

**SEBI UPDATES**

**1. Performance/return claimed by unregulated platforms offering algorithmic strategies for trading**

On **June 10, 2022**, SEBI vide **Press Release No. 20/2022**, had cautioned investors against dealing with unregulated platforms offering algorithmic trading services/strategies to investors for automated execution of trades with “claims” of high returns on investment, as it may amount to mis-selling of such services and strategies to investors.

It has come to notice of SEBI that stock brokers provide algorithmic trading facility to investors through such platforms. In order to prevent any mis-selling and to protect the interest of investors in securities market, SEBI has now issued a Circular no. **SEBI/ HO/ MIRSD/ DOP/ P/CIR /2022 /117 ('the Circular')** dated **September 02, 2022** on 'Performance / return claimed by unregulated platforms offering algorithmic strategies for trading', casting certain responsibilities on Stock Brokers and Stock Exchanges. SEBI vide **PR No. 27/2022** dated **September 02, 2022** also released a press release for the same.

**The Circular requires that the Stock Brokers who provide services relating to algorithmic trading shall not:**

- i. directly or indirectly make any reference to the past or expected future return/performance of the algorithm; and/or
- ii. directly or indirectly associate with any platform providing any reference to the past or expected future return/performance of the algorithm.
- iii. Stock brokers who are directly/indirectly referring to any past or expected future return/performance of an algorithm or are associated with any platform providing such reference, shall remove the same from their website and/or disassociate themselves from the platforms providing such references, as the case may be, within seven days from the date of this circular.

**The Circular directs the Stock Exchanges to:**

- i. take necessary steps and put in place necessary systems and procedures for implementation of the above provisions;
- ii. make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the above provisions;
- iii. bring the provisions of this circular to the notice of stock brokers and disseminate the same on their website;
- iv. monitor compliance of this circular by taking confirmation from stock brokers that they are compliant with clause 4.1 and 4.2 of this circular along with the proof of the same; and shall submit a compliance report to SEBI in this regard within 60 days from the date of this Circular.

The provisions of the circular shall be applicable with immediate effect.

Link for the aforesaid Circular is as follows:

[https://www.sebi.gov.in/legal/circulars/sep-2022/performance-return-claimed-by-unregulated-platforms-offering-algorithmic-strategies-for-trading\\_62628.html](https://www.sebi.gov.in/legal/circulars/sep-2022/performance-return-claimed-by-unregulated-platforms-offering-algorithmic-strategies-for-trading_62628.html)

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Link for the Press Release dated September 02, 2022 is as follows:

[https://www.sebi.gov.in/media/press-releases/sep-2022/sebi-issues-circular-on-performance-return-claimed-by-unregulated-platforms-offering-algorithmic-strategies-for-trading\\_62629.html](https://www.sebi.gov.in/media/press-releases/sep-2022/sebi-issues-circular-on-performance-return-claimed-by-unregulated-platforms-offering-algorithmic-strategies-for-trading_62629.html)

### **2. Submission of information pertaining to 'Unclaimed Non-convertible Securities'**

On **September 06, 2022**, SEBI had issued a Public Notice calling for information requiring Submission of information pertaining to '**Unclaimed Non-convertible Securities**'.

The Public Notice requires all entities:

- i. which do not fall within the definition of 'Company' under the Companies Act, 2013 and the Rules made thereunder; and
- ii. which had listed non-convertible securities (including non-convertible debt securities, non-convertible redeemable preference shares and perpetual non-cumulative preference shares and perpetual debt instruments) under the SEBI (Disclosure and Investor Protection) Guidelines 2000, SEBI (Issue and Listing of Debt Securities), Regulations, 2008 or SEBI (Issue and Listing of Non-convertible Redeemable Preference Shares), 2013; and
- iii. which have unclaimed interest/ dividend and/ or principal/ redemption amount on the said instruments as on August 31, 2022;

to submit information pertaining to such unclaimed interest/ dividend and/ or principal/ redemption amount in excel sheet in the format provided in the said notice.

The above-mentioned information was required to be submitted to the e-mail ids provided in the said notice by September 15, 2022.

Link for the aforesaid Public Notice is as follows:

<https://www.sebi.gov.in/media/public-notices/sep-2022/notice-call-for-information-submission-of-information-pertaining-to-unclaimed-non-convertible-securities-62694.html>

### **3. Guidance Note on use of digital signature certificate for announcements submitted by listed companies**

In wake of covid-19 pandemic, Securities Exchange Board of India (SEBI) vide its circulars permitted the use of digital signature certifications for authentication / certification of filings / submissions made to Stock Exchanges.

The aforesaid measure has been received well by the market participants. Considering the advantages of using digital signature certifications for authentication of documents / filings, Stock Exchanges, in consultation with each other and SEBI, have decided to make it mandatory to file announcements under various SEBI Regulations using digital signature certification to the Stock Exchange.

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Pursuant to the above-mentioned decision, on **August 01, 2022**, Bombay Stock Exchange ('BSE') vide **Notice No. 20220801-24** and on **August 02, 2022**, National Stock Exchange ('NSE') vide **Circular Ref No: NSE/CML/2022/39** issued circulars on use of digital signature for announcements submitted by listed companies making it mandatory to file announcements under various SEBI Regulations using digital signature certification to the Stock Exchange except for following disclosures/events:

- i. Outcome of Board meeting which includes only financial result;
- ii. Any disclosure in which document(s) issued by entity/ies other than listed company is/are included (For e.g., Auditors certificate, NCLT / other court's order, Credit Rating, etc.);
- iii. Newspaper advertisement;
- iv. Any other disclosure(s) as specified by Stock Exchanges from time to time.

The above-mentioned BSE notice and NSE circular were made effective from September 01, 2022.

On **September 07, 2022**, NSE vide Circular Ref No: NSE/CML/2022/44 issued Guidance note on use of digital signature certificate for announcements submitted by listed companies, in continuation to the NSE circular dated **August 02, 2022 ('the Circular')** for providing further clarity.

The Guidance Note is issued for reference purposes only and inter-alia provides clarification on the following in a Q&A format: -

- i. Applicability of the Circular;
- ii. Corporate announcements which are covered in the Circular;
- iii. Non-admissible signature under the Circular includes but are not limited to physical signature, image pasted of signature, signature in Sd/- format, copy pasted signature etc.;
- iv. Documents /Disclosure shall be authenticated using a Digital Signature Certificate (DSC);
- v. Documents /Disclosure submitted to the stock exchange shall be in machine readable and searchable form having a detectable DSC;
- vi. Disclosures submitted in contravention to requirements of the Circular shall be treated as non-compliance and the listed entity shall re-submit the said announcement adhering to the requirements of the Circular on immediate basis, else appropriate action may follow if the non-compliance is not rectified immediately;

Link for the aforesaid Guidance note is as follows:

[https://static.nseindia.com//s3fs-public/inline-files/Guidance%20note%20on%20Digital%20Signature%20Certificate\\_Final\\_1.pdf](https://static.nseindia.com//s3fs-public/inline-files/Guidance%20note%20on%20Digital%20Signature%20Certificate_Final_1.pdf)

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### **4. Master Circular on Surveillance of Securities Market**

On **September 13, 2022**, SEBI vide Circular No. **SEBI/HO/ISD/ISD-PoD-2/P/CIR/2022/118 ('the Circular')**, in order to ensure availability of comprehensive information mentioned in the circulars pertaining to Surveillance of Securities Market at one place, issued a Master Circular on Surveillance of Securities Market which shall supersede the previous Master Circular No. SEBI/HO/ISD/ISD/ CIR/P/2021/22 dated March 01, 2021.

