more than **two hundred and ten** days shall elapse between any two consecutive meetings.

- In Regulation 21(5), the words and symbols “determined on the basis of market capitalization as at the end of the immediate preceding financial year” have been omitted.

- In regulation 25(10), the words, symbols and numerals “calculated as on March 31 of the preceding financial year,” have been omitted.

- Where the listed entity is required to obtain approval of regulatory, government or statutory authorities to fill up such vacancies, then the vacancies shall be filled up by the listed entity at the earliest and in any case not later than six months from the date of vacancy. **[Insertion of Proviso in Regulation 26A(1) and 26A(2)]**

- The amendments have been made in Regulation 29 pertaining to Prior Imitations. The amended provisions of regulation 29 are reproduced below:

Prior Intimations [Regulation 29]

(1) The listed entity shall give prior intimation of at least two working days in advance, excluding the date of the intimation and date of the meeting, to stock exchange about the meeting of the board of directors in which any of the following proposals is due to be considered:
    a) financial results viz. quarterly, half yearly, or annual, as the case may be;
    b) proposal for buyback of securities;
    c) proposal for voluntary delisting by the listed entity from the stock exchange(s);

d) fund raising by way of issue of securities (excluding security receipts, securitized debt instruments or money market instruments regulated by the Reserve Bank of India), through] further public offer, rights issue, American Depository Receipts/Global Depository Receipts/Foreign Currency Convertible Bonds, qualified institutions placement, debt issue, preferential issue or any other method and for determination of issue price:
Provided that intimation shall also be given in case of any annual general meeting or extraordinary general meeting or postal ballot that is proposed to be held for obtaining shareholder approval for further fund raising indicating type of issuance.
Provided further that intimation for determination of issue price in a qualified institutions placement is not required if such placement is done in accordance with the provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018

e) declaration/ recommendation of dividend, issue of convertible securities including convertible debentures or of debentures carrying a right to subscribe to equity shares or the passing over of dividend;

f) the proposal for declaration of bonus securities;

g) any alteration in the form or nature of any of its securities that are listed on the stock exchange or in the rights or privileges of the holders thereof;

h) any alteration in the date on which, the interest on debentures or bonds, or the redemption amount of redeemable shares or of debentures or bonds, shall be payable.

(2) The intimation required under sub-regulation (1) shall mention the date of such meeting of board of directors.

- The listed entity may on its initiative also, confirm or deny any reported event or information to stock exchange(s).
Provided that the top 100 listed entities and thereafter the top 250 listed entities, with effect from the date specified by the SEBI, shall confirm, deny or clarify, upon the material price movement as may be specified by the stock exchanges, any reported event or information in the mainstream media which is not general in nature and which indicates that rumour of an impending specific event or information is circulating amongst the investing public, as soon as reasonably possible but in any case not later than twenty four hours from the trigger of material price movement. Provided further that if the listed entity confirms the reported event or information, it shall also provide the current stage of such event or information.
Provided further that when the listed entity confirms within twenty four hours from the trigger of material price movement, any reported event or information on which pricing norms provided under Chapter V or Chapter VI of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 or pricing norms provided under Regulation 8 or Regulation 9 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 or pricing norms provided under Regulation 19 or Regulation 22B of the SEBI (Buy- back of Securities) Regulations, 2018 or any other pricing norms specified by the SEBI or the stock exchanges are applicable, then the effect on the price of the equity shares of the listed entity due to the material price movement and confirmation of

the reported event or information may be excluded for calculation of the price for that transaction as per the framework as may be specified by SEBI. **[Regulation 30(11)]**

- The promoter, director, key managerial personnel or senior management of a listed entity shall provide adequate, accurate and timely response to queries raised or explanation sought by the listed entity in order to ensure compliance with the requirements under sub-regulation 11 of this regulation and the listed entity shall disseminate the response received from such individual(s) promptly to the stock exchanges. **[Insertion: Regulation 30(11A)]**

- In regulation 34(2)(f), clause (i) to the Explanation-1 stated, market capitalization shall be calculated as on the 31st day of March of every financial year, has been omitted.
- In regulation 43A(1), the words, symbols and numerals "(calculated as on March 31 of every financial year)" have been omitted.
- In regulation 44(5), the words, symbols and numerals "determined as on March 31st of every financial year," have been omitted.
- In regulation 44(6), the Explanation has been omitted.

For details: https://www.sebi.gov.in/legal/regulations/may-2024/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-amendment-regulations-2024_83476.html

MISCELLANEOUS

SEBI (Delisting of Equity Shares) Regulations, 2021

(1) (Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021 (June 11, 2021)

With an objective to make the delisting process more transparent and efficient, the SEBI vide gazette notification dated June 11, 2021 has notified the SEBI (Delisting of Equity Shares) Regulations, 2021 which shall be applicable to delisting of equity shares of a company including equity shares having superior voting rights from all or any of the recognised stock exchanges wheresuch shares are listed.

The SEBI (Delisting of Equity Shares) Regulations, 2009, stand repealed from the date on which these regulations come into force.

For details: https://www.sebi.gov.in/legal/regulations/aug-2021/securities-and-exchange-board-of-india-delisting-of-equity-shares-regulations-2021-last-amended-on-august-3-2021-_50517.html

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