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insight

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NCLT Rejects A Scheme Of Merger Citing Public Interest Concerns

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Welcome to this issue of *Insight*.

In this issue of Insight, as the lead article, we have discussed the National Company Law Tribunal's (**NCLT**) recent order, which rejected a scheme of merger of three related entities on the ground that it was against public interest. The order highlights that the NCLT is going beyond procedural aspects and is scrutinising schemes of reorganisation to ensure that they do not remain mere corporate restructuring exercises but serve a genuine business purpose.

Apart from the above, we have focussed on the key circulars and notifications issued by the Securities and Exchange Board of India (**SEBI**) and the Reserve Bank of India (**RBI**) in the April-June 2024 quarter.

Any feedback and suggestions would be valuable in our pursuit to constantly improve Insight and ensure its continued success among readers. Please feel free to send them to cam.publications@cyrilshroff.com.

Regards,

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NCLT Rejects A Scheme Of Merger Citing Public Interest Concerns

Introduction

In a recent case, the National Company Law Tribunal rejected a scheme of merger of three related entities on the ground that it was against public interest. Unlike the other cases of arrangements and schemes where the NCLT focused on the technical compliance of the provisions of the Companies Act, 2013 (**the Act**), in the instant case, the NCLT, in addition to analysing the scheme and verifying its satisfaction of the technical requirements, also went through the facts presented and the reports submitted by the Ministry of Corporate Affairs (**MCA**) and the Income Tax Department (**ITD**), who had carried out their separate investigations. The trend of recent decisions appears to show that the NCLT is not just mechanically sanctioning schemes of merger but is also going beyond the facts provided and reviewing them holistically.

Facts and findings

In the instant case, Hologram Holdings Private Limited, Swen Holdings Private Limited, and Sulphur Securities Private Limited (**Sulphur Securities**) had filed a scheme with the NCLT recommending their merger. With cross-holdings and a common address, the trio belonged to a group of companies that engaged in buying and selling of shares and claimed to provide financial services. The objective of the scheme of merger was stated to be consolidation of business to reduce overhead costs, consolidate managerial expertise of the companies and lend synergy to the group.

All the three companies had certain pending income tax demands against them. The ITD alleged that Sulphur Securities is a conduit paper company belonging to a certain SK Jain Group. The ITD also submitted that Sulphur Securities had only two major transactions with another company belonging to the SK Jain Group during the assessment year in question. The transactions involved sale and purchase of shares concerning other related companies that also belonged to the SK Jain Group and had the same set of directors and addresses.

Considering the above allegations, the NCLT issued directions to the MCA to carry out an investigation at the physical location of the company. Pursuant to the same, the MCA found out in its investigation that the registered office was in a dilapidated, unused shop full of dust and cobwebs. The display board also contained names of ten companies including the incorrectly-spelled Sulphur Securities.

It would be important to note that the NCLT has the power to either sanction or reject schemes of compromise, merger, or amalgamation under sections 230-232 of the Act. The NCLT is generally found to be focussed on the procedural aspects, ensuring that the statutory requirements are met, necessary approvals from shareholders and creditors are obtained, and legal provisions are not violated while sanctioning the schemes.

However, in the instant case, the NCLT decided to dig deeper to unearth the actual purpose and impact of the scheme. It went through the reports submitted by the MCA and the ITD as well as the audited financial statements including the notes appended thereto in order to understand the logic and rationale of the scheme. From the review of the financial statements, it observed that the revenue and expenses had phenomenally risen within one year without any credible source of investment or actual assets. It also observed that the difference between the expenses and revenue was disproportionate. Accordingly, the NCLT concluded that the transactions undertaken by Sulphur Securities were merely accommodation entries or paper transactions.

The NCLT further observed that the scheme's objective of reducing costs was infructuous as the cost was already minimal as per the financial statements. The objective of attaining synergy was also flawed as the companies were already being controlled by a single group and transacting primarily among themselves. Basis these facts and representations provided by the companies, the NCLT concluded that the real objective of the merger was to legitimise the paper transactions of the three companies to artificially increase the share prices and use the merged company as a vehicle of tax evasion and money laundering.

Accordingly, the NCLT rejected the scheme of merger by holding that the merger scheme was against the interests of the broader public.

Key Takeaways

In pursuance of its broader duty to act in public interest, the NCLT in the present case evaluated whether the merger aligned with the stated objectives and assessed the true intent and purpose behind the transaction. This included detailed factual investigation of the facts and also a more informed analysis of the financial and strategic benefits proposed to be claimed by the applicant companies.



The recent decisions show that the NCLT is going beyond the procedural aspects and proactively scrutinising the schemes of reorganisations to ensure they don't remain mere corporate restructuring exercises but serve a genuine business purpose without harming the interests of the society. It is not enough that the schemes comply with the statutory provisions and be fair to the stakeholders of these companies, they must also serve a business purpose or pursue an objective beneficial to the business environment or the general public and must be justified by the applicants on merits.

In light of the same, going forward it is important for applicants to define the objectives and explain the rationale of the proposed scheme in greater detail, highlighting the benefits and economies it seeks to achieve. The applications under sections 230-232 of the Act should no longer be designed to comply with the procedural aspects through a mere copy-and-paste template filing. The applicants must be ready with evidence to justify to the NCLT how the proposed scheme will help in achieving the stated objectives and how the merged entity shall be in the interest of general public.

RBI AND FOREIGN INVESTMENT UPDATES

I. Amendments

1. *Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) (Amendment) Regulations, 2024*

RBI has, vide a notification dated April 23, 2024, amended the Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019. The key amendments are set out below:

- ▮ **Insertion of Schedule XI in Regulation 3.1** - Schedule XI (*Purchase or Subscription of Equity Shares of Companies Incorporated in India on International Exchanges by Permissible Holder*) has been inserted in Regulation 3.1. It provides that:
 - the consideration for purchase/subscription of equity shares of an Indian company listed on an International Exchange is required to be paid (i) through banking channels to a foreign currency account of the Indian company held in accordance with the Foreign Exchange Management (Foreign currency accounts by a person resident in India) Regulations, 2015, or (ii) as inward remittance from abroad through banking channels.
 - the sale proceeds of the equity shares may either be remitted outside India or credited to the bank account of a permissible holder, maintained in accordance with the Foreign Exchange Management (Deposit) Regulations, 2016.
- ▮ **Insertion of reporting requirements for purchase/subscription of equity shares (where such purchase/subscription is classified as Foreign Portfolio**

Investment) - The investee Indian company, through the AD Bank, is required to report to the RBI in Form LEC(FII), the purchase/transfer of equity instruments classified as foreign portfolio investment by permissible holders, other than transfers between permissible holders, on an International Exchange.

