

Info Capsule

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भारतीय कम्पनी सचिव संस्थान

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SEBI BOARD MEETING¹

The SEBI Board met in New Delhi on March 01, 2019 and took the following decisions:

I. Amendments to SEBI (Infrastructure Investment Trusts) Regulations, 2014 and the SEBI (Real Estate Investment Trusts) Regulations, 2014

The Board considered and approved the following Amendments to SEBI (Infrastructure Investment Trusts) Regulations, 2014 and the SEBI (Real Estate Investment Trusts) Regulations, 2014:

1. The minimum allotment and trading lot for publicly issued InvITs and REITs shall be in following manner:

- a. Allotment by REIT/InvIT shall be made in the multiples of a lot, each consisting of 100 units.
- b. Value of such allotment lot for InvITs shall be Rs one lakh and for REITs shall be Rs fifty thousand.
- c. After listing trading will be in multiple of one lot.

2. The leverage limit for InvITs increased from existing 49% to 70% of InvIT assets. The enhanced limit shall be subject to certain additional disclosure and compliance requirements, such as,

- a. The consolidated debt of the InvIT and the project debt, have a credit rating of AAA or equivalent from a rating agency registered with the Board;
- b. The InvIT has a minimum track record of 6 distributions on a continuous basis, post listing, in the years just preceding to the Financial Year in which the enhanced borrowings are proposed to be made.

3. A separate framework for privately placed unlisted InvITs, which provide sufficient flexibility to both issuers and investors shall be created. These include, inter alia the following:

- a. The minimum number of investors shall be as determined by the issuer including the maximum holding of units by a single investor;
- b. Leverage shall be as determined by the issuer after consultation with investor(s);
- c. The underlying assets can be completed, under construction or both;
- d. The minimum investment by an investor shall not be less than Rs 1 crore.

II. Framework for Innovators Growth Platform

The Board, in its last meeting held on December 12, 2018, approved, in principle the proposals for the amendments to the Regulations pertaining to the Institutional Trading Platform (“ITP”) in the SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2018 (“ICDR Regulations”). One of the aforesaid

¹ Available at: https://www.sebi.gov.in/media/press-releases/mar-2019/sebi-board-meeting_42260.html

proposals pertains to Accredited Investors (“AIs”) for the purpose of the Innovators Growth Platform (“IGP”).

The Board has now approved the framework for the process of accreditation of investors for the purpose of IGP. Under the framework, the investor, having a demat account with a Depository, will make an application to the Stock Exchanges/Depositories in the manner prescribed by them for recognition as an AI. The Exchanges/ Depositories will grant accreditation to investors subject to their eligibility, which shall be valid for a period of three years.

III. Corporate Debt Restructuring

The Board approved that, in the context of corporate debt restructuring, exemptions from applicability of conditions for preferential issue provided in SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (“ICDR Regulations) and from the obligation of making an open offer provided in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (“Takeover Regulations”) will be restricted to all scheduled commercial banks (excluding Regional Rural Banks) and all India Financial Institutions for acquisitions in their ordinary course of business. Such exemptions will not be available for acquisition of shares by persons other than aforesaid lenders by way of allotment by the Target Company or purchase from lenders. The Board also noted that relevant exemptions including open offer obligations are available under the aforesaid SEBI Regulations for acquisition pursuant to a resolution plan approved under Insolvency and Bankruptcy Code.

Further, Takeover Regulations provide for exemption from open offer for any acquisition pursuant to a scheme of arrangement / reconstruction pursuant to an order of a court or a tribunal or a competent authority under any law or regulation, Indian or foreign. The Board has approved that the reference to approval by “Competent Authority” in the Takeover Regulations shall be deleted.

