



**THE INSTITUTE OF
Company Secretaries of India**
भारतीय कम्पनी सचिव संस्थान
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SUPPLEMENT EXECUTIVE PROGRAMME

for

June, 2023 Examination

Securities Laws and Capital Markets

MODULE 2, PAPER 6

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Students appearing in Examination shall note the following:

Students appearing in June, 2023 Examination should also update themselves on all the relevant Notifications, Circulars, Clarifications, Orders etc. issued by MCA, SEBI, RBI & Central Government upto 30th November, 2022.

The students are advised to acquaint themselves with the monthly and Regulatory updates published by the Institute.

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LESSON 1
SECURITIES CONTRACTS (REGULATION) ACT, 1956

(1) Declaration of zero coupon zero principal instruments as securities under the Securities Contracts (Regulation) Act, 1956

(Ministry of Finance Notification No. S.O. 3210(E) dated July 15, 2022)

In exercise of the powers conferred by sub-clause (iia) of clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956, the Central Government declares “zero coupon zero principal instruments” as securities for the purposes of the said Act.

“Zero coupon zero principal instrument” means an instrument issued by a Not for Profit Organisation which shall be registered with Social Stock Exchange segment of a recognised Stock Exchange in accordance with the regulations made by the Securities and Exchange Board of India.

For details: https://www.sebi.gov.in/legal/gazette-notification/jul-2022/declaration-of-zero-coupon-zero-principal-instruments-as-securities-under-the-securities-contracts-regulation-act-1956_60875.html

LESSON 4
AN OVERVIEW OF SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2018

(1) SEBI (Issue of Capital and Disclosure Requirements) (Third Amendment) Regulations, 2022 (Notification No. SEBI/LAD-NRO/GN/2022/90 dated July 25, 2022)

SEBI vide its notification dated July 25, 2022, has amended the provisions of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, which shall come into force on the date of their publication in the Official Gazette.

Vide this notification SEBI has prescribed the framework for Social Stock Exchange and inserted a separate Chapter X-A under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.

Meaning of Social Stock Exchange:

Social Stock Exchange means a separate segment of a recognized stock exchange having nationwide trading terminals permitted to register Not for Profit Organizations and / or list the securities issued by Not for Profit Organizations in accordance with provisions of these regulations.

Applicability of the Chapter:

The provisions of the above mentioned Chapter shall apply to

- a Not for Profit Organization seeking to only get registered with a Social Stock Exchange;
- a Not for Profit Organization seeking to get registered and raise funds through a Social Stock Exchange; and
- a For Profit Social Enterprise seeking to be identified as a Social Enterprise under the provisions of this Chapter.

Access to Social Stock Exchange: A Social Stock Exchange shall be accessible only to institutional investors and non-institutional investors. However, SEBI may permit other class(es) of investors, as it deems fit, for the purpose of accessing Social Stock Exchange.

Social Stock Exchange Governing Council: Every Social Stock Exchange shall constitute a Social Stock Exchange Governing Council to have an oversight on its functioning. The composition and terms of reference for such Governing Council shall be specified by the SEBI from time to time. (Specified by SEBI vide its Circular No. SEBI/HO/MRD/MRD-RAC-2/P/CIR/2022/141 dated October 13, 2022)

Eligibility conditions for being identified as a Social Enterprise:

- A Not for Profit Organization or a For Profit Social Enterprise, to be identified as a Social Enterprise, shall establish primacy of its social intent.

- In order to establish the primacy of its social intent, such Social Enterprise shall meet the prescribed eligibility criteria and shall be indulged in at least one of the activities such as eradicating hunger, poverty, malnutrition and inequality; promoting health care including mental healthcare, sanitation and making available safe drinking water; promoting education, employability and livelihoods; protection of national heritage, art and culture etc.

Requirements relating to registration for a Not for Profit Organization:

- A Not for Profit Organization shall mandatorily seek registration with a Social Stock Exchange before it raises funds through a Social Stock Exchange. Provided that a Not for Profit Organization may choose to register on a Social Stock Exchange and not raise funds through it.
- The minimum requirements for registration of a Not for Profit Organization on a Social Stock Exchange shall be specified by the SEBI from time to time.
- The Social Stock Exchange may specify the eligibility requirements for registration of a Not for Profit Organization in addition to the minimum requirements specified by the SEBI.