(Notification No. FEMA. 395(2)/2024-RB dated April 23, 2024)

2. *Foreign Exchange Management (Overseas Investment) Directions, 2022 – Investments in Overseas Funds*

RBI has, vide a circular dated June 07, 2024, amended the Foreign Exchange Management (Overseas Investment) Directions, 2022. The key amendments are set out below:

- ▮ **Definition of Overseas Portfolio Investment (OPI):** The provision in the definition of OPI pertaining to investments in units of investment funds has been replaced and will now include investments in units “or any other instrument (by whatever name called)” issued by overseas investment funds regulated by the host jurisdiction’s financial sector regulator. The amendment is clarificatory and has been made in view of the diverse regulatory framework governing investment funds across jurisdictions.
- ▮ **Clarification on ‘regulated’ investment funds:** The amendment has clarified that ‘investment fund overseas, duly regulated’ includes funds whose activities are regulated by the host country’s financial sector regulator through a fund manager.

(Circular No. 09, A.P. (DIR Series) RBI/2024-25/41 dated June 07, 2024)

II. Master Directions

1. Draft Master Direction – RBI (Electronic Trading Platforms) Directions, 2024 (Draft ETP Directions, 2024)

The RBI has, vide a Press Release dated April 29, 2024, issued Draft ETP Directions, 2024, which if enacted, will supersede the Electronic Trading Platform (Reserve Bank) Directions, 2018, dated October 05, 2018. The key changes are:

- ▮ **Exemption for certain financial institutions:** These Directions will not be applicable to electronic systems operated by scheduled commercial banks and standalone primary dealers for transactions in eligible instruments wherein the bank or the primary dealer operating the electronic system is the sole quote/ price provider and invariably a party to all transactions contracted on the system. However, in respect of these electronic systems, all scheduled commercial banks and standalone primary dealers shall provide any report, data and/ or information as required by the RBI and/ or report transaction information to any trade repository or reporting platform in the format and within the prescribed timeframe prescribed.
- ▮ **Introduction of directions for offshore Electronic Trading Platforms (ETPs), to the extent specified therein:** Operators of offshore ETPs are required to fulfil certain criteria, which include, *inter alia*:
 - i. Incorporation in a country that is a member of the Financial Action Task Force; and
 - ii. Regulating the operator or transactions of the ETP by the financial market regulator of the country in which the ETP operator was incorporated or the country in which the transactions are carried on.
 - iii. The concerned financial market regulator should be a member of the Committee on Payments and Market Infrastructures or the International Organization of Securities Commissions.
 - iv. Transactions permitted by the ETP operator are only in eligible derivative instruments involving rupee and/ or rupee interest rates between residents and non-residents as permitted by the RBI.
 - v. Sharing of any information with the RBI or reporting transaction information to any trade repository or reporting platform as may be required by the RBI, in respect of transactions undertaken by residents.

vi. Sharing of any information with the RBI as stipulated at the time of registration of the ETP operator or mutually agreed upon subsequently.

vii. Annual auditing of information technology/ information systems by certified auditors.

viii. Reporting of any regulatory action taken by any regulator within a month from the time of such action.

ix. Disallowing transactions between residents.

Some of the other key directions contained in the Draft ETP Directions, 2024, are as follows:

- ▮ Any entity/ resident/ non-resident must be authorised by or registered with the RBI to operate an ETP. The operators of ETPs are required to ensure that transactions on the ETP only take place in RBI-approved instruments. The eligibility criteria include, *inter alia*:
 - i. Incorporation in India;
 - ii. Minimum net worth of INR 5 Crore;
 - iii. Robust technology infrastructure; and
 - iv. Capability to disseminate trade information on real-time basis or near real-time basis.
- ▮ ETP operators are mandated to follow certain requirements in relation to access and participation, and risk management under the operating framework. Such requirements include undertaking due diligence at the time of on-boarding of members and putting in place a comprehensive risk management framework covering all aspects of its operations.
- ▮ The ETP operator is required to obtain prior RBI approval for terminating its operations. It also needs to comply with the terms and conditions imposed by the RBI in this regard.
- ▮ The RBI has been given the powers to selectively grant authorisation for operating ETPs or registering offshore ETPs to ensure market infrastructure robustness and manage risks.

(Press Release No. 2024-2025/211 dated April 29, 2024, and Draft Master Direction – Reserve Bank of India (Electronic Trading Platforms) Directions, 2024 dated April 29, 2024)



III. Circulars

1. Issuance of partly paid units to persons resident outside India by investment vehicles under Foreign Exchange Management (Non-debt Instruments) Rules, 2019

The Central Government had, vide a notification dated March 14, 2024, amended the Foreign Exchange Management (Non-debt Instruments) Rules, 2019, to enable the issuance of partly paid units to persons resident outside India by investment vehicles. The RBI has now, vide a circular dated May 21, 2024, regularised issuances of partly paid units by alternative investment funds (AIFs) to persons resident outside India, prior to the said amendment through compounding under the Foreign Exchange Management Act, 1999.

(Circular No. 7 A.P. (DIR Series), RBI/2024-25/36 dated May 21, 2024)

IV. Press Releases

1. Launch of PRAVAAH portal, RBI Retail Direct Mobile Application and FinTech Repository

The RBI, vide its press release dated May 28, 2024, has launched three major initiatives:

- ▮ **PRAVAAH Portal:** PRAVAAH Portal is a new centralised online portal for any individual or entity seeking

authorisation, license or regulatory approval or any reference made by it to the RBI. The portal allows online submission of application, tracking and monitoring the status of, responding to any clarification/ query sought by the RBI in this connection and receiving a decision from the RBI. The portal is accessible at: [PRAVAAH \(rbi.org.in\)](https://pravaah.rbi.org.in).

- ▮ **Mobile Application for RBI Direct Retail Portal:** The retail direct portal was launched in November 2021 to facilitate retail investors to open their Retail Direct Gilt accounts under the Retail Direct Scheme. The RBI has now launched the retail direct mobile app, which allows retail investors to transact in G-Secs using the mobile app on their smartphones.
- ▮ **FinTech Repository:** The FinTech Repository aims to capture essential information about FinTech entities (both, regulated and unregulated), their activities, technology uses, etc. It is accessible at: [FinTech Repository \(rbihub.in\)](https://rbihub.in). The RBI also announced the launch of the EmTech Repository for only RBI regulated entities (banks and NBFCs) on their adoption of emerging technologies, accessible at: [EmTech Repository : Home \(rbihub.in\)](https://rbihub.in).

