

PR No. 12/2023

SEBI Board Meeting

The SEBI Board met in Mumbai today and, *inter-alia*, approved the following decisions:

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1. Reduction of timeline for listing of shares in Public Issue from existing T+6 days to T+3 days

- 1.1 The Board approved the proposal for reducing the time period for listing of shares in Public Issue from existing 6 days to 3 days, from the date of issue closure (T Day). The revised timeline of T+3 days shall be made applicable in two phases i.e. voluntary for all public issues opening on or after September 01, 2023 and mandatory on or after December 01, 2023.
- 1.2 This follows extensive consultation with all stakeholders including Anchor investors, Registrar & Transfer Agents, Broker-distributors, Banks, etc. Extensive stress testing has been done to confirm that the transition to T+3 would be smooth.
- 1.3 The reduction in listing timeline is expected to benefit the stakeholders in the following ways:
 - i. Issuers would receive their funds and allottees would receive their securities in a shorter time period.
 - ii. Subscribers who were not allotted shares would receive their moneys back quickly
 - iii. Kerb trading of securities, if any, will be curbed
 - iv. Resources of all stakeholders like stock exchanges, banks, depositories, brokers in public issue process will be deployed for a shorter period.

2. Introduction of provisions in respect of (a) listing of non-convertible debt securities and (b) voluntary delisting of non-convertible debt securities

2.1 The Board approved the amendment to SEBI (Listing Obligations and Disclosure requirements) Regulations, 2015 requiring listed entities having outstanding listed NCDs (as on December 31, 2023) to list their subsequent issuances of NCDs at the stock exchange(s).

2.2 This new requirement which will come into effect from January 01, 2024, is aimed at,

- i. facilitating transparency in price discovery of non-convertible debt securities,
- ii. better disclosures to investors and the market, and
- iii. avoiding ISIN level confusion and possible mis-selling of unlisted bonds.

2.3 Based on feedback during the consultation process, the following types of issuances are exempted from the applicability of the aforesaid requirement:

- i. Capital Gains Tax debt securities issued under section 54 EC of the Income Tax Act, 1961;
- ii. Non-convertible securities issued pursuant to an agreement entered into between the listed entity of such securities and multilateral institutions, subject to the condition that such non-

convertible debt securities shall be locked-in and held till maturity and accordingly shall be unencumbered.

- iii. Non-convertible debt securities issued pursuant to an order of any Court or Tribunal or regulatory requirement as stipulated by a financial sector regulator namely, SEBI, RBI, IRDA, PFRDA or IBBI

2.4 If an entity with listed debt securities has outstanding unlisted NCDs as on December 31, 2023, the entity will have the option to list them, but it would not be mandatory to do so.

2.5 The Board also approved the proposal for enabling entities having listed debt securities to delist such securities, subject to compliance with certain requirements including approval from all holders of debt securities, suitable disclosures to the Stock Exchanges, etc.

2.6 Unlike equity, wherein approval by a threshold majority is sufficient for approval of delisting, approval of 100% of the debt security holders is mandated for delisting of debt securities. This is because, unlike equity which is a perpetual instrument, listed debt securities have a finite term to maturity.

2.7 Entities having privately placed, listed debt securities wherein the number of debt security holders is less than 200, shall be eligible to delist their debt securities under this framework.

3. Enablement of direct participation by participants (clients) in the Limited Purpose Clearing Corporation (LPCC)

3.1 With the objective of development of the corporate bond market, the SEBI Board in its meeting held on September 29, 2020, approved a proposal to facilitate the setting up of a Limited Purpose Clearing Corporation for clearing and settling repo transactions in corporate debt securities. Launch of the LPCC is expected to facilitate active trading, especially by market makers, by enabling them to finance their inventory of bond holdings through an active repo market. This in turn is expected to improve liquidity in the corporate bond market.

3.2 Since timely availability of funds and securities is critical in a repo market, direct participation of both borrowers and lenders can widen the market. Accordingly, the Board has approved the proposal to additionally facilitate participation by entities desiring direct participation (not through a clearing member) in repo transactions in corporate bonds of the LPCC.

4. Revision of minimum unitholding requirement for Sponsor(s) and introduction of provision for Self-Sponsored Investment Manager/ Manager of InvITs/ REITs

4.1 InvITs and REITs are asset monetization vehicles which recoup investments over a very long period of time. Generally, the Sponsor who sets up the InvIT/ REIT, monetizes its assets by transferring them to the InvIT/ REIT and exerts control over the decisions of the InvIT/ REIT

through significant shareholding in the Investment Manager/ Manager. Therefore, it is essential that the interests of the Sponsor remain aligned with the interests of investors during the life of these investment vehicles. Presently, SEBI Regulations mandate the Sponsor to hold a minimum of 15% units for a period of at least three years from the date of listing of units.

4.2 In order to ensure continued alignment of interests during the life of the investment vehicle, the Board has approved that Sponsor of InvIT/ REIT be required to hold a certain minimum unitholding on a reducing scale for the entire life of the InvIT/ REIT. Further, the mandatory minimum unitholding shall be locked-in and be unencumbered.

4.3 Further, to create an opportunity for mature and independent, professionally managed Investment Managers to emerge, and to provide an additional exit option for the Sponsor of InvIT/ REIT, the Board approved the proposal for introduction of Self-Sponsored Investment Manager/ Manager i.e. an Investment Manager/ Manager who also takes on the responsibilities of the Sponsor of InvIT/ REIT.

