



SEBI Board Meeting

The SEBI Board met in New Delhi today and took the following decisions:

A. Imposing restrictions on wilful defaulters

The Master Circular on "Wilful Defaulters" issued by the Reserve Bank of India from time to time lays down safeguards to be exercised by banks to contain the financial activities of a wilful defaulter.

With the objective of restricting access to capital markets for raising funds from public, by such wilful defaulters, following proposals have been approved by the Board:

1. No issuer shall make a public issue of equity securities / debt securities / non-convertible redeemable preference shares, if the issuer company or its promoter or its director is in the list of the wilful defaulters.
2. Any company or its promoter or its director categorized as wilful defaulter may not be allowed to take control over other listed entity. However, if a listed company or its promoter or its director is categorized as wilful defaulter, and there is a take-over offer in respect of the listed company, they may be allowed to make competing offer for the said listed company in accordance with SEBI (SAST) Regulations, 2011.
3. The criteria for determining a 'fit and proper person' in SEBI Regulations will be amended to include that no fresh registration shall be granted to any entity if the entity or its promoters or its directors or key managerial personnel, as defined under SEBI (ICDR) Regulations, 2009, are included in the list of wilful defaulters.

B. SEBI budget for the year 2016-17:

The SEBI budget for the year 2016-17 was considered and approved by the Board. The Board discussed the plan of action for F. Y. 2016-17. Some of the important proposed activities are:-

- Significant increase in investor education and awareness efforts along with a target of having at least one Resource Person (RP) in each district of the country for providing such programmes on a regular basis in their areas.
- Providing more clarity on the definition of the term 'control' under different regulations of SEBI.
- Energizing the Institutional Trading Platform (ITP), REITs, Invits and Municipal Bond Markets.
- Encouraging ease of doing business through system driven disclosures.
- Encouraging dividend distribution policy by listed companies.
- Encouraging delisting of suspended companies.
- Enhanced supervision of stock brokers and other intermediaries.
- Raising standards for Credit Rating Agencies (CRAs).
- Strengthening the surveillance mechanism.
- Development of integrated database on commodity derivatives, augment the supervision of the market and introduction of new products and allowing new participants.
- Encouraging use of technology to streamline KYC procedure and augment the reach and depth of the market – especially for mutual funds.

- Completion of the construction of National Institute of Securities Market, NISM Campus at Patalganga and to develop it as a world class institution for training, certification and research in the area of financial markets.

C. Review of manner of dealing with Audit Reports containing Qualifications

SEBI has put in place a mechanism to review the audit qualifications contained in the audit reports. The said mechanism has been incorporated in the SEBI (Listing and Other Disclosure Requirements) Regulations, 2015 ('Listing Regulations'). With the objective that the impact of the audit qualification is disseminated without any delay and to further streamline the process the Board approved the following revised procedure to deal with such matters:

i. The listed entities shall be required to disclose the cumulative impact of all the audit qualifications on relevant financial items in a separate form called "Statement on Impact of Audit Qualifications" instead of present Form B. Such disclosure would be in a tabular form along with the Annual Audited Financial results filed in terms of Listing Regulations.

ii. In cases where there are no audit qualifications, the existing requirement of filing Form A signed by top officials / directors of the company and auditors shall not be necessary.

iii. The management shall have the right to give its views on the audit qualifications in the new form.

iv. The existing requirement of adjustment in the books of accounts of the subsequent year shall not be necessary.

The new mechanism is applicable from the financial year ended March 2016, as well as for the earlier cases.

D. Brightline Tests for Acquisition of 'Control' under SEBI Takeover Regulations

The Board considered and approved the proposal for initiation of public consultation process regarding Brightline Tests for Acquisition of 'Control' under the SEBI (SAST) Regulations, 2011.

Assessment of 'Control' as defined under the SEBI (SAST) Regulations, 2011 requires consideration of facts and circumstances of each case. This results in a multitude of opinions. Further, multiple regulators apply the test of control from different perspectives and may arrive at differing results which may lead to ambiguity.

In view of the need to identify bright lines for 'Control' as defined under the SEBI (SAST) Regulations, 2011, the following proposals may be considered:

1: Framework for protective rights

An illustrative list of protective rights which would not amount to acquisition of control may be issued. Grant of such protective rights to an investor may be subject to obtaining the public shareholders' approval (majority of minority).

2: Adopting a numerical threshold

Considering the international practices and the current regulatory environment in India, the definition of control may be amended such that control is defined as (a) the right or entitlement to exercise at least 25% of voting rights of a company irrespective of whether such holding gives de facto control and/or (b) the right to appoint majority of the non-independent directors of a company.

Or, any other option as may be decided after consultation.

The discussion paper inviting comments will be placed on SEBI website for seeking public comments.

New Delhi

March 12, 2016