(RBI Press release 2024-2024/393 dated May 28, 2024)

SECURITIES LAW UPDATES

I. Amendments

1. *Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2024 (LODR Amendment Regulations)*

SEBI has, *vide* a notification dated May 17, 2024, further amended the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (**LODR Regulations**), through the LODR Amendment Regulations. Some of the key changes introduced by the LODR Amendment Regulations are as follows:

- ⌞ Every recognised stock exchange shall, at the end of the calendar year i.e., December 31, prepare a list of entities that have listed specified securities, ranking such entities on the basis of their average market capitalisation from July 1 to December 31 of that calendar year, pursuant to which the relevant provisions of the LODR Regulations shall become applicable, within a prescribed time period, to listed entities that are required to comply with those requirements for the first time as per the prescribed timelines.
- ⌞ Listed entities shall continue to comply with the relevant provisions of the LODR Regulations applicable to them based on the market capitalisation of the previous year and which continue to remain applicable on the basis of their ranks, unless there is a change in their rankings and they remain outside the requisite threshold for a period of three consecutive years.
- ⌞ The timelines for compliance with Regulations 16 to 27 of the LODR Regulations for high value debt listed companies on an 'explain or comply' basis have been extended to March 31, 2025.

- ⌞ Timeline for prior intimation of board meetings to the stock exchange for all specified matters has been made uniform to at least two days (this is excluding the date of intimation and the date of the meeting).
- ⌞ The permitted gap between two consecutive risk management committee meetings has been increased from 180 days to 210 days.
- ⌞ The period for filing up vacancies of key managerial personnel when a listed entity is required to obtain approval from regulatory, government or statutory authorities, has been increased to six months from the date of vacancy.

(Notification No. SEBI/LAD-NRO/GN/2024/177
dated May 17, 2024)

2. *Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2024 (ICDR Amendment Regulations)*

SEBI has, *vide* a notification dated May 17, 2024, amended the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (**ICDR Regulations**), and introduced the ICDR Amendment Regulations. Some of the key changes pursuant to the ICDR Amendment Regulations are as follows:

- ⌞ Non-individual public shareholders holding at least 5% of the post-issue capital or any entity (individual or non-individual) forming part of the promoter group other than the promoter(s) are now permitted to contribute to meet the shortfall in minimum promoters' contribution, subject to a maximum of 10% of the post-issue capital, without being identified as promoters;

- ▮ The scope of the securities eligible for minimum promoters' contribution now additionally includes equity shares arising out of conversion or exchange of fully paid-up compulsorily convertible securities, including depository receipts, that have been held for at least one year prior to the filing of the draft offer document; it being clarified that such conversion or exchange should have been completed prior to the filing of the offer document;
- ▮ The minimum permissible extension in bidding (issue) period, in case of force majeure, banking strike or similar circumstances, has been revised from "three working days" to "one working day". This, however, remains subject to the overall time range of 3-10 working days for which each initial public offer is required to and/ or may be kept open; and
- ▮ The erstwhile requirement of payment of security deposit (equivalent to 1% of the issue size) before the opening of the subscription list, has now been deleted.

(Notification No. SEBI/LAD-NRO/GN/2024/178
dated May 17, 2024)

3. Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) (Amendment) Regulations, 2024 (SAST Amendment Regulations)

SEBI has, vide a notification dated May 17, 2024, amended the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011. Following are the key changes:

- ▮ The SAST Amendment Regulations have been introduced to exclude the effect of material price movement and confirmation of the reported event or information on the open price of equity shares of the target company as per the framework under Regulation 30(11) of the LODR Regulations.
- ▮ Regulation 30(11) of the LODR Regulations provides that for the purpose of verifying market rumours causing material price movement in a listed entity, unaffected price shall be considered for transactions, upon which pricing norms specified by SEBI or stock exchanges are applicable, provided that the rumour pertaining to such transaction has been confirmed within 24 hours from the trigger of material price movement. Accordingly, SEBI has introduced sub-regulation 17 under regulation 8 and sub-regulation 6 under regulation 9 to exclude price disruptions caused by verification of market rumours for the purpose of determination of offer price under

Regulation 8 and determination of the price of equity shares offered as consideration under Regulation 9.

(Notification No. SEBI/LAD-NRO/GN/2024/179
dated May 17, 2024)

4. Securities and Exchange Board of India (Prohibition of Insider Trading) (Amendment) Regulations, 2024 (SEBI (PIT) Amendment Regulations)

SEBI has, vide a notification dated May 17, 2024, notified the SEBI (PIT) Amendment Regulations, which amend the definition of the term "generally available information" in regulation 2, sub-regulation (1), clause (e) of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations 2015, by limiting its scope. As now amended, the term "generally available information" excludes any unverified events or information reported in print or electronic media.

(Notification No. SEBI/LAD-NRO/GN/2024/181
dated May 17, 2024)

5. Securities and Exchange Board of India (Infrastructure Investment Trusts) (Amendment) Regulations, 2024 (InvIT Amendment Regulations)

By way of the InvIT Amendment Regulations, SEBI has introduced provisions in relation to subordinate units that may be issued and allotted by infrastructure investment trusts (**InvITs**). SEBI has, among other things, inserted the definition of "subordinate unit" in the Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014 (**InvIT Regulations**), to mean an instrument issued by an InvIT, which can be reclassified as an ordinary unit.

Further, a new Chapter IVA has been inserted in the InvIT Regulations to introduce the regulatory framework for, among other things, the (i) issuance of subordinate units; (ii) transfer of subordinate units; (iii) entitlement dates, entitlement events and performance benchmarks; (iv) progress related to achievement of performance benchmarks; and (v) process for reclassification of subordinate units to ordinary units upon achievement of certain benchmarks.

The InvIT Amendment Regulations came into force on the date of their publication in the Official Gazette (i.e., May 27, 2024).

(Notification No. SEBI/LAD-NRO/GN/2024/182
dated May 27, 2024)

6. Securities and Exchange Board of India (Prohibition of Insider Trading) (Second Amendment) Regulations, 2024 (SEBI (PIT) Second Amendment Regulations)

SEBI has, vide a notification dated June 25, 2024, notified the SEBI (PIT) Second Amendment Regulations to further amend the SEBI (Prohibition of Insider Trading) Regulations, 2015, to ease the trading plan framework and provide flexibility in execution of trades by insiders. Some of the key amendments are summarised below:

▮ Reduction in the cool-off period for implementation of trading plan

Through the SEBI (PIT) Second Amendment Regulations, SEBI has reduced the time gap for commencement of trading from the date of public disclosure of the trading plan, from six months to 120 calendar days.