The circular covers various circulars issued till August 31, 2022 by Integrated Surveillance Department. The Master Circular shall come into force with effect from quarter ending September 30, 2022.

**The Master Circular provides for the following:**

- 1. Trading Rules and shareholding in dematerialized mode** – In order to moderate sharp and destabilizing price movements in shares of companies, to encourage better price discovery and to increase transparency in securities market, SEBI in consultation with Stock Exchanges has decided to adopt the following measures which are broadly specified in SEBI Circular no.

**CIR/CFD/CMD/13/2015 dated November 30, 2015;**

- i. Manner of calculation of shareholding;
- ii. Format for disclosure of holding of specified securities;
- iii. Holding of specified securities in dematerialized form;
- iv. Display of holding of specified securities on website Stock Exchange(s).

- 2. Directions to SEBI Registered Market Intermediaries on Unauthenticated news circulated through various modes of communication:**

It was observed by SEBI that SEBI Registered Market Intermediaries do not ensure that proper checks and balances are in place to govern the conduct of their employees due to which unauthenticated news related to various scrips are circulated in blogs/chat forums/e-mail etc. by employees. Due to lack of proper internal controls and poor training, employees of such intermediaries are sometimes not aware of the damage which can be caused by circulation of unauthenticated news or rumours.

In view of the above facts, SEBI Registered Market Intermediaries are directed that:

- i. Proper internal code of conduct and controls should be put in place;
- ii. Employees/temporary staff/voluntary workers etc. employed/working in the Offices of market intermediaries do not encourage or circulate rumours or unverified information obtained from client, industry, any trade or any other sources without verification;
- iii. Access to Blogs/Chat forums/Messenger sites etc. should either be restricted under supervision or access should not be allowed;
- iv. Logs for any usage of such Blogs/Chat forums/Messenger sites (called by any nomenclature) shall be treated as records and the same should be maintained as specified by the respective Regulations which govern the concerned intermediary;
- v. Employees should be directed that any market related news received by them either in their official mail/personal mail/blog or in any other manner, should be forwarded only after the same has been seen and approved by the concerned Intermediary's Compliance Officer. The Compliance Officer shall also be held liable for breach of duty in this regard by any employee.

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### **3. Directions under SEBI (Prohibition of Insider Trading) Regulations, 2015 ('PIT Regulations'):**

#### **i. Disclosures under PIT Regulations:**

- a. Format for disclosures under Regulation 6 of PIT Regulations has been prescribed in **Annexure 1** to the Master Circular. The disclosure may be maintained by the company in physical/electronic mode in the said format;
- b. Companies shall ensure that the code of practices and procedures for fair disclosure of Unpublished Price Sensitive Information (UPSI) formulated and published on company's website under Regulation 8 of PIT Regulations, is confirmed to the Stock Exchanges immediately;
- c. Companies shall ensure that code of conduct formulated under Regulation 9 of PIT Regulations is confirmed to the Stock Exchanges immediately;
- d. A company shall deal with only such market intermediary / every other person, who is required to handle UPSI, who have formulated a code of conduct as per the requirements of the PIT Regulations.

#### **ii. Allowing Offer for Sale (OFS) and Rights Entitlements (RE) transactions during trading window closure period:**

Pursuant to amendment to PIT Regulations vide Gazette Notification No. SEBI/LAD-NRO/GN/2020/23 dated July 17, 2020, Clause 4 (3) (b) of Schedule B read with Regulation 9 of PIT Regulations inter-alia, states that trading window restrictions shall not apply in respect of transactions conversion of warrants or debentures, subscribing to rights issue, further public issue, preferential allotment or tendering of shares in a buy-back offer, open offer, delisting offer or transactions undertaken through such other mechanism as may be specified by SEBI from time to time;

In addition to the above-mentioned transactions trading window restrictions shall now not apply in respect of OFS and RE transactions carried out in accordance with the framework specified by SEBI from time to time.

#### **iii. Reporting to Stock Exchanges regarding violations under PIT Regulations relating to Code of Conduct (CoC):**

- a. Standard format for reporting violations of CoC by listed companies in terms of clause 13 of Schedule B read with Regulation 9 of PIT Regulations and by intermediaries and fiduciaries in terms of clause 11 of Schedule C read with Regulation 9 of PIT Regulations has been in **Annexure 2** to the Master Circular;
- b. Further, any amount collected by listed companies, intermediaries and fiduciaries in terms of Clause 12 of Schedule B and clause 10 of Schedule C read with Regulation 9 of PIT Regulations, for violation of CoC shall be remitted to SEBI through the online mode or demand draft in favour SEBI-IEPF payable at Mumbai, for credit to the Investor Protection and Education Fund (IPEF) administered by SEBI under SEBI Act, 1992. The Bank details for remittance has been provided in the Master Circular.

#### **iv. Automation of Continual Disclosures under Regulation 7(2) of PIT Regulations – System driven disclosures:**

- a. SEBI vide Circulars dated December 01, 2015, December 21, 2016 and May 28, 2018 implemented system driven disclosures in phases under SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 ('Takeover Regulations') and PIT Regulations;

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- b. Pursuant to amendment of PIT Regulations and discussions held with the Stock Exchanges and Depositories, it has now been decided to implement the system driven disclosures for member(s) of promoter group and designated person(s) in addition to the promoter(s) and director(s) of company (hereinafter collectively referred to as '**entities**') under Regulation 7(2) of PIT Regulations;
  - c. The procedure for implementation of system driven disclosures is provided at **Annexure 3** to the Master Circular. The Master Circular supersedes the earlier circulars mentioned in Point a. above with respect to implementation of system driven disclosures under PIT Regulations;
  - d. In addition to system driven disclosures pertaining to trading in equity shares and equity derivative instruments i.e. Futures and Options of the listed company (wherever applicable) by the entities, it has now been decided to include the listed debt securities of equity listed companies under the purview of the said system driven disclosures for the entities. Further, the procedure for implementation of system driven disclosures as provided in SEBI circular no. SEBI/HO/ISD/ISD/CIR/P/2020/168 dated September 09, 2020, shall also be applicable for the listed debt securities.
- v. Trading Window closure period under clause 4 of Schedule B read with Regulation 9 of PIT Regulations – Framework for restricting trading by Designated Persons (“DPs”) by freezing PAN at security level:**
- a. Clause 4 (1) of Schedule B read with Regulation 9 of PIT Regulations, inter-alia, states that DPs may execute trades subject to compliance with these regulations, and provides for measures such as use of notional trading window for monitoring trades DPs, closure of trading window when DPs are reasonable expected to have possession of UPSI for securities to which such UPSI relates, prohibition on trading by DPs and their immediate relatives when the trading window is closed;
  - b. One of the instances of closure of trading window is provided in Clause 4 (2) of Schedule B read with Regulation 9 of PIT Regulations, which inter-alia states that “trading restriction period shall be made applicable from the end of every quarter till 48 hours after the declaration of financial results.....”.
  - c. In order to rationalize the compliance requirement under Clause 4 of Schedule B read with Regulation 9 of PIT Regulations, improve ease of doing business and prevent inadvertent non-compliances of provisions of PIT Regulations by DPs, after having deliberations with Stock Exchanges and Depositories and listed companies, it has been decided that Stock Exchanges and Depositories shall develop a system to restrict trading by DPs of listed company during trading window closure period;
  - d. To begin with, the provisions of the Master Circular shall be applicable to declaration of financial results of the listed company that is or was part of benchmark indices i.e. NIFTY 50 and SENSEX from the date of implementation of the Master Circular. Further, the restriction on trading shall be for on-market transactions, off-market transfers and creation of pledge in equity shares and equity derivatives contracts (i.e. Futures and Options) of such listed companies.

