



PR No. 12 /2024

SEBI Board Meeting

The 206th meeting of the SEBI Board was held in Mumbai today.

The SEBI Board, *inter-alia*, approved the following:

- 1 Association of persons regulated by the SEBI with persons who directly or indirectly provide advice or recommendations without being registered with SEBI or make any implicit or explicit claim of return or performance in respect of or related to a security or securities**

In order to address the concerns related to certain persons including unregulated entities inducing investors to deal in securities based on inappropriate claims, the Board approved the following proposal on association of persons regulated by the SEBI and the agents of such persons with other specified persons:

- 1.1** The persons regulated by the Board and the agents of such persons shall not have any association, like, any transaction involving money or money's worth, referral of a client, interaction of information technology systems or any other association of similar nature or character, directly or indirectly, with

any other person who, directly or indirectly, provides advice or recommendation or makes any implicit or explicit claim of return or performance, in respect of or related to security or securities unless permitted by the Board to provide such advice/ recommendation/claim.

1.2 However, the above restriction shall not apply to persons regulated by the Board or their agents for their association –

1.2.1 with persons who are exclusively engaged in investor education and do not, directly or indirectly, provide advice/ recommendation/ claim of return or performance.

1.2.2 through specified digital platform, which has a mechanism in place to take preventive as well as curative action, to the satisfaction of the Board, to ensure that such a platform is not used by any person for providing advice / recommendation /claim of return or performance, unless permitted by the Board to provide such advice/ recommendation/claim.

1.3 It shall be the responsibility of the person regulated by the Board to ensure that the person with whom it or its agent is associated does not indulge in such prohibited activities.

2 Flexibility in Voluntary Delisting: Amendment to SEBI (Delisting of Equity Shares) Regulations, 2021

In order to facilitate ease of doing business, to protect the interest of investors and to provide flexibility in the Voluntary Delisting framework, the Board has approved the following-

2.1 Introduction of Fixed Price process as an alternative to Reverse Book Building process (RBB) for delisting of companies whose shares are frequently traded. The fixed price offered by an acquirer shall be with at least 15% premium over the floor price as determined under Delisting Regulations.

2.2 Introduction of an alternate delisting framework for listed Investment Holding Companies (IHC) through scheme of arrangement by way of selective capital reduction -

2.2.1 A Listed IHC

2.2.1.1 that has at least 75% of their fair value (net of liabilities) comprising direct investments in equity shares of other listed companies.

2.2.1.2 will be permitted to transfer the underlying equity shares held by it in other listed companies to its public shareholders proportionately;

2.2.1.3 will be permitted to make proportionate cash payments to its public shareholders against other assets including investments in land, building, unlisted companies etc.

2.2.2 On entire public shareholding being extinguished, the IHC shall be delisted.

2.2.3 Delisting of an IHC shall be in compliance with requirements as specified by its financial sector regulator, if any.

2.3 Modification of the Counter-Offer mechanism in case of delisting through RBB process:

2.3.1 Reduction in threshold for making a counter-offer from existing 90% to 75% provided that at least 50% of public shareholding has been tendered.

2.3.2 The counter-offer price shall not be less than the higher of (i) the volume weighted average price (VWAP) of the shares tendered/offered under the RBB process, and (ii) indicative price, if any, offered by the acquirer.

2.3.3 The delisting would be successful only when the post-offer aggregate shareholding of acquirer reaches 90%.

2.4 Introduction of Adjusted Book Value as an additional parameter for determining floor price for frequently and infrequently traded shares of the companies under the Delisting framework, except for the Public Sector Undertakings.

2.5 Modification of the reference date for computing floor price from existing requirement of approval of the board to the date of initial public announcement for voluntary delisting as in the case of Takeover Regulations.

3 Proposal to facilitate ease of doing business with respect to the additional disclosure framework for FPIs

3.1 In order to facilitate ease of doing business for FPIs, the Board approved a proposal to exempt University Funds and University related Endowments, registered or eligible to be registered as Category I FPI, from additional disclosure requirements prescribed under SEBI's August 24, 2023 circular, subject to the following conditions:

3.1.1 Its India equity AUM is less than 25% of its Global AUM.

3.1.2 Its global AUM is more than INR 10,000 crore equivalent.

3.1.3 It has filed appropriate returns/ filing to the respective tax authorities in its home jurisdiction to evidence that the entity is in the nature of a non-profit organisation that is exempt from tax.

