



**THE INSTITUTE OF  
Company Secretaries of India**

**भारतीय कम्पनी सचिव संस्थान**

**IN PURSUIT OF PROFESSIONAL EXCELLENCE**

Statutory body under an Act of Parliament

(Under the jurisdiction of Ministry of Corporate Affairs)

**SUPPLEMENT PROFESSIONAL  
PROGRAMME  
(SYLLABUS 2022)**

***(Supplements covers amendments/developments from  
May, 2023- November, 2023)***

**Strategic Management and Corporate  
Finance**

**GROUP 2, PAPER 5**

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***Students appearing in Examination shall note the following:***

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

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

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## Lesson 8

### Raising of Funds from Equity and Procedural Aspects- Public Funding

#### **1. Reduction of timeline for listing of shares in Public Issue from existing T+6 days to T+3 days (Circular No. SEBI/HO/CFD/ TPD1/CIR/P/2023/140 dated August 09, 2023)**

SEBI, consequent to extensive consultation with the market participants and considering the public comments received pursuant to consultation paper on the aforesaid subject matter, reduced the time taken for listing of specified securities after the closure of public issue to 3 working days (T+3 days) as against the present requirement of 6 working days (T+6 days). **‘T’ being issue closing date.**

The T+3 timeline for listing shall be appropriately disclosed in the Offer Documents of public issues. The timelines for submission of application, allotment of securities, unblocking of application monies and listing shall prominently be made a part of pre-issue, issue opening and issue closing advertisements issued by the Issuer for public issues in terms of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.

For details: [https://www.sebi.gov.in/legal/circulars/aug-2023/reduction-of-timeline-for-listing-of-shares-in-public-issue-from-existing-t-6-days-to-t-3-days\\_75122.html](https://www.sebi.gov.in/legal/circulars/aug-2023/reduction-of-timeline-for-listing-of-shares-in-public-issue-from-existing-t-6-days-to-t-3-days_75122.html)

**Lesson 9 and Lesson 10**  
**Real Estate Investment Trust and Infrastructure Investment Trust**

**1. Offer for Sale framework for sale of units of Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) (Circular No. SEBI/HO/MRD/MRD-PoD-3/P/CIR/2023/134 dated August 03, 2023)**

SEBI vide its circular dated January 10, 2023 specified the comprehensive framework on Offer for Sale (OFS) of shares including units of REITs and InvITs through stock exchange mechanism. Vide this circular, SEBI has modified the aforesaid framework and prescribed that OFS for sale of units of REITs and InvITs by sponsor(s) or sponsor group entities, and other unit holders are permitted only in units of listed REITs and listed InvITs.

However, in case of OFS for listed InvITs, the trading lot shall be same as the trading lot prescribed for such InvITs in the secondary market in terms of SEBI (Infrastructure Investment Trusts) Regulations, 2014.

For details: <https://www.sebi.gov.in/legal/circulars/aug-2023/offer-for-sale-framework-for-sale-of-units-of-real-estate-investment-trusts-reits-and-infrastructure-investment-trusts-invits-74938.html>

**2. Securities and Exchange Board of India (Real Estate Investment Trusts) (Second Amendment) Regulations, 2023 (Notification No. SEBI/LAD-NRO/GN/2023/144 dated August 16, 2023)**

SEBI on 16th August, 2023 has published the Securities and Exchange Board of India (Real Estate Investment Trusts) (Second Amendment) Regulations, 2023. Brief of the amendments are placed below:

**New Definitions/clauses introduced**

- In regulation 2, sub-regulation (1), after clause (q), the following clause shall be inserted, namely,-  
“(qa) “group entities of the Manager” means:
  - (i) entities or person(s) which are controlled by the Manager;
  - (ii) entities or person(s) who control the Manager;
  - (iii) entities or person(s) which are controlled by entities or person(s) specified in sub-clause (ii).”
- After clause (zr), the following clause shall be inserted, namely,-  
“(zxa) “Self-Sponsored Manager” means the Manager of an REIT who has dual responsibilities of both the Manager as well as the sponsor;

**Minimum Unitholding Requirement:**

The revised regulations mandate that sponsor(s) and sponsor group(s) collectively hold not less than-

- 15% of units of the REIT, for three years from the date of listing of units in the initial offer: If it exceeds from 15 % by any sponsor or sponsor groups, it shall be held for a period of not less than one year from the date of listing.
- 5% of total units of REITs from beginning of 4<sup>th</sup> year till the end of 5<sup>th</sup> year
- 3% of total units of REITs from beginning of 6<sup>th</sup> year till the end of 10<sup>th</sup> year
- 2% of total units of REITs from beginning of 11<sup>th</sup> year till the end of 20<sup>th</sup> year
- 1% of total units of REITs after the end of 20<sup>th</sup> year from the date of listing of units issued in the initial offer

However, the maximum value of the units to be held by the sponsor(s) and sponsor group(s) for compliance shall not exceed five hundred crore rupees.