Fund raising by Social Enterprises:

A Not for Profit Organization may raise funds on a Social Stock Exchange through:

- issuance of Zero Coupon Zero Principal Instruments to institutional investors and/or non-institutional investors in accordance with the applicable provisions of this Chapter;
- donations through Mutual Fund schemes as specified by the SEBI;
- any other means as specified by the SEBI from time to time.

A For Profit Social Enterprise may raise funds through:

- issuance of equity shares on the main board, SME platform or innovators growth platform or equity shares issued to an Alternative Investment Fund including a Social Impact Fund;
- issuance of debt securities;
- any other means as specified by the SEBI from time to time

Framework on Social Stock Exchange (“SSE”)

SEBI vide its circular No. SEBI/HO/CFD/PoD-1/P/ CIR/2022/120 dated September 19, 2022 has issued a detailed framework for social stock exchange, specifying minimum requirements for a Not-for-Profit Organisation (NPO) for registering with the Stock exchange and disclosure requirements. This circular has specified minimum requirements to be met by a NPO for registration with SSE, disclosure requirement for NPOs raising funds through the issuance of zero-coupon zero principal instruments and put in place annual disclosure requirements that needs to be made by NPOs on SSE.

Governing Council for Social Stock Exchange

SEBI vide its Circular No. SEBI/HO/MRD/MRD-RAC-2/P/CIR/2022/141 dated October 13, 2022 has prescribed a framework for governing council of the Social Stock Exchange (SSE). Every SSE is required to constitute a Social Stock Exchange Governing Council (SGC) which will

have an oversight on the functioning of the Board. The SGC shall comprise of individuals with relevant experience who can contribute to the development of the Social Stock Exchange. SGC will have a minimum of 7 members having representation from non-profit organisations, Stock exchange, Social impact investors, Philanthropic and social sectors, Information Repositories, Social Audit Profession and Capacity Building Fund. The same shall be supported by the administrative staff from SSE. The SGC is expected to provide oversight and guidance to facilitate the smooth functioning of the operations of the Social Stock Exchange, with regard to registration, fund raising and disclosures by Social Enterprises.

For details: https://www.sebi.gov.in/legal/regulations/jul-2022/securities-and-exchange-board-of-india-issue-of-capital-and-disclosure-requirements-third-amendment-regulations-2022_61171.html

https://www.sebi.gov.in/legal/circulars/sep-2022/framework-on-social-stock-exchange_63053.html

**(2) SEBI (Issue of Capital and Disclosure Requirements) (Fourth Amendment) Regulations, 2022
(Notification No. SEBI/LAD-NRO/GN/2022/107 dated November 21, 2022)**

SEBI on November 21, 2022, has notified the SEBI (Issue of Capital and Disclosure Requirements) (Fourth Amendment) Regulations, 2022 which shall come into force on the date of their publication in the Official Gazette. Vide this Notification, the following has been amended-

- In regulation 25(1) the words “with the concerned regional office of the Board (SEBI) under the jurisdiction of which the registered office of the issuer company is located” shall be substituted with the words “with the Board (SEBI)” with reference to filing of draft offer document and offer document.
- New Chapter IIA “Initial public offer on the main board through the pre-filing of the draft offer document” has been inserted.

For details: https://www.sebi.gov.in/legal/regulations/nov-2022/securities-and-exchange-board-of-india-issue-of-capital-and-disclosure-requirements-fourth-amendment-regulations-2022_65407.html

LESSON 5
AN OVERVIEW OF SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

(1) SEBI (Listing Obligations and Disclosure Requirements) (Fifth Amendment) Regulations, 2022

(Notification No. SEBI/LAD-NRO/GN/2022/88 dated July 25, 2022)

SEBI vide its notification dated July 25, 2022, has amended the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, which shall come into force on the date of their publication in the Official Gazette.

Vide this notification SEBI has inserted “Zero Coupon Zero Principal Instruments” in the definition of Designated Securities and notified a new chapter IX-A which deals with Obligations of Social Enterprises.

Applicability:

The provisions of the Chapter IX-A shall apply to a “For Profit Social Enterprise” whose designated securities are listed on the applicable segment of the Stock Exchange(s) and a “Not for Profit Organizations” that is registered on the Social Stock Exchange(s).