Link for the aforesaid Master Circular is as follows:

[https://www.sebi.gov.in/legal/master-circulars/sep-2022/master-circular-on-surveillance-of-securities-market\\_62914.html](https://www.sebi.gov.in/legal/master-circulars/sep-2022/master-circular-on-surveillance-of-securities-market_62914.html)

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### **5. Framework on Social Stock Exchange (“SSE”)**

On **July 25, 2022**, SEBI vide various gazette notifications amended the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations (‘SEBI ICDR’), the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (‘SEBI LODR’) and the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 (‘SEBI AIF’) to provide a broad framework for Social Stock Exchange.

In terms of the above-mentioned amendments, SEBI on **September 19, 2022** vide **Circular no. SEBI/HO/CFD/PoD-1/P/CIR/2022/120 (‘the Circular’)**, specified a detailed framework on SSE as under:

#### **A. Minimum requirements to be met or criteria to be fulfilled by a Not-for-Profit Organization (NPO) for registration with SSE in terms of Regulation 292F of the SEBI ICDR:**

A NPO desirous of registration on SSE, in terms of Regulation 292F(1) of SEBI ICDR, shall fulfil the following criteria:

- i. Entity must be registered in India as one of the below:
  - a. a charitable trust registered under the public trust statute of the relevant state;
  - b. a charitable trust registered under the Societies Registration Act, 1860;
  - c. a charitable trust registered under the Indian Trusts Act, 1882;
  - d. a company incorporated under section 8 of the Companies Act, 2013;
- ii. Entity shall disclose if it is owned or controlled by Government or Private;
- iii. Entity’s Registration Certificate under section 12A/12AA/12AB to be valid for at least the next 12 months and it not have a notice or ongoing scrutiny by Income Tax;
- iv. Entity must have valid IT Permanent Account Number (PAN);
- v. Entity shall be in existence for at least 3 years;
- vi. Entity to be registered under section 80G of the Income Tax Act, 1960;
- vii. Entity must be eligible to be Social Enterprise as per Regulation 292E of SEBI ICDR;
- viii. Annual spending of the entity in the past financial year must be at least Rs. 50 lakhs;
- ix. Funding of the entity in the past financial year must be at least Rs. 10 lakhs;

#### **B. Minimum Initial Disclosure Requirement for NPOs raising funds through the issuance of Zero Coupon Zero Principal Instruments in terms of Regulation 292K(1) of the SEBI ICDR:**

- i. SSE under the guidance of SSE Governing Council (SGC) shall mandate the structure of the draft fund-raising document/ final fund-raising document for NPOs raising funds through the issuance of Zero Coupon Zero Principal Instruments.
- ii. SSE shall ensure that the fund raising document shall contain the following minimum disclosures:
  - a. Vision of the organization;
  - b. Target Segment of the organization;
  - c. Strategy of the organization for accomplishing its vision;
  - d. Details of its governing body, composition, dates of board meetings held;
  - e. Details of key managerial staff;
  - f. Details of operations of the organization;

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- g. Financial statements of last three Financial Years in accordance with guidelines for NPOs issued by Institute of Chartered Accountants of India (ICAI);
- h. Compliances with respect to Income Tax, Notices received etc.;
- i. Documents such as Registration, Trust Deed/ MoA and AoA, Address Proof, IT PAN, 12A/12AA/12AB Certificate, FCRA certificate and returns, remuneration to governing members;
- j. Details of past social impact in terms of parameters specified in the circular;
- k. Disclosure of risks that the NPO sees to its work and how it proposes to mitigate these risks and unintended consequences that the NPO sees from its work and how it proposes to mitigate these consequences;

### **C. Annual disclosure by NPOs on SSE which have either raised funds through SSE or are registered with SSE in terms of Regulation 91C of the SEBI LODR:**

The following disclosures shall be made by the NPOs on an Annual Basis (i.e.) within 60 days from end of Financial Year:

- i. Disclosures on General aspects;
- ii. Disclosures on Governance aspects;
- iii. Disclosures on Financial aspects;

A guidance note with regards to disclosures on the above aspects is provided at Annexure I to the Circular.

### **D. Disclosure of Annual Impact Report (AIR) by all Social Enterprises (SE) which have registered or raised funds using SSE in terms of Regulation 91E of the SEBI LODR:**

- i. All SE will have to provide duly audited AIR to SSE within 90 days from the end of Financial Year;
- ii. The AIR shall capture the qualitative and quantitative aspects of the social impact generated by the entity and where applicable, the impact that is generated by the project or solution for which funds have been raised on SSE;
- iii. In case an NPO is only registered without listing any security, the AIR must cover the NPO's significant activities, intervention, programs or projects during the year and the methodology for determination of significance must be explained. Additionally, if there is an activity, intervention, program or projects covered under a listed security, it will qualify as a significant activity, intervention, program or project.
- iv. For a Social Impact Fund where the underlying recipients of funds are SEs which have registered or raised funds using SSE, must disclose an overall AIR for the fund covering all investee/grantee organizations where the fund is deployed;
- v. The AIR should at a minimum, cover the following aspects:
  - a. Strategic Intent and Planning;
  - b. Approach;
  - c. Impact Score Card;A guidance note with regards to disclosures on the above aspects is provided at Annexure II to the Circular.
- vi. SSE may specify additional parameters that may be required to be disclosed by SE in its AIR;
- vii. The AIR shall be audited by Social Auditors and the SEs shall disclose the report of the Social Auditor along with AIR.

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### **E. Statement of utilisation of funds in terms of 91F of the SEBI LODR:**

Listed NPO shall submit statement of utilisation of funds to SSE, as mandated under Regulation 91F of the SEBI LODR, within 45 days from the end of quarter.

Link for the aforesaid Circular is as follows:

[https://www.sebi.gov.in/legal/circulars/sep-2022/framework-on-social-stock-exchange\\_63053.html](https://www.sebi.gov.in/legal/circulars/sep-2022/framework-on-social-stock-exchange_63053.html)

### **6. Validation of Instructions for Pay-In of Securities from Client demat account to Trading Member (TM) Pool Account against obligations received from the Clearing Corporations (CCs)**

In order to protect clients' funds and securities and to prevent Stock Broker from using securities or moneys of the client or clients for self or for any other client SEBI has issued various circulars from time to time.

Further, SEBI circular no. **SEBI/HO/MIRSD/DOP/P/CIR/2021/595 dated July 16, 2021**, inter-alia, specifies that "Depositories may keep block on the securities in client's demat account in respect of Intra or Inter depository transfer instruction till pay-in day. The blocked securities will be transferred only after checking against the client level net delivery obligation received from CCs.

SEBI circular no. **SEBI/HO/MIRSD/DOP/P/CIR/2022/109 ('the Circular')** dated **August 18, 2022** made the aforementioned facility of block mechanism mandatory for all Early Pay-In transactions.