4 Flexibility in SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 for streamlining the public issue process for debt securities and Non-Convertible Redeemable Preference Shares

With a view to facilitate ease of doing business and provide flexibility to Issuers, the Board has approved the proposal to streamline the public issue process for debt securities and NCRPS to provide:

- 4.1 Faster access to funds to issuers through:
- 4.1.1 Reduction in the period for seeking public comments on the draft offer documents from 7 working days to 1 day for issuers whose specified securities are already listed and 5 days for other issuers
 - 4.1.2 Reduction in the minimum subscription period to 2 working days from 3 working days
 - 4.1.3 Reduction in the listing timeline to T+3 working days from T+6 working days (as an option to issuers for a period of one year and on a mandatory basis thereafter such that all listings occur on a T+3 basis)
- 4.2 Flexibility to issuers by providing discretion to issuers with regard to advertisement of public issue through electronic modes subject to a window advertisement (containing a QR Code and Link to full advertisement) in newspapers.
- 4.3 Harmonisation of the procedure of applying in public issue of debt securities and NCRPS through intermediaries with that in case of specified securities by mandating UPI for individual investors where the investment is up to Rs Five lakhs. Further, choice of individual investors to avail other modes (Viz. through SCSBs and Stock Exchange Platform) for making an application remains unchanged.

5 Measures towards Ease of doing Business- Amendments to SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 pertaining to rationalization of disclosure requirements in the offer document for non-convertible securities and modification in timeline of intimation to Stock Exchanges for listed Commercial Paper

In order to facilitate ease of doing business, the Board approved the following proposals

- 5.1 Deletion of disclosure regarding Permanent Account Number (PAN) and personal address of promoters of the issuers in the offer document;
- 5.2 Clarification that time period for key operational and financial parameters will be disclosed in line with the requirement for financial information;
- 5.3 Enabling disclosures regarding (i) details of branches and (ii) details of vendors in case immovable property is purchased from issue proceeds to QR code and weblink. Further, the said details shall be provided to the debenture trustee and also kept available for inspection. Additionally, that such details were provided by the issuer and received by debenture trustee will be duly recorded in the 'Security and Covenant Monitoring System' maintained by the depositories.
- 5.4 Alignment of disclosures regarding utilisation of issue proceeds with the ICDR Regulations
- 5.5 Alignment of timeline for submission to Stock Exchanges regarding status of payment obligations for listed commercial paper with listed debt securities.

6 Measures to facilitate Ease of Doing Business for Infrastructure Investment Trusts and Real Estate Investment Trusts

The Board approved the following proposals to facilitate ease of doing business related to activities of InvITs and REITs:

- 6.1 The Investment Manager of InvIT / Manager of REIT may convene a meeting of the unitholders by giving a notice shorter than twenty-one days subject to prior consent of the unitholders.
- 6.2 The statement of investor complaints shall be placed, on a quarterly basis, before the Board of Directors of the Investment Manager of InvIT / Manager of REIT and the Trustee.

- 6.3 Alignment of timeline for disclosure of statement of deviation(s) or variation(s), in the use of proceeds from the stated objects, to the stock exchange(s) along with submission of financial results.
- 6.4 Clarification on voting thresholds in terms of percentage and providing e-voting option and an option to attend meetings through electronic mode to all the unitholders, for all unitholders' meetings.
- 6.5 Clarification on maintenance of records in electronic form along with backup related norms and disaster recovery site for records maintained in electronic form.
- 6.6 Reduction of trading lot for privately placed InvITs to rupees twenty-five lakhs.
- 6.7 Clarification that change in sponsor or inducted sponsor in case of an InvIT shall mean any change due to entry of a new sponsor or exit of an existing sponsor.
- 6.8 Revision of timelines for payment of distribution to five working days from the record date. The record date shall be the date which is two working days from the date of declaration of distribution, excluding the date of declaration and the record date.

