



SEBI (ICDR) REGULATIONS, 2009



CHAPTER I



PRELIMINARY

Short title and commencement

1. (1) These regulations may be called the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.
- (2) They shall come into force on the date of their publication in the Official Gazette.

Definitions

2. (1) In these regulations, unless the context otherwise requires:
 - (a) “Act” means the Securities and Exchange Board of India Act, 1992 (15 of 1992);
 - (b) “advertisement” includes notices, brochures, pamphlets, show cards, catalogues, hoardings, placards, posters, insertions in newspaper, cover pages of offer documents, pictures and films in any print media or electronic media, radio, television programme;
 - (c) “anchor investor” means a qualified institutional buyer [who makes] an application for a value of ten crore rupees or more in a public issue made through the book building process in accordance with these regulations;
 - (d) “Application Supported by Blocked Amount (ASBA)” means an application for subscribing to a public issue or rights issue, along with an authorisation to Self Certified Syndicate Bank to block the application money in a bank account;
 - (e) “Board” means the Securities and Exchange Board of India established under section 3 of the Act;
 - (f) “book building” means a process undertaken to elicit demand and to assess the price for determination of the quantum or value of specified securities or Indian Depository Receipts, as the case may be, in accordance with these regulations;
 - (g) “book runner” means a merchant banker appointed by the issuer to undertake the book building process;
 - (h) “composite issue” means an issue of specified securities by a listed issuer on public cum-rights basis, wherein the allotment in both public issue and rights issue is proposed to be made simultaneously;

- (i) “control” shall have the same meaning as assigned to it under clause (c) of sub regulation (1) of regulation 2 of the Securities and Exchange Board of India (Substantial Acquisitions of Shares and Takeovers) Regulations, 1997;
- (j) “convertible debt instrument” means an instrument which creates or acknowledges indebtedness and is convertible into equity shares of the issuer at a later date at or without the option of the holder of the instrument, whether constituting a charge on the assets of the issuer or not;
- (k) “convertible security” means a security which is convertible into or exchangeable with equity shares of the issuer at a later date, with or without the option of the holder of the security and includes convertible debt instrument and convertible preference shares;
- (l) “designated stock exchange” means a recognised stock exchange in which securities of an issuer are listed or proposed to be listed and which is chosen by the issuer as a designated stock exchange for the purpose of a particular issue of specified securities under these regulations:

Provided that where one or more of such stock exchanges have nationwide trading terminals, the issuer shall choose one of them as the designated stock exchange:

Provided further that subject to the provisions of this clause, the issuer may choose a different recognised stock exchange as a designated stock exchange for any subsequent issue of specified securities under these regulations;

- (m) “employee” means a permanent and full-time employee, working in India or abroad, of the issuer or of the holding company or subsidiary company or of that material associate(s) of the issuer whose financial statements are consolidated with the issuer’s financial statements as per Accounting Standard 21, or a director of the issuer, whether whole time or part time and does not include promoters and an immediate relative of the promoter (i.e., any spouse of that person, or any parent, brother, sister or child of that person or of the spouse);
- (n) “further public offer” means an offer of specified securities by a listed issuer to the public for subscription and includes an offer for sale of specified securities to the public by any existing holders of such securities in a listed issuer;
- (na) “General Corporate Purposes” include such identified purposes for which no specific amount is allocated or any amount so specified towards General Corporate Purpose or any such purpose by whatever name called, in the draft offer document filed with the Board:

Provided that any issue related expenses shall not be considered as a part of General Corporate Purpose merely because no specific amount has been allocated for such expenses in the draft offer document filed with the Board.

- (o) “green shoe option” means an option of allotting equity shares in excess of the equity shares offered in the public issue as a post-listing price stabilizing mechanism;
- (p) “initial public offer” means an offer of specified securities by an unlisted issuer to the public for subscription and includes an offer for sale of specified securities to the public by any existing holders of such securities in an unlisted issuer;
- (q) “issue size” includes offer through offer document and promoters’ contribution;
- (r) “issuer” means any person making an offer of specified securities;
- (s) “key management personnel” means the officers vested with executive powers and the officers at the level immediately below the board of directors of the issuer and includes any other person whom the issuer may declare as a key management personnel;

- (t) "listed issuer" means an issuer whose equity shares are listed in a recognised stock exchange;
- (u) "net offer to public" means an offer of specified securities to the public but does not include reservations;
- (v) "net worth" means the aggregate of the paid up share capital, share premium account, and reserves and surplus (excluding revaluation reserve) as reduced by the aggregate of miscellaneous expenditure (to the extent not adjusted or written off) and the debit balance of the profit and loss account;
- (w) "non institutional investor" means an investor other than a retail individual investor and qualified institutional buyer;
- (x) "offer document" means a red herring prospectus, prospectus or shelf prospectus and information memorandum in terms of section 60A of the Companies Act, 1956 in case of a public issue and letter of offer in case of a rights issue;
- (y) "offer through offer document" means net offer to public and reservations;
- (z) "preferential issue" means an issue of specified securities by a listed issuer to any select person or group of persons on a private placement basis and does not include an offer of specified securities made through a public issue, rights issue, bonus issue, employee stock option scheme, employee stock purchase scheme or qualified institutions placement or an issue of sweat equity shares or depository receipts issued in a country outside India or foreign securities;
- (za) "promoter" includes:
 - (i) the person or persons who are in control of the issuer;
 - (ii) the person or persons who are instrumental in the formulation of a plan or programme pursuant to which specified securities are offered to public;
 - (iii) the person or persons named in the offer document as promoters:

Provided that a director or officer of the issuer or a person, if acting as such merely in his professional capacity, shall not be deemed as a promoter:

Provided further that a financial institution, scheduled bank, foreign portfolio investor other than Category III foreign portfolio investor] and mutual fund shall not be deemed to be a promoter merely by virtue of the fact that ten per cent. or more of the equity share capital of the issuer is held by such person;

Provided further that such financial institution, scheduled bank and foreign portfolio investor other than Category III foreign portfolio investor shall be treated as promoter for the subsidiaries or companies promoted by them or for the mutual fund sponsored by them;
- (zb) "promoter group" includes:
 - (i) the promoter;
 - (ii) an immediate relative of the promoter (i.e., any spouse of that person, or any parent, brother, sister or child of the person or of the spouse); and
 - (iii) in case promoter is a body corporate:
 - (A) a subsidiary or holding company of such body corporate;
 - (B) any body corporate in which the promoter holds ten per cent. or more of the equity share capital or which holds ten per cent. or more of the equity share capital of the promoter;

- (C) any body corporate in which a group of individuals or companies or combinations thereof which hold twenty per cent. or more of the equity share capital in that body corporate also holds twenty per cent. or more of the equity share capital of the issuer; and
- (iv) in case the promoter is an individual:
 - (A) any body corporate in which ten per cent. or more of the equity share capital is held by the promoter or an immediate relative of the promoter or a firm or Hindu Undivided Family in which the promoter or any one or more of his immediate relative is a member;
 - (B) any body corporate in which a body corporate as provided in (A) above holds ten per cent. or more, of the equity share capital;
 - (C) any Hindu Undivided Family or firm in which the aggregate shareholding of the promoter and his immediate relatives is equal to or more than ten per cent of the total; and
 - (v) all persons whose shareholding is aggregated for the purpose of disclosing in the prospectus under the heading "shareholding of the promoter group":

Provided that a financial institution, scheduled bank, foreign portfolio investor other than Category III foreign portfolio investor and mutual fund shall not be deemed to be promoter group merely by virtue of the fact that ten per cent. or more of the equity share capital of the issuer is held by such person:

Provided further that such financial institution, scheduled bank and foreign portfolio investor other than Category III foreign portfolio investor] shall be treated as promoter group for the subsidiaries or companies promoted by them or for the mutual fund sponsored by them;

- (zc) "public issue" means an initial public offer or further public offer;
- (zd) "qualified institutional buyer" means:
 - (i) a mutual fund, venture capital fund, Alternative Investment Fund and foreign venture capital investor registered with the Board;
 - (ii) a foreign portfolio investor other than Category III foreign portfolio investor, registered with the Board;
 - (iii) a public financial institution as defined in section 4A of the Companies Act, 1956;
 - (iv) a scheduled commercial bank;
 - (v) a multilateral and bilateral development financial institution;
 - (vi) a state industrial development corporation;
 - (vii) an insurance company registered with the Insurance Regulatory and Development Authority;
 - (viii) a provident fund with minimum corpus of twenty five crore rupees;
 - (ix) a pension fund with minimum corpus of twenty five crore rupees;
 - (x) National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government of India published in the Gazette of India;
 - (xi) insurance funds set up and managed by army, navy or air force of the Union of India;
 - (xii) insurance funds set up and managed by the Department of Posts, India;
 - (xiii) systemically important non-banking financial companies.

- (ze) “retail individual investor” means an investor who applies or bids for specified securities for a value of not more than two lakhs rupees;
 - (zf) “retail individual shareholder” means a shareholder of a listed issuer, who applies or bids for specified securities for a value of not more than two lakhs rupees;
 - (zg) “rights issue” means an offer of specified securities by a listed issuer to the shareholders of the issuer as on the record date fixed for the said purpose;
 - (zh) “Schedule” means schedule annexed to these regulations;
 - (zi) “Self Certified Syndicate Bank” means a banker to an issue registered with the Board, which offers the facility of Application Supported by Blocked Amount;
 - (zj) “specified securities” means equity shares and convertible securities;
 - (zk) “stabilising agent” means a merchant banker who is responsible for stabilising the price of equity shares under a green shoe option, in terms of these regulations;
 - (zl) “syndicate member” means an intermediary registered with the Board and who is permitted to carry on the activity as an underwriter;
 - (zla) “systemically important non-banking financial company” means a non-banking financial company registered with the Reserve Bank of India and having a net-worth of more than five hundred crore rupees as per the last audited financial statements.
 - (zm) “unlisted issuer” means an issuer which is not a listed issuer
 - (zn) “wilful defaulter” means an issuer who is categorized as a wilful defaulter by any bank or financial institution or consortium thereof, in accordance with the guidelines on wilful defaulters issued by the Reserve Bank of India and includes an issuer whose director or promoter is categorized as such.
- (2) All other words and expressions used but not defined in these regulations, but defined in the Act or the Companies Act, 1956, the Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996 and/or the rules and regulations made thereunder shall have the same meaning as respectively assigned to them in such Acts or rules or regulations or any statutory modification or re-enactment thereto, as the case may be.

Applicability of the regulations.

3. Unless otherwise provided, these regulations shall apply to the following:
- (a) a public issue;
 - (b) a rights issue, where the aggregate value of specified securities offered is fifty lakh rupees or more;
 - (c) a preferential issue;
 - (d) an issue of bonus shares by a listed issuer;
 - (e) a qualified institutions placement by a listed issuer;
 - (f) an issue of Indian Depository Receipts

Provided that the provisions of these regulations shall not apply to issue of securities under clause (b), (d) and (e) of sub-regulation (1) of regulation 9 of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

CHAPTER II



COMMON CONDITIONS FOR PUBLIC ISSUES AND RIGHTS ISSUES

General Conditions.

4. (1) Any issuer offering specified securities through a public issue or rights issue shall satisfy the conditions of this Chapter at the time of filing draft offer document with the Board (unless stated otherwise in this Chapter) and at the time of registering or filing the final offer document with the Registrar of Companies or designated stock exchange, as the case may be.
- (2) No issuer shall make a public issue or rights issue of specified securities:
 - (a) if the issuer, any of its promoters, promoter group or directors or persons in control of the issuer are debarred from accessing the capital market by the Board;
 - (b) if any of the promoters, directors or persons in control of the issuer was or also is a promoter, director or person in control of any other company which is debarred from accessing the capital market under any order or directions made by the Board;
 - (c) unless it has made an application to one or more recognized stock exchanges for listing of specified securities on such stock exchanges and has chosen one of them as the designated stock exchange:

Provided that in case of an initial public offer, the issuer shall make an application for listing of the specified securities in at least one recognized stock exchange having nationwide trading terminals;
 - (d) unless it has entered into an agreement with a depository for dematerialization of specified securities already issued or proposed to be issued;
 - (e) unless all existing partly paid-up equity shares of the issuer have either been fully paid up or forfeited;
 - (f) unless firm arrangements of finance through verifiable means towards seventy five per cent of the stated means of finance, excluding the amount to be raised through the proposed public issue or rights issue or through existing identifiable internal accruals, have been made.
- (3) Warrants may be issued along with public issue or rights issue of specified securities subject to the following:
 - (a) the tenure of such warrants shall not exceed eighteen months from their date of allotment in the public/rights issue;
 - (b) not more than one warrant shall be attached to one specified security
 - (c) the price or conversion formula of the warrants shall be determined upfront and at least 25% of the consideration amount shall also be received upfront;
 - (d) in case the warrant holder does not exercise the option to take equity shares against any of the warrants held by him, the consideration paid in respect of such warrant shall be forfeited by the issuer.
- (4) The amount for general corporate purposes, as mentioned in objects of the issue in the draft offer document filed with the Board, shall not exceed twenty five per cent of the amount raised by the issuer by issuance of specified securities.

- (5) No issuer shall make,
 - (a) a public issue of equity securities, if the issuer or any of its promoters or directors is a wilful defaulter; or
 - (b) a public issue of convertible debt instruments if,
 - (i) the issuer or any of its promoters or directors is a wilful defaulter, or
 - (ii) it is in default of payment of interest or repayment of principal amount in respect of debt instruments issued by it to the public, if any, for a period of more than six months.
- (6) An issuer making a rights issue of specified securities, shall make disclosures as specified in Part G of Schedule VIII, in the offer document and abridged letter of offer, if the issuer or any of its promoters or directors is a wilful defaulter.
- (7) In case of a rights issue of specified securities referred to in sub -regulation (6) above, the promoters or promoter group of the issuer, shall not renounce their rights except to the extent of renunciation within the promoter group.

Appointment of merchant banker and other intermediaries.

5. (1) The issuer shall appoint one or more merchant bankers, at least one of whom shall be a lead merchant banker and shall also appoint other intermediaries, in consultation with the lead merchant banker, to carry out the obligations relating to the issue.
- (2) The issuer shall, in consultation with the lead merchant banker, appoint only those intermediaries which are registered with the Board.
- (3) Where the issue is managed by more than one merchant banker, the rights, obligations and responsibilities, relating inter alia to disclosures, allotment, refund and underwriting obligations, if any, of each merchant banker shall be predetermined and disclosed in the offer document as specified in Schedule I.

Provided that where any of the merchant bankers is an associate of the issuer, it shall declare itself as a marketing lead manager and its role shall be limited to marketing of the issue.

- (4) The lead merchant banker shall, only after independently assessing the capability of other intermediaries to carry out their obligations, advise the issuer on their appointment.
- (5) The issuer shall enter into an agreement with the lead merchant banker in the format specified in Schedule II and with other intermediaries as required under the respective regulations applicable to the intermediary concerned:

Provided that such agreements may include such other clauses as the issuer and the intermediary may deem fit without diminishing or limiting in any way the liabilities and obligations of the merchant bankers, other intermediaries and the issuer under the Act, the Companies Act, 1956, the Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996 and the rules and regulations made thereunder or any statutory modification or statutory enactment thereof:

Provided further that in case of ASBA process, the issuer shall take cognisance of the deemed agreement of the issuer with Self Certified Syndicate Banks.

- (6) An issuer shall, in case of an issue made through the book building process, appoint syndicate members and in the case of any other issue, appoint bankers to issue, at all mandatory collection centres as specified in Schedule III and such other collection centres as it may deem fit.

- (7) The issuer shall appoint a registrar which has connectivity with all the depositories:

Provided that if issuer itself is a registrar to an issue registered with the Board, then another registrar to an issue shall be appointed as registrar to the issue:

Provided further that the lead merchant banker shall not act as a registrar to the issue in which it is also handling the post issue responsibilities.

Explanation: For the purpose of this regulation, in case of a book built issue, the lead merchant banker appointed by the issuer shall act as the lead book runner.

Filing of offer document.

6. (1) No issuer shall make,
- (a) a public issue; or
 - (b) a rights issue, where the aggregate value of the specified securities offered is fifty lakh rupees or more,
- unless a draft offer document, along with fees as specified in Schedule IV, has been filed with the Board through the lead merchant banker, at least thirty days prior to registering the prospectus, red herring prospectus or shelf prospectus with the Registrar of Companies or filing the letter of offer with the designated stock exchange, as the case may be.
- (2) The Board may specify changes or issue observations, if any, on the draft offer document within thirty days from the later of the following dates:
- (a) the date of receipt of the draft offer document under sub-regulation (1); or
 - (b) the date of receipt of satisfactory reply from the lead merchant bankers, where the Board has sought any clarification or additional information from them; or
 - (c) the date of receipt of clarification or information from any regulator or agency, where the Board has sought any clarification or information from such regulator or agency; or
 - (d) the date of receipt of a copy of in-principle approval letter issued by the recognised stock exchanges.
- (3) If the Board specifies changes or issues observations on the draft offer document, the issuer and lead merchant banker shall carry out such changes in the draft offer document and comply with the observations issued by the Board before registering the prospectus, red-herring prospectus or shelf prospectus, as the case may be, with the Registrar of Companies or filing the letter of offer with the designated stock exchange.
- (4) The issuer shall, simultaneously while registering the prospectus, red herring prospectus or shelf prospectus with the Registrar of Companies or filing the letter of offer with the designated stock exchange or before the opening of the issue, file a copy thereof with the Board through the lead merchant banker.
- (5) The lead merchant banker shall, while filing the offer document with the Board in terms of sub regulation (1) and sub-regulation (4), file a copy of such document with the recognised stock exchanges where the specified securities are proposed to be listed.
- (6) The offer document filed with the Board under this regulation shall also be furnished to the Board in a soft copy in the manner specified in Schedule V.

Security Deposit.

7. (1) The issuer shall deposit, before the opening of subscription list, and keep deposited with the stock exchange(s), an amount calculated at the rate of one per cent. of the amount of securities offered for subscription to the public.

- (2) The amount specified in sub-regulation (1) shall be deposited in the manner specified by Board and/or stock exchange(s).
- (3) The amount specified in sub-regulation (1) shall be refundable or forfeitable in the manner specified by the Board.

Documents to be submitted before opening of the issue.

8. (1) The lead merchant bankers shall submit the following to the Board along with the draft offer document:
- (a) a certificate, confirming that an agreement has been entered into between the issuer and the lead merchant bankers as per the format specified in Schedule II;
 - (b) a due diligence certificate as per Form A of Schedule VI;
 - (c) in case of an issue of convertible debt instruments, a due diligence certificate from the debenture trustee as per Form B of Schedule VI;
 - (d) a certificate confirming compliance of the conditions specified in Part C of Schedule VIII.
- (2) The lead merchant bankers shall submit the following documents to the Board after issuance of observations by the Board or after expiry of the period stipulated in sub-regulation (2) of regulation if the Board has not issued observations:
- (a) a statement certifying that all changes, suggestions and observations made by the Board have been incorporated in the offer document;
 - (b) a due diligence certificate as per Form C of Schedule VI, at the time of registering the prospectus with the Registrar of Companies;
 - (c) a copy of the resolution passed by the board of directors of the issuer for allotting specified securities to promoters towards amount received against promoters' contribution, before opening of the issue;
 - (d) a certificate from a Chartered Accountant, before opening of the issue, certifying that promoters' contribution has been received in accordance with these regulations, accompanying therewith the names and addresses of the promoters who have contributed to the promoters' contribution and the amount paid by each of them towards such contribution;
 - (e) a due diligence certificate as per Form D of Schedule VI, immediately before the opening of the issue, certifying that necessary corrective action, if any, has been taken;
 - (f) a due diligence certificate as per Form E of Schedule VI, after the issue has opened but before it closes for subscription.
- (3) The issuer shall, at the time of filing draft offer document with the recognised stock exchange where the specified securities are proposed to be listed, submit the Permanent Account Number, bank account number and passport number of its promoters to such stock exchange.

Draft offer document to be made public

9. (1) The draft offer document filed with the Board shall be made public, for comments, if any, for a period of at least twenty one days from the date of such filing, by hosting it on the websites of the Board, recognised stock exchanges where specified securities are proposed to be listed and merchant bankers associated with the issue.
- (2) The lead merchant bankers shall, after expiry of the period stipulated in sub-regulation (1), file with the Board a statement giving information of the comments received by them or the issuer on the draft offer document during that period and the consequential changes, if any, to be made in the draft offer document.

- (3) The issuer either on the date of filing the draft offer document with the Board or on the next day shall make a public announcement in one English national daily newspaper with wide circulation, one Hindi national daily newspaper with wide circulation and one regional language newspaper with wide circulation at the place where the registered office of the issuer is situated, disclosing to the public the fact of filing of draft offer document with the Board and inviting the public to give their comments to the Board in respect of disclosures made in the draft offer document.

Fast Track Issue

10. (1) Nothing contained in sub-regulations (1), (2) and (3) of regulation 6 and regulations 7 and 8 shall apply to a public issue or rights issue if the issuer satisfies the following conditions:

- (a) the equity shares of the issuer have been listed on any recognised stock exchange having nationwide trading terminals for a period of at least three years immediately preceding the reference date;
- (b) the average market capitalisation of public shareholding of the issuer is at least one thousand crore rupees in case of public issue and two hundred and fifty crore rupees in case of rights issue;
- (c) the annualised trading turnover of the equity shares of the issuer during six calendar months immediately preceding the month of the reference date has been at least two per cent. of the weighted average number of equity shares listed during such six months' period:

Provided that for issuers, whose public shareholding is less than fifteen per cent. of its issued equity capital, the annualised trading turnover of its equity shares has been at least two per cent. of the weighted average number of equity shares available as free float during such six months' period;

- (d) the issuer has redressed at least ninety five per cent. of the complaints received from the investors till the end of the quarter immediately preceding the month of the reference date;
- (e) the issuer has been in compliance with the equity listing agreement for a period of at least three years immediately preceding the reference date:

Provided that if the issuer has not complied with the provision of the equity listing agreement relating to composition of board of directors, for any quarter during the last three years immediately preceding the reference date, but is compliant with such provisions at the time of filing of offer document with the Registrar of Companies or designated stock exchange, as the case may be, and adequate disclosures are made in the offer document about such non-compliances during the three years immediately preceding the reference date, it shall be deemed as compliance with the condition]

Provided further that imposition of only monetary fines by stock exchanges on the issuer shall not be a ground for ineligibility for undertaking issuances under this regulation;

- (f) the impact of auditors' qualifications, if any, on the audited accounts of the issuer in respect of those financial years for which such accounts are disclosed in the offer document does not exceed five per cent. of the net profit or loss after tax of the issuer for the respective years;
- (g) no show-cause notices have been issued or prosecution proceedings initiated by the Board or pending against the issuer or its promoters or whole time directors as on the reference date;

- (ga) the issuer or promoter or promoter group or director of the issuer has not settled any alleged violation of securities laws through the consent or settlement mechanism with the Board during three years immediately preceding the reference date;
 - (h) the entire shareholding of the promoter group of the issuer is held in dematerialised form on the reference date
 - (i) in case of a rights issue, promoters and promoter group shall mandatorily subscribe to their rights entitlement and shall not renounce their rights, except to the extent of renunciation within the promoter group or for the purpose of complying with minimum public shareholding norms prescribed under Rule 19A of the Securities Contracts (Regulation) Rules, 1957;
 - (j) the equity shares of the issuer have not been suspended from trading as a disciplinary measure during last three years immediately preceding the reference date;
 - (k) the annualized delivery-based trading turnover of the equity shares during six calendar months immediately preceding the month of the reference date has been at least ten per cent of the weighted average number of equity shares listed during such six months' period;
 - (l) there shall be no conflict of interest between the lead merchant banker(s) and the issuer or its group or associate company in accordance with applicable regulations.
- (2) The issuer shall file the offer document with the Board and the recognised stock exchanges in accordance with sub-regulations (4), (5) and (6) of regulation 6 and shall pay fees to the Board as specified in Schedule IV.
- (3) The lead merchant bankers shall submit to the Board, the following documents along with the offer document:
- (a) a due diligence certificate as per Form A of Schedule VI including additional confirmations as specified in Form F of Schedule VI;
 - (b) in case of a fast track issue of convertible debt instruments, a due diligence certificate from the debenture trustee as per Form B of Schedule VI.

Explanation: For the purposes of this regulation:

- (I) "reference date" means:
 - (a) in case of a public issue by a listed issuer, the date of registering the red herring prospectus (in case of a book built issue) or prospectus (in case of a fixed price issue) with the Registrar of Companies; and
 - (b) in case of a rights issue by a listed issuer, the date of filing the letter of offer with the designated stock exchange.
- (II) "average market capitalisation of public shareholding" means the sum of daily market capitalisation of public shareholding for a period of one year up to the end of the quarter preceding the month in which the proposed issue was approved by the shareholders or the board of the issuer, as the case may be, divided by the number of trading days.
- (III) "public shareholding" shall have the same meaning as assigned to it in the equity listing agreement.

Opening of an issue

11. (1) Subject to the compliance with sub-section (4) of section 60 of the Companies Act, 1956, a public issue or rights issue may be opened:
- (a) within twelve months from the date of issuance of the observations by the Board under regulation 6; or

- (b) within three months of expiry of the period stipulated in sub-regulation (2) of regulation 6, if the Board has not issued observations:

Provided that in case of a fast track issue, the issue shall open within the period stipulated in sub-section (4) of section 60 of the Companies Act, 1956.

- (2) In case of shelf prospectus, the first issue may be opened within three months of issuance of observations by the Board.
- (3) The issuer shall, before registering the red herring prospectus (in case of a book built issue) or prospectus (in case of a fixed price issue) with the Registrar of Companies or filing the letter of offer with the designated stock exchange, as the case may be, file with the Board through the lead merchant bankers, an updated offer document highlighting all changes made in the offer document.
- (4) Notwithstanding anything contained in this regulation, if there are changes in the offer document in relation to the matters specified in Schedule VII, the updated offer document or new draft offer document, as the case may be, shall be filed with the Board along with fees specified in Schedule IV.
- (5) An issue shall be opened after at least three working days from the date of registering the red herring prospectus with the Registrar of Companies.

Dispatch of issue material

12. The lead merchant bankers shall dispatch the offer document and other issue material including forms for ASBA to the designated stock exchange, syndicate members, registrar to issue and share transfer agents, depository participants, stock brokers,] underwriters, bankers to the issue, investors' associations and Self Certified Syndicate Banks in advance.

Underwriting

13. (1) Where the issuer making a public issue (other than through the book building process) or rights issue, desires to have the issue underwritten, it shall appoint the underwriters in accordance with Securities and Exchange Board of India (Underwriters) Regulations, 1993.
- (2) Where the issuer makes a public issue through the book building process, such issue shall be underwritten by book runners or syndicate members:

Provided that at least seventy five per cent of the net offer to the public proposed to be compulsorily allotted to qualified institutional buyers for the purpose of compliance of the eligibility conditions specified in sub-regulation (2) of regulation 26 and regulation 27, cannot be underwritten.
- (3) The issuer shall enter into underwriting agreement with the book runner, who in turn shall enter into underwriting agreement with syndicate members, indicating therein the number of specified securities which they shall subscribe to at the predetermined price in the event of undersubscription in the issue.
- (4) If syndicate members fail to fulfil their underwriting obligations, the lead book runner shall fulfil the underwriting obligations.
- (5) The book runners and syndicate members shall not subscribe to the issue in any manner except for fulfilling their underwriting obligations.
- (6) In case of every underwritten issue, the lead merchant banker or the lead book runner shall undertake minimum underwriting obligations as specified in the Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992.
- (7) Where hundred per cent. of the offer through offer document is underwritten, the underwriting obligations shall be for the entire hundred per cent. of the offer through offer document and shall not be restricted upto the minimum subscription level.

Minimum subscription

14. (1) The minimum subscription to be received in an issue shall not be less than ninety per cent of the offer through offer document

Provided that in the case of an initial public offer, the minimum subscription to be received shall be subject to allotment of minimum number of specified securities, as prescribed in sub-clause (b) of clause (2) of rule 19 of Securities Contracts (Regulation) Rules, 1957.

- (2) In the event of non-receipt of minimum subscription referred to in sub-regulation (1), all application moneys received shall be refunded to the applicants forthwith, but not later than:
- (a) fifteen days of the closure of the issue, in case of a non-underwritten issue; and
 - (b) seventy days of the closure of the issue, in the case of an underwritten issue where minimum subscription including devolvment obligations paid by the underwriters is not received within sixty days of the closure of the issue.
- (3) The offer document shall contain adequate disclosures regarding minimum subscription as specified in Part A of Schedule VIII.
- (4) Nothing contained in this regulation, except the requirement relating to allotment of minimum number of specified securities, shall apply to offer for sale of specified securities.

Explanation: For the purpose of clause (b) of sub-regulation (4), the term “infrastructure company” means, an enterprise wholly engaged in the business of (i) developing or (ii) operating and maintaining or (iii) developing, operating and maintaining any infrastructure facility.

Oversubscription

15. No allotment shall be made by the issuer in excess of the specified securities offered through the offer document:

Provided that in case of oversubscription, an allotment of not more than ten per cent. of the net offer to public may be made for the purpose of making allotment in minimum lots.

Monitoring agency

16. (1) If the issue size, excluding the size of offer for sale by selling shareholders exceeds one hundred crore rupees, the issuer shall make arrangements for the use of proceeds of the issue to be monitored by a public financial institution or by one of the scheduled commercial banks named in the offer document as bankers of the issuer:

Provided that nothing contained in this clause shall apply to an issue of specified securities made by a bank or public financial institution or an insurance company.

- (2) The monitoring agency shall submit its report to the issuer in the format specified in Schedule IX on a quarterly basis, till at least ninety five percent of the proceeds of the issue excluding the proceeds under offer for sale and amount raised for general corporate purposes, have been utilized.
- (3) The Board of Directors and the management of the company shall provide their comments on the findings of the monitoring agency as specified in Schedule IX.
- (4) The issuer shall, within forty five days from the end of each quarter, publically disseminate the report of the monitoring agency by uploading the same on its website as well as submitting the same to the stock exchange(s) on which its equity shares are listed.

Manner of calls

17. If the issuer proposes to receive subscription monies in calls, it shall ensure that the outstanding subscription money is called within twelve months from the date of allotment in the issue and if any applicant fails to pay the call money within the said twelve months, the equity shares on which there

are calls in arrear along with the subscription money already paid on such shares shall be forfeited:

Provided that it shall not be necessary to call the outstanding subscription money within twelve months, if the issuer has appointed a monitoring agency in terms of regulation 16.

Allotment, refund and payment of interest

18. (1) The issuer and merchant bankers shall ensure that specified securities are allotted and/or application moneys are refunded within fifteen days from the date of closure of the issue.
- (2) Where specified securities are not allotted and/or application moneys are not refunded within the period stipulated in sub-regulation (1), the issuer shall undertake to pay interest at such rate and within such time as disclosed in the offer document.

Restriction on further capital issues

19. No issuer shall make any further issue of specified securities in any manner whether by way of public issue, rights issue, preferential issue, qualified institutions placement, issue of bonus shares or otherwise:
- (a) in case of a fast track issue, during the period between the date of registering the red herring prospectus (in case of a book built issue) or prospectus (in case of a fixed price issue) with the Registrar of Companies or filing the letter of offer with the designated stock exchange and the listing of the specified securities offered through the offer document or refund of application moneys; or
- (b) in case of other issues, during the period between the date of filing the draft offer document with the Board and the listing of the specified securities offered through the offer document or refund of application moneys; unless full disclosures regarding the total number of specified securities and amount proposed to be raised from such further issue are made in such draft offer document or offer document, as the case may be.

Additional requirements for issue of convertible debt instruments

20. (1) In addition to other requirements laid down in these regulations, an issuer making a public issue or rights issue of convertible debt instruments shall comply with the following conditions:
- (a) it has obtained credit rating from one or more credit rating agencies;
- (b) it has appointed one or more debenture trustees in accordance with the provisions of section 117B of the Companies Act, 1956 and Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993;
- (c) it has created debenture redemption reserve in accordance with the provisions of section 117C of the Companies Act, 1956;
- (d) if the issuer proposes to create a charge or security on its assets in respect of secured convertible debt instruments, it shall ensure that:
- (i) such assets are sufficient to discharge the principal amount at all times;
- (ii) such assets are free from any encumbrance;
- (iii) where security is already created on such assets in favour of financial institutions or banks or the issue of convertible debt instruments is proposed to be secured by creation of security on a leasehold land, the consent of such financial institution, bank or lessor for a second or pari passu charge has been obtained and submitted to the debenture trustee before the opening of the issue;
- (iv) the security/asset cover shall be arrived at after reduction of the liabilities having a first/prior charge, in case the convertible debt instruments are secured by a second or subsequent charge.

- (2) The issuer shall redeem the convertible debt instruments in terms of the offer document.

Roll over of non convertible portion of partly convertible debt instruments

21. (1) The non-convertible portion of partly convertible debt instruments issued by a listed issuer, the value of which exceeds fifty lakh rupees, may be rolled over without change in the interest rate, subject to compliance with the provisions of section 121 of the Companies Act, 1956 and the following conditions:
- (a) seventy five per cent. of the holders of the convertible debt instruments of the issuer have, through a resolution, approved the rollover through postal ballot;
 - (b) the issuer has, along with the notice for passing the resolution, sent to all holders of the convertible debt instruments, an auditors' certificate on the cash flow of the issuer and with comments on the liquidity position of the issuer;
 - (c) the issuer has undertaken to redeem the non-convertible portion of the partly convertible debt instruments of all the holders of the convertible debt instruments who have not agreed to the resolution;
 - (d) credit rating has been obtained from at least one credit rating agency registered with the Board within a period of six months prior to the due date of redemption and has been communicated to the holders of the convertible debt instruments, before the roll over;
- (2) The creation of fresh security and execution of fresh trust deed shall not be mandatory if the existing trust deed or the security documents provide for continuance of the security till redemption of secured convertible debt instruments;

Provided that whether the issuer is required to create fresh security and to execute fresh trust deed or not shall be decided by the debenture trustee.

Conversion of optionally convertible debt instruments into equity share capital

22. (1) An issuer shall not convert its optionally convertible debt instruments into equity shares unless the holders of such convertible debt instruments have sent their positive consent to the issuer and non-receipt of reply to any notice sent by the issuer for this purpose shall not be construed as consent for conversion of any convertible debt instruments.
- (2) Where the value of the convertible portion of any convertible debt instruments issued by a listed issuer exceeds fifty lakh rupees and the issuer has not determined the conversion price of such convertible debt instruments at the time of making the issue, the holders of such convertible debt instruments shall be given the option of not converting the convertible portion into equity shares:
- Provided that where the upper limit on the price of such convertible debt instruments and justification thereon is determined and disclosed to the investors at the time of making the issue, it shall not be necessary to give such option to the holders of the convertible debt instruments for converting the convertible portion into equity share capital within the said upper limit.
- (3) Where an option is to be given to the holders of the convertible debt instruments in terms of sub-regulation (2) and if one or more of such holders do not exercise the option to convert the instruments into equity share capital at a price determined in the general meeting of the shareholders, the issuer shall redeem that part of the instruments within one month from the last date by which option is to be exercised, at a price which shall not be less than its face value.
- (4) The provision of sub-regulation (3) shall not apply if such redemption is in terms of the disclosures made in the offer document.

Issue of convertible debt instruments for financing

23. No issuer shall issue convertible debt instruments for financing replenishment of funds or for providing loan to or for acquiring shares of any person who is part of the same group or who is under the same management:

Provided that an issuer may issue fully convertible debt instruments for these purposes if the period of conversion of such debt instruments is less than eighteen months from the date of issue of such debt instruments.

Explanation: For the purpose of this regulation:

- (I) Two persons shall be deemed to be “part of the same group” if they belong to the group within the meaning of clause (ef) of section 2 of the Monopolies and Restrictive Trade Practices Act, 1969 (54 of 1969) or if they own “inter connected undertakings within the meaning of clause (g) of section 2 of the said Act;
- (II) The expression “under the same management” shall have the same meaning as assigned to it in sub-section (1B) of section 370 of the Companies Act, 1956 (1 of 1956).

Alteration of rights of holders of specified securities

24. No issuer shall alter the terms (including the terms of issue) of specified securities which may adversely affect the interests of the holders of that specified securities, except with the consent in writing of the holders of not less than three-fourths of the specified securities of that class or with the sanction of a special resolution passed at a meeting of the holders of the specified securities of that class.

CHAPTER III



PROVISIONS AS TO PUBLIC ISSUE

PART I - ELIGIBILITY REQUIREMENTS**Reference date**

25. Unless otherwise provided in this Chapter, an issuer making a public issue shall satisfy the conditions of this Chapter as on the date of filing draft offer document with the Board and also as on the date of registering the offer document with the Registrar of Companies.

Conditions for initial public offer

26. (1) An issuer may make an initial public offer, if:
- (a) it has net tangible assets of at least three crore rupees in each of the preceding three full years (of twelve months each), of which not more than fifty per cent. are held in monetary assets:
 Provided that if more than fifty per cent. of the net tangible assets are held in monetary assets, the issuer has made firm commitments to utilise such excess monetary assets in its business or project;
 Provided further that the limit of fifty per cent. on monetary assets shall not be applicable in case the public offer is made entirely through an offer for sale.
 - (b) it has a minimum average pre-tax operating profit of rupees fifteen crore, calculated on a restated and consolidated basis, during the three most profitable years out of the immediately preceding five years.
 - (c) it has a net worth of at least one crore rupees in each of the preceding three full years (of twelve months each);

- (d) the aggregate of the proposed issue and all previous issues made in the same financial year in terms of issue size does not exceed five times its pre-issue net worth as per the audited balance sheet of the preceding financial year;
 - (e) if it has changed its name within the last one year, at least fifty per cent. of the revenue for the preceding one full year has been earned by it from the activity indicated by the new name.
- (2) An issuer not satisfying the condition stipulated in sub-regulation (1) may make an initial public offer if the issue is made through the book-building process and the issuer undertakes to allot, at least seventy five percent of the net offer to public, to qualified institutional buyers and to refund full subscription money if it fails to make the said minimum allotment to qualified institutional buyers.
- (3) An issuer may make an initial public offer of convertible debt instruments without making a prior public issue of its equity shares and listing thereof.
- (4) An issuer shall not make an allotment pursuant to a public issue if the number of prospective allottees is less than one thousand.
- (5) No issuer shall make an initial public offer if there are any outstanding convertible securities or any other right which would entitle any person with any option to receive equity shares:

Provided that the provisions of this sub-regulation shall not apply to:

- (a) a public issue made during the currency of convertible debt instruments which were issued through an earlier initial public offer, if the conversion price of such convertible debt instruments was determined and disclosed in the prospectus of the earlier issue of convertible debt instruments;
 - (b) outstanding options granted to employees pursuant to an employee stock option scheme framed in accordance with the relevant Guidance Note or Accounting Standards, if any, issued by the Institute of Chartered Accountants of India in this regard.
 - (c) fully paid-up outstanding convertible securities which are required to be converted on or before the date of filing of the red herring prospectus (in case of book-built issues) or the prospectus (in case of fixed price issues), as the case may be.
- (6) Subject to provisions of the Companies Act, 1956 and these regulations, equity shares may be offered for sale to public if such equity shares have been held by the sellers for a period of at least one year prior to the filing of draft offer document with the Board in accordance with sub regulation (1) of regulation 6:

Provided that in case equity shares received on conversion or exchange of fully paid-up compulsorily convertible securities including depository receipts are being offered for sale, the holding period of such convertible securities as well as that of resultant equity shares together shall be considered for the purpose of calculation of one year period referred in this sub-regulation:

Provided further that the requirement of holding equity shares for a period of one year shall not apply:

- (a) in case of an offer for sale of specified securities of a government company or statutory authority or corporation or any special purpose vehicle set up and controlled by any one or more of them, which is engaged in infrastructure sector;
- (b) if the specified securities offered for sale were acquired pursuant to any scheme approved by a High Court under sections 391-394 of the Companies Act, 1956, in lieu of business and invested capital which had been in existence for a period of more than one year prior to such approval

- (c) if the specified securities offered for sale were issued under a bonus issue on securities held for a period of at least one year prior to the filing of draft offer document with the Board and further subject to the following, -
 - (i) such specified securities being issued out of free reserves and share premium existing in the books of account as at the end of the financial year preceding the financial year in which the draft offer document is filed with the Board ; and
 - (ii) such specified securities not being issued by utilization of revaluation reserves or unrealized profits of the issuer.
- (7) An issuer making an initial public offer may obtain grading for such offer from one or more credit rating agencies registered with the Board.

Explanation: For the purposes of this regulation:

- (I) “net tangible assets” mean the sum of all net assets of the issuer, excluding intangible assets as defined in Accounting Standard 26 (AS 26) issued by the Institute of Chartered Accountants of India;
- (II) “project” means the object for which monies are proposed to be raised to cover the objects of the issue;
- (III) In case of an issuer which had been a partnership firm, the track record of distributable profits of the partnership firm shall be considered only if the financial statements of the partnership business for the period during which the issuer was a partnership firm, conform to and are revised in the format prescribed for companies under the Companies Act, 1956 and also comply with the following:
 - (a) adequate disclosures are made in the financial statements as required to be made by the issuer as per Schedule VI of the Companies Act, 1956;
 - (b) the financial statements are duly certified by a Chartered Accountant stating that:
 - (i) the accounts and the disclosures made are in accordance with the provisions of Schedule VI of the Companies Act, 1956;
 - (ii) the accounting standards of the Institute of Chartered Accountants of India have been followed;
 - (iii) the financial statements present a true and fair view of the firm’s accounts;
- (IV) In case of an issuer formed out of a division of an existing company, the track record of distributable profits of the division spun-off shall be considered only if the requirements regarding financial statements as provided for partnership firms in Explanation III are complied with;
- (V) “bid-ask spread” means the difference between quotations for sale and purchase;
- (VI) The term “infrastructure sector” includes the facilities or services as specified in Schedule X.

Conditions for further public offer

27. An issuer may make a further public offer if it satisfies the conditions specified in clauses (d) and (e) of sub-regulation (1) of regulation 26 and if it does not satisfy those conditions, it may make a further public offer if it satisfies the conditions specified in sub-regulation (2) of regulation.

PART II - PRICING IN PUBLIC ISSUE

Pricing

28. (1) An issuer may determine the price of specified securities in consultation with the lead merchant banker or through the book building process.

- (2) An issuer may determine the coupon rate and conversion price of convertible debt instruments in consultation with the lead merchant banker or through the book building process.
- (3) The issuer shall undertake the book building process in a manner specified in Schedule XI.

Differential pricing

29. An issuer may offer specified securities at different prices, subject to the following:

- (a) retail individual investors or retail individual shareholders or employees entitled for reservation made under regulation 42 making an application for specified securities of value not more than two lakhs rupees, may be offered specified securities at a price lower than the price at which net offer is made to other categories of applicants:
Provided that such difference shall not be more than ten per cent. of the price at which specified securities are offered to other categories of applicants;
- (b) in case of a book built issue, the price of the specified securities offered to an anchor investor shall not be lower than the price offered to other applicants;
- (c) in case of a composite issue, the price of the specified securities offered in the public issue may be different from the price offered in rights issue and justification for such price difference shall be given in the offer document.
- (d) In case the issuer opts for the alternate method of book building in terms of Part D of Schedule XI, the issuer may offer specified securities to its employees at a price lower than the floor price:

Provided that the difference between the floor price and the price at which specified securities are offered to employees shall not be more than ten per cent. of the floor price.

Price and price band

30. (1) The issuer may mention a price or price band in the draft prospectus (in case of a fixed price issue) and floor price or price band in the red herring prospectus (in case of a book built issue) and determine the price at a later date before registering the prospectus with the Registrar of Companies:

Provided that the prospectus registered with the Registrar of Companies shall contain only one price or the specific coupon rate, as the case may be.

- (2) The issuer shall announce the floor price or price band at least five working days before the opening of the bid (in case of an initial public offer) and at least one working day before the opening of the bid (in case of a further public offer), in all the newspapers in which the pre issue advertisement was released.
- (3) The announcement referred to in sub-regulation (2) shall contain relevant financial ratios computed for both upper and lower end of the price band and also a statement drawing attention of the investors to the section titled "basis of issue price" in the prospectus.
- (3A) The announcement referred to in sub-regulation (2) and the relevant financial ratios referred to in sub-regulation (3) shall be disclosed on the websites of those stock exchanges where the securities are proposed to be listed and shall also be pre-filled in the application forms available on the websites of the stock exchanges.
- (4) The cap on the price band shall be less than or equal to one hundred and twenty per cent. of the floor price.
- (5) The floor price or the final price shall not be less than the face value of the specified securities.

Explanation: For the purposes of sub-regulation (4), the "cap on the price band" includes cap on the coupon rate in case of convertible debt instruments.

Face value of equity shares

31. (1) Subject to the provisions of the Companies Act, 1956, the Act and these regulations, an issuer making an initial public offer may determine the face value of the equity shares in the following manner:
- (a) if the issue price per equity share is five hundred rupees or more, the issuer shall have the option to determine the face value at less than ten rupees per equity share:
Provided that the face value shall not be less than one rupee per equity share;
 - (b) if the issue price per equity share is less than five hundred rupees, the face value of the equity shares shall be ten rupees per equity share:
Provided that nothing contained in this sub-regulation shall apply to initial public offer made by any government company, statutory authority or corporation or any special purpose vehicle set up by any of them, which is engaged in infrastructure sector.
- (2) The disclosure about the face value of equity shares (including the statement about the issue price being "X" times of the face value) shall be made in the advertisements, offer documents and application forms in identical font size as that of issue price or price band.
- Explanation:** For the purposes of this regulation, the term "infrastructure sector" includes the facilities or services as specified in Schedule X.

PART III - PROMOTERS' CONTRIBUTION

Minimum promoters' contribution

32. (1) The promoters of the issuer shall contribute in the public issue as follows:
- (a) in case of an initial public offer, not less than twenty per cent. of the post issue capital
Provided that in case the post issue shareholding of the promoters is less than twenty per cent., alternative investment funds may contribute for the purpose of meeting the shortfall in minimum contribution as specified for promoters, subject to a maximum of ten per cent of the post issue capital.
 - (b) in case of a further public offer, either to the extent of twenty per cent. of the proposed issue size or to the extent of twenty per cent. of the post-issue capital;
 - (c) in case of a composite issue, either to the extent of twenty per cent. of the proposed issue size or to the extent of twenty per cent. of the post -issue capital excluding the rights issue component.
- (2) In case of a public issue or composite issue of convertible securities, minimum promoters' contribution shall be as follows:
- (a) the promoters shall contribute twenty per cent. as stipulated in clauses (a), (b) or (c) of sub-regulation (1), as the case may be, either by way of equity shares or by way of subscription to the convertible securities:
Provided that if the price of the equity shares allotted pursuant to conversion is not predetermined and not disclosed in the offer document, the promoters shall contribute only by way of subscription to the convertible securities being issued in the public issue and shall undertake in writing to subscribe to the equity shares pursuant to conversion of such securities.
 - (b) in case of any issue of convertible securities which are convertible or exchangeable on different dates and if the promoters' contribution is by way of equity shares (conversion price being pre-determined), such contribution shall not be at a

price lower than the weighted average price of the equity share capital arising out of conversion of such securities.

- (c) subject to the provisions of clause (a) and (b) above, in case of an initial public offer of convertible debt instruments without a prior public issue of equity shares, the promoters shall bring in a contribution of at least twenty per cent. of the project cost in the form of equity shares, subject to contributing at least twenty per cent. of the issue size from their own funds in the form of equity shares:

Provided that if the project is to be implemented in stages, the promoters' contribution shall be with respect to total equity participation till the respective stage vis-à-vis the debt raised or proposed to be raised through the public issue.

- (3) In case of a further public offer or composite issue where the promoters contribute more than the stipulated minimum promoters' contribution, the allotment with respect to excess contribution shall be made at a price determined in terms of the provisions of regulation 76 or the issue price, whichever is higher.
- (4) The promoters shall satisfy the requirements of this regulation at least one day prior to the date of opening of the issue and the amount of promoters' contribution shall be kept in an escrow account with a scheduled commercial bank and shall be released to the issuer along with the release of the issue proceeds:

Provided that where the promoters' contribution has already been brought in and utilised, the issuer shall give the cash flow statement disclosing the use of such funds in the offer document;

Provided further that where the minimum promoters' contribution is more than one hundred crore rupees, the promoters shall bring in at least one hundred crore rupees before the date of opening of the issue and the remaining amount may be brought on pro-rata basis before the calls are made to public.

Explanation: For the purpose of this regulation:

- (I) Promoters' contribution shall be computed on the basis of the post-issue expanded capital:
- (a) assuming full proposed conversion of convertible securities into equity shares;
 - (b) assuming exercise of all vested options, where any employee stock options are outstanding at the time of initial public offer in terms of proviso (b) to sub-regulation (5) of regulation 26.
- (II) For computation of "weighted average price":
- (a) "weights" means the number of equity shares arising out of conversion of such specified securities into equity shares at various stages;
 - (b) "price" means the price of equity shares on conversion arrived at after taking into account predetermined conversion price at various stages.

