



SUPPLEMENT EXECUTIVE PROGRAMME (NEW SYLLABUS)

for

June, 2025 Examination

(Amendments covering from December 01, 2023 to November 30, 2024. This supplement is to be read with the study material updated up to November, 2023.)

Capital Market & Securities Laws

GROUP 2, PAPER 5

Disclaimer: This document has been prepared purely for academic purposes only and it does not necessarily reflect the views of ICSI. Any person wishing to act on the basis of this document should do so only after cross checking with the original source.

Students appearing in Examination shall note the following:

Students appearing in June, 2025 Examination should also update themselves on all the relevant Notifications, Circulars, Clarifications, Orders etc. issued by MCA, SEBI, RBI & Central Government upto 30th November, 2024.

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

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LESSON 1 BASICS OF CAPITAL MARKET

(1) **SEBI (Alternative Investment Funds) (Third Amendment) Regulations, 2024 (Notification No. SEBI/LAD-NRO/GN/2024/194 dated July 11, 2024)**

SEBI has notified the SEBI (Alternative Investment Funds) (Third Amendment) Regulations, 2024 on July 11, 2024 which shall come into force on the date of their publication in the Official Gazette. Vide this notification the following amendments have been made in the SEBI (Alternative Investment Funds) Regulations, 2012:

- A new Chapter III-D has been inserted specifying the provisions pertaining to migrated venture capital funds and schemes launched by such migrated venture capital funds.
Migrated Venture Capital Fund means a fund that was previously registered as a venture capital fund under the SEBI (Venture Capital Funds) Regulations, 1996 and subsequently registered under SEBI (Alternative Investment Funds) Regulations, 2012 as a sub-category of Venture Capital Fund under Category I - Alternative Investment Fund in accordance with the provisions of this Chapter.
- The definition of Venture Capital Fund is amended to include migrated venture capital fund. The definition is reproduced below:
“Venture Capital Fund” means an Alternative Investment Fund which invests primarily in unlisted securities of start-ups, emerging or early-stage venture capital undertakings mainly involved in new products, new services, technology or intellectual property right based activities or a new business model and shall include an angel fund as defined under Chapter III-A **and migrated venture capital fund as defined under Chapter III-D.** [Regulation 2(1)(z)]
- Venture Capital funds may seek registration under SEBI (Alternative Investment Funds) Regulations, 2012, as migrated venture capital funds in terms of Chapter III-D, within twelve months from the date of notification of the SEBI (Alternative Investment Funds) (Third Amendment) Regulations, 2024. **[Amendment: Second proviso to Regulation (3)(2)]**
- SEBI may specify enhanced regulatory reporting and other measures for the venture capital funds that do not seek registration as a migrated venture capital fund in terms of Chapter III-D. **[Insertion: Third proviso to Regulation (3)(2)]**

For details: https://www.sebi.gov.in/legal/regulations/jul-2024/securities-and-exchange-board-of-india-alternative-investment-funds-third-amendment-regulations-2024_84929.html

(2) **SEBI (Alternative Investment Funds) (Fourth Amendment) Regulations, 2024 (Notification No. SEBI/LAD-NRO/GN/2024/198 dated August 05, 2024)**

SEBI has notified the SEBI (Alternative Investment Funds) (Fourth Amendment) Regulations, 2024 which shall come into force on the date of their publication in the Official Gazette. In Regulation 3(4)(b) of the SEBI (Alternative Investment Funds) Regulations, 2012, Alternative Investment Funds seeking registration in Category II Alternative Investment Fund which does not fall in Category I and III and which does not undertake leverage or borrowing other than as permitted in these regulations, the words “to meet day-to-day operational requirements and” are omitted. **[Amendment: Regulation 3(4)(b)]**

For details: https://www.sebi.gov.in/legal/regulations/aug-2024/securities-and-exchange-board-of-india-alternative-investment-funds-fourth-amendment-regulations-2024_85550.html

LESSON 2 SECONDARY MARKET IN INDIA

Introduction of Beta version of T+0 rolling settlement cycle on optional basis in addition to the existing T+1 settlement cycle in Equity Cash Markets (SEBI Circular No. SEBI/HO/MRD/MRD-PoD-3/P/CIR/2024/20 dated March 21, 2024)

SEBI has issued a framework to introduce the beta version of the T+0 trade settlement cycle on an optional basis with effect from March 28, 2024. This will be in addition to the existing T+1 settlement cycle in the equity cash market. The beta version of T+0 settlement will be introduced for a limited set of 25 scrips and with a limited number of brokers. All investors are eligible to participate in the segment for T+0 settlement cycle, if they are able to meet the timelines, process and risk requirements as prescribed by the MIIs, during 09:15 AM to 1:30 PM continuous trading session. A shortened settlement cycle will bring cost and time efficiency, transparency in charges to investors and strengthen risk management at clearing corporations and the overall securities market ecosystem.

For details: https://www.sebi.gov.in/legal/circulars/mar-2024/introduction-of-beta-version-of-t-0-rolling-settlement-cycle-on-optional-basis-in-addition-to-the-existing-t-1-settlement-cycle-in-equity-cash-markets_82455.html

LESSON 4

SECURITIES AND EXCHANGE BOARD OF INDIA

SCORES 2.0 New Technology to strengthen SEBI Complaint Redressal System for Investors (PR No.06/2024 dated April 01, 2024)

In the continuous pursuit of protection of interests of investors in the securities market, SEBI has launched the new version of the SEBI Complaint Redress System (SCORES 2.0). The new version of SCORES strengthens the investor complaint redress mechanism in the securities market by making the process more efficient through auto-routing, auto-escalation, monitoring by the 'Designated Bodies and reduction of timelines. The new SCORES system has also been made more user friendly. SCORES is an online system where investors in securities market can lodge their complaints through web URL and an App. Investors can lodge complaints only through new version of SCORES i.e. <https://scores.sebi.gov.in> from April 01, 2024. In the old SCORES i.e. <https://scores.gov.in> investors would not be able to lodge any new complaint. However, Investors can check the status of their complaints already lodged in old SCORES and pending in the old SCORES. Further, the disposed of complaints filed in the old SCORES can be viewed at SCORES 2.0

For details: https://www.sebi.gov.in/media-and-notifications/press-releases/apr-2024/scores-2-0-new-technology-to-strengthen-sebi-complaint-redressal-system-for-investors_82618.html

LESSON 6

SECURITIES MARKET INTERMEDIARIES

(1) SEBI (Bankers to an Issue) (Amendment) Regulations, 2024 (SEBI Notification No. SEBI/LAD-NRO/GN/2024/211 dated November 20, 2024)

SEBI has notified the SEBI (Bankers to an Issue) (Amendment) Regulations, 2024 which shall come into force on the date of their publication in the Official Gazette. Vide this notification, the definition of banker to an issue is amended and new sub-clauses have been inserted. The same is provided hereunder:

“Banker to an issue means a scheduled bank or such other banking company as may be specified by the Board from time to time, carrying on any of the activities, including :—

- (i) acceptance of application and application monies;
- (ii) acceptance of allotment or call monies;
- (iii) refund of application monies;
- (iv) payment of dividend or interest warrants;
- (v) **providing escrow services for the purposes of issue management, buyback, delisting, or open offer, as required under the relevant regulations made by the Board;**
- (vi) **opening of a separate bank account for depositing the proceeds in the initial public offer/ further public offer; and**
- (vii) **such other activities as may be specified by the Board.”**

For details: https://www.sebi.gov.in/legal/regulations/nov-2024/securities-and-exchange-board-of-india-bankers-to-an-issue-amendment-regulations-2024_88681.html

(2) SEBI (Merchant Bankers) (Amendment) Regulations, 2024 (Notification F. No. SEBI/LAD-NRO/GN/2024/214 dated November 29, 2024)

SEBI has notified the SEBI (Merchant Bankers) (Amendment) Regulations, 2024 which shall come into force on the date of their publication in the Official Gazette. Vide this notification, the following amendments have been made in the SEBI (Merchant Bankers) Regulations, 1992:

- Regulation 20 relating to Responsibility of the Lead Manager is substituted. The same is provided hereunder:
“20. No lead manager shall agree to manage or be associated with any issue unless its responsibilities relating to the issue particularly, those of disclosures, allotment and refund are clearly defined, allocated and determined and a statement specifying such responsibilities is disclosed in the draft offer document and offer document:

Provided that, where there is more than one lead merchant banker to the issue, the responsibilities of each of the lead merchant banker shall clearly be demarcated and a statement specifying such responsibilities shall be disclosed in the draft offer document and offer document.”

