

CS EXECUTIVE

SECURITIES LAW & CAPITAL MARKET

CHART BOOK

**8th
Edition**



Prof. Raj Awate's

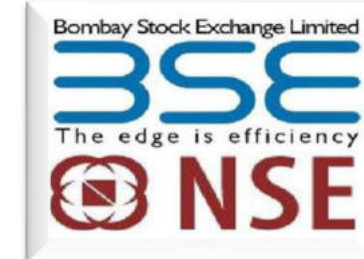
INSPIRE ACADEMY

CS - CS EET
- EXECUIVE
- PROFSIONAL

CMA - FOUNDATION
- INTER

Shubhamm Sukhlecha (CA, CS, LL.M)

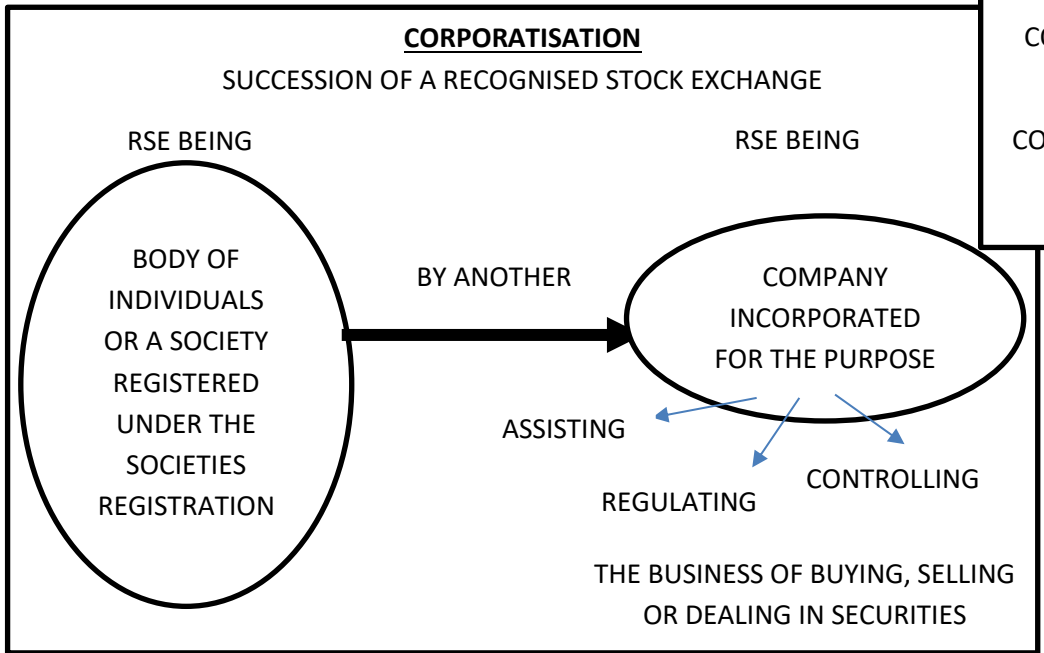
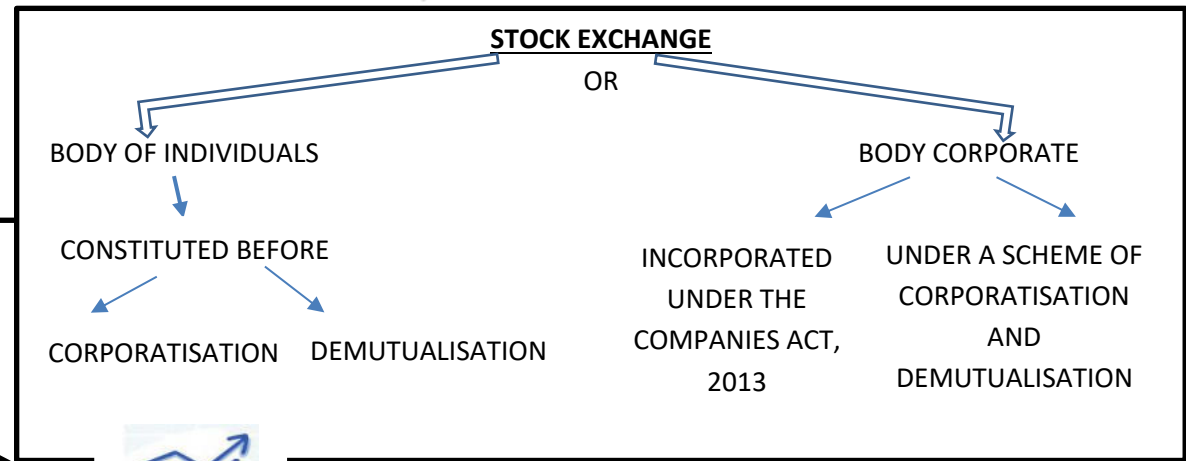
Securities Contract (Regulation) Act, 1956



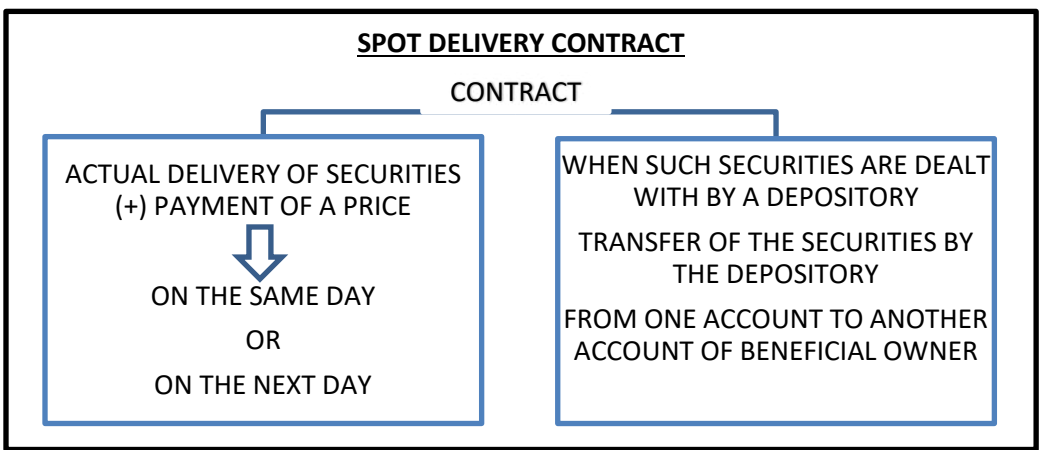
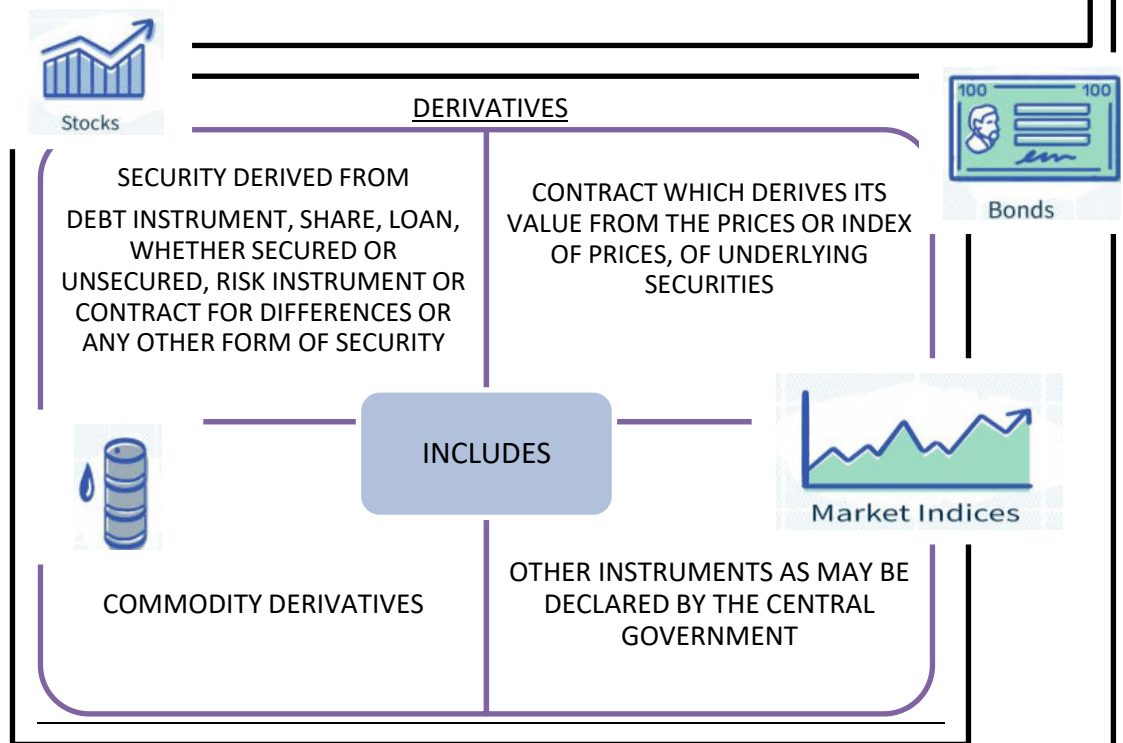
DEFINITION

- ACT FOR RECOGNITION OF STOCK EXCHANGES BY THE CENTRAL GOVERNMENT
- EXTENDS TO THE WHOLE OF INDIA
- CAME INTO FORCE IN FEBRUARY, 1957

RECOGNISED STOCK EXCHANGE (RSE)
STOCK EXCHANGE WHICH IS FOR THE TIME BEING RECOGNISED BY THE CENTRAL GOVERNMENT.



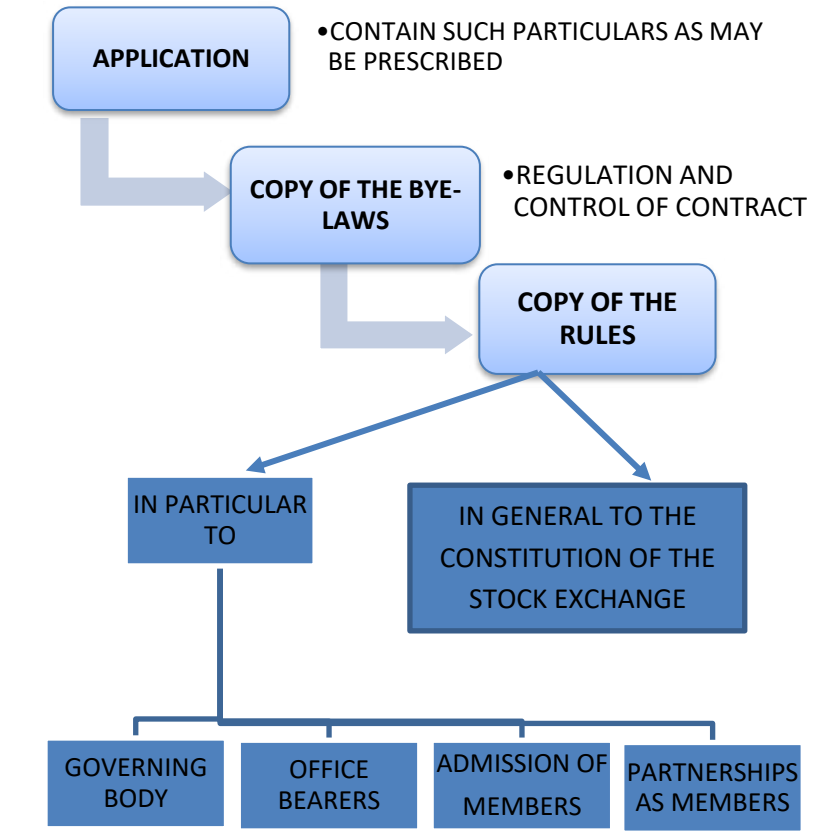
DEMUTUALISATION
SEGREGATION OF OWNERSHIP AND MANAGEMENT FROM THE TRADING RIGHTS OF THE MEMBERS OF A RECOGNISED STOCK EXCHANGE IN ACCORDANCE WITH A SCHEME APPROVED BY THE SEBI



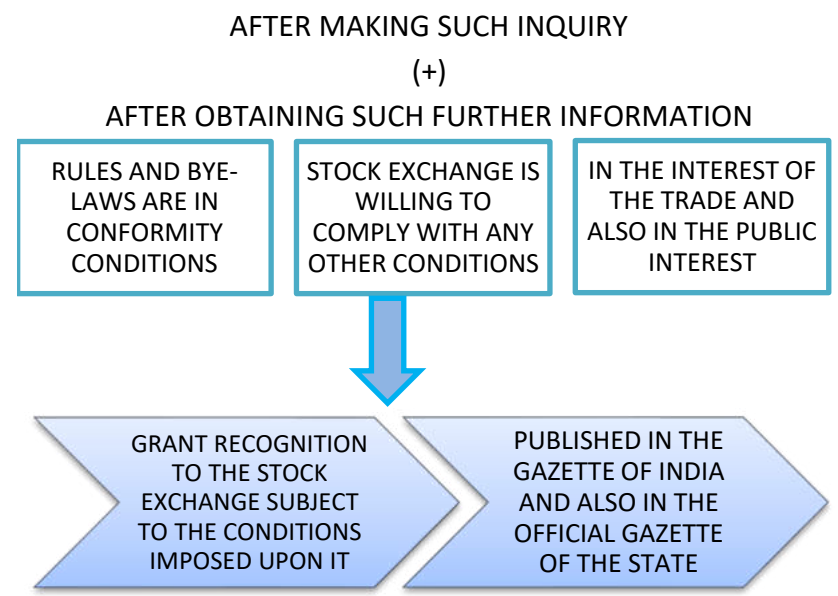
GOVERNMENT SECURITY
SECURITY CREATED AND ISSUED BY THE CENTRAL GOVERNMENT OR A STATE GOVERNMENT FOR THE PURPOSE OF RAISING A PUBLIC LOAN

RECOGNITION OF STOCK EXCHANGES

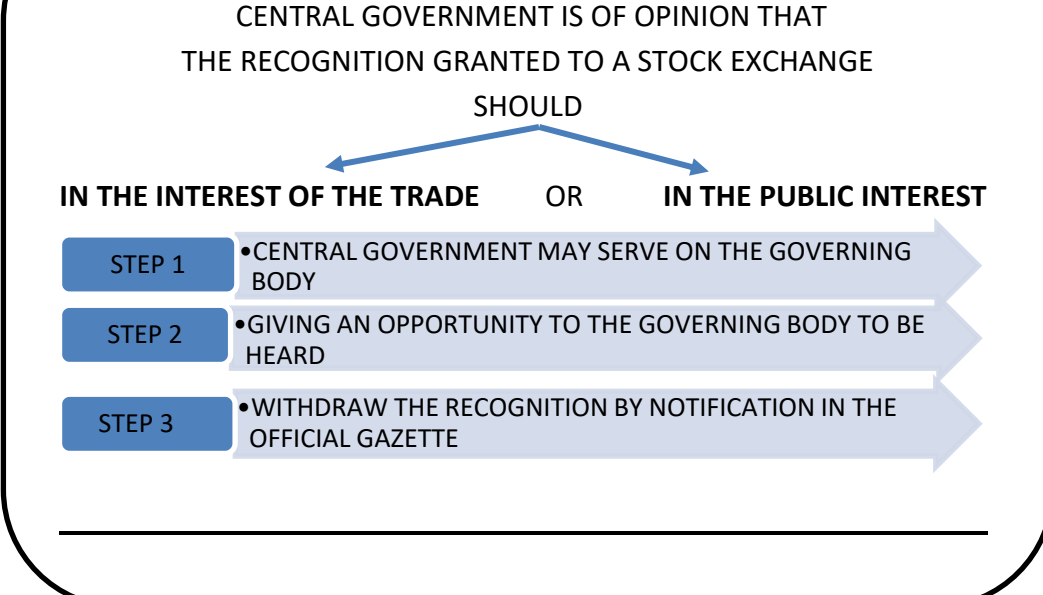
SECTION 3: TO BE RECOGNIZED STOCK EXCHANGE



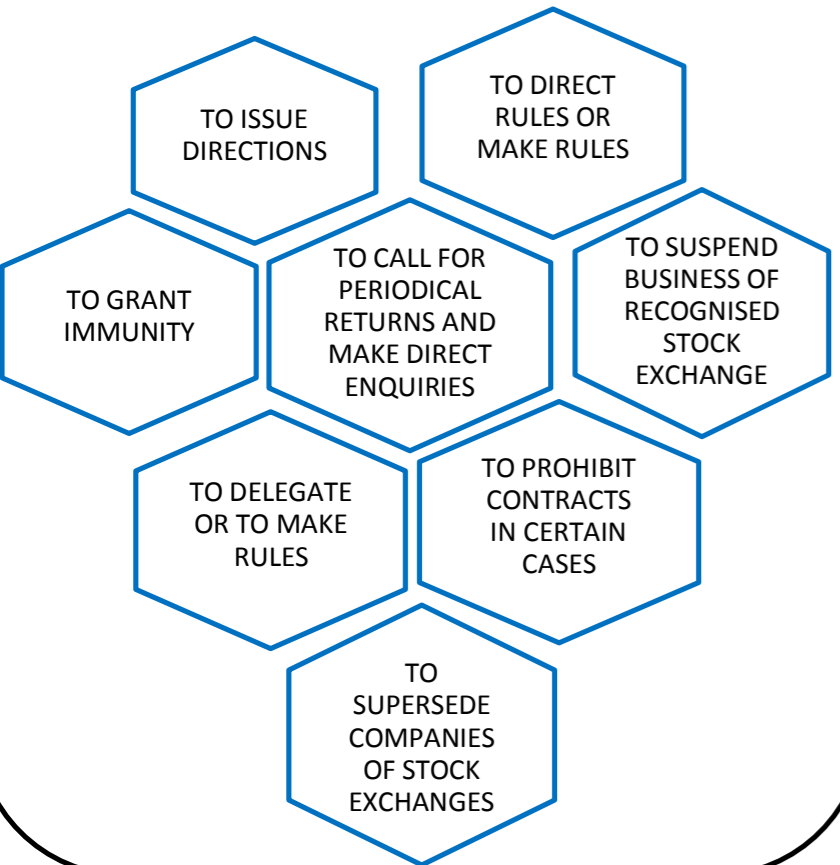
SECTION 4: CENTRAL GOVERNMENT OR SEBI



WITHDRAWAL RECOGNITION OF STOCK EXCHANGES



POWERS OF CENTRAL GOVERNMENT



POWERS OF RECOGNISED STOCK EXCHANGE

- ❖ MAKE RULES RESTRICTING VOTING RIGHTS
- ❖ TO MAKE BYE-LAWS

POWERS OF SECURITIES EXCHANGE BOARD OF INDIA

- TO MAKE OR AMEND BYE-LAWS OF ANY RSE
- TO MAKE REGULATIONS
- TO MAKE REGULATIONS



PUBLIC ISSUE AND LISTING OF SECURITIES

EVERY ISSUER BEFORE ISSUING THE OFFER DOCUMENT TO THE PUBLIC
MAKE AN APPLICATION
 TO ONE OR MORE RECOGNIZED STOCK EXCHANGES FOR GRANTING PERMISSION

IF PERMISSION IS NOT GRANTED
 REPAY ALL MONEYS WITHIN **EIGHT DAYS** RECEIVED FROM APPLICANTS IN PURSUANCE OF THE OFFER DOCUMENT

FAILS

REPAY THAT MONEY WITH INTEREST AT THE RATE OF 15%p.a.
 EVERY DIRECTOR OR TRUSTEE WHO IS IN DEFAULT SHALL BE JOINTLY AND SEVERALLY LIABLE

IF PERMISSION IS GRANTED

SHALL COMPLY WITH THE CONDITIONS OF THE LISTING AGREEMENT WITH THAT STOCK EXCHANGE

REFUSAL TO LIST SECURITIES BY STOCK EXCHANGES



TO **SECURITIES APPELLATE TRIBUNAL (SAT)**

- ❖ **WITHIN 15 DAYS** FROM THE DATE OF REFUSAL
- ❖ EVERY APPEAL SHALL BE IN SUCH FORM AS PRESCRIBED
- ❖ BE ACCOMPANIED BY SUCH FEE AS MAY BE PRESCRIBED

THE APPEAL FILED BEFORE THE SECURITIES APPELLATE TRIBUNAL SHALL BE DEALT WITH BY IT AS EXPEDITIOUSLY AS POSSIBLE AND DISPOSE OFF THE APPEAL FINALLY WITHIN **SIX MONTHS** FROM THE DATE OF RECEIPT OF THE APPEAL

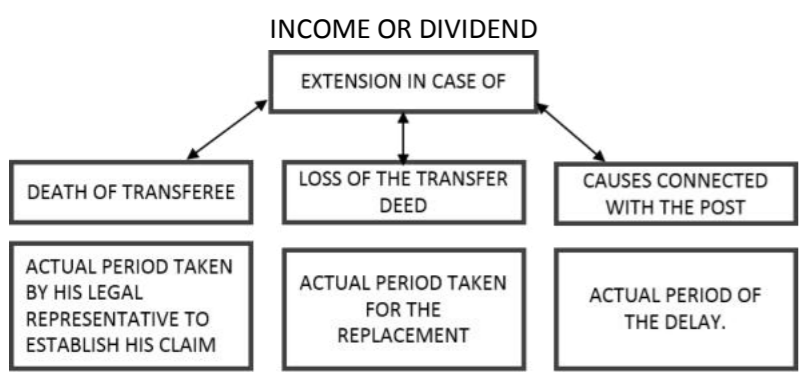


RIGHT TO RECEIVE INCOME OR DIVIDEND FROM COLLECTIVE INVESTMENT SCHEME/ MUTUAL FUND OR COMPANY

HOLDER OF ANY SECURITIES
 ↓
 NAME APPEARS ON THE BOOKS OF THE ISSUER
 ↓
 RECEIVE AND RETAIN ANY INCOME IN RESPECT OF UNITS OR OTHER INSTRUMENTS ISSUED



TRANSFEREE CAN CLAIM THE INCOME OR DIVIDEND IF HE MAKES APPLICATION **WITHIN 15 DAYS** FROM DECLARATION OF THE



5 LAKH – 25 CRORES

- PENALTY FOR FAILURE TO FURNISH PERIODICAL RETURNS, ETC
- PENALTY FOR FAILURE TO COMPLY WITH LISTING CONDITIONS OR DELISTING CONDITIONS
- PENALTY FOR EXCESS DEMATERIALIZATION OR DELIVERY OF UNLISTED SECURITIES

1 LAKH/DAY (UPTO MAX. 1 CRORES)

- PENALTY FOR FAILURE TO FURNISH INFORMATION, RETURN ETC.
- PENALTY FOR FAILURE BY ANY PERSON TO ENTER INTO AGREEMENT WITH CLIENT
- PENALTY FOR FAILURE TO ADDRESS INVESTORS GRIEVANCES

1 LAKH – 1 CRORES

- PENALTY FOR FAILURE TO SEGREGATE SECURITIES OR MONEY OF CLIENTS
- PENALTY FOR CONTRAVENTION WHERE NO SEPARATE PENALTY HAS BEEN PROVIDED

PENALTY AMOUNT COLLECTED → CREDITED TO THE **CONSOLIDATED FUND OF INDIA**

FACTORS UNDERTAKEN BY ADJUDICATING OFFICER

- AMOUNT OF DISPROPORTIONATE GAIN OR UNFAIR ADVANTAGE
- **AMOUNT OF LOSS CAUSED**
- **REPETITIVE NATURE OF THE DEFAULT**

RECOVERY OF AMOUNT BY ADJUDICATING OFFICER

- ATTACHMENT - IMMOVABLE PROPERTY - MOVABLE PROPERTY - BANK ACCOUNTS
- ARREST OF THE PERSON AND HIS DETENTION IN PRISON
- APPOINTING A RECEIVER

SECURITIES APPELLATE TRIBUNAL (SAT)

MAY VARY OR SET ASIDE THE DECISION OF THE STOCK EXCHANGE

SHALL SEND A COPY OF EVERY ORDER MADE BY IT TO SEBI AND PARTIES TO THE APPEAL

SPECIAL COURT



- ✍ ESTABLISH OR DESIGNATE BY CENTRAL GOVERNMENT
- ✍ FOR THE PURPOSE OF PROVIDING SPEEDY TRIAL OF OFFENCES UNDER THIS ACT
- ✍ CONSIST OF A SINGLE JUDGE
- ✍ JUDGE APPOINTED BY THE CENTRAL GOVERNMENT WITH THE CONCURRENCE OF THE CHIEF JUSTICE OF THE HIGH COURT OF THE JURISDICTION
- ✍ QUALIFICATION FOR JUDGE: HOLDING THE OFFICE OF A SESSIONS JUDGE OR AN ADDITIONAL SESSIONS JUDGE
- ✍ THE CODE OF CRIMINAL PROCEDURE, 1973 SHALL APPLY TO THE PROCEEDING BEFORE A SPECIAL COURT

Securities Contract (Regulation) Rules, 1957

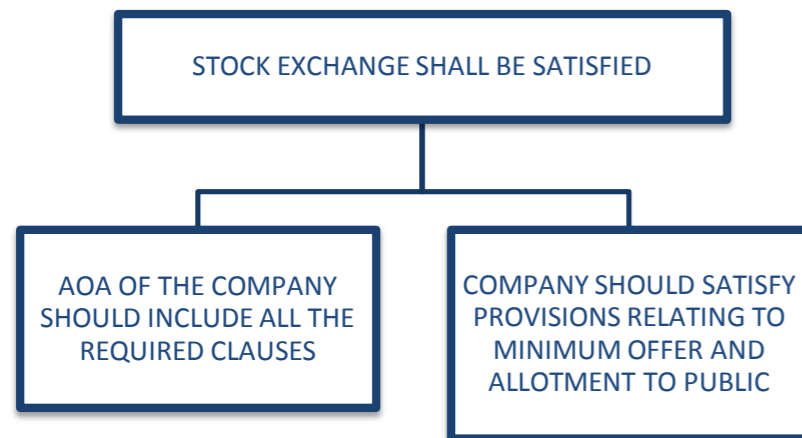
REQUIREMENTS OF LISTING OF SECURITIES WITH RECOGNISED STOCK EXCHANGES

A PUBLIC COMPANY DESIROUS OF GETTING ITS SECURITIES LISTED ON A RECOGNISED STOCK EXCHANGE

APPLY TO THE STOCK EXCHANGE

FORWARD ALONG WITH ITS APPLICATION FOLLOWING DOCUMENTS

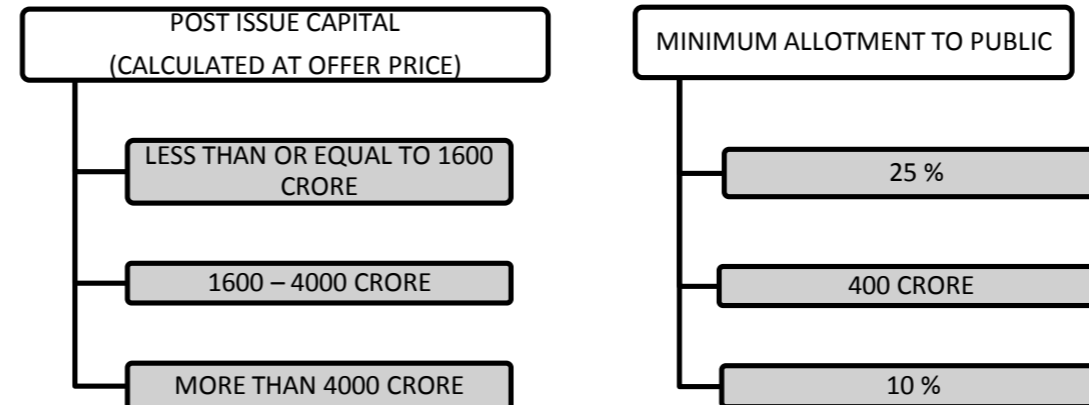
- ψ MOA AND AOA
- ψ COPIES OF ALL PROSPECTUSES OR STATEMENTS IN LIEU OF PROSPECTUSES
- ψ COPIES OF BALANCE SHEETS AND AUDITED ACCOUNTS FOR THE LAST FIVE YEARS
- ψ PARTICULARS OF SHARES FORFEITED.
- ψ PARTICULARS OF SHARES OR DEBENTURES FOR WHICH PERMISSION TO DEAL IS APPLIED FOR
- ψ CERTIFIED COPIES OF AGREEMENTS OR OTHER DOCUMENTS RELATING TO ARRANGEMENTS WITH OR BETWEEN –
 - i. VENDORS AND/OR PROMOTERS,
 - ii. UNDERWRITERS AND SUB-UNDERWRITERS,
 - iii. BROKERS AND SUB-BROKERS.
- ψ CERTIFIED COPIES OF AGREEMENTS WITH –
 - i. MANAGING AGENTS AND SECRETARIES AND TREASURERS
 - ii. SELLING AGENTS
 - iii. MANAGING DIRECTORS AND TECHNICAL DIRECTORS
 - iv. GENERAL MANAGER, SALES MANAGER, MANAGERS OR SECRETARY



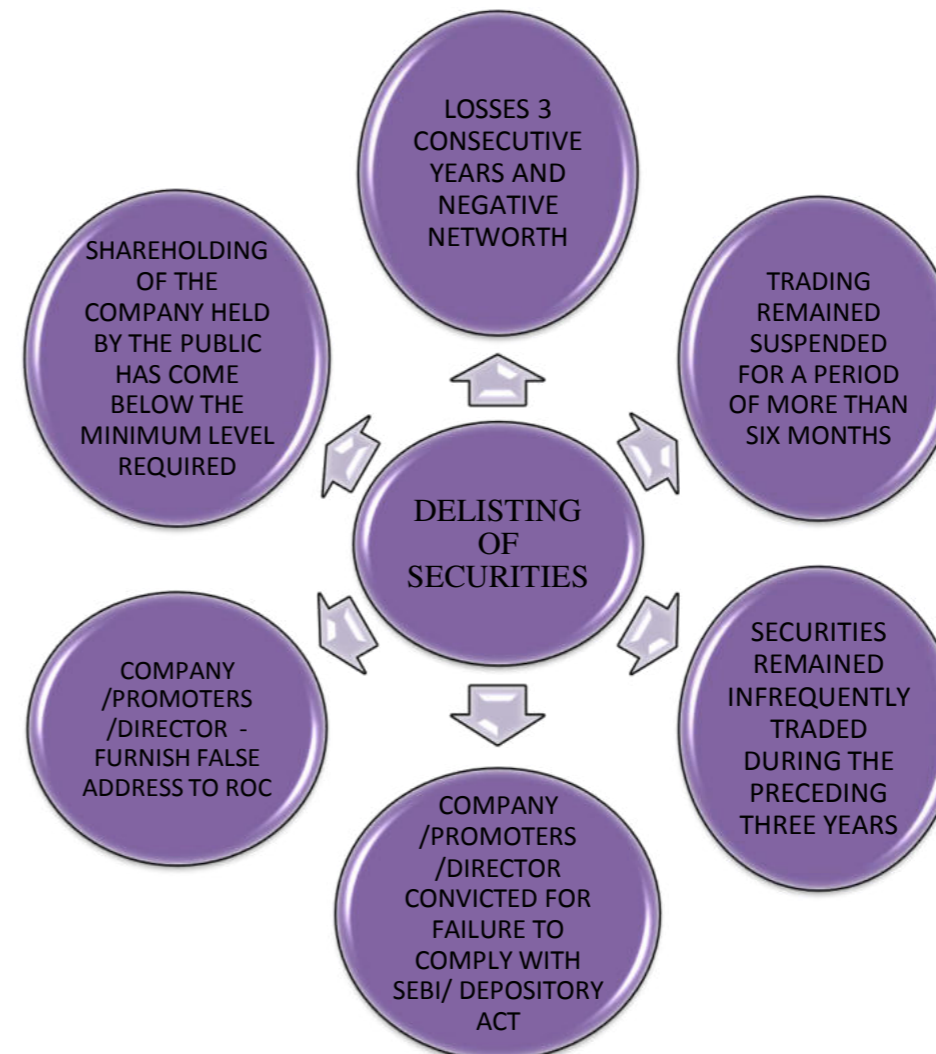
MINIMUM OFFER AND ALLOTMENT TO PUBLIC

ALSO KNOWN AS

COMPLIANCE OF CONTINUOUS LISTING AGREEMENT



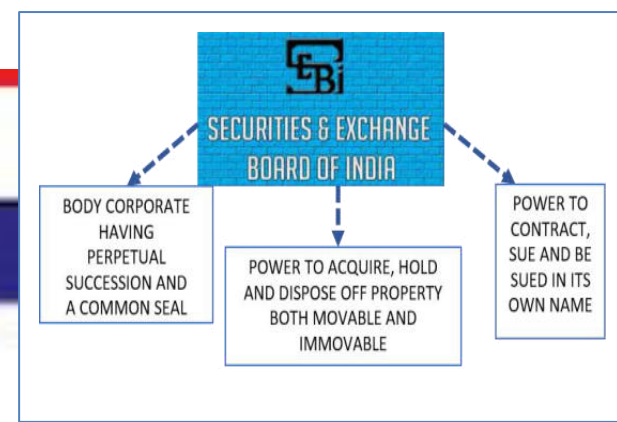
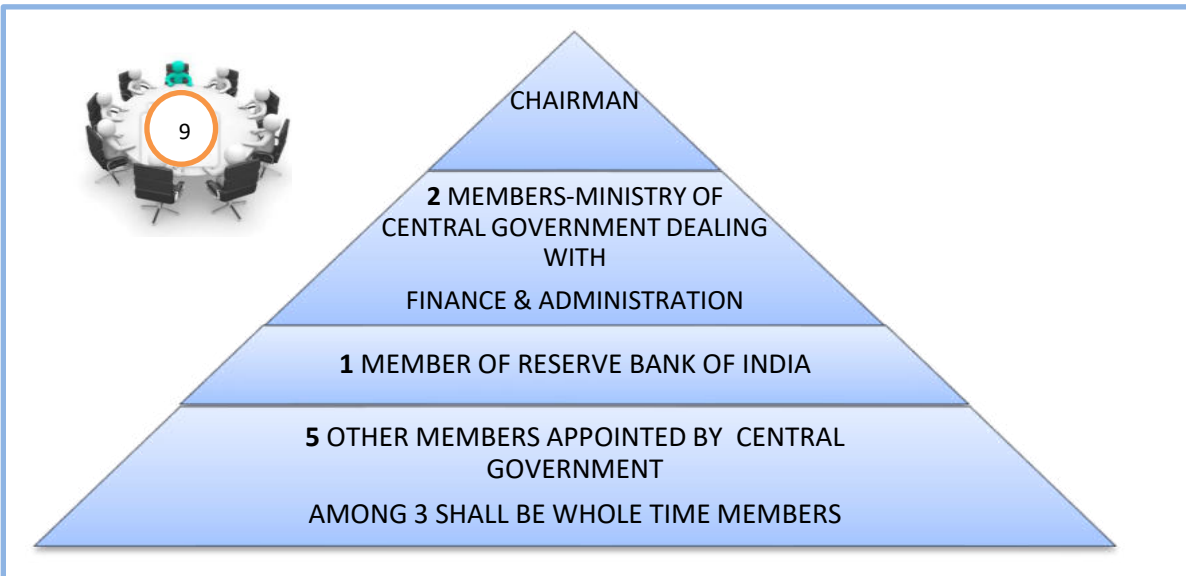
SHUBHAMM SUKHLECHA
(CA, CS, LLM)



SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992



HEAD OFFICE AT MUMBAI AND HAS POWERS TO ESTABLISH ITS OFFICES AT OTHER PLACES IN INDIA



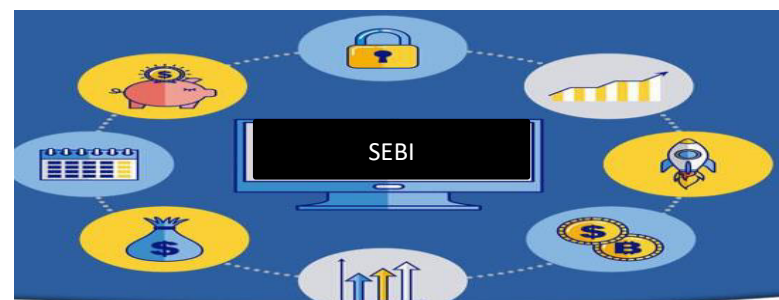
FUNCTIONS AND POWERS OF SEBI

- φ THE DUTY OF SEBI ↔ TO PROTECT THE INTERESTS OF THE INVESTORS IN SECURITIES
↔ TO PROMOTE THE DEVELOPMENT SECURITIES MARKETS
↔ TO REGULATE THE SECURITIES MARKETS
- φ TAKE MEASURES TO UNDERTAKE INSPECTION OF
↔ ANY BOOK ↔ OTHER DOCUMENT
↔ REGISTER ↔ RECORD } OF ANY LISTED PUBLIC COMPANY
- φ VESTED WITH THE SAME POWERS AS CIVIL COURT UNDER THE CODE OF CIVIL PROCEDURE, 1908 FOR TRYING A SUIT IN RESPECT OF THE FOLLOWING MATTERS:
 - i.) DISCOVERY AND PRODUCTION OF BOOKS OF ACCOUNT AND OTHER DOCUMENTS
 - ii.) SUMMONING AND ENFORCING THE ATTENDANCE OF PERSONS AND EXAMINING THEM ON OATH
 - iii.) INSPECTION WITH RESPECT TO BOOKS, REGISTERS AND OTHER DOCUMENTS OR RECORD
 - (a) OF ANY PERSON LISTED IN SECTION 12 OF THE ACT
 - (b) OF ANY LISTED COMPANY OR A PUBLIC COMPANY WHICH INTENDS TO GET ITS SECURITIES LISTED ON ANY RECOGNIZED STOCK EXCHANGE
 - iv.) ISSUING COMMISSIONS FOR THE EXAMINATION OF WITNESSES OR DOCUMENTS
- φ REGULATE OR PROHIBIT ISSUE OF
 - PROSPECTUS
 - OFFER DOCUMENT
 - ADVERTISEMENT
 } SOLICITING MONEY FOR ISSUE OF SECURITIES
- φ REGULATE COLLECTIVE INVESTMENT SCHEMES
- φ POWER TO ISSUE DIRECTIONS AND ORDER INVESTIGATION
- φ TO ORDER CEASE AND DESIST PROCEEDINGS SECTION

REGISTRATION OF INTERMEDIARIES

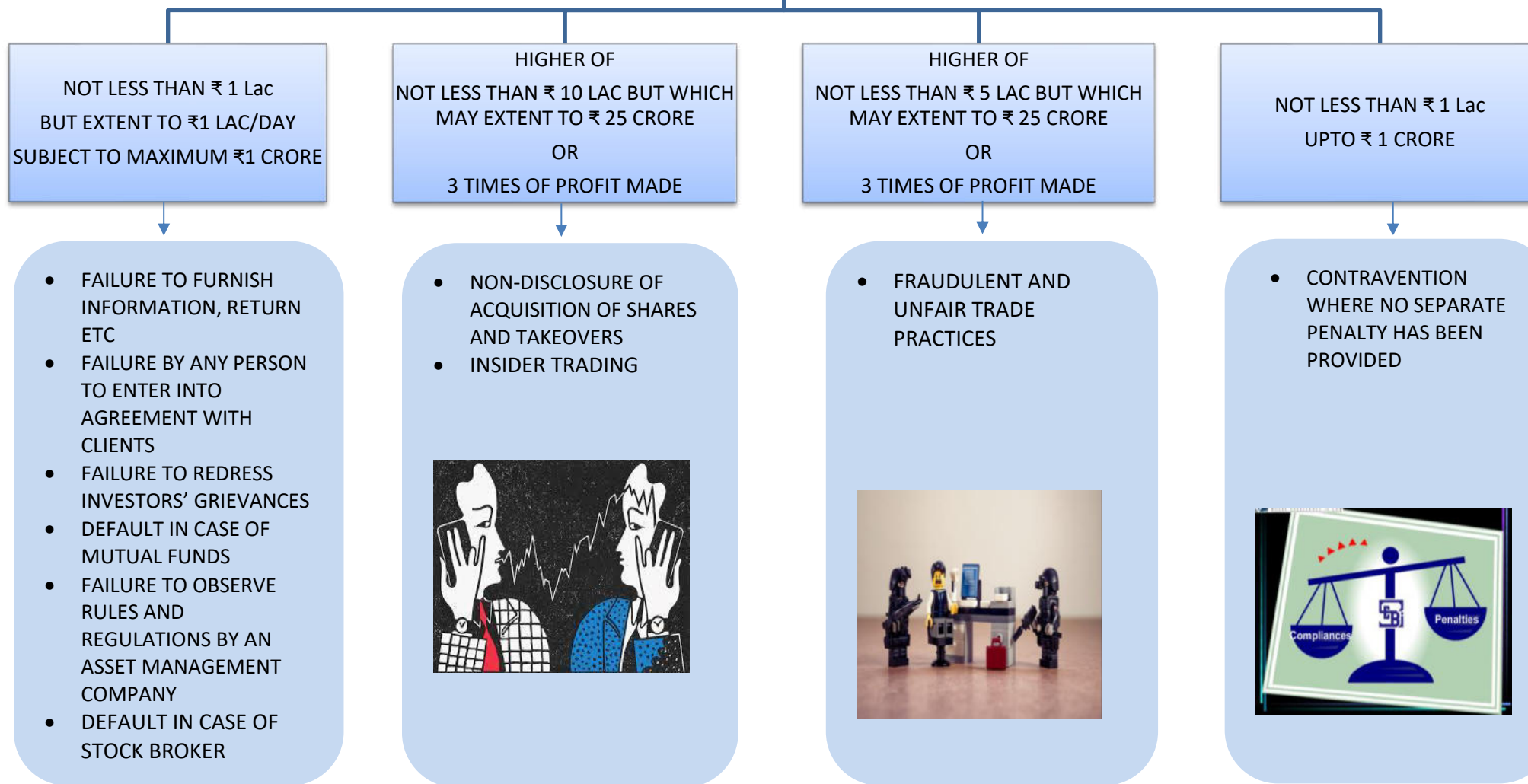
- ✓ INTERMEDIARIES ARE REQUIRED TO OBTAIN A REGISTRATION CERTIFICATE FROM SEBI
 - TO BUY
 - TO SELL
 - TO DEAL
 } IN SECURITIES
- ✓ FOR REGISTRATION → APPLICATION SUCH MANNER } DETERMINED BY SEBI REGULATIONS
→ PAYMENT OF SUCH FEES }
- ✓ SEBI MAY, AFTER GIVING REASONABLE OPPORTUNITY OF BEING HEARD BY ORDER, SUSPEND OR CANCEL A CERTIFICATE OF REGISTRATION, IN SUCH MANNER AS MAY BE DETERMINED BY SEBI REGULATIONS.