▮ Detailed trade parameters:

To enhance transparency and compliance, the SEBI (PIT) Second Amendment Regulations require the trading plans to clearly set out the following parameters (except limb (d), which remains optional) for each trade to be executed:

- a) Either the value of trade or the number of securities to be traded;
- b) Nature of the trade;
- c) Either specific date or the time period for the trade, which must not exceed five consecutive trading days – the underlying principle remaining that there should be an outer limit on the duration of time period, so that while it allows the insider to split their trades across different dates, duration should not be so long that it is prone to misuse; and
- d) Price limit, subject to the range described below.

▮ Range for price limit (if any) under the trading plan:

In respect of any disclosed price limit as discussed above, the price range will be as under, as rounded off to the nearest numeral:

- For a buy trade, the upper price limit shall be between the closing price on the day before submission of the trading plan and up to 20% higher than such closing price; and

- For a sell trade, the lower price limit shall be between the closing price on the day before submission of the trading plan and up to 20% lower than such closing price.

▮ Exceptions for non-implementation of trading plan by insiders

Insiders may make adjustments, with the approval of the compliance officer, in the number of securities and price limit in the event of corporate actions related to bonus issue and stock split occurring after the approval of the trading plan. Insiders now have the flexibility to deviate from the trading plan in the case of permanent incapacity, bankruptcy or operation of law. Further, in cases where the insider is unable to implement the trading plan because either the price of the security is outside the set limit or the scrip has inadequate liquidity, the SEBI (PIT) Second Amendment Regulations now prescribe the adoption of certain specified procedures.

(Notification No. SEBI/LAD-NRO/GN/2024/184 dated June 25, 2024)

7. Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) (Amendment) Regulations, 2024 (PFUTP Amendment Regulations)

SEBI has, vide a notification dated June 27, 2024, amended the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (PFUTP Regulations), to further clarify on what constitutes manipulative, fraudulent or unfair trade practices in the securities markets. The newly substituted explanation in Regulation 4(1) of the PFUTP Regulations illustrates such practices to include: (i) any act of diversion, misutilisation or siphoning off of assets or earnings of a company whose securities are listed, or any concealment of such act, or any device, scheme or artifice to manipulate the books of accounts or financial statement of such a company that would directly or indirectly manipulate the price of securities of that company, or (ii) transactions through mule accounts (discussed below) for indulging in manipulative, fraudulent and unfair trade practices.

The PFUTP Amendment Regulations have additionally introduced the concept and definition of the term “mule account”. As defined, the term includes a trading account

maintained with a stockbroker or a dematerialised account or bank account linked with such trading account in the name of a person, where the account is effectively controlled by another person, whether or not the consideration for transactions in the account is paid by such other person.

(Notification No. SEBI/LAD-NRO/GN/2024/187
dated June 27, 2024)

II. Master Circulars

1. Master Circular for Infrastructure Investment Trusts

SEBI, by way of the Master Circular for Infrastructure Investment Trusts, dated May 15, 2024 (**Master Circular**), has collated and consolidated the contents of various circulars issued by it in relation to InvITs from time to time till May 15, 2024, to enable stakeholders to have access to all such circulars in one place. SEBI had originally issued a similarly purposed master circular on November 29, 2021, which was subsequently updated on April 26, 2022, and July 6, 2023, and now most recently on May 15, 2024, via the aforementioned iteration. The latest consolidated Master Circular (dated May 15, 2024) retains erstwhile updates and provisions on, among other things, board nomination rights to unitholders of InvITs, pricing of units and the procedural framework for dealing with unclaimed amounts lying with InvITs.

(Notification No. SEBI/HO/DDHD-PoD-2/P/CIR/2024/44
dated May 15, 2024)

2. Master Circular for Real Estate Investment Trusts

SEBI, by way of its Master Circular for Real Estate Infrastructure Trusts (**REITs**), dated May 15, 2024 (**Master Circular**), has collated and consolidated various circulars issued by it in relation REITs from time to time till May 15, 2024, to enable stakeholders to have access to all such circulars in one place. SEBI had originally issued a similarly purposed master circular on November 29, 2021, which was subsequently updated on April 26, 2022, and July 6, 2023, and now most recently on May 15, 2024, via the aforementioned iteration. The latest consolidated Master Circular (dated May 15, 2024) retains erstwhile updates and provisions on, among other things, board nomination rights to unitholders of REITs and procedural framework for dealing with unclaimed amounts lying with REITs.

(Notification No. SEBI/HO/DDHD-PoD-2/P/CIR/2024/43
dated May 15, 2024)

3. Master Circular on Guidelines on Anti-Money Laundering (AML) Standards and Combating the Financing of Terrorism (CFT)/ Obligations of Securities Market Intermediaries under the Prevention of Money Laundering Act, 2002, and Rules framed thereunder

SEBI, by way of its Master Circular dated June 6, 2024 (**Master Circular**), has collated and consolidated the contents of various circulars issued by it in relation to anti-money laundering (**AML**) and Combating the Financing of Terrorism (**CFT**) from time to time till June 6, 2024, to enable stakeholders to have access to all such circulars in one place. SEBI had originally issued a similarly purposed master circular on December 19, 2008, which was subsequently updated on February 12, 2010, July 4, 2018, October 15, 2019, and February 3, 2023, and now most recently on June 6, 2024. From the date of issue of the Master Circular, all circulars by SEBI on the subject of AML and CFT have been rescinded. The latest consolidated Master Circular (dated June 6, 2024) retains erstwhile updates and provisions on, among other things, identifying beneficial ownership and control of entities as a client due diligence measure, directions to stock exchanges and registered intermediaries on procedure for implementation of Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005, etc.

(Notification No.
SEBI/HO/MIRSD/MIRSDSECFATF/P/CIR/2024/78
dated June 6, 2024)

III. Circulars

1. SEBI issues circular on Industry Standards on verification of market rumours

To facilitate ease of doing business, the Industry Standards Forum comprising representatives from three industry associations, viz. ASSOCHAM, CII and FICCI, under the aegis of the stock exchanges, has formulated on a pilot basis, industry standards (**Industry Standards**), in consultation with SEBI, for effective implementation of the requirement to verify market rumours under Regulation 30(11) of the LODR Regulations.

SEBI, by way of a circular dated May 21, 2024, has mandated listed entities to follow the Industry Standards to ensure compliance with Regulation 30(11) of the LODR Regulations (which prescribes the requirement to verify market rumours).

Further, such requirement to verify market rumours under Regulation 30(11) of LODR Regulations became applicable to top 100 listed entities with effect from June 1, 2024, and shall extend to top 250 listed entities (i.e., next top 150) with effect from December 1, 2024, as specified by the SEBI circular bearing reference number SEBI/HO/CFD/CFD-PoD-2/P/CIR/2024/7, dated January 25, 2024.