- The amendments are made in regulation 21A. the same is reproduced below:

“21A. Merchant banker not to act for its associate

A merchant banker, being a promoter or an associate of either the issuer of the securities or of a person making an offer to sell or purchase securities in terms of any of the regulations made by the Board, shall not lead manage any issue or be associated with any activity undertaken under any of

the regulations made by the Board by such issuer or person.

Provided that a merchant banker who is an associate of such issuer or person may be appointed, if **it** is involved only in the marketing of the issue or offer.”

- Regulation 22B relating to general responsibilities of a merchant banker as an underwriter, sub regulation (3) is substituted. The same is provided hereunder:

“(3). A merchant banker, if called upon, pursuant to an agreement for underwriting to subscribe to the securities of a body corporate, shall subscribe to the said securities prior to the finalisation of the basis of allotment.”

- The existing regulation 27 is substituted with the following:

“27. A merchant banker shall submit to the Board complete particulars of the transaction for acquisition of securities of a body corporate whose issue is managed by that merchant banker, within fifteen days from the date of entering into such a transaction.

Provided that complete particulars of a transaction for acquisition of securities pursuant to underwriting or market making obligations in accordance with the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 shall be submitted to the Board on a quarterly basis.”

For details: https://www.sebi.gov.in/legal/regulations/nov-2024/securities-and-exchange-board-of-india-merchant-bankers-amendment-regulations-2024_89173.html

LESSON 8

ISSUE OF CAPITAL & DISCLOSURE REQUIREMENTS

(1) SEBI (Issue of Capital and Disclosure Requirements) (Third Amendment) Regulations, 2023 (Notification No. SEBI/LAD-NRO/GN/2023/162 dated December 21, 2023)

SEBI has notified the SEBI (Issue of Capital and Disclosure Requirements) (Third Amendment) Regulations, 2023 on 21st December, 2023 which shall come into force on the date of their publication in the Official Gazette. Vide this notification, the following amendments have been made in the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018:

1. The words “Social Auditor” and “Social Audit Firm” is substituted with the words “Social Impact Assessor” and “Social Impact Assessment Firm” respectively. [Regulation 292A(f) and 292A(g)]
2. Social Stock Exchange shall be accessible to institutional investors, non-institutional investors and retail investors. [Regulation 292C]
3. A Not for Profit Organization may raise funds on a Social Stock Exchange through issuance of Zero Coupon Zero Principal Instruments **to eligible investors**. [Regulation 292G(a)(i)]
4. The procedure and other conditions in respect of public issuance of Zero Coupon Zero Principal Instruments by a Not for Profit Organization shall be as specified by SEBI. [Regulation 292K]
5. The contents of the fund raising document shall be as specified by SEBI. [Regulation 292M]
6. The regulation 292N has been omitted specifying the other conditions relating to issuance of Zero Coupon Zero Principal Instruments.

For details: https://www.sebi.gov.in/legal/regulations/dec-2023/securities-and-exchange-board-of-india-issue-of-capital-and-disclosure-requirements-third-amendment-regulations-2023_80419.html

(2) Guidelines for returning of draft offer document and its resubmission (Circular No. SEBI/HO/CFD/PoD-1/P/CIR/2024/009 dated February 06, 2024)

Adequate disclosures by the issuer and timely processing of offer documents are important for the vibrancy of the primary market. It is imperative that the offer documents as filed by the issuers and lead manager(s) are compliant with Schedule VI of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (“ICDR Regulations”), which specifies information for disclosure in the draft offer document or the draft letter of offer and the offer document or the letter of offer, as applicable.

However, SEBI has observed that at times, draft offer documents / draft letter of offer filed for public issue / rights issue of securities are found lacking in compliance with respect to instructions provided under Schedule VI of ICDR Regulations. Such documents require revisions/changes and thus lead to a longer processing time.

In order to ensure completeness of the offer document for investors and provide greater clarity & consistency in the disclosures and for timely processing, **SEBI has issued ‘Guidelines for returning of draft offer document and its resubmission’**.

Accordingly, the draft offer document shall be scrutinized based on the broad guidelines and such documents which are not compliant with the instructions provided under Schedule VI of ICDR Regulations and guidelines provided, shall be returned to the issuer. The Broad guidelines for returning of draft offer document and its resubmission are provided below:

Return of Draft Offer Document

- Draft offer document must be drafted in simple language with visual representation of data, so as to ensure ease of understanding of its contents.
- The information in the draft offer document is presented in a clear, concise, and intelligible manner.
- The draft offer document avoids complex presentations, vague, ambiguous and imprecise explanations, complex information, repetition of disclosures and inconsistency.
- The risk factors are appropriately worded in simple, clear and unambiguous language to bring out clearly the risk to the investor, without undermining the same.

Resubmission of Draft Offer Document

- While there shall be no requirement for payment of any fees on account of resubmission of draft offer document, the requirement for paying applicable fees for the changes, if any, in terms of changes specified in Schedule XVI of the ICDR Regulations for the updated offer document shall continue to apply as is applicable to issuer for updation in offer document.
- There shall be no refund of the filing fees on account of non-submission of draft offer document by the issuer after return.
- The issuer, within two days of resubmission of draft offer document with the SEBI, shall make a public announcement in the mode and manner as prescribed under ICDR Regulations, as applicable, and the issuer shall also include a disclosure that it is a resubmitted document.
- Issuer shall make written intimation to its sectoral regulator, if any, informing about the return and resubmission of the draft offer document, as applicable.

For details: https://www.sebi.gov.in/legal/circulars/feb-2024/guidelines-for-returning-of-draft-offer-document-and-its-resubmission_81146.html

(3) SEBI (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2024 (Notification No. SEBI/LAD-NRO/GN/2024/178 dated May 17, 2024)

SEBI has notified the SEBI (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2024 on 17th May, 2024 which shall come into force on the date of their publication in the Official Gazette. Vide this notification, the following amendments have been made in the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018:

Promoters' Contribution in case of Initial Public Offer

- The promoters of the issuer shall hold at least twenty per cent. of the post-issue capital. Provided that in case the post-issue shareholding of the promoters is less than twenty per cent., alternative investment funds or foreign venture capital investors or scheduled commercial banks or public financial institutions or insurance companies registered with IRDAI or **any non-individual public shareholder holding at least five per cent. of the post-issue capital or any entity (individual or non-individual) forming part of promoter group other than the promoter(s)** may contribute to meet the shortfall in minimum contribution as specified for the promoters, subject to a maximum of ten per cent. of the post-issue capital without being identified as promoter(s). **[Regulation 14(1)]**