STOCK-BROKER	SUB-BROKER	SHARE TRANSFER AGENT	BANKER TO AN ISSUE	TRUSTEE OF TRUST DEED
REGISTRAR TO AN ISSUE	MERCHANT BANKER	UNDERWRITER	PORTFOLIO MANAGER	INVESTMENT ADVISER
DEPOSITORY PARTICIPANT	CUSTODIAN OF SECURITIES	FOREIGN INSTITUTIONAL INVESTOR	CREDIT RATING AGENCY	OTHER INTERMEDIARY

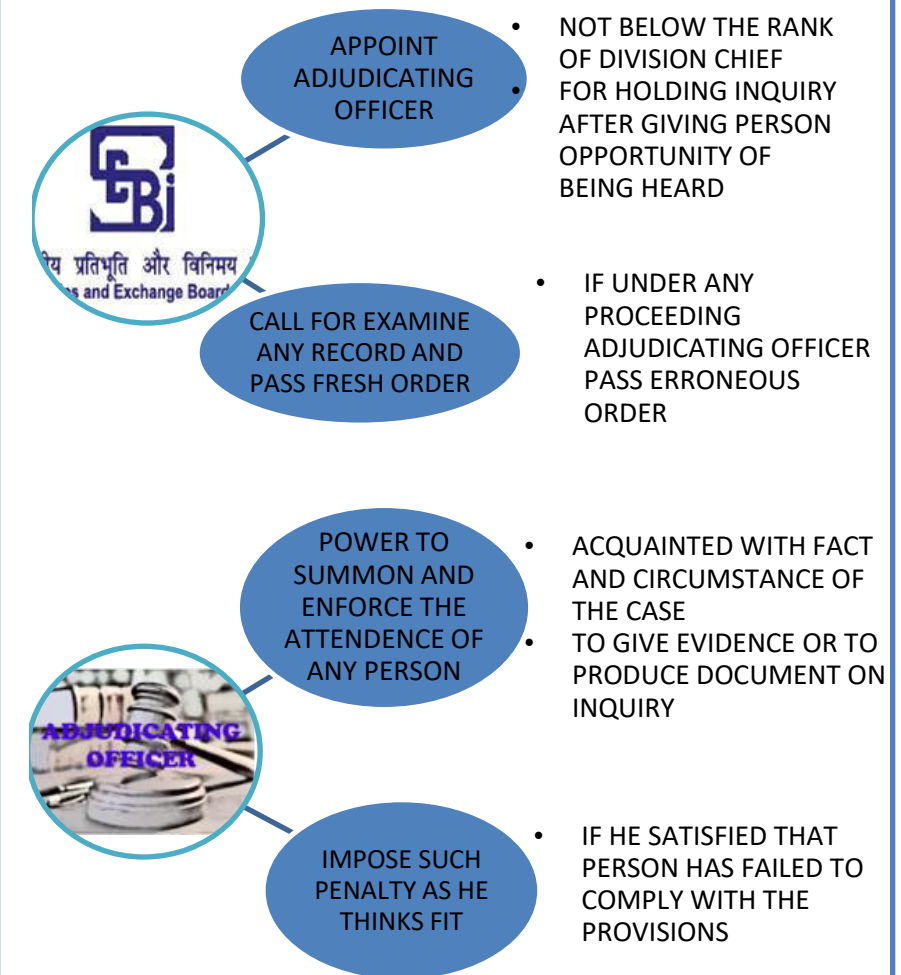


SHUBHAMM SUKHLECHA (CA, CS, LLM)

PENALTY PROVISIONS



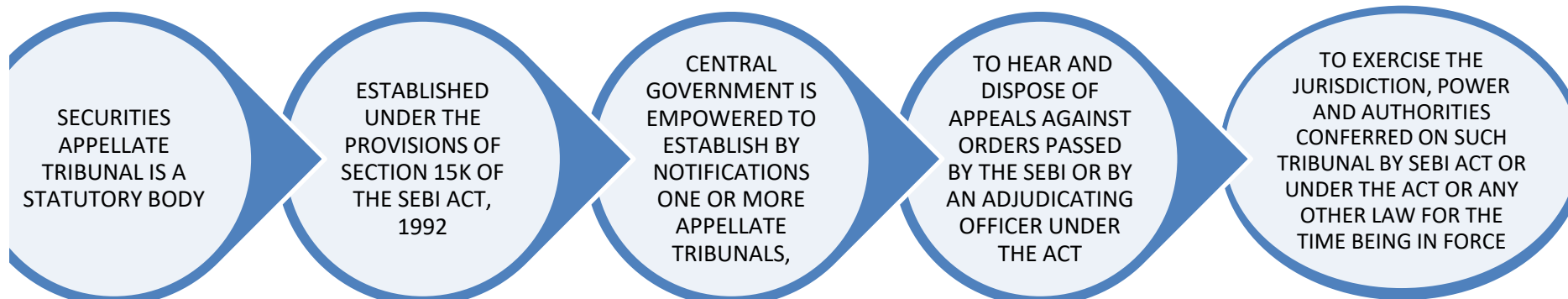
ADJUDICATIONS



FACTORS TO BE TAKEN INTO ACCOUNT BY THE ADJUDICATING OFFICER WHILE ADJUDGING THE AMOUNT OF PENALTY

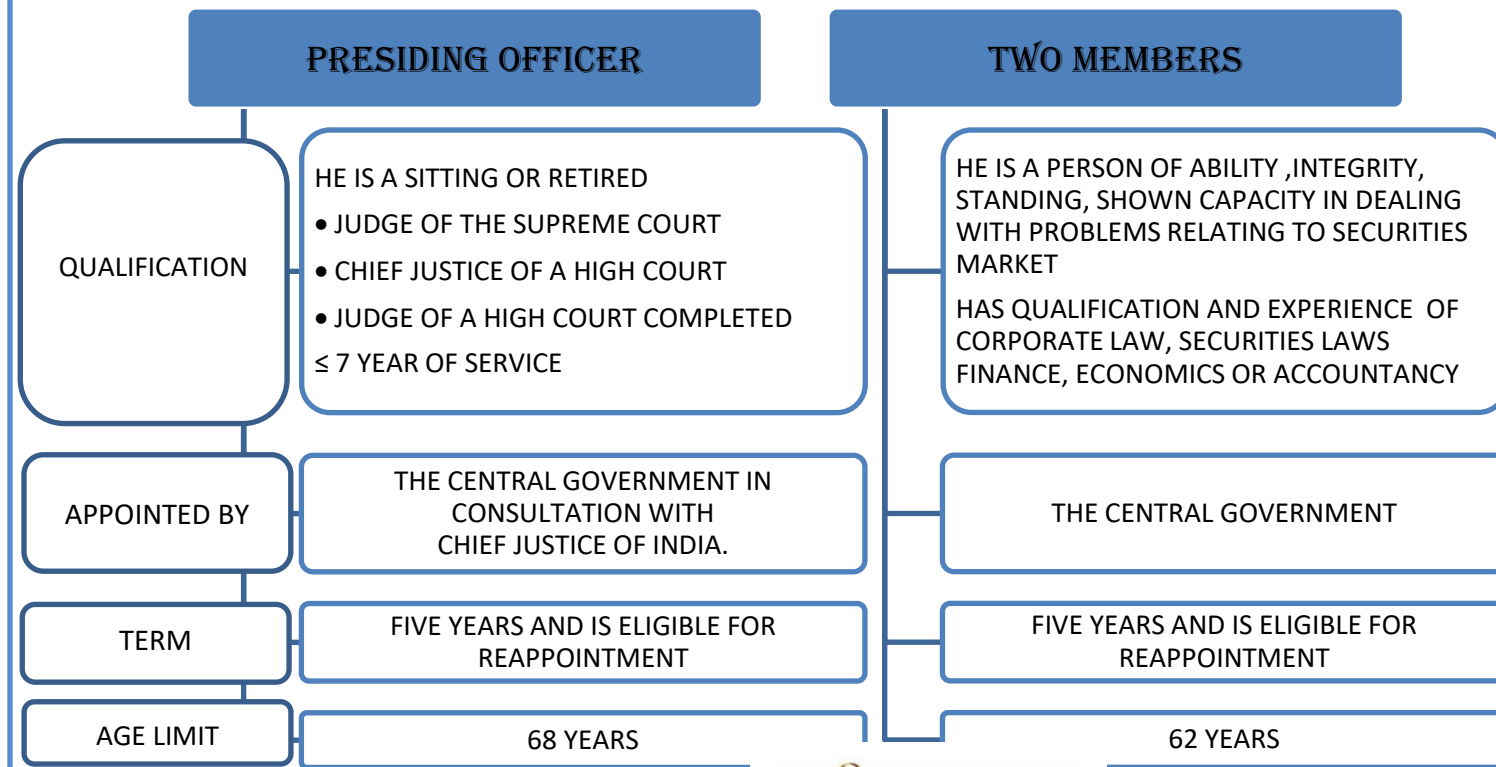
THE AMOUNT OF LOSS CAUSED TO AN INVESTOR OR GROUP OF INVESTORS AS A RESULT OF THE DEFAULT

THE REPETITIVE NATURE OF THE DEFAULT



BY
SHUBHAMM SUKHLECHA
(CA, CS, LLM)

COMPOSITION OF THE SECURITIES APPELLATE TRIBUNALS



APPEAL TO SECURITIES APPELLATE TRIBUNAL

- ❖ ANY PERSON AGGRIEVED BY DECISION OF SEBI, RECOGNISED STOCK EXCHANGE ADJUDICATING OFFICER
 - ↓
 - FILE APPEAL TO SAT
 - ↓
 - WITHIN 45 DAYS + 45 DAYS (EXTENSION IF SUFFICIENT CAUSE): -
 - ORDER OF SEBI
 - DECISION OF RECOGNISED STOCK EXCHANGE
 - DECISION OF ADJUDICATING OFFICER
- ❖ SAT → ON RECEIPT OF APPEAL
 - ↓
 - AFTER GIVING THE PARTIES TO **OPPORTUNITY OF BEING HEARD**
 - ↓
 - PASS ORDER AS THINKS FIT CONFIRMING, MODIFYING OR SETTING ASIDE THE ORDER

APPEAL TO SUPREME COURT

- ❖ ANY PERSON AGGRIEVED BY DECISION OR ORDER OF SECURITIES APPELLATE TRIBUNAL
 - ↓
 - FILE APPEAL TO SUPREME COURT REGARDING **QUESTION OF LAW**
 - ↓
 - WITHIN 60 DAYS + 60 DAYS (EXTENSION IF SUFFICIENT CAUSE): -
 - FROM THE DATE OF COMMUNICATION OF THE DECISION OR ORDER OF THE SECURITIES APPELLATE TRIBUNAL TO HIM ON ANY

POWER OF SECURITIES APPELLATE TRIBUNAL

SECURITIES APPELLATE TRIBUNAL SHALL NOT BE BOUND BY THE PROCEDURE LAID DOWN BY THE CODE OF CIVIL PROCEDURE, 1908 (GUIDED BY THE PRINCIPLES OF NATURAL JUSTICE) HOWEVER, IT HAS SAME POWERS AS ARE VESTED IN A CIVIL COURT UNDER THE CODE OF CIVIL PROCEDURE, 1908, WHILE TRYING A SUIT, IN RESPECT OF THE FOLLOWING MATTERS:

- ☞ SUMMONING AND ENFORCING THE ATTENDANCE OF ANY PERSON AND EXAMINING HIM ON OATH
- ☞ REQUIRING THE DISCOVERY AND PRODUCTION OF DOCUMENTS
- ☞ RECEIVING EVIDENCE ON AFFIDAVITS
- ☞ ISSUING COMMISSIONS FOR THE EXAMINATION OF WITNESSES OR DOCUMENTS
- ☞ REVIEWING ITS DECISIONS
- ☞ DISMISSING AN APPLICATION FOR DEFAULT OR DECIDING IT EX PARTE
- ☞ SETTING ASIDE ANY ORDER OF DISMISSAL OF ANY APPLICATION FOR DEFAULT OR ANY ORDER PASSED BY IT EX PARTE
- ☞ ANY OTHER MATTER WHICH MAY BE PRESCRIBED

RECOVERY OF AMOUNT

IF A PERSON FAILS TO:

- PAY THE PENALTY IMPOSED BY THE ADJUDICATING OFFICER
- COMPLY WITH ANY DIRECTION OF SEBI FOR REFUND OF MONIES
- COMPLY WITH A DIRECTION OF DISGORGEMENT ORDER ISSUED UNDER SECTION 11B
- PAY ANY FEES DUE TO SEBI

MAY DRAW UP UNDER HIS SIGNATURE A STATEMENT IN THE SPECIFIED FORM SPECIFYING THE AMOUNT DUE FROM THE PERSON (+) SHALL PROCEED TO RECOVER AMOUNT

RECOVERY OFFICER

PROCEED TO RECOVER AMOUNT BY THE FOLLOWING MODES:

- i.) ATTACHMENT AND SALE OF THE PERSON'S MOVABLE PROPERTY OR IMMOVABLE PROPERTY
- ii.) ATTACHMENT OF THE PERSON'S BANK ACCOUNTS
- iii.) ARREST OF THE PERSON AND HIS DETENTION IN PRISON
- iv.) APPOINTING A RECEIVER FOR THE MANAGEMENT OF THE PERSON'S MOVABLE AND IMMOVABLE PROPERTIES

ESTABLISH BY CENTRAL GOVERNMENT AND DESIGNATE AS MANY SPECIAL COURTS AS MAY BE NECESSARY

CONSIST OF A SINGLE JUDGE WHO SHALL BE APPOINTED BY THE CENTRAL GOVERNMENT WITH THE CONCURRENCE OF THE CHIEF JUSTICE OF THE HIGH COURT

NOT BE QUALIFIED UNLESS IMMEDIATELY BEFORE SUCH APPOINTMENT, HOLDING THE OFFICE OF A SESSIONS JUDGE OR AN ADDITIONAL SESSIONS JUDGE

SPECIAL COURT

PROVISIONS OF THE CODE OF CRIMINAL PROCEDURE, 1973 SHALL APPLY TO THE PROCEEDINGS BEFORE A SPECIAL COURT

APPEAL AGAINST THE SPECIAL COURT LIES TO THE HIGH COURT

ROLE OF COMPANY SECRETARY

- ☞ RIGHT TO LEGAL REPRESENTATION ON BEHALF OF PERSON AGGRIEVED BEFORE THE SECURITIES APPELLATE TRIBUNAL (SAT)
- ☞ RECOGNISES AS A COMPLIANCE OFFICER BY SEBI AND AUTHORISES PRACTISING COMPANY SECRETARIES TO ISSUE VARIOUS CERTIFICATES UNDER ITS REGULATIONS
- ☞ PRACTISING COMPANY SECRETARIES ARE ALSO AUTHORISED TO CERTIFY COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE IN CASE OF LISTED COMPANIES



BY

SHUBHAM SUKHLECHA
(CA, CS, LLM)

DEPOSITORIES ACT, 1996



TWO DEPOSITORIES FUNCTIONING IN INDIA



DEPOSITORY

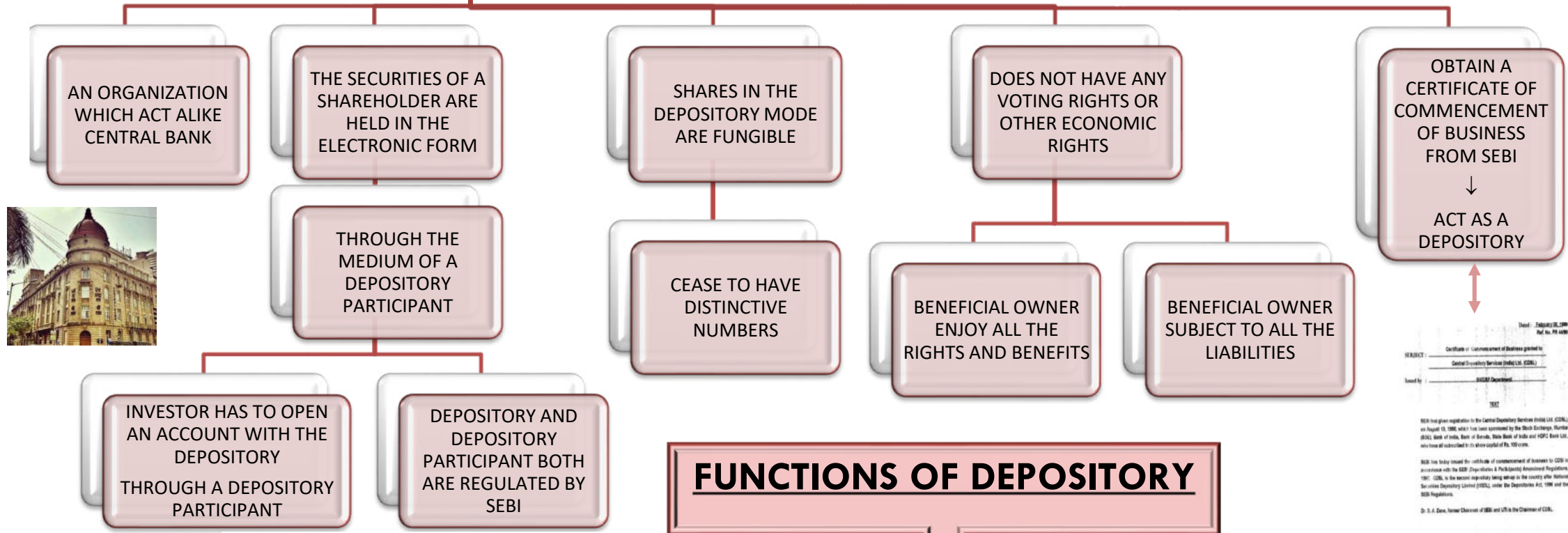
DEFINITION
DEPOSITORY
SECTION 2(e)
OF
THE
DEPOSITORIES
ACT, 1996

MEANS
A COMPANY
&
FORMED & REGISTERED
UNDER
THE COMPANIES
ACT, 2013

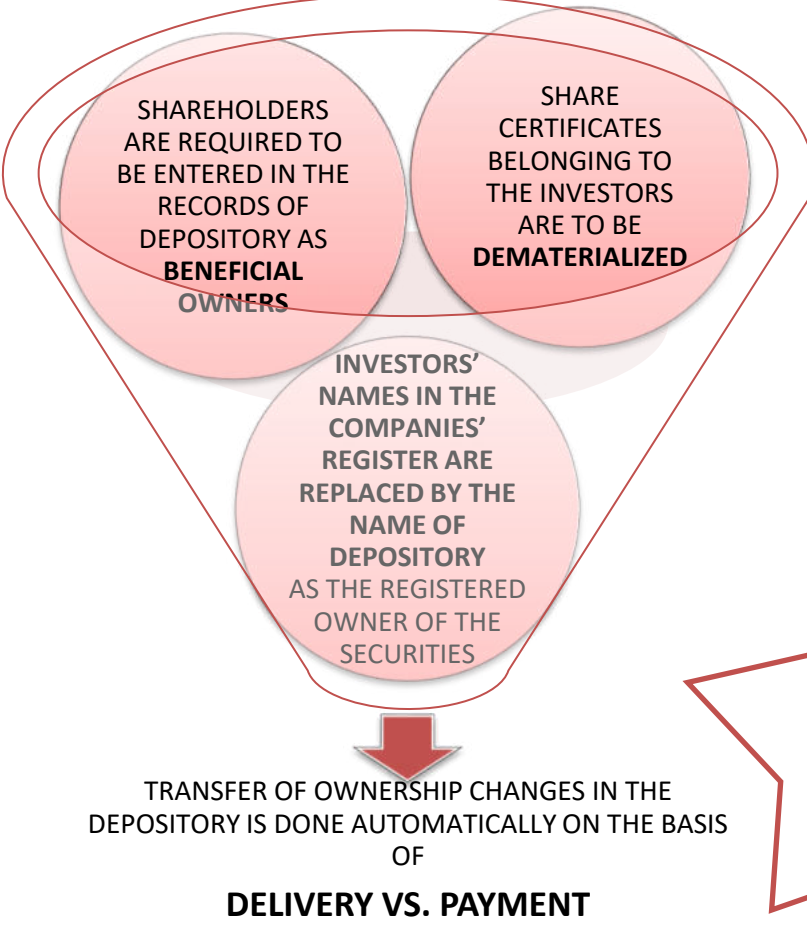
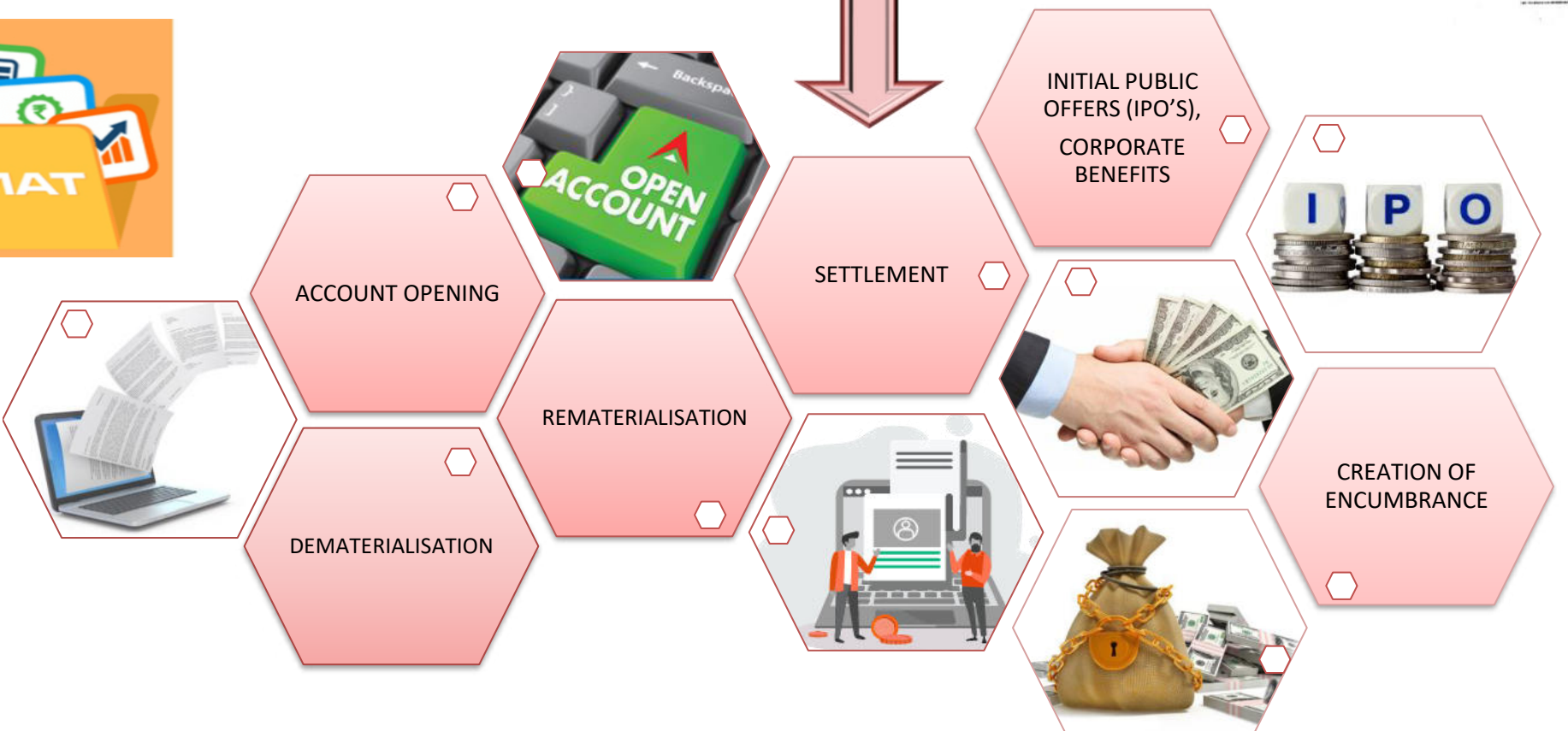
HAS BEEN GRANTED
↓
CERTIFICATE OF REGISTRATION
↓
UNDER SECTION 12(1A)
OF
THE SEBI ACT, 1992



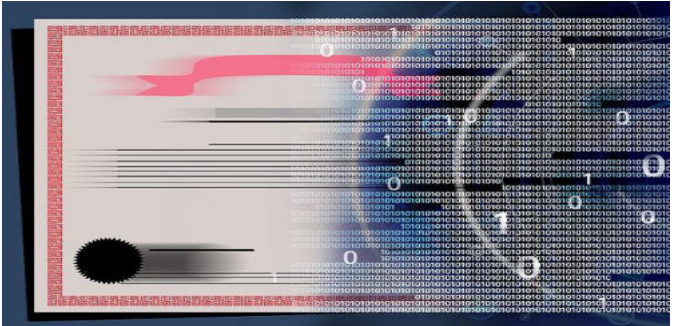
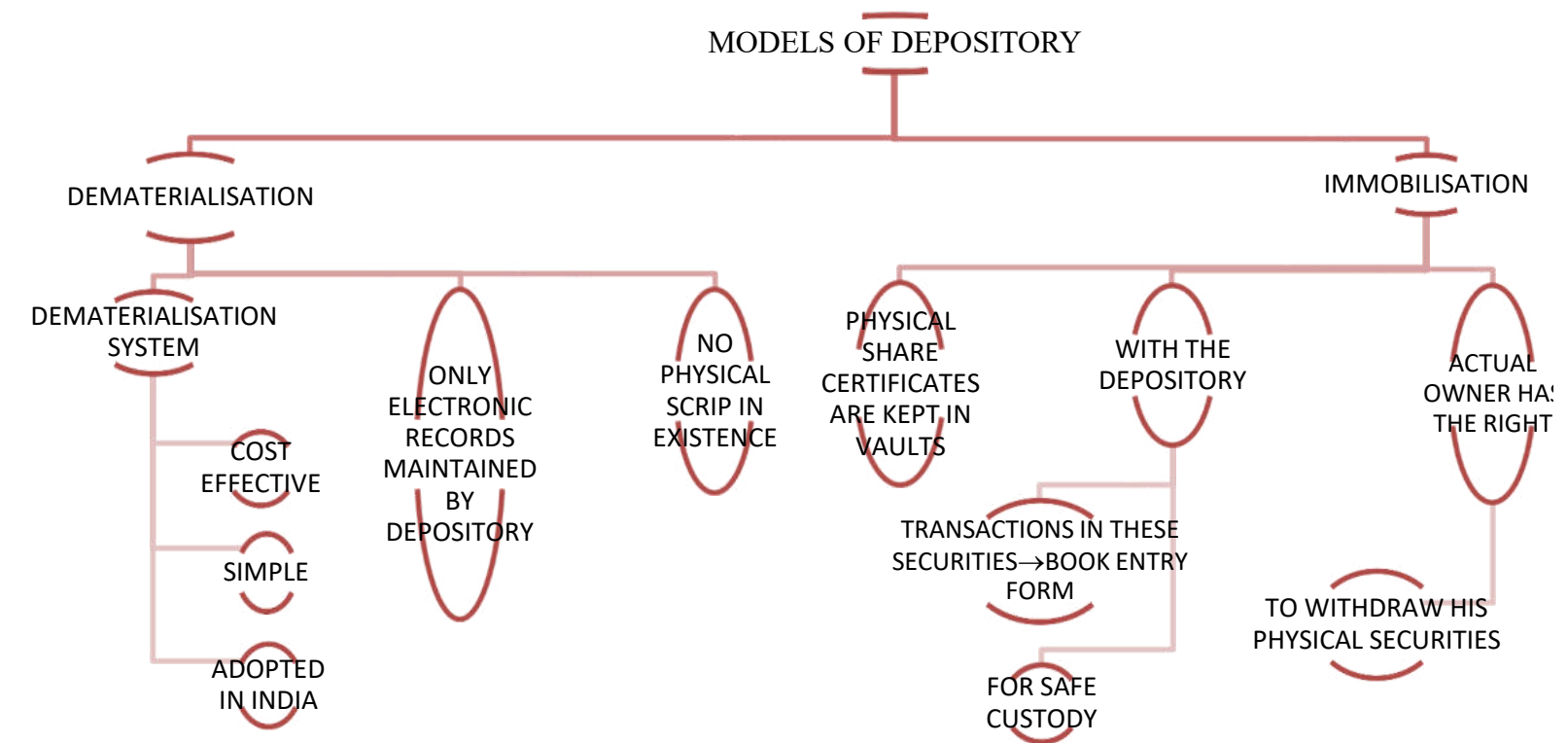
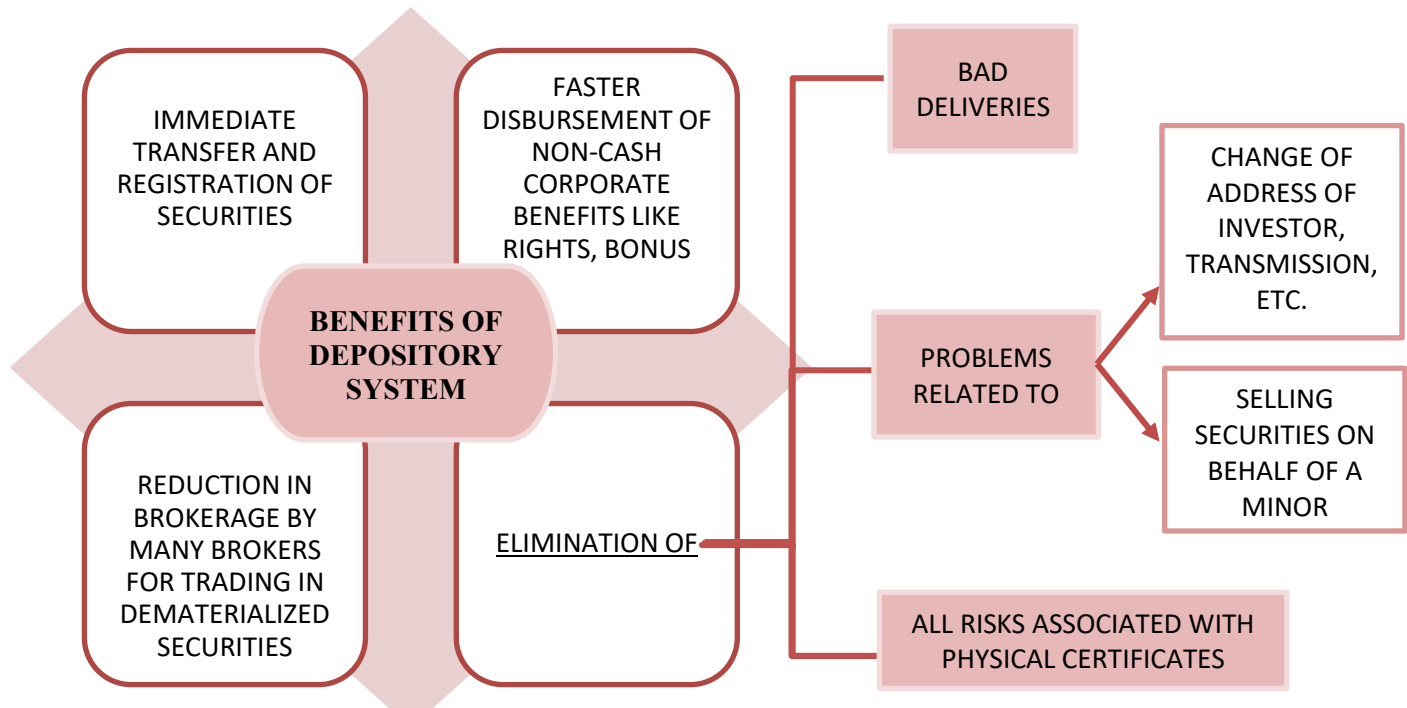
DEPOSITORY SYSTEM



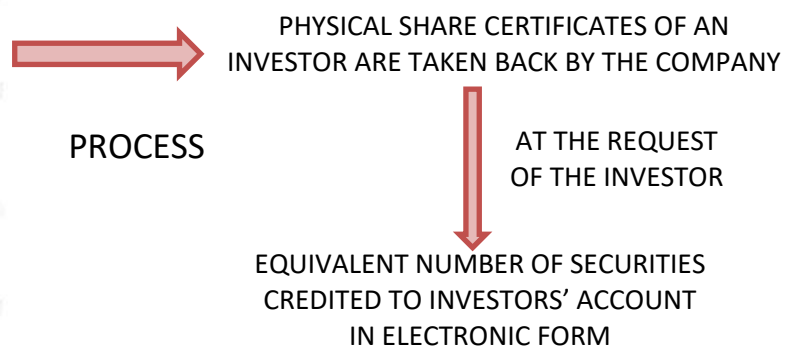
FUNCTIONS OF DEPOSITORY



BY
**SHUBHAMM
SUKHLECHA
(CA, CS, LLM)**

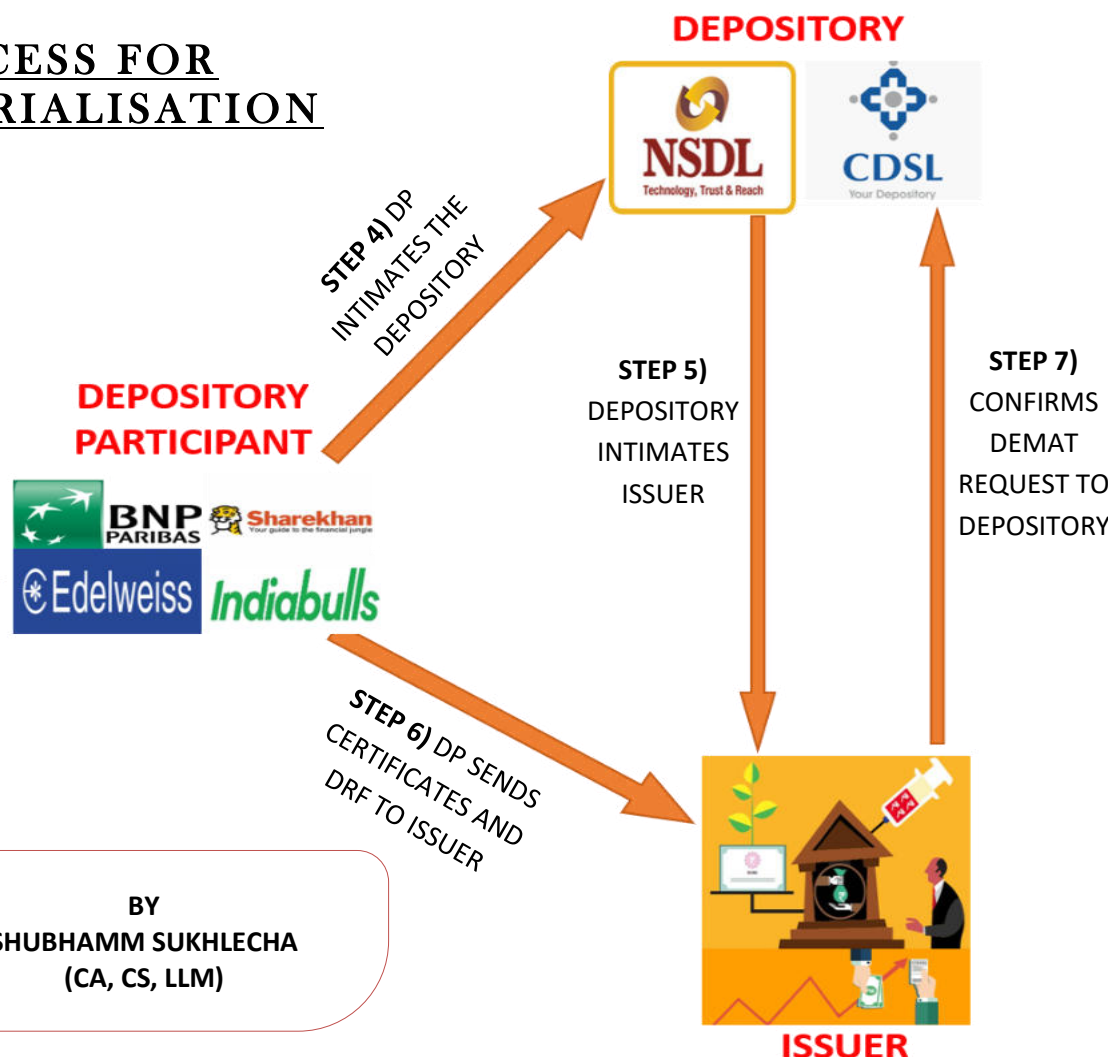


DEMATERIALIZATION



PROCESS FOR DEMATERIALIZATION

- INVESTOR OPENS ACCOUNT WITH DEPOSITORY PARTICIPANT (DP)
- FILLS DEMATERIALIZATION REQUEST FORM (DRF) FOR REGISTERED SHARES
- INVESTOR LODGES DRF AND CERTIFICATES WITH DP



DEMATERIALIZATION OF SHARES IS **OPTIONAL**

AN INVESTOR CAN STILL HOLD SHARES IN **PHYSICAL FORM**

WHAT IF SHAREHOLDER HOLD SHARE IN PHYSICAL FORM?