(SEBI Circular No. SEBI/HO/CFD/CFD-PoD-2/P/CIR/2024/52 dated May 21, 2024)

2. Framework for considering unaffected price for transactions upon confirmation of market rumour

Regulation 30(11) of the LODR Regulations provides that for the purpose of verifying market rumours causing material price movement for a listed entity, unaffected price shall be considered for transactions on which pricing norms specified by SEBI or stock exchanges are applicable, provided that the rumour pertaining to such transactions has been confirmed within 24 hours from the trigger of material price movement. Accordingly, SEBI, vide its circular dated May 21, 2024 (**Circular**) specified the framework for considering unaffected price for transactions upon confirmation of market rumours. This became applicable to the top 100 listed entities with effect from June 1, 2024, and shall extend to the top 250 listed entities (i.e., next top 150) with effect from December 1, 2024.

The framework set out in the Circular illustrates the calculation method for adjusted volume weighted average price for considering unaffected price. It further stipulates that in case the price variation due to confirmation of the rumour hits the price band limit on the next trading day post confirmation, the price variation in the subsequent trading days shall be included for adjustment till such day the price does not hit the band limit. The unaffected price shall be applicable for 60 or 180 days, as applicable, based on the stage of the transaction, from the date of confirmation of the rumour till the 'relevant date' under existing regulations. Further, in case a rumour is confirmed and subsequent rumours are reported in the mainstream media, with material updates to the transaction requiring confirmation, the unaffected price shall be applicable for each instance of confirmation of the rumour.

(Circular No. SEBI/HO/CFD/CFD-PoD-2/P/CIR/2024/51 dated May 21, 2024)

3. Circular on audiovisual presentation of disclosures made in the public issue offer documents

To create awareness among investors to refrain from relying on unauthorised or unsolicited information about public issues, SEBI has issued a circular on May 24, 2024 (**Circular**), which provides *inter alia* that salient disclosures made in the draft red herring prospectus (**DRHP**), red herring prospectus (**RHP**) and price band advertisement for public issues, are required to be made available in audiovisual (**AV**) format in the public domain for ease of understanding.

The Circular stipulates that these AV disclosures are required to be compliant with the provisions of Schedule IX of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended, and shall include certain disclosures as provided by SEBI. Such AV disclosures shall initially be in bilingual format, i.e. in English and in Hindi, the latter of which shall contain text in Devanagari script, and the duration of each bilingual AV disclosure shall be approximately 10 minutes. The duration of the AV disclosures shall be equitably distributed to cover material disclosures made under various sections of the draft red herring prospectus and red herring viz. about the issuer, risk factors, capital structure, objects of the offer, business of the issuer, promoters, management, summary of financial information, litigation, material developments, terms of the IPO, etc.

The AV disclosures shall be uploaded on the websites and digital/ social media platforms of the issuer and of the Association of Investment Bankers of India within five working days of the filing of the DRHP or the updated DRHP, as applicable. The web link of the AV disclosures shall be made available on the websites of the Stock Exchanges and the book running lead managers, as well as through QR codes in the offer documents. The AV disclosures shall also be updated with information disclosed in the RHP or prospectus and the price band advertisement, including details of the issue opening/ closing date, price/ price-band, etc., and uploaded on the date of publication of the price band advertisement or the date of filing of prospectus, as applicable.

The provisions of the Circular shall be applicable on a voluntary basis to all DRHPs filed with SEBI on or after July 01, 2024, and shall be applicable on a mandatory basis from October 01, 2024 onwards.

(Circular on Audiovisual (AV) presentation of disclosures made in Public Issue Offer Documents dated May 24, 2024)

4. Framework for offer for sale of shares to employees through stock exchange mechanism

SEBI had previously, vide master circular dated October 16, 2023, specified the comprehensive framework on the offer for sale (**OFS**) of equity shares of listed entities through the stock exchange mechanism. Subsequently, SEBI had, vide circular dated January 23, 2024, additionally introduced a framework allowing promoters to offer shares to employees via the OFS mechanism, aiming to enhance efficiency and reduce costs. It provided that OFS to employees shall be on T+1 day, along with the retail category, and that employees shall place bids only at cut-off price of T+1 day. Further, in such cases, the allotment price would be based on the cut-off price of the retail category, subject to any discount.

Now, pursuant to feedback received from certain stakeholders and deliberations in the Secondary Market Advisory Committee of SEBI, SEBI has issued another circular on June 14, 2024 to update the above position under the January 23, 2024 circular, namely that employees shall place bids only at cut-off price of T day, and that the allotment price would be based on the cut-off price of the T day, subject to any discount.

The provisions of the June 14, 2024 circular came into effect from the 30th day of its issuance.

(Circular No. SEBI/HO/MRD/MRD-PoD-3/P/CIR/2024/82 dated June 14, 2024)

IV. Consultation Papers

1. Consultation paper on the framework for price discovery of shares of listed Investment Companies and listed Investment Holding Companies

SEBI, by way of a consultation paper dated April 19, 2024, invited comments from the public on the framework for price discovery of shares of listed investment companies (**ICs**) and listed investment holding companies (**IHCs**) whose market price is at a significant discount to book value. SEBI, on receipt of representation from several stakeholders, seeks to implement measures for ICs or IHCs whose market price is at variance to its book value, adversely affecting liquidity, fair price discovery and the overall interest of the investors. The consultation paper includes, *inter alia*, recommendations on the establishment of a new framework, as set out below:

- ▮ Implementation of a special call-auction system without price band for listed ICs and IHCs, whose shares trade beyond a determined discount to their book value;



- ▮ Establishment of criteria to determine ICs and IHCs by Stock Exchanges eligible for call-auction mechanism, which include, *inter alia*:
 - i. identification of companies from existing industry classification;
 - ii. company must have been listed and traded for at least one year;
 - iii. total assets of the company invested in shares of other listed companies may at least be 50%; and
 - iv. 6-month volume weighted average price of the security may be less than 50% of the book value of such companies or of pro-rata of their investments in shares of other listed companies.
- ▮ Process of the call-auction system for such identified companies with a seven days' notice, subject to certain qualifications, such as, without limitation, minimum participation of five unique buyers and sellers in the session, continuation of the session till price discovery and disclosures of the book value of the company to be made on the website of the stock exchange.