Now after extensive consultations with Exchanges, Depositories and CCs to further mitigate the risk for clients' securities, particularly those given towards delivery/settlement obligations, SEBI on **September 19, 2022**, vide **Circular no. SEBI/HO/MIRSD/DoP/P/CIR/2022/119**, has decided the following:

- i. Depositories, prior to executing actual transfer of the securities for Pay-In from client demat account to Trading Member Pool account, shall validate the transfer instruction received through any of the available channels for the purpose of Pay-in, i.e. either initiated by clients themselves or by the Power of Attorney (POA) / Demat Debit and Pledge Instruction (DDPI) holder against the client-wise net delivery obligation received from CCs;  
The process to be put in place by the Depositories to validate the Pay-In Instructions has been provided in the Circular;
- ii. For Early Pay-In transactions, the existing facility of Block mechanism specified in SEBI circular dated July 16, 2021 shall continue.

The circular shall be applicable with effect from November 25, 2022.

Link for the aforesaid Circular is as follows:

[https://www.sebi.gov.in/legal/circulars/sep-2022/validation-of-instructions-for-pay-in-of-securities-from-client-demat-account-to-trading-member-tm-pool-account-against-obligations-received-from-the-clearing-corporations\\_63032.html](https://www.sebi.gov.in/legal/circulars/sep-2022/validation-of-instructions-for-pay-in-of-securities-from-client-demat-account-to-trading-member-tm-pool-account-against-obligations-received-from-the-clearing-corporations_63032.html)

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### 7. Firewall between Credit Rating Agencies (CRAs) and their Affiliates

1. SEBI (Credit Rating Agencies) Regulations, 1999 ('CRA Regulations') provide for a principle-based regulation of CRAs focusing inter alia on prevention of conflict of interests. In this regard CRA Regulations provides for the following:
  - a. CRAs to abide by Code of Conduct (CoC) contained in the Third Schedule to the CRA Regulations;
  - b. CRAs to segregate certain activities to a separate entity (hereinafter referred to as "non-rating associate or subsidiary or group entity" or collectively as "non-rating entities") under Regulation 9(f) of CRA Regulations;
2. In view of the above, SEBI on **September 1, 2022** vide Circular no. **SEBI/HO/DDHS/DDHS-RACPOD2/P/CIR/2022/ 121 ('the Circular')**, mandated the following measures to strengthen the separation or firewall practices between SEBI-registered CRAs and their non-rating entities:
  - a. CRAs shall formulate a policy on separation or firewall practices with the non-rating entities and document the same in their internal operational manuals or governing document. Such policy, and revisions thereto, shall be ratified by the Board of Directors of the CRAs and the policy may cover inter alia the following:
    - i. Nature and extent of sharing of infrastructure, officials/employees or resources, if any, between the CRA and the non-rating entity, including specification on whether such arrangement is temporary;
    - ii. Measures taken by CRA to ensure the independence of its credit rating process in view of the above arrangement with the non-rating entity;
    - iii. Guidance to employees on sharing of information or resources, if any, between the CRA and the non-rating entity in order to mitigate any potential or actual conflict of interest;
3. A CRA shall disclose on its website, details of any common director or Chief Executive Officer or Managing Director between the CRA and the non-rating entity. Such disclosure shall be updated by the CRA on the first working day of each month. The disclosure should include a reference to the date it was last updated by the CRA, along with a reference or hyperlink to archives of previous such disclosures;
4. Credit rating scales (i.e., symbols and definitions) prescribed by SEBI vide its circulars dated June 15, 2011 (CIR/MIRSD/4/2011 dated June 15, 2011) or July 16, 2011 (SEBI/HO/MIRSD/MIRSD\_CRADT/P/CIR/ 2021/594 dated July 16, 2021) or any other circular issued under the CRA Regulations, shall not be used by any non-rating entities of the CRA;
5. The websites of SEBI-registered CRAs and their non-rating entities shall be separate. A CRA's website may contain hyperlinks to the separate websites of the non-rating entities.

**Applicability:** The circular shall be applicable with effect from January 1, 2023, and CRAs shall report on their compliance with this circular (as ratified by their respective board of directors) to SEBI within one quarter from the date of applicability of this circular.

**Monitoring:** Monitoring of this circular shall be done in terms of the half-yearly internal audit for CRAs, mandated under Regulation 22 of the CRA Regulations and Circular SEBI/ MIRSD/CRA/Cir-01/ 2010 dated January 06, 2010 issued thereunder.

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Link for the aforesaid Circular is as follows:

[https://www.sebi.gov.in/legal/circulars/sep-2022/firewall-between-credit-rating-agencies-and-their-affiliates\\_63205.html](https://www.sebi.gov.in/legal/circulars/sep-2022/firewall-between-credit-rating-agencies-and-their-affiliates_63205.html)

### **8. Issue and Listing of Commercial Paper ('CP') by Listed REITs**

In terms of Reserve Bank Commercial Paper Directions, 2017 dated August 10, 2017 Real Estate Investment Trust (REIT) having net worth of INR 100 Crore or higher are eligible to issue commercial paper.

In this regard, SEBI on **September 22, 2022**, vide **Circular no. SEBI/HO/DDHS/DDHS\_Div3/P /CIR/2022/ 122**, laid down conditions for issue of Listed CPs by REITs which are as follows:

1. REITs shall abide by the guidelines prescribed by Reserve Bank of India for issuances of commercial papers.
2. REITs shall abide by the conditions of listing norms prescribed by SEBI under SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 and circulars issued thereunder.
3. The issuance of listed CPs shall be within the overall debt limit permitted under SEBI (Real Estate Investment Trusts) Regulations, 2014.

Link for the aforesaid Circular is as follows:

[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-reits_63264.html)

### **9. Issue and Listing of Commercial Paper ('CP') by Listed InvITs**

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

In this regard, SEBI on **September 22, 2022**, vide **Circular no. SEBI/HO/DDHS/DDHS\_Div3/P/CIR/2022/123**, laid down conditions for issue of Listed CPs by InvITs which are as follows:

1. InvITs shall abide by the guidelines prescribed by Reserve Bank of India for issuances of commercial papers.
2. InvITs shall abide by the conditions of listing norms prescribed by SEBI under SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 and circulars issued thereunder.
3. The issuance of listed CPs shall be within the overall debt limit permitted under SEBI (Infrastructure Investment Trusts) Regulations, 2014.

Link for the aforesaid Circular is as follows:

[https://www.sebi.gov.in/legal/circulars/sep-2022/issue-and-listing-of-commercial-paper-by-listed-invits\\_63263.html](https://www.sebi.gov.in/legal/circulars/sep-2022/issue-and-listing-of-commercial-paper-by-listed-invits_63263.html)

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### **10. Modification in the Operational Guidelines for FPIs, DDPs and EFIs pertaining to FPIs registered under Multiple Investment Managers (MIM) structure**

SEBI (Foreign Portfolio Investors) Regulations, 2019 (“the Regulations”) were notified and came into force with effect from September 23, 2019.

In order to ensure efficient transition from SEBI (Foreign Portfolio Investors) Regulations, 2014 and to operationalise the regulations, SEBI on **November 05, 2019**, vide **Circular No. IMD/FPI&C/CIR/P/2019/124**, issued necessary guidance under Regulation 44 of the regulations in the Form of Operational Guidance (hereinafter referred to as OG).