SALES

PHYSICAL SHARES ARE TO BE SOLD THROUGH A SEPARATE SESSION

↓

SOLD AT A BIG DISCOUNT TO THE MARKET PRICES



PURCHASES

IF INVESTOR PURCHASES SHARES FROM THE STOCK EXCHANGE

↓

WILL GET DELIVERY OF THE SHARES IN DEMAT FORM



- POINTS TO REMEMBER**
- ODD LOT SHARE CERTIFICATES CAN ALSO BE DEMATERIALIZED
 - PUBLIC ISSUES/RIGHT ISSUES SHARES ARE ISSUED ONLY IN DEMAT FORM

BY **SHUBHAM SUKHECHA**
(CA, CS, LLM)

REMATERIALISATION

PROCESS OF CONVERTING SECURITIES



HELD IN ELECTRONIC FORM IN A DEMAT ACCOUNT

BACK IN AN EQUIVALENT



PHYSICAL CERTIFICATE FORM



DEPOSITORY
DEPOSITORY CAN BE COMPARED TO A BANK



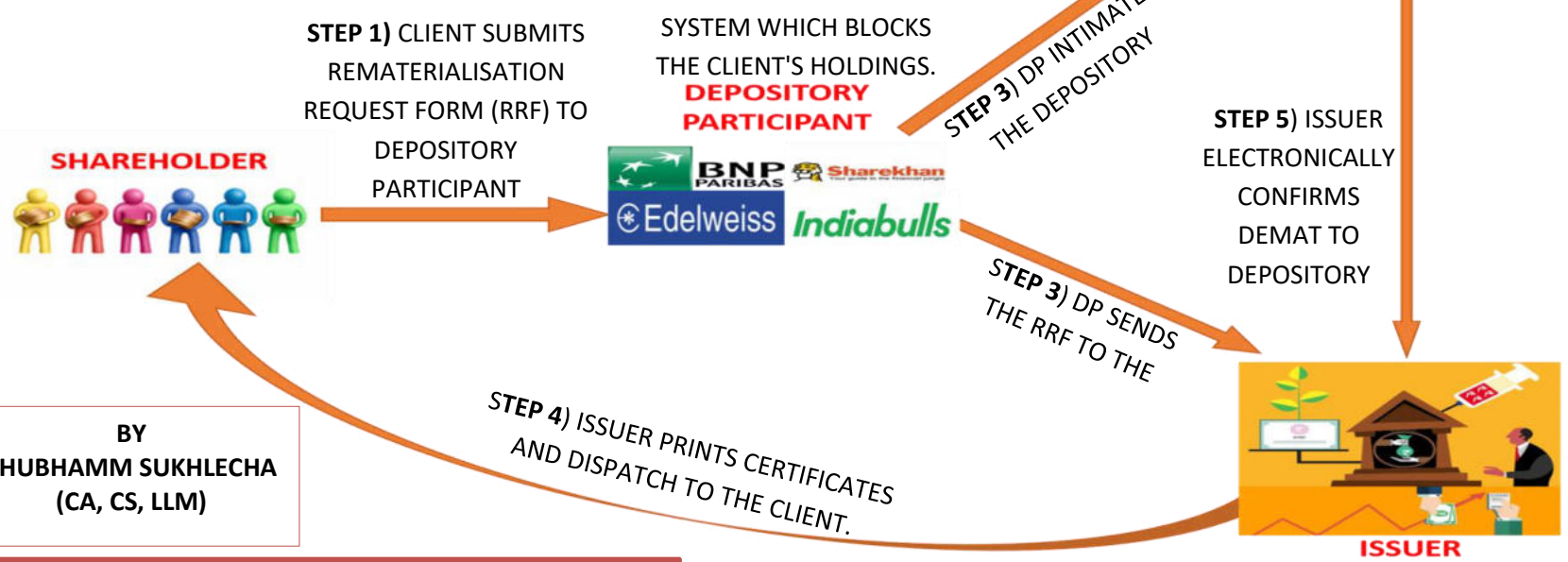
DEPOSITORY PARTICIPANT
DEPOSITORY PARTICIPANT IS LIKE A BRANCH OF THAT BANK

AN INVESTOR NEEDS TO OPEN AN ACCOUNT WITH DEPOSITORY PARTICIPANT TO DEAL IN SHARES IN ELECTRONIC FORM

POINT TO BE NOTED:

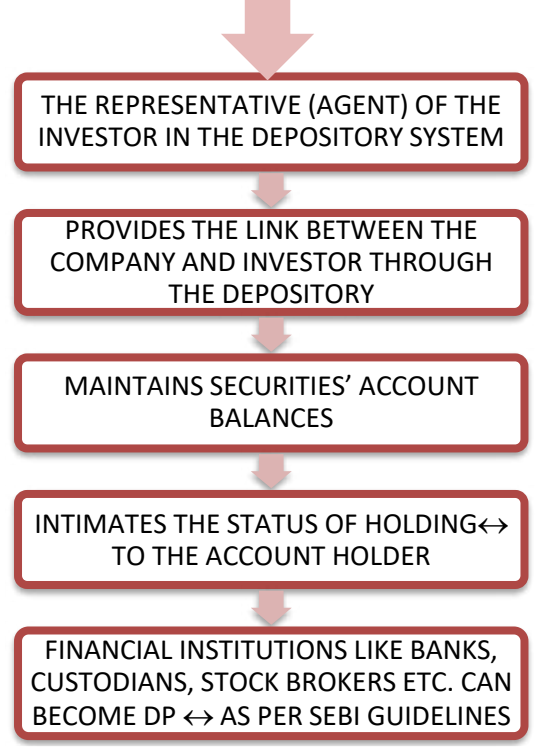
- SECURITIES SENT FOR REMATERIALISATION CANNOT BE TRADED ON STOCK EXCHANGE
- CLIENT CAN REMATERIALISE HIS DEMATERIALIZED HOLDINGS AT ANY POINT OF TIME

PROCESS FOR REMATERIALISATION



BY SHUBHAMM SUKHLECHA (CA, CS, LLM)

DEPOSITORY PARTICIPANT (DP)

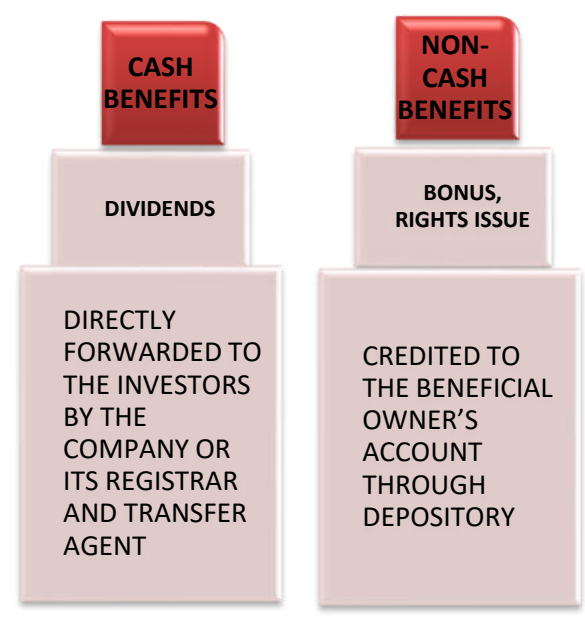


CHARACTERISTICS



CORPORATE ACTIONS

SUCH AS DIVIDEND, BONUS, RIGHT ISSUE ARE GIVEN IN DEPOSITORY MODE



DEPOSITORY AND CUSTODIAN

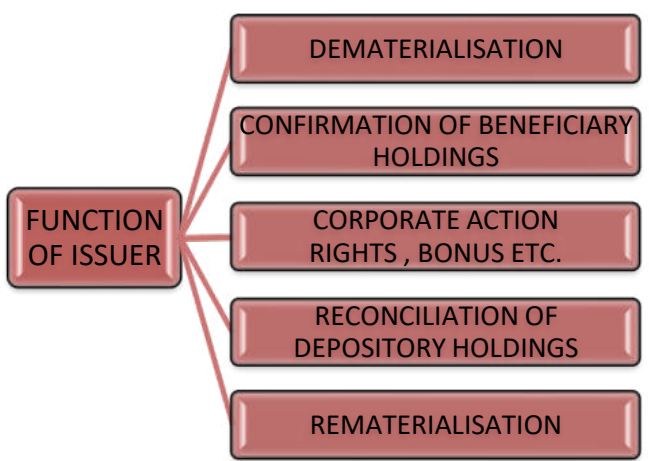
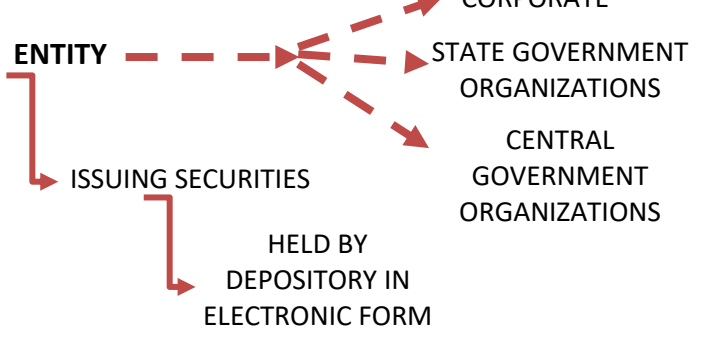
SIMILARITY

BOTH DEPOSITORY AND CUSTODIAL SERVICES ARE RESPONSIBLE FOR SAFE KEEPING OF SECURITIES

DIFFERENCE

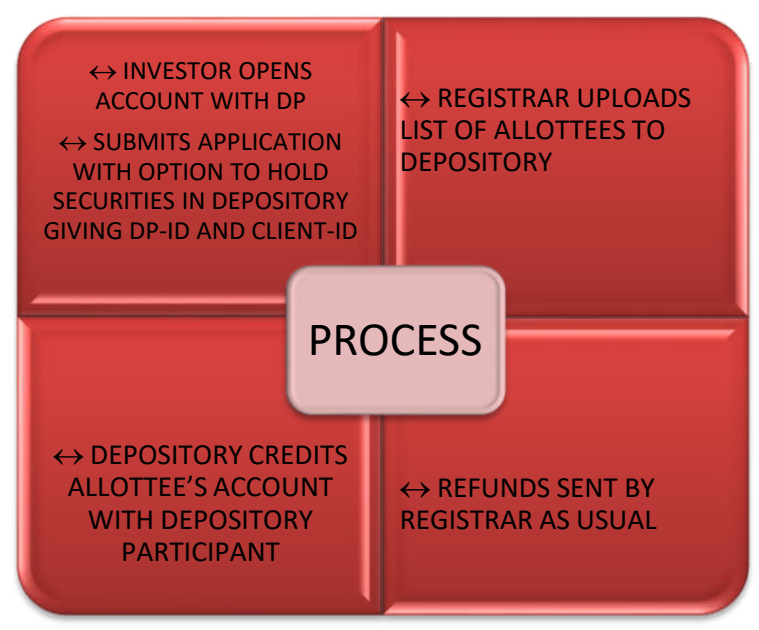
DEPOSITORY	CUSTODIAN
LEGALLY TRANSFER BENEFICIAL OWNERSHIP	CANNOT LEGALLY TRANSFER BENEFICIAL OWNERSHIP
MAIN OBJECTIVE TO MINIMIZE THE PAPER WORK INVOLVED WITH THE OWNERSHIP, TRADING AND TRANSFER OF SECURITIES	MAIN OBJECTIVE HOLD IN SAFEKEEPING ASSETS/SECURITIES

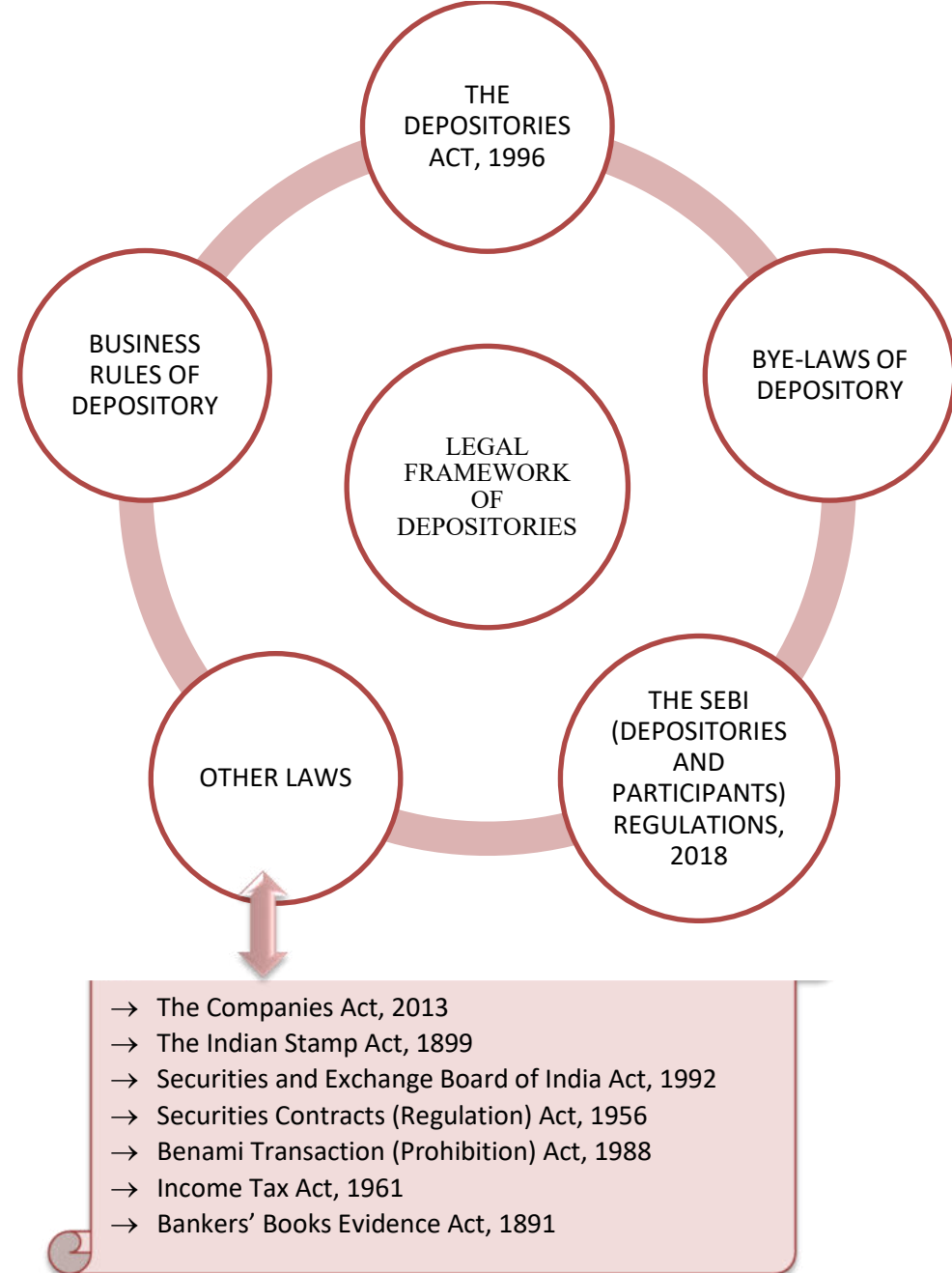
ISSUER (REGISTRAR)



ELECTRONIC CREDIT IN NEW ISSUES

MEANS COMPANY ISSUE SECURITIES DIRECTLY IN DEPOSITORY FORM



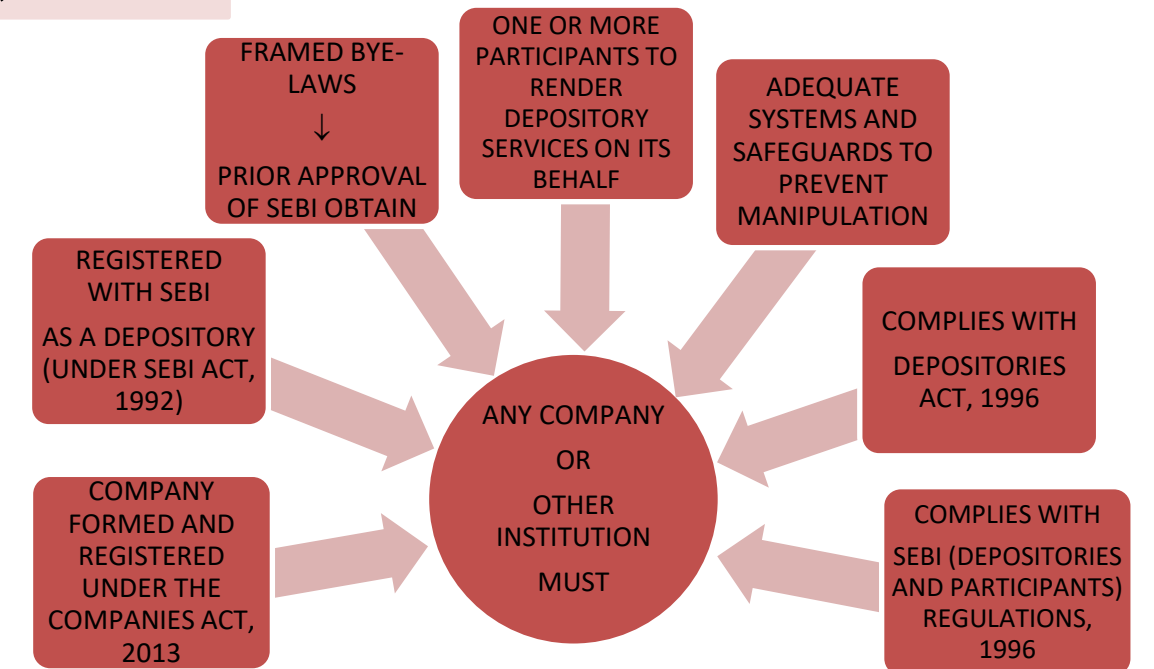


THE DEPOSITORIES ACT, 1996

SECTION 9 FUNGIBILITY OF SECURITIES

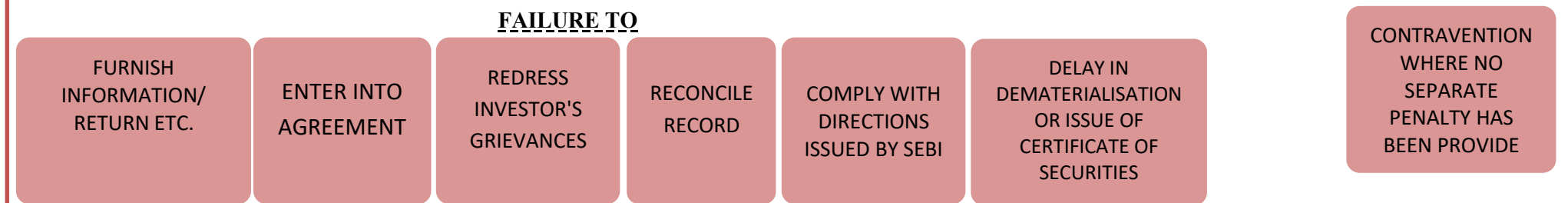


ELIGIBILITY CONDITION FOR DEPOSITORY SERVICES



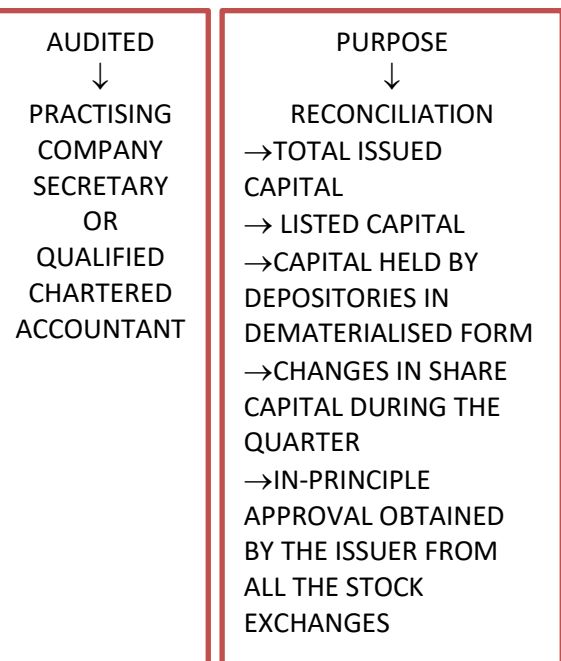
PENALTY PROVISION

WHICHEVER IS LESS
₹ 1 LAC/EACH DAY DURING WHICH SUCH FAILURE CONTINUES
OR
₹ 1 CRORE



THE SEBI (DEPOSITORIES AND PARTICIPANTS) REGULATIONS, 2018

REGULATION 76 AUDIT REPORT OF THE ISSUE



- UPDATED STATUS OF THE REGISTER OF MEMBERS
- CONFIRM SECURITIES DEMATERIALISED AS PER REQUESTS WITHIN 21 DAYS FROM THE DATE OF RECEIPT

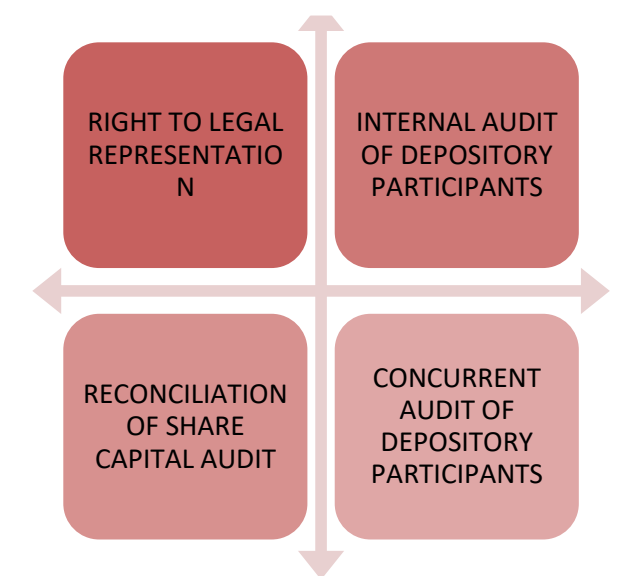
INTERNAL AUDIT ↔ CHECKLIST

- ACCOUNT OPENING
- REPORTING TO BOS
- DEMATERIALISATION OF SECURITIES
- REMATERIALISATION OF SECURITIES
- MARKET TRADES
- OFF MARKET TRADES
- TRANSMISSION
- RETURNS TO DEPOSITORY
- GRIEVANCE REDRESSAL MECHANISM
- COLLATERAL SECURITY
- ASSIGNMENT OF BUSINESS
- FREEZING OF ACCOUNT
- CLOSURE OF ACCOUNT
- PLEDGE AND HYPOTHECATION
- INVOCATION OF PLEDGE/HYPOTHECATION BY PLEDGEE
- LENDING AND BORROWING OF SECURITIES
- RECORDS TO BE MAINTAINED BY DP
- DISCLOSURE AND PUBLICATION OF INFORMATION
- SUPERVISION BY DP
- CODE OF ETHICS FOR DP
- BRANCH OF DEPOSITORY PARTICIPANTS

CONCURRENT AUDIT OF DP

- ↔ **APPOINT**
PRACTISING COMPANY SECRETARY OR PRACTISING CHARTERED ACCOUNTANT
MAY ENTRUST AUDIT TO INTERNAL AUDITOR
- ↔ **VERIFICATION WITH REGARD TO ACCOUNT OPENING**
- ALL THE DOCUMENTS
 - KYC DOCUMENTS
 - ASCERTAINED THAT DOCUMENT VERIFIED BY THE OFFICIALS OF THE PARTICIPANTS

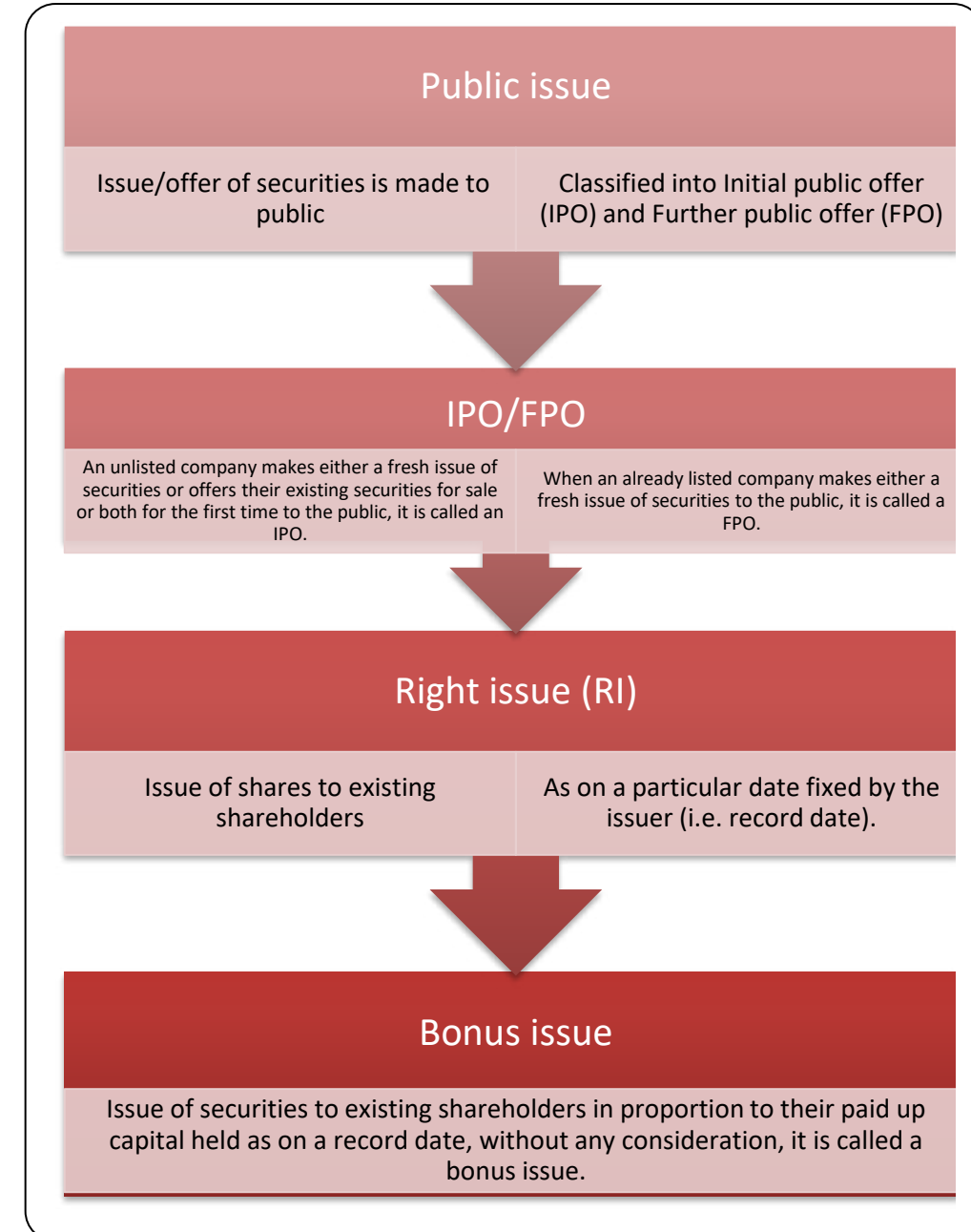
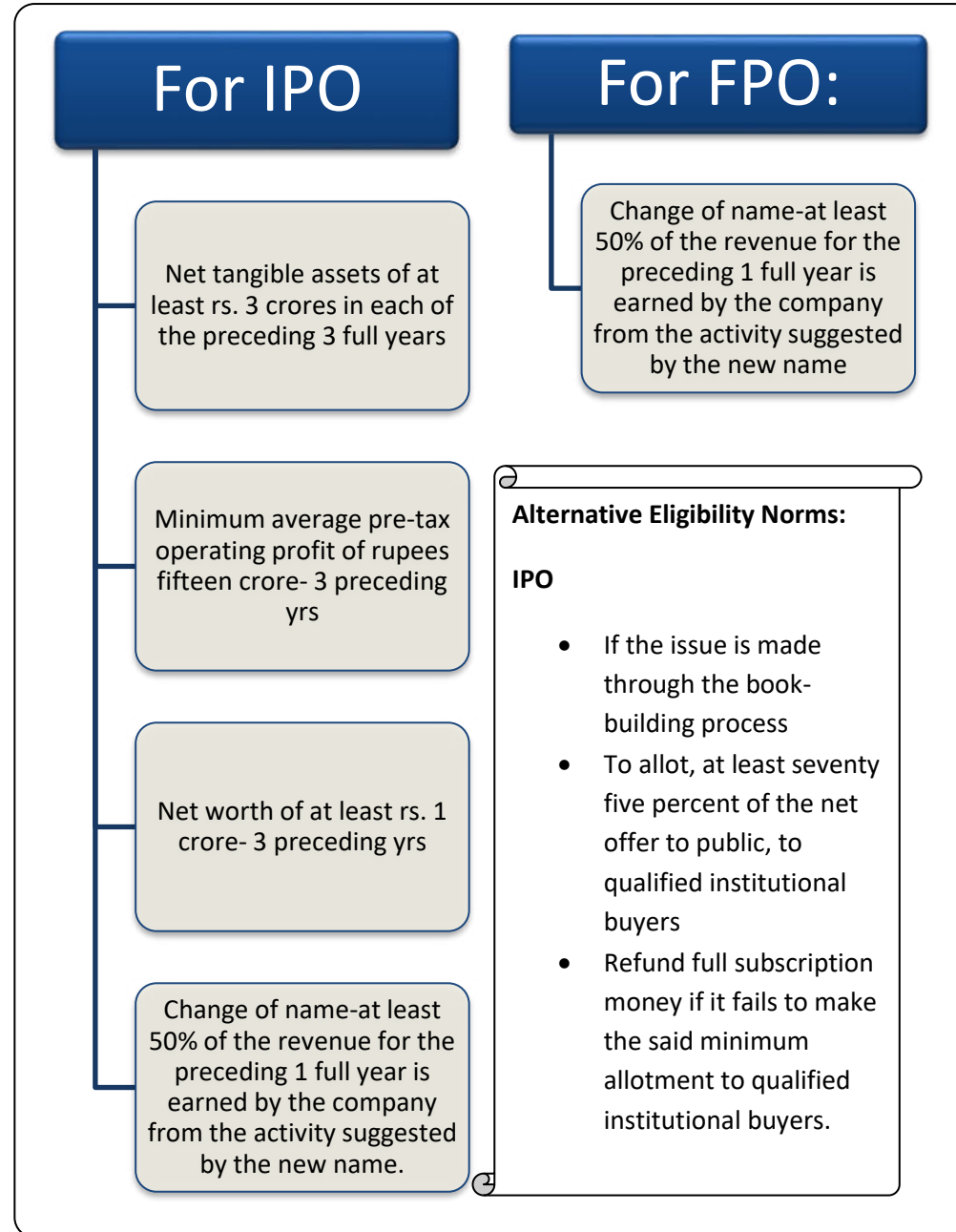
ROLE OF COMPANY SECRETARY



BY
SHUBHAMM SUKHLECHA (CA, CS, LLM)

Lesson 4 - An Overview of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018

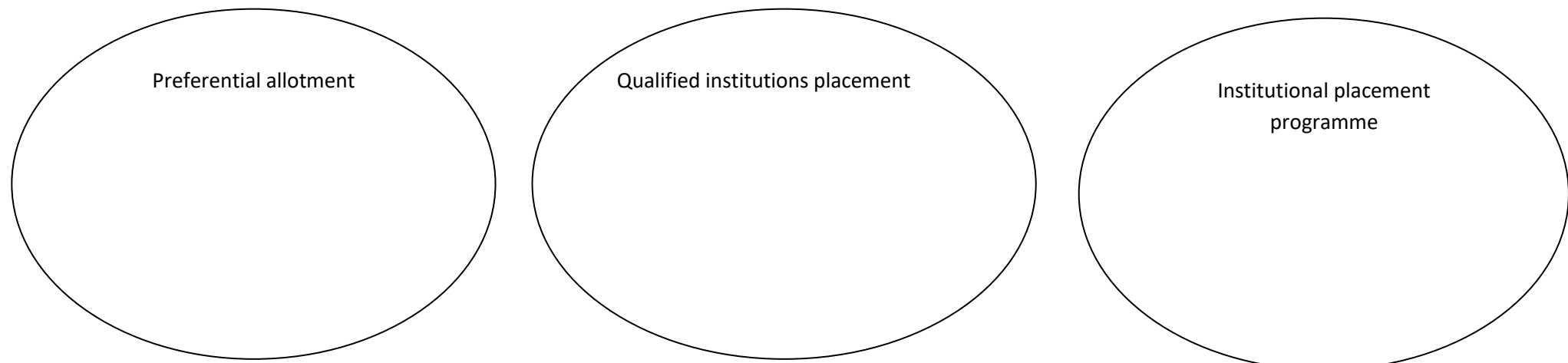
KEY POINTS OF BASIC UNDERSTANDING OF ICDR



Applicability of the SEBI (ICDR) Regulations, 2018

RIGHTS ISSUE	IPO	OTHER ISSUES	INSTITUTIONAL PLACEMENT
Rights issue of a listed issuer, where the aggregate value of specified securities offered is ten crore rupees or more	IPO by a unlisted issuer	Bonus Issue by a listed issuer	Institutional Placement Programme (IPP) by a listed issuer
Right issue of IDR	IPO by an small and medium enterprise	Preferential issue by a listed issuer	Qualified Institutions Placement by a listed issuer
	IPO of Indian Depository Receipts		
	FPO by a listed issuer		