(Consultation paper on the framework for price discovery of shares of listed investment companies & listed investment holding companies, dated April 19, 2024)

2. Consultation paper on measures towards ease of doing business for Infrastructure Investment Trusts and Real Estate Investment Trusts

By way of a consultation paper, dated May 9, 2024, SEBI invited comments from the public on proposals related to

certain measures proposed towards ease of doing business for InvITs and REITs, including on the following key aspects:

a) Part A: Proposals for both REITs and InvITs

- ▮ Revision of timelines for distribution to unitholders from 15 days from the date of declaration of distributions to five working days from the date of declaration;
- ▮ Allowing unitholders meeting with shorter notice, subject to receiving consent from not less than 95% of unitholders entitled to vote, among other things;
- ▮ Placing a statement of investor complaints before the board of directors of the manager/ investment manager for review, on a quarterly basis;
- ▮ Revision of timelines for the submission of statement of deviation(s) and variation(s) from 21 days from the end of each quarter to the date of publication of quarterly financial results;
- ▮ Clarification on voting thresholds in terms of percentage and providing electronic meeting and e-voting option to unitholders; and
- ▮ Allowing maintenance of records in electronic form for the manager/ investment manager, along with backup and disaster recovery norms for such records.

b) Part B: Proposals for InvITs only

- ▮ Reduction of trading lot for privately placed InvITs from Rupees One Crore or Rupees Two Crore, as applicable, to Rupees Twenty-Five Lakhs; and
- ▮ Aligning provisions of InvIT Regulations with REIT Regulations to clarify that change in sponsor or inducted sponsor shall mean change due to entry of a new sponsor or exit of an existing one.

Public comments were invited on the consultation paper until May 30, 2024.

(Consultation paper on measures towards ease of doing business for REITs and InvITs dated May 9, 2024)

3. Consultation paper on measures towards ease of doing business for Non-Convertible securities

By way of a consultation paper dated May 9, 2024, SEBI has recommended certain measures on ease of doing business for non-convertible securities and related compliance requirements under the Securities and Exchange Board of

India (Issue and Listing of Non-Convertible Securities) Regulations, 2021. Key recommendations include:

- ▮ Deletion of disclosures regarding permanent account number (PAN) and personal address of promoters in the offer document;
- ▮ Disclosure in the offer document regarding time period for key operational and financial parameters to be aligned with period of disclosure of financial information in the offer document;
- ▮ Disclosure by way of QR code and web-link regarding the details of branches or units of the issuer in the offer document;
- ▮ Alignment of disclosure requirements in the offer document regarding 'project cost and means of financing' with that in case of equity;
- ▮ Relaxation in the requirement of providing certain business and commercial details in case of purchase or acquisition of immoveable property in the offer document;
- ▮ Providing flexibility in the signatories for the purpose of providing attestation in the offer document; and
- ▮ Modification in the timeline for submission of status regarding payment obligations to the stock exchanges by entities that have listed commercial paper.

Public comments were invited on the consultation paper until May 30, 2024.

(Consultation paper on measures towards ease of doing business for non-convertible securities dated May 9, 2024)

4. Consultation Paper on Recommendations of the Expert Committee for facilitating ease of doing business and harmonisation of the provisions of ICDR Regulations and LODR Regulations

By way of a consultation paper dated June 26, 2024, SEBI has invited comments from the public on certain recommendations to harmonise provisions of the ICDR and the LODR Regulations. Certain key recommendations are:

a) LODR Regulations

- ▮ Improving ease of completing filings and making disclosures by listed entities to the stock exchanges;
- ▮ Amended timelines for filling up vacancies in board committees and obtaining shareholder approval for appointment/reappointment of directors;

- ▮ Streamlining the process of reclassification of promoter/promoter group entities of a listed entity;
 - ▮ Introducing an obligation on promoter, promoter group, directors and key managerial personnel to disclose relevant information to the listed entity for ensuring compliance with LODR Regulations and other applicable laws;
 - ▮ Exempting certain transactions from identification as ‘related party transactions’ and related compliance requirements;
 - ▮ Permitting ratification of ‘related party transactions’ by the audit committee, subject to certain conditions, and the provision of omnibus approval to be made applicable for such transactions of subsidiaries as well;
 - ▮ Providing additional time for disclosure of outcome of the board meeting that concludes after trading hours and for disclosure of litigations or disputes involving claims against the listed entity;
 - ▮ Providing clarifications on disclosure of tax litigations or disputes, imposition of penalty, and certain material events specified under Schedule III of the LODR Regulations;
 - ▮ Providing certain compliance-related relaxations to companies coming out of the insolvency and bankruptcy framework;
 - ▮ Doing away with the requirement of obtaining no-objection letters from stock exchanges for schemes involving reduction of capital on account of writing off accumulated losses, subject to certain conditions; and
 - ▮ Permitting listed entities to conduct virtual or hybrid shareholder meetings on a permanent basis.
- ▮ Permitting issuers to voluntarily disclose proforma financials for acquisition or divestment undertaken before the completion of the latest period(s) for which financial statements are disclosed and permitting issuers to voluntarily disclose financial statements of subsidiaries/businesses acquired or divested;
 - ▮ Permitting issuers to voluntarily divulge proforma financials (on a consolidated basis) to disclose the impact of the proposed acquisition to be undertaken from the proceeds of the issue.
 - ▮ Permitting issuers to obtain a certificate for utilisation of loans from a peer reviewed chartered accountant;
 - ▮ Enabling issuers with outstanding stock appreciation rights (SARs) to file draft offer document;
 - ▮ Deletion of provision related to reservation for employees in rights issues; and
 - ▮ Permitting disclosure of information on a standalone basis where issue proceeds are used to fund working capital.

b) ICDR Regulations

- ▮ Combining pre-issue and price band advertisements as a single advertisement;
- ▮ Permitting disclosure of certain information with a quick response (QR) code link and disclosure of pre-issue shareholding and post-issue shareholding of promoter, promoter group and top 10 shareholders;

c) Harmonisation of provisions of ICDR Regulations and LODR Regulations

- ▮ Aligning disclosures related to material litigation and material agreements in ICDR Regulations with LODR Regulations;
- ▮ Aligning qualifications of a compliance officer under ICDR Regulations, with provisions of LODR Regulations; and
- ▮ Aligning the definitions for identification of material subsidiary thresholds as well as the terms “associate”, “financial year”, “securities laws” and “SR equity shares”.

Public comments were invited on the consultation paper until July 17, 2024.