Securities ineligible for minimum promoters' contribution

- 33. (1)** For the computation of minimum promoters' contribution, the following specified securities shall not be eligible:
- (a) specified securities acquired during the preceding three years, if they are:
 - (i) acquired for consideration other than cash and revaluation of assets or capitalisation of intangible assets is involved in such transaction; or
 - (ii) resulting from a bonus issue by utilisation of revaluation reserves or unrealised profits of the issuer or from bonus issue against equity shares which are ineligible for minimum promoters' contribution;

- (b) specified securities acquired by promoters and alternative investment funds during the preceding one year at a price lower than the price at which specified securities are being offered to public in the initial public offer:

Provided that nothing contained in this clause shall apply:

- (i) if promoters/alternative investment funds, as applicable pay to the issuer, the difference between the price at which specified securities are offered in the initial public offer and the price at which the specified securities had been acquired;
 - (ii) if such specified securities are acquired in terms of the scheme under sections 391-394 of the Companies Act, 1956, as approved by a High Court, by promoters in lieu of business and invested capital that had been in existence for a period of more than one year prior to such approval;
 - (iii) to an initial public offer by a government company, statutory authority or corporation or any special purpose vehicle set up by any of them, which is engaged in infrastructure sector;
- (c) specified securities allotted to promoters and alternative investment funds] during the preceding one year at a price less than the issue price, against funds brought in by them during that period, in case of an issuer formed by conversion of one or more partnership firms, where the partners of the erstwhile partnership firms are the promoters of the issuer and there is no change in the management:

Provided that specified securities, allotted to promoters against capital existing in such firms for a period of more than one year on a continuous basis, shall be eligible;

- (d) specified securities pledged with any creditor.
- (2) Specified securities referred to in clauses (a) and (c) of sub-regulation (1) shall be eligible for the computation of promoters' contribution, if such securities are acquired pursuant to a scheme which has been approved under sections 391-394 of the Companies Act, 1956.

Explanation: For the purposes of clause (b) of sub-regulation (1), the term "infrastructure sector" includes the facilities or services as specified in Schedule X.

Requirement of minimum promoters' contribution not applicable in certain cases

34. The requirements of minimum promoters' contribution shall not apply in case of:

- (a) an issuer which does not have any identifiable promoter;
- (b) a further public offer, where the equity shares of the issuer are not infrequently traded in a recognised stock exchange for a period of at least three years and the issuer has a track record of dividend payment for at least immediately preceding three years:

Provided that where promoters propose to subscribe to the specified securities offered to the extent greater than higher of the two options available in clause (b) of sub-regulation (1) of regulation 32, the subscription in excess of such percentage shall be made at a price determined in terms of the provisions of regulation 76 or the issue price, whichever is higher.

- (c) rights issues.

Explanation: For the purpose of clause (b), the words "infrequently traded" have the same meaning as assigned to them in Explanation to sub-regulation (5) of regulation 20 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and the reference date for the purpose of computing the annualised trading turnover referred to in the said Explanation shall be the date of filing the draft offer document with the Board and in case of a fast track issue, the date of filing the offer document with the Registrar of Companies before opening of the issue.

PART IV - RESTRICTION ON TRANSFERABILITY (LOCK-IN) OF PROMOTERS' CONTRIBUTION, ETC.**Date of commencement of lock in and inscription of non-transferability**

35. (1) Save as otherwise provided in this Chapter, specified securities held by promoters and persons other than promoters shall not be transferable (hereinafter referred to as "lock-in") from the date of allotment of the specified securities in the proposed public issue for the period stipulated in this Chapter.
- (2) The certificate of specified securities which are subject to lock-in shall contain the inscription "non transferable" and the lock-in period and in case such specified securities are dematerialised, the issuer shall ensure that lock-in is recorded by the depository.
- (3) Where the specified securities which are subject to lock-in are partly paid-up and the amount called-up on such specified securities is less than the amount called-up on the specified securities issued to the public, the "lock-in" shall end only on the expiry of three years after such specified securities have become pari-passu with the specified securities issued to the public.

Lock-in of specified securities held by promoters

36. In a public issue, the specified securities held by promoters shall be locked-in for the period stipulated here under:
- (a) minimum promoters' contribution including contribution made by alternative investment funds, referred to in proviso to clause (a) of sub-regulation (1) of regulation 32,] shall be locked-in for a period of three years from the date of commencement of commercial production or date of allotment in the public issue, whichever is later;
- (b) promoters' holding in excess of minimum promoters' contribution shall be locked-in for a period of one year:

Provided that excess promoters' contribution as provided in proviso to clause (b) of regulation 34 shall not be subject to lock-in.

Explanation: For the purposes of this clause, the expression "date of commencement of commercial production" means the last date of the month in which commercial production in a manufacturing company is expected to commence as stated in the offer document.

Lock-in of specified securities held by persons other than promoters

37. In case of an initial public offer, the entire pre-issue capital held by persons other than promoters shall be locked-in for a period of one year:

Provided that nothing contained in this regulation shall apply to:

- (a) equity shares allotted to employees under an employee stock option or employee stock purchase scheme of the issuer prior to the initial public offer, if the issuer has made full disclosures with respect to such options or scheme in accordance with Part A of Schedule VIII;
- (b) equity shares held by a venture capital fund or alternative investment fund of category I or category II or a foreign venture capital investor:

Provided that such equity shares shall be locked in for a period of at least one year from the date of purchase by the venture capital fund or alternative investment fund or foreign venture capital investor.

Explanation: For the purpose of clause (b), in case such equity shares have resulted pursuant to conversion of fully paid-up compulsorily convertible securities, the holding period of such convertible securities as well as that of resultant equity shares together shall be considered for the purpose of calculation of one year period and convertible securities shall be deemed to be fully paid-up, if the entire consideration payable thereon has been paid and no further consideration is payable at the time of their conversion.

Lock-in of specified securities lent to stabilising agent under green shoe option

38. The lock-in provisions of this Chapter shall not apply with respect to the specified securities lent to stabilising agent for the purpose of green shoe option, during the period starting from the date of lending of such specified securities and ending on the date on which they are returned to the lender in terms of sub-regulation (5) or (6) of regulation 45:

Provided that the specified securities shall be locked-in for the remaining period from the date on which they are returned to the lender.

Pledge of locked-in specified securities

39. Specified securities held by promoters and locked-in may be pledged with any scheduled commercial bank or public financial institution as collateral security for loan granted by such bank or institution, subject to the following:
- (a) if the specified securities are locked-in in terms of clause (a) of regulation 36, the loan has been granted by such bank or institution for the purpose of financing one or more of the objects of the issue and pledge of specified securities is one of the terms of sanction of the loan;
 - (b) if the specified securities are locked-in in terms of clause (b) of regulation 36 and the pledge of specified securities is one of the terms of sanction of the loan.

Transferability of locked-in specified securities

40. Subject to the provisions of Securities and Exchange Board of India (Substantial Acquisition of shares and Takeovers) Regulations, 1997, the specified securities held by promoters and locked-in as per regulation 36 may be transferred to another promoter or any person of the promoter group or a new promoter or a person in control of the issuer and the specified securities held by persons other than promoters and locked-in as per regulation 37 may be transferred to any other person holding the specified securities which are locked-in along with the securities proposed to be transferred:

Provided that lock-in on such specified securities shall continue for the remaining period with the transferee and such transferee shall not be eligible to transfer them till the lock-in period stipulated in these regulations has expired.

PART V - MINIMUM OFFER TO PUBLIC, RESERVATIONS, ETC.**Minimum offer to public**

41. The minimum net offer to the public shall be subject to the provisions of clause (b) of sub-rule (2) of rule 19 of Securities Contracts (Regulations) Rules, 1957.

Reservation on competitive basis

42. (1) In case of an issue made through the book building process, the issuer may make reservation on competitive basis out of the issue size excluding promoters' contribution and net offer to public in favour of the following categories of persons:
- (a) employees; and in case of a new issuer, persons who are in the permanent and full time employment of the promoting companies excluding the promoters and an immediate relative of the promoter of such companies;
 - (b) shareholders (other than promoters) of:
 - (i) listed promoting companies, in case of a new issuer; and
 - (ii) listed group companies, in case of an existing issuer:

Provided that if the promoting companies are designated financial institutions or state and central financial institutions, the shareholders of such promoting companies shall not be eligible for the reservation on competitive basis;

- (c) persons who, as on the date of filing the draft offer document with the Board, are associated with the issuer as depositors, bondholders or subscribers to services of the issuer making an initial public offer:

Provided that the issuer shall not make the reservation to the issue management team, syndicate members, their promoters, directors and employees and for the group or associate companies of the issue management team and syndicate members and their promoters, directors and employees;

- (2) In case of an issue made other than through the book building process, the issuer may make reservation on competitive basis out of the issue size excluding promoters' contribution and net offer to public in favour of the following categories of persons:

- (a) employees; and in case of a new issuer, persons who are in the permanent and full time employment of the promoting companies excluding the promoters and an immediate relative of the promoter of such companies;
- (b) shareholders (other than promoters) of:
- (i) listed promoting companies, in the case of a new issuer; and
 - (ii) listed group companies, in the case of an existing issuer:

Provided that if the promoting companies are designated financial institutions or state and central financial institutions, the shareholders of such promoting companies shall not be eligible for the reservation on competitive basis.

- (3) In case of a further public offer (not being a composite issue), the issuer may make reservation on competitive basis out of the issue size excluding promoters' contribution and net offer to public in favour of retail individual shareholders of the issuer.

- (4) The reservation on competitive basis shall be subject to following conditions:

- (a) the aggregate of reservations for employees shall not exceed five per cent. of the post issue capital of the issuer;
- (b) reservation for shareholders shall not exceed ten per cent. of the issue size;
- (c) reservation for persons who as on the date of filing the draft offer document with the Board, have business association as depositors, bondholders and subscribers to services with the issuer making an initial public offer shall not exceed five per cent. of the issue size;
- (d) no further application for subscription in the net offer to public category shall be entertained from any person (except an employee and retail individual shareholder) in favour of whom reservation on competitive basis is made;
- (e) any unsubscribed portion in any reserved category may be added to any other reserved category and the unsubscribed portion, if any, after such inter-se adjustments among the reserved categories shall be added to the net offer to the public category;
- (f) in case of under-subscription in the net offer to the public category, spill-over to the extent of under-subscription shall be permitted from the reserved category to the net public offer category;
- (g) value of allotment to any employee in pursuance of reservation made under sub regulations (1) or (2), as the case may be, shall not exceed two lakhs rupees.

Provided that in the event of under-subscription in the employee reservation portion, the unsubscribed portion may be allotted on a proportionate basis, for a value in excess of two lakhs rupees, subject to the total allotment to an employee not exceeding five lakhs rupees.

- (5) In the case of reserved categories, a single applicant in the reserved category may make an application for a number of specified securities which exceeds the reservation.

Explanation: For the purposes of this regulation:

- (I) The term "reservation on competitive basis" means reservation wherein specified securities are allotted in proportion of the number of specified securities applied for in respect of a particular reserved category to the number of specified securities reserved for that category;
- (II) The term "new issuer" means an issuer which has not completed twelve months of commercial operation and its audited operative results are not available.

Allocation in net offer to public

43. (1) No person shall make an application in the net offer to public category for that number of specified securities which exceeds the number of specified securities offered to public.
- (2) In an issue made through the book building process under sub-regulation (1) of regulation 26, the allocation in the net offer to public category shall be as follows:
- (a) not less than thirty five per cent to retail individual investors;
 - (b) not less than fifteen per cent to non-institutional investors;
 - (c) not more than fifty per cent to qualified institutional buyers, five per cent. of which shall be allocated to mutual funds:
- Provided that in addition to five per cent allocation available in terms of clause (c), mutual funds shall be eligible for allocation under the balance available for qualified institutional buyers.";
- (2A) In an issue made through the book building process under sub-regulation (2) of regulation 26, the allocation in the net offer to public category shall be as follows:
- (a) not more than ten per cent to retail individual investors;
 - (b) not more than fifteen per cent to non-institutional investors;
 - (c) not less than seventy five per cent to qualified institutional buyers, five per cent. of which shall be allocated to mutual funds:
- Provided that in addition to five per cent. allocation available in terms of clause (c), mutual funds shall be eligible for allocation under the balance available for qualified institutional buyers.
- (3) In an issue made through the book building process, the issuer may allocate upto sixty per cent of the portion available for allocation to qualified institutional buyers to an anchor investor in accordance with the conditions specified in this regard in Schedule XI.
- (4) In an issue made other than through the book building process, allocation in the net offer to public category shall be made as follows:
- (a) minimum fifty per cent. to retail individual investors; and
 - (b) remaining to:
 - (i) individual applicants other than retail individual investors; and
 - (ii) other investors including corporate bodies or institutions, irrespective of the number of specified securities applied for;
 - (c) the unsubscribed portion in either of the categories specified in clauses (a) or (b) may be allocated to applicants in the other category.

Explanation: For the purpose of sub-regulation (4), if the retail individual investor category is entitled to more than fifty per cent. on proportionate basis, the retail individual investors shall be allocated that higher percentage.

Safety-net arrangement

44. An issuer may provide for a safety-net arrangement for the specified securities offered in any public issue in consultation with the merchant banker after ascertaining the financial capacity of the person offering the safety-net arrangement, subject to disclosures specified in this regard in **Part A of Schedule VIII:**

Provided that any such arrangement shall provide for an offer to purchase up to a maximum of one thousand specified securities per original resident retail individual allottee at the issue price within a period of six months from the last date of despatch of security certificates or credit of demat account.

Explanation: For the purpose of this regulation, the term “safety net arrangement” means an arrangement provided by the issuer under which a person offers to purchase specified securities from the original resident retail individual allottees at the issue price.

Price stabilisation through green shoe option

45. (1) An issuer making a public issue of specified securities may provide green shoe option for stabilising the post listing price of its specified securities, subject to the following:
- (a) the issuer has been authorized, by a resolution passed in the general meeting of shareholders approving the public issue, to allot specified securities to the stabilising agent, if required, on the expiry of the stabilisation period;
 - (b) the issuer has appointed a merchant banker or book runner, as the case may be, from amongst the merchant bankers appointed by the issuer as a stabilising agent, who shall be responsible for the price stabilisation process;
 - (c) prior to filing the draft offer document with the Board, the issuer and the stabilising agent have entered into an agreement, stating all the terms and conditions relating to the green shoe option including fees charged and expenses to be incurred by the stabilising agent for discharging his responsibilities;
 - (d) prior to filing the offer document with the Board, the stabilising agent has entered into an agreement with the promoters or pre-issue shareholders or both for borrowing specified securities from them in accordance with clause (g) of this sub-regulation, specifying therein the maximum number of specified securities that may be borrowed for the purpose of allotment or allocation of specified securities in excess of the issue size (hereinafter referred to as the “over- allotment”), which shall not be in excess of fifteen per cent. of the issue size;
 - (e) subject to clause (d), the lead merchant banker or lead book runner, in consultation with the stabilising agent, shall determine the amount of specified securities to be over-allotted in the public issue;
 - (f) the draft and final offer documents shall contain all material disclosures about the green shoe option specified in this regard in Part A of Schedule VIII;
 - (g) in case of an initial public offer pre-issue shareholders and promoters and in case of a further public offer pre-issue shareholders holding more than five per cent. specified securities and promoters, may lend specified securities to the extent of the proposed overallotment;
 - (h) the specified securities borrowed shall be in dematerialised form and allocation of these securities shall be made pro-rata to all successful applicants.
- (2) For the purpose of stabilisation of post-listing price of the specified securities, the stabilising agent shall determine the relevant aspects including the timing of buying such

securities, quantity to be bought and the price at which such securities are to be bought from the market.

- (3) The stabilisation process shall be available for a period not exceeding thirty days from the date on which trading permission is given by the recognised stock exchanges in respect of the specified securities allotted in the public issue.
- (4) The stabilising agent shall open a special account, distinct from the issue account, with a bank for crediting the monies received from the applicants against the over-allotment and a special account with a depository participant for crediting specified securities to be bought from the market during the stabilisation period out of the monies credited in the special bank account.
- (5) The specified securities bought from the market and credited in the special account with the depository participant shall be returned to the promoters or pre-issue shareholders immediately, in any case not later than two working days after the end of the stabilization period.
- (6) On expiry of the stabilisation period, if the stabilising agent has not been able to buy specified securities from the market to the extent of such securities over-allotted, the issuer shall allot specified securities at issue price in dematerialised form to the extent of the shortfall to the special account with the depository participant, within five days of the closure of the stabilisation period and such specified securities shall be returned to the promoters or pre-issue shareholders by the stabilising agent in lieu of the specified securities borrowed from them and the account with the depository participant shall be closed thereafter.
- (7) The issuer shall make a listing application in respect of the further specified securities allotted under sub-regulation (6), to all the recognised stock exchanges where the specified securities allotted in the public issue are listed and the provisions of Chapter VII shall not be applicable to such allotment.
- (8) The stabilising agent shall remit the monies with respect to the specified securities allotted under sub-regulation (6) to the issuer from the special bank account.
- (9) Any monies left in the special bank account after remittance of monies to the issuer under subregulation (8) and deduction of expenses incurred by the stabilising agent for the stabilisation process shall be transferred to the Investor Protection and Education Fund established by the Board and the special bank account shall be closed soon thereafter.
- (10) The stabilising agent shall submit a report to the stock exchange on a daily basis during the stabilisation period and a final report to the Board in the format specified in Schedule XII.
- (11) The stabilising agent shall maintain a register for a period of at least three years from the date of the end of the stabilisation period and such register shall contain the following particulars:
 - (a) The names of the promoters or pre-issue shareholders from whom the specified securities were borrowed and the number of specified securities borrowed from each of them;
 - (b) The price, date and time in respect of each transaction effected in the course of the stabilisation process; and
 - (c) The details of allotment made by the issuer on expiry of the stabilisation process.

Period of subscription

46. (1) Except as otherwise provided in these regulations] a public issue shall be kept open for at least three working days but not more than ten working days including the days for which the issue is kept open in case of revision in price band.

- (2) In case the price band in a public issue made through the book building process is revised, the bidding (issue) period disclosed in the red herring prospectus shall be extended for a minimum period of three working days:

Provided that the total bidding period shall not exceed ten working days.

Pre-issue advertisement for public issue

47. (1) Subject to the provisions of section 66 of the Companies Act, 1956, the issuer shall, after registering the red herring prospectus (in case of a book built issue) or prospectus (in case of fixed price issue) with the Registrar of Companies, make a pre-issue advertisement in one English national daily newspaper with wide circulation, Hindi national daily newspaper with wide circulation and one regional language newspaper with wide circulation at the place where the registered office of the issuer is situated.
- (2) The pre-issue advertisement shall be in the format and shall contain the disclosures specified in **Part A of Schedule XIII**.

Issue opening and issue closing advertisement for public issue

48. An issuer may issue advertisements for issue opening and issue closing advertisements, which shall be in the formats specified in Parts B and C of Schedule XIII.

Minimum application value

49. (1) The issuer shall stipulate in the offer document, the minimum application size in terms of number of specified securities which shall fall within the range of minimum application value of ten thousand rupees to fifteen thousand rupees.
- (2) The issuer shall invite applications in multiples of the minimum application value, an illustration whereof is given in **Schedule XIV**.
- (3) The minimum sum payable on application shall not be less than twenty five per cent. of the issue price:

Provided that in case of an offer for sale, the issue price payable for each specified security shall be brought in at the time of application.

Explanation: For the purpose of this regulation, "minimum application value" shall be with reference to the issue price of the specified securities and not with reference to the amount payable on application.

Allotment procedure and basis of allotment

50. (1) The allotment of specified securities to applicants other than retail individual investors and anchor investors shall be on proportionate basis within the specified investor categories and the number of securities allotted shall be rounded off to the nearest integer, subject to minimum allotment being equal to the minimum application size as determined and disclosed by the issuer:

Provided that value of specified securities allotted to any person in pursuance of reservation made under clause (a) of sub-regulation (1) or clause (a) of sub-regulation (2) of regulation 42, shall not exceed two lakhs rupees.

- (1A) The allotment of specified securities to each retail individual investor shall not be less than the minimum bid lot, subject to availability of shares in retail individual investor category, and the remaining available shares, if any, shall be allotted on a proportionate basis.
- (2) The executive director or managing director of the designated stock exchange along with the post issue lead merchant bankers and registrars to the issue shall ensure that the basis of allotment is finalised in a fair and proper manner in accordance with the allotment procedure as specified in **Schedule XV**.

Utilisation of subscription money

51. The post-issue lead merchant banker shall ensure that moneys received in respect of the issue are released to the issuer in compliance with the provisions of section 73 of the Companies Act, 1956.

Annual Updation of Offer Document

- 51A. The disclosures made in the red herring prospectus while making an initial public offer, shall be updated on an annual basis by the issuer and shall be made publicly accessible in the manner specified by the Board.

CHAPTER IV



RIGHTS ISSUE

Record Date

52. (1) A listed issuer making a rights issue shall announce a record date for the purpose of determining the shareholders eligible to apply for specified securities in the proposed rights issue.
- (2) The issuer shall not withdraw rights issue after announcement of the record date.
- (3) If the issuer withdraws the rights issue after announcing the record date, it shall not make an application for listing of any of its specified securities on any recognised stock exchange for a period of twelve months from the record date announced under sub-regulation (1):
- Provided that the issuer may seek listing of its equity shares allotted pursuant to conversion or exchange of convertible securities issued prior to the announcement of the record date, on the recognised stock exchange where its securities are listed.

Restriction on rights issue

53. (1) No issuer shall make a rights issue of equity shares unless it has made reservation of equity shares of the same class in favour of the holders of outstanding compulsorily convertible debt instruments if any, in proportion to the convertible part thereof.
- (2) The equity shares so reserved for the holders of fully or partially compulsorily convertible debt instruments shall be issued at the time of conversion of such convertible debt instruments on the same terms at which the equity shares offered in the rights issue were issued.

Letter of offer, abridged letter of offer, pricing and period of subscription

54. (1) The abridged letter of offer, along with application form, shall be dispatched through registered post or speed post to all the existing shareholders at least three days before the date of opening of the issue:
- Provided that the letter of offer shall be given by the issuer or lead merchant banker to any existing shareholder who has made a request in this regard.
- (2) The shareholders who have not received the application form may apply in writing on a plain paper, along with the requisite application money.
- (3) The shareholders making application otherwise than on the application form shall not renounce their rights and shall not utilise the application form for any purpose including renunciation even if it is received subsequently.
- (4) Where any shareholder makes an application on application form as well as on plain paper, the application is liable to be rejected.

- (5) The issue price shall be decided before determining the record date which shall be determined in consultation with the designated stock exchange.
- (6) A rights issue shall be open for subscription for a minimum period of fifteen days and for a maximum period of thirty days.
- (7) The issuer shall give only one payment option out of the following to all the investors—
 - (a) part payment on application with balance money to be paid in calls; or
 - (b) full payment on application:

Provided that where the issuer has given the part payment option to investors, the part payment on application shall not be less than 25% of the issue price and] such issuer shall obtain the necessary regulatory approvals to facilitate the same.

Pre-Issue Advertisement for rights issue

55. (1) The issuer shall issue an advertisement for rights issue disclosing the following:
- (a) the date of completion of despatch of abridged letter of offer and the application form;
 - (b) the centres other than registered office of the issuer where the shareholders or the persons entitled to receive the rights entitlements may obtain duplicate copies of the application forms in case they do not receive the application form within a reasonable time after opening of the rights issue;
 - (c) a statement that if the shareholders entitled to receive the rights entitlements have neither received the original application forms nor they are in a position to obtain the duplicate forms, they may make application in writing on a plain paper to subscribe to the rights issue;
 - (d) a format to enable the shareholders entitled to apply against their rights entitlements, to make the application on a plain paper specifying therein necessary particulars such as name, address, ratio of rights issue, issue price, number of equity shares held, ledger folio numbers, depository participant ID, client ID, number of equity shares entitled and applied for, additional shares if any, amount to be paid along with application, and particulars of cheque, etc. to be drawn in favour of the issuer's account;
 - (e) a statement that the applications can be directly sent by the shareholders entitled to apply against rights entitlements through registered post together with the application moneys to the issuer's designated official at the address given in the advertisement;
 - (f) a statement to the effect that if the shareholder makes an application on plain paper and also on application form both his applications shall be liable to be rejected at the option of the issuer.
- (2) The advertisement shall be made in at least one English national daily newspaper with wide circulation, one Hindi national daily newspaper with wide circulation and one regional language daily newspaper with wide circulation at the place where registered office of the issuer is situated, at least three days before the date of opening of the issue.

Reservation for employees along with rights issue

- 55A. Subject to other applicable provision of these regulations the issuer may make reservation for employees along with rights issue subject to the condition that value of allotment to any employee shall not exceed two lakhs rupees.

Utilisation of funds raised in rights issue

56. The issuer shall utilise funds collected in rights issues after the finalisation of the basis of allotment.

CHAPTER V



MANNER OF DISCLOSURES IN THE OFFER DOCUMENTS

Manner of disclosures in the offer document

57. (1) The offer document shall contain all material disclosures which are true and adequate so as to enable the applicants to take an informed investment decision.
- (2) Without prejudice to the generality of sub-regulation (1):
- (a) the red-herring prospectus, shelf prospectus and prospectus shall contain:
 - (i) the disclosures specified in Schedule II of the Companies Act, 1956; and
 - (ii) the disclosures specified in Part A of Schedule VIII, subject to the provisions of Parts B and C thereof.
 - (b) the letter of offer shall contain disclosures as specified in Part E of Schedule VIII

Provided that in the case of a further public offer or a rights issue, the offer document shall be deemed to be in compliance with the provisions of this regulation, if suitable references are made to the updated disclosures in the offer document referred to in regulation 51A of these regulations.

Abridged prospectus, abridged letter of offer and ASBA

58. (1) The abridged prospectus shall contain the disclosures as specified in **Part D of Schedule VIII**.
- (2) The abridged letter of offer shall contain the disclosures as specified in **Part F of Schedule VIII**.
- (3) The abridged prospectus and abridged letter of offer shall not contain any matter extraneous to the contents of the offer document.
- (4) Every application form including ASBA form distributed by the issuer or any other person in relation to an issue shall be accompanied by a copy of the abridged prospectus or abridged letter of offer, as the case may be.
- (5) In all, -
- (i) Public issues, the issuer shall accept bids using only ASBA facility in the manner specified by the Board;
 - (ii) Rights issues, where not more than one payment option is given, the issuer shall provide the facility of ASBA in accordance with the procedure and eligibility criteria specified by the Board:

Provided that in case of qualified institutional buyers and non-institutional investors the issuer shall accept bids using ASBA facility only.

CHAPTER VI



GENERAL OBLIGATIONS OF ISSUER AND INTERMEDIARIES WITH RESPECT TO PUBLIC ISSUE AND RIGHTS ISSUE

Prohibition on payment of incentives

59. No person connected with the issue shall offer any incentive, whether direct or indirect, in any manner, whether in cash or kind or services or otherwise to any person for making an application for allotment of specified securities:

Provided that nothing contained in this regulation shall apply to fees or commission for services rendered in relation to the issue.

Explanation: For the purpose of this regulation, the expression “person connected with the issue” includes a person connected with the distribution of the issue.

Public communications, publicity materials, advertisements and research reports

60. (1) Any public communication including advertisement and publicity material issued by the issuer or research report made by the issuer or any intermediary concerned with the issue or their associates shall contain only factual information and shall not contain projections, estimates, conjectures, etc. or any matter extraneous to the contents of the offer document.

(2) All public communications and publicity material issued or published in any media during the period commencing from the date of the meeting of the board of directors of the issuer in which the public issue or rights issue is approved till the date of filing draft offer document with the Board shall be consistent with its past practices:

Provided that where such public communication or publicity material is not consistent with the past practices of the issuer, it shall be prominently displayed or announced in such public communication or publicity material that the issuer is proposing to make a public or rights issue of specified securities in the near future and is in the process of filing a draft offer document with the Board.

(3) All public communications and publicity material issued or published in any media during the period commencing from the date of filing draft offer document with the Board till the date of allotment of securities offered in the issue, shall prominently disclose that:

- (a) the issuer is proposing to make a public issue or rights issue of the specified securities and has filed a draft offer document with the Board or has filed the red herring prospectus or prospectus with the Registrar of Companies or the letter of offer with the designated stock exchange, as the case may be.
- (b) the draft offer document, red herring prospectus or final offer document, as the case may be, is available on the website of the Board, lead merchant bankers or lead book runners.

Provided that requirements of this sub-regulation shall not be applicable in case of product advertisements of the issuer.

(4) The issuer shall make prompt, true and fair disclosure of all material developments which take place during the following period mentioned in this sub-regulation, relating to its business and securities and also relating to the business and securities of its subsidiaries, group companies, etc., which may have a material effect on the issuer, by issuing public notices in all the newspapers in which the issuer had issued pre-issue advertisement under regulation 47 or regulation 55, as the case may be:

- (a) in case of public issue, between the date of registering final prospectus or the red herring prospectus, as the case may be, with the Registrar of Companies, and the date of allotment of specified securities;
- (b) in case of a rights issue, between the date of filing the letter of offer with the designated stock exchange and the date of allotment of the specified securities.

(5) The issuer shall not, directly or indirectly, release, during any conference or at any other time, any material or information which is not contained in the offer document.

(6) In respect of all public communications, issue advertisements and publicity materials, the issuer shall obtain approval from the lead merchant bankers responsible for marketing the issue and shall also make copies of all issue related materials available with the lead merchant bankers at least till the allotment is completed.

- (7) Any advertisement or research report issued or caused to be issued by an issuer, any intermediary concerned with the issue or their associates shall comply with the following:
- (a) it shall be truthful, fair and shall not be manipulative or deceptive or distorted and it shall not contain any statement, promise or forecast which is untrue or misleading;
 - (b) if it reproduces or purports to reproduce any information contained in an offer document, it shall reproduce such information in full and disclose all relevant facts and not be restricted to select extracts relating to that information;
 - (c) it shall be set forth in a clear, concise and understandable language;
 - (d) it shall not include any issue slogans or brand names for the issue except the normal commercial name of the issuer or commercial brand names of its products already in use;
 - (e) if it presents any financial data, data for the past three years shall also be included alongwith particulars relating to sales, gross profit, net profit, share capital, reserves, earnings per share, dividends and the book values;
 - (f) no advertisement shall use extensive technical, legal terminology or complex language and excessive details which may distract the investor;
 - (g) no issue advertisement shall contain statements which promise or guarantee rapid increase in profits;
 - (h) no issue advertisement shall display models, celebrities, fictional characters, landmarks or caricatures or the likes;
 - (i) no issue advertisement shall appear in the form of crawlers (the advertisements which run simultaneously with the programme in a narrow strip at the bottom of the television screen) on television;
 - (j) in any issue advertisement on television screen, the risk factors shall not be scrolled on the television screen and the advertisement shall advise the viewers to refer to the red herring prospectus or other offer document for details;
 - (k) no issue advertisement shall contain slogans, expletives or non-factual and unsubstantiated titles;
 - (l) if an advertisement or research report contains highlights, it shall also contain risk factors with equal importance in all respects including print size of not less than point seven size;
 - (m) an issue advertisement displayed on a billboard shall not contain information other than that specified in Parts A, B and C of Schedule XIII, as applicable;
 - (n) an issue advertisement which contains highlights or information other than the details contained in the format as specified in Parts A and B of Schedule XIII shall contain risk factors.
- (8) No advertisement shall be issued giving any impression that the issue has been fully subscribed or oversubscribed during the period the issue is open for subscription.
- (9) An announcement regarding closure of issue shall be made only after the lead merchant banker(s) is satisfied that at least ninety per cent. of the offer through offer document has been subscribed and a certificate has been obtained to that effect from the registrar to the issue:

Provided that such announcement shall not be made before the date on which the issue is to be closed.

- (10) No advertisement or distribution material with respect to the issue shall contain any offer of incentives, whether direct or indirect, in any manner, whether in cash or kind or services or otherwise.
- (11) No product advertisement shall contain any reference, directly or indirectly, to the performance of the issuer during the period commencing from the date of the resolution of the board of directors of the issuer approving the public issue or rights issue till the date of allotment of specified securities offered in such issue.
- (12) A research report may be prepared only on the basis of information, disclosed to the public by the issuer by updating the offer document or otherwise.
- (13) No selective or additional information or information which is extraneous to the information disclosed to the public through the offer document or otherwise, shall be given by the issuer or any member of the issue management team or syndicate to any particular section of the investors or to any research analyst in any manner whatsoever, including at road shows, presentations, in research or sales reports or at bidding centres.
- (14) The merchant bankers shall submit a compliance certificate in the format specified in Part D of Schedule XIII, for the period between the date of filing the draft offer document with the Board and the date of closure of the issue, in respect of news reports appearing in any of the following media:
 - (a) newspapers mentioned in sub-regulation (3) of regulation 9;
 - (b) major business magazines;
 - (c) print and electronic media controlled by a media group where the media group has a private treaty/shareholders' agreement with the issuer or promoters of the issuer.

Explanation: For the purpose of this regulation:

- (I) "public communication or publicity material" includes corporate, product and issue advertisements of the issuer, interviews by its promoters, directors, duly authorized employees or representatives of the issuer, documentaries about the issuer or its promoters, periodical reports and press releases.
- (II) An issue advertisement shall be considered to be misleading, if it contains:
 - (a) Statements made about the performance or activities of the issuer without necessary explanatory or qualifying statements, which may give an exaggerated picture of such performance or activities.
 - (b) An inaccurate portrayal of past performance or its portrayal in a manner which implies that past gains or income will be repeated in the future.

Copies of offer documents to be available to public

- 61.** (1) The issuer and lead merchant bankers shall ensure that the contents of offer documents hosted on the websites as required in these regulations are the same as that of their printed versions as filed with the Registrar of Companies, Board and the stock exchanges.
- (2) The lead merchant bankers and the recognised stock exchange shall provide copies of the draft offer document and final offer document to the public as and when requested.
- (3) The lead merchant bankers or the recognised stock exchange may charge a reasonable sum for providing the copy of the offer document.

Redressal of investor grievances

62. The post-issue lead merchant bankers shall actively associate himself with post -issue activities such as allotment, refund, despatch and giving instructions to syndicate members, Self Certified Syndicate Banks and other intermediaries and shall regularly monitor redressal of investor grievances arising therefrom.

Appointment of Compliance Officer

63. The issuer shall appoint a compliance officer who shall be responsible for monitoring the compliance of the securities laws and for redressal of investors' grievances.

Explanation: For the purpose of this regulation, the term "securities laws" means the Companies Act, 1956, the Act, the Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996 and the rules and regulations made thereunder and the regulations, general or special orders, guidelines or circulars made or issued by the Board.

Due diligence

64. (1) The lead merchant bankers shall exercise due diligence and satisfy himself about all the aspects of the issue including the veracity and adequacy of disclosure in the offer documents.
- (2) The lead merchant bankers shall call upon the issuer, its promoters or directors or in case of an offer for sale, the selling shareholders, to fulfil their obligations as disclosed by them in the offer document and as required in terms of these Regulations.
- (3) The post-issue merchant banker shall continue to be responsible for post-issue activities till the subscribers have received the securities certificates, credit to their demat account or refund of application moneys and the listing agreement is entered into by the issuer with the stock exchange and listing/ trading permission is obtained.
- (4) The responsibility of the lead merchant banker shall continue even after the completion of issue process.

Post- issue reports

65. (1) In public issue, the lead merchant banker shall submit final post-issue report as specified in Part C of Schedule XVI, within seven days of the date of finalization of basis of allotment or within seven days of refund of money in case of failure of issue.
- (2) In rights issue, the lead merchant banker shall submit post-issue reports as follows:- (a) initial post issue report as specified in Part B of Schedule XVI, within three days of closure of the issue;
- (b) final post issue report as specified in Part D of Schedule XVI, within fifteen days of the date of finalization of basis of allotment or within fifteen days of refund of money in case of failure of issue.

The lead merchant banker shall submit a due diligence certificate as per the format specified in **Form G of Schedule VI**, along with the final post issue report.

Post-issue Advertisements

66. (1) The post-issue merchant banker shall ensure that advertisement giving details relating to oversubscription, basis of allotment, number, value and percentage of all applications including ASBA, number, value and percentage of successful allottees for all applications including ASBA, date of completion of despatch of refund orders or instructions to Self Certified Syndicate Banks by the Registrar, date of despatch of certificates and date of filing of listing application, etc. is released within ten days from the date of completion of the various activities in at least one English national daily newspaper with wide circulation, one Hindi national daily newspaper with wide circulation and one regional language daily

newspaper with wide circulation at the place where registered office of the issuer is situated.

- (2) The post-issue merchant banker shall ensure that issuer, advisors, brokers or any other entity connected with the issue do not publish any advertisement stating that issue has been oversubscribed or indicating investors' response to the issue, during the period when the public issue is still open for subscription by the public.

Co-ordination with Intermediaries

67. (1) The post-issue merchant banker shall maintain close co-ordination with the registrars to the issue and arrange to depute its officers to the offices of various intermediaries at regular intervals after the closure of the issue to monitor the flow of applications from collecting bank branches and/or Self Certified Syndicate Banks, processing of the applications including application form for ASBA and other matters till the basis of allotment is finalised, despatch of security certificates and refund orders are completed and securities are listed.
- (2) Any act of omission or commission on the part of any of the intermediaries noticed during such visits shall be duly reported to the Board.
- (3) In case there is a devolvement on underwriters, the merchant banker shall ensure that the notice for devolvement containing the obligation of the underwriters is issued within a period of ten days from the date of closure of the issue.
- (4) In case of undersubscribed issues, the merchant banker shall furnish information in respect of underwriters who have failed to meet their underwriting devolvement to the Board in the format specified in **Schedule XVII**.
- (5) The post-issue merchant banker shall confirm to the bankers to the issue by way of copies of listing and trading approvals that all formalities in connection with the issue have been completed and that the banker is free to release the money to the issuer or release the money for refund in case of failure of the issue.

Audited financial statements in the offer document

68. The merchant banker shall ensure that the information contained in the offer document and the particulars as per audited financial statements in the offer document are not more than six months old from the issue opening date.

Other responsibilities

69. (1) The post-issue merchant banker shall ensure that the despatch of refund orders, allotment letters and share certificates is done by way of registered post or certificate of posting, as may be applicable.
- (2) The post-issue merchant banker shall ensure payment of interest to the applicants for delayed dispatch of allotment letters, refund orders, etc. as per the disclosure made in the offer document.
- (3) In case of absence of definite information about subscription figures, the issue shall be kept open for the required number of days to avoid any dispute, at a later date, by the underwriters in respect of their liability.
- (4) The issuer shall ensure that transactions in securities by the promoter and promoter group during the period between the date of registering the offer document with the Registrar of Companies or filing the letter of offer with the designated stock exchange, as the case may be and the date of closure of the issue shall be reported to the recognised stock exchanges where the specified securities of the issuer are listed, within twenty four hours of the transactions.

CHAPTER VI-A



CONDITIONS AND MANNER OF PROVIDING EXIT OPPORTUNITY TO DISSENTING SHAREHOLDERS

Applicability

- 69A.** (1) The provisions of this Chapter shall apply to an exit offer made by the promoters or shareholders in control of an issuer to the dissenting shareholders in terms of section 13(8) and section 27(2) of the Companies Act, 2013, in case of change in objects or variation in the terms of contract referred to in the prospectus.
- (2) The provisions of this Chapter shall not apply where there are neither identifiable promoters nor shareholders in control of the listed issuer.

Definitions

69B. For the purpose of this Chapter:

- (a) “dissenting shareholders” means those shareholders who have voted against the resolution for change in objects or variation in terms of a contract, referred to in the prospectus of the issuer;
- (b) “frequently traded shares” shall have the same meaning as assigned to it in the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
- (c) “relevant date” means date of the board meeting in which the proposal for change in objects or variation in terms of a contract, referred to in the prospectus is approved, before seeking shareholders’ approval.

Conditions for exit offer

- 69C.** The promoters or shareholders in control shall make the exit offer in accordance with the provisions of this Chapter, to the dissenting shareholders, if:
- (a) the public issue has opened after April 1, 2014; and
- (b) the proposal for change in objects or variation in terms of a contract, referred to in the prospectus is dissented by at least ten per cent. of the shareholders who voted in the general meeting; and
- (c) the amount to be utilized for the objects for which the prospectus was issued is less than seventy five per cent. of the amount raised (including the amount earmarked for general corporate purposes as disclosed in the offer document).

Eligibility of shareholders for availing the exit offer

- 69D.** Only those dissenting shareholders of the issuer who are holding shares as on the relevant date shall be eligible to avail the exit offer made under this Chapter.

Exit offer price.

- 69E.** The ‘exit price’ payable to the dissenting shareholders shall be the highest of the following:
- (a) the volume-weighted average price paid or payable for acquisitions, whether by the promoters or shareholders having control or by any person acting in concert with them, during the fifty-two weeks immediately preceding the relevant date;
- (b) the highest price paid or payable for any acquisition, whether by the promoters or shareholders having control or by any person acting in concert with them, during the twenty-six weeks immediately preceding the relevant date;

- (c) the volume-weighted average market price of such shares for a period of sixty trading days immediately preceding the relevant date as traded on the recognised stock exchange where the maximum volume of trading in the shares of the issuer are recorded during such period, provided such shares are frequently traded;
- (d) where the shares are not frequently traded, the price determined by the promoters or shareholders having control and the merchant banker taking into account valuation parameters including book value, comparable trading multiples, and such other parameters as are customary for valuation of shares of such issuers.

Manner of providing exit to dissenting shareholders.

- 69F.** (1) The notice proposing the passing of special resolution for changing the objects of the issue and varying the terms of contract, referred to in the prospectus shall also contain information about the exit offer to the dissenting shareholders.
- (2) In addition to the disclosures required under the provisions of section 102 of the Companies Act, 2013 read with rule 32 of the Companies (Incorporation) Rules, 2014 and rule 7 of the Companies (Prospectus and Allotment of Securities) Rules, 2014 and any other applicable law, a statement to the effect that the promoters or the shareholders having control shall provide an exit opportunity to the dissenting shareholders shall also be included in the explanatory statement to the notice for passing special resolution.
- (3) After passing of the special resolution, the issuer shall submit the voting results to the recognised stock exchange(s), in terms of the provisions of regulation 44(3) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- (4) The issuer shall also submit the list of dissenting shareholders, as certified by its compliance officer, to the recognised stock exchange(s).
- (5) The promoters or shareholders in control, shall appoint a merchant banker registered with the Board and finalize the exit offer price in accordance with these regulations.
- (6) The issuer shall intimate the recognised stock exchange(s) about the exit offer to dissenting shareholders and the price at which such offer is being given.
- (7) The recognised stock exchange(s) shall immediately on receipt of such intimation disseminate the same to public within one working day.
- (8) To ensure security for performance of their obligations, the promoters or shareholders having control, as applicable, shall create an escrow account which may be interest bearing and deposit the aggregate consideration in the account at least two working days prior to opening of the tendering period.
- (9) The tendering period shall start not later than seven working days from the passing of the special resolution and shall remain open for ten working days.
- (10) The dissenting shareholders who have tendered their shares in acceptance of the exit offer shall have the option to withdraw such acceptance till the date of closure of the tendering period.
- (11) The promoters or shareholders having control shall facilitate tendering of shares by the shareholders and settlement of the same through the recognised stock exchange mechanism as specified by SEBI for the purpose of takeover, buy-back and delisting.
- (12) The promoters or shareholders having control shall, within a period of ten working days from the last date of the tendering period, make payment of consideration to the dissenting shareholders who have accepted the exit offer.
- (13) Within a period of two working days from the payment of consideration, the issuer shall furnish to the recognised stock exchange(s), disclosures giving details of

aggregate number of shares tendered, accepted, payment of consideration and the post-offer shareholding pattern of the issuer and a report by the merchant banker that the payment has been duly made to all the dissenting shareholders whose shares have been accepted in the exit offer.

Offer not to exceed maximum permissible non-public shareholding.

69G. In the event, the shares accepted in the exit offer were such that the shareholding of the promoters or shareholders in control, taken together with persons acting in concert with them pursuant to completion of the exit offer results in their shareholding exceeding the maximum permissible non-public shareholding, the promoters or shareholders in control, as applicable, shall be required to bring down the non-public shareholding to the level specified and within the time permitted under Securities Contract (Regulation) Rules, 1957.

CHAPTER VII



PREFERENTIAL ISSUE

Chapter VII not to apply in certain cases.

- 70.** (1) The provisions of this Chapter shall not apply where the preferential issue of equity shares is made:
- (a) pursuant to conversion of loan or option attached to convertible debt instruments in terms of sub-sections (3) and (4) of sections 81 of the Companies Act, 1956 or sub-section (3) and (4) of section 62 of the Companies Act, 2013, whichever applicable;
 - (b) pursuant to a scheme approved by a High Court under section 391 to 394 of the Companies Act, 1956 or a Tribunal under sections 230 to 234 of the Companies Act, 2013, whichever applicable
- Provided that the pricing provisions of this Chapter shall apply to the issuance of shares under schemes mentioned in clause (b) in case of allotment of shares only to a select group of shareholders or shareholders of unlisted companies pursuant to such schemes;
- (c) in terms of the rehabilitation scheme approved by the Board of Industrial and Financial Reconstruction under the Sick Industrial Companies (Special Provisions) Act, 1985 or the resolution plan approved by the Tribunal under the Insolvency and Bankruptcy Code, 2016, whichever applicable:
- Provided that the lock-in provisions of this Chapter shall apply to preferential issue of equity shares mentioned in clause (c).
- (2) The provisions of this Chapter relating to pricing and lock-in shall not apply to equity shares allotted to any financial institution within the meaning of sub-clauses (ia) and (ii) of clause (h) of section 2 of the Recovery of Debts due to Banks and Financial Institutions Act, 1993 (51 of 1993).
 - (3) The provisions of regulation 73 and regulation 76 shall not apply to a preferential issue of equity shares and compulsorily convertible debt instruments, whether fully or partly, where the Board has granted relaxation to the issuer in terms of regulation 29A of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 or regulation 11 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, whichever applicable], if adequate disclosures about the plan and process proposed to be followed for identifying the allottees are given in the explanatory statement to notice for the general meeting of shareholders.

- (4) The provisions of sub-regulation (2) of regulation 72 and sub-regulation (6) of regulation 78 shall not apply to a preferential issue of specified securities where the proposed allottee is a Mutual Fund registered with the Board or Insurance Company registered with Insurance Regulatory and Development Authority of India or a Scheduled Bank listed under the Second Schedule of the Reserve Bank of India Act, 1934 or a Public Financial Institution as defined in clause 72 of section 2 of the Companies Act, 2013.
- (5) The provisions of this Chapter shall not apply where the preferential issue of specified securities is made to the lenders pursuant to conversion of their debt, as part of a debt restructuring scheme implemented in accordance with the guidelines specified by the Reserve Bank of India, subject to the following conditions:
- (a) the guidelines for determining the conversion price have been specified by the Reserve Bank of India in accordance with which the conversion price shall be determined and which shall be in compliance with the applicable provisions of the Companies Act, 2013;
 - (b) the conversion price shall be certified by two independent qualified valuers, and for this purpose 'valuer' shall be a person who is registered under section 247 of the Companies Act, 2013 and the relevant Rules framed thereunder:
 Provided that till such date on which section 247 of the Companies Act, 2013 and the relevant Rules come into force, valuer shall mean an independent merchant banker registered with the Board or an independent chartered accountant in practice having a minimum experience of ten years;
 - (c) specified securities so allotted shall be locked-in for a period of one year from the date of their allotment:
 Provided that for the purpose of transferring the control, the lenders may transfer the specified securities allotted to them before completion of the lock-in period subject to continuation of the lock-in on such securities for the remaining period, with the transferee;
 - (d) the lock-in of equity shares allotted pursuant to conversion of convertible securities issued on preferential basis shall be reduced to the extent the convertible securities have already been locked-in;
 - (e) the applicable provisions of the Companies Act, 2013 are complied with, including the requirement of special resolution.
- (6) The provisions of this Chapter shall not apply where the preferential issue, if any, of specified securities is made to person(s) at the time of lenders selling their holding of specified securities or enforcing change in ownership in favour of such person(s) pursuant to a debt restructuring scheme implemented in accordance with the guidelines specified by the Reserve Bank of India, subject to the following conditions:
- (a) the guidelines for determining the issue price have been specified by the Reserve Bank of India in accordance with which the issue price shall be determined and which shall be in compliance with the applicable provisions of the Companies Act, 2013;
 - (b) the issue price shall be certified by two independent qualified valuers, and for this purpose 'valuer' shall be a person who is registered under section 247 of the Companies Act, 2013 and the relevant Rules framed thereunder:
 Provided that till such date on which section 247 of the Companies Act, 2013 and the relevant Rules come into force, valuer shall mean an independent merchant banker registered with the Board or an independent chartered accountant in practice having a minimum experience of ten years;

- (c) the specified securities so allotted shall be locked-in for a period of at least three years from the date of their allotment;
- (d) the lock-in of equity shares allotted pursuant to conversion of convertible securities issued on preferential basis shall be reduced to the extent the convertible securities have already been locked-in;
- (e) a special resolution has been passed by shareholders of the issuer before the preferential issue;
- (f) the issuer shall, in addition to the disclosures required under the Companies Act, 2013 or any other applicable law, disclose the following information pertaining to the proposed allottee(s) in the explanatory statement to the notice for the general meeting proposed for passing the special resolution as stipulated at clause (e) of this sub-regulation:
 - a. the identity including that of the natural persons who are the ultimate beneficial owners of the shares proposed to be allotted and/ or who ultimately control the proposed allottee(s);
 - b. the business model;
 - c. a statement on growth of business over the period of time;
 - d. summary of audited financials of previous three financial years;
 - e. track record in turning around companies, if any;
 - f. the proposed roadmap for effecting turnaround of the issuer.
- (g) the applicable provisions of the Companies Act, 2013 are complied with.