Lock-in Requirements in case of Initial Public Offer

- Minimum promoters' contribution including contribution made by alternative investment funds or foreign venture capital investors or scheduled commercial banks or public financial institutions or insurance companies registered with Insurance Regulatory and Development Authority of India or **any non-individual public shareholder holding at least five per cent. of the post-issue capital or any entity (individual or non-individual) forming part of promoter group other than the promoter(s)** referred to in proviso to sub-regulation (1) of regulation 14, shall be locked-in for a period of eighteen months from the date of allotment in the initial public offer. Provided that in case the majority of the issue proceeds excluding the portion of offer for sale is proposed to be utilized for capital expenditure, then the lock-in period shall be three years from the date of allotment in the initial public offer. **[Regulation 16(1)(a)]**

Period of Subscription

- An IPO/FPO shall be kept open for at least 3 working days and not more than 10 working days. In case of force majeure, banking strike or similar **unforeseen** circumstances, the issuer may, for reasons to be recorded in writing, extend the bidding (issue) period disclosed in the red herring prospectus (in case of a book built issue) or the issue period disclosed in the prospectus (in case of a fixed price issue), for a minimum period of **one working day**. **[Regulation 46 and 142]**

Adjustments in Pricing in case of Preferential Issue - Frequently and Infrequently Traded Shares

- The effect on the price of the equity shares of the issuer due to material price movement and confirmation of reported event or information may be excluded as per the framework specified under sub-regulation (11) of regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 for determination of the price for a preferential issue in accordance with regulations 164, 164A, 164B or 165 of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 **[Insertion: Regulation 166(2)]**

Pricing in case of Qualified Institutions Placement

- The effect on the price of the equity shares of the issuer due to material price movement and confirmation of reported event or information may be excluded as per the framework specified under sub-regulation (11) of regulation 30 of the SEBI (Listing Obligations and Disclosure

Requirements) Regulations, 2015 for calculation of the issue price under SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018. **[Insertion: Regulation 176(5)]**

Promoters' Contribution in case of Initial Public Offer by Small and Medium Enterprises

- The promoters of the issuer shall hold at least twenty per cent. of the post-issue capital. Provided that in case the post-issue shareholding of the promoters is less than twenty per cent., alternative investment funds or foreign venture capital investors or scheduled commercial banks or public financial institutions or insurance companies registered with Insurance Regulatory and Development Authority of India **or any non-individual public shareholder holding at least five per cent. of the post-issue capital or any entity (individual or non-individual) forming part of promoter group other than the promoter(s)** may contribute to meet the shortfall in minimum contribution as specified for the promoters, subject to a maximum of ten per cent. of the post-issue capital without being identified as promoter(s). **[First proviso to Regulation 236(1)]**

Lock-in of specified securities held by the promoters in case of Initial Public Offer by Small and Medium Enterprises

- Minimum promoters' contribution including contribution made by alternative investment funds or foreign venture capital investors or scheduled commercial banks or public financial institutions or insurance companies registered with Insurance Regulatory and Development Authority of India **or any non-individual public shareholder holding at least five per cent. of the post-issue capital or any entity (individual or non-individual) forming part of promoter group other than the promoter(s)**, as applicable, shall be locked-in for a period of three years from the date of commencement of commercial production or date of allotment in the initial public offer, whichever is later. **[Regulation 238(a)]**

Period of subscription in case of Initial Public Offer by Small and Medium Enterprises

- A public issue shall be kept open for at least 3 working days and not more than 10 working days. In case of force majeure, banking strike or similar **unforeseen** circumstances, the issuer may, for reasons to be recorded in writing, extend the bidding (issue) period disclosed in the red herring prospectus (in case of a book built issue) or the issue period disclosed in the prospectus (in case of a fixed price issue), for a minimum period of **one working day**. **[Regulation 266]**
- The provisions mentioned in Regulation 38, Regulation 80, Regulation 135 and Regulation 197 and Regulation 259 pertaining to Security deposit have been omitted.

Brief Analysis:

In order to facilitate ease of doing business for companies coming for IPOs / fund raising, SEBI has amended the provisions of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 and notified SEBI (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2024. The amendments, inter alia, have been made in respect of the following:

- Promoter group entities and non-individual shareholders holding more than five percent of the post-offer equity share capital to be permitted to contribute towards minimum promoters' contribution (MPC) without being identified as a promoter
- Doing away with the requirement of one percent security deposit in public/rights issue of equity shares.
- Flexibility in extending the bid/offer closing date on account of force majeure events by minimum one day instead of present requirement of minimum three days.

For details: https://www.sebi.gov.in/legal/regulations/may-2024/securities-and-exchange-board-of-india-issue-of-capital-and-disclosure-requirements-amendment-regulations-2024_83469.html

LESSON 10

ISSUE AND LISTING OF NON-CONVERTIBLE SECURITIES

(1) SEBI (Issue and Listing of Non-Convertible Securities) (Amendment) Regulations, 2024 (Notification No. SEBI/LAD-NRO/GN/2024/190 dated July 08, 2024)

SEBI has notified the SEBI (Issue and Listing of Non-Convertible Securities) (Amendment) Regulations, 2024 which shall come into force on the date of their publication in the Official Gazette. Vide this Notification, the following amendments have been made in the SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021:

- Regulation 23 pertaining to obligations of the issuer, sub-regulation (7) has been inserted which provides that the issuer shall fix a record date for the purposes of payment of interest, dividend and payment of redemption or repayment amount or for such other purposes as specified by SEBI. Such record date shall be fixed at fifteen days prior to the due date of payment interest or dividend, repayment of principal or any other corporate actions.
- Regulation 40, pertaining to Due Diligence by Debenture trustee, is substituted. The same is reproduced below:

40(1) The debenture trustee shall, at the time of filing the draft offer document with the stock exchange(s) and prior to the opening of the public issue of debt securities, furnish to the Board and to the stock exchange(s), a due diligence certificate:

- (a) in case of secured debt securities, in the format as specified in Part A of Schedule IV of these regulations; and*
- (b) in case of unsecured debt securities, in the format as specified in Part A of Schedule IVA of these regulations.*

(2) The debenture trustee shall at the time of filing of the listing application by the issuer, furnish to the Board and to the stock exchange(s), a due diligence certificate:

- a) in case of secured debt securities, in the format as specified in Part B of Schedule IV of these regulations; and*
- b) in case of unsecured debt securities, in the format as specified in Part B of Schedule IVA of these regulations.*

(3) The stock exchange shall disclose the offer document and due diligence certificates provided by the debenture trustee on its website.

- Regulation 44 relating to Listing Application in case of Private Placement of Debt Securities and Non-Convertible Redeemable Preference Shares, sub-regulation (3) is substituted with the following:

“(3) The debenture trustee shall submit a due diligence certificate to the stock exchange:

- (a) in case of secured debt securities, in the format as specified in Part B of Schedule IV of these regulations; and*

(b) in case of unsecured debt securities, in the format as specified in Part B of Schedule IVA of these regulations.

(3A) The stock exchange shall disclose the placement memorandum and the due diligence certificates provided by the debenture trustee on its website.”