4.4 Some of the key conditions for conversion of Investment Manager/ Manager to Self-Sponsored Investment Manager/ Manager include–

- i. The InvIT/ REIT to have been listed for at least 5 years
- ii. at least one of the sponsor(s) proposing to disassociate to have been a sponsor of the InvIT/ REIT for a minimum period of five years

- iii. The Investment Manager/ Manager to meet the net worth criteria specified for the Sponsor
- iv. Post conversion, the minimum unitholding requirement applicable to sponsor(s) and sponsor group(s) to be complied with by the Investment Manager/ Manager, shareholders of the Investment Manager / Manager and/or group entities of Investment Manager/ Manager
- v. the existing sponsor(s) or its associate(s) to not own or control the Investment Manager/ Manager, on or after the date of conversion

5. Introduction of board nomination rights to unitholders of InvITs and REITs

5.1 Over the years, retail investor interest in InvITs and REITs has been increasing. The current regulatory framework for InvITs/ REITs (“Funds”) does not explicitly provide for unitholders to have a say in the decisions made by the Investment Managers/ Managers of these Funds. However, big investors in InvITs/ REITs often have a say in investment decisions by nominating a director on the Board of the Investment Manager/ Manager.

5.2 Considering that, REITs / InvITs often acquire their assets from one of the sponsors (i.e. related party transactions) and that these Funds are permitted to take on leverage, the decisions of the Investment Manager/ Manager can have long term material implications on the returns to unitholders. Thus, it is important that all unitholders have a say in the

decisions made by the Investment Manager/ Manager and not only those who have a significant unitholding.

5.3 Accordingly, the Board approved amendments to the SEBI (Infrastructure Investment Trusts) Regulations, 2014 and SEBI (Real Estate Investment Trusts) Regulations, 2014 to provide nomination rights to unitholders holding ten percent or more of the total outstanding units of the InvIT/REIT, either individually or collectively, on the board of directors of the Investment Manager / Manager. This ensures pro-rata rights to all unitholders.

5.4 Further, the principles of Stewardship Code shall be applicable for all unit holders holding ten percent or more of the total outstanding units of the InvIT/ REIT.

6. Introduction of provisions for additional disclosures from Foreign Portfolio Investors (FPIs) that fulfil certain objective criteria

6.1 With an objective to guard against (i) possible circumvention of regulations such as the requirement for Minimum Public Shareholding (“MPS”) or disclosures under Substantial Acquisition of Shares and Takeovers Regulations, 2011 (“SAST”) and/ or (ii) possible misuse of the FPI route to circumvent the requirements of Press Note 3 (“PN3”), the Board approved the amendment to SEBI (Foreign Portfolio Investors) Regulations, 2019, for implementation of the following proposal:

6.1.1 To mandate additional granular level disclosures regarding ownership, economic interest, and control, of objectively identified FPIs meeting the below mentioned criteria, on a full look through basis, subject to the conditions and exemptions as specified by the Board from time to time:

- FPIs holding more than 50% of their Indian equity AUM in a single Indian corporate group; (or)
- FPIs that individually, or along with their investor group as defined under Regulation 22(3) of the SEBI (Foreign Portfolio Investors) Regulations, 2019, hold more than INR 25,000 crore of equity AUM in the Indian markets.

6.1.2 Certain entities are exempted from making such additional disclosures, which, *inter-alia*, include Government and Government related investors, Pension Funds and Public Retail Funds, certain listed ETFs, corporate entities and verified pooled investment vehicles meeting certain conditions.

6.2 Applicants with investors contributing 25% or more in the corpus that are mentioned in the Sanctions List notified by UN Security Council are ineligible for registration as FPIs. In March 2023, PML Rules threshold requirements for identification of BO were amended and currently stand at 10% for companies and trusts and 15% for partnerships and unincorporated association or body of individuals. The Board has approved changes to the FPI Regulations for aligning the aforesaid

eligibility criteria in the Regulations with the reduced threshold prescribed under PML Rules.

7. Strengthening of investor grievance handling mechanism through SCORES and linking the new platform with the Online Dispute Resolution Mechanism

In order to strengthen the redressal process of grievances of the investors in the securities market, the Board approved the proposal to revamp SEBI Complaint Redress System (SCORES) by:

- 7.1 Reducing timelines, introducing auto-routing of the complaint to concerned regulated entities and auto-escalation of complaints in case of non-adherence to the prescribed timelines by the regulated entity,
- 7.2 Recognition of designated bodies for monitoring and handling of grievances of the investors against the respective regulated entities.
- 7.3 Providing two levels of review, first review by the designated body if investor is dissatisfied with resolution provided by concerned regulated entity. Second review by SEBI if the investor is still dissatisfied after first review.
- 7.4 Linking SCORES with Online Dispute resolution (ODR) platform, thereby providing an additional option for investors of all regulated entities.
- 7.5 Creation of a new portal for collection of market intelligence inputs.

8. SEBI Annual Report: 2022-23

The Board considered and approved the SEBI Annual Report: 2022-23. In compliance with Section 18(2) of SEBI Act, 1992, the Annual Report would be submitted to the Central Government.

Mumbai

June 28, 2023