Relevant date.

71. For the purpose of this Chapter, "relevant date" means:

- (a) in case of preferential issue of equity shares, the date thirty days prior to the date on which the meeting of shareholders is held to consider the proposed preferential issue:

Provided that in case of preferential issue of equity shares pursuant to a scheme approved under the Corporate Debt Restructuring framework of Reserve Bank of India, the date of approval of the Corporate Debt Restructuring Package shall be the relevant date.

- (b) in case of preferential issue of convertible securities, either the relevant date referred to in clause (a) of this regulation or a date thirty days prior to the date on which the holders of the convertible securities become entitled to apply for the equity shares.

Explanation: Where the relevant date falls on a Weekend/Holiday, the day preceding the Weekend/Holiday will be reckoned to be the relevant date.

Frequently traded shares.

71A. For the purpose of this Chapter, "frequently traded shares" means shares of an issuer, in which the traded turnover on any stock exchange during the twelve calendar months preceding the relevant date, is at least ten per cent of the total number of shares of such class of shares of the issuer:

Provided that where the share capital of a particular class of shares of the issuer is not identical throughout such period, the weighted average number of total shares of such class of the issuer shall represent the total number of shares.

Conditions for preferential issue.

72. (1) A listed issuer may make a preferential issue of specified securities, if:

- (a) a special resolution has been passed by its shareholders;

- (b) all the equity shares, if any, held by the proposed allottees in the issuer are in dematerialised form;
 - (c) the issuer is in compliance with the conditions for continuous listing of equity shares as specified in the listing agreement with the recognised stock exchange where the equity shares of the issuer are listed;
 - (d) the issuer has obtained the Permanent Account Number of the proposed allottees.
- (2) The issuer shall not make preferential issue of specified securities to any person who has sold any equity shares of the issuer during the six months preceding the relevant date:
- Provided that in respect of the preferential issue of equity shares and compulsorily convertible debt instruments, whether fully or partly, the Board may grant relaxation from the requirements of this sub-regulation, if the Board has granted relaxation in terms of regulation 29A of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 to such preferential allotment.
- Explanation.—Where any person belonging to promoter(s) or the promoter group has sold his equity shares in the issuer during the six months preceding the relevant date, the promoter(s) and promoter group shall be ineligible for allotment of specified securities on preferential basis.
- (3) Where any person belonging to promoter(s) or the promoter group has previously subscribed to warrants of an issuer but failed to exercise the warrants, the promoter(s) and promoter group shall be ineligible for issue of specified securities of such issuer on preferential basis for a period of one year from:
- (a) the date of expiry of the tenure of the warrants due to non-exercise of the option to convert;
 - or
 - (b) the date of cancellation of the warrants, as the case may be.

Disclosures

73. (1) The issuer shall, in addition to the disclosures required under section 173 of the Companies Act, 1956 or any other applicable law, disclose the following in the explanatory statement to the notice for the general meeting proposed for passing special resolution:
- (a) the objects of the preferential issue;
 - (b) the proposal of the promoters, directors or key management personnel of the issuer to subscribe to the offer;
 - (c) the shareholding pattern of the issuer before and after the preferential issue;
 - (d) the time within which the preferential issue shall be completed;
 - (e) the identity of the natural persons who are the ultimate beneficial owners of the shares proposed to be allotted and/or who ultimately control the proposed allottees, the percentage of post preferential issue capital that may be held by them and change in control, if any, in the issuer consequent to the preferential issue
- Provided that if there is any listed company, mutual fund, bank or insurance company in the chain of ownership of the proposed allottee, no further disclosure will be necessary.
- (f) an undertaking that the issuer shall re-compute the price of the specified securities in terms of the provision of these regulations where it is required to do so;

- (g) an undertaking that if the amount payable on account of the re-computation of price is not paid within the time stipulated in these regulations, the specified securities shall continue to be locked- in till the time such amount is paid by the allottees.
 - (h) disclosures, similar to disclosures specified in Part G of Schedule VIII, if the issuer or any of its promoters or directors is a wilful defaulter.
- (2) The issuer shall place a copy of the certificate of its statutory auditor before the general meeting of the shareholders, considering the proposed preferential issue, certifying that the issue is being made in accordance with the requirements of these regulations.
- (3) Where specified securities are issued on a preferential basis to promoters, their relatives, associates and related entities for consideration other than cash, the valuation of the assets in consideration for which the equity shares are issued shall be done by an independent qualified valuer, which shall be submitted to the recognised stock exchanges where the equity shares of the issuer are listed:
- Provided that if the recognised stock exchange is not satisfied with the appropriateness of the valuation, it may get the valuation done by any other valuer and for this purpose it may obtain any information, as deemed necessary, from the issuer.
- (4) The special resolution shall specify the relevant date on the basis of which price of the equity shares to be allotted on conversion or exchange of convertible securities shall be calculated.

Explanation: For the purpose of sub-regulation (3), the term 'valuer' has the same meaning as is assigned to it under clause (r) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Issue of Sweat Equity) Regulations, 2002.

Allotment pursuant to special resolution

74. (1) Allotment pursuant to the special resolution shall be completed within a period of fifteen days from the date of passing of such resolution:
- Provided that where any application for exemption from the applicability of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 or any approval or permission by any regulatory authority or the Central Government for allotment is pending, the period of fifteen days shall be counted from the date of order on such application or the date of approval or permission, as the case may be:
- Provided further that where the Board has granted relaxation to the issuer in terms of regulation 29A of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, the preferential issue of equity shares and compulsorily convertible debt instruments, whether fully or partly, shall be made by it within such time as may be specified by the Board in its order granting the relaxation:
- Provided further that requirement of allotment within fifteen days shall not apply to allotment of specified securities on preferential basis pursuant to a scheme of corporate debt restructuring as per the corporate debt restructuring framework specified by the Reserve Bank of India.
- (2) If the allotment of specified securities is not completed within fifteen days from the date of special resolution, a fresh special resolution shall be passed and the relevant date for determining the price of specified securities under this Chapter will be taken with reference to the date of latter special resolution.
 - (3) Notwithstanding anything contained in this regulation, where a preferential allotment is made that attracts an obligation to make an open offer for shares of the issuer under Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulation, 2011, and there is no offer made under sub-regulation (1) of regulation 20 of the Securities and

Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulation, 2011, the period of fifteen days shall be counted from the expiry of the period specified in sub-regulation (1) of regulation 20 or date of receipt of all statutory approvals required for the completion of an open offer under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulation, 2011:

Provided that if an offer is made under sub-regulation (1) of regulation 20 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulation, 2011, the period of fifteen days shall be counted from the expiry of the offer period as defined in the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulation, 2011:

Provided further that the provisions of this sub-regulation shall not apply to an offer made under sub-regulation (1) of regulation 20 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulation, 2011, pursuant to a preferential allotment.

- (4) Allotment shall only be made in dematerialised form.

Explanation.-The requirement of allotment in dematerialised form shall also be applicable for the equity shares to be allotted pursuant to exercise of option attached to warrant or conversion of convertible securities.

Tenure of convertible securities

75. The tenure of the convertible securities of the issuer shall not exceed eighteen months from the date of their allotment.

Pricing of equity shares - Frequently traded shares

76. (1) If the equity shares of the issuer have been listed on a recognised stock exchange for a period of twenty six weeks or more as on the relevant date, the equity shares shall be allotted at a price not less than higher of the following:
- (a) The average of the weekly high and low of the volume weighted average price of the related equity shares quoted on the recognised stock exchange during the twenty six weeks preceding the relevant date; or
 - (b) The average of the weekly high and low of the volume weighted average prices of the related equity shares quoted on a recognised stock exchange during the two weeks preceding the relevant date.
- (2) If the equity shares of the issuer have been listed on a recognised stock exchange for a period of less than twenty six weeks] as on the relevant date, the equity shares shall be allotted at a price not less than the higher of the following:
- (a) the price at which equity shares were issued by the issuer in its initial public offer or the value per share arrived at in a scheme of arrangement under sections 391 to 394 of the Companies Act, 1956, pursuant to which the equity shares of the issuer were listed, as the case may be;
- or
- (b) the average of the weekly high and low of the volume weighted average prices of the related equity shares quoted on the recognised stock exchange during the period shares have been listed preceding the relevant date; or
 - (c) the average of the weekly high and low of the volume weighted average prices of the related equity shares quoted on a recognised stock exchange during the two weeks preceding the relevant date.

- (3) Where the price of the equity shares is determined in terms of sub-regulation (2), such price shall be recomputed by the issuer on completion of twenty six weeks from the date of listing on a recognised stock exchange with reference to the average of the weekly high and low of the volume weighted average prices of the related equity shares quoted on the recognised stock exchange during these twenty six weeks and if such recomputed price is higher than the price paid on allotment, the difference shall be paid by the allottees to the issuer.
- (4) Any preferential issue of specified securities, to qualified institutional buyers not exceeding five in number, shall be made at a price not less than the average of the weekly high and low of the volume weighted average prices] of the related equity shares quoted on a recognised stock exchange during the two weeks preceding the relevant date.

Explanation: For the purpose of this regulation, 'stock exchange' means any of the recognised stock exchanges in which the equity shares are listed and in which the highest trading volume in respect of the equity shares of the issuer has been recorded during the preceding twenty six weeks prior to the relevant date.

Pricing of equity shares – Infrequently traded shares

- 76A.** Where the shares are not frequently traded, the price determined by the issuer shall take into account valuation parameters including book value, comparable trading multiples, and such other parameters as are customary for valuation of shares of such companies:

Provided that the issuer shall submit a certificate stating that the issuer is in compliance of this regulation, obtained from an independent merchant banker or an independent chartered accountant in practice having a minimum experience of ten years, to the stock exchange where the equity shares of the issuer are listed.

Adjustments in pricing - Frequently or Infrequently traded shares

- 76B.** The price determined for preferential issue in accordance with regulation 76 or regulation 76A, shall be subject to appropriate adjustments, if the issuer :

- (a) makes an issue of equity shares by way of capitalization of profits or reserves, other than by way of a dividend on shares;
- (b) makes a rights issue of equity shares;
- (c) consolidates its outstanding equity shares into a smaller number of shares;
- (d) divides its outstanding equity shares including by way of stock split;
- (e) re-classifies any of its equity shares into other securities of the issuer;
- (f) is involved in such other similar events or circumstances, which in the opinion of the concerned stock exchange, requires adjustments.]

Payment of consideration

- 77.** (1) Full consideration of specified securities other than warrants issued under this Chapter shall be paid by the allottees at the time of allotment of such specified securities:

Provided that in case of a preferential issue of specified securities pursuant to a scheme of corporate debt restructuring as per the corporate debt restructuring framework specified by the Reserve Bank of India, the allottee may pay the consideration in terms of such scheme.

- (2) An amount equivalent to at least twenty five per cent. of the consideration determined in terms of regulation 76 shall be paid against each warrant on the date of allotment of warrants.
- (3) The balance seventy five per cent. of the consideration shall be paid at the time of allotment of equity shares pursuant to exercise of option against each such warrant by the warrant holder.

- (4) In case the warrant holder does not exercise the option to take equity shares against any of the warrants held by him, the consideration paid in respect of such warrant in terms of sub-regulation (2) shall be forfeited by the issuer.
- (5) The issuer shall ensure that the consideration of specified securities, if paid in cash, shall be received from respective allottee's bank account.
- (6) The issuer shall submit a certificate of the statutory auditor to the stock exchange where the equity shares of the issuer are listed stating that the issuer is in compliance of sub-regulation (5) and the relevant documents thereof are maintained by the issuer as on the date of certification.

Lock-in of specified securities

- 78.** (1) The specified securities allotted on preferential basis to promoter or promoter group and the equity shares allotted pursuant to exercise of options attached to warrants issued on preferential basis to promoter or promoter group, shall be locked-in for a period of three years from date of trading approval granted for the specified securities or equity shares allotted pursuant to exercise of the option attached to warrant, as the case may be:
- Provided that not more than twenty per cent. of the total capital of the issuer shall be locked-in for three years from the date of trading approval:
- Provided further that equity shares allotted in excess of the twenty per cent. shall be locked-in for one year from the date of trading approval pursuant to exercise of options or otherwise, as the case may be.
- (2) The specified securities allotted on preferential basis to persons other than promoter and promoter group and the equity shares allotted pursuant to exercise of options attached to warrants issued on preferential basis to such persons shall be locked in for a period of one year from the date of trading approval.
 - (3) The lock-in of equity shares allotted pursuant to conversion of convertible securities other than warrants, issued on preferential basis shall be reduced to the extent the convertible securities have already been locked-in.
 - (4) The equity shares issued on preferential basis pursuant to a scheme of corporate debt restructuring as per the Corporate Debt Restructuring framework specified by the Reserve Bank of India shall be locked-in for a period of one year from the trading approval :
- Provided that partly paid up equity shares, if any, shall be locked-in from the date of trading approval and the lock-in shall end on the expiry of one year from the date when such equity shares become fully paid up.
- (5) If the amount payable by the allottee, in case of re-calculation of price under sub-regulation (3) of regulation 76 is not paid till the expiry of lock-in period, the equity shares shall continue to be locked in till such amount is paid by the allottee.
 - (6) The entire pre-preferential allotment shareholding of the allottees, if any, shall be locked-in from the relevant date upto a period of six months from the date of trading approval.

Explanation 1 : For the purpose of this regulation:

- (I) The expression "total capital of the issuer" means:
 - (a) equity share capital issued by way of public issue or rights issue including equity shares issued pursuant to conversion of specified securities which are convertible; and
 - (b) specified securities issued on a preferential basis to promoter or promoter group.
- (II) (a) For the computation of twenty per cent. of the total capital of the issuer, the amount of minimum promoters' contribution held and locked-in, in the past in terms of

Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 or these regulations shall be taken into account.

- (b) The minimum promoters' contribution shall not again be put under fresh lock-in, even though it is considered for computing the requirement of twenty per cent. of the total capital of the issuer, in case the said minimum promoters' contribution is free of lock-in at the time of the preferential issue.

Explanation 2. — For the purposes of this regulation, the date of trading approval shall mean the latest date when trading approval has been granted by all the recognised stock exchanges where the equity shares of the issuer are listed, for specified securities allotted as per the provisions of this Chapter.

Transferability of locked-in specified securities and warrants issued on preferential basis

79. (1) Subject to the provisions of Securities and Exchange Board of India (Substantial Acquisition of shares and Takeovers) Regulations, 1997, specified securities held by promoters and locked-in in terms of sub-regulation (1) of regulation 78 may be transferred among promoters or promoter group or to a new promoter or persons in control of the issuer:
- Provided that lock-in on such specified securities shall continue for the remaining period with the transferee.
- (2) The specified securities allotted on preferential basis shall not be transferred by the allottee till trading approval is granted for such securities by all the recognised stock exchanges where the equity shares of the issuer are listed.

CHAPTER VIII



QUALIFIED INSTITUTIONS PLACEMENT

Applicability

80. The provisions of this Chapter shall apply to a qualified institutions placement made by a listed issuer.

Definitions

81. For the purpose of this Chapter:
- (a) "eligible securities" include equity shares, non-convertible debt instruments along with warrants and convertible securities other than warrants;
- (b) "qualified institutions placement" means allotment of eligible securities by a listed issuer to qualified institutional buyers on private placement basis in terms of these regulations;
- (c) "relevant date" means:
- (i) in case of allotment of equity shares, the date of the meeting in which the board of directors of the issuer or the committee of directors duly authorised by the board of directors of the issuer decides to open the proposed issue;
- (ii) in case of allotment of eligible convertible securities, either the date of the meeting in which the board of directors of the issuer or the committee of directors duly authorised by the board of directors of the issuer decides to open the issue of such convertible securities or the date on which the holders of such convertible securities become entitled to apply for the equity shares.

Conditions for qualified institutions placement

82. A listed issuer may make qualified institutions placement if it satisfies the following conditions:

- (a) a special resolution approving the qualified institutions placement has been passed by its shareholders;
- (b) the equity shares of the same class, which are proposed to be allotted through qualified institutions placement or pursuant to conversion or exchange of eligible securities offered through qualified institutions placement, have been listed on a recognised stock exchange having nation wide trading terminal for a period of at least one year prior to the date of issuance of notice to its shareholders for convening the meeting to pass the special resolution:
Provided that where an issuer, being a transferee company in a scheme of merger, de-merger, amalgamation or arrangement sanctioned by a High Court under sections 391 to 394 of the Companies Act, 1956, makes qualified institutions placement, the period for which the equity shares of the same class of the transferor company were listed on a stock exchange having nation wide trading terminals shall also be considered for the purpose of computation of the period of one year.
- (c) Omitted.
- (d) In the special resolution, it shall be, among other relevant matters, specified that the allotment is proposed to be made through qualified institutions placement and the relevant date referred to in sub-clause (ii) of clause (c) of regulation 81 shall also be specified.

Explanation: For the purpose of clause (b), "equity shares of the same class" shall have the same meaning as assigned to them in Explanation to sub-rule (4) of rule 19 of the Securities Contracts (Regulation) Rules, 1957.

Appointment of merchant banker

- 83.** (1) A qualified institutions placement shall be managed by merchant banker(s) registered with the Board who shall exercise due diligence.
- (2) The merchant banker shall, while seeking in-principle approval for listing of the eligible securities issued under qualified institutions placement, furnish to each stock exchange on which the same class of equity shares of the issuer are listed, a due diligence certificate stating that the eligible securities are being issued under qualified institutions placement and that the issuer complies with requirements of this Chapter.

Placement Document

- 84.** (1) The qualified institutions placement shall be made on the basis of a placement document which shall contain all material information, including those specified in **Schedule XVIII** and disclosures similar to disclosures specified in Part G of Schedule VIII shall be made, if applicable.
- (2) The placement document shall be serially numbered and copies shall be circulated only to select investors.
- (3) The issuer shall, while seeking in-principle approval from the recognised stock exchange, furnish a copy of the placement document, a certificate confirming compliance with the provisions of this Chapter along with any other documents required by the stock exchange.
- (4) The placement document shall also be placed on the website of the concerned stock exchange and of the issuer with a disclaimer to the effect that it is in connection with a qualified institutions placement and that no offer is being made to the public or to any other category of investors.

Pricing

- 85.** (1) The qualified institutions placement shall be made at a price not less than the average of the weekly high and low of the closing prices of the equity shares of the same class quoted on the stock exchange during the two weeks preceding the relevant date:

Provided that the issuer may offer a discount of not more than five per cent. on the price so calculated for the qualified institutions placement, subject to approval of shareholders as specified in clause (a) of regulation 82 of these regulations.

- (2) Where eligible securities are convertible into or exchangeable with equity shares of the issuer, the issuer shall determine the price of such equity shares allotted pursuant to such conversion or exchange taking the relevant date as decided and disclosed by it while passing the special resolution.
- (3) The issuer shall not allot partly paid up eligible securities:
 Provided that in case of allotment of non convertible debt instruments along with warrants, the allottees may pay the full consideration or part thereof payable with respect to warrants, at the time of allotment of such warrants:
 Provided further that on allotment of equity shares on exercise of options attached to warrants, such equity shares shall be fully paid up.
- (4) The prices determined for qualified institutions placement shall be subject to appropriate adjustments if the issuer:
 - (a) makes an issue of equity shares by way of capitalization of profits or reserves, other than by way of a dividend on shares;
 - (b) makes a rights issue of equity shares;
 - (c) consolidates its outstanding equity shares into a smaller number of shares;
 - (d) divides its outstanding equity shares including by way of stock split;
 - (e) re-classifies any of its equity shares into other securities of the issuer;
 - (f) is involved in such other similar events or circumstances, which in the opinion of the concerned stock exchange, requires adjustments.

Explanation: For the purpose of sub-regulation (1), the term “stock exchange” means any of the recognised stock exchanges in which the equity shares of the same class of the issuer are listed and in which the highest trading volume in such equity shares has been recorded during the two weeks immediately preceding the relevant date.

Restrictions on allotment

86. (1) Allotment under the qualified institutions placement shall be made subject to the following conditions:
 - (a) Minimum of ten per cent. of eligible securities shall be allotted to mutual funds:
 Provided that if the mutual funds do not subscribe to said minimum percentage or any part thereof, such minimum portion or part thereof may be allotted to other qualified institutional buyers;
 - (b) No allotment shall be made, either directly or indirectly, to any qualified institutional buyer who is a promoter or any person related to promoters of the issuer:
 Provided that a qualified institutional buyer who does not hold any shares in the issuer and who has acquired the said rights in the capacity of a lender shall not be deemed to be a person related to promoters.
- (2) In a qualified institutions placement of non-convertible debt instrument along with warrants, an investor can subscribe to the combined offering of non- convertible debt instruments with warrants or to the individual securities, that is, either non- convertible debt instruments or warrants.
- (3) The applicants in qualified institutions placement shall not withdraw their bids after the closure of the issue.

Explanation: For the purpose of clause (b) of sub-regulation (1), a qualified institutional buyer who has any of the following rights shall be deemed to be a person related to the promoters of the issuer:

- (a) rights under a shareholders' agreement or voting agreement entered into with promoters or persons related to the promoters;
- (b) veto rights; or
- (c) right to appoint any nominee director on the board of the issuer.

Minimum number of allottees

- 87.** (1) The minimum number of allottees for each placement of eligible securities made under qualified institutions placement shall not be less than:
- (a) two, where the issue size is less than or equal to two hundred and fifty crore rupees;
 - (b) five, where the issue size is greater than two hundred and fifty crore rupees:
- Provided that no single allottee shall be allotted more than fifty per cent. of the issue size.
- (2) The qualified institutional buyers belonging to the same group or who are under same control shall be deemed to be a single allottee.

Explanation: For the purpose of sub-regulation (2), the expression "qualified institutional buyers belonging to the same group" shall have the same meaning as derived from sub-section (11) of section 372 of the Companies Act, 1956;

Validity of the special resolution

- 88.** (1) Allotment pursuant to the special resolution referred to in clause (a) of regulation 82 shall be completed within a period of twelve months from the date of passing of the resolution.
- (2) The issuer shall not make subsequent qualified institutions placement until expiry of six months from the date of the prior qualified institutions placement made pursuant to one or more special resolutions.

Restrictions on amount raised

- 89.** The aggregate of the proposed qualified institutions placement and all previous qualified institutions placements made by the issuer in the same financial year shall not exceed five times the net worth of the issuer as per the audited balance sheet of the previous financial year.

Tenure

- 90.** The tenure of the convertible or exchangeable eligible securities issued through qualified institutions placement shall not exceed sixty months from the date of allotment.

Transferability of eligible securities

- 91.** The eligible securities allotted under qualified institutions placement shall not be sold by the allottee for a period of one year from the date of allotment, except on a recognised stock exchange.

CHAPTER VIII-A



INSTITUTIONAL PLACEMENT PROGRAMME

Applicability

- 91A.** (1) The provisions of this Chapter shall apply to issuance of fresh shares and or offer for sale of shares in a listed issuer for the purpose of achieving minimum public shareholding in terms of Rule 19(2)(b) and 19A of the Securities Contracts (Regulation) Rules, 1957.

- (2) Unless otherwise specified, no provisions of these regulations shall be applicable to the institutional placement programme except for the following:-
- (a) regulations 2, 5, 12, 18, 19, 47, 48, 51, 59, 60, 61, 64, 65, 66 and 68;
 - (b) clauses (a) and (b) of sub-regulation (2) of regulation 4;
 - (c) clause (b) of regulation 7.

Definitions

91B. For the purpose of this Chapter:

- (a) “eligible securities” shall mean equity shares of same class listed and traded in the stock exchange(s);
- (b) “eligible seller” include listed issuer, promoter/promoter group of listed issuer;
- (c) “institutional placement programme” means a further public offer of eligible securities by an eligible seller, in which the offer, allocation and allotment of such securities is made only to qualified institutional buyers in terms of this Chapter.

Conditions for institutional placement programme

- 91C.** (1) An institutional placement programme may be made only after a special resolution approving the institutional placement programme has been passed by the shareholders of the issuer in terms of section 81(1A) of the Companies Act, 1956.
- (2) No partly paid-up securities shall be offered.
- (3) The issuer shall obtain an in-principle approval from the stock exchange(s).

Appointment of merchant banker

91D. An institutional placement programme shall be managed by merchant banker(s) registered with the Board who shall exercise due diligence.

Offer Document

- 91E.** (1) The institutional placement programme shall be made on the basis of the offer document which shall contain all material information, including those specified in Schedule XVIII.
- (2) The issuer shall, simultaneously while registering the offer document with the Registrar of Companies, file a copy thereof with the Board and with the stock exchange(s) through the lead merchant banker.
- (3) The issuer shall file the soft copy of the offer document with the Board as specified in Schedule V, along with the fee as specified in Schedule IV.
- (4) The offer document shall also be placed on the website of the concerned stock exchange and of the issuer clearly stating that it is in connection with institutional placement programme and that the offer is being made only to the qualified institutional buyers.
- (5) The merchant banker shall submit to the Board a due diligence certificate as per Form A of Schedule VI, stating that the eligible securities are being issued under institutional placement programme and that the issuer complies with requirements of this Chapter.

Pricing and allocation/allotment.

- 91F.** (1) The eligible seller shall announce a floor price or price band at least one day prior to the opening of institutional placement programme.
- (2) The eligible seller shall have the option to make allocation/allotment as per any of the following methods—
- (a) proportionate basis;
 - (b) price priority basis; or

- (c) criteria as mentioned in the offer document.
- (3) The method chosen shall be disclosed in the offer document.
- (4) Allocation/allotment shall be overseen by stock exchange before final allotment.

Restrictions

- 91G. (1)** The promoter or promoter group shall not make institutional placement programme if the promoter or any person who is part of the promoter group has purchased or sold the eligible securities during the twelve weeks period prior to the date of the programme and they shall not purchase or sell the eligible securities during the twelve weeks period after the date of the programme:

Provided that such promoter or promoter group may, within the period provided in sub-regulation (1), offer eligible securities held by them through institutional placement programme or offer for sale through stock exchange mechanism specified by the Board, subject to the condition that there shall be a gap of minimum two weeks between the two successive offer(s) and /or programme(s).]

- (2) Allocation/allotment under the institutional placement programme shall be made subject to the following conditions:
 - (a) Minimum of twenty five per cent. of eligible securities shall be allotted to mutual funds and insurance companies:

Provided that if the mutual funds and insurance companies do not subscribe to said minimum percentage or any part thereof, such minimum portion or part thereof may be allotted to other qualified institutional buyers;
 - (b) No allocation/allotment shall be made, either directly or indirectly, to any qualified institutional buyer who is a promoter or any person related to promoters of the issuer:

Provided that a qualified institutional buyer who does not hold any shares in the issuer and who has acquired the rights in the capacity of a lender shall not be deemed to be a person related to promoters.
- (3) The issuer shall accept bids using ASBA facility only.
- (4) The bids made by the applicants in institutional placement programme shall not be revised downwards or withdrawn.

Explanation: For the purpose of clause (b) of sub-regulation (2), a qualified institutional buyer who has any of the following rights shall be deemed to be a person related to the promoters of the issuer:-

- (a) rights under a shareholders' agreement or voting agreement entered into with promoters or persons related to the promoters;
- (b) veto rights; or
- (c) right to appoint any nominee director on the board of the issuer.

Minimum number of allottees

- 91H. (1)** The minimum number of allottees for each offer of eligible securities made under institutional placement programme shall not be less than ten:

Provided that no single allottee shall be allotted more than twenty five per cent. of the offer size.

- (2) The qualified institutional buyers belonging to the same group or who are under same control shall be deemed to be a single allottee.

Explanation: For the purpose of sub-regulation (2), the expression "qualified institutional buyers belonging to the same group" shall have the same meaning as derived from sub-section (11) of

section 372 of the Companies Act, 1956;

Restrictions on size of the offer

- 91-I.** (1) The aggregate of all the tranches of institutional placement programme made by the eligible seller shall not result in increase in public shareholding by more than ten per cent. or such lesser per cent. as is required to reach minimum public shareholding.
- (2) Where the issue has been oversubscribed, an allotment of not more than ten per cent. of the offer size shall be made by the eligible seller.

Period of Subscription and display of demand

- 91J.** (1) The issue shall be kept open for a minimum of one day or maximum of two days.
- (2) The aggregate demand schedule shall be displayed by stock exchange(s) without disclosing the price.

Withdrawal of offer

91K. The eligible seller shall have the right to withdraw the offer in case it is not fully subscribed.

Transferability of eligible securities

91L. The eligible securities allotted under institutional placement programme shall not be sold by the allottee for a period of one year from the date of allocation/allotment, except on a recognised stock exchange.

CHAPTER IX



BONUS ISSUE

Conditions for bonus issue

- 92.** Subject to the provisions of the Companies Act, 1956 or any other applicable law for the time being in force, a listed issuer may issue bonus shares to its members if:
- (a) it is authorised by its articles of association for issue of bonus shares, capitalisation of reserves, etc.:
- Provided that if there is no such provision in the articles of association, the issuer shall pass a resolution at its general body meeting making provisions in the articles of associations for capitalisation of reserve;
- (b) it has not defaulted in payment of interest or principal in respect of fixed deposits or debt securities issued by it;
 - (c) it has sufficient reason to believe that it has not defaulted in respect of the payment of statutory dues of the employees such as contribution to provident fund, gratuity and bonus;
 - (d) the partly paid shares, if any outstanding on the date of allotment, are made fully paid up

Restriction on bonus issue

- 93.** (1) No issuer shall make a bonus issue of equity shares unless it has made reservation of equity shares of the same class in favour of the holders of outstanding compulsorily convertible debt instruments in proportion to the convertible part thereof.
- (2) The equity shares so reserved for the holders of fully or partly compulsorily convertible debt instruments shall be issued at the time of conversion of such convertible debt instruments on the same terms or same proportion at which the bonus shares were issued.

Bonus shares only against reserves, etc. if capitalised in cash

94. (1) The bonus issue shall be made out of free reserves built out of the genuine profits or securities premium collected in cash only and reserves created by revaluation of fixed assets shall not be capitalised for the purpose of issuing bonus shares.
- (2) Without prejudice to the provisions of sub-regulation (1), the bonus share shall not be issued in lieu of dividend.

Completion of bonus issue

95. (1) An issuer, announcing a bonus issue after the approval of its board of directors and not requiring shareholders' approval for capitalisation of profits or reserves for making the bonus issue, shall implement the bonus issue within fifteen days from the date of approval of the issue by its board of directors:

Provided that where the issuer is required to seek shareholders' approval for capitalisation of profits or reserves for making the bonus issue, the bonus issue shall be implemented within two months from the date of the meeting of its board of directors wherein the decision to announce the bonus issue was taken subject to shareholders' approval.

- (2) Once the decision to make a bonus issue is announced, the issue can not be withdrawn.

CHAPTER X



ISSUE OF INDIAN DEPOSITORY RECEIPTS

Applicability

96. (1) The provisions of this Chapter shall apply to an issue of Indian Depository Receipts (hereinafter referred to as "IDR") made in terms of section 605A of the Companies Act, 1956 and Companies (Issue of Indian Depository Receipts) Rules, 2004.
- (2) All provisions of these regulations shall be applicable in case of issue of IDR, except the disclosure requirements with respect to public issue and rights issue of specified securities as provided in these regulations and the following:
- (a) clauses (a), (b), (c) and (f) of sub-regulation (2) of regulation 4;
 - (b) sub-regulations (1), (2) and (3) of regulation 6,
 - (c) clauses (c),(d) and (e) of sub-regulation (1) of regulation 8;
 - (d) sub-regulations (2) and (3) of regulation 8;
 - (e) regulations 10,16,17,19, 20,21,22,23,24,26,27,31,41,42,45,47,49 and 68;
 - (f) sub-regulation (2) of regulation 11;
 - (g) sub-regulation (2) of regulation 28;
 - (h) clauses (b) and (c) of regulation 29;
 - (i) Parts III and IV of Chapter III;
 - (ia) regulation 43, except sub-regulation (3) thereof;
 - (j) Chapter IV;
 - (k) sub-regulation (3) of regulation 65;
 - (l) Chapters VII, VIII and IX.

- (3) Further, the applicability of regulation 60 shall be as follows:
- (a) the applicability of sub-regulations (1) and (7) and Explanation II shall be restricted to any issue advertisements made in India or any research report circulated in India, pertaining to the IDR issue of the issuing company;
 - (b) the applicability of sub-regulations (2) and (3) shall be restricted to any public communications and publicity material issued or published in any media in India;
 - (c) the applicability of sub-regulations (5) and (6) shall be restricted to any material or information released in India and any issue advertisements and publicity materials issued or published in any media in India;
 - (d) the applicability of sub-regulation (13) shall be restricted to any product advertisement of an issuing company issued or published in any media in India;
 - (e) all other provisions of regulation 60 shall be applicable.

Eligibility

97. An issuing company making an issue of IDR shall also satisfy the following:

- (a) the issuing company is listed in its home country;
- (b) the issuing company is not prohibited to issue securities by any regulatory body;
- (c) the issuing company has track record of compliance with securities market regulations in its home country.

Explanation: For the purpose of this regulation, the term “home country” means the country where the issuing company is incorporated and listed.

Conditions for issue of IDR

98. An issue of IDR shall be subject to the following conditions:

- (a) issue size shall not be less than fifty crore rupees;
- (b) procedure to be followed by each class of applicant for applying shall be mentioned in the prospectus;
- (c) minimum application amount shall be twenty thousand rupees;
- (d) at least fifty per cent. of the IDR issued shall be allotted to qualified institutional buyers on proportionate basis as per illustration given in Part C of Schedule XI;
- (e) the balance fifty per cent. may be allocated among the categories of non-institutional investors and retail individual investors including employees at the discretion of the issuer and the manner of allocation shall be disclosed in the prospectus. Allotment to investors within a category shall be on proportionate basis:

Provided that at least thirty per cent. of the IDRs being offered in the public issue shall be available for allocation to retail individual investors and in case of under subscription in retail individual investor category, spillover to other categories to the extent of under subscription may be permitted.

Explanation: For the purpose of this regulation, “employee” shall mean a person who,-

- (a) is a resident of India, and
- (b) is a permanent and full-time employee or a director, whether whole time or part time, of the issuer or of the holding company or subsidiary company or of the material associate(s) of the issuer, whose financial statements are consolidated with the issuer's financial statements, working in India and does not include promoters and an immediate relative of the promoter (i.e., any spouse of that person, or any parent, brother, sister or child of the person or of the spouse).]

- (f) At any given time, there shall be only one denomination of IDR of the issuing company.
- (g) the issuing company shall ensure that the underlying equity shares against which IDRs are issued have been or will be listed in its home country before listing of IDRs in stock exchange(s).
- (h) the issuing company shall ensure that the underlying shares of IDRs shall rank pari-passu with the existing shares of the same class.

Minimum subscription

99. (1) For non-underwritten issues:
- (a) If the issuing company does not receive the minimum subscription of ninety per cent. of the offer through offer document on the date of closure of the issue, or if the subscription level falls below ninety per cent. after the closure of issue on account of cheques having being returned unpaid or withdrawal of applications, the issuing company shall forthwith refund the entire subscription amount received.
 - (b) If the issuing company fails to refund the entire subscription amount within fifteen days from the date of the closure of the issue, it is liable to pay the amount with interest to the subscribers at the rate of fifteen per cent. per annum for the period of delay.
- (2) For underwritten issues: If the issuing company does not receive the minimum subscription of ninety per cent. of the offer through offer document including devolvment of underwriters within sixty days from the date of closure of the issue, the issuing company shall forthwith refund the entire subscription amount received with interest to the subscribers at the rate of fifteen per cent. per annum for the period of delay beyond sixty days.

Fungibility

100. The Indian Depository Receipts shall be fungible into underlying equity shares of the issuing company in the manner specified by the Board and Reserve Bank of India, from time to time.

Filing of draft prospectus, due diligence certificates, payment of fees and issue advertisement for IDR

101. (1) The issuing company shall appoint one or more merchant bankers, at least one of whom shall be a lead merchant banker and shall also appoint other intermediaries, in consultation with the lead merchant banker and shall enter into an agreement with the merchant banker on the lines of format of agreement as specified in Schedule II.
- (2) Where the issue is managed by more than one merchant banker, the rights, obligations and responsibilities, relating inter-alia to disclosures, allotment, refund and underwriting obligations, if any, of each merchant banker shall be predetermined and disclosed in the prospectus on the lines of format as specified in **Schedule I**.
- (3) The issuing company shall file a draft prospectus with the Board through a merchant banker along with the requisite fee, as prescribed in Companies (Issue of Indian Depository Receipts) Rules, 2004.
- (4) The prospectus filed with the Board under this regulation shall also be furnished to the Board in a soft copy on the lines specified in **Schedule V**.
- (5) The lead merchant bankers shall:
- (a) submit a due diligence certificate as per format given in **Part C of Schedule XIX** to the Board along with the draft prospectus.
 - (b) certify that all amendments, suggestions or observations made by the Board have been incorporated in the prospectus
 - (c) submit a fresh due diligence certificate as per format given in **Part C of Schedule XIX**, at the time of filing the prospectus with the Registrar of the Companies.

- (d) furnish a certificate as per format given in **Part C of Schedule XIX**, immediately before the opening of the issue, certifying that no corrective action is required on its part.
- (e) furnish a certificate as per format given in **Part C of Schedule XIX**, after the issue has opened but before it closes for subscription.
- (6) The issuing company shall make arrangements for mandatory collection centres as specified in **Schedule III**.
- (7) The issuing company shall issue an advertisement in one English national daily newspaper with wide circulation and one Hindi national daily newspaper with wide circulation, soon after receiving final observations, if any, on the publicly filed draft prospectus with the Board, which shall be on the lines of the format and contain the minimum disclosures as given in **Part A of Schedule XIII**.

Agreements with other intermediaries and others

- 101A.** (1) The issuing company shall appoint a registrar and transfer agent which has connectivity with all the depositories.
- (2) The issuing company shall enter into an agreement with overseas custodian bank and domestic depository.
 - (3) The lead merchant banker, after independently assessing the capability of other intermediaries and others to carry out their obligations, shall advise the issuing company on their appointment.

Display of bid data and issue of allotment letter

- 102.** (1) The stock exchange(s) offering online bidding system for the book building process shall display on their website, the data pertaining to book built IDR issue, in the format specified in Part B(2) of Schedule XI, from the date of opening of the bids till at least three days after closure of bids.
- (2) The issuing company shall ensure that letter of allotment for the IDRs are issued simultaneously to all allottees and that in the event of it being impossible to issue letters of regret at the same time, a notice to that effect be issued in the media so that it appears on the morning after the letters of allotment have been dispatched.

Disclosures in prospectus and abridged prospectus

- 103.** (1) The prospectus shall contain all material disclosures which are true, correct and adequate so as to enable the applicants to take an informed investment decision.
- (2) Without prejudice to the generality of sub-regulation (1), the prospectus shall contain:
 - (a) the disclosures specified in Schedule to Companies (Issue of Indian Depository Receipts) Rules, 2004; and
 - (b) the disclosures in the manner as specified in Part A of Schedule XIX.
 - (3) The abridged prospectus for issue of Indian Depository Receipts shall contain the disclosures as specified in Part B of Schedule XIX.

Post-issue reports

- 104.** (1) The merchant banker shall submit post-issue reports to the Board in accordance with sub-regulation (2).
- (2) The post-issue reports shall be submitted as follows:
 - (a) initial post issue report on the lines of Parts A and B of Schedule XVI, within three days of closure of the issue;

- (b) final post issue report on the lines of Parts C and D of Schedule XVI, within fifteen days of the date of finalisation of basis of allotment or within fifteen days of refund of money in case of failure of issue.

Undersubscribed issue

- 105.** In case of undersubscribed issue of IDR, the merchant banker shall furnish information in respect of underwriters who have failed to meet their underwriting devolvment to the Board on the lines of the format specified in **Schedule XVII**.

Finalisation of basis of allotment

- 106.** The executive director or managing director of the stock exchange, where the IDR are proposed to be listed, along with the post issue lead merchant bankers and registrars to the issue shall ensure that the basis of allotment is finalised in a fair and proper manner in accordance with the allotment procedure as specified in **Schedule XV**.

CHAPTER XA



RIGHTS ISSUE OF INDIAN DEPOSITORY RECEIPTS

Applicability

- 106A.** (1) In addition to compliance with Chapter X, a listed issuer offering IDR through a rights issue shall satisfy the conditions specified in this Chapter at the time of filing the offer document:
- Provided that the provisions of the following regulations shall not be applicable in case of rights issue of IDRs:
- (a) clauses (a), (b), (c), (d) and (e) of regulation 98;
 - (b) regulation 102; and
 - (c) regulation 103.
- (2) Every listed issuer offering IDRs through a rights issue shall prepare the offer document in accordance with the home country requirements along with an addendum containing disclosures as specified in Part A of Schedule XXI and regulation 106F and file the same with the Board and the stock exchanges on which the IDRs of the issuer are listed.

Eligibility

- 106B.** No issuer shall make a rights issue of IDRs:
- (a) if at the time of undertaking the rights issue, the issuer is in breach of ongoing material obligations under the IDR Listing Agreement as may be applicable to such issuer or material obligations under the deposit agreement entered into between the domestic depository and the issuer at the time of initial offering of IDRs; and
 - (b) unless it has made an application to all the recognised stock exchanges in India, where its IDRs are already listed, for listing of the IDRs to be issued by way of rights and has chosen one of them as the designated stock exchange.

Renunciation by an IDR holder

- 106C.** Unless the laws of the home jurisdiction of the issuer company otherwise provide, the rights offering shall be deemed to include a right exercisable by the person concerned to renounce the IDRs offered to the IDR holder in favour of any other person subject to applicable laws and the same shall be disclosed in the offer document.

Depository

- 106D.** The domestic depository shall, in accordance with the depository agreement executed with the issuer

at the time of initial offering of IDRs, take such steps as are necessary to enable the IDR holders to have entitlements under the rights offering and issue additional IDRs to such IDR holders, distribute the rights to the IDR Holders/renouncees or arrange for the IDR holders/renouncees to subscribe for any additional rights which are available due to lack of take-up by other holders of underlying shares.

Record Date

- 106E.**(1) A listed issuer making a rights issue of IDRs shall in accordance with provisions of the listing agreement, announce a record date for the purpose of determining the shareholders eligible to apply for IDRs in the proposed rights issue.
- (2) If the issuer withdraws the rights issue after announcing the record date, it shall notify the Board about the same and shall notify the same in one English national daily newspaper with wide circulation, one Hindi national daily newspaper with wide circulation and one regional language daily newspaper with wide circulation at the place where principal office of the issuer is situated in India. If the issuer withdraws the rights issue after announcing the record date, it shall not make an application for offering of IDRs on a rights basis for a period of twelve months from the said record date.

Disclosures in the offer document and the addendum for the rights offering

- 106F.**(1) The offer document for the rights offering shall contain disclosures as required under the home country regulations of the issuer.
- (2) Apart from the disclosures as required under the home country regulations, an additional wrap (addendum to offer document) shall be attached to the offer document to be circulated in India containing information as specified in Part A of Schedule XXI and other instructions as to the procedures and process to be followed with respect to rights issue of IDRs in India.
- (3) Without prejudice to the generality of sub-regulations (1) and (2), the offer document and the addendum attached with it, shall contain all material information, which are true, correct and adequate, so as to enable the applicants to take an informed investment decision.

Filing of draft offer document and the addendum for rights offering

- 106G.**(1) The issuer shall appoint one or more merchant bankers, one of whom shall be a lead merchant banker and shall also appoint other intermediaries, in consultation with the lead merchant banker, to carry out the obligations relating to the issue.
- (2) The issuer shall, through the lead merchant banker, file the draft offer document prepared in accordance with the home country requirements along with an addendum containing disclosures as specified in Part A of Schedule XXI with the Board, as a confidential filing accompanied with fees as specified in Part A of Schedule IV.
- (3) The Board may specify changes or issue observations, if any, on the draft offer document and the addendum within thirty days or from the following dates, whichever is later:
- the date of receipt of the draft offer document prepared in accordance with the home country requirements along with an addendum under sub-regulation (2); or
 - the date of receipt of satisfactory reply from the lead merchant bankers, where the Board has sought any clarification or additional information from them; or
 - the date of receipt of clarification or information from any regulator or agency, where the Board has sought any clarification or information from such regulator or agency; or
 - the date of receipt of a copy of in-principle approval letter issued by the recognised stock exchanges.
- (4) If the Board specifies changes or issues observations on the draft offer document and the addendum under sub-regulation(3), the issuer and the merchant banker shall file the revised draft offer document and the updated addendum after incorporating the changes suggested or specified by the Board.

- (5) The issuer shall also submit an undertaking from the Overseas Custodian and Domestic Depository addressed to the issuer, to comply with their obligations with respect to the said rights issue under their respective agreements entered into between them, along with the offer document.
- (6) The issuer shall ensure that the Compliance Officer, in charge of ensuring compliance with the obligations under this Chapter, functions from within the territorial limits of India.

Fast track issue.

- 106H.** (1) Nothing contained in sub-regulations (1), (2), (3) and (4) of regulation 106G shall apply, if the issuer satisfies the following conditions:
- (a) the issuer is in compliance in all material respects with the provisions of deposit agreement and the provisions of listing agreements (or listing conditions) applicable in all the jurisdictions wherever the issuer is listed, for a period of at least three years immediately preceding the date of filing of the offer document, and a certification to this effect is provided by the issuer;
 - (b) the offer document for the rights offering of the securities of the issuer has been filed and reviewed by the securities regulator in the home country of the issuer;
 - (c) there are no pending show-cause notices or prosecution proceedings against the issuer or its promoters, where applicable, or whole time directors on the reference date by the Board or the regulatory authorities in its home country restricting them from accessing the capital markets; and
 - (d) the issuer has redressed at least ninety five per cent. of the complaints received from the IDR holders before the end of the three months period immediately preceding the month of date of filing the letter of offer with the designated stock exchange.
- (2) Where the conditions in sub-regulation (1) are satisfied, the issuer may opt for rights issue of IDRs by filing a copy of the offer document prepared in accordance with the home country requirements along with an addendum containing disclosures as specified in Part A of Schedule XXI with the Board for record purposes, before filing the same with the recognised stock exchanges.

Dispatch of abridged letter of offer and application form

- 106I.** (1) The abridged letter of offer, containing disclosures as specified in Part B of Schedule XXI, for a rights offering, along with application form, shall be dispatched through registered post or speed post to all the eligible IDR holders at least three days before the date of opening of the issue and shall be made available on the website of the issuer with appropriate access restrictions at the same time it is made available to the holders of its equity shares.
- Provided that a hard copy of the offer document for a rights offering along with the addendum shall be made available at the principal office of the issuer or lead merchant banker to any existing IDR holder who has made a request in this regard.
- (2) The eligible IDR holders who have not received the application form may apply in writing on a plain paper to the domestic depository, along with the requisite application money within the time frame for acceptance.
 - (3) The eligible IDR holders making an application otherwise than on the application form shall not renounce their rights and shall not utilise the application form for any purpose including renunciation even if it is received subsequently.
 - (4) Where any eligible IDR holder makes an application on an application form as well as on plain paper, such application is liable to be rejected.
 - (5) The issue price and the ratio shall be decided simultaneously with record date in accordance with the home country regulations.

Period of subscription and issue of allotment letter

- 106J.** (1) A rights issue shall be open for subscription in India for a period as applicable under the laws of its home country but in no case less than ten days.
- (2) The issuing company shall ensure that it sends the allotment letter of rights to IDR Holders at the time they are sent to shareholders of the issuing company as per the requirement of its home country or other jurisdictions where its securities are listed.]

Pre-Issue Advertisement for rights issue

- 106K.**(1) The issuer shall issue an advertisement for the rights issue disclosing the following:
- the date of completion of despatch of the abridged letter of offer and the application form;
 - the centres other than principal office of the issuer in India where the eligible IDR holders may obtain duplicate copies of the application forms in case they do not receive the application form within a reasonable time after opening of the rights issue;
 - a statement that if the eligible IDR holders have neither received the original application forms nor they are in a position to obtain the duplicate forms, they may make application in writing on a plain paper to subscribe to the rights issue;
 - a format to enable the eligible IDR holders, to make the application on a plain paper specifying therein necessary particulars such as name, address, ratio of rights issue, issue price, number of IDRs held, ledger folio numbers, depository participant ID, client ID, number of IDRs entitled and applied for, amount to be paid along with application, and particulars of cheque, etc. to be drawn in favour of the issuer's account;
 - a statement that the applications can be directly sent by the eligible IDR holders through registered post together with the application moneys to the issuer's designated official at the address given in the advertisement;
 - a statement to the effect that if the eligible IDR holder makes an application on plain paper and also on application form both his applications shall be liable to be rejected at the option of the issuer.
- (2) The advertisement shall be made in at least one English national daily newspaper with wide circulation, one Hindi national daily newspaper with wide circulation and one regional language daily newspaper with wide circulation at the place where principal office of the issuer is situated in India at least three days before the date of opening of the issue.