PRIVATE PLACEMENT

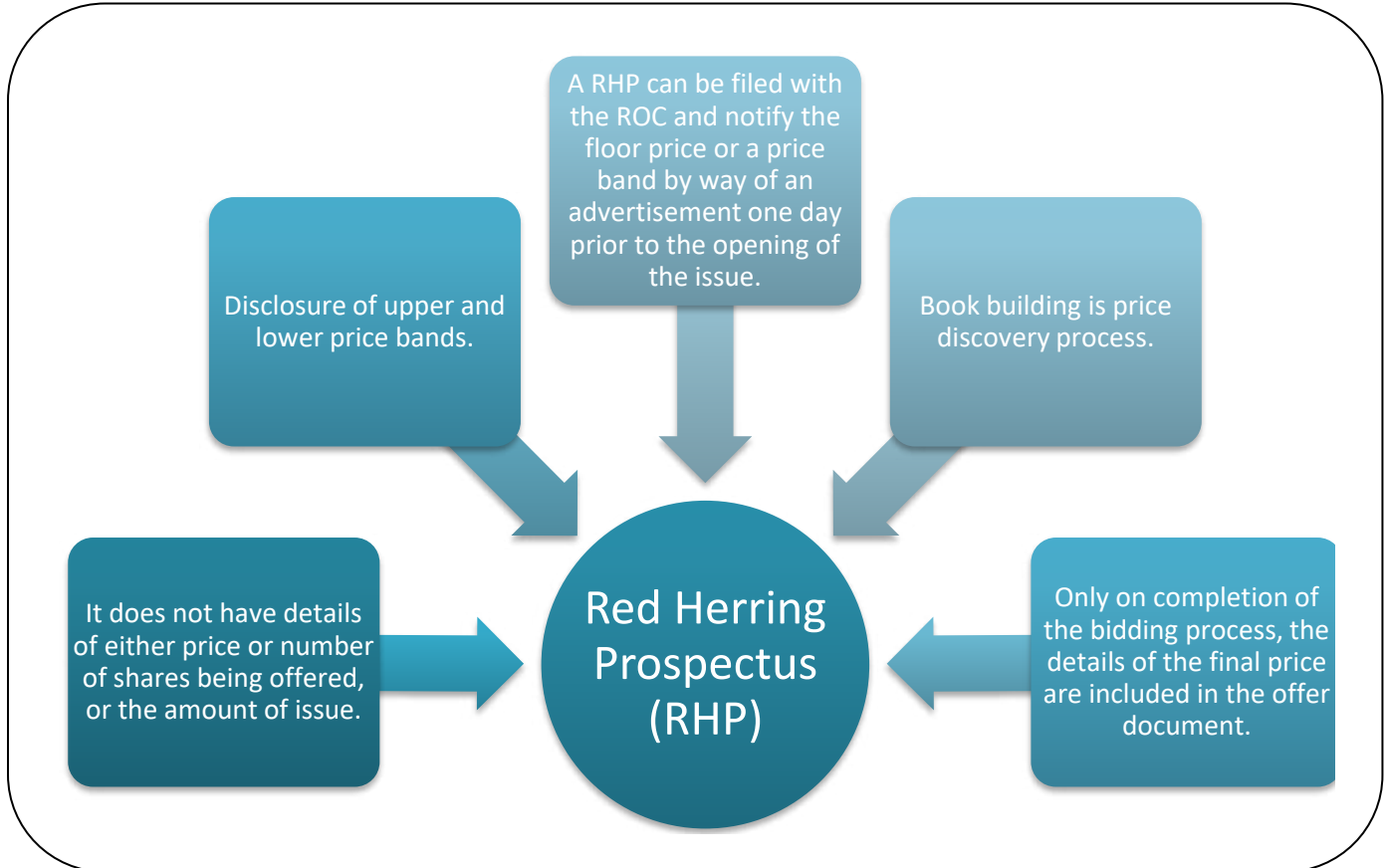


DOCUMENTS

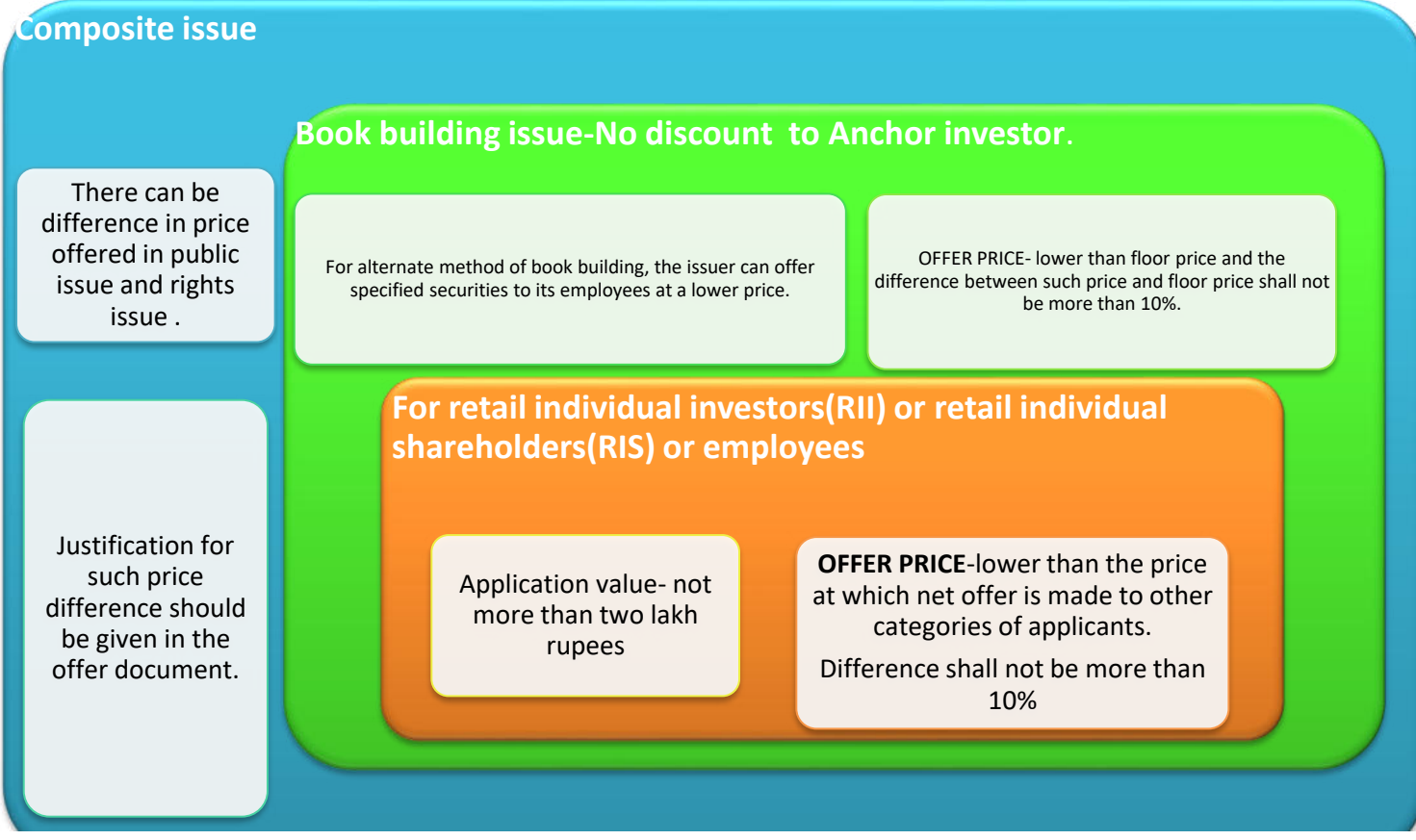
DRAFT OFFER DOCUMENT



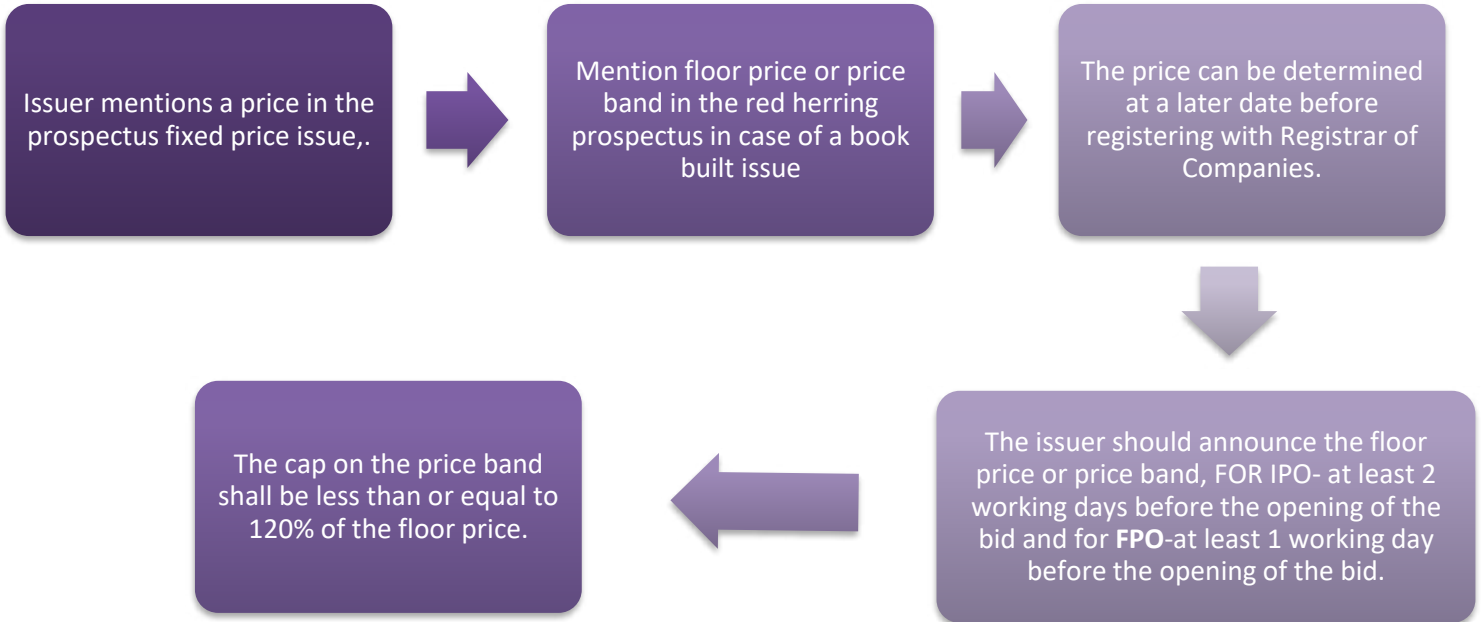
OFFER DOCUMENT



DIFFERENTIAL PRICING



PRICE AND PRICE BAND



PROMOTERS CONTRIBUTION

PROMOTERS MINIMUM CONTRIBUTION

Unlisted company	Public issue	Not less than 20% of the post-issue capital
Listed company	Public issue	To the extent of 20% of the proposed issue or 20% of the post-issue capital
Listed company	Composite issue	20% of the proposed public issue or 20% of the post-issue capital

EXEMPTION FROM MINIMUM CONTRIBUTION

No identifiable promoter
Where the equity shares are not infrequently traded for last 3 years and the company has dividend payment record for last 3 years
Right issue

LOCK IN PERIOD FOR PROMOTER CONTRIBUTION

CONDITIONS	LOCK-IN PERIOD
Promoters contribution and contribution made by alternative investment fund	3 years
Any contribution made by promoters over and above the minimum contribution	1 year
Securities issued by a company listed on a stock exchange for 3 years with a track record of dividend payment for at least 3 immediately preceding years.	No Lock-in for promoter's contribution.

Securities ineligible for Minimum Promoter requirement

Securities acquired during preceding 3 years for consideration other than cash or involving Revaluation of assets or involving capitalisation of intangible assets.
Securities acquired in preceding 1 year at a price lower than the issue price.
Pledged security.

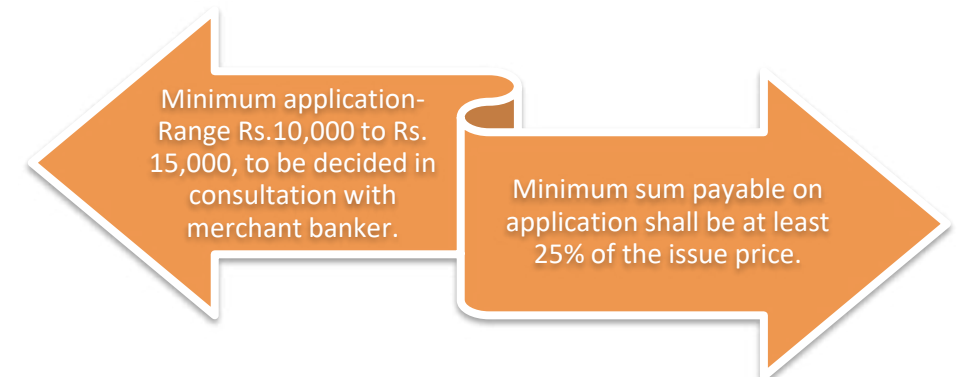
ISSUE OPENING DATE

- AFTER 3** days from the registration of Red Herring prospectus or Prospectus with ROC.
- Within 12** months from the date of SEBI's observation letter.

PERIOD OF SUBSCRIPTION

Public issue	Revision of price band	Force majeure
<ul style="list-style-type: none"> Open for minimum 3 working days And maximum 10 working days 	<ul style="list-style-type: none"> Period disclosed in the RHP can be extended for minimum 3 working days Total bidding period should not exceed 10 working days. 	<ul style="list-style-type: none"> Issuer may extend the bidding period

MINIMUM NUMBER OF SHARE APPLICATIONS AND APPLICATION MONEY



ISSUE OF ADVERTISEMENTS

Pre-Issue

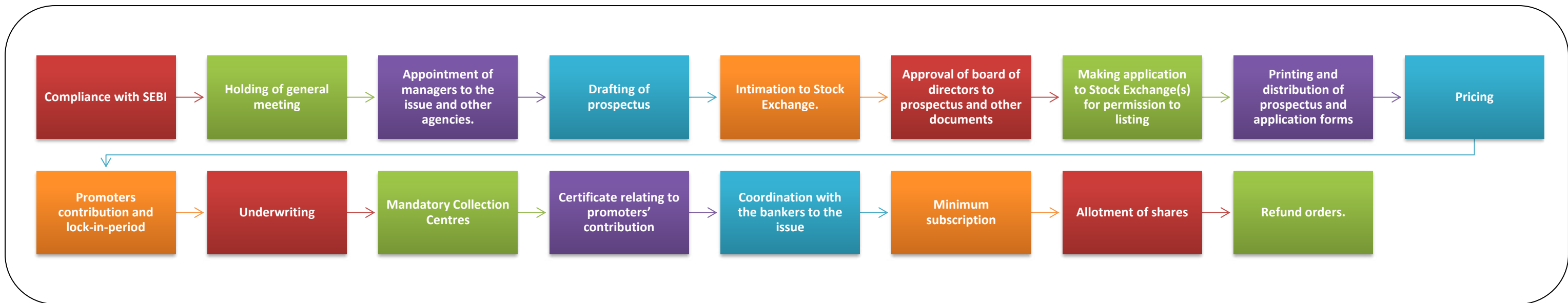
- On receipt of final observation letter by SEBI.
- Issuer shall give an advertisement in
 - ✓ English National daily
 - ✓ one Hindi National newspaper
 - ✓ regional language newspaper with wide circulation at the place where the registered office of the issuer is situated.

Post-Issue

- Merchant banker will ensure the release an advertisement within 10 days from the date of completion of the various activities like-
 - ✓ in all issues, advertisement giving details relating to oversubscription, basis of allotment, number, value and percentage of applications, etc.
 - ✓ In an English National daily, one Hindi National newspaper, regional language newspaper with wide circulation at the place where the registered office of the issuer is situated.

MINIMUM SUBSCRIPTION

- ❖ Shall not be less than ninety percent of the offer through offer document.
- ❖ In the event of non-receipt of minimum subscription- refund application money in 15 days of closure of issue.



Conditions for making IPO

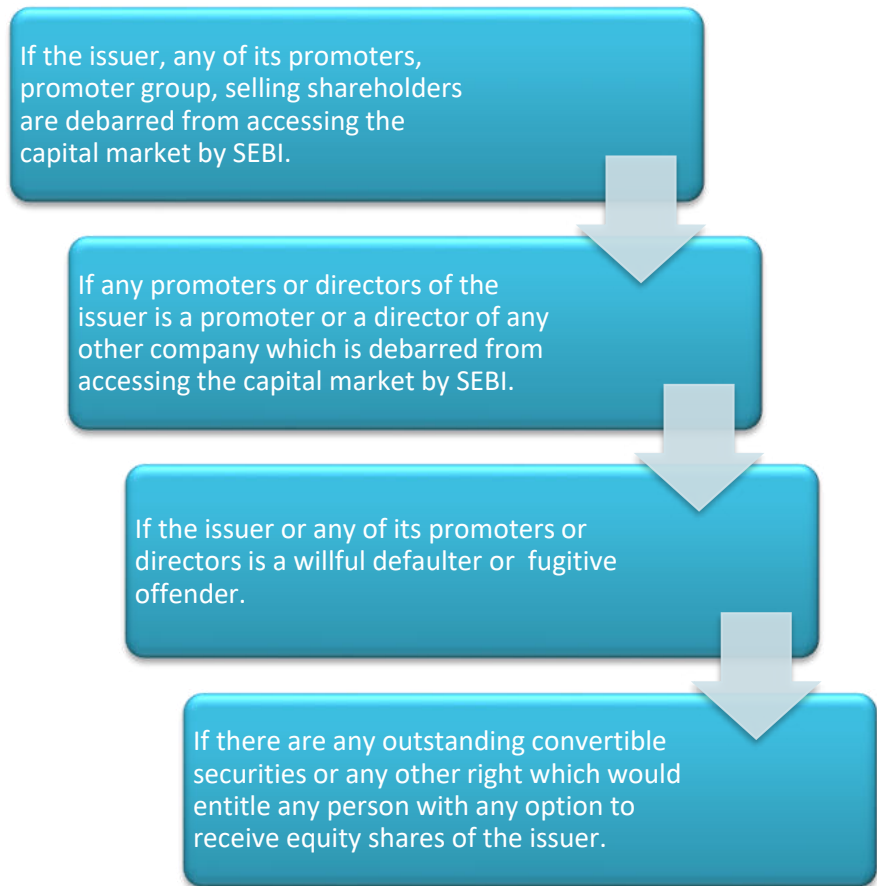
- 1) In-principle approval of SE**
 - Issuer will make an application to one or more stock exchanges to seek an in-principle approval for listing of its specified securities.
 - Choose of the SE as designated SE.
- 2) Dematerialisation agreement**
 - Enter into an agreement with a depository for dematerialisation
 - Of the specified securities already issued and proposed to be issued
 - All securities held by the promoters are in dematerialised form.
- 3) Condition as to partly paid up share**
 - Either be fully paid-up
 - Or forfeited
- 4) Finance arrangements**
 - Firm arrangements of 75% of finance through verifiable means towards specific project proposed to be funded from the issue proceeds.
 - Excluding the amount to be raised through the proposed public issue or through existing identifiable internal accruals

Conditions for FPO

CONDITIONS IN ADDITION TO CONDITIONS 1,2,3,4 FOR IPO.

- 5) Amount for General Corporate Purposes**
 - as mentioned in objects of the issue in the draft offer document and the offer document
 - not exceed twenty five per cent of the amount being raised by the issuer.

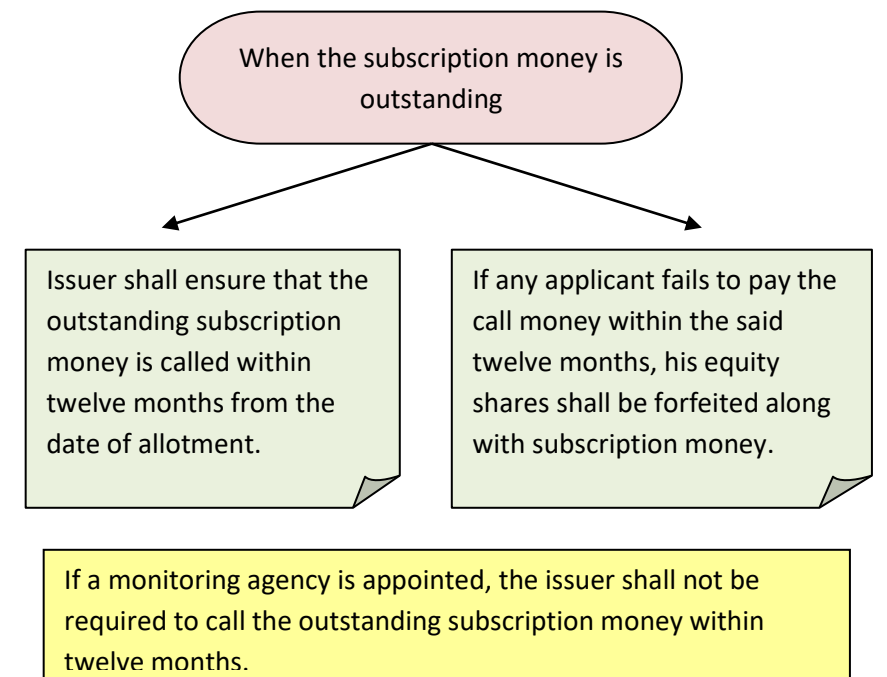
Entities not eligible to make an initial public offer



Monitoring Agency

- 1) If the issue size, inclusive of OFS, exceeds **100 Crores.**
- 2) The issuer shall-**
 - Ensure that uses of proceeds are monitored by public financial institutions.
 - Or by one of the scheduled commercial banks named in the offer document as a banker to the issuer.
- 3) Monitoring agency shall submit a quarterly report to the issuer.
- 4) Report to be submitted till utilization of 95% of amount of general corporate purpose.

Manner of Calls



FILING OF OFFER DOCUMENT

- 1) File the draft offer document with the stock exchange(s)
- 2) Submit the necessary documents like PAN, bank account details, details of concerned ROC ,etc.

SEBI may specify changes or issue observations, on the draft offer document filed with it within a period of 30 days of receipt of

- 1) The draft offer document
- 2) Satisfactory clarification/information from the lead merchant bankers and/or regulatory authorities.
- 3) A copy of in-principle approval letter issued by the recognized stock exchanges.

- 1) Issuer and the lead merchant banker shall carry out changes specified by SEBI and comply with the observations issued by SEBI before registering the prospectus, the red-herring prospectus or the shelf prospectus as the case may be with the Registrar of Companies.
- 2) After making the changes, an updated offer document or a fresh draft offer document shall be filed with SEBI

Allotment Procedure and Basis of Allotment

1) NO ALLOTMENT

- I. If the number of prospective allottees is less than one thousand.
- II. In excess of the specified securities offered through the offer document except in case of oversubscription.

2) BASIS OF ALLOTMENT

- I. Allotment of specified securities to applicants shall be on a **proportionate basis** within the respective investor categories.
- II. The allotment of specified securities to each **retail individual investor shall not be less than the minimum bid lot.**
- III. **Minimum allotment** should be equal to the **minimum application size.**
- IV. **Value** of specified securities allotted to any person in pursuance of reservation shall not exceed - **2lakh** rupees- retail investors or **5 lakh** rupees- eligible employees.

FAST TRACK FPO



No need to file the draft offer document with SEBI and obtain observations from SEBI.



No need to make a security Deposit with the Stock Exchanges

IF THE FOLLOWING CONDITONS ARE FULFILLED

Equity shares listed on stock exchange for a period of at least three years immediately preceding the reference date

Entire shareholding of the promoter group is held in dematerialised form

Average market capitalisation of public shareholding of the issuer is **at least one thousand crore rupees** -public issue and **two hundred and fifty crore rupees** -rights issue.

Annualised trading turnover of the equity shares of the issuer during six calendar months immediately preceding the month of the reference date has been at **least 2% of the weighted average number of equity shares** listed during such six months' period.

Annualized **delivery-based trading** turnover of the equity shares during six calendar months immediately preceding the month of the reference date has been at **least ten %** of the annualised trading turnover of the equity shares during such six months' period.

Comply with the equity listing agreement or SEBI listing regulations, 2015 for preceding 3 years.

Issuer has redressed at least ninety five per cent of investors grievances.

No show-cause notices issued, prosecution proceedings initiated or pending by SEBI.

No settlement of violation of any securities laws with SEBI in the preceding 3 years.

Equity shares have not been suspended from trading as a disciplinary measure in preceding 3 years.

There shall be no conflict of interest between the lead merchant banker(s) and the issuer

EXIT OPPORTUNITY TO DISSENTING SHAREHOLDERS

Conditions for Exit Offer

1. The public issue has opened after April 1, 2014.
2. The proposal for change in objects or variation in terms of a contract is dissented by at least 10% of the shareholders.
3. Amount to be utilized for the objects for which the offer document was issued is less than 75 % of the amount raised

Exit Offer Price

'Exit price' shall be the highest of the following:

- a) The **volume-weighted average price paid or payable for acquisitions**, whether by the promoters or shareholders having control or by any person acting in concert with them, **during the fifty-two weeks immediately preceding** the relevant date;
- b) The **highest price paid or payable for any acquisition**, whether by the promoters or shareholders having control or by any person acting in concert with them, **during the twenty-six weeks immediately preceding** the relevant date;
- c) The **volume-weighted average market price of such shares** for a period of **sixty trading days** immediately preceding the relevant date as traded on the recognised stock exchange **where the maximum volume of trading in the shares of the issuer are recorded during such period, provided such shares are frequently traded;**
- d) Where the **shares are not frequently traded**, the **price determined by the promoters or shareholders** having control and the merchant banker taking into account valuation parameters including book value, comparable trading multiples, and such other parameters as are customary for valuation of shares of such issuers.

Manner of providing exit opportunity

Special resolution

- Pass the special resolution
- submit voting results to RSE.

- submit list of dissenting shareholders, certified by compliance officer.
- appoint a merchant banker registered with SEBI and finalize the exit offer price

- intimate the recognised stock exchange
- recognised stock exchange(s) shall on receipt of such intimation disseminate the same to public within one working day.

as a security of performance create an escrow account and deposit the aggregate consideration in the account at least two working days prior to opening of the tendering period.

The tendering period shall start not later than seven working days from the passing of the special resolution and shall remain open for ten working days.

dissenting shareholders shall have the option to withdraw such acceptance till the date of closure of the tendering period.

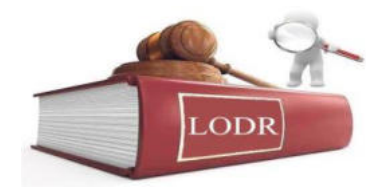
the shares shall be tendered and settled through the recognised stock exchange mechanism as specified by SEBI for the purpose of takeover, buy-back and delisting.

Consideration shall be paid to dissenting shareholders within ten working days from the last date of the tendering period

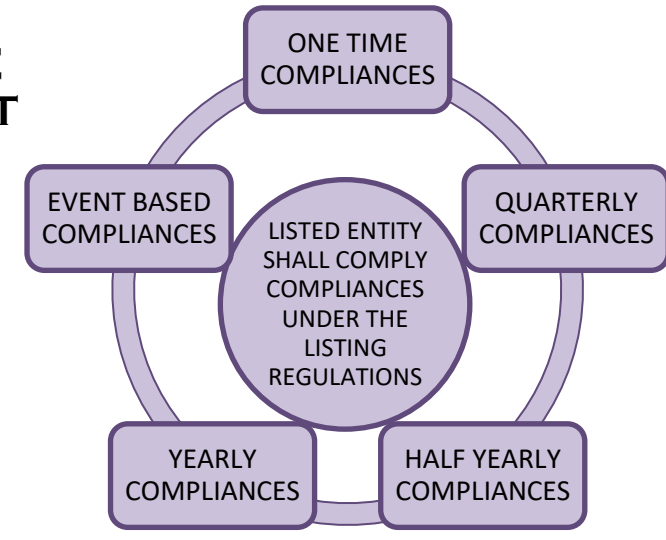
submit in 2 working days all details of the exit offer and shareholders who have accepted the same.

SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

SEBI NOTIFIED  ON SEPTEMBER 2, 2015
 CAME INTO FORCE  W.E.F DECEMBER 1, 2015



COMPLIANCE REQUIREMENT



ALIGN CLAUSES OF THE LISTING AGREEMENT WITH COMPANIES ACT, 2013
 CONSOLIDATE THE CONDITIONS UNDER DIFFERENT SECURITIES LISTING AGREEMENTS
 BY SHUBHAMM SUKHLECHA (CA, CS, LLM)

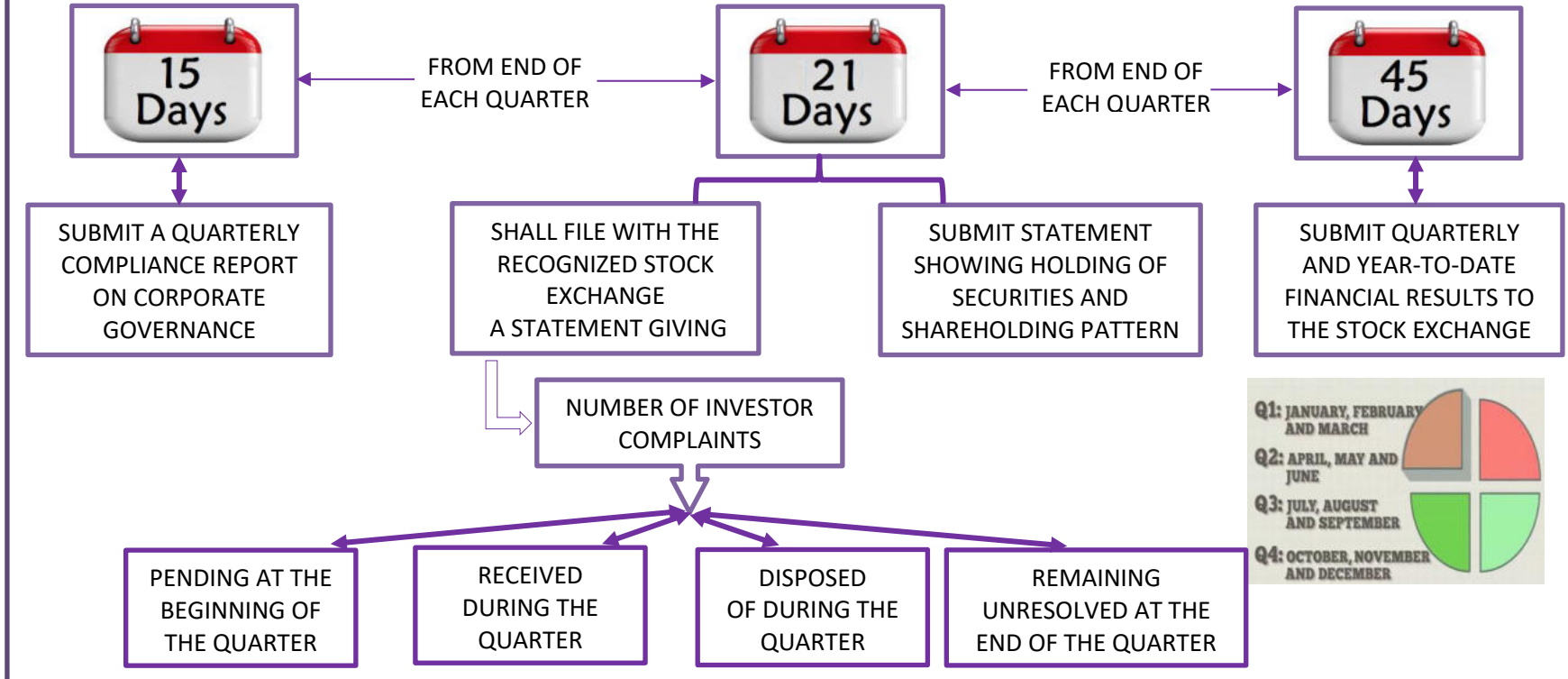
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ONE TIME COMPLIANCE

LISTED ENTITY



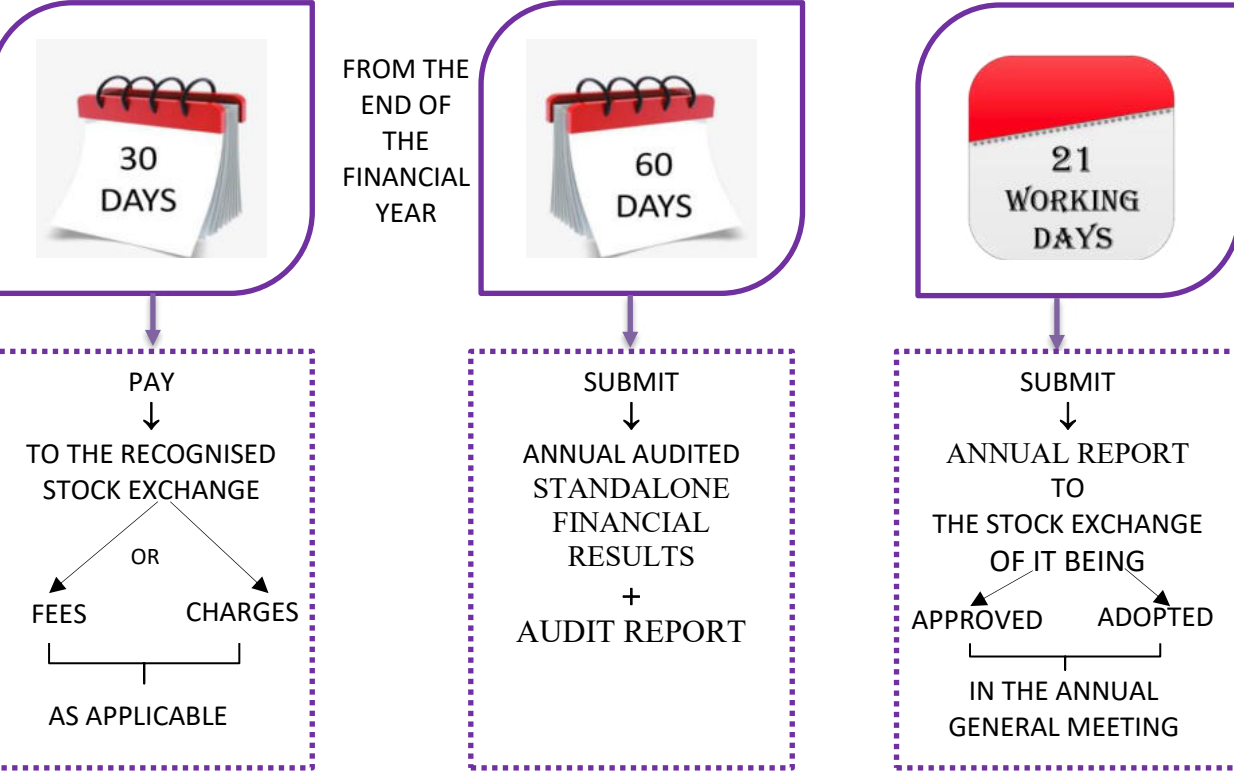
QUARTERLY COMPLIANCE



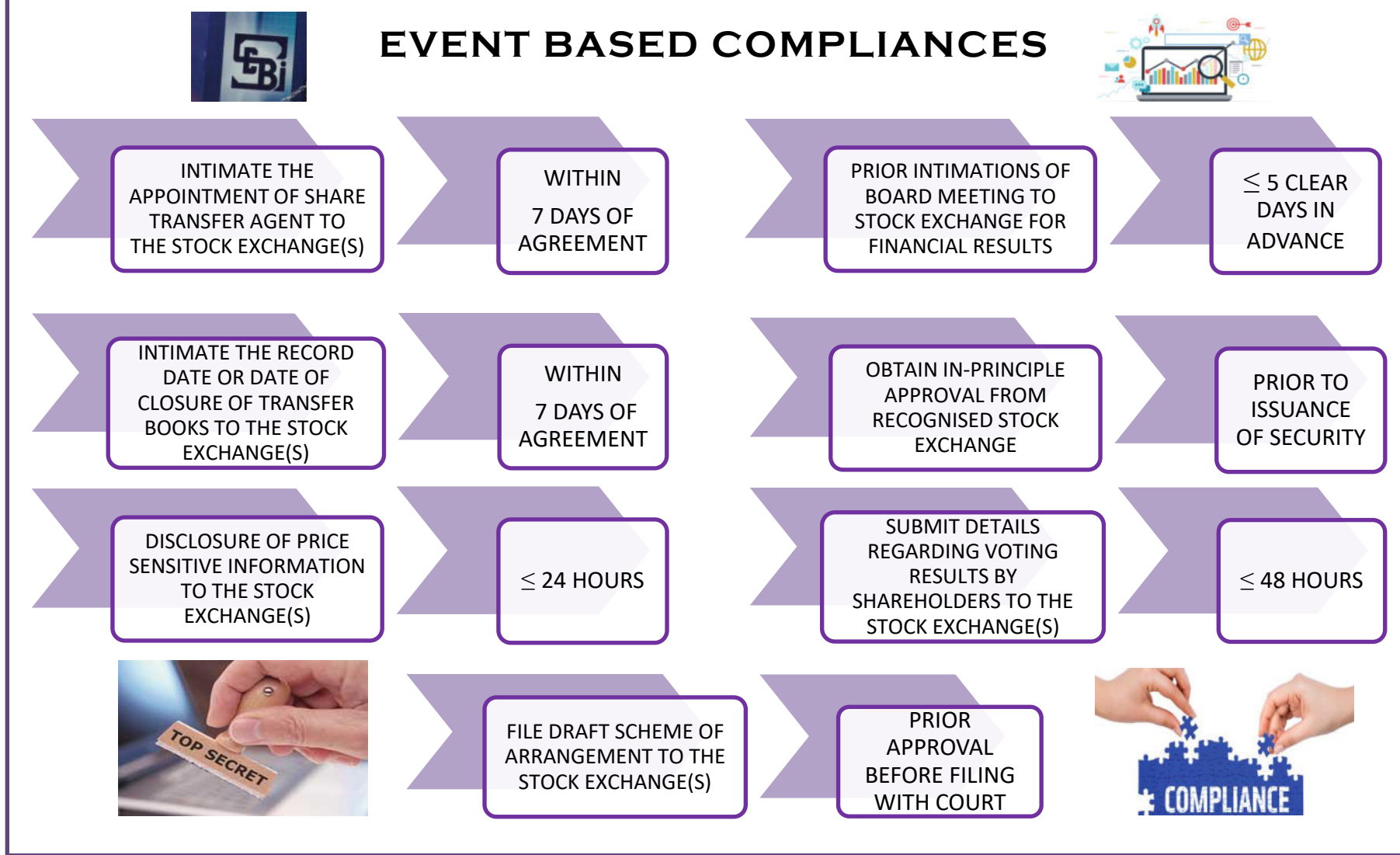
HALF YEARLY COMPLIANCE



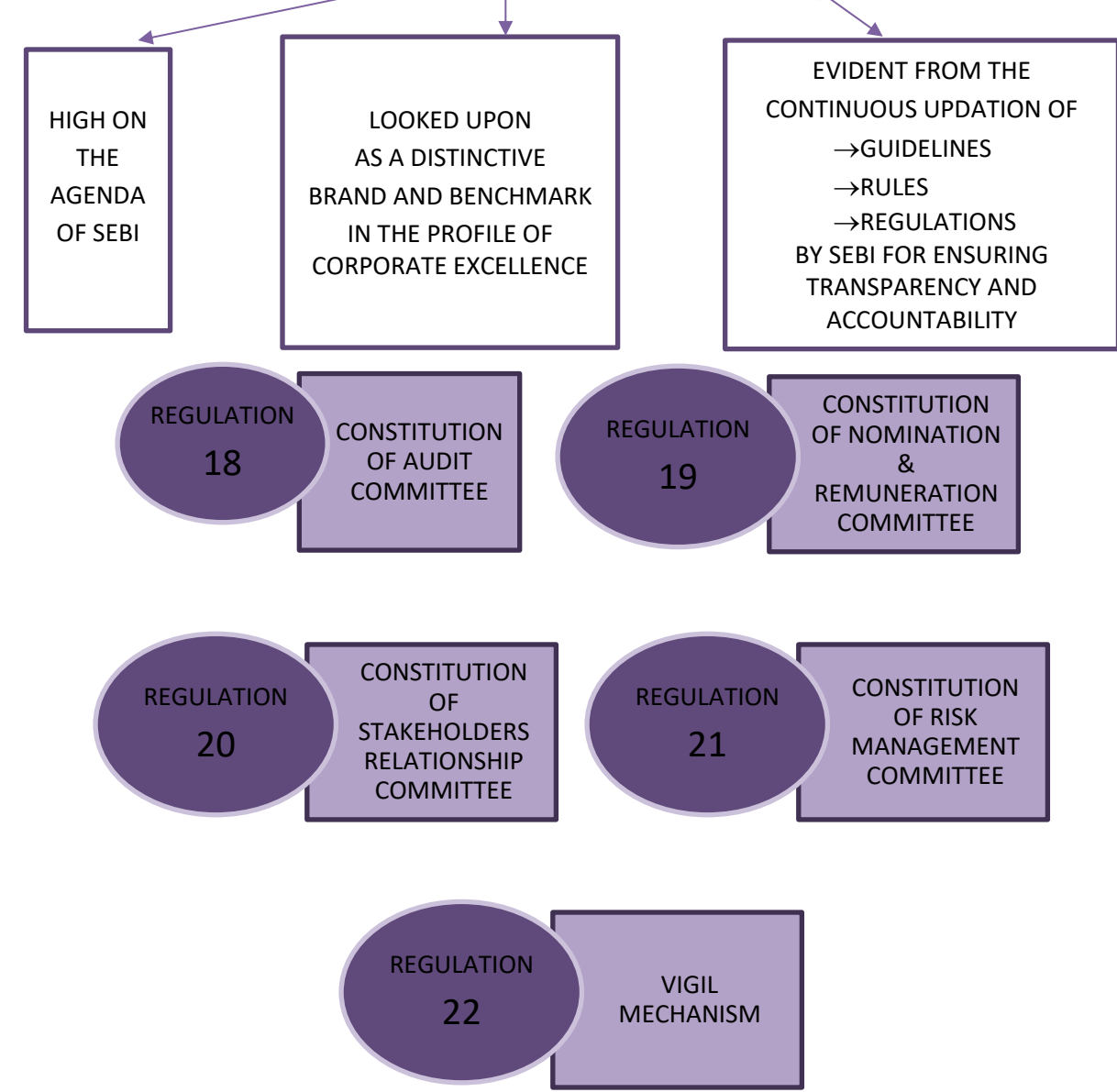
YEARLY COMPLIANCE



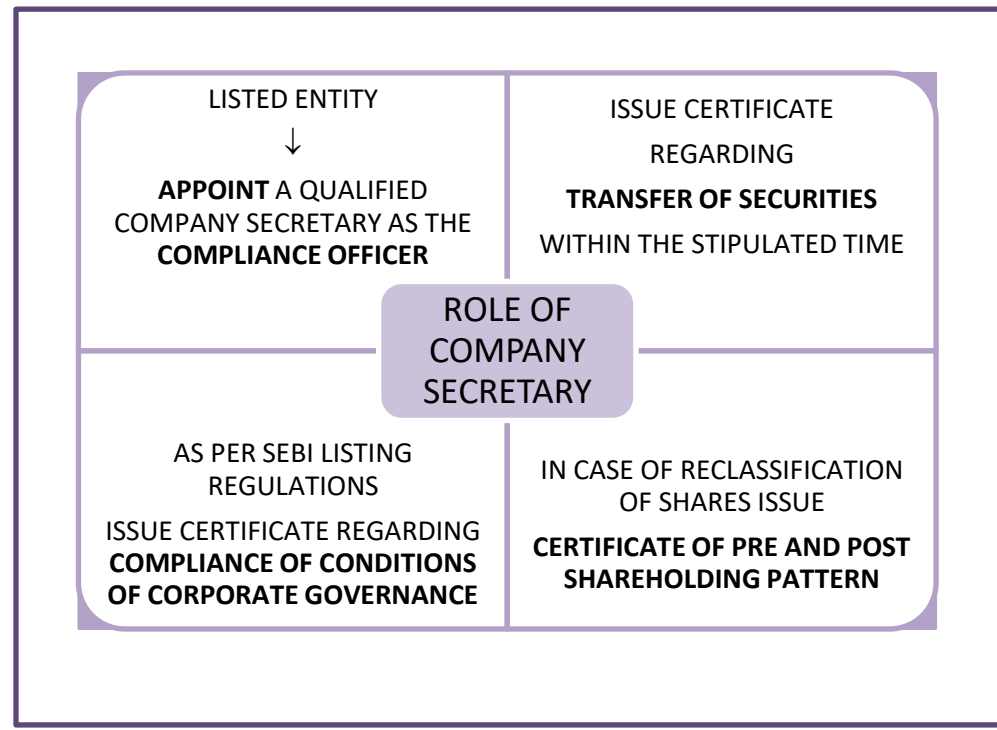
EVENT BASED COMPLIANCES



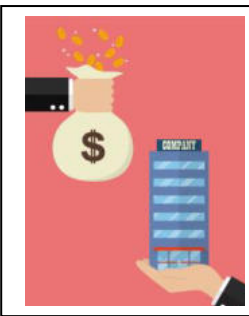
CORPORATE GOVERNANCE



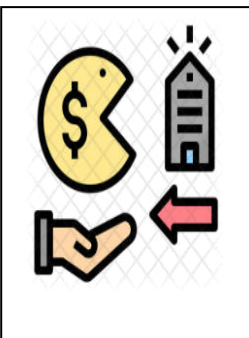
BY SHUBHAMM SUKHLECHA (CA, CS, LLM)



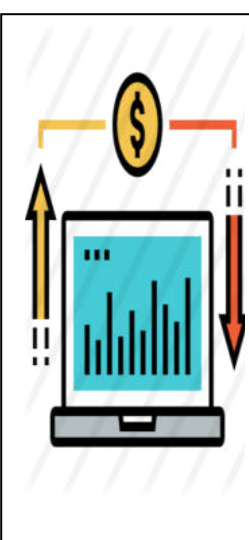
SEBI (SUBSTANTIAL ACQUISITION OF SHARES AND TAKEOVERS) REGULATIONS, 2011



Systematic framework for acquisition of stake in listed companies so that the interests of the shareholders of listed companies are not compromised in case of an acquisition or takeover.



