

Highlights of SEBI Board meeting dated 30.9.2022

The Securities and Exchange Board of India (SEBI) board took a few decisions relating to the capital market at its meeting held on 30 September 2022. Among various other proposals, it was decided to introduce a regulatory framework for online bond platform providers and to effect the net settlement of cash segment and futures and options (F&O) segment upon the expiry of stock derivatives. We have discussed some of the important proposals in our byte.

1. Disclosure of key performance indicators ('KPI') for IPO issuers: Initial public offer ('IPO') issuers will be mandatorily required to disclose the 'KPI' and the 'price per share' (based on past transactions and past fundraisings). The same will be included in the offer document and price band advertisement. Earlier such disclosure was not required to be made in the offer documents.

2. Pre-filing of offer document for initial public offer ('IPO'): SEBI has approved the proposal to introduce pre-filing of offer document as an optional alternative mechanism for the purpose of IPO on the main board of stock exchanges. Further, the document which incorporates SEBI's initial observations would be available to investors for at least 21 days, thereby, assisting them better in their investment decision-making process. This step will allow the issuers to carry out limited interaction with the stock exchange without disclosing any sensitive information.

3. Process for appointment and removal of independent directors for the first term: A new optional provision will be introduced in the SEBI (Listing obligations and disclosure requirements) (LODR) Regulations, 2015 will be made. The present SEBI (LODR) Regulations require appointment, re-appointment and removal of independent directors through a special resolution. The new option can be exercised if the special resolution does not get the required majority, and in such a case:

a. threshold for ordinary resolution and

b. threshold for majority of the minority shareholders

will be tested in the same voting process. If these thresholds are crossed, then the independent directors will be deemed to be appointed.

4. Flexibility and efficiency to the offer for sale ('OFS') framework: Presently, the non-promoter shareholder holding at least 10% of the share capital is eligible to offer his shares (of at least the value of INR 25 crore) of the eligible company under OFS mechanism.

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- a. SEBI has done away with the minimum 10% requirement.
- b. Based on the liquidity of the securities offered for sale, the cooling of period (+/- 12weeks) is now brought down to a range of +/- 2 weeks to +/- 12 weeks.
- c. Retail investors have been allowed to bid for the unsubscribed portion of non-retail segment.
- d. OFS mechanism has been made available to unit holders / sellers of listed REITs / InvITs to offer their holdings.

5. SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 ('Takeover Regulations')

SEBI approved the proposal to dispense with the requirement of calculating 60 days volume-weighted average market price ('VWAMP') for determination of open offer price in case of disinvestment of public sector undertakings (PSU) companies ("Target company"), wherein it results in its change in control, either by way of direct acquisition or indirect acquisition. Necessary amendments will be made in Takeovers Regulations.

6. Amendment in SEBI (Prohibition of Insider Trading) Regulations 2015 for inclusion of trading in units of Mutual Funds: Accordingly, a separate code of conduct in line with the existing SEBI (Prohibition of Insider Trading) Regulations, 2015 for designated persons in respect of mutual funds will be inserted.

Weblink https://www.sebi.gov.in/media/press-releases/sep-2022/sebi-board-meeting_63565.html

Therefore

SEBI has taken various capital market decisions for ease of working of the capital market. The decisions will render operational flexibility in procedures such as disinvestment in PSUs and OFS framework. SEBI also is keen on taking investor-awareness decisions like disclosure of KPI, and making available its initial observations to investors for at least 21 days before the opening of IPO.