Utilisation of funds raised in rights issue.

- 106L.**(1) The issuer shall utilise funds raised in relation to the IDRs pursuant to the rights offering only upon completion of the allotment process.

CHAPTER XB



ISSUE OF SPECIFIED SECURITIES BY SMALL AND MEDIUM ENTERPRISES

Applicability

- 106M.**(1) An issuer whose post-issue face value capital does not exceed ten crore rupees shall issue its specified securities in accordance with provisions of this Chapter.
- (2) An issuer, whose post issue face value capital is more than ten crore rupees and upto twenty five crore rupees, may also issue specified securities in accordance with provisions of this Chapter.

- (3) The provisions of these regulations, in respect of the matters not specifically dealt or excluded under this Chapter, shall mutatis mutandis apply to any issue of specified securities under this Chapter:

Provided that provisions of sub-regulations (1), (2) and (3) of regulation 6, regulation 8, regulation 9, regulation 10, regulation 25, regulation 26, regulation 27 and sub-regulation (1) of regulation 49 of these regulations shall not apply to an issue of specified securities made under this Chapter.

Definitions

106N. (1) In this Chapter, unless the context otherwise requires, -

- (a) "Main Board" means a recognized stock exchange having nationwide trading terminals, other than SME exchange;
- (b) "nominated investor" means a qualified institutional buyer or private equity fund, who enters into an agreement with the merchant banker to subscribe to the issue in case of under-subscription or to receive or deliver the specified securities in the market-making process;

Explanation: "private equity fund" means a fund registered with any regulatory authority or a fund established by any person registered with any regulatory authority;

- (c) "SME exchange" means a trading platform of a recognised stock exchange having nationwide trading terminals permitted by the Board to list the specified securities issued in accordance with this Chapter and includes a stock exchange granted recognition for this purpose but does not include the Main Board;

- (2) All other words and expression used in this Chapter but not defined under sub- regulation (1) shall derive their meaning from regulation 2 of these regulations.

Filing of offer document and due diligence certificate

106O. (1) The issuer making a public issue or rights issue of specified securities under this Chapter shall not file the draft offer document with the Board:

Provided that the issuer shall file a copy of the offer document with the Board through a merchant banker, simultaneously with the filing of the prospectus with the SME exchange and the Registrar of Companies or letter of offer with the SME Exchange:

Provided further that the Board shall not issue any observation on the offer document.

- (2) The merchant banker shall submit a due-diligence certificate as per Form A of Schedule VI including additional confirmations as provided in Form H of Schedule VI alongwith the offer document to the Board.
- (3) The offer document shall be displayed from the date of filing in terms of sub-regulation (1) on the websites of the Board, the issuer, the merchant banker and the SME exchange where the specified securities offered through the offer document are proposed to be listed.

Underwriting by merchant bankers and underwriters

106P. (1) The issue made under this Chapter shall be hundred per cent. underwritten.

Explanation: The underwriting under this regulation shall be for the entire hundred percent of the offer through offer document and shall not be restricted upto the minimum subscription level.

- (2) The merchant banker/s shall underwrite at least fifteen per cent of the issue size on his/ their own account/s.
- (3) The issuer in consultation with merchant banker may appoint underwriters in accordance with Securities and Exchange Board of India (Underwriters) Regulations, 1993 and the merchant

banker may enter into an agreement with nominated investor indicating therein the number of specified securities which they agree to subscribe at issue price in case of under-subscription.

- (4) If other underwriters fail to fulfill their underwriting obligations or other nominated investors fail to subscribe to unsubscribed portion, the merchant banker shall fulfill the underwriting obligations.
- (5) The underwriters other than the merchant banker and the nominated investors, who have entered into an agreement for subscribing to the issue in case of under-subscription, shall not subscribe to the issue made under this Chapter in any manner except for fulfilling their obligations under their respective agreements with the merchant banker in this regard.
- (6) All the underwriting and subscription arrangements made by the merchant banker shall be disclosed in the offer document.
- (7) The merchant banker shall file an undertaking to the Board that the issue has been hundred per cent. underwritten along with the list of underwriters and nominated investors indicating the extent of underwriting or subscription commitment made by them, one day before the opening of issue.

Minimum Application Value

106Q. The issuer shall stipulate in the offer document, the minimum application size in terms of number of specified securities which shall not be less than one lakh rupees per application.

Minimum Number of Allottees

106R. No allotment shall be made pursuant to any initial public offer made under this Chapter, if the number of prospective allottees is less than fifty.

Listing of specified securities

- 106S.** (1) Specified securities issued in accordance with this Chapter shall be listed on SME exchange.
- (2) Where any listed issuer issues specified securities in accordance with provisions of this Chapter it shall migrate the specified securities already listed on any recognized stock exchange/s to the SME exchange.

Migration to SME exchange

106T. A listed issuer whose post-issue face value capital is less than twenty five crore rupees may migrate its specified securities to SME exchange if its shareholders approve such migration by passing a special resolution through postal ballot to this effect and if such issuer fulfils the eligibility criteria for listing laid down by the SME exchange:

Provided that the special resolution shall be acted upon if and only if the votes cast by shareholders other than promoters in favour of the proposal amount to at least two times the number of votes cast by shareholders other than promoter shareholders against the proposal.

Migration to Main Board

- 106U.** (1) An issuer, whose specified securities are listed on a SME Exchange and whose post issue face value capital is more than ten crore rupees and upto twenty five crore rupees, may migrate its specified securities to Main Board if its shareholders approve such migration by passing a special resolution through postal ballot to this effect and if such issuer fulfils the eligibility criteria for listing laid down by the Main Board:

Provided that the special resolution shall be acted upon if and only if the votes cast by shareholders other than promoters in favour of the proposal amount to at least two times the number of votes cast by shareholders other than promoter shareholders against the proposal.

- (2) Where the post issue face value capital of an issuer listed on SME exchange is likely to increase beyond twenty five crore rupees by virtue of any further issue of capital by the issuer

by way of rights issue, preferential issue, bonus issue, etc. the issuer shall migrate its specified securities listed on SME exchange to Main Board and seek listing of specified securities proposed to be issued on the Main Board subject to the fulfilment of the eligibility criteria for listing of specified securities laid down by the Main Board:

Provided that no further issue of capital by the issuer shall be made unless –

- (a) the shareholders of the issuer have approved the migration by passing a special resolution through postal ballot wherein the votes cast by shareholders other than promoters in favour of the proposal amount to at least two times the number of votes cast by shareholders other than promoter shareholders against the proposal;
- (b) the issuer has obtained in- principle approval from the Main Board for listing of its entire specified securities on it.

Market Making

106V. (1) The merchant banker shall ensure compulsory market making through the stock brokers of SME exchange in the manner specified by the Board for a minimum period of three years from the date of listing of specified securities issued under this Chapter on SME exchange or from the date of migration from Main Board in terms of regulation 202[106T], as the case may be.

- (2) The merchant banker may enter into agreement with nominated investors for receiving or delivering the specified securities in the market making subject to the prior approval by the SME exchange where the specified securities are proposed to be listed.
- (3) The issuer shall disclose the details of arrangement of market making in the offer document.
- (4) The specified securities being bought or sold in the process of market making may be transferred to or from the nominated investor with whom the merchant banker has entered into an agreement for the market making:

Provided that the inventory of the market maker, as on the date of allotment of the specified securities, shall be at least five per cent. of the specified securities proposed to be listed on SME exchange.

- (5) The market maker shall buy the entire shareholding of a shareholder of the issuer in one lot, where value of such shareholding is less than the minimum contract size allowed for trading on the SME exchange:

Provided that market maker shall not sell in lots less than the minimum contract size allowed for trading on the SME exchange.

- (6) Market maker shall not buy the shares from the promoters or persons belonging to promoter group of the issuer or any person who has acquired shares from such promoter or person belonging to promoter group, during the compulsory market making period laid down under sub-regulation (1).
- (7) The promoters' holding shall not be eligible for offering to the market maker under this Chapter during the period specified in sub-regulation (1):

Provided that the promoters' holding which is not locked-in as per these regulations can be traded with prior permission of the SME exchange, in the manner specified by the Board.

- (8) Subject to the agreement between the issuer and the merchant banker/s, the merchant banker/s who have the responsibility of market making may be represented on the board of the issuer.

CHAPTER XC



LISTING ON INSTITUTIONAL TRADING PLATFORM

Applicability

- 106W.** (1) The provisions of this chapter shall apply to entities which seek listing of their specified securities exclusively on the institutional trading platform either pursuant to a public issue or otherwise.
- (2) The provisions of these regulations, in respect of the matters not specifically dealt or excluded under this Chapter, shall apply mutatis mutandis to any listing of specified securities under this Chapter:
- Provided that the provisions of sub-regulation (4) of regulation 4, sub-regulations (1) and (2) of regulation 26 of these regulations shall not apply to listing of specified securities made under this Chapter.
- (3) The institutional trading platform shall be accessible to institutional investors and non-institutional investors.

Definitions

- 106X.** (1) In this chapter, unless the context otherwise requires,-
- (a) "institutional trading platform" means the trading platform for listing and trading of specified securities of entities that comply with the eligibility criteria specified in regulation 106Y;
- (b) "institutional investor" means:
- (i) qualified institutional buyer; or
- (ii) family trust or systematically important NBFCs registered with Reserve Bank of India or intermediaries registered with the Board, all with net-worth of more than five hundred crore rupees, as per the last audited financial statements;
- (c) "persons acting in concert" shall have the same meaning as assigned to it under regulation 2(1)(q) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
- (3) All other words and expressions used in this Chapter but not defined under sub-regulation (1) shall derive their meaning from regulation 2 of these regulations.

Eligibility

- 106Y.** (1) The following entities shall be eligible for listing on the institutional trading platform,-
- (a) an entity which is intensive in the use of technology, information technology, intellectual property, data analytics, bio-technology or nano-technology to provide products, services or business platforms with substantial value addition and at least twenty five per cent of its pre-issue capital is held by qualified institutional buyer(s) as on the date of filing of draft information document or draft offer document with the Board, as the case may be; or
- (b) any other entity in which at least fifty per cent of the pre-issue capital is held by qualified institutional buyers as on the date of filing of draft information document or draft offer document with the Board, as the case may be.
- (2) No person, individually or collectively with persons acting in concert, shall hold twenty five per cent or more of the post-issue share capital in an entity specified in sub-regulation (1).

Listing without public issue

- 106Z.** (1) An entity seeking listing of its specified securities without making a public issue shall file a draft information document along with necessary documents with the Board in accordance with these regulations along with fee as specified in Schedule IV of these regulations.
- (2) The draft information document shall contain the disclosures as specified for draft offer document in these regulations.
- (3) Regulations relating to the following shall not be applicable in case of listing without public issue:
- (i) allotment;
 - (ii) issue opening / closing;
 - (iii) advertisement;
 - (iv) underwriting;
 - (v) sub-regulation (5) of regulation 26;
 - (vi) pricing;
 - (vii) dispatch of issue material;
 - (viii) and other such provisions related to offer of specified securities to public.
- (4) The entity shall obtain in-principle approval from the recognised stock exchanges on which it proposes to get its specified securities listed.
- (5) The entity shall list its specified securities on the recognised stock exchange(s) within thirty days:
- (a) from the date of issuance of observations by the Board; or
 - (b) from the expiry of the period stipulated in sub-regulation (2) of regulation 6, if the Board has not issued any such observations.
- (6) The entity which has received in-principle approval from the recognised stock exchange for listing of its specified securities on the institutional trading platform, without making a public issue, shall be deemed to have been waived by the Board under sub-rule (7) of rule 19 from the requirement of clause (b) of sub-rule (2) of rule 19 of Securities Contracts (Regulation) Rules, 1957 for the limited purpose of listing on the institutional trading platform.
- (7) Provisions relating to minimum public shareholding shall not apply to entities listed on institutional trading platform without making a public issue.
- (8) The draft and final information document shall be approved by the board of directors of the entity and shall be signed by all directors, the Chief Executive Officer, i.e., the Managing Director or Manager within the meaning of the Companies Act, 2013 and the Chief Financial Officer, i.e., the Whole-time Finance Director or any other person heading the finance function and discharging that function.
- (9) The signatories shall also certify that all disclosures made in the information document are true and correct.
- (10) In case of mis-statement in the information document or any omission therein, any person who has authorized the issue of information document shall be liable in accordance with the provisions of the SEBI Act, 1992 and regulations made thereunder.

Listing pursuant to public issue

- 106ZA.**(1) An entity seeking issue and listing of its specified securities shall file a draft offer document along with necessary documents with the Board in accordance with these regulations along with fees as specified in Schedule IV of these regulations.

- (2) The minimum application size shall be ten lakh rupees.
- (3) The number of allottees shall be more than two hundred.
- (4) The allocation in the net offer to public category shall be as follows:
 - (a) seventy-five per cent to institutional investors:
Provided that there shall be no separate allocation for Anchor Investors;
 - (b) twenty-five per cent to non-institutional investors;
- (5) Any under-subscription in the non-institutional investor category shall be available for subscription under the institutional investors' category.
- (6) The allotment to institutional investors may be on a discretionary basis whereas the allotment to non-institutional investors shall be on a proportionate basis.
- (7) The mode of allotment to institutional investors, i.e., whether discretionary or proportionate, shall be disclosed prior to or at the time of filing of the Red Herring Prospectus.
- (8) In case of discretionary allotment to institutional investors, no institutional investor shall be allotted more than ten per cent of the issue size.
- (9) The offer document shall disclose the broad objects of the issue.
- (10) The basis of issue price may include disclosures, except projections, as deemed fit by the issuers in order to enable investors to take informed decisions and the disclosures shall suitably caution the investors about basis of valuation.

Lock-in

- 106ZB.** (1) The entire pre-issue capital of the shareholders shall be locked-in for a period of six 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:

Provided that nothing contained in this regulation shall apply to:

- (i) equity shares allotted to employees under an employee stock option or employee stock purchase scheme of the entity prior to the initial public offer, if the entity has made full disclosures with respect to such options or scheme in accordance with Part A of Schedule VIII;
- (ii) equity shares held by a venture capital fund or alternative investment fund of Category I or a foreign venture capital investor:
Provided that such equity shares shall be locked in for a period of at least one year from the date of purchase by the venture capital fund or alternative investment fund or foreign venture capital investor.
- (iii) equity shares held by persons other than promoters, continuously for a period of at least one year prior to the date of listing in case of listing without public issue:

Explanation.- For the purpose of clause (ii) and (iii), in case such equity shares have resulted pursuant to conversion of fully paid-up compulsorily convertible securities, the holding period of such convertible securities as well as that of resultant equity shares together shall be considered for the purpose of calculation of one year period and the convertible securities shall be deemed to be fully paid-up, if the entire consideration payable thereon has been paid at the time of their conversion.

- (2) The specified securities held by promoters and locked-in may be pledged with any scheduled commercial bank or public financial institution as collateral security for loan granted by such bank or institution if the pledge of specified securities is one of the terms of sanction of the loan.

- (3) The specified securities that are locked-in may be transferable in accordance with regulation 40 of these regulations.
- (4) All specified securities allotted on a discretionary basis shall be locked-in in accordance with the requirements for lock-in by Anchor Investors on main board of the stock exchange, as specified under clause 10(j) in Part A of Schedule XI.

Trading lot

106ZC. The minimum trading lot shall be ten lakh rupees.

Exit of entities listed without making a public issue

- 106ZD.** (1) An entity whose specified securities are listed on the institutional trading platform without making a public issue may exit from that platform, if-
- (a) its shareholders approve such exit by passing a special resolution through postal ballot where ninety per cent of the total votes and the majority of non-promoter votes have been cast in favor of such proposal; and
 - (b) the recognised stock exchange where its shares are listed approve of such an exit.
- (2) The recognised stock exchange may delist the specified securities of an entity listed without making a public issue upon non-compliance of the conditions of listing and in the manner as specified by the stock exchange.
- (3) No entity promoted by promoters and directors of an entity delisted under sub-regulation (2), shall be permitted to list on institutional trading platform for a period of five years from the date of such delisting:

Provided that the provisions of this regulation shall not apply to another entity promoted by the independent directors of such a delisted entity.

Migration to main board

106ZE. An entity that has listed its specified securities on a recognised stock exchange in accordance with the provisions of this Chapter may at its option migrate to the main board of that recognised stock exchange after expiry of three years from the date of listing subject to compliance with the eligibility requirements of the stock exchange.

Repeal and saving

106ZF. The provisions of Chapter XC and all directions, guidelines, instructions or circulars, issued by the Board as applicable to small and medium enterprises which are listed on the institutional trading platform, as on the date of commencement of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Fourth Amendment) Regulations, 2015 shall continue to remain in force for the period such companies are listed on the institutional trading platform or till such time as specified by the Board, whichever is earlier, as if Chapter XC had not been repealed.

Explanation.- Under this Chapter, the phrases 'pre-issue' and 'post-issue', wherever they occur shall be construed as 'pre-listing' and 'post-listing', respectively, in case of listing without public issue.

CHAPTER XI



LISTING OF SECURITIES ON STOCK EXCHANGES

In-principle approval of recognized stock exchange(s)

- 107.** (1) The issuer or the issuing company, as the case may be, shall obtain in-principle approval from recognised stock exchange as follows:

- (a) in case of an initial public offer or an issue of Indian Depository Receipts (hereinafter referred to as 'IDRs') , from all the recognised stock exchange(s) on which the issuer or the issuing company, proposes to get its specified securities or IDRs, as the case may be, listed; and
- (b) in case of other issues, before issuance of further securities, as follows:
 - (i) where the securities are listed only on recognised stock exchange(s) having nationwide trading terminals, from all such stock exchange(s);
 - (ii) where the securities are not listed on any recognised stock exchange having nationwide trading terminals, from all the stock exchange(s) on which the securities of the issuer are proposed to be listed;
 - (iii) where the specified are listed on recognised stock exchange(s) having nationwide trading terminals as well as on the recognised stock exchange(s) not having nationwide trading terminals, from all recognised stock exchange(s) having nationwide trading terminals.

Application for Listing

108. (1) The issuer or the issuing company, as the case may be, shall complete the pre-listing formalities within the time lines specified by the Board from time to time.
- (2) The issuer or the issuing company, as the case may be, shall, make an application for listing, within twenty days from the date of allotment, to one or more recognized stock exchange(s) along with the documents specified by stock exchange(s) from time to time.
- (3) In case of delay in making application for listing beyond twenty days from the date of allotment, the issuer or the issuing company, as the case may be, shall pay penal interest to allottees for each day of delay at the rate of atleast ten per cent. per annum from the expiry of thirty days from date of allotment till the listing of such securities to the allottees.
- (4) In the event of non-receipt of listing permission from the stock exchange(s) by the issuer or the issuing company, as the case may be, or withdrawal of Observation Letter issued by the Board, wherever applicable, the securities shall not be eligible for listing and the issuer or the issuing company, as the case may be, shall be liable to refund the subscription monies, if any, to the respective allottees immediately alongwith interest at the rate of ten per cent. per annum from the date of allotment.

Listing Agreement

109. (1) Every issuer or the issuing company desirous of listing its securities on a recognised stock exchange shall execute a listing agreement with such stock exchange.
- (2) Every issuer or the issuing company which has previously entered into agreement(s) with a recognised stock exchange to list its securities shall execute a fresh listing agreement with such stock exchange within six months of the date of notification of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Obligation of stock exchange(s)

110. The stock exchange(s) shall grant in-principle approval/list the securities or reject the application for in-principle approval /listing by the issuer or issuing company, as the case maybe, within thirty days from the later of the following dates:
- (a) the date of receipt of application for in-principle approval/listing from issuer or the issuing company, as the case may be,;
 - (b) the date of receipt of satisfactory reply from the issuer or the issuing company, as the case may be, in cases where the stock exchange(s) has sought any clarification from them.

CHAPTER XII



MISCELLANEOUS

Directions by the Board

111. Without prejudice to the power under sections 11, 11A, 11B, 11D, sub-section (3) of section 12, Chapter VIA and section 24 of the Act or section 621 of the Companies Act, 1956, the Board may either suo motu or on receipt of information or on completion or pendency of any inspection, inquiry or investigation, in the interests of investors or the securities market, issue such directions or orders as it deems fit including any or all of the following:

- (a) directing the persons concerned not to access the securities market for a specified period;
- (b) directing the person concerned to sell or divest the securities;
- (c) any other direction which Board may deem fit and proper in the circumstances of the case:

Provided that the Board shall, either before or after issuing such direction or order, give a reasonable opportunity of being heard to the person concerned:

Provided further that if any interim direction or order is required to be issued, the Board may give post-decisional hearing to the person concerned.

Liability for contravention of the Act, rules or the regulations

111A. (1) The listed entity or any other person thereof who contravenes any of the provisions of these regulations, shall, in addition to the liability for action in terms of the securities laws, be liable for the following actions by the respective stock exchange(s), in the manner specified in the circulars or guidelines issued by the Board:

- (a) imposition of fines;
 - (b) suspension of trading;
 - (c) freezing of promoter/promoter group holding of designated securities, as may be applicable, in coordination with depositories;
 - (d) any other action as may be specified by the Board from time to time.
- (2) The manner of revocation of actions specified in clauses (b) and (c) of sub-regulation (1), shall be as specified in the circulars or guidelines issued by the Board.

Failure to pay fine

111B. If the listed entity fails to pay any fine imposed upon it by the recognised stock exchange(s), within the period as specified from time to time, the stock exchange may initiate such other action in accordance with law, after giving a notice in writing.

Power to remove difficulty

112. In order to remove any difficulties in the application or interpretation of these regulations, the Board may issue clarifications through guidance notes or circulars after recording reasons in writing.

Power to relax strict enforcement of the regulations

113. The Board may, in the interest of investors or for the development of the securities market, relax the strict enforcement of any requirement of these regulations, if the Board is satisfied that:

- (a) the requirement is procedural in nature; or
- (b) any disclosure requirement is not relevant for a particular class of industry or issuer; or
- (c) the non-compliance was caused due to factors beyond the control of the issuer.

- (2) For seeking relaxation under sub-regulation (1), an application, giving details and the grounds on which such relaxation has been sought, shall be filed with the Board.
- (3) The application referred to under sub-regulation (2) shall be accompanied by a non-refundable fee of rupees one lakh payable by way of direct credit in the bank account through NEFT/RTGS/IMPS or any other mode allowed by RBI or by way of a demand draft in favour of the Board payable in Mumbai.

Amendments to other regulations

- 114.** On and from the commencement of these regulations, the regulations mentioned in **Schedule XX** shall stand amended to the extent specified therein.

Repeal and Savings

- 115.** (1) On and from the commencement of these regulations, the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 shall stand rescinded.
- (2) Notwithstanding such rescission:
- (a) anything done or any action taken or purported to have been done or taken including observation made in respect of any draft offer document, any enquiry or investigation commenced or show cause notice issued in respect of the said Guidelines shall be deemed to have been done or taken under the corresponding provisions of these regulations;
 - (b) any offer document, whether draft or otherwise, filed or application made to the Board under the said Guidelines and pending before it shall be deemed to have been filed or made under the corresponding provisions of these regulations.



SEBI (LODR) REGULATIONS, 2015



CHAPTER I



PRELIMINARY

Short title and commencement

1. (1) These regulations may be called the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- (2) They shall come into force on the ninetieth day from the date of their publication in the Official Gazette:
Provided that the provisions of sub-regulation (4) of regulation 23 and regulation 31A shall come into force on the date of notification of these regulations.

Definitions

2. (1) In these regulations, unless the context otherwise requires:—
 - (a) Act means the Securities and Exchange Board of India Act, 1992 (15 of 1992);
 - (b) Associate shall mean any entity which is an associate under sub-section (6) of section 2 of the Companies Act, 2013 or under the applicable accounting standards:
Provided that this definition shall not be applicable for the units issued by mutual fund which are listed on a recognised stock exchange(s) for which the provisions of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 shall be applicable;
 - (c) Board means the Securities and Exchange Board of India established under section 3 of the Act ;
 - (d) Board of Director or —Board of Trustees shall mean the board of directors or board of trustees, whichever applicable, of the listed entity;
 - (e) Chief Executive Officer or Managing Director or Manager shall mean the person so appointed in terms of the Companies Act, 2013;
 - (f) Chief Financial Officer or Whole Time Finance Director or Head of Finance, by whatever name called, shall mean the person heading and discharging the finance function of the listed entity as disclosed by it to the recognised stock exchange(s) in its filing under these regulations;

- (g) Committee shall mean committee of board of directors or any other committee so constituted;
- (h) Designated Securities means specified securities, non-convertible debt securities, non-convertible redeemable preference shares, perpetual debt instrument, perpetual non-cumulative preference shares, Indian depository receipts, securitised debt instruments, units issued by mutual funds and any other securities as may be specified by the Board ;
- (i) Financial year shall have the same meaning as assigned to it under sub-section (41) of section 2 of the Companies Act, 2013;
- (j) Global Depository Receipts means global depository receipts as defined in sub-section (44) of section 2 of the Companies Act, 2013;
- (k) Half year means the period of six months commencing on the first day of April or October of a financial year;
- (l) Half yearly result means the financial results prepared in accordance with these regulations in respect of a half year;
- (m) Holding company means a holding company as defined in sub-section (46) of section 2 of the Companies Act, 2013;
- (n) Indian Depository Receipts' means Indian depository receipts as defined in sub-section(48) of section 2 of the Companies Act, 2013;
- (o) Key managerial personnel means key managerial personnel as defined in sub-section (51) of section 2 of the Companies Act, 2013;
- (p) Listed entity means an entity which has listed, on a recognised stock exchange(s), the designated securities issued by it or designated securities issued under schemes managed by it, in accordance with the listing agreement entered into between the entity and the recognised stock exchange(s);
- (q) Listing agreement shall mean an agreement that is entered into between a recognised stock exchange and an entity, on the application of that entity to the recognised stock exchange, undertaking to comply with conditions for listing of designated securities;
- (r) Main board means main board as defined in clause (a) of sub-regulation (1) of regulation 106N of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
- (s) Net worth means net worth as defined in sub-section (57) of section 2 of the Companies Act, 2013;
- (t) Non-convertible debt securities which is debt securities as defined under regulation 2(1)(e) of the Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
- (u) Non-convertible redeemable preference shares, perpetual debt instrument /innovative perpetual debt instrument and Perpetual non-cumulative preference share shall have the same meaning as assigned to them in the Securities and Exchange Board of India (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013;
- (v) Offer document shall have the same meaning assigned to it under clause (x) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, clause (j) of sub-regulation(1) of regulation 2 of the Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008, clause (p) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Issue and Listing of Non-

Convertible Redeemable Preference Shares) Regulations, 2013, clause (r) of regulation 2 of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 and clause (l) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Public Offer and Listing of Securitised Debt Instruments) Regulations, 2008, as may be applicable;

- (w) Promoter and Promoter group shall have the same meaning as assigned to them respectively in clauses (za) and (zb) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.
- (x) Public means public as defined under clause (d) of rule 2 of the Securities Contracts (Regulation) Rules, 1957;
- (y) Public shareholding means public shareholding as defined under clause (e) of rule 2 of the Securities Contracts (Regulation) Rules, 1957;
- (z) Quarter means the period of three months commencing on the first day of April, July, October or January of a financial year;
- (za) Quarterly results means the financial results prepared in accordance with these regulations in respect of a quarter;
- (zb) Related party means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards:
Provided that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s);
- (zc) Related party transaction^{II} means a transfer of resources, services or obligations between a listed entity and a related party, regardless of whether a price is charged and a "transaction" with a related party shall be construed to include a single transaction or a group of transactions in a contract:
Provided that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s);
- (zd) Relative means relative as defined under sub-section (77) of section 2 of the Companies Act, 2013 and rules prescribed there under:
Provided this definition shall not be applicable for the units issued by mutual fund which are listed on a recognised stock exchange(s);
- (ze) Schedule means a schedule annexed to these regulations;
- (zf) Securities laws means the Act, the Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996, and the provisions of the Companies Act, 1956 and Companies Act, 2013, and the rules, regulations, circulars or guidelines made thereunder.
- (zg) Securitised debt instruments^I as defined in the Securities and Exchange Board of India (Public Offer and Listing of Securitised Debt Instruments) Regulations, 2008;
- (zh) Servicer^{II} means servicer as defined under clause(t) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Public Offer And Listing Of Securitised Debt Instruments) Regulations, 2008;
- (zi) Small and medium enterprises or "SME" shall mean an entity which has issued specified securities in accordance with the provisions of Chapter XB of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;

- (zj) SME Exchange means an SME exchange as defined under clause (c) of sub-regulation (1) of regulation 106N of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
- (zk) Stock exchange means a recognised stock exchange as defined under clause (f) of section 2 of the Securities Contracts (Regulation) Act, 1956;
- (zl) Specified securities means equity shares and convertible securities as defined under clause (zj) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
- (zm) Subsidiary means a subsidiary as defined under sub-section(87) of section 2 of the Companies Act, 2013;
- (2) All other words and expressions used but not defined in these regulations, but defined in the Act or the Companies Act, 2013, the Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996 and/or the rules and regulations made thereunder shall have the same meaning as respectively assigned to them in such Acts or rules or regulations or any statutory modification or re-enactment thereto, as the case may be.

Applicability of the regulations

3. Unless otherwise provided, these regulations shall apply to the listed entity who has listed any of the following designated securities on recognised stock exchange(s):
 - (a) specified securities listed on main board or SME Exchange or institutional trading platform;
 - (b) non-convertible debt securities, non-convertible redeemable preference shares, perpetual debt instrument, perpetual non-cumulative preference shares;
 - (c) Indian depository receipts;
 - (d) securitised debt instruments;
 - (e) units issued by mutual funds;
 - (f) any other securities as may be specified by the Board.

CHAPTER II



PRINCIPLES GOVERNING DISCLOSURES AND OBLIGATIONS OF LISTED ENTITY

Principles governing disclosures and obligations

4. (1) The listed entity which has listed securities shall make disclosures and abide by its obligations under these regulations, in accordance with the following principles:
 - (a) Information shall be prepared and disclosed in accordance with applicable standards of accounting and financial disclosure.
 - (b) The listed entity shall implement the prescribed accounting standards in letter and spirit in the preparation of financial statements taking into consideration the interest of all stakeholders and shall also ensure that the annual audit is conducted by an independent, competent and qualified auditor.
 - (c) The listed entity shall refrain from misrepresentation and ensure that the information provided to recognised stock exchange(s) and investors is not misleading.
 - (d) The listed entity shall provide adequate and timely information to recognised stock exchange(s) and investors.

- (e) The listed entity shall ensure that disseminations made under provisions of these regulations and circulars made thereunder, are adequate, accurate, explicit, timely and presented in a simple language.
 - (f) Channels for disseminating information shall provide for equal, timely and cost efficient access to relevant information by investors.
 - (g) The listed entity shall abide by all the provisions of the applicable laws including the securities laws and also such other guidelines as may be issued from time to time by the Board and the recognised stock exchange(s) in this regard and as may be applicable.
 - (h) The listed entity shall make the specified disclosures and follow its obligations in letter and spirit taking into consideration the interest of all stakeholders.
 - (i) Filings, reports, statements, documents and information which are event based or are filed periodically shall contain relevant information.
 - (j) Periodic filings, reports, statements, documents and information reports shall contain information that shall enable investors to track the performance of a listed entity over regular intervals of time and shall provide sufficient information to enable investors to assess the current status of a listed entity.
- (2) The listed entity which has listed its specified securities shall comply with the corporate governance provisions as specified in chapter IV which shall be implemented in a manner so as to achieve the objectives of the principles as mentioned below.
- (a) The rights of shareholders: The listed entity shall seek to protect and facilitate the exercise of the following rights of shareholders:
 - (i) right to participate in, and to be sufficiently informed of, decisions concerning fundamental corporate changes.
 - (ii) opportunity to participate effectively and vote in general shareholder meetings.
 - (iii) being informed of the rules, including voting procedures that govern general shareholder meetings.
 - (iv) opportunity to ask questions to the board of directors, to place items on the agenda of general meetings, and to propose resolutions, subject to reasonable limitations.
 - (v) Effective shareholder participation in key corporate governance decisions, such as the nomination and election of members of board of directors.
 - (vi) exercise of ownership rights by all shareholders, including institutional investors.
 - (vii) adequate mechanism to address the grievances of the shareholders.
 - (viii) protection of minority shareholders from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly, and effective means of redress.
 - (b) Timely information: The listed entity shall provide adequate and timely information to shareholders, including but not limited to the following:
 - (i) Sufficient and timely information concerning the date, location and agenda of general meetings, as well as full and timely information regarding the issues to be discussed at the meeting.
 - (ii) Capital structures and arrangements that enable certain shareholders to obtain a degree of control disproportionate to their equity ownership.

- (iii) Rights attached to all series and classes of shares, which shall be disclosed to investors before they acquire shares.
- (c) Equitable treatment: The listed entity shall ensure equitable treatment of all shareholders, including minority and foreign shareholders, in the following manner:
 - (i) All shareholders of the same series of a class shall be treated equally.
 - (ii) Effective shareholder participation in key corporate governance decisions, such as the nomination and election of members of board of directors, shall be facilitated.
 - (iii) Exercise of voting rights by foreign shareholders shall be facilitated.
 - (iv) The listed entity shall devise a framework to avoid insider trading and abusive self-dealing.
 - (v) Processes and procedures for general shareholder meetings shall allow for equitable treatment of all shareholders.
 - (vi) Procedures of listed entity shall not make it unduly difficult or expensive to cast votes.
- (d) Role of stakeholders in corporate governance: The listed entity shall recognise the rights of its stakeholders and encourage co-operation between listed entity and the stakeholders, in the following manner:
 - (i) The listed entity shall respect the rights of stakeholders that are established by law or through mutual agreements.
 - (ii) Stakeholders shall have the opportunity to obtain effective redress for violation of their rights.
 - (iii) Stakeholders shall have access to relevant, sufficient and reliable information on a timely and regular basis to enable them to participate in corporate governance process.
 - (iv) The listed entity shall devise an effective whistle blower mechanism enabling stakeholders, including individual employees and their representative bodies, to freely communicate their concerns about illegal or unethical practices.
- (e) Disclosure and transparency: The listed entity shall ensure timely and accurate disclosure on all material matters including the financial situation, performance, ownership, and governance of the listed entity, in the following manner:
 - (i) Information shall be prepared and disclosed in accordance with the prescribed standards of accounting, financial and non-financial disclosure.
 - (ii) Channels for disseminating information shall provide for equal, timely and cost efficient access to relevant information by users.
 - (iii) Minutes of the meeting shall be maintained explicitly recording dissenting opinions, if any.
- (f) Responsibilities of the board of directors: The board of directors of the listed entity shall have the following responsibilities:
 - (i) Disclosure of information:
 - (1) Members of board of directors and key managerial personnel shall disclose to the board of directors whether they, directly, indirectly, or on behalf of third parties, have a material interest in any transaction or matter directly affecting the listed entity.

- (2) The board of directors and senior management shall conduct themselves so as to meet the expectations of operational transparency to stakeholders while at the same time maintaining confidentiality of information in order to foster a culture of good decision-making.
- (ii) Key functions of the board of directors-
- (1) Reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans, setting performance objectives, monitoring implementation and corporate performance, and overseeing major capital expenditures, acquisitions and divestments.
 - (2) Monitoring the effectiveness of the listed entity's governance practices and making changes as needed.
 - (3) Selecting, compensating, monitoring and, when necessary, replacing key managerial personnel and overseeing succession planning.
 - (4) Aligning key managerial personnel and remuneration of board of directors with the longer term interests of the listed entity and its shareholders.
 - (5) Ensuring a transparent nomination process to the board of directors with the diversity of thought, experience, knowledge, perspective and gender in the board of directors.
 - (6) Monitoring and managing potential conflicts of interest of management, members of the board of directors and shareholders, including misuse of corporate assets and abuse in related party transactions.
 - (7) Ensuring the integrity of the listed entity's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards.
 - (8) Overseeing the process of disclosure and communications.
 - (9) Monitoring and reviewing board of director's evaluation framework.
- (iii) Other responsibilities:
- (1) The board of directors shall provide strategic guidance to the listed entity, ensure effective monitoring of the management and shall be accountable to the listed entity and the shareholders.
 - (2) The board of directors shall set a corporate culture and the values by which executives throughout a group shall behave.
 - (3) Members of the board of directors shall act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the listed entity and the shareholders.
 - (4) The board of directors shall encourage continuing directors training to ensure that the members of board of directors are kept up to date.
 - (5) Where decisions of the board of directors may affect different shareholder groups differently, the board of directors shall treat all shareholders fairly.
 - (6) The board of directors shall maintain high ethical standards and shall take into account the interests of stakeholders.

- (7) The board of directors shall exercise objective independent judgement on corporate affairs.
 - (8) The board of directors shall consider assigning a sufficient number of non-executive members of the board of directors capable of exercising independent judgement to tasks where there is a potential for conflict of interest.
 - (9) The board of directors shall ensure that, while rightly encouraging positive thinking, these do not result in over-optimism that either leads to significant risks not being recognised or exposes the listed entity to excessive risk.
 - (10) The board of directors shall have ability to 'step back' to assist executive management by challenging the assumptions underlying: strategy, strategic initiatives (such as acquisitions), risk appetite, exposures and the key areas of the listed entity's focus.
 - (11) When committees of the board of directors are established, their mandate, composition and working procedures shall be well defined and disclosed by the board of directors.
 - (12) Members of the board of directors shall be able to commit themselves effectively to their responsibilities.
 - (13) In order to fulfil their responsibilities, members of the board of directors shall have access to accurate, relevant and timely information.
 - (14) The board of directors and senior management shall facilitate the independent directors to perform their role effectively as a member of the board of directors and also a member of a committee of board of directors.
- (3) In case of any ambiguity or incongruity between the principles and relevant regulations, the principles specified in this Chapter shall prevail.

CHAPTER III



COMMON OBLIGATIONS OF LISTED ENTITIES

General obligation of compliance.

5. The listed entity shall ensure that key managerial personnel, directors, promoters or any other person dealing with the listed entity, complies with responsibilities or obligations, if any, assigned to them under these regulations.

Compliance Officer and his Obligations.

6. (1) A listed entity shall appoint a qualified company secretary as the compliance officer.
- (2) The compliance officer of the listed entity shall be responsible for-
- (a) ensuring conformity with the regulatory provisions applicable to the listed entity in letter and spirit.
 - (b) co-ordination with and reporting to the Board, recognised stock exchange(s) and depositories with respect to compliance with rules, regulations and other directives of these authorities in manner as specified from time to time.
 - (c) ensuring that the correct procedures have been followed that would result in the correctness, authenticity and comprehensiveness of the information, statements and reports filed by the listed entity under these regulations.

- (d) monitoring email address of grievance redressal division as designated by the listed entity for the purpose of registering complaints by investors:

Provided that the requirements of this regulation shall not be applicable in the case of units issued by mutual funds which are listed on recognised stock exchange(s) but shall be governed by the provisions of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996.

Share Transfer Agent.

7. (1) The listed entity shall appoint a share transfer agent or manage the share transfer facility in-house:

Provided that, in the case of in-house share transfer facility, as and when the total number of holders of securities of the listed entity exceeds one lakh, the listed entity shall either register with the Board as a Category II share transfer agent or appoint Registrar to an issue and share transfer agent registered with the Board.

- (2) The listed entity shall ensure that all activities in relation to both physical and electronic share transfer facility are maintained either in house or by Registrar to an issue and share transfer agent registered with the Board.
- (3) The listed entity shall submit a compliance certificate to the exchange, duly signed by both the compliance officer of the listed entity and the authorised representative of the share transfer agent, wherever applicable within one month of end of each half of the financial year, certifying compliance with the requirements of sub-regulation (2).
- (4) In case of any change or appointment of a new share transfer agent, the listed entity shall enter into a tripartite agreement between the existing share transfer agent, the new share transfer agent and the listed entity, in the manner as specified by the Board from time to time:
- Provided that in case the existing share transfer facility is managed in-house, the agreement referred above shall be entered into between the listed entity and the new share transfer agent.
- (5) The listed entity shall intimate such appointment, referred to in sub-regulation (4), to the stock exchange(s) within seven days of entering into the agreement.
- (6) The agreement referred to in sub-regulation (4) shall be placed in the subsequent meeting of the board of directors:

Provided that the requirements of this regulation shall not be applicable to the units issued by mutual funds that are listed on recognised stock exchange(s).

Co-operation with intermediaries registered with the Board

8. The listed entity, wherever applicable, shall co-operate with and submit correct and adequate information to the intermediaries registered with the Board such as credit rating agencies, registrar to an issue and share transfer agents, debenture trustees etc, within timelines and procedures specified under the Act, regulations and circulars issued there under:

Provided that requirements of this regulation shall not be applicable to the units issued by mutual funds listed on a recognised stock exchange(s) for which the provisions of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 shall be applicable.

Preservation of documents.

9. The listed entity shall have a policy for preservation of documents, approved by its board of directors, classifying them in at least two categories as follows-

- (a) documents whose preservation shall be permanent in nature ;
- (b) documents with preservation period of not less than eight years after completion of the relevant transactions:

Provided that the listed entity may keep documents specified in clauses (a) and (b) in electronic mode.

Filing of information

10. (1) The listed entity shall file the reports, statements, documents, filings and any other information with the recognised stock exchange(s) on the electronic platform as specified by the Board or the recognised stock exchange(s).
- (2) The listed entity shall put in place infrastructure as required for compliance with sub-regulation (1).

Scheme of Arrangement.

11. The listed entity shall ensure that any scheme of arrangement/amalgamation/merger/reconstruction/reduction of capital etc. to be presented to any Court or Tribunal does not in any way violate, override or limit the provisions of securities laws or requirements of the stock exchange(s):

Provided that this regulation shall not be applicable for the units issued by Mutual Fund which are listed on a recognised stock exchange(s).

Payment of dividend or interest or redemption or repayment.

12. The listed entity shall use any of the electronic mode of payment facility approved by the Reserve Bank of India, in the manner specified in Schedule I, for the payment of the following:
- (a) dividends;
 - (b) interest;
 - (c) redemption or repayment amounts:

Provided that where it is not possible to use electronic mode of payment, payable at par warrants or cheques may be issued:

Provided further that where the amount payable as dividend exceeds one thousand and five hundred rupees, the payable at par warrants or cheques shall be sent by speed post.

Grievance Redressal Mechanism.

13. (1) The listed entity shall ensure that adequate steps are taken for expeditious redressal of investor complaints.
- (2) The listed entity shall ensure that it is registered on the SCORES platform or such other electronic platform or system of the Board as shall be mandated from time to time, in order to handle investor complaints electronically in the manner specified by the Board.
- (3) The listed entity shall file with the recognised stock exchange(s) on a quarterly basis, within twenty one days from the end of each quarter, a statement giving the number of investor complaints pending at the beginning of the quarter, those received during the quarter, disposed of during the quarter and those remaining unresolved at the end of the quarter.
- (4) The statement as specified in sub-regulation (3) shall be placed, on quarterly basis, before the board of directors of the listed entity.

Fees and other charges to be paid to the recognized stock exchange(s).

14. The listed entity shall pay all such fees or charges, as applicable, to the recognised stock exchange(s), in the manner specified by the Board or the recognised stock exchange(s).

CHAPTER IV



OBLIGATIONS OF LISTED ENTITY WHICH HAS LISTED ITS SPECIFIED SECURITIES

Applicability.

15. (1) The provisions of this chapter shall apply to a listed entity which has listed its specified securities on any recognised stock exchange(s) either on the main board or on SME Exchange or on institutional trading platform:
- (2) The compliance with the corporate governance provisions as specified in regulations 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27 and clauses (b) to (i) of sub-regulation (2) of regulation 46 and para C, D and E of Schedule V shall not apply, in respect of -
- (a) the listed entity having paid up equity share capital not exceeding rupees ten crore and net worth not exceeding rupees twenty five crore, as on the last day of the previous financial year:
- Provided that where the provisions of the regulations specified in this regulation becomes applicable to a listed entity at a later date, such listed entity shall comply with the requirements those regulations within six months from the date on which the provisions became applicable to the listed entity.
- (b) the listed entity which has listed its specified securities on the SME Exchange:
- Provided that for other listed entities which are not companies, but body corporate or are subject to regulations under other statutes, the provisions of corporate governance provisions as specified in regulation 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27 and clauses (b) to (i) of sub-regulation (2) of regulation 46 and para C, D and E of Schedule V shall apply to the extent that it does not violate their respective statutes and guidelines or directives issued by the relevant authorities.
- (3) Notwithstanding sub-regulation (2) above, the provisions of Companies Act, 2013 shall continue to apply, wherever applicable.

Definitions.

16. (1) For the purpose of this chapter, unless the context otherwise requires -
- (a) "control" shall have the same meaning as assigned to it under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
- (b) "independent director" means a non-executive director, other than a nominee director of the listed entity:
- (i) who, in the opinion of the board of directors, is a person of integrity and possesses relevant expertise and experience;
- (ii) who is or was not a promoter of the listed entity or its holding, subsidiary or associate company;
- (iii) who is not related to promoters or directors in the listed entity, its holding, subsidiary or associate company;
- (iv) who, apart from receiving director's remuneration, has or had no material pecuniary relationship with the listed entity, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;

- (v) none of whose relatives has or had pecuniary relationship or transaction with the listed entity, its holding, subsidiary or associate company, or their promoters, or directors, amounting to two per cent. or more of its gross turnover or total income or fifty lakh rupees or such higher amount as may be prescribed from time to time, whichever is lower, during the two immediately preceding financial years or during the current financial year;
- (vi) who, neither himself, nor whose relative(s) —
 - (A) holds or has held the position of a key managerial personnel or is or has been an employee of the listed entity or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;
 - (B) is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of
 - (1) a firm of auditors or company secretaries in practice or cost auditors of the listed entity or its holding, subsidiary or associate company; or
 - (2) any legal or a consulting firm that has or had any transaction with the listed entity, its holding, subsidiary or associate company amounting to ten per cent or more of the gross turnover of such firm;
 - (C) holds together with his relatives two per cent or more of the total voting power of the listed entity; or
 - (D) is a chief executive or director, by whatever name called, of any non-profit organisation that receives twenty-five per cent or more of its receipts or corpus from the listed entity, any of its promoters, directors or its holding, subsidiary or associate company or that holds two per cent or more of the total voting power of the listed entity;
 - (E) is a material supplier, service provider or customer or a lessor or lessee of the listed entity;
- (vii) who is not less than 21 years of age.
- (c) “material subsidiary” shall mean a subsidiary, whose income or net worth exceeds twenty percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.
 Explanation.- The listed entity shall formulate a policy for determining material subsidiary.
- (d) senior management shall mean officers/personnel of the listed entity who are members of its core management team excluding board of directors and normally this shall comprise all members of management one level below the executive directors, including all functional heads.

Board of Directors.

17. (1) The composition of board of directors of the listed entity shall be as follows:
- (a) board of directors shall have an optimum combination of executive and non-executive directors with at least one woman director and not less than fifty percent. of the board of directors shall comprise of non-executive directors;
 - (b) where the chairperson of the board of directors is a non-executive director, at least one-third of the board of directors shall comprise of independent directors and where

the listed entity does not have a regular non-executive chairperson, at least half of the board of directors shall comprise of independent directors:

Provided that where the regular non-executive chairperson is a promoter of the listed entity or is related to any promoter or person occupying management positions at the level of board of director or at one level below the board of directors, at least half of the board of directors of the listed entity shall consist of independent directors.

Explanation.-For the purpose of this clause, the expression "related to any promoter" shall have the following meaning:

- (i) if the promoter is a listed entity, its directors other than the independent directors, its employees or its nominees shall be deemed to be related to it;
 - (ii) if the promoter is an unlisted entity, its directors, its employees or its nominees shall be deemed to be related to it.
- (2) The board of directors shall meet at least four times a year, with a maximum time gap of one hundred and twenty days between any two meetings.
 - (3) The board of directors shall periodically review compliance reports pertaining to all laws applicable to the listed entity, prepared by the listed entity as well as steps taken by the listed entity to rectify instances of non-compliances.
 - (4) The board of directors of the listed entity shall satisfy itself that plans are in place for orderly succession for appointment to the board of directors and senior management.
 - (5)
 - (a) The board of directors shall lay down a code of conduct for all members of board of directors and senior management of the listed entity.
 - (b) The code of conduct shall suitably incorporate the duties of independent directors as laid down in the Companies Act, 2013.
 - (6)
 - (a) The board of directors shall recommend all fees or compensation, if any, paid to non-executive directors, including independent directors and shall require approval of shareholders in general meeting.
 - (b) The requirement of obtaining approval of shareholders in general meeting shall not apply to payment of sitting fees to non-executive directors, if made within the limits prescribed under the Companies Act, 2013 for payment of sitting fees without approval of the Central Government.
 - (c) The approval of shareholders mentioned in clause (a), shall specify the limits for the maximum number of stock options that may be granted to non-executive directors, in any financial year and in aggregate.
 - (d) Independent directors shall not be entitled to any stock option.
 - (7) The minimum information to be placed before the board of directors is specified in Part A of Schedule II.
 - (8) The chief executive officer and the chief financial officer shall provide the compliance certificate to the board of directors as specified in Part B of Schedule II.
 - (9)
 - (a) The listed entity shall lay down procedures to inform members of board of directors about risk assessment and minimization procedures.
 - (b) The board of directors shall be responsible for framing, implementing and monitoring the risk management plan for the listed entity.
 - (10) The performance evaluation of independent directors shall be done by the entire board of directors:
 Provided that in the above evaluation the directors who are subject to evaluation shall not participate:

Audit Committee.

