

Chapter 8 - Securities Contracts (Regulation) Act, 1956

• Objective -

An act to prevent undesirable transaction in securities by regulating the business of dealing therein, by providing for certain other matters connected therewith.

⇒ Non-Applicability.

The Govt. RBI, any Local authority or Corporation set up by Special Law.

convertible Bond or Share warrant or any option or right as it entitles a person in whose favour any of the foregoing has been issued.

central Govt. in the interest of trade & commerce or economic development of country may specify any class of contract as a contract to which act shall not apply.

⇒ Key-Definitions

① Spot Delivery Contract.

Actual delivery of the securities and payment of price there of either on the same day or on the next day.

If the sec. are dealt with Depository
↓
transfer of securities by depository from acc. of one beneficial owner to acc. of another beneficial owner

② Stock Exchange.

any body of individual whether incorporated or not constituted before corporatisation or demutualisation.

A body corporate incorporated under companies Act, 2013 whether under the scheme of corporatisation or demutualisation

• For the purpose of assisting, regulating or controlling the business of buying, selling & dealing in securities.

③ Derivatives :- Includes.

- Sec. derived from debt instrument Share, Loan whether secured or unsecured.
- contract which derived its value from prices or index of prices.
- commodity derivatives.

④ Recognised Stock Exchange.

→ Stock Exchange for the time being recognised by central Govt.

⑤ Government Security - means

→ securities created and issued before or after commencement of act by the Cgt for the purpose of raising Public Loan.

⇒ Recognition of Stock Exchanges

→ Application for Recognition of Stock Exchange :- [Section-3]

- For the purpose of granting Recognition, stock exchange may make

an application → to central Government.

↓
shall contain

- | | | | |
|---|--|--|---|
| → Governing body of St. Exchange.
→ It's constitution
→ Powers of mgt.
→ Manner in which business is to be transacted. | → Powers and duties of office bearers of Stock EX. | → Admission into Stock exchange of various classes of members.
→ The qualification of membership.
→ Exclusion, suspension, expulsion re-admission of membership. | → Procedure for Registration of Partnership as a member of Stock Exchange in cases where rules provide for such membership. |
|---|--|--|---|

→ Grant of Recognition to Stock Exchange - [Section-4]

- If the central Government is satisfied after making such enquiry as may be necessary and after obtaining further information, if any, it may require that:

- | | | |
|---|---|--|
| Rules and bye laws of Stock exchange applying for Registration are in conformity with such conditions as may be prescribed. | Stock exchange is willing to comply with any other condition which the CG may impose. | It would be in the interest of the trade and in the interest of the public to grant recognition to Stock Exchange. |
|---|---|--|

It may grant Recognition to SE subject to conditions imposed upon it

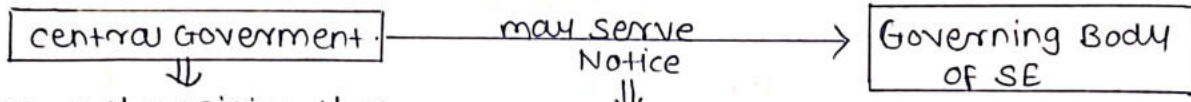
↓
relating to

- qualification of membership of Stock exchange.
- Manner in which contract entered into members
- Representation of central Govt. on each of the stock ex. by such No. of person not exceeding 3.
- Maintenance of acc. of members and their audit by CA whenever required.

- Every Grant of Recognition shall be published in

→ Official Gazette of India (2)
→ Official Gazette of State in which principal office of SE is situated

→ Withdrawal of Recognition - [Section-5]



Is of the opinion that Recognition granted would be in the interest of trade and Public be withdrawn.

- considering withdrawal
- + Reason for such

withdrawal.

Shall not affect.

- validity of contract entered into or made before the date of Notification and
- central Government after consultation with SE make such provision as it deems fit in the notification of withdrawal or in any subsequent notification.

→ where the recognised SE has not been corporatized or demutualised or it fails to submit the scheme within specified time or scheme has been rejected by SEBI.

→ The recognition granted to such SE shall stand withdrawn.

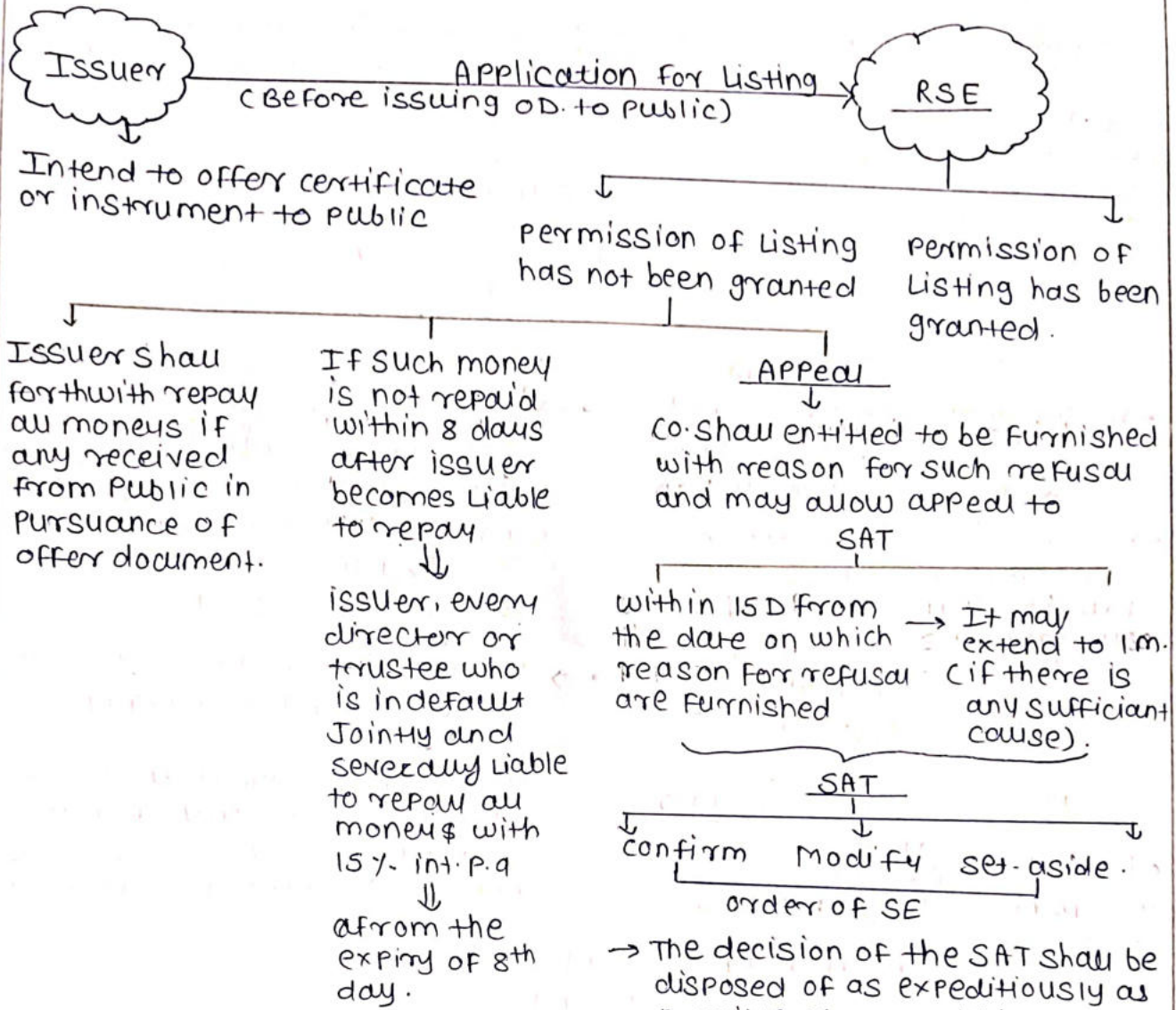
↓
However withdrawal shall not affect the validity of any contract entered into or made before the date of notification.



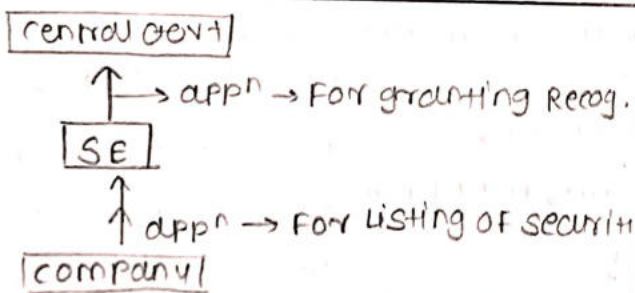
Powers conferred Under SCRA.

<u>Powers of CG</u>	<u>Powers of RSE</u>	<u>Powers of SEBI</u>
To call for Periodical return and direct enquiries to be made.	To make RUES restricting voting Rights.	To make or amend buy Laws of RSE
<u>Direct RUES</u> or <u>make RUES</u>	To make buy Laws ↓ Such buy Laws may provide for.	To Issue Direction
To <u>supersede</u> Governing body of RSE.	↓	To make Regulation
To <u>supersede</u> business of RSE	- op. & cl. of market and registration of hr of trade.	To Adjudicate.
To <u>prohibit</u> contract in certain cases.	- Fixing, altering, postponing of days of Settlement.	
To Grant immunity.	- Levy and Recovery of Price	
To <u>delegate</u> or <u>to make RUES</u> .	- Separation of Full ⁿ of Job and broker.	

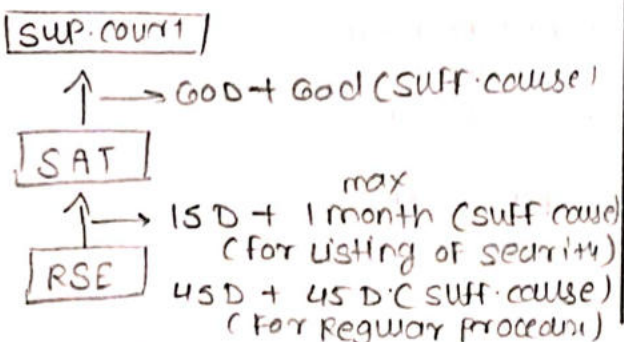
Public issue and listing of Securities.



⇒ concept check 1



⇒ Appeal → CRUX



→ The decision of the SAT shall be disposed of as expeditiously as possible finally within 6 months from the date of receipt of appeal

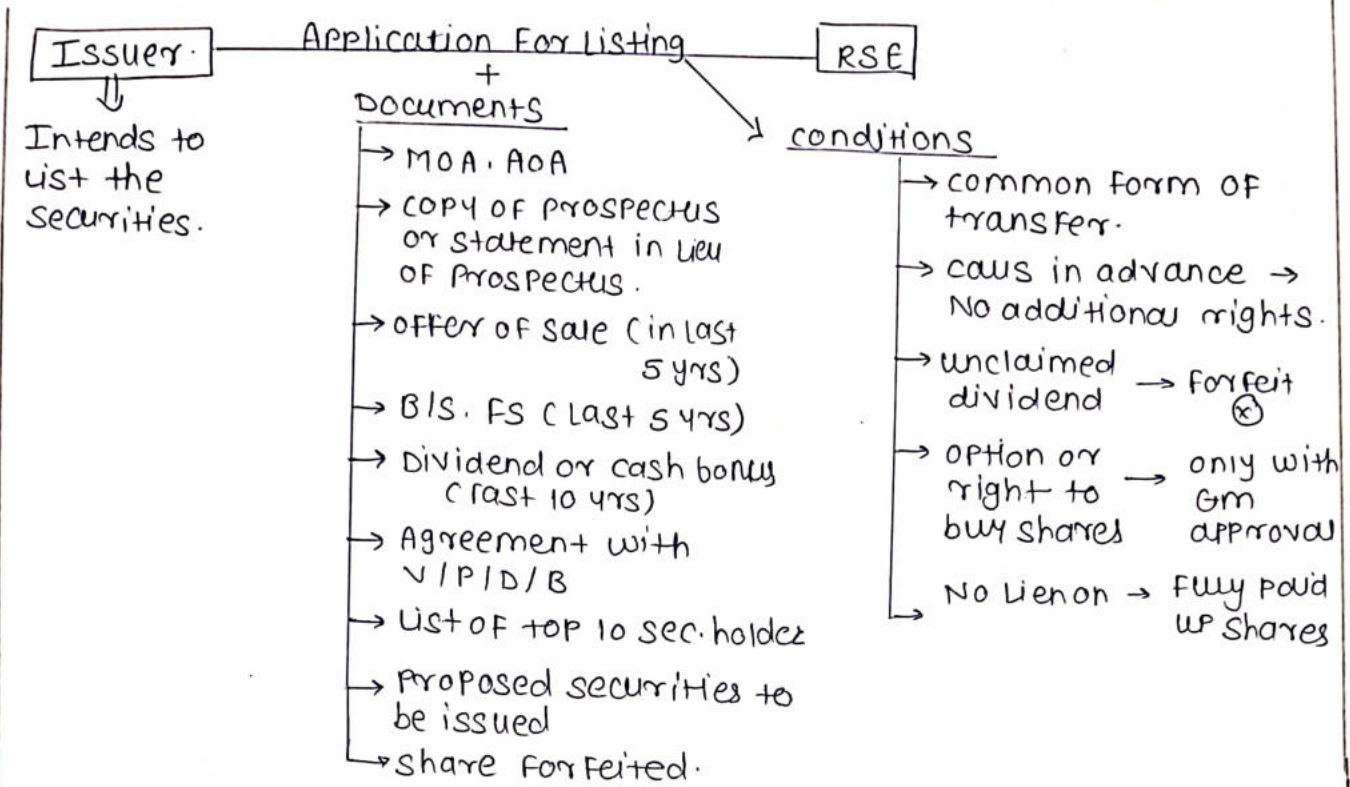
If the person is aggrieved by any decision or order of SAT he may file appeal
↓ within 60D + 60D (Sufficient cause)
Supreme court
↓ Question of Law

⇒ Regulatory Procedure of Appeal.

appeal against order of SEBI Stock exchange or adjudicating authority → SAT
45D + 45D. IF SUFFICIENT cause
↓
confirm
- modify
- set aside

IF person is aggrieved with SAT → Supreme court (60 + 60)

⇒ Securities Contract (Regulation) Rules, 1957.



⇒ Minimum Public Shareholding :-

Post issue cap. (calculated as per offer price)	Mini Public Sh. hold.
UP to 1600 cr.	25%
> 1600 cr - 4000 cr	400 cr.
> 4000 cr - 1,00,000 cr.	10% ↑ to 25% in 3 yrs
> 1,00,000 cr.	5% 10% - 2 yrs, 25% - 5 yrs

⇒ suspension or withdrawal from Stock Exchange.

- SE may suspend or withdraw any company from listing in case of breach or non-compliance
- company has to give an opportunity of being heard in writing
- IF co. → withdrawn or → suspended for more than 3 month
 ↓
 co. may file appeal to SAT.
- SE either by itself or on order of SAT, may re-admit the co.

- ⇒ Minimum public shareholding to be always to be maintained - 25%
- ⇒ Timeline to comply with minimum Public Shareholding.
 - IF any co.'s min Public shareholding fails below 25% → within 12 m.
 - IF the co. is below the limit because of CIRP → Never fall below 5%
 - ↓
 - within 12 m → 10% min set Pub shh.
 - within 3 yrs → 25% min Pub shh.

⇒ Penalties and Procedure

→ If any person contravenes the provision of this Act → Imprisonment = up to 10 years

or
Fine = 25 cr.
or

Both.

→ If any person failed to pay penalty imposed or fails to comply with the direction or orders → Imprisonment = 1 m - 10 yrs

or
Fine = 25 cr.
or

Both.

⇒ Regulation and Rules made Under SCRA

1. securities contracts (Regulation) Rules, 1957.
2. securities contracts (Regulation) (Stock exchange and clearing corporation) Regulation 2018.
3. securities contracts (Regulation) (procedure for holding inawm and imposing penalty) Rules 2005.
4. securities contracts (Regulation) (Appeal to securities appellate tribunal) Rules 2000.

Ch-4 Securities and Exchange Board of India.

Objectives

To protect the int. of Investors in Securities.

To Promote the development in Securities market.

To Regulate the sec. market & matters incidental thereto

SEBI Act 1992

- a Body corporate.
- Having Perpetual Succession and a common seal.
- with power to acquire, hold and dispose of prop. (movable + immovable).
- To contract, and shall by the said name, sue or to be sued.
- H.O of Board shall be at Mumbai
- Board may establish offices at other places in India.

Management of SEBI

- ① chairman
- ② members from among ministry of central Govt. dealing with Finance & administⁿ of companies Act 2013
- ③ member from among the officials of RBI
- ⑤ other members out of whom at least ③ shall be appointed by CG.

Functions of the SEBI :-

① → Registering and regulating

- Broker, sub-broker, underwriter, M.B etc
- Depository, Depository Participants etc.
- venture capital Fund, collective Investment scheme, Mutual Fund etc

② → Promote :-

- self regulated organisation.
- Investor education.

③ → Prohibit :-

- unfair trade practices
- Insider trading

Ⓜ → regulate -

- Business of Stock Exchange
- Substantial acquisition of shares and takeover.

Ⓢ → calling

- Information / inquiry / audit → intermediaries
- Info. from → entity / authority under any act.
 - any agency
 - any authority.

⇒ orders by SEBI :-

2- suspend 1- attachment
2- investigⁿ 1- prohibit.

① suspend from trading of any securities.

② suspend office bearers of SE or SRD's

③ Prohibit any person from trading.

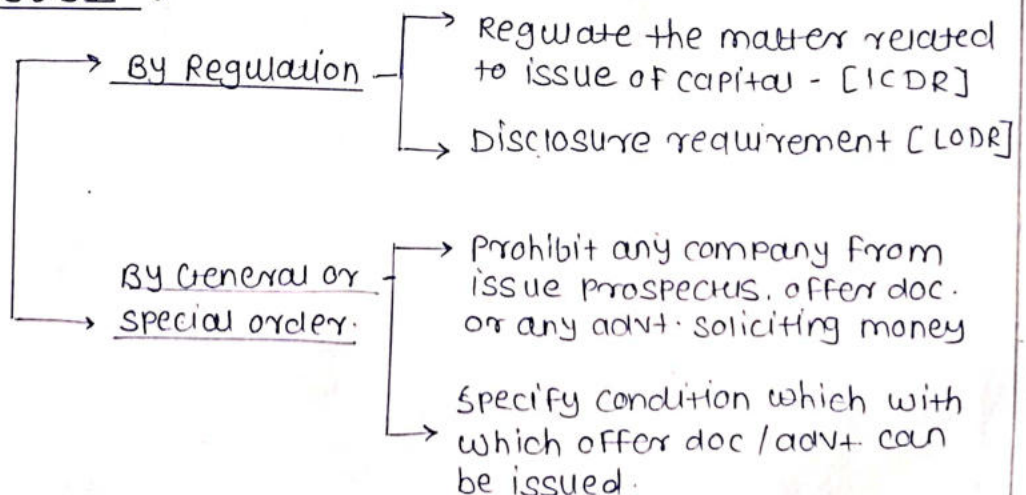
④ Impound and retain proceeds / securities if under investigation

⑤ Direct not to dispose any property under investigation.

⑥ attach (for not more than 90 days) bank A/c security who is involved in violation of rules / Regulations / or Act.

⇒ Powers of SEBI :-

SEBI
(for the int. of investors)



↓
Powers of SEBI to Regulate, Prohibit issue of prospectus, advt. etc.

⇒ cease and Desist order :-

SEBI is of the opinion

→ any person who has violated or likely to violate R/R/A



SEBI can order such person to cease and desist.

⇒ prohibition of manipulative and deceptive device, insider trading etc.

• A person shall not

→ use or employ only manipulative or deceptive device for issue, purchase or sell any securities in violation of RRA

→ employ any device / scheme / artifice to defraud.

→ engaged in any fraud or deceit

→ engaged in insider trading

→ violating insider trading Regulation

→ violate take over code.

⇒ SEBI vested with the same power as that of civil court.

→ Summoning and enforcing the attendance of person and examining them on oath.

→ The discovery and production of books of account & other document at a such place and such time indicated by SEBI

→ Inspection of any books, register and other document of any person listed company or public company which intends to get its securities listed

→ Issuing commission for the examination of witnesses or doc.

Adjudication

SEBI may appoint any of its officers not below the rank of division chief to be an adjudicating officer for holding an inquiry

A.O. has power to summon & enforce the attendance of person or to produce any document which is useful for inquiry.

SEBI may call for & examine the record for of any proceeding under this sec. & if it considers that the order passed by A.O. is not in the int. of sec. market it may pass order enhancing quantum of

No such order shall be passed unless OOBH is given to person
↓
Nothing contain in this sec. shall be appli
↓ after
3m from date of order pass by A.O. or
disposal order
→ earlier

⇒ Power to regulate CIS (Collective Investment Scheme)

- CIS :-
- any scheme / arrangement which satisfies the condition under subsection 2 or 2A of sec 11AA.
 - any scheme / arrangement not registered with SEBI and having a corpus of 100 cr or more.

⇓
SEBI has a power to regulate them.

⇒ Power to order Investigation.

1. Grounds of investigation.

- transaction
↓
detrimental to the investors
Sec. market.
- intermediary / person.
↓
has violated Act / rule / reg.
SEBI is of the opinion

SEBI

order investigⁿ

Magistrate / Judge

↑ application for seizure
[Doc / Book will be
mutilated, forfeited
destroyed]

can make a note and
get it signed.

→ may keep the BOA
doc etc. for 6m.

→ may ask again for
document

→ may ask for cert^d photocopies.

appeal

IA

enter,
search,
seize,

- ① Investigate
- ② Produce Book / doc
- ③ Provide any info
examining on oath

• Failure in compliance

imprison. - up to 1 yr.

or

Fine - ex. to 1 cr.

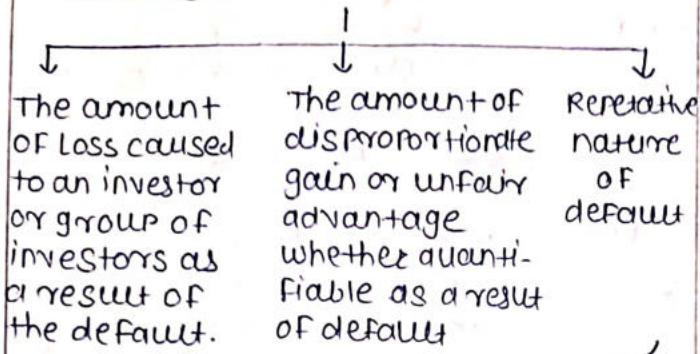
or

Both.

• Failure or Refusal continues.

Fine - ex. to SL / day
after first during
which failure continues

⇒ Factors to be taken into account while adjudicating quantum of Penalty. :-

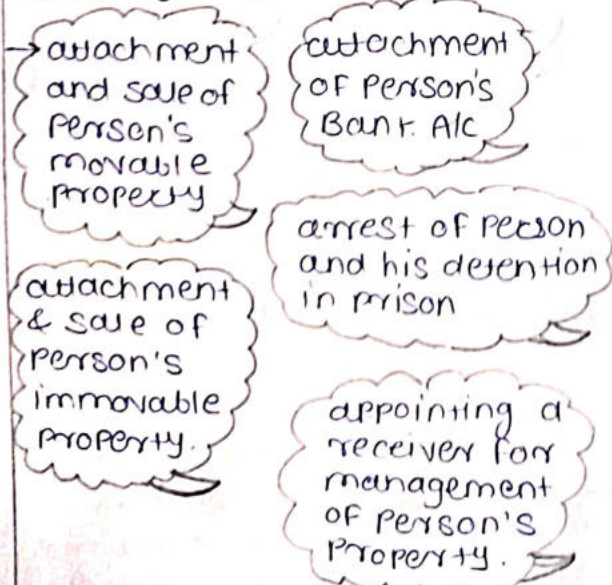


All sums realised by way of penalties shall be credited to consolidated Fund of India.

⇒ Recovery of Amounts :-

- If a person →
 - Fails to pay the penalty imposed under this Act.
 - Fails to comply with any direction of the SEBI for refund of monies
 - Fails to comply with a direction of disgorgement order issued
 - Fails to pay any fees due to the SEBI.

↓
The Recovery officer shall proceed to recover amount specified in the certificate by one or more of the following ways.



⇒ Continuance of proceedings.

↓
where a person dies, his legal representative shall be liable to pay any sum which the deceased would have liable to pay

↓
Legal representative shall be liable only in case the penalty has been imposed before the death of deceased person.

↓
Continuance of Proceeding

↓
Proceedings for disgorgement, refund or an action for recovery before the recovery officer except the proceeding for levy of penalty initiated against the deceased before his death

↓
shall be deemed to have been initiated against the legal repr.

↓
New Proceeding

↓
Proceeding for disgorgement, refund or action for recovery before recovery officer except proceeding of levy of penalty which could have been initiated against deceased if he had survive

↓
may be initiated against legal representative

↓
The liability of legal representative under this act shall be limited to the extent of to which the estate of the deceased is capable of meeting the liability.

Securities Appellate Tribunal (CSAT)

Establishment.

Established by
central Govt.

Right to Legal Representation

- The appellant may either appear in person.
- authorise one or more CA/CS/CMA or legal practitioner to present its case.

Procedure of SAT

- The SAT shall have a power to regulate their own procedure
- shall not be bound by the procedure laid down by the CPC, 1908

	Procedure	power
AS per CPC 1908	X	✓

civil court Not to have Jurisdiction.

- No civil court can -
- entertain any suit or
 - pass any injunction or
 - accept any appeal.

where Adj officer / SEBI SAT has been empowered.

Composition.

one presiding officer

Such number of judicial and technical member as CG may determined.

→ Subject to the provision of this Act

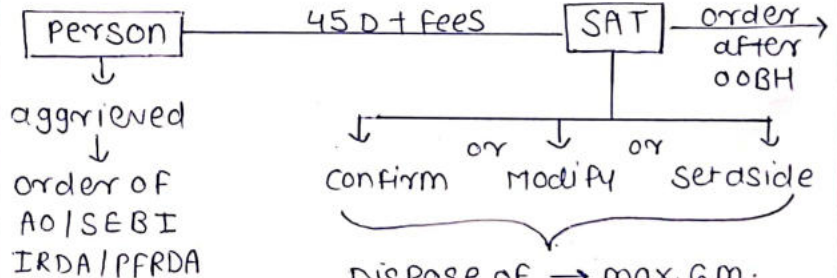
Jurisdiction of SAT may exercise

Benches thereof

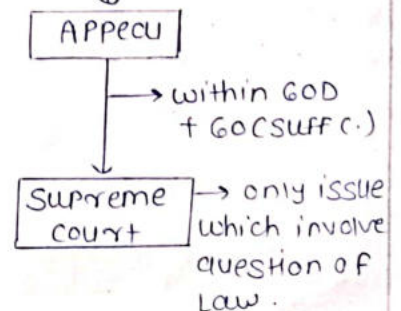
Benches of SAT shall ordinarily sit at Mumbai and may also sit at any other place CG may notify.

- Presiding officer of SAT
- 2 or more technical members as may be determined.
- every bench constituted shall include at least 1 judicial & tech. member.

Appeal



If a person is aggrieved with the decision of SAT



⇒ Offence :-

- If any person contravenes the provisions of this Act or any rules or regulation made thereunder
- If any person fails to pay the penalty imposed by A.O or SEBI or fails to comply with direction or order

punishable with:

- Imprisonment → ex. to 10 yrs
 or
 Fine → ex to 25 cr.
 or
 Both
- Imprisonment → 1m - 10 yrs
 or
 Fine → 25 cr. (ex. to)
 or
 Both

Special courts.

Procedure of CrPC is followed.

For providing speedy trial of offences the CG may established or designate special courts by notification

shall consist of.

- Single Judge - who shall be appointed by CG with the concurrence of chief Justice of high court within whose jurisdiction judge to be appointed is working.

A person shall not be qualified for appointment as a judge of a special court unless he is holding a office of a session judge or an additional session judge immediately before such appointment.

Penalties and Adjudication.

⇒ contravention

- Failure to furnish info, return
- Failure to enter into agreement with client
- Failure to redress investor's grievances
- certain defaults in case of MF.
- Failure to observe rules & Reg. by an asset management co.

⇒ Penalty

Minimum - ₹ 1 Lakh
Maximum - ₹ 1 Lakh (Per day) max 1 cr.

- Failure to comply with Regulation or direction of SEBI by AIF, Infra. investment trusts and Real estate investment trust

Minimum - 1 Lakh
maximum - 1 Lakh/day (max 1 cr)
 or
 3 Times of Profit

<ul style="list-style-type: none"> Failure to comply with regulations or directions of SEBI by <u>investment advisor and research analyst</u>. 	<u>Minimum</u> - ₹ 1 Lakh <u>maximum</u> - ₹ 1 Lakh/day (max 1cr)
<ul style="list-style-type: none"> Default in case of <u>stock broker</u>. <p>→ Fails to issue contract notes in such form and manner specified by SEBI.</p>	<u>minimum</u> - ₹ 1 Lakh <u>maximum</u> - ₹ 1 cr.
<p>→ Fails to deliver any security or fails to make the payment of amount due to the investor within specified time.</p>	<u>minimum</u> - ₹ 1 Lakh <u>maximum</u> - ₹ 1 Lakh/day (max-1cr)
<p>→ charges → excess of the brokerage specified in Regulation.</p>	<u>Minimum</u> - ₹ 1 Lakh <u>maximum</u> - 5x amount of brokerage charge in excess of specified Brokerage ↓ <u>whichever is ↑</u>

<ul style="list-style-type: none"> <u>Insider trading</u>: IF any insider: <ul style="list-style-type: none"> deals in securities of body corporate listed on any RSE on the basis of UPSI communicate any UPSI to any person. Non-disclosure of acquisition of shares and takeovers 	Minimum - 10 Lakh. Maximum - 3x Profit or 25 cr. } ↑
<ul style="list-style-type: none"> Fraudulent and unfair trade pr. 	Minimum - 5 Lakh Maximum - 3x profit or 25 cr } ↑
<ul style="list-style-type: none"> Alteration, destruction etc of record Failure to protect the electronic database of <u>Board</u> → SEBI 	Minimum - 1 Lakh maximum - 3x Profit or 10 cr } ↑
<ul style="list-style-type: none"> convention where no separate penalty has been provided. 	Minimum - 1 Lakh maximum - 1 cr.

⇒ offence punishable by :-

- | | |
|--------------------------|--------------------|
| • only fine | - compoundable (O) |
| • fine or impri. or both | - compoundable (O) |
| • only imprisonment | - compoundable (X) |
| • fine and imprisonment | - compoundable (X) |

⇒ contravention by company :-

para-1

person in charge or responsible for conduct of business of the co.

↓
punished

↓
Exemption

[No knowledge or exercise due dilig.]

para-2

Director, manager Secretary or officer of the company.

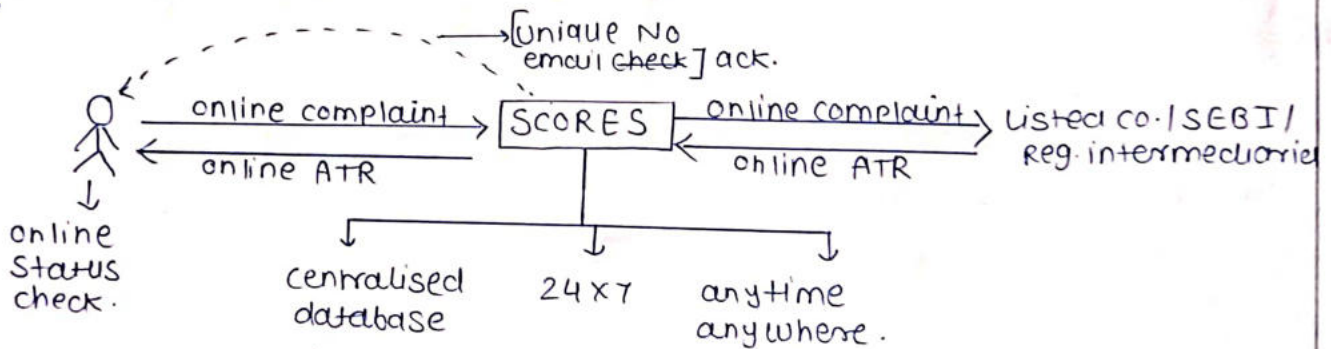
↓
punished

↓
only if - offence was with their consent, neglect

SCORES

SEBI complaints Redress System

Features of SCORES

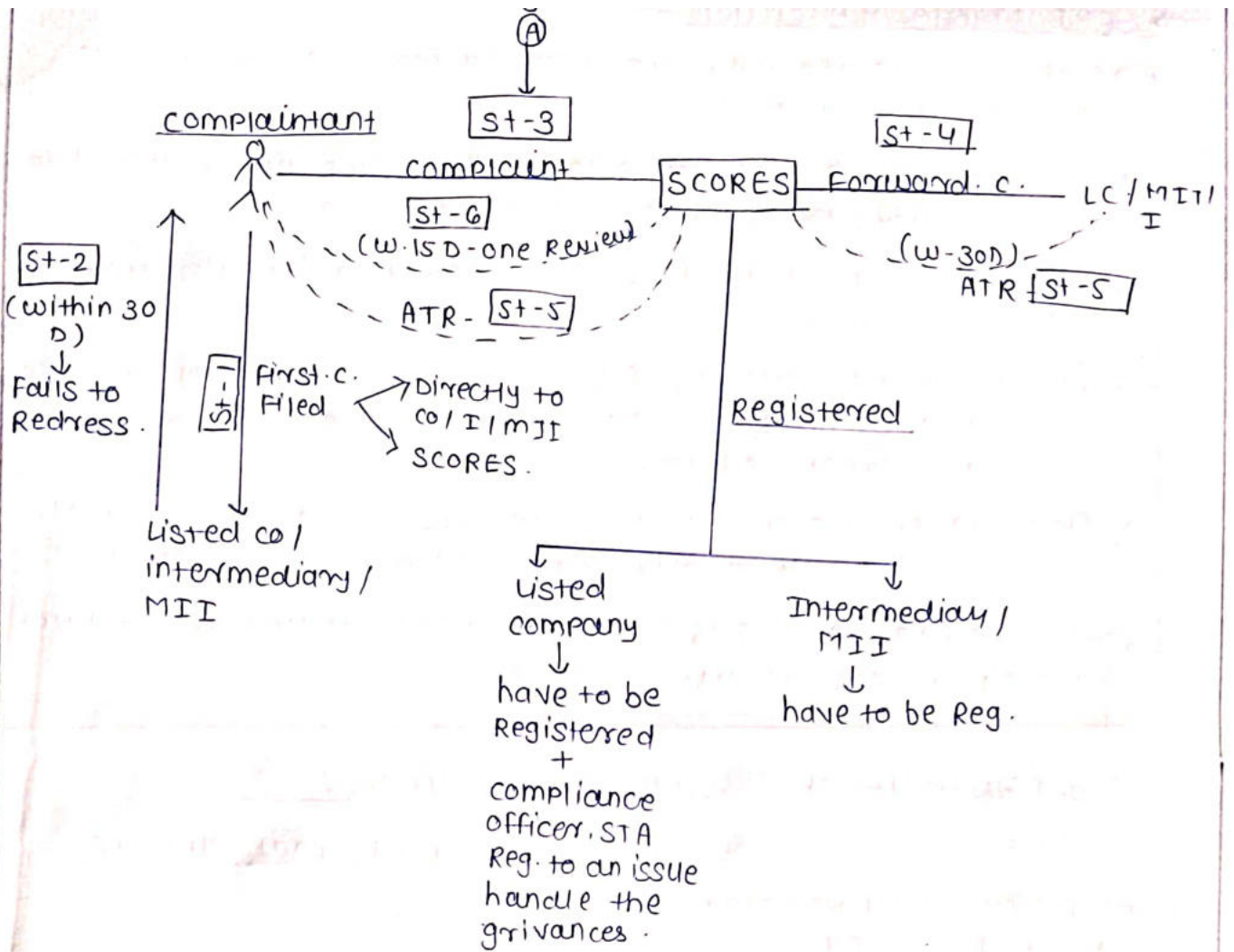


⇒ How to file the complaint ?

- www.Scores.gov
- ↓
- Investor corner
- ↓
- "Register Here"
- Fill the Reg. Form with all the details.
- on Registration
- unique user ID & password is generated and ack. is received on mail.

⇒ within 1 year from comp. filed with

- Direct complaint was filed to the Listed co / I / M / I (OY)
- replied, the complaint is (OY) not satisfied with the reply
- reject the complaint

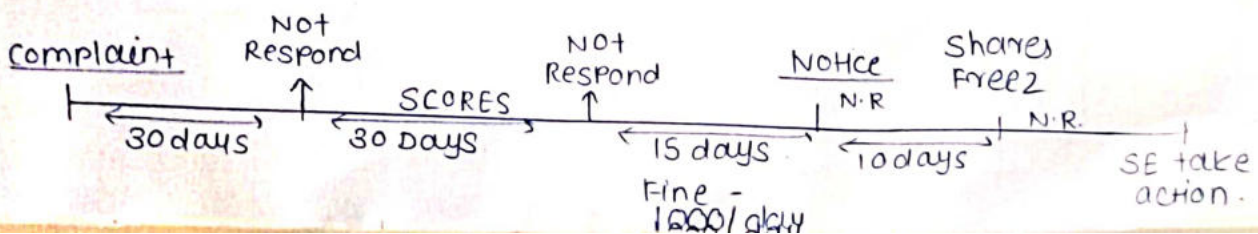


⇒ Types of complaints shall not be dealt through SCORES.

- complaints against companies which are unlisted / delisted and companies on dissemination board
- complaints relating to cases pending in a court
- complaint falling under the purview of other regulatory bodies such as RBI / IRDA / PFRDA / CCI
- complaint against the companies where the name of the company is struck off from Register of company
- Liquidated companies or companies under liquidation.

⇒ Timeline for handling complaints :-

N.R. - Not Respond



⇒ SEBI Mobile Application -

- SCORES mobile app will make it easier for investors to lodge their grievances with SEBI.
- It will encourage investor to lodge their complaint rather than sending letters to the SEBI in physical mode.
- This is another effort of SEBI in improving digitalization in securities market.
- APP has all the features of SCORES which is presently available electronically where investors have to lodge their complaints by using internet medium.
- After registration on the app, investors will get an acknowledged via SMS and e-mail on their registered mobile no. & email ID.
- Tool like FAQs on SCORES for better understanding of complaint handling process can also accessed.

⇒ SEBI (Informal Guidance Scheme), 2003

• Following person may make a request for informal guidance.

- any intermediary registered with SEBI
- any listed company.
- any co. which intend to get any of its securities listed
- any MF, trustee co, AMC
- any acquirer or prospective acquirer under the SEBI (Substantial Acquisition and Takeovers) Regulation, 1997.

• The informal guidance may sought for and given in 2 forms.

No-action Letters

- SEBI indicate that dept. would or would not recommend any action under any act, rules, Regulation guidelines, circulars, or other legal provision administered by SEBI to the board if proposed transaction described in a request

Interpretive Letters.

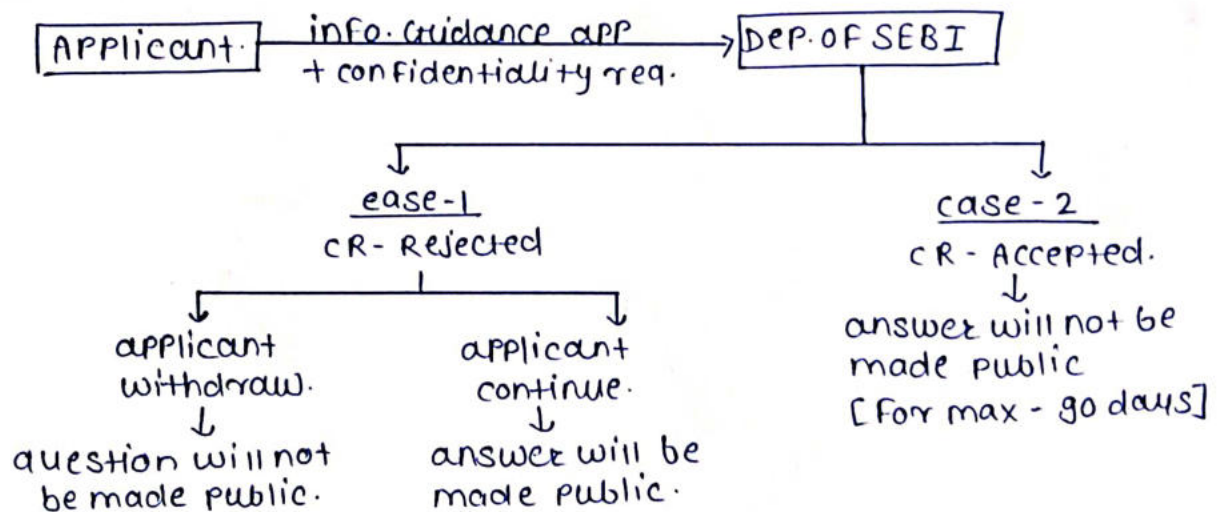
- SEBI provides an interpretation of a specific provision of any act, rules, Regulation guideline, circular, or other legal provision being administered by SEBI to the board if in the prop context of proposed transaction in securities or specific factual situation.

- The SEBI may dispose off the request as early as possible and in any case not later than 60 days after the receipt of the request.