Disclosures by a For Profit Social Enterprise and Not for Profit Organization:

A For Profit Social Enterprise whose designated securities are listed on the Stock Exchange(s) shall comply with the disclosure requirements contained in these regulations with respect to issuers whose specified securities are listed on the Main Board or the SME Exchange or the Innovators Growth Platform, as the case may be.

A Not for Profit Organization registered on the Social Stock Exchange(s), including a Not for Profit Organization whose designated securities are listed on the Social Stock Exchange(s), shall be required to make annual disclosures to the Social Stock Exchange on matters specified by the SEBI, within 60 days from the end of the financial year or within such period as may be specified by the SEBI.

Intimations and disclosures by Social Enterprise of events or information to Social Stock Exchange(s) or Stock Exchange(s):

- A Social Enterprise whose designated securities are listed on the Social Stock Exchange(s) or the Stock Exchange(s), as the case may be, shall frame a policy for determination of materiality, duly approved by its board or management, as the case may be, which shall be disclosed on the Social Stock Exchange(s) or the Stock Exchange(s).
- The board and management of the Social Enterprise shall authorize one or more of its Key Managerial Personnel for the purpose of determining materiality of an event or information and for the purpose of making disclosures to the Social Stock Exchange(s) or the Stock

Exchange(s), as the case may be, under this regulation and the contact details of such personnel shall also be disclosed to the Social Stock Exchange(s) or the Stock Exchange(s).

- A Social Enterprise whose designated securities are listed on the Social Stock Exchange(s) or the Stock Exchange(s), as the case may be, shall disclose to the Social Stock Exchange(s) or the Stock Exchange(s) where it is registered or has listed its specified securities, as the case may be, any event that may have a material impact on the planned achievement of outputs or outcomes.
- The disclosure shall be made as soon as reasonably possible but not later than seven days or within such period as may be specified by the Board, from the occurrence of the event and shall comprise details of the event including the potential impact of the event and the steps being taken by the Social Enterprise to address the same.
- The Social Enterprise shall provide updates on a regular basis along with relevant explanations in respect of the disclosures required in sub-regulation (3) till the time the concerned event remains material.
- The Social Enterprise shall provide specific and adequate reply to all queries raised by the Social Stock Exchange(s) or the Stock Exchange(s), as the case may be, with respect to any events or information. However, the Social Stock Exchange(s) or the Stock Exchange(s), as the case may be, shall disseminate the information and clarification as soon as reasonably practicable.
- The Social Enterprise may suo moto confirm or deny any reported event or information to Social Stock Exchange(s) or the Stock Exchange(s), as the case may be.
- The Social Enterprise shall disclose on its website all such events or information which have been disclosed to the Social Stock Exchange(s) or the Stock Exchange(s), as the case may be, under this regulation.

Disclosures by a Social Enterprise in respect of social impact:

A Social Enterprise, which is either registered with or has raised funds through a Social Stock Exchange or a Stock Exchange, as the case may be, shall be required to submit an annual impact report to the Social Stock Exchange or the Stock Exchange in the format specified by the SEBI from time to time. The annual impact report shall be audited by a Social Audit Firm employing Social Auditor. The Social Stock Exchange(s) may specify parameters, in addition to those specified by the SEBI, which shall be required to be disclosed by a Social Enterprise on an annual basis.

Statement of utilisation of funds:

A listed Not for Profit Organization shall submit to the Social Stock Exchange(s) the following statement in respect of utilisation of the funds raised, on a quarterly basis:-

- (a) category-wise amount of monies raised;

(b) category-wise amount of monies utilised;

(c) balance amount remaining unutilised.

The unutilised amount shall be kept in a separate bank account and shall not be co-mingled with other funds. The statement required shall be given till the time the issue proceeds have been fully utilised or the purpose for which they were raised, has been achieved.

For details: https://www.sebi.gov.in/legal/regulations/jul-2022/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-fifth-amendment-regulations-2022_61169.html

(2) SEBI (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2022 (Notification No. SEBI/LAD-NRO/GN/2022/103 dated November 14, 2022)

The SEBI on November 14, 2022, notified the SEBI (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2022 which shall come into force on the date of their publication in the Official Gazette. The following amendments have been made under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015: –

(1) In Regulation 25 pertaining to “Obligations with respect to Independent Directors”, in sub-regulation (2A), the following provisos have been inserted, namely, -

“Provided that where a special resolution for the appointment of an independent director fails to get the requisite majority of votes but the votes cast in favour of the resolution exceed the votes cast against the resolution and the votes cast by the public shareholders in favour of the resolution exceed the votes cast against the resolution, then the appointment of such an independent director shall be deemed to have been made under sub-regulation (2A):

Provided further that an independent director appointed under the first proviso shall be removed only if the votes cast in favour of the resolution proposing the removal exceed the votes cast against the resolution and the votes cast by the public shareholders in favour of the resolution exceed the votes cast against the resolution.”