18. (1) Every listed entity shall constitute a qualified and independent audit committee in accordance with the terms of reference, subject to the following:

- (a) The audit committee shall have minimum three directors as members.
- (b) Two-thirds of the members of audit committee shall be independent directors.
- (c) All members of audit committee shall be financially literate and at least one member shall have accounting or related financial management expertise.

Explanation (1).-For the purpose of this regulation, —financially literate shall mean the ability to read and understand basic financial statements i.e. balance sheet, profit and loss account, and statement of cash flows.

Explanation (2).-For the purpose of this regulation, a member shall be considered to have accounting or related financial management expertise if he or she possesses experience in finance or accounting, or requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities.

- (d) The chairperson of the audit committee shall be an independent director and he shall be present at Annual general meeting to answer shareholder queries.
- (e) The Company Secretary shall act as the secretary to the audit committee.
- (f) The audit committee at its discretion shall invite the finance director or head of the finance function, head of internal audit and a representative of the statutory auditor and any other such executives to be present at the meetings of the committee:

Provided that occasionally the audit committee may meet without the presence of any executives of the listed entity.

- (2) The listed entity shall conduct the meetings of the audit committee in the following manner:
 - (a) The audit committee shall meet at least four times in a year and not more than one hundred and twenty days shall elapse between two meetings.
 - (b) The quorum for audit committee meeting shall either be two members or one third of the members of the audit committee, whichever is greater, with at least two independent directors.
 - (c) The audit committee shall have powers to investigate any activity within its terms of reference, seek information from any employee, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, if it considers necessary.
- (3) The role of the audit committee and the information to be reviewed by the audit committee shall be as specified in Part C of Schedule II.

Nomination and remuneration committee.

19. (1) The board of directors shall constitute the nomination and remuneration committee as follows:
- (a) the committee shall comprise of at least three directors ;
 - (b) all directors of the committee shall be non-executive directors; and
 - (c) at least fifty percent of the directors shall be independent directors.
- (2) The Chairperson of the nomination and remuneration committee shall be an independent director:

Provided that the chairperson of the listed entity, whether executive or non-executive, may be appointed as a member of the Nomination and Remuneration Committee and shall not chair such Committee.

- (3) The Chairperson of the nomination and remuneration committee may be present at the annual general meeting, to answer the shareholders' queries; however, it shall be up to the chairperson to decide who shall answer the queries.
- (4) The role of the nomination and remuneration committee shall be as specified as in Part D of the Schedule II.

Stakeholders Relationship Committee.

20. (1) The listed entity shall constitute a Stakeholders Relationship Committee to specifically look into the mechanism of redressal of grievances of shareholders, debenture holders and other security holders.
- (2) The chairperson of this committee shall be a non-executive director.
- (3) The board of directors shall decide other members of this committee.
- (4) The role of the Stakeholders Relationship Committee shall be as specified as in Part D of the Schedule II.

Risk Management Committee.

21. (1) The board of directors shall constitute a Risk Management Committee.
- (2) The majority of members of Risk Management Committee shall consist of members of the board of directors.
- (3) The Chairperson of the Risk management committee shall be a member of the board of directors and senior executives of the listed entity may be members of the committee.
- (4) The board of directors shall define the role and responsibility of the Risk Management Committee and may delegate monitoring and reviewing of the risk management plan to the committee and such other functions as it may deem fit.
- (5) The provisions of this regulation shall be applicable to top 100 listed entities, determined on the basis of market capitalisation, as at the end of the immediate previous financial year.

Vigil mechanism.

22. (1) The listed entity shall formulate a vigil mechanism for directors and employees to report genuine concerns.
- (2) The vigil mechanism shall provide for adequate safeguards against victimization of director(s) or employee(s) or any other person who avail the mechanism and also provide for direct access to the chairperson of the audit committee in appropriate or exceptional cases.

Related party transactions.

23. (1) The listed entity shall formulate a policy on materiality of related party transactions and on dealing with related party transactions:

Explanation.- A transaction with a related party shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

- (2) All related party transactions shall require prior approval of the audit committee.
- (3) Audit committee may grant omnibus approval for related party transactions proposed to be entered into by the listed entity subject to the following conditions, namely-

- (a) the audit committee shall lay down the criteria for granting the omnibus approval in line with the policy on related party transactions of the listed entity and such approval shall be applicable in respect of transactions which are repetitive in nature;
- (b) the audit committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the listed entity;
- (c) the omnibus approval shall specify:
 - (i) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall be entered into,
 - (ii) the indicative base price / current contracted price and the formula for variation in the price if any; and
 - (iii) such other conditions as the audit committee may deem fit:

Provided that where the need for related party transaction cannot be foreseen and aforesaid details are not available, audit committee may grant omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.
- (d) the audit committee shall review, atleast on a quarterly basis, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approvals given.
- (e) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year:
- (4) All material related party transactions shall require approval of the shareholders through resolution and the related parties shall abstain from voting on such resolutions whether the entity is a related party to the particular transaction or not.
- (5) The provisions of sub-regulations (2), (3) and (4) shall not be applicable in the following cases:
 - (a) transactions entered into between two government companies;
 - (b) transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

Explanation.-For the purpose of clause (a), "government company(ies)" means Government company as defined in sub-section (45) of section 2 of the Companies Act, 2013.
- (6) The provisions of this regulation shall be applicable to all prospective transactions.
- (7) For the purpose of this regulation, all entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.
- (8) All existing material related party contracts or arrangements entered into prior to the date of notification of these regulations and which may continue beyond such date shall be placed for approval of the shareholders in the first General Meeting subsequent to notification of these regulations.

Corporate governance requirements with respect to subsidiary of listed entity.

- 24.** (1) At least one independent director on the board of directors of the listed entity shall be a director on the board of directors of an unlisted material subsidiary, incorporated in India.
- (2) The audit committee of the listed entity shall also review the financial statements, in particular, the investments made by the unlisted subsidiary.

- (3) The minutes of the meetings of the board of directors of the unlisted subsidiary shall be placed at the meeting of the board of directors of the listed entity.
- (4) The management of the unlisted subsidiary shall periodically bring to the notice of the board of directors of the listed entity, a statement of all significant transactions and arrangements entered into by the unlisted subsidiary.

Explanation.-For the purpose of this regulation, the term —significant transaction or arrangementll shall mean any individual transaction or arrangement that exceeds or is likely to exceed ten percent of the total revenues or total expenses or total assets or total liabilities, as the case may be, of the unlisted material subsidiary for the immediately preceding accounting year.

- (5) A listed entity shall not dispose of shares in its material subsidiary resulting in reduction of its shareholding (either on its own or together with other subsidiaries) to less than fifty percent or cease the exercise of control over the subsidiary without passing a special resolution in its General Meeting except in cases where such divestment is made under a scheme of arrangement duly approved by a Court/Tribunal.
- (6) Selling, disposing and leasing of assets amounting to more than twenty percent of the assets of the material subsidiary on an aggregate basis during a financial year shall require prior approval of shareholders by way of special resolution, unless the sale/disposal/lease is made under a scheme of arrangement duly approved by a Court/Tribunal.
- (7) Where a listed entity has a listed subsidiary, which is itself a holding company, the provisions of this regulation shall apply to the listed subsidiary in so far as its subsidiaries are concerned.

Obligations with respect to independent directors.

25. (1) A person shall not serve as an independent director in more than seven listed entities:
 Provided that any person who is serving as a whole time director in any listed entity shall serve as an independent director in not more than three listed entities.
- (2) The maximum tenure of independent directors shall be in accordance with the Companies Act, 2013 and rules made thereunder, in this regard, from time to time.
- (3) The independent directors of the listed entity shall hold at least one meeting in a year, without the presence of non-independent directors and members of the management and all the independent directors shall strive to be present at such meeting.
- (4) The independent directors in the meeting referred in sub-regulation (3) shall, inter alia-
 - (a) review the performance of non-independent directors and the board of directors as a whole;
 - (b) review the performance of the chairperson of the listed entity, taking into account the views of executive directors and non-executive directors;
 - (c) assess the quality, quantity and timeliness of flow of information between the management of the listed entity and the board of directors that is necessary for the board of directors to effectively and reasonably perform their duties.
- (5) An independent director shall be held liable, only in respect of such acts of omission or commission by the listed entity which had occurred with his knowledge, attributable through processes of board of directors, and with his consent or connivance or where he had not acted diligently with respect to the provisions contained in these regulations.
- (6) An independent director who resigns or is removed from the board of directors of the listed entity shall be replaced by a new independent director by listed entity at the earliest

but not later than the immediate next meeting of the board of directors or three months from the date of such vacancy, whichever is later:

Provided that where the listed entity fulfils the requirement of independent directors in its board of directors without filling the vacancy created by such resignation or removal, the requirement of replacement by a new independent director shall not apply.

- (7) The listed entity shall familiarise the independent directors through various programmes about the listed entity, including the following:
- (a) nature of the industry in which the listed entity operates;
 - (b) business model of the listed entity;
 - (c) roles, rights, responsibilities of independent directors; and
 - (d) any other relevant information.

Obligations with respect to employees including senior management, key managerial persons, directors and promoters.

26. (1) A director shall not be a member in more than ten committees or act as chairperson of more than five committees across all listed entities in which he is a director which shall be determined as follows:
- (a) the limit of the committees on which a director may serve in all public limited companies, whether listed or not, shall be included and all other companies including private limited companies, foreign companies and companies under Section 8 of the Companies Act, 2013 shall be excluded;
 - (b) for the purpose of determination of limit, chairpersonship and membership of the audit committee and the Stakeholders' Relationship Committee alone shall be considered.
- (2) Every director shall inform the listed entity about the committee positions he or she occupies in other listed entities and notify changes as and when they take place.
- (3) All members of the board of directors and senior management personnel shall affirm compliance with the code of conduct of board of directors and senior management on an annual basis.
- (4) Non-executive directors shall disclose their shareholding, held either by them or on a beneficial basis for any other persons in the listed entity in which they are proposed to be appointed as directors, in the notice to the general meeting called for appointment of such director.
- (5) Senior management shall make disclosures to the board of directors relating to all material, financial and commercial transactions, where they have personal interest that may have a potential conflict with the interest of the listed entity at large.
- Explanation.- For the purpose of this sub-regulation, conflict of interest relates to dealing in the shares of listed entity, commercial dealings with bodies, which have shareholding of management and their relatives etc.
- (6) No employee including key managerial personnel or director or promoter of a listed entity shall enter into any agreement for himself or on behalf of any other person, with any shareholder or any other third party with regard to compensation or profit sharing in connection with dealings in the securities of such listed entity, unless prior approval for the same has been obtained from the Board of Directors as well as public shareholders by way of an ordinary resolution:

Provided that such agreement, if any, whether subsisting or expired, entered during the preceding three years from the date of coming into force of this sub-regulation, shall be disclosed to the stock exchanges for public dissemination:

Provided further that subsisting agreement, if any, as on the date of coming into force of this sub-regulation shall be placed for approval before the Board of Directors in the forthcoming Board meeting:

Provided further that if the Board of Directors approve such agreement, the same shall be placed before the public shareholders for approval by way of an ordinary resolution in the forthcoming general meeting:

Provided further that all interested persons involved in the transaction covered under the agreement shall abstain from voting in the general meeting.

Explanation - For the purposes of this sub-regulation, 'interested person' shall mean any person holding voting rights in the listed entity and who is in any manner, whether directly or indirectly, interested in an agreement or proposed agreement, entered into or to be entered into by such a person or by any employee or key managerial personnel or director or promoter of such listed entity with any shareholder or any other third party with respect to compensation or profit sharing in connection with the securities of such listed entity.]

Other corporate governance requirements.

27. (1) The listed entity may, at its discretion, comply with requirements as specified in Part E of Schedule II.
- (2) (a) The listed entity shall submit a quarterly compliance report on corporate governance in the format as specified by the Board from time to time to the recognised stock exchange(s) within fifteen days from close of the quarter.
- (b) Details of all material transactions with related parties shall be disclosed along with the report mentioned in clause (a) of sub-regulation (2).
- (c) The report mentioned in clause (a) of sub-regulation (2) shall be signed either by the compliance officer or the chief executive officer of the listed entity.

In-principle approval of recognized stock exchange(s)

28. (1) The listed entity, before issuing securities, shall obtain an 'in-principle' approval from recognised stock exchange(s) in the following manner:
- (a) where the securities are listed only on recognised stock exchange(s) having nationwide trading terminals, from all such stock exchange(s);
- (b) where the securities are not listed on any recognised stock exchange having nationwide trading terminals, from all the stock exchange(s) in which the securities of the issuer are proposed to be listed;
- (c) where the securities are listed on recognised stock exchange(s) having nationwide trading terminals as well as on the recognised stock exchange(s) not having nationwide trading terminals, from all recognised stock exchange(s) having nationwide trading terminals:
- (2) The requirement of obtaining in-principle approval from recognised stock exchange(s), shall not be applicable for securities issued pursuant to the scheme of arrangement for which the listed entity has already obtained No-Objection Letter from recognised stock exchange(s) in accordance with regulation 37.

Prior Intimations.

29. (1) The listed entity shall give prior intimation to stock exchange about the meeting of the board of directors in which any of the following proposals is due to be considered:
- (a) financial results viz. quarterly, half yearly, or annual, as the case may be;
 - (b) proposal for buyback of securities;
 - (c) proposal for voluntary delisting by the listed entity from the stock exchange(s);
 - (d) fund raising by way of further public offer, rights issue, American Depository Receipts/Global Depository Receipts/Foreign Currency Convertible Bonds, qualified institutions placement, debt issue, preferential issue or any other method and for determination of issue price:
 Provided that intimation shall also be given in case of any annual general meeting or extraordinary general meeting or postal ballot that is proposed to be held for obtaining shareholder approval for further fund raising indicating type of issuance.
 - (e) declaration/recommendation of dividend, issue of convertible securities including convertible debentures or of debentures carrying a right to subscribe to equity shares or the passing over of dividend.
 - (f) the proposal for declaration of bonus securities where such proposal is communicated to the board of directors of the listed entity as part of the agenda papers:
 Provided that in case the declaration of bonus by the listed entity is not on the agenda of the meeting of board of directors, prior intimation is not required to be given to the stock exchange(s).
- (2) The intimation required under sub-regulation (1), shall be given at least two working days in advance, excluding the date of the intimation and date of the meeting:
 Provided that intimation regarding item specified in clause (a) of sub-regulation (1), to be discussed at the meeting of board of directors shall be given at least five days in advance (excluding the date of the intimation and date of the meeting), and such intimation shall include the date of such meeting of board of directors.
- (3) The listed entity shall give intimation to the stock exchange(s) at least eleven working days before any of the following proposal is placed before the board of directors -
- (a) any alteration in the form or nature of any of its securities that are listed on the stock exchange or in the rights or privileges of the holders thereof.
 - (b) any alteration in the date on which, the interest on debentures or bonds, or the redemption amount of redeemable shares or of debentures or bonds, shall be payable.

Disclosure of events or information.

30. (1) Every listed entity shall make disclosures of any events or information which, in the opinion of the board of directors of the listed company, is material.
- (2) Events specified in Part A of Schedule III are deemed to be material events and listed entity shall make disclosure of such events.
- (3) The listed entity shall make disclosure of events specified in Part B of Schedule III, based on application of the guidelines for materiality, as specified in sub-regulation (4).
- (4) (i) The listed entity shall consider the following criteria for determination of materiality of events/ information:

- (a) the omission of an event or information, which is likely to result in discontinuity or alteration of event or information already available publicly; or
 - (b) the omission of an event or information is likely to result in significant market reaction if the said omission came to light at a later date;
 - (c) In case where the criteria specified in sub-clauses (a) and (b) are not applicable, an event/information may be treated as being material if in the opinion of the board of directors of listed entity, the event / information is considered material.
 - (ii) The listed entity shall frame a policy for determination of materiality, based on criteria specified in this sub-regulation, duly approved by its board of directors, which shall be disclosed on its website.
- (5) The board of directors of the listed entity shall authorize one or more Key Managerial Personnel for the purpose of determining materiality of an event or information and for the purpose of making disclosures to stock exchange(s) under this regulation and the contact details of such personnel shall be also disclosed to the stock exchange(s) and as well as on the listed entity's website.
- (6) The listed entity shall first disclose to stock exchange(s) of all events, as specified in Part A of Schedule III, or information as soon as reasonably possible and not later than twenty four hours from the occurrence of event or information:
- Provided that in case the disclosure is made after twenty four hours of occurrence of the event or information, the listed entity shall, along with such disclosures provide explanation for delay:
- Provided further that disclosure with respect to events specified in sub-para 4 of Para A of Part A of Schedule III shall be made within thirty minutes of the conclusion of the board meeting.
- (7) The listed entity shall, with respect to disclosures referred to in this regulation, make disclosures updating material developments on a regular basis, till such time the event is resolved/closed, with relevant explanations.
- (8) The listed entity shall disclose on its website all such events or information which has been disclosed to stock exchange(s) under this regulation , and such disclosures shall be hosted on the website of the listed entity for a minimum period of five years and thereafter as per the archival policy of the listed entity, as disclosed on its website.
- (9) The listed entity shall disclose all events or information with respect to subsidiaries which are material for the listed entity.
- (10) The listed entity shall provide specific and adequate reply to all queries raised by stock exchange(s) with respect to any events or information:
- Provided that the stock exchange(s) shall disseminate information and clarification as soon as reasonably practicable.
- (11) The listed entity may on its own initiative also, confirm or deny any reported event or information to stock exchange(s).
- (12) In case where an event occurs or an information is available with the listed entity, which has not been indicated in Para A or B of Part A of Schedule III, but which may have material effect on it, the listed entity is required to make adequate disclosures in regard thereof.

Holding of specified securities and shareholding pattern

31. (1) The listed entity shall submit to the stock exchange(s) a statement showing holding of securities and shareholding pattern separately for each class of securities, in the format specified by the Board from time to time within the following timelines -
- one day prior to listing of its securities on the stock exchange(s);
 - on a quarterly basis, within twenty one days from the end of each quarter; and,
 - within ten days of any capital restructuring of the listed entity resulting in a change exceeding two per cent of the total paid-up share capital:
- Provided that in case of listed entities which have listed their specified securities on SME Exchange, the above statements shall be submitted on a half yearly basis within twenty one days from the end of each half year.
- The listed entity shall ensure that hundred percent of shareholding of promoter(s) and promoter group is in dematerialized form and the same is maintained on a continuous basis in the manner as specified by the Board.
 - The listed entity shall comply with circulars or directions issued by the Board from time to time with respect to maintenance of shareholding in dematerialized form.

Disclosure of Class of shareholders and Conditions for Reclassification.

- 31A. (1) All entities falling under promoter and promoter group shall be disclosed separately in the shareholding pattern appearing on the website of all stock exchanges having nationwide trading terminals where the specified securities of the entity are listed, in accordance with the formats specified by SEBI.
- The stock exchange, specified in sub-regulation (1), shall allow modification or reclassification of the status of the shareholders, only upon receipt of a request from the concerned listed entity or the concerned shareholders along with all relevant evidence and on being satisfied with the compliance of conditions mentioned in this regulation.
 - In case of entities listed on more than one stock exchange, the concerned stock exchanges shall jointly decide on the application of the entity/ shareholders, as specified in sub-regulation (2).
 - In case of transmission/succession/inheritance, the inheritor shall be classified as promoter.
 - When a new promoter replaces the previous promoter subsequent to an open offer or in any other manner, re-classification may be permitted subject to approval of shareholders in the general meeting and compliance of the following conditions:
 - Such promoter along with the promoter group and the Persons Acting in Concert shall not hold more than ten per cent of the paid-up equity capital of the entity.
 - Such promoter shall not continue to have any special rights through formal or informal arrangements. All shareholding agreements granting special rights to such entities shall be terminated.
 - Such promoters and their relatives shall not act as key managerial person for a period of more than three years from the date of shareholders' approval:

Provided that the resolution of the said shareholders' meeting must specifically grant approval for such promoter to act as key managerial person.
 - Where an entity becomes professionally managed and does not have any identifiable promoter the existing promoters may be re-classified as public shareholders subject to approval of the shareholders in a general meeting.

Explanation.- For the purposes of this sub-regulation an entity may be considered as professionally managed, if-

- (i) No person or group along with persons acting in concert taken together shall hold more than one per cent paid-up equity capital of the entity including any holding of convertibles/outstanding warrants/ Depository Receipts:
Provided that any mutual fund, bank, insurance company, financial institution, foreign portfolio investor may individually hold up to ten per cent paid-up equity capital of the entity including any holding of convertibles/outstanding warrants/Depository Receipts.
 - (ii) The promoters seeking reclassification and their relatives may act as key managerial personnel in the entity only subject to shareholders' approval and for a period not exceeding three years from the date of shareholders' approval.
 - (iii) The promoter seeking reclassification along with his promoter group entities and the persons acting in concert shall not have any special right through formal or informal arrangements. All shareholding agreements granting special rights to such outgoing entities shall be terminated.
- (7) Without prejudice to sub-regulations (5) and (6), re-classification of promoter as public shareholders shall be subject to the following conditions:
- (a) Such promoter shall not, directly or indirectly, exercise control, over the affairs of the entity.
 - (b) Increase in the level of public shareholding pursuant to re-classification of promoter shall not be counted towards achieving compliance with minimum public shareholding requirement under rule 19A of the Securities Contracts (Regulation) Rules, 1957, and the provisions of these regulations.
 - (c) The event of re-classification shall be disclosed to the stock exchanges as a material event in accordance with the provisions of these regulations.
 - (d) Board may relax any condition for re-classification in specific cases, if it is satisfied about non-exercise of control by the outgoing promoter or its persons acting in concert.
- (8) If any public shareholder seeks to re-classify itself as promoter, it shall be required to make an open offer in accordance with the provisions of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

Statement of deviation(s) or variation(s)

32. (1) The listed entity shall submit to the stock exchange the following statement(s) on a quarterly basis for public issue, rights issue, preferential issue etc. , -
- (a) indicating deviations, if any, in the use of proceeds from the objects stated in the offer document or explanatory statement to the notice for the general meeting, as applicable;
 - (b) indicating category wise variation (capital expenditure, sales and marketing, working capital etc.) between projected utilisation of funds made by it in its offer document or explanatory statement to the notice for the general meeting, as applicable and the actual utilisation of funds.
- (2) The statement(s) specified in sub-regulation (1), shall be continued to be given till such time the issue proceeds have been fully utilised or the purpose for which these proceeds were raised has been achieved.
- (3) The statement(s) specified in sub-regulation (1), shall be placed before the audit committee for review and after such review, shall be submitted to the stock exchange(s).

- (4) The listed entity shall furnish an explanation for the variation specified in sub-regulation (1), in the directors' report in the annual report.
- (5) The listed entity shall prepare an annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice, certified by the statutory auditors of the listed entity, and place it before the audit committee till such time the full money raised through the issue has been fully utilized.
- (6) Where the listed entity has appointed a monitoring agency to monitor utilisation of proceeds of a public or rights issue, the listed entity shall submit to the stock exchange(s) any comments or report received from the monitoring agency.
- (7) Where the listed entity has appointed a monitoring agency to monitor the utilisation of proceeds of a public or rights issue, the monitoring report of such agency shall be placed before the audit committee on an annual basis, promptly upon its receipt.

Explanation.- For the purpose of this sub-regulation, —monitoring agencyll shall mean the monitoring agency specified in regulation 16 of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.

- (8) For the purpose of this regulation, any reference to —quarterly/quarterll in case of listed entity which have listed their specified securities on SME Exchange shall respectively be read as —half yearly/half year.

Financial results.

33. (1) While preparing financial results, the listed entity shall comply with the following:

- (a) The financial results shall be prepared on the basis of accrual accounting policy and shall be in accordance with uniform accounting practices adopted for all the periods.
 - (b) The quarterly and year to date results shall be prepared in accordance with the recognition and measurement principles laid down in Accounting Standard 25 or Indian Accounting Standard 31 (AS 25/ IND AS 34 – Interim Financial Reporting), as applicable, specified in Section 133 of the Companies Act, 2013 read with relevant rules framed thereunder or as specified by the Institute of Chartered Accountants of India, whichever is applicable.
 - (c) The standalone financial results and consolidated financial results shall be prepared as per Generally Accepted Accounting Principles in India:
Provided that in addition to the above, the listed entity may also submit the financial results, as per the International Financial Reporting Standards notified by the International Accounting Standards Board.
 - (d) The listed entity shall ensure that the limited review or audit reports submitted to the stock exchange(s) on a quarterly or annual basis are to be given only by an auditor who has subjected himself to the peer review process of Institute of Chartered Accountants of India and holds a valid certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India.
 - (e) The listed entity shall make the disclosures specified in Part A of Schedule IV.
- (2) The approval and authentication of the financial results shall be done by listed entity in the following manner:
- (a) The quarterly financial results submitted shall be approved by the board of directors:

Provided that while placing the financial results before the board of directors, the chief executive officer and chief financial officer of the listed entity shall certify that the financial results do not contain any false or misleading statement or figures and

do not omit any material fact which may make the statements or figures contained therein misleading.

- (b) The financial results submitted to the stock exchange shall be signed by the chairperson or managing director, or a whole time director or in the absence of all of them; it shall be signed by any other director of the listed entity who is duly authorized by the board of directors to sign the financial results.
 - (c) The limited review report shall be placed before the board of directors, at its meeting which approves the financial results, before being submitted to the stock exchange(s).
 - (d) The annual audited financial results shall be approved by the board of directors of the listed entity and shall be signed in the manner specified in clause (b) of sub regulation (2).
- (3) The listed entity shall submit the financial results in the following manner:
- (a) The listed entity shall submit quarterly and year-to-date standalone financial results to the stock exchange within forty-five days of end of each quarter, other than the last quarter.
 - (b) In case the listed entity has subsidiaries, in addition to the requirement at clause (a) of sub-regulation (3), the listed entity may also submit quarterly/year-to-date consolidated financial results subject to following:
 - (i) the listed entity shall intimate to the stock exchange, whether or not listed entity opts to additionally submit quarterly/year-to-date consolidated financial results in the first quarter of the financial year and this option shall not be changed during the financial year.

Provided that this option shall also be applicable to listed entity that is required to prepare consolidated financial results for the first time at the end of a financial year in respect of the quarter during the financial year in which the listed entity first acquires the subsidiary.
 - (ii) in case the listed entity changes its option in any subsequent year, it shall furnish comparable figures for the previous year in accordance with the option exercised for the current financial year.
 - (c) The quarterly and year-to-date financial results may be either audited or unaudited subject to the following:
 - (i) In case the listed entity opts to submit unaudited financial results, they shall be subject to limited review by the statutory auditors of the listed entity and shall be accompanied by the limited review report.

Provided that in case of public sector undertakings this limited review may be undertaken by any practicing Chartered Accountant.
 - (ii) In case the listed entity opts to submit audited financial results, they shall be accompanied by the audit report.
 - (d) The listed entity shall submit annual audited standalone financial results for the financial year, within sixty days from the end of the financial year along with the audit report and [Statement on Impact of Audit Qualifications (applicable only for audit report with modified opinion):

Provided that if the listed entity has subsidiaries, it shall, while submitting annual audited standalone financial results also submit annual audited consolidated financial results along with the audit report and Statement on Impact of Audit Qualifications (applicable only for audit report with modified opinion)

Provided further that, in case of audit reports with unmodified opinion(s), the listed entity shall furnish a declaration to that effect to the Stock Exchange(s) while publishing the annual audited financial results.

- (e) The listed entity shall also submit the audited financial results in respect of the last quarter along-with the results for the entire financial year, with a note stating that the figures of last quarter are the balancing figures between audited figures in respect of the full financial year and the published year-to-date figures upto the third quarter of the current financial year.
- (f) The listed entity shall also submit as part of its standalone or consolidated financial results for the half year, by way of a note, a statement of assets and liabilities as at the end of the half-year.
- (4) The applicable formats of the financial results and Statement on Impact of Audit Qualifications (for audit report with modified opinion) shall be in the manner as specified by the Board
- (5) For the purpose of this regulation, any reference to —quarterly/quarterly in case of listed entity which has listed their specified securities on SME Exchange shall be respectively read as —half yearly/half yearly and the requirement of submitting ‘year -to-date’ financial results shall not be applicable for a listed entity which has listed their specified securities on SME Exchange.
- (6) The Statement on Impact of Audit Qualifications (for audit report with modified opinion) and the accompanying annual audit report submitted in terms of clause (d) of sub-regulation (3) shall be reviewed by the stock exchange(s).

Annual Report

34. (1) The listed entity shall submit the annual report to the stock exchange within twenty one working days of it being approved and adopted in the annual general meeting as per the provisions of the Companies Act, 2013.
- (2) The annual report shall contain the following:
- (a) audited financial statements i.e. balance sheets, profit and loss accounts etc., and Statement on Impact of Audit Qualifications as stipulated in regulation 33(3)(d), if applicable;
 - (b) consolidated financial statements audited by its statutory auditors;
 - (c) cash flow statement presented only under the indirect method as prescribed in Accounting Standard-3 or Indian Accounting Standard 7, as applicable, specified in Section 133 of the Companies Act, 2013 read with relevant rules framed thereunder or as specified by the Institute of Chartered Accountants of India, whichever is applicable;
 - (d) directors report;
 - (e) management discussion and analysis report - either as a part of directors report or addition thereto;
 - (f) for the top five hundred] listed entities based on market capitalization (calculated as on March 31 of every financial year), business responsibility report describing the initiatives taken by them from an environmental, social and governance perspective, in the format as specified by the Board from time to time:

Provided that listed entities other than top five hundred listed companies based on market capitalization and listed entities which have listed their specified securities on SME Exchange, may include these business responsibility reports on a voluntary basis in the format as specified.

- (3) The annual report shall contain any other disclosures specified in Companies Act, 2013 along with other requirements as specified in Schedule V of these regulations.

Annual Information Memorandum

35. The listed entity shall submit to the stock exchange(s) an Annual Information Memorandum in the manner specified by the Board from time to time.

Documents & Information to shareholders.

36. (1) The listed entity shall send the annual report in the following manner to the shareholders:
- (a) Soft copies of full annual report to all those shareholder(s) who have registered their email address(es) for the purpose;
 - (b) Hard copy of statement containing the salient features of all the documents, as prescribed in Section 136 of Companies Act, 2013 or rules made thereunder to those shareholder(s) who have not so registered;
 - (c) Hard copies of full annual reports to those shareholders, who request for the same.
- (2) The listed entity shall send annual report referred to in sub-regulation (1), to the holders of securities, not less than twenty-one days before the annual general meeting.
- (3) In case of the appointment of a new director or re-appointment of a director the shareholders must be provided with the following information:
- (a) a brief resume of the director;
 - (b) nature of his expertise in specific functional areas;
 - (c) disclosure of relationships between directors inter-se;
 - (d) names of listed entities in which the person also holds the directorship and the membership of Committees of the board; and
 - (e) shareholding of non-executive directors.

Draft Scheme of Arrangement & Scheme of Arrangement.

37. (1) Without prejudice to provisions of regulation 11, the listed entity desirous of undertaking a scheme of arrangement or involved in a scheme of arrangement, shall file the draft scheme of arrangement, proposed to be filed before any Court or Tribunal under sections 391-394 and 101 of the Companies Act, 1956 or under Sections 230-234 and Section 66 of Companies Act, 2013, whichever applicable, with the stock exchange(s) for obtaining Observation Letter or No-objection letter, before filing such scheme with any Court or Tribunal, in terms of requirements specified by the Board or stock exchange(s) from time to time.
- (2) The listed entity shall not file any scheme of arrangement under sections 391-394 and 101 of the Companies Act, 1956 or under Sections 230-234 and Section 66 of Companies Act, 2013, whichever applicable, with any Court or Tribunal unless it has obtained observation letter or No-objection letter from the stock exchange(s).
- (3) The listed entity shall place the Observation letter or No-objection letter of the stock exchange(s) before the Court or Tribunal at the time of seeking approval of the scheme of arrangement:
- Provided that the validity of the 'Observation Letter' or No-objection letter of stock exchanges shall be six months from the date of issuance, within which the draft scheme of arrangement shall be submitted to the Court or Tribunal.
- (4) The listed entity shall ensure compliance with the other requirements as may be prescribed by the Board from time to time.

- (5) Upon sanction of the Scheme by the Court or Tribunal, the listed entity shall submit the documents, to the stock exchange(s), as prescribed by the Board and/or stock exchange(s) from time to time.
- (6) Nothing contained in this regulation shall apply to draft schemes which solely provide for merger of a wholly owned subsidiary with its holding company:
Provided that such draft schemes shall be filed with the stock exchanges for the purpose of disclosures.

Minimum Public Shareholding.

38. The listed entity shall comply with the minimum public shareholding requirements specified in Rule 19(2) and Rule 19A of the Securities Contracts (Regulation) Rules, 1957 in the manner as specified by the Board from time to time:

Provided that provisions of this regulation shall not apply to entities listed on institutional trading platform without making a public issue.

Issuance of Certificates or Receipts/Letters/Advices for securities and dealing with unclaimed securities.

39. (1) The listed entity shall comply with Rule 19(3) of Securities Contract (Regulations) Rules, 1957 in respect of Letter/Advices of Allotment, Acceptance or Rights, transfers, subdivision, consolidation, renewal, exchanges, issuance of duplicates thereof or any other purpose.
- (2) The listed entity shall issue certificates or receipts or advices, as applicable, of subdivision, split, consolidation, renewal, exchanges, endorsements, issuance of duplicates thereof or issuance of new certificates or receipts or advices, as applicable, in cases of loss or old decrepit or worn out certificates or receipts or advices, as applicable within a period of thirty days from the date of such lodgement.
- (3) The listed entity shall submit information regarding loss of share certificates and issue of the duplicate certificates, to the stock exchange within two days of its getting information.
- (4) The listed entity shall comply with the procedural requirements specified in Schedule VI while dealing with securities issued pursuant to the public issue or any other issue, physical or otherwise, which remain unclaimed and/or are lying in the escrow account, as applicable.

Transfer or transmission or transposition of securities.

40. (1) Save as otherwise specified in provisions of securities laws or Companies Act, 2013 and rules made thereunder, the listed entity shall also comply with the requirements as specified in this regulation for effecting transfer of securities.
- (2) The board of directors of a listed entity may delegate the power of transfer of securities to a committee or to compliance officer or to the registrar to an issue and/or share transfer agent(s):
Provided that the board of directors and/or the delegated authority shall attend to the formalities pertaining to transfer of securities at least once in a fortnight:
Provided further that the delegated authority shall report on transfer of securities to the board of directors in each meeting.
- (3) On receipt of proper documentation, the listed entity shall register transfers of its securities in the name of the transferee(s) and issue certificates or receipts or advices, as applicable, of transfers; or issue any valid objection or intimation to the transferee or transferor, as the case may be, within a period of fifteen days from the date of such receipt of request for transfer:
Provided that the listed entity shall ensure that transmission requests are processed for securities held in dematerialized mode and physical mode within seven days and twenty one days respectively, after receipt of the specified documents:

Provided further that proper verifiable dated records of all correspondence with the investor shall be maintained by the listed entity.

- (4) The listed entity shall not register transfer when any statutory prohibition or any attachment or prohibitory order of a competent authority restrains it from transferring the securities from the name of the transferor(s).
- (5) The listed entity shall not register the transfer of its securities in the name of the transferee(s) when the transferor(s) objects to the transfer:

Provided that the transferor serves on the listed entity, within sixty working days of raising the objection, a prohibitory order of a Court of competent jurisdiction.

- (6) The listed entity shall not decline to, register or acknowledge any transfer of shares, on the ground of the transferor(s) being either alone or jointly with any other person or persons indebted to the listed entity on any account whatsoever.
- (7) The listed entity shall comply with all procedural requirements as specified in Schedule VII with respect to transfer of securities.
- (8) In case the listed entity has not effected transfer of securities within fifteen days or where the listed entity has failed to communicate to the transferee(s) any valid objection to the transfer, within the stipulated time period of fifteen days, the listed entity shall compensate the aggrieved party for the opportunity losses caused during the period of the delay:

Provided that during the intervening period on account of delay in transfer above, the listed entity shall provide all benefits, which have accrued, to the holder of securities in terms of provisions of Section 126 of Companies Act, 2013, and Section 27 of the Securities Contracts (Regulation) Act, 1956:

Provided further that in case of any claim, difference or dispute under this sub-regulation the same shall be referred to and decided by arbitration as provided in the bye-laws and/or regulations of the stock exchange(s).

- (9) The listed entity shall ensure that the share transfer agent and/or the in-house share transfer facility, as the case may be, produces a certificate from a practicing company secretary within one month of the end of each half of the financial year, certifying that all certificates have been issued within thirty days of the date of lodgement for transfer, subdivision, consolidation, renewal, exchange or endorsement of calls/allotment monies.
- (10) The listed entity shall ensure that certificate mentioned at sub-regulation (9), shall be filed with the stock exchange(s) simultaneously.
- (11) In addition to transfer of securities, the provisions of this regulation shall also apply to the following :
 - (a) deletion of name of the deceased holder(s) of securities, where the securities are held in the name of two or more holders of securities ;
 - (b) transmission of securities to the legal heir(s), where deceased holder of securities was the sole holder of securities;
 - (c) transposition of securities, when there is a change in the order of names in which physical securities are held jointly in the names of two or more holders of securities.

Other provisions relating to securities

41. (1) The listed entity shall not exercise a lien on its fully paid shares and that in respect of partly paid shares it shall not exercise any lien except in respect of moneys called or payable at a fixed time in respect of such shares.

- (2) The listed entity shall, in case of any amount to be paid in advance of calls on any shares stipulate that such amount may carry interest but shall not in respect thereof confer a right to dividend or to participate in profits.
- (3) The listed entity shall not issue shares in any manner which may confer on any person, superior rights as to voting or dividend vis-à-vis the rights on equity shares that are already listed.
- (4) The listed entity shall, issue or offer in the first instance all shares (including forfeited shares), securities, rights, privileges and benefits to subscribe pro rata basis, to the equity shareholders of the listed entity, unless the shareholders in the general meeting decide otherwise.
- (5) Unless the terms of issue otherwise provide, the listed entity shall not select any of its listed securities for redemption otherwise than on pro-rata basis or by lot.

Record Date or Date of closure of transfer books

- 42.** (1) The listed entity shall intimate the record date to all the stock exchange(s) where it is listed for the following purposes:
- (a) declaration of dividend;
 - (b) issue of right or bonus shares;
 - (c) issue of shares for conversion of debentures or any other convertible security;
 - (d) shares arising out of rights attached to debentures or any other convertible security
 - (e) corporate actions like mergers, de-mergers, splits and bonus shares, where stock derivatives are available on the stock of listed entity or where listed entity's stocks form part of an index on which derivatives are available;
 - (f) such other purposes as may be specified by the stock exchange(s).
- (2) The listed entity shall give notice in advance of at least seven working days (excluding the date of intimation and the record date) to stock exchange(s) of record date specifying the purpose of the record date.
- (3) The listed entity shall recommend or declare all dividend and/or cash bonuses at least five working days (excluding the date of intimation and the record date) before the record date fixed for the purpose.
- (4) The listed entity shall ensure the time gap of at least thirty days between two record dates.
- (5) For securities held in physical form, the listed entity may, announce dates of closure of its transfer books in place of record date for complying with requirements as specified in sub regulations (1) to (4):

Provided that the listed entity shall ensure that there is a time gap of at least thirty days between two dates of closure of its transfer books.

Dividends

- 43.** (1) The listed entity shall declare and disclose the dividend on per share basis only.
- (2) The listed entity shall not forfeit unclaimed dividends before the claim becomes barred by law and such forfeiture, if effected, shall be annulled in appropriate cases.

Dividend Distribution Policy

- 43A.** (1) The top five hundred listed entities based on market capitalization (calculated as on March 31 of every financial year) shall formulate a dividend distribution policy which shall be disclosed in their annual reports and on their websites.
- (2) The dividend distribution policy shall include the following parameters:

- (a) the circumstances under which the shareholders of the listed entities may or may not expect dividend;
- (b) the financial parameters that shall be considered while declaring dividend;
- (c) internal and external factors that shall be considered for declaration of dividend;
- (d) policy as to how the retained earnings shall be utilized; and
- (e) parameters that shall be adopted with regard to various classes of shares:

Provided that if the listed entity proposes to declare dividend on the basis of parameters in addition to clauses (a) to (e) or proposes to change such additional parameters or the dividend distribution policy contained in any of the parameters, it shall disclose such changes along with the rationale for the same in its annual report and on its website.

- (3) The listed entities other than top five hundred listed entities based on market capitalization may disclose their dividend distribution policies on a voluntary basis in their annual reports and on their websites.

Voting by shareholders

44. (1) The listed entity shall provide the facility of remote e-voting facility to its shareholders, in respect of all shareholders' resolutions.
- (2) The e-voting facility to be provided to shareholders in terms of sub-regulation (1), shall be provided in compliance with the conditions specified under the Companies (Management and Administration) Rules, 2014, or amendments made thereto.
- (3) The listed entity shall submit to the stock exchange, within forty eight hours of conclusion of its General Meeting, details regarding the voting results in the format specified by the Board.
- (4) The listed entity shall send proxy forms to holders of securities in all cases mentioning that a holder may vote either for or against each resolution.

Change in name of the listed entity

45. (1) The listed entity shall be allowed to change its name subject to compliance with the following conditions:
- (a) a time period of at least one year has elapsed from the last name change;
 - (b) at least fifty percent. of the total revenue in the preceding one year period has been accounted for by the new activity suggested by the new name; or
 - (c) the amount invested in the new activity/project is at least fifty percent. of the assets of the listed entity:

Provided that if any listed entity has changed its activities which are not reflected in its name, it shall change its name in line with its activities within a period of six months from the change of activities in compliance of provisions as applicable to change of name prescribed under Companies Act, 2013.

Explanation.- For the purpose of this regulation, -

- (i) 'assets' of the listed entity means the sum of fixed assets, advances, works in Progress / Inventories, investments, trade receivables, cash & cash equivalents;
 - (ii) 'advances' shall include only those amounts extended to contractors and suppliers towards execution of project, specific to new activity as reflected in the new name.
- (2) On satisfaction of conditions at sub-regulation (1), the listed entity shall file an application for name availability with Registrar of Companies.

- (3) On receipt of confirmation regarding name availability from Registrar of Companies, before filing the request for change of name with the Registrar of Companies in terms of provisions laid down in Companies Act, 2013 and rules made thereunder, the listed entity shall seek approval from Stock Exchange by submitting a certificate from chartered accountant stating compliance with conditions at sub-regulation (1).

Website

46. (1) The listed entity shall maintain a functional website containing the basic information about the listed entity.
- (2) The listed entity shall disseminate the following information on its website:
 - (a) details of its business;
 - (b) terms and conditions of appointment of independent directors;
 - (c) composition of various committees of board of directors;
 - (d) code of conduct of board of directors and senior management personnel;
 - (e) details of establishment of vigil mechanism/ Whistle Blower policy;
 - (f) criteria of making payments to non-executive directors , if the same has not been disclosed in annual report;
 - (g) policy on dealing with related party transactions;
 - (h) policy for determining 'material' subsidiaries;
 - (i) details of familiarization programmes imparted to independent directors including the following details:-(i) number of programmes attended by independent directors (during the year and on a cumulative basis till date),
 - (ii) number of hours spent by independent directors in such programmes (during the year and on cumulative basis till date), and
 - (iii) other relevant details
 - (j) the email address for grievance redressal and other relevant details;
 - (k) contact information of the designated officials of the listed entity who are responsible for assisting and handling investor grievances;
 - (l) financial information including:
 - (i) notice of meeting of the board of directors where financial results shall be discussed;
 - (ii) financial results, on conclusion of the meeting of the board of directors where the financial results were approved;
 - (iii) complete copy of the annual report including balance sheet, profit and loss account, directors report, corporate governance report etc;
 - (m) shareholding pattern;
 - (n) details of agreements entered into with the media companies and/or their associates, etc;
 - (o) schedule of analyst or institutional investor meet and presentations made by the listed entity to analysts or institutional investors simultaneously with submission to stock exchange;
 - (p) new name and the old name of the listed entity for a continuous period of one year, from the date of the last name change;
 - (q) items in sub-regulation (1) of regulation 47 .

- (3) (a) The listed entity shall ensure that the contents of the website are correct.
- (b) The listed entity shall update any change in the content of its website within two working days from the date of such change in content.

Advertisements in Newspapers

47. (1) The listed entity shall publish the following information in the newspaper:
- (a) notice of meeting of the board of directors where financial results shall be discussed
 - (b) financial results, as specified in regulation 33, along-with the modified opinion(s) or reservation(s), if any, expressed by the auditor:
 Provided that if the listed entity has submitted both standalone and consolidated financial results, the listed entity shall publish consolidated financial results alongwith (1) Turnover, (2) Profit before tax and (3) Profit after tax, on a stand-alone basis, as a foot note; and a reference to the places, such as the website of listed entity and stock exchange(s), where the standalone results of the listed entity are available.
 - (c) statements of deviation(s) or variation(s) as specified in sub-regulation (1) of regulation 32 on quarterly basis, after review by audit committee and its explanation in directors report in annual report;
 - (d) notices given to shareholders by advertisement.
- (2) The listed entity shall give a reference in the newspaper publication, in sub-regulation (1), to link of the website of listed entity and stock exchange(s), where further details are available.
- (3) The listed entity shall publish the information specified in sub-regulation (1) in the newspaper simultaneously with the submission of the same to the stock exchange(s).
 Provided that financial results at clause (b) of sub-regulation (1), shall be published within 48 hours of conclusion of the meeting of board of directors at which the financial results were approved.
- (4) The information at sub-regulation (1) shall be published in at least one English language national daily newspaper circulating in the whole or substantially the whole of India and in one daily newspaper published in the language of the region, where the registered office of the listed entity is situated:
 Provided that the requirements of this regulation shall not be applicable in case of listed entities which have listed their specified securities on SME Exchange.

Accounting Standards

48. The listed entity shall comply with all the applicable and notified Accounting Standards from time to time.

CHAPTER V



OBLIGATIONS OF LISTED ENTITY WHICH HAS LISTED ITS NONCONVERTIBLE DEBT SECURITIES OR NON-CONVERTIBLE REDEEMABLE PREFERENCE SHARES OR BOTH

Applicability

49. (1) The provisions of this chapter shall apply only to a listed entity which has listed its Non-convertible Debt Securities' and/or Non-Convertible Redeemable Preference Shares' on a

recognised stock exchange in accordance with Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 or Securities and Exchange Board of India (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013 respectively.

- (2) The provisions of this chapter shall also be applicable to —perpetual debt instrument and perpetual non-cumulative preference share listed by banks.

Explanation (1).-For the purpose of this chapter, —Bank" means any bank included in the Second Schedule to the Reserve Bank of India Act, 1934.

Explanation (2).- For the purpose of this chapter, if the listed entity has listed its nonconvertible redeemable preference shares:

- (i) The reference to —interestll may also read as dividend;
- (ii) The provisions concerning debenture trustees and security creation (or asset cover or charge on assets) shall not be applicable for —non-convertible redeemable preference shares.

Intimation to stock exchange(s)

50. (1) The listed entity shall give prior intimation to the stock exchange(s) at least eleven working days before the date on and from which the interest on debentures and bonds, and redemption amount of redeemable shares or of debentures and bonds shall be payable.

- (2) The listed entity shall intimate the stock exchange(s), its intention to raise funds through new non-convertible debt securities or non-convertible redeemable preference shares it proposes to list either through a public issue or on private placement basis, prior to issuance of such securities:

Provided that the above intimation may be given prior to the meeting of board of directors wherein the proposal to raise funds through new non convertible debt securities or nonconvertible redeemable preference shares shall be considered.

- (3) The listed entity shall intimate to the stock exchange(s), at least two working days in advance, excluding the date of the intimation and date of the meeting, regarding the meeting of its board of directors, at which the recommendation or declaration of issue of non convertible debt securities or any other matter affecting the rights or interests of holders of non convertible debt securities or non convertible redeemable preference shares is proposed to be considered.

Disclosure of information having bearing on performance/operation of listed entity and/or price sensitive information

51. (1) The listed entity shall promptly inform the stock exchange(s) of all information having bearing on the performance/operation of the listed entity, price sensitive information or any action that shall affect payment of interest or dividend of nonconvertible preference shares or redemption of non convertible debt securities or redeemable preference shares.

Explanation.-The expression ‘promptly inform’, shall imply that the stock exchange must be informed as soon as practically possible and without any delay and that the information shall be given first to the stock exchange(s) before providing the same to any third party.

- (2) Without prejudice to the generality of sub-regulation (1), the listed entity who has issued or is issuing non-convertible debt securities and/or non-convertible redeemable preference shares shall make disclosures as specified in Part B of Schedule III.

Financial Results

52. (1) The listed entity shall prepare and submit un-audited or audited financial results on a half yearly basis in the format as specified by the Board within forty five days from the end of the half year to the recognised stock exchange(s).