For details: https://www.sebi.gov.in/legal/regulations/jul-2024/securities-and-exchange-board-of-india-issue-and-listing-of-non-convertible-securities-amendment-regulations-2024_84775.html

(2) SEBI (Issue and Listing of Non-Convertible Securities) (Second Amendment) Regulations, 2024 (Notification No. SEBI/LAD-NRO/GN/2024/205 dated September 17, 2024)

SEBI has notified the SEBI (Issue and Listing of Non-Convertible Securities) (Second Amendment) Regulations, 2024 which shall come into force on the date of their publication in the Official Gazette. With a view to facilitate ease of doing business and provide flexibility to issuers, SEBI has amended the provisions of SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 to streamline the public issue process for debt securities and Non-Convertible Redeemable Preference share to provide:

- The draft offer document filed with the stock exchange(s) shall be made public by posting the same on the website of the stock exchange(s) for seeking public comments for a period of **5 days** from the date of filing the draft offer document with stock exchange(s). The period is reduced from 7 working days. However, issuers whose specified securities are listed on a recognised stock exchange having nationwide trading terminals shall post the draft offer document filed with stock exchange for 1 day immediately after the date of filing the draft offer document with stock exchange. **[Amendment: Regulation 27(2)]**
- The issuer shall make an advertisement **through electronic modes such as online newspapers or website of the issuer or the stock exchange**, or in an english national daily and regional daily with wide circulation at the place where the registered office of the issuer is situated, on or before the issue opening date and such advertisement shall, amongst other things, contain the disclosures as specified in Schedule V.
Provided that issuers opting to advertise the public issue through electronic modes shall publish a notice, in an English national daily and regional daily newspaper with wide circulation at the place where the registered office of the issuer is situated, exhibiting a QR Code and link to the complete advertisement. [Amendment: Regulation 30(1)]
- A public issue of debt securities or, non-convertible redeemable preference shares shall be kept open for a minimum of **two** working days and a maximum of ten working days. Earlier the requirement for minimum subscription period was for three working days. **[Amendment: Regulation 33A(1)]**

For details: https://www.sebi.gov.in/legal/regulations/sep-2024/securities-and-exchange-board-of-india-issue-and-listing-of-non-convertible-securities-second-amendment-regulations-2024_86784.html

LESSON 11

LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS

(1) SEBI (Listing Obligations and Disclosure Requirements) (Seventh Amendment) Regulations, 2023 (Notification No. SEBI/LAD-NRO/GN/2023/161 dated December 21, 2023)

SEBI has notified the SEBI (Listing Obligations and Disclosure Requirements) (Seventh Amendment) Regulations, 2023 on 21st December, 2023 which shall come into force on the date of their publication in the Official Gazette. The amendment has been made in regulation 91E(2) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, which provides that the annual impact report shall be assessed by a Social Impact Assessment Firm employing Social Impact Assessor(s). Prior to the amendment, the requirement was to audit the annual impact report by a Social Audit Firm employing Social Auditor.

For details: https://www.sebi.gov.in/legal/regulations/dec-2023/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-seventh-amendment-regulations-2023_80417.html

(2) Extension of timeline for verification of market rumours by listed entities (Circular No. SEBI/HO/CFD/CFD-PoD-2/P/CIR/2024/7 dated January 25, 2024)

The proviso to Regulation 30(11) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“LODR Regulations”) inter-alia requires top 100 listed entities by market capitalization and thereafter the top 250 listed entities by market capitalization to mandatorily verify and confirm, deny or clarify market rumours from the date as may be specified by SEBI.

SEBI vide its Circular dated September 30, 2023, has made the said provision applicable to top 100 listed entities by market capitalization from February 1, 2024 and to top 250 listed entities by market capitalization from August 1, 2024.

SEBI has extended this timeline for effective date of implementation of the proviso to regulation 30(11) of the LODR Regulations for **top 100 listed entities** by market capitalization, to **June 1, 2024** and for **top 250 listed entities** by market capitalization, to **December 1, 2024**.

For details: https://www.sebi.gov.in/legal/circulars/jan-2024/extension-of-timeline-for-verification-of-market-rumours-by-listed-entities_80867.html

(3) SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2024 (Notification No. SEBI/LAD-NRO/GN/2024/177 dated May 17, 2024)

SEBI has notified the SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2024 which shall come into force on the date of their publication in the Official Gazette except the amendments in Regulations 3, 17, 21(5), 25, 30 [omission of the Explanation

under sub-regulation (11)], 34, 43A and 44 which shall come into force with effect from December 31, 2024.

- SEBI vide this notification has made amendments in Regulation 3(2) specifying the applicability of the provisions of SEBI LODR regulations to a listed entity on the basis of market capitalisation.

It is provided that-

- (a) every recognized stock exchange shall, at the end of the calendar year i.e., 31st December, prepare a list of entities that have listed their specified securities ranking such entities on the basis of their average market capitalisation from 1st July to 31st December of that calendar year.
- (b) The relevant provisions shall then become applicable to a listed entity that is required to comply with such requirements for the first time (or, if applicable, required to comply after any interim period) after a period of three months from December 31 (i.e. April 1) or from the beginning of the immediate next financial year, whichever is later.

Provided that the listed entity, which is required to comply for the first time or after a period of cessation, shall put in place systems and processes for compliance with clause (f) of sub-regulation (2) of regulation 34 within a period of three months from December 31 (i.e. on or before April 1) or from the beginning of the immediate next financial year, whichever is later, and further disclose the Business Responsibility and Sustainability Report and/or assurance as per the Business Responsibility and Sustainability Report Core in the Annual Report prepared for the financial year in which systems and processes were required to be put in place in accordance with this proviso.

- (c) The listed entity shall continue to comply with relevant provisions that were applicable to it based on the market capitalisation of previous year and continue(s) to remain applicable on the basis of its rank in the list prepared by recognized stock exchanges as per clause (a) of this sub-regulation.

- In Regulation 3, the Regulations (2A) and (2B) have been added:

(2A) The provisions of these regulations, which become applicable to a listed entity on the basis of criteria of market capitalisation, shall continue to apply to such an entity unless its ranking changes in the list prepared in accordance with sub-regulation (2) of this regulation and such change results in the listed entity remaining outside the applicable threshold for a period of three consecutive years.

(2B) For such listed entities which remain outside the applicable threshold for a period of three consecutive years in terms of sub-regulation (2A) of this regulation, the provisions that apply on the basis of criteria of market capitalisation shall cease to apply at the end of the financial year following the 31st December of the third consecutive year:

Provided that for those listed entities that follow January to December as its financial year, the provisions shall cease to apply at the end of three months from 31st December of the third consecutive year (i.e. on 31st March).

- In accordance with second proviso to Regulation 15(1A), the Corporate Governance provisions shall be applicable to a ‘high value debt listed entity’ on a ‘comply or explain’ basis until March 31, 2024 earlier. Now, the said timelines have been extended to March 31, 2025.
- In proviso to Regulation 17(1)(a), the following is omitted:
 1. the words, numerals and symbols “top 500 listed entities shall have at least one independent woman director by April 1, 2019 and the Board of directors of the”
 2. the words, numerals and symbols “by April 1, 2020”
 3. the Explanation
- In Regulation 17(1)(c), the following is omitted:
 1. the words, numerals and symbols “top 1000 listed entities (with effect from April 1, 2019) and the”
 2. the words, numerals and symbols “(with effect from April 1, 2020)”
 3. the Explanation
- In sub-regulation 17(2A), the following is omitted:
 1. the words, numerals and symbols “top 1000 listed entities with effect from April 1, 2019 and of the”
 2. the words, numerals and symbols “with effect from April 1, 2020”
 3. Explanation II
- Regulation 21(3C) is amended and provides that, the meetings of the risk management committee shall be conducted in such a manner that on a continuous basis not more than **two hundred and ten** days shall elapse between any two consecutive meetings.
- In Regulation 21(5), the words and symbols “determined on the basis of market capitalization as at the end of the immediate preceding financial year” have been omitted.
- In regulation 25(10), the words, symbols and numerals “calculated as on March 31 of the preceding financial year,” have been omitted.
- Where the listed entity is required to obtain approval of regulatory, government or statutory authorities to fill up such vacancies, then the vacancies shall be filled up by the listed entity at the earliest and in any case not later than six months from the date of vacancy. **[Insertion of Proviso in Regulation 26A(1) and 26A(2)]**
- The amendments have been made in Regulation 29 pertaining to Prior Impositions. The amended provisions of regulation 29 are reproduced below:

