The SEBI Board met today and took the following important decisions:

I. Amendments to the provisions relating to prudential limits for sectoral exposure in debt oriented mutual fund schemes

Considering the important role played by Housing Finance Companies (HFCs) in fulfilling the social objective of increased home ownership and supporting the economy by creating demand for construction of new homes, it has been decided that an additional exposure to financial services sector (over and above the existing 30%) not exceeding 10% of the net assets of the scheme in debt oriented mutual fund schemes will be allowed by way of increase in exposure to HFCs only, subject to the condition that such securities issued by HFCs are rated AA and above and these HFCs are registered with National Housing Bank (NHB). However, the total investment in HFCs cannot exceed 30% of the net assets of the scheme.

II. Review of the Debt Limit Allocation Mechanism for FIIs

Regarding the review of the debt limit allocation mechanism for FIIs, the Board took note of the following:

(i) With effect from January 01, 2014, the FIIs shall be allowed to re-invest during the calendar year to the extent of 50% of their debt holdings at the end of the previous calendar year.

(ii) The utilization period for Government Debt and Corporate Debt limits will be reduced to 30 days and 60 days respectively.

(iii) In the FII Debt limit, the unutilised limit in respect of Corporate Debt infra long term bonds category may be availed by the FIIs/Sub Accounts without obtaining prior SEBI approval till the overall FII investments reaches 90% of the limit, after which the auction mechanism shall be initiated for allocation of remaining limits.

III. Suggestions to rationalise/ harmonise different routes for Foreign Portfolio Investments such as FII, FVCI, NRI, QFI etc.

With a view to rationalise/ harmonise different routes for foreign portfolio investments, SEBI will prepare a draft guideline based on the guidance of the Working Group on Foreign Investment in India (WGFII), for consideration of the Government so that uniform guidelines are made for various categories of investors such as FII, FVCI, NRI, QFI etc.

IV. Expansion of asset classes which can be held in demat form
(i) There have been demands for dematerialization of assets/records other than securities, such as, Warehouse receipts, Fixed Deposits with banks and corporates, Insurance Policies, Investment products of Post Office, etc.

(ii) Under Regulation 7(c) of SEBI (Depositories & Participants) Regulations, depositories are permitted to take up activities assigned by the Central Government or by a regulator in the financial sector, through the establishment of a Strategic Business Unit (SBU). The Board approved proposal to amend the SEBI (Depositories & Participants) Regulations to enable depository to share the necessary information/data with its SBU with respect to the assets/instruments held by them for the purpose of generation of consolidated statement. This will enable the investor to view the details of his holdings and transactions across all asset classes through a single consolidated statement.

V. Minimum Public Shareholding under Securities Contracts (Regulation) Rules, 1957 (SCRR)

With respect to minimum public shareholding requirements, the Board has decided as under:-

(i) In order to ensure compliance with rule 19A of SCRR within the specified timelines by listed entities, SEBI would initiate a process with the market participants to elicit a concrete plan of action and resolve issues, if any. Stock exchanges shall carefully monitor adherence and take steps to issue advisories to shareholders of non-compliant companies about potential penal actions, so that investors have adequate time to safeguard their interests.

(ii) With a view to address the concerns of the industry, it has been decided to clarify that for the purpose of compliance with rule 19A of SCRR, public shareholding would be computed as “shares held by public” as a percentage of “total number of shares held by promoters, promoter group and public” i.e. B/A+B (where, A = Promoter/promoter group shareholding, B = Public shareholding). Capital issued outside India is neither included in the numerator nor in the denominator.

VI. Capital raising by loss making listed entities

The Board in its meeting held on August 16, 2012 reviewed the eligibility norms for IPOs. It is clarified that listed entities coming out with Further Public Offers (FPOs) need not meet the profitability criteria stated in regulation 26(1) of SEBI (ICDR) Regulations, 2009 and listed entities shall continue to be guided by the provisions of regulation 27 of the said regulations.

VII. Providing powers to Depositories to take action over Issuers

(i) The SEBI (Depositories and Participants) Regulations, 1996 (D&P Regulations) lay down various obligations on the part of Issuers or their agents such as entering into agreement with the Depositories, carrying out reconciliation of share capital, carrying out timely dematerialization of shares, maintaining proper records etc. It has been seen in the past that there are instances of non compliance such as lack of reconciliation of issued or listed capital and actual share capital by the Issuer company and its appointed RTA.

(ii) In order to enable appropriate action by SEBI in such cases (currently possible under the Depositories Act), the Board approved proposal to suitably amend the D&P Regulations to enable SEBI to take appropriate action against non-compliant issuers or their agents under the D&P Regulations and to empower Depositories to take appropriate action against such issuer or agent as per their Bye-laws.

Mumbai

October 06, 2012