The units required to be held as mentioned above shall be locked in and shall not be encumbered.

After Regulation 22(8), the sub- regulation (9) has been added specifying the conditions for the existing sponsor(s) proposing to disassociate as sponsor(s) by seeking to convert the Manager to Self-Sponsored Manager

- (i) the REIT has been listed for a period of at least five years;
- (ii) the REIT has undertaken not less than twelve distributions on a continuous basis and has complied with the distribution norms as per these Regulations in the preceding five years;
- (iii) the REIT is rated AAA by a registered credit rating agency for a continuous period of five years immediately preceding exit of the sponsor;
- (iv) during the period of preceding five years, the REIT has not breached, at any time, the maximum leverage thresholds specified in these regulations;
- (v) the Manager is meeting the net worth criteria for the sponsor;
- (vi) the minimum unitholding requirement applicable to sponsor(s) and sponsor group(s) shall be complied with, on or after the date of conversion of the Manager to Self-Sponsored Manager, by the Manager, shareholders of the Manager and/or group entities of Manager:

Explanation: Manager, shareholders of the Manager and/or group entities of Manager may acquire units of the REIT for the purpose of compliance of the above condition.

- (vii) the sponsor(s) or its associate(s) do not own or control the Manager of the REIT on or after the date of conversion of the Manager to Self-Sponsored Manager;
- (viii) the Sponsor has not transferred / sold assets to the REIT in the last three years and no assets/ projects shall be acquired by the REIT from the outgoing sponsor(s) for a period of one year from the date of conversion to Self-Sponsored Manager;

- (ix) atleast one of the sponsor(s) proposing to disassociate should have been a sponsor of the REIT for a minimum period of five years;
- (x) the REIT shall not have any under-construction properties acquired from the sponsor that have not commenced commercial operations;
- (xi) unitholders approval in terms of sub-regulation (8) of this regulation and consent of the Trustee has been obtained for conversion to Self-Sponsored Manager;
- (xii) such other condition as may be specified by the SEBI.

### **Stewardship Code**

Schedule IX on Stewardship Code has been inserted which states that the following principles of stewardship code shall be complied with by any unitholder holding not less than 10% of the total outstanding units of the REIT:

1. They must act in the best interests of the REIT and its unitholders as a whole;
2. They should formulate a comprehensive policy on the discharge of their stewardship responsibilities and review and update the same periodically;
3. They should have a policy to manage issues of conflict of interest while fulfilling their stewardship responsibilities;
4. They should periodically monitor the REIT and its investee entities viz. HoldCo(s) and SPV(s);
5. They should have a policy on intervention in the REIT and its HoldCo(s) and SPV(s);
6. They should have a policy on voting.

For details:

[https://www.sebi.gov.in/legal/regulations/aug-2023/securities-and-exchange-board-of-india-real-estate-investment-trusts-second-amendment-regulations-2023\\_75791.html](https://www.sebi.gov.in/legal/regulations/aug-2023/securities-and-exchange-board-of-india-real-estate-investment-trusts-second-amendment-regulations-2023_75791.html)

### **3. Securities and Exchange Board of India (Infrastructure Investment Trusts) (Second Amendment) Regulations, 2023 (Notification No. No. SEBI/LAD-NRO/GN/2023/145 dated August 16, 2023)**

SEBI on 16th August, 2023 has published the Securities and Exchange Board of India (Infrastructure Investment Trusts) (Second Amendment) Regulations, 2023. Brief of the amendments are placed below:

#### **New Definitions/clauses introduced**

- In regulation 2, sub-regulation (1), after clause (s), the following clause shall be inserted, namely,-
  - “(sa) “group entities of the Investment Manager” means:
    - (i) entities or person(s) which are controlled by the Investment Manager;
    - (ii) entities or person(s) who control the Investment Manager;

(iii) entities or person(s) which are controlled by entities or person(s) specified in sub-clause (ii).”

- After clause (zx), the following clause shall be inserted, namely,-  
“(zxa) “Self-Sponsored Investment Manager” means the Investment Manager of an InvIT who has dual responsibilities of both the Investment Manager as well as the sponsor;
- After clause (zxb), the following clause shall be inserted, namely,-  
“(zxc) “sponsor group” includes-
  - (i) the sponsor(s);
  - (ii) entities or person(s) which are controlled by such sponsor;
  - (iii) entities or person(s) who control such body corporate;
  - (iv) entities or person(s) which are controlled by entities or person(s) specified in clause (iii).”

#### **Minimum Unitholding Requirement:**

The revised regulations mandate that sponsor(s) and sponsor group(s) collectively maintain a minimum unitholding of 15% of total outstanding units for the first three years after unit listing subject to certain conditions as mentioned in the amended regulations. The amendment specifies conditions for conversion to a Self-Sponsored Investment Manager, such as continuous AAA rating, compliance with leverage thresholds, net worth criteria, and more.

