



PR No.61/2020

SEBI Board Meeting

The SEBI Board met in Mumbai today. The out of station Members joined the meeting through video conferencing. The Board, inter-alia, took the following decisions:

I. Amendments to SEBI (Mutual Funds) Regulations, 1996

SEBI, in consultation with various stakeholders, undertook a detailed exercise on review of SEBI (Mutual Funds) Regulations, 1996 (hereinafter called as “MF Regulations”) and various circulars issued thereunder in order to examine certain policy proposals, to remove redundant provisions, to align with the existing applicable Acts and other SEBI Regulations, and also to address certain operational difficulties. A working group was constituted under the aegis of Mutual Fund Advisory Committee (MFAC) to take up the aforesaid exercise and based on the suggestions, MFAC recommended various changes in MF Regulations and circulars issued thereunder.

The Board approved various amendments to MF Regulations, which, *inter-alia*, are as under:

- a. **Eligibility criteria for sponsoring a mutual fund:** To facilitate innovation and enhanced reach to more investors at a faster pace including tech-enabled solutions, sponsors that are not fulfilling profitability criteria at the time of making application, shall also be considered eligible to sponsor a mutual fund subject to having a net-worth of not less than INR 100 Cr. for the purpose of contribution towards the net-worth of the Asset Management Company (AMC). This networth of the AMC has to be maintained till the time AMC makes profit for 5 consecutive years.

- b. **Net-worth of the AMC:** To streamline the manner of computation of net-worth of the AMC and make it mandatory for all AMCs to maintain the minimum net-worth on a continuous basis.
- c. **Segregation and ring - fencing of assets and liabilities of mutual fund schemes:** All assets and liabilities of each scheme shall be segregated and ring-fenced from other schemes of the mutual fund in addition to the existing requirement of segregating bank accounts and securities accounts.

The Board has further approved proposals including dispensing with the requirement to issue physical unit certificates, reducing maximum permissible exit load, reducing the timeline for payment of dividend, permitting other modes for payment of dividend and providing clarity with respect to payment of interest and penalty in case of delay in dividend payment, etc.

II. **Recalibration of Minimum Public Shareholding norms for listed companies going through Corporate Insolvency Resolution Process (CIRP)**

Presently, during Corporate Insolvency Resolution Process (CIRP) where the public shareholding falls below 10%, such listed companies are required to bring the public shareholding to at least 10% within a period of 18 months and to 25% within 36 months.

In this context, the Board has decided the following in respect of companies which continue to remain listed as a result of implementation of the resolution plan under the Insolvency and Bankruptcy Code:

- i. Such companies will be mandated to have at least 5% public shareholding at the time of their admission to dealing on stock exchange, as against no minimum requirement at present.
- ii. Further, such companies will be provided 12 months to achieve public shareholding of 10% from the date such shares of the company are admitted to dealings on stock exchange and 36 months to achieve public shareholding of 25% from the said date.

- iii. The lock-in on equity shares allotted to the resolution applicant under the resolution plan shall not be applicable to the extent to achieve 10% public shareholding within 12 months.
- iv. Such companies shall be required to make additional disclosures, such as, specific details of resolution plan including details of assets post-CIRP, details of securities continuing to be imposed on the companies' assets and other material liabilities imposed on the company, proposed steps to be taken by the incoming investor/acquirer for achieving the minimum public shareholding (MPS) and quarterly disclosure of the status of achieving the MPS.

III. Doing away with the applicability of Minimum Promoters' Contribution and the subsequent lock in requirements for issuers making a Further Public Offer - amendments to SEBI (ICDR) Regulations, 2018

The Board approved the proposal to do away with the applicability of Minimum Promoters' Contribution and the subsequent lock in requirements for the issuers making a Further Public Offer of specified securities subject to fulfilment of the following conditions:

- i. the equity shares of the issuer are frequently traded on a stock exchange for a period of at least three years,
- ii. the issuer has been in compliance with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 for a period of at least three years, and
- iii. the issuer has redressed at least ninety-five per cent of the complaints received from the investors.

IV. Amendment to SEBI (Investment Advisers) Regulations, 2013

The Board approved amendment to SEBI (Investment Advisers) Regulations, 2013 (IA Regulations) requiring Investment Advisers (IA) to seek membership of a body recognised by SEBI for administration and supervision of IAs under IA Regulations. The Board also approved modification to the structure of fees payable by IAs, while ensuring that the total cost borne by IAs towards fees remains same as that payable by IAs under the present IA Regulations.

V. Amendment to SEBI (Alternative Investment Funds) Regulations, 2012

The Board approved amendment to SEBI (Alternative Investment Funds) Regulations, 2012 (AIF Regulations) to provide certain exemptions to AIFs in respect of Investment Committee members in terms of Regulation 20(6) of AIF Regulations, conditional upon capital commitment of at least INR 70 Crore from each investor accompanied by a suitable waiver.

VI. Amendment to the Securities and Exchange Board of India (Intermediaries) Regulations, 2008

1. The Board approved the amendments to the Securities and Exchange Board of India (Intermediaries) Regulations 2008 with an objective to rationalize the processes in the said Regulations and to avoid the duplicity of proceedings before the Designated Authority and the Designated Member.
2. The amendments include the following:
 - (1) The Designated Member, if required, in the interest of justice, to remit the matter to the Designated Authority, for reasons to be recorded in writing, to enquire afresh or to further enquire and resubmit the report;
 - (2) The Designated Member may consider granting an opportunity of personal hearing in a case where either the Designated Authority has recommended cancellation of the certificate of registration of the Intermediary, or the Designated Member is of the *prima facie* view that the matter at hand is a fit case for cancellation of the certificate of the registration of the Intermediary.

VII. Repeal of Securities and Exchange Board of India (Central Database of Market Participants) Regulations, 2003

After the introduction of Permanent Account Number as the sole identification number for all securities market transactions and the discontinuance of the requirement of Unique Identification Number issued under the Securities and Exchange Board of India (Central Database of Market Participants) Regulations, 2003 and related Circulars, the Securities and Exchange Board of India (Central Database of Market Participants) Regulations, 2003 have outlived their utility. The Board approved the repeal of Securities and Exchange Board of India (Central Database of Market Participants) Regulations, 2003.

Mumbai

December 16, 2020