



SEBI Board Meeting

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

I. Review of SEBI (Foreign Portfolio Investors) Regulations

The Board considered the recommendations of the working group constituted for reviewing the SEBI (Foreign Portfolio Investors) Regulations, 2014 and approved the proposed new set of Regulations.

The key focus of the proposed Regulations is to simplify and rationalize the existing regulatory framework for foreign portfolio investors (FPIs) in terms of easing the operational constraints and compliance requirements. 57 circulars and 183 FAQs pertaining to FPIs issued over the years have been merged into new regulations and a single circular.

Some of the key aspects of revised regulations include:

1. To simplify and expedite the registration process and to bring about ease in compliance requirements for FPIs, the broad based eligibility criteria for institutional foreign investors has been done away with.
2. On reviewing the risk profiling of the FPIs, it is decided that the FPIs may be re-categorized into two categories - Category I and II, instead of the present requirement of three categories.
3. Registration for multiple investment manager (MIM) structures has been simplified.
4. Considering that the central banks are relatively long term, low risk investors directly/ indirectly managed by the Government, the central banks that are not the members of BIS (Bank for International Settlement) shall also be eligible for FPI registration.
5. The entities established in the international financial services center (IFSC) be deemed to have met the jurisdiction criteria for FPIs.

6. Documentation requirements for KYC have been simplified.
7. FPIs shall be permitted for off-market transfer of securities which are unlisted, suspended or illiquid, to a domestic or foreign investor.
8. Offshore funds floated by Indian Mutual Funds shall now be permitted to invest in India after obtaining registration as FPI.
9. The requirements for issuance and subscription of Offshore Derivative Instruments (ODIs) have been rationalized.

II. Norms for permitting companies listed on the Innovators Growth Platform with an option to trade under regular category

The Board approved the norms for migration of companies listed on the Innovators Growth Platform (IGP) to regular trade category of the main board. The key proposals approved by the Board are as follows:

1. The Company should have been listed on the Innovators Growth Platform for a minimum period of one year.
2. At the time of making the application for trading under regular category of main board, the number of shareholders should be minimum 200.
3. The company should have profitability/ net worth track record of 3 years or have 75% of its capital as on the date of application for migration held by Qualified Institutional Buyers in accordance with Regulation 6(1) and 6(2) of the ICDR Regulations for main board listings.
4. Minimum promoters contribution shall be 20% which shall be locked in for 3 years. Period of earlier lock-in of 6 months served at the time of listing on IGP shall be deducted from the stipulated lock-in requirement of 3 years.

III. Review of Buy-backs

The Board approved the following proposals regarding buy-back of securities:

1. SEBI shall continue with the current approach of allowing buybacks if post buy-back debt to equity ratio is not more than 2:1 (except for companies for which higher debt to equity has been notified under the Companies Act, 2013) based on both standalone and consolidated basis.
2. Further, if post buy-back debt to equity ratio is not more than 2:1 on standalone basis and exceeding 2:1 on consolidated basis, in such cases, buy-back would be permitted if:

- i. Post buyback debt to equity ratio is not more than 2:1 on consolidated basis after excluding the subsidiaries that are non-banking financial companies and housing finance companies and are regulated by RBI or National Housing Bank; and
 - ii. All such excluded subsidiaries have debt to equity ratio of not more than 6:1 on standalone basis.
3. Further, the financial statements will continue to be considered on both standalone and consolidated basis for calculating the maximum permissible buy-back size and other related requirements relating to buy-back size.

IV. Amendments to SEBI (Issue and Listing of Debt securities by Municipalities) Regulations, 2015

The Board considered and approved the following Amendments to SEBI (Issue and Listing of Debt securities by Municipalities) Regulations, 2015:

1. The definition of issuer has been widened to include entities/bodies such as urban development authorities, city planning agencies, Pooled finance development funds etc. that perform functions, such as planning and execution of urban development projects/schemes, which are akin to those being performed by a municipality.
2. Considering the expansion of definition of issuer, the provision regarding preparation of accounts has also been widened.
3. In order to enable municipalities/issuers, who are audited by CAG to submit their audited accounts to the stock exchange/debenture trustee/regulatory bodies, within the specified timelines and in line with the provisions applicable to listed public sector undertakings, it is proposed to adopt a two-step process for audit of accounts. Further, the timelines for submission of annual and half yearly financial results have been revised.
4. Different types of escrow accounts such as No Lien Escrow account, Interest Payment Account, Sinking fund account, etc. have been mandated for enhancing the investor protection.
5. **Deletion of certain requirements of multiple intermediaries**
 - i. Requirement of appointing a monitoring agency.
 - ii. Requirement of obtaining Viability certificate or Detailed Project Appraisal Report (DPAR) before filing of offer document in case of public issue.

- iii. Requirement of establishing a separate project implementation cell for monitoring of projects.
- iv. Requirement of maintenance of 100% asset cover and specification of resources in whose favour charge can be created by the issuer.
- v. Requirement of backing of State or Central Government.