#### **Lock-In Period and Encumbrance:**

Units held to fulfill the minimum unitholding requirements will be locked in and cannot be encumbered. Notwithstanding the above, any encumbrance created on units held to comply with the minimum unit holding requirement applicable before the date of coming into effect of the Securities and Exchange Board of India (Infrastructure Investment Trusts) (Second Amendment) Regulations, 2023, may continue if the encumbrance exist on such date.

#### **Director Nomination and Exit Option:**

Unitholders possessing a minimum of 10% of outstanding units now have the authority to nominate a director on the board of the Investment Manager, subject to certain conditions. In cases where a conversion to a Self-Sponsored Investment Manager occurs, dissenting unitholders must be offered an exit option through the purchase of their units.

Schedule VIII on Stewardship Code has been inserted which states that the following principles of stewardship code shall be complied with by any unitholder holding not less than 10% of the total outstanding units of the InvIT

7. They must act in the best interests of the InvIT and its unitholders as a whole;
8. They should formulate a comprehensive policy on the discharge of their stewardship responsibilities and review and update the same periodically;

9. They should have a policy to manage issues of conflict of interest while fulfilling their stewardship responsibilities;
10. They should periodically monitor the InvIT and its investee entities viz. HoldCo(s) and SPV(s);
11. They should have a policy on intervention in the InvIT and its HoldCo(s) and SPV(s);
12. They should have a policy on voting.

For details: [https://www.sebi.gov.in/web/?file=https://www.sebi.gov.in/sebi\\_data/attachdocs/aug-2023/1692785987960.pdf#page=1&zoom=page-width,-15,842](https://www.sebi.gov.in/web/?file=https://www.sebi.gov.in/sebi_data/attachdocs/aug-2023/1692785987960.pdf#page=1&zoom=page-width,-15,842)

**4. Board nomination rights to unitholders of Real Estate Investment Trusts (REITs) and Infrastructure Investment Trust (InvITs) (Circulars no. SEBI/HO/DDHS-PoD-2/P/CIR/2023/153 and SEBI/HO/DDHS-PoD-2/P/CIR/2023/153 dated September 11, 2023)**

Unitholders of Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) now have the framework to nominate directors on the boards of the investment manager of the trusts. The eligibility of the unitholders will be decided based on the unitholding pattern as on September 30, 2023. In two circulars issued on September 11, 2023 the SEBI detailed the framework for this and asked the investment managers to inform the unitholders of this within 10 days from September 30, 2023 and to request unitholders to send in their nominations if they wish to exercise this right. The eligibility of the nominee director will be confirmed by the investment manager, based on the evaluation done by the Nomination and Remuneration Committee and/or the Board of Directors of the investment manager in line with the policy formulated for this and within 10 days of receipt of notice from eligible unitholders.

For details:

<https://www.sebi.gov.in/legal/circulars/sep-2023/board-nomination-rights-to-unitholders-of-real-estate-investment-trusts-reits-76709.html>

<https://www.sebi.gov.in/legal/circulars/sep-2023/board-nomination-rights-to-unitholders-of-infrastructure-investment-trusts-invits-76708.html>

**5. Securities and Exchange Board of India (Real Estate Investment Trusts) (Third Amendment) Regulations, 2023 (Notification no. SEBI/LAD-NRO/GN/2023/160 October 20, 2023)**  
**Securities and Exchange Board of India (Infrastructure Investment Trusts) (Third Amendment) Regulations, 2023 (Notification no. SEBI/LAD-NRO/GN/2023/159 dated October 20, 2023)**

SEBI has amended the SEBI (Infrastructure Investment Trusts) Regulations, 2014 (“**InvIT Regulations**”) and (Real Estate Investment Trusts) Regulations, 2014 (“**REITs Regulations**”)

respectively vide gazette notification dated October 20, 2023. The Regulation 18(6) of the InvIT Regulations and Regulation 18(16) of the REITs Regulations have been amended.

Regulation 18(6)(e) of the InvIT Regulations and Regulation 18(16)(f) of the REITs Regulations provide that any amount which is unpaid or unclaimed out of the distributions declared by an InvIT/REIT as per Regulation 18, shall be transferred to the Investor Protection and Education Fund (“**Fund**”) constituted by the SEBI, in such manner as may be specified by the board.

The Notifications inserted a proviso to the above Regulation 18(6)(e) and Regulation 18(16)(f) stating that the amount transferred to such Fund shall not bear any interest. Further, Notification 1 inserted sub-clause (f) in Regulation 18(6) of the InvIT Regulations which provided that the unclaimed or unpaid amount of a person that has been transferred to the Fund in terms of sub-clause (e), may be claimed in such manner as may be specified. Notification 2 also inserted a similar sub-clause (g) in Regulation 18(16) of the REITs Regulations stating the above. This amendment has enabled the unit holders/InvIT/REIT to reclaim the unclaimed or unpaid distribution amount which was previously not provided for.