Prior Intimations [Regulation 29]

(1) The listed entity shall give prior intimation of at least two working days in advance, excluding the date of the intimation and date of the meeting, to stock exchange about the meeting of the board of directors in which any of the following proposals is due to be considered:

- a) financial results viz. quarterly, half yearly, or annual, as the case may be;
- b) proposal for buyback of securities;
- c) proposal for voluntary delisting by the listed entity from the stock exchange(s);
- d) fund raising by way of issue of securities (excluding security receipts, securitized debt instruments or money market instruments regulated by the Reserve Bank of India), through] further public offer, rights issue, American Depository Receipts/Global Depository Receipts/Foreign Currency Convertible Bonds, qualified institutions placement, debt issue, preferential issue or any other method and for determination of issue price:

Provided that intimation shall also be given in case of any annual general meeting or extraordinary general meeting or postal ballot that is proposed to be held for obtaining shareholder approval for further fund raising indicating type of issuance.

Provided further that intimation for determination of issue price in a qualified institutions placement is not required if such placement is done in accordance with the provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018

- e) declaration/ recommendation of dividend, issue of convertible securities including convertible debentures or of debentures carrying a right to subscribe to equity shares or the passing over of dividend;
- f) the proposal for declaration of bonus securities;
- g) any alteration in the form or nature of any of its securities that are listed on the stock exchange or in the rights or privileges of the holders thereof;
- h) any alteration in the date on which, the interest on debentures or bonds, or the redemption amount of redeemable shares or of debentures or bonds, shall be payable.

(2) The intimation required under sub-regulation (1) shall mention the date of such meeting of board of directors.

- The listed entity may on its initiative also, confirm or deny any reported event or information to stock exchange(s).

Provided that the top 100 listed entities and thereafter the top 250 listed entities, with effect from the date specified by the SEBI, shall confirm, deny or clarify, upon the material price movement as may be specified by the stock exchanges, any reported event or information in the mainstream media which is not general in nature and which indicates that rumour of an impending specific event or information is circulating amongst the investing public, as soon as reasonably possible but in any case not later than twenty four hours from the trigger of material price movement. Provided further that if the listed entity confirms the reported event or information, it shall also provide the current stage of such event or information.

Provided further that when the listed entity confirms within twenty four hours from the trigger of material price movement, any reported event or information on which pricing norms provided under Chapter V or Chapter VI of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 or pricing norms provided under Regulation 8 or Regulation 9 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 or pricing norms provided under Regulation 19 or Regulation 22B of the SEBI (Buy- back of Securities) Regulations, 2018 or any other pricing norms specified by the SEBI or the stock exchanges are applicable, then the effect on the price of the equity shares of the listed entity due to the material price movement and confirmation of the reported event or information may be excluded for calculation of the price for that transaction as per the framework as may be specified by SEBI.

[Regulation 30(11)]

- The promoter, director, key managerial personnel or senior management of a listed entity shall provide adequate, accurate and timely response to queries raised or explanation sought by the listed entity in order to ensure compliance with the requirements under sub-regulation 11 of this regulation and the listed entity shall disseminate the response received from such individual(s) promptly to the stock exchanges. **[Insertion: Regulation 30(11A)]**
- In regulation 34(2)(f), clause (i) to the Explanation-1 stated, market capitalization shall be calculated as on the 31st day of March of every financial year, has been omitted.
- In regulation 43A(1), the words, symbols and numerals “(calculated as on March 31 of every financial year)” have been omitted.
- In regulation 44(5), the words, symbols and numerals “determined as on March 31st of every financial year,” have been omitted.
- In regulation 44(6), the Explanation has been omitted.

For details: https://www.sebi.gov.in/legal/regulations/may-2024/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-amendment-regulations-2024_83476.html

(4) SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2024 (Notification F. No. SEBI/LAD-NRO/GN/2024/189 dated July 08, 2024)

SEBI has notified the SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2024 which shall come into force on the date of their publication in the Official Gazette. Vide this Notification, the following amendments have been made in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015:

- In Regulation 52 relating to Financial Results for Non-Convertible Securities, under sub-regulation (8), a proviso is added after the existing proviso as:
Provided further that listed entities may publish only a window advertisement in the newspapers that refers to a Quick Response Code and the link of the website of the listed entity and stock exchange(s), where such financial results are available and capable of being accessed by the investors subject to the following conditions:

- i. For non-convertible securities outstanding as on the date of notification of this proviso, the listed entity has obtained the prior approval from the debenture trustee;
- ii. In case of any issuances after the date of notification of this proviso, the listed entity shall either make a disclosure in the offer document regarding the window advertisement in the newspapers or obtain prior approval from the debenture trustee.

For details: https://www.sebi.gov.in/legal/regulations/jul-2024/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-second-amendment-regulations-2024_84773.html

LESSON 12

ACQUISITION OF SHARES AND TAKEOVERS – CONCEPTS

SEBI (Substantial Acquisition of Shares and Takeovers) (Amendment) Regulations, 2024 (Notification No. SEBI/LAD-NRO/GN/2024/179 dated May 17, 2024)

Securities and Exchange Board of India, on May 17, 2024, notified the SEBI (Substantial Acquisition of Shares and Takeovers) (Amendment) Regulations, 2024 which shall come into force on the date of their publication in the Official Gazette. Vide this notification, the amendments have been made in Regulation 8 and Regulation 9 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011. It is provided that for determination of the offer price under Regulation 8 and for determination of the price of equity shares under Regulation 9, the effect on the price of the equity shares of the target company due to material price movement and confirmation of reported event or information may be excluded as per the framework specified under Regulation 30(11) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The same are reproduced hereunder:

“The effect on the price of the equity shares of the target company due to material price movement and confirmation of reported event or information may be excluded as per the framework specified under sub-regulation (11) of regulation 30 of the listing regulations for determination of the offer price under this regulation.” **[Insertion: Regulation 8(17)]**

“The effect on the price of the listed equity shares, which are offered as consideration, due to material price movement and confirmation of reported event or information may be excluded as per the framework specified under sub-regulation (11) of regulation 30 of the listing regulations for determination of the price of such equity shares under this regulation.” **[Insertion: Regulation 9(6)]**

For details: https://www.sebi.gov.in/legal/regulations/may-2024/securities-and-exchange-board-of-india-substantial-acquisition-of-shares-and-takeovers-amendment-regulations-2024_83472.html

LESSON 13

PROHIBITION OF INSIDER TRADING

(1) SEBI (Prohibition of Insider Trading) (Amendment) Regulations, 2024 (Notification No. SEBI/LAD-NRO/GN/2024/181 dated May 17, 2024)

Securities and Exchange Board of India, on May 17, 2024, notified the SEBI (Prohibition of Insider Trading) (Amendment) Regulations, 2024 which shall come into force on the date of their publication in the Official Gazette. Vide this notification, SEBI has amended the definition of “generally available information” as prescribed under regulation 2(1)(e) of the SEBI (Prohibition of Insider Trading) Regulations, 2015 and provides that generally available information means information that is accessible to the public on a non-discriminatory basis and **shall not include unverified event or information reported in print or electronic media.**

For details: https://www.sebi.gov.in/legal/regulations/may-2024/securities-and-exchange-board-of-india-prohibition-of-insider-trading-amendment-regulations-2024_83471.html