(2) In Regulation 32, in sub-regulation (6) and in sub-regulation (7), the words “public or rights issue” have been substituted with the words “public issue or rights issue or preferential issue or qualified institutions placement”.

According to the amendment in Regulation 32, listed entities are mandated to submit a quarterly statement of deviation(s) or variation(s) to stock exchanges indicating if they have deviated or varied in using the proceeds from issue of the object stated for the issue, till the complete use of fund from proceed. Earlier to the amendment this statement had to be submitted for public, rights and preferential issues. With the amendment, SEBI had broadened the scope of disclosure and submission of such statement even in funds raised from Qualified Institutional Placements.

For details: https://www.sebi.gov.in/legal/regulations/nov-2022/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-sixth-amendment-regulations-2022_65048.html

LESSON 6

AN OVERVIEW OF SEBI (SUBSTANTIAL ACQUISITION OF SHARES AND TAKEOVERS) REGULATIONS, 2011

(1) **SEBI (Substantial Acquisition of Shares and Takeovers) (Amendment) Regulations, 2022 (Notification No. SEBI/LAD-NRO/GN/2022/98 dated November 09, 2022)**

SEBI on November 09, 2022, notified the SEBI (Substantial Acquisition of Shares and Takeovers) (Amendment) Regulations, 2022 which shall come into force on the date of their publication in the Official Gazette. The following amendments have been made:

- I. In regulation 8 pertaining to Offer Price,
 - a) in sub-regulation (2), after clause (d), the following provisos have been inserted, namely, -
“Provided that the price determined as per clause (d) shall not apply in the case of disinvestment of a public sector undertaking by the Central Government or a State Government, as the case may be:

Provided further that this proviso shall apply only in case of a change in control in the public sector undertaking.”
 - b) in sub-regulation (3), in clause (e), after the words “frequently traded;” and before the word “and” the following provisos shall be inserted, namely, -
“Provided that the price determined as per clause (e) shall not apply in the case of disinvestment of a public sector undertaking by the Central Government or a State Government, as the case may be:

Provided further that this proviso shall apply only in case of a change in control in the public sector undertaking;”
- II. In regulation 22 pertaining to Completion of acquisition,
 - a) in sub-regulation (2), after the word “cash” and before the words “of an amount” the words and symbol “or providing unconditional and irrevocable bank guarantee issued in favour of the manager to the open offer by any scheduled commercial bank, subject to the approval of the Reserve Bank of India,” shall be inserted.

Brief Analysis:

Vide this notifications, the SEBI dispensed with requirement of calculating 60 days’ volume-weighted average market price (“VWAMP”) for determination of open offer price in case of disinvestment of Public Sector Undertaking (PSU) Companies (“Target company”), wherein it results in its change in control, either by way of direct acquisition or indirect acquisition.

For details: <https://egazette.nic.in/WriteReadData/2022/240148.pdf>

LESSON 11

SEBI (PROHIBITION OF INSIDER TRADING) REGULATIONS, 2015

- (1) **Trading Window closure period under Clause 4 of Schedule B read with Regulation 9 of SEBI (Prohibition of Insider Trading) Regulations, 2015 (“PIT Regulations”) – Framework for restricting trading by Designated Persons (“DPs”) by freezing PAN at security level (Circular No. SEBI/HO/ISD/ISD-SEC4/P/CIR/2022/107 dated August 05, 2022)**

Background:

Clause 4 (1) of Schedule B read with Regulation 9 of SEBI (Prohibition of Insider Trading) Regulations, 2015 (PIT Regulations), inter-alia, states that “Designated persons may execute trades subject to compliance with these regulations. Towards this end, a notional trading window shall be used as an instrument of monitoring trading by the designated persons. The trading window shall be closed when the compliance officer determines that a designated person or class of designated persons can reasonably be expected to have possession of unpublished price sensitive information (“UPSI”). Such closure shall be imposed in relation to such securities to which such UPSI relates. Designated persons and their immediate relatives shall not trade in securities when the trading window is closed”.

