

EXECUTIVE PROGRAMME

UPDATES FOR CAPITAL MARKETS AND SECURITIES LAWS

(Relevant for students appearing in June, 2018 Examination)

MODULE 2- PAPER 6

Disclaimer-

This document has been prepared purely for academic purposes only and it does not necessarily reflect the views of ICSI. Any person wishing to act on the basis of this document should do so only after cross checking with the original source.

Students appearing in June 2018 Examination shall note the following:

Students are also required to update themselves on all the relevant Notifications, Circulars, Clarifications, etc. issued by the SEBI, RBI & Central Government on or before six months prior to the date of the examination.

These Updates are to facilitate the students to acquaint themselves with the amendments in securities laws upto December, 2017, applicable for June, 2018 Examination. The students are advised to read the updated Study Material (October 2017 Edition) along with these Updates.

In the event of any doubt, students may write to the Institute for clarifications at academics@icsi.edu

SUPPLEMENT FOR CAPITAL MARKETS AND SECURITIES LAWS**TABLE OF CONTENT**

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LESSON 5
DEBT MARKET

Page No. 114

SEBI (ISSUE AND LISTING OF DEBT SECURITIES) REGULATIONS, 2008

(Replace Definition of debt securities in Paragraph No. 2)

“Debt securities” means non-convertible debt securities which create or acknowledge indebtedness and includes debentures, bonds and such other securities of a body corporate or a Trust registered with SEBI as a Real Estate Investment Trust or an Infrastructure Investment Trust, or any statutory body constituted by virtue of a legislation, whether constituting a charge on the assets of the body corporate or not, but excludes bonds issued by Government or such other bodies as may be specified by SEBI, security receipts and securitized debt instruments;”

LESSON 4
MUTUAL FUNDS

Page No. 80

Broad Framework for Securities Lending and Borrowing- Bullet Point 5, 6, 7 (Replace with the following)

- Any lender or borrower who wishes to extend an existing lent or borrow position shall be permitted to roll-over such positions i.e. a lender who is due to receive securities in the pay out of an SLB session, may extend the period of lending. Similarly, a borrower who has to return borrowed securities in the pay-in of an SLB session, may, through the same SLB session, extend the period of borrowing. The roll-over shall be conducted as part of the SLB session.
- The total duration of the contract after taking into account rollovers shall not exceed 12 months from the date of the original contract. It is clarified that multiple rollovers of a contract by the lender or borrower is permitted.
- Rollover shall not permit netting of counter positions, i.e. netting between the 'borrowed' and 'lent' positions of a client.

LESSON 14

REAL ESTATE INVESTMENT TRUSTS

Page No. 320

DEFINITIONS (Replace with the following)

“Valuer” means any person who is a “registered valuer” under section 247 of the Companies Act, 2013 or as specified by the Board from time to time.”

Page No. 321

Eligibility Criteria (Replace with the following)

- (a) Whether any previous application for grant of certificate by the **REIT or the parties to the REIT or their directors/members of governing board** has been rejected by SEBI.
- (b) Whether any disciplinary action has been taken by SEBI or any other regulatory authority against the **REIT or the parties to the REIT or their directors/members of governing board** under any Act or regulations or circulars etc.

Page No. 320

Issue and Allotment of Units point no. 23 (Replace with the following)

23. Units may be offered for sale to public:-

- a) If such units have been held by the existing unitholders for a period of at least one year prior to the filing of draft offer document with SEBI.

However, the holding period for the equity shares, **compulsorily convertible securities (from the date such securities are fully paid-up)** or partnership interest in the holdco and/or SPV against which such units have been received shall be considered for the purpose of calculation of one year period.

Further the compulsorily convertible securities, whose holding period has been included for the purpose of calculation for offer for sale, shall be converted to equity shares of the holdco or SPV, prior to filing of offer document.

- b) Subject to other circulars or guidelines as may be specified by SEBI in this regard.

Page No. 328

INVESTMENT CONDITIONS AND DISTRIBUTION POLICY –Last Bullet point of the page (Replace with the following)

- Not less than eighty per cent. of value of the REIT assets shall be invested in completed and **rent and/or income** generating properties subject to the following,-
 - (a) If the investment has been made through a holdco and/or SPV, whether by way of equity or debtor equity linked instruments or partnership interest, only the portion of direct investments in properties by such holdco and/or SPVs shall be considered under this sub-regulation.

- (b) If any project is implemented in stages, the part of the project which is completed and rent and/or income generating shall be considered under this sub-regulation and the remaining portion including any contiguous land.

Page No 330

Bullet Point No. 4 (Omitted)

- A REIT shall hold at least two projects, directly or through holdco and/or SPV, with not more than 60% of the value of the assets, proportionately on a consolidated basis, in one project.

Bullet Point No. 10 (Replace with the following)

- A REIT shall not undertake lending to any **person other than the holding company/special purpose vehicle(s) in which the REIT has invested in, subject to disclosures specified in Schedule IV.**

However, investment in debt securities shall not be considered as lending.