“Acquirer” means any person who, **directly or indirectly**, acquires or agrees to **acquire** whether **by himself**, or through, or with **persons acting in concert** with him, shares or voting rights in, or control over a target company.



“Frequently traded shares” means shares of a target company, in which the **traded turnover** on any stock exchange during the **twelve calendar months** preceding the calendar month in which the public announcement is made, is **at least ten percent of the total number of shares of such class of the target company**. However, where the share capital of a particular class of shares of the target company is not identical throughout such period, the **weighted average number of total shares** of such class of the target company shall represent the total number of shares.



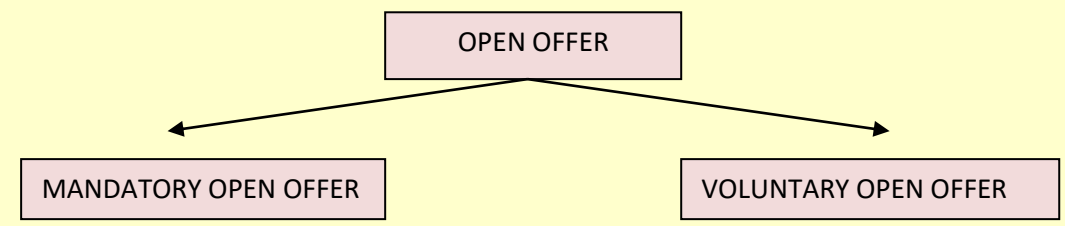
“Target Company” means a company and includes a body corporate or corporation established under a Central legislation, State legislation or Provincial legislation for the time being in force, whose shares are listed on a stock exchange.

What is the basis of computation of the creeping acquisitions limit under Takeover Regulations 2011?

For computing acquisitions limits for creeping acquisition specified under regulation 3(2), gross acquisitions/ purchases shall be taken in to account thereby ignoring any intermittent fall in shareholding or voting rights whether owing to disposal of shares or dilution of voting rights on account of fresh issue of shares by the target company.

These regulations apply to direct and indirect acquisition of shares or voting rights, in or control over Target Company

NOT apply to direct and indirect acquisition over a company listed without making a public issue in the Institutional trading platform of a recognized stock exchange.



TRIGGER POINT FOR MAKING AN OPEN OFFER BY AN ACQUIRER

An acquirer, along with Persons acting in concert (PAC), if any, who intends to acquire shares which along with his existing shareholding would entitle him to exercise 25% or more voting rights, can acquire such additional shares only after making a **Public Announcement (PA)** to acquire **minimum twenty six percent** shares of the Target Company from the shareholders through an **Open Offer**.

CREeping ACQUISITION- A person already holds 25% or more shares in target company, intends to acquire more than 5 % shares in the target company, also has to give an open offer.

Offer given voluntarily without triggering the mandatory Open Offer.

Eligibility-Prior holding of at least 25% shares- To be eligible for making a Voluntary Open Offer, the regulations mandates the prior holding of at least 25% stake in the Target Company by the Acquirer along with the PACs.

Prohibition on the acquisition of shares during the Offer Period - SEBI Takeover Regulations, 2011 prohibits the acquirer who has made a Voluntary Open Offer from further acquiring the shares during the Offer Period otherwise than under the Open Offer

Restriction of the acquisition of shares post completion of Voluntary Open Offer - No acquisition a period of 6 months after completion of the Open Offer except pursuant:
 (a) To another Voluntary Open Offer.
 (b) To Competing Open Offer to the Open Offer made by any other person for acquiring shares of the Target Company.

Offer size- the acquisition of at least ten per cent (10%) of the voting rights in the Target Company. It Shall not exceed maximum permissible non-public shareholding applicable to such Target Company.

OTHER CONCEPTS

CONDITIONAL OFFER

- 1) The minimum level of acceptance is stipulated.
- 2) Minimum level of acceptance= minimum number of shares desired by the acquirer.
- 3) If minimum level of acceptance is not reached, the acquirer will not acquire any shares under open offer/share purchase agreement.

OFFER PRICE
 Price = acquirer announces to acquire shares from public shareholders. This price should not be less than **For frequently traded shares**
 Open offer price shall be highest of the following:

- i) **Highest negotiated price** per share under the **share purchase agreement (“SPA”)** triggering the offer
- ii) **Volume weighted average price** of shares acquired by the acquirer during **52 weeks preceding the public announcement (“PA”)**
- iii) **Highest price paid** for any acquisition by the acquirer **during 26 weeks immediately preceding the PA**
- iv) **Volume weighted average market price for sixty trading days** preceding the PA.

For shares NOT traded frequently-
 (i)- (iii) Same as above i.e. for frequently traded share price.
 (iv) The price determined by the acquirer and the manager to the open offer after taking into account valuation parameters including book value, comparable trading multiples, and such other parameters that are customary for valuation of shares of such companies.

ESCROW PROVISION

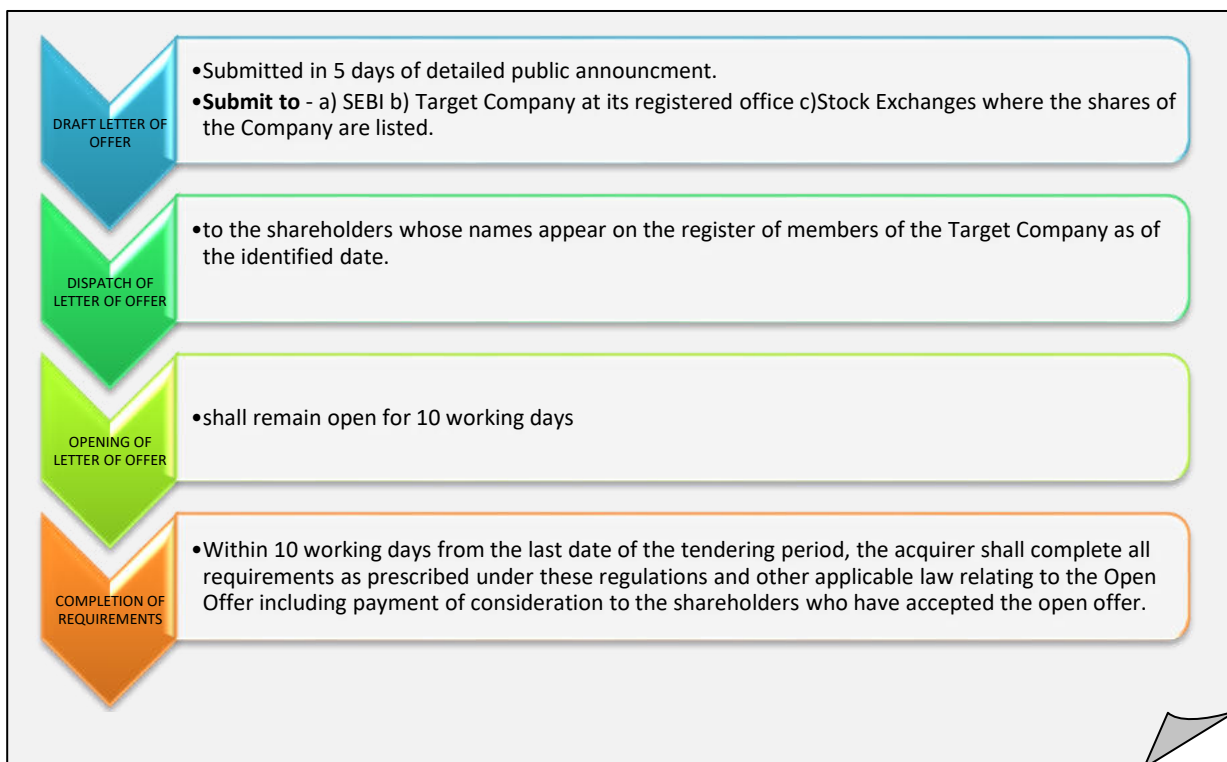
Opened by- the acquirer **when-** Not later than two working days prior to the date of the detailed public statement.

Consideration payable under the Open Offer	Escrow amount
On the first five hundred crore rupees	An amount equal to twenty-five per cent of the consideration
On the balance consideration	An additional amount equal to ten per cent of the balance consideration

Publication of Public Announcement and Detailed Public

PARTICULARS	TIME-LIMIT	TO WHOM
PUBLIC ANNOUNCEMENT	On the same day	All the stock exchanges on which the shares of the target company are listed. The stock exchanges shall forthwith disseminate such information to the public.
PUBLIC ANNOUNCEMENT	Within one working day from the date of public announcement	The acquirer shall sent copy of Public announcement to SEBI and to the target company at its registered office.
DETAILED PUBLIC ANNOUNCEMENT	Within five working day from the date of public announcement	Publication in the following newspaper: # One Hindi national language daily # One English national language daily # One regional national language daily # One regional language daily with wide circulation at the place of the stock exchange where the maximum volume of trading in the shares of the target company is recorded during the sixty trading days preceding the date of the public announcement.
DETAILED PUBLIC ANNOUNCEMENT		A copy of Detailed Public Statement shall be sent to followings: # SEBI; # All the stock exchanges in which the shares of the target company are listed; and # The target company at its registered office.

PROCEDURE UNDER TAKEOVER CODE



EVENT BASED DISCLOSURE

Regulation	Made	Trigger	Time Period	Made to
29(1)	Acquirer	Acquirer + Persons acting in concert (PAC) acquiring 5% or more shares of the target company	2 working days of the receipt of intimation of allotment of shares, or the acquisition of shares or voting rights	SE where the shares are listed and the target company
29(2)	Acquirer	The number of shares or voting rights held and change in shareholding or voting rights, even if such change results in shareholding falling below five percent and such change exceed 2% of total shareholding or voting rights in the target company by the Acquirer + PAC holding 5% or more shares, of the target company or voting rights.	2 working days of the receipt of intimation of allotment of shares, or the acquisition of shares or voting rights	SE where the shares are listed and the target company
CONTINUAL DISCLOSURES				
30(1)		Any Person + PAC holding more than 25% shares or voting rights in the target to disclose their aggregate shareholding and voting rights	Within 7 working days from the financial year ending 31st March every year	SE where the shares are listed and target company
DISCLOSURES OF PLEDGED/ENCUMBERED SHARES				
31(1)	Promoter	Promoter + PAC pledging or creating encumbrance on the shares of the target company	Within 7 working days from the creation, invocation or release of pledge	Stock exchange where the shares are listed and target company
31(2)	Acquirer	Invocation or release of the pledge or encumbrance on the shares of the target company	Within 7 working days from the creation, invocation or release of pledge	Stock exchange where the shares are listed and target company

SEBI (BUY BACK OF SECURITIES) REGULATIONS, 2018

Companies use various tools to restructure their business which affect the share price. The shares are held by various segments of the society, so it is important that there should be equal treatment and opportunity, protection of small shareholders, proper disclosure and transparency. Buy-back of securities is a corporate financial strategy which involves repurchase of its outstanding shares by a company.

REGULATION APPLICABLE TO BB- **SEBI (Buy-back of Securities) Regulations, 1998** as amended from time to time.

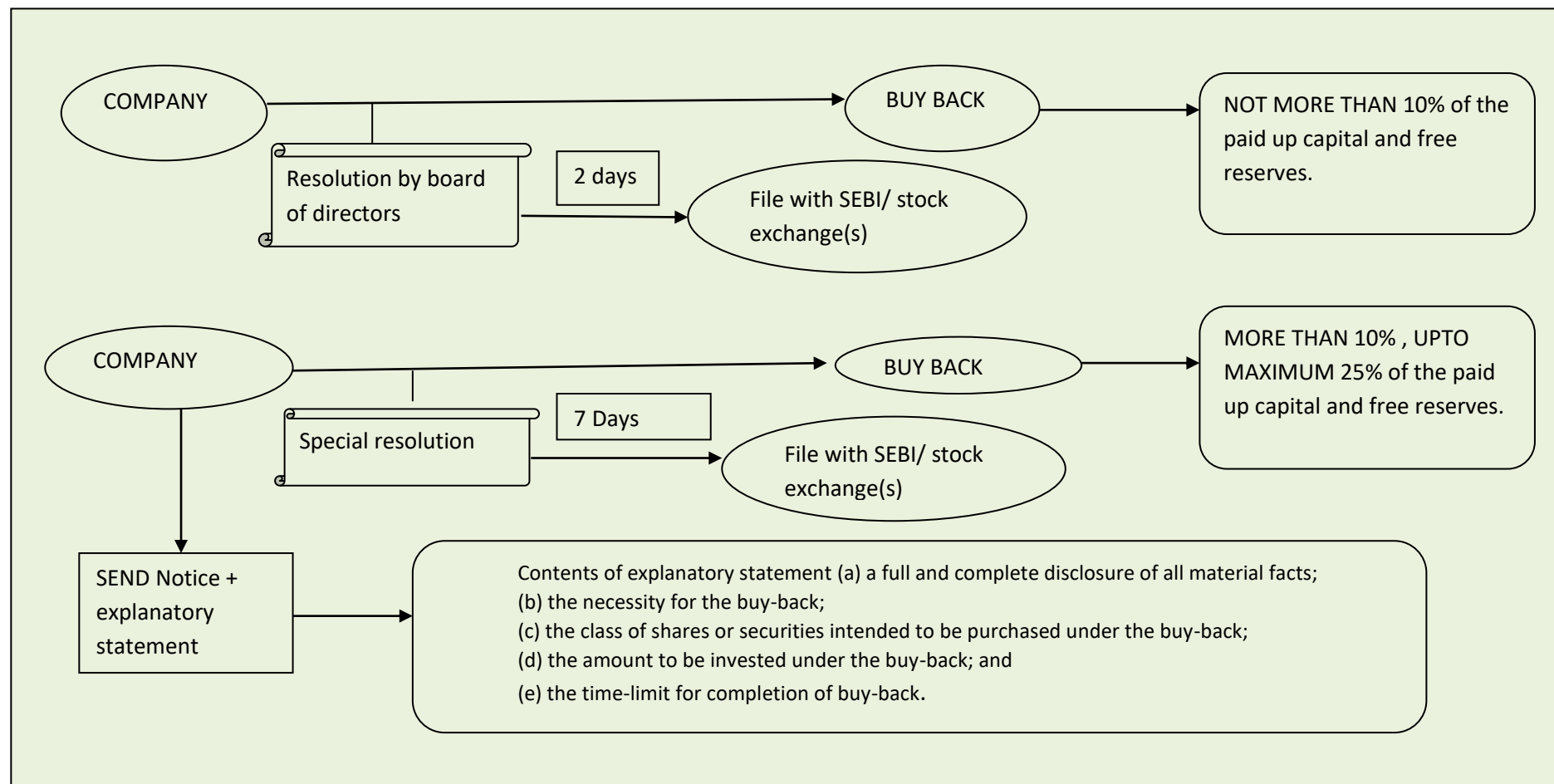
OBJECTIVES for BB-

- (i) To improve **earnings per share**;
- (ii) To improve **return on capital, return on net worth** and to enhance the **long-term shareholder value**;
- (iii) To provide an **additional exit route** to shareholders when shares are undervalued or are thinly traded;
- (iv) To **enhance consolidation of stake** in the company;
- (v) To **prevent unwelcome takeover bids**;
- (vi) To **return surplus cash** to shareholders;
- (vii) To achieve **optimum capital structure**.

EFFECTS of BB-

- (i) **Reduction** in **outstanding** number of equity shares,
- (ii) **Improvement** in **earnings per equity share**
- (iii) Enhance **return on net worth**
- (iv) Create **long term value** for continuing shareholders

BUY BACK UNDER COMPANIES ACT, 2013



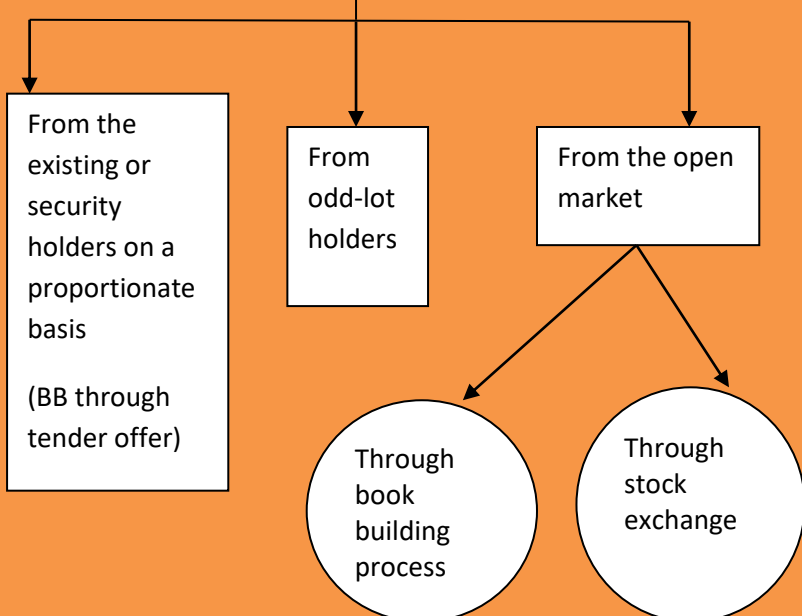
- 1) NO BB- more than 15% from open market.
- 2) NO BB by spot transaction/negotiated deals/private arrangement.
- 3) NO BB within 1 year from closure of preceding BB.

Buy-back of physical shares or other specified securities

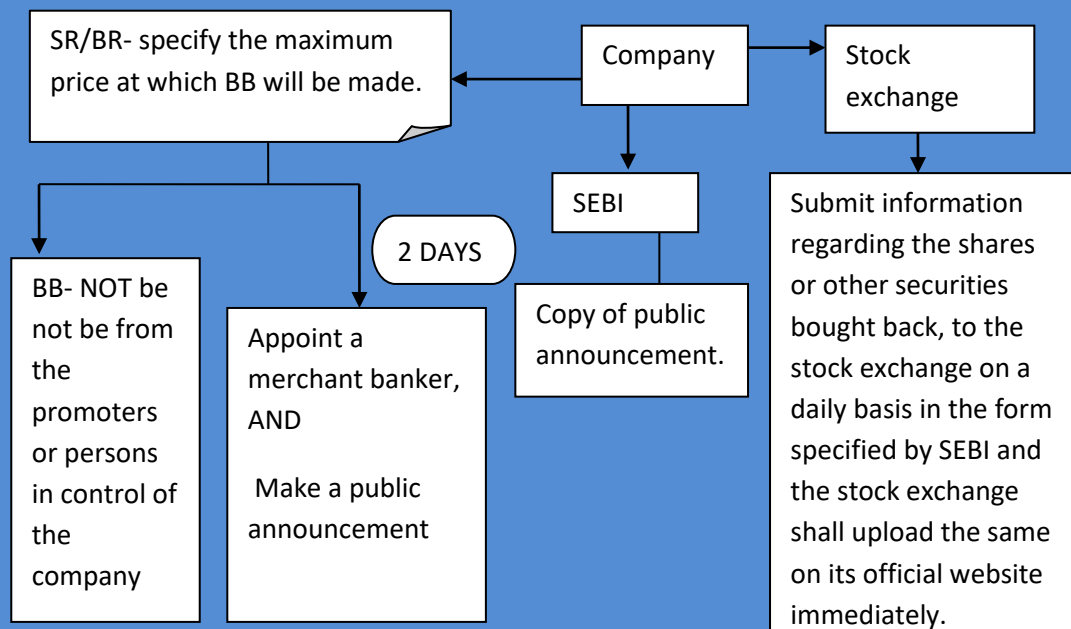
A company shall buy-back its shares or other specified securities in physical form through open market method as provided hereunder:

- (a) a separate window shall be created by the stock exchange, which shall remain open during the buyback period, for buy-back of shares or other specified securities in physical form.
- (b) the company shall buy-back shares or other specified securities from eligible shareholders holding physical shares through the separate windows, only after verification of the identity proof and address proof by the broker.

Methods of buy-back



BB- THROUGH STOCK EXCHANGES



- company shall upload the information regarding the shares or other specified securities bought back on its website on a daily basis.
- buy-back offer shall open not later than seven working days from the date of public announcement and shall close within six months from the date of opening of the offer
- The buy-back should be made only on stock exchanges having Nationwide Trading Terminal facility and only through the order matching mechanism.
- The Company shall, before opening of the offer, create an escrow account. An amount equal to 25 % of the total proposed buy back has to be deposited in escrow account.
- The escrow amount may be released for making payment to the shareholders subject to atleast 2.5% of the total amount for buy-back remaining in the escrow account at all points of time.
- The company shall extinguish and physically destroy the security certificates so bought back during the month in the presence of a Merchant Banker and the Statutory Auditor, on or before the fifteenth day of the succeeding month.
- the company shall ensure that all the securities bought-back are extinguished within seven days of the last date of completion of buyback.

BB- THROUGH BOOK-BUILDING

The resolution should specify the **maximum price** at which the buy-back will be made.

COMPANY

APPOINT MERCHANT BANKER



Deposit in the escrow account should be made before the date of the public announcement.

File copy

A PUBLIC ANNOUNCEMENT

2 DAYS



Book-building process should be made through an electronically linked transparent facility. The number of bidding centres should not be less than thirty and there should be at least one electronically linked computer terminal at all the bidding centres.



- a) The offer for buy-back should be kept open for a period of not less than fifteen days and not exceeding thirty days.
- b) The merchant banker and the company should determine the buy-back price based on the acceptances received and the final buy-back price, which should be the highest price accepted should be paid to all holders whose securities have been accepted for the buy-back.
- c) The company shall extinguish and physically destroy the security certificates so bought back during the month in the presence of a Merchant Banker and the Statutory Auditor, on or before the fifteenth day of the succeeding month.
- d) The company shall ensure that all the securities bought-back are extinguished within seven days of the last date of completion of buyback.

BUY-BACK FROM EXISTING SECURITY-HOLDERS THROUGH TENDER OFFER

COMPANY

Authorized by a special resolution or a resolution passed by the Board of Directors

PUBLIC ANNOUNCEMENT

SEBI

MERCHANT BANKER

One English National Daily, one Hindi National Daily and a Regional language daily all with wide circulation at the place where the Registered office of the company is situated

5 days

DRAFT LETTER OF OFFER + Declaration of solvency

Filed with SEBI

SEBI may give its **comments on the draft letter** in seven working days of the receipt of the draft letter of offer.
SEBI has sought **clarifications or additional information from the merchant banker**, the period of issuance of comments shall be **extended to the seventh working day** from the date of **receipt of satisfactory reply**

Merchant banker shall carry out changes specified by SEBI before dispatching letter of offer to shareholders.

The shares proposed to be bought back shall be divided into two categories;
(a) reserved category for small shareholders and
(b) the general category for other shareholders

The offer for buy back shall remain open for a period of ten working days.

Date of the opening of the offer

IN 5 DAYS

Dispatch of letter of offer and tender form to eligible shareholders.

IN 5 days from SEBI's communication

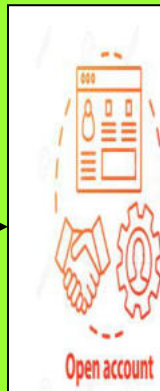
Company shall announce a **record date** for determining the entitlement and the names of the eligible security holders for the BB



The company should as and by way of security for performance of its obligations under the Regulations, on or before the opening of the offer, deposit in an escrow account the sum as specified:
i) consideration payable does not exceed Rs 100 crores – 25 % of the consideration payable;
ii) if the consideration payable **exceeds Rs 100 crores** – 25 % upto Rs 100 crores and 10% thereafter;



On payment of consideration to all the security-holders who have accepted the offer and **after completion of all the formalities of buy-back**, the **amount, guarantee and securities in the escrow, if any, should be released to the company.**



The company shall immediately after the date of closure of the offer, **open a special account with a SEBI registered banker** to an issue and deposit therein, such sum as would, together with the **amount lying in the escrow account make up the entire sum due and payable as consideration** for the buy-back and for this purpose, may transfer the funds from the escrow account.

Company shall verify offers received and make payment of consideration to those security holders whose offer has been accepted
The security certificates shall be extinguished and physically destroyed in the presence of a Registrar to issue or the Merchant Banker and the Statutory Auditor within fifteen days of the date of acceptance of the shares.

ODD-LOT BUY-BACK- The provisions pertaining to buy-back through tender offer as specified in this Lesson shall be applicable mutatis mutandis to buy-back of odd-lot shares or other specified securities

Lesson 8 SEBI (Delisting of Equity Shares) Regulations, 2009

Delisting- Removal of the listing of the securities of a listed company from the Stock Exchange.

TYPES OF DELISTING

Voluntary delisting

A listed company seeks delisting of securities of its own volition

Compulsory delisting

Stock Exchange itself delists the securities of such Company



AGENCIES INVOLVED IN DELISTING PROCESS AND THEIR ROLE



Merchant banker

- Determine exit price.
- Makes public announcements.
- Determines bidding centres.
- Appoints trading members.
- Determines and announces final trading price.
- Overseas settlement process.



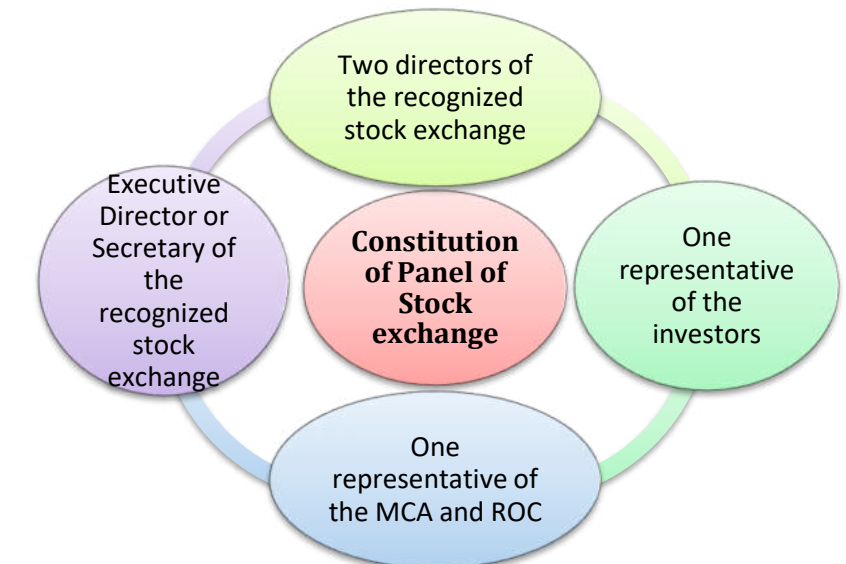
Professionals involved

- Intimates stock exchange
- Determines exit price.
- Finalizes schedule of delisting.
- Overseas book building process.
- Opens escrow account.
- Overseas settlement process.

COMPULSORY DELISTING

What- permanent removal of securities of a listed company from a stock exchange

Why- a penalizing measure at the behest of the stock exchange for non-compliance with listing agreement within the time frames prescribed.



Public notice before delisting order

- 1) In one English national daily
- 2) One regional language Newspaper of the region where the concerned recognized stock exchange
- 3) Display such notice on its trading systems and website

Time period of making representation
not less than fifteen working days from the notice

Delisting Order by the Recognised Stock Exchange

Public notice after Delisting Order

- 1) In one English national daily with wide circulation and one regional language newspaper of the region where the concerned recognized stock exchange is located
- 2) Inform all stock exchanges where the equity shares of the company are listed, about such delisting.

Exit Price Determination by an Independent Valuer

The recognized stock exchange shall form a panel of expert valuers from whom the valuer or valuers shall be appointed.

Circumstances where delisting is not permissible

No promoter shall directly or indirectly employ the funds of the company to finance an exit opportunity or an acquisition of shares.

Instruments which are convertible into the same class of equity shares that are sought to be delisted are outstanding.

Unless three years have elapsed since the listing of that class of equity shares.

Pursuant to Buy back of equity shares by the company.

Delisting of convertible securities.

Pursuant to Preferential allotment made by the company.

If entity belonging to the promoter has sold equity shares of the company during a period of six months prior to the date of the board meeting in which the delisting proposal was approved.

No acquirer or promoter shall employ or engage in a scheme or artifice to defraud any shareholder or other person or any act or practice that is fraudulent, deceptive or manipulative in connection with such delisting.

Delisting of securities	Suspension of securities
Removal of the name of the company from the stock exchange	No trade can take place in the securities of the company suspended for a temporary period.
No trade can take place in the securities of such company	It is an action taken by the Stock Exchanges against the company
Delisting can be voluntary or compulsory.	Generally for non-compliance of listing conditions as stipulated under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR Regulations).

VOLUNTARY DELISTING

What- a listed company decides on its own to permanently remove its securities from a stock exchange.

OPTION 1-
Delisting from all the recognized stock exchanges where securities are listed.

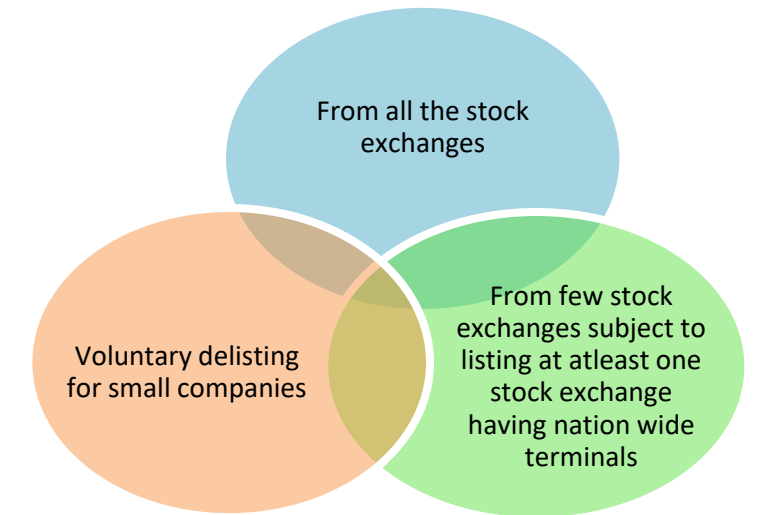
OPTION 2-
Delisting from only some of the few stock exchanges and securities continue to be listed on the exchange(s) having nationwide terminals.

Exit opportunity shall be given to all the public shareholders holding the equity shares sought to be delisted, through reverse book building.

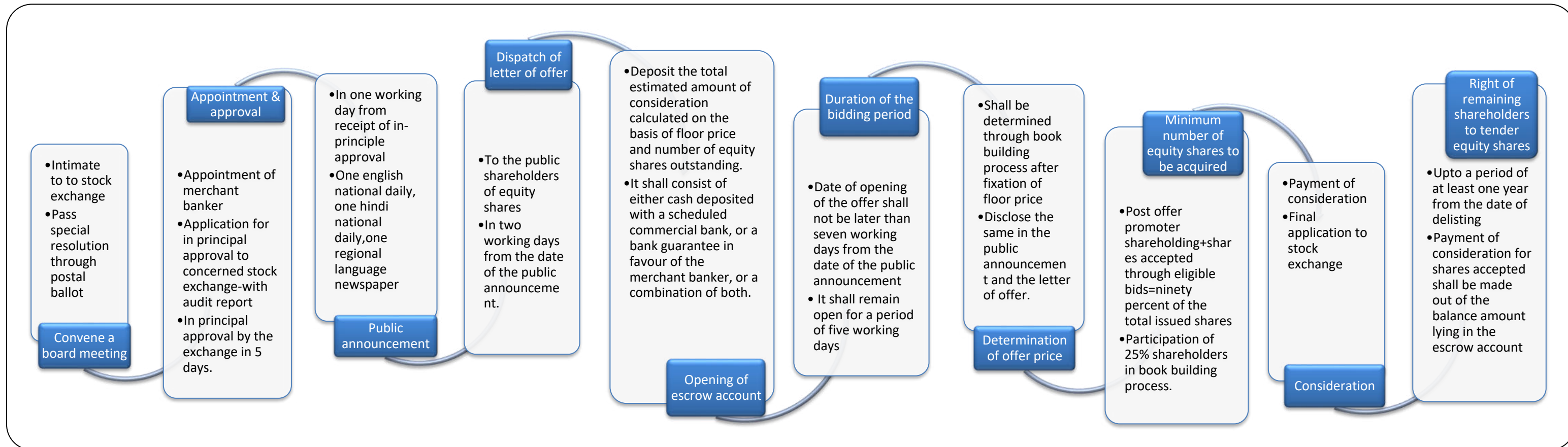
No exit opportunity needs to be given to the public shareholders.



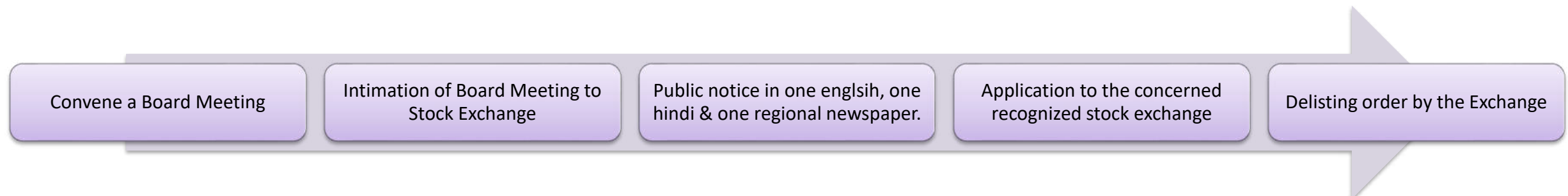
Different modes of Voluntary Delisting



Voluntary Delisting from all the stock exchanges



Procedure for Voluntary delisting from few stock exchanges subject to listing at atleast one stock exchange having nationwide terminals



Voluntary Delisting by Small Companies

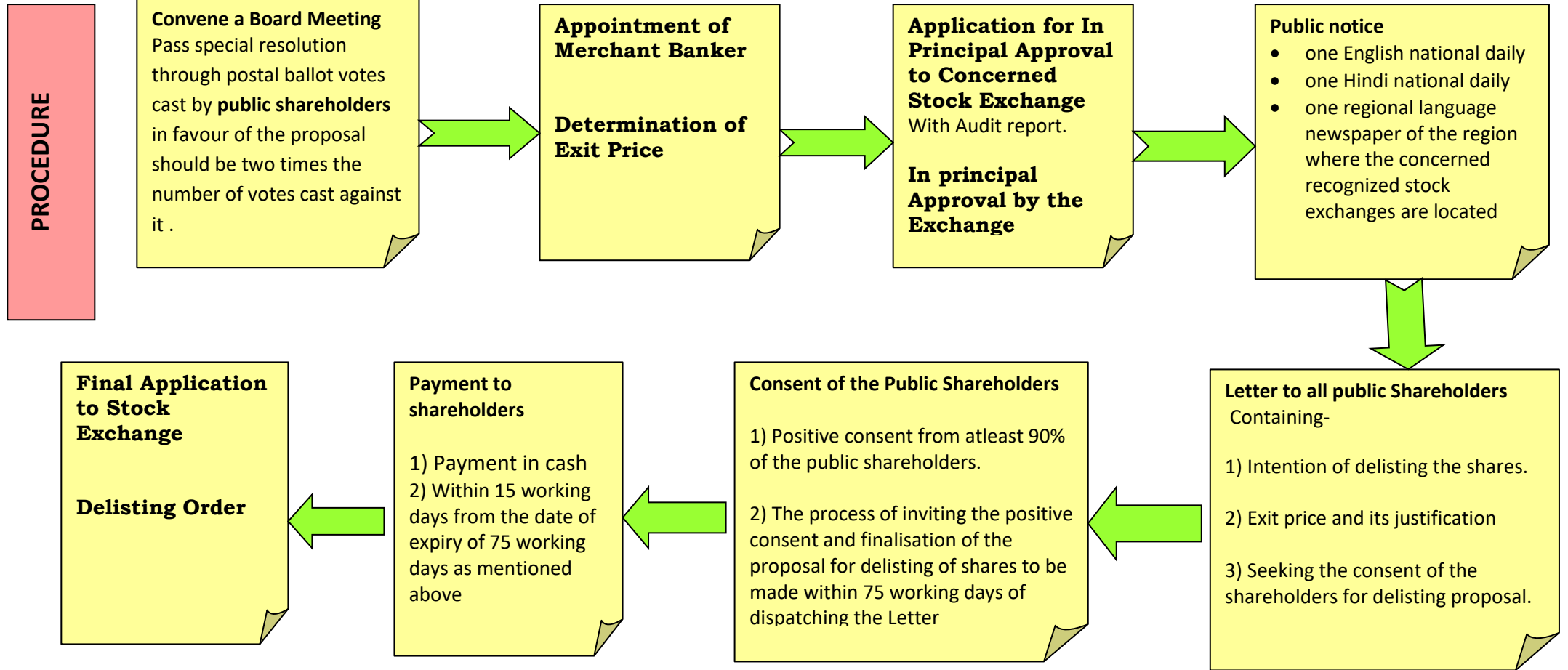
SMALL COMPANY

- ❖ **paid up capital** not exceeding **ten crore rupees** and
- ❖ **net worth** not exceeding **twenty five crore rupees**

- 1) Equity shares traded during the immediately preceding twelve calendar months is less than ten per cent of the total number of shares of such company.
- 2) The company has not been suspended by any of the recognised stock exchanges having nationwide trading terminals for any non-compliance in the preceding one year.