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.....”.

Brief of the Circular:

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, it has been provided that Stock Exchanges and Depositories shall develop a system to restrict trading by DPs of listed company during trading window closure period.

To begin with, the provisions of this 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 this circular. Further, to begin with, 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.

The procedure for implementation of the system is enclosed at Annexure- A. The flow chart of the same is enclosed at Annexure - B. This circular shall come into force with effect from the quarter ending September 30, 2022.

For details: <https://www.sebi.gov.in/legal/circulars/aug-2022/trading-window-closure-period-under-clause-4-of-schedule-b-read-with-regulation-9-of-sebi-prohibition-of-insider-trading-regulations-2015-framework-for-restricting-trading-by-designated-persons-b-61781.html>

**(2) SEBI (Prohibition of Insider Trading) (Amendment) Regulations, 2022
(Notification No. SEBI/LAD-NRO/GN/2022/108 dated 24th November, 2022)**

SEBI has notified the SEBI (Prohibition of Insider Trading) (Amendment) Regulations, 2022 to further amend the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015. They shall come into force on such date as the Board may by notification in the Official Gazette, appoint.

The following has been amended namely: -

1. Chapter II A has been inserted which states “Restrictions on Communication in Relation to and Trading by Insiders in the Units of Mutual Funds” and shall be applicable to the following namely-

Applicability of the Chapter II A:

- The provisions of this Chapter shall apply only in relation to the units of a mutual fund.
- All the provisions of Chapters IIIA and V shall also apply in relation to the units of a mutual fund.

Communication or procurement of unpublished price sensitive information and maintenance of a structured digital data base:

- No insider shall communicate, provide, or allow access to any unpublished price sensitive information to any person including other insiders except where such communication is in furtherance of legitimate purposes, performance of duties or discharge of legal obligations. [Regulation 5C(1)]
- No person shall procure from or cause the communication by any insider of unpublished price sensitive information, except in furtherance of legitimate purposes, performance of duties or discharge of legal obligations. [Regulation 5C(2)]
- The board of directors of an asset management company with the approval of the Trustees shall make a policy for determination of “legitimate purposes”. [Regulation 5C(3)]
- Any person in receipt of unpublished price sensitive information pursuant to a “legitimate purpose” shall be considered an “insider” for purposes of this chapter and due notice shall be given to such persons to maintain confidentiality of such unpublished price sensitive information in compliance with these regulations. [Regulation 5C(4)]
- The board of directors or head(s) of the organisation of every person required to handle unpublished price sensitive information shall ensure that a structured digital database is maintained containing the nature of unpublished price sensitive information and the names of such persons who have shared the information and also the names of such persons with whom information is shared under this regulation along with the Permanent Account Number or any other identifier authorized by law where Permanent Account Number is not available. Such database shall not be outsourced and shall be maintained internally with adequate internal controls and checks such as time stamping and audit trails to ensure non-tampering of the database. [Regulation 5C(6)]

Trading when in possession of unpublished price sensitive information:

No insider shall trade in the units of a scheme of a mutual fund, when in possession of unpublished price sensitive information, which may have a material impact on the net asset value of a scheme or may have a material impact on the interest of the unit holders of the scheme. [Regulation 5D (1)]

Disclosures by certain persons:

- An asset management company shall, on such date as may be specified by the Board and on a quarterly basis thereafter, disclose the details of holdings in the units of its mutual fund schemes, on an aggregated basis, held by the Designated Persons of asset management company, trustees and their immediate relatives on the platform of Stock Exchanges or in any other manner as may be specified by the Board. [Regulation 5E (1)]
- Details of all the transactions in the units of its own mutual funds, above such thresholds as may be specified by the Board, executed by the Designated Persons of asset management company, trustees and their immediate relatives shall be reported by the concerned person to the Compliance Officer of asset management company within two business days from the date of transaction. [Regulation 5E (2)]

Code of Conduct:

- The board of directors of every asset management company shall ensure that the chief executive officer or managing director shall formulate a code of conduct with their approval to regulate, monitor and report dealings in mutual fund units by the Designated Persons and immediate relatives of the Designated Persons towards achieving compliance with these regulations and , adopting the minimum standards set out in Schedule B1 to these regulations, without diluting the provisions of these regulations in any manner. [Regulation 5F (1)]
- The board of directors or head(s) of the organisation, of every other person who is required to handle unpublished price sensitive information relating to a mutual fund scheme or its units in the course of business operations shall formulate a code of conduct to regulate, monitor and report trading by their Designated Persons and immediate relative of Designated Persons towards achieving compliance with these regulations, adopting the minimum standards set out in Schedule C to these regulations, without diluting the provisions of these regulations in any manner. [Regulation 5F (2)]

Designated Person:

The board of directors of the asset management company and trustees shall in consultation with the compliance officer specify the Designated Persons to be covered by the code of conduct on the basis of their role and function in the organisation and the access that such role and function would provide to unpublished price sensitive information in addition to seniority and professional designation and shall include:

- i. Head of the asset management company (designated as Chief Executive Officer/Managing Director/President or by any other name),
 - ii. Directors of the asset management company or the trustee company,
 - iii. Chief Investment Officer, Chief Risk Officer, Chief Operation Officer, Chief Information Security Officer, Fund Managers, Dealers, Research Analysts, all employees in the Fund Operations Department, Compliance Officer and Heads of all divisions and/or departments or any other employee as designated by the asset management company and/or trustees.
2. Schedule B1 which states “Minimum Standards of Code of Conduct for Mutual Funds to regulate, monitor and report trading by the Designated Persons in the units of own mutual fund schemes” has been inserted after Schedule B.
 3. In Schedule C which states “Minimum Standards for Code of Conduct for Intermediaries and Fiduciaries to Regulate, Monitor and Reports Trading by Designated Persons”, Clause 11A has been inserted namely: -

“In case of dealing in the units of mutual funds, the code of conduct shall specify that in case it is observed by the intermediary or fiduciary required to formulate a code of conduct under sub-regulation (2) of regulation 5F, that there has been a violation of these regulations, such intermediary or fiduciary shall promptly inform the same to the stock exchange(s) in such form and such manner as may be specified by the Board from time to time”

For details: https://www.sebi.gov.in/legal/regulations/nov-2022/securities-and-exchange-board-of-india-prohibition-of-insider-trading-amendment-regulations-2022_65437.html

LESSON 12

MUTUAL FUNDS

(1) SEBI (Mutual Funds) (Second Amendment) Regulations, 2022
(Notification No. SEBI/LAD-NRO/GN/2022/92 dated August 03, 2022)

SEBI has notified the SEBI (Mutual Funds) (Second Amendment) Regulations, 2022 to further amend the SEBI (Mutual Funds) Regulations, 1996. They shall come into force on the thirtieth day from the date of their publication in the Official Gazette.

In the SEBI (Mutual Funds) Regulations, 1996, after sub-clause (iii) of clause (c) of Regulation 2 providing definition of 'Associate', the following proviso has been inserted:

“Provided that the above definition of associate shall not be applicable to such sponsors, which invest in various companies on behalf of the beneficiaries of insurance policies or such other schemes as may be specified by the Board from time to time.”

For details: https://www.sebi.gov.in/legal/regulations/aug-2022/securities-and-exchange-board-of-india-mutual-funds-second-amendment-regulations-2022_61565.html

(2) SEBI (Mutual Funds) (Third Amendment) Regulations, 2022
(Notification No. SEBI/LAD-NRO/GN/2022/106 dated November 15, 2022)

SEBI has notified the SEBI (Mutual Funds) (Fourth Amendment) Regulations, 2022 to further amend the SEBI (Mutual Funds) Regulations, 1996. They shall come into force on the sixtieth day from the date of publication of these regulations in the Official Gazette.

In the SEBI (Mutual Funds) Regulations, 1996, Regulation 53 pertaining to “Despatch of warrants and proceeds”, the following has been substituted, namely:

Transfer of dividend and redemption proceeds

Every mutual fund and asset management company shall,

(a) transfer to the unitholders the dividend payments within such period as may be specified by the Board from time to time;

(b) transfer to the unitholders the redemption or repurchase proceeds within such period as may be specified by the Board from time to time;

(c) in the event of failure to transfer the redemption or repurchase proceeds or dividend payments within the period specified in clauses (a) and (b), the asset management company shall be liable to pay interest to the unitholders at such rate as may be specified by the Board for the period of such delay;

(d) notwithstanding payment of such interest to the unit-holders under clause (c), the asset management company may be liable for action for failure to transfer the redemption or repurchase proceeds or dividend payments within the stipulated time:

Provided that physical despatch of redemption or repurchase proceeds or dividend payments shall be carried out only in exceptional circumstances and asset management companies shall be required to maintain records along with reasons for all such physical despatches.