7 Guidelines for borrowing by Category I and II AIFs (facilitating ease of doing business) and specifying of maximum permissible limit for extension of tenure by Large Value Funds.

- 7.1 In order to facilitate ease of doing business and provide operational flexibility to Alternative Investment Funds (AIFs), the Board approved a proposal to expressly permit Category I and II AIFs to borrow for a period of upto 30 days for the purpose of meeting temporary shortfall in drawdown from investors,

while making investments. The cost of any such borrowing would need to be charged to the specific investors responsible for the shortfall. Further, with a view to curtail any possible roll-over of borrowing, there shall be a cooling off period of thirty days between two borrowings availed by Category I and II AIFs.

7.2 With a view to provide clarity to investors in Large Value Funds for Accredited Investors ('LVFs') about their investment horizon, the Board approved a proposal to limit any extension of LVF tenure to five years, subject to the approval of two-thirds of the unit holders by value for such extension. Thereafter, if the fund is still not liquidated, the LVF can opt for a further dissolution period as is the case for other AIFs. The objective of the proposal is to protect investors / potential investors from delayed disclosure/ recognition of true asset quality, liquidity, fund value, and performance of AIFs/ managers.

Existing LVF schemes that have not specified a cap in the extensions in tenure in their PPMs or whose extension period is beyond the permissible five years, shall align the same with the aforesaid requirement, within three months from the date of issuance of circular in this regard. While realigning, such schemes shall have the flexibility to revise their original base tenure of the scheme with the consent of all their investors.

8 Proposal to facilitate an optional mechanism for fee collection by SEBI registered Investment Advisers (IAs) and Research Analysts (RAs)

8.1 The Board approved the proposal to facilitate a mechanism on an optional basis for fee collection by SEBI registered Investment Advisers (IAs) and

- Research Analysts (RAs) which shall create a closed ecosystem thereby giving investors comfort that they are interacting with registered IAs and RAs.
- 8.2 The mechanism shall facilitate investors for availing the services and making the payment of fees only to registered IAs and RAs thus creating trust in the ecosystem. Given this, the mechanism shall give recognition to registered IAs and RAs and help investors differentiate them from unregistered entities acting as IAs and RAs. The mechanism has been kept optional based on public consultation.
- 8.3 The mechanism has been designed through extensive deliberations with industry to ensure minimum disruption and smooth experience for IAs/RAs and investors and shall not cause any delay in the remittance of funds to IAs and RAs.
- 8.4 The mechanism shall be cost neutral to the clients of IAs and RAs.

9 Parameters for independent external evaluation of performance of Market Infrastructure Institutions

- 9.1 With the objective of providing basic minimum criteria for assessing the performance of stock exchanges, clearing corporations and depositories in terms of the requirements as stipulated in the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 and SEBI (Depositories and Participants) Regulations, 2018, the Board approved broad minimum criteria/parameters which shall be considered by external evaluators. The Board also approved that such external evaluation shall take place once in every three years with the first such assessment to be conducted within 12 months from the date of implementation of this mechanism.

10 Cybersecurity and Cyber Resilience Framework (CSCRF) for SEBI Regulated Entities (REs)

10.1 The Board approved the Cybersecurity and Cyber Resilience Framework (CSCRF) for SEBI Regulated Entities (REs).

10.2 CSCRF is a standard-based framework and broadly covers the five cyber resiliency goals, viz. Anticipate, Withstand, Contain, Recover, and Evolve which are adopted from CERT-In Cyber Crisis Management Plan (CCMP), for countering Cyber Attacks and Cyber Terrorism.

10.3 CSCRF follows a graded approach and classifies the REs in the following five categories based on their span of operations and certain thresholds including number of clients, trade volume and asset under management.