Clause 4(i) under Part A of OG relating to FPIs registered under Multiple Investment Managers (MIM) structure wherein FPI engages multiple investment managers for managing its investments required external investment managers in case of MIM structures. The aforementioned clause reads as follows:

***“Where an entity engages multiple investment managers (MIM) for managing its investments, the entity can obtain multiple FPI registrations mentioning name of Investment Manager for each such registration. Such applicants can appoint different DDPs for each such registration. Investments made under such multiple registrations shall be clubbed for the purposes of monitoring of investment limits.”***

Now SEBI on **September 26, 2022** vide **Circular No. AFD/P/CIR/2022/125**, based on requests received from various market participants, has replaced the above-mentioned clause of the OG, thereby removing the requirement of external investment managers in case of MIM structures. The replaced clause reads as follows:

***“Where an entity engages multiple investment managers (MIM) for managing its investments, the entity can obtain multiple FPI registrations mentioning name of Investment Manager for each such registration. Such applicants can appoint different DDPs for each such registration. Investments made under such multiple registrations shall be clubbed for the purposes of monitoring of investment limits.”***

Link for the aforesaid Circular is as follows:

[https://www.sebi.gov.in/legal/circulars/sep-2022/modification-in-the-operational-guidelines-for-fpis-ddps-and-efis-pertaining-to-fpis-registered-under-multiple-investment-managers-mim-structure\\_63378.html](https://www.sebi.gov.in/legal/circulars/sep-2022/modification-in-the-operational-guidelines-for-fpis-ddps-and-efis-pertaining-to-fpis-registered-under-multiple-investment-managers-mim-structure_63378.html)

### **11. Modification in Daily Price Limits (DPL) for Commodity Futures Contracts**

The Daily Price Limits in commodity futures market serve an important function of defining the maximum range within which the price of a commodity futures contract can move in one trading session. The defined daily price limits protect investors from sudden and extreme price movements and provides cooling-off period to re-assess the information and fundamentals impacting the price of the commodity futures contract. Thus, DPLs can neither be too narrow nor too wide as it will restrict fair price discovery.

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SEBI vide Circular no. CIR/CDMRD/DMP/2/2016 dated January 15, 2016 and Circular no. SEBI/HO/CDMRD/DMP/CIR/P/2016/83 dated September 07, 2016 had issued norms for Daily Price Limits (DPL) for agricultural and non-agricultural commodity derivatives. Continuing with SEBI's endeavor to develop the commodity derivatives market and in consultation with the stock exchanges, SEBI on **January 11, 2021** vide Circular no. **SEBI/HO/CDMRD/DNPMP/CIR/P/2021/9**, had revised the norms for Daily Price Limit (DPL) for commodity futures contracts.

Now, the exchanges have informed that because of difference in methodology of calculation of closing price, the closing price on domestic exchange differs from closing price on international exchange/s (after necessary currency conversion). Due to such difference in closing price, the aggregate DPL range on domestic exchange may lag behind (either upwards or downwards) the prices on international exchange in next trading session.

To resolve the above, SEBI on **September 27, 2022** vide Circular No. **SEBI/HO/MRD/MRD-PoD-1/P/CIR/2022/128 ('the Circular')**, substituted clause 7.4 of SEBI Circular dated January 11, 2021, to include relaxation in DPL range if international price is beyond aggregate DPL range in addition to relaxation in aggregate DPL in cases where the price movement in the international markets is more than the aggregate DPL (after appropriate currency conversion) in stages of 3%. The substituted clause reads as follows:

***"In case the price movement in the international markets is more than the aggregate DPL or if international price is beyond aggregate DPL range (after appropriate currency conversion) when compared with closing price on previous day on domestic exchange, the same maybe further relaxed in stages of 3% by the Exchange with cooling off period of 15 minutes. For such instances, the Stock Exchanges shall give appropriate notice to the market along with all the relevant details and justification for the same."***

Further, clause 7.5 of SEBI Circular dated January 11, 2021, in event of exceptional circumstances, where there is extreme price movement, beyond the initial slab of the DPL, in the international markets, during trading hours or after the closure of trading on domestic exchanges, provided for relaxation in DPL by the required level and not in stages of 3% by giving appropriate notice to the market and also informing the Integrated Surveillance Department (ISD) of SEBI immediately.

Now to maintain parity between the clauses 7.4 and 7.5 of SEBI Circular dated January 11, 2021, SEBI vide the Circular has substituted the clause 7.5 by removing the requirement of informing the ISD for relaxation in DPL by the required level as mentioned above. The substituted clause reads as under:

***"Only in the event of exceptional circumstances, where there is extreme price movement, beyond the initial slab of the DPL, in the international markets, during trading hours or after the closure of trading on domestic exchanges, the stock exchanges can relax the DPL directly by the required level, by giving appropriate notice to the market, as per para 7.4. above."***

Also vide the Circular, SEBI has directed that the stock exchanges shall inform SEBI of all such instances of relaxation of DPL pursuant to Para 7.4 and Para 7.5 above, under Para 10 of Section I in the Monthly Development Report being submitted as per SEBI Circular No. CIR/CDMRD/DEA/4/2015, dated December 09, 2015 and has also clarified that

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breach of slab mentioned in SEBI Circular dated January 11, 2021, is not essential for implementation of Clause 7.4 and Clause 7.5 of the said circular.

Link for the Circular is as follows:

[https://www.sebi.gov.in/legal/circulars/sep-2022/circular-on-modification-in-daily-price-limits-dpl-for-commodity-futures-contracts\\_63404.html](https://www.sebi.gov.in/legal/circulars/sep-2022/circular-on-modification-in-daily-price-limits-dpl-for-commodity-futures-contracts_63404.html)

### **12. Amendments to guidelines for preferential issue and institutional placement of units by a listed REIT**

SEBI issued circular no. SEBI/HO/DDHS/DDHS/CIR/P/2019/142 dated November 27, 2019 providing guidelines for preferential issue and institutional placement of units by listed REITs ("Guidelines"). The guidelines were subsequently revised vide circulars SEBI/HO/DDHS/DDHS/CIR/P/2020/35 dated March 13, 2020, SEBI/HO/DDHS/DDHS/CIR/P/2020/184 dated September 28, 2020 and SEBI/HO/DDHS/DDHS\_Div3/P/CIR/2022/0116 dated August 26, 2022.

Now SEBI on **September 28, 2022** vide Circular No. **SEBI/HO/DDHS/DDHS\_Div3/P/CIR/2022/130 ('the Circular')** has further modified the said guidelines as follows:

1. Clause 2.2 of the guidelines requires that, Units of the same class, which are proposed to be allotted shall have been listed on a stock exchange for a period of at least six months prior to the date of issuance of notice to its unit holders for convening the meeting to pass the resolution in accordance with Regulation 22(6) of REIT Regulations and further through a proviso, provided the minimum listing period to be 12 months in case of issuance of units through institutional placement.

The proviso requiring minimum listing period of 12 months in case of issuance of units through institutional placement has been removed by SEBI vide the Circular and the modified clause reads as under:

***"2.2 Units of the same class, which are proposed to be allotted have been listed on a stock exchange for a period of at least six months prior to the date of issuance of notice to its unitholders for convening the meeting to pass the resolution in terms of clause 2.1 above."***

2. Clause 4.2 of Annexure II to the guidelines prohibits allotment of units either directly or indirectly to any institutional investor who is a sponsor(s) or manager, or is a person related to, or related party or associate of, the sponsor(s) or the manager.