V. T. Somasundaram and M/s. Trichy Distilleries & Chemicals Limited vs. Madras Stock Exchange and SEBI

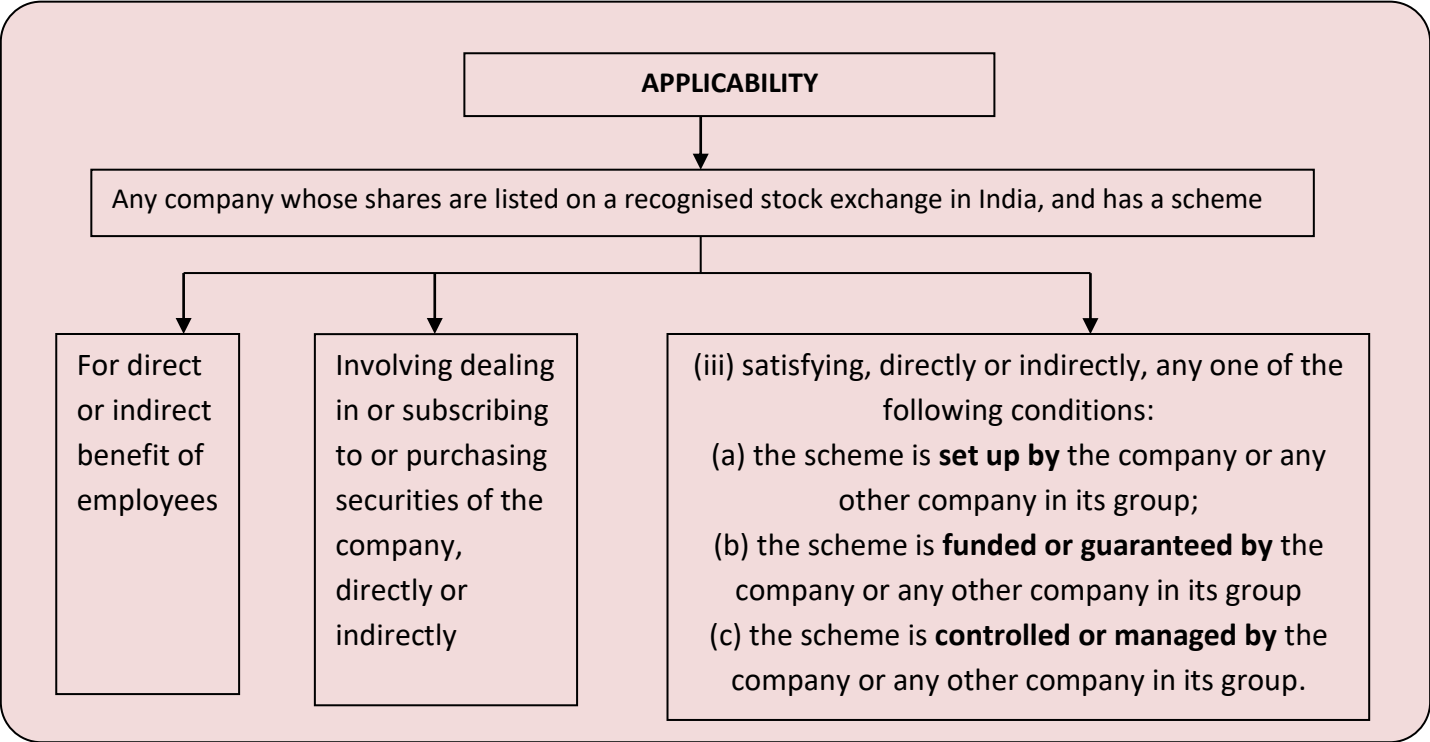
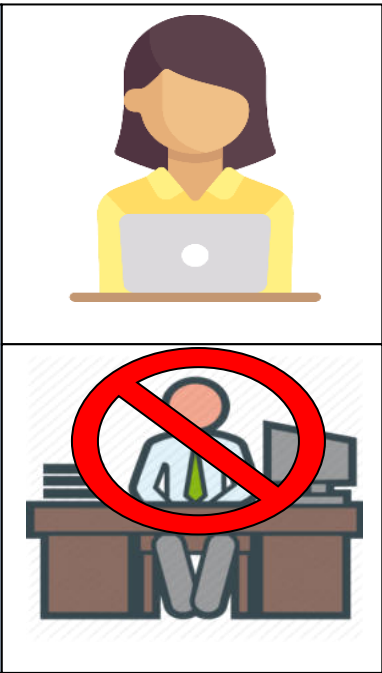
The promoter of a small company would be considered to have complied with the condition under regulation 27(3) (d) if the public shareholders, irrespective of their numbers, holding ninety percent or more of the public shareholding give their positive consent in writing to the proposal for delisting.



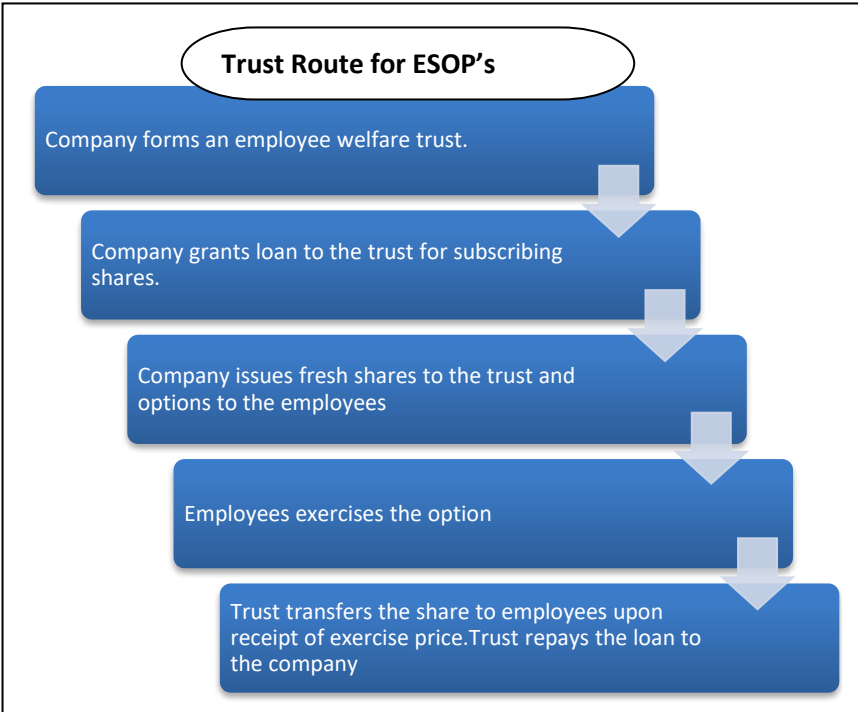
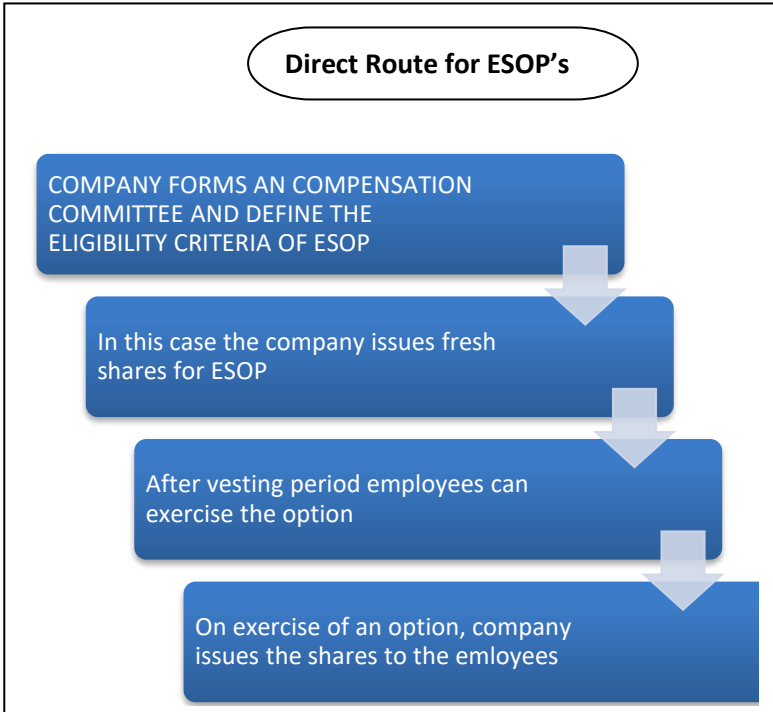
SEBI (Share Based Employee Benefits) Regulations, 2014

Employee means
 (i) a **permanent employee** of the company who has been working **in India or outside India**;
 (ii) a director of the company, whether a whole time director or not but **excluding an independent director**; or
 (iii) an employee as defined in clause (i) or (ii) of a subsidiary, in India or outside India, or of a holding company of the company

But does not include
 (a) an employee who is a promoter or a person belonging to the promoter group; or
 (b) a director who either himself or through his relative or through any body corporate, directly or indirectly, holds more than ten per cent of the outstanding equity shares of the company



SCHEMES- IMPLEMENTATION AND PROCESS



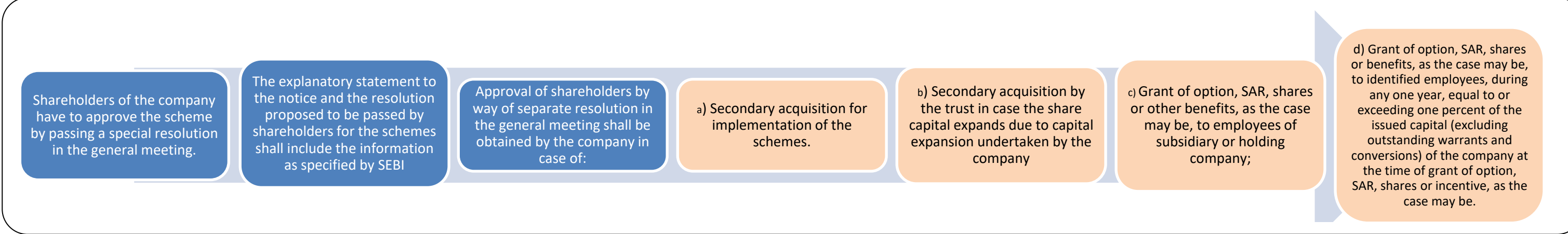
COMPENSATION COMMITTEE

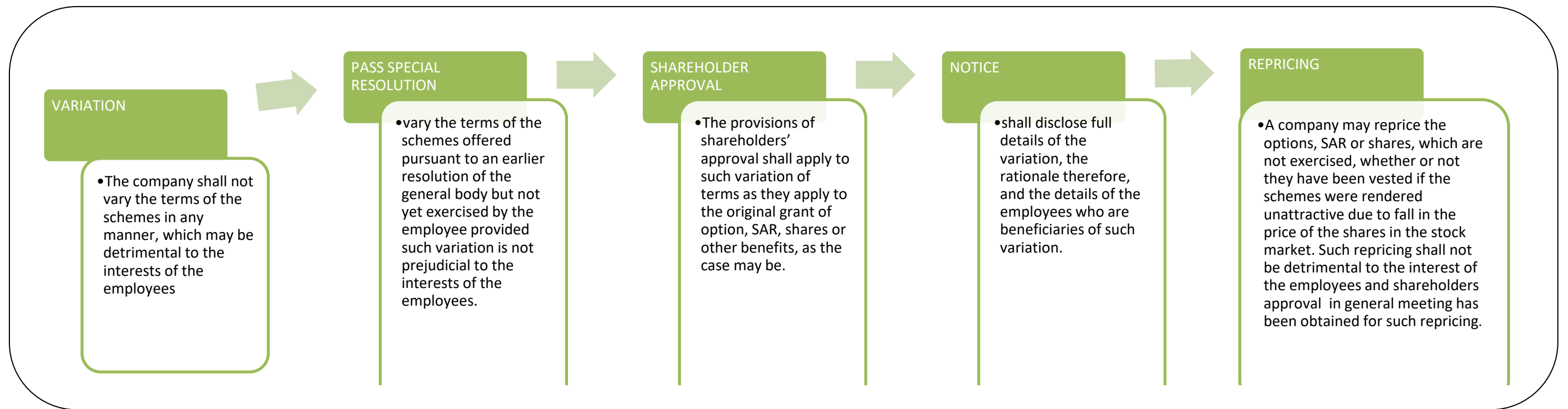
OBJECT- A Company shall constitute a compensation committee for **administration and superintendence of the schemes**. However, the company may designate such of its other committees as compensation committee if they fulfil the criteria as prescribed in these regulations. Where the scheme is being implemented through a trust the compensation committee shall delegate the administration of such scheme(s) to the trust.

COMPOSITION- The compensation committee shall be a committee of such members of the board of directors of the company as provided under section 178 of the Companies Act, 2013, as amended or modified from time to time.

FUNCTIONS- a) The compensation committee shall, inter alia, **formulate the detailed terms and conditions** of the schemes which shall include the provisions as specified by SEBI in this regard.

b) The compensation committee shall **frame suitable policies and procedures** to ensure that there is **no violation of securities laws**, as amended from time to time, by the trust, the company and its employees, as applicable.





WINDING UP OF SCHEMES

In case of winding up of the schemes being implemented by a company through trust, the excess monies or shares remaining with the trust after meeting all the obligations, if any, shall be utilised for repayment of loan or by way of distribution to employees as recommended by the compensation committee.



NON-TRANSFERABILITY

- Option, SAR or any other benefit granted to an employee under the regulations shall not be transferable to any person.
- No person other than the employee to whom the option, SAR or other benefit is granted shall be entitled to the benefit arising out of such option, SAR, benefit etc.



Important points for implementation of scheme in the form of a trust:

- If the scheme involves secondary acquisition of shares, such schemes are mandatory to be implemented through trust.
- There has to be minimum 2 trustees if the trustees are individuals or one person companies, and minimum 1 trustee if the trustee is a corporate body.
- Trustee cannot be:
 - Director/ KMP/ Promoter of the company or its holding company or its subsidiary company, or relative of such Director/ KMP/ Promoter.
 - Any person who holds 10% or more paid up capital of the company.
- Trust can undertake only delivery based transaction (it means that the trust cannot deal in derivatives)
- Shares held by trust shall be "non-promoter non-public shareholding".
- Secondary acquisition in one financial year shall not exceed 2% of the paid up capital of the

Part B- ADMINISTRATION OF SPECIFIC SCHEMES

PARTICULARS	EMPLOYEE STOCK OPTION SCHEME	EMPLOYEE STOCK PURCHASE SCHEME	STOCK APPRECIATION RIGHTS SCHEME	GENERAL EMPLOYEE BENEFITS SCHEME	RETIREMENT BENEFIT SCHEME
ADMINISTRATION AND IMPLEMENTATION	ESOS shall contain the details of the manner in which the scheme will be implemented and operated. ESOS shall not be offered unless the disclosures, as specified by SEBI, are made to the prospective option grantees	The ESPS scheme shall contain the details of the manner in which the scheme will be implemented and operated.	The SAR scheme shall contain the details of the manner in which the scheme will be implemented and operated. SAR shall not be offered unless the disclosures, as specified by SEBI, are made to the prospective SAR grantees.	GEBS shall contain the details of the scheme and the manner in which the scheme shall be implemented and operated.	Retirement benefit scheme may be implemented by a company in compliance with these regulations, and any other law in force in relation to retirement benefits. The retirement benefit scheme shall contain the details of the benefits under the scheme and the manner in which the scheme shall be implemented and operated.
PRICING	Company granting ESOS scheme to its employees will have the freedom to determine the exercise price as per the accounting policies as specified regulation.	The company may determine the price of shares to be issued under an ESPS , provided they conform to the provisions of accounting policies under these regulation	The company shall have the freedom to implement cash settled or equity settled SAR scheme. However, in case of equity settled SAR scheme, if the settlement results in fractional shares, then the consideration for fractional shares should be settled in cash.	At no point in time, the shares of the company or shares of its listed holding company shall exceed ten percent of the book value or market value or fair value of the total assets of the scheme, whichever is lower, as appearing in its latest balance sheet for the purposes of GEBS.	At no point in time, the shares of the company or shares of its listed holding company shall exceed ten per cent of the book value or market value or fair value of the total assets of the scheme, whichever is lower, as appearing in its latest balance sheet for the purposes of RBS.
VESTING	A minimum vesting period of one year in case of ESOS. ESOS granted in case of merger /amalgamation - the period during which the options granted by the transfer or company were held by him shall be adjusted against the minimum vesting period required under this sub-regulation. The company may specify the lock-in period for the shares issued pursuant to exercise of option.	Shares issued under an ESPS shall be locked-in for a minimum period of one year from the date of allotment . In case of merger/amalgamation - the lock-in period already undergone in respect of shares of the transferor company shall be adjusted against the lock-in period. ESPS is part of a public issue and the shares are issued to employees at the same price as in the public issue , the shares issued to employees pursuant to ESPS shall not be subject to lock-in .	There shall be a minimum vesting period of one year in case of SAR scheme. In case of merger/amalgamation - the period during which the SAR granted by the transferor company were held by the employee shall be adjusted against the minimum vesting period.		
RIGHTS OF OPTION HOLDER	Employee shall not have right to receive any dividend or to vote or in any manner enjoy the benefits of a shareholder till he exercises the option.		The employee shall not have right to receive dividend or to vote or in any manner enjoy the benefits of a shareholder in respect of SAR granted to him.		
CONSEQUENCE OF FAILURE TO EXERCISE OPTION	The amount payable by the employee, , a) May be forfeited by the company if the option is not exercised or b) May be refunded to the employee if the options are not vested due to non-fulfillment of conditions relating to vesting of option as per the ESOS.				

Section 2 (88) of the Companies Act, 2013 defines “sweat equity shares” which means such equity shares as are issued by a Company to its **directors or employees** at a **discount** or for **consideration, other than cash**, for providing their **know-how** or making available rights in the nature of **intellectual property rights or value additions**, by whatever name called.



BOD

NOTICE



SHAREHOLDERS

Additional information

- a) The **total number of shares** to be issued as sweat equity.
- b) The **current market price** of the shares of the company.
- c) The **value of the intellectual property rights or technical knowhow** or other value addition to be received from the employee or director along with the **valuation report / basis of valuation**.
- d) The **names of the employees or directors or promoters** and their **relationship with the company**.
- e) The **consideration to be paid** for the sweat equity.
- f) The **price of issue**.
- g) **Ceiling on managerial remuneration**, if any.
- h) A statement to the effect that the **company shall conform to the accounting policies as specified by SEBI**.

Specification in resolution-number of shares, current market price, consideration if any class or classes of directors or employees

Listed Securities- Issue acc. to SEBI regulation

Special resolution passed in general meeting

Unlisted- Issue acc. to rule 8 of Companies (Share Capital and Debenture) Rules, 2014.

Section 54 - Conditions to issue sweat eq. shares of a class of shares already issued

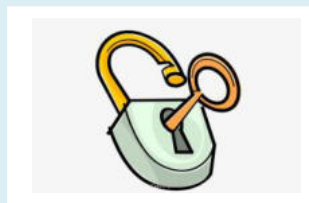
VALUATION OF INTELLECTUAL PROPERTY

- The valuation of the intellectual property rights or of the know how shall be carried out by a merchant banker.
- The merchant banker may consult such experts and valuers, as he may deem fit as per the nature of the industry and property.
- The merchant banker shall obtain a certificate from an independent Chartered Accountant that the valuation of the intellectual property or other value addition is in accordance with the relevant accounting standards.



LOCK-IN

The Sweat Equity shares shall be locked in for a **period of three years from the date of allotment**.



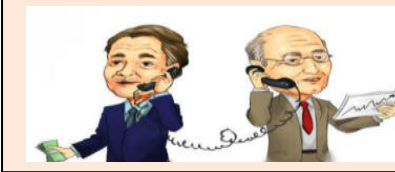
SEBI (ISSUE OF SWEAT EQUITY) REGULATIONS, 2002

APPLICABILITY

Listed companies which are issuing sweat equity shares are required to comply with **SEBI (Issue of Sweat Equity) Regulations, 2002**.

NOT APPLICABLE to an unlisted company. **Unlisted co.** coming out with IPO for listing pursuant to issue sweat equity shares shall comply with the **SEBI (ICDR) Regulations, 2009**.

INSIDER TRADING



SEBI (Prohibition of Insider Trading) Regulations, 2015
Notified- 15th January, 2015
Repealed- SEBI (Prohibition of Insider Trading) Regulations 1992

“Insider” means any person who is: i) a connected person; or ii) in possession of or having access to unpublished price sensitive information.



“Unpublished price sensitive information” 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 securities and shall, ordinarily including but not restricted to, information relating to the following–

- (i) Financial results;
- (ii) Dividends;
- (iii) Change in capital structure;
- (iv) Mergers, de-mergers, acquisitions, delisting, disposals and expansion of business and such other transactions;
- (v) Changes in key managerial personnel; and
- (vi) Material events in accordance with the listing agreement.

INFORMATION



“Trading” means and includes subscribing, buying, selling, dealing, or agreeing to subscribe, buy, sell, deal in any securities, and “trade” shall be construed accordingly.



COMMUNICATION OR PROCUREMENT OF UNPUBLISHED PRICE SENSITIVE INFORMATION

Regulation 3 provides that **any person shall not**: –

- **communicate, provide, or allow access** to any unpublished price sensitive information or –
- **procure from or cause the communication by any insider** of unpublished price sensitive information,
- relating to a **company or securities listed or proposed to be listed**
- **except** in furtherance of **legitimate purposes**, performance of **duties** or discharge of **legal obligations**.

TRADING WHEN IN POSSESSION OF UPSI

Regulation 4- When an insider is in possession of UPSI, he shall not trade in securities.

However there are certain exemptions:

Trades pursuant to **trading plan** according to regulations.

Off-market trade between promoters-

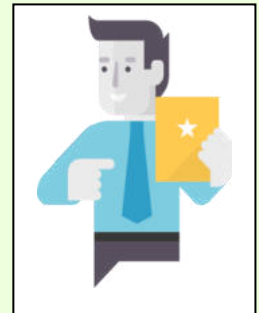
- (i) **Aware of price sensitive info.**
- (ii) **Conscious and informed trade decision**

In the case of non-individual insiders-

- The **individuals in possession** of UPSI are **different** from the **individuals taking trading decisions**
- Decision-making individuals **were not in possession** of UPSI **when they took the decision to trade**
- **Appropriate and adequate arrangements** were in place to ensure (i) **regulations are not violated** (ii) **No communication** of UPSI by the individuals
- Possessing the information to the individuals taking trading decisions and there is **no evidence** of such arrangements having been **breached**.



TRADING PLAN



- 1) Insider would be required to **submit trading plan** in advance to the **compliance officer** for his approval and also disclosed to **stock exchanges** in case of listed securities.
- 2) It shall be submitted for a minimum **period of 12 months**.
- 3) **No overlapping of plan** with the existing plan submitted by Insider
- 4) It shall set out either **the value of trades** to be effected or the **number of securities** to be traded along with * **nature** of the trade * the **intervals** at, or dates on which such ***trades shall be effected**.
- 5) **Trading** can only commence only **after 6 months** from public **disclosure** of plan.
- 6) No trading between **20th day prior** to closure of **financial period** and **2nd trading day after disclosure of financial results**.
- 7) **Compliance officer to approve the plan**.
- 8) Upon approval of the trading plan, the **compliance officer shall notify the plan to the stock exchanges** on which the securities are listed.

The trading plan once approved

- Shall be **irrevocable**
- **Have to mandatorily implemented**
- **No deviation or execution of any trade** in the securities outside the scope of the trading plan.

(**Except** in few case like where insider is in possession of price sensitive information at the time of formulation of the plan and such information has not become generally available at the time of the commencement of implementation)

INITIAL DISCLOSURES

Every person on appointment as KMP or director of a company or upon becoming a promoter

Shall disclose his holding of securities of the company as on the date of appointment or becoming a promoter, to the company

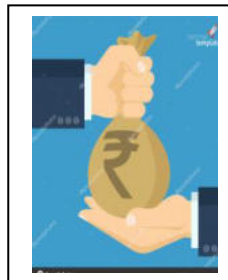


Within **7 days** of such appointment or becoming a promoter

CONTINUAL DISCLOSURES

Every promoter, employee or director of every company shall disclose to the company the number of securities acquired

If the value of the securities traded, **exceed Rs 10 lakh with single or series of transaction** in any calendar quarter



Within **2 days** of such transaction.

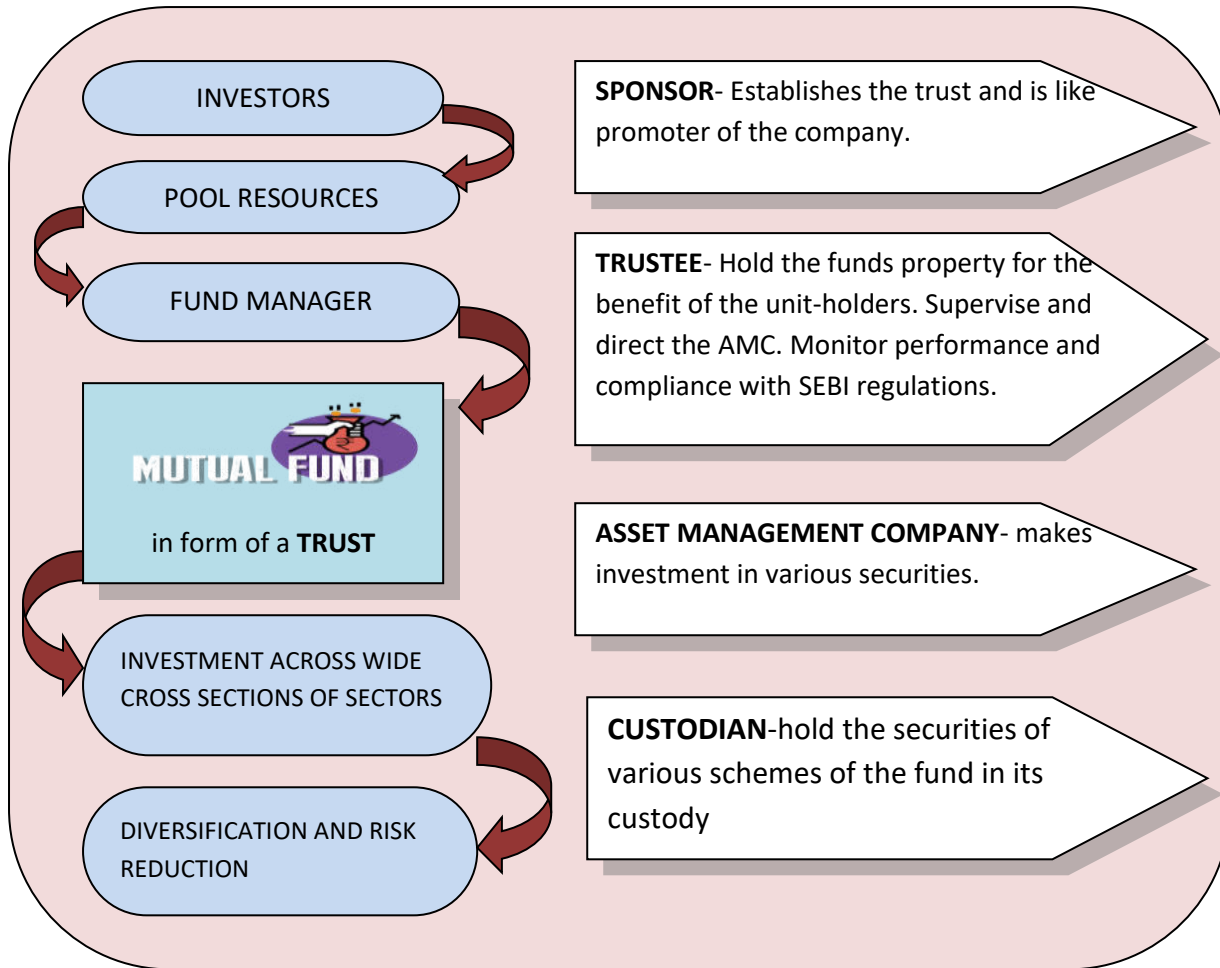


PENALTY

If any insider who, **violates any provision** of the SEBI (Prohibition of Insider Trading) Regulation, 2015

- shall be liable to a **penalty of twenty-five crore rupees or three times the amount of profits** made out of insider trading, whichever is **higher**
- **Imprisonment upto 10 years.**

MUTUAL FUNDS



ANALYSIS OF MUTUAL FUNDS

ADVANTAGES	RISK INVOLVED
Professional Management	<ul style="list-style-type: none"> Excessive diversification of portfolio, losing focus on the securities of the key segments.
Diversification	
Convenient Administration	<ul style="list-style-type: none"> Too much concentration on blue-chip securities which are high priced and which do not offer more than average return.
Return Potential	
Low Costs	<ul style="list-style-type: none"> Fund managers being unaccountable for poor results.
Liquidity	<ul style="list-style-type: none"> Poor planning
Transparency	<ul style="list-style-type: none"> Large payments of brokerage and commission.



TYPES OF PLANS

PLAN	Regular Plans	Direct Plans
HOW SOLD?	Sold through a distributor	Sold directly by the AMC
EXPENSE RATIO	Higher Expense Ratio (Due to commissions paid to distributor)	Lower Expense Ratio (No commission paid to distributor)
RETURNS	Potentially lower returns to the investor (Due to higher expenses)	Potentially higher returns (Due to lower expenses)



TYPES

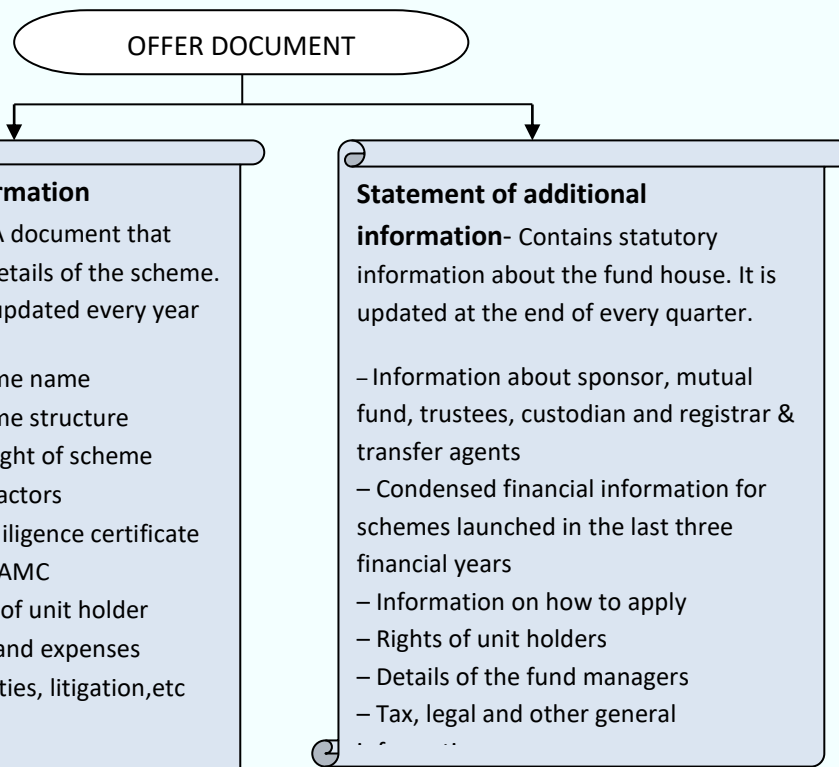
TYPE	Open Ended	Close Ended
PURCHASE	Can be purchased on any transaction day	Can be purchased only during NFO
REDEMPTION	Can be redeemed on any transaction day	Can be redeemed only at maturity
LIQUIDITY	High liquidity	Low on liquidity

KINDS OF MUTUAL FUNDS

Income Oriented Schemes	Offers fixed income to investors. Mainly invests in bonds, corporate debentures, Government securities and money market instruments, etc.
Growth Oriented Schemes	These funds offer growth potentialities associated with investment in capital market namely: (i) high source of income by way of dividend and (ii) rapid capital appreciation , both from holding of good quality scrips. (iii) concentrate on the low risk and high yielding spectrum of equity scrips of the corporate sector.
Hybrid Schemes	Combination of fixed income as well as growth orientation . Judicious mix of both the fixed income and also sound equity scrips. Use- balanced investment management, also known as “ balanced funds ” .
High Growth Schemes	Primary investment in high risk and high return volatile securities in the market for investors with a high degree of capital appreciation . Mainly target Aggressive investors willing to take excessive risks.
Capital Protection Oriented Scheme	It is a scheme which protects the capital invested in the mutual fund through suitable orientation of its portfolio structure.
Tax Saving Schemes	Offer tax rebates to the investors. This is made possible because the Government offers tax incentive for investment in specified avenues. For example, Equity Linked Saving Schemes (ELSS) and pensions schemes.
Special Schemes	These replicate the performance of particular index such as the BSE, Sensex or the NSE-50 or industry specific schemes or sectoral schemes. Return approximately equal to that of an index.
Real Estate Funds	Close ended mutual funds which invest predominantly in real estate and properties .

Off-shore Funds	Such funds invest in securities of foreign companies with RBI permission.
Leverage Funds	Also known as borrowed funds , increase the size and value of portfolio and offer benefits to members from out of the excess of gains over cost of borrowed funds . Indulge in speculative trading and risky investments .
Hedge Funds	Engaged speculative trading , i.e. for buying shares whose prices are likely to rise and for selling shares whose prices are likely to fall.
Fund of Funds	They invest only in units of other mutual funds . Such funds do not operate at present in India.
New Direction Funds	They invest in companies engaged in scientific and technological research .
Money Market Mutual Funds	Invest in short- term debt securities in the money market like certificates of deposits, commercial papers, government treasury bills etc. Owing to their large size, the funds normally get a higher yield on such short term investments than an individual investor.
Infrastructure Debt Fund	They invest primarily in the debt securities or securitized debt investment of infrastructure companies.

1) OFFER DOCUMENT- Contains details of new fund offer (NFO). Filed with SEBI.



2) KEY INFORMATION MEMORANDUM- Gives summary of SID and SAI. Accompanies every application. Updated once a year.

- Contains
- Name of the AMC, Mutual Fund Trust, Trustee, Fund Manager(s) and Scheme details
 - Open and close dates of the issue
 - Issue price of the scheme
 - Plans and options available in the scheme
 - Risk profile of the scheme
 - Benchmark
 - Dividend policy
 - Performance of the scheme and benchmark over last 1, 3, 5 years and since inception
 - Loads and expenses
 - Contact information and registrars.

3) Fact Sheets

Usually **provided on a monthly basis** by AMCs Contains the following:

- NAV and AUM
- Expense ratio, exit loads, average maturity, YTM, modified duration
- Benchmark & Fund manager details
- Past performance
- Scheme's allocation & portfolios
- Style box
- Other scheme attributes
- like risk category, minimum investment amount, scheme objective, etc.

4) Net Asset Value (NAV)

- The **value of one unit of a mutual fund scheme on a given date**
- It has to be **declared** by fund houses **on every business day**
- on AMC website and AMFI website
- It has to be published in **2 national newspapers**

5) Expense ratio

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

- **Fees paid** to service providers like trustees, Registrar & Transfer Agents, Custodian, etc.
- Asset management **expenses**
- **Commissions** paid to distributors
- Other **selling expenses** including advertising expenses
- Expenses on investor communication, account statements, dividend / redemption cheques / warrants
- Listing **fees** and Depository fees
- Service **tax**.

6) Holding period return

Holding period return is the **total return received from holding an asset or portfolio** of assets over a period of time, generally expressed as a percentage

SEBI (MUTUAL FUNDS) REGULATIONS

Notified- 9th
Dec, 1996.

OBJECT

Improve the working and regulation of mutual fund market to provide better services to investors and offer a range of innovative products.



Actively managed equity scheme

Net assets (weekly average)	Total expense ratio (TER)
100 crore	2.5%
Next 300 crore	2.25%
Next 300 crore	2%
Balance AUM	1.75%

For debt schemes the expense ratio permitted is 0.25 % lower than that allowed for equity funds

SEBI (Mutual Funds) Regulations, 1996 deals with **10 Chapters and 12 schedules**

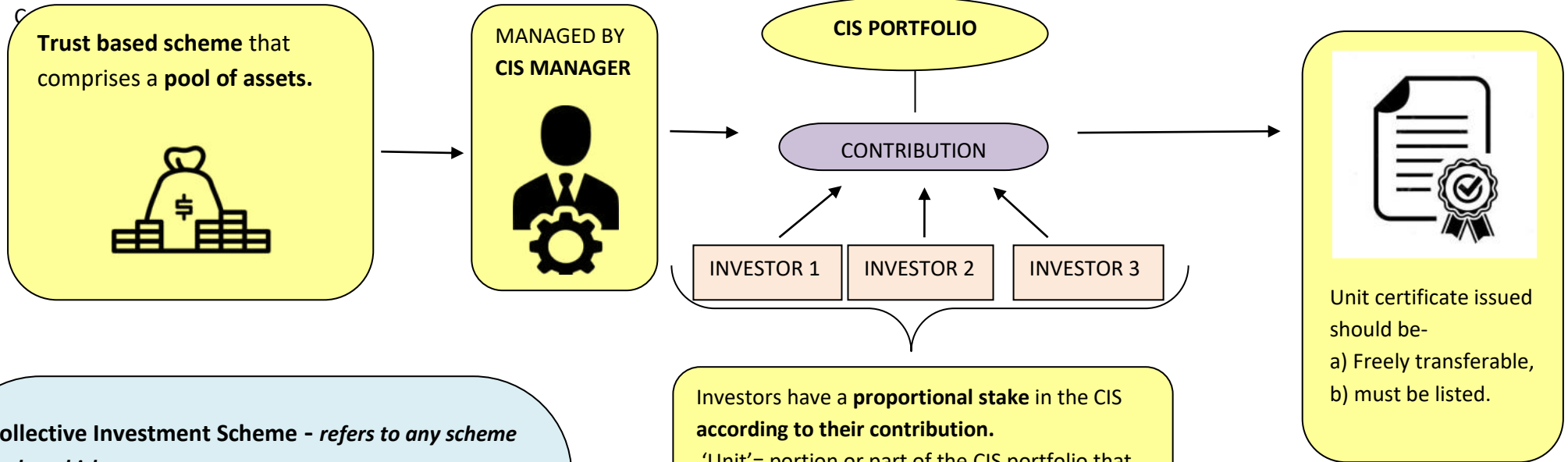
KEY POINTS-

- 1) The board of trustees has to **approve the schemes launched by AMC** and offer documents are **filed with SEBI**.
- 2) **Adequate disclosures** to enable investors make **informed decisions**.
- 3) The **listing of close-ended schemes is mandatory** and they should be listed on a recognised stock exchange within six months from the closure of subscription.

Listing is **not mandatory** in case:

- a) if the scheme provides for **monthly income** or caters to **senior citizens, women, children and physically handicapped**;
 - b) if the scheme discloses **details of repurchase** in the offer document; or
 - c) if the scheme opens for **repurchase within six months of closure of subscription**.
 - d) if the scheme is a **capital protection oriented scheme**.
- 4) If the **minimum and maximum amount of sale, redemption and periodicity is disclosed** in the offer document then units of a **close-ended scheme can be opened for sale** or redemption at a predetermined fixed interval.
 - 5) **Conversion** of close-ended scheme into an open-ended scheme with the **consent of a majority of the unit-holders** and disclosure is made in the offer document about the option and period of conversion.
 - 6) Units of **close-ended scheme may be rolled over** by passing a **resolution by a majority** of the shareholders
 - 7) The AMC is required to **refund the application money if minimum subscription is not received**, and also the excess **over subscription** within **five working days** of closure of subscription.
 - 8) **Only equity-linked saving** scheme can be **opened** for subscription for **more than 15 days**. The **minimum subscription** and the extent of **over subscription** that is intended to be **retained** should be **specified** in the offer document. In the case of over-subscription, all applicants applying up to 5,000 units must be given full allotment subject to over subscription.
 - 9) A close-ended scheme shall be **wound up on redemption** date, **unless** it is **rolled over**, or if **75% of the unit-holders of a scheme pass a resolution for winding up** of the scheme; if the **trustees** on the **happening of any event** require the scheme to be wound up; or on **SEBI's directions**.