10.3.1 Market Infrastructure Institutions (MIIs)

10.3.2 Qualified REs

10.3.3 Mid-size REs

10.3.4 Small-size REs

10.3.5 Self-certification REs

10.4 CSCRF framework provides a structured methodology to implement various solutions for cybersecurity and cyber resiliency. CSCRF will assist REs in strengthening the security posture of the REs and provides following notable benefits:

10.4.1 Cyber Risk Governance and Management Framework

10.4.2 Data classification and localization: To set up robust security controls for data generated / managed / processed by REs, CSCRF classifies data in two categories: 'Regulatory Data' and 'IT and Cybersecurity Data'. While 'Regulatory Data' is mandatorily localized, dispensation for 'IT and

Cybersecurity Data' for offshoring has been given with suitable guardrails.

10.4.3 Implementation of Security Operations Centre (SOC) and measuring its efficacy on a periodic basis.

10.4.4 Guidelines for API security and mobile application security

10.4.5 Cyber Capability Index (CCI) to assess cyber resilience

10.4.6 Software Bill of Materials (SBOM) to mitigate supply chain risks

10.5 In order to facilitate ease of compliance, REs have been provided with the following glide path to adopt the new standards and controls prescribed in the CSCRF:

10.5.1 Six categories of entities where cybersecurity and cyber resilience circular already exists - January 01, 2025.

10.5.2 All other entities where CSCRF made applicable for the first time - April 01, 2025.

11 Proposal to remove Financial Disincentive applicable on Managing Director and Chief Technology Officer of MIIIs on account of Technical Glitch

11.1 The Board was informed that SEBI proposes to remove the Financial Disincentive automatically imposed on MD and CTO of MIIIs in the event of technical glitches in the nature of disaster, at MIIIs.

11.2 Recommendations were received from various advisory committees in this regard and separately MIIIs had represented that such disincentives on individuals have hampered attracting and retaining the right talent.

12 Review of eligibility criteria for entry/exit of stocks in derivatives segment

12.1 With a view to ensuring the continued development of a vibrant securities market ecosystem with appropriate regulation and investor protection, the Board has approved a revision in eligibility criteria for entry and exit of stocks in the derivatives segment of exchanges. The last revision in such selection criteria was carried out in 2018. The revised criteria are in line with the changed market context since 2018.

12.2 The criteria for exit shall apply to only those stocks which have completed at least 6 months from the month of entry into the derivative segment.

12.3 Further, for existing stocks in the derivatives segment, the exit criteria on the basis of performance would be applicable 3 months after the date of issuance of circular.

12.4 In addition, a Product Success Framework has been introduced in single stock futures and options, to ensure that the liquidity and participation witnessed in the derivative markets are supportive of market development, regulation, and investor protection. The Product Success Framework would start to apply 6 months from the date of issuance of the circular.

12.5 Details of the revised framework are as under:

12.5.1 Eligibility criteria for entry/ exit of stocks in/from the derivatives segment based upon performance of stocks in underlying cash market

S. No.	Evaluation metric	Revised criteria
1.	Average Daily Market Capitalization and Average Daily Traded value (ADTV) in the previous six months on a rolling basis	Amongst top 500 stocks

S. No.	Evaluation metric	Revised criteria
2.	The stock's Median Quarter Sigma Order Size (MQSOS) over the last six months, on a rolling basis, shall not be less than:	INR 75 Lakh
3.	The stock's market wide position limit (MWPL) on a rolling basis shall not be less than	INR 1,500 crore.
4.	The stock's Average daily delivery value (ADDV) in the cash market, in the previous six months on a rolling basis, shall not be less than	INR 35 crore.

12.5.2 The following conditions are laid down under the PSF to evaluate exit of a stock from derivative segment:

12.5.2.1 At least 15% of trading members active in all stock derivatives (trading member who has traded during the month) or 200 trading members, whichever is lower, shall have traded in any derivative contract on the stock being reviewed on an average on monthly basis during the review period,

12.5.2.2 Trading on a minimum of 75% of the trading days during the review period in derivatives segment,

12.5.2.3 Average daily turnover (futures + options premium) of at least INR 75 crore during the review period, and

12.5.2.4 Average daily notional open interest (futures + options notional) of at least INR 500 crore of that particular stock during the review period.

13 Annual Report of SEBI

The Board considered and approved the Annual Report 2023-24. In compliance with section 18(2) of the SEBI Act, 1992, the Annual Report will be submitted to the Central Government.

Mumbai
June 27, 2024