The listed entity shall comply with following requirements with respect to preparation, approval, authentication and publication of annual and half-yearly financial results:

- (a) Un-audited financial results shall be accompanied by limited review report prepared by the statutory auditors of the listed entity or in case of public sector undertakings, by any practising Chartered Accountant, in the format as specified by the Board:

Provided that if the listed entity intimates in advance to the stock exchange(s) that it shall submit to the stock exchange(s) its annual audited results within sixty days from the end of the financial year, un-audited financial results for the last half year accompanied by limited review report by the auditors need not be submitted to stock exchange(s).
 - (b) Half-yearly results shall be taken on record by the board of directors and signed by the managing director / executive director.
 - (c) The audited results for the year shall be submitted to the recognised stock exchange(s) in the same format as is applicable for half-yearly financial results.
 - (d) If the listed entity opts to submit un-audited financial results for the last half year accompanied by limited review report by the auditors, it shall also submit audited financial results for the entire financial year, as soon as they are approved by the board of directors.
 - (e) Modified opinion(s) in audit reports that have a bearing on the interest payment/ dividend payment pertaining to non-convertible redeemable debentures/ redemption or principal repayment capacity of the listed entity shall be appropriately and adequately addressed by the board of directors while publishing the accounts for the said period.
- (3) (a) The annual audited financial results shall be submitted along with the annual audit report and Statement on Impact of Audit Qualifications (applicable only for audit report with modified opinion).

Provided that, in case of audit reports with unmodified opinion, the listed entity shall furnish a declaration to that effect to the Stock Exchange(s) while publishing the annual audited financial results.
 - (b) The Statement on Impact of Audit Qualifications (for audit report with modified opinion and the accompanying annual audit report submitted in terms of clause (a) shall be reviewed by the stock exchange(s)
 - (c) The applicable format of [Statement on Impact of Audit Qualifications (for audit report with modified opinion) shall be [in the manner as specified by the Board.
- (4) The listed entity, while submitting half yearly / annual financial results, shall disclose the following line items along with the financial results:
 - (a) credit rating and change in credit rating (if any);
 - (b) asset cover available, in case of non convertible debt securities;
 - (c) debt-equity ratio;
 - (d) previous due date for the payment of interest/ dividend for non-convertible redeemable preference shares/ repayment of principal of non-convertible

preference shares /non convertible debt securities and whether the same has been paid or not; and,

- (e) next due date for the payment of interest/ dividend of non-convertible preference shares /principal along with the amount of interest/ dividend of non-convertible preference shares payable and the redemption amount;
- (f) debt service coverage ratio;
- (g) interest service coverage ratio;
- (h) outstanding redeemable preference shares (quantity and value);
- (i) capital redemption reserve/debenture redemption reserve;
- (j) net worth;
- (k) net profit after tax;
- (l) earnings per share:

Provided that the requirement of disclosures of debt service coverage ratio, asset cover and interest service coverage ratio shall not be applicable for banks or non banking financial companies registered with the Reserve Bank of India.

Provided further that the requirement of this sub- regulation shall not be applicable in case of unsecured debt instruments issued by regulated financial sector entities eligible for meeting capital requirements as specified by respective regulators.

- (5) While submitting the information required under sub- regulation (4), the listed entity shall submit to stock exchange(s), a certificate signed by debenture trustee that it has taken note of the contents.
- (6) The listed entity which has listed its non convertible redeemable preference shares shall make the following additional disclosures as notes to financials:
 - (a) profit for the half year and cumulative profit for the year;
 - (b) free reserve as on the end of half year;
 - (c) securities premium account balance (if redemption of redeemable preference share is to be done at a premium, such premium may be appropriated from securities premium account):

Provided that disclosure on securities premium account balance may be provided only in the year in which non convertible redeemable preference shares are due for redemption;
 - (d) track record of dividend payment on non convertible redeemable preference shares:

Provided that in case the dividend has been deferred at any time, then the actual date of payment shall be disclosed;
 - (e) breach of any covenants under the terms of the non convertible redeemable preference shares:

Provided that in case a listed entity is planning a fresh issuance of shares whose end use is servicing of the non convertible redeemable preference shares (whether dividend or principle redemption), then the same shall be disclosed whenever the listed entity decided on such issuances.
- (7) The listed entity shall submit to the stock exchange on a half yearly basis along with the half yearly financial results, a statement indicating material deviations, if any, in the use of proceeds of issue of non convertible debt securities and non-convertible redeemable preference shares from the objects stated in the offer document.

- (8) The listed entity shall, within two calendar days of the conclusion of the meeting of the board of directors, publish the financial results and statement referred to in sub-regulation (4), in at least one English national daily newspaper circulating in the whole or substantially the whole of India.

Annual Report

53. The annual report of the listed entity shall contain disclosures as specified in Companies Act, 2013 along with the following:
- (a) audited financial statements i.e. balance sheets, profit and loss accounts etc. and Statement on Impact of Audit Qualifications as stipulated in regulation 52(3)(a), if applicable;
 - (b) cash flow statement presented only under the indirect method as prescribed in Accounting Standard-3 / Indian Accounting Standard 7, mandated under Section 133 of the Companies Act, 2013 read with relevant rules framed thereunder or by the Institute of Chartered Accountants of India, whichever is applicable;
 - (c) auditors report;
 - (d) directors report;
 - (e) name of the debenture trustees with full contact details ;
 - (f) related party disclosures as specified in Para A of Schedule V.

Asset Cover

54. (1) In respect of its listed non-convertible debt securities, the listed entity shall maintain hundred percent. asset cover sufficient to discharge the principal amount at all times for the non-convertible debt securities issued.
- (2) The listed entity shall disclose to the stock exchange in quarterly, half-yearly, year-to-date and annual financial statements, as applicable, the extent and nature of security created and maintained with respect to its secured listed non-convertible debt securities.
- (3) The requirement specified in sub-regulation (1), shall not be applicable in case of unsecured debt securities issued by regulated financial sector entities eligible for meeting capital requirements as specified by respective regulators.

Credit Rating

55. Each rating obtained by the listed entity with respect to non-convertible debt securities shall be reviewed at least once a year by a credit rating agency registered by the Board.

Documents and Intimation to Debenture Trustees

56. (1) The listed entity shall forward the following to the debenture trustee promptly:
- (a) a copy of the annual report at the same time as it is issued along with a copy of certificate from the listed entity's auditors in respect of utilisation of funds during the implementation period of the project for which the funds have been raised:

Provided that in the case of debentures or preference shares issued for financing working capital or general corporate purposes or for capital raising purposes the copy of the auditor's certificate may be submitted at the end of each financial year till the funds have been fully utilised or the purpose for which these funds were intended has been achieved.
 - (b) a copy of all notices, resolutions and circulars relating to-
 - (i) new issue of non convertible debt securities at the same time as they are sent to shareholders/ holders of non convertible debt securities;

- (ii) the meetings of holders of non-convertible debt securities at the same time as they are sent to the holders of non convertible debt securities or advertised in the media including those relating to proceedings of the meetings;
- (c) intimations regarding :
 - (i) any revision in the rating;
 - (ii) any default in timely payment of interest or redemption or both in respect of the non convertible debt securities;
 - (iii) failure to create charge on the assets;
- (d) a half-yearly certificate regarding maintenance of hundred percent. asset cover in respect of listed non convertible debt securities, by either a practicing company secretary or a practicing chartered accountant, along with the half yearly financial results:

Provided that submission of such half yearly certificates is not applicable in cases where a listed entity is a bank or non banking financial companies registered with Reserve Bank of India or where bonds are secured by a Government guarantee.
- (2) The listed entity shall forward to the debenture trustee any such information sought and provide access to relevant books of accounts as required by the debenture trustee.
- (3) The listed entity may, subject to the consent of the debenture trustee, send the information stipulated in sub-regulation (1), in electronic form/fax.

Other submissions to stock exchange(s)

57. (1) The listed entity shall submit a certificate to the stock exchange within two days of the interest or principal or both becoming due that it has made timely payment of interests or principal obligations or both in respect of the non convertible debt securities.
- (2) The listed entity shall provide an undertaking to the stock exchange(s) on annual basis stating that all documents and intimations required to be submitted to Debenture Trustees in terms of Trust Deed and Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 have been complied with.
- (3) The listed entity shall forward to the stock exchange any other information in the manner and format as specified by the Board from time to time.

Documents and information to holders of non - convertible debt securities and nonconvertible preference shares

58. (1) The listed entity shall send the following documents:
- (a) Soft copies of full annual reports to all the holders of non convertible preference share who have registered their email address(es) for the purpose;
 - (b) Hard copy of statement containing the salient features of all the documents, as specified in Section 136 of Companies Act, 2013 and rules made thereunder to those holders of non convertible preference share who have not so registered;
 - (c) Hard copies of full annual reports to those holders of non convertible debt securities and non convertible preference share, who request for the same.
 - (d) Half yearly communication as specified in sub-regulation (4) and (5) of regulation 52, to holders of non convertible debt securities and non convertible preference shares;
- (2) The listed entity shall send the notice of all meetings of holders of non convertible debt securities and holders of non-convertible redeemable preference shares specifically stating that the provisions for appointment of proxy as mentioned in Section 105 of the Companies Act, 2013, shall be applicable for such meeting.

- (3) The listed entity shall send proxy forms to holders of non convertible debt securities and non-convertible redeemable preference shares which shall be worded in such a manner that holders of these securities may vote either for or against each resolution.

Structure of non convertible debt securities and non convertible redeemable preference shares

59. (1) The listed entity shall not make material modification without prior approval of the stock exchange(s) where the non convertible debt securities or non-convertible redeemable preference shares, as applicable, are listed, to :
- (a) the structure of the debenture in terms of coupon, conversion, redemption, or otherwise.
 - (b) the structure of the non-convertible redeemable preference shares in terms of dividend of non-convertible preference shares payable, conversion, redemption, or otherwise.
- (2) The approval of the stock exchange referred to in sub-regulation (1) shall be made only after:
- (a) approval of the board of directors and the debenture trustee in case of nonconvertible debt securities and
 - (b) after complying with the provisions of Companies Act, 2013 including approval of the consent of requisite majority of holders of that class of securities.

Record Date

60. (1) The listed entity shall fix a record date for purposes of payment of interest, dividend and payment of redemption or repayment amount or for such other purposes as specified by the stock exchange.
- (2) The listed entity shall give notice in advance of at least seven working days (excluding the date of intimation and the record date) to the recognised stock exchange (s) of the record date or of as many days as the stock exchange(s) may agree to or require specifying the purpose of the record date.

Terms of non convertible debt securities and non convertible redeemable preference shares

61. (1) The listed entity shall ensure timely payment of interest or dividend of nonconvertible redeemable preference shares or redemption payment:
- Provided that the listed entity shall not declare or distribute any dividend wherein it has defaulted in payment of interest on debt securities or redemption thereof or in creation of security as per the terms of the issue of debt securities:
- Provided further that this requirement shall not be applicable in case of unsecured debt securities issued by regulated financial sector entities eligible for meeting capital requirements as specified by respective regulators.
- (2) The listed entity shall not forfeit unclaimed interest/dividend and such unclaimed interest/dividend shall be transferred to the 'Investor Education and Protection Fund' set up as per Section 125 of the Companies Act, 2013.
 - (3) Unless the terms of issue provide otherwise, the listed entity shall not select any of its listed securities for redemption otherwise than pro rata basis or by lot.
 - (4) The listed entity shall comply with requirements as specified in regulation 40 for transfer of securities including procedural requirements specified in Schedule VII.

Website

62. (1) The listed entity shall maintain a functional website containing the following information about the listed entity:-
- (a) details of its business;

- (b) financial information including complete copy of the annual report including balance sheet, profit and loss account, directors report etc;
 - (c) contact information of the designated officials of the listed entity who are responsible for assisting and handling investor grievances;
 - (d) email address for grievance redressal and other relevant details;
 - (e) name of the debenture trustees with full contact details;
 - (f) the information, report, notices, call letters, circulars, proceedings, etc concerning non-convertible redeemable preference shares or non convertible debt securities;
 - (g) all information and reports including compliance reports filed by the listed entity;
 - (h) information with respect to the following events:
 - (i) default by issuer to pay interest on or redemption amount;
 - (ii) failure to create a charge on the assets;
 - (iii) revision of rating assigned to the non convertible debt securities:
- (2) The listed entity may also issue a press release with respect to the events specified in sub regulation (1).
- (3) The listed entity shall ensure that the contents of the website are correct and updated at any given point of time.

CHAPTER VI



OBLIGATIONS OF LISTED ENTITY WHICH HAS LISTED ITS SPECIFIED SECURITIES AND EITHER NON-CONVERTIBLE DEBT SECURITIES OR NON-CONVERTIBLE REDEEMABLE PREFERENCE SHARES OR BOTH

Applicability of Chapters IV and V

63. (1) Entity which has listed its Specified Securities and Non-Convertible Debt Securities or non-convertible redeemable preference shares' or both on any recognised stock exchange, shall be bound by the provisions in Chapter IV of these regulations.
- (2) The listed entity described in sub-regulation (1) shall additionally comply with the following regulations in Chapter V:
- (a) regulation 50(2),(3);
 - (b) regulation 51;
 - (c) regulation 52(3), (4), (5)and (6);
 - (d) regulation 53
 - (e) regulation 54
 - (f) regulation 55
 - (g) regulation 56
 - (h) regulation 57
 - (i) regulation 58
 - (j) regulation 59
 - (k) regulation 60
 - (l) regulation 61:

Provided that the listed entity which has submitted any information to the stock exchange in compliance with the disclosure requirements under Chapter IV of these regulations, need not re-submit any such information under the provisions of this regulations without prejudice to any power conferred on the Board or the stock exchange or any other authority under any law to seek any such information from the listed entity:

Provided further that the listed entity, which has satisfied certain obligations in compliance with other chapters, shall not separately satisfy the same conditions under this chapter.

Delisting

64. (1) In the event specified securities of the listed entity are delisted from the stock exchange, the listed entity shall comply with all the provisions in Chapter V of these regulations.
- (2) In the event that non-convertible debt securities and non-convertible redeemable preference shares of the listed entity do not remain listed on the stock exchange, the listed entity shall comply with all the provisions in Chapter IV of these regulations.

CHAPTER VII



OBLIGATIONS OF LISTED ENTITY WHICH HAS LISTED ITS INDIAN DEPOSITORY RECEIPTS

Applicability

65. The provisions of this chapter shall apply to listed entity whose securities market regulators are signatories to the Multilateral Memorandum of Understanding of International Organization of Securities Commission issuing 'Indian Depository Receipts' as defined under Rule 13 of the Companies (Registration of Foreign Companies) Rules, 2014.

Definitions

66. For the purpose of this chapter, unless the context otherwise requires -
- IDR Holder(s) shall mean holder(s) of Indian Depository Receipts.
 - Depository Agreement shall mean an agreement between the listed entity and the domestic depository
 - Home Country or country of origin shall mean the country or parent country where the listed entity is incorporated and listed.
 - Security holder shall mean holder of the security or equity shares of the listed entity in the home country.

General Obligations of listed entity

67. (1) All correspondences filed with the stock exchange(s) and those sent to the IDR Holders shall be in English.
- (2) The listed entity shall comply, at all times, with the rules/regulations/laws of the country of origin.
- (3) The listed entity shall undertake that the competent Courts, Tribunals and regulatory authorities in India shall have jurisdiction in the event of any dispute, either with the stock exchange or any investor, concerning the India Depository Receipts offered or subscribed or bought in India.
- (4) The listed entity shall forward, on a continuous basis, any information requested by the stock exchange, in the interest of investors from time to time.

- (5) In case of any claim, difference or dispute under the provisions of this chapter and other provisions of these regulations applicable to the listed entity, the same shall be referred to and decided by arbitration as provided in the bye-laws and regulations of the stock exchange(s).

Disclosure of material events or information

68. (1) The listed entity shall promptly inform to the stock exchange(s) of all events which are material, all information which is price sensitive and/or have bearing on performance/operation of the listed entity.
- (2) Without prejudice to the generality of sub-regulation(1), the listed entity shall make the disclosures as specified in Part C of Schedule III.

Indian Depository Receipt holding pattern & Shareholding details

69. (1) The listed entity shall file with the stock exchange the Indian Depository Receipt holding pattern on a quarterly basis within fifteen days of end of the quarter in the format specified by the Board.
- (2) The listed entity shall file the following details with the stock exchange as is required to be filed in compliance with the disclosure requirements of the listing authority or stock exchange in its home country or any other jurisdiction where the securities of the listed entity are listed:
- (a) Shareholding Pattern;
 - (b) Pre and post arrangement share holding pattern and Capital Structure in case of any corporate restructuring like mergers / amalgamations

Periodical Financial Results

70. (1) The listed entity shall file periodical financial results with the stock exchange in such manner and within such time and to the extent that it is required to file as per the listing requirements of the home country.
- (2) The listed entity shall comply with the requirements with respect to preparation and disclosures in financial results as specified in Part B of Schedule IV.

Annual Report.

71. (1) The listed entity shall submit to stock exchange an annual report at the same time as it is disclosed to the security holder in its home country or in other jurisdictions where such securities are listed.
- (2) The annual report shall contain the following:
- (a) Report of board of directors;
 - (b) Balance Sheet;
 - (c) Profit and Loss Account;
 - (d) Auditors Report;
 - (e) All periodical and special reports(if applicable);
 - (f) Any such other report which is required to be sent to security holders annually.
- (3) The listed entity shall comply with the requirements with respect to preparation and disclosures in financial results in annual report as specified in Part B of Schedule IV.

Corporate Governance

72. (1) The listed entity shall comply with the corporate governance provisions as applicable in its home country and other jurisdictions in which its equity shares are listed.

- (2) The listed entity shall submit to stock exchange a comparative analysis of the corporate governance provisions that are applicable in its home country and in the other jurisdictions in which its equity shares are listed along with the compliance of the same vis-à-vis the corporate governance requirements applicable under regulation 17 to regulation 27, to other listed entities.

Documents and Information to IDR Holder

73. The listed entity shall disclose/send the following documents to IDR Holders, at the same time and to the extent that it discloses to security holders in its home country or in other jurisdictions where its securities are listed:
- (a) Soft copies of the annual report to all the IDR holders who have registered their email address(es) for the purpose
 - (b) Hard copy of the annual report to those IDR holders who request for the same either through domestic depository or Compliance Officer
 - (c) the pre and post arrangement capital structure and share holding pattern in case of any corporate restructuring like mergers / amalgamations and other schemes

Equitable Treatment to IDR Holders

74. (1) If the listed entity's equity shares or other securities representing equity shares are also listed on the stock exchange(s) in countries other than its home country, it shall ensure that IDR Holders are treated in a manner equitable with security holders in home country.
- (2) The listed entity shall ensure that for all corporate actions, except those which are not permitted by Indian laws, it shall treat IDR holders in a manner equitable with security holders in the home country.
- (3) In case of take-over or delisting or buy-back of its equity shares, the listed entity shall, while following the laws applicable in its home country, give equitable treatment to IDR holders vis-à-vis security holder in home country.
- (4) The listed entity shall ensure protection of interests of IDR holders particularly with respect to all corporate benefits permissible under Indian laws and the laws of its home country and shall address all investor grievances adequately.

Advertisements in Newspapers

75. (1) The listed entity shall publish the following information in the newspaper :
- (a) periodical financial results required to be disclosed;
 - (b) Notices given to its IDR Holders by advertisement;
- (2) The information specified in sub-regulation (1) shall be issued in at one English national daily newspaper circulating in the whole or substantially the whole of India and in one Hindi national daily newspaper in India.

Terms of Indian Depository Receipts

76. (1) The listed entity shall pay the dividend as per the timeframe applicable in its home country or other jurisdictions where its securities are listed, whichever is earlier, so as to reach the IDR Holders on or before the date fixed for payment of dividend to holders of its equity share or other securities.
- (2) The listed entity shall not forfeit unclaimed dividends before the claim becomes barred by law in the home country of the listed entity, as may be applicable, and that such forfeiture, when effected, shall be annulled in appropriate cases.
- (3) The Indian Depository Receipts shall have two-way fungibility in the manner specified by the Board from time to time.

Structure of Indian Depository Receipts

77. (1) The listed entity shall ensure that the underlying shares of IDRs shall rank paripassu with the existing shares of the same class and the fact of having different classes of shares based on different criteria, if any, shall be disclosed by the listed entity in the annual report.
- (2) The listed entity shall not exercise a lien on the fully paid underlying shares, against which the IDRs are issued, and that in respect of partly paid underlying shares, against which the IDRs are issued and shall also not exercise any lien except in respect of moneys called or payable at a fixed time in respect of such underlying shares.
- (3) The listed entity, subject to the requirements under the laws and regulations of its home country, if any amount be paid up in advance of calls on any underlying shares against which the IDRs are issued, shall stipulate that such amount may carry interest but shall not in respect thereof confer a right to dividend or to participate in profits.

Record Date

78. (1) The listed entity, where it is required so to do in its home country or other jurisdictions where its securities may be listed, shall fix the record date for the purpose of payment of dividends or distribution of any other corporate benefits to IDR Holders.
- (2) The listed entity shall give notice in advance of at least four working days to the recognized stock exchange(s) of record date specifying the purpose of the record date.

Voting

79. (1) The listed entity shall, either directly or through an agent, send out proxy forms to IDR Holders in all cases mentioning that a security holder may vote either for or against each resolution.
- (2) Voting rights of the IDR Holders shall be exercised in accordance with the depository agreement.

Delisting of Indian Depository Receipt

80. (1) The listed entity shall, if it decides to delist Indian Depository Receipts, give fair and reasonable treatment to IDR holders.
- (2) The listed entity shall comply with such norms and conditions for delisting Indian Depository Receipts as specified by the Board or stock exchange in this regard.
- (3) The listed entity shall, in case underlying equity shares are delisted, shall delist and cancel the Indian Depository Receipts.

CHAPTER VIII



OBLIGATIONS OF LISTED ENTITY WHICH HAS LISTED ITS SECURITISED DEBT INSTRUMENTS

Applicability

81. (1) The provisions of this chapter shall apply to Special Purpose Distinct Entity issuing securitised debt instruments and trustees of Special Purpose Distinct Entity shall ensure compliance with each of the provisions of these regulations.
- (2) The expressions "asset pool", "clean up call option", "credit enhancement", "debt or receivables", "investor", "liquidity provider", "obligor", "originator", "regulated activity", "scheme", "securitization", "securitized debt instrument", "servicer", "special purpose distinct entity", "sponsor" and "trustee" shall have the same meaning as assigned to them

under Securities and Exchange Board of India (Public Offer and Listing of Securitised Debt Instruments) Regulations, 2008;

Intimation and filings with stock exchange(s)

82. (1) The listed entity shall intimate the Stock exchange, of its intention to issue new securitized debt instruments either through a public issue or on private placement basis (if it proposes to list such privately placed debt securities on the Stock exchange) prior to issuing such securities.
- (2) The listed entity shall intimate to the stock exchange(s), at least two working days in advance, excluding the date of the intimation and date of the meeting, regarding the meeting of its board of trustees, at which the recommendation or declaration of issue of securitized debt instruments or any other matter affecting the rights or interests of holders of securitized debt instruments is proposed to be considered.
- (3) The listed entity shall submit such statements, reports or information including financial information pertaining to Schemes to stock exchange within seven days from the end of the month/ actual payment date, either by itself or through the servicer, on a monthly basis in the format as specified by the Board from time to time:
- Provided that where periodicity of the receivables is not monthly, reporting shall be made for the relevant periods.
- (4) The listed entity shall provide the stock exchange, either by itself or through the servicer, loan level information, without disclosing particulars of individual borrowers, in manner specified by stock exchange.

Disclosure of information having bearing on performance/operation of listed entity and/or price sensitive information

83. (1) The listed entity shall promptly inform the stock exchange(s) of all information having bearing on the on performance/operation of the listed entity and price sensitive information.
- (2) Without prejudice to the generality of sub-regulation(1), the listed entity shall make the disclosures specified in Part D of Schedule III.
- Explanation.- The expression 'promptly inform', shall imply that the stock exchange must be informed must as soon as practically possible and without any delay and that the information shall be given first to the stock exchange(s) before providing the same to any third party.

Credit Rating

84. (1) Every rating obtained by the listed entity with respect to securitised debt instruments shall be periodically reviewed, preferably once a year, by a credit rating agency registered by the Board.
- (2) Any revision in rating(s) shall be disseminated by the stock exchange(s).

Information to Investors

85. (1) The listed entity shall provide either by itself or through the servicer, loan level information without disclosing particulars of individual borrower to its investors.
- (2) The listed entity shall provide information regarding revision in rating as a result of credit rating done periodically in terms of regulation 84 above to its investors.
- (3) The information at sub-regulation (1) and (2) may be sent to investors in electronic form/fax if so consented by the investors.
- (4) The listed entity shall display the email address of the grievance redressal division and other relevant details prominently on its website and in the various materials / pamphlets/ advertisement campaigns initiated by it for creating investor awareness.

Terms of Securitized Debt Instruments

86. (1) The listed entity shall ensure that no material modification shall be made to the structure of the securitized debt instruments in terms of coupon, conversion, redemption, or otherwise without prior approval of the recognised stock exchange(s) where the securitized debt instruments are listed and the listed entity shall make an application to the recognised stock exchange(s) only after the approval by Trustees.
- (2) The listed entity shall ensure timely interest/ redemption payment.
- (3) The listed entity shall ensure that where credit enhancement has been provided for, it shall make credit enhancement available for listed securitized debt instruments at all times.
- (4) The listed entity shall not forfeit unclaimed interest and principal and such unclaimed interest and principal shall be, after a period of seven years, transferred to the Investor Protection and Education Fund established under the Securities and Exchange Board of India (Investor Protection and Education Fund) Regulations, 2009.
- (5) Unless the terms of issue provide otherwise, the listed entity shall not select any of its listed securitized debt instruments for redemption otherwise than on pro rata basis or by lot and shall promptly submit to the recognised stock exchange(s) the details thereof.
- (6) The listed entity shall remain listed till the maturity or redemption of securitised debt instruments or till the same are delisted as per the procedure laid down by the Board
- Provided that the provisions of this sub-regulation shall not restrict the right of the recognised stock exchange(s) to delist, suspend or remove the securities at any time and for any reason which the recognised stock exchange(s) considers proper in accordance with the applicable legal provisions.

Record Date

87. (1) The listed entity shall fix a record date for payment of interest and payment of redemption or repayment amount or for such other purposes as specified by the recognised stock exchange (s).
- (2) The listed entity shall give notice in advance of at least seven working days (excluding the date of intimation and the record date) to the recognised stock exchange (s) of the record date or of as many days as the Stock Exchange may agree to or require specifying the purpose of the record date.

CHAPTER IX



OBLIGATIONS OF LISTED ENTITY WHICH HAS LISTED ITS MUTUAL FUND UNITS

Applicability

88. (1) The provisions of this chapter shall apply to the asset management company managing the mutual fund scheme whose units are listed on the recognised stock exchange(s).
- (2) Notwithstanding anything contained in this chapter, the provisions of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 and directions issued thereunder shall apply on the listed entity and to the schemes whose units are listed on the recognised stock exchange(s).

Definitions

89. The expressions "Asset Management Company", "Net Asset Value" , "Scheme" , "Unit" and "Unit Holder" shall have the same meaning as assigned to them under Securities and

Exchange Board of India (Mutual Funds) Regulations, 1996;

Submission of Documents

90. (1) The listed entity shall intimate to the recognised stock exchange(s) the information relating to daily Net Asset Value, monthly portfolio, half yearly portfolio of those schemes whose units are listed on the recognised stock exchange(s) in the format as specified under Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 and directions issued there under.
- (2) The listed entity shall intimate to the recognised stock exchange(s) in the manner specified by the recognised stock exchange(s) of:
- movement in unit capital of those schemes whose units are listed on the recognised stock exchange(s);
 - rating of the scheme whose units are listed on the recognised stock exchange(s) and any changes in the rating thereof (wherever applicable);
 - imposition of penalties and material litigations against the listed entity and Mutual Fund;
 - any prohibitory orders restraining the listed entity from transferring units registered in the name of the unit holders.

Dissemination on the website of stock exchange(s)

91. The listed entity shall submit such information and documents, which are required to be disseminated on the listed entity's website in terms of Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 and directions issued there under, to the recognised stock exchange for dissemination.

CHAPTER X



DUTIES AND OBLIGATIONS OF THE RECOGNISED STOCK EXCHANGE(S)

Dissemination

92. (1) Upon receipt of relevant intimations, information, filings, reports, statements, documents or any other submissions in terms of these regulations, from the listed entity the recognised stock exchange(s) shall immediately disseminate the same on its website.
- (2) The disseminations by the recognised stock exchange(s) as mentioned in sub-regulation (1) shall be made in organised, user friendly and easily referable manner including by providing hyperlinks for easy accessibility.

Transferability

93. The recognised stock exchange(s) shall coordinate with Depositories to ensure compliance with the applicable laws or directions of the Board or any competent court with regard to freezing / unfreezing, lock-in/ release of lock-in with respect to securities issued or managed by the listed entity.

Draft Scheme of Arrangement & Scheme of Arrangement

94. (1) The designated stock exchange, upon receipt of draft schemes of arrangement and the documents prescribed by the Board, as per sub-regulation (1) of regulation 37, shall forward the same to the Board, in the manner prescribed by the Board.
- (2) The stock exchange(s) shall submit to the Board its Objection Letter or No Objection Letter on the draft scheme of arrangement after inter-alia ascertaining whether the

draft scheme of arrangement is in compliance with securities laws within thirty days of receipt of draft scheme of arrangement or within seven days of date of receipt of satisfactory reply on clarifications from the listed entity and/or opinion from independent chartered accountant, if any, sought by stock exchange(s), as applicable.

- (3) The stock exchange(s), shall issue Observation Letter or No-objection letter to the listed entity within seven days of receipt of comments from the Board, after suitably incorporating such comments in the Observation Letter or No-objection letter:

Provided that the validity of the 'Observation Letter' or No-objection letter of stock exchanges shall be six months from the date of issuance.

- (4) The stock exchange(s) shall bring the observations or objections, as the case may be, to the notice of Court or Tribunal at the time of approval of the scheme of arrangement.
- (5) Upon sanction of the Scheme by the Court or Tribunal, the designated stock exchange shall forward its recommendations to the Board on the documents submitted by the listed entity in terms of sub-regulation (5) of regulation 37.

Statement on Impact of Audit Qualifications accompanying Annual Audit Report

95. The recognised stock exchange(s) shall review the Statement on Impact of Audit Qualifications and the accompanying annual audit report submitted in terms of clause (d) of sub-regulation (3) of regulation 33 and clause (a) of sub-regulation (3) of regulation 52.

Grievance Redressal

96. The recognised stock exchange(s) shall redress/facilitate redressal of complaints of holders of listed securities from time to time.

Monitoring of Compliance/Non Compliance & Adequacy/ Accuracy of the disclosures

97. (1) The recognised stock exchange(s) shall monitor compliance by the listed entity with provisions of these regulations.
- (2) The recognised stock exchange(s) shall also monitor adequacy/ accuracy of the disclosures made by listed entity with respect to provisions of these regulations.
- (3) The recognised stock exchange(s) shall submit a report to the Board, with respect to the obligations specified in sub-regulations (1) and (2), in the manner specified by the Board.
- (4) The recognised stock exchange(s) shall put in place appropriate framework including adequate manpower and such infrastructure as may be required to comply with the provisions of this regulation.

CHAPTER XI



PROCEDURE FOR ACTION IN CASE OF DEFAULT

Liability for contravention of the Act, rules or the regulations

98. (1) The listed entity or any other person thereof who contravenes any of the provisions of these regulations, shall, in addition to liability for action in terms of the securities laws, be liable for the following actions by the respective stock exchange(s), in the manner specified in circulars or guidelines issued by the Board:
 - (a) imposition of fines;
 - (b) suspension of trading;
 - (c) freezing of promoter/promoter group holding of designated securities, as may be applicable, in coordination with depositories.
 - (d) any other action as may be specified by the Board from time to time

- (2) The manner of revocation of actions specified in clauses (b) and (c) of sub-regulation (1), shall be as specified in circulars or guidelines issued by the Board.

Failure to pay fine

99. If listed entity fails to pay any fine imposed on it within such period as specified from time to time, by the recognised stock exchange(s), after a notice in writing has been served on it, the stock exchange may initiate action.

CHAPTER XII



MISCELLANEOUS

Amendments to other regulations

100. The regulations specified in the Schedule IX to these regulations shall be amended in the manner and to the extent stated therein.

Power to remove difficulties

101. (1) In order to remove any difficulties in the application or interpretation of these regulations, the Board may issue clarifications through guidance notes or circulars after recording reasons in writing.
- (2) In particular, and without prejudice to the generality of the foregoing power, such guidance notes or circulars may provide for all or any of the following matters, namely:
- (a) procedural aspects including intimation to be given, documents to be submitted;
 - (b) disclosure requirements;
 - (c) listing conditions.

Power to relax strict enforcement of the regulations

102. The Board may in the interest of investors and securities market and for the development of the securities market, relax the strict enforcement of any requirement of these regulations, if the Board is satisfied that:
- (a) any provision of Act(s), Rule(s), regulation(s) under which the listed entity is established or is governed by, is required to be given precedence to; or
 - (b) the requirement may cause undue hardship to investors; or
 - (c) the disclosure requirement is not relevant for a particular industry or class of listed entities; or
 - (d) the requirement is technical in nature; or
 - (e) the non-compliance is caused due to factors affecting a class of entities but being beyond the control of the entities.

Repeal and Savings

103. (1) On and from the commencement of these regulations, all circulars stipulating or modifying the provisions of the listing agreements including those specified in Schedule X, shall stand rescinded.
- (2) Notwithstanding such rescission, anything done or any action taken or purported to have been done or taken including any enquiry or investigation commenced or show cause notice issued in respect of the circulars specified in sub-regulation (1) or the Listing Agreements, entered into between stock exchange(s) and listed entity, in force prior to the commencement of these regulations, shall be deemed to have been done or taken under the corresponding provisions of these regulations.



SEBI (PROHIBITION OF INSIDER TRADING) REGULATIONS, 2015



CHAPTER I



PRELIMINARY

Short title and commencement

1. (1) These regulations may be called the SEBI (Prohibition of Insider Trading) Regulations, 2015.
- (2) These regulations shall come into force on the one hundred and twentieth day from the date of its publication in the Official Gazette.

Definitions

2. (1) In these regulations, unless the context otherwise requires, the following words, expressions and derivations therefrom shall have the meanings assigned to them as under:-
 - (a) "Act" means the Securities and Exchange Board of India Act, 1992 (15 of 1992);
 - (b) "Board" means the Securities and Exchange Board of India;
 - (c) "compliance officer" means any senior officer, designated so and reporting to the board of directors or head of the organization in case board is not there, who is financially literate and is capable of appreciating requirements for legal and regulatory compliance under these regulations and who shall be responsible for compliance of policies, procedures, maintenance of records, monitoring adherence to the rules for the preservation of unpublished price sensitive information, monitoring of trades and the implementation of the codes specified in these regulations under the overall supervision of the board of directors of the listed company or the head of an organization, as the case may be;
 - (d) "connected person" means,-
 - (i) any person who is or has during the six months prior to the concerned act been associated with a company, directly or indirectly, in any capacity including by reason of frequent communication with its officers or by being in any contractual, fiduciary or employment relationship or by being a director, officer or an employee of the company or holds any position including a professional or business relationship between himself and the company whether temporary or permanent, that allows such person, directly or indirectly, access to unpublished price sensitive information or is reasonably expected to allow such access.

- (ii) Without prejudice to the generality of the foregoing, the persons falling within the following categories shall be deemed to be connected persons unless the contrary is established, -
- (a). *an immediate relative of connected persons specified in clause (i); or*
 - (b). *a holding company or associate company or subsidiary company; or*
 - (c). *an intermediary as specified in section 12 of the Act or an employee or director thereof; or*
 - (d). *an investment company, trustee company, asset management company or an employee or director thereof; or*
 - (e). *an official of a stock exchange or of clearing house or corporation; or*
 - (f). *a member of board of trustees of a mutual fund or a member of the board of directors of the asset management company of a mutual fund or is an employee thereof; or*
 - (g). *a member of the board of directors or an employee, of a public financial institution as defined in section 2 (72) of the Companies Act, 2013; or*
 - (h). *an official or an employee of a self-regulatory organization recognized or authorized by the Board; or*
 - (i). *a banker of the company; or*
 - (j). *a concern, firm, trust, Hindu undivided family, company or association of persons wherein a director of a company or his immediate relative or banker of the company, has more than ten per cent. of the holding or interest;*

NOTE: It is intended that a connected person is one who has a connection with the company that is expected to put him in possession of unpublished price sensitive information. Immediate relatives and other categories of persons specified above are also presumed to be connected persons but such a presumption is a deeming legal fiction and is rebuttable. This definition is also intended to bring into its ambit persons who may not seemingly occupy any position in a company but are in regular touch with the company and its officers and are involved in the know of the company's operations. It is intended to bring within its ambit those who would have access to or could access unpublished price sensitive information about any company or class of companies by virtue of any connection that would put them in possession of unpublished price sensitive information.

- (e) "generally available information" means information that is accessible to the public on a non-discriminatory basis;

NOTE: It is intended to define what constitutes generally available information so that it is easier to crystallize and appreciate what unpublished price sensitive information is. Information published on the website of a stock exchange, would ordinarily be considered generally available.

- (f) "immediate relative" means a spouse of a person, and includes parent, sibling, and child of such person or of the spouse, any of whom is either dependent financially on such person, or consults such person in taking decisions relating to trading in securities;

NOTE: It is intended that the immediate relatives of a "connected person" too become connected persons for purposes of these regulations. Indeed, this is a rebuttable presumption.

(g) "insider" means any person who is:

- (i) a connected person; or
- (ii) in possession of or having access to unpublished price sensitive information;

NOTE: Since "generally available information" is defined, it is intended that anyone in possession of or having access to unpublished price sensitive information should be considered an "insider" regardless of how one came in possession of or had access to such information. Various circumstances are provided for such a person to demonstrate that he has not indulged in insider trading. Therefore, this definition is intended to bring within its reach any person who is in receipt of or has access to unpublished price sensitive information. The onus of showing that a certain person was in possession of or had access to unpublished price sensitive information at the time of trading would, therefore, be on the person leveling the charge after which the person who has traded when in possession of or having access to unpublished price sensitive information may demonstrate that he was not in such possession or that he has not traded or or he could not access or that his trading when in possession of such information was squarely covered by the exonerating circumstances.

(h) "promoter" shall have the meaning assigned to it under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 or any modification thereof;

(i) "securities" shall have the meaning assigned to it under the Securities Contracts (Regulation) Act, 1956 (42 of 1956) or any modification thereof except units of a mutual fund;

(j) "specified" means specified by the Board in writing;

(k) "takeover regulations" means the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and any amendments thereto;

(l) "trading" means and includes subscribing, buying, selling, dealing, or agreeing to subscribe, buy, sell, deal in any securities, and "trade" shall be construed accordingly ;

NOTE: Under the parliamentary mandate, since the Section 12A (e) and Section 15G of the Act employs the term 'dealing in securities', it is intended to widely define the term "trading" to include dealing. Such a construction is intended to curb the activities based on unpublished price sensitive information which are strictly not buying, selling or subscribing, such as pledging etc when in possession of unpublished price sensitive information.

(m) "trading day" means a day on which the recognized stock exchanges are open for trading;

(n) "unpublished price sensitive information" means any information, relating to a company or its securities, directly or indirectly, that is not generally available which upon becoming generally available, is likely to materially affect the price of the securities and shall, ordinarily including but not restricted to, information relating to the following: –

- (i) financial results;
- (ii) dividends;
- (iii) change in capital structure;
- (iv) mergers, de-mergers, acquisitions, delistings, disposals and expansion of business and such other transactions;
- (v) changes in key managerial personnel; and
- (vi) material events in accordance with the listing agreement.

NOTE: It is intended that information relating to a company or securities, that is not generally available would be unpublished price sensitive information if it is likely to materially affect the price upon coming into the public domain. The types of matters that would ordinarily give rise to unpublished price sensitive information have been listed above to give illustrative guidance of unpublished price sensitive information.

- (2) Words and expressions used and not defined in these regulations but defined in the Securities and Exchange Board of India Act, 1992 (15 of 1992), the Securities Contracts (Regulation) Act, 1956 (42 of 1956), the Depositories Act, 1996 (22 of 1996) or the Companies Act, 2013 (18 of 2013) and rules and regulations made thereunder shall have the meanings respectively assigned to them in those legislation.

CHAPTER II



RESTRICTIONS ON COMMUNICATION AND TRADING BY INSIDERS

Communication or procurement of unpublished price sensitive information.

3. (1) No insider shall communicate, provide, or allow access to any unpublished price sensitive information, relating to a company or securities listed or proposed to be listed, to any person including other insiders except where such communication is in furtherance of legitimate purposes, performance of duties or discharge of legal obligations.

NOTE: This provision is intended to cast an obligation on all insiders who are essentially persons in possession of unpublished price sensitive information to handle such information with care and to deal with the information with them when transacting their business strictly on a need-to-know basis. It is also intended to lead to organizations developing practices based on need-to-know principles for treatment of information in their possession.

- (2) No person shall procure from or cause the communication by any insider of unpublished price sensitive information, relating to a company or securities listed or proposed to be listed, except in furtherance of legitimate purposes, performance of duties or discharge of legal obligations.

NOTE: This provision is intended to impose a prohibition on unlawfully procuring possession of unpublished price sensitive information. Inducement and procurement of unpublished price sensitive information not in furtherance of one's legitimate duties and discharge of obligations would be illegal under this provision.

- (3) Notwithstanding anything contained in this regulation, an unpublished price sensitive information may be communicated, provided, allowed access to or procured, in connection with a transaction that would:-

- (i) Entail an obligation to make an open offer under the takeover regulations where the board of directors of the company is of informed opinion that the proposed transaction is in the best interests of the company;

NOTE: It is intended to acknowledge the necessity of communicating, providing, allowing access to or procuring UPSI for substantial transactions such as takeovers, mergers and acquisitions involving trading in securities and change of control to assess a potential investment. In an open offer under the takeover regulations, not only would the same price be made available to all shareholders of the company but also all information necessary to enable an informed divestment or retention decision by the public shareholders is required to be made available to all shareholders in the letter of offer under those regulations.

- (ii) not attract the obligation to make an open offer under the takeover regulations but where the board of directors of the company is of informed opinion that the proposed

transaction is in the best interests of the company and the information that constitute unpublished price sensitive information is disseminated to be made generally available at least two trading days prior to the proposed transaction being effected in such form as the board of directors may determine.

NOTE: *It is intended to permit communicating, providing, allowing access to or procuring UPSI also in transactions that do not entail an open offer obligation under the takeover regulations if it is in the best interests of the company. The board of directors, however, would cause public disclosures of such unpublished price sensitive information well before the proposed transaction to rule out any information asymmetry in the market.*

- (4) For purposes of sub-regulation (3), the board of directors shall require the parties to execute agreements to contract confidentiality and non-disclosure obligations on the part of such parties and such parties shall keep information so received confidential, except for the purpose of sub-regulation (3), and shall not otherwise trade in securities of the company when in possession of unpublished price sensitive information.

Trading when in possession of unpublished price sensitive information.

4. (1) No insider shall trade in securities that are listed or proposed to be listed on a stock exchange when in possession of unpublished price sensitive information:

Provided that the insider may prove his innocence by demonstrating the circumstances including the following : –

- (i) the transaction is an off-market *inter-se* transfer between promoters who were in possession of the same unpublished price sensitive information without being in breach of regulation 3 and both parties had made a conscious and informed trade decision;
- (ii) in the case of non-individual insiders: –
 - (a) the individuals who were in possession of such unpublished price sensitive information were different from the individuals taking trading decisions and such decision-making individuals were not in possession of such unpublished price sensitive information when they took the decision to trade; and
 - (b) appropriate and adequate arrangements were in place to ensure that these regulations are not violated and no unpublished price sensitive information was communicated by the individuals possessing the information to the individuals taking trading decisions and there is no evidence of such arrangements having been breached;
- (iii) the trades were pursuant to a trading plan set up in accordance with regulation 5.

NOTE: *When a person who has traded in securities has been in possession of unpublished price sensitive information, his trades would be presumed to have been motivated by the knowledge and awareness of such information in his possession. The reasons for which he trades or the purposes to which he applies the proceeds of the transactions are not intended to be relevant for determining whether a person has violated the regulation. He traded when in possession of unpublished price sensitive information is what would need to be demonstrated at the outset to bring a charge. Once this is established, it would be open to the insider to prove his innocence by demonstrating the circumstances mentioned in the proviso, failing which he would have violated the prohibition.*

- (2) In the case of connected persons the onus of establishing, that they were not in possession of unpublished price sensitive information, shall be on such connected persons and in other cases, the onus would be on the Board.

- (3) The Board may specify such standards and requirements, from time to time, as it may deem necessary for the purpose of these regulations.

Trading Plans.

5. (1) An insider shall be entitled to formulate a trading plan and present it to the compliance officer for approval and public disclosure pursuant to which trades may be carried out on his behalf in accordance with such plan.

NOTE: This provision intends to give an option to persons who may be perpetually in possession of unpublished price sensitive information and enabling them to trade in securities in a compliant manner. This provision would enable the formulation of a trading plan by an insider to enable him to plan for trades to be executed in future. By doing so, the possession of unpublished price sensitive information when a trade under a trading plan is actually executed would not prohibit the execution of such trades that he had pre-decided even before the unpublished price sensitive information came into being.

- (2) Such trading plan shall:—

- (i) not entail commencement of trading on behalf of the insider earlier than six months from the public disclosure of the plan;

NOTE: It is intended that to get the benefit of a trading plan, a cool-off period of six months is necessary. Such a period is considered reasonably long for unpublished price sensitive information that is in possession of the insider when formulating the trading plan, to become generally available. It is also considered to be a reasonable period for a time lag in which new unpublished price sensitive information may come into being without adversely affecting the trading plan formulated earlier. In any case, it should be remembered that this is only a statutory cool-off period and would not grant immunity from action if the insider were to be in possession of the same unpublished price sensitive information both at the time of formulation of the plan and implementation of the same.

- (ii) not entail trading for the period between the twentieth trading day prior to the last day of any financial period for which results are required to be announced by the issuer of the securities and the second trading day after the disclosure of such financial results;

NOTE: Since the trading plan is envisaged to be an exception to the general rule prohibiting trading by insiders when in possession of unpublished price sensitive information, it is important that the trading plan does not entail trading for a reasonable period around the declaration of financial results as that would generate unpublished price sensitive information.

- (iii) entail trading for a period of not less than twelve months;

NOTE: It is intended that it would be undesirable to have frequent announcements of trading plans for short periods of time rendering meaningless the defense of a reasonable time gap between the decision to trade and the actual trade. Hence it is felt that a reasonable time would be twelve months.

- (iv) not entail overlap of any period for which another trading plan is already in existence;

NOTE: It is intended that it would be undesirable to have multiple trading plans operating during the same time period. Since it would be possible for an insider to time the publication of the unpublished price sensitive information to make it generally available instead of timing the trades, it is important not to have the ability to initiate more than one plan covering the same time period.

- (v) set out either the value of trades to be effected or the number of securities to be traded along with the nature of the trade and the intervals at, or dates on which such trades shall be effected; and

NOTE: It is intended that while regulations should not be too prescriptive and rigid about what a trading plan should entail, they should stipulate certain basic parameters that a trading plan should conform to and within which, the plan may be formulated with full flexibility. The nature of the trades entailed in the trading plan i.e. acquisition or disposal should be set out. The trading plan may set out the value of securities or the number of securities to be invested or divested. Specific dates or specific time intervals may be set out in the plan.

- (vi) not entail trading in securities for market abuse.

NOTE: Trading on the basis of such a trading plan would not grant absolute immunity from bringing proceedings for market abuse. For instance, in the event of manipulative timing of the release of unpublished price sensitive information to ensure that trading under a trading plan becomes lucrative in circumvention of regulation 4 being detected, it would be open to initiate proceedings for alleged breach of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to the Securities Market) Regulations, 2003.

- (3) The compliance officer shall review the trading plan to assess whether the plan would have any potential for violation of these regulations and shall be entitled to seek such express undertakings as may be necessary to enable such assessment and to approve and monitor the implementation of the plan.

NOTE: It is intended that the compliance officer would have to review and approve the plan. For doing so, he may need the insider to declare that he is not in possession of unpublished price sensitive information or that he would ensure that any unpublished price sensitive information in his possession becomes generally available before he commences executing his trades. Once satisfied, he may approve the trading plan, which would then have to be implemented in accordance with these regulations.

- (4) The trading plan once approved shall be irrevocable and the insider shall mandatorily have to implement the plan, without being entitled to either deviate from it or to execute any trade in the securities outside the scope of the trading plan.

Provided that the implementation of the trading plan shall not be commenced if any unpublished price sensitive information in possession of the insider at the time of formulation of the plan has not become generally available at the time of the commencement of implementation and in such event the compliance officer shall confirm that the commencement ought to be deferred until such unpublished price sensitive information becomes generally available information so as to avoid a violation of sub-regulation (1) of regulation 4.

NOTE: It is intended that since the trading plan is an exception to the general rule that an insider should not trade when in possession of unpublished price sensitive information, changing the plan or trading outside the same would negate the intent behind the exception. Other investors in the market, too, would factor the impact of the trading plan on their own trading decisions and in price discovery. Therefore, it is not fair or desirable to permit the insider to deviate from the trading plan based on which others in the market have assessed their views on the securities.