SEBI vide the Circular has added a proviso to the aforesaid clause stating conditions pursuant to which allotment of units can be made to the sponsor out of unsubscribed portion in the institutional placement. The modified clause 4.2 reads as under:

***"4.2 No allotment shall be made, either directly or indirectly, to any institutional investor who is a sponsor(s) or manager, or is a person related to, or related party or associate of, the sponsor(s) or the manager***

***Provided that allotment of units can be made to the sponsor for un-subscribed portion in the institutional placement subject to following conditions***

- a. at least ninety percent of the issue size has been subscribed***
- b. objects of the issue is acquisition of assets from that sponsor***

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*c. units allotted to sponsor shall be locked in as per Clause 3 of Annexure I.*

*d. unitholders approval shall be taken for unsubscribed portion being allotted to sponsor.”*

Link for the Circular is as follows:

[https://www.sebi.gov.in/legal/circulars/sep-2022/amendments-to-guidelines-for-preferential-issue-and-institutional-placement-of-units-by-a-listed-reit\\_63452.html](https://www.sebi.gov.in/legal/circulars/sep-2022/amendments-to-guidelines-for-preferential-issue-and-institutional-placement-of-units-by-a-listed-reit_63452.html)

### **13. Amendments to guidelines for preferential issue and institutional placement of units by a listed InvIT**

SEBI issued circular no. SEBI/HO/DDHS/DDHS/CIR/P/2019/143 dated November 27, 2019 providing guidelines for preferential issue and institutional placement of units by listed InvITs (“Guidelines”). The guidelines were subsequently revised vide circulars SEBI/HO/DDHS/DDHS/CIR/P/2020/36 dated March 13, 2020, SEBI/HO/DDHS/DDHS/CIR/P/2020/183 dated September 28, 2020, SEBI/HO/DDHS/DDHS/CIR/P/2020/232 dated November 17, 2020 and SEBI/HO/DDHS/DDHS\_Div3/P/CIR/2022/0115 dated August 26, 2022.

Now SEBI on **September 28, 2022** vide Circular No. **SEBI/HO/DDHS/DDHS\_Div3/P/CIR/2022/129** (**‘the Circular’**) has further modified the said guidelines as follows:

1. Clause 2.2 of the guidelines requires that, Units of the same class, which are proposed to be allotted shall have been listed on a stock exchange for a period of at least six months prior to the date of issuance of notice to its unit holders for convening the meeting to pass the resolution in accordance with Regulation 22(5) of InvIT Regulations and further through a proviso, provided the minimum listing period to be 12 months in case of issuance of units through institutional placement.

The proviso requiring minimum listing period of 12 months in case of issuance of units through institutional placement has been removed by SEBI vide the Circular and the modified clause reads as under:

***“2.2 Units of the same class, which are proposed to be allotted have been listed on a stock exchange for a period of at least six months prior to the date of issuance of notice to its unitholders for convening the meeting to pass the resolution in terms of clause 2.1 above.”***

2. Clause 4.2 of Annexure II to the guidelines prohibits allotment of units either directly or indirectly to any institutional investor who is a sponsor(s) or investment manager, or is a person related to, or related party or associate of, the sponsor(s) or the investment manager.

SEBI vide the Circular has added a proviso to the aforesaid clause stating conditions pursuant to which allotment of units can be made to the sponsor out of unsubscribed portion in the institutional placement. The modified clause 4.2 reads as under:

***“4.2 No allotment shall be made, either directly or indirectly, to any institutional investor who is a sponsor(s) or investment manager, or is a person related to, or related party or associate of, the sponsor(s) or the investment manager***

***Provided that allotment of units can be made to the sponsor for un-subscribed portion in the institutional placement subject to following conditions***

***a. at least ninety percent of the issue size has been subscribed***

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*b. objects of the issue is acquisition of assets from that sponsor*

*c. units allotted to sponsor shall be locked in as per Clause 3 of Annexure I.*

*d. unitholders approval shall be taken for unsubscribed portion being allotted to sponsor.”*

Link for the Circular is as follows:

[https://www.sebi.gov.in/legal/circulars/sep-2022/amendments-to-guidelines-for-preferential-issue-and-institutional-placement-of-units-by-a-listed-invite\\_63450.html](https://www.sebi.gov.in/legal/circulars/sep-2022/amendments-to-guidelines-for-preferential-issue-and-institutional-placement-of-units-by-a-listed-invite_63450.html)

### **14. Credit Ratings supported by Credit Enhancement (CE)**

SEBI circular SEBI/ HO/ MIRSD/ DOS3/ CIR/ P/ 2019/ 70 dated June 13, 2019 had *inter alia* mandated various measures in reference to credit ratings of securities having explicit credit enhancement feature. In view of recent developments and deliberations with various stakeholders, SEBI vide Circular No. **SEBI/HO/DDHS/DDHS-RACPOD2/P/CIR/2022/ 124 dated September 28, 2022('the Circular')**, to provide for enhanced transparency and improved rating process for CE-ratings, **has reviewed measures for CE-ratings specified in SEBI Circular dated June 13, 2019.**

The Circular shall be applicable to credit ratings of securities that are listed, or proposed to be listed, on a recognized stock exchange, and other credit ratings that are required under various SEBI Regulations or circulars thereunder.

The circular shall be applicable with effect from January 1, 2023, and Credit rating Agencies (CRAs) shall report on their compliance with this circular (as ratified by their respective board of directors) to SEBI within one quarter from the date of applicability of this circular.

The Circular reiterates that credit ratings pertaining to securities that are listed, or proposed to be listed, on a recognized stock exchange, and other credit ratings that are required under various SEBI Regulations or circulars thereunder, where the credit enhancement is external (or from third party), but the rated security is not bankruptcy remote of the issuer/ originator, will carry the 'CE' suffix, subject to the measures specified in aforesaid SEBI circular dated June 13, 2019. A list of support considerations for CE-suffix is specified at Annexure A to the circular.

Further, to strengthen the rating process as well as to promote transparency, the following measures are being mandated for credit ratings pertaining to securities mentioned above and other ratings required under various SEBI regulations, wherein any of the support considerations specified at **Annexure A** to the Circular ("specified support considerations") is considered in the rating process:

1. In partial modification of Para 1(IV)(B)(b) of SEBI circular dated June 13, 2019, in order to bring further transparency and to enable investors to understand the extent of credit enhancement provided by third party/ parent/ Group Company or specified support considerations, the press release for credit ratings, with or without the CE-suffix, backed by specified support considerations shall contain the following disclosures:
  - i. Unsupported ratings without factoring in the explicit credit enhancement or specified support considerations, and
  - ii. Supported rating after factoring in the explicit credit enhancement or specified support considerations

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Further, the Press Release shall also contain a detailed explanation of all the covenants of the security.

2. It is reiterated that while assigning such credit ratings, CRAs shall conduct independent due diligence on the nature of specified support consideration and form a definitive internal view / opinion, and, wherever warranted, obtain an independent external legal opinion for ascertaining the strength of the credit enhancement.
3. Furthermore, for such credit ratings, it is reiterated that CRAs shall verify the documentation related to the specified support considerations to ensure *inter alia* the following:
  - i. The support is unconditional, irrevocable, and legally enforceable till all the obligations of the rated security has been paid to the investors.
  - ii. CRAs shall undertake independent examination of financial strength of the support provider to ascertain the ability to honour the obligations guaranteed by the support provider.
  - iii. The support provider has a lower probability of default on a continuous basis, compared with the rated issuer, till the time such ratings are outstanding.

Monitoring of the circular shall be done in terms of the half-yearly internal audit for CRAs, mandated under Regulation 22 of the SEBI (Credit Rating Agencies) Regulations, 1999 and Circular SEBI/MIRSD/CRA/Cir-01/ 2010 dated January 06, 2010 issued thereunder.