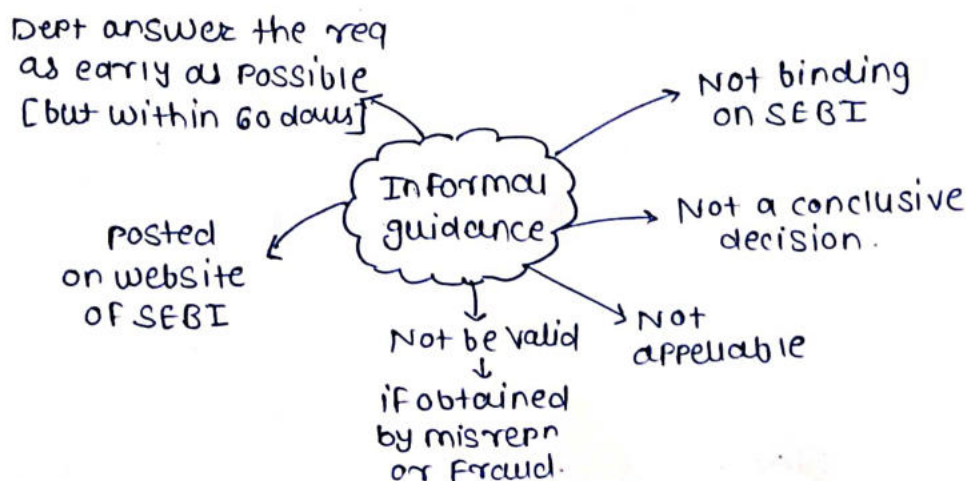
⇒ The SEBI may not respond following types of requests :

- Those which are general and those which do not completely and sufficiently describe the Factual situation.
- Those which involve hypothetical situation.
- Those requests in which requestor has no direct or proximate int.
- where the applicable legal provisions are not cited.
- Those cases in which investigation, enquiry or other enforcement action has already been initiated.
- Those cases where connected issues are pending before any tribunal or court and on issues which are subjudice ; and
- Those cases where policy concerns require that the department does not respond.

⇒ Confidentiality of Request.



⇒ Some imp. points :-



Ch-5 Laws Governing To Depositories & Depository Participants.

⇒ Objective :- PART-A

It provided a dematerialisation route to book entry based transfer of securities and settlement of securities trade.

⇒ Role of Depository & its Funⁿ

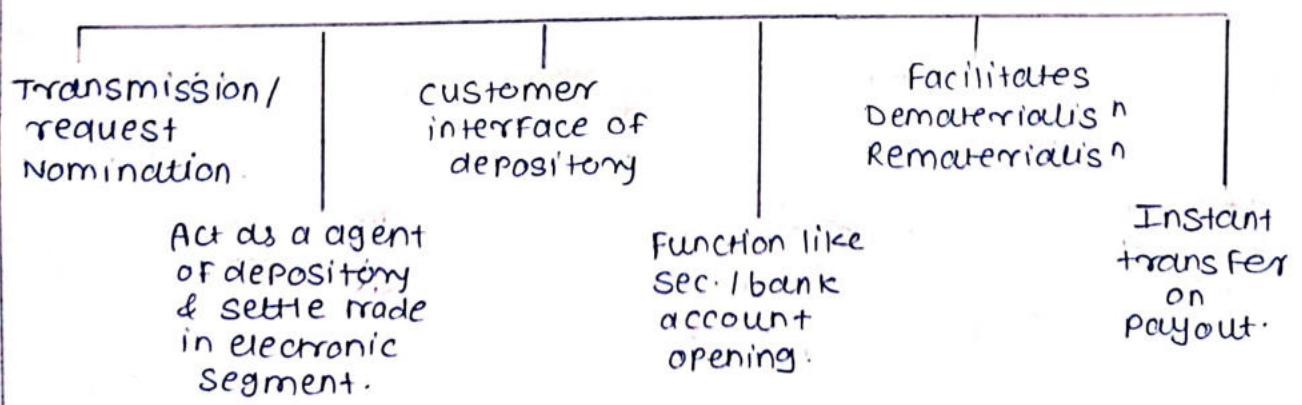
- Dematerialisation.
- Rematerialisation.
- Facilitating Repurchase / Redemption of units of MF
- Electronic settlement of trades in stock exchanges.
- Pledging / hypothecation of dematerialised securities against loan.
- Service Related to change of address.
- Effecting transmission of secu.
- Nomination Facility of demat account.
- Freezing of demat account.
- Receipt of Non-cash corporate benefits

⇒ Benefits of Depository System.

- Elimination of Bad deliveries.
- Elimination of all risks associated with physical certificates.
- Elimination of Problems related to change of address of investor, transmission etc.
- Elimination of Problems related to selling securities on behalf of minor.
- Immediate transfer and registration of securities.
- Faster disbursement of non-cash corporate benefits likes rights, bonus etc.
- Reduction in Brokerage.

⇒ Depository participant (DP) :- A Depository interfaces with the investors through it's agents called Depository participants (DPs)

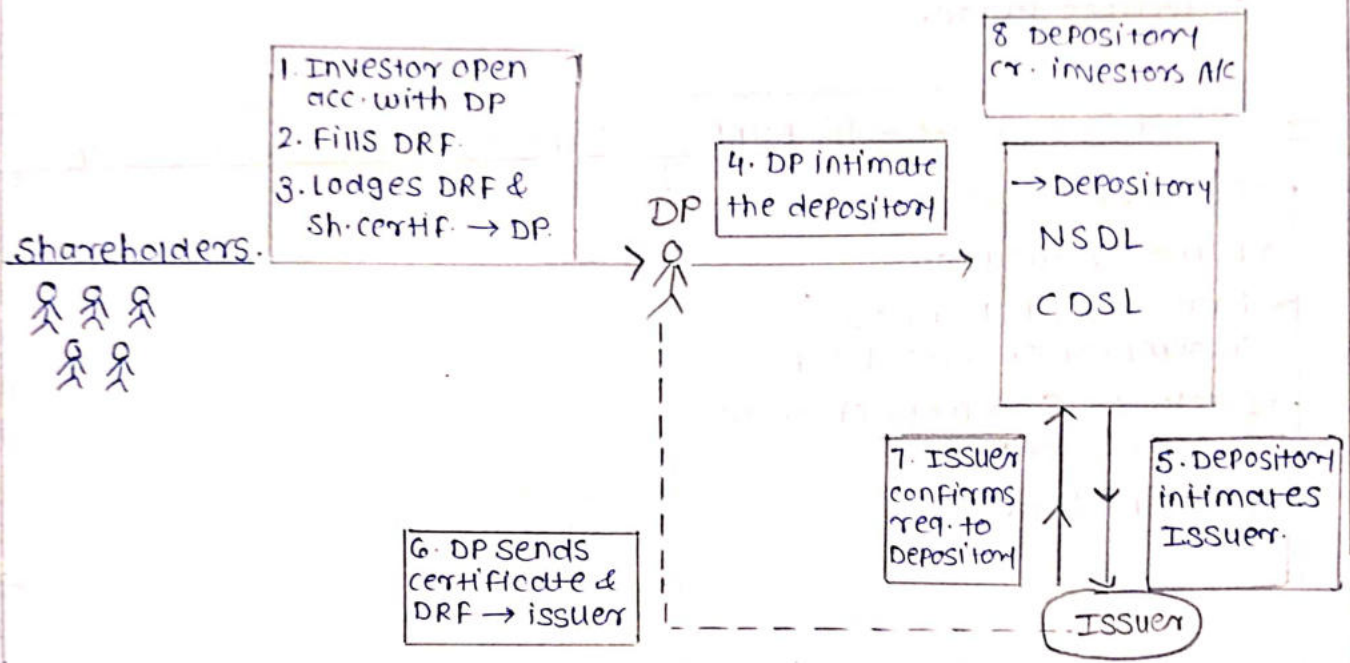
⇒ characteristics of a DP :-



⇒ Dematerialisation Physical shares → Electronic Form

Dematerialisation is a process by which the physical share certificates of an investor are taken back by the company and an equivalent no. of securities are credited his account in electronic form.

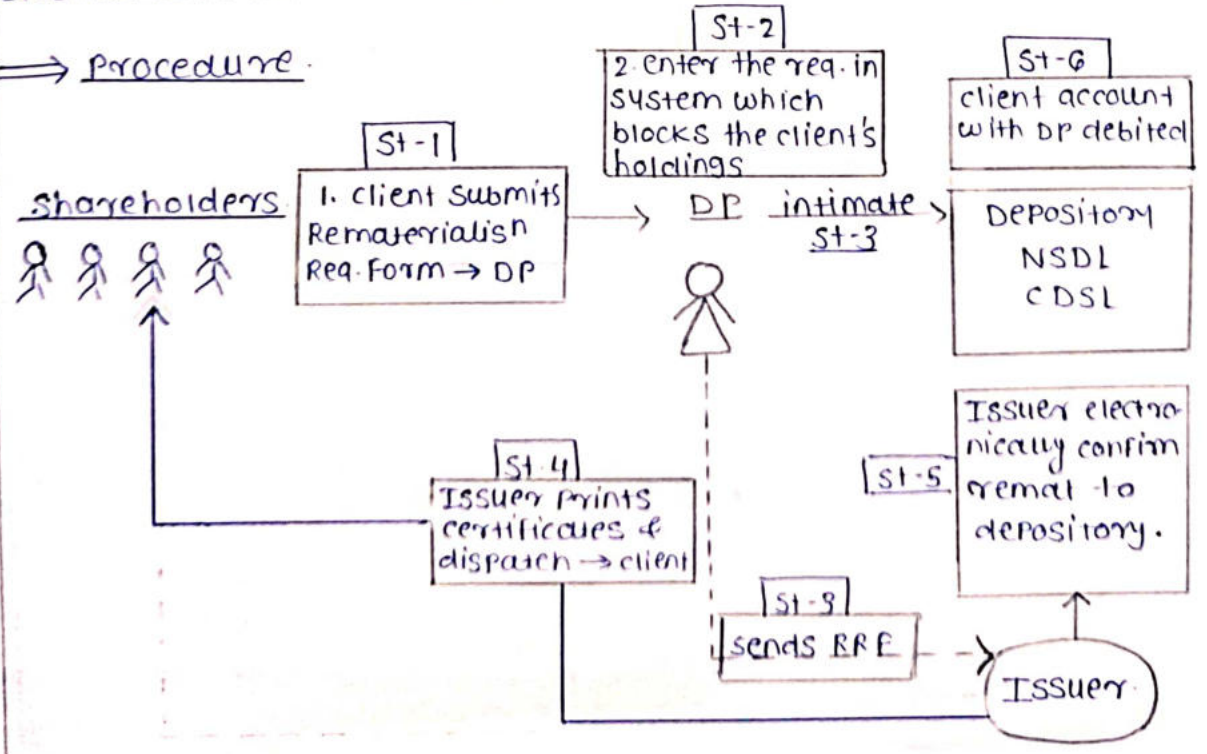
⇒ Procedure.



⇒ Rematerialisation :- Electronic Form → Physical Form.

Rematerialisation is the process of converting securities held in electronic form in a demat account back in physical certificate form.

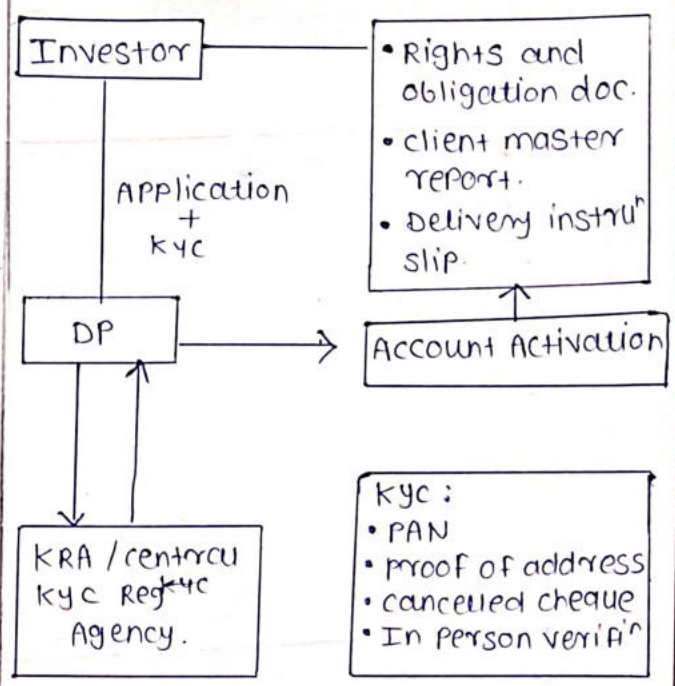
⇒ Procedure.



⇒ International securities Identification Number. (ISIN)

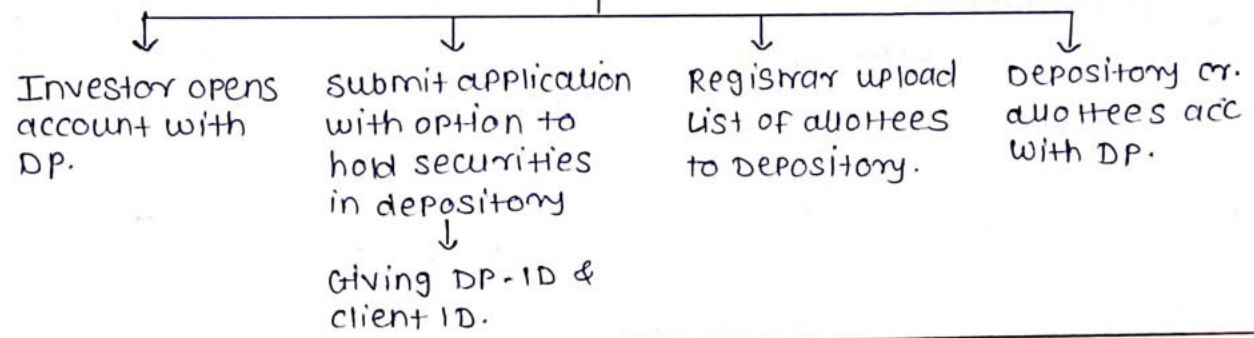
- Used world wide.
- allotted to every security
- a security can be uniquely identified.
- to facilitate clearing & settlement Procedure.
- 12 digit → Alphanumeric
- Include country code, sec. identifiⁿ no. check digit.

⇒ Demat account opening process.

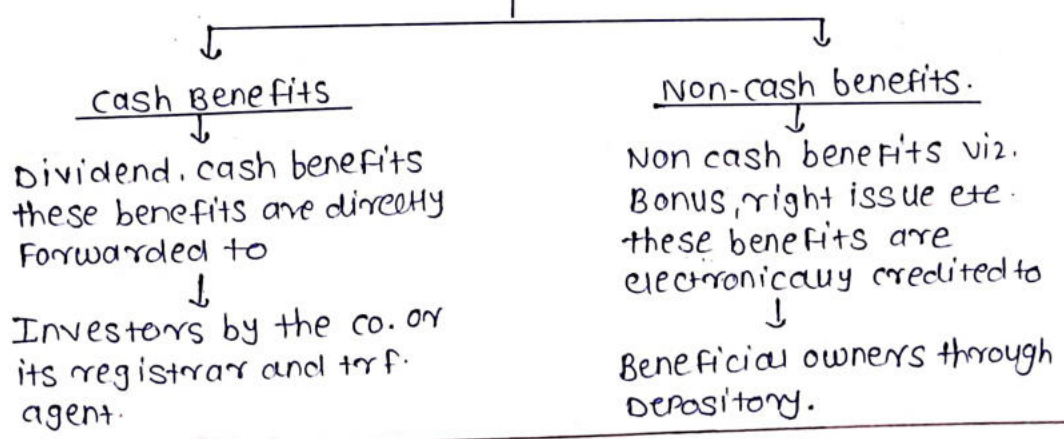


- Kyc :
- PAN
 - proof of address
 - cancelled cheque
 - In person verifiⁿ

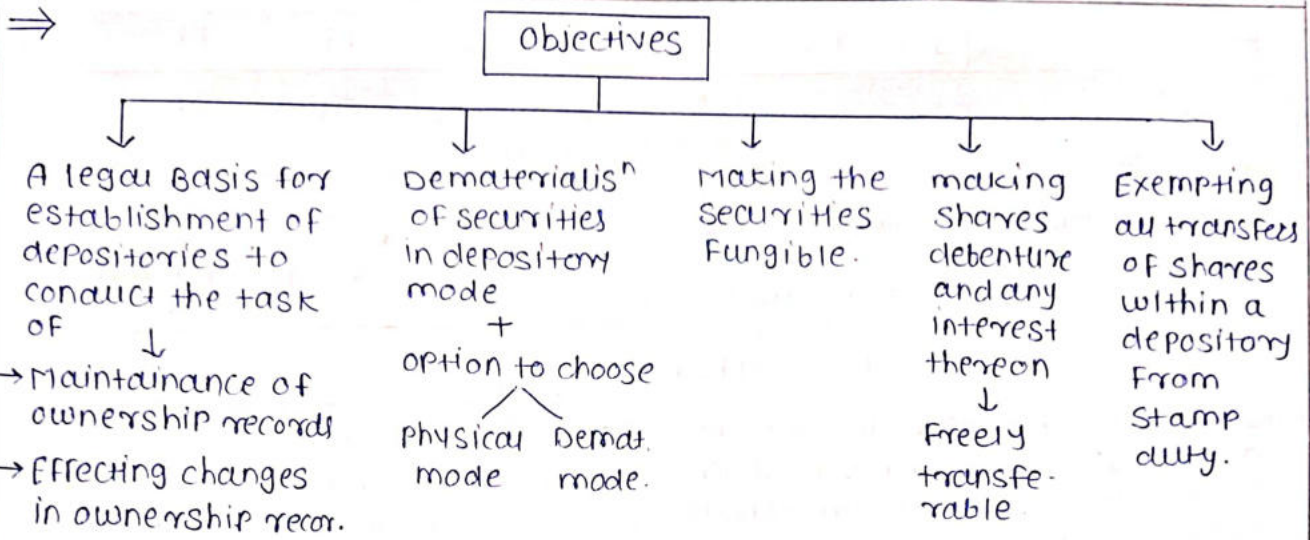
⇒ Electronic credit in New issues.



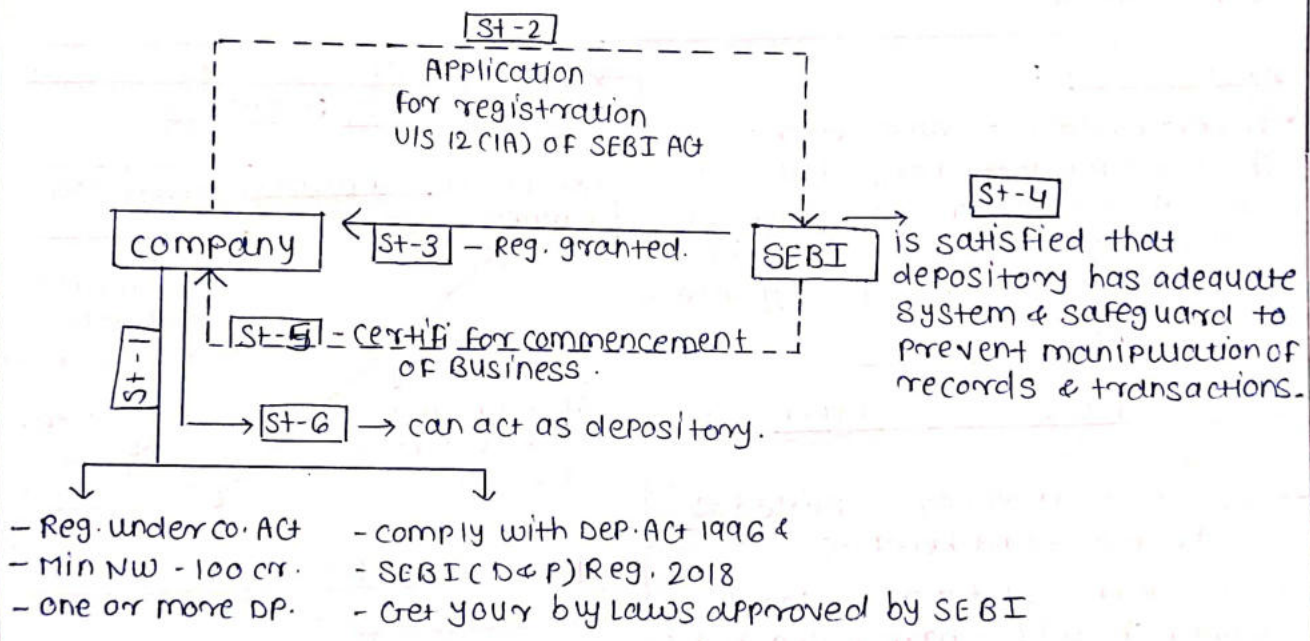
⇒ Corporate Action.



PART - B
Depositories Act, 1996



⇒ Registration of Depository :-

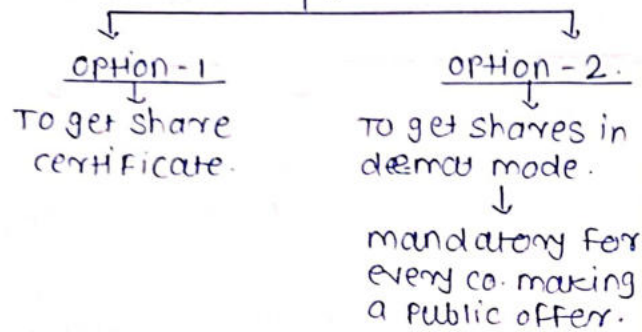


⇒ Rights and obligations of Depositories, Participants and B.O :-

- Agreement between depository and Participant
- Services of Depository
- Surrender of security certificate
- Registration of transfer of Securities with depository.

⇒ option to receive security certificate or hold securities with depository. :-

⇒ co. Issuing shares



- Investor can choose to convert demat share into physical share or physical share into demat share after the issue.
- Govt has prescribed certain co. which have to be traded & held in demat mode.

	Issue	transfer
Private co.	PF	PF
Public co (L1UL)	DF only	DF only
Listed co.	DF	DF
	transf ⁿ DF	transf ⁿ DF

⇒ Promoter's shareholding

- 100% of the shareholding of promoter or promoter group should be in demat form.

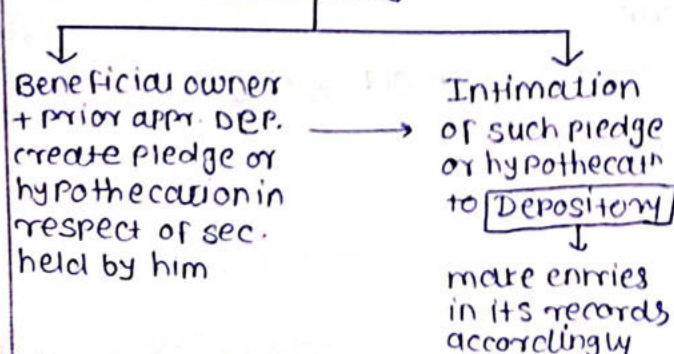
⇒ Fungibility. :-

- All certificates of same securities shall become interchangeable in the sense that investor loses the right to obtain the exact certificate he surrenders at the time of entry into depository.

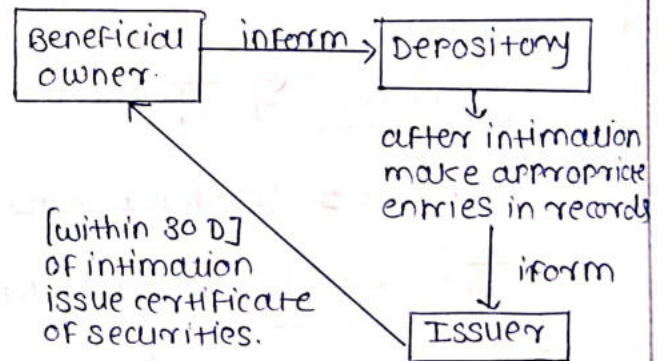
⇒ Rights of Depository & Beneficial owner. :-

- The beneficial owner is entitled to all the rights and benefits
- Depository is just a registered owner should not have voting rights or any other right in respect of securities held by it.

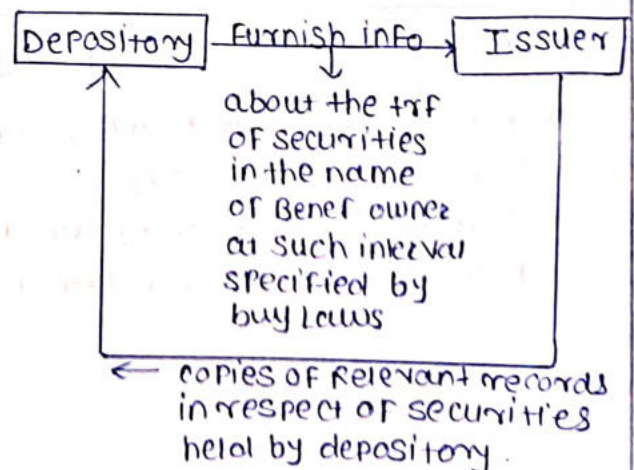
⇒ Pledge or hypothecation of sec. held in a depository.

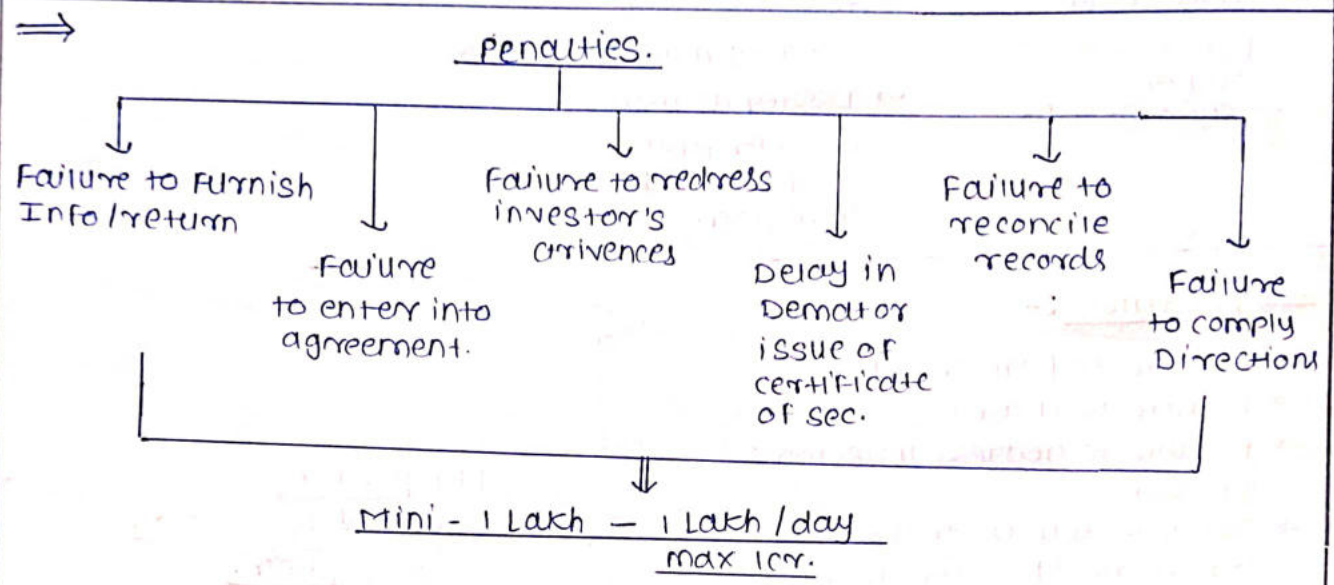
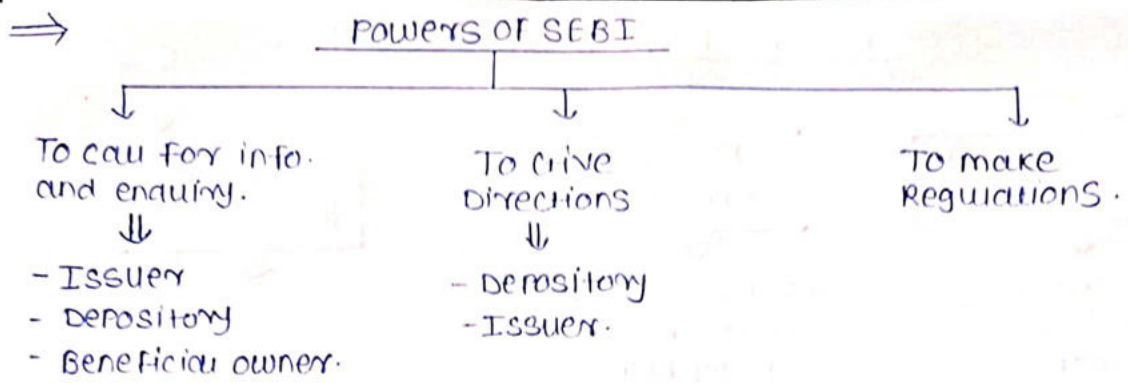


⇒ option to opt out in respect of any security :- sec-14



⇒ Furnishing of info. and records by depository. :-

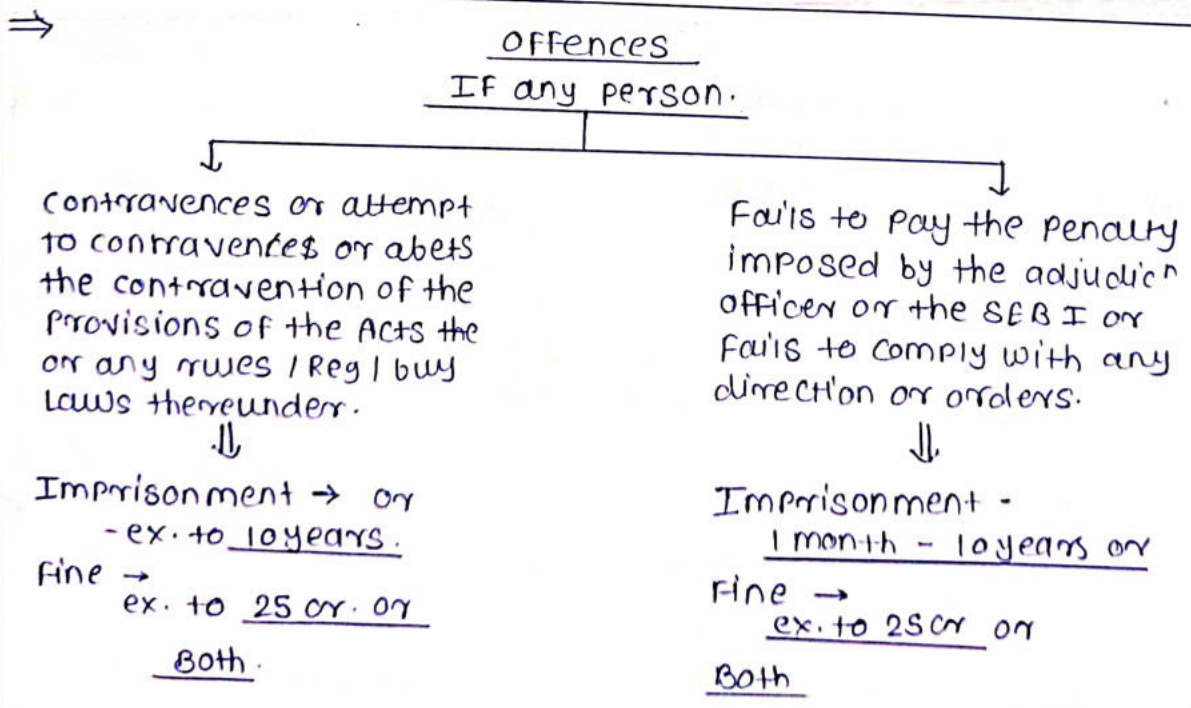




⇒ IF NO separate penalty has been provided - 1 Lakh - 1 cr.

Failure to conduct busi. in fair manner - min 5cr
max 25cr or 3x

⇒ Failure to conduct business in fair manner - Min - 5 cr.
max - 25 cr.
or 3x Gain } ↑



SEBI (Depositories and Participants) Regulations, 2018.

	Reconciliation Audit	Interim Audit	Concurrent Audit
Applicable on	Every Issuer.	Every DP (NSDL, CDSL)	DP of NSDL
Period	Quarterly	Half yearly	Regularly
who can audit	PCS, QCA, PCA	PCS, QCA, PCA	PCS, QCA, PCA
Covers	<ul style="list-style-type: none"> → Reconciliation of issued = listed = cap cap held by dep. → any change in sh. cap → whether in-principle approval was obtained for issue of share → whether dematerialisation was done → 21 days if not → reason. 	<ul style="list-style-type: none"> - Acc. opening - Acc closing - execution of DIS - margin pledge - client data modification. - Pledged and hypothecation - Non disposal undertaking - accreditation of investors. 	<ul style="list-style-type: none"> - Issuance of DIS - Verification of DIS.

⇒ Cyber security measures.

- 1] cyber audit once in a year.
- 2] Vulnerability assessment and penetration test (VAPT) once in a year.
- 3] MD/CEO/PIP → certificate → all conditions / circulation wk with respect of cyber security have been complied
- 4] Inventory records → up to date.
- 5] Identify / classify → critical assets.

ch-6 Securities Market Intermediaries.

⇒ Introduction -

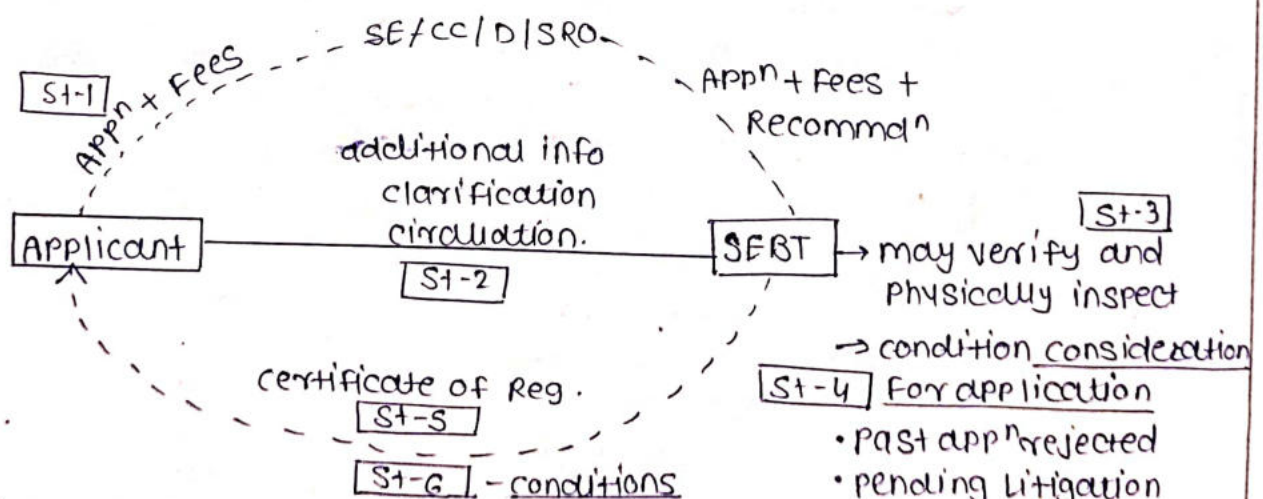
- Intermediaries are service providers and are integral part of any financial system.
- SEBI regulates various intermediaries in the primary & secondary markets through its regulations for these respective intermediaries

⇒ objectives -

- To smoothen the process of investment.
- To establish a link between the investors and the users of fund.
- corporation and Government do not market their securities directly to the investors.
- market intermediaries help investors to select investment by providing invt consultancy
- in order to operate in secondary market investor have to transact through share broker.

Primary Market Intermediaries	Secondary market Intermediaries.
<ul style="list-style-type: none"> - Merchant Banker - Bankers to an Issue. - Underwriters - Debenture trustees. - Register to an issue and share transfer Agent. 	<ul style="list-style-type: none"> - Stock Broker - Depository - Share transfer Agent.

⇒ Securities and Exchange Board of India (Intermediaries) Reg Regulations, 2008.



- 1] change of status / constitun- only with appn SEBI
- 2] fees.
- 3] abide by sec. law - circular, guideline
- 4] Regulation 4 - condition - comply.
- 5] eligibility condition.

- Past appn rejected
- pending litigation
- figibility criteria
- in the int of investor
- in the int of divid. & security market.

Intermediary Name	Definition:	Role and Responsibilities	Regulation & Net worth ②
① Merchant Bankers.	<ul style="list-style-type: none"> - engage in business of issue mgt. - making arrangement regarding selling buying, subscribing securities. - acting as consultant manager / advisor. 	<ul style="list-style-type: none"> - managing public issue. - Private placement for sec. - Stock broking - Advisory service for project. - syndication of rupee term loan. - International Financial Advisory services. 	SEBI (Merchant Banker) Reg. 1992. N.W = Min 5 cr.
② Stock Brokers.	person having trading rights in any RSE & include a trading member.	<ul style="list-style-type: none"> - Helping both seller and buyer of sec. to enter into transaction. - Buyer / seller → Broker / client - act as principal or as an agent - also act as a underwriter - the prices charged should be fair and justify by the condition of the market 	SEBI (Stock Broker) Reg. 1992. N.W = specific by SEBI
③ Registrar & share transfer Agent.	<p><u>Registrar to an issue</u> →</p> <ul style="list-style-type: none"> - appointed by body corporate or any person or group of person for • collecting appn • keeping record • assisting body c. in → determining the basis of allotment → Finalising the list of person entitled to allot. of sec. → Processing / dispatch allotment letter, refund order etc. <p><u>Sh. transfer Agent</u></p> <ul style="list-style-type: none"> - person maintain the record of holder of securities - dept. or division of body corporate performing the activities of STA if total no. of holder exceed 1 lakh. 	<p>→ <u>pre-issue activity</u>:</p> <ul style="list-style-type: none"> - sending instrn to banks for reporting of collection fig. - provide practical inputs to the lead manager. - establish info. flow system betn client, bank & manager - Liaisoning with regulatory authorities <p>→ <u>Activities during the issue</u></p> <ul style="list-style-type: none"> • collection / reporting of daily collection fig. • collection of data & forms from banks • Liaisoning with clients & intermediaries to an issue <p>→ <u>post issue activities</u>.</p> <ul style="list-style-type: none"> • Data capturing & validation • Reconciliation • facilitating listing • Reconciliation of Refund payments • attending to post issue investor queries. 	SEBI (Registrar to an issue and share transfer Agents) Reg. 1993. NW :- cat I = 50 L cat II = 25 L

<u>Debtenture trustees</u>	Trustee appointed in respect of any issue of deb ⁿ of a body corporate.	<ul style="list-style-type: none"> - call for reports on the Utilisation of Funds raised by issue of debentures - ensure the implementⁿ of conditions regarding creation of security - call for periodical status performance report → 7 days of ^(or) 45 D of B.M. resp. quarter } ^{cor} _{lies} - Satisfy itself that prosp. or letter of offer does not contain any matter which is inconsistent with the terms of issue of deb. - trust deed are not pre-judicial to the int of the deb. holders. 	SEBI (Debtenture holder) Reg 1993. NW:- Min - 10 cr.
<u>Bankers to an Issue.</u>	Means a schedule bank or such other banking co. specified by SEBI - <u>Activities</u> - <ul style="list-style-type: none"> • acceptance of appn and appn monies. • acceptance of allot. or call monies. • Refund of app money • Payment of dividend or int. warrants. 	<ul style="list-style-type: none"> - ensuring that → • Funds are collected and transferred to escrow acc. • collecting applications for securities along with remittance in their numerous branches in diff. centres. • Furnish prompt info. and records to the co. and to the lead manager for monitoring & progressing the issue work. 	SEBI (Bankers to an issue) Reg. 1994. NW:- Min to cr NW:- -
<u>custodians.</u>	person providing custodial services to the client. <ul style="list-style-type: none"> - keeps the custody of the securities of the client. - provide incidental services such as maintaining record accounts of sec. of the client - collecting the benefit or right accruing to the client in resp. of securities 	The custodian → <ul style="list-style-type: none"> • Administrate & protect the assets of the client. • open a separate custody account and deposit account in the name of each client. • Record asset. • conduct Registration of Securities. 	SEBI (Custodian) Reg, 1996 NW:- Min - 50 cr.

<p>⑦ <u>Credit Rating Agency</u></p>	<p>means a body corporate which is engaged in business of rating of sec. that are listed or proposed to be listed on RSE</p>	<p>→ protect investor as well as benefits industry as a whole in terms of direct mobilization of saving from individual.</p> <p>→ Also provide marketing tool to the co. and its investment bankers</p> <p>→ encourage discipline amongst corporate borrow. to improve their financial structure & operating risk to obtain better rating for their debt obligation.</p>	<p>SEBI (Credit Rating Agency) Reg, 1999.</p> <p>NW :- Min - 25 cr.</p>
<p>⑧ <u>Investment Adviser.</u> <u>Research Analysts.</u></p>	<p><u>Who is responsible for</u> →</p> <ul style="list-style-type: none"> - Preparation & publication of content of research report. - Providing research report. - making buy/sell hold recommendⁿ - Giving price target. - offering an opinion concerning public offer with resp. to securities that are listed or to be listed. 	<ul style="list-style-type: none"> - Study companies and industries, analyses raw data & make forecasts or recommendⁿ about whether to buy, hold or sell securities. → Analyses info to provide recommendⁿ about invt. in sec. to their clients. → Investor often view analysts as experts and they are basically 3 types <ul style="list-style-type: none"> - sell side analysts - Buy side analysts - Independent analysts. 	<p>SEBI (Research Analysts) Reg 2014</p> <p>NW :- - in case of <u>Body c. ILLP</u> Min - 25L</p> <p>- <u>I / partnership</u> NTA - min 1L</p>
<p>⑨ <u>Investment Advisers.</u></p>	<p>person who for consideration is engaged in the business of providing invest. advice to clients or other person or group of person and includes any person who hold out himself as an invt. adviser.</p>	<ul style="list-style-type: none"> - provide investment advice. means. - investment in, purchasing selling or otherwise dealing in securities or investment product and advice on investment portfolio containing sec. or invt. products, whether written, oral or through any other means of commⁿ for the benefit of client & shall include financial planning. 	<p>SEBI (Investment Adviser) Reg, 2013</p> <p>NW - Non I - min 50L I - NTA min 5L</p>

<p>⑩ <u>Depository</u></p>	<p>As per Depository Act, 1996, depository means a company formed and Reg under co. Act 2013 - Granted certificate of Reg. U/S 12 (1A) of SEBI Act, 1992.</p>	<ul style="list-style-type: none"> - Hold securities of investor in demat / electronic form - Provide demat services to the investors through DP. - 2 DP - NSDL, CDSL - opening & maintaining Demat account. 	<p>SEBI (Depositories and Participant) Reg, 2018 Dep. Act, 1996 NW: - Min 100 cr.</p>
<p>⑪ <u>Depository Participant (DP)</u></p>	<p>A DP is a agent of depository through which it interfaces with the investor and provide depository services</p>	<ul style="list-style-type: none"> - Describe as a agent of Depository - intermediaries between depository & investors. - they execute pledge req. and off market transfer - transmission req. of investor shall also be handled. - Demat / Remat req handled 	<p>SEBI (Depositories and Participant) Reg, 2018 NW: - NBFC - min 50 L R & - min 10 cr STA</p>
<p>⑫ <u>Foreign Portfolio Investor.</u></p>	<p>person who has been registered under chapter II of SEBI (Foreign Portfolio Investor) Reg, 2019 - deemed to be intermediary in terms of the provision of SEBI Act, 1992.</p>	<p>FPI buy / sell or deal in Securities as a foreign portfolio investor by obtaining a certificate granted by a designated DP on behalf of SEBI.</p>	<p>SEBI (FPI) Reg, 2019 NW: -</p>
<p>⑬ <u>Portfolio managers.</u></p>	<p>means a body corporate which advises or directs on behalf of client the management or administration of Portfolio of sec. Goods / Funds. - Deal in goods received in delivery against physical settlement of commodity derivatives.</p>	<ul style="list-style-type: none"> - decide best investment plan for individual as per income, age as well as ability to under take risk - responsible for making an individual aware of the various investment tools available in the market & benefits associate with it. - Design customized invt solutions for client - Discretionary Portfolio manager exercise any degree of discretion. 	<p>SEBI (Portfolio managers) Reg, 2020. NW - min 5 cr</p>

⇒ Merchant Banker.	SEBI (Merchant Banker) Reg. 1992.
⇒ Stock Broker.	SEBI (Stock Broker) Reg. 1992.
⇒ Registrar and Share transfer Agent	SEBI (Registrar to an issue and Share transfer Agent) Reg. 1993.
⇒ Debenture trustees	SEBI (Debenture holder) Reg. 1993
⇒ Bankers to an issue	SEBI (Bankers to an issue) Reg. 1994
⇒ custodians	SEBI (custodian) Reg. 1996
⇒ credit Rating Agency	SEBI (credit Rating Agency) Reg. 1999
⇒ Investment Adviser	SEBI (Investment Adviser) Reg. 2013
⇒ Research Analysts	SEBI (Research Analysts) Reg. 2014
⇒ Depository / DP.	SEBI (Depository and DP) Reg. 2018
⇒ Foreign portfolio investor	SEBI (Foreign portfolio investor) Reg. 2019
⇒ Portfolio manager.	SEBI (Portfolio manager) Reg. 2020.

