



SEBI Board Meeting

The SEBI Board met in Mumbai today and took the following decisions:

1) Listing of Stock Exchanges

The Board took note of representations received for listing of stock exchanges and considered the proposal to facilitate the same by placing certain safeguards and procedures with respect to shareholding norms, fit and proper criteria, and other issues of conflict of interest; thereby ensuring compliance with the ownership and governance norms as provided in Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012.

The Board approved the listing of stock exchanges subject to the following measures proposed towards ensuring compliance with the SECC Regulations, 2012, by a listed stock exchange:

- i. Towards maintaining of 51 percentage of shareholding of Public Category and ensuring that holding of trading members/ associates/ agents does not exceed 49 percent, a mechanism be put in place providing for approval of the listed stock exchange as and when holding of trading members/associates/agents reaches a limit of 45 percent.
- ii. Towards ensuring compliance that every shareholder be Fit & Proper, each applicant shall be required to make declaration to this effect at the time of making application during IPO/OFS. SEBI will also issue necessary procedures to ensure compliance of the provisions post listing.
- iii. The shareholding threshold of 2 percent, 5 percent or 15 percent as the case may be, shall be monitored through Depository mechanism.
- iv. In order to effectively implement the provisions of listing of its associates on listed stock exchanges, the definition of associates is being appropriately amended.
- v. Stock Exchanges shall be classified as infrastructure Company under SEBI (ICDR) Regulations, 2009.

The aforesaid measures shall, *mutatis mutandis*, apply on the listing of Depository.

2) Committee on Clearing Corporations

Based on the decision of the Board taken at its meeting held on August 24, 2015, public comments were sought on the Report of the Committee on Clearing Corporations headed by Shri. K.V. Kamath.

The Board considered the recommendations of the Committee and public comments received thereon. After deliberation, the Board broadly accepted the recommendations of the Committee relating to :

- (a) viability of introducing a single Clearing Corporation (CC) or interoperability between different CCs

The Committee had, inter alia, recommended against the idea of a single Clearing Corporation (CC) and felt that the question of interoperability of CCs can be looked into at a future date

- (b) transfer of profits every year by the recognized Stock exchanges to the fund of recognized CC

As per recommendation, the stock exchange need not transfer 25% of its profit to core SGF of CC considering the sufficient availability of SGF.

(c) transfer of profits by depositories to their Investor Protection Fund.

The Committee recommended that 5% of profit from depository operations be transferred.

In addition, the Board, while considering the suggestion regarding the nature of eligible investment instruments, approved that apart from government securities and fixed deposits, liquid schemes of debt mutual funds may also be made eligible for investment by recognized CCs and be included in their liquid assets, subject to appropriate investment limits for such investments and any other conditions as may be specified by SEBI.

3) Consultation paper for disclosure requirements for issuance and listing Green Bonds

The Board considered and approved the proposal for initiation of public consultation process for disclosure requirements for issuance and listing of Green Bonds, which are in line with the requirements as provided in Green Bond Principles as recommended by International Capital Market Association (ICMA).

The issuance and listing of Green Bonds in India does not require any amendment to the SEBI (Issue and Listing of Debt Securities) Regulations, 2008 (ILDS Regulations). The issue, listing and disclosure requirements as prescribed under the ILDS Regulations will continue to be applicable, like any regular corporate bond issuance.

4) Proposal for seeking approval for initiation of public consultation process on introduction of "Primary Market Debt Offering through private placement on electronic Book"

The Board considered and approved the proposal for initiation of public consultation process on introduction of "Primary Market Debt Offering through private placement on electronic Book". The key benefits of such an electronic platform, inter-alia, are improvement in efficiency and transparency of the price discovery mechanism vis-à-vis the extant over-the-telephone market coupled with possible reduction of cost and time taken for such issuances.

It is proposed that such an electronic book may be created by entities to be named as Electronic Book Providers (EBPs). Entities such as stock exchanges, depositories and Merchant Bankers with net worth above Rs.100 crore may apply to SEBI for setting up EBPs.

5) Forfeiture of partly paid-up shares - Exemption from Takeover Regulations

The Board approved the proposal to amend SEBI (SAST) Regulations, 2011 for providing general exemption from open offer obligations arising due to passive increase in voting rights as a result of expiry of call notice period and forfeiture of shares.

6) Deemed Public Issues

Post April 01, 2014, any offer or allotment of securities shall be considered as public issue if the number of offerees / allottees exceeds 200 persons in a financial year under the Companies Act, 2013 as against the cap of 49 persons provided in the Companies Act, 1956.

The Board has approved that in respect of the cases involving issuance of securities to more than 49 persons but up to 200 persons in a financial year, the companies may avoid penal action if they had provided the investors with an option to surrender the securities and get the refund amount at a price not less than the amount of subscription money paid along with 15% interest p.a. thereon. The exit may be provided by the company itself or by the promoters or by such persons as arranged by the company / promoters. The companies may adjust the amounts already paid to the allottees either as interest / dividend or otherwise from the amount of refund to be paid to the

investors. In case of transfer of securities by the original allottees, option for refund may be provided to the current holders of the securities.

The refunds made by the company following the option for refund exercised by investors would be certified by independent practicing Chartered Accountants / practicing Company Secretaries / practicing Cost Accountants.

The proposal has taken into account the interest of investors while recognising their right to stay invested in case they feel it is beneficial to them.

7) Business Responsibility Reporting by Listed Entities

SEBI has, vide circular dated August 13, 2012, mandated Business Responsibility Reporting (BRR) requirement for top 100 listed entities based on market capitalization in their annual reports. The key principles which are required to be reported by the entities include the areas such as environment, social, governance, stakeholder's relationships, etc.

SEBI Board has now approved that present applicability of BRR be extended to top five hundred listed entities based on market capitalization as on March 31st of every year.

As a green initiative, the business responsibility reports can be given on the websites of the companies providing website link for the same in their annual reports.

8) Exit opportunity to dissenting shareholders

The Board approved the proposal to initiate public consultation process regarding exit opportunity to dissenting shareholders under Companies Act, 2013 in case of change in objects or varying the term of contracts referred to in the prospectus.

9) Public issuance of convertible securities

The Board approved the proposal to initiate public consultation process for revival of public issuance of convertible securities by listed entities.

10) Delisting of Small Companies

Delisting Regulations provide for simplified procedure of delisting for small companies and exempt them from the requirements of Chapter IV of the Delisting Regulations subject to certain conditions. Currently, one of such conditions is that the shares of the company have not been traded for the preceding one year.

Based on suggestion receive from Investor Association, Board has approved the proposal that the condition of no trading for preceding one year may be relaxed and the small companies, whose trading of equity shares during the twelve calendar months is less than 10% of the total number of shares of such company, would also be eligible for simplified procedure of delisting.

However, to protect the interest of investors, the exit price shall not be less than the floor price determined for the purpose of Reverse Book Building for not frequently traded securities in terms of Delisting Regulations read with SEBI Takeover Regulations.

Mumbai

November 30, 2015