IV. Valuation of money market and debt securities by Mutual Funds

1. The Board after deliberation approved, inter-alia, the following proposals to make the existing valuation practices more reflective of the realizable value of money market and debt securities with residual maturity up to 60 days:
 - a. The residual maturity limit for amortization based valuation by Mutual Funds shall be reduced from existing 60 days to 30 days.
 - b. The threshold maintained between reference price and valuation price shall be $\pm 0.025\%$. Further, reference price shall be taken as security level price given by the valuation agencies.
1. Further, the Board also approved inter-alia the following proposals to bring uniformity and consistency across the Mutual Fund industry on valuation of money market and debt securities rated below investment grade:
 - a. The valuation agencies appointed by Association of Mutual Funds in India (AMFI) may provide valuation of money market and debt securities rated below investment grade.
 - b. As Asset Management Companies are responsible for fair valuation, they may deviate from the valuation provided by the valuation agencies subject to recording of detailed rationale for such deviations, appropriate reporting to the Board of AMC and Trustees and appropriate disclosures to investors.

V. Participation of Institutional Investors in Commodity Derivatives Markets in India

The Board deliberated and approved the proposal contained in the memorandum to enable participation by Mutual Funds and Portfolio Managers in Exchange Traded Commodity Derivatives in India subject to certain safeguards. Further, Category–III Alternative Investment Funds which are already permitted to participate in Commodity derivatives, have now been permitted to deal with goods received in delivery against physical settlement of such contracts, if any.

VI. Amendments to SEBI (Debenture Trustee) Regulations, 1993, SEBI (Issue and Listing of Debt Securities) Regulations, 2008 and SEBI (Listing Obligations and Disclosure Requirements), 2015

In order to secure the interests of the debenture holders and to enable Debenture Trustees (DTs) to perform their duties effectively and promptly, SEBI Board has approved amendments to the regulatory framework for DTs, which, inter-alia, include the following:

1. The minimum net worth requirement of a DT shall be increased from existing Rs.2 crore to Rs.10 crore.
2. The requirement of calling for a meeting of debenture holders in the event of default in payment obligation by issuer in case of public issue of debt securities shall not be obligatory.
3. E –Voting shall be a valid option for DTs to obtain consent of the debenture holders wherever applicable.
4. In case of delay in creation of charge in favour of DT within the specified period, the issuer shall pay additional interest as specified in the Trust Deed and disclosed in the Offer Document to the debenture holders for the period of delay in creation of charge.
5. In case of issuers having both listed equity and debt securities, the certificate from the DT as per the requirement of Reg.52 (5) of LODR shall be submitted to the stock exchange(s) by the issuer within 7 working days from the date of submission of financial results to the stock exchange(s).

VII. Permitting permanent registration to Custodians

The Board approved the proposal to amend the SEBI (Custodian) Regulations, 1996 to grant permanent registration to custodians instead of periodical renewal every three years. This will facilitate ease of doing business for the custodians.

VIII. Revision of SEBI's fee structure

SEBI has been following the practice of calibrating the fees either upwards or downwards from time to time so as to keep a balance between the transaction cost on Securities market and the financial resources required to ensure regulatory efficiency. Keeping this objective in mind and taking into consideration the projected income and expenditure of SEBI for the next 3 financial years, the Board has decided to revise the fee structure w.e.f. April 01, 2019, in respect of certain market participants, which are as under:-

1. The fees payable by brokers has been reduced by 33.33%, i.e. from Rs.15/-per crore of transactions to Rs.10/-per crore of transactions.
2. The fees payable by brokers for Agri-Commodity derivatives transactions has been reduced by 93.33%, i.e. from Rs.15/-per crore of transactions to Rs.1/-per crore of transactions.
3. It has been decided to reduce the fees payable by the issuers for one refiling of offer documents by 50% from the current levels, if the refiling is done within one year of validity of observation letter.
4. In order to rationalize the regulatory fee rate payable by the stock exchanges, it has been decided to reduce this fee rate by 80% from the current Rs. 1 cr plus Rs. 6/-per crore for the turnover in excess of Rs. 10 Lac crore to Rs. 1 cr. Plus Rs. 1.20/-per crore for the turnover in excess of Rs. 10 Lac crore without any upper ceiling.