⇒ Intermediaries. - Means a person mentioned in

→ section 11(2)(b) and 11(2)(ba) and

→ section 12(1) and 12(1A)

and includes -

→ Asset management company

→ clearing corporation

→ Foreign Portfolio investor

→ Trading member.

does not include

→ Foreign venture capital investor

→ venture capital Fund

→ Mutual Fund

→ collective investment scheme

⇒ Audit of intermediaries by PCS

inter.				
Portfolio M.	Internal A.	by PCS	Half yearly	IC, Reg / R / RIG / cr.
Stock Bro.	Internal A.	by PCS	Half yearly	IC, Reg
CRA	Internal A.	by PCS	Half yearly	IC, Reg
RA	Internal A.	by PCS	Annually	IC Reg
IA	compliance A.	by PCS	Annually	Reg, records
RA	Annual A.	by PCS	Annually	Reg, records

ch-7 International Financial Services Centres Authority (IFSCA)

Introduction :-

- IFSC is a jurisdiction with high concentration of financial institutions such as banks, stock markets & related entities, insurance firms, fund managers, fin-tech firms etc which offer specialized financial services to non-resident and resident, in an environment that promote financial innovation and facilitates cross border transactions.

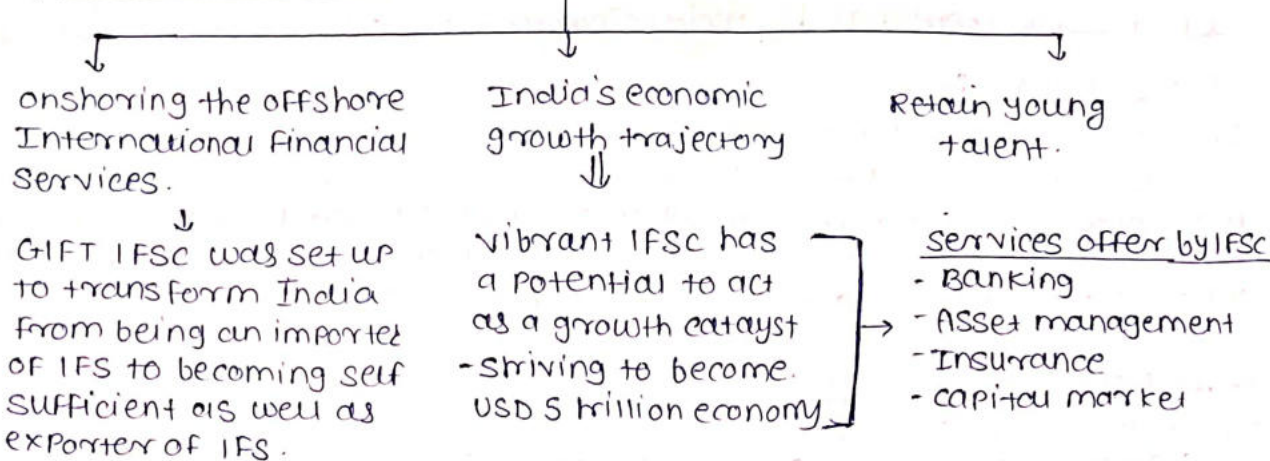
⇒ Importance of IFSC :-

- Primary 3 reason
 - contribution to the growth of international financial transaction.
 - Pivotal role in accelerating financial globalization.
 - invaluable role in accelerating socio-economic growth.
- Indian company are setting up their units abroad, to provide services abroad so to bring them to indian soil.
- IFSC center are designated as international jurisdiction by FEMA.
- eg - The Gujarat International Finance - Tech city (GIFT).

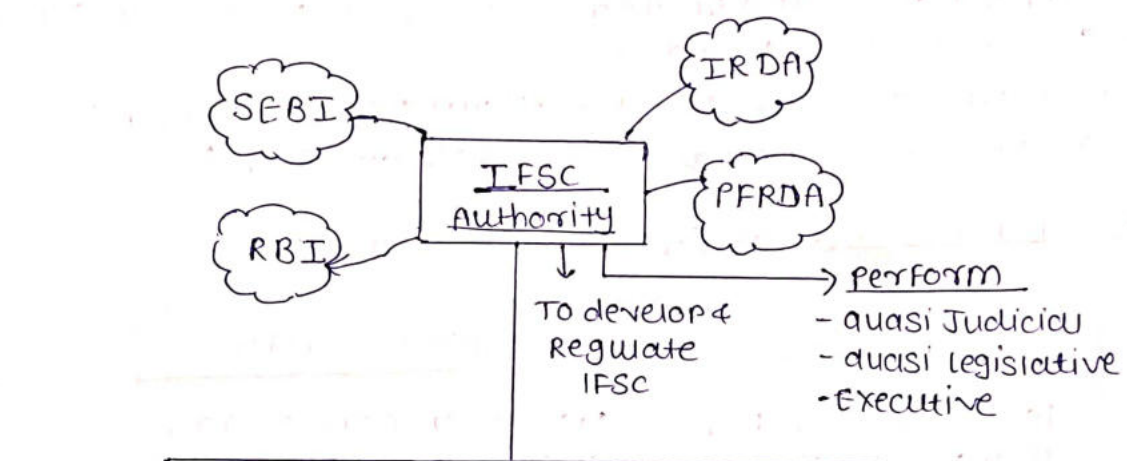
⇒ Fiscal Benefits and Tax Exemption for GIFT - IFSC

Taxes / Duties	IFSC units	Investor's Benefit
Income Tax.	<ul style="list-style-type: none"> - 100% exemption for 10 years out of 15 yrs - AMT @ 9% - old regime - NO AMT - New regime 	<ul style="list-style-type: none"> No tax on capital gain on transfer of specified security of IFSC co. - <u>For NR investor</u> • NO Tax on interest income on money lent • Long term Bond, rupee denominated Bond • Taxable at 4% only.
GST	<ul style="list-style-type: none"> - NO GST on services received from abroad. - NO GST on services provided outside india - GST applicable on services provided to GTA. 	<ul style="list-style-type: none"> - NO GST on transactions carried out in IFSC exchanges.
Other taxes duties.	<ul style="list-style-type: none"> State subsidies - lease rental, PF contribⁿ electricity charges. 	<ul style="list-style-type: none"> - <u>Exemption from</u> - Security transⁿ tax - commodity transⁿ tax - Stamp duty

⇒ Necessity of IFSC For Domestic Economy.



⇒ International Financial Service centres Authority



- Functions.
- To develop and regulate Product, Financial Service and Financial inst. in IFSC.
 - To Regulate New Financial Product, Financial Services and Financial inst in IFSC
 - To recommend to Cg to notify other FM PSI

- Powers.
- Act empowers IFSCA to Exercise Power of 4 Domestic Regulation.
 - RBI
 - SEBI
 - PFRDA
 - IRDA.

- ⇒ Financial Product → Notified by Cg
- Securities
 - Deposits
 - contract of insurance or arrangement
 - F.C. contract
 - any other → notified by Cg
 - Aircraft lease
 - Ship lease
 - op. lease incl. hybrid of O & F. lease
 - bullion spot delivery contract.
 - bullion DR.

⇒ Listing of specified securities through IPO by unlisted issuer.

<u>condition</u>	<u>offersize</u>	<u>Min sub.</u>	
Profit - at least 1 million USD in P. 3 yrs [or] T/o - 20 million USD in py	USD 15 million	Min subscriber = 200 at least 75% should be sub.	Lock in for the period of 180 days

⇒ Listing of startup and SME

→ Less than 10 years from the date of incorporation. → T/o should not exceed USD 20 milli. → working towards innovation, develop. or improvement of product or services	Not less than USD 2 million	Min subscriber = 50 at least 75% should be subscribed.	
---	-----------------------------	---	--

⇒ IPO by SPAC.

→ Merger, acquisition amalgamation ↓ company having business operation	USD 50 million 20% to be held by sponsor / promoter.	→ Min 75% to be subscribed. → min investment 250,000 USD / person.	
--	---	---	--

• Special Purpose Acquisition company means a company has no business operation. created only for acquisition, merger or amalgamation.

⇒ Financial Services - as

- Buying, selling or subscribing to a financial product.
- Acceptance of deposits.
- Safeguarding & administering assets
- Effects in contract of insurance
- exercising any rights associated with a financial product or financial service.
- establishing an or operating an investment scheme.
- Maintaining or transferring records of ownership of a financial product.

New Financial Services notified by CG

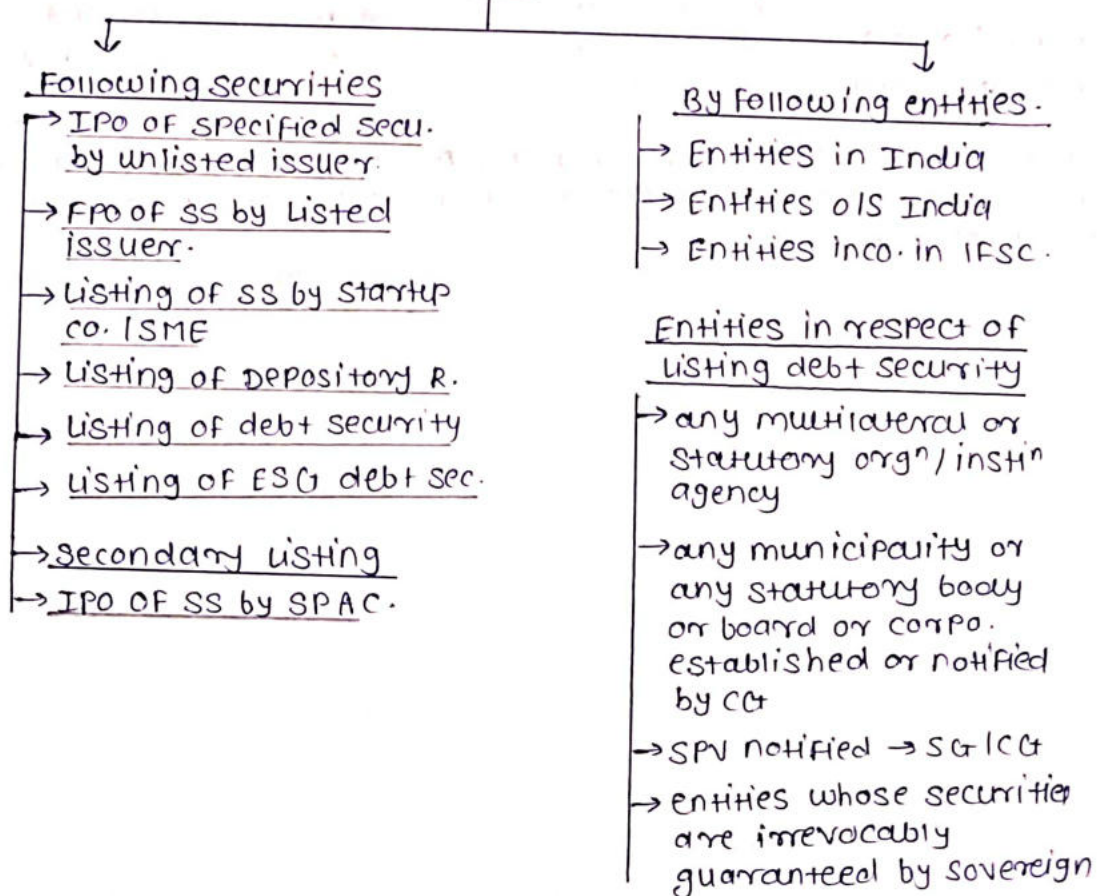
- Global in-house centres
- Trading in bullion depository receipts.
- Provision of bullion financing, bullion vaulting, clearing and settlement services.
- courses offered in financial mgmt, Fin Tech, Science, technology, by foreign universities or foreign institutions in IFSC.

A] IFSC Act, 2019

IFSC (Insurance and Listing of Securities) Reg. 2021

IFSC Stock Exchange

List



⇒ Eligibility and Shareholding

- Indian RSE Form subsidiary to provide services of SE in IFSC
- PUEC → 51%
- Remaining held by - 49%
 - any other stock ex
 - a depository
 - a Banking company
 - an insurance co.
 - commodity derivatives ex.
 - Public Financial institution whether Indian or Foreign Jurisdiction.

→ out of 49% ↑
15% → Individual (max)

⇒ Eligibility and Shareholding of clearing corporation

- any Indian RSE, CC, or foreign Jurisdiction Form subsidiary to provide service of CC in IFSC
- at least 51% PUEC → SE, CC
- remaining held by
 - any other SE
 - a clearing corpo
 - a depository
 - a Banking co
 - a depository co.
 - an Insurance co
 - Public Financial inst

SEBI IFSC Guidelines, 2015

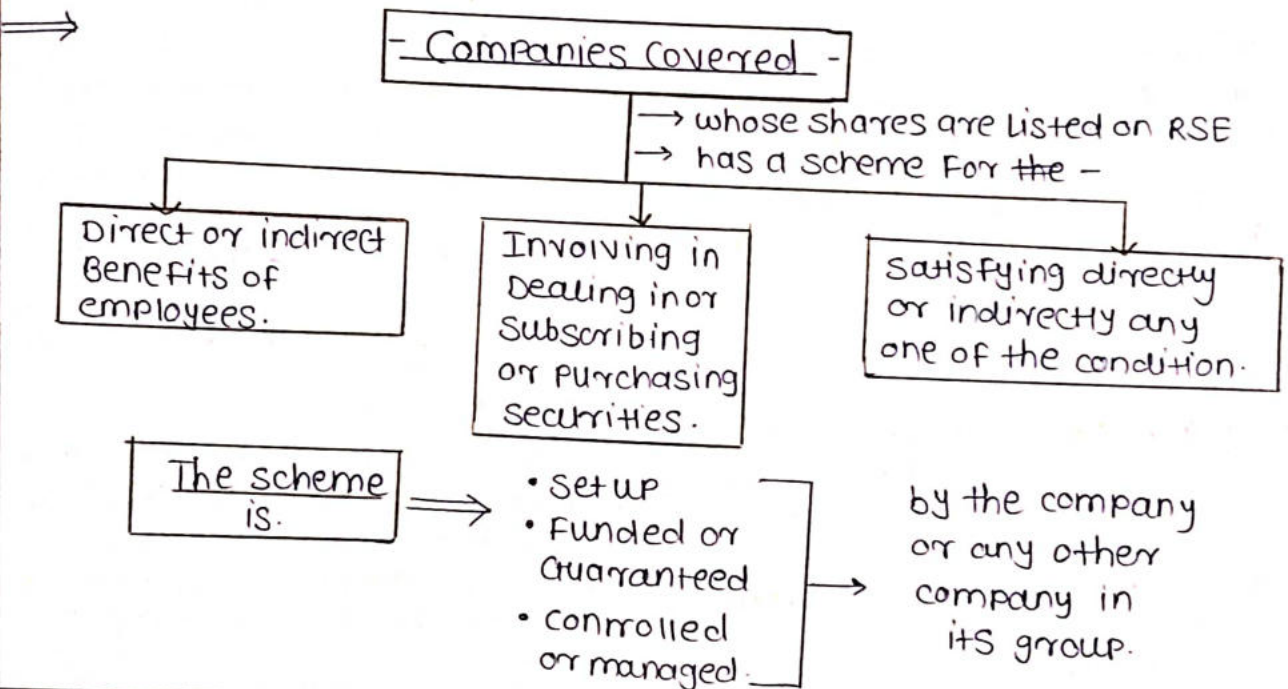
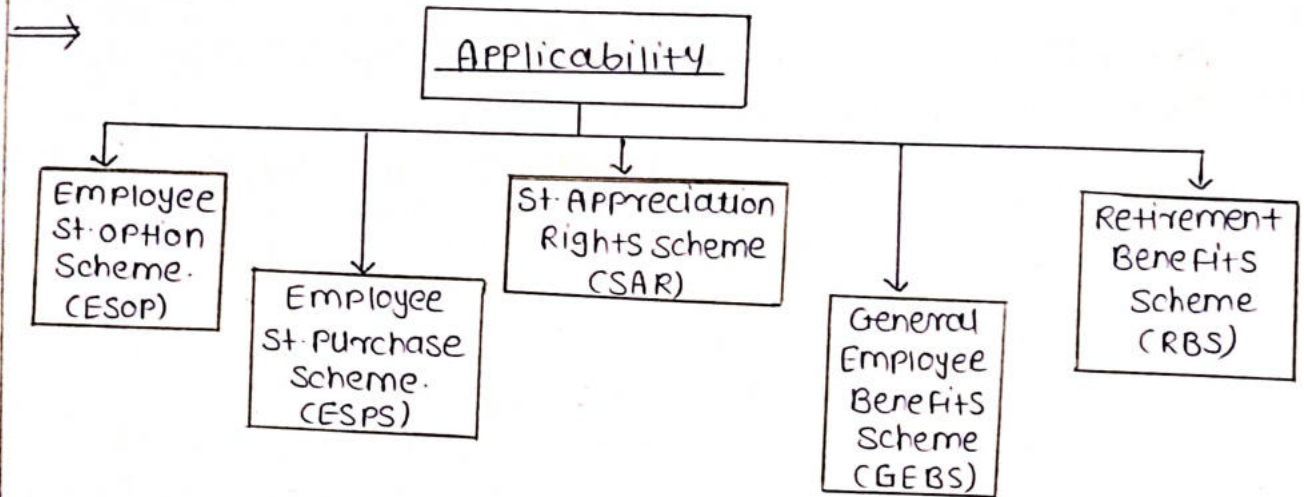
Eligibility and Shareholding For Foreign depositories

- any regulatory depository of foreign jurisdiction
 - ↓
 - Form subsidiary to provide depository services in IFSC
 - ↓
 - at least 51% → Dep | RSE
- Setting up of IFSC depository services by Indian Reg. depository
 - may set up branch - IFSC dep. services (IDS) at IFSC
 - ↓
 - obtain prior approval of Board for setting up an IDS
 - ↓
 - Such Indian depository shall be req. to ring fence its domestic operation, financially, operationally & technologically

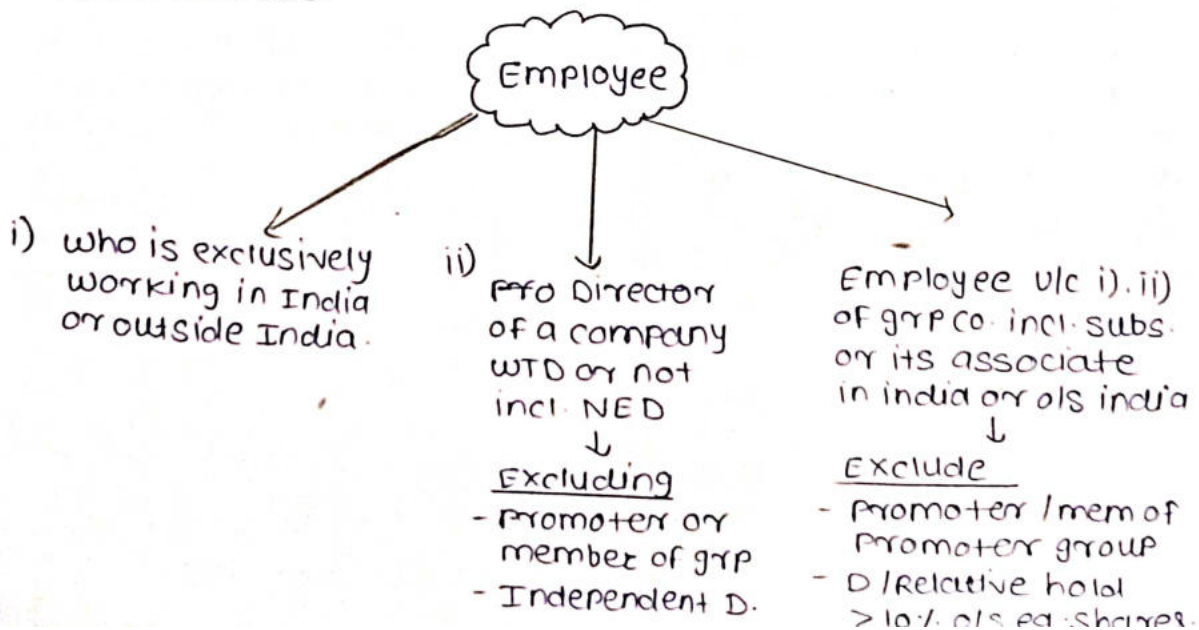
permissible securities.

- Eq. shares of a company incorporated in India.
- Depository receipts
- Debt securities issued by eligible issuer.
- currency and interest rate derivatives.
- Index based derivatives.
- Commodity derivatives.
- Derivatives on eq. shares

ch-9 SEBI (Share Based Employee & Sweat Equity) Reg. 2021



⇒ Definitions:-



⇒

ESOS

- Employee stock option scheme or ESOS
- co. grants employee stock options to employees directly or thr. Trust.

⇒

ESPS

- company offers shares to employees as a part of public issue.
- or through trust where trust may undertake secondary acquisition for the purpose of scheme.

⇒

GSBS

- Scheme dealing in shares of the co. or the shares of its listed holding co. for the purpose of employee welfare including healthcare benefits.
- Hospital care or benefits, benefits in the event of sickness, accident death or scholarship funds.

⇒

RBS

- Dealing in the shares of the co. or the shares of its listed holding co. for providing retirement benefits to the employees sub. to compliance with existing rules and regulation

⇒

SAR

- means a right given to a SAR grantee entitling him to receive appreciation for specified no. of shares of the company where settlement of such appreciation may be made by way of cash payment or shares of the co.

⇒ Sweat equity Shares :-

- means a sweat equity shares defined u/s 2(88) of the co. Act 2013.

⇒ Appreciation :-

- Difference between M.P. of the shares of a company on the date of exercise of SAR or the date of vesting of SAR and SAR price.

⇒ Grant Date :-

- means a date on which the compensation committee approves the grant.

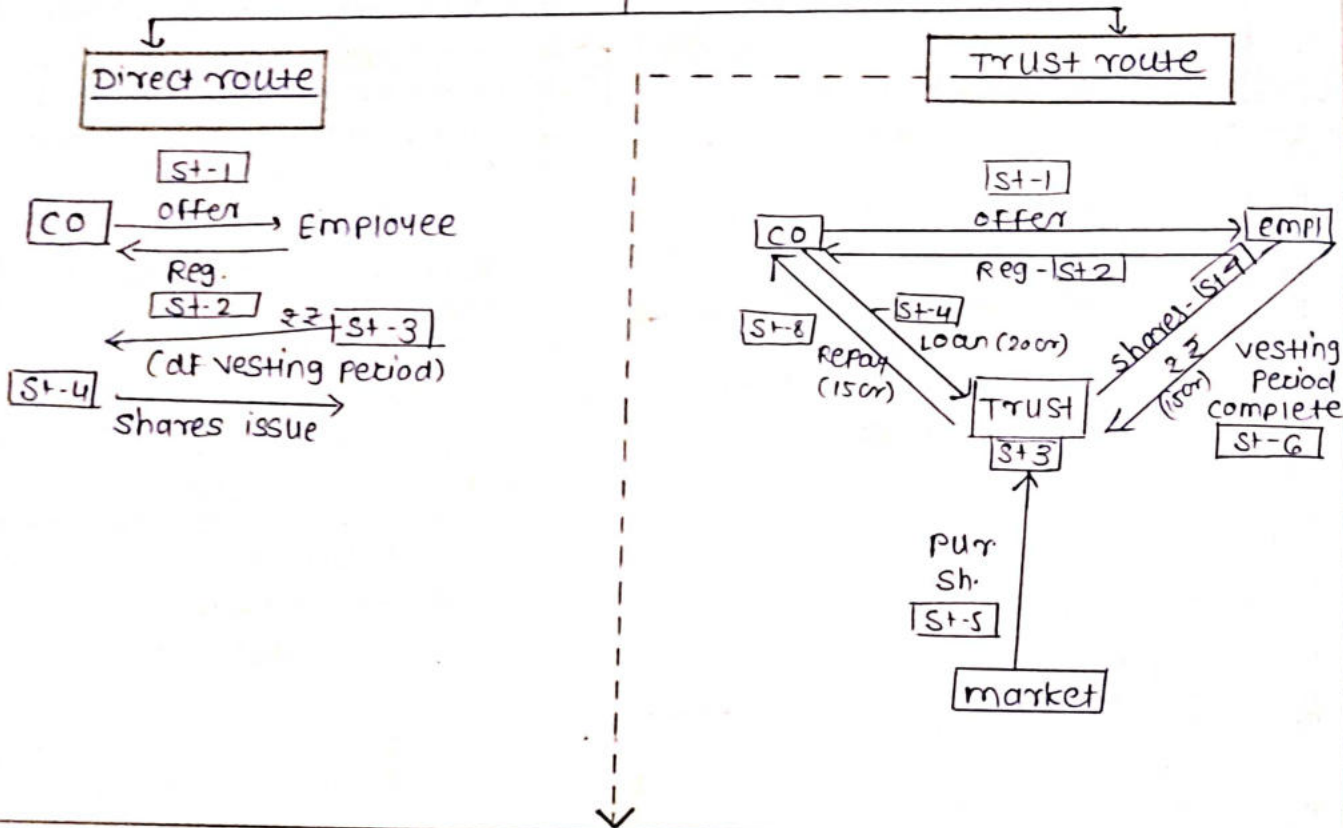
⇒ Relevant Date :-

- In case of grant - date of the meeting of the compensation committee on which the grant is made.
- In case of exercise - the date on which the notice of exercise is given to the company or to the trust

⇒ Option :-

- option which gives such an employee a right to purchase or subscribe at a future date, the shares offered by the company, directly or indirectly at a pre-determined price.

Implementation of Scheme



⇒ Implementation of Scheme through trust.

- ① → The scheme has to be decided upfront
→ company may change the mode of approval → SR
→ If the schemes involves secondary acquisition or gift or both → it shall be mandatory to the company to implement such scheme through trust.
- ② Multiple scheme through a single trust - allowed → however such single trust shall keep & maintain
→ proper books of account.
→ Record and document of each such scheme.
- ③ The trust deed shall contained provisions as specified in part A of schedule-I of these regulation and it shall mandatorily filled with RSE.
- ④ The trustees of the trust shall not vote in respect of shares held by such trust
- ⑤ → any person can appoint as trustee except.
• D/KMP/P of co. or its group co. incl. its holding / sub / asso. or any relatives of such D/KMP/P
• Beneficiary hold $\geq 10\%$ of PUSC or VR
as a I/OPC - minimum 2 trustees
-1- corporate - 1- sole trustee.
entity
- ⑥ The readvise approval from the shareholder has been obtained by the company to enable the trust, to implement the scheme and to undertake secondary acquisition.
- ⑦ The trust shall not deal in derivatives and shall undertake only delivery based transaction.
- ⑧ Subject to the requirement of companies Act, 2013, company may lend monies to the trust on appropriate terms and conditions to acquired the shares either through new issue or secondary acquisition

⑨ For the purpose of disclosure to the RSE the share holding of the trust shall be shown as "Non-promoter and Non-public" shareholding.

⑩ secondary acquisition in a F.Y. by the trust shall not exceed 2% of paid up eq. share cap. of the co. at the end of P.F.Y.

⑪ Total No. of shares under secondary acquisition shall at no point of time exceed the below mentioned limit:

- | | |
|--|-----|
| → For the scheme in Part A, B, C of ch-III | 5 % |
| → Part D, E, ch-III | 2 % |
| → in aggregate | 5 % |

⑫ The unappropriated inventory of the shares shall be appropriated within a reasonable period, which shall not extend beyond the end of subsequent F.Y. or the second subseq. F.Y. subject to approval of compensation committee.

⑬ Trust shall be permitted to hold shares acquired through secondary acquisition for min period of 6m.

⑭ The trust shall be permitted to undertake off market transfer only under following circumstances:

- transfer to the employees.
- while participating in an open offer under SEBI (substantial acquisition and takeovers) Reg. 2011 or while participating in buyback delisting.

⑮ Trust shall not sell shares in secondary market except ↓ circum.

- to enable employees to fund the payment of exercise price, the amount necessary to meet tax obligation and other related exp. per. to option granted → ESOS.
- on vesting or exercise as the case may be of a SAR under the scheme covered by part C of ch-III
- in case of emergency for imple. the scheme - part D, part E - ch III and for this purpose.
 - trustee shall record the reason for such sale &
 - money realised on sale of sh. shall be utilised within a definite time.

→ Participation in BB or open offer or delisting offer or exit offered by co.

→ For repaying the loan

→ winding up of the scheme.

→ Based on approval granted by board to an applicant, for the reasons recorded in writing in respect of the scheme covered by part A, B, C of ch III upon payment of non refundable fees of 1 Lakh. to the board, along with the app.ⁿ by way of direct credit in the bank → NEFT / RTGS / IMPS

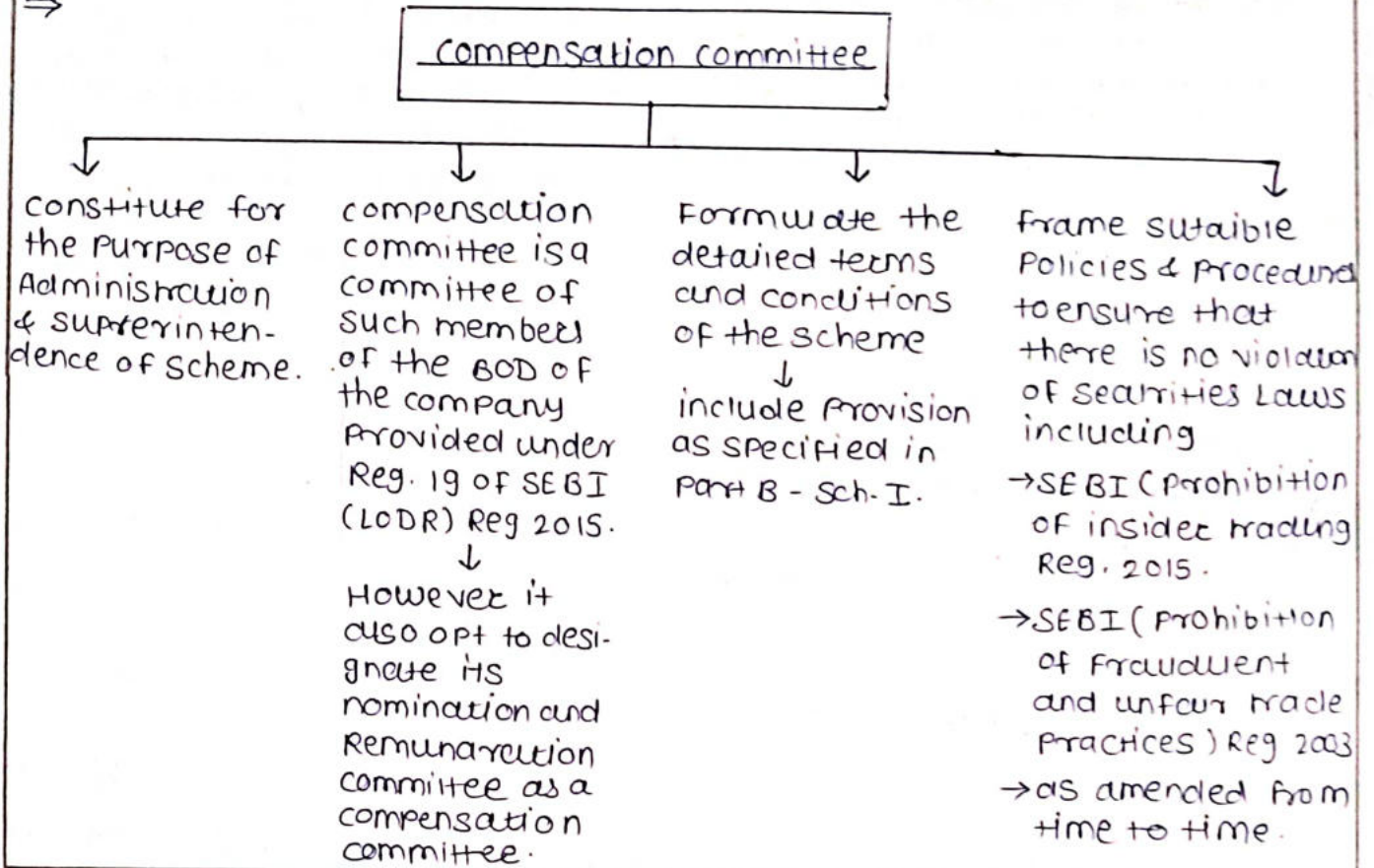
⑯ The trust shall be required to make disclosures and comply with the other requirement applicable to

→ Insiders or

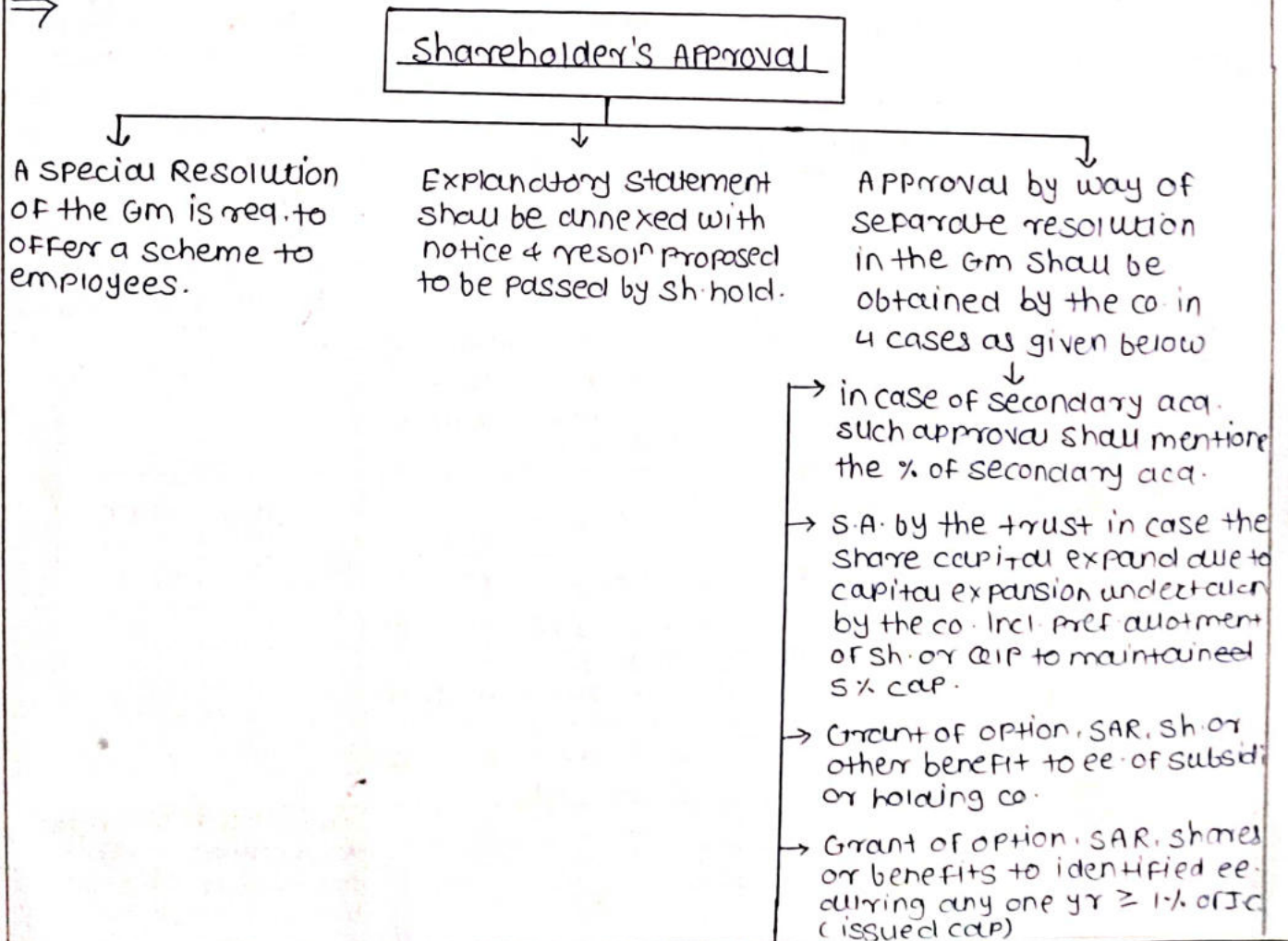
→ Promoters

⇒ Eligibility criteria :- AS determined by the compensation committee

⇒



⇒



⇒ Non-Transferability.

- Benefits granted to the employees shall not be transferable to any person other than the employee to whom the option/SAR, benefits is granted, shall be entitled to the benefit arising out of such option.
- shall not be pledged, hypothecated, mortgaged or otherwise alienated.
- In case of death of employee while in employment, all the option/SAR or any other benefit granted under scheme for to his legal heirs from the date of his death.
- In case of permanent incapacity while in employment all o/SAR/B granted to his legal heirs / nominee.
- In case of resignation / termination all o/SAR/B → shall expire.

⇒ Certificate From Auditor.

- The BoD shall at each AGM place before the Shareholders a certificate from secretarial auditors of the co. that the scheme has been implemented in accordance with these regulations.

	ESOS	ESPS	SAR
<u>Administration and Implementation</u>	<p>shall contain the details of the manner in which scheme will be implemented</p> <p>- shall not offered unless disclosure is made by the co.</p>	<p>shall contain the details of the manner in which scheme will be implemented and operated.</p>	<p>- contain the details in which scheme will be implemented.</p> <p>- shall have freedom to implement cash settled or eq. settled SAR -</p> <p>- No SAR shall be offered unless the disclosure as specified by SEBI</p>
<u>Pricing</u>	Free to determine subject to accounting policies.	co. may determine the price sub. to the provision of acc. policies.	-
<u>vesting period</u>	one year.	-	one year.
<u>Lock in P.</u>	co. may specify .	<p>one year</p> <p>- if ESPS is a part of Public issue & sh. are issued to the co at the same price as in the public issue</p> <p>→ No Lock in.</p>	
<u>Rights of option holder</u>	shall not have right to receive dividend, or to vote or enjoy the benefits of sh. h. till optn is exercised.	-	shall not have right to receive dividend or to vote or enjoy benefits of sh. holder

⇒ consequence of failure to exercise ESOS option

The amount paid by the employee may be forfeited by the company if the option is not exercised by the employees within the ex. period.

GEBS	RBS
→ shall contain the details of the scheme and the manner in which the scheme shall be implemented and operated.	→ RBS may be implemented by a co. Subject to compliance with these regulations and provisions of any other law.
→ The shares of the co / holding co. shall not exceed 10% of. Book value or market value or Fair value of FA. } ↓ Total Asset.	→ shall contain the details of the scheme benefit under the scheme and the manner in which the scheme shall be implemented and operated.
→ The secretarial auditor of the co. shall certify the above point of compliance at the time of adop ⁿ of such b/s.	→ [Same]
	→ [Same]

⇒ SEBI (Share based employee benefits and sweat eq) Reg 2021

→ Introduction -

"sweat equity shares" are such equity shares, which are issued by company to its directors or employees at a discount or for consideration other than cash

For providing their knowhow or making available rights in the nature of intellectual prop rights or value addition by whatever name called

→ Applicability :-

shall not apply to unlisted company.

→ The term employee means -

- i) an employee of the co. working in India or abroad.
- ii) a director of the co. whether a WTD or not.

⇒ maximum quantum of sweat eq

→ co. can issue -

- max - 25% of paid up eq share
- max - 15% in a year. (FY)

→ co - listed on IGP

- max - 50% up to 10 yrs from the date of inco.
- max - 15% in a year (FY)

⇒ Special Resolution.

→ For the purpose of passing SR the explanatory statement to be annexed to the notice shall contain disclosure as specified in sch - II

→ The issue of SES (sweat eq share) to employees who belong to P/P/P Promoter / Promoter group shall be approved by way of resolution passed by a simple majority of the sh. holder in GM.

↓
However for passing such resolⁿ voting through postal ballot / e-voting shall also be adopted.
P/P/P - Not participate in resolⁿ

- each issue of sweat equity shares - voted by the separate resolution
- Resolution shall be valid - not more than 12m.