For details:

[https://www.sebi.gov.in/legal/regulations/oct-2023/securities-and-exchange-board-of-india-real-estate-investment-trusts-third-amendment-regulations-2023\\_78627.html](https://www.sebi.gov.in/legal/regulations/oct-2023/securities-and-exchange-board-of-india-real-estate-investment-trusts-third-amendment-regulations-2023_78627.html)

[https://www.sebi.gov.in/legal/regulations/oct-2023/securities-and-exchange-board-of-india-infrastructure-investment-trusts-third-amendment-regulations-2023\\_78625.html](https://www.sebi.gov.in/legal/regulations/oct-2023/securities-and-exchange-board-of-india-infrastructure-investment-trusts-third-amendment-regulations-2023_78625.html)

#### **6. Revision in manner of achieving minimum public unitholding requirement– Infrastructure Investment Trusts (InvITs) (Circular No. SEBI/HO/DDHS-PoD-2/P/CIR/2023/174 October 31, 2023)**

SEBI vide circular dated October 31, 2023 has provided for revision in manner of achieving minimum public unitholding requirement by Infrastructure Investment Trusts (InvITs). There are already nine different methods to achieve minimum public unitholding requirement for infrastructure investment trusts which were prescribed in a master circular dated July 6, 2023. In addition to the available methods, the following shall be an additional method for privately placed InvITs in order to achieve minimum public unitholding requirements:

1. Issuance of units through preferential allotment;
2. Sale of units held by Sponsor(s) / Investment Manager /Project Manager and their associates/related parties in the open market;
3. Sponsor(s) / Investment Manager / Project Manager and their associates/related parties can sell upto a maximum of 5% of the paid-up unit capital of the InvIT during a financial year.

For details: <https://www.sebi.gov.in/legal/circulars/oct-2023/revision-in-manner-of-achieving-minimum-public-unitholding-requirement-infrastructure-investment-trusts-invits-78561.html>

## Lesson 11- Raising of Funds – Private Funding

### 1. Securities and Exchange Board of India (Alternative Investment Funds) (Second Amendment) Regulations, 2023 (E-Gazette Notification No. SEBI/LAD-NRO/GN/2023/132 June 15, 2023)

SEBI by way of its notification dated June 15, 2023 amended the SEBI Alternative Investment Fund ('AIF') Regulations, 2012 ('AIF Regulations'). Details of certain key amendments are summarized below:

#### 1. Addition of a new category of AIF called Specified Alternative Investment Fund.

The addition of the new category of AIF i.e., specified Alternative Investment Fund expands the existing three categories of AIFs, namely Category I AIF, Category II AIF, and Category III AIF, as outlined in Regulation 3(4) of the SEBI Regulation. The introduction of the Specified AIF category provides further diversification and opportunities for investment within the alternative investment landscape, subject to the criteria and guidelines set by SEBI.

#### 2. Introduction of 'Corporate Debt Market Development Fund' (CDMDF)

Corporate Debt Market Development Fund as a new category of AIF has been introduced in which investment shall be made in accordance with Chapter III-C of these regulations. Further, the concepts of liquidation scheme and liquidation period has also been inserted. The SEBI has prescribed the modalities for launching Liquidation Scheme and for distributing the investments of Alternative Investment Funds (AIFs) vide circular dated June 21, 2023. (Please refer the link: [https://www.sebi.gov.in/legal/circulars/jun-2023/modalities-for-launching-liquidation-scheme-and-for-distributing-the-investments-of-alternative-investment-funds-aifs-in-specie\\_72922.html](https://www.sebi.gov.in/legal/circulars/jun-2023/modalities-for-launching-liquidation-scheme-and-for-distributing-the-investments-of-alternative-investment-funds-aifs-in-specie_72922.html) for details). The amendments with regards to CDMDF are as under:

- **Registration of CDMDF:** The CDMDF shall be structured as a trust, and its establishment requires the execution of a registered deed in accordance with the provisions of the Indian Registration Act of 1908. The CDMDF shall operate as a close-ended fund, meaning that it has a predetermined duration of 15 years from the date of its initial closing. The CDMDF are made available for investment to Asset Management Companies (AMCs) and specified debt-oriented schemes of mutual funds.