(2) SEBI (Prohibition of Insider Trading) (Second Amendment) Regulations, 2024 (Notification No. SEBI/LAD-NRO/GN/2024/184 dated June 25, 2024)

SEBI has notified the SEBI (Prohibition of Insider Trading) (Second Amendment) Regulations, 2024 which shall come into force on the ninetieth day from the date of their publication in the Official Gazette. The following amendments have been made in the SEBI (Prohibition of Insider Trading) Regulations, 2015:

- The trading plan shall not entail commencement of trading on behalf of the insider earlier than **one hundred and twenty calendar days** from the public disclosure of the plan. [**Amendment: Regulation 5(2)(i)**]
- Clause (ii) and (iii) to regulation 5(2) are omitted.
- The trading plan set out following parameters for each trade to be executed:
 - (i) either the value of trade to be effected or the number of securities to be traded;
 - (ii) nature of the trade;
 - (iii) either specific date or time period not exceeding five consecutive trading days;
 - (iv) price limit, that is an upper price limit for a buy trade and a lower price limit for a sell trade, subject to the range as specified below:
 - a. for a buy trade: the upper price limit shall be between the closing price on the day before submission of the trading plan and upto twenty per cent higher than such closing price;
 - b. for a sell trade: the lower price limit shall be between the closing price on the day before submission of the trading plan and upto twenty per cent lower than such closing price. [**Amendment: Regulation 5(2)(v)**]
- In second proviso to regulation 5(3), the words “and restrictions on contra trade” have been omitted. The amended second proviso is reproduced below:

“Provided further that trading window norms shall not be applicable for trades carried out in accordance with an approved trading plan.”

- The amendments are made in regulation 5(4) and the amended provisions are reproduced below:
The trading plan once approved shall be irrevocable and the insider shall mandatorily have to implement the plan, without being entitled to either execute any trade in the securities outside the scope of the trading plan **or to deviate from it except due to permanent incapacity or bankruptcy or operation of law.**

Provided that the implementation of the trading plan shall not be commenced if any unpublished price sensitive information in possession of the insider at the time of formulation of the plan has not become generally available at the time of the commencement of implementation.

Provided further that if the insider has set a price limit for a trade under sub-clause (iv) of clause (v) of sub-regulation 2, the insider shall execute the trade only if the execution price of the security is within such limit. If price of the security is outside the price limit set by the insider, the trade shall not be executed. [Amendment: Regulation 5(4)]

- The compliance officer shall approve or reject the trading plan within two trading days of receipt of the trading plan and notify the approved plan to the stock exchanges on which the securities are listed, on the day of approval. **[Substitution: Regulation 5(5)]**

For details: https://www.sebi.gov.in/legal/regulations/jun-2024/securities-and-exchange-board-of-india-prohibition-of-insider-trading-second-amendment-regulations-2024_84437.html

LESSON 14

PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICES RELATING TO SECURITIES MARKET

(1) SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) (Amendment) Regulations, 2024 (Notification No. SEBI/LAD-NRO/GN/2024/187 dated June 27, 2024)

SEBI has notified the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) (Amendment) Regulations, 2024 which shall come into force on the date of their publication in the Official Gazette. Vide this notification, the following amendments have been made in the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003:

- The definition of “Mule Account” is inserted, namely-

Mule Account includes a trading account maintained with a stock broker or a dematerialised account or bank account linked with such trading account in the name(s) of a person, where the account is effectively controlled by another person, whether or not the consideration for transactions in the account are paid by such other person.

- The definition of “dealing in securities” as per regulation 2(1)(b) has been amended to include the mule accounts. The amended clause is reproduced below:

*2(1)(b)(i) an act of buying, selling or subscribing pursuant to any issue of any security or agreeing to buy, sell or subscribe to any issue of any security or otherwise transacting in any way in any security by any persons including as principal, agent, or intermediary referred to in section 12 of the Act **either by themselves or through mule accounts.***

- Regulation 4(1) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 provides that no person shall indulge in a manipulative, fraudulent or an unfair trade practice in securities markets. The explanation to regulation 4(1) is amended and the same is provided below:

“Explanation.– For the removal of doubts, it is clarified that-

(i) any act of diversion, misutilisation or siphoning off of assets or earnings of a company whose securities are listed or any concealment of such act or any device, scheme or artifice to manipulate the books of accounts or financial statement of such a company that would directly or indirectly manipulate the price of securities of that company, or

(ii) transactions through mule accounts for indulging in manipulative, fraudulent and unfair trade practice shall be and shall always be deemed to have been included in sub-regulation (1).”

For details: https://www.sebi.gov.in/legal/regulations/jun-2024/securities-and-exchange-board-of-india-prohibition-of-fraudulent-and-unfair-trade-practices-relating-to-securities-market-amendment-regulations-2024_84510.html

LESSON 15

DELISTING OF EQUITY SHARES

SEBI (Delisting of Equity Shares) (Amendment) Regulations, 2024 (Notification No. SEBI/LAD-NRO/GN/2024/206 dated September 25, 2024)

SEBI has notified the SEBI (Delisting of Equity Shares) (Amendment) Regulations, 2024, which shall come into force on the date of their publication in the Official Gazette. Provided that the provisions of these regulations shall be applicable to such delisting offers whose initial public announcement is made on or after the date of coming into force of these regulations. Further provided that an acquirer may make the delisting offer in terms of the provisions of the SEBI (Delisting of Equity Shares) Regulations, 2021 as they existed before the coming into force of these regulations till the sixtieth day from the date of publication of these regulations in the official gazette.

In order to facilitate ease of doing business, to protect the interest of investors and to provide flexibility in the Voluntary Delisting framework, SEBI, vide this notification, has introduced the Fixed Price process as an alternative to Reverse Book Building process (RBB) for delisting of companies whose shares are frequently traded.

In light of the above, the following amendments have been made in the SEBI (Delisting of Equity Shares) Regulations, 2021:

- The definitions of “fixed delisting price” and “Investment Holding Company” have been inserted which are reproduced below:
 - Fixed Delisting Price means the fixed price offered by the acquirer for undertaking delisting of the equity shares of the company through fixed price process.
 - Investment Holding Company means a company which holds investments in listed or unlisted companies or holding assets other than such investments.
- Regulation 14 relating to Escrow Account, sub- regulation (1) is substituted:

“14(1) The acquirer shall open an interest bearing escrow account with a Scheduled Commercial Bank, not later than seven working days from the date of obtaining the shareholders’ approval, and deposit therein an amount equivalent to twenty-five percent of the total consideration, calculated as below –

 - i. in case delisting is proposed through reverse book building process; the total consideration shall be calculated on the basis of the number of equity shares outstanding with the public shareholders multiplied with the floor price or the indicative price, if any given by the acquirer in terms of sub-regulation (4) of regulation 20 of these regulations; whichever is higher;
 - ii. in case delisting is proposed through the fixed price process; the total consideration shall be calculated on the basis of the number of equity shares outstanding with the public shareholders multiplied with the fixed delisting price offered by the acquirer.”
- Regulation 14 relating to Escrow Account, sub- regulation (3) is substituted:

“14(3) Before making the detailed public announcement under regulation 15 of these regulations, the acquirer shall deposit in the escrow account, the remaining consideration amount being seventy-five percent of the total consideration amount calculated in terms of sub-regulation (1).”

- The amendments have been made in Regulation 17 relating to Bidding mechanism. The amended regulations 17 is reproduced below:

“Bidding/tendering mechanism

17.(1) In case delisting is proposed through the reverse book building process or through fixed price process, the bidding period or the tendering period, as the case may be, shall begin within seven working days from the date of the detailed public announcement and shall remain open for five working days.