⇒ Pricing of sweat equity shares :-

- The price shall be determined in accordance with the pricing req. stipulated for a preferential issue to a person other than a QIB

⇒ Valuation :- of

- knowhow or intellectual property rights or value addition shall be carried out by a merchant banker.
- MB may consult such expert and valuers as it may deem fit having regard to the nature of the industry and the nature of the valuation of knowhow or intellectual property rights or value addition.
- The MB shall obtain a certificate from an independent CA certifying that the valuation of know how or IPR or value addition is in accordance with relevant A.S.

⇒ ceiling on Managerial Remuneration.

- The amount of SES issued shall be treated as a part of MR if following conditions are satisfied.
 - S.E.S. are issued to any director or manager and.
 - issued for non-consideration which does not take the form of an asset which can be carried to the balance sheet of the co. in accordance with relevant AS.

⇒ Lock in

- It shall be locked in for such period of time as specified in relation to a preferential issue under SEBI (ICDR) Reg. 2018.
- The provision of SEBI (ICDR) Reg. 2018 in respect of public issue in terms of lock in and computation of promoter's contribution shall apply if co. make public issue after it has issued S.E.S.

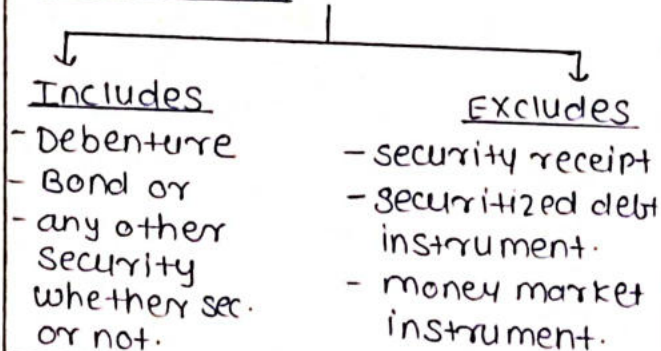
- ⇒ any acquisition of sweat equity shares shall be subject to the provision of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

ch-10 Issue and Listing of Non-convertible Securities.

→ Definitions :-

→ Debt Security :-

- A non-convertible debt security with a fixed maturity period which creates or acknowledges indebtedness



→ Issuer.

- A company or
- A Body corporate or
- A Statutory corporation or.
- A multilateral Institution or
- A trust (Registered as board as a (REIT) or (INVT))
- authorised to issue non-conv securities or commercial paper under relevant laws and seek to list its non-conv securities with any RSE

→ Non-convertible securities. :-

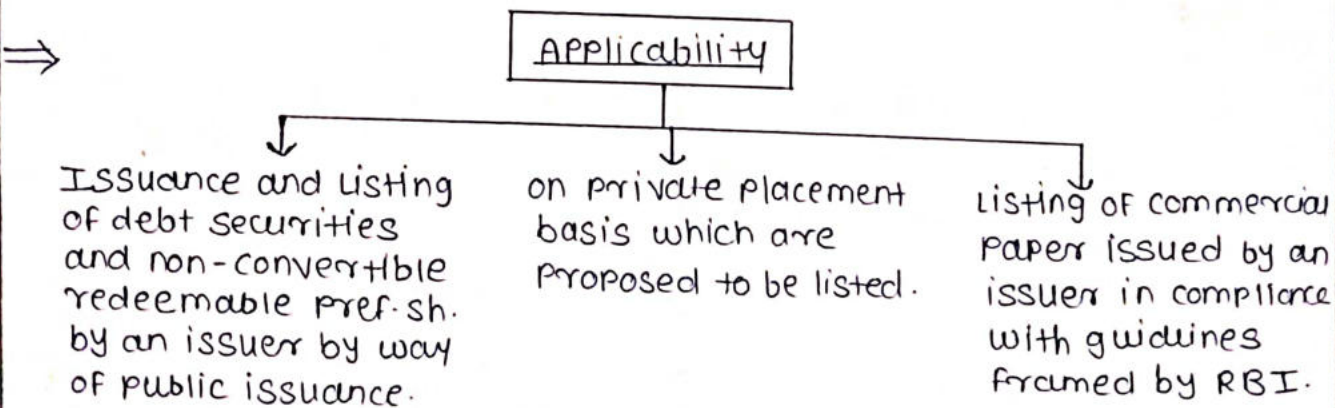
- Debt securities.
- Non convertible redeemable p.sh.
- Perpetual non cumulative p.sh.
- Perpetual debt instrument.
- any other sec. notified by SEBI

→ Perpetual debt instrument

- Issued in accordance with the guideline framed by the RBI.

→ Non-convertible redeemable Preference share

- A preference share which is redeemable in accordance with relevant provision of companies Act, 2013 → does not include preference share which is convt into or exchangeable with equity shares of the issuer



→ General condition and Eligibility criteria - [Reg. 4]

- This chapter shall apply to →
 - Debt securities and non-convertible pref.shares. issued by issuer by way of public issuance.
 - Non-convertible securities by an issuer on private placement basis.

⇒ Eligible Issuer - [Reg. 5]

1) The issuer shall not make an issue of non-convertible security if as on the date of filing DOD or OD:

→ I/P/PG/D → deb. from accessing capital market.

→ P/D (CO) - P/D (CO) → debarred.

→ I/P/D - willful defaulter.

→ P/D → Fugitive eco. off.

→ (CO) - P/WTD (CO) → willful def.

→ any fine / penalty levied by SEBI SE is pending to be paid by the issuer at the time of filing OD.

2) Issuer shall not make an public issue of non convt. sec. if the issuer is in default of payment of int. or repayment of principle amount for the period > 6m. at the time of filing DOD.

Reg-6 :- In principle approval

The issuer shall make an application for one or more RSE to obtain in principle approval for listing of its non-convertible securities.

Reg. 7 : Depositories.

The issuer shall enter into an agree. with depository for dematerializⁿ of non-convertible securities.

Reg. 8 :- Debenture Trustee.

The issuer shall appoint a debenture trustee in case of an issue of debt securities.

Reg. 9 : Registrar to an Issue.

The issuer shall appoint a registrar to an issue registered with SEBI which has established connectivity with all the depositories.

Reg. 10 - Credit Rating

The issuer shall obtain credit rating from at least one credit rating agency which shall be disclose in offer doc.

Reg. 11 - creation of Recovery exp Fund :-

The issuer shall create recovery expense fund with the designated stock exchange by depositing such amount and in such form & manner as may be specified.

Reg. 12 - Electronic Issuance

an issuer proposing to issue non-convertible securities through the on-line system of SE.

Reg. 13 - Regulatory fees :-

while filing the DOD with the SE forward a soft copy of DOD to SEBI for its records along with regulatory fees as specified in regulation.

Reg. 15 - Right to recall or redeem prior to the maturity

→ Issuer can keep the right to recall (prior to maturity) or give this right to call for redemption (prior to maturity) to investor / RI

→ Recall - as per the terms of the issue and disclosures in offer document.

→ Issuer [redeem all the security or redeem partially]

→ Recall - Never be within 1 year from issue.

→ Recall - Notice - to all eligible holder and deb. trustee
- when - 21 days prior to exercise period.
- SE - disseminate
- NP [E NP R NP]

→ Recall complete

- Report to SE
- Inform to DT
- Inform to depository

Reg. 16 - DRR / CRR

The issuer shall create Debenture Redemption Reserve in accordance with the relevant provision of the Companies Act, 2013

Reg. 17 - International securities Identification number

An issuer issuing non-convertible securities shall comply with the conditions relating to the issue of international securities identification number, as may be specified by SEBI

Reg. 18 - Trust Deed.

- The issuer shall execute the trust deed within prescribed time.
- If not executed within the prescribed time then issuer shall pay, extra int. of 2% over and above the coupon rate.

Trust deed shall contain

- matters provided in sec. 71 of Companies Act 2013 and Companies (Share capital and deb) rules 2014.
- T.D. in two parts
 - Part A - Statutory / std. info.
 - Part B - Specific
- shall contain such other particulars as prescribed by SEBI.
- Bank details from which int and principle shall be paid.

Trust deed shall not contain

- any clause providing for :-
 - Limiting / ext : obligation of DT / I
 - Limiting / waiving - applicability of any reg. by SEBI
 - Indemnifying the DT or I

Reg. 22 - where the issuer has defaulted in payment of int. or redⁿ of debt security or creation of debt security in accordance with terms of the offer doc. → any distribution of dividend require prior approval of debenture trustee.

Reg. 23 - obligation of the Issuer ③

- The issuer shall treat all applicant in a fair and equitable manner.
- The issuer shall not employ any device, scheme or artifice to defraud.
- The issuer shall apply for securities SEBI (SCORES) authentication.
- Issuer shall provide all required info / doc. to the Lead manager, for conducting the due diligence.
- The secured debt securities are secured by 100% security cover or higher security cover.

Reg. 24 - obligation of Deb trustee

- Power for protecting the int. of holders of debt security
- Right to appoint a nominee director.
- Supervise the implementation of the conditions regarding creation of security, creation of recovery exp fund, and DRR.
- Monitor the security cover in relation to secured debt sec.

ch-III. Public issue and listing of debt Sec. & Non-conv. red. p. sh. 4

⇒ conditions for public issue

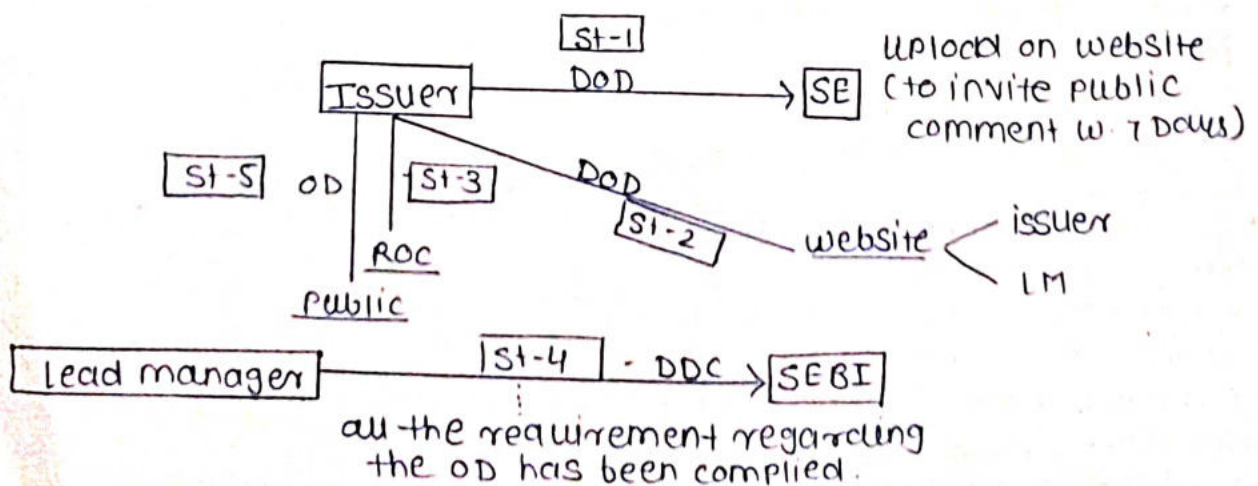
- ① The issuer shall appoint one or more Merchant Banker.
- ② where there is only one lead manager, it shall not be an associate of the issuer. However in case the lead manager is an associate of the issuer it shall be disclose
- ③ Its role shall be limited to marketing of the issue. not issue any due diligence certificate.
- ④ The issuer shall not make a public issue of debt security and non convertible redeemable pref. shares for providing loan to or acquisition of shares of any entity who is part of P I P G companies.
- ⑤ NBFC / HB HFC / PFI → shall not apply.

⇒ Issuance of Green debt securities :-

→ means a debt security falling under any of the following categories

- Renewable and sustainable energy including wind, solar, bioenergy, other sources of energy which use clean technology.
- clean transportation including mass / public transportation.
- sustainable water management including clean / or drinking water, water recycling.
- climate change adaption.
- energy efficiency including efficient and green building
- sustainable waste mgmt. including recycling, waste to energy efficient disposal of waste.
- sustainable land use including sustainable forestry & agriculture afforestation.
- Biodiversity conservation, or
- category as may be specified by SEBI

Reg.-27 - Filing of DOD



Disclosures in the offer Document.	→ offer doc. shall contain <u>all material true, fair and adequate disclosure</u> which are necessary for the subscribers to take an informed decision.
Mode of disclosure of DoD.	→ od shall be <u>displayed on the website</u> of stock exchange issuer and lead manager which shall be available in pdf format.
Advertisement for public issue	→ 1 <u>Hindi National Daily newspaper</u> . → 1 <u>Regional Daily newspaper</u> with wide circulation at the place where registered office of the co. is situated on or before op. issue.
Prohibition on payment of incentives	→ A person connected with the issue <u>shall not offer any incentives, whether direct or indirect, whether in cash or in kind</u> . except → <u>fees or commission for services rendered in relation to the issue</u> .
Abridged Prospectus & app ⁿ form	→ I/LM ensure that every application form and the <u>abridged prospectus</u> shall not contain is in the format shall not contain matters which are extraneous to the contents of offer document.
price discovery and book bld.	→ The issue of debt security and non-convertible redeemable pref. shares may be at <u>fixed price and fixed coupon</u> or the issuer may determine through <u>book building process</u>
Minimum subscription	→ <u>For public issue</u> = shall <u>not be less than 75% of base issue size</u> or as may be specified by SEBI. → <u>In event of non receipt of min sub</u> = all blocked app ⁿ shall be unblocked in <u>8 days</u> from closure of issue.
Allotment of securities and payment of interest.	→ allotment of securities offered to public shall be made within such timeline as may be specified by SEBI. → If not ⇒ issuer shall undertake to pay <u>int 15% p.a to I.</u>
underwriting	→ may be underwritten by eligible intermediaries either in full or in part and in such case adequate disclosure regarding underwriting agreement shall be <u>disclosed</u> . in od.
Mandatory listing of public issue	→ The issuer shall <u>make an application</u> for listing to <u>stock exchange</u> .

⇒ Listing of private placement of debt securities and non-convertible preference share [ch-IV]

- Listing Application - The issuer shall forward the listing appn along with the disclosure as per the Reg. to the SE within such days as may be specified by SEBI.
- Allotment of sec. - The issuer shall ensure that allotment of debt securities and non-convertible redem. pref. sh. issued on private placement basis and credit to the dematerialised acc. of invest.

⇒ Issuance and listing of perpetual debt instruments, perpetual non-cumulative shares and similar instruments [ch-V]

→ General conditions :-

- an issuer may issue all these securities in compliance with the guidelines issued by RBI or any other relevant laws applicable to them.
- Issuer permitted by RBI to issue perpetual debt instrument, perpetual non-cumulative pref. share and instruments of similar nature forming part of non-equity regulatory capital may list such instruments after complying all conditions.

⇒ Listing of commercial paper [ch-VI]

- Shall comply with the conditions as may be specified by SEBI
- Designated stock exchange shall collect regulatory fee in the regulations from an issuer of C.P. at the time of their listing.
- The issuer shall apply for SEBI (SCORES) authentication in the format specified by board.

ch-11 Listing obligation and Disclosure Requirements

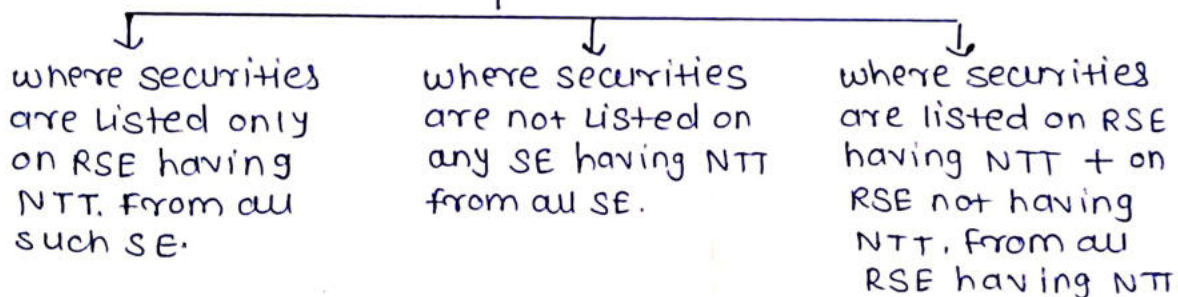
⇒ SEBI (Listing obligation and Disclosure req) Reg. 2015

⇒ Applicability :-

- Indian Depository Receipts.
- Securitized debt instruments
- security receipts.
- Non convertible securities.
- Specified securities Listed on Main board or SME or IGP.
- Units issued by mutual Fund.
- any other security specified by SEBI

⇒ The provision of these regulations which become applicable to listed entity on the basis of Market capitalisation

⇒ In-principal approval :-



Designated securities :- means

- Specified securities.
- Non-convertible debt security
- Non-convertible redeemable Pref shares.
- Perpetual debt instruments
- Perpetual non-convertible Pref. shares.
- IDR
- securitised debt instruments
- security receipts
- Units issued by MF
- zero coupon, zero principal instrument.

⇒ Specified securities - means

- equity shares and convertible securities as defined under clause (eee) of sub Reg. (1) of Reg. 2 of SEBI (ICDR) (ICDR) Reg. 2018

⇒ Listing agreement - means

an agreement that is entered into between a RSE and an entity, on the application of that entity to the RSE, undertaking to comply with conditions for listing of designated securities.

Reg-17 - Corporate Governance

Norms

→ Composition of BOD :-

AS PER LODR
Reg-17.

→ out of total
at least 50%
to be NED

AS PER CO. ACT
Sec. 149.

→ Public - at least 3
Private - 2
OPC - 1

Woman Director

AS PER LODR
Reg-17

→ at least one
woman D.
→ Top 1000 Listed
co - at least 1
I. women D.

AS PER CO. ACT
Sec. 149. Pro. I

co → Paid up cap.
≥ 100 cr.
→ Turnover
≥ 300 cr.
(req. WD)

AS PER LODR Reg 17 →

→ chairman = Non executive D.
and Not related
to Promoter / D.

$1/3^{\text{rd}} = \text{ID}$

and
SR equity shares
are not issued

→ chairman = Executive Director
or
NED but related
to promoter / director
or
SR equity shares
are issued.

$50\% = \text{ID}$

→ Max age NED = 75 years
> 75 years = SR PASS.

→ Board meeting

- 4 meeting in a year.
- max gap = 120 days

→ Top 1000 Listed entities

- 1 independent women D.

→ TOP 2000 LISTED ENTITIES .

- Min 6 Directors.
- Quorum - $1/3^{\text{rd}}$ of total or 3 ↑
with at least 1 ID

⇒ Liability for listed entity for contravention :-

- Imposition of Fine.
- Suspension of trading.
- Freezing of P/PG holding of sec.
- any other action as may be
specified by SEBI.

⇒ Consolidated Approval - (Omnibus approval)

→ Audit committee may grant
omnibus approval for Related
Party transaction → conditions

→ The approval shall be applicable
for the transactions which are
repetative in nature.

→ Audit committee shall satisfy
itself regarding the need of
omnibus approval and thus
such approval is in the interest
of listed entity.

→ O.A. shall specify :-

- Name of Related Party, Nature
of transaction. maximum amt
of transaction shall be entered
into.
- Indicative base price / current
contract price / formula for
verification in price.
- If the details of Related Party
transactions are not available
audit committee may grant
omnibus approval for such
transaction subject to their
value not exceeding 1 cr.

→ A.C. shall review quarterly basis
details of RPT.

→ omni app. valid for the period
not exceeding 1 yr. - fresh approv.
after expiry of 1 year.

Reg-22 - Vigil Mechanism

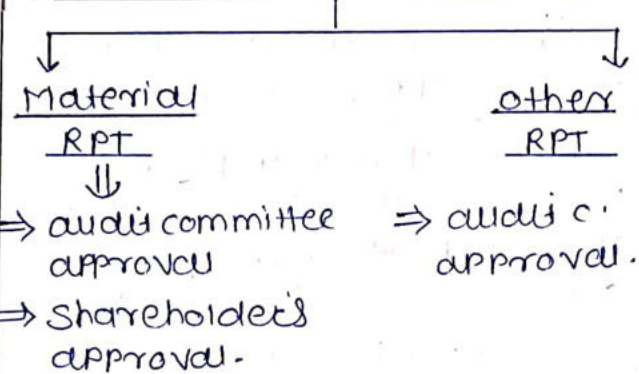
- also known as Whistle Blower Policy.
- For directors and employees to report genuine concern.
- provide safeguard against victimization.
- in appropriate and exceptional cases provide access to chairman of audit committee.

Reg-23 - Related party transaction

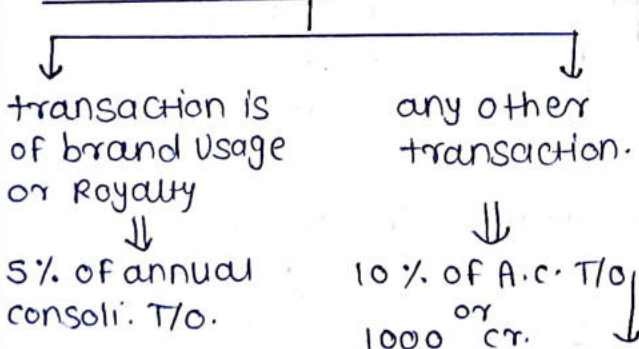
→ What is RPT?

- Related parties under LODR shall mean the same as given under 2(76) of Companies Act, 2013.
- Transaction of listed entity with its related parties has to go through special approval

→ Related party transaction



→ Material RPT



→ Deemed to be Related party

- any person / entity - forming a part of P/PG
- any person / entity - holding 10% or more eq. shares.

⇒ What is related party transaction?

→ Listed entity or its subsidiary $\xrightarrow{\text{transn}}$ Related p. or its subsidiary

→ Listed entity or its subsidiary $\xrightarrow{\text{transn}}$ any person

Resulting Benefit of Related parties of Listed entities.

⇒ are there any RPT exempted?

- Between Govt. Co.
- Holding co and its WOS
- Betⁿ 2 WOS of common holding co.

Reg-24 - Corporate Governance requirement related to Subsidiary

St-1 ⇒ Identify the material subsidiary (20% rwe)
[material subsidiary shall mean a subsidiary whose income or NW [LE + sub.] 20% or more]

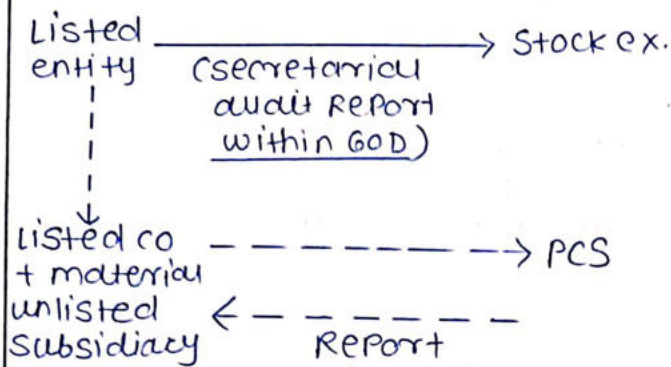
→ appoint 1D of Listed entity (LE) as a director of such material subsidiary.

St-2 ⇒ all unlisted subsidiary co. should submit their F.S. to audit committee to review

St-3 ⇒ The minutes of the meeting of BOD of unlisted sub co. shall be placed at the meeting of BOD of Listed entity.

St-4 ⇒ unlisted subsidiary co. to submit periodically the significant transaction (10%)

Reg-24A - Secretarial audit :-



⇒ Corporate Governance norms related to ID

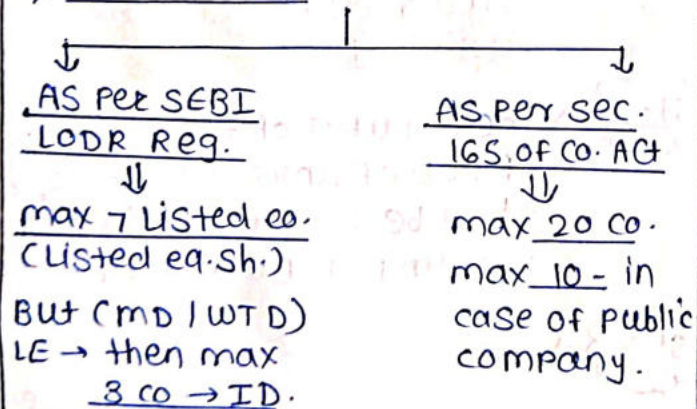
→ Hold at least 1 meeting in a FY. without presence of Non-ID and members. all ID should be present in the meeting.

→ ID → who is resign / removed from BOD shall be replaced by new ID.

↓
immediately next Bm or 3 m. from vacancy whichever is later

→ submit declaration - he meet the criteria of independence. [DIR-8]

⇒ Directorship.



⇒ committee membership - LODR

→ max 10 committee - member.

→ max 5 committee - chairman

↳ Limit - to all public co. are considered

Limit - only audit c.
Stakeholder
R.C.

⇒ prior intimation to SE about Board meeting. [Reg-29]

→ at least (5) days in advance -

- Financial report - quarterly, Half yearly and yearly.

→ at least (2) days in advance -

- Proposed Buy back securities.
- Proposed voluntary delisting.
- Fund raised by way of FPO / RI / ADR / GDR / debt issue.

- declaration / recommendation of dividend.

- Declaration of Bonus.

→ at least (11) days in advance

- alteration in form or nature of Non-convertible Security.
- alteration in the date of int / dividend redemption or payment of Non-convertible Security.
- any matter affecting the rights of Shareholder's of Non-con sec.

→ outcome of meetings of BOD Disclose within 30 min of the closure of meeting.

- any cancellⁿ of dividend.
- The decision on Buy back of securities.
- The decision with respect to Fund raising Proposal.
- Financial results
- Decision on Voluntary delisting
- increase in cap. by issue of Bonus share through capitalⁿ

⇒ common obligⁿ of Listed entity

- shall appoint qualified CS as compliance officer.
- shall appoint STA to manage transfer facility in house
- co-operation with intermediaries Registered with SEBI
- Fees and other charges to be paid to SEBI RSE

⇒ Exceptions :-

- Corporate governance provisions shall not apply in respect of following
 - A Listed entity having
 - Paid up capital max - 10 cr.
 - Net worth max - 25 cr. as on the date of PFY.
 - The listed entity - listed on SME
 - provision specified in Reg. 17 shall not be applicable during insolvency resolution process.

Top 100 Listed entity - AGM within 5m from cl. F.Y. one way live podcast

Top 500 Listed entity - chairperson - NED not related to D CEO.

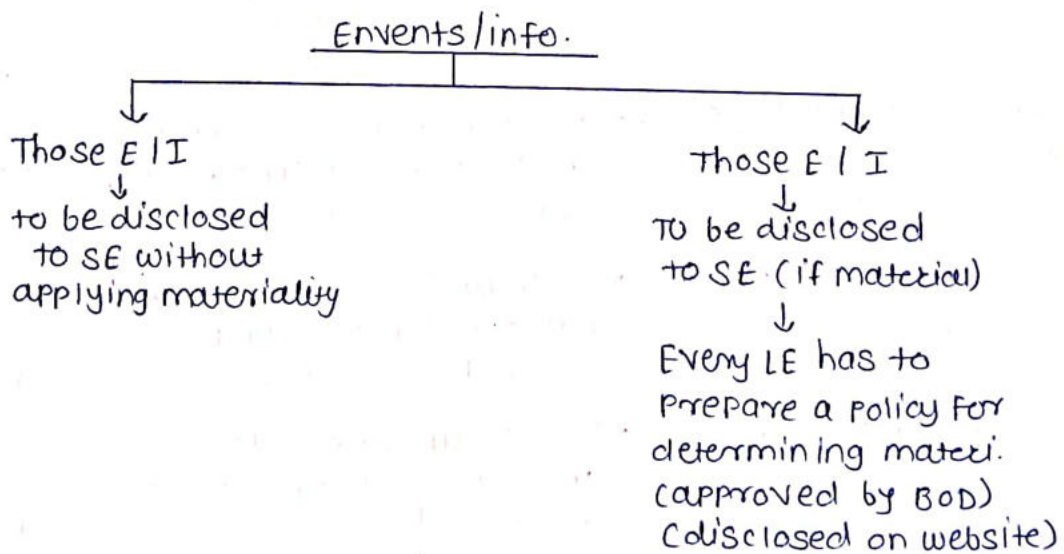
Top 1000 Listed entity - at least 1 I.WD
- Risk management committee shall be applicable
- Dividend distribution Policy shall be formulated.

⇒ Policies :-

- Preservation of doc. Policy - Reg 19
- Determination of material subsid.
- code of conduct - Reg. 17.
- Vigil Mechanism - Reg. 22
- Policy for RPT / mat. RPT - Reg. 23
- Policy for determination of materiality for event / info - Reg. 30
- Dividend distribution Policy. Reg - 43A - (only top 1000 LE)
- Risk management policy.
- Board diversity Policy.

Top 2000 Listed entities - at least 6 directors quorum - 1/3 or 3 ↑, at least 1 ID.

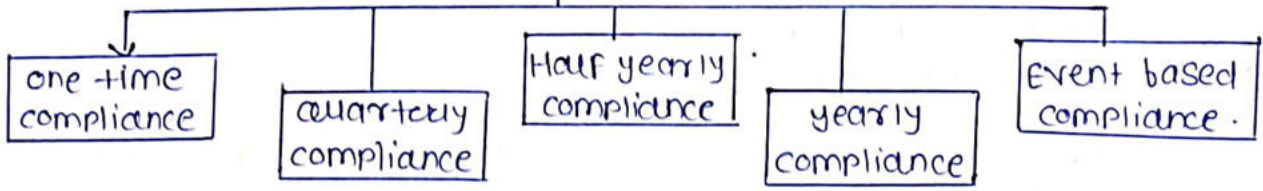
⇒ Reg-30 Disclosure of Events or information



⇒ KMP shall inform these E/I info. to SE and the name of such KMP also be published on website.

⇒

compliances under SEBI (LoDR) Reg.



A) <u>one-time compliance</u> :-	<u>particulars.</u>	<u>Time Limit</u>
	<ul style="list-style-type: none"> → appoint a company secretary as a compliance officer. → appoint a share transfer agent or manage the share transfer facility in house. → If the total no. of sh. holder of securities of LE > 1 Lakh LE shall register with SEBI as category II STA → Listed entity shall have a policy for preservation of documents 	-
<p>B) <u>quarterly compliance</u></p> <ul style="list-style-type: none"> ⇒ <u>Investor's complaint statement</u> (21 days) ⇒ <u>quarterly compliance Report</u> (21 days) ⇒ <u>share holding pattern</u> (21 days) ⇒ <u>Monitoring Agency Report</u> (45 days) ⇒ <u>Financial Results.</u> (45 days) ⇒ <u>Adv. in Newspaper</u> (48 hrs) 	<ul style="list-style-type: none"> → Giving the number of compl. pending at the beginning of the quarter, those received during the quarter & those remaining unresolved at the end of the quarter. → on corporate Governance in the format specified by SEBI. → LE shall submit a shareholding Pattern separately for each class of securities → M.A.^{LE} shall submit to the SE any comment or report received from M.A. → LE shall submit quarterly & year to date standalone FR to SE → F.R. along with modified opinion expressed by auditor 	<ul style="list-style-type: none"> <u>within 21 days</u> from the end of quarter. <u>within 21 days</u> from the end of q. <u>within 21 days</u> from the end of q. <u>within 45 days</u> from the end of q. <u>within 45 D.</u> from end of q. <u>within 48 hrs</u> of conclusion of Bm - FR approved.

<p>⇒ <u>Statement of deviation and variation.</u></p>	<p>→ LE shall submit to SE a statement of deviation and variation.</p>	<p>Quarterly Basis till the issue Proceeds have been fully Utilised.</p>
<p>c] <u>Half yearly compliances</u></p> <p>⇒ <u>Related Party Disclosure</u></p> <p>⇒ <u>Statement of Assets and Liabilities / cashflow</u></p>	<p>→ LE shall submit to the SE disclosures of RPT</p> <p>→ LE shall also submit as a part of its consolidated Financial Results for the</p>	<p>LE is required to Publish the same on its website.</p> <p>Half yearly.</p>
<p>d] <u>Yearly compliances</u></p> <p>⇒ <u>compliance certificate (30 days)</u></p> <p>⇒ <u>Annual Listing fees. (30 days)</u></p> <p>⇒ <u>certificate. (30 days)</u></p> <p>⇒ <u>Annual Financial Result (60 days)</u></p> <p>⇒ <u>Annual Report (48 hrs)</u></p> <p>⇒ <u>changes to Annual Report (21 days)</u> 48</p> <p>⇒ <u>Annual Reports to sec. holders (21 days)</u></p>	<p>→ LE shall submit to SE a compliance certificate duly signed by both the compliance officer and authorised representative of STA.</p> <p>→ LE shall pay all such fees, charges as applicable to the RSE</p> <p>→ LE shall ensure the STA produces a certificate from practising CS certifying that all certificates have been issued within 30 days - trf, subdivision, consolidatⁿ, renewal, exchange.</p> <p>→ LE shall submit annual audited F.R. with audit report and statement impact of audit auditifiⁿ</p> <p>→ LE shall publish on its website the annual report along with notice of AGM → SE</p> <p>→ entity shall send report to holder of securities.</p> <p>→ LE shall send Annual report to the holder of securities</p>	<p><u>within 30 D.</u> from the end of the F.Y.</p> <p><u>within 30 D.</u> From the end OF the FY</p> <p><u>within 30 D</u> from the end of the F.Y.</p> <p><u>within 60 D</u> from the end OF F.Y.</p> <p>→ Not later than day of commencement of dispatch to its sh. holder.</p> <p>→ Not later than 48 hrs after AGM.</p> <p>Not later than 21 days before AGM.</p>

E] Event Based compliance

- The Listed entity shall intimate the appointment of STA → SE
 - Holding of specified securities
 - shareholding pattern.
 - Disclosure of material event in case of capital restructuring reclassification of any person as promoter / public.
 - scheme of arrangement.
 - Issue of certificate.
 - Information relating loss of securities.
 - Registering the transfer of securities.
 - Transmission request
 - Record date / Book closure.
 - Maintenance of website
- within 7 days of agreement with RTA.
 - one day prior to listing of sec.
 - within 10 days of any capital restructuring. (exceeding 2% of C&P PUSC)
 - within 24 hrs from the occurrence of the event.
 - Prior approval before filing with court or tribunal.
 - within 30 days from the date of lodgement.
 - within 2 days of getting information
 - within 15 days from the date of such receipt of req. for transfer
 - within 7, after receipt of specified documents.
 - Right issue - 3 WD in advance (ex. date of intimationRd)
 - other - 7 WD in advance (excl. date of intimRd and record date)
 - within 2 WD from the date of change in content

⇒ compliance under SEBI (LODR) Regulations for the Listed entity which has Listed its Non-convertible Securities.

Title	Intimation to SE	Time Limit
<p>→ <u>Intimation to SE.</u> <u>Reg. 50(1)</u></p>	<p>→ LE shall give prior intimation to SE about BM in which following Proposul is to be considered.</p> <ul style="list-style-type: none"> → <u>alteration in the form or nature of Non-convt. Sec.</u> → <u>alteration in the date of the int / dividend / redempn</u> <u>Payment of non-convt. Sec.</u> → <u>Financial results</u> → Fund raised by way of issuance of <u>non convt. Sec.</u> → any matter affecting the rights or int of holders. 	<p>at least 2 WD in advance excluding the date of the intimation & date of the meeting of BoD</p>
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<p>→ <u>copy of FR to deb. trustee 52(1)</u></p>	<p>→ LE which have listed their debt securities → copy of FR submitted to SE shall be provided to deb. trustee.</p>	<p>on the same day on which info is submitted to SE</p>
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→ <u>Disclosure of sec. cover. Reg 54(2)</u>	→ LE shall disclose to the SE the extent and nature of security and nature of sec. created & maintained.	quarterly, half yearly, year to date.
→ <u>credit rating</u>	→ each rating shall be reviewed by a credit rating agency reg. by SEBI.	at least once a year.
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ch-II Listing obligation and Disclosure Requirements

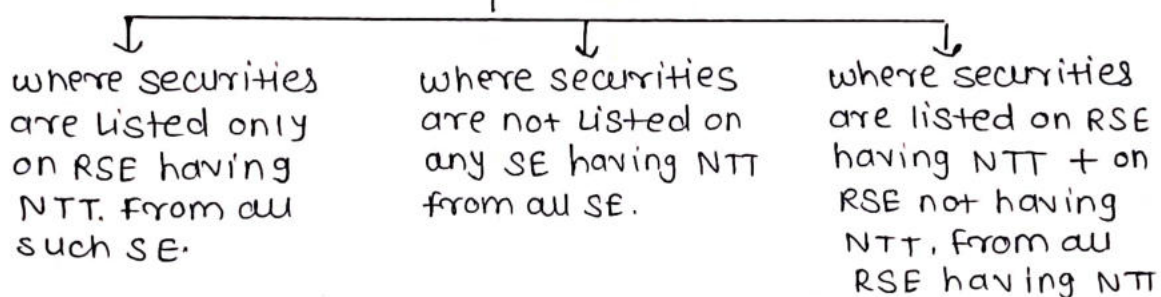
⇒ SEBI (Listing obligation and Disclosure req) Reg. 2015

⇒ Applicability :-

- Indian Depository Receipts.
- Securitized debt instruments
- security receipts.
- Non convertible securities.
- Specified securities listed on Main board or SME or IGP.
- Units issued by mutual fund.
- any other security specified by SEBI

⇒ The provision of these regulations which become applicable to listed entity on the basis of Market capitalisation

⇒ In-principal approval :-



Designated securities :- means

- Specified securities.
- Non-convertible debt security
- Non-convertible redeemable Pref shares.
- Perpetual debt instruments
- Perpetual non-convertible Pref. Shares.
- IDR
- securitised debt instruments
- security receipts
- units issued by MF
- zero coupon, zero Principal instrument.

⇒ Specified securities - means

- equity shares and convertible securities as defined under clause (eee) of sub Reg. (i) of Reg. 2 of SEBI (LODR) (ICDR) Reg. 2018

⇒ Listing agreement - means

an agreement that is entered into between a RSE and an entity, on the application of that entity to the RSE, undertaking to comply with conditions for listing of designated securities.

Reg-17 - Corporate Governance

Norms

→ Composition of BOD :-

AS PER LODR
Reg-17.

→ out of total
at least 50%
to be NED

AS PER CO. ACT
Sec. 149.

→ Public - at L 3
Private - 2
OPC - 1

Woman Director

AS PER LODR
Reg-17

→ at least one
woman D.

→ Top 1000 Listed
co- at least 1
I. woman D.

AS PER CO. ACT
Sec. 149. PRO. I

→ Paid up cap.
≥ 100 cr.

→ Turnover
≥ 300 cr.

AS PER LODR Reg 17 →

→ chairman = Non executive D.
and Not related
to Promoter / D.

$1/3^{\text{rd}} = \text{ID}$

and

SR equity shares
are not issued

→ chairman = Executive Director
or
NED but related
to promoter / director
or
SR equity shares
are issued.

$50\% = \text{ID}$

→ Max age NED = 75 years
> 75 years = SR Pass.

→ Board meeting

- 4 meeting in a year.
- max gap = 120 days

→ Top 1000 Listed entities

- 1 independent woman D.

→ TOP 2000 LISTED ENTITIES

- Min 6 Directors.
- Quorum - $1/3^{\text{rd}}$ of total or 3 ↑
with at least 1 ID

⇒ Liability for listed entity for
contravention :-

- Imposition of Fine.
- Suspension of trading.
- Freezing of P/PG holding of sec.
- any other action as may be
specified by SEBI.

⇒ Consolidated Approval -
Omnibus approval

→ Audit committee may grant
omnibus approval for Related
Party transaction → conditions

→ The approval shall be applicable
for the transactions which are
repetitive in nature.

→ Audit committee shall satisfy
itself regarding the need of
omnibus approval and thus
such approval is in the interest
of listed entity.

→ O.A. shall specify :-

- Name of Related Party, Nature
of transaction, maximum amt
of transaction shall be entered
into.
- Indicative base price / current
contract price / formula for
verification in price.
- If the details of related party
transactions are not available
audit committee may grant
omnibus approval for such
transaction subject to their
value not exceeding 1 cr.

→ A.C. shall review quarterly basis
details of RPT.

→ omni app valid for the period
not exceeding 1 yr. - Fresh approv
after expiry of 1 year.

<u>Audit Committee.</u>		<u>Nomination & Remunⁿ committed</u>	
AS PER LODR Reg - 18	AS PER CO. ACT SEC. 177.	AS PER LODR Reg - 19	AS PER CO. ACT SEC. 178
at least - 3 D 2/3 - ID chairman - ID All- Financially lit. maj at least 1 EXPERT in ACC. and Finance.	at least - 3 D majority - ID chairman - NED. Majority are Financially lit.	at least 3 D all - NED 2/3 - ID chairman - ID	at least - 3 D all - NED half - ID. chairman - may or may not be ID.

- Regulation - 18

→ If co. issue - all are ID
SR eq. shares

→ Meetings

4 meetings in a year.
max gap - 120 days.

→ Quorum

1/3rd or 2 ↑
with at least - 2 ID

→ Role

Part c - Schedule II

Regulation - 19

once in a year

1/3rd or 2 ↑
with at least - 1 ID

Part D - Schedule - II

Stakeholder Relationship

AS PER Reg - 20.

at least - 3 Directors
at least 1 - ID
chairman - NED.

once in a year.

Part D - Schedule II

Risk management committee

AS PER Reg - 21

at least 3 - members
majority - D
at least 1 - ID
chairman - Director.

If co. issue - 2/3rd - ID
SR eq. shares

twice in a year
max gap - 180 days.

1/3rd or 2 ↑
with at least 1 - Director

Part D - Schedule - II

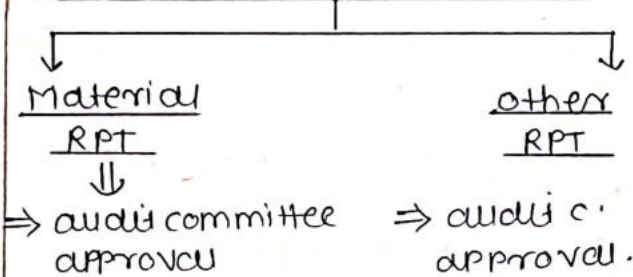
Reg-22 - Vigil Mechanism

- also known as Whistle Blower Policy.
- For directors and employees to report genuine concern.
- Provide safeguard against victimization.
- In appropriate and exceptional cases provide access to chairman of audit committee.