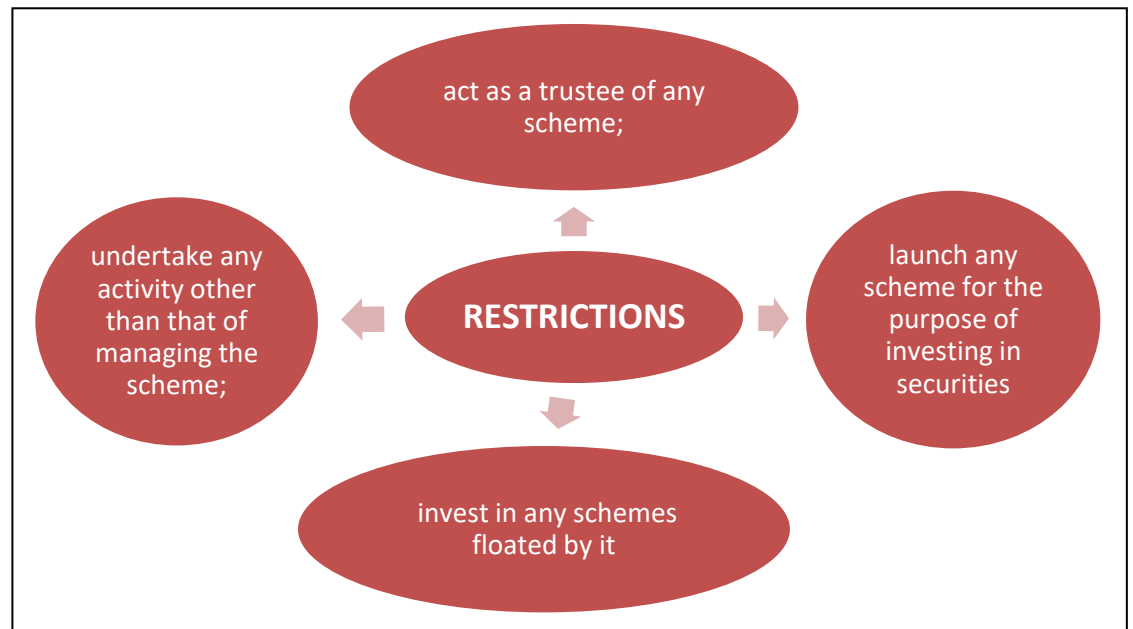
COLLECTIVE INVESTMENT SCHEME



Collective Investment Scheme - refers to any scheme under which,—

- (i) *The contributions are pooled and utilized for the purposes of the scheme or arrangement;*
- (ii) *The contributions are made to such scheme by the investors with a view to receive profits, income, produce or property, whether movable or immovable;*
- (iii) *The property, contribution or investment forming part of scheme, is managed on behalf of the investors;*
- (iv) *The investors do not have day-to-day control over the management of the scheme.*

Investors have a **proportional stake** in the CIS according to their contribution.
 'Unit'= portion or part of the CIS portfolio that is owned by the investor.





EXCLUSIONS

- COOPERATIVE SOC.**
 - made or offered by a co-operative society.
- SCHEMES**
 - providing for any Scheme, Pension Scheme or the Insurance Scheme
- DEPOSITS**
 - under which deposits are accepted
 - -by NBFC.
 - -under section 74 of the Companies Act, 2013.
 - -by a company declared as a Nidhi or a mutual benefit society
- MUTUAL FUND**
 - under which contributions made are in the nature of subscription to a mutual fund.
- CHIT BUSINESS**
 - falling within the meaning of Chit business.
- INSURANCE**
 - being a contract of insurance

SEBI (OMBUDSMAN) REGULATION, 2003



Investor protection is important for economic development.

Corporate accountability and investor's confidence is necessary for integrity of financial markets and economic wellbeing.



SALIENT FEATURES OF SCORES

Web-enabled,
24/7 access online

Complaints can be lodged
anytime from anywhere

Instant acknowledgment of receipt of complaint through email.

Unique complaint registration no. for reference

Complaint forwarded to entity for redressal.

Entity uploads **Action Taken Report.**

SEBI peruses ATR and closes the complaint if satisfied.

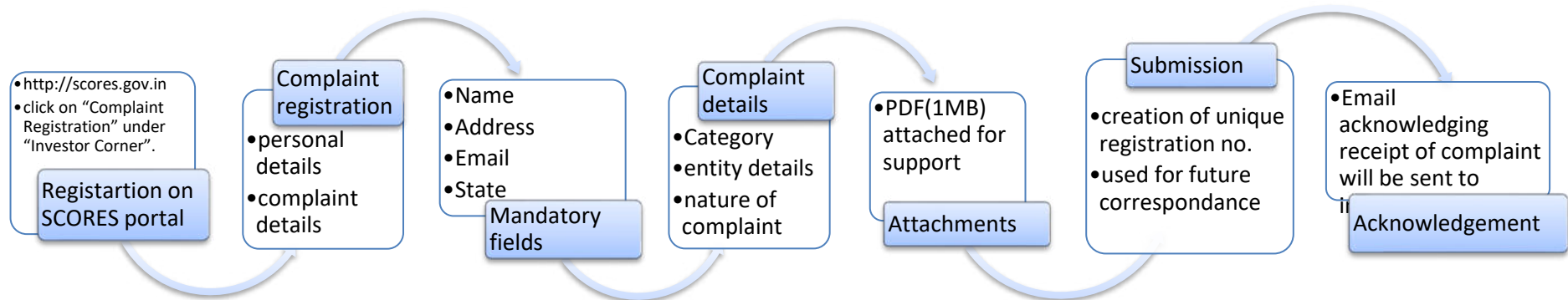
Investor can **view status** of the complaint online.

Entity and investor can **seek and give clarification.**

Every complaint has an **audit trail.**

Complaints are **saved on central database.**

PROCEDURE TO LODGE A COMPLAINT IN SCORES



SEBI OMBUDSMAN REGULATION



An independent person appointed to hear and act upon citizen's complaint about government services.

A. Powers and Functions of Ombudsman

- To **receive complaints** against any intermediary or a listed company or both;
- To consider such complaints and facilitate resolution
- To approve a friendly or amicable settlement of the dispute between the parties;
- To adjudicate such complaints in the event of failure of settlement



C. Grounds for filing complaint:

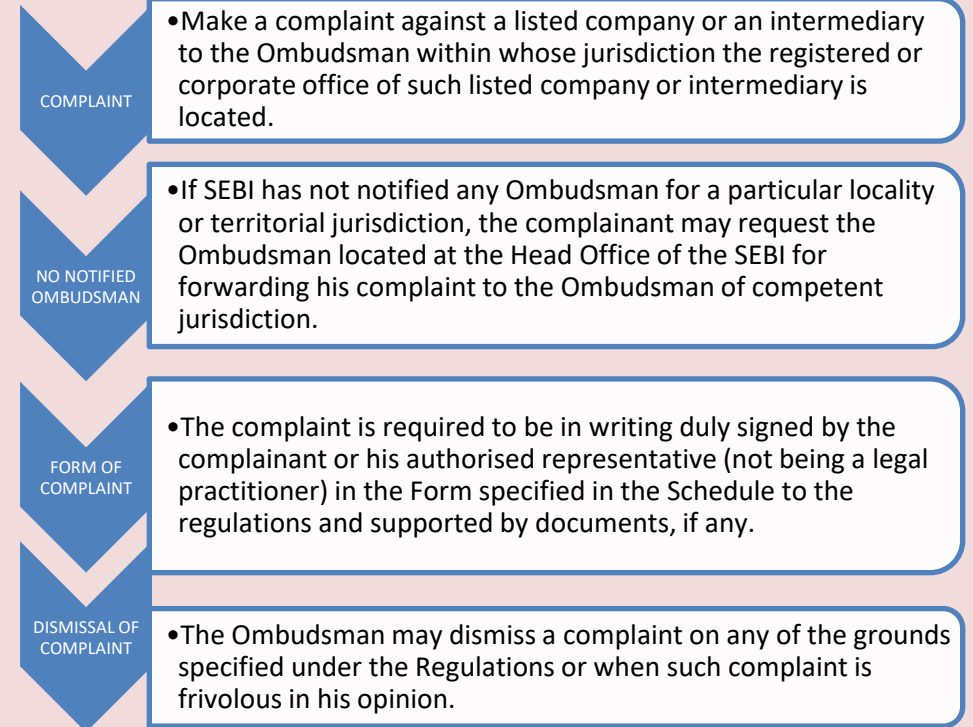
A person may lodge a complaint on the following grounds either to SEBI or to the Ombudsman concerned:

(i) Non-receipt of

- (a) refund orders, allotment letters in respect of a public issue of securities of companies or units of mutual funds or collective investments schemes.
- (b) share **certificates**, unit certificates, debenture certificates, bonus shares
- (c) **dividend** by shareholders or unit-holders;
- (d) **interest on debentures**, redemption amount of debentures or interest on delayed payment of interest on debentures;
- (e) **interest** on delayed refund of **application monies**;
- (f) **annual reports or statements** pertaining to the portfolios;
- (g) **redemption** amount from a **mutual fund** or returns from **collective investment scheme**;
- (h) **letter of offer** or consideration in **takeover or buy-back offer or delisting**;
- (i) statement of **holding corporate benefits** or any grievances in respect of corporate benefits, etc;

- (ii) Non-transfer of securities by an issuer company, mutual fund, Collective Investment Management Company or depository within the stipulated time;
- (iii) **Any grievance** in respect of **public, rights or bonus issue** of a listed company;
- (iv) Any grievance in respect of **issue or dealing in securities** against an intermediary or a listed company.

B. Procedure for filing a complaint



Power to call for information



- An Ombudsman may require the company or the intermediary or any other person, institution or authority to **provide any information or furnish certified copy of any document** relating to the subject matter of the complaint which is or is **alleged to be in its or his possession**.

- In the **event of the failure** Ombudsman may, if he deems fit, **draw the inference** that the **information**, if provided or copies if furnished, would be **unfavourable to the listed company or intermediary**.
- The Ombudsman is required to **maintain confidentiality** of any information or document coming to his knowledge or possession except as otherwise required by law or with the consent of the person furnishing such information or document.
- The Ombudsman has been **empowered to disclose information** to the extent considered by him to be reasonably required to comply with the **principles of natural justice and fair play** in the proceedings.

E. Settlement by Mutual Agreement

- Ombudsman shall endeavour to promote a settlement of the complaint by **agreement or mediation**.

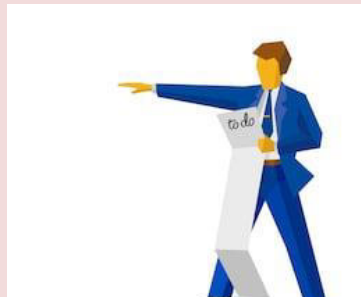


D. Finality of Award

- An award given by the Ombudsman shall be **final and binding on the parties and persons** claiming under them respectively.
- Any party aggrieved by the award on adjudication may file a **petition before SEBI within one month from the receipt of the award** or corrected award **setting out the grounds for review of the award**.

F. Award and Adjudication

- In case the matter is **not resolved in of one month** of the receipt of the complaint or such extended period.
- He may, based upon the material placed before him and after **giving opportunity of being heard** to the parties, give his award **in writing or pass any other directions** or orders as he may consider appropriate.
- **Such award to be made within a period of three months** from **the date of the filing** of the complaint.
- The Ombudsman should **send his award to the parties to the adjudication** to perform their obligations under the award.



G. Display of the Particulars of the Ombudsman

- Every listed company or intermediary is required to **display the name and address of the Ombudsman as specified by SEBI** to whom the complaints are to be made'
- The listed company or intermediary is required to give **full disclosure about the grievance redressal mechanism** through Ombudsman in its **offer document or client agreement**.



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SEBI(INFORMAL GUIDANCE) SCHEME 2003- Made in the interests of better regulation of and orderly development of the Securities market. Following persons may make a request for informal Guidance under the scheme-

ANY INTERMEDIARY
registered with SEBI



Any LISTED Company



Any company
which intends
to get any of
its securities
listed

Any mutual fund trustee
company or asset management
company



Any acquirer or
prospective acquirer
under SEBI Takeover
Regulation, 2011.

TYPES OF GUIDANCE

No-action letters

SEBI indicates that the Department would or would not recommend any action under any Act, Rules, Regulations, Guidelines, Circulars or other legal provisions administered by SEBI to the Board if the proposed transaction

Interpretive letters

SEBI provides an interpretation of a specific provision of any Act, Rules, Regulations, Guidelines, Circulars or other legal provision being administered by SEBI in the context of a proposed transaction in securities or a specific factual situation.

The request seeking informal guidance should state that it is **being made under this scheme** and also state whether it is **a request for a no-action letter or an interpretive letter** and should be accompanied with **prescribed fees** and addressed to the concerned Department of SEBI.

15 (15) - Capital market investment institutions

OVERVIEW

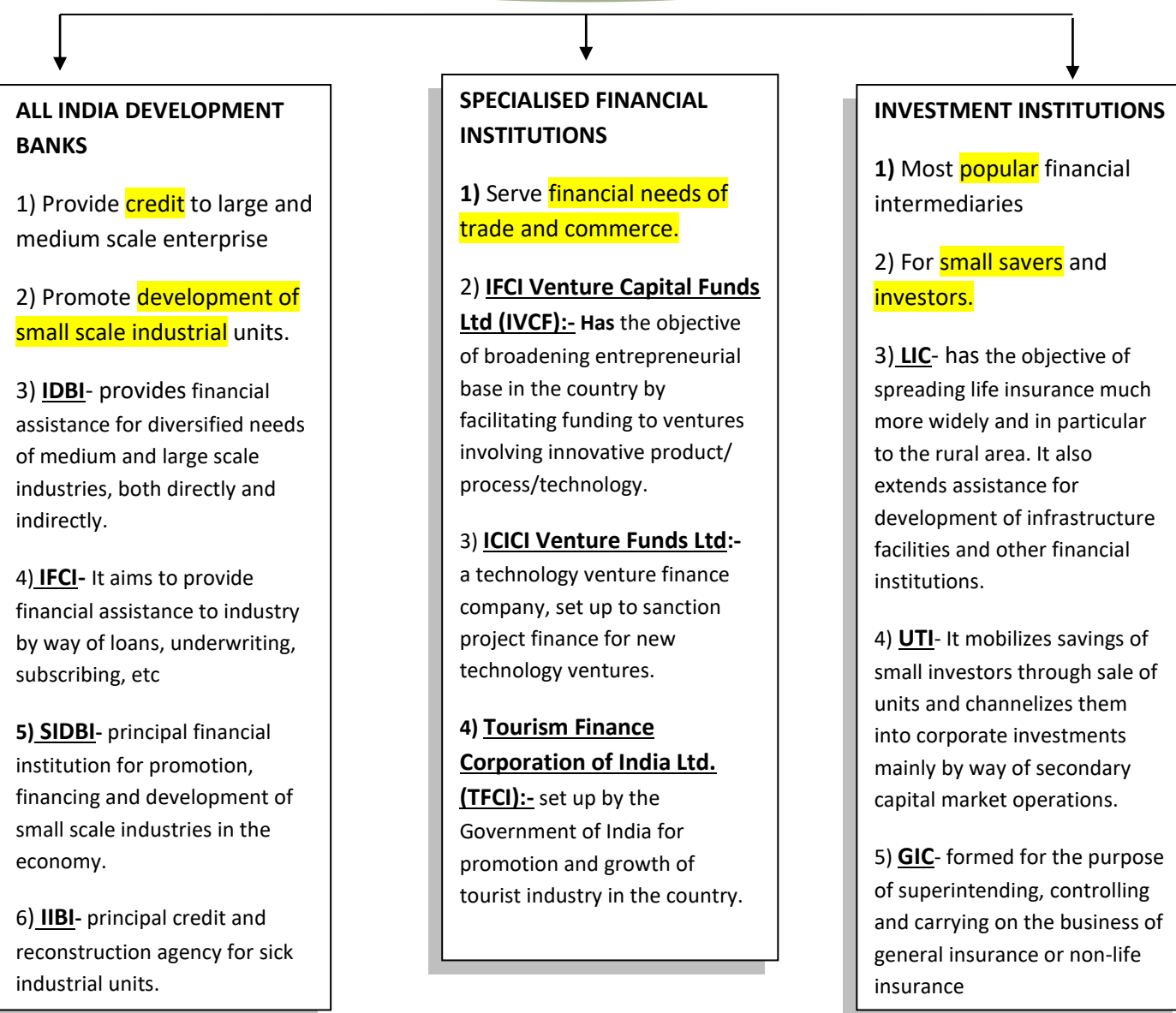
National level institutions	Private Equity
State level institutions	Angel funds
Qualified Institutional buyers	High net worth individuals
Foreign portfolio investors	Venture capital
Alternative investment funds	Pension Funds



CAPITAL MARKET INVESTMENT INSTITUTIONS

- **Role of financial institutions** – Handling and monitoring **financial dealings** and matters in the economy.
- Provide a variety of **financial products and services** to fulfill the varied needs of the commercial sector.
- **Provide assistance** to new enterprises, small and medium scale enterprises as well as industries established in backward areas.
- **Reduce regional disparities** by inducing widespread industrial development.

NATIONAL LEVEL INSTITUTIONS



STATE LEVEL INSTITUTIONS

Act as catalyst for promotion of investment and industrial development in respective states.

- 1) **State Financial Corporations**- SFCs have been set up with the objective of catalysing **higher investment**, generating **greater employment** and widening the **ownership base of small and medium industries**. There are 18 SFC's in the country.
- 2) **State Industrial Development Corporations**- have been set up with the objectives of promoting **industrial development** in the respective States and providing **financial assistance to small entrepreneurs**.

They are also involved in setting up of medium and large industrial projects in the joint sector/assisted sector in collaboration with private entrepreneurs or wholly-owned subsidiaries.

HIGH NETWORTH INDIVIDUALS

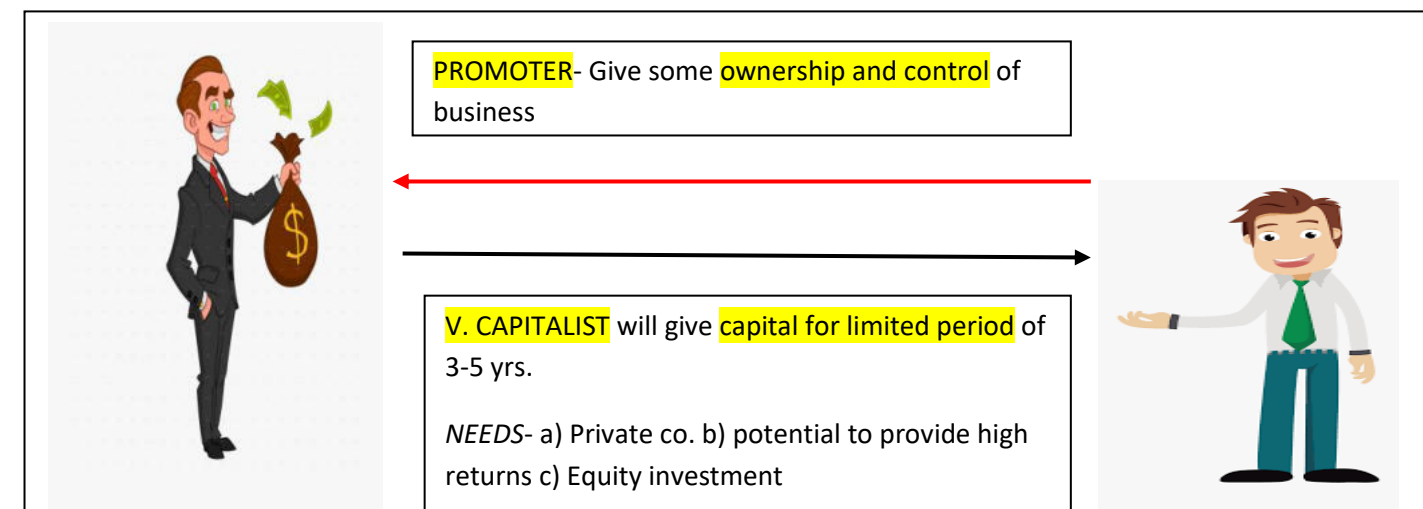


HNI = Distinguished from other retail segment based on their **net wealth, assets and investible surplus**.

In India, **HNI** = over **2Cr** of investible capital

Emerging HNI = those whose investible surplus is **25 Lakhs to 2 Cr**

VENTURE CAPITAL

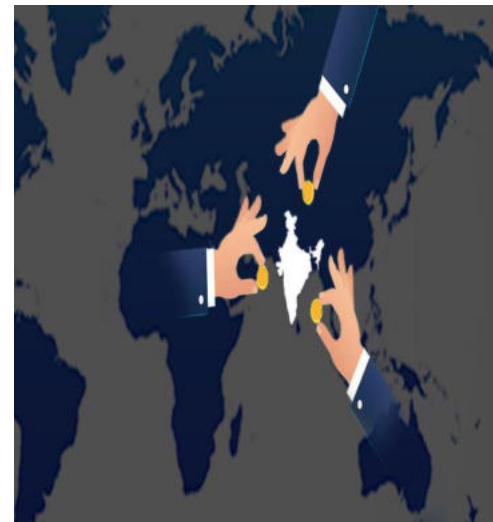


QUALIFIED INSTITUTIONAL BUYERS

Buy shares on large scale, have expertise and financial proficiency to evaluate and invest in capital market.

FOREIGN PORTFOLIO INVESTORS

FPI= person registered under SEBI (Foreign Portfolio Investor) Regulations, 2014.



CATEGORY 1- Government and government related investors, agencies, sovereign wealth funds, international/ multilateral org. or agencies.

CATEGORY 2- i) Regulated funds- mutual funds, Investment trusts,

ii) **Regulated persons-** Banks, AMC, Portfolio managers

iii) Unregulated funds- but regulated investment manager- registered as cat-2 FPI

iv) **University funds & pension funds**

v) University related **endowments w/SEBI/FII**

Category 3- FPI not eligible u/category 1 or 2, e.g. charitable trusts, family offices, individuals

ANGEL INVESTORS



Angel fund- also called business angel, angel funder, seed investor.

Angel investor **gives capital** to startup in **exchange of convertible debt or ownership equity.**

Working- a) Invest online through equity crowd funds

b) Organize angel groups or networks.

c) Share research, pool investment capital, provides advice.

a mutual fund, venture capital fund, Alternative Investment Fund and foreign venture capital investor registered with SEBI;

a foreign portfolio investor other than Category III foreign portfolio investor, registered with SEBI;

a scheduled commercial bank;

a multilateral and bilateral development financial institution;

a state industrial development corporation

an insurance company registered with the Insurance Regulatory and Development Authority

a provident fund with minimum corpus of twenty five crore rupees;

a pension fund with minimum corpus of twenty five crore rupees;

Systemically important non-banking financial companies.

PENSION FUNDS

BY: Employer

FOR: Employees

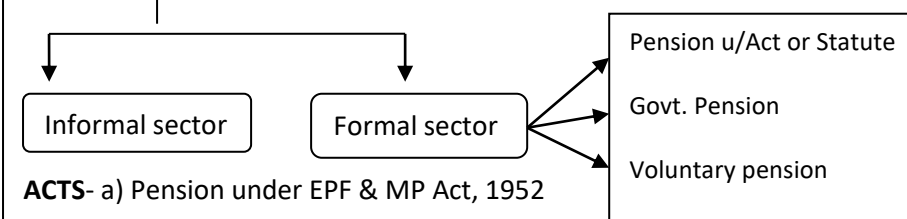
WHY: To **facilitate & organize** investment of **retirement funds** of employees

PENSION FUND: i) common asset pool

ii) Generates stable growth

iii) Provide pension to employees after retirement

Pension Fund



ACTS- a) Pension under EPF & MP Act, 1952

b) Pension under coal mines PF & MP Act, 1948

c) Gratuity under Payment of Gratuity Act, 1972

PRIVATE EQUITY

1) Investors and funds invest directly into **private company.**

Or **conduct buyout** of public company.

2) Capital raised from retail and institutional investors used for

- Strengthening the **balance sheet**
- Funding **new technology**
- Expanding **working capital**

3) Need long holding periods

4) Raise money from investors, angel investors, institutions with diversified portfolio.



Private equity is away to invest in asset that isn't publicly traded, or to invest in a publicly traded asset with the intention of taking it private.

TYPES

LEVERAGED BUYOUT

Make equity investment as a part of transaction of acquiring company from shareholders with use of financial leverage.

VENTURE CAPITAL

Equity investment in less mature company for-

- Early launch
- Early development
- Expansion of business

GROWTH CAPITAL

Minority investment in companies looking for

Capital to expand, Restructure operations, Enter new market Without changing ownership.

ALTERNATIVE INVESTMENT FUNDS

DEFINITION

- i) Privately pooled investment fund
- ii) In the form of a trust or a company or a body corporate or a Limited Liability Partnership
- iii) **Not** presently covered by any Regulation of SEBI governing fund management nor coming under the direct regulation of any other sectoral regulators in India

NOT AIF

- Family trusts for benefit of relatives
- ESOP Trusts set up under the SEBI (Shares Based Employee Benefits) Regulations, 2014
- Employee welfare trusts or gratuity trusts for employees.
- Holding companies
- Special purpose vehicles not established by fund managers, including securitization trusts, regulated under a specific regulatory framework.

CATEGORIES OF AIF

CATEGORY 1

Includes VCF, SME Funds, Social Venture Funds (SVF), Infra Funds etc.

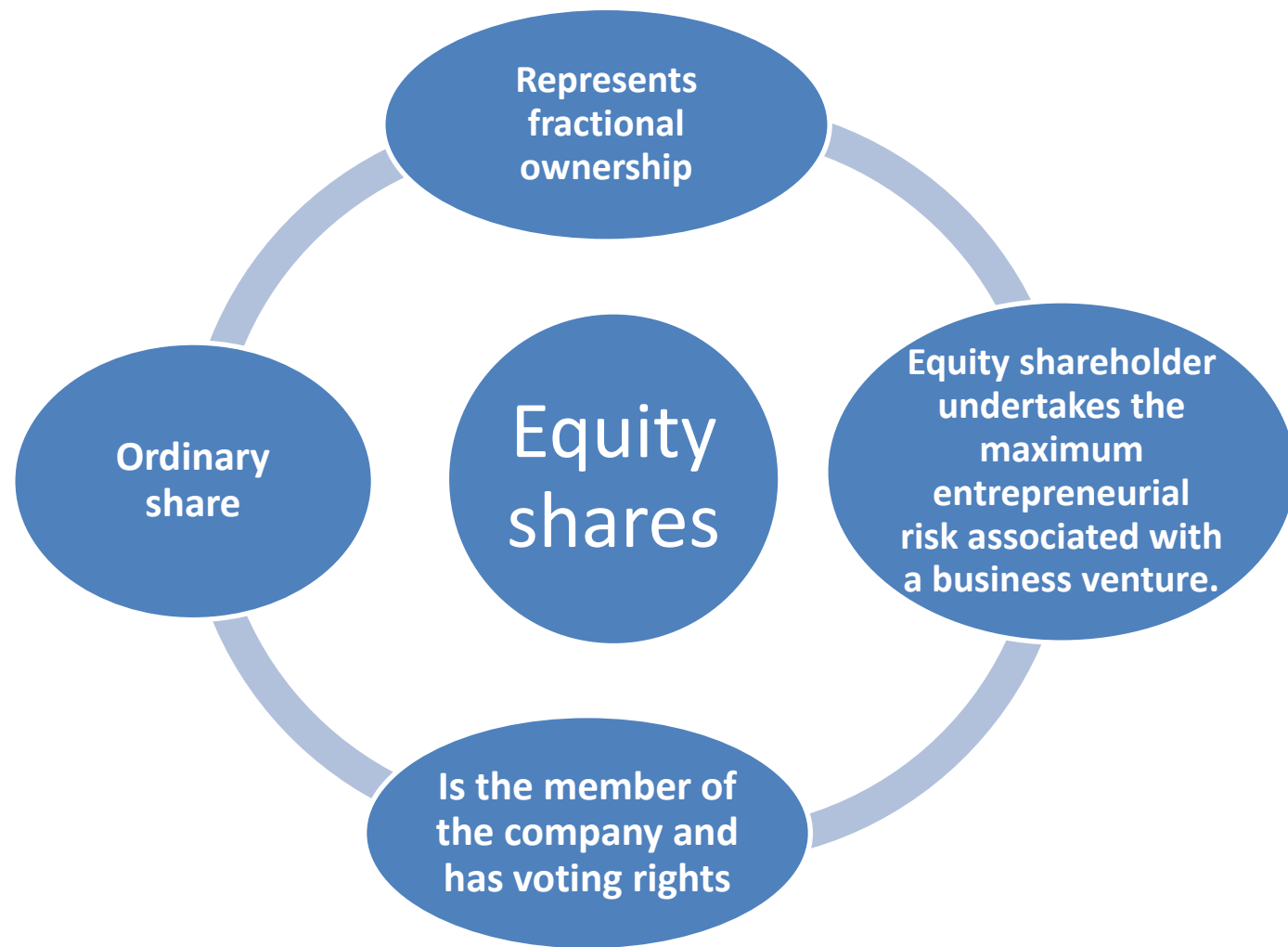
CATEGORY 2

Includes Private Equity Funds or Debt Funds

CATEGORY 3

Include Hedge Funds

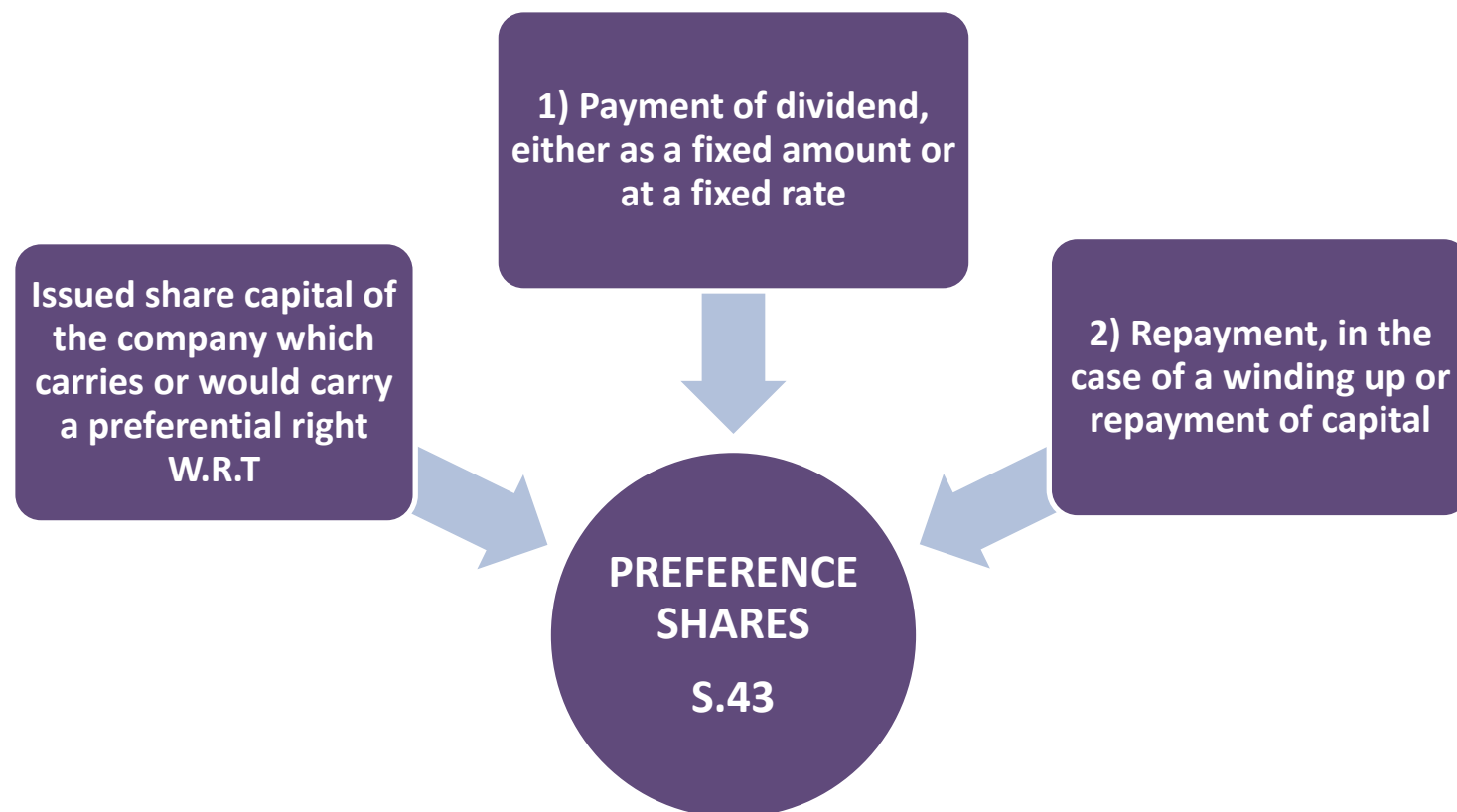
CAPITAL MARKET INSTRUMENTS



SHARES WITH DIFFERENTIAL VOTING RIGHTS

Section 43(a)(ii) of the Companies Act, 2013, authorized equity share capital with differential rights as to dividend, voting or otherwise, can be issued subject to following conditions.

- ★ 1) Authorized by articles of association
- ★ 2) Authorized by Ordinary resolution in general meeting.
For listed co.- approval by shareholders by postal ballot.
- ★ 3) DVR - NOT exceed **26% of post issue paid up equity share capital.**
- ★ 4) Consistent track record- distributable profit- last 3 yrs.
- ★ 5) **NO DEFAULT**- filing financial statement/ annual return- last 3 yrs
- ★ 6) **NO DEFAULT**- **i)** payment of dividend **ii)** repayment of matured deposit **iii)** redemption of preference shares/debentures **iv)** or interest on any of them
- ★ 7) **NO DEFAULT**- **i)** payment of dividend on preference shares **ii)** repayment of term loan.
- ★ 8) NOT penalized during last 3 years.
- ★ 9) **NO CONVERSION** of existing share capital with voting rights into equity share capital carrying differential voting rights and vice-versa.



BONDS

BOND= DEBT SECURITY

Issuer has to pay specific rate of interest and repay principal amount later.

Bond holder = creditor duration= 5-10 years.

CHARACTERSTICS

- Issued by government/ corporation
- Maturity- few days to 20-30 years
- Types- Bills/ short term and long term bonds
- Interest= semiannual or annually at certain % of face value= "coupon payment"

Government Bonds	Issued either directly by Government of India or by the Public Sector Units (PSU's) in India. Secured bonds as they are backed up with security from Government. Generally offered with low rate of interest compared to other types of bonds.
Corporate Bonds	Issued by the private corporate companies. Secured or non-secured bonds. Consider the credit rating given by Credit Rating Agencies before investing in these bonds.
Banks and other financial institutions bonds	Issued by banks or any financial institution. The financial market is well regulated and the majority of the bond markets are from this segment.
Tax saving bonds	In India, the tax saving bonds are issued by the Government of India for providing benefit to investors in the form of tax savings. Along with getting normal interest, the bond holder would also get tax benefit. In India, all these bonds are listed in National Stock Exchange and Bombay Stock Exchange in India; hence they can be easily liquidated and sold in the open market.

DEBENTURES

Section 2(30) of the Companies Act, 2013 defines debentures. "Debenture" includes debenture stock, bonds or any other instrument of a company evidencing a debt, whether constituting a charge on the assets of the company or not.

FCCB AND FCEB

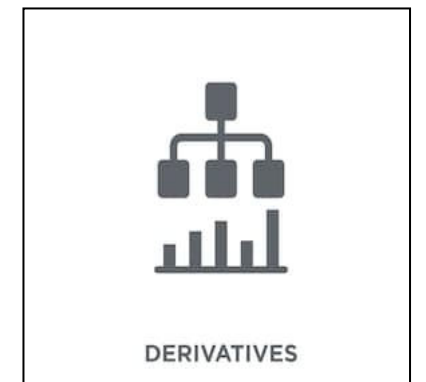
FOREIGN CURRENCY CONVERTIBLE BONDS	FOREIGN CURRENCY EXCHANGEABLE BONDS
The FCCB is used to raise funds from the international markets against the security and convertibility of shares of the company	The FCEB is used to raise funds from the international markets against the security and exchangeability of shares of another company.
A bond expressed in foreign currency	A bond expressed in foreign currency
The principal and the interest in respect of which is payable in foreign currency.	The principal and the interest in respect of which is payable in foreign currency.
Issued by an issuing company, being an Indian company.	Issued by an issuing company, being an Indian company.
Subscribed by a person resident outside India.	Subscribed by a person resident outside India.
Convertible into equity shares of the company.	Exchangeable into equity shares of another company, being offered company which is an Indian company.