- (2) The acquirer shall facilitate the tendering of shares by the shareholders and settlement of the same, through the stock exchange mechanism as specified by the Board.
- (3) The Manager to the offer shall ensure that the outcome of the reverse book building process **or the fixed price process, as the case may be**, is announced within two hours of the closure of the bidding period.
- (4) **The acquirer through the Manager to the offer shall, within two working days from the closure of the bidding period or the tendering period, make a public announcement in the same newspapers in which the detailed public announcement under sub-regulation (1) of regulation 15 of these regulations was made, of the success or failure of the fixed price delisting process or the reverse book building process and also disclose the discovered price accepted by acquirer, in the event of success of the reverse book building process.”**

- The amendments have been made in Regulation 19 pertaining to Right of shareholders to participate in the reverse book building process. The amended regulations 19 is reproduced below:

“Right of shareholders to participate in the delisting process

19.(1) The public shareholders holding the equity shares of the company, which are sought to be delisted, shall be entitled to participate in the **fixed price process or in** the reverse book building process in the manner specified in Schedule II of these regulations.

- (2) The Manager to the issue shall take necessary steps to ensure compliance with sub-regulation (1).
- (3) Any holder of depository receipts issued on the basis of the underlying equity shares and a custodian keeping custody of such equity shares shall not be entitled to participate in the **delisting** process. Provided that any holder of depository receipts may participate in the **delisting** process under sub-regulation (1) after converting such depository receipts into equity shares of the company that are proposed to be delisted.”

- The regulation 19A has been inserted specifying provisions for Floor Price which is reproduced below:

19A (1) The floor price of the equity shares proposed to be delisted through reverse book building process or through fixed price process, as the case may be, shall not be less than the highest of the following:

- (i) volume weighted average price paid or payable for acquisitions by the acquirer along with persons acting in concert, during the 52 weeks immediately preceding the reference date;
- (ii) the highest price paid or payable for any acquisition by the acquirer along with persons acting in concert during the 26 weeks immediately preceding the reference date;

- (iii) adjusted book value (considering consolidated financials) as determined by an independent registered valuer. Provided that adjusted book value shall not be applicable in case of delisting of Public Sector Undertakings.
- (iv) the volume weighted average market price for a period of 60 trading days immediately preceding the reference date on the stock exchange where the maximum trading volume of the equity shares is recorded, provided such shares are frequently traded;
- (v) the price determined by an independent registered valuer taking into account valuation parameters such as the book value, comparable trading multiples and any other customary valuation metrics for valuation of shares of companies in the same industry where the shares are not frequently traded. Explanation: The adjusted book-value of the company shall be calculated as below –

$A+B+C+D - L$, where,

- ‘A’ shall be the book value of all the assets (other than jewellery, artistic work, shares & securities and immovable property) in the balance sheet as reduced by any amount shown as asset including the unamortised amount of deferred expenditure which does not represent the value of any asset;
- ‘B’ shall be the price which jewellery and artistic work would fetch if sold in the open market on the basis of the valuation report obtained from a registered valuer;
- ‘C’ shall be the fair market value of unquoted/infrequently traded shares and securities as determined considering the internationally accepted valuation methods by the registered valuer. If the shares and securities are quoted and frequently traded on any recognized stock exchange, the fair market value of such shares and securities shall be the transaction value as recorded in such stock exchange as on the valuation date;
- ‘D’ shall be the value adopted or assessed or assessable by any authority of the Government for the purpose of payment of stamp duty in respect of the immovable property. In case immovable property is located outside India, market value of the property shall be determined by the independent registered valuer;
- ‘L’ shall be the book value of liabilities shown in the balance sheet, but not including the following amounts, namely:—
 - the paid-up capital in respect of equity shares;
 - the amount set apart for payment of dividends on preference shares and equity shares where such dividends have not been declared before the date of transfer at a general body meeting of the company;
 - reserves and surplus, by whatever name called, even if the resulting figure is negative, other than those set apart towards depreciation;
 - any amount representing provisions made for meeting liabilities, other than ascertained liabilities;
 - any amount representing contingent liabilities other than arrears of dividends payable in respect of cumulative preference shares.

(2) The reference date for computing the floor price shall be –

- (i) the date of initial public announcement made by the acquirer, if such an announcement was made before the close of market hours; or
- (ii) the trading day next to the date of the initial public announcement, if such an announcement was made after the close of market hours or on a non-trading day.”

- The amendments have been made in Regulation 20 pertaining to Discovered price. The amended regulations 20 is reproduced below:

“Discovered price

20.(1) After fixation of the floor price **in terms of regulation 19A of these regulations**, the discovered price shall be determined through the reverse book building process in the manner specified in Schedule II of these regulations, **and shall be disclose** in the detailed public announcement and the letter of offer **by the Manager of the offer**.

(2) The acquirer shall have the option to provide an indicative price in respect of the delisting offer, which shall be higher than the floor price calculated in terms of **regulation 19A of these regulations**.

(3) The acquirer shall also have the option to revise the indicative price upwards before the start of the bidding period and the same shall be duly disclosed to the shareholders.

(4) The acquirer may, if it deems fit, pay a price higher than the discovered price determined in terms of sub-regulation (1).

- The regulation 20A is inserted specifying the provisions for Fixed Delisting Price. The same is reproduced below:

“20A (1) In case the acquirer has proposed delisting through fixed price process; the acquirer shall provide a fixed delisting price which shall be at least 15 percent more than the floor price calculated in terms of regulation 19A.

(2) The acquirer shall be eligible to undertake delisting through fixed price process only if the shares of the company are frequently traded.

(3) The acquirer shall be bound to accept the equity shares tendered or offered in the delisting offer, if the post-offer shareholding of the acquirer along with the shares tendered by the public shareholders reaches 90 percent at the fixed delisting price, offered by the acquirer.”

- Regulation 22 relating to Option to accept or reject the discovered price or counter offer, sub-regulation (4) and (5) are substituted:

“(4) In case of delisting through reverse book building process; a counter-offer may be made by the acquirer to the public shareholders, provided - i. the post-offer shareholding of the acquirer, along with the shares tendered by public shareholders, is not less than seventy-five percent; and ii. not less than fifty percent of the public shareholding has been tendered.

(4A) The counter-offer in terms of sub-regulation (4) may be made within two working days of the closure of the bidding period and thereafter the acquirer shall ensure compliance with the provisions of these regulations in accordance with the timelines provided in Schedule IV of these regulations.

(5) The counter offer price shall not be less than the higher of i. volume weighted average price of the shares tendered/offered in the reverse book building process; and ii. the indicative price, if any, offered by the acquirer.

Explanation-If the cumulative shareholding of the acquirer, along with the shares tendered or offered by the public shareholders is less than ninety percent; the volume weighted average price shall be calculated taking into account all the shares tendered or offered and if the cumulative shareholding is equal to or higher than ninety percent, the volume weighted average price shall be calculated taking into account the shares tendered or offered up to ninety percent.”

- The following amendments have been made in regulation 23(2) pertaining to the failure of the delisting offer:
 - In clause (a)
 - The words and symbol “tendered/offered”, are substituted by the words and symbols “tendered or offered under the reverse book building process or the fixed price process or the counter-offer, as the case may be.
 - The words “Schedule II or Schedule IV of” have been omitted.
 - The words “as the case may be”, have been omitted.
 - In sub-clause (i),
 - After the words “reverse book building process” the words “or the fixed price process” have been inserted.
 - In clause (c)(i), after the words “reverse book building process”, the words “or the fixed price process, as the case may be,” have been inserted.
- The following amendments have been made in regulation 24 pertaining to Payment upon success of the offer:
 - In clause (1)
 - after the words “regulation 20 of these regulations” and before the words and symbol “, as stated in the public announcement”, the words “or fixed price offered by the acquirer in terms of sub-regulation (1) of regulation 20A of these regulations” shall be inserted;
 - in clause (i) thereof, after the words “regulation 22” and before the words “of these regulations”, the words “or in terms of fixed price as provided under regulation 20A” shall be inserted.
- The regulation 38A has been inserted specifying special provisions for delisting of investment holding company which is reproduced below:

“Part -E

Delisting of equity shares of a listed investment holding company pursuant to a scheme of arrangement

38A (1) Nothing contained in these regulations shall apply to the delisting of equity shares of an investment holding company, pursuant to a scheme of arrangement by an order of a Court or Tribunal.