The SEBI vide circular dated July 27, 2023 prescribed the framework for Corporate Debt Market Development Fund (CDMDF) which states that CDMDF shall comply with the Guarantee Scheme for Corporate Debt (GSCD) as notified by Ministry of Finance vide notification no. G.S.R. 559(E) dated July 26, 2023, which includes the Framework for Corporate Debt Market Development Fund. In addition to the scheme, CDMDF shall comply with the conditions as mentioned in the circular. For details, please refer

<https://www.sebi.gov.in/legal/circulars/jul-2023/framework-for-corporate-debt-market-development-fund-cdmdf-74416.html>

- **Investment Conditions:** During periods of market dislocation, the Corporate Debt Market Development Funds shall purchase corporate debt securities from the specified debt-oriented schemes of mutual funds which meet the following eligibility criteria:
  - a) corporate debt securities shall be listed and have an investment grade rating;
  - b) the residual maturity of such securities shall not exceed five years on the date of purchase;
  - c) securities where there is no material possibility of default or adverse credit news or views.
- **Disclosure Norms:** The portfolio of the CDMDF will be made available to the unitholders on a fortnightly basis. Additionally, the net asset value (NAV) of the CDMDF will be disclosed to the unitholders on a daily basis. These regular disclosures ensure transparency and provide timely information to the unitholders regarding the fund's holdings and NAV.
- **Compliance with governance mechanism:** The CDMDF will select and appoint a trustee company. The appointment of both the board of directors of the trustee company and the manager of the CDMDF necessitates prior approval from SEBI.

The trustee company is authorized to engage solely in activities where it acts as the trustee of the CDMDF, unless prior written consent is obtained from SEBI. In terms of composition, two-thirds of the members on the board of the trustee company must be independent directors who do not have any affiliation with the sponsor or manager.

The appointment of any individual as a director of the trustee company is subject to the prior approval of SEBI. Furthermore, an audit committee must be established within the trustee company to oversee and assess compliance with the provisions outlined in the placement memorandum.

### 3. Issuance of units of AIFs in dematerialised form (June 21, 2024)

A new clause into Regulation 10 mandated every AIF to issue units in dematerialized form, subject to conditions specified by the SEBI.

All schemes of AIFs shall dematerialise their units in the following time frame:

Particulars	Schemes of AIFs with corpus $\geq$ Rs 500 Crore	Schemes of AIFs with corpus $<$ Rs 500 Crore
Dematerialization of all the units issued	Latest by October 31, 2023	Latest by April 30, 2024
Issuance of units only in dematerialized form	November 01, 2023 onwards	May 01, 2024 onwards

The above requirements is not applicable to the AIF Schemes whose original tenure ending on or before April 30, 2024. Dematerialization of units by AIFs shall help in Ease of monitoring for investors/managers/regulatory compliances; Ease of transfer and transmission of AIF units; Safer option to hold securities - reduces risk of loss/damage of certificate, forgery etc. and to facilitate transparency and adequate monitoring

For details: [https://www.sebi.gov.in/legal/circulars/jun-2023/issuance-of-units-of-aifs-in-dematerialised-form\\_72921.html](https://www.sebi.gov.in/legal/circulars/jun-2023/issuance-of-units-of-aifs-in-dematerialised-form_72921.html)

#### **4. Appointment of Compliance Officer**

Each AIF is mandated to appoint a compliance officer who holds the responsibility of overseeing adherence to the provisions of the act, rules, regulations, notifications, circulars, guidelines, and any other directives issued by SEBI. The compliance officer must fulfill the eligibility criteria specified by SEBI.

#### **5. Independent Valuation**

The manager of an AIF bears the responsibility of ensuring that the AIF appoints an independent valuer who meets the criteria specified by the SEBI on a periodic basis.

(SEBI has prescribed the standardised approach to valuation of investment portfolio of Alternative Investment Funds (AIFs) vide circular dated June 21, 2023. For details refer the circular- <https://www.sebi.gov.in/legal/circulars/jun-2023/standardised-approach-to-valuation-of-investment-portfolio-of-alternative-investment-funds-aifs-72924.html> )

For details: [https://www.sebi.gov.in/legal/regulations/jun-2023/securities-and-exchange-board-of-india-alternative-investment-funds-second-amendment-regulations-2023\\_72778.html](https://www.sebi.gov.in/legal/regulations/jun-2023/securities-and-exchange-board-of-india-alternative-investment-funds-second-amendment-regulations-2023_72778.html)

#### **2. Validity period of approval granted by SEBI to Alternative Investment Funds (AIFs) and Venture Capital Funds (VCFs) for overseas investment (Circular No. SEBI/HO/AFD/PoD/CIR/P/2023/137 August 04, 2023)**

AIFs and VCFs have a time limit of six months from the date of prior approval from SEBI to making the allocated investments in offshore venture capital undertakings. SEBI reduced the validity period of approval given to alternative investment funds (AIFs) and venture capital funds (VCFs) for making overseas investments to four months from six months at present. In case the applicant AIFs and VCFs does not utilize the limits allocated to them within six months then SEBI can allocate such unutilized limit to another applicant.