(Consultation Paper on Recommendations of the Expert Committee for facilitating ease of doing business and harmonization of the provisions of ICDR Regulations and LODR Regulations dated June 26, 2024)

V. Informal Guidance

1. Informal guidance by way of an interpretative letter received from Jagatjit Industries Limited in relation to Regulation 41A of Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015

Jagatjit Industries Limited (**JIL**), a listed public limited company, issued and allotted 25,00,000 equity shares carrying differential voting rights, i.e., nil dividend and twenty voting rights per share (**DVR Shares**) in 2004, by way of preferential allotment to one of the promoter companies, viz., LPJ Holdings Private Limited (formerly known as L.P. Jaiswal & Sons Private Limited) (**LPJH**), pursuant to Section 86 of the Companies Act, 1956. As these shares were of a different class, they weren't listed on the stock exchange.

On March 12, 2009, in *Anand Pershad Jaiswal and Ors. vs. Jagatjit Industries Limited and Ors.*, the Hon'ble Company Law Board had upheld the validity of the issue and allotment of the said DVR Shares. Accordingly, the said DVR Shares continued to form a part of the total share capital of JIL.

The queries raised by JIL to SEBI were: (i) whether the existing DVR Shares of JIL shall continue to retain their distinct characteristics of differential voting rights or they will be treated as ordinary equity shares at par with other equity shares of JIL; and (ii) whether JIL is required to comply with the conditions prescribed in Regulation 41A of the LODR Regulations.

Against this backdrop and in response to the above queries, SEBI provided the following informal guidance to JIL:

- ▮ In relation to query (i) above, based on the evolution of regulatory framework, SEBI observed that prior to July 21, 2009, a listed company was permitted to issue differential right equity shares to promoters and/ or public. The SEBI circular dated July 21, 2009, though disallowed "superior" rights equity shares, did not highlight the treatment of superior right equity shares that were previously already issued by issuers.

In 2019, SEBI introduced superior voting rights (**SR**) equity shares framework, which enabled an issuer company, which has offered SR equity shares to its promoters/ founders, to undertake an IPO of ordinary shares, subject to certain conditions. Further, the Securities Contract (Regulation) Rules, 1957, were also amended to ensure that such equity shares that were issued to the promoter/ founder are listed, along with the ordinary shares being offered to the public. The SR framework thus did not deal with SR equity shares already issued by listed issuers.



- ▮ In relation to query (ii) above, as per the explanation provided under Rule 4 of the Companies (Share Capital and Debentures) Amendment Rules 2014, w.e.f. June 18, 2014, equity shares with differential rights issued by any company under the provisions of the Companies Act, 1956, and the rules made thereunder shall continue to be regulated under such provisions and rules. Thus, SEBI noted that Regulation 41A of the LODR Regulations (which sets out certain provisions relating to outstanding SR equity shares) is not applicable to JIL.

(SEBI Informal Guidance No. CFD/PoD/OW/2024/17086/1 dated May 16, 2024)

VI. Board Meetings

1. SEBI board meeting held on April 30, 2024

SEBI, in its board meeting held on April 30, 2024, approved, *inter alia*, the following:

- ▮ **Amendments to Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014, and Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014**

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

▮ **Amendments to Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021**

To reduce the size of the offer document, SEBI approved a proposal, allowing issuers with listed outstanding non-convertible securities as on the date of the offer document to disclose audited financials for the last three years through insertion of a web-link and QR code in the offer document/placement memorandum.

Further, SEBI approved proposals for (a) standardisation of record date for identifying eligible holders, (b) harmonisation of due diligence certificate format provided by a debenture trustee under the SEBI NCS Regulations and Master Circular for Debenture Trustees, and (c) reduction in denomination of face value to Rs. 10,000/- for privately placed debt securities (non-convertible debentures) and non-convertible redeemable preference shares at the option of the issuer, subject to the appointment of a merchant banker.

▮ **Amendments to Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015**

To reduce compliance costs, SEBI has approved that entities with only listed non-convertible securities can now provide simplified financial results notice in newspapers. Instead of disclosing full financial results, they can publish a window advertisement with a QR code and links to the entity's website and the stock exchange. To this end, for outstanding non-convertible securities, the listed entities are required to obtain prior approval of their respective debenture trustees, and for future issuances, the listed entities are required to either make a disclosure in the offer document or obtain prior approval from the respective debenture trustees.

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

Many venture capital funds (VCFs) registered under the erstwhile SEBI VCF Regulations have been unable to fully liquidate the investments of their schemes within the tenure of the scheme. In view thereof, SEBI has now approved a proposal to provide an option to such VCFs to migrate to the SEBI AIF Regulations and avail the facilities available for alternative investment funds to

deal with unliquidated investments. This would be achieved via a specific framework prescribed by SEBI for this purpose, which includes, *inter alia*, creation of a separate category under Category I AIFs – VCFs called “Migrated VCFs”, and allowance of an additional one year liquidation period for schemes of VCFs whose tenure has expired and opt for migration (as long as they do not have any investor complaint with regard to non-receipt of funds or securities).

▮ **Flexibility for increased participation by Non-Resident Indians (NRIs), Overseas Citizens of India (OCIs) and Resident Indian (RIs) individuals in SEBI registered Foreign Portfolio Investors (FPIs) based out of International Financial Services Centres (IFSCs) in India and regulated by the International Financial Services Centres Authority (IFSCA)**

SEBI approved a regulatory framework to provide flexibility for increased contribution by NRIs, OCIs and RI Individuals, in the corpus of certain FPIs based out of IFSCs in India and regulated by the IFSCA, albeit subject to certain conditions to manage regulatory risk. Now, up to 100% contribution limits are available, subject to the FPI submitting copies of prescribed identification documents of all their NRI/ OCI/ RI individual constituents, along with their economic interest in the FPI, to the designated depository participant. Similar disclosures are also required in case of indirect holding in the FPI through non-individual constituents that are majority contributed to/ owned/ controlled by NRI/ OCI/ RI individuals on a look through basis. That said, FPIs may also be exempted from the aforementioned document submission requirements if they satisfy certain prescribed conditions in terms of the IFSCA's regulatory framework.

Additional disclosure obligations on such FPIs (in addition to under the extant provisions of the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019) will, however, continue to apply on a look through basis (in terms of SEBI circular dated August 24, 2023) if certain specified AUM-linked conditions are met.

▮ **Asset Management Companies (AMCs) to have institutional mechanism for deterrence of potential market abuse, including front-running**

This follows the recent front-running instances observed by SEBI. Hence, SEBI approved certain amendments to the SEBI (Mutual Funds) Regulations, 1996 (**SEBI MF**

Regulations), to enhance the existing regulatory framework by requiring AMCs to put in place a structured institutional mechanism for identification and deterrence of potential market abuse, including front-running and fraudulent transactions in securities.

Such mechanism will need to provide for enhanced surveillance systems, internal control procedures and escalation processes to identify, monitor and address specific types of misconduct, including front running, insider trading, misuse of sensitive information, etc. Detailed standards for such institutional mechanism will be specified by the Association of Mutual Funds in India in consultation with SEBI.