The Link for the Circular is as follows:

<https://www.sebi.gov.in/legal/circulars/sep-2022/credit-ratings-supported-by-credit-enhancement-ce-63443.html>

### **15. Participation of SEBI registered Foreign Portfolio Investors (FPIs) in Exchange Traded Commodity Derivatives (ETCD) in India**

In order to promote institutional participation in Exchange Traded Commodity Derivatives (ETCDs), SEBI vide various circulars has permitted Category III Alternative Investment Funds, Mutual Funds and Portfolio Management Services to participate in ETCDs, with the latest circular coming out in May, 2019.

Further to enhance the institutional participation in ETCDs, SEBI vide Circular dated October 09, 2018 also permitted Eligible Foreign Entities (EFEs) having actual exposure to Indian commodity markets, to participate in the commodity derivative segment of recognized stock exchanges for primarily hedging their exposure.

Considering the non-participation by such EFEs in ETCDs in spite of more than three years since the EFE framework came into force, based on the representations of the market participants and recommendations of Commodity Derivatives Advisory Committee of SEBI, it has been decided that the existing EFE route be discontinued. Accordingly, the SEBI Circular dated October 09, 2018 stands repealed.

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Now SEBI on **September 29, 2022** vide Circular No. **SEBI/HO/MRD/MRD-RAC-1/P/CIR/2022/131** (**"the Circular"**), has decided to allow foreign investors to participate in Indian ETCDs through the FPI route, subject to the following conditions:

1. FPIs will be allowed to participate in cash settled non-agricultural commodity derivative contracts and indices comprising such non-agricultural commodities.
2. FPIs desirous of participating in ETCDs shall be subject to risk management measures applicable, from time to time.
3. Position Limits:
  - 3.1 FPIs other than individuals, family offices and corporates may participate in eligible commodity derivatives products as 'Clients' and shall be subject to all rules, regulations and instructions, position limit norms as may be applicable to clients, issued by SEBI and stock exchanges, from time to time.
  - 3.2 FPIs belonging to categories viz. individuals, family offices and corporates will be allowed position limit of 20 per cent of the client level position limit in a particular commodity derivative contract.
4. The participation of FPIs including individuals, family offices and corporates shall be subject to compliance with the provisions of SEBI (Foreign Portfolio Investors) Regulations, 2019, SEBI (Custodian) Regulations, 1996 and other applicable SEBI circulars on ETCDs.
5. Stock Exchanges/Clearing Corporations may specify additional safeguards/conditions, as deemed fit, to manage risk and ensure orderly trading in ETCDs.

The provisions of the Circular shall come into effect immediately.

Link for the Circular is as follows:

[https://www.sebi.gov.in/legal/circulars/sep-2022/participation-of-sebi-registered-foreign-portfolio-investors-fpis-in-exchange-traded-commodity-derivatives-in-india\\_63474.html](https://www.sebi.gov.in/legal/circulars/sep-2022/participation-of-sebi-registered-foreign-portfolio-investors-fpis-in-exchange-traded-commodity-derivatives-in-india_63474.html)

### **16. Outcome of SEBI Board Meeting**

SEBI Board met on **Friday, September 30, 2022** and took the following decisions:

#### **I. Online Bond Platform Providers and reduction in the face value of listed privately placed debt securities**

The Board approved the following proposals due to introduction of Regulatory Framework to facilitate Online Bond Platform Providers and reduction in the face value of listed privately placed debt securities:

1. To register Online Bond Platform Providers with SEBI as Stock Brokers under the debt segment of the Stock Exchanges;
2. To issue a procedural circular detailing the specifics and mechanics of the operations of the online bond platform providers; and
3. To reduce the face value of listed privately placed debt securities

#### **II. Disclosure of Key Performance Indicators (KPIs) and price per share in case of Public Issues**

1. The Board approved the proposal to mandate the issuers coming out with IPO, to make disclosure of Key Performance Indicators (KPIs) and price per share of issuer based on past

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transactions and past fund raising done by the issuer from the investors under 'Basis for Issue Price' section of the offer document, and in Price Band Advertisement.

2. Currently, Issuer Companies, in addition to the audited financial numbers, also disclose their key numbers on various key performance metrics/ indicators in different sections of DRHP which are not covered in the financial statements in the offer documents.
3. Issuer shall disclose details of pricing of shares based on past transactions and past fund raising from investors by issuer prior to IPO as under:
  - a. Disclose price per share of Issuer Company based on primary / new issue of shares and based on secondary sale / acquisition of shares, during the 18 months period prior to IPO.
  - b. In case there are no such transactions during the 18 months period prior to IPO, then information shall be disclosed for price per share of Issuer Company based on last five primary or secondary transactions, not older than 3 years prior to IPO.
  - c. Disclose weighted average cost of acquisition (WACA) based on primary/ secondary transaction(s) and IPO floor price and cap price being [●] times the WACA in the offer document and in the Price Band Advertisement.
  - d. Committee of Independent Directors shall recommend that the price band is justified based on quantitative factors/ KPIs vis-à-vis the WACA of primary issuance/ secondary transaction(s).

### **III. Amendment to Mutual Funds Regulations to facilitate faster pay out of redemptions and dividends to unitholders**

The Board approved amendment to SEBI (Mutual Funds) Regulations, 1996 to facilitate faster pay out of redemption and dividend to unitholders by AMCs from existing 10 working days and 15 days respectively to such period as may be specified by SEBI from time to time, proposed as 3 working days and 7 working days.

### **IV. Net settlement of cash segment and F&O segment upon expiry of stock derivatives to facilitate efficient settlement**

The Board was apprised of the proposed net settlement framework wherein the obligations arising out of cash segment settlement and physical settlement of F&O segment, upon expiry of stock derivatives, shall be settled on net basis, as against the current approach of settling such obligations separately. The benefit of netting shall be available to all investors other than those required to mandatorily do delivery- based transactions only. The framework is aimed at strengthening the alignment of cash segment and F&O segment, bringing about netting efficiencies for participants, mitigation of price risk in certain cases and reduction of margin requirements after expiry.

### **V. Introduction of pre-filing of offer document as an optional alternative mechanism for the purpose of Initial Public Offer (IPO) on the Main Board of Stock Exchanges**

The Board approved the proposal to introduce pre-filing of offer document as an optional alternative mechanism for the purpose of Initial Public Offer on the Main Board of Stock Exchanges.

Pre-filing mechanism allows issuers to carry out limited interaction with without having to make any sensitive information public. Further the document which incorporates SEBI's initial observations would be available to investors for a period of at least 21 days, thereby, assisting

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them better in their investment decision making process. The existing mechanism of processing offer document shall continue in addition to this alternative mechanism of pre-filing.

### **VI. Flexibility in approval process for appointment and/ or removal of Independent Directors - Amendments to the SEBI (LODR) Regulations**

The Board approved the proposal to introduce a new optional provision in the SEBI (LODR) Regulations, 2015 ("LODR Regulations") for appointment of Independent Directors and a related provision for removal of Independent Directors in listed entities. As per the existing requirement under the LODR Regulations, appointment, re-appointment or removal of Independent Directors is to be made through a special resolution. An alternative method for the appointment and removal of Independent Directors appointed for the first term has been approved by the Board. Under the alternate mechanism, if the special resolution for appointment of an Independent Director does not get the requisite majority, then the following thresholds would be tested:

- a. Threshold for Ordinary Resolution
- b. Threshold for Majority of minority shareholders.

If the resolution crosses the above 2 thresholds, in the same voting process, then such a resolution for appointment of the Independent Director would be deemed to be approved by shareholders. The same threshold will also be applicable for removal of an Independent Director appointed under this alternate mechanism.