For details: [https://www.sebi.gov.in/legal/circulars/aug-2023/validity-period-of-approval-granted-by-sebi-to-alternative-investment-funds-aifs-and-venture-capital-funds-vcfs-for-overseas-investment\\_74979.html](https://www.sebi.gov.in/legal/circulars/aug-2023/validity-period-of-approval-granted-by-sebi-to-alternative-investment-funds-aifs-and-venture-capital-funds-vcfs-for-overseas-investment_74979.html)

### **3. Regulatory Reporting by Alternative Investment Funds (AIFs) (Circular No. SEBI/HO/AFD/SEC-1/P/CIR/2023/0155 September 14, 2023)**

In order to enable the AIF industry to have uniform compliance standards, ease compliance reporting and for regulatory and developmental purposes, the existing quarterly reporting format has been reviewed and the revised format has been prepared by SEBI. It is prescribed that the said revised reporting format shall be hosted by the AIF associations on their website within 2 working days of issuance of this circular. The report shall be submitted within 15 calendar days from the end of each quarter. The association shall engage with all AIFs to ensure that to begin with and to carry out a trial run, quarterly report for the June 2023 quarter is submitted in the revised format by October 15, 2023 on the SEBI Intermediary Portal (SI Portal).

For details: [https://www.sebi.gov.in/legal/circulars/sep-2023/regulatoryreporting-by-aifs\\_76908.html](https://www.sebi.gov.in/legal/circulars/sep-2023/regulatoryreporting-by-aifs_76908.html)

## Lesson 14

### Raising of Funds from Debts and Procedural Aspects

#### **1. Transactions in Corporate Bonds through Request for Quote (RFQ) platform by Stock Brokers (SBs). (Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/083 June 02, 2023)**

In a bid to increase the liquidity on Request for Quote (RFQ) platform of stock exchanges and to enhance the transparency and disclosure pertaining to trading in secondary market in corporate bonds, SEBI has asked stock brokers (SBs) to undertake at least 10% of their total secondary market trades by value in Corporate Bonds in that month by placing/seeking quotes through one-to-one (OTO) or one-to-many (OTM) mode on the RFQ platform of stock exchanges, w.e.f July 01, 2023 for all the trades in proprietary basis.

Further, Stock Brokers have to undertake 25% of their total secondary market trades by value on the RFQ platform of stock exchanges, w.e.f April 01, 2024 for all the trades in proprietary basis.

SBs shall consider the trades executed by value through OTO or OTM mode of RFQ with respect to the total secondary market trades in CBs, during the current month and immediate preceding two months on a rolling basis.

For details: <https://www.sebi.gov.in/legal/circulars/jun-2023/transactions-in-corporate-bonds-through-request-for-quote-platform-by-stock-brokers-sbs-72231.html>

#### **2. Adherence to provisions of regulation 51A of SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 by Online Bond Platform Providers on product offerings on Online Bond Platforms (Circular No.: SEBI/HO/DDHS/POD1/P/CIR/2023/092 dated June 16, 2023)**

SEBI vide its circular dated June 16, 2023 issued a circular regarding adherence to provisions of regulation 51A of SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 by Online Bond Platform Providers on product offerings on Online Bond Platforms.

Regulation 51A of SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 (NCS Regulations), *inter-alia*, defines “online bond platform provider” as ‘any person operating or providing an online bond platform’ and “online bond platform” as ‘any electronic system, other than a recognised stock exchange or an electronic book provider platform, on which the debt securities which are listed or proposed to be listed, are offered and transacted.’

SEBI Circular dated November 14, 2022 (‘OBP Circular’) provides for the registration and regulatory framework for Online Bond Platform Providers. Clause 5.2 of the OBP circular reads as follows:

“An entity acting as an OBPP on or prior to this circular coming into force, shall cease to offer products or services or securities on its OBP other than the following:

5.2.1. Listed debt securities and

5.2.2. Debt securities proposed to be listed through a public offering.  
Such OBPP shall divest itself of offerings of other products or services or securities.”

While a few Online Bond Platform Providers have commenced operations, the following are observed, which are not as per the mandate provided in the NCS Regulations and the OBP circular:

- a) Certain Online Bond Platform Providers continue to offer products other than listed debt securities and debt securities proposed to be listed through a public offering on their Online Bond platform;
- b) Certain Online Bond Platform Providers are offering unlisted bonds/other products on a separate platform/website and have not divested of such offerings in terms of clause 5.2 of the OBP circular; and
- c) Certain Online Bond Platform Providers have a link on the online bond platform/website to another platform/website for transacting in unlisted bonds/ other products.

Taking into account representations from Online Bond Platform Providers, SEBI has revised the provisions of Clause 5.2 of the OBP circular to permit them to offer certain other securities on their Online Bond Platforms, as under:

*“5.2 An entity acting as an Online Bond Platform Provider on or prior to November 14, 2022, shall divest itself of offerings of products or services or securities on its Online Bond Platform or any other website/ platform other than the following:*

- 5.2.1 Listed debt securities, listed municipal debt securities and listed securitised debt instruments;*
- 5.2.2 Debt securities, municipal debt securities and securitized debt instruments proposed to be listed through a public offering;*
- 5.2.3 Listed Government Securities, State Development Loans and Treasury Bills; and*
- 5.2.4 Listed Sovereign Gold Bonds.”*