For details: https://www.sebi.gov.in/legal/regulations/nov-2022/securities-and-exchange-board-of-india-mutual-funds-third-amendment-regulations-2022_65163.html

LESSON 14

RESOLUTION OF COMPLAINTS AND GUIDANCE

**(1) Master Circular on the redressal of investor grievances through the SEBI Complaints Redress System (SCORES) platform
(Circular No. SEBI/HO/OIAE/IGRD/P/CIR/2022/0150 dated November 07, 2022)**

SEBI launched a centralized web based complaints redress system 'SCORES' in June 2011. The purpose of SCORES is to provide an administrative platform for aggrieved investors, whose grievances, pertaining to the securities market, remain unresolved by the concerned listed company, registered intermediary or recognized market infrastructure institutions (MIIs). SEBI had been receiving inputs from listed companies, registered intermediaries and recognised MIIs that such investor grievances may be resolved faster if these grievances are taken up directly with the entity concerned at the first instance. Accordingly, it is now mandatory for investors to first take up their grievances for redressal with the entity concerned, through their designated persons/officials who handle issues relating to compliance and redressal of investor grievances. In case, the entity concerned fails to redress the complaint within the timeline provided herein, the investor may then file their complaint in SCORES.

The investors may contact the Investor Associations (IAs) recognized by SEBI for any assistance in filing complaints on SCORES.

Direct Complaint

The complainant may use SCORES to submit the complaint or grievance directly to the listed companies / intermediaries / MIIs for resolution. Such a complaint is called a "Direct Complaint" and shall be redressed by the entity within 30 days without any intervention of SEBI, failing which the complaint shall be registered on SCORES. Thereafter, SEBI shall take it up with the entity concerned.

Timeline for lodging complaint on SCORES

In order to enhance ease, speed and accuracy in the redressal of grievance, the complaint shall be lodged on SCORES within 1 year from the date of cause of action, where

- i. the complainant has approached the listed company or registered intermediary / MII, as the case may be, for redressal of the complaint and,
- ii. The concerned listed company or registered intermediary/ MII has rejected the complaint or,
- iii. The complainant has not received any communication from the concerned listed company or the registered intermediary / MII or,
- iv. The complainant is not satisfied with the reply received or the redressal action taken by the concerned listed company or an intermediary / MII.

SEBI reserves its right to reject a complaint lodged on SCORES, if the date of cause of action is more than one-year-old and/or the complainant has not taken up the complaint with the concerned entity prior to the said date.

One-time ‘Review’ option

To enhance investor satisfaction on complaint redressal, a one-time ‘Review’ option is also available under SCORES wherein a complainant, if not satisfied with the extent of redressal of grievance by the concerned listed company/ intermediary/ MII, opts for review of the extent of the redressal, within 15 days from the date of closure of the complaint on SCORES. Thereafter, the complaint shall be escalated to the supervising official of the dealing officer of SEBI.

Types of complaints shall not be dealt through SCORES

The following types of complaints shall not be dealt through SCORES:

- Complaints against companies which are unlisted/delisted and companies on Dissemination Board of Stock Exchanges (except complaints on valuation of securities).
- Complaints relating to cases pending in a court or subject matter of quasi-judicial proceedings, etc.
- Complaints falling under the purview of other regulatory bodies such as Reserve Bank of India, (RBI), Insurance Regulatory and Development Authority of India (IRDAI), Pension Fund Regulatory and Development Authority of India (PFRDAI), Competition Commission of India (CCI), or complaints falling under the purview of other ministries.
- iv. Complaints against a company under resolution under the relevant provisions of the Insolvency and Bankruptcy Code, 2016 (IBC).
- Complaints against the companies where the name of company is struck off from Register of Companies (RoC) or a vanishing company as published by MCA.
- Liquidated Companies or companies under liquidation.

