

Discussion Paper on review of framework for Institutional Trading Platform

1. Background

- 1.1. The regulatory framework for Institutional Trading Platform (“ITP”) was put in place vide amendments notified to SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 (“ICDR Regulations”) on August 14, 2015. Various enabling amendments to other SEBI regulations i.e. on Takeover, Listing, Delisting and AIF were also notified.
- 1.2. Subsequently, SEBI has received feedback from the market participants to make the said platform more accessible to the companies. The Primary Market Advisory Committee (“PMAC”) of SEBI has also deliberated the related issues and made certain recommendations.
- 1.3. Based on the recommendations of PMAC and further discussions, certain proposals for changes to the ITP framework are enumerated below.

2. Proposals

2.1. Name of Chapter XC

Existing provision

The framework for ITP is specified under chapter XC of ICDR Regulations which is named as ‘Listing on Institutional Trading Platform’.

Proposal

The said chapter may be renamed as ‘High-tech Start-up & other new business Platform’.

2.2. Prior-holding by QIBs

Existing provision

Reg. 106Y(1) of ICDR Regulations stipulates a minimum level of prior holding by the Qualified Institutional Buyers (“QIBs”) in the pre-issue capital of companies seeking

to list on ITP, i.e. at least 25% in technology related companies under Reg. 106Y(1)(a) and 50% in other companies under Reg. 106Y(1)(b).

Proposal

A. In addition to QIBs, prior shareholding of other categories of investors may also be considered for assessing the eligibility of companies to list on ITP. The other categories of investors may be:

- i. Family trust or systematically important NBFCs registered with Reserve Bank of India or intermediaries registered with SEBI, all with net-worth of more than five hundred crore rupees, as per the last audited financial statements;
- ii. Category III Foreign Portfolio Investor;
- iii. An entity meeting all the following criteria:
 - a. It is a pooled investment fund with minimum assets under management of USD 150 million;
 - b. It is registered with a financial sector regulator in the jurisdiction of which it is a resident;
 - c. It is resident of a country whose securities market regulator is a signatory to the International Organization of Securities Commission's Multilateral Memorandum of Understanding (Appendix A Signatories) or a signatory to Bilateral Memorandum of Understanding with SEBI;
 - d. It is not resident in a country identified in the public statement of Financial Action Task Force as:
 - i. a jurisdiction having a strategic Anti-Money Laundering or Combating the Financing of Terrorism deficiencies to which counter measures apply; or
 - ii. a jurisdiction that has not made sufficient progress in addressing the deficiencies or has not committed to an action plan developed with the Financial Action Task Force to address the deficiencies;

B. The aforesaid categories of investors may be classified as 'institutional investors' and the existing definition of institutional investor under Reg. 106X(1)(b) of ICDR Regulations may be amended accordingly.

C. The requirement of minimum level of prior holding shall be uniformly 25% for any company, irrespective of the sector to which it belongs.

2.3. **Cap on holding in the post-issue capital**

Existing provision

Reg. 106Y(2) of ICDR Regulations stipulates that no person, individually or collectively with persons acting in concert, shall hold 25% or more of the post-issue capital, as an eligibility criterion for the entity to list on ITP.

Proposal

This requirement may be done away with.

2.4. **Investors in ITP**

Existing provision

As per Reg. 106W(3) of ICDR Regulations, ITP is accessible to institutional investors and non-institutional investors (“NIIs”), i.e. only these two categories of investors can subscribe to issuances made on ITP.

Proposal

The provision may be retained subject to amending the definition of ‘institutional investor’ as proposed earlier.

2.5. **Allocation to investors**

Existing provision

In terms of Reg. 106ZA(4) of ICDR Regulations, 75% of the net offer to public shall be allocated for institutional investors and remaining 25% shall be allocated to NIIs.

Proposal

The allocation may be revised as under:

- i. Not less than 50% to institutional investors; and
- ii. Not more than 50% to NIIs.

2.6. **Discretionary allotment to institutional investors**

Existing provision

Reg. 106ZA(8) of ICDR Regulations prescribes that in case of discretionary allotment to institutional investors, no institutional investor shall be allotted more than 10% of the issue size.

Proposal

The ceiling on allotment to individual institutional investor may be revised upwards from 10% to 25%.

2.7. **Market making**

Existing provision

There is no provision mandating market making on ITP.

Proposal

Market making may be made compulsory for a minimum period of 3 years for issue size of less than INR 100 crores.

2.8. **Lock-in of pre-issue capital**

Existing provision

In accordance with Reg. 106ZB(1) of ICDR Regulations, the entire pre-issue capital of the shareholders shall be locked-in for a period of 6 months from the date of allotment in case of listing pursuant to public issue or date of listing in case of listing without public issue. However, the lock-in is subject to certain exemptions provided for shares arising out of ESOPs and shares held by VCF/AIF Category I/FVCI in case of listing pursuant to IPO.

Proposal

The lock-in of 6 months may apply uniformly to all the categories of shareholders.

2.9. **Trading lot**

Existing provision

In terms of Reg. 106ZC of ICDR Regulations, the minimum trading lot shall be INR 10 lakh.

Proposal

The minimum trading lot size may be lowered to INR 5 lakh.

2.10. Other provisions in Chapter XC shall remain the same.

3. Public comments

Considering the implications of the said matter on the market participants including issuers and investors, public comments are invited on the proposals contained in the



discussion paper. Specific comments/suggestions as per the format given below would be highly appreciated:

Name of entity / person / intermediary/ Organization:			
Sr. No.	Pertains to serial number under paragraph (2)	Suggestion(s)	Rationale

The comments may please be e-mailed on or before August 14, 2016, to capitalraising@sebi.gov.in or sent by post, to-

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