6. Other Changes

- i. Requirement for in-principle approval of stock exchange has been mandated also for issuance of debt securities on private placement basis which are proposed to be listed.
- ii. The requirement for trading lot has been removed.
- iii. The limit of two hundred persons to offer debt securities through private placement basis has been mandated per financial year.

V. Amendment to SEBI (Credit Rating Agencies) Regulations, 1999

In order to enable CRAs to have timely information on the default of an entity, SEBI (CRA) Regulations were amended to incorporate an enabling provision in the rating agreement between the CRA and the issuer/ client, providing explicit consent to the CRA to obtain details of the existing and/ or future borrowing of the issuer, its repayment and any delay or default in servicing of such borrowing, either from the lender or any other statutory/ non-statutory organisation maintaining any such information.

VI. Proposed Securities and Exchange Board of India (Prohibition of Insider Trading) (Third Amendment) Regulations, 2019

1. SEBI issued a consultative paper seeking comments on the 'Discussion Paper issued for amendment to the SEBI (Prohibition of Insider Trading) Regulations, 2015.
2. After consideration of the public comments and suggestions received, the Board approved the SEBI (Prohibition of Insider Trading) (Third Amendment) Regulations, 2019, salient features of which are as follows: -
 - A. **Informant:** An informant means a person voluntarily submitting a form detailing credible, complete and original information relating to an act of insider trading.

- B. **Disclosure of source of information:** The informant would be mandated to disclose the source of original information and to provide an undertaking that such information was not sourced from any person employed with SEBI or any related regulator.
- C. **Office of Informant Protection ('OIP'):** An independent office separate from the investigation and inspection wings or any of the operational departments shall be established by SEBI to devise the policy relating to receipt and registration of the Voluntary Information Disclosure Form ('VIDF') and serve as a medium of exchange between the informant/legal representative and the Board.
- D. **Manner of submission of information:** The identity of the informant would be required to be revealed at the time of submission of the VIDF or in case information is submitted anonymously, the VIDF would be required to be submitted through a representative who is a practising advocate.
- E. **Confidentiality of Informant:** The confidentiality regarding the identity of the informant and information provided would be protected through the OIP and maintained throughout as well as during any proceeding initiated by SEBI except where the evidence of the informant is required during such proceedings.
- F. **Obligations of legal representative:** The legal representative would be required to inter alia verify the identity and contact details of the informant and ensure that the identity of the informant along with the original VIDF is kept confidential.
- G. **Processing of Information:** The original Information would be processed by the OIP after establishing the materiality of the information and transferred to the operational department.
- H. **Reporting:** OIP would be required to submit a Report regarding its functioning and working of the informant mechanism on an annual basis to the Board, which shall also be released to the public.
- I. **Hotline:** A hotline would be maintained by the OIP to guide persons to file information as per the regulations but not to register any complaint or information.

- J. **Reward:** Reward would be given in case the information provided leads to a disgorgement of at least Rupees one (1) crore. The total amount of monetary reward shall be 10 % of the monies collected but shall not exceed Rs one (1) crore. An interim reward not exceeding Rs. 10 lacs may be given at the stage of issuance of the final order by the SEBI against the person directed to disgorge.
- K. **Investor Protection and Education Fund ('IPEF'):** IPEF shall be the designated fund from which the reward would be paid.
- L. **Sharing of Information:** The original information may be shared with an appropriate agency or law enforcement authority within or outside India or a self- regulatory organisation, subject to confidentiality of the informant being maintained.
- M. **Exemption under RTI:** Information provided for the purpose of law enforcement is exempted from disclosure under section 8(1)(g) and 8(1)(h) of the Right to Information Act, 2005. Accordingly, the original information provided by the informant shall be exempted from disclosure.
- N. **Protection against victimization:** Market participants dealing with UPSI would be required to incorporate in their Code of Conduct, suitable provisions to ensure that no employee who files a VIDF is discharged, terminated, demoted, suspended, threatened, harassed, or discriminated against.
- O. **Vexatious or frivolous complaints:** In case the OIP determines that the information submitted is frivolous or vexatious, SEBI may initiate appropriate action against the informant under the securities laws and any other applicable law.
- P. **Amnesty:** While bringing an action against an informant, SEBI may consider the cooperation rendered in determining any enforcement action or settlement application while granting of reward to such informant.

VII. Amendments to SEBI (Mutual Funds) Regulations, 1996

The Board approved the proposal for amendments to SEBI (Mutual Funds) Regulations, 1996 with respect to prudential norms for Investment and Valuation of Debt and Money Market instruments by Mutual Funds as detailed in the Press Release of the Board meeting held on June 27, 2019 subject to the following:

The Board decided to give flexibility to mutual funds to invest in unlisted non-convertible debentures (NCDs) up to a maximum of 10% of the debt portfolio of the scheme subject to such investments in unlisted NCDs having simple structures as may be notified from time to time, being rated, secured and with monthly coupons. This shall be implemented in a phased manner by June 2020.

Mumbai

August 21, 2019