Reg-23 - Related Party Transaction

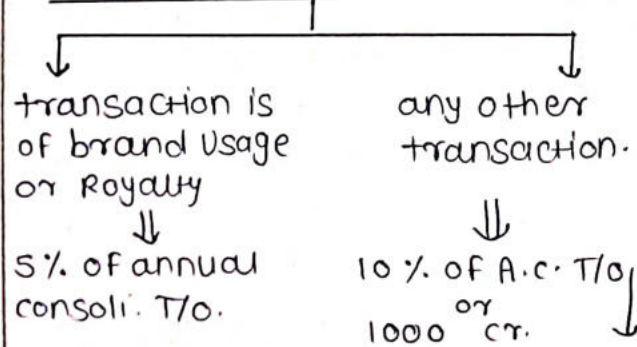
- What is RPT?
 - Related parties under LODR shall mean the same as given under 2(76) of Companies Act, 2013.
 - Transaction of listed entity with its related parties has to go through special approval.

→ Related Party Transaction



⇒ Shareholder's approval.

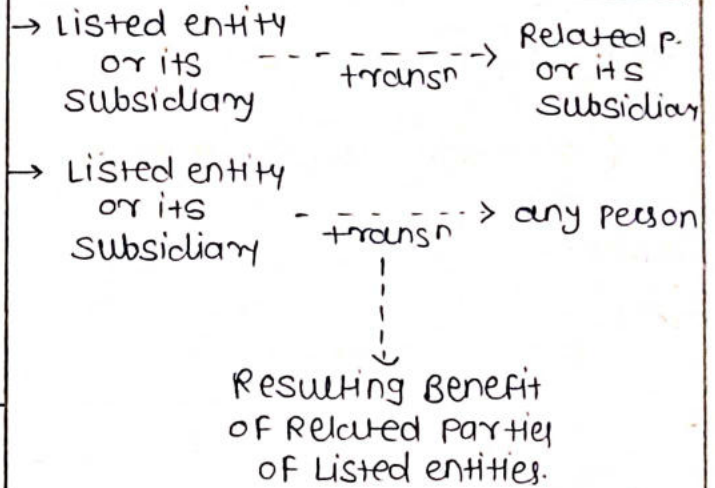
→ Material RPT



→ Deemed to be Related party

- any person/entity - forming a part of P/PG
- any person/entity - holding 10% or more eq. shares.

⇒ What is Related Party Transaction?



⇒ are there any RPT exempted?

- Between Govt. Co.
- Holding co and its WOS
- Betⁿ 2 WOS of common holding co.

Reg-24 - Corporate Governance requirement related to Subsidiary

St-1 → Identify the material Subsidiary (20% rwe)
[material subsidiary shall mean a subsidiary whose income or NW [LE + sub.] 20% or more]

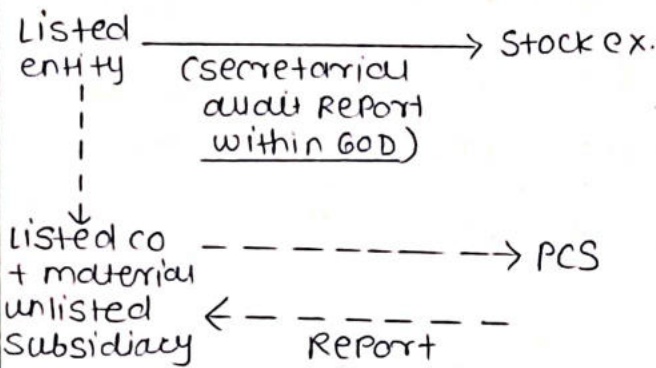
→ appoint 1D of Listed entity (LE) as a director of such material Subsidiary.

St-2 → all unlisted subsidiary co. should submit their F.S. to audit committee to review

St-3 → The minutes of the meeting of BOD of unlisted sub co. shall be placed at the meeting of BOD of Listed entity.

St-4 → unlisted subsidiary co. to submit periodically the significant transaction (10%)

Reg-24A - Secretarial audit :-



⇒ corporate Governance norms related to ID

→ Hold at least 1 meeting in a FY. without presence of Non-ID and members. all ID should be present in the meeting.

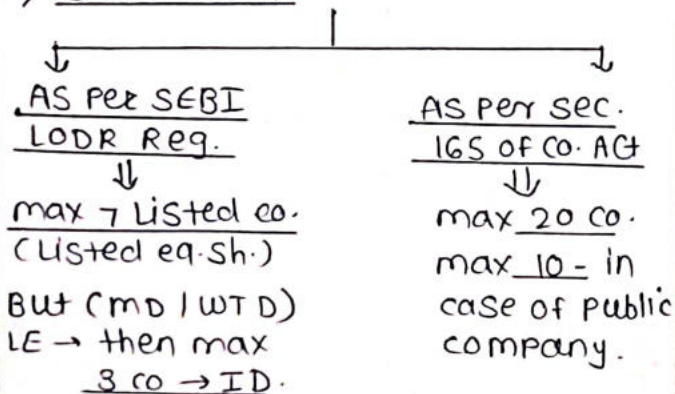
→ ID → who is resign / removed from BOD shall be replaced by new ID.

↓

immediately next Bm or 3 m. from vacancy whichever is later.

→ submit declaration - he meet the criteria of independence. [DIR-8]

⇒ Directorship.



⇒ committee membership - LODR

→ max 10 committee - members.

→ max 5 committee - chairman

↳ Limit - to all public co. are considered

Limit - only
 audit c.
 stakeholder R.C.

⇒ Prior intimation to SE about Board meeting. [Reg-29]

→ at least 5 days in advance -

- Financial report - quarterly, Half yearly and yearly.

→ at least 2 days in advance -

- Proposed Buy back securities.
- Proposed voluntary delisting.
- Fund raised by way of FPO / RI / ADR / GDR / debt issue.
- declaration / recommendation of dividend.
- Declaration of Bonus.

→ at least 11 days in advance

- alteration in form or nature of Non-convertible Security.
- alteration in the date of int / dividend redemption or payment of Non-convertible security.
- any matter affecting the rights of Shareholder's of Non-con sec.

→ outcome of meetings of BOD Disclose within 30 min of the closure of meeting.

- any cancelⁿ of dividend.
- The decision on Buy back of securities.
- The decision with respect to Fund raising Proposal.
- Financial results
- Decision on Voluntary delisting
- increase in cap. by issue of Bonus share through capitalⁿ

⇒ common obligⁿ of listed entity

- shall appoint dualified CS as compliance officer.
- shall appoint STA to manage transfer Facility in house
- co-operation with intermediaries Registered with SEBI
- fees and other charges to be paid to SEBI RSE

⇒ Exceptions :-

• Corporate governance provisions shall not apply in respect of following

- A Listed entity having
 - Paid up capital max - 10 cr.
 - Net worth max - 25 cr. as on the date of PFY.
- The listed entity - listed on SME
- Provision specified in Reg. 17 shall not applicable during Insolvency Resolⁿ Process.

Top 100 Listed entity - AGM within 5m From cl. FY. one way Live Podcast

Top 500 Listed entity - chairperson - NED not related to D CEO.

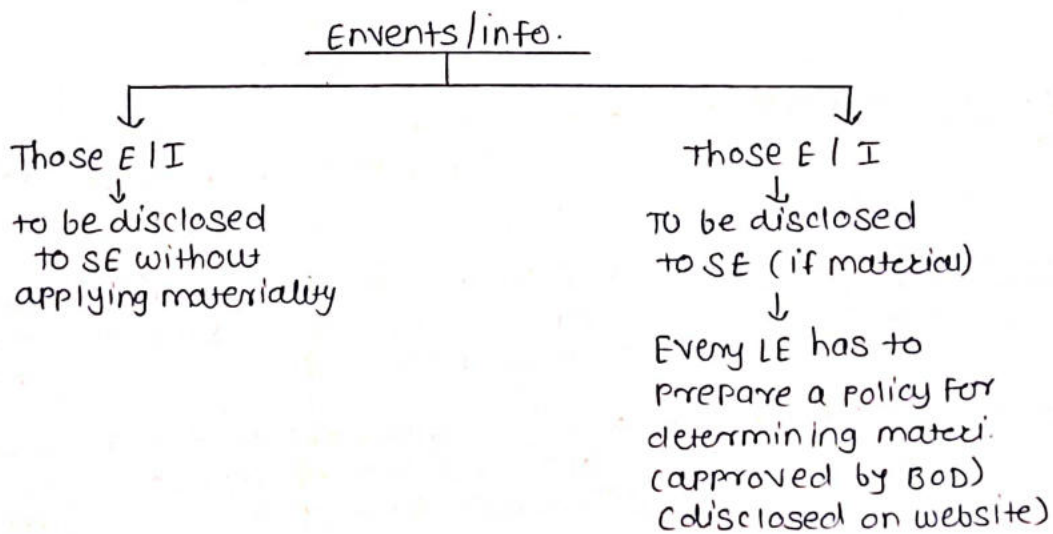
Top 1000 Listed entity - at least 1 I. WD
- Risk management committee shall be applicable
- Dividend distribution Policy shall be formulate.

⇒ Policies :-

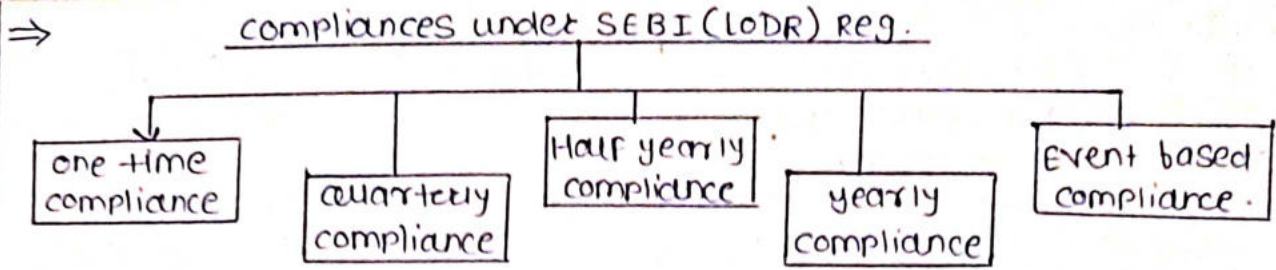
- Preservation of doc. Policy - Reg 19
- Determination of material subsid.
- code of conduct - Reg. 17.
- Vigil Mechanism - Reg. 22
- Policy for RPT / mat. RPT - Reg. 23
- Policy for determination of materiality for event / info - Reg. 30
- Dividend distribution Policy. Reg - 43A - (only top 1000 LE)
- Risk management policy.
- Board diversity Policy.

Top 2000 Listed entities - at least 6 directors quorum - 1/3 or 3 ↑, at least 1 ID.

⇒ Reg-30 Disclosure of Events or information



⇒ Kmp shall inform these E/I info. to SE and the name of such Kmp also be published on website.



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E] Event Based compliance

- | | |
|--|---|
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ch-11 Listing obligation and Disclosure Requirements

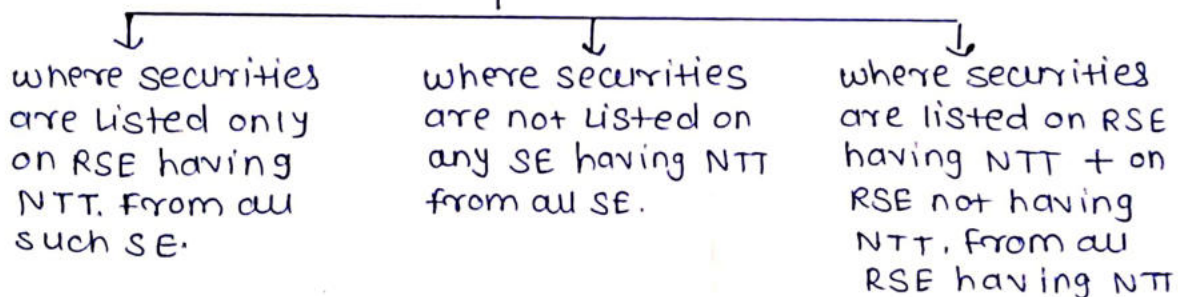
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- Non convertible securities.
- Specified securities Listed on Main board or SME or IGP.
- Units issued by mutual Fund.
- any other security specified by SEBI

⇒ The provision of these regulations which become applicable to listed entity on the basis of Market capitalisation

⇒ In-principal approval :-



Designated securities :- means

- Specified securities.
- Non-convertible debt security
- Non-convertible redeemable Pref shares.
- Perpetual debt instruments
- Perpetual non-convertible Pref. shares.
- IDR
- securitised debt instruments
- security receipts
- Units issued by MF
- zero coupon, zero principal instrument.

⇒ Specified securities - means

- equity shares and convertible securities as defined under clause (eee) of sub Reg. (1) of Reg. 2 of SEBI (ICDR) (ICDR) Reg. 2018

⇒ Listing agreement - means

an agreement that is entered into between a RSE and an entity, on the application of that entity to the RSE, undertaking to comply with conditions for listing of designated securities.

Reg-17 - Corporate Governance

Norms

→ Composition of BOD :-

AS PER LODR
Reg-17.

→ out of total
at least 50%
to be NED

AS PER CO. ACT
Sec. 149.

→ Public - at least 3
Private - 2
OPC - 1

Woman Director

AS PER LODR
Reg-17

→ at least one
woman D.
→ Top 1000 Listed
co - at least 1
I. women D.

AS PER CO. ACT
Sec. 149. Pro. I

co → Paid up cap.
≥ 100 cr.
→ Turnover
≥ 300 cr.
(req. WD)

AS PER LODR Reg 17 →

→ chairman = Non executive D.
and Not related
to Promoter / D.

$1/3^{\text{rd}} = \text{ID}$

and
SR equity shares
are not issued

→ chairman = Executive Director
or
NED but related
to promoter / director
or
SR equity shares
are issued.

$50\% = \text{ID}$

→ Max age NED = 75 years
> 75 years = SR PASS.

→ Board meeting

- 4 meeting in a year.
- max gap = 120 days

→ Top 1000 Listed entities

- 1 independent women D.

→ TOP 2000 LISTED ENTITIES .

- Min 6 Directors.
- Quorum - $1/3^{\text{rd}}$ of total or 3 ↑
with at least 1 ID

⇒ Liability for listed entity for contravention :-

- Imposition of Fine.
- Suspension of trading.
- Freezing of P/PG holding of sec.
- any other action as may be
specified by SEBI.

⇒ Consolidated Approval - (Omnibus approval)

→ Audit committee may grant
omnibus approval for Related
Party transaction → conditions

→ The approval shall be applicable
for the transactions which are
repetitive in nature.

→ Audit committee shall satisfy
itself regarding the need of
omnibus approval and thus
such approval is in the interest
of listed entity.

→ O.A. shall specify :-

- Name of Related Party, Nature
of transaction. maximum amt
of transaction shall be entered
into.
- Indicative base price / current
contract price / formula for
verification in price.
- If the details of Related Party
transactions are not available
audit committee may grant
omnibus approval for such
transaction subject to their
value not exceeding 1 cr.

→ A.C. shall review quarterly basis
details of RPT.

→ omni app. valid for the period
not exceeding 1 yr. - fresh approv.
after expiry of 1 year.

Reg-22 - Vigil Mechanism

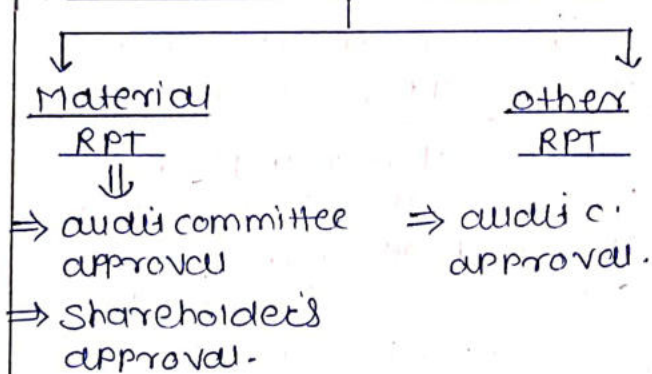
- also known as Whistle Blower Policy.
- For directors and employees to report genuine concern.
- provide safeguard against victimization.
- in appropriate and exceptional cases provide access to chairman of audit committee.

Reg-23 - Related party transaction

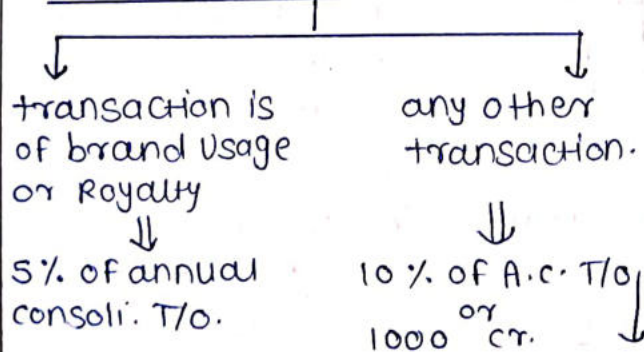
→ What is RPT?

- Related parties under LODR shall mean the same as given under 2(76) of Companies Act, 2013.
- Transaction of listed entity with its related parties has to go through special approval

→ Related party transaction



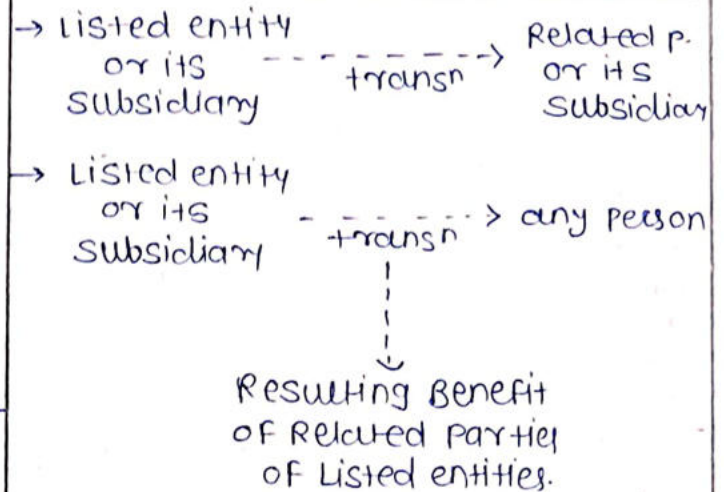
→ Material RPT



→ Deemed to be Related party

- any person / entity - forming a part of P/PG
- any person / entity - holding 10% or more eq. shares.

⇒ What is related party transaction?



⇒ are there any RPT exempted?

- Between Govt. Co.
- Holding co and its WOS
- Betⁿ 2 WOS of common holding co.

Reg-24 - Corporate Governance requirement related to Subsidiary

St-1 ⇒ Identify the material subsidiary (20% rwe)
[material subsidiary shall mean a subsidiary whose income or NW [LE + sub.] 20% or more]

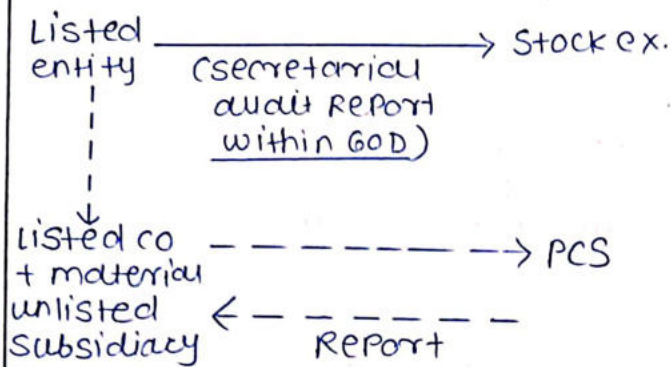
→ appoint 1D of Listed entity (LE) as a director of such material subsidiary.

St-2 ⇒ all unlisted subsidiary co. should submit their F.S. to audit committee to review

St-3 ⇒ The minutes of the meeting of BOD of unlisted sub co. shall be placed at the meeting of BOD of listed entity.

St-4 ⇒ unlisted subsidiary co. to submit periodically the significant transaction (10%)

Reg-24A - Secretarial audit :-



⇒ corporate Governance norms related to ID

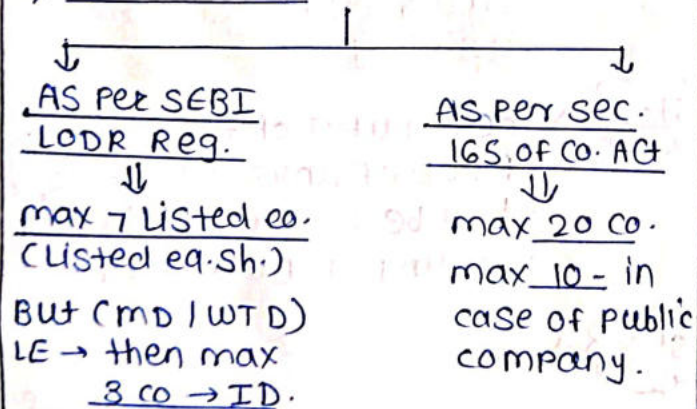
→ Hold at least 1 meeting in a FY. without presence of Non-ID and members. all ID should be present in the meeting.

→ ID → who is resign / removed from BOD shall be replaced by new ID.

↓
immediately next Bm or 3 m.
 from vacancy whichever is later.

→ submit declaration - he meet the criteria of independence. [DIR-8]

⇒ Directorship.



⇒ committee membership - LODR

→ max 10 committee - member.

→ max 5 committee - chairman

↳ Limit - to all public co. are considered

Limit - only
audit c.
Stakeholder
R. C.

⇒ prior intimation to SE about Board meeting. [Reg-29]

→ at least (5) days in advance -

- Financial report - quarterly, Half yearly and yearly.

→ at least (2) days in advance -

- Proposed Buy back securities.
- Proposed voluntary delisting.
- Fund raised by way of FPO / RI / ADR / GDR / debt issue.
- declaration / recommendation of dividend.
- Declaration of Bonus.

→ at least (11) days in advance

- alteration in form or nature of Non-convertible Security.
- alteration in the date of int / dividend redemption of payment of Non-convertible Security.
- any matter affecting the rights of Shareholder's of Non-con sec.

→ outcome of meetings of BOD Disclose within 30 min of the closure of meeting.

- any cancelⁿ of dividend.
- The decision on Buy back of securities.
- The decision with respect to Fund raising Proposal.
- Financial results
- Decision on Voluntary delisting
- increase in cap. by issue of Bonus share through capitalⁿ

⇒ common obligⁿ of Listed entity

- shall appoint qualified CS as compliance officer.
- shall appoint STA to manage transfer facility in house
- co-operation with intermediaries Registered with SEBI
- Fees and other charges to be paid to SEBI RSE

⇒ Exceptions :-

- Corporate governance provisions shall not apply in respect of following
 - A Listed entity having
 - Paid up capital max - 10 cr.
 - Net worth max - 25 cr. as on the date of PFY.
 - The listed entity - listed on SME
 - provision specified in Reg. 17 shall not be applicable during insolvency resolution process.

Top 100 Listed entity - AGM within 5m from cl. F.Y. one way live podcast

Top 500 Listed entity - chairperson - NED not related to D CEO.

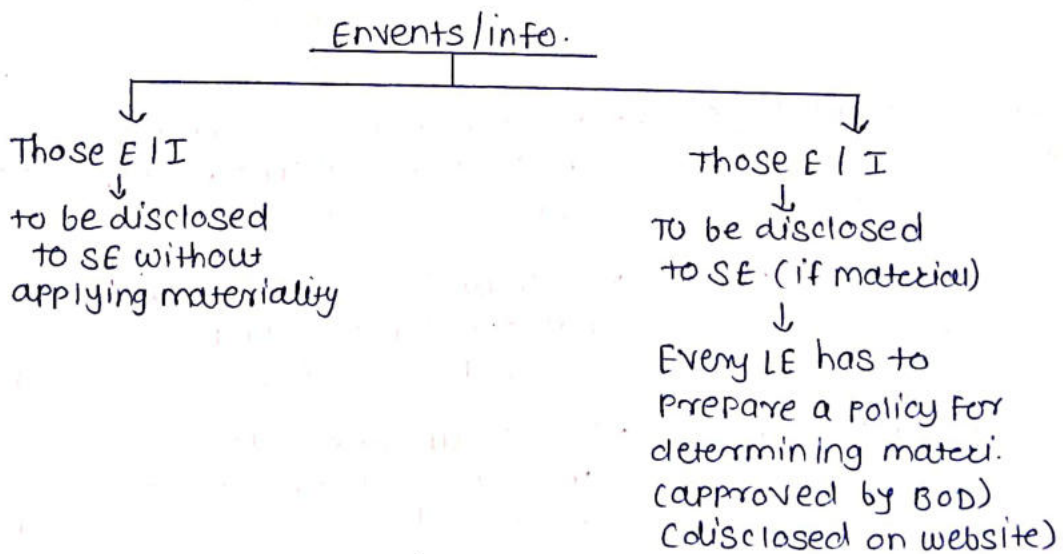
Top 1000 Listed entity - at least 1 I.WD
- Risk management committee shall be applicable
- Dividend distribution Policy shall be formulated.

⇒ Policies :-

- Preservation of doc. Policy - Reg 19
- Determination of material subsid.
- code of conduct - Reg. 17.
- Vigil Mechanism - Reg. 22
- Policy for RPT / mat. RPT - Reg. 23
- Policy for determination of materiality for event / info - Reg. 30
- Dividend distribution Policy. Reg-43A - (only top 1000 LE)
- Risk management policy.
- Board diversity Policy.

Top 2000 Listed entities - at least 6 directors quorum - 1/3 or 3 ↑, at least 1 ID.

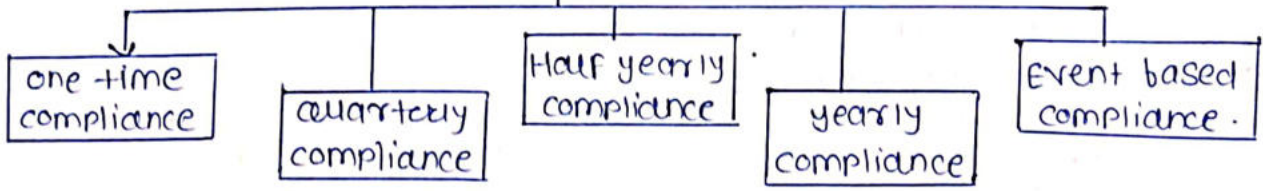
⇒ Reg-30 Disclosure of Events or information



⇒ KMP shall inform these E/I info. to SE and the name of such KMP also be published on website.

⇒

compliances under SEBI (LoDR) Reg.



A] <u>one-time compliance</u> :-	<u>particulars.</u>	<u>Time Limit</u>
	<ul style="list-style-type: none"> → appoint a company secretary as a compliance officer. → appoint a share transfer agent or manage the share transfer facility in house. → If the total no. of sh. holder of securities of LE > 1 Lakh LE shall register with SEBI as category II STA → Listed entity shall have a policy for preservation of documents 	-
<p>B] <u>quarterly compliance</u></p> <ul style="list-style-type: none"> ⇒ <u>Investor's complaint statement</u> (21 days) ⇒ <u>quarterly compliance Report</u> (21 days) ⇒ <u>share holding pattern</u> (21 days) ⇒ <u>Monitoring Agency Report</u> (45 days) ⇒ <u>Financial Results.</u> (45 days) ⇒ <u>Adv. in Newspaper</u> (48 hrs) 	<ul style="list-style-type: none"> → Giving the number of compl. pending at the beginning of the quarter, those received during the quarter & those remaining unresolved at the end of the quarter. → on corporate Governance in the format specified by SEBI. → LE shall submit a shareholding Pattern separately for each class of securities → M.A.^{LE} shall submit to the SE any comment or report received from M.A. → LE shall submit quarterly & year to date standalone FR to SE → F.R. along with modified opinion expressed by auditor 	<ul style="list-style-type: none"> <u>within 21 days</u> from the end of quarter. <u>within 21 days</u> from the end of Q. <u>within 21 days</u> from the end of Q. <u>within 45 days</u> from the end of Q. <u>within 45 D.</u> from end of Q. <u>within 48 hrs</u> of conclusion of Bm - FR approved.

<p>⇒ <u>Statement of deviation and variation.</u></p>	<p>→ LE shall submit to SE a statement of deviation and variation.</p>	<p>Quarterly Basis till the issue Proceeds have been fully Utilised.</p>
<p>c] <u>Half yearly compliances</u></p> <p>⇒ <u>Related Party Disclosure</u></p> <p>⇒ <u>Statement of Assets and Liabilities / cashflow</u></p>	<p>→ LE shall submit to the SE disclosures of RPT</p> <p>→ LE shall also submit as a part of its consolidated Financial Results for the</p>	<p>LE is required to Publish the same on its website.</p> <p>Half yearly.</p>
<p>d] <u>Yearly compliances</u></p> <p>⇒ <u>compliance certificate (30 days)</u></p> <p>⇒ <u>Annual Listing fees. (30 days)</u></p> <p>⇒ <u>certificate. (30 days)</u></p> <p>⇒ <u>Annual Financial Result (60 days)</u></p> <p>⇒ <u>Annual Report (48 hrs)</u></p> <p>⇒ <u>changes to Annual Report (21 days)</u> 48</p> <p>⇒ <u>Annual Reports to sec. holders (21 days)</u></p>	<p>→ LE shall submit to SE a compliance certificate duly signed by both the compliance officer and authorised representative of STA.</p> <p>→ LE shall pay all such fees, charges as applicable to the RSE</p> <p>→ LE shall ensure the STA produces a certificate from practising CS certifying that all certificates have been issued within 30 days - trf, subdivision, consolidatⁿ, renewal, exchange.</p> <p>→ LE shall submit annual audited F.R. with audit report and statement impact of audit auditifiⁿ</p> <p>→ LE shall publish on its website the annual report along with notice of AGM → SE</p> <p>→ entity shall send report to holder of securities.</p> <p>→ LE shall send Annual report to the holder of securities</p>	<p><u>within 30 D.</u> from the end of the F.Y.</p> <p><u>within 30 D.</u> From the end OF the FY</p> <p><u>within 30 D</u> from the end of the F.Y.</p> <p><u>within 60 D</u> from the end OF F.Y.</p> <p>→ Not later than day of commencement of dispatch to its sh. holder.</p> <p>→ Not later than 48 hrs after AGM.</p> <p>Not later than 21 days before AGM.</p>

E] Event Based compliance

- The Listed entity shall intimate the appointment of STA → SE
 - Holding of specified securities
 - shareholding pattern.
 - Disclosure of material event in case of capital restructuring reclassification of any person as promoter / public.
 - scheme of arrangement.
 - Issue of certificate.
 - Information relating loss of securities.
 - Registering the transfer of securities.
 - Transmission request
 - Record date / Book closure.
 - Maintenance of website
- within 7 days of agreement with RTA.
 - one day prior to listing of sec.
 - within 10 days of any capital restructuring. (exceeding 2% of C&P PUSC)
 - within 24 hrs from the occurrence of the event.
 - Prior approval before filing with court or tribunal.
 - within 30 days from the date of lodgement.
 - within 2 days of getting information
 - within 15 days from the date of such receipt of req. for transfer
 - within 7, after receipt of specified documents.
 - Right issue - 3 WD in advance (ex. date of intimationRd)
 - other - 7 WD in advance (excl. date of intimRd and record date)
 - within 2 WD from the date of change in content

⇒ compliance under SEBI (LODR) Regulations for the Listed entity which has Listed its Non-convertible Securities.

Title	Intimation to SE	Time Limit
<p>→ <u>Intimation to SE.</u> <u>Reg. 50(1)</u></p>	<p>→ LE shall give prior intimation to SE about BM in which following Proposa is to be considered.</p> <ul style="list-style-type: none"> → <u>alteration in the form or nature of Non-convt. Sec.</u> → <u>alteration in the date of the int / dividend / redempn</u> <u>Payment of non-convt. Sec.</u> → <u>Financial results</u> → Fund raised by way of issuance of <u>non convt. Sec.</u> → any matter affecting the rights or int of holders. 	<p>at least 2 WD in advance excluding the date of the intimation & date of the meeting of BoD</p>
<p>→ <u>Intimation to SE</u> <u>Reg. 50(2)</u></p>	<p>→ Any AGM or extraordinary AGM is Proposed to be held for obtaining sh.hol. approval for the Proposa in relation to F.R</p> <p>any meeting of the holders</p> <ul style="list-style-type: none"> → of non-convertible sec. in relation to any matter affecting the rights / int. of holders of Non-con. sec 	<p>Not later than the date of commencement of dispatch of Notice.</p>
<p>→ <u>Quarterly Financial results.</u> <u>Reg. 52(1)</u></p>	<p>→ LE shall prepare & submit unaudited or audited quarterly and year to date FR. on quarterly basis.</p>	<p>within 45 days from the end of quarter. other than last quarter</p>
<p>→ <u>copy of FR to deb. trustee 52(1)</u></p>	<p>→ LE which have listed their debt securities → copy of FR submitted to SE shall be provided to deb. trustee.</p>	<p>on the same day on which info is submitted to SE</p>
<p>→ <u>Annual FR.</u> <u>Reg. 52(2)</u></p>	<p>→ LE shall prepare and submit annual audited Standalone consolidated F.R.</p>	<p>within 60 days from the end of F.Y.</p>

→ <u>Disclosure of sec. cover. Reg 54(2)</u>	→ LE shall disclose to the SE the extent and nature of security and nature of sec. created & maintained.	quarterly, half yearly, year to date.
→ <u>credit rating</u>	→ each rating shall be reviewed by a credit rating agency reg. by SEBI.	at least once a year.
→ <u>certificate.</u>	→ LE shall submit a certificate to the SE regarding status of payment.	within 1 wd of the int or divid or principal becoming due

ch-12 Acquisition of Shares And Takeovers - Concepts

①

⇒ Introduction :-

→ The SEBI (Substantial Acquisition of Shares and Takeovers) Reg 2011, prescribes a systematic framework for acquisition of stake in listed companies.

⇒ Important Definitions :-

→ Acquirer :- means any person who directly or indirectly acquires or agrees to acquire whether by himself or through, or with PAC shares or control over a target co.

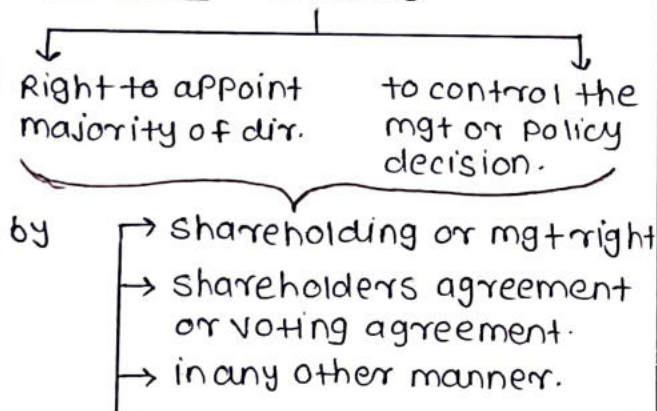
→ Maximum Permissible Non-holding shareholding :-

• means such percentage shareholding in the target company excluding the minimum public shareholding required under SCRA Act, 1957.

→ Target company :- means a co. and includes a body corporate or corporation established under a central legislation or provincial legislation for the time being in force whose shares are listed → SE

→ Identified date :- means the date falling on the tenth working day prior to the commencement of the tendering period, for the purpose of determining the shareholder to whom the letter of offer shall be sent.

→ Control :- includes.



→ offer period :- means the period between the date of entering into agreement or the date of public announcement as the case may be and the date on which payment of consideration to shareholders who have accepted the open offer is made or the date on which open offer is withdrawn.

→ Enterprise value :-

$$EV = \text{Market cap} + \text{Debt} + \text{M I} + \text{Pref sh. (-)} + \text{total cash / cash eq.}$$

$$\text{Market cap} = \text{Total No of sh.} \times \text{M.P. per share.}$$

→ Tendering period :- means the period within which shareholders may tender their shares in acceptance of an open offer (10 days)

→ volume weighted average MP :- means the product of the no. of the equity shares traded on the SE and the price of the each eq. sh divided by total no. of eq. shares traded on the SE.

→ Frequently traded shares :- means shares of a target company in which the traded turnover on any SE during the 12 calendar m. preceding the calendar month in which public announcement is req. to be made under these reguⁿ is at least 10% of total no. of sh → T.C.

→ volume weighted average price :- product of the no. of equity share and the price of each such eq. sh divided by total no. of equity sh. bought.

→ weighted average number of total shares -

No. of shares at the beginning of the period
 + Adjusted for sh cancelled
 + Bought back, issued during a period
 } x time weighing factor.

→ willful defaulter - any person who is categorized as willful defaulter by any bank or financial institution or consortium thereof, in accordance with the guidelines on willful defaulters issued by RBI include any person whose D/P/Partner is categorized as such.

⇒

Applicability / NA

Applicability

I/co
 Directly
 Indirectly
 control voting right } acq. sh
 ↓
 Listed co.

Non-Applicability

co → Listed on IGP → without public issue.

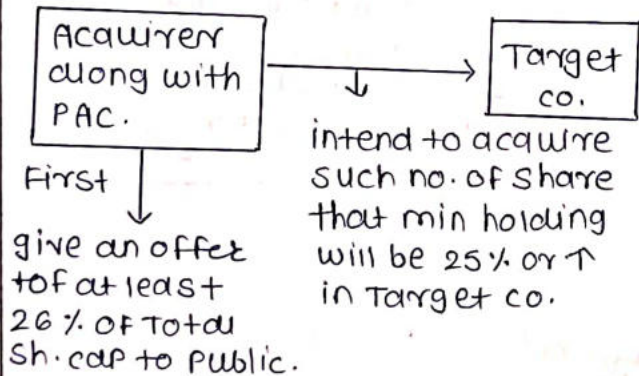
⇒

open offer

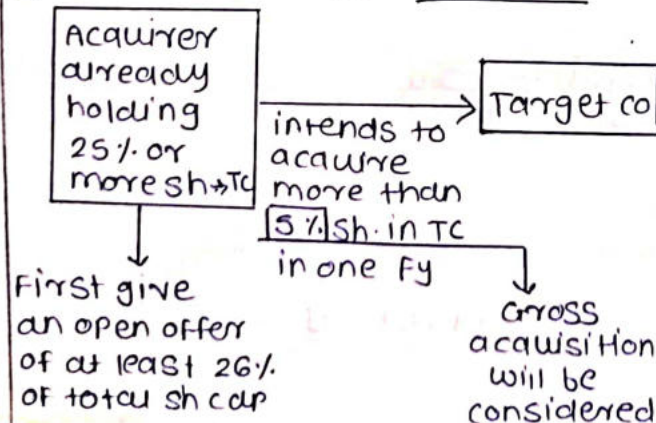
Mandatory open offer

• Trigger points of mandatory op.o.

①



②



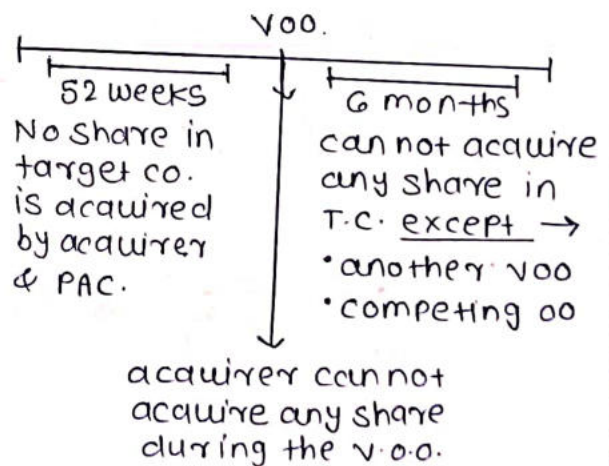
Voluntary open offer

Eligibility :-

→ Holding 25% shares in target company.

Min offer size :-

→ 10% of share capital.



→ Acquirer → W.D ⊗

→ Acquirer → FEO ⊗

⇒ Indirect acquisition of shares :-

Indirect acquisition.
 when you acquire a sh. of some other company by which you get the control of target co. →
 ↓
 still required to give an open offer.
 eg - RRPR.

Deemed Direct acquisition conditions :-

- Proportionate NAV of the T.C. as a % of consolidated NAV of the entity / business being acquired → exceeds 80%.
- Proportionate sales turnover of the target co as a % of consolidated sales turnover of the entity / business being acquired → exceeds 80%.
- Proportionate market cap. of the target co. as % of enterprise value of entity → exceeds 80%.

⇒

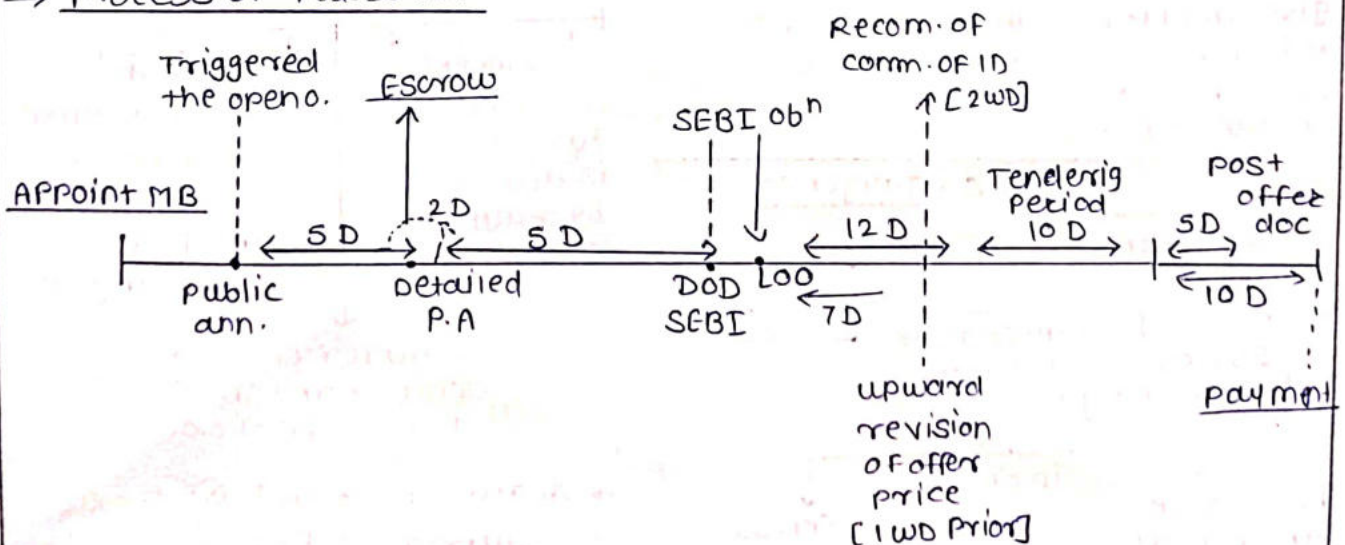
Minimum offer size.