The proviso is intended to address the prospect that despite the six-month gap between the formulation of the trading plan and its commencement, the unpublished price sensitive information in possession of the insider is still not generally available. In such a situation, commencement of the plan would conflict with the over-riding principle that trades should not be executed when in possession of such information. If the very same unpublished price sensitive information is still in the insider's possession, the commencement of execution of the trading plan ought to be deferred.

- (5) Upon approval of the trading plan, the compliance officer shall notify the plan to the stock exchanges on which the securities are listed.

NOTE: It is intended that given the material exception to the prohibitory rule in regulation 4, a trading plan is required to be publicly disseminated. Investors in the market at large would also factor the potential pointers in the trading plan in their own assessment of the securities and price discovery for them on the premise of how the insiders perceive the prospects or approach the securities in their trading plan.

CHAPTER III



DISCLOSURES OF TRADING BY INSIDERS

General provisions.

6. (1) Every public disclosure under this Chapter shall be made in such form as may be specified.
- (2) The disclosures to be made by any person under this Chapter shall include those relating to trading by such person's immediate relatives, and by any other person for whom such person takes trading decisions.

NOTE: It is intended that disclosure of trades would need to be of not only those executed by the person concerned but also by the immediate relatives and of other persons for whom the person concerned takes trading decisions. These regulations are primarily aimed at preventing abuse by trading when in possession of unpublished price sensitive information and therefore, what matters is whether the person who takes trading decisions is in possession of such information rather than whether the person who has title to the trades is in such possession.

- (3) The disclosures of trading in securities shall also include trading in derivatives of securities and the traded value of the derivatives shall be taken into account for purposes of this Chapter:
Provided that trading in derivatives of securities is permitted by any law for the time being in force.
- (4) The disclosures made under this Chapter shall be maintained by the company, for a minimum period of five years, in such form as may be specified.

Disclosures by certain persons.

7. (1) Initial Disclosures.
 - (a). Every promoter, key managerial personnel and director of every company whose securities are listed on any recognized stock exchange shall disclose his holding of securities of the company as on the date of these regulations taking effect, to the company within thirty days of these regulations taking effect ;
 - (b). Every person on appointment as a key managerial personnel or a director of the company or upon becoming a promoter shall disclose his holding of securities of the company as on the date of appointment or becoming a promoter, to the company within seven days of such appointment or becoming a promoter.
- (2) Continual Disclosures.
 - (a). Every promoter, employee and director of every company shall disclose to the company the number of such securities acquired or disposed of within two trading days of such transaction if the value of the securities traded, whether in one transaction or a series of transactions over any calendar quarter, aggregates to a traded value in excess of ten lakh rupees or such other value as may be specified;

- (b). Every company shall notify the particulars of such trading to the stock exchange on which the securities are listed within two trading days of receipt of the disclosure or from becoming aware of such information.

Explanation. — It is clarified for the avoidance of doubts that the disclosure of the incremental transactions after any disclosure under this sub-regulation, shall be made when the transactions effected after the prior disclosure cross the threshold specified in clause (a) of sub-regulation (2).

Disclosures by other connected persons.

- (3) Any company whose securities are listed on a stock exchange may, at its discretion require any other connected person or class of connected persons to make disclosures of holdings and trading in securities of the company in such form and at such frequency as may be determined by the company in order to monitor compliance with these regulations.

NOTE: This is an enabling provision for listed companies to seek information from those to whom it has to provide unpublished price sensitive information. This provision confers discretion on any company to seek such information. For example, a listed company may ask that a management consultant who would advise it on corporate strategy and would need to review unpublished price sensitive information, should make disclosures of his trades to the company.

CHAPTER IV



CODES OF FAIR DISCLOSURE AND CONDUCT

Code of Fair Disclosure.

8. (1) The board of directors of every company, whose securities are listed on a stock exchange, shall formulate and publish on its official website, a code of practices and procedures for fair disclosure of unpublished price sensitive information that it would follow in order to adhere to each of the principles set out in Schedule A to these regulations, without diluting the provisions of these regulations in any manner.

NOTE: This provision intends to require every company whose securities are listed on stock exchanges to formulate a stated framework and policy for fair disclosure of events and occurrences that could impact price discovery in the market for its securities. Principles such as, equality of access to information, publication of policies such as those on dividend, inorganic growth pursuits, calls and meetings with analysts, publication of transcripts of such calls and meetings, and the like are set out in the schedule.

- (2) Every such code of practices and procedures for fair disclosure of unpublished price sensitive information and every amendment thereto shall be promptly intimated to the stock exchanges where the securities are listed.

NOTE: This provision is aimed at requiring transparent disclosure of the policy formulated in sub-regulation (1).

Code of Conduct.

9. (1) The board of directors of every listed company and market intermediary shall formulate a code of conduct to regulate, monitor and report trading by its employees and other connected persons towards achieving compliance with these regulations, adopting the minimum standards set out in Schedule B to these regulations, without diluting the provisions of these regulations in any manner.

NOTE: It is intended that every company whose securities are listed on stock exchanges and every market intermediary registered with SEBI is mandatorily required to formulate a code of

conduct governing trading by its employees. The standards set out in the schedule are required to be addressed by such code of conduct.

- (2) Every other person who is required to handle unpublished price sensitive information in the course of business operations shall formulate a code of conduct to regulate, monitor and report trading by employees and other connected persons towards achieving compliance with these regulations, adopting the minimum standards set out in Schedule B to these regulations, without diluting the provisions of these regulations in any manner.

NOTE: This provision is intended to mandate persons other than listed companies and market intermediaries that are required to handle unpublished price sensitive information to formulate a code of conduct governing trading in securities by their employees. These entities include professional firms such as auditors, accountancy firms, law firms, analysts, consultants etc., assisting or advising listed companies, market intermediaries and other capital market participants. Even entities that normally operate outside the capital market may handle unpublished price sensitive information. This provision would mandate all of them to formulate a code of conduct.

- (3) Every listed company, market intermediary and other persons formulating a code of conduct shall identify and designate a compliance officer to administer the code of conduct and other requirements under these regulations.

NOTE: This provision is intended to designate a senior officer as the compliance officer with the responsibility to administer the code of conduct and monitor compliance with these regulations.

CHAPTER V



MISCELLANEOUS

Sanction for violations.

10. Any contravention of these regulations shall be dealt with by the Board in accordance with the Act.

Power to remove difficulties.

11. In order to remove any difficulties in the interpretation or application of the provisions of these regulations, the Board shall have the power to issue directions through guidance notes or circulars:

Provided that where any direction is issued by the Board in a specific case relating to interpretation or application of any provision of these regulations, it shall be done only after affording a reasonable opportunity of being heard to the concerned persons and after recording reasons for the direction.

Repeal and Savings.

12. (1) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 are hereby repealed.
- (2) Notwithstanding such repeal,—
 - (a) the previous operation of the repealed regulations or anything duly done or suffered thereunder, any right, privilege, obligation or liability acquired, accrued or incurred under the repealed regulations, any penalty, forfeiture or punishment incurred in respect of any offence committed against the repealed regulations, or any investigation, legal proceeding or remedy in respect of any such right, privilege, obligation, liability, penalty, forfeiture or punishment as aforesaid, shall remain unaffected as if the repealed regulations had never been repealed; and
 - (b) anything done or any action taken or purported to have been done or taken including any adjudication, enquiry or investigation commenced or show-cause notice issued

under the repealed regulations prior to such repeal, shall be deemed to have been done or taken under the corresponding provisions of these regulations;

- (3) After the repeal of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, any reference thereto in any other regulations made, guidelines or circulars issued thereunder by the Board shall be deemed to be a reference to the corresponding provisions of these regulations.



SEBI (BUY BACK OF SECURITIES) REGULATIONS, 1998



CHAPTER I



PRELIMINARY

Short title and commencement

1. (a) These regulations shall be called the Securities and Exchange Board of India (Buy Back of Securities) Regulations, 1998.
- (b) These regulations shall come into force on the date of their publication in the Official Gazette.

Definitions

2. (1) In these regulations, unless the context otherwise requires:—
 - (a) 'Act' means the Securities and Exchange Board of India Act, 1992 (15 of 1992);
 - (b) 'associate' includes a person,—
 - (i) who directly or indirectly by himself or in combination with relatives, exercise control over the company or,
 - (ii) whose employee, officer or director is also a director, officer or employee of another company;
 - (c) 'Board' means the board as defined in clause (a) of sub-section (1) of section 2 of the Act;
 - (d) 'control' shall include the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or [security-holders] or voting agreements or in any other manner;
 - (e) 'company' includes a company registered under the Companies Act, 1956 (1 of 1956) any buys or intends to buy its own [shares or other specified securities] in accordance with these regulations;
 - (f) 'Companies Act' means the Companies Act, 1956 (1 of 1956), as inserted by [the Companies (Amendment) Act, 1999 (21 of 1999)];
 - (g) 'insider' means an insider as defined in clause (e) of regulation 2 of the Securities and Exchange Board of India (Insider Trading) Regulations, 1992;

- (h) 'merchant banker' means a merchant banker registered under section 12 of the Act;
 - (i) 'Ordinance' means [the Companies (Amendment) Act, 1999 (21 of 1999)];
 - (j) 'promoter' means 'promoter' as defined in clause (h) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997;
 - (k) 'registrar' means a registrar to an issue and includes a share transfer agent registered under section 12 of the Act;
 - (l) 'securities' means 'securities' as defined in clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956);
 - (la) 'small shareholder' means a shareholder of a listed company, who holds shares or other specified securities whose market value, on the basis of closing price of shares or other specified securities, on the recognised stock exchange in which highest trading volume in respect of such security, as on record date is not more than two lakh rupee;
 - (m) 'statutory auditor' means an auditor appointed by a company under section 224 of the Companies Act, 1956 (1 of 1956);
 - (n) 'stock exchange' means a stock exchange which has been granted recognition under section 4 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956);
 - (o) 'tender offer' means an offer by a company to buy-back its [shares or other specified securities] through a letter of offer from the holders of the [shares or other specified securities] of the company;
 - (p) 'working day' means any working day of the Board.
- (2) All other expressions unless defined herein shall have the same meaning as have been assigned to them under the Act or the Securities Contracts (Regulation) Act, 1956, or the Companies Act, 1956, or any statutory modification or re-enactment thereof, as the case may be.

CHAPTER II



CONDITIONS OF BUY-BACK

Applicability

3. (1) These regulations shall be applicable to buy-back of shares or other specified securities of a company listed on a stock exchange.
- (2) Notwithstanding anything contained in sub-regulation (1), a company listed on a stock exchange shall not buy-back its shares or other specified securities so as to delist its shares or other specified securities from the stock exchange.

Company may buy-back its own shares or other specified securities

4. (1) A company may buy-back its shares or other specified securities by any one of the following methods:—
 - (a) from the existing security-holders on a proportionate basis through the tender offer;
 - (b) from the open market through—
 - (i) book-building process,
 - (ii) stock exchange;
 - (c) from odd-lot holders:

Provided that no offer of buy-back for fifteen per cent or more of the paid up capital and free reserves of the company shall be made from the open market.

- (2) A company shall not buy-back its shares or other specified securities from any person through negotiated deals, whether on or of the stock exchange or through spot transactions or through any private arrangement.
- (3) Any person or an insider shall not deal in securities of the company on the basis of unpublished information relating to buy-back of shares or other specified securities of the company.
- (4) A company shall not make any offer of buy-back within a period of one year reckoned from the date of closure of the preceding offer of buy-back, if any.

Special resolution

5. (1) For the purposes of passing a special resolution under sub-section (2) of section 77A of the Companies Act, the explanatory statement to be annexed to the notice for the general meeting pursuant to section 173 of the Companies Act shall contain disclosures as specified in [Schedule II, Part A].
- (2) A copy of the resolution passed at the general meeting under sub-section (2) of section 77A of the Companies Act, shall be filed with the Board and the stock exchanges where the [shares or other specified securities] of the company are listed, within seven days from the date of passing of the resolution.

Board resolution

- 5A. A company, authorized by a resolution passed by the Board of Directors at its meeting to buy back its shares or other specified securities under first proviso to clause (b) of sub-section (2) of section 77A of the Companies Act, 1956, as inserted by the Companies (Amendment) Act, 2001, shall file a copy of the resolution, with the Board and the stock exchanges, where the shares or other specified securities of the company are listed, within two working days of the date of the passing of the resolution.

CHAPTER III



BUY-BACK THROUGH TENDER OFFER

Buy-back from existing security-holders

6. A company may buy-back its shares or other specified securities from its existing [security-holders] on a proportionate basis in accordance with the provisions of this Chapter:

Provided that fifteen percent of the number of securities which the company proposes to buy back or number of securities entitled as per their shareholding, whichever is higher, shall be reserved for small shareholders.

Additional disclosures

7. The explanatory statement annexed to the notice under section 173 of the Companies Act, shall contain the disclosures mentioned in regulation 5 and also the following disclosures:—
 - (a) the maximum price at which the buy-back of shares or other specified securities] shall be made and whether the Board of Directors of the company are being authorized at the general meeting to determine subsequently the specific price at which the buy-back may be made at the appropriate time;
 - (b) if the promoter intends to offer their shares or other specified securities,
 - (i) the quantum of shares or other specified securities] proposed to be tendered, and

- (ii) the details of their transactions and their holdings for the last six months prior to the passing of the special resolution for buy-back including information of number of shares or other specified securities acquired, the price and the date of acquisition.

Filing of offer document, etc.

8. (1) The company which has been authorized by a special resolution or a resolution passed by the Board of Directors at its meeting shall make a public announcement within two working days from the date of resolution in at least one English National Daily, one Hindi National Daily and a Regional language daily all with wide circulation at the place where the Registered office of the company is situated and shall contain all the material information as specified in Schedule II, Part A.
- (1A) A copy of the public announcement along with the soft copy, shall also be submitted to the Board simultaneously through a merchant banker.
- (2) Omitted
- (3) Omitted
- (4) The company shall within five working days of the public announcement file with the Board a draft-letter of offer, along with soft copy, containing disclosures as specified in Schedule III through a merchant banker who is not associated with the company.
- (5) The draft letter of offer referred to in sub-regulation (4) shall be accompanied with fees specified in Schedule IV.
- (6) The Board may give its comments on the draft letter of offer not later than seven working days of the receipt of the draft letter of offer:

Provided that in the event the Board has sought clarifications or additional information from the merchant banker to the buyback offer, the period of issuance of comments shall be extended to the seventh working day from the date of receipt of satisfactory reply to the clarification or additional information sought:

Provided further that in the event the Board specifies any changes, the merchant banker to the buyback offer and the company shall carryout such changes in the letter of offer before it is dispatched to the shareholders.
- (7) The company shall file along with the draft letter of offer, a declaration of solvency in the prescribed form and in a manner prescribed in sub-section (6) of section 77A of the Companies Act.

Offer procedure

9. (1) A company making a buyback offer shall announce a record date for the purpose of determining the entitlement and the names of the security holders, who are eligible to participate in the proposed buyback offer.
- (2) The letter of offer along with the tender form shall be dispatched to the security holders who are eligible to participate in the buyback offer, not later than five working days from the receipt of communication of comments from the Board.
- (3) The date of the opening of the offer shall be not later than five working days from the date of dispatch of letter of offer.
- (3A). The acquirer or promoter shall facilitate tendering of shares by the shareholders and settlement of the same, through the stock exchange mechanism as specified by the Board.
- (4) The offer for buy back shall remain open for a period of ten working days.
- (5) The company shall accept shares or other specified securities from the security holders on the basis of their entitlement as on record date.

- (6) The shares proposed to be bought back shall be divided into two categories; (a) reserved category for small shareholders and (b) the general category for other shareholders, and the entitlement of a shareholder in each category shall be calculated accordingly.
- (7) After accepting the shares or other specified securities tendered on the basis of entitlement, shares or other specified securities left to be bought back, if any in one category shall first be accepted, in proportion to the shares or other specified securities tendered over and above their entitlement in the offer by security holders in that category and thereafter from security holders who have tendered over and above their entitlement in other category.

Escrow account

10. (1) The company shall as and by way of security for performance of its obligations under the regulations, on or before the opening of the offer deposit in an escrow account such sum as specified in sub-regulation (2).
- (2) The escrow amount shall be payable in the following manner,—
- (i) if the consideration payable does not exceed Rs. 100 crores - 25 per cent of the consideration payable;
 - (ii) if the consideration payable exceeds Rs. 100 crores - 25 per cent upto Rs. 100 crores and 10 per cent thereafter.
- (3) The escrow account referred in sub-regulation (1) shall consist of,
- (a) cash deposited with a scheduled commercial bank, or
 - (b) bank guarantee in favour of the merchant banker, or
 - (c) deposit of acceptable securities with appropriate margin, with the merchant banker, or
 - (d) a combination of (a), (b) and (c) above.
- (4) Where the escrow account consists of deposit with a scheduled commercial bank, the company shall, while opening the account, empower the merchant banker to instruct the bank to issue a banker's cheque or demand draft for the amount lying to the credit of the escrow account, as provided in the regulations.
- (5) Where the escrow account consists of bank guarantee, such bank guarantee shall be in favour of the merchant banker and shall be valid until thirty days after the closure of the offer.
- (6) The company shall, in case the escrow account consists of securities, empower the merchant banker to realise the value of such escrow account by sale or otherwise and if there is any deficit on realisation of the value of the securities, the merchant banker shall be liable to make good any such deficit.
- (7) In case the escrow account consists of bank guarantee or approved securities, these shall not be returned by the merchant banker till completion of all obligations under the regulations.
- (8) Where the escrow account consists of bank guarantee or deposit of approved securities, the company shall also deposit with the bank in cash a sum of at least one per cent of the total consideration payable, as and by way of security for fulfillment of the obligations under the regulations by the company.
- (9) On payment of consideration to all the [security-holders] who have accepted the offer and after completion of all formalities of buy-back, the amount, guarantee and securities in the escrow, if any, shall be released to the company.
- (10) The Board in the interest of the security-holders may in case of non-fulfillment of obligations under the regulations by the company forfeit the escrow account either in full or in part.
- (11) The amount forfeited under sub-regulation (10) may be distributed pro rata amongst the security-holders who accepted the offer and balance, if any, shall be utilized for investor protection.

Payment to security-holders

11. (1) The company shall immediately after the date of closure of the offer open a special account with a banker to an issue registered with the Board and deposit therein, such sum as would, together with [ninety per cent. of] the amount lying in the escrow account make-up the entire sum due and payable as consideration for buy-back in terms of these regulations and for this purpose, may transfer the funds from the escrow account.
- (2) The company shall complete the verifications of offers received and make payment of consideration to those security holders whose offer has been accepted or return the shares or other specified securities to the security holders within seven working days of the closure of the offer.

Extinguishment of certificate

12. (1) The company shall extinguish and physically destroy the security certificates so bought back in the presence of a Registrar to issue or the Merchant Banker and the Statutory Auditor within fifteen days of the date of acceptance of the shares or other specified securities:
Provided that the company shall ensure that all the securities bought - back are extinguished within seven days of the last date of completion of buy - back.
- (2) The shares or other specified securities offered for buy-back if already dematerialized shall be extinguished and destroyed in the manner specified under the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996, and the bye-laws framed thereunder.
- (3) (a) The company shall, furnish a certificate to the Board certifying compliance as specified in sub-regulation (1) and duly certified and verified by –
 - (i) the registrar and whenever there is no registrar by the merchant banker;
 - (ii) two directors of the company one of whom shall be a managing director where there is one;
 - (iii) the statutory auditor of the company,
 (b) The certificate required under clause (a) shall be furnished to the Board on a monthly basis by the seventh day of the month succeeding the month in which the securities certificates are extinguished and destroyed.
- (4) The company shall furnish, the particulars of the security certificates extinguished and destroyed under sub-regulation (1), to the stock exchanges where the shares of the company are listed on a monthly basis by the seventh day of the month succeeding the month in which the securities certificates are extinguished and destroyed.
- (5) The company shall maintain a record of [security certificates] which have been cancelled and destroyed as prescribed in sub-section (9) of section 77A of the Companies Act.

Odd-lot Buy-back

13. The provisions pertaining to buy-back through tender offer as specified in this Chapter shall be applicable mutatis mutandis to odd-lot shares or other specified securities.

CHAPTER IV



BUY-BACK FROM THE OPEN MARKET

Buy-back from open market

14. (1) A company intending to buy-back its shares or other specified securities from the open market shall do so in accordance with the provisions of this Chapter.

- (2) The buy-back of shares or other specified securities from the open market may be in any one of the following methods:
 - (a) through stock exchange,
 - (b) book-building process.
- (3) The company shall ensure that atleast fifty per cent of the amount earmarked for buy-back, as specified in resolutions referred to in regulation 5 or regulation 5A, is utilized for buying-back shares or other specified securities.

Buy-back through stock exchange

15. A company shall buy-back its shares or other specified securities] through the stock exchange as provided hereunder:
- (a) The special resolution referred to in regulation 5 or the resolution passed by the Board of Directors at its meeting as referred to in regulation 5A shall specify the maximum price at which the buy-back shall be made;
 - (b) The buy-back of the shares or other specified securities shall not be made from the promoters or persons in control of the company;
 - (c) The company shall appoint a merchant banker and make a public announcement as referred to in regulation 8;
 - (d) The public announcement shall be made within seven working days from the date of passing the resolution referred to in regulation 5 or regulation 5A, and shall contain disclosures as specified in Schedule II, Part B;
 - (e) Simultaneously with the issue of such public announcement, the company shall file a copy of the public announcement with the Board along with the fees specified in Schedule IV;
 - (f) The public announcement shall also contain disclosures regarding details of the brokers and stock exchanges through which the buy-back of shares or other specified securities would be made;
 - (g) The buy-back shall be made only on stock exchanges having nationwide trading terminals;
 - (h) The buy-back of shares or other specified securities shall be made only through the order matching mechanism except 'all or none' order matching system;
 - (i) the company shall submit the information regarding the shares or other specified securities bought-back, to the stock exchange on a daily basis in such form as may be specified by the Board and the stock exchange shall upload the same on its official website immediately;
 - (ia) The company shall upload the information regarding the shares or other specified securities bought-back on its website on a daily basis;
 - (j) The identity of the company as a purchaser shall appear on the electronic screen when the order is placed;
 - (k) The buy-back offer shall open not later than seven working days from the date of public announcement and shall close within six months from the date of opening of the offer.

Buy-back of physical shares or other specified securities

- 15A. A company shall buy-back its shares or other specified securities in physical form through open market method as provided hereunder:
- (a) a separate window shall be created by the stock exchange, which shall remain open during the buy-back period, for buy-back of shares or other specified securities in physical form.
 - (b) the company shall buy-back shares or other specified securities from eligible shareholders holding physical shares through the separate window specified in clause (a), only after verification of the identity proof and address proof by the broker.

- (c) the price at which the shares or other specified securities are bought back shall be the volume weighted average price of the shares or other specified securities bought-back, other than in the physical form, during the calendar week in which such shares or other specified securities were received by the broker:

Provided that the price of shares or other specified securities tendered during the first calendar week of the buy-back shall be the volume weighted average market price of the shares or other specified securities of the company during the preceding calendar week. Explanation: In case no shares or other specified securities were bought back in the normal market during calendar week, the preceding week when the company has last bought back the shares or other specified securities may be considered.

15B. Escrow account

- (1) The Company shall, before opening of the offer, create an escrow account towards security for performance of its obligations under these regulations, and deposit in escrow account 25 per cent of the amount earmarked for the buy-back as specified in the resolutions referred to in regulation 5 or regulation 5A.
- (2) The escrow account referred to in sub-regulation (1) may be in the form of,—
 - (a) cash deposited with any scheduled commercial bank; or
 - (b) bank guarantee issued in favour of the merchant banker by any scheduled commercial bank.
- (3) For such part of the escrow account as is in the form of a cash deposit with a scheduled commercial bank, the company shall while opening the account, empower the merchant banker to instruct the bank to make payment of the amounts lying to the credit of the escrow account, to meet the obligations arising out of the buy-back.
- (4) For such part of the escrow account as is in the form of a bank guarantee:
 - (a) the same shall be in favour of the merchant banker and shall be kept valid for a period of thirty days after the closure of the offer or till the completion of all obligations under these regulations, whichever is later.
 - (b) the same shall not be returned by the merchant banker till completion of all obligations under the regulations.
- (5) Where part of the escrow account is in the form of a bank guarantee, the company shall deposit with a scheduled commercial bank, in cash, a sum of at least 2.5 per cent of the total amount earmarked for buy-back as specified in the resolutions referred to in regulation 5 or regulation 5A. as and by way of security for fulfillment of the obligations under the regulations by the company.
- (6) The escrow amount may be released for making payment to the shareholders subject to atleast 2.5% of the amount earmarked for buy-back as specified in the resolutions referred to in regulation 5 or regulation 5A remaining in the escrow account at all points of time.
- (7) On fulfilling the obligation specified at sub regulation (3) of Regulation 14, the amount and the guarantee remaining in the escrow account, if any, shall be released to the company.
- (8) In the event of non-compliance with sub-regulation (3) of regulation 14, except in cases where,—
 - a. volume weighted average market price (VWAMP) of the shares or other specified securities of the company during the buy-back period was higher than the buy-back price as certified by the Merchant banker based on the inputs provided by the Stock Exchanges.
 - b. inadequate sell orders despite the buy orders placed by the company as certified by the Merchant banker based on the inputs provided by the Stock Exchanges.

- c. such circumstances which were beyond the control of the company and in the opinion of the Board merit consideration,

the Board may direct the merchant banker to forfeit the escrow account, subject to a maximum of 2.5 per cent of the amount earmarked for buy-back as specified in the resolutions referred to in regulations 5 or 5A.

- (9) In the event of forfeiture for non-fulfillment of obligations specified in sub regulation (8), the amount forfeited shall be deposited in the Investor Protection and Education Fund of Securities and Exchange Board of India.

Extinguishment of certificates

16. (1) Subject to the provisions of sub-regulation (2) and sub-regulation (3), the provisions of regulation 12 pertaining to extinguishment of certificates shall be applicable mutatis mutandis.
- (2) The company shall complete the verification of acceptances within fifteen days of the payout.
- (3) The company shall extinguish and physically destroy the security certificates so bought back during the month in the presence of a Merchant Banker and the Statutory Auditor, on or before the fifteenth day of the succeeding month:

Provided that the company shall ensure that all the securities bought-back are extinguished within seven days of the last date of completion of buyback.

Buy-back through book building

17. A company may buy-back its shares or other specified securities through the book-building process as provided hereunder:
- (1) (a) The special resolution referred to in regulation 5 73[or the resolution passed by the Board of Directors at its meeting, as referred to in regulation 5A] shall specify the maximum price at which the buy-back shall be made.
 - (b) The company shall appoint a merchant banker and make a public announcement as referred to in regulation 8.
 - (c) The public announcement shall be made at least seven days prior to the commencement of buy-back.
 - (d) Subject to the provisions of sub-clauses (i) and (ii) the provisions of regulation 10 shall be applicable :
 - (i) The deposit in the escrow account shall be made before the date of the public announcement.
 - (ii) The amount to be deposited in the escrow account shall be determined with reference to the maximum price as specified in the public announcement.
 - (e) A copy of the public announcement shall be filed with the Board within two days of such announcement along with the fees as specified in Schedule IV.
 - (f) The public announcement shall also contain the detailed methodology of the book-building process, the manner of acceptance, the format of acceptance to be sent by the security-holders pursuant to the public announcement and the details of bidding centres.
 - (g) The book-building process shall be made through an electronically linked transparent facility.
 - (h) The number of bidding centres shall not be less than thirty and there shall be at least one electronically linked computer terminal at all the bidding centres.
 - (i) The offer for buy-back shall remain open to the security-holders for a period not less than fifteen days and not exceeding thirty days.

- (j) The merchant banker and the company shall determine the buy-back price based on the acceptances received.
- (k) The final buy-back price, which shall be the highest price accepted shall be paid to all holders whose shares or other specified securities have been accepted for buy-back.
- (2) The provisions of sub-regulation (2) of regulation 11 pertaining to verification of acceptances and the provisions of regulation 11 pertaining to opening of special account and payment of consideration shall be applicable mutatis mutandis.

Extinguishment of certificates

- 18. The provisions of regulation 12 pertaining to extinguishment of certificates shall be applicable mutatis mutandis.

CHAPTER V



GENERAL OBLIGATIONS

Obligations of the company

- 19. (1) The company shall ensure that,—
 - (a) the letter of offer, the public announcement of the offer or any other advertisement, circular, brochure, publicity material shall contain true, factual and material information and shall not contain any misleading information and must state that the directors of the company accepts the responsibility for the information contained in such documents;
 - (b) the company shall not issue any shares or other specified securities including by way of bonus till the date of closure of the offer made under these regulations;
 - (c) the company shall pay the consideration only by way of cash;
 - (d) the company shall not withdraw the offer to buy-back after the draft letter of offer is filed with the Board or public announcement of the offer to buy-back is made;
 - (e) the promoter or the person shall not deal in the shares or other specified securities of the company in the stock exchange or off-market, including interse transfer of shares among the promoters during the period from the date of passing the resolution under regulation 5 or regulation 5A till the closing of the offer.
 - (f) the company shall not raise further capital for a period of one year from the closure of buy-back offer, except in discharge of its subsisting obligations.
- (2) No public announcement of buy-back shall be made during the pendency of any scheme of amalgamation or compromise or arrangement pursuant to the provisions of the Companies Act.
- (3) The company shall nominate a compliance officer and investors service centre for compliance with the buy-back regulations and to redress the grievances of the investors.
- (4) The particulars of the security certificates extinguished and destroyed shall be furnished by the company to the stock exchanges where the shares or other specified securities of the company are listed within seven days of extinguishment and destruction of the certificates.
- (5) The company shall not buy-back the locked-in shares or other specified Securities and non-transferable shares or other specified securities till the pendency of the lock-in or till the shares or other specified securities become transferable.
- (6) Omitted.

- (7) The company shall within two days of the completion of buy-back issue a public advertisement in a national daily, inter alia, disclosing:
- (i) number of shares or other specified securities bought;
 - (ii) price at which the shares or other specified securities bought;
 - (iii) total amount invested in the buy-back;
 - (iv) details of the 92[security-holders] from whom 93[shares or other specified securities] exceeding one per cent of total 94[shares or other specified securities] were bought back; and
 - (v) the consequent changes in the capital structure and the shareholding pattern after and before the buy-back.
- (8) The company in addition to these regulations shall comply with the provisions of buy-back as contained in the Companies Act and other applicable laws.

Obligations of the Merchant Banker

20. The merchant banker shall ensure that—

- (a) the company is able to implement the offer;
- (b) the provision relating to escrow account as referred to in regulation 10 has been made;
- (c) firm arrangements for monies for payment to fulfill the obligations under the offer are in place;
- (d) the public announcement of buy-back is made in terms of the regulations;
- (e) the letter of offer has been filed in terms of the regulations;
- (f) the merchant banker shall furnish to the Board a due diligence certificate which shall accompany the draft letter of offer;
- (g) the merchant banker shall ensure that the contents of the public announcement of offer as well as the letter of offer are true, fair and adequate and quoting the source wherever necessary;
- (h) the merchant banker shall ensure compliance of section 77A and section 77B of the Companies Act, and any other laws or rules as may be applicable in this regard;
- (i) upon fulfilment of all obligations by the company under the regulations, the merchant banker shall inform the bank with whom the escrow or special amount has been deposited to release the balance amount to the company;
- (j) the merchant banker shall send a final report to the Board in the form specified within 15 days from the date of closure of the buy-back offer.

Action against intermediaries

- 21.** (1) The Board may, on failure of the merchant banker to comply with the obligations or failing to observe due diligence initiate action against the merchant banker in terms of the Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992.
- (2) The Board may on the failure of a registrar or a broker to comply with the provisions of these regulations or failing to observe due diligence initiate action against the registrar or the broker in terms of the regulations applicable to such intermediaries.

CHAPTER VI



PENALTIES AND PROCEDURE

Power of the Board to order investigation

22. (1) The Board may, suo motu or upon information received by it, cause an investigation to be made in respect of the conduct and affairs of any person associated with the process of buy-back, by appointing an officer of the Board :
- Provided that no such investigation shall be made except for the purposes specified in sub-regulation (2).
- (2) The purposes referred to in sub-regulation (1) are the following, namely :—
- to ascertain whether there are any circumstances which would render any person guilty of having contravened any of these regulations or any directions issued thereunder;
 - to investigate into any complaint of any contravention of the regulation, received from any investor, intermediary or any other person.
- (3) An order passed under sub-regulation (1) shall be sufficient authority for the Investigating Officer to undertake the investigation and on production of an authenticated copy of the order, the person concerned shall be bound to carry out the duty imposed in regulation 23.

Duty to produce records, etc.

23. (1) It shall be the duty of every person in respect of whom an investigation has been ordered under regulation 22, to produce before the Investigating Officer such books, accounts and other documents in his custody or control and furnish him with such statements and information as the said officer may require from the purposes of the investigation.
- (2) Without prejudice to the generality of the provisions of sub-regulation (1), such person shall—
- extend to the Investigating Officer reasonable facilities for examining any books, accounts and other documents in his custody or control (whether kept manually or in computer or in any other form) reasonably required for the purposes for the investigation;
 - to provide such Investigating Officer with copies of such books, accounts and records which, in the opinion of the Investigating Officer, are relevant to the investigation or, as the case may be, allow him to take out computer printouts thereof;
 - to provide such assistance and co-operation as may be required in connection with the investigation and furnish information relevant to such investigation as may be sought by such officer.
- (3) The Investigating Officer shall for the purpose of investigation, have the full powers:
- of summoning and enforcing the attendance of persons;
 - to examine orally and to record on oath the statement of the persons concerned, any director, partner, member or employee of such person.

Submission of Report to the Board

24. (1) The Investigating Officer shall, on completion of the investigation, after taking into account all relevant facts and circumstances, submit a report to the Board.
- (2) On the receipt of report under sub-regulation (1), the Board may initiate such action as it may be empowered to do in the interests of investors and the securities market.

Power of the Board to issue directions

25. (1) The Board may in the interests of the securities market and without prejudice to its right to initiate action including criminal prosecution by the Board under section 24 of the Act and give such directions as it deems fit including :
- (a) directing the person concerned not to further deal in securities in any particular manner;
 - (b) prohibiting the person concerned from cancelling any of the securities bought back in violation of the Companies Act;
 - (c) directing the person concerned to sell or divest the shares or other specified securities acquired in violation of the provisions of these Regulations or any other law or regulations;
 - (d) taking action against the intermediaries registered with the Board in accordance with the Regulations applicable to it;
 - (e) prohibiting the persons concerned, directors, partners, members, employees and associates of such persons, from accessing the securities market;
 - (f) disgorgement of any ill-gotten gains or profits or avoidance of loss;
 - (g) restraining the company from making a further offer for buy-back.
- (2) In case any person is guilty of insider trading or market manipulation the person concerned shall be dealt with in accordance with the provisions of the Securities and Exchange Board of India (Insider Trading) Regulations, 1992 and the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to the Securities Market) Regulations, 1995.

CHAPTER VII



MISCELLANEOUS

Power of the Board to remove difficulties

26. In order to remove any difficulties in the interpretation or application of the provisions of these Regulations, the Board shall have the power to issue directions through guidance notes or circulars:

Provided that where any direction is issued by the Board in a specific case relating to interpretation or application of any provision of these Regulations, it shall be done only after affording a reasonable opportunity to the concerned parties and after recording reasons for the direction.



SEBI (MUTUAL FUNDS) REGULATIONS, 1996



CHAPTER I



PRELIMINARY

Short title and commencement

1. (1) These regulations may be called the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996.
- (2) They shall come into force on the date of their publication in the Official Gazette.

Definitions

2. In these regulations, unless the context otherwise requires:—
 - (a) “Act” means the Securities and Exchange Board of India Act, 1992 (15 of 1992);
 - (b) “advertisement” shall include all forms of communication issued by or on behalf of the asset management company/mutual fund that may influence investment decisions of any investor/prospective investors;
 - (c) “associate” includes a person,—
 - (i) who directly or indirectly, by himself, or in combination with relatives, exercises control over the asset management company or the trustee, as the case may be, or
 - (ii) in respect of whom the asset management company or the trustee, directly or indirectly, by itself, or in combination with other persons exercises a control, or
 - (iii) whose director, officer or employee is a director, officer or employee of the asset management company;
 - (d) “asset management company” means a company formed and registered under the Companies Act, 1956 (1 of 1956) and approved as such by the Board under sub-regulation (2) of regulation 21;
 - (e) “broker” means a stock broker as defined in Securities and Exchange Board of India (Stock Brokers and Sub-brokers) Rules, 1992;
 - (ea) “capital protection oriented scheme” means a mutual fund scheme which is designated as such and, which endeavour’s to protect the capital invested therein through suitable orientation of its portfolio structure;]

- (f) “close-ended scheme” means any scheme of a mutual fund in which the period of maturity of the scheme is specified;
- (g) “control” means,—
 - (i) in the case of a company any person or combination of persons who directly or indirectly own, control or hold shares carrying not less than 10% of the voting rights of such company; or
 - (ii) as between two companies, if the same person or combination of persons directly or indirectly, own, control or hold shares carrying not less than 10% of the voting rights of each of the two companies; or
 - (iii) majority of the directors of any company who are in a position to exercise control over the asset management company;
- (h) “custodian” means a person who has been granted a certificate of registration to carry on the business of custodian of securities under the Securities and Exchange Board of India (Custodian of Securities) Regulations, 1996;
- (i) “depository” means a body corporate as defined in the Depositories Act, 1996 (22 of 1996);
- (j) “economic offence” means an offence to which the Economic Offences (Limitation of Prosecution) Act, 1974 (12 of 1974), applies for the time being;
- (k) Omitted.
- (l) “form” means any of the forms specified as such in the First Schedule;
- (m) “fraud” for the purpose of these regulations has the same meaning as is assigned to it in section 17 of the Indian Contract Act, 1872 (9 of 1872);
- (ma) “fund of funds scheme” means a mutual fund scheme that invests primarily in other schemes of the same mutual fund or other mutual funds;
- (mb) “gold exchange traded fund scheme” shall mean a mutual fund scheme that invests primarily in gold or gold related instruments;
- (mc) “gold related instrument” shall mean such instrument having gold as underlying, as may be specified by the Board from time to time;
- (mm) “group” means a group as defined in clause (ef) of section 2 of the Monopolies and Restrictive Trade Practices Act, 1969 (54 of 1969);
- (mn) “index fund scheme” means a mutual fund scheme that invests in securities in the same proportion as an index of securities;
- (mo) “InvIT” or “Infrastructure Investment Trust” shall have the meaning assigned in clause (za) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014;
- (n) “inspecting officer” means any person appointed as such by the Board under Chapter VIII;
- (o) “money market instruments” includes commercial papers, commercial bills, treasury bills, Government securities having an unexpired maturity up to one year, call or notice money, certificate of deposit, usance bills, and any other like instruments as specified by the Reserve Bank of India from time to time;
- (p) “money market mutual fund” means a scheme of a mutual fund which has been set up with the objective of investing exclusively in money market instruments;
- (q) “mutual fund” means a fund established in the form of a trust to raise monies through the sale of units to the public or a section of the public under one or more schemes for investing in securities including money market instruments or gold or gold related instruments or real estate assets;

Provided that infrastructure debt fund schemes may raise monies through private placement of units, subject to conditions specified in these regulations;

- (r) "offer document" means any document by which a mutual fund invites public for subscription of units of a scheme;
- (s) "open-ended scheme" means a scheme of a mutual fund which offers units for sale without specifying any duration for redemption;
- (sa) "private placement" means any offer of units of a mutual fund scheme or invitation to subscribe such units to a select group of persons, by a mutual fund (other than by way of public offer) through issue of a placement memorandum and which is not being calculated to result, directly or indirectly in the units becoming available for subscription or purchase by persons other than those receiving the offer or invitation;
- (sb) "REIT" or "Real Estate Investment Trust" shall have the meaning assigned in clause (zm) of sub-regulation 1 of regulation 2 of the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014;
- (sc) "real estate mutual fund scheme" means a mutual fund scheme that invests directly or indirectly in real estate assets or other permissible assets in accordance with these regulations;
- (t) "relative" means a person as defined in section 6 of the Companies Act, 1956 (1 of 1956);
- (u) "scheme" means a scheme of a mutual fund launched under Chapter V;
- (v) "schedule" means any of the schedules annexed to these regulations;
- (w) "securities laws" means the Securities and Exchange Board of India Act, 1992 (15 of 1992), the Securities Contracts (Regulation) Act, 1956 (42 of 1956) and the Depositories Act, 1996 (22 of 1996), including their amendments and such other laws as may be enacted from time to time;
- (x) "sponsor" means any person who, acting alone or in combination with another body corporate, establishes a mutual fund;
- (y) "trustees" mean the Board of Trustees or the Trustee Company who hold the property of the Mutual Fund in trust for the benefit of the unit holders;
- (z) "unit" means the interest of the unit holders in a scheme, which consists of each unit representing one undivided share in the assets of a scheme;
- (z) (i) "unit holder" means a person holding unit in a scheme of a mutual fund.

CHAPTER II



REGISTRATION OF MUTUAL FUND

Application for registration

3. An application for registration of a mutual fund shall be made to the Board in Form A by the sponsor.

Application fee to accompany the application

4. Every application for registration under regulation 3 shall be accompanied by non refundable application fee as specified in the Second Schedule.

Application to conform to the requirements

5. An application, which is not complete in all respects shall be liable to be rejected:

Provided that, before rejecting any such application, the applicant shall be given an opportunity to complete such formalities within such time as may be specified by the Board.

Furnishing information

6. The Board may require the sponsor to furnish such further information or clarification as may be required by it.

Eligibility criteria

7. For the purpose of grant of a certificate of registration, the applicant has to fulfill the following, namely—

- (a) the sponsor should have a sound track record and general reputation of fairness and integrity in all his business transactions.

Explanation: For the purposes of this clause “sound track record” shall mean the sponsor should—

- (i) be carrying on business in financial services for a period of not less than five years; and
 - (ii) the networth is positive in all the immediately preceding five years; and
 - (iii) the networth in the immediately preceding year is more than the capital contribution of the sponsor in the asset management company; and
 - (iv) the sponsor has profits after providing for depreciation, interest and tax in three out of the immediately preceding five years, including the fifth year;
- (aa) the applicant is a fit and proper person;
- (b) in the case of an existing mutual fund, such fund is in the form of a trust and the trust deed has been approved by the Board;
- (c) the sponsor has contributed or contributes at least 40% to the net worth of the asset management company:

Provided that any person who holds 40% or more of the net worth of an asset management company shall be deemed to be a sponsor and will be required to fulfill the eligibility criteria specified in these regulations;

- (d) the sponsor or any of its directors or the principal officer to be employed by the mutual fund should not have been guilty of fraud or has not been convicted of an offence involving moral turpitude or has not been found guilty of any economic offence;
- (e) appointment of trustees to act as trustees for the mutual fund in accordance with the provisions of the regulations;
- (f) appointment of asset management company to manage the mutual fund and operate the scheme of such funds in accordance with the provisions of these regulations;
- (g) appointment of custodian in order to keep custody of the securities or gold and gold related instrument or other assets of the mutual fund held in terms of these regulations, and provide such other custodial services as may be authorised by the trustees.

Norms for Shareholding and Governance in Mutual Funds

- 7B. (1) No sponsor of a mutual fund, its associate or group company including the asset management company of the fund, through the schemes of the mutual fund or otherwise, individually or collectively, directly or indirectly, have –
- (a) 10% or more of the share-holding or voting rights in the asset management company or the trustee company of any other mutual fund; or
 - (b) representation on the board of the asset management company or the trustee company of any other mutual fund.

- (2) Any shareholder holding 10% or more of the share-holding or voting rights in the asset management company or the trustee company of a mutual fund, shall not have, directly or indirectly, -
 - (a) 10% or more of the share-holding or voting rights in the asset management company or the trustee company of any other mutual fund; or
 - (b) representation on the board of the asset management company or the trustee company of any other mutual fund.
- (3) Any person not in conformity with the sub-regulations (1) and (2) of this regulation, as on the date of the coming into force of this regulation shall comply with sub-regulations (1) and (2) within a period of one year from the date of the coming into force of this regulation.

Consideration of application

8. The Board, may on receipt of all information decide the application.

Grant of Certificate of Registration

9. The Board may register the mutual fund and grant a certificate in Form B on the applicant paying the registration fee as specified in Second Schedule.

Terms and conditions of registration

10. The registration granted to a mutual fund under regulation 9, shall be subject to the following terms and conditions—
- (a) the trustees, the sponsor, the asset management company and the custodian shall comply with the provisions of these regulations;
 - (b) the mutual fund shall forthwith inform the Board, if any information or particulars previously submitted to the Board was misleading or false in any material respect;
 - (c) the mutual fund shall forthwith inform the Board, of any material change in the information or particulars previously furnished, which have a bearing on the registration granted by it;
 - (d) payment of fees as specified in the regulations and the Second Schedule.

Rejection of application

11. Where the sponsor does not satisfy the eligibility criteria mentioned in regulation 7, the Board may reject the application and inform the applicant of the same.

Payment of annual service fee

12. A mutual fund shall pay before the 15th April each year a service fee as specified in the Second Schedule for every financial year from the year following the year of registration:

Provided that the Board may, on being satisfied with the reasons for the delay permit the mutual fund to pay the service fee at any time before the expiry of two months from the commencement of the financial year to which such fee relates.

Failure to pay annual service fee

13. The Board may not permit a mutual fund that has not paid service fee to launch any scheme.

CHAPTER III



CONSTITUTION AND MANAGEMENT OF MUTUAL FUND AND OPERATION OF TRUSTEES, ETC.

Trust deed to be registered under the Registration Act

14. A mutual fund shall be constituted in the form of a trust and the instrument of trust shall be in the form of a deed, duly registered under the provisions of the Indian Registration Act, 1908 (16 of 1908), executed by the sponsor in favour of the trustees named in such an instrument.

Contents of trust deed

15. (1) The trust deed shall contain such clauses as are mentioned in the Third Schedule and such other clauses which are necessary for safeguarding the interests of the unit holders.
- (2) No trust deed shall contain a clause which has the effect of—
- (i) limiting or extinguishing the obligations and liabilities of the trust in relation to any mutual fund or the unit holders; or
 - (ii) indemnifying the trustees or the asset management company for loss or damage caused to the unitholders by their acts of negligence or acts of commission or omission.

Disqualification from being appointed as trustees

16. (1) A mutual fund shall appoint trustees in accordance with these regulations.
- (2) No person shall be eligible to be appointed as a trustee unless—
- (a) he is a person of ability, integrity and standing; and
 - (b) has not been found guilty of moral turpitude; and
 - (c) has not been convicted of any economic offence or violation of any securities laws; and
 - (d) has furnished particulars as specified in Form C.
- (3) No asset management company and no director (including independent director), officer or employee of an asset management company shall be eligible to be appointed as a trustee of any mutual fund.
- (4) No person who is appointed as a trustee of a mutual fund shall be eligible to be appointed as a trustee of any other mutual fund:
- Provided that any mutual fund which is not in compliance with sub-regulation (3) or (4) as at the commencement of the Securities and Exchange Board of India (Mutual Funds) (Fifth Amendment) Regulations, 2006 shall ensure compliance therewith within three months from such commencement.
- (5) Two-thirds of the trustees shall be independent persons and shall not be associated with the sponsors or be associated with them in any manner whatsoever.
- (6) In case a company is appointed as a trustee then its directors can act as trustees of any other trust provided that the object of the trust is not in conflict with the object of the mutual fund.

Approval of the Board for appointment of trustee

17. (1) No trustee shall initially or any time thereafter be appointed without prior approval of the Board.
- (2) The existing trustees of any mutual fund may form a trustee company to act as a trustee with the prior approval of the Board.

Rights and obligations of the trustees.

18. (1) The trustees and the asset management company shall with the prior approval of the Board enter into an investment management agreement.
- (2) The investment management agreement shall contain such clauses as are mentioned in the Fourth Schedule and such other clauses as are necessary for the purpose of making investments.
- (3) The trustees shall have a right to obtain from the asset management company such information as is considered necessary by the trustees.
- (4) The trustees shall ensure before the launch of any scheme that the asset management company, has,—
- (a) systems in place for its back office, dealing room and accounting;
 - (b) appointed all key personnel including fund manager(s) for the scheme(s) and submitted their bio-data which shall contain the educational qualifications, past experience in the securities market with the trustees, within 15 days of their appointment;
 - (c) appointed auditors to audit its accounts;
 - (d) appointed a compliance officer who shall be responsible for monitoring the compliance of the Act, rules and regulations, notifications, guidelines, instructions, etc., issued by the Board or the Central Government and for redressal of investors grievances;]
 - (e) appointed registrars and laid down parameters for their supervision;
 - (f) prepared a compliance manual and designed internal control mechanisms including internal audit systems;
 - (g) specified norms for empanelment of brokers and marketing agents;
 - (h) obtained, wherever required under these regulations, prior in principle approval from the recognized stock exchange(s) where units are proposed to be listed.
- (4A) The compliance officer appointed under clause (d) of sub-regulation (4) shall immediately and independently report to the Board any non-compliance observed by him.
- (5) The trustees shall ensure that an asset management company has been diligent in empanelling the brokers, in monitoring securities transactions with brokers and avoiding undue concentration of business with any broker.
- (6) The trustees shall ensure that the asset management company has not given any undue or unfair advantage to any associates or dealt with any of the associates of the asset management company in any manner detrimental to interest of the unit holders.
- (7) The trustees shall ensure that the transactions entered into by the asset management company are in accordance with these regulations and the scheme.
- (8) The trustees shall ensure that the asset management company has been managing the mutual fund schemes independently of other activities and have taken adequate steps to ensure that the interest of investors of one scheme are not being compromised with those of any other scheme or of other activities of the asset management company.
- (9) The trustees shall ensure that all the activities of the asset management company are in accordance with the provisions of these regulations.
- (10) Where the trustees have reason to believe that the conduct of business of the mutual fund is not in accordance with these regulations and the scheme they shall forthwith take such remedial steps as are necessary by them and shall immediately inform the Board of the violation and the action taken by them.