### **VII. Amendments to SEBI (Real Estate Investment Trusts) Regulations, 2014 to allow reduction in minimum holding by sponsors**

The Board approved the proposals relating to the reduction in the minimum holding requirement of units from 25% to 15% by sponsor(s) and sponsor group(s) of the total outstanding units of the Real Estate Investment Trust (REIT) on post-initial offer basis in line with the requirements specified for sponsor(s) in the SEBI (Infrastructure Investment Trusts) Regulations, 2014.

### **VIII. Amendments to SEBI (Infrastructure Investment Trusts) Regulations, 2014 relating to unlisted InvITs**

The Board approved the proposal relating to discontinuation of a separate regulatory framework for unlisted Infrastructure Investment Trust (InvIT).

### **IX. Amendment to SEBI (Alternative Investment Funds) Regulations, 2012 to facilitate clarity in tenure of AIF schemes and requirements for change in manager/ sponsor**

The Board approved the proposal to amend SEBI (Alternative Investment Funds) Regulations, 2012 to:

- a. prescribe the timeline for declaring First Close of a scheme of an Alternative Investment Fund ('AIF'), along with the minimum corpus at which the First Close may be declared;
- b. specify that the tenure of close ended schemes of AIFs shall be calculated from date of declaration of First Close;
- c. specify that change in manager/ sponsor shall require prior approval of SEBI.

### **X. Review of the existing framework for Offer for Sale (OFS) of Shares through Stock Exchange Mechanism to facilitate greater flexibility in the process**

The Board has approved the following major modifications with respect to the existing framework for Offer for Sale (OFS) through Stock Exchange Mechanism:

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- a. Currently, non-promoter shareholders holding at least 10% of the share capital of eligible company and willing to offer shares of at least Rs.25 Crore are eligible to offer their shares through OFS mechanism. It has been decided to do away with the requirement of minimum 10% shareholding for the non-promoter shareholders for offering shares through OFS mechanism.
- b. The existing cooling off period of +12 weeks for OFS has been reduced to a range of +2weeks to +12weeks based on the liquidity of securities of such eligible companies.
- c. Retail investors have been allowed to bid for the unsubscribed portion of non-retail segment.
- d. OFS mechanism has been made available to unit holders/ sellers of listed REITs/ InvITs to offer their holdings.

These changes are aimed at bringing in more flexibility and efficiency to the OFS Framework.

### **XI. Monitoring of utilization of issue proceeds raised through Preferential Issue and Qualified Institutions Placement (QIP) issue, in terms of SEBI (ICDR) Regulations, 2018**

- a. The Board approved the proposal to introduce monitoring of utilization of issue proceeds raised through Preferential Issue and Qualified Institutions Placement (QIP) through CRAs as monitoring agencies for issue size exceeding Rs. 100 crores. This will enable shareholders to know the status of the utilization of funds raised by the Company as against the disclosed objective of the funds mobilized by the issuer company.
- b. Presently, monitoring of utilization of issue proceeds is required for all public and rights issues of size above Rs.100 crore. This aligns with the requirement for monitoring of utilization of issue proceeds for Preferential Issue and Qualified Institutions Placement (QIP) issue of size exceeding Rs. 100 crores in the same manner, as applicable for public and rights issues.

### **XII. Amendment to SEBI (LODR) Regulations, 2015 in the context of Schemes of Arrangement**

The Board approved amendments to the Securities Exchange Board of India (LODR) Regulations, 2015, to introduce provisions pertaining to schemes of arrangement for debt listed entities, handling of unclaimed amounts pertaining to non-convertible securities of listed entities which do not fall within the definition of 'company' under the Companies Act, 2013 and the Rules made thereunder, and continuous disclosure norms for entities with listed non-convertible securities, pertaining to financial results and related requirements. The key amendments are:

- a. Introduction of provisions pertaining to schemes of arrangement for entities which have listed Non-convertible Debt Securities/ Non-convertible Redeemable Preference Shares viz. filing of draft schemes of arrangement/ schemes of arrangement with Stock Exchange(s) for obtaining the No-Objection Letter, the process to be followed by the Stock Exchange(s) including forwarding the draft schemes to SEBI and consequential fee payments.
- b. Any amount lying unclaimed in the escrow account for more than 7 years pertaining to non-convertible securities issued by listed entities which do not fall within the definition of 'company' under the Companies Act, 2013 and the Rules made thereunder and are governed by separate statutes, shall be transferred to the Investor Protection and Education Fund created by SEBI in terms of section 11 of the SEBI Act, 1992.
- c. Easing of the requirements/ timelines pertaining to submission of financial results, clarity in provisions pertaining to disclosure of line items/ ratios, publication of results in newspapers, etc. thereby bringing about uniformity in the disclosure requirements in parity with those for specified securities.

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### **XIII. Amendment to SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (“Takeover Regulations”) in the context of strategic disinvestment of PSUs and consideration payable under open offer**

In terms of the Takeover Regulations, one of the parameters prescribed to determine open offer price of a frequently traded scrip is volume-weighted average market price (“VWAMP”) of such shares for a period of 60 trading days immediately preceding the date of the public announcement. However, the strategic disinvestment process of a Public Sector Undertaking (PSU) requires public announcements to be made at different stages unlike private transactions which are made public only upon execution of binding agreements. As a result, the market price of the PSU company undergoing strategic disinvestment becomes susceptible to such periodic disclosures. Considering the unique nature of transaction and process involved in a PSU disinvestment spanning over a long period, such a requirement of determination of open offer price under the Takeover Regulations many a time, acts as an impediment in fructifying such strategic disinvestment of PSUs. The Board therefore approved the proposal to dispense with requirement of calculating 60 days’ VWAMP for determination of open offer price in case of disinvestment of PSU Companies (“Target company”), wherein it results in its change in control, either by way of direct acquisition or indirect acquisition. The Board has also approved the proposal to permit the acquirer to provide an unconditional and irrevocable bank guarantee for the entire consideration payable under the open offer which will be an alternative to the existing requirement of depositing cash, subject to approval of RBI. Such guarantee needs to be issued by a Scheduled Commercial Bank having ‘AAA’ rating on any of its long-term debt given by a SEBI registered credit rating agency.

### **XIV. Inclusion of units of Mutual Funds under the SEBI (Prohibition of Insider Trading) Regulations, 2015**

The Board approved the proposal for amendment to the SEBI (Prohibition of Insider Trading) Regulations, 2015, for inclusion of trading in units of Mutual Funds through a separate chapter, which inter-alia provides for the following:

- a. Definitions of Unpublished Price Sensitive Information, Generally Available Information and other related terms for mutual funds.
- b. A separate Code of Conduct in line with the existing SEBI (Prohibition of Insider Trading) Regulations, 2015 for designated persons in respect of Mutual Funds.
- c. Reporting and monitoring requirements with respect to transactions in mutual fund units by designated persons.

### **XV. Amendments to Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 for orderly winding down of Clearing Corporations**

The Board has approved the proposal to insert an enabling provision under the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 for Clearing Corporations (CCs) to have a framework for orderly winding down of its critical operations and services. Every CC will be required to ensure that the said framework provides for:

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- a. the timely and orderly settlement or cessation or transfer of position(s), and/ or;
- b. the transfer of the collateral(s) or deposit(s) or margin(s) or any other asset(s) of the members to another recognised clearing corporation that would take over the operations of the clearing corporation.

Link for the Press Release is as follows:

[https://www.sebi.gov.in/media/press-releases/sep-2022/sebi-board-meeting\\_63565.html](https://www.sebi.gov.in/media/press-releases/sep-2022/sebi-board-meeting_63565.html)

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