Direct or indirect acquisition under (Reg. 3, 4 & 5)
 ↓
26% of the total sh. of the TC as on the 10th working day from closure of tendering period.

Voluntary unet Reg. 6.
 ↓

10% of the voting rights in the target company. Post offer shareholding of Ad / PAC should not exceed max. permissible non public shareholding

⇒ Process of Takeover.



⇒ Disclosures :-

<u>Reg. 29(1)</u>	IF Acquirer + PAC acquiring <u>5%</u> or more shares or VR of the target company. <u>IGP - 10%</u> .	<p><u>Disclosure</u></p> <p>↓</p> <p><u>within 2 WD</u> of the receipt of intimation</p> <p>↓</p> <p>TO Every SE (Sh. of target co are listed) & T.C.</p>
<u>Reg. 29(2)</u>	Any person + PAC, holds 5% or more of the shares or VR in a target co resulting change in shareholding by <u>2%</u> . (whether purchase or sell).	

⇒ Disclosures of encumbered Shares :-

<u>Reg. 31(1)</u>	Promoters + PAC creating encumbrance on the shares of the target company.	<p><u>Disclosure</u></p> <p><u>within 7 WD</u> from the creation or invocation or release of encumbrance as the case may be.</p>
<u>Reg. 31(2)</u>	Invocation of such encumbrance or release of such encumbrance of the shares of the T.C.	
<u>Reg. 31(4)</u>	Promoter + PAC shall declare on yearly basis that he, along with PAC has not made any encumbrance directly / indi. other than those already disclose during the F.Y	<p><u>within 7 WD</u> from the F.Y ending <u>31 March every yr.</u></p> <p>↓</p> <p>SE and Audit c. of T.C.</p>

⇒ Automatic exemptions :-

- Immediate relatives.
- Person named as a Promoter in the Shareholding Pattern filed by target co. for not less than 3 years prior to the proposed acquisition. Promoter should have shown as such in the filing for the period of at least 3 yrs prior to acq.
- Group companies.
- Person acting in concert not less than 3 yrs prior to the proposed acquisition
- Shareholders of the target co. who have been PAC for a period of not less than 3 yrs prior to proposed acquisition

⇒ Acquisition in the ordinary course of business.

- an underwriter registered with SEBI by way of allotment pursuant to agreement.
- stock broker registered with SEBI
- MB registered with SEBI or a nominated investor in the process of market making
- a scheduled commercial bank acting as an escrow agent.
- M.B registered with SEBI acting as a stabilising agent.
- Invocation of pledge by schedule commercial banks or PFI as a pledgee.

⇒ Acquisitions at subsequent stages by :-

- Acquirer who has made a public announcement of an open offer for acquiring shares. Pursuant to an agreement of disinvestment as contemplated

⇒ Acquisition Pursuant to a Scheme

- made under section 18 of the Sick Industrial Companies (Special Provisions) Act 1985
- of arrangement involving the target company as a transferor co. or as a transferee co. or reconstruction of target company.
- of arrangement not directly involving the target co. as a transferor or transferee co. or reconstruction not involving T.C. undertaking, subject to
 - cash component in considⁿ being less than 25% of considⁿ paid under scheme
 - after implementation of

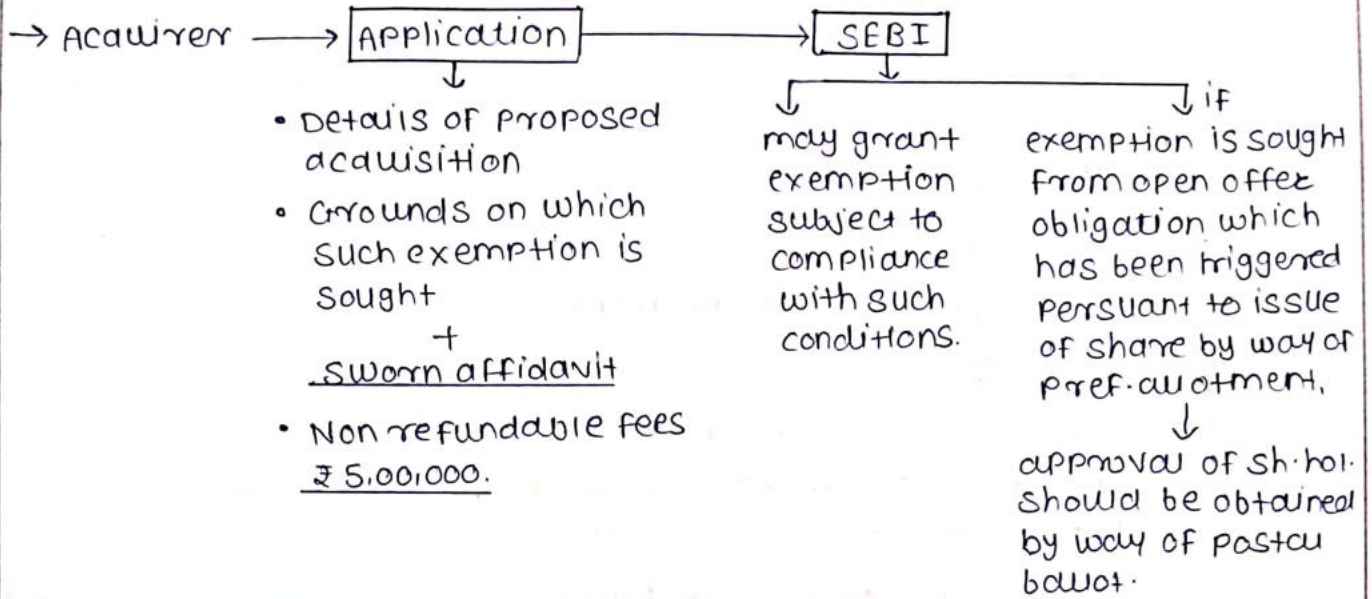
the scheme of arrangement person holding at least 33% of the total voting rights are same as the persons who held the entire voting rights before the implementation of the scheme.

- acquisition pursuant to a resolution plan approved under sec. 31 of the insolvency & Bankruptcy code 2016
- Acquisition pursuant to a provision of securitisation and Reconstruction of financial assets and Enforcement of security interest Act, 2002.
- Acquisition pursuant to a the provision of SEBI (Delisting of Equity Shares) Reg, 2021.
- Acquisition by way of transmission succession or inheritance.
- Acquisition of VR or pref. shares carrying VR arising out of the operation of Sec. 42 47(2) of the companies Act 2013.
- any acquisition of share or VR or control of the T.C. by way of preferential issue as per SEBI (ICDR) Reg. 2018.

⇒ Following acquisition shall be exempt

- acquisition of shares by sh. hol. of T.C. upto his entitlement pursuant to right issue.
- beyond his entitlement pursuant to a right issue.
- increase in voting rights in a target co. pursuant to buy back of share.
- acquisition of share in exchange for shares of another T.C.
- Acq. of shares in TC from state level FI or their subsidiaries or companies promoted by them
- acq. from VCF or cat I AIF or FVCI reg. with SEBI.

⇒ Exemption by SEBI :-



Ch-13 Prohibition Of Insider Trading

⇒ Important Definitions :-

① Insider - means any person

- i) who is connected person.
- ii) in possession of or having access to unpublished price sensitive information. (UPSI)

② connected person :-

- any person who is or has during six months prior to the concern Act has been associated with a company, directly or indirectly
- in any capacity (including by reason of freq. communication with its officer or by being in any contractual, fiduciary or employment relation or
- is a director, officer or employee of the co. or hold any position including a professional or business relationship between himself and the company, whether temp. or permanent.
- that allow such person directly or indirectly access to unpublished price-sensitive information or reasonably expected to allow such access.

③ Deemed to be connected person :-

- a) an immediate relative.
- b) Holding / associate / subsidiary co.
- c) an intermediary specified in sec. 12 of the SEBI Act or an ee / director thereof.
- d) an investment co, trustee company asset management co or an empee or director thereof.
- e) an official of SE or clearing house or corporation.

f) member of board of trustee of mutual fund or mem of BOD of AMC of MF

g) member of BOD of PFI

h) official or an employee of Self Regulatory organization.

i) Banker of the company.

j) a concern, firm, trust, HUF, co. or association of persons where in D.limm. relative or banker of the co. has more than 10% of holding.

*
④ Unpublished Price-Sensitive info.

→ Unpublished Price sensitive info means any information, relating to a company or its securities directly or indirectly, that is not generally available which upon becoming generally available is likely to materially affect the price of the security and shall, ordinarily including but not restricted to

- a) Financial results
- b) Dividends.
- c) change in capital structure.
- d) Merger, Demerger, acquisitions delisting, disposal and expansion of business.
- e) changes in KMP.

⑤ Informant -

→ means an individual who voluntarily submits to the board a voluntary info. disclosure Form relating to an alleged violation of insider trading laws that has occurred is occurring or has a reasonable belief that it is about to occur in a manner provided under these regulation.

Regulation - 3.

→ No person shall communicate, provide, or allow access to any UPSI relating to a company or securities listed or proposed to be listed to →

↓ other

any person. (incl. insiders) except such communication is for →

[MT:- LP, PD, DL]

BOD shall make a policy

→ Legitimate Purpose.

→ performance of duties

→ Discharge of legal Funⁿ

Sharing info with Partner, collaborator, lenders, customers, suppliers etc] provided that such sharing has not been carried out to evade or prohibition of these regulation.

↓
shall be considered as insider for the purpose of these regulation. and

↓
Due Notice shall be given to such persons to maintain confidentiality.

→ To handle the UPSI the BOD shall ensure that structured digital database is maintain cont. →

- Nature of UPSI
- Name of person who have shared the info.
- Name of such person with whom info is shared along with PAN.

→ such database shall not be outsourced and shall be maintained internally with adequate internal control + audit trail to ensure non tampering of database.

→ Structured digital database is preserved for a period of not less than 8 yrs after completion of transaction.

→ in the event of receipt of any info. from the Board regarding any investigation or enforcement proceeding → relevant info shall be preserve till the completion of such proceeding.

Exceptions :-

① If transaction entail an obligation to make an open offer under the takeover regulation where BOD is of informed opinion that sharing of info. is the best int. of the co.

② Not attract the obligation to make an open offer under a takeover regulation but BOD is of the informed opinion that sharing info is the best interest of the public co.

↓

Info. that constitute UPSI is disseminate to be made generally available at least 2 trading days prior to the proposed transaction.

↓

For the purpose of above BOD shall require the parties to execute confidentiality agreement.

↓

⇒ Regulation :- 4

→ Trading when in possession of UPSI

• An insider shall not trade in sec. which are listed or proposed to be listed on SE when in possession of UPSI except →

→ there is an off-market inter-se transfer between insiders who were in possession of UPSI.

→ transaction was carried out through the block deal mech. betⁿ persons who were in the possession of UPSI, provided →

→ There should be no breach of Reg. 3

→ Both parties had made a conscious and informed trade decision.

→ UPSI should not have been obtained under Reg. 3

→ off-market trade shall be reported within 2 WD to co. further within 2 WD → SE from receipt of disclosure or becoming aware of such info.

→ transaction undertaken persu. to the exercise of stock option

→ In the case of non-individual insiders - Individual taking the trade decision and the I possessing the UPSI are diff. and while taking trade decision individual were not in possession of such UPSI.

→ Trade were in accordance with trading plan - Reg. 5.

⇒ Regulation :- 5

→ An insider shall be entitled to formulate a trading plan in advance and present it to the compliance officer for approval

→ compliance officer shall review the trading plan

→ Pre-clearance of trade shall not be required for trade executed as per approved trading plan.

→ The trading plan once approved shall be irrevocable

→ Trading plan shall not be commenced if any UPSI in possession of insider at the time of formulation of plan has not become generally available at the time of commencement of implementation.

conditions attach to T.P.

⇒ overlapping of T.P. not permitted

⇒ T.P. specify the value of trade / No. of securities to be traded. date

⇒ T.P. shall not entail trading in securities for market abuse.

⇒ T.P. not entail trading for a reasonable period around the declarⁿ of financial results.

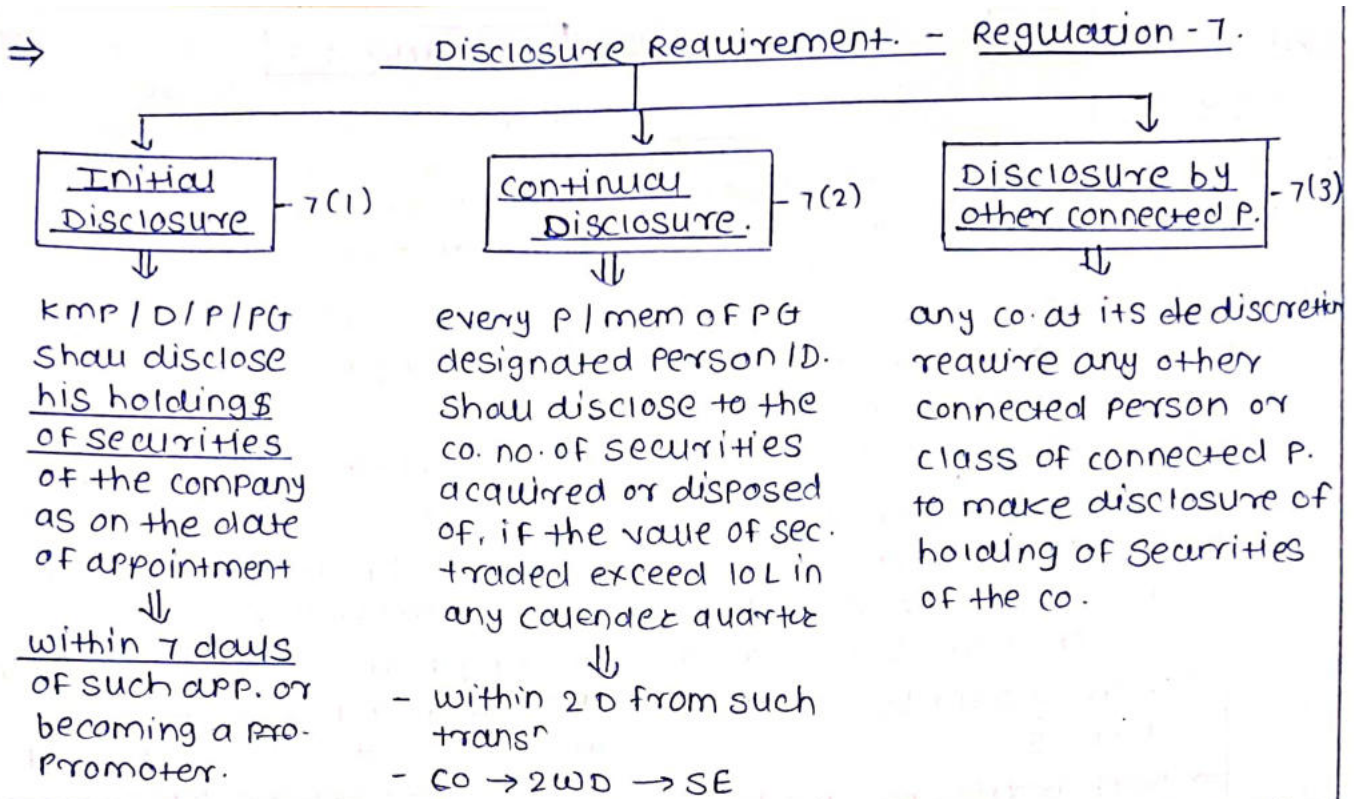
⇒ compliance officer to review, approve and notify the T.P. → SE.

⇒ Trading plan once approved shall not be revoked.

⇒ commencement of trading not earlier than 6m. from public disclosure of plan.

⇒ UPSI not in possession from formulation of plan to implementⁿ

⇒ Trading plan shall entail → T.P. not less than 12m.



⇒ Codes of Fair Disclosures and conduct. [Regulation 8 and 9]

→ Schedule - A :-

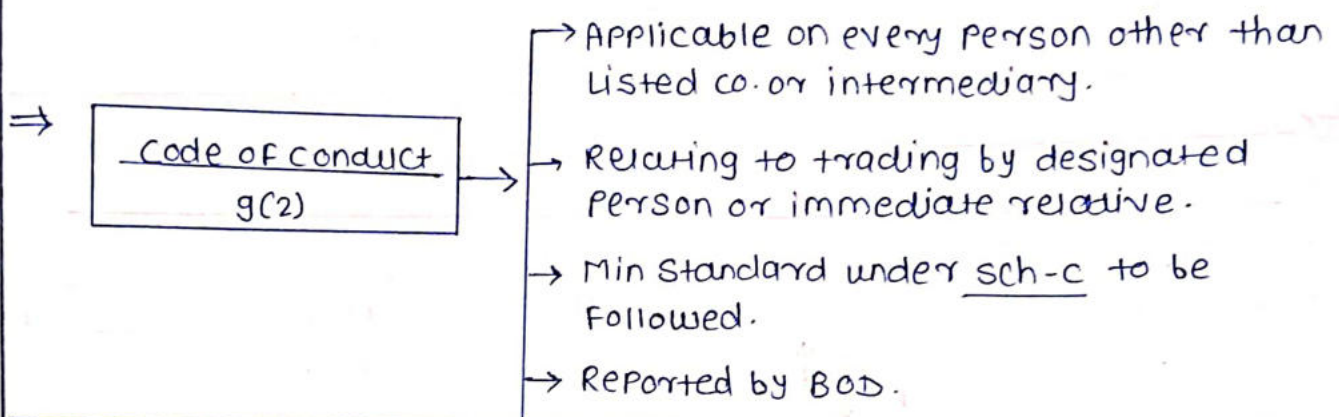
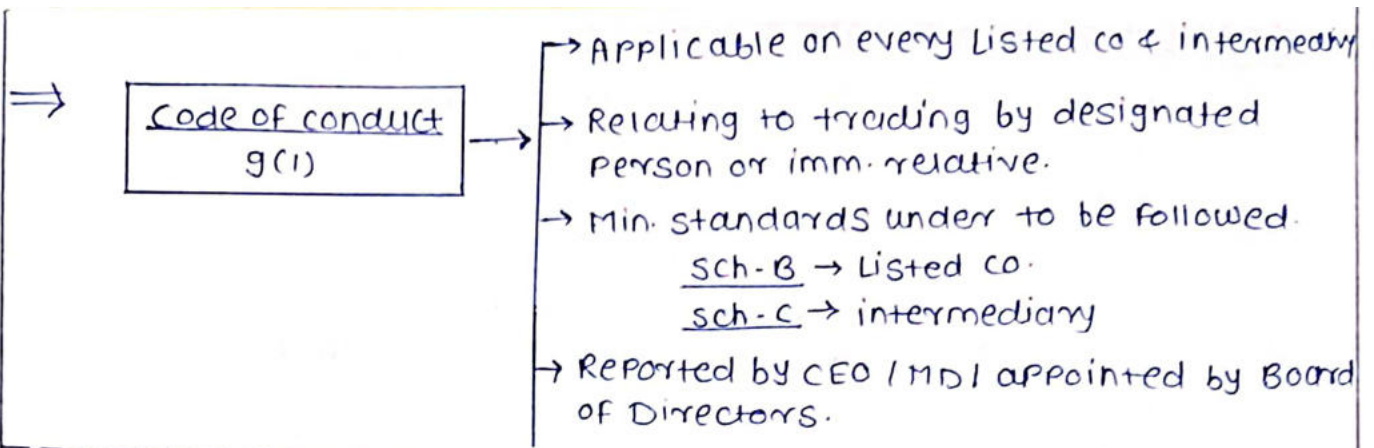
Principles of Fair Disclosure :-

- Prompt public disclosure of UPSI.
- Prompt dissemination of UPSI
- ensuring that info. shared with analyst and research personnel is not UPSI.
- Developing best practice to make transcripts or records of proceedings of meetings with analyst and other investor relation conferences.
- Designation of senior officer as a chief investor relations officer (CIRO) to deal with dissemination of info. and disclosure of UPSI.
- appropriate and fair response to queries on news reports & req. for verificⁿ of market rum.
- uniform and universal disseminⁿ of UPSI
- Handling UPSI → need to know basis.

Regulation-8 :-

code of fair Disclosure :-

- BOD of every listed company shall formulate and publish on its official website code of practice and procedures for fair disclosure of UPSI followed by principle set out in Sch-A
- every code of practices and procedures and amendments thereto (UPSI) shall be promptly intimate to SE
- BOD of a LE shall make a policy for determination of legitimate purposes as a part of code of fair disclosure and conduct.



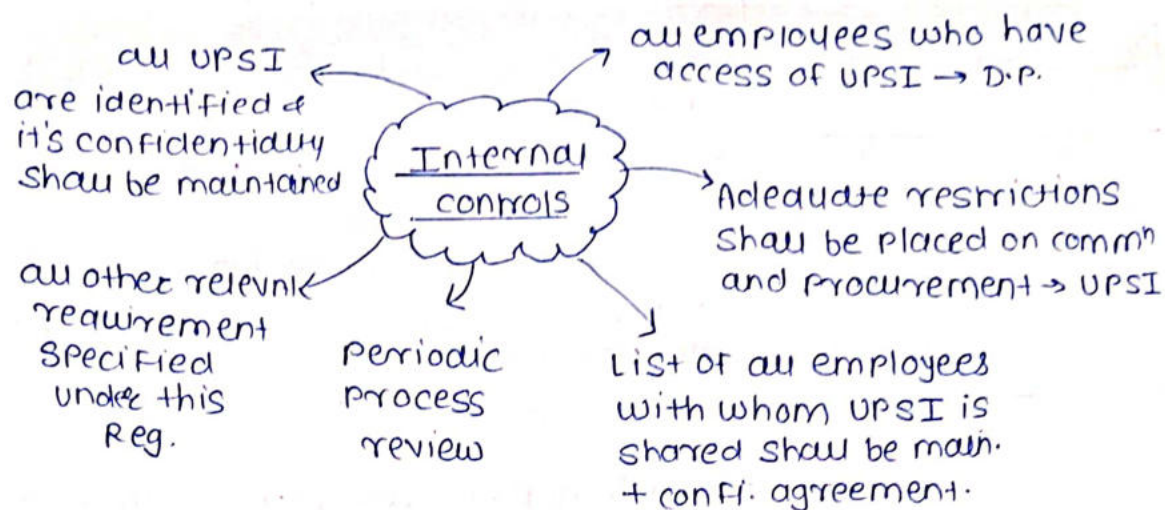
- The BOD or such other analogous authority shall in consultation with compliance officer specify the designated persons :-
- employees of such LE, intermediary or fiduciary designated on the basis of their functional role or access to UPSI
- employees of material subsidiaries of LE [Listed entity]
- all promoters of the LE and promoters who are individuals or investment companies for interm. or fiduciaries.
- CEO / employees up to 2 level below CEO of such listed co. & its mat. subsidiaries.
- any support staff of listed company.

⇒ Institutional Mechanism [Reg. 9A]

Ⓐ Internal Control.

- BOD → MD / CEO → regulation complied.
- Audi Comm. → review once a year ↙
- Leak of UPSI / Suspected leak of UPSI → inquiry → Report → SEBI
- Leak / suspected leak → inquiry → intermediary / fidu. → co operator (Policy / procedure writer)
- Whistle Blower Policy.

(A) →



⇒ Penalty Provision :-

→ Under 15G (SEBI Act, 1992)

- Minimum - 10 L
- Maximum - 25 cr or 3 x Profit. } ↑

→ Under sec 24 (SEBI Act, 1992)

- For offence → imp. up to 10 yrs or abet Fine up to 25 cr or Both.
- Fails to pay → imp. min - 1m Penalty or up to - 10 yrs
- Fails to comply with order. Fine - up to 25 cr or Both.

⇒ Appeal to SAT - within 45D

⇒ Role of CS :-

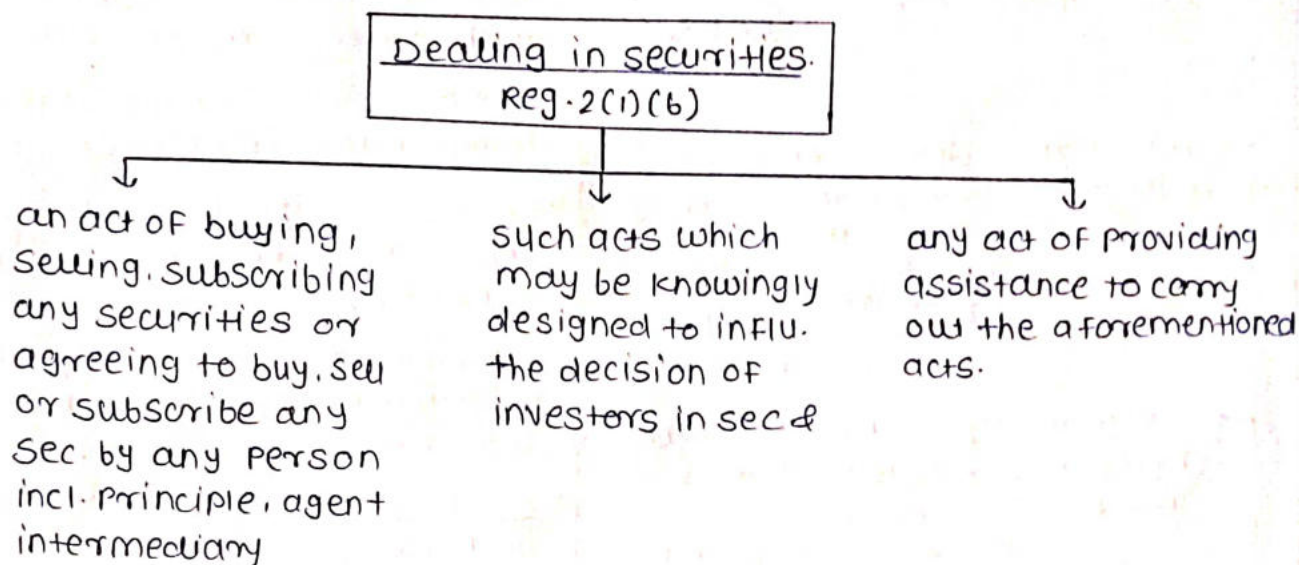
- Ensure compliance with SEBI (Prohibition of insider trading) Reg. 2015 incl. maintenance of various documents.
- Frame a code of fair disclosure with model code specified in sch-A of the Reg. get the same approved by BoD.
- Frame code of conduct of listed entity to regulate, monitor, report trading in accordance with min std → Sch-B
- Pre clear the trade pursuant to the requests received from the designated persons & also monitor trading
- ensure that no trading betⁿ 20th day prior to closure of fin p. and 2nd trading day after disclosure of fin. results.
- Maintain records as a compliance officer, of all the declaration given by directors / designated employees → for min period → 3 yrs
- Take additional undertaking as compliance officer from the insiders for the approval of trading plan.
- Receive initial disclosure from every P / KMP / DP on appointment as KMP / D ITS shareholding.

ch-14 Prohibition Of Fraudulent And Unfair Trade Practices Relating to Securities Market Reg. 2003

⇒ SEBI (Prohibition of Fraudulent and unfair trade Practices)
Relating to Securities market) Reg. 2003.

⇒ Important Definitions :-

①



* ② Fraud
Reg. 2(1)(cc). → • any act, expression, omission or concealment committed whether in a deceitful manner or not by a person or by any other person with his connivance or by his agent while dealing in securities in order to induce another person or his agent to deal in securities. also includes

- 1) Misrepresentation - concealment of material fact.
- 2) Misinformation - affecting the MP of securities.
- 3) Representation - made in a reckless and careless manner.
- 4) Suggestion - of facts which are not true.
- 5) Promise - without intention of performing it.
- 6) Omission - Law specifically declares to be fraudulent.
- 7) Deceptive Behavior - Deprive people informed consent, full participation.
- 8) False statement - without reasonable ground for being true.

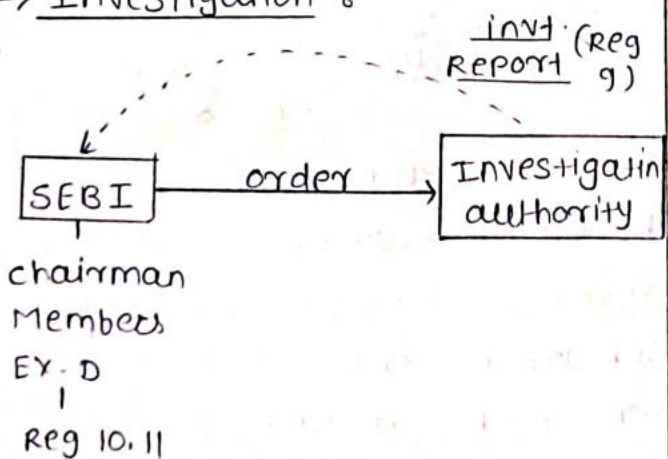
⇒ Exceptions :- a) the economic policy of the Govt.
b) the economic situation of the country
c) trends in the securities market.
d) any other matter of a like nature.

Regulation-3 :-

Prohibition of certain dealings in Securities :- No person shall -

- Buy, sell or deal in securities in a fraudulent manner.
- use or employ → manip. or deceptive device.
 - ↓
 - issue or deal → sec co. Listed Prop. to be listed
- employ any - device, scheme or artifice → issue or deal in sec. to defraud
 - ↓
 - sec. → co. Listed Prop. to be listed
- engage in any act, practice, course of business → issue or deal → for fraud or deceit
 - ↓
 - sec → co. Listed Prop. to be listed

⇒ Investigation :-



Regulation-4. MIF/UTP

Prohibition of Manipulative, Fraudulent, Unfair Trade Practices.

- creates false appearance of trading in sec. market.
- Fraudulently securing minimum subscription.
- artificially inflating, depressing maintaining or causing fluctuation in the price of the securities.
- any act or omission amounting to manipulation of price.
- knowingly publishing information relating to securities which is not true
- knowingly planting information relating to securities which is not true.
- disseminating info. known to be false.
- entering into transaction without intention of performing
- selling, dealing or pledging of stolen, counterfeit or fraudulently issued securities, provided
 - person was a holder in due course.
 - through a bonafide transn
 - such selling, dealing, pledging of stolen, counterfeit or fraudulent sec → ⊗ MIF/UTP.
- Fraudulent inducement of person with the objective of enhancing his brokerage
- an intermediary predating falsifying records including contract notes, client instructions etc.

Regulation-5

- 1] act which is detrimental to the int. of invt. or sec. market.
- 2] intermediaries violated acts, RWS, Regulation.

SEBI

chairman
Member
Ex Director

order investigation
St-1

Investigating Authority

REPORT - Reg. 9
St-2

Powers

Powers

St-3

Regulation-6

→ Reg. 10, 11

SEBI can pass order during or after investigation:

- Suspend - trading of sec.
- Suspend - ofc bearer of SE (SRD)
- Restrain any person from SM
- Impound and retain proceeds
- order Not to dispose assets
- order not to dispose sec.
- order to dispose the sec.

↓

St-4

Regulation - 12 - intermediary

- warning
- suspend
- cancelⁿ of Reg.

- call info / doc / records from any person u/s 11 of the SEBI Act
- call info / doc / record from SEBI, authority or corp.
- keep the custody books / records → 6m.
- Application to judge for search & seizure.
- Search and seizure as per CrPC
- Books / records under search and seizure can be kept until investigation
- orally examine the employee officers
- examine on oath MD / M of intermediaries.

ch-15 Delisting OF Equity Shares

⇒ Regulation-3 - Applicability.

→ applicable to delisting of equity shares of a company including equity shares having superior voting rights from all or any of the RSE where such shares are listed.

⇒ Non-Applicability :-

- Securities listed and traded on IGP of a RSE without making a public issue.
- Pursuant to a Plan approved under sec.31 of insolvency code if such plan.
 - a) provides for delisting of such shares.
 - b) provides → exit opp → ex.sh.h.
- The exit price shall not be less than the price at which a Promoter IGP / any other sh.holder is provided an exit opportunity.
- Details of delisting + Justifiⁿ of exit price → SE (w-ID Res. Plan)

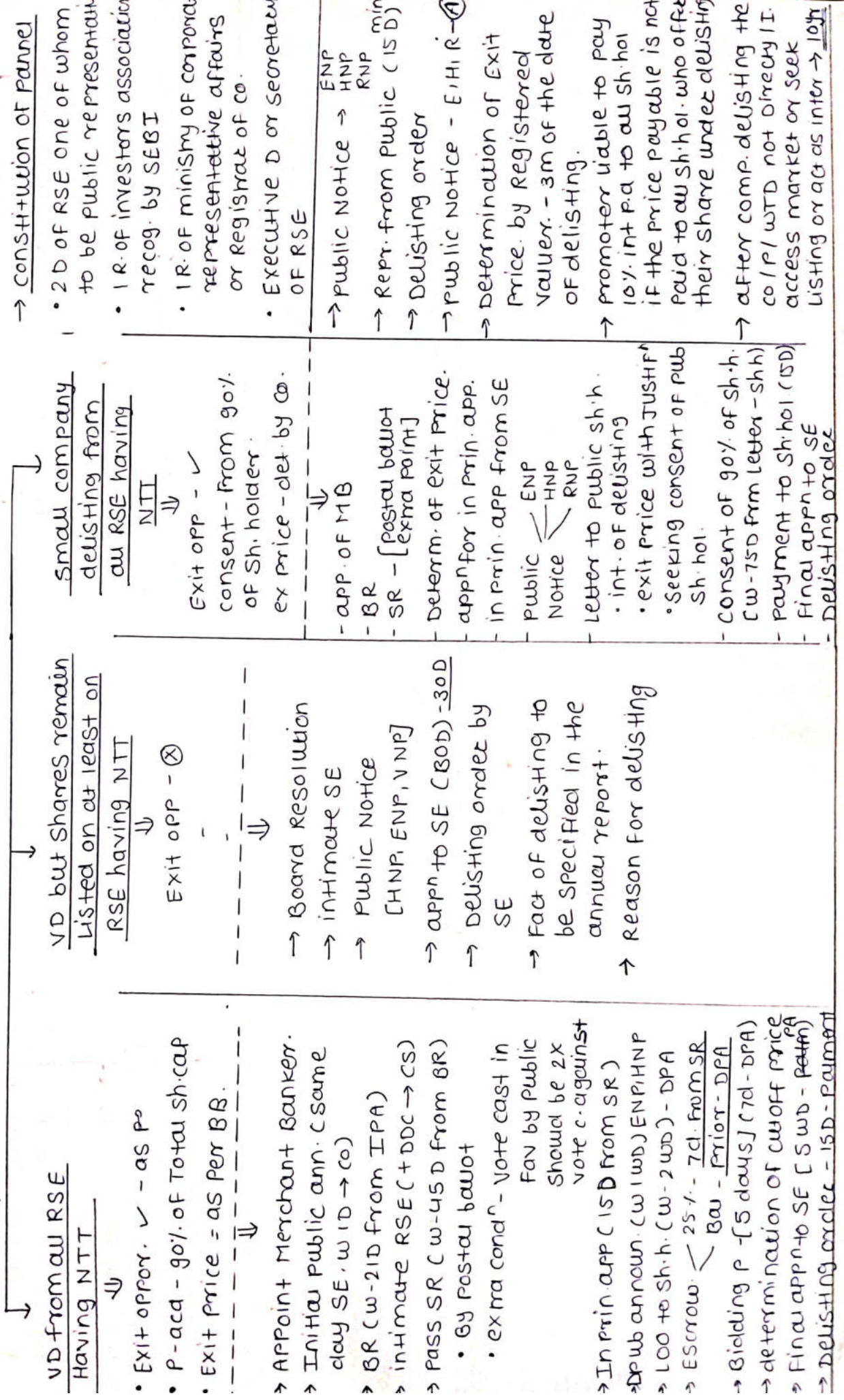
⇒ Regulation-4 - Condition For Delisting :-

- company / RSE - Permit (X) → Delisting of equity shares -
 - Pursuant to buy back of eq. shares by the company.
 - Pursuant to Pref. allotment made by the company.
 - Listing of that class of equity sh - 3 yrs elapsed.
 - Instruments which are convertible into the same class of equity shares that are sought to be delisted are o/s.
- Acquirer (X) → employ the Funds of the co → Finance an exit opportunity / acquisition of shares.
- Acquirer sold eq. shares during the period of 6m before IPA delisting (X)
- No acquirer shall directly or indirectly.
 - Employ any device, scheme or artifice to defraud any sh.hol.
 - Engage in any transaction or practice that operates as a fraud or deceit upon any shareholder or other person.
 - engage in any act or practice that is fraudulent, deceptive or manipulative in connection with any delisting of equity shares.

SEBI (Delisting of Equity Shares) Reg. 2021

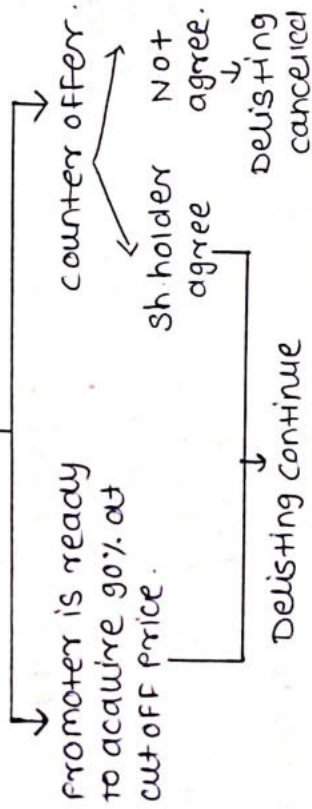
Voluntary Delisting.

Compulsory Delisting



VD From all RSE having NTT - some imp. points.

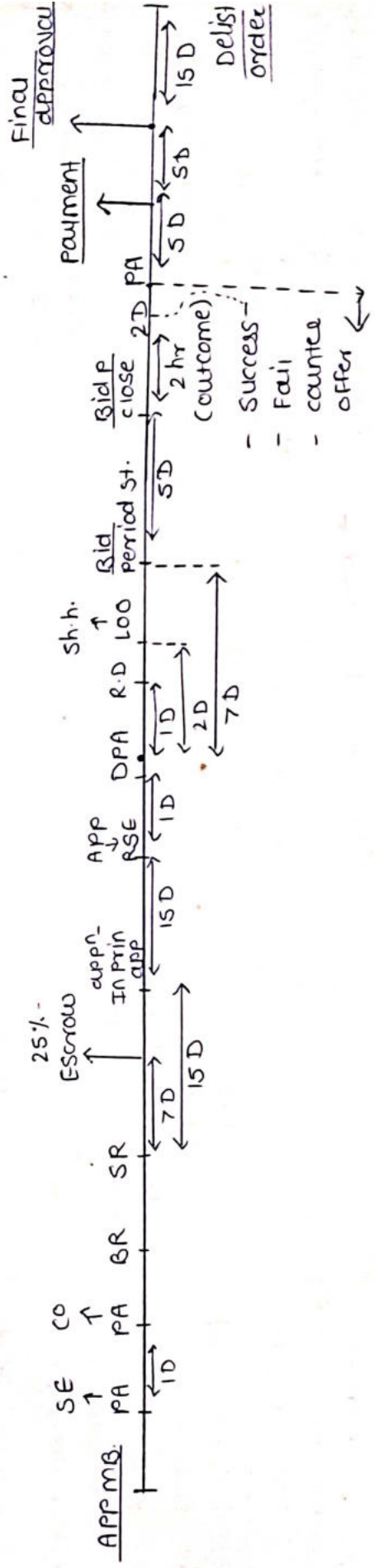
- Determination of cut-off price.
- cut-off price determine.



→ promoter to acquire 90% of total sh. capital
 Except: →

- Shares held by custodian against which depository receipt have been issued
- Shares held by trust set up for implementing an employee benefit scheme
- Shares held by inactive shareholders such as vanishing companies & stuck off companies

VD From all RSE having NTT -



⇒ Guideline for compulsory delisting

- The RSE shall take in to account the grounds prescribed in the rules made under the SCRA, Act. 1956.
- shall take all reasonable steps to trace the promoters of a company whose eq. shares are proposed to be delisted.
- shall consider the nature and extent of the alleged noncompliance by the co. and the number and % of public shareholders → affected.
- shall take a reasonable efforts to verify the comp status of compliance with the provisions of the companies Act. 2013
- The name of the companies whose equity shares are proposed to be delisted and their promoters shall be displayed in a sep section on the website of RSE.
- It shall in appropriate cases file prosecution under relevant provisions of the SCRA Act. 1956
- in appropriate cases. it shall file a petition for winding up the company or make a request to ROC to strikeoff the name of the company.

⇒ Following disclosures are to be made in the Notice → Public after delisting order - → (A)

- Fact of such delisting.
- The name and address of the company .
- The Fair value of the delisted equity shares .
- The Name and addresses of the promoters of the company who would be liable u/r 33
- Inform all other stock exchanges where the equity shares of the company are listed ~~or~~ about such delisting .
- upload a copy of said order on website .

→ Delisting of Equity Shares of Companies Listed on IGP (Reg. 36)

- Such delisting is approved by BOD.
- approved by shareholder by passing SR through Postal ballot or e-voting. SR is acted upon only if the votes cast by the majority of public shareholders are in favour of such exit proposal.
- Delisting price is based on floor price determined in terms of Reg. 8 of takeover regulation as may be applicable.
- The post offer shareholding of the acquirer along with PAC → shares tendered reaches 75% of total shares of that class and at least 50% of the shares of the public sh. hol. as on the date of BM are tendered and accepted.

