



PR No.52/2020

SEBI Board Meeting

The SEBI Board met in Mumbai today. The out of station Members joined the meeting through video conferencing. The Board, inter-alia, took the following decisions:

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

The Board approved the proposal of strengthening the role of Debenture Trustees (DT(s)) so as to protect the interest of debenture holders. The DT(s) shall exercise independent due diligence of the assets on which charge is being created. The DT(s) shall take required action by convening the meeting of debenture holders for enforcement of security, joining the inter-creditor agreement (under the framework specified by RBI), etc.

DT(s) shall also carry out continuous monitoring of the asset cover including obtaining mandatory certificate from the statutory auditor on half yearly basis. Further, the issuer company shall create recovery expense fund at the time of issuance of debt securities that may be utilised by DT(s) in the event of default, for taking appropriate legal action to enforce the security.

II. Amendments to Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009

The Board has decided to grant exemption from the Reverse Book Building process ("RBB") for delisting of listed subsidiary, where it becomes the wholly owned subsidiary of the listed parent pursuant to a scheme of arrangement.

To be eligible to take this route, the listed holding company and the listed subsidiary should be in the same line of business. Both the companies should be compliant with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, specifically, the regulations (no. 11, 37 and 94) pertaining to processing of the schemes of arrangement.

To protect the interests of investors in the listed subsidiary, it has been stipulated that the votes cast by public shareholders of the listed subsidiary in favour of the proposal will be atleast 2 times the number of votes cast against it in terms of the present delisting regulations

It is further stipulated that the shares of the parent listed company and the listed subsidiary entity should be listed for atleast 3 years, should not be suspended at the time of taking this route, and the subsidiary should have been a listed subsidiary of the listed holding entity for atleast three preceding years.

III. Setting up of a Limited Purpose Repo Clearing Corporation

The Board approved the proposal to facilitate setting up of a Limited Purpose Repo Clearing Corporation.

IV. Amendments to SEBI (Mutual Funds) Regulations, 1996

1. Introduction of Code of Conduct for Fund Managers and Dealers

Currently, the SEBI (Mutual Funds) Regulations, 1996 (“MF Regulations”) provide for Asset Management Companies (AMCs) and Trustees to follow a Code of Conduct. Also under current MF Regulations, CEO is entrusted with several responsibilities. The Board after deliberation, approved the amendment of MF Regulations to introduce a Code of Conduct for Fund Managers including Chief Investment Officers and Dealers of AMCs. Further, the Chief Executive Officer will be responsible to ensure that the Code of Conduct is followed by all such officers.

2. AMCs permitted to become self-clearing member

The Board approved amendment to MF Regulations to enable Asset Management Companies to become a self-clearing member of the recognised Clearing Corporations to clear and settle trades in the debt segment of recognised stock exchanges, on behalf of its mutual fund schemes.

V. Amendment to SEBI (Alternative Investment Funds) Regulations, 2012

The Board approved amendment to SEBI (Alternative Investment Funds) Regulations, 2012 which includes definition of 'relevant professional qualification' and provides that the qualification and experience criteria of the investment team, may be fulfilled individually or collectively by personnel of key investment team of the Manager.

Further, the regulatory amendment, inter-alia, covers the constitution of an Investment Committee by the Manager for approving investment decisions, responsibilities of Manager and members of such Investment Committee of an Alternative Investment Fund.

VI. Disclosure of information related to forensic audit of listed entities

In order to address the gaps in availability of information on forensic audit of listed entities, the Board has decided that in case of initiation of such audits, listed entities shall make the following disclosures to stock exchanges, without any application of materiality:

- i. The fact of initiation of forensic audit (by whatever name called) along-with name of entity initiating the forensic audit and reasons for the same, if available;
- ii. Final forensic audit report (other than for forensic audit initiated by regulatory / enforcement agencies), on receipt by the listed entity, along with comments of the management, if any.

VII. Amendments to the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015

The Board considered and approved amendments to SEBI (Prohibition of Insider Trading) Regulations, 2015 (“the PIT Regulations”) with respect to the information to be submitted by informants under the informant mechanism.

The amendments include the following:

- I. a time period of up to 3 years has been prescribed for reporting violations under the insider trading laws through the informant mechanism and
- II. changes in Schedule D to the PIT Regulations have been made to require informants to include specific information (such as details of securities, trades by suspect and unpublished price sensitive information based on which insider trading is alleged) with respect to the alleged violations.

Mumbai

September 29, 2020