(2) Delisting of equity shares made under sub-regulation (1) shall be undertaken, in the following manner-

- i. the listed investment holding company shall transfer the equity shares (value as calculated on a net of pro-rata liabilities) held by it in other listed companies, to its public shareholders in proportion to their shareholding;
- ii. the listed investment holding company shall make payment in cash (value as calculated on a net of pro-rata liabilities) in exchange for the underlying shares or investments made by such investment holding company in unlisted companies and other assets, if any, to its public shareholders in proportion to their shareholding;
- iii. public shareholding of the listed investment holding company shall be extinguished upon transfer of the underlying shares mentioned at (i) and payment in cash mentioned at (ii), pursuant to a scheme for selective reduction of capital under Section 66 of the Companies Act, 2013, as amended from time to time; and
- iv. the listed investment holding company shall apply to the stock exchanges for delisting.

(3) The delisting of the equity shares of an investment holding company in terms of sub-

regulation (1) shall be permitted, subject to the fulfilment of the following conditions:-

- i. the listed investment holding company shall have not less than seventy-five percent of its fair value comprising direct investments in equity shares of other listed companies; Explanation: The fair value (net of liabilities) of the listed investment holding company shall be determined pursuant to a joint report by two independent registered valuers, which, inter-alia, shall include-
 - a) value of investments of frequently traded shares of listed companies based on sixty trading days volume weighted average market price;
 - b) fair value of investments of infrequently traded shares of listed companies and unlisted companies; and
 - c) fair value of other assets of the listed investment holding company.
- ii. the listed investment holding company shall comply with regulations 11, 37 and 94 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Circulars issued thereunder;
- iii. there shall be e-voting by shareholders of such listed investment holding company wherein votes cast by public shareholders of the listed investment holding company in favour of the proposal are not less than two times the number of votes cast against it;
- iv. the material disclosures in relation to calculation of the entitlement ratio and per share consideration is included in the explanatory statement of the notice for the shareholders meeting;
- v. the joint valuation report obtained by two independent registered valuers shall be submitted to the stock exchanges along with draft scheme for disclosure to public;
- vi. the report from a chartered accountant or merchant banker confirming the entitlement ratio is obtained;
- vii. the shares of the listed investment holding company shall have been listed for not less than 3 years and shall not be suspended at the time of taking this route;
- viii. no adverse orders have been passed by the Board against the listed investment holding company and their promoters or promoter group in the last three years; and
- ix. the equity shares of the listed investment holding company so delisted, shall not be permitted to seek relisting for a period of three years from the date of delisting. Provided that such relisting shall be in terms of sub-regulation (3) and (4) of regulation 40 of these regulations.

(4) The delisting of the equity shares of an investment holding company shall also be subject to the compliance with any requirement specified by any financial sector regulator with whom such investment holding company is regulated.”

For details: https://www.sebi.gov.in/legal/regulations/sep-2024/securities-and-exchange-board-of-india-delisting-of-equity-shares-amendment-regulations-2024_86999.html

LESSON 16

BUY-BACK OF SECURITIES

(1) SEBI (Buy-Back of Securities) (Amendment) Regulations, 2024 (Notification No. SEBI/LAD-NRO/GN/2024/180 dated May 17, 2024)

Securities and Exchange Board of India, on May 17, 2024, notified the SEBI (Buy-Back of Securities) (Amendment) Regulations, 2024 which shall come into force on the date of their publication in the Official Gazette. Vide this notification, the amendments have been made in Regulation 19 and Regulation 22B of the SEBI (Buy-Back of Securities) Regulations, 2018. It is provided that for determination of the volume weighted average market price under Regulation 19 and for calculation of the lower end of the price range under Regulation 22B, the effect on the price of the equity shares of the company due to material price movement and confirmation of reported event or information may be excluded as per the framework specified under Regulation 30(11) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The same are reproduced hereunder:

“Provided further that the effect on the price of the equity shares of the company due to material price movement and confirmation of reported event or information may be excluded as per the framework specified under sub-regulation (11) of regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 for determination of the volume weighted average market price.” **[Insertion: Proviso to Regulation 19]**

“The effect on the price of the equity shares of the company due to material price movement and confirmation of reported event or information may be excluded as per the framework specified under sub-regulation (11) of regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 for calculation of the lower end of the price range under this regulation.” **[Insertion: Regulation 22B(vi)]**

For details: https://www.sebi.gov.in/legal/regulations/may-2024/securities-and-exchange-board-of-india-buy-back-of-securities-amendment-regulations-2024_83474.html

(2) SEBI (Buy-Back of Securities) (Second Amendment) Regulations, 2024 (Notification No. SEBI/LAD-NRO/GN/2024/210 dated November 20, 2024)

SEBI has notified the SEBI (Buy-Back of Securities) (Second Amendment) Regulations, 2024 which shall come into force on the date of their publication in the Official Gazette. Vide this notification, the following amendments have been made in the SEBI (Buy-Back of Securities) Regulations, 2018:

- Regulation 4 has specified conditions and requirements for buy-back of shares and specified securities. The amendments have been made in clause (a) and (b) of regulation 4(ii), where the words “sets out a lower amount” is substituted by the words “is lower”.
- In case any member of the promoter / promoter group has declared its intention to not participate in the buy-back, the shares held by such member of the promoter / promoter group shall not be considered for computing the entitlement ratio. **[Insertion of a new proviso to regulation 4(iv)(a)]**

- The words record date under Regulation 17(ii) of the Regulation is substituted by the words “date of public announcement”, accordingly buy-back offer shall open not later than four working days from the date of public announcement.
- Companies shall not issue any shares or other specified securities including by way of bonus till the date of expiry of buy-back period for the offer made under the regulation, **except in discharge of subsisting obligations through conversion of warrants, stock option schemes, sweat equity or conversion of preference shares or debentures into equity shares. Provided that the relevant details and the potential impact of such subsisting obligations, if any, shall be disclosed in the public announcement. [Amendment: Regulation 24(i)(b)]**

For details: https://www.sebi.gov.in/legal/regulations/nov-2024/securities-and-exchange-board-of-india-buy-back-of-securities-second-amendment-regulations-2024_88680.html

LESSON 17 MUTUAL FUNDS

(1) **SEBI (Mutual Funds) (Second Amendment) Regulations, 2024 (Notification No. SEBI/LAD-NRO/GN/2024/197 dated August 01, 2024)**

SEBI has notified the SEBI (Mutual Funds) (Second Amendment) Regulations, 2024 and amended the provisions of the SEBI (Mutual Funds) Regulations, 1996. The definition of market abuse is inserted which includes manipulative, fraudulent and unfair trade practices which may contravene Section 12A of the Act or any of the provisions of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 or the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015. **[Insertion: Regulation 2(1)(nb)]**

For details: https://www.sebi.gov.in/legal/regulations/aug-2024/securities-and-exchange-board-of-india-mutual-funds-second-amendment-regulations-2024_85459.html