For details: [https://www.sebi.gov.in/legal/circulars/jun-2023/adherence-to-provisions-of-regulation-51a-of-sebi-issue-and-listing-of-non-convertible-securities-regulations-2021-by-online-bond-platform-providers-on-product-offerings-on-online-bond-platforms\\_72762.html](https://www.sebi.gov.in/legal/circulars/jun-2023/adherence-to-provisions-of-regulation-51a-of-sebi-issue-and-listing-of-non-convertible-securities-regulations-2021-by-online-bond-platform-providers-on-product-offerings-on-online-bond-platforms_72762.html)

### **3. SEBI (Issue and Listing of Non-Convertible Securities) (Second Amendment) Regulations, 2023 (Notification No. SEBI/LAD-NRO/GN/2023/135 dated July 03, 2023)**

SEBI has notified the SEBI (Issue and Listing of Non-Convertible Securities) (Second Amendment) Regulations, 2023 which shall come into force on the date of their publication in the Official Gazette.

The amendment introduces new clauses, modifies existing definitions, and establishes additional requirements for issuers. Key changes include the insertion of a clause defining “key managerial personnel” and the inclusion of the term “senior management” in the regulations.

- “Key managerial personnel” means key managerial personnel as defined in sub-section (51) of section 2 of the Companies Act, 2013.”
- “Senior management” shall mean the officers and personnel of the issuer who are members of its core management team, excluding the Board of Directors, and shall also comprise all the members of the management one level below the Chief Executive Officer or Managing Director or Whole Time Director or Manager (including Chief Executive Officer and Manager, in case they are not part of the Board of Directors) and shall specifically include the functional heads, by whatever name called and the **Company Secretary** and the Chief Financial Officer.”

The amendment also introduces Chapter VA, which focuses on the issuance and listing of non-convertible securities on a private placement basis.

In order to avoid the repetitive nature of the disclosures and to reduce the number of redundant placement memoranda filed for listed NCS by entities for multiple issuances in the same year, SEBI has introduced the concept of a general information document (GID) and a key information document (KID)

The issuers proposing to list NCS on a private placement basis to file a GID with the stock exchange(s), containing the specific disclosures set out in Schedule I of the Second Amendment Regulations. The GID would be valid for a period of one year from the date of opening of the first offer of non-convertible securities. If the issuer wants to issue securities for a second or subsequent time, during the validity of the GID, it would only be required to file a KID for each such second or subsequent offer of non-convertible securities, with the stock exchange instead of filing the GID.

The key information document shall contain the following information:

- a) details of the offer of non-convertible securities in respect of which the key information document is being issued;
- b) financial information, if such information provided in the general information document is more than six months old;
- c) material changes, if any, in the information provided in the general information document;
- d) any material developments not disclosed in the general information document, since the issue of the general information document relevant to the offer of non-convertible securities in respect of which the key information document is being issued; and
- e) disclosures applicable in case of private placement of non-convertible securities as specified in schedule I, in case the second or subsequent offer is made during the

validity of the shelf prospectus for which no general information document has been filed.

The provisions introduced by Chapter VA are applicable on a ‘*comply or explain*’ basis till March 31, 2024 and on a mandatory basis thereafter.

Under Chapter VA, ‘*comply or explain*’ means that the issuer shall endeavor to comply and achieve full compliance, by filing a GIC instead of a placement memorandum for private placement of non-convertible securities sought to be listed, until March 31, 2024. In case the entity is not able to achieve full compliance with the provisions, till such time, it shall explain the reasons for such non-compliance or partial compliance, and the steps initiated to achieve full compliance. The amendment also introduces requirements for “Large Corporates” under Chapter VB.

Schedule I (Disclosures for Public Issue of Debt Securities and Non-Convertible Redeemable Preference Shares) and Schedule II (Disclosures for Private Placement of Non-Convertible Securities) of the NCS Regulations have been replaced by a common and new Schedule I (Disclosures for Issue of Securities) under the Second Amendment Regulations. Schedule I also consolidates certain disclosures specified under the Companies (Prospectus and Allotment of Securities) Rules, 2014, issued under the Companies Act, 2013, which were applicable for private placements and certain identified disclosures from Form PAS-4 have now been applied for public issues as well.