→ Provisions Pertaining to delisting under SCRA Act, 1956. -

- A RSE may delist the securities after recording the reasons thereof and after giving opportunity of being heard.
- LE / Agg. investor may file appeal to SAT against the decision of RSE (within 15 days) → Frm decision further 1m if there is suff cause

→ Grounds of delisting. :- [MISAL]

- co. has incurred losses during P. 3 consecutive yr + -ve NW
- trading in the securities of the co. has remained suspended for a period of 6 months.
- securities of the co. have remained infreq. traded - 3 P yrs.
- co / P / D has been convicted for failure to comply with any provision of the Act or SEBI Act, 1992, DEP. Act 1996 or R / Reg and awarded a penalty of min 1 cr or imp - min 3 yrs.
- the addresses of the co or any of its P / D are not known or false addresses have been furnished co has change its reg. ofc in contra of the provision of the co. AG 2013

→ shareholding has come below the minimum level of acceptance.

⇒ Delisting of securities on the request of the company.

- securities of the company have been listed for a min. period of 3 years on the RSE
- the delisting of such securities have been approved by the 2/3rd of public shareholders.
- co or its P / D → purchase the outstanding securities from those holders who wish to sell them at a price determined in accordance with SEBI Act - 1992

⇒ penalty for failure to comply with provision of delisting conditions or grounds - REG 23E

- co or any person managing CIS, MF, REIT'S or Infra IT → fails to comply with the delisting condi



penalty - min 5 L

max 25 cr.

Ch-16 Buy Back of Securities

Buy back.

Under companies Act, 2013 :-

Under securities Law :-

→ Applicable provision :

Sec 68, 69 and 70 Rule 17 of companies (Share capital and Debenture) Rules, 2014

→ SEBI (Buy back of sec) Reg, 2018.

→ Sources of Buy back -

- Free Reserves
- Securities Premium.
- Proceeds of fresh issue.

- Free Reserves.
- Securities Premium.
- Proceeds of fresh issue.

→ Max limit of BB in a year.

- Max amount that - 25% PUC + FR can be use for BB
- Max No. of eq. sh. - 25% of ESC can be use for BB

- Max amount that - 25% of PUC + FR can be use for BB
- Max No. of eq. shares - 25% of ESC can be use for BB

→ Resolution required for BB

- BB up to 10% ESC + FR → BR
- > 10% ESC + FR → SR

- up to 10% of ESC + FR → BR
- > 10% of ESC + FR → SR

→ Req. of debt equity ratio post BB

Aggregate of secured & unsecured debt should not be more than twice of PUC & FR post BB

Ratio of agg. secured & unsecured debt to the PUC + FR should be less than or equal to 2:1 [standalone or consolidated] (lower).

→ Common conditions :-

- AOA should authorise
- Shares have to be fully paid up.
- No BB should be made within a period of 1 yr from the cl. of pre BB.
- BB to be completed within 1 yr from the date of SR / BR.

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- Shares have to be fully paid up.
- No BB should be made within a period of 1 yr from the cl. of pre BB.
- BB to be completed within 1 yr from the date of SR / BR.

→ Additional condition -

-

→ A co. shall not buy back for

- Devising from SE
- thr. Negotiated deals.

→ Prohibition for BB :-

- A co. shall not directly or indirectly purchase its own shares.
 - thr. any subsidiary co.
 - thr. any investment co.
 - IF defaulted in deposit int., deb int., Pref sh div., Loan int.

- A co. shall not directly or indirectly purchase its own shares.
 - thr. any subsidiary co.
 - thr. any investment co.
 - IF defaulted in dep. int., deb int., Pref div., Loan int.

→ Return of BB :-

- After completion of BB, co. to file a return of BB with Roc and SEBI within 30 days.

After completion of BB co. file a return of BB with Roc and SEBI within 30 days.

⇒ Benefits / objectives of Buy back -

- To improve earning per share.
- To improve return on capital / return on net worth.
- To enhance long term shareholding value.
- To provide an additional exit route to share holders.
- To prevent unwelcome takeover bids.
- To return surplus cash to shareholders
- To achieve optimum capital structure.

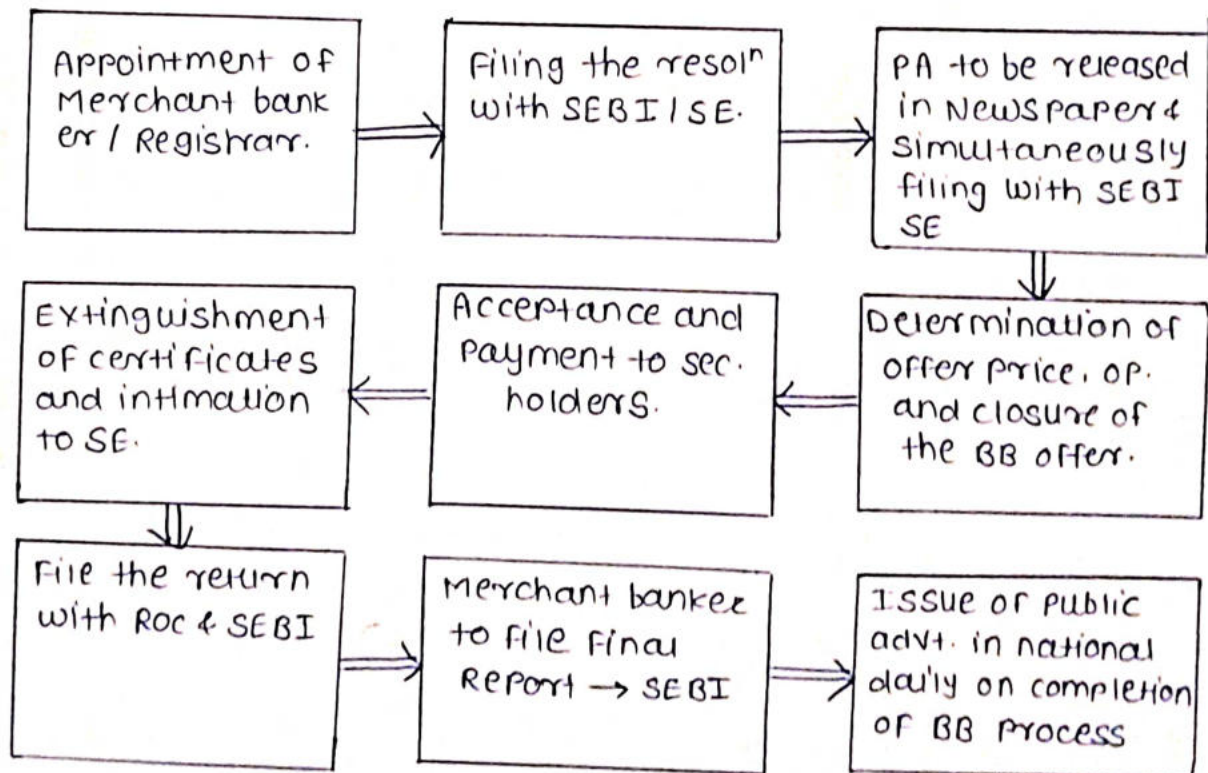
⇒ whether physical shares can be sold during BB?

- yes!
- separate window for physical shares.
- co. can sold only after verification of address and identity.
- volume weighted average price of securities BB in the week is paid to the share holders.
- volume weighted average market price of the week will be used for the 1st week.

→ Authorisation for BB

- AOA should authorise.
- SR is required
- NO SR - if BB is 10% or less of total PUC + FR
- In case of SR - a copy of SR passed shall be filed with SEBI and SE within 7 days from the date of passing SR
- In case of only BR - copy of BR passed shall be file with SEBI and SE within 2 WD from the date of passing SR
- Every BB shall be completed within a ye period of 1 yr. from the date of passing SR
- co. shall after the expiry of BB. file with the ROC and SEBI a return containing such particulars relating to BB - within 30 days of such expiry.
- where the BB is from open market either through SE or BB the BR shall specify the max price at which BB shall made.
- No insider shall deal in shares or other specified securities of the co. on the basis of UPSI relating to BB of sh.

⇒ Buy back Process.

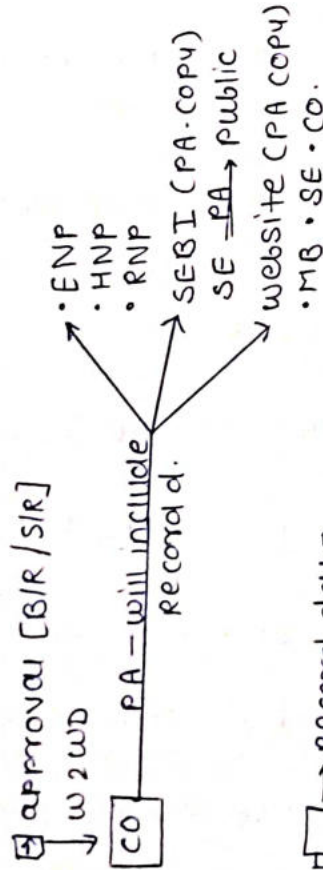


Methods of Buy back :-

Buy back

BB from existing Sh.hol. proportionately.

[BB through tender offer]

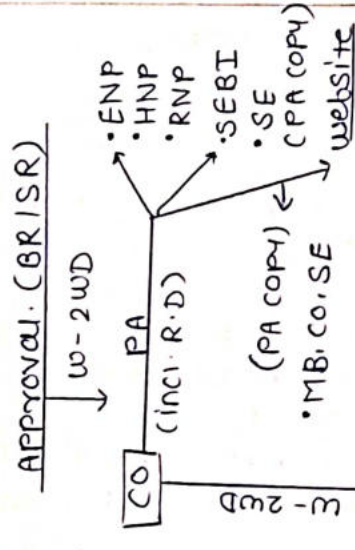


In the pres. of secretary / MB

Physically extinguish - w-15 WD
w-7 WD
CERTIFICATE TO SEBI - certified by
- REG / MB - CS, 2D (1MD)

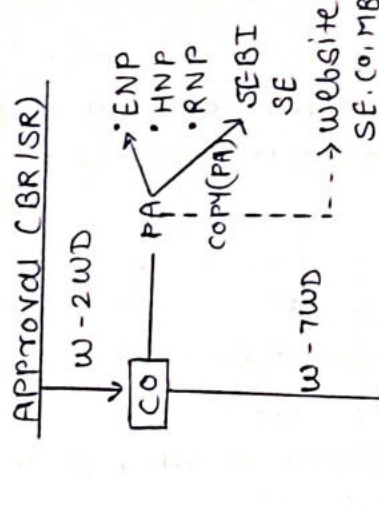
BB From open market.

BB through St. Ex.

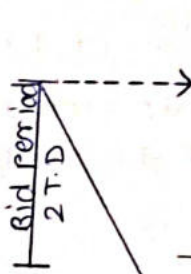


Physically extinguished. -
• Sec. BB every month have to be ext. by 15th of next m.
• All Sec. BB to be ext. within 7 D from the completion of BB.

BB through book build



BB Process Begins



MB and the co will determine the cutoff p. based on the bids received. All the bids below the cutoff price will be accepted and cutoff price shall be read to all

⇒ Other provision for BB from SE :-

- at least 75% of the amount earmarked for BB has to be utilised.
- at least 40% of the amount earmarked to be utilised in the initial half.
- only from SE having NTT
- only for frequently traded shares.
- Not from promoters or person in control.
- only through order matching mechanism.
- No draft letter of offer / letter of offer to be filed.
- separate window on SE for BB.
- system in place for BB of physical shares.
- Special provision for Escrow.

→ amount in Escrow can be deposited in the form of :-

- cash, Bank deposit.
- Bank Guarantee.
- Government securities.
- Units of MF.
- Equity shares [freq. traded & freely trf]
- any combination of above.

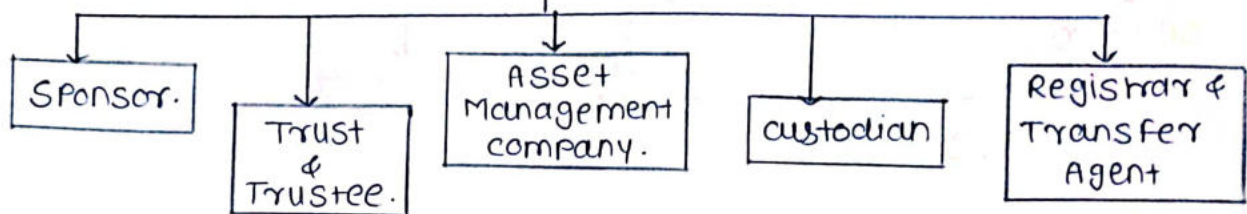
Escrow provision. [BB through SE]

- Flat 25%.
- within 2 working days from public announcement.
- Bank Guarantee -
 - It has to be in the name of MB.
 - shall be release after completion of all obligation.
 - Validity } within 30 days from expiry of BB period.
or.
completion of all obligation.
- 2.5% -
 - at least 2.5% of the amount earmarked to be kept in the form of cash in escrow.
 - 2.5% of the amount of cash to be maintained throughout the BB period.
 - In case of non compliance, SEBI can forfeit the 2.5% amt from Escrow account except
 - VWAP is higher than BB Price.
 - sell orders were inadequate.
 - In the opinion of SEBI, there was no mistake of co.

- Ch-17 Mutual Funds -

⇒

- Structure of MF -



⇒ Regulatory and Industry Body :-

→ Regulatory

- :- SEBI
- :- The applicable guidelines for MF → SEBI (Mutual Fund) Reg, 1996

→ Industry Body

- :- Association of Mutual Funds in India (AMFI)

→ TYPES OF MF / Mutual Fund schemes

Open Ended	close Ended.
→ can be purchased on any trans ⁿ Day.	→ can be purchased only during NFO.
→ can be redeemed on any trans ⁿ Day.	→ can be redeemed only at maturity
→ High liquidity.	→ Low on liquidity.

→ TYPES OF MF Plans :-

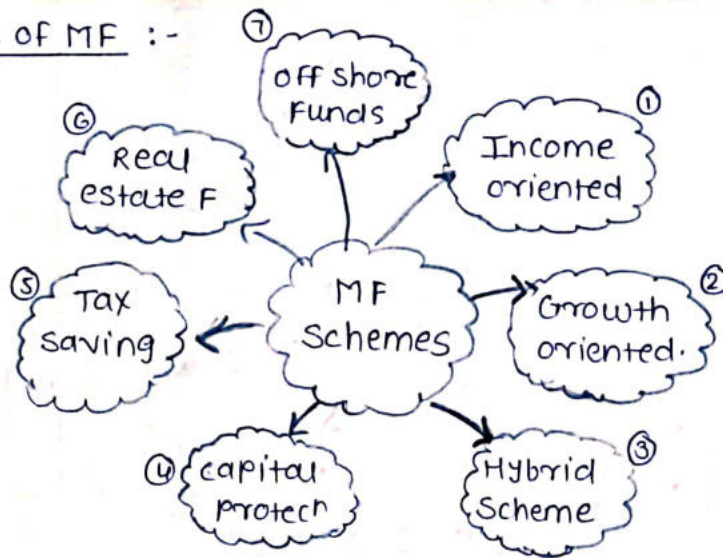
Regular Plans	Direct Plans.
→ Sold through a distributor	→ Sold directly by AMC.
→ Sold directly by the AMC.	→ Lower Expense Ratio (No commission Paid to distributor)
→ Potentially lower return to the investor (due to ↑ exp. ratio)	→ Potentially higher returns (due to ↓ expenses).

⇒ key Player in MF :

- 5 Principal constituents -
- Sponsor
- AMC
- Trustee
- Unit Holders.
- Mutual Fund.

- Three Market intermediaries.
- custodian
- Transfer Agent
- Depository.

⇒ Schemes of MF :-



① Income oriented scheme -

- The Fund primarily offer fixed income to investor.
- Fixed income yielding securities are Bonds, corporate debentures, Govt securities and money market instru. etc.

⑤ Tax saving schemes :-

- These schemes offer tax rebates to the investors under tax laws as prescribed from time to time.
- This is made possible because Govt offers tax incentives for invt in specified avenues.

② Growth oriented schemes :-

- offer growth potentialities associ. with invt in capital market, namely.
 - by way of dividend.
 - rapid capital appreciation.
- Primary concentrate on low risk and high return.

⑥ Real Estate Funds :-

- These are close ended MF which invest predominantly in real estate and properties.

③ Hybrid Schemes -

- These funds cater to both invt needs namely fixed income as well as growth orientation.
- InvT in → Bonds and deb. and also in equity scrips.
- These fund utilise the concept of balanced investment.
- These Funds are also known as balanced fund.

⑦ Off Shore Funds. :-

- such Funds invest in securities of Foreign companies with RBI Permission

⑧ Leverage Funds :-

- also known as borrowed Funds.
- increase the size and value of Portfolio and offer benefits to mem. out of excess gain over cost of borrow Funds.
- Tend to include speculative trading & risky investments.

④ Capital protection oriented scheme

- scheme protects the capital invested in the mutual fund thr. suitable orientation of its portfolio structure.

⑨ Funds of Funds :-

- They invest only in Units of other MF such fund do not operate at India

⑩ Hedge Funds :-

- They employ their Funds for speculative trading.

A. Mutual Fund Terminology :-

(3)

Scheme Info. Document (SID)	St. of Additional info (SAI)	B. Key info. Memorandum.	C. Fact Sheets.
<p>→ A document that contains the <u>details of the scheme</u> which investor should know before investing.</p> <p>→ It has to be updated <u>every year</u>.</p> <p>• <u>Key contents</u> :-</p> <ul style="list-style-type: none"> → Scheme name on the cover page, along with scheme structure and expected scheme nature. → Highlights of the scheme → Risk factors. <ul style="list-style-type: none"> • Standard • scheme specific. → Due diligence certificate issued by AMC. → Fees and expenses. → Rights of Unit holders. → Penalties, Litigation etc. 	<p>→ A document that contains <u>statutory info.</u> about the Fund house offering the scheme.</p> <p>→ SAI has to be updated at the end of <u>every quarter</u>.</p> <p>• <u>Key contents</u> :-</p> <ul style="list-style-type: none"> → Info. about sponsor, MF, trustees, custodian and Registrar & T.A. → Condensed financial info for schemes launched in the last 3 FY. → Info. on how to apply. → Rights of units holders → Details of Fund manager → Tax, legal and other general information. 	<p>→ Essentially a summary of SID and SAI</p> <p>→ Every application form should be accompanied by the KIM.</p> <p>→ It has to be updated at least once in a year.</p> <p>• <u>Key contents</u> :-</p> <ul style="list-style-type: none"> → Name of AMC, MFT, trustee Fund, manager and scheme details. → open and close dates of the issue. → Issue price of the scheme → Plans and option available in the scheme. → Risk profile of the scheme → Benchmark → Dividend Policy → Performance of the scheme and benchmark over last 1-3-5 years & since inception → Loads and expenses. 	<p>→ Usually provided on monthly basis by AMC</p> <p>• <u>Key contents</u> -</p> <ul style="list-style-type: none"> → NAV and Assets under management (AUM) → Expense ratio, exit loads, average maturity, yield to maturity, modified duration. → Benchmark and Fund manager details. → Past performance. → Scheme's allocation and Portfolios → Style box <p>D. <u>AUM</u> :-</p> <ul style="list-style-type: none"> → Total market value of assets managed by MF scheme. → <u>Periodic AUM available</u> <ul style="list-style-type: none"> • Month end • Quarterly average.

⇒ Systematic Investment Plan in MF :-

- SIP is an investment plan offered by MF wherein one could invest in a fixed amount in a MF periodically, at fixed intervals - say once a month instead of making a LUMP-sum investment.
- SIP installment amount could be as little as ₹500 pm. It is similar to recurring deposit.
- It helps in investing in a disciplined manner.
- Best way to enter the world of investments over the long term.

⇒ Net Asset Value :-

- The performance of a Particular Scheme - NAV.
- It is the Market value of the Securities held by the scheme.
- MF invest the money collected from investors in securities market.
- Since MV of the securities changes every day, NAV of the scheme also varies on day to day basis.

→ NAV of all MF schemes are declared at the end of the trading day after markets are closed

→ $NAV = \frac{\text{Net Assets of the Scheme}}{\text{No. of units outstanding}}$

→ Net Asset of the scheme -

MV of the invt + Receivables + other accrued income + other assets +
 (-) accrued exp (-) other payables
 (-) other liabilities.

⇒ Holding Period Return :-

$$HPR = \frac{\text{Income} + \left[\frac{\text{end of period value} - \text{orig. value}}{\text{original value}} \right] \times 100}{\text{original value}}$$

⇒ Expense Ratio :-

→ The fees charged by the scheme to manage investors' money.

→ It contain -

- Fees paid to trustees, R & TA custodian, Auditors etc.
- Asset management expenses.
- commission paid to distributors
- other selling exp incl. advt exp
- expenses on investor communication + statements / dividend redemption cheques / warrants
- Listing fees and depository fees.
- service tax.

→ Under SEBI (MF) Reg, 1996, MF are permitted to charge / incur certain operating exp. for managing a MF scheme as a percentage of fund's daily net asset.

→ AMC will have to managed all exp. incurred by MF

→ The expense ratio is calculated as a percentage of scheme's ^{av}NAV

→ The daily NAV of MF is disclosed after deducting the exp. Lower the exp. ratio, higher the NAV.

⇒ Evaluating Performance of MF -

- While looking at MF scheme's performance, one must not be led by the scheme's return in isolation.
- One must compare the scheme's return as against its benchmark return.
- It is important to identify under performance performers over the longer time horizon. In addition one may also consider evaluating the category average returns as well.
- The category average return will reveal how good (or bad) is one's investment is against its peers
- Even the expense ratio of some of the schemes may be high compared to others within the same category.

⇒ Advantages of MF

- 1) Professional management
- 2) Convenient Administration.
- 3) Diversification.
- 4) Low costs.
- 5) Return potential.
- 6) Liquidity.
- 7) Transparency.
- 8) Low costs.

⇒ Risks involved in MF :-

TYPES.	cause
<u>Volatility Risk</u>	→ Equity based Funds invest in the shares of the companies that are listed on SE. The value of such funds is based on companies' performance, which often gets affected due to prevalent microeconomic factors.
<u>Credit Risk</u>	→ credit risk in MF investment often results from a situation wherein the issuer of the scheme <u>fail to pay the promised int.</u>
<u>Liquidity Risk</u>	→ MF with a <u>long term and rigid lock in period</u> like ELSS often come with liquidity risk. Such a risk signifies that investors often find it challenging to redeem their investments without incurring a loss.
<u>Concentrated Risk -</u>	→ It can be described as a situation when investors tend to <u>put all their money into a single investment scheme or in one sector.</u> → Investing entirely in just one company's stocks often bears a <u>substantial risk of losing cap.</u>
<u>Inflation Risk -</u>	→ It can be best described as the risk of losing one's purchasing power, <u>mainly due to raising inflation rate.</u>

SEBI (Mutual Funds) Regulations, 1996 - An overview.

③

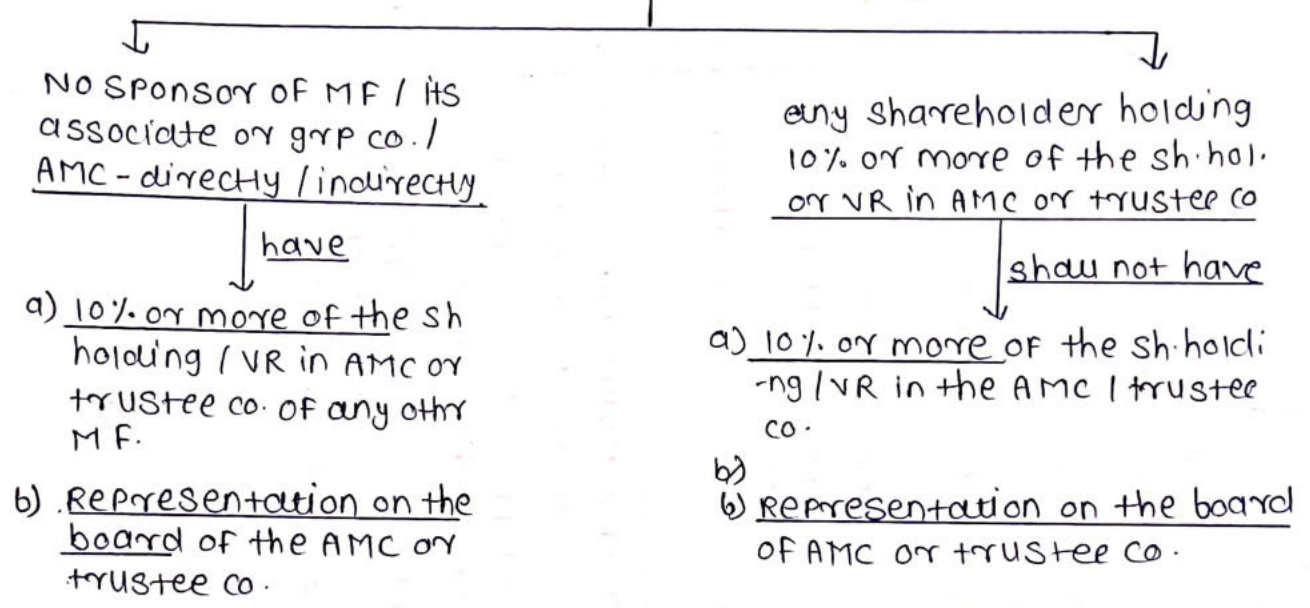
Eligibility Requirement

<u>Registration of MF</u>	<u>Disqualification</u>	<u>Eligibility criteria</u>
<ul style="list-style-type: none"> - <u>Sponsor</u> - → Sound track record and general reputation of Fairness & integrity → Fit and Proper Person. → <u>Sponsor / D / Po of Sponsor</u> <ul style="list-style-type: none"> • Not guilty of Fraud. • Not convicted for OH involving MT • Not guilty of economic offences. 	<ul style="list-style-type: none"> - <u>Trustee</u> - - person of integrity, ability and Standing. - Furnished Particulars as per Form c. - Not violated securities Law - Not convicted for offences involving MT. - Not guilty of economic offence 	<ul style="list-style-type: none"> - <u>AMC</u> - - Sound track record and general reputation of fairness and integrity. - Fit and Proper Person. - <u>D / KP of AMC</u>. • Not violated Sec. Laws. • Not convicted for offence invol MT. • Not guilty of economic offence
<ul style="list-style-type: none"> - Appoint Trustee - Appoint AMC - Appoint custodian • <u>If there is an existing MF it is duly registered with SEBI</u> 	<ul style="list-style-type: none"> - Trustee of a Mutual Fund cannot act as a trustee of other MF - No AMC / officer / employee of AMC can be the trustee. - 2/3rd of trustee to be independent and not connected with sponsor or its associates. 	<ul style="list-style-type: none"> - at least 50% of the BOB are not associated with sponsor or its subsidiaries. - chairman of AMC can not be the trustee of any MF - Min NW - 50 cr.

⇒ Eligibility criteria for registration of MF

- The sponsor should have a sound track record
 - ↓ shall mean -
 - Be carrying on business of financial services for not less than five years
 - NW - is positive in all the immediately P. 5 yrs
 - NW > proposed capital contribution of the sponsor in the AMC
 - Sponsor has a Profit after providing for depn int and tax in 3 out of the 5 imm. P yrs. NW - not less than 100 cr if aforementioned req. is not fulfilled.

⇒ Norms for shareholding & Governance in MF



⇒ Terms and conditions of Reg.

- trustee, sponsor, AMC and the custodian shall comply with the provision of SEBI (MF) Reg. 1996.
- MF shall inform the SEBI, if any info. or particulars previously submitted was misleading or false in any material respect.
- MF shall inform the SEBI, if any material change in the info or particulars previously furni.
- payment of fees as specified in the SEBI (MF) Reg. 1996.

⇒ Appointment of AMC. :-

- The sponsor, if so authorised by trust deed, the trustee shall appoint AMC - approved by SEBI.
- Appointment of AMC can be terminated by majority of the trustees or by 75% of unit holders of the scheme.
- any change in the appointment shall be subject to prior approval of SEBI & unit holders.

⇒ Appointment of custodian :-

- MF shall appoint a custodian to carry out the custodial services intimation of the same to the board within 15 days of the app.
- In case of Gold exchange fund scheme, the asset of the scheme being gold or gold related instruments may be kept in the custody of a custodian with the SEBI.
- In case of real estate MF scheme, the deed of real estate assets held by it, may be kept in the custody of a custodian reg. with SEBI.

⇒ Procedure for launching of scheme

- Scheme is approved by the trustee and a copy of the offer document has been filed with the SEBI.
- offer doc. shall contain adequate disclosure
- MF shall pay the minimum filing fee to the SEBI while filing the offer doc
- The MF which intends to list its units on the RSE shall obtain in principle approval from RSE.
- also execute agreement with SE
- Listing of close ended scheme is mandatory and these should be listed on RSE.
- No scheme other than equity linked saving scheme can be opened for more than 15 days
- minimum and the extent of over subscription that is intended to be retained should be specified in offer document. In the case of over subscription all applicants applying up to 5000 units must be given full allotment sub. to overs.
- If min sub is not received - refund the app. money and also excess over subscription within 5 wd

⇒ Code of conduct of MF

- The scheme should not be organized operated and managed in the int of sponsor or director of AMC or special class of unit holders.
- ensure that adequate dissemination of adequate, fair, accurate and timely info of all the stakeholders
- The excessive concentration of business with the broking firm or associates should be avoided
- The scheme wise segregation of bank accounts and securities acc must be ensured.
- Not use any unethical means to sell.
- AMC shall not make any exaggerated statements.
- High standard of integrity and fairness in all the dealings should be maintained.

⇒ Pricing of unit of MF -

- The MF shall provide methodology for calculating the sale and purchase price of units.
- MF shall ensure that the repurchase price not lower than 95% of NAV

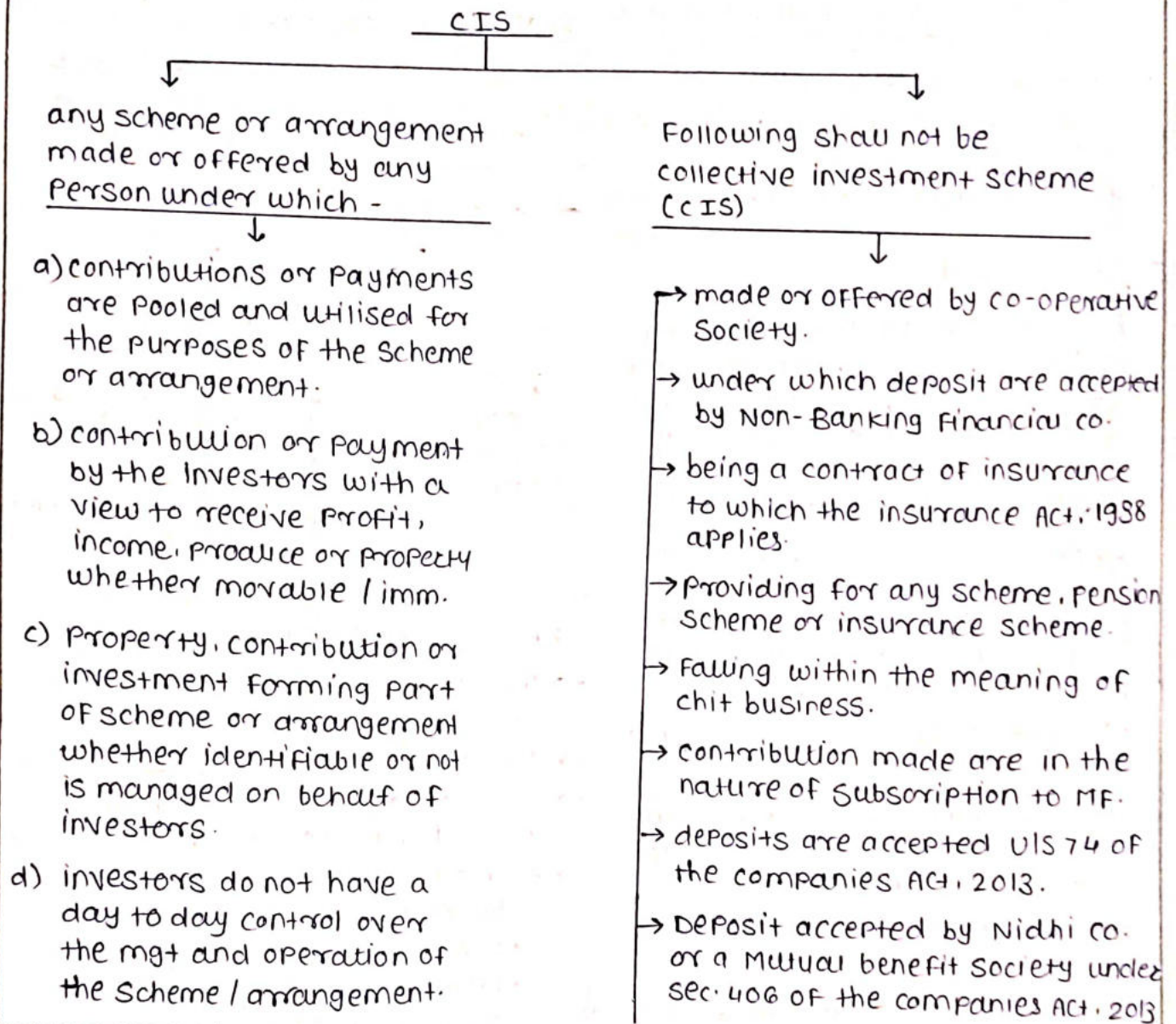
⇒ Advertisement code :-

- Advt shall be accurate, true, fair, clear, complete, unambiguous, concise
- shall not contain statement which are false, misleading, biased and shall not contain any testimonials or any ranking based on any criteria
- No celebrities shall form part of advertisement
- No advt shall directly or indirectly discredit other advt or make unfair comparison.
- advt shall be accompanied by a standard warning in eligible fonts which states "Mutual fund investments are subject to market risk read all schemes related documents carefully."
- In audio visual media based advt, the standard warning in visual and accompanying voice over reiteration shall be audible in a clear and understandable manner.
- Advt shall not be so designed as likely to be misunderstood or likely to be disguise the significance of any statement.

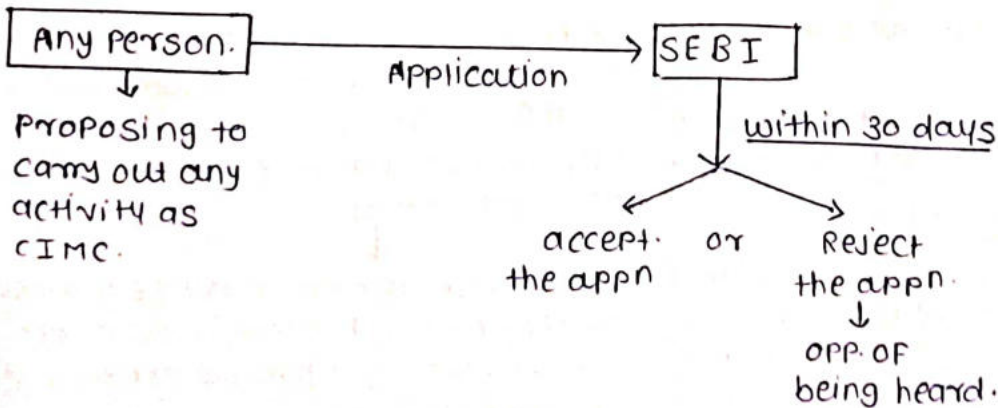
⇒ Restriction on investment by MF :-

- MF $\xrightarrow{\text{up to 10\% invest}}$ only debt security (not below Inv. grade by CRA)
 - can be increased to 12% with prior approval of BOT & BOD
- MF $\xrightarrow{\text{invest } \otimes}$ unlisted debt instrument except unlisted non-convertible debenture up to max 10% of debt portfolio of the scheme
- MF \otimes own more than 10% of company's PUC carrying VR.
- MF $\xrightarrow{\text{trf invt}}$ MF scheme \rightarrow at market price &
 - shall be in conformity with the invt objective of the scheme
- $\boxed{\text{MF}_1} \xrightarrow{\text{invest}}$ $\boxed{\text{MF}_2}$
 - shall not exceed 5% of the NAV of MF.
- Buy and sell by all the MF shall be made on the basis of deliveries.
- All securities shall be purchased or transferred in the name of MF scheme
- No MF shall make any investment in
 - any unlisted sec. of an associate or grp co.
 - any sec. issued by way of Pvt. Placement by an associate / grp co.
 - the listed securities of grp companies of the sponsor which is in excess of 25% of Net assets
- MF $\xrightarrow{\text{invt}} \otimes$ Fund of Fund scheme.

ch-18 Collective Investment Schemes.



⇒ Registration Provisions under SEBI Act, 1992



⇒ Restrictions on business activities

- The CIS should not -
 - undertake any activity other than managing the CIS.
 - act as a trustee of any CIS.
 - launch any CIS for the purpose of investing in securities.
 - invest in any CIS floated by it.

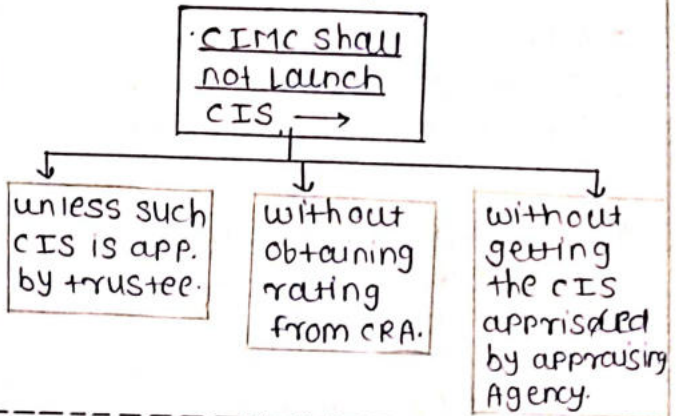
→ on application - Particulars of all its directors along with their int in the company → within 15 days of their appointment.

→ any other - info and documents to the SEBI and the trustee as may be required by them

⇒ Obligation of CIS :-

- Be responsible for managing the funds or properties of the CIS and exercise due diligence to ensure that CIS is managed in accordance with these reg. offer doc / trust deed.
- exercise due diligence and care in managing assets and funds of the CIS and also responsible for the act of commission and omission by the employee.
- liable to the unit holder - for its act of commⁿ or ommⁿ
- incompetent to enter into any transaction with or through its associates or their relative
- appoint registrar and STA and also abide by their code of conduct
- Give receipt of all monies received and report of the receipts and payment → SEBI → monthly basis
- Hold BM → at least twice in every 3 months
- obtain adequate insurance against the properties of the CIS

⇒ CIS of CIME :-



⇒ Procedure For Launching CIS :-

- The CIME shall launch only close ended CIS.
- Duration - less than 3 calendar yrs
- shall obtain adequate insurance Policy for protection of CIS. Property
- each CIS shall after closure of Subscription list comply foll. conditi.
 - Min sub. amt of 20 cr.
 - Min 20 investors.
 - No person shall hold more than 25% of assets under management of scheme.
- IF fails to comply with this → shall be liable to refund the appⁿ money to the investors.
- CIS shall not provide guarantee or assured return

⇒ Submission of info. and doc.

- Quarterly - Reports of its activities and the status of compliance of SEBI Reg → submit within 1 month → trustee
- Yearly - copy of B/S, P&L, copy of Summary of yearly appraisal report → within 2 months from the cl. of FY

indicative return may be indicated in offer doc. if same is assessed by appraising agency & expressed in monetary terms.

⇒

Disclosure in the offer doc.

- CIME shall before launching any CIS file a copy of offer doc → SEBI
- O.D. contain true and fair view of CIS and adequate disclosure.
- SEBI may require the CIME to carry out such modifications in the OD as it deems fit.
- In case of no modifications suggested by SEBI within 21 days from the date of filing, CIME issue offer doc. → Public.

⇒

Misleading Statement.

→ where an offer doc. or advertisement includes any statement or opinion which are incorrect or false, every person

- who is the director of the CIME at the time of issue of offer document.
- who has issued the offer doc. and shall be punishable under the act unless he proves either that the statement and or material opinion was immaterial or he had reasonable ground to believe at the time of the issue of the offer doc that the statement was true

⇒ offer period - No CIS shall be open for subscription for > 15 days. (+ 15 days - subject to issuance of public notice by the CIME before expiry of initial 15 days.)

⇒ Allotment of Units and Refunds of moneys.

CIME should specify in offer doc

Minimum and maximum subscription amount it seeks to raise under the CIS

and

In case of oversubscription the process of the amt oversubscribed

- CIME - refund the appⁿ money if CIS fails to receive the min subscription amount.
- Refundable amt should be refunded within a period of 5 WD from cl. of subscripⁿ list
- in the event of failure to refund within specified period - int @ 15% p.a

- ⇒ The CIMC should issue to the applicant whose application has been accepted, the units only in demat. form → within a period of 5 WD
- ⇒ The unit certificate issued to the applicant under the CIS should be freely transferable

⇒ Investment and segregation of funds -

- Funds of CIS invest (X) → for the purposes other than the objectives of the scheme mentioned in offer doc.
- Not invest more than 25% of the amount raised by CIMC in projects owned directly or indirectly by CIMC
- segregate the assets of diff. CIS
- Not invest corpus of a CIS in other CIS.
- CIS sch. trf (X) → CIS 2 - inter Scheme trf may be permitted at the termination of CIS → with Prior approval of trustee & SEBI

units of every scheme shall be listed immediately after the date of auct. Not later than 6 weeks from CI of sch.

⇒ winding up of CIS.

→ A scheme should be wound up on the expiry of duration or accomplishment of objective.

→ CIS may be wound up -

- in the opinion of the trustee, requires the scheme to be wound up - priority appr. of SEBI
- if unit holder holding $\frac{3}{4}$ th of the nominal value of the unit pass a resolution for winding up of scheme - priority app of SEBI.
- if in the opinion of the SEBI continuance of the scheme is prejudicial to the int of the unit holders.
- if in the opinion of CIMC, purpose of CIS cannot be accomplished → approval of the trustee and unit holder ($\frac{3}{4}$ th of N.V.)

→ trustee shall give Notice disclosing circumstances leading the winding up of CIS → Daily N.P., RNP.

→ Assets of the CIS → disposed of by the trustee and proceeds of sale realised should be

- First utilised towards discharge of liabilities.
- after making provision for meet expenses connected with winding up balance paid to unit holders.

→ After completion of the winding up trustee → SEBI & U.H.

- Report on step taken for Realisⁿ of asset
- EXP of winding up
- Net asset avail.