Page No. 331

Borrowings and Deferred Payments (New Bullet point added in addition to the existing bullet points)

- A REIT, whose units are listed on a recognized stock exchange, may issue debt securities in the manner specified by SEBI. However, such debt securities shall be listed on recognized stock exchange(s).

Page No. 332

Valuation of Assets – Bullet Point No. 10 (Omitted)

- Any valuation undertaken by any valuer shall abide by international valuation standards and valuation standards as may be specified by Institute of Chartered Accountants of India (ICAI) for valuation of real estate assets. In case of any conflict, standards specified by ICAI shall prevail.

LESSON 15

INFRASTRUCTURE INVESTMENT TRUSTS

Page No. 341

DEFINITIONS (Replace with the following)

‘Strategic Investor’ means,—

(a) An infrastructure finance company registered with RBI as a NBFC;

(b) A Scheduled Commercial Bank;

(c) An International Multilateral Financial Institution;

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(d) A systemically important NBFCs registered with RBI; and

(e) A foreign portfolio investors.

who invest, either jointly or severally, not less than 5% the total offer size of the InvIT or such amount as may be specified by SEBI from time to time **subject to the compliance with the applicable provisions, if any, of the Foreign Exchange Management Act, 1999 and the rules or regulations or guidelines made thereunder;**

Page No. 343

Eligibility Criteria (Replace with the following)

i) Whether any previous application for grant of certificate made by the **InvIT or the parties to the InvIT or their directors/members of governing board** has been rejected by the SEBI;

j) Whether any disciplinary action has been taken by the SEBI or any other regulatory authority against the **InvIT or the parties to the InvIT or their directors/members of governing board** under any Act or the regulations or circulars or guidelines made thereunder.

Page No. 345

Issue of units and allotment (Replace with the following)

c. with minimum investment from any investor of rupees one crore;

Apart the above, if such an privately placed InvIT invests or proposes to invest not less than eighty per cent of the value of the InvIT assets, **in completed and revenue generating assets**, the minimum investment from an investor shall be rupees twenty five crore;

Page No. 346

Issue of units and allotment – First line of the page (Replace with the following line)

- If the InvIT raises funds by public issue –

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Page No. 346

Issue of units and allotment – (Replace with the following)

- units may be offered for sale to public,—
 - (i) if such units have been held by the sellers for a period of at least one year prior to the filing of draft offer document with SEBI.

However, the holding period for the equity shares, **compulsorily convertible securities (from the date such securities are fully paid-up)** or partnership interest in the holdco or SPV against which such units have been received shall be considered for the purpose of calculation of one year period;

Further the compulsorily convertible securities, whose holding period has been included for the purpose of calculation for offer for sale, shall be converted to equity shares of the holdco or SPV, prior to filing of offer document.

- (ii) subject to other guidelines as may be specified by SEBI in this regard;

Page No. 350

Listing and Trading of Units- Point No. 2 (Replace with the following)

- With respect to listing of privately placed units,—
 - its units shall be mandatorily listed on the designated stock exchange(s) within twelve working days from the date of allotment.

However, this sub-regulation shall not apply if the initial offer does not satisfy the minimum subscription amount or the minimum number of subscribers as prescribed in these regulations.

- trading lot for the purpose of trading of units on the designated stock exchange shall be five lakh rupees.

Apart the above, if an InvIT invests not less than eighty per cent of the value of the InvIT assets, **in completed and revenue generating assets**, the trading lot for the purpose of trading of units on the designated stock exchange of such InvIT shall be rupees two crore.

Page No. 354

Borrowings and Deferred Payments (New Bullet point added in addition to the existing bullet points)

- An InvIT, whose units are listed on a recognized stock exchange, may issue debt securities in the manner specified by SEBI. However, such debt securities shall be listed on recognized stock exchange(s).”

Valuation of Assets- Bullet Point No. 10 (Omitted)

- Any valuation undertaken by any valuer shall be in compliance with by international valuation standards and valuation standards as may be specified by Institute of Chartered Accountants of India for valuation of infrastructure assets or such other valuation standards as may be specified by SEBI. However, in case of any conflict, standards specified by Institute of Chartered Accountants of India shall prevail.

LESSON 21

REGULATORY FRAMEWORK RELATING TO SECURITIES MARKET INTERMEDIARIES

Page No. 671

Appointment of Designated Authority

Replace Regulation 24 with the following

Where it appears to the designated member, that any person who has been granted a certificate of registration under the Act and regulations made thereunder has committed any default of the nature specified in regulation 23, the designated member may approve the initiation of proceedings under this Chapter against such person.

The Executive Director shall thereafter appoint an officer not below the rank of a Division Chief, as a designated authority.

However, the executive director may, at his discretion, appoint a bench of three officers, each of whom shall not be below the rank of a Division Chief: Provided further that such bench shall be presided by the senior most amongst them and all the decisions or recommendations of such bench shall be by way of majority.

No officer who has conducted investigation or inspection in respect of the alleged violation shall be appointed as a designated authority.