DERIVATIVES

UNDERLYING ASSET



DERIVE VALUE



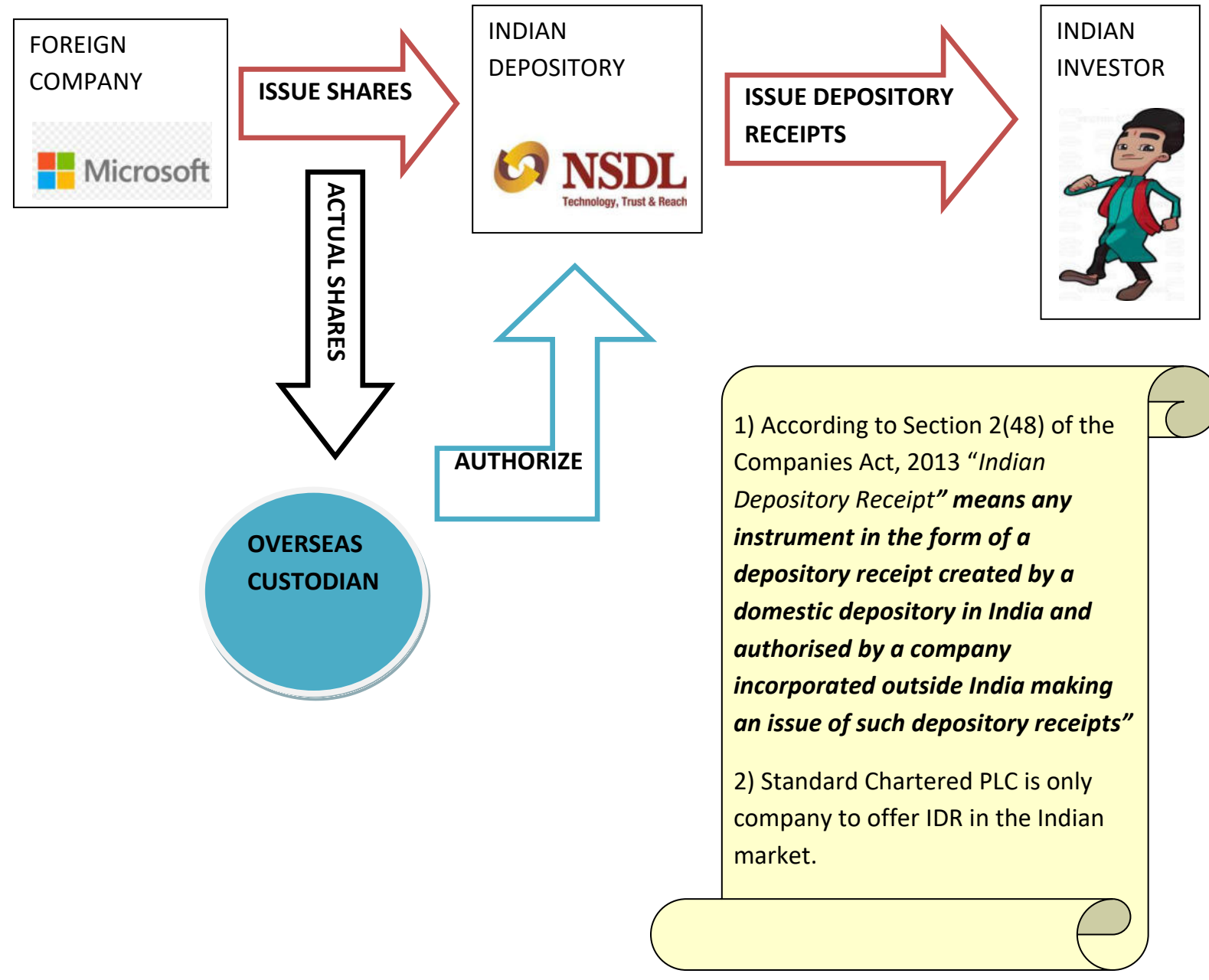
EXAMPLES OF DERIVATIVES

Futures, options, swaps, caps, floor, collars etc.

The **most popular** derivative instruments are

futures and options.

INDIAN DEPOSITORY RECEIPTS



FUTURES AND OPTIONS

FUTURES- FUTURE contract to buy/sell a **predetermined asset at predetermined price**

- a) Standardized b) Centralized; ensures liquidity

LONG POSITION	SHORT POSITION
Contract is Purchased	Contract is Sold
BUYER agrees to receive delivery	SELLER agrees to make delivery

OPTIONS- Options gives **right NOT obligation** to take/make delivery- ON/BEFORE specified date at stated price.

Only one party has right; other has obligation.

Since, the other party bears risk- he receives payment called “**option premium**”

CLASSIFICATION

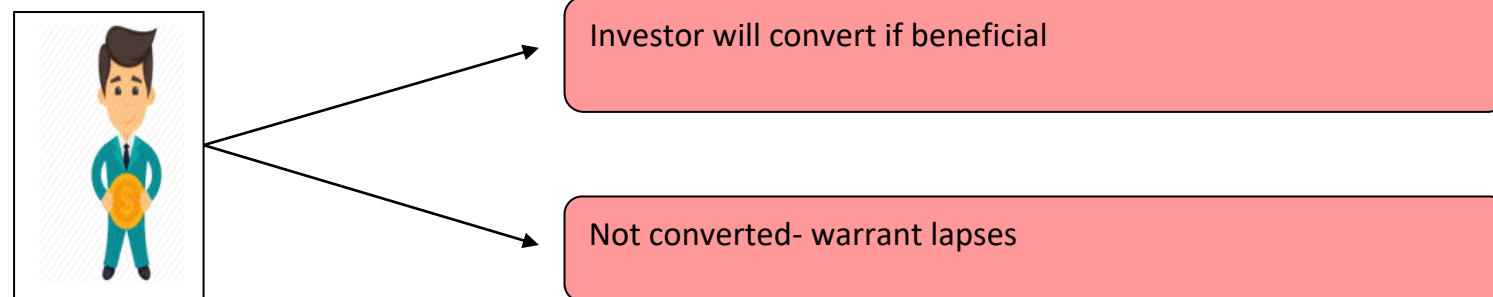
CALL	PUT
BUYER	SELLER
Right to take delivery	Right to make delivery

EUROPEAN	AMERICAN
Option can be exercised only on expiry date	Exercised on or before expiry date
Followed in India.	

WARRANT- Signifies optional conversion.

Warrant means an option issued by a company whereby the buyer is granted the right to purchase a number of shares of its equity share capital at a given exercise price during a given period.

Holder has the right, NOT obligation to convert.



Structure of Capital Market

BOOK BUILDING

It is the process to understand demand and assess price to determine quantum or value of IDR or securities. The process is very transparent and any investor can see the price of the share on the website of the exchange.

In case of an issue made through the **book building process as per regulation 6(1)**, then the allocation in the net offer to public category shall be as follows:

- not less than **35 % to retail** individual investors;
- not less than **15 % to non-institutional investors**;
- not more than **50% to qualified institutional buyers**, 5% of which shall be allocated to mutual fund

In case of an issue made through the **book building process under regulation 6(2)**, the allocation in the net offer to public category shall be as follows:

- not more than **10% to retail** individual investors;
- not more than **15% to non-institutional investors**;
- not less than **75% to qualified institutional buyers**, 5% of which shall be allocated to mutual fund

In an **issue made other than through the book building process**, allocation in the net offer to public category shall be made as follows:

- Minimum **50% to retail individual investors**; and
- Remaining to: •(i) individual applicants other than RII and •(ii) other investors including corporate bodies or institutions, irrespective of the number of specified securities applied for;

NOTES

- a) Book Building process under regulation 6(1) and 6(2), **5% allocation available to mutual funds** shall be eligible for allocation under the balance available for **qualified institutional buyers**.
- b) Issuer may allocate up to **60%** of the portion available for allocation **to qualified institutional buyers to an anchor investor**
- c) If the **retail individual investor** category is entitled to more than **50% on proportionate basis**, the retail individual investors shall **be allocated that higher percentage**.

Book Built Issue, the issuer in consultation with merchant banker, fixes the **Price band**.

Fixed Price Issue- Issue + merchant banker fix the price (Face Value + Share Premium)

If the investors **subscribe minimum 90%** of the offer, the **issue succeeds**.

ANCHOR INVESTOR

Means a person who makes application in a public issue of 10 cr rs.

Allocation to Anchor Investor

AMOUNT	NO. OF ANCHOR INVESTOR	AMT TO EACH AI
10 cr	2	-
10-250 cr	2-15	5 cr
250 cr and above	5-15	5cr
Every additional 250 cr	Additional 10	5cr

BIDDING Opens- one day before allocation
Closes- on the day of bidding by anchor investors.

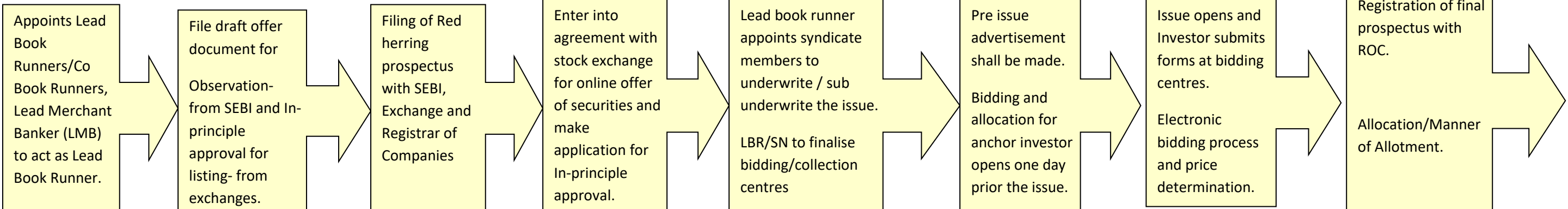
LOCK-IN- 30 days from allotment in public issue.

Anchor investor portion

From QIB	60%
FOR domestic mutual funds	1/3 rd

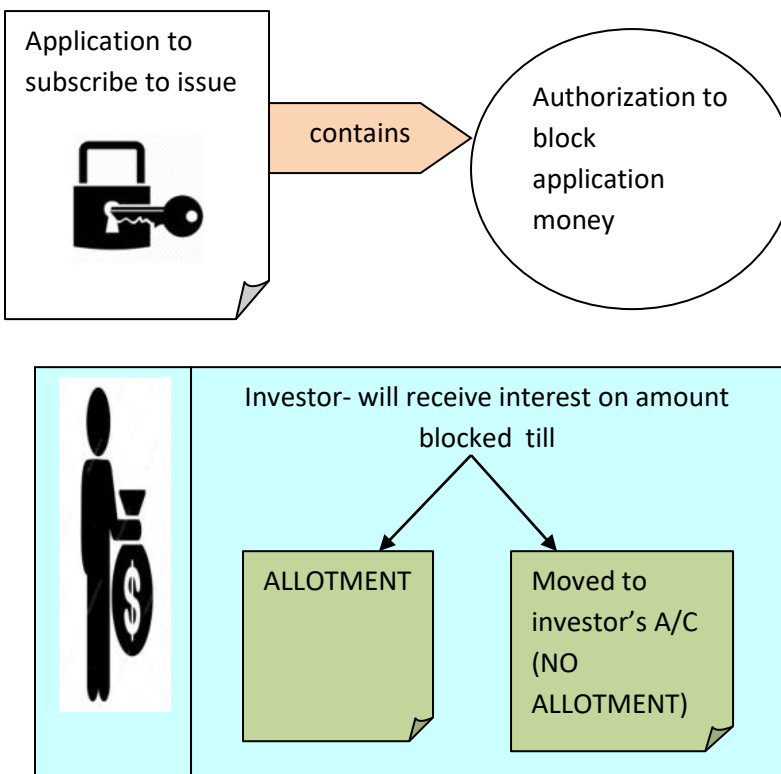


BOOK BUILDING PROCEDURE

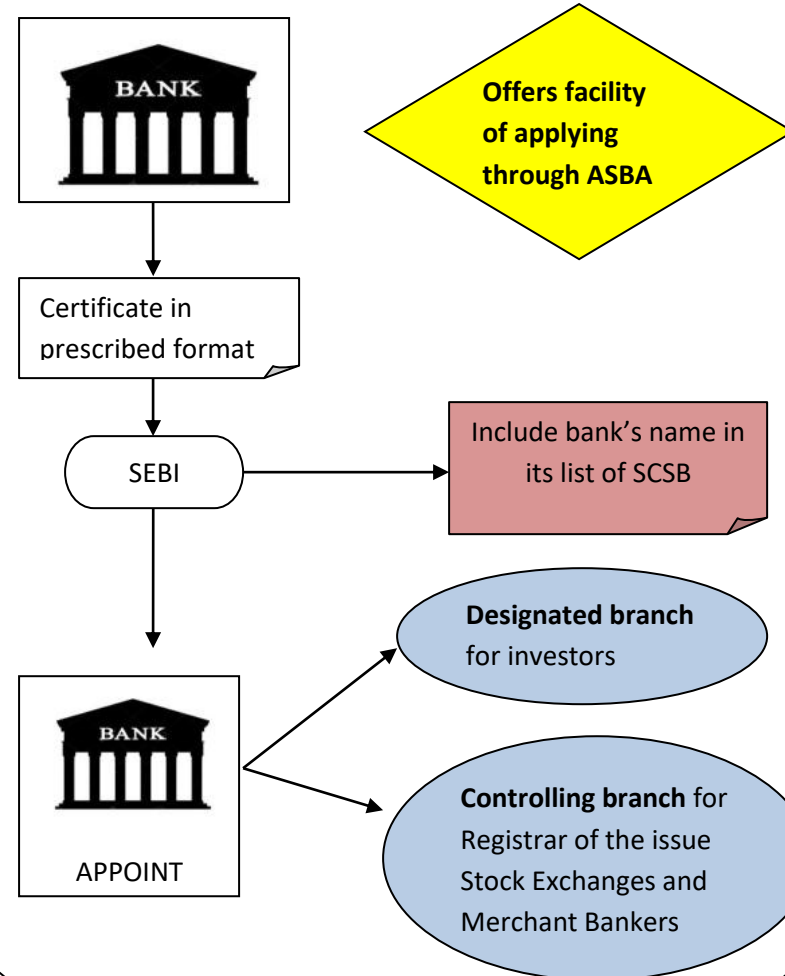


ASBA- APPLICATION SUPPORTED BY BLOCKED AMOUNT

SEBI'S endeavor to make public issue process more efficient.



SCSB- SELF-CERTIFIED SYNDICATE BANK



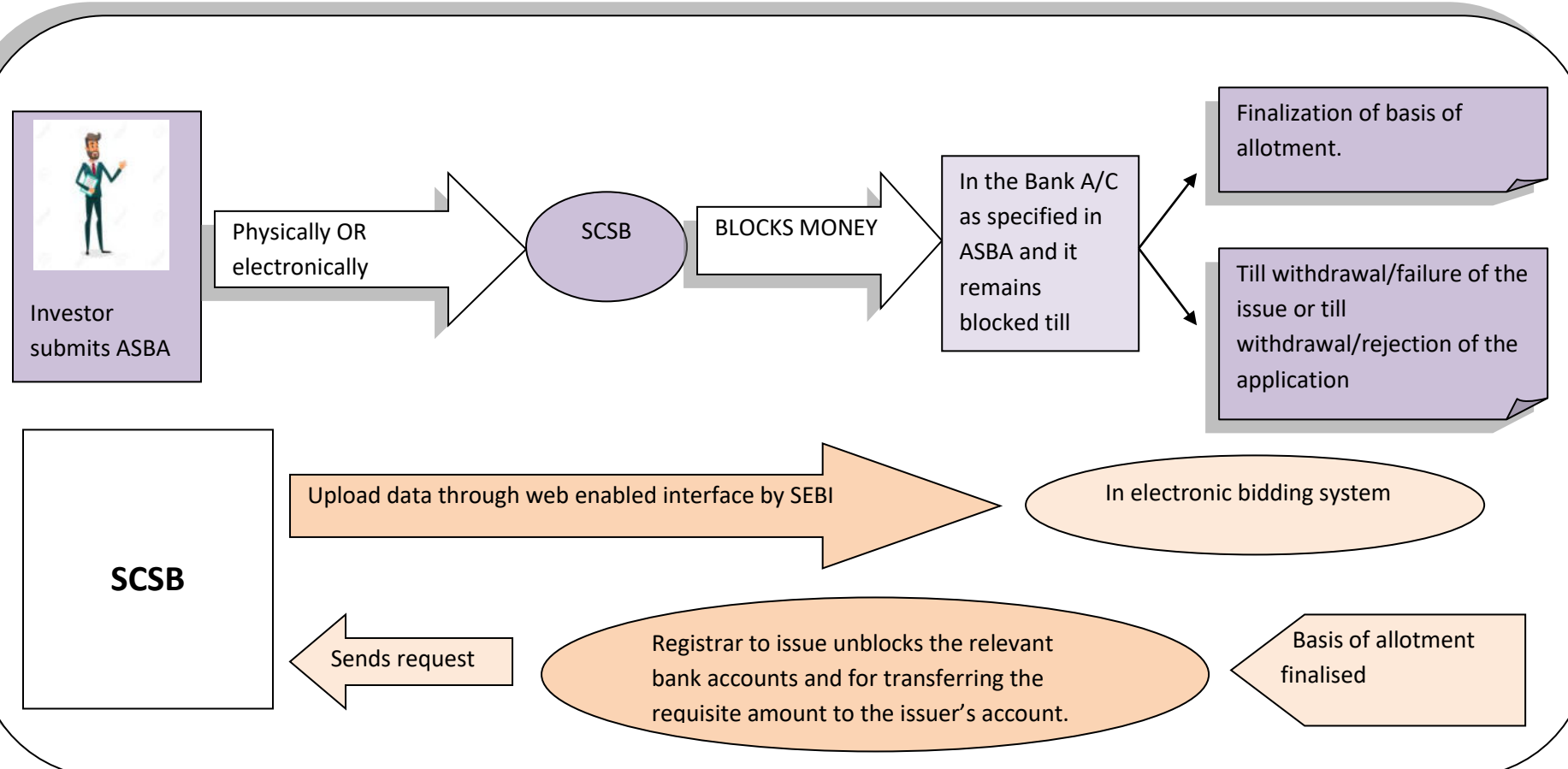
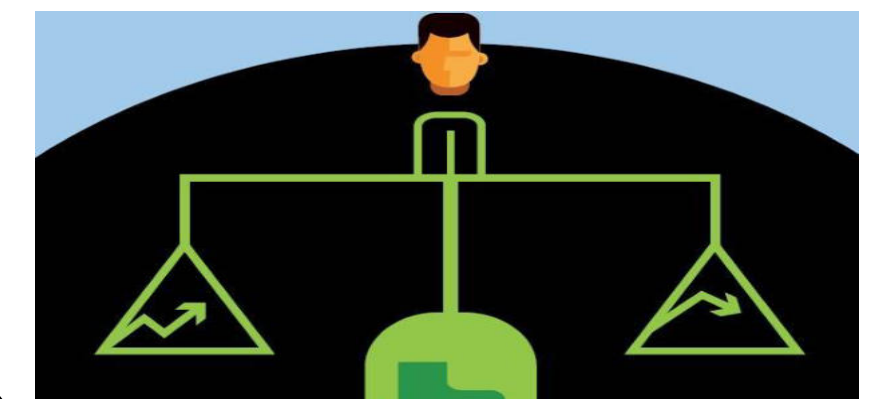
GSO- GREEN SHOE OPTION

- 1) Green Shoe Option means an option of **allocating shares in excess** of the shares included in the **public issue** and operating a **post-listing price stabilizing mechanism**.
- 2) **ICICI bank** was the first to use Green Shoe Option in its public issue through book building mechanism in India.
- 3) ICDR Regulations, the **over-allotment component** under the Green Shoe mechanism could be up to **15% of the IPO**.
- 4) Prior to the IPO, the stabilising agent would borrow such number of shares to the extent of the proposed Green Shoe shares from the pre-issue shareholders. These shares are then allotted to investors along with the IPO shares.
- 5) IPO proceeds received from the investors for the IPO shares, are remitted to the Issuer Company, while the proceeds from the Green Shoe Shares are parked in a **special escrow bank account, i.e. Green Shoe Escrow Account**.
- 6) During the price stabilisation period, if the **share price drops** below the book-built price the stabilising agent would **utilize the funds lying in the Green Shoe Escrow Account to buy these shares back** from the open market.
- 7) Any **surplus** lying in the Green Shoe Escrow Account would then be transferred to **the Investor Protection and Education Fund** established by SEBI.

This gives rise to the following three situations:

Situation #1 - Where the stabilising agent manages to **buyback all of shares**-
The funds would be used to buy shares from the open market. These shares would be **temporarily held in a special depository account** (Green Shoe Demat Account).

They would then **be returned back to the lender shareholders**, within a maximum period of **two days** after the stabilisation period.



Situation #2 - where the stabilising agent manages to **buyback none of the Green Shoe Shares-**

- a) share prices have fallen below the Issue Price
- b) Share prices continue to trade above the listing price

Here, the stabilising agent is under a **contractual obligation to return the GSO shares** that had initially been borrowed from the lending shareholder(s).

For this the issuer company would allot shares to the stabilising agent into the Green Shoe Demat Account

These shares would then be returned by the stabilising agent to the lending shareholder(s), thereby squaring off his responsibilities.

Situation #3 - where the stabilising agent manages to **buy-back some of the Green Shoe Shares –**

The share prices witness a drop in the initial stages of the price stabilisation period, but recover towards the latter stages.

The **issuer company would allot the differential shares into the Green Shoe Demat Account** to cover up the shortfall, and the Stabilising Agent would discharge his obligation to the lending shareholder(s) by **returning the shares that had been borrowed from them.**

Both in Situation #2 and #3, the issuer company would need to apply to the exchanges for obtaining listing/trading permissions for the incremental shares allotted by them, pursuant to the Green Shoe mechanism.

18(15) STOCK EXCHANGE MECHANISM

TRADING MECHANISM IN INDIA

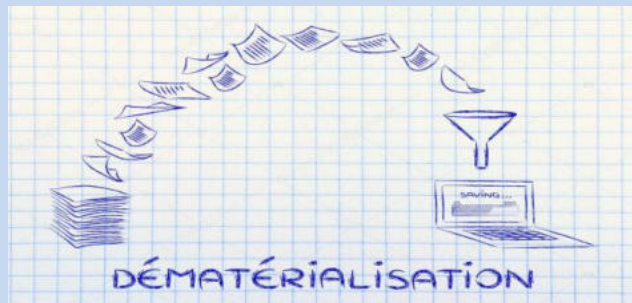
Products- equity shares, warrants, debenture, etc.

Form- dematerialized trading

Dematerialization process- by which physical certificates of an investor are converted in securities in electronic form and credited to the investor's account with his Depository Participant (DP).

Mechanism- screen based platform provided by stock exchanges

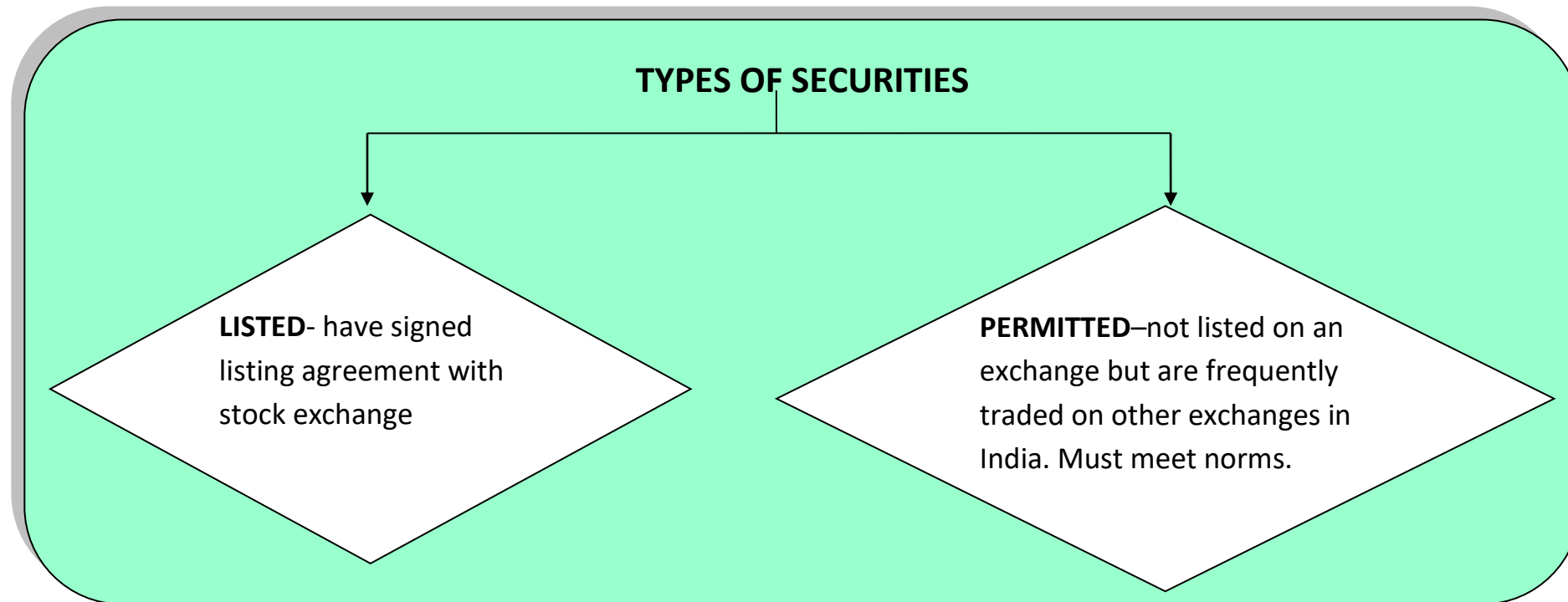
Currently, **settlement cycle is (T+2 days)** T means trading day.



NIFTY AND SENSEX

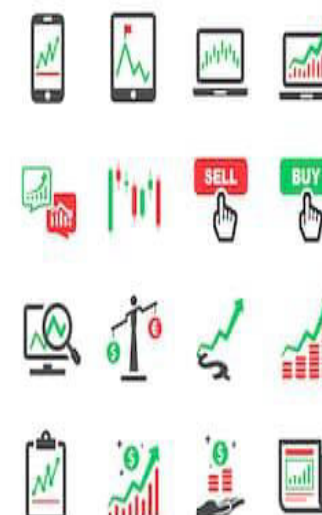
NIFTY	SENSEX
Nifty is the market indicator of NSE.	Sensitive Index or Sensex is the stock market index indicator for the BSE
It is a collection of 50 stocks. It is also referred to as Nifty 50.	It is based on the market weighed stock index of 30 companies based on the financial performance.
It is owned and managed by India Index Services and Products Ltd. (IISL).	It was first published in 1986.

TYPES OF SECURITIES



MARGINS

Advance payment- value of stock transaction. The amount of credit a broker or lender extends to a customer for stock purchase



Initial margin- minimum amount as percentage of transaction value, given by client to broker before actual purchase.

Maintenance margin- minimum amount, calculated as a percentage of market value of the securities. As on last trading day's closing price, to be maintained by client with the broker.

BOOK CLOSURE AND RECORD DATE

Book closure - Periodic closure of the Register of Members and Transfer Books of the company, determine their entitlement to dividends or to bonus or right shares or any other rights pertaining to shares of shareholders.

Record date is the date on which the records of a company are closed.

Section 91= book closure for **maximum of 45 days** in a year and for not more than **30 days at any one time**.

SEDI (LODR) Regulations - companies to **give 7 working days advance notice** of book closure or record date to stock exchange where the securities of the companies are listed

BLOCK DEAL

Separate trading window to facilitate **execution of large trades**

Introduced from - **January 01, 2018**.

Session Timings:

a) **Morning** Block Deal Window: 08:45 AM to 09:00 AM.

b) **Afternoon** Block Deal Window: 02:05 PM to 2:20 PM.

Minimum order size for execution of trades=**10 crores**

The **stock exchange disseminates the information** on block deals to the **general public on the same day**, after the market hours.

BULK DEAL

Bulk deal is a trade, where total quantity bought or sold is **more than 0.5%** of the number of **equity shares of a listed company**.

Transacted by the **normal trading window**

Bulk deals are market driven and take place throughout the trading day.

Stock broker = required to **reveal to the stock exchange** about the bulk deals on a **daily basis**.

Bulk orders are **visible to everyone**.

Single trade= notified to the exchange **immediately**

Multiple trades= notified to the exchange within **one hour** from the closure of the trading.

MARKET SURVEILLANCE

Ensuring market integrity is the core objective of regulators. Surveillance mechanisms to **detect any irregularities** must also be equally developed. Exchanges adopt automated surveillance tools that **analyze trading patterns** and are installed with a **comprehensive alerts management system**.

A. Preventive Surveillance –

- **Stringent On boarding norms for Trading Member**
- **Index circuit filters** - Coordinated trading halt 3 stages of the index movement, either way viz., at 10%, 15% and 20% based on previous day closing index value.
- **Trade Execution Range** - Orders are matched and trades take place only if the trade price is within the reference price and execution range.
- **Order Value Limitation** - Maximum Order Value limit allowed per order.
- **Cancel on logout** – cancels outstanding trades in case of user log out.
- **Kill switch** - execution of kill switch cancels all outstanding orders.
- **Risk reduction mode** - Limits beyond which orders level initiation of risk management shall be initiated instead of trade level.
- **Compulsory close out** – If Incoming order crosses available margins it will be cancelled and further trading will be disallowed.
- **Periodic call auction** - Shifting the security from continuous to call auction method

- **Rumour Verification**- Unannounced news is tracked, informed and reply of company disseminated.
- **Fixed Price Band / Dynamic Price band** - Limits applied within which securities shall move to curb volatility. For non-derivative securities price band is 5%, 10% & 20%. For Derivative products an operating range of 10% is set and subsequently flexed based on market conditions.
- **Trade for Trade Settlement** - The settlement of scrip's available in this segment is done on a trade for trade basis and no netting off is allowed.
- **Capital adequacy check** - Refers to monitoring of trading member's performance and automatic disablement from trading when limits are breached

B. Post trade surveillance -

- **End of day alert** – Alerts generated using statistical tools. The tool highlights stocks which have behaved abnormally from its past behaviour
- **Pattern recognition model** – Models designed using high end tools and trading patterns which itself identifies suspects involving in unfair trading practise.
- **Transaction alerts for member** - As part of surveillance obligation of members the alerts are downloaded to members under 14 different heads.

OTHER CONCEPTS

REPO RATE

- a) The **rate** at which the Commercial Banks **borrow money from RBI**.
- b) Reduction in Repo Rate = money at a cheaper rate.
- c) Increase in Repo Rate = money at expensive rate.
- d) The increase in the Repo Rate = increase the cost of borrowing and lending of the banks which will **discourage the public to borrow** money and **encourages them to deposit**.

CASH RESERVE RATIO (CRR)

- a) Cash reserve ratio is the amount which the commercial banks have to maintain as cash deposit with the **Reserve Bank of India**.
- b) RBI may increase the CRR IF there is large amount of money supply in the economy.
- c) RBI will decrease the CRR IF inflation is in control and the industry needs a monetary boost up. More money in the hands of industry will boost up production, consumption and employment.
- d) The cash reserve ratio as on 22nd August, 2017 is 4%.

Statutory Liquidity Ratio (SLR)

- a) Statutory Liquidity Ratio is the amount which commercial banks have to keep it with **itself**.
- b) SLR is also a very **powerful tool to control liquidity** in the economy.
- c), SLR may be **decreased to put more money in the hands of commercial banks** and encourage industries to boost up their production.
- d) An increase in SLR is used as an **inflation control measure** to control price rise.

Reverse Repo Rate (RRR)

- a) **The** rate at which the RBI borrows money from the Commercial Banks.
- b) An increase in the reverse repo rate = decrease the money supply and vice-versa.
- c) An increase in the Repo Rate and the Reverse Repo rate indicates strengthening of RBI's Monetary Policy.

MERCHANT BANKER

Merchant Banker' means any person engaged in the business of issue management

- Either by making arrangements regarding selling buying or subscribing to securities or
- Acting as manager/consultant/advisor or rendering corporate advisory services.



NETWORTH
5 CRORE



SEBI
(Merchant Bankers) Regulations, 1992

1. MANAGE PUBLIC ISSUE



2. UNDERWRITING



3. ADVISORY SERVICES

- International offering of debt/equity
- Relating to securities market, takeover, etc
- Relating to projects



4. PRIVATE PLACEMENT



5. STOCK BROKING



6. International financial advisory services

REGISTRAR AND SHARE TRAFNER AGENT

'Registrar to an Issue' means the person appointed by a body corporate or any person or group of persons to carry on the following activities on its or his or their behalf :

- Collecting application for investor in respect of an issue;
- Keeping a **proper record of applications and monies received** from investors or paid to the seller of the securities; and
- Assisting** body corporate or person or group of persons in
 - Determining the **basis of allotment** of the securities in consultation with the stock exchange;
 - Finalizing** the list of person entitled to **allotment** of securities;
 - Processing and dispatching** of allotment letters, refund orders or certificates and other related documents in respect of the issue

SEBI (Registrar to issue and share transfer agent)



Category 1 = 50 Lakh RS
Category 2 = 25 Lakh RS

PRE-ISSUE ACTIVITES	DURING ISSUE	POST ISSUE ACTIVITIES
1. Instructing banks for collection of figures and applications.	1. Collection and reporting of daily collection figures	1. Data capturing, validation and reconciliation.
2. Provide practical inputs for design of bid-cum application forms.	2. Collection of Data and Form from the banks.	2. Providing allotment alternatives and facilitating listing.
3. Facilitate and establish information flow system between clients, banks, managers	3. Liaising with clients and intermediaries.	3. Uploading data to depositories for crediting securities electronically.
4. Liaison with regulatory authorities		4. Dispatch of refund orders/ share certificates and reconciliation of refund payments.
		5. Addressing post issue investors queries

'Share Transfer Agent' means:

- Any person who on behalf of any body corporate, **maintains the records of holders of securities** issued by such body corporate and **deals with all matters connected with the transfer and redemption** of its securities;
- The **department or division**, by whatever name called, of a body corporate performing the activities as share transfer agents if at any time the total **number of holders** of its securities issued **exceed one lakh**.

UNDERWRITERS

Underwriter means a person who engages in the business of underwriting of an issue of securities of a body corporate.

Underwriting = arrangement whereby certain parties **assure** the issuing company to take up shares, debentures or other securities to a specified extent in case the **public subscription does not amount to the expected levels**.

Underwriting is compulsory for a public issue.

SEBI
(Underwriters Regulation), 1993

Don't worry



Not less than 20 lakhs



- 1) Takes up securities **not fully subscribed** in a public issue
- 2) Makes **commitment** to get the issue subscribed.

STOCK BROKERS AND SUB-BROKERS

- Stock-broker means a member of stock exchange
- They are the intermediaries who are allowed to trade in securities on the exchange of which they are members.
- They buy and sell on their own behalf as well as on behalf of their clients.



SEBI (Stock Brokers & Sub-Brokers) Regulations, 1992

As specified in Schedule VI of these Regulations.



Helps buyer and seller to enter in a transaction.



- 1) The broker can **execute transaction** for his client from his own a/c
- 2) Has to **issue contract note** for each transaction- whether he acted as principal or agent.
- 3) **Obtain consent** from client for each transaction.

PORTFOLIO MANAGER

“Portfolio manager” means any person who pursuant

- **contract or arrangement** with the client,
- **advises or directs or undertakes** on behalf of the client
- the **management or administration** of a portfolio of securities or the funds of the clients



SEBI (Portfolio Managers) Regulations, 1993

Not less than Rs. 2 crores.



“Discretionary portfolio manager”

- who **exercises** or may exercise, under a **contract** relating to **portfolio management**
- any degree of **discretion** as to the **investment or the management** of the **portfolio of the securities** or the funds of the client

“Portfolio” means the **total holdings of securities** belonging to any person.



Decide the **best investment plan** for an individual as per his income, age as well as ability to undertake risks.



Make **aware of the various investment tools** available in the market and benefits associated with each plan.



Responsible for **designing customized investment solutions** best for the clients according to their financial needs.

RESEARCH ANALYSTS

“Research analyst” means a person who is primarily responsible for,-

- preparation or publication** of the content of the research report; or
- providing **research report**; or
- making **‘buy/sell/hold’ recommendation**; or
- giving **price target**;

v. offering an **opinion** concerning **public offer**, with respect to securities that are listed or to be listed in a stock exchange,

Whether or not any such person has the job title of ‘research analyst’ and includes any other entities engaged in issuance of research report or research analysis.



SEBI (Research Analysts) Regulations, 2014

- Body corporate/LLP firm- 25 Lakh RS
- Individual or partnership firm having net tangible assets of value not less than Rs. 1 Lakh.



Study companies and industries, analyze raw data, and make **forecasts or recommendations** about whether to **buy, hold or sell** securities.



a) They are viewed as **experts** and important **source of information**. Investors rely on their advice.

b) There are **three broad types** of analysts, viz. sell-side analysts, buy-side analysts and independent analysts.

INVESTMENT ADVISER

“Investment Adviser” means any person, who

- for consideration,
- is engaged in the business of providing investment advice
- to clients or other persons or group of persons and

Includes any person who holds out himself as an investment adviser, by whatever name called.



SEBI
(Investment
Advisers)
Regulations,
2013

i) Body Corporate-25
Lakhs

ii) Individual/
partnership firm- net
tangible assets<1 lakh



- Guide clients about financial **investments and dealings**.
- Provide service relating to **investment management** process.
- Does **risk profiling** for clients to assess their risks.

CREDIT RATING AGENCY

“Credit rating agency” means

a **body corporate** which is engaged in, or proposes to be engaged in, the **business of rating of securities** offered by way of public or rights issue.



SEBI (Credit
Rating
Agencies)
Regulations,
1999

Minimum net
worth of Rs. 5
crores



Extremely important as it plays a role in **investor protection**, benefits industry by **direct mobilization of savings from individuals**.



- Marketing tool** for company and makes investors aware about the **debt obligations** of the company.
- Encourages discipline** amongst corporate borrowers to improve their **financial structure and operating risks** to **obtain a better rating** for their debt obligations and thereby lower the cost of borrowing.

DEPOSITORY PARTICIPANT

A DP is an agent of the depository through which it interfaces with the investor and provides depository services.



SEBI (Deposit-
ories and
Participants)
Regulations,
2018

Depository –
Net worth of not less than
Rs. one hundred crores.
Depository participant
As specified in Regulation
35 to these Regulations



Depository Participant (DP) is **Agent** (law) of the depository. They are the **intermediaries** between the depository and the investors.



Execute pledge requests and off market transfers and on **market transfer request** of the investors who hold shares in demat form.



Handle **transmission requests** of investors.

Demat/Remat requests also handled in consultation with RTI/STAs.

BANKERS TO ISSUE

Banker to an Issue means a scheduled bank carrying on all or any of the following activities:

- (i) Acceptance of **application** and application monies;
- (ii) Acceptance of **allotment or call monies**;
- (iii) **Refund** of application monies;
- (iv) Payment of **dividend or interest** warrants.



SEBI (Bankers to Issue) Regulations, 1994



Carries out all the **activities** of ensuring that the **funds are collected and transferred to Escrow accounts**.



Collecting the **applications** for securities along with their **remittance in numerous branches** in different centers.



Furnish **prompt information and records** to the company and to the lead manager for **monitoring and progressing the issue work**.

DEBENTURE TRUSTEES

Debenture Trustee' means a trustee of a trust deed for securing any issue of debentures of a body corporate.



SEBI (DEBENTURE TRUSTEE) REGULATIONS

Not less than 10 Crore



Call for **periodic reports**.
Take **possession of trust property** and enforce security in interest of debenture holders



Ensure that **property charged** to debentures is **adequate and available** at all times and principle and interest is free from encumbrances



Exercise **due diligence to ensure compliance** with the Act, listing agreement, etc



Protecting interest of debentures as soon any breach of law comes into notice.



Ascertain that the **debentures** have been **converted or redeemed** in accordance with the provisions



Inform **SEBI** immediately of **any breach of trust deed** or provision of any law.

CUSTODIAN OF SECURITIES

- A custodian is a person who carries on the business of **providing custodial services** to the client.
- The custodian keeps the **custody of the securities** of the client.
- **Provides incidental services** such as maintaining the accounts of securities of the client, collecting the benefits or rights accruing to the client in respect of securities.



SEBI (Custodian of Securities) Regulations, 1996

Minimum of Rs. 50 crores



- 1) **Administer and protect assets** of clients
- 2) Open **separate custody and deposit account** for each client.
- 3) **Record assets**.
- 4) **Registration** of securities.



About Shubham Sir

Faculty For

CS EXECUTIVE

- Company Law
- Securities Law and Capital Market

CS PROFESSIONAL :

- Corporate Funding and Listings in Stock Exchange
 - Multidisciplinary Case Study
 - Insolvency: Law and Practice
- He has completed Both his CA and CS, While Simultaneously Studying Law at the prestigious ILS Law College Pune.
 - He loves to pursue diplomas in his spare time, having completed his diploma in corporate laws, Intellectual Property Laws, Cyber laws and others in which he has secured impressive marks.
 - He has authored several extensive research papers on various legal issues.
 - His dynamic personality and innovative and unorthodox teaching style helps him in holding his students attention.

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