For details: [https://www.sebi.gov.in/legal/regulations/jul-2023/securities-and-exchange-board-of-india-issue-and-listing-of-non-convertible-securities-second-amendment-regulations-2023\\_73592.html](https://www.sebi.gov.in/legal/regulations/jul-2023/securities-and-exchange-board-of-india-issue-and-listing-of-non-convertible-securities-second-amendment-regulations-2023_73592.html)

#### **4. New format of Abridged Prospectus for public issues of Non-Convertible Debt Securities and/or Non-convertible Redeemable Preference Shares (Circular No. SEBI/HO/DDHS/POD1/P/CIR/2023/150 September 04, 2023)**

SEBI vide circular dated September 04, 2023 has published a new format of abridged prospectus for public issues of Non-Convertible Debt Securities and/or Non-convertible Redeemable Preference Shares to further simplify, provide greater clarity and consistency in the disclosures across various documents and to provide additional but critical information in the abridged Prospectus. As per the revised process following shall be complied:

1. A copy of the Abridged Prospectus shall be made available on the website of issuer, merchant bankers, registrar to an issuer and a link for downloading Abridged Prospectus shall be provided in issue advertisement for the public issue.
2. Further, the issuer/ Merchant Bankers shall insert a Quick Response (QR) code on the last on the last page of the Abridged Prospectus. The scan of such QR code on the abridged prospectus would lead to the Prospectus. Further, the issuer entity/ Merchant Bankers shall insert a QR code on the front page of the documents such as front outside cover page, advertisement, etc. as deemed fit by them. The scan of the QR code would lead to the prospectus or abridged prospectus as applicable. The Issuer /Merchant Bankers shall ensure that the disclosures in the

Abridged Prospectus are adequate, accurate and do not contain any misleading or misstatement.

3. Furthermore, the Issuer/ Merchant Bankers shall ensure that the qualitative statements in the Abridged Prospectus shall be substantiated with quantitative factors. Also, no qualitative statement shall be made which cannot be substantiated with quantitative factors.

For details: [https://www.sebi.gov.in/legal/circulars/sep-2023/new-format-of-abridged-prospectus-for-public-issues-of-non-convertible-debt-securities-and-or-non-convertible-redeemable-preference-shares\\_76430.html](https://www.sebi.gov.in/legal/circulars/sep-2023/new-format-of-abridged-prospectus-for-public-issues-of-non-convertible-debt-securities-and-or-non-convertible-redeemable-preference-shares_76430.html)

#### **5. Ease of doing business and development of corporate bond markets –revision in the framework for fund raising by issuance of debt securities by large corporates(LCs) (Circular No. SEBI/HO/DDHS/DDHS-RACPOD1/P/CIR/2023/172 dated October 19, 2023)**

SEBI on October 19, 2023 has issued a revised framework for fund raising by issuance of debt securities by large corporates (LCs). The framework applies to all listed entities except for Scheduled Commercial Banks. To be subject to these regulations, a listed entity must meet specific criteria:

1. Have their specified securities, debt securities, or non-convertible redeemable preference shares listed on recognized stock exchanges under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
2. Maintain outstanding long-term borrowings of Rs. 1,000 crore or more. Outstanding long-term borrowings exclude external commercial borrowings, inter-corporate borrowings involving holding company and subsidiaries, government grants, interest capitalization, and borrowings related to mergers, acquisitions, and takeovers.
3. Have a credit rating of “AA,” “AA+,” or “AAA,” specifically for unsupported bank borrowings or plain vanilla bonds, without any structural support.

#### **Identifying Large Corporates (LCs)**

Once an entity fulfills the criteria, it is categorized as a “Large Corporate” (LC). LCs must adhere to the following key provisions:

**Raising Debt Securities:** LCs must raise a minimum of 25% of their “qualified borrowings” through the issuance of debt securities in subsequent financial years.

**Contiguous Three-Year Block:** Starting from FY 2025, LCs must meet the mandatory qualified borrowing requirement over a contiguous block of three years. For LCs following April-March financial years, this block starts from March 31, FY “T-1,” and for LCs with January-December financial years, it starts from December 31, FY “T-1.”

## **Incentives and Disincentives**

Incentives and dis-incentives are applied based on an LC's borrowing performance:

**Surplus in Required Borrowings:** If an LC exceeds the 25% borrowing requirement in the three-year block, it is entitled to incentives such as reduced annual listing fees and a credit in the form of a reduction in the contribution to the Core Settlement Guarantee Fund (SGF) of LPCC.

**Shortfall in Required Borrowings:** If an LC fails to meet the 25% borrowing requirement, it faces a dis-incentive in the form of an additional contribution to the core SGF.

## **Responsibilities of Stock Exchanges and LPCC**

Stock Exchanges will play a crucial role in identifying LCs and calculating incentives or dis-incentives. They will notify LCs and facilitate the implementation of these provisions. LPCC will need to make necessary changes and ensure LCs comply with the requirements related to contribution to the core SGF.

## **Requirements for LCs Identified Based on Erstwhile Criteria**

LCs that were identified based on previous criteria and meet the new criteria have the flexibility to comply with the 25% borrowing requirement over three years, starting from FY 2022.

For details: [https://www.sebi.gov.in/web/?file=https://www.sebi.gov.in/sebi\\_data/attachdocs/oct-2023/1697798741187.pdf#page=1&zoom=page-width,-15,288](https://www.sebi.gov.in/web/?file=https://www.sebi.gov.in/sebi_data/attachdocs/oct-2023/1697798741187.pdf#page=1&zoom=page-width,-15,288)