SCORES Authentication for intermediaries and MIIs

The procedure for generation of SCORES user id and password is fully automated for all new SEBI registered intermediaries and MIIs who got registered/ recognised with / by SEBI after August 02, 2019. SCORES user id and password details shall be sent through auto-generated e-mails, upon completion of process of online grant of registration by SEBI. Stock Brokers and Depository Participants are not required to obtain SCORES authentication since complaints against these intermediaries shall continue to be routed through the platforms of the concerned Stock Exchange/ Depository.

SCORES Authentication for companies intending to list their securities on SEBI recognized stock exchanges

An online mechanism for obtaining SCORES credentials for all “companies intending to list their securities on SEBI recognized stock exchanges” was introduced on October 14, 2021. The online form can be accessed on the SCORES website www.scores.gov.in. This has been done as part of SEBI’s green initiative and to streamline the redressal of investor grievances against companies before listing. The SCORES credentials shall be sent to the e-mail id of the Compliance Officer/Dealing Officer as provided in the online form.

Complaints against listed companies can be processed by companies in-house or through its Registrar to Issue and Share Transfer Agent (RTI/STA). In case the complaints are processed

by the RTI/STA on behalf of the listed company, any failure on the part of the RTI/STA to redress the complaints or failure to update Action Taken Report (ATR) in SCORES, will be treated as failure of the listed company to furnish information to SEBI and non redressal of investor complaints by the listed company.

For details: https://www.sebi.gov.in/legal/master-circulars/nov-2022/master-circular-on-the-redressal-of-investor-grievances-through-the-sebi-complaints-redress-system-scores-platform_64742.html

LESSON 15 STRUCTURE OF CAPITAL MARKET

(1) Block Mechanism in demat account of clients undertaking sale transactions (Circular No. SEBI/HO/MIRSD/DoP/ P/CIR/2022/109 dated August 18, 2022)

Background:

SEBI, vide its circular dated July 16, 2021, introduced block mechanism in the demat account of clients undertaking sale transactions on optional basis, for ease of operations in Early Pay-in mechanism. When the client intends to make a sale transaction, shares will be blocked in the demat account of the client in favour of Clearing Corporation. If sale transaction is not executed, shares shall continue to remain in the client's demat account and will be unblocked at the end of the T day. Thus, this mechanism will do away with the movement of shares from client's demat account for early pay-in and back to client's demat account if trade is not executed.

Brief of the Circular:

SEBI vide this circular has provided that the facility of block mechanism shall be mandatory for all Early Pay-In transactions with effect from November 14, 2022.

SEBI vide its Circular No. SEBI/HO/MIRSD/DOP/P/CIR/2022/143 dated October 27, 2022 has issued a clarification on "Block Mechanism in demat account of clients undertaking sale transactions". As per the clarification the block mechanism shall not be applicable to clients having arrangements with custodians registered with SEBI for clearing and settlement of trades.

For details: https://www.sebi.gov.in/legal/circulars/aug-2022/block-mechanism-in-demat-account-of-clients-undertaking-sale-transactions_62131.html

LESSON 16

SECURITIES MARKET INTERMEDIARIES

(1) SEBI (Intermediaries) (Amendment) Regulations, 2022 (Notification No SEBI/LAD -NRO/ GN/2022/91 dated August 01, 2022)

SEBI has notified the SEBI (Intermediaries) (Amendment) Regulations, 2022 to further amend the SEBI (Intermediaries) Regulations, 2008. They shall come into force on the date of their publication in the Official Gazette. The following amendments have been made:

- In the SEBI (Intermediaries) Regulations, 2008, for the words “designated member”, wherever occurring, the words “competent authority” have been substituted.
- The definition of “competent authority” in regulation 22, clause (c) the following definition has been substituted, namely, -

“(c) “competent authority” means a Whole Time Member or an officer of the Board, not below the rank of a Chief General Manager, as may be designated for the purpose by the Board;”

- Regulation 24(1), pertaining to “Appointment of designated authority”, the following has been substituted, namely, -

“(1) The Board may approve the initiation of proceedings for any default of the nature specified in regulation 23 against any person who has been granted a certificate of registration under the Act and regulations made thereunder.”

For details: https://www.sebi.gov.in/legal/regulations/aug-2022/securities-and-exchange-board-of-india-intermediaries-amendment-regulations-2022_61681.html