- certificate from auditor to the effect that all assets are realised and details of distribution Proceeds.

→ unclaimed money kept separately in the bank A/c by the trustee - 3 yrs thereafter trf to investor protection fund.

⇒ penalty -

- any sponsor / person carrying CIS without obtaining certif. of Reg - Min → 1L
max → ex to 1L/day - 1cr

- if any person fails to comply terms & condition of cert of Reg.

- Fails to make appⁿ for listing of its scheme
- Fails to dispatch unit certificate of any scheme
- Fails to refund the appⁿ money.
- Fails to invest money collected by such CIS.

→ Min - 1L
Max - ex to 1L/day up to 1cr.

⇒ Trustees and their obligation -

- means a person who holds the property of the CIS in trust for the benefit of the unit holders, in accordance with these Reg.
- The trust deed should contain such clauses as are specified and other clauses necessary for safeguarding the int of unit holders
- The persons registered with SEBI as debenture trustee under SEBI (Debenture trustee) Reg. 1993 are only eligible to appoint as a trustee
- No person is eligible to appoint as a trustee if he is directly or indirectly associated with the persons who have control over the CIMC.
- No person should be appointed as a trustee of CIMC, if he has been found guilty of an offence.
- The trustee and the CIMC should enter into an agreement for managing CIS' property.

⇒ Rights and obligation of trustee.

- shall have a right to obtain info. from CIMC as is considered neces
- Inspect books of accounts and other records relating to CIS.
- Trustee should ensure that
 - Necessary ofc infrastructure.
 - appoint all key personnel including manager.
 - appoint auditor
 - appoint compliance officer.
 - appoint registrar to an issue and STA.
 - Prepared a compliance manual & designed internal control mechanism
 - taken adequate insurance for the asset.
- Trustee should be accountable for and act as a custodian of the Funds and Property of the respective CIS
- Trustee should be responsible for the calculation of any income due to be paid to CIS
- A meeting of the trustees should be held at least twice in every three month.
- The trustee should report to SEBI any breach of these regulation or is likely to have made materially adverse effect on the int. of unit holder
- The trustee should ensure that
 - fees and exp. of CIS are within the limits as specified.
 - accounts of CIS are drawn up in accordance with the a/cing norms
 - account of the CIS and the format of the b/s and P&L as specified under these Reg.

⇒ Termination of Trusteeship :- Trusteeship of trustee should come to an end

- IF trustee ceases to be trustee under SEBI (debenture trustee) Reg 1993.
- IF trustee is in the course of being wound up.
- IF unit holder (3/4th N V) pass a resolⁿ for removing the trustee.
- IF in the int. of the unit holders, SEBI for reason to be recorded in writing remove the trustee.
- IF the trustee serves on the CIMC, notice of not less than 3m expressing intention of not to continue as trustee.

- on termination another trustee should be appointed within 3 months.
- IF unable to appoint trustee within 3 months, then SEBI can appoint any other person as a trustee
- The new & trustee appointed should stand substituted as trustee in all the documents to which the trustee was a party.
- The person appointed by SEBI should apply to the court for an order directing the CIMC to windup the CIS.
- A trust deed shall be executed by the CIMC in favour of the trustee so appointed.
- The trustee so removed shall remain liable for any action taken before such removal.

⇒ Termination of the agreement with CIMC :-

- agreement entered into by trustee with CIMC may be terminated -
 - IF CIMC is in the course of being wound up as per the provision of the companies Act, 2013.
 - IF a unit holder holding at least 3/4th of the nominal value of the unit cap. pass a resolⁿ for terminating the agreement.
 - IF in the int. of unit holders, SEBI or trustee after obtaining prior approval of SEBI and after giving 30BH, terminate the agreement.

- another CIMC registered with SEBI should be appointed within 3m from the date of termination.
- The CIMC so removed should continue to be liable for act of commission or omission, notwithstanding such termination.
- IF none of the CIMC registered under the Reg, consent to be appointed as CIMC within a further period of 3m then trustee may wind up CIS
- an agreement for managing CIS property should be executed in favour of new CIMC.

Ch-8 Issue of Capital and Disclosure Requirements

SEBI (ICDR) Reg. 2018

⇒ Entities not eligible for IPO
[Reg 5/102]

IPO [Reg 5]	FPO [Reg 102]
→ I/P/PG/ISS → deb	→ I/P/PG/ISS - deb
→ (CO) → P/D → (CO) → deb	→ (CO) → P/D → (CO) → deb
→ I/P/D → wilful d.	→ I/P/D - wilful d.
→ P/D → Fugitive EO	→ P/D - Fugitive economic offender.
→ any convertible security is outstanding - except ESOP	
→ convertible sec can be converted by the date of filing OD.	

⇒ Eligibility Requirement

IPO (Reg. 6)	FPO (Reg. 103)
① NTA - 3cr - (3 Pur year) not more than 50% in monetary form.	① If the co. has change its name in last 1 year then 50% of the revenue should be generated from the activity suggested by new name.
② AOP - 15cr (3 Pur) operating profit in each year.	
③ N.W. - 1cr (each 3 years)	
④ If the co. has change its name in P. 1yr then at least 50% of the revenue should be generated from the activities suggested by new name.	

⇒ Alternate eligibility.

Issue by BB mechanism
+
75% allotted to QIB
at least

⇒ General conditions. (Reg 7/104)

IPO (Reg. 7)	FPO (Reg 104)
1] In principle app. from SE.	1] In principle app. from SE.
2] Agreement with DEP.	2] Agg. with DEP.
3] All sh. holdings of promoter should be in demat form.	3] sh - fully paid up
4] sh - fully paid up.	4] Firm arrangement from verifiable means for 75% of the amount of project excl.
5] convertible sec - converted.	of the amount of proposed issue - internal accruals
6] Firm arrangement of finance from verifiable means for 75% of the amt. of project excluding proposed issue & internal accruals.	5] max disclosure in OD.
7] max limit of disc. in offer doc.	- Gen corp P - 25%
→ Gen corp P - 25%.	- unidentified - 25% investment
→ unidentified - 25% invest.	- max - 35%.
→ max - 35%.	

⇒ Additional condition for offer for sale during IPO / FPO.

- 1] Shares have to be - fully paid up.
- 2] Shares must have been held - 1 yr.
 - Explanation
 - The holding period of convertible security will also consider for counting 1 year.
 - Period of 1 year must be complied as on the date of filing DOD.
 - conversion must be taken place prior to filing of OD. provided full disclosure in DOD

Ⓐ →

→ ① • condition 1] sh-held for - 1yr
 Non applicability →

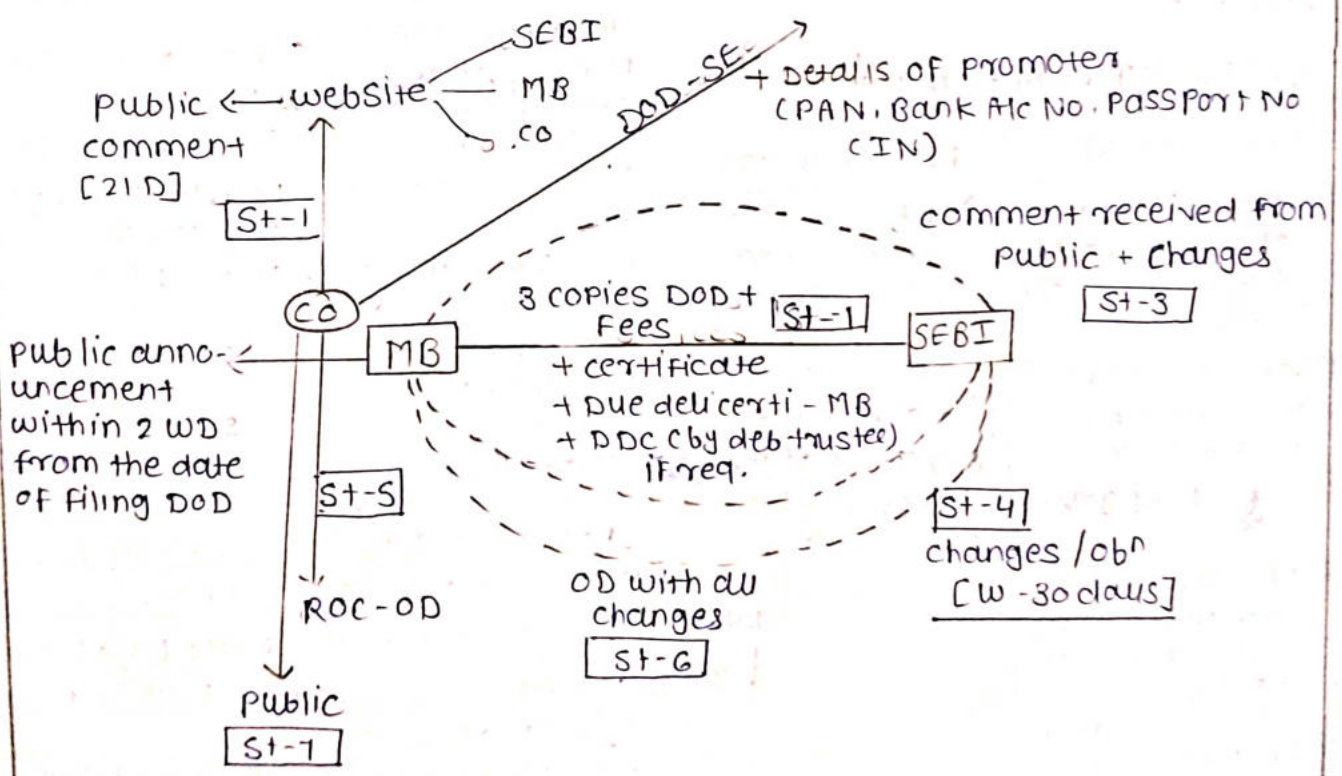
1] Govt. co. Statutory auth. (SPV) } Engaged in infra. sector. Statutory corp.

2] Equity share → as per order of Cg/ICIT U/S 230 to 234 → in lieu of capital in exist for 1yr

3] Bonus shares where shares (Parent co) are held for 1 year.
 Req: BI must out of FR SP
 BI must not out of RR unpr. PROFIT

⇒ warrant.
 • Instrument which gives the right to buy a security at predetermine date, rate, qty
 • provision
 - max tenure - 18 months
 - one or more warrant
 - Price for upfront - disclose
 - 25% to be paid upfront.
 - to be exercised within 3 months from the due date otherwise 25% paid upfront shall be forfeited.

⇒ Draft offer Document and offer Document :-



⇒ Monitoring Agency - IF the issue size exceeds 100 cr. rupees the issuer shall make arrangement for the use of proceeds of the issue to be monitored by credit rating agency.

⇒ opening of the issue - A public issue may be opened within 12m from the date of issuance of obn by SEBI

⇒

⇒ Securities ineligible for Promoters contribution.

a) IF securities issued for considⁿ other than cash and Revaluation Reserve and capitalisation of I.A is involved.

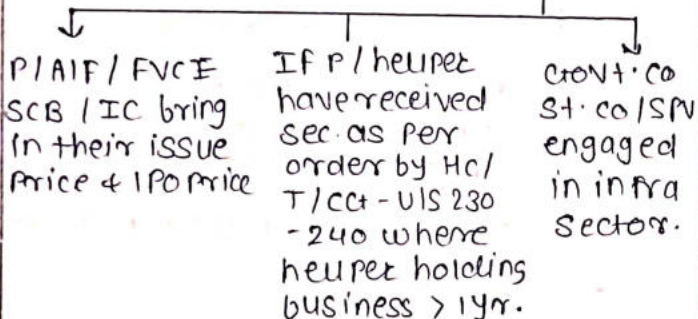
→ Bonus share is issued out of RR and unrealised profit

→ Bonus share issued owing to Sec which are itself ineligible.

b)

Sec. acq. by Promoter + s helper in P. 1 yr at a price lower than a Public issue price.

Eligible if



c) securities acquired by P / helper in P. 1 yr at a price lower than public issue price and issuer has been formed by co. from partnership / LLP and no. mgt is changed

↓
 such section will be eligible if P / hel. was holding the capital in P / LLP for more than 1 year.

d) securities pledged.

⇒ Net offer to Public.

Book Building Mech.	as per G(1)	at least 35% - REI at least 15% - NII 2/3 - if app ⁿ 21-10L 1/3 - if app ⁿ above 10L - Not more - 30% to QIB than
	as per G(2)	Not more - 10% - RII Not more 15% - NII Not less - 75% - QIB (5% MF)

Fixed P. Issue.

at least - 50% to RII Remaining < IND > 2L corp.

⇒ Reservation on competitive Basis.

- 1] Reservation in favour of
 - i) employees [eg ESPS]
 - ii) shareholders of listed sub-co or listed promoter co

2] Res. in case - can be made for OF FPO RII of the issuer co

3] conditions.

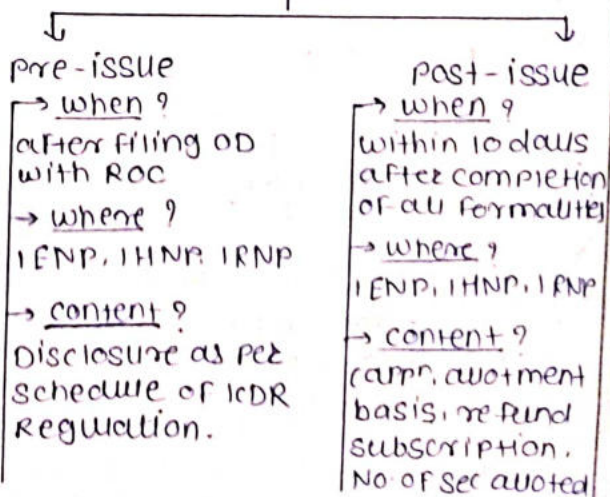
- max Res. force - 5% of post issue^{cap}
- 1 - sh. holder - 10% of issue size
- any person except RII, emp in whose fav. Reservation is made - cannot apply in net offer category.

⇒ Spillover is allowed (in case of unsubscribed portion in Res. category) → From Res. category to Net offer to Public category

⇒ Spillover is allowed (in case of unsubscribed portion in Net offer category) → From Net offer category to Reserve category.

⇒ application can not be made for any no. more than total share received.

⇒ Advertisement.



Promoter's contribution.

IPO

- 20% of Post issue capital.
- 5 helpers - [AIF, SCB, VCF, Fin. I, Ic]
- These helper can hold max. 10% of P/C in the min P.C.
- Brought in one day prior to issue opening date.
- Non applicability.
 - No Identifiable Promoter.

→ Other provisions

• whether promoter can acquire convertible sec to comply with min P.C.?

→ yes, but if the conversion price is not disclosed then promoter to give an undertaking to convert at the price to be announce.

→ The price at which promoter is acquire shares should not be less than weighted average cost of conv. sec. to public.

Eg. IPO Price of ES = 150
 conv. price of conv. sec = 200

↓
Not allowed.

→ X Ltd: IPO of conv. debt
 min P.C. → 20% of project cost [sub to 20% of issue size].

FPO

FPO	20% of proposed issue or 20% of Post issue cap.
comp. issue	20% of proposed issue or 20% of Post issue cap except right issue.

- Brought in one day prior to issue opening date.
- Exemption.
 - a) NO identifiable promoter.
 - b) → sec freq. traded for 3 yr
 - investor's gre. received until the end of last quarter 85% → redressed.
 - compliance of LODR Reg - 347

→ Other provisions

[same]

[same]

→ IF the Promoter contribution more than the min contribution

↓

The excess shall be made at

A. Price as per Reg. 164 } ↑
 B. Issue Price

⇒ Underwriting:

other than BB

For BB issue

- entire UA prior to filing OD-ROC
- Price at which shares will be subscribed in case of under subscription should not be less than issue price.
- MBI Stock bro. act as an underwriter.
- Lead manager & syndicate members underwrite
- Underwriting has to be for at least the amt. of minimum subscription.
- Lead manager appoints syndicate member who reg. with SEBI to act as a underwriter.
- If S.M fails to comply with their obligation to fulfill their requirement the LM is under the obligation to fulfill the requirement.
- underwriting agree. entered prior to filing offer doc.
- Price at which share will be subscribed shall not be less than issue price.
- LM / SM not to acquire any share in IPO / FPO except to fulfill underwriting oblign

⇒ Lock in (IPO)

Security held by promoter

For SR eq. sh.

Pre issue sh. (other than promoter)

Min P.C → 18M From allotm.

UPTI conversion

6M from allotment

Excess → 6M from allotm.

Exception

- Shares issued under ESOP
- Shares held by trust for benefits of employees.
- ES held by VCF, FVCI, AIF → 6M from purchase

⇒ Price and price band :-

In case of Fixed Price issue.

In case of book building issue

Disclosure of the price in the prospectus

Disclose the price

News Paper

Red hearing prospectus

IPO - 2 WD bef. FPO - 1 WD bef.

max - 120%

Floor P. → cap. Price.

Min 105% F.P.

⇒ opening of Issue

after 3 w.d. from filing OD to ROC.

within

Shelf - For 1st issue within 8m from receiving oblign from SEBI

Fast track issue → as per co's Act

other IPO / FPO → within 12m from receive oblign - SEBI

⇒ Minimum offer to Public :-

post issue capital.

Min public sharehold.

up to 1600 cr

25%

1600cr - 4000cr

400cr - 34% → 25%

4000cr - 10000cr

10% - 34% → 25%

above 10000 cr

5% - 54% → 25%

⇒ Min subscription - 90%

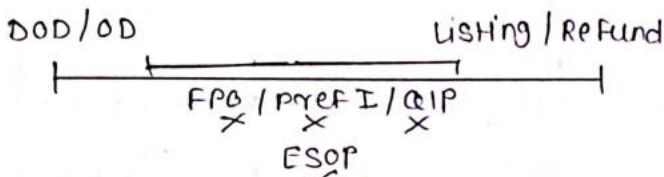
in case of non receipt - all money re funded within 4 days

⇒ Differential Pricing

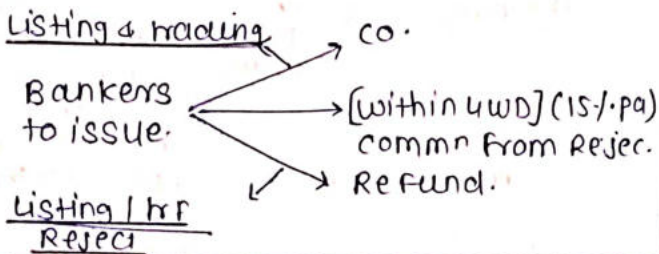
→ Generally not allowed. However allowed in following cases.

- 1] RII, RIS, ee → allowed - max 10% discount of issue price.
- 2] Book build issue → price at which sh. are issued to AI shall not lower than public issue price.
- 3] Alternate method of BB → max 10% of floor price.
- 4] in case of composite issue → Right issue price can be different from public issue price.

⇒ Restriction on further cap issue.



voluntary discount is made in off doc



⇒ Application and Min appⁿ value.

→ shares in IPO / FPO to have a min. application value to fall betⁿ 10,000 - 15,000

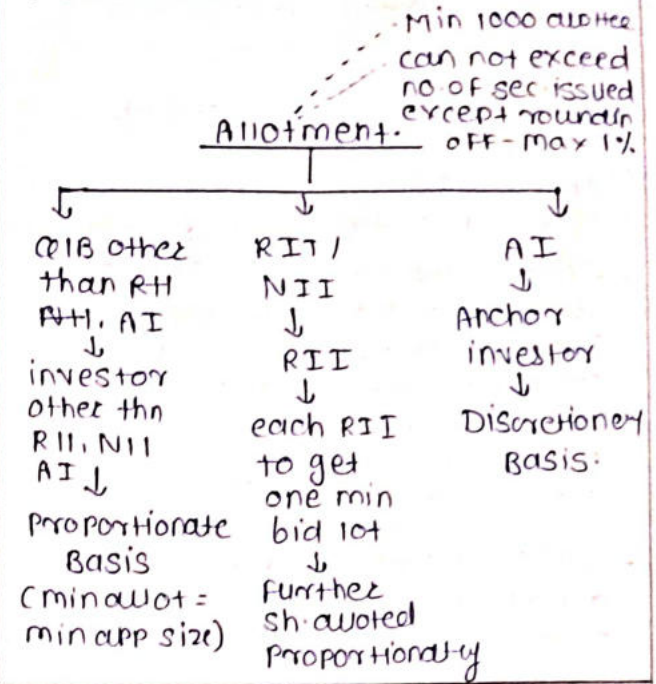
→ eg - TATA Tech. come up with their IPO to raise 5000 cr.

TATA Tech - 1 ES = ₹ 550

Min appⁿ value = 27 ES = 1 Lot (Value = 14,850)

⇒ application to be received in multiple of minimum application value.

⇒ Basis of allotment.



⇒ What is Fasttrack issue?

(M.T. - Jiska Promoter SALIM hai)

→ An FPO where issuer is not req^d

- DOD to SEBI 4
- Deposit security deposit with SE

→ which co. are eligible to fasttrack issue → (Jiska Promoter SALIM hai)

Promoter - shareholding of promoter is in demat form.

- S → NO SCN
- NO settlement mechanism
- NO suspended [3 yrs]

- A → Annualised trading TPO (at least 2% of weighted av. no. of shares)
- Annualised delivery based trading TPO (at least 10% of annualised trading TPO)

- L → Listing [3 yrs]
- LODR [8 yrs] - comply

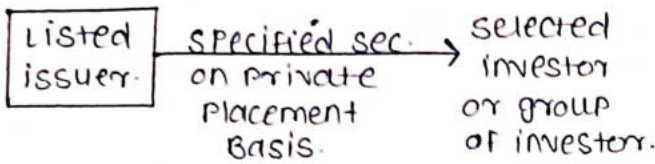
I → Investor complaints: at least 95% of them have been redressed.

- M → Market cap.
 - 100 cr - For Public Issue
 - 250 cr - For right Issue

- No conflict of int - mg
- Audit query/audit - disclosed

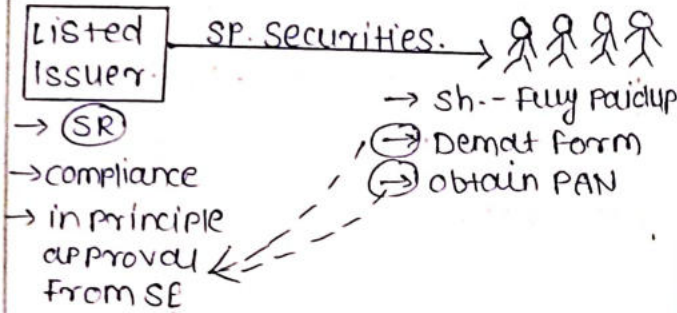
⇒ Preferential issue - [Ch-V ICDR]

① meaning :-



Excluding - ESOP / ESPS / SES / DR

② conditions :-



③ Ref. Date :-

For PI of E.S. : 30 days prior to the date of GM (for SR)

for PI of C.S. : 30 days prior to the date of GM (for SR) or 30 days prior to the date of conversion [the choice to be informed upfront].

Note - If the ref. date fall on the weekend / holiday the preceding day shall be the ref. date.

④

Tenure of the C.S. issued as pref issue

- Maximum 18 months
- allotment of Eq. sh. within 15 days from exercise.

⑤ Allotment :-

Persu. to SR	within 15 days → SR
approval or permission from CG / SEBI is req.	within 15 days from the date of approval.
SEBI's order is giving relaxation.	allotment within time prescribed by SEBI.

If open offer is made owing to the pref issue

within 15 days from the expiry of 15 days.

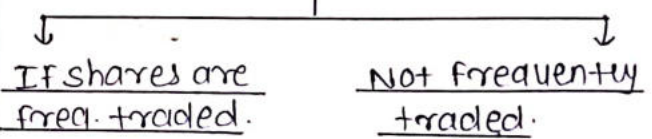
PI is pursuant to a resolution by RBI or Res. Plan by NCI

period of 15 days do not apply.

Note -

- Allotment is not made in 15 days Fresh SR is required.
- allotment - Demat Form.

⑥ pricing of pref. issue



A] Listed for go TD

- PI shall be at the price higher of
- WA VWAP - P. go TD
- VWAP - P 10 WD

B] Listed for less than go TD

- PI shall be at a price higher of
- IPO Price
- VWAP - period of listing
- VWAP - P 10 TD.

Note - at the end

of go TD from listing, the price to be recomputed as per "A" shortfall if any to be asked by allottee.

• If AOA prescribed a higher price for PI, PI will be made at such price

→ PI to ceil (not more than 5): PI can be made at a price not less than 10 TD's VWAP.

⇒ who is diss. shareholders?

Diss. shareholder means shareholder who voted against the resolution for change in object or various in contract in O.D.

condition for Exit Opportunity

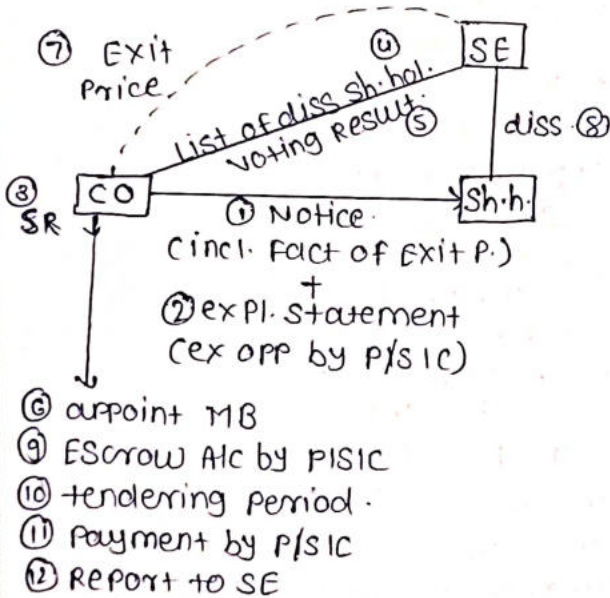
- Public issue after 1-04-2014.
- Resolution is diss. by at least 10% sh. hold. in G.M.
- amt. unlisted for stated purpose less than 75%.

Eligibility for sh. hold for exit opportunity

↓
any dissenting shareholder.

Exit opportunity to dissenting shareholder

Method.

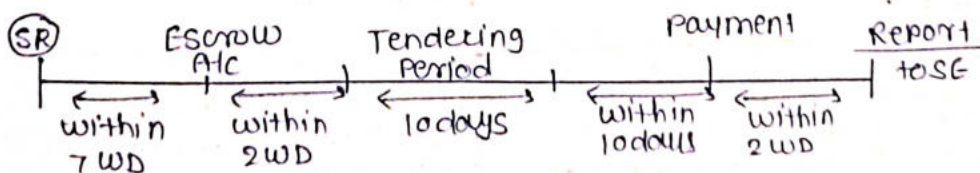


what will be the exit offer price?

Exit price shall be highest of

- A] Volume w. A.P. acq. by P/SIC PAC → in past 52 weeks.
- B] Highest Price acq. by P/SIC PAC → in past 26 weeks.
- C] V. W. A. M. P. → in P. Go trading days
- D] Price deter. by P/SIC & MB → valuation parameters and such other parameters which are customary for valuation.

Timeline



⑥ Pref. share to QIB who is promoter or related to promoter.

↓
Not allowed.

⇒ How to check QIB is related to P?

IF QIB HAS

- Rights under Shareholder's agree. ^{or}
- veto power or
- right to appoint nominee.

BUT →

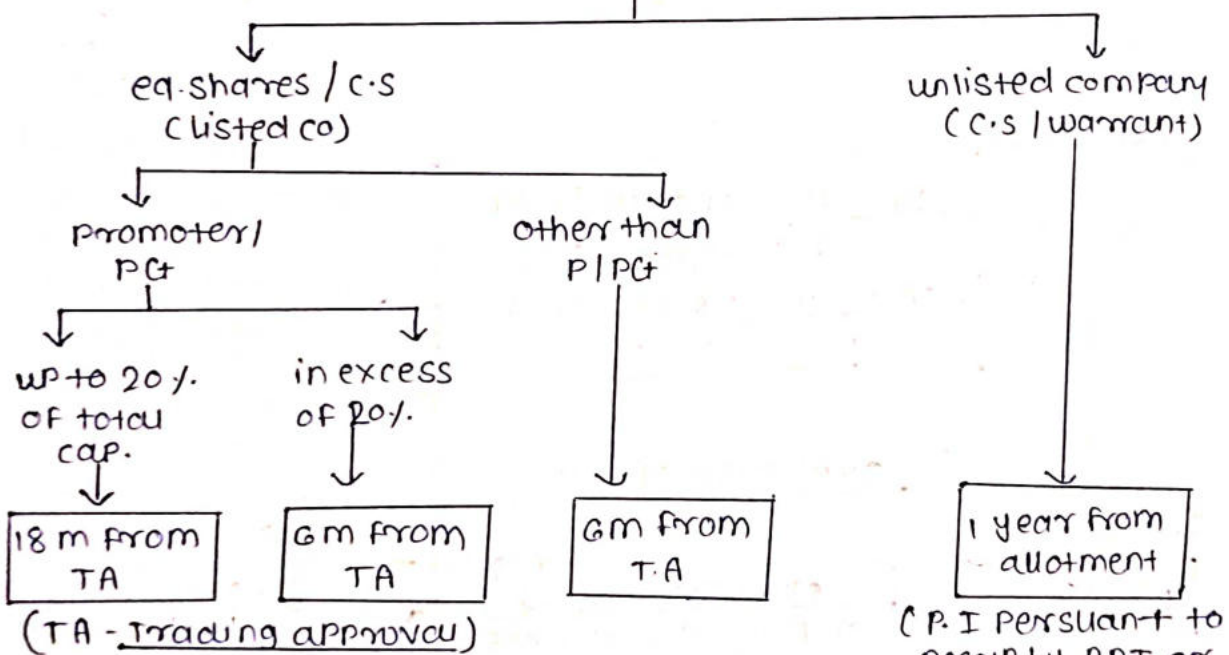
IF a QIB has any right as a lender and QIB has a no share in the issuer co.

↓
QIB shall not be considered as related to promoter.

⑦ Adjustment in pricing

→ BONUS, Right Issue, Split conversion, demerger, merger

⑧ Lock in for preferential issue.



Note - The pre PI holding of allottee shall be locked in for go T.D

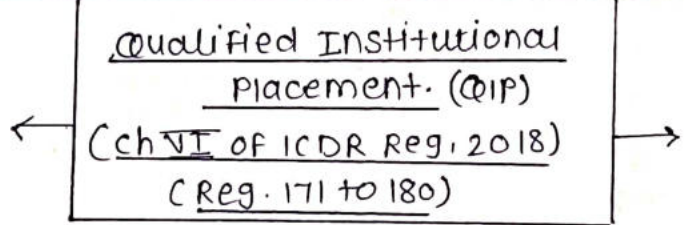
⑨ Payment of consideration. :-

- Full consideration, except for warrant to be received, except where shares are issued for consideration other than cash.
- Warrant - 25% of the ex. price or as per formulae to be received upfront.
 - remaining - at the time of exercise.
- PI pursuant to resolution of SA by RBI or R.P. by NCLT - con. will be paid as per the scheme.
- certificate from stat. auditor to be submitted to SE.

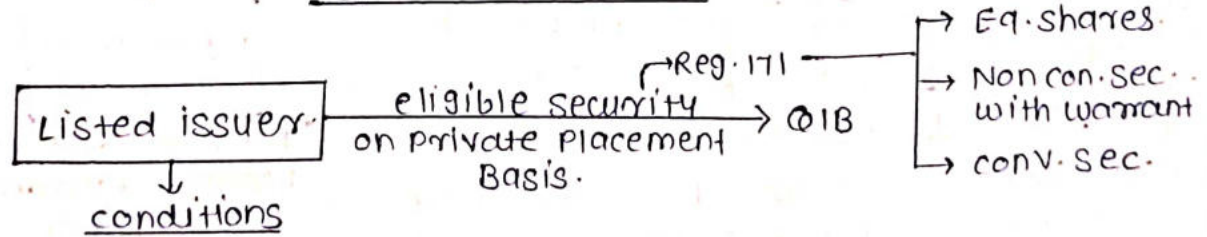
⑩ Issuer Ineligible for Pref issue Reg. 159

1. IF issuer has o/s dues to SEBI SE or DEP → IF there is an ongoing appeal for the amt not ineligible
2. IF P/D of issuer is fug. Eco. offender
3. IF P/PG has not ex. warrant, no pref issue for 1 year
4. IF any person has sold the sh. in P. go T.D. → SEBI can grant relaxⁿ + rF → IF +1 is made
 - inter se promote or
 - by promoter to SCB / FI etc on invocation of Pledge
 ↓
 not ineligible

⇒

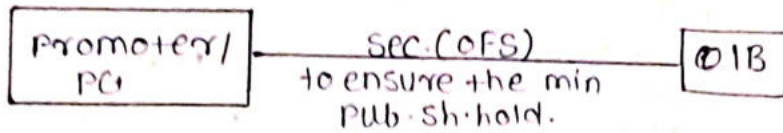


Structure of QIP



- ① SR (valid - 365 days)
 - ② Eq. Sh (Listed - 1yr)
 - ③ P/D - not to be fug. Eco. offender.
- other conditions -
- Eq. sh (QIP) - fully paid up
 - E.S. (QIP) - Listed.
 - No QIP for 2 weeks from any QIP.

⇒ Reg. 173 - QIP by promoter / PCT th OFS to ensure min pub. sh. holding

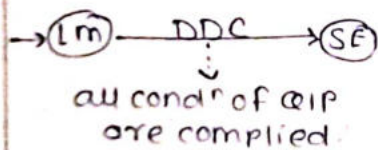


Exemption	conditions.
<p>⇒ SR ⊗</p> <p>⇒ share listed for 1 yr ⊗</p>	<p style="text-align: center;">QIP</p> <p style="text-align: center;">Buy / sell ⊗ any sh.</p> <p>P/PCT P/PCT is allowed to sell in the 12 w period.</p> <p>th. ↙ OFS ↘ open market on SE </p>

Reg. 174

APPⁿ of lead manager

- appⁿ one or more MB or LH.
- at least 1 LM should not be associate.
- Those LM who are → only marketing



Reg. 175

Placement Memo

- all disc. as per CA ICDR etc.
- Specify P/D: fugitive eco. off. ⊗
- IF P/D are wd / FB this fact to be disclosed
- Serially numbered and issued only to selected investor
- website
 ↗ SE
 ↘ issuer

 (specify that it is not an offer to public)

Reg. 176.

Pricing

- Not less than Average: weekly: P 2w of high & low
- a discount of up to 5% can be given by SR
- Adj in price given by can be made for: BI / RI / SS / con Re. ci / MI / De etc

Reg. 177

Reg. 178

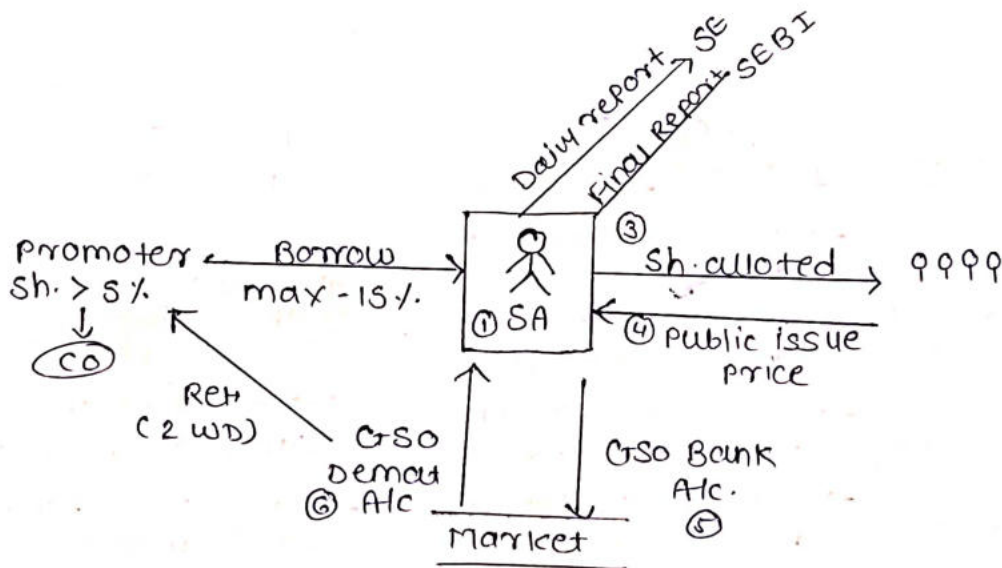
Reg. 179

QIP



<u>Reg. 177</u> <u>Tenure of con sec.</u> ↓ Max - <u>60 months</u> .	<u>Reg. 178</u> <u>APPⁿ and allotment</u> → can not withdraw or revise downward after closure of issue → No allotment to QIB who is promoter or related to promoter (Same like PI) → Min 10% to be allotted to MF.	<u>Reg. 179 180</u> <u>Min Number of allottees</u> <table border="1"> <thead> <tr> <th>Min allottees</th> <th>Issue size.</th> </tr> </thead> <tbody> <tr> <td>2 QIB</td> <td>≤ 250cr</td> </tr> <tr> <td>5 QIB</td> <td>> 250cr</td> </tr> </tbody> </table>	Min allottees	Issue size.	2 QIB	≤ 250cr	5 QIB	> 250cr
Min allottees	Issue size.							
2 QIB	≤ 250cr							
5 QIB	> 250cr							
<u>Reg. 178</u> <u>Transferrability.</u> ↓ Not to be transferred for 1 year - Except - on RSE		⇒ No single allottee shall be given more than 50% of the issue size.						

- ⇒ Green shoe option (GSO)
 → post listing price stabilizing Mech.
 → Max - 30 days.

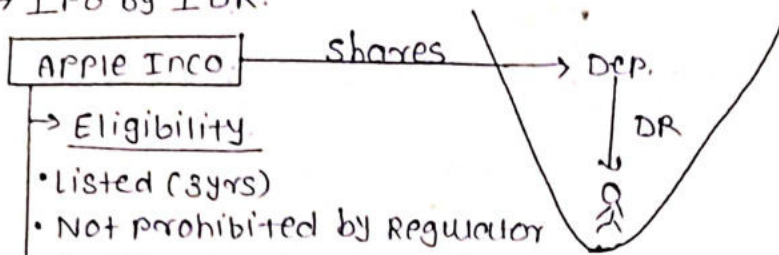


- ⇒ Right issue procedure.
- check auth. S.C.
 - BM for approving RI
 - Inf. SE
 - BM for finalising all details
 - Inf. SE
- In prin. app. app to SE
- DOD to SEBI
 - Adv in NP (2 days prior to op. of issue)
 - Issue open - (7-30)
 - BM for finalising allotment
 - Final appⁿ for Listing - SE.

Blank space for notes.

⇒ IPO of IDR.

→ IPO by IDR.



→ Eligibility

- Listed (3yrs)
- Not prohibited by regulator
- track record of compliance
- P/D - fugitive eco-offender.

→ conditions

- Issue size - min 50 cr.
- only one denomination of DR at a time
- Shares to be listed prior to the issue of IDR.
- Shares for IDR, ranked pari passu with other shares.

→ Issuer to ensure (Gen. condition)

- In principle app. from SE
- app to depository for dematerialisation
- FAF VM → 75 → total project excl. IP, IA
- Max 25 → Gen. corpo. purpose in the offer document.

⇒ Right issue of IDR

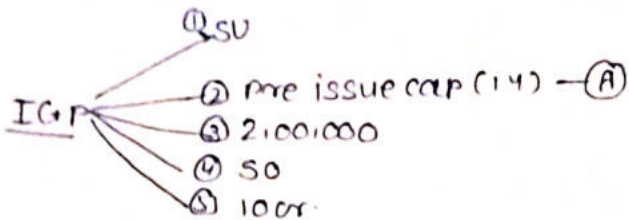
→ Entities not eligible

- ① Issuer → breach of ongoing material obligation → Listing AGG. (SE) or LODR or Deposit agreement (dip)
- ② P/D → Fugitive Economic offender.

⇒ Listing on IGP.

Eligible entities

- 1] startups → intensive in the use of
 - Technology
 - Infra tech
 - Data analy.
 - Int property
 - Bio tech
 - Nano tech.
 → To provide → Product, Service, Platform
- 2] at least 25% of pre issue cap → held by QIB or (for 1 yr) Specified investor
- 3] Min offer size - 10 cr.
- 4] Min appn size and trading lot = 2L
- 5] Min quotee : 50.

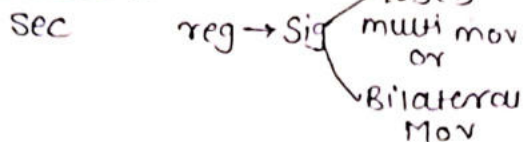


→ (A) SPI

- QIB
- IGP Inv.
- FPI

→ entities which satisfy all condⁿ
DAVM : 150 M\$

- 1) Fin. Sector Reg - Registered
- 2) Counter Ⓞ



- 4) country
- FATF → a) DEF → anti money
Laundering measure
→ combatting

IPO on SME Platform.

Eligibility:

- Post issue ^{paid up} capital ≤ 10 cr.
- Post issue paid up cap > 10 cr, ≤ 25 cr
- may migrate to main board by passing a (SR)
- SEBI does not issue any obⁿ
- DD certificate by MB to SEBI.
- application size and trading lot = 1,00,000.
- Issue size be 100% underwriter
- market making for 3 years.

Migration from SME to MB	Migration from MB to SME
Post issue Face value cap - > 10 cr and up to 25 cr.	Post issue Face value cap = LESS than 25 cr.
SR where votes casted in Favour by Sh.h. other than Promoter to be 2 times of vote casted against the resol ⁿ	→ same
Issuer fulfills the eligibility criteria of MB	Issuer fulfills the eligibility criteria of SME

⇒ Bonus issue. [293-295]

Conditions

- AOA
- SE
- ~~X~~ → int + pr → FD/debt
- ~~X~~ → Payment of St. dues.
- FRO → P/D
- Fully paid up Shares.

⇒ Restriction

- Reservation for → compw con. deb. sec.
- BI → FR → SP → CRR
- Not allowed in lieu of dividend
- SR voting Right ES → Bonus Sh. Such bonus sh also have SVR

⇒ Time period.

- (BR) → within 15 days
- (BR) Gm-Res. → within 15 days.

⇒ Issue procedure :-