Additional amendments to the SEBI MF Regulations are aimed at enhancing responsibility and accountability of AMC managements for such an institutional mechanism and fostering transparency by requiring AMCs to have a whistleblower mechanism. In contrast, SEBI also approved exemptions (to be made effective after implementation of the institutional mechanism by AMCs) from the requirement of recording face to face communication (including out of office interactions) during market hours with respect to communications by dealers and fund managers.

(SEBI Press Release No. 08/2024 dated April 30, 2024)

2. SEBI board meeting held on June 27, 2024

SEBI, in its board meeting held on June 27, 2024, approved, *inter alia*, the following:

- ▮ **Association of persons regulated by the SEBI with persons who directly or indirectly provide advice or recommendations without being registered with SEBI or make any implicit or explicit claim of return or performance in respect of or related to a security or securities:** SEBI has approved the following proposals to address concerns relating to certain persons, including unregulated entities making inappropriate claims to induce investors to deal in securities:
 - i. Regulated entities or their agents shall not have association with persons who directly or indirectly provide advice or recommendations in respect of securities, unless permitted by SEBI to provide such advice/ recommendations. Association in this regard shall include undertaking transactions involving money or money's worth, referral of a client, interaction of information technology systems or any other association of similar nature or character.



- ii. The above prohibition shall not be applicable to the following: (a) association with persons who are exclusively engaged in investor protection and do not provide advice/ recommendation based on claim of return or performance; and (b) association through specified digital platform which has the mechanism to take curative or preventive action to ensure that the platform is not used by any person to provide advice/ recommendation based on claim of return or performance without permission from SEBI.
- iii. The regulated entity shall be responsible for ensuring that the persons with whom such regulated entity or its agents are associated do not engage in such prohibited activities.
- ▮ **Flexibility in the Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021 (SEBI NCS Regulations) for streamlining the public issue process for debt securities and Non-Convertible Redeemable Preference Shares (NCRPS):** SEBI has approved the proposal to streamline the public issue process for debt securities and NCRPS to provide:
 - i. Faster access to funds for issuers through: a) Reduced time period for seeking public comments on the draft offer documents from seven working days to one day for issuers whose specified securities are already listed and five days for other issuers; b) Reduction in the minimum subscription period to two working days from three working days; and c) Reduction in the listing timeline to T+3 working days from T+6 working days (as an option to issuers for a period of one year and on a mandatory basis thereafter such that all listings occur on a T+3 basis);

- ii. Flexibility to issuers by providing discretion to issuers with regard to advertisement of public issue through electronic modes, subject to a window advertisement (containing a QR Code and Link to full advertisement) in newspapers; and
 - iii. Harmonisation of the application procedure for public issue of debt securities and NCRPS through intermediaries, and in case of specified securities by mandating UPI for individual investors where the investment is up to Rs 5 lakh.
- 7 **Amendments to SEBI NCS Regulations pertaining to rationalisation of disclosure requirements in the offer document for non-convertible securities and modification in timeline of intimation to Stock Exchanges for listed Commercial Paper:** To facilitate ease of doing business, SEBI approved the following proposals:
- i. Deletion of disclosure regarding Permanent Account Number (PAN) and personal address of promoters of the issuers in the offer document;
 - ii. Clarification that time period for key operational and financial parameters will be disclosed in line with the requirement for financial information;
 - iii. Enabling disclosures regarding (a) details of branches and (b) details of vendors, in case immovable property is purchased from issue proceeds, to QR code and weblink. Further, the said details shall be provided to the debenture trustee and also kept available for inspection. Additionally, that such details were provided by the issuer and received by the debenture trustee will be duly recorded in the 'Security and Covenant Monitoring System' maintained by the depositories.
 - iv. Alignment of disclosures regarding utilisation of issue proceeds with the ICDR Regulations.
 - v. Alignment of timeline for submission to Stock Exchanges regarding status of payment obligations for listed commercial paper with listed debt securities.
- 7 **Measures to facilitate Ease of Doing Business for Infrastructure Investment Trusts and Real Estate Investment Trusts:** SEBI approved the following proposals to facilitate ease of doing business related to activities of InvITs and REITs:
- i. The Investment Manager of InvIT/ Manager of REIT may convene a meeting of the unitholders by giving a notice shorter than twenty-one days, subject to prior consent of the unitholders.
 - ii. The statement of investor complaints shall be placed, on a quarterly basis, before the Board of Directors of the Investment Manager of InvIT/ Manager of REIT and the Trustee.
 - iii. Alignment of timeline for disclosure of statement of deviation(s) or variation(s), in the use of proceeds from stated objects, to the stock exchange(s), along with submission of financial results.
 - iv. Clarification on voting thresholds in terms of percentage and providing e-voting option and an option to attend meetings through electronic mode to all unitholders, for all unitholders' meetings.
 - v. Clarification on maintenance of records in electronic form, along with backup related norms and disaster recovery site for records maintained in electronic form.
 - vi. Reduction of trading lot for privately placed InvITs to Rs 25 lakh.
 - vii. Clarification that change in sponsor or inducted sponsor in case of an InvIT shall mean any change due to entry of a new sponsor or exit of an existing sponsor.
 - viii. Revision of timelines for payment of distribution to five working days from the record date. The record date shall be two working days from the date of declaration of distribution, excluding the date of declaration and the record date.
- (SEBI Press Release No. 12/2024 dated June 27, 2024)

VII. Press Releases

1. Launch of the updated version of the SEBI Complaint Redress System (SCORES 2.0) on the website and application

SEBI, vide its press release no. 06/24, dated April 1, 2024, announced the launch of the new version of the SEBI Complaint Redress System (**SCORES 2.0**), which is aimed at strengthening the investor complaint redress mechanism in the securities market by making the process more efficient. The old version has now been discontinued, and the new version includes, *inter alia*, the following key features:

- 7 Reduced and uniform timelines for redressal of complaints across the securities market, i.e., 21 calendar



days from date of receipt of complaint, and monitoring of complaints by designated bodies;

- ▮ Introduction of auto-routing of complaints to the concerned regulated entity to eliminate time lapses and auto-escalation of complaint to the next level, in case of non-adherence to prescribed timelines by a relevant designated body;
- ▮ Provision of two levels of review if an investor is dissatisfied with the resolution of the complaint, which

includes a first review by the designated body and a second review by SEBI in case the investor is still dissatisfied; and

- ▮ Integration with KYC Registration Agency database for easy registration of an investor on SCORES 2.0.

(SEBI Press Release No. 06/2024 dated April 1, 2024)

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