- (11) Each trustee shall file the details of his transactions of dealing in securities with the Mutual Fund on a quarterly basis.
- (12) The trustees shall be accountable for, and be the custodian of, the funds and property of the respective schemes and shall hold the same in trust for the benefit of the unit holders in accordance with these regulations and the provisions of trust deed.
- (13) The trustees shall take steps to ensure that the transactions of the mutual fund are in accordance with the provisions of the trust deed.
- (14) The trustees shall be responsible for the calculation of any income due to be paid to the mutual fund and also of any income received in the mutual fund for the holders of the units of any scheme in accordance with these regulations and the trust deed.
- (15) The trustees shall obtain the consent of the unit holders—
 - (a) whenever required to do so by the Board in the interest of the unitholders; or
 - (b) whenever required to do so on the requisition made by three-fourths of the unit-holders of any scheme; or
 - (c) when the majority of the trustees decide to wind up or prematurely redeem the units.
- (15A) The trustees shall ensure that no change in the fundamental attributes of any scheme or the trust or fees and expenses payable or any other change which would modify the scheme and affects the interest of unit holders, shall be carried out unless,—
 - (i) a written communication about the proposed change is sent to each unit holder and an advertisement is given in one English daily newspaper having nationwide circulation as well as in a newspaper published in the language of region where the Head Office of the mutual fund is situated; and
 - (ii) the unit holders are given an option to exit at the prevailing Net Asset Value without any exit load.
- (16) The trustees shall call for the details of transactions in securities by the key personnel of the asset management company in his own name or on behalf of the asset management company and shall report to the Board, as and when required.
- (17) The trustees shall quarterly review all transactions carried out between the mutual funds, asset management company and its associates.
- (18) The trustees shall quarterly review the networth of the asset management company and in case of any shortfall, ensure that the asset management company make up for the shortfall as per clause (f) of sub-regulation (1) of regulation 21.
- (19) The trustees shall periodically review all service contracts such as custody arrangements, transfer agency of the securities and satisfy itself that such contracts are executed in the interest of the unit holders.
- (20) The trustees shall ensure that there is no conflict of interest between the manner of deployment of its net worth by the asset management company and the interest of the unit-holders.
- (21) The trustees shall periodically review the investor complaints received and the redressal of the same by the asset management company.
- (22) The trustees shall abide by the Code of Conduct as specified in the Fifth Schedule.
- (23) The trustees shall furnish to the Board on a half-yearly basis,—
 - (a) a report on the activities of the mutual fund;

- (b) a certificate stating that the trustees have satisfied themselves that there have been no instances of self-dealing or front running by any of the trustees, directors and key personnel of the asset management company;
 - (c) a certificate to the effect that the asset management company has been managing the schemes independently of any other activities and in case any activities of the nature referred to in sub-regulation (2) of regulation 24 have been undertaken by the asset management company and has taken adequate steps to ensure that the interests of the unit holders are protected.
- (24) The independent trustees referred to in sub-regulation (5) of regulation 16 shall give their comments on the report received from the asset management company regarding the investments by the mutual fund in the securities of group companies of the sponsor.
- (25) Trustees shall exercise due diligence as under:
- A. General Due Diligence:**
- (i) The Trustees shall be discerning in the appointment of the directors on the Board of the asset management company.
 - (ii) Trustees shall review the desirability or continuance of the asset management company if substantial irregularities are observed in any of the schemes and shall not allow the asset management company to float new schemes.
 - (iii) The Trustee shall ensure that the trust property is properly protected, held and administered by proper persons and by a proper number of such persons.
 - (iv) The Trustee shall ensure that all service providers are holding appropriate registrations from the Board or concerned regulatory authority.
 - (v) The Trustees shall arrange for test checks of service contracts.
 - (vi) Trustees shall immediately report to the Board of any special developments in the mutual fund.
- B. Specific due diligence:**
- The Trustees shall:
- (i) obtain internal audit reports at regular intervals from independent auditors appointed by the Trustees,
 - (ii) obtain compliance certificates at regular intervals from the asset management company,
 - (iii) hold meeting of trustees more frequently,
 - (iv) consider the reports of the independent auditor and compliance reports of asset management company at the meetings of trustees for appropriate action,
 - (v) maintain records of the decisions of the Trustees at their meetings and of the minutes of the meetings,
 - (vi) prescribe and adhere to a code of ethics by the Trustees, asset management company and its personnel,
 - (vii) communicate in writing to the asset management company of the deficiencies and checking on the rectification of deficiencies.
- (26) Notwithstanding anything contained in sub-regulations (1) to (25), the trustees shall not be held liable for acts done in good faith if they have exercised adequate due diligence honestly.
- (27) The independent directors of the trustees or asset management company shall pay specific attention to the following, as may be applicable, namely:—

- (i) the Investment Management Agreement and the compensation paid under the agreement,
- (ii) service contracts with affiliates—whether the asset management company has charged higher fees than outside contractors for the same services,
- (iii) selections of the asset management company's independent directors,
- (iv) securities transactions involving affiliates to the extent such transactions are permitted,
- (v) selecting and nominating individuals to fill independent directors vacancies,
- (vi) code of ethics must be designed to prevent fraudulent, deceptive or manipulative practices by insiders in connection with personal securities transactions,
- (vii) the reasonableness of fees paid to sponsors, asset management company and any others for services provided,
- (viii) principal underwriting contracts and their renewals,
- (ix) any service contract with the associates of the asset management company.

CHAPTER IV



CONSTITUTION AND MANAGEMENT OF ASSET MANAGEMENT COMPANY AND CUSTODIAN

Application by an asset management company

19. (1) The application for the approval of the asset management company shall be made in Form D.
- (2) The provisions of regulations 5, 6 and 8 shall, so far as may be, apply to the application made under sub-regulation (1) as they apply to the application for registration of a mutual fund.

Appointment of an asset management company

20. (1) The sponsor or, if so authorized by the trust deed, the trustee, shall appoint an asset management company, which has been approved by the Board under sub-regulation (2) of regulation 21.
- (2) The appointment of an asset management company can be terminated by majority of the trustees or by seventy-five per cent of the unit holders of the scheme.
- (3) Any change in the appointment of the asset management company shall be subject to prior approval of the Board and the unit holders.

Eligibility criteria for appointment of asset management company

21. (1) For grant of approval of the asset management company the applicant has to fulfill the following :—
- (a) in case the asset management company is an existing asset management company it has a sound track record, general reputation and fairness in transactions.
Explanation: For the purpose of this clause sound track record shall mean the network and the profitability of the asset management company;
 - (aa) the asset management company is a fit and proper person;
 - (b) the directors of the asset management company are persons having adequate professional experience in finance and financial services related field and not found guilty of moral turpitude or convicted of any economic offence or violation of any securities laws;

- (c) the key personnel of the asset management company have not been found guilty of moral turpitude or convicted of economic offence or violation of securities laws or worked for any asset management company or mutual fund or any intermediary during the period when its registration has been suspended or cancelled at any time by the Board;
- (d) the board of directors of such asset management company has at least fifty per cent directors, who are not associate of, or associated in any manner with, the sponsor or any of its subsidiaries or the trustees;
- (e) the Chairman of the asset management company is not a trustee of any mutual fund;
- (f) the asset management company has a networth of not less than rupees fifty crore:

Provided that an asset management company already granted approval under the provisions of Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 shall within a period of three years from the date of notification of Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2014 increase its networth to rupees fifty crore:

Provided further that no new schemes shall be allowed to be launched or managed by such asset management company till the networth has been raised to rupees fifty crore.

Explanation : For the purposes of this clause, "networth" means the aggregate of the paid up capital and free reserves of the asset management company after deducting therefrom miscellaneous expenditure to the extent not written off or adjusted or deferred revenue expenditure, intangible assets and accumulated losses.

Provided further that an asset management company of a mutual fund eligible to launch only infrastructure debt fund schemes, shall have a networth of not less than rupees ten crore.

Provided further that in cases where the Board is satisfied that an asset management company is taking steps to meet the networth requirement within the specified time, the asset management company may be allowed to launch upto two new schemes per year.

Explanation: For the purposes of this clause, "networth" means the aggregate of the paid up capital and free reserves of the asset management company after deducting therefrom miscellaneous expenditure to the extent not written off or adjusted or deferred revenue expenditure, intangible assets and accumulated losses.

- (2) The Board may, after considering an application with reference to the matters specified in sub-regulation (1), grant approval to the asset management company.

Terms and conditions to be complied with

22. The approval granted under sub-regulation (2) of regulation 21 shall be subject to the following conditions, namely:—

- (a) any director of the asset management company shall not hold the office of the director in another asset management company unless such person is an independent director referred to in clause (d) of sub-regulation (1) of regulation 21 and approval of the Board of asset management company of which such person is a director, has been obtained;
- (b) the asset management company shall forthwith inform the Board of any material change in the information or particulars previously furnished, which have a bearing on the approval granted by it;
- (c) no appointment of a director of an asset management company shall be made without prior approval of the trustees;
- (d) the asset management company undertakes to comply with these regulations;
- (e) no change in the controlling interest of the asset management company shall be made unless,—

- (i) prior approval of the trustees and the Board is obtained;
- (ii) a written communication about the proposed change is sent to each unitholder and an advertisement is given in one English daily newspaper having nationwide circulation and in a newspaper published in the language of the region where the Head Office of the mutual fund is situated; and
- (iii) the unitholders are given an option to exit on the prevailing Net Asset Value without any exit load;
- (f) the asset management company shall furnish such information and documents to the trustees as and when required by the trustees.

Procedure where approval is not granted

23. Where an application made under regulation 19 for grant of approval does not satisfy the eligibility criteria laid down in regulation 21, the Board may reject the application.

Restrictions on business activities of the asset management company

24. The asset management company shall, -

- (a) not act as a trustee of any mutual fund;
- (b) not undertake any business activities other than in the nature of management and advisory services provided to pooled assets including offshore funds, insurance funds, pension funds, provident funds, or Category I foreign portfolio investor as specified in Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014, if any of such activities are not in conflict with the activities of the mutual fund:

Provided that the asset management company may itself or through its subsidiaries undertake such activities, as permitted under clause (b), if, -

- (i) it satisfies the Board that bank and securities accounts are segregated activity wise;
- (ii) it meets with the capital adequacy requirements, if any, separately for each such activity and obtain separate approval, if necessary under the relevant regulations;
- (iii) it ensures that there is no material conflict of interest across different activities;
- (iv) the absence of conflict of interest shall be disclosed to the trustees and unit holders in scheme information document and statement of additional information;
- (v) there are unavoidable conflict of interest situations, it shall satisfy itself that disclosures are made of source of conflict, potential 'material risk or damage' to investor interests and detailed parameters for the same;
- (vi) it appoints separate fund manager for each separate fund managed by it unless the investment objectives and asset allocation are same and the portfolio is replicated across all the funds managed by the fund manager, within a period of six months from the date of notification of Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2011;

Provided that the requirements of this clause shall not apply if the funds managed are of Category I foreign portfolio investors and/or Category II foreign portfolio investors which are appropriately regulated broad based funds, as specified in Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014.

- (vii) it ensures fair treatment of investors across different products that shall include, but not limited to, simultaneous buy and sell in the same equity security only through market mechanism and a written trade order management system; and
- (viii) it ensures independence to key personnel handling the relevant conflict of interest is provided through removal of direct link between remuneration to relevant asset management company personnel and revenues generated by that activity:

Provided further that the asset management company may, itself or through its subsidiaries, undertake portfolio management services and advisory services for other than broad based fund till further directions, as may be specified by the Board, subject to compliance with the following additional conditions:-

- (i) it satisfies the Board that key personnel of the asset management company, the system, back office, bank and securities accounts are segregated activity wise and there exist system to prohibit access to inside information of various activities;
- (ii) it meets with the capital adequacy requirements, if any, separately for each of such activities and obtain separate approval, if necessary under the relevant regulations.

Provided further that the asset management company may become a proprietary trading member for carrying out trades in the debt segment of a recognized stock exchange, on behalf of a mutual fund.

*Explanation:—*For the purpose of this regulation, with the exception of proviso to clause (vi) of first proviso to clause (b), the term 'broad based fund' shall mean the fund which has at least twenty investors and no single investor account for more than twenty five percent of corpus of the fund.

Asset management company and its obligations

25. (1) The asset management company shall take all reasonable steps and exercise due diligence to ensure that the investment of funds pertaining to any scheme is not contrary to the provisions of these regulations and the trust deed.
- (2) The asset management company shall exercise due diligence and care in all its investment decisions as would be exercised by other persons engaged in the same business.
- (2A) The asset management company shall obtain, wherever required under these regulations, prior in-principle approval from the recognized stock exchange(s) where units are proposed to be listed.
- (3) The asset management company shall be responsible for the acts of commission or omission by its employees or the persons whose services have been procured by the asset management company.
- (4) The asset management company shall submit to the trustees quarterly reports of each year on its activities and the compliance with these regulations.
- (5) The trustees at the request of the asset management company may terminate the assignment of the asset management company at any time:
- Provided** that such termination shall become effective only after the trustees have accepted the termination of assignment and communicated their decision in writing to the asset management company.
- (6) Notwithstanding anything contained in any contract or agreement or termination, the asset management company or its directors or other officers shall not be absolved of liability to the mutual fund for their acts of commission or omission, while holding such position or office.
- (6A) The Chief Executive Officer (whatever his designation may be) of the asset management company shall ensure that the mutual fund complies with all the provisions of these regulations and the guidelines or circulars issued in relation thereto from time to time and that the investments made by the fund managers are in the interest of the unit holders and shall also be responsible for the overall risk management function of the mutual fund.

Explanation.—For the purpose of this sub-regulation, the words “these regulations” shall mean and include the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended from time to time.

- (6B) The fund managers (whatever the designation may be) shall ensure that the funds of the schemes are invested to achieve the objectives of the scheme and in the interest of the unit holders.
- (7) (a) An asset management company shall not through any broker associated with the sponsor, purchase or sell securities, which is average of 5 per cent or more of the aggregate purchases and sale of securities made by the mutual fund in all its schemes :
- Provided** that for the purpose of this sub-regulation, the aggregate purchase and sale of securities shall exclude sale and distribution of units issued by the mutual fund :
- Provided further** that the aforesaid limit of 5 per cent shall apply for a block of any three months.
- (b) An asset management company shall not purchase or sell securities through any broker [other than a broker referred to in clause (a) of sub-regulation (7)] which is average of 5 per cent or more of the aggregate purchases and sale of securities made by the mutual fund in all its schemes, unless the asset management company has recorded in writing the justification for exceeding the limit of 5 per cent and reports of all such investments are sent to the trustees on a quarterly basis:
- Provided** that the aforesaid limit shall apply for a block of three months.
- (8) An asset management company shall not utilize the services of the sponsor or any of its associates, employees or their relatives, for the purpose of any securities transaction and distribution and sale of securities:
- Provided** that an asset management company may utilize such services if disclosure to that effect is made to the unit holders and the brokerage or commission paid is also disclosed in the half-yearly annual accounts of the mutual fund:
- Provided further** that the mutual funds shall disclose at the time of declaring half-yearly and yearly results:
- (i) any underwriting obligations undertaken by the schemes of the mutual funds with respect to issue of securities associate companies,
 - (ii) devolvement, if any,
 - (iii) subscription by the schemes in the issues lead managed by associate companies,
 - (iv) subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager.
- (9) The asset management company shall file with the trustees the details of transactions in securities by the key personnel of the asset management company in their own name or on behalf of the asset management company and shall also report to the Board, as and when required by the Board.
- (10) In case the asset management company enters into any securities transactions with any of its associates a report to that effect shall be sent to the trustees at its next meeting.
- (11) In case any company has invested more than 5 per cent of the net asset value of a scheme, the investment made by that scheme or by any other scheme of the same mutual fund in that company or its subsidiaries shall be brought to the notice of the trustees by the asset management company and be disclosed in the half-yearly and annual accounts of the respective schemes with justification for such investment provided the latter investment has been made within one year of the date of the former investment calculated on either side.
- (12) The asset management company shall file with the trustees and the Board—

- (a) detailed bio-data of all its directors along with their interest in other companies within fifteen days of their appointment;
 - (b) any change in the interests of directors every six months; and
 - (c) a quarterly report to the trustees giving details and adequate justification about the purchase and sale of the securities of the group companies of the sponsor or the asset management company, as the case may be, by the mutual fund during the said quarter.
- (13) Each director of the asset management company shall file the details of his transactions of dealing in securities with the trustees on a quarterly basis in accordance with guidelines issued by the Board.
- (14) The asset management company shall not appoint any person as key personnel who has been found guilty of any economic offence or involved in violation of securities laws.
- (15) The asset management company shall appoint registrars and share transfer agents who are registered with the Board:
- Provided** if the work relating to the transfer of units is processed in-house, the charges at competitive market rates may be debited to the scheme and for rates higher than the competitive market rates, prior approval of the trustees shall be obtained and reasons for charging higher rates shall be disclosed in the annual accounts.
- (16) The asset management company shall abide by the Code of Conduct as specified in the Fifth Schedule.
- (17) The asset management company shall not invest in any of its scheme, unless full disclosure of its intention to invest has been made in the offer documents, in case of schemes launched after the notification of Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2011:
- Provided that an asset management company shall not be entitled to charge any fee on its investment in that scheme.
- (18) The asset management company shall not carry out its operations including trading desk, unit holder servicing and investment operations outside the territory of India:
- Provided that the asset management company having any of its operations outside India shall wind up and bring them within the territory of India within a period of one year from the date of notification of Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2011:
- Provided further that the Board may grant a further period of one year if it is satisfied that there was sufficient cause for not winding up of the operation outside India within that period.
- (19) The asset management company shall compute and carry out valuation of investments made by its scheme(s) in accordance with the investment valuation norms specified in Eighth Schedule, and shall publish the same.
- (20) The asset management company and the sponsor of the mutual fund shall be liable to compensate the affected investors and/or the scheme for any unfair treatment to any investor as a result of inappropriate valuation.
- (21) The asset management company shall report and disclose all the transactions in debt and money market securities, including inter scheme transfers, as may be specified by the Board.

Appointment of custodian

26. (1) The mutual fund shall appoint a Custodian to carry out the custodial services for the schemes of the fund and sent intimation of the same to the Board within fifteen days of the appointment of the Custodian:

Provided that in case of a gold exchange traded fund scheme, the assets of the scheme being gold or gold related instruments may be kept in custody of a bank which is registered as a custodian with the Board.

Provided further that in case of a real estate mutual fund scheme, the title deed of real estate assets held by it may be kept in the custody of a custodian registered with the Board.

- (2) No custodian in which the sponsor or its associates hold 50 per cent or more of the voting rights of the share capital of the custodian or where 50 per cent or more of the directors of the custodian represent the interest of the sponsor or its associates shall act as custodian for a mutual fund constituted by the same sponsor or any of its associates or subsidiary company:

Provided that where the sponsor or its associates hold 50 per cent or more of the voting rights of the share capital of the custodian, such custodian may act as custodian for a mutual fund constituted by the same sponsor or any of its associates or subsidiary company if:

- (i) the sponsor has a net worth of at least twenty thousand crore rupees at all points of time;
- (ii) 50 per cent or more of the directors of the custodian are those who do not represent the interest of the sponsor or its associates;
- (iii) the custodian and the asset management company of a mutual fund are not subsidiaries of each other;
- (iv) no person is a director of both the custodian and the asset management company of a mutual fund; and
- (v) the custodian and the asset management company of a mutual fund sign an undertaking that they will act independently of each other in their dealings with the scheme.

Agreement with custodian

27. The mutual fund shall enter into a custodian agreement with the custodian, which shall contain the clauses which are necessary for the efficient and orderly conduct of the affairs of the custodian:

Provided that the agreement, the service contract, terms and appointment of the custodian shall be entered into with the prior approval of the trustees.

CHAPTER V



SCHEMES OF MUTUAL FUND

Procedure for launching of schemes

28. (1) No scheme shall be launched by the asset management company unless such scheme is approved by the trustees and a copy of the offer document has been filed with the Board.
- (2) The mutual fund shall pay the minimum filing fee specified in the Second Schedule to the Board while filing the offer document under sub-regulation (1).
- (3) The mutual fund shall pay the balance filing fee calculated in accordance with the Second Schedule to the Board within such time as may be specified by the Board.
- (4) The sponsor or asset management company shall invest not less than one percent of the amount which would be raised in the new fund offer or fifty lakh rupees, whichever is less, in the growth option of the scheme and such investment shall not be redeemed unless the scheme is wound up:

Provided that this sub-regulation shall not apply to close ended schemes.

- (5) The sponsor or asset management company of schemes existing as on date of notification of the SEBI (Mutual Funds)(Amendment) Regulations, 2014 shall invest not less than one percent of the assets under management of the scheme as on date of notification of these regulations or fifty lakh rupees, whichever is less, in the growth option of the scheme and such investment shall not be redeemed unless the scheme is wound up:

Provided that the amount calculated as per this sub-regulation shall be invested within one year from the date of notification of these regulations:

Provided further this sub-regulation shall not apply to close ended schemes.

Disclosures in the offer document

29. (1) The offer document shall contain disclosures which are adequate in order to enable the investors to make informed investment decision including the disclosure on maximum investments proposed to be made by the scheme in the listed securities of the group companies of the sponsor.
- (2) The Board may in the interest of investors require the asset management company to carry out such modifications in the offer document as it deems fit.
- (3) In case no modifications are suggested by the Board in the offer document within 21 working days from the date of filing, the asset management company may issue the offer document.
- (4) No one shall issue any form of application for units of a mutual fund unless the form is accompanied by the memorandum containing such information as may be specified by the Board.
- (5) The offer document shall contain the disclosure regarding the prior in principle approval obtained from the recognized stock exchange(s), where units are proposed to be listed in accordance with these regulations.

Nomination

- 29A. (1) The asset management company shall provide an option to the unit holder to nominate, in the manner specified in Fourth Schedule, a person in whom the units held by him shall vest in the event of his death.
- (2) Where the units are held by more than one person jointly, the joint unit holders may together nominate a person in whom all the rights in the units shall vest in the event of death of all the joint unit holders.

Advertisement material.

30. Advertisements shall be in conformity with the Advertisement Code as specified in the Sixth Schedule and shall be submitted to the Board within 7 days from the date of issue.

Misleading statements

31. The offer document and advertisement materials shall not be misleading or contain any statement or opinion which are incorrect or false.

In-principle approval from recognized stock exchange(s).

- 31A. The listed entity, which intends to list units of its scheme on the recognised stock exchange(s), shall obtain 'in-principle' approval from recognised stock exchange(s) in the manner as specified by the recognised stock exchange(s) from time to time.

Listing Agreement.

- 31B. (1) Every mutual fund desirous of listing units of its schemes on a recognized stock exchange shall execute an agreement with such stock exchange.
- (2) Every mutual fund which has previously entered into agreements with a recognized stock exchange to list units of its schemes shall execute a fresh listing agreement with such stock

exchange within six months of the date of notification of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Listing of close ended schemes

32. Every close ended scheme, other than an equity linked savings scheme, shall be listed on a recognized stock exchange within such time period and subject to such conditions as specified by the Board:

Provided that listing of close ended scheme launched prior to the commencement of the Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2009 shall not be mandatory —

- (a) if the said scheme provides for periodic repurchase facility to all the unit holders with restriction, if any, on the extent of such repurchase; or
- (b) if the said scheme provides for monthly income or caters to special classes of persons like senior citizens, women, children, widows or physically handicapped or any special class of persons providing for repurchase of units at regular intervals; or
- (c) if the details of such repurchase facility are clearly disclosed in the offer document; or
- (d) if the said scheme opens for repurchase within a period of six months from the closure of subscription; or
- (e) if the said scheme is a capital protection oriented scheme.

Repurchase of close ended schemes

33. (1) Units of a close ended scheme, other than those of an equity linked savings scheme, launched on or after the commencement of the Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2009 shall not be repurchased before the end of maturity period of such scheme.
- (2) The units of close ended schemes referred to in the proviso to regulation 32 may be open for sale or redemption at fixed predetermined intervals if the maximum and minimum amount of sale or redemption of the units and the periodicity of such sale or redemption has been disclosed in the offer document.
- (3) The units of close ended scheme may be converted into open-ended scheme,—
- (a) if the offer document of such scheme discloses the option and the period of such conversion; or
 - (b) the unit holders are provided with an option to redeem their units in full;
 - (c) the initial issue expenses of the scheme launched prior to commencement of the Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2008 have been amortised fully in accordance with the Tenth Schedule.
- (4) A close ended scheme shall be fully redeemed at the end of the maturity period.

Provided that a close-ended scheme may be allowed to be rolled over if the purpose, period and other terms of the roll over and all other material details of the scheme including the likely composition of assets immediately before the roll over, the net assets and net asset value of the scheme, are disclosed to the unit holders and a copy of the same has been filed with the Board:

Provided further that such roll over will be permitted only in the case of those unit holders who express their consent in writing and the unit holders who do not opt for the roll over or have not given written consent shall be allowed to redeem their holdings in full at net asset value based price.

Offering period

34. No scheme of a mutual fund other than the initial offering period of any equity linked savings schemes shall be open for subscription for more than 15 days:

Provided that in case of mutual fund schemes eligible under Rajiv Gandhi Equity Savings Scheme, the period specified in this regulation shall not be more than thirty days.

Allotment of units and refunds of moneys

35. (1) The asset management company shall specify in the offer document,—

- (a) the minimum subscription amount it seeks to raise under the scheme; and
- (b) in case of oversubscription the extent of subscription it may retain :

Provided that where the asset management company retains the oversubscription referred to in clause (b), all the applicants applying upto five thousand units shall be given full allotment subject to the oversubscription mentioned in clause (b).

- (2) The mutual fund and asset management company shall be liable to refund the application money to the applicants,—

- (i) if the mutual fund fails to receive the minimum subscription amount referred to in clause (a) of sub-regulation (1);
- (ii) if the moneys received from the applicants for units are in excess of subscription as referred to in clause (b) of sub-regulation (1).

- (3) Any amount refundable under sub-regulation (2) shall be refunded within a period of five working days from the date of closure of subscription list, by Registered post with acknowledgement due and by cheque or demand draft marked "A/c payee" to the applicants:

Provided that in case of mutual fund schemes eligible under Rajiv Gandhi Equity Savings Scheme, the period specified in this sub-regulation shall be fifteen days from the closure of the initial subscription list.

- (4) In the event of failure to refund the amounts within the period specified in sub-regulation (3), the asset management company shall be liable to pay interest to the applicants at a rate of fifteen per cent per annum from the expiry of five working days from the date of closure of the subscription list:

Provided that in case of mutual fund schemes eligible under Rajiv Gandhi Equity Savings Scheme, the period specified in this sub-regulation shall be fifteen days from the closure of the initial subscription list.

Statement of accounts or unit certificates

36. (1) The asset management company shall issue to the applicant whose application has been accepted, a statement of accounts specifying the number of units allotted to the applicant as soon as possible but not later than five working days from the date of closure of the initial subscription list and/or from the date of receipt of the request from the unit holders in any open ended scheme:

Provided that if an applicant so desires, the asset management company shall issue the unit certificates to the applicant within five working days of the receipt of request for the certificate:

Provided further that in case of mutual fund schemes eligible under Rajiv Gandhi Equity Savings Scheme, the period specified in this sub-regulation shall be fifteen days from the closure of the initial subscription list.

- (2) An applicant in a close ended scheme whose application has been accepted shall have the option either to receive the statement of accounts or to hold units in dematerialized form and the asset management company shall issue to such applicant, a statement of accounts

specifying the number of units allotted to the applicant or issue units in dematerialized form as soon as possible but not later than five working days from the date of closure of the initial subscription list:

Provided that in case of mutual fund schemes eligible under Rajiv Gandhi Equity Savings Scheme, the period specified in this sub-regulation shall be fifteen days from the closure of the initial subscription list.

- (3) The asset management company shall issue units in dematerialized form to a unit holder in a close ended scheme listed on a recognized stock exchange within two working days of the receipt of request from the unit holder.
- (4) The asset management company shall ensure that consolidated account statement for each calendar month is issued, on or before tenth day of succeeding month, detailing all the transactions and holding at the end of the month including transaction charges paid to the distributor, across all schemes of all mutual funds, to all the investors in whose folios transaction has taken place during that month:

Provided that the asset management company shall ensure that a consolidated account statement every half yearly (September/ March) is issued, on or before tenth day of succeeding month, detailing holding at the end of the six month, across all schemes of all mutual funds, to all such investors in whose folios no transaction has taken place during that period:

Provided further that the asset management company shall identify common investor across fund houses by their permanent account number for the purposes of sending consolidated account statement.

Explanation:- For the purpose of this regulation, the word 'transaction' shall include purchase, redemption, switch, dividend payout, dividend reinvestment, systematic investment plan, systematic withdrawal plan, systematic transfer plan and bonus transactions.

Transfer of units

37. (1) A unit unless otherwise restricted or prohibited under the scheme, shall be freely transferable by act of parties or by operation of law.
- (1A) A unit holder, in a close ended scheme listed on a recognized stock exchange, who desires to trade in units shall hold units in dematerialized form.
- (2) The asset management company shall, on production of instrument of transfer together with relevant unit certificates, register the transfer and return the unit certificate to the transferee within thirty days from the date of such production:

Provided that if the units are with the depository such units will be transferable in accordance with the provisions of the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996.

Guaranteed returns

38. No guaranteed return shall be provided in a scheme,—
 - (a) unless such returns are fully guaranteed by the sponsor or the asset management company;
 - (b) unless a statement indicating the name of the person who will guarantee the return, is made in the offer document;
 - (c) the manner in which the guarantee is to be met has been stated in the offer document.

Capital Protection oriented schemes

- 38A. A capital protection oriented scheme may be launched, subject to the following:

- (a) the units of the scheme are rated by a registered credit rating agency from the viewpoint of the ability of its portfolio structure to attain protection of the capital invested therein;
- (b) the scheme is close ended; and
- (c) there is compliance with such other requirements as may be specified by the Board in this behalf.

Winding up

39. (1) A close-ended scheme shall be wound up on the expiry of duration fixed in the scheme on the redemption of the units unless it is rolled over for a further period under sub regulation (4) of regulation 33.
- (2) A scheme of a mutual fund may be wound up, after repaying the amount due to the unit holders,—
- (a) on the happening of any event which, in the opinion of the trustees, requires the scheme to be wound up; or
 - (b) if seventy-five per cent of the unit holders of a scheme pass a resolution that the scheme be wound up; or
 - (c) if the Board so directs in the interest of the unit holders.
- (3) Where a scheme is to be wound up under sub-regulation (2), the trustees shall give notice disclosing the circumstances leading to the winding up of the scheme:—
- (a) to the Board; and
 - (b) in two daily newspapers having circulation all over India, a vernacular newspaper circulating at the place where the mutual fund is formed.

Effect of winding up

40. On and from the date of the publication of notice under clause (b) of sub-regulation (3) of regulation 39, the trustee or the asset management company as the case may be, shall—
- (a) cease to carry on any business activities in respect of the scheme so wound up;
 - (b) cease to create or cancel units in the scheme;
 - (c) cease to issue or redeem units in the scheme.

Procedure and manner of winding up

41. (1) The trustee shall call a meeting of the unit holders to approve by simple majority of the unit holders present and voting at the meeting resolution for authorizing the trustees or any other person to take steps for winding up of the scheme:
- Provided** that a meeting of the unit holders shall not be necessary if the scheme is wound up at the end of maturity period of the scheme.
- (2) (a) The trustee or the person authorized under sub-regulation (1) shall dispose of the assets of the scheme concerned in the best interest of the unit holders of that scheme.
- (b) The proceeds of sale realized under clause (a), shall be first utilized towards discharge of such liabilities as are due and payable under the scheme and after making appropriate provision for meeting the expenses connected with such winding up, the balance shall be paid to the unit holders in proportion to their respective interest in the assets of the scheme as on the date when the decision for winding up was taken.
- (3) On the completion of the winding up, the trustee shall forward to the Board and the unit holders a report on the winding up containing particulars such as circumstances leading to the winding up, the steps taken for disposal of assets of the fund before winding up, expenses of

the fund for winding up, net assets available for distribution to the unit holders and a certificate from the auditors of the fund.

- (4) Notwithstanding anything contained in this regulation, the provisions of these regulations in respect of disclosures of half-yearly reports and annual reports shall continue to be applicable until winding up is completed or the scheme ceases to exist.

Winding up of the scheme

42. After the receipt of the report under sub-regulation (3) of regulation 41, if the Board is satisfied that all measures for winding up of the scheme have been complied with, the scheme shall cease to exist.

Delisting of units

- 42A. The units of a mutual fund scheme shall be delisted from a recognized stock exchange in accordance with the guidelines as may be specified by the Board.

CHAPTER VI



INVESTMENT OBJECTIVES AND VALUATION POLICIES

Investment objective

43. (1) Subject to other provisions of these regulations, a mutual fund may invest moneys collected under any of its schemes only in—
- securities;
 - money market instruments;
 - privately placed debentures;
 - securitized debt instruments, which are either asset backed or mortgage backed securities;
 - gold or gold related instruments;
 - real estate assets as defined in clause (a) of regulation 49A; or
 - infrastructure debt instrument and assets as specified in clause (1) of regulation 49L.
- (2) Any investment made under sub-regulation (1) shall be in accordance with the investment objective of the relevant mutual fund scheme.
- (3) Moneys collected under any money market scheme of a mutual fund shall be invested only in money market instruments.
- (4) Moneys collected under any gold exchange traded fund scheme shall be invested only in gold or gold related instruments, in accordance with sub-regulation (5) of regulation 44.
- (5) Moneys collected under a real estate mutual fund scheme shall be invested in accordance with regulation 49E.

Investment, borrowing, restriction, etc.

44. (1) Any investment to be made under regulation 43 shall be invested subject to the investment restriction specified in the Seventh Schedule:
- Provided** that nothing in the Seventh Schedule shall apply to a gold exchange traded fund scheme.
- (1A) The mutual fund having an aggregate of securities which are worth Rs. 10 crores or more, as on the latest balance-sheet date, shall be subject to such instructions as may be issued from

time to time by the Board settle their transactions entered on or after January 15, 1998, only through dematerialized securities.

- (2) The mutual fund shall not borrow except to meet temporary liquidity needs of the mutual funds for the purpose of repurchase, redemption of units or payment of interest or dividend to the unit holders:

Provided that the mutual fund shall not borrow more than 20 per cent of the net asset of the scheme and the duration of such a borrowing shall not exceed a period of six months.

- (3) Save as otherwise expressly provided under these regulations, the mutual fund shall not advance any loans for any purpose.
- (4) A mutual fund may lend and borrow securities in accordance with the framework relating to short selling and securities lending and borrowing specified by the Board.
- (5) A gold exchange traded fund scheme shall be subject to the following investment restrictions:
- (a) Omitted.
 - (b) the funds of any such scheme shall be invested only in gold or gold related instruments in accordance with its investment objective, except to the extent necessary to meet the liquidity requirements for honouring repurchases or redemptions, as disclosed in the offer document; and
 - (c) pending deployment of funds in accordance with clause (b), the mutual fund may invest such funds in short-term deposits of scheduled commercial banks.

Carry forward transactions, derivatives transactions and short selling transactions.

45. (1) The funds of a scheme shall not in any manner be used in carry forward transactions:
- Provided** that a mutual fund may enter into derivatives transactions on a recognized stock exchange, subject to the framework specified by the Board.
- (2) A mutual fund may enter into short selling transactions on a recognized stock exchange, subject to the framework relating to short selling and securities lending and borrowing specified by the Board.

Underwriting of securities

46. Mutual funds may enter into underwriting agreement after obtaining a certificate of registration in terms of the Securities and Exchange Board of India (Underwriters) Rules and Securities and Exchange Board of India (Underwriters) Regulations, 1993 authorizing it to carry on activities as underwriters.

Explanation: (1) For the purpose of these regulations, the underwriting obligation will be deemed as if investments are made in such securities.

- (2) The capital adequacy norms for the purpose of underwriting shall be the net asset of the scheme:

Provided that the underwriting obligation of a mutual fund shall not at any time exceed the total net asset value of the scheme.

Valuation of investments

47. Every mutual fund shall ensure that the asset management company computes and carries out valuation of investments made by its scheme(s) in accordance with the investment valuation norms specified in Eighth Schedule, and publishes the same.

Computation of Net Asset Value

48. (1) Every mutual fund shall compute the Net Asset Value of each scheme by dividing the net assets of the scheme by the number of units outstanding on the valuation date.

- (2) The Net Asset Value of the scheme shall be calculated on daily basis and disclosed in the manner specified by the Board.

Pricing of Units

49. (1) The price at which the units may be subscribed or sold and the price at which such units may at any time be repurchased by the mutual fund shall be made available to the investors in the manner specified by the Board.
- (2) The mutual fund shall provide the methodology of calculating the sale and repurchase price of units in the manner specified by the Board.
- (3) While determining the prices of the units, the mutual fund shall ensure that the repurchase price is not lower than 93 per cent of the Net Asset Value and the sale price is not higher than 107 per cent of the Net Asset Value:

Provided that the repurchase price of the units of close ended scheme launched prior to the commencement of the Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2009 shall not be lower than ninety five per cent of the Net Asset Value:

Provided further that the difference between the repurchase price and the sale price of the unit shall not exceed 7 per cent calculated on the sale price:

- (3A) Where a mutual fund repurchases units in a close ended scheme launched prior to the commencement of the Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2009 which fulfils the conditions mentioned in sub-regulation (3B), it shall deduct an amount representing proportionate initial issue expenses or part thereof remaining unamortized, from the repurchase proceeds.

Explanation: The term “proportionate initial issue expenses or part thereof remaining unamortised” refers to such proportion of the expenses of the scheme as are attributable to the units being repurchased.

- (3B) The conditions referred to in sub-regulation (3A) are the following:
- (a) the scheme is launched after the commencement of the Securities and Exchange Board of India (Mutual Funds)(Second Amendment) Regulations, 2006 and prior to commencement of the Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2008;
 - (b) initial issue expenses in respect of the scheme are accounted in the books of accounts of the scheme in accordance with Tenth Schedule.
- (3C) The amount recovered under sub-regulation (3A) shall be credited to the unamortized initial issue expenses of the scheme.
- (4) The price of units shall be determined with reference to the last determined Net Asset Value as mentioned in sub-regulation (3) unless,—
- (a) the scheme announces the Net Asset Value on a daily basis; and
 - (b) the sale price is determined with or without a fixed premium added to the future net asset value which is declared in advance.

CHAPTER VIA



REAL ESTATE MUTUAL FUND SCHEMES

Definitions

- 49A. For the purposes of this Chapter, unless the context otherwise requires-
- (a) “real estate asset” means an identifiable immovable property-

- (i) which is located within India in such city as may be specified by the Board from time to time or in a special economic zone within the meaning of clause (za) of section 2 of the Special Economic Zones Act, 2005 (28 of 2005);
 - (ii) on which construction is complete and which is usable;
 - (iii) which is evidenced by valid title documents;
 - (iv) which is legally transferable;
 - (v) which is free from all encumbrances;
 - (vi) which is not subject matter of any litigation;
- but does not include-
- I. a project under construction; or
 - II. vacant land; or
 - III. deserted property; or
 - IV. land specified for agricultural use; or
 - V. a property which is reserved or attached by any Government or other authority or pursuant to orders of a court of law or the acquisition of which is otherwise prohibited under any law for the time being in force;
- (b) "real estate valuer" means a qualified valuer of real estate assets who has been accredited by a credit rating agency registered with the Board.

Applicability

- 49B.** (1) The provisions of this Chapter shall apply to real estate mutual fund schemes.
- (2) Unless the context otherwise requires, all other provisions of these regulations and the guidelines and circulars issues thereunder shall apply to real estate mutual fund schemes, and trustees and asset management companies in relation to such schemes, except where specific provisions are made in relation thereto under this Chapter.

Additional eligibility criteria

- 49C.** (1) A Certificate of registration may be granted under regulation 9 to an applicant proposing to launch only real estate mutual fund schemes if he;-
- (a) has been carrying on business in real estate for a period of not less than five years;
 - (b) fulfills eligibility criteria provided in regulation 7, except that specified in item (i) of the Explanation to clause (a) thereof:
- (2) A real estate mutual fund scheme of a mutual fund registered under sub regulation (1) shall not invest in the securities mentioned in sub-clauses (ii) to (iii) of clause (a) or in clause (b) of sub-regulation (2) of regulation 49E unless it has key personnel having adequate professional experience in finance and financial services related field.
- (3) An existing mutual fund may launch a real estate mutual fund scheme if it has an adequate number of key personnel and directors having adequate experience in real estate.

Other conditions for real estate mutual fund schemes

- 49D.** (1) Every real estate mutual fund scheme shall be close-ended and its units shall be listed on a recognized stock exchange:
- Provided** that the redemption of a real estate mutual fund scheme may be done in a staggered manner.

- (2) The units issued by a real estate mutual fund scheme shall not confer any right on the unit holders to use the real estate assets held by the scheme and any provision to the contrary in the trust deed or in the terms of issue shall be void.
- (3) The title deeds pertaining to real estate assets held by a real estate mutual fund scheme shall be kept in safe custody with the custodian of the mutual fund.
- (4) A real estate mutual fund scheme shall not undertake lending or housing finance activities.
- (5) All financial transactions of a real estate mutual fund scheme shall be routed through banking channels and they shall not be cash or unaccounted transactions.

Permissible investments

- 49E.** (1) Every real estate mutual fund scheme shall invest at least thirty five per cent of the net assets of the scheme directly in real estate assets.
- (2) Subject to sub-regulation (1), every real estate mutual fund scheme shall invest-
- (a) at least seventy five per cent. of the net assets of the scheme in-
 - (i) real estate assets;
 - (ii) mortgage backed securities (but not directly in mortgages);
 - (iii) equity shares or debentures of companies engaged in dealing in real estate assets or in undertaking real estate development projects, whether listed on a recognized stock exchange in India or not;
 - (b) the balance in other securities;
- (3) Unless otherwise disclosed in the offer document, no mutual fund shall, under all its real estate mutual fund schemes, invest more than thirty per cent of its net assets in a single city.
- (4) No mutual fund shall, under all its real estate mutual fund schemes, invest more than fifteen per cent of its net assets in the real estate assets of any single real estate project.
- Explanation: For the purposes of this regulation, "single real estate project" means a project by a builder in a single location within a city.
- (5) No mutual fund shall, under all its real estate mutual fund schemes, invest more than twenty five per cent. of the total issued capital of any unlisted company.
- (6) No mutual fund shall invest more than fifteen per cent of the net assets of any of its real estate mutual fund schemes in the equity shares or debentures of any unlisted company.
- (7) No real estate mutual fund scheme shall invest in –
- (a) any unlisted security of the sponsor or its associate or group company;
 - (b) any listed security issued by way of preferential allotment by the sponsor or its associate or group company;
 - (c) any listed security of the sponsor or its associate or group company, in excess of twenty five per cent of the net assets of the scheme.
- (8) No mutual fund shall transfer real estate assets amongst its schemes.
- (9) No mutual fund shall invest in any real estate asset which was owned by the sponsor or the asset management company or any of its associates during the period of last five years or in which the sponsor or the asset management company or any of its associates hold tenancy or lease rights.

Valuation of real estate assets and declaration of net asset value

- 49F.** (1) The real estate assets held by a real estate mutual fund scheme shall be valued –
- (a) at cost price on the date of acquisition; and

- (b) at fair price on every ninetieth day from the day of its purchase in accordance with the norms specified in Schedule IXB.
- (2) The asset management company, its directors, the trustees and the real estate valuer shall ensure that the valuation of assets held by a real estate mutual fund scheme are done in good faith, in accordance with the norms specified in Schedule IX B and that the accounts of the scheme are prepared in accordance with accounting principles specified in Schedule XI.
- (3) The net asset value of every real estate mutual fund scheme shall be calculated and declared at the close of each business day on the basis of the most current valuation of the real estate assets held by the scheme and accrued income thereon, if any.

Duties of asset management company

- 49G.** (1) Without prejudice to the provisions of regulation 21, the asset management company of a mutual fund having real estate mutual fund schemes shall appoint suitable of qualified key personnel with relevant experience, before undertaking investment management of real estate assets of a real estate mutual fund scheme.
- (2) The asset management company may appoint advisors to advise it on acquisitions or proposed acquisitions of real estate assets.
 - (3) The asset management company shall exercise due care while appointing real estate valuers for valuing the real estate assets held by the real estate mutual fund scheme and shall ensure that there is no conflict of interest.
 - (4) The asset management company shall lay down an adequate system of internal controls and risk management.
 - (5) The asset management company shall put in place systems to ensure that all financial transactions are done through banking channels and exclude transactions in cash or unaccounted transactions.
 - (6) The asset management company shall exercise due diligence in maintenance of the assets of a real estate mutual fund scheme and shall ensure that there is no avoidable deterioration in their value.
 - (7) The asset management company shall ensure that the real estate assets held by a real estate mutual fund scheme are adequately insured against impair, damage or destruction.
 - (8) The asset management company shall ensure that the cost of maintenance and insurance of real estate assets is within reasonable limits and that no funds of the scheme are utilized towards development of such assets.
 - (9) The asset management company shall ensure that a real estate valuer certifies compliance with sub-regulation (8) on an annual basis.
 - (10) The asset management company shall ensure that no real estate valuer continues with valuation of particular real estate asset for more than two years and that no such valuer values the same asset for a period of at least three years thereafter.
 - (11) The asset management company shall record in writing, the details of its decision making process in buying or selling real estate assets together with the justifications for such decisions and forward the same periodically to trustees.
 - (12) The asset management company shall ensure that investment of funds of the real estate mutual fund scheme is not made contrary to provisions of this chapter and the trust deed.
 - (13) The asset management company shall obtain, wherever required under these regulations, prior in-principle approval from the recognized stock exchange(s) where units are proposed to be listed.

Usage of real estate assets of a real estate mutual fund scheme

- 49H.** (1) The asset management company may let out or lease out the real estate assets held by the real estate mutual fund scheme if the term of such lease or letting does not extend beyond the period of maturity of the scheme.
- (2) Where real estate assets are let out or leased out, the asset management company shall diligently collect the rents or other income in a timely manner.
- (3) Real estate assets held by a real estate mutual fund scheme may be let out to the sponsor, asset management company or any of their associates, at market price or otherwise on commercial terms:
- Provided** that not more than 25% of the total rental income of the scheme shall be derived from assets so let out.

Duties of trustees

- 49I.** (1) The trustees shall ensure that the asset management company has the necessary expertise, internal control systems and risk management mechanism to invest in and manage investments in real estate assets on a continuous basis.
- (2) The trustees shall monitor whether due diligence is exercised by the asset management company in managing the investments.
- (3) The trustees shall review the market price of the units during the year and shall recommend proportionate buy back of units from unit holders, if the units are traded at steep discount to the net asset value.
- (4) The magnitude of discount which shall amount to steep discount referred to in sub regulation (3) shall be disclosed in the offer document.
- (5) The trustees shall ensure that only permissible investments are made by the asset management company.
- (6) The trustees shall ensure that all financial transactions of the real estate mutual fund scheme are made only through banking channels and that systems exist to exclude transactions in cash and unaccounted transactions.
- (7) The trustees shall lay down the criteria for empanelment of real estate brokers.
- (8) The trustees shall lay down the broad procedure to be followed by the asset management company while transacting in real estate assets.
- (9) The trustees shall require the asset management company to set up such systems and submit such reports to trustees, as may be necessary for them to effectively monitor the performance and functioning of the real estate mutual fund schemes.
- (10) The trustees shall include a confirmation on compliance with sub regulation (9) in their half yearly reports made to the Board.
- (11) The trustees shall obtain, wherever required under these regulations, prior in-principle approval from the recognized stock exchange(s) where units are proposed to be listed.

Disclosures in offer document and other disclosures

- 49J.** (1) The offer documents of real estate mutual fund schemes shall contain disclosures which are adequate for investors to make informed investment decisions and such further disclosures as may be specified by the Board.
- (2) The portfolio disclosures and financial results in respect of a real estate mutual fund scheme shall contain such further disclosures as are specified by the Board.
- (3) Advertisements in respect of real estate mutual fund schemes shall conform to such guidelines as may be specified by the Board.

Transactions by employees etc.

- 49K.** (1) All transactions done by the trustees or the employees or directors of the asset management company or the trustee company in real estate assets shall be disclosed by them to the compliance officer within one month of the transaction.
- (2) The compliance officer shall make a report thereon from the view point of possible conflict of interest and shall submit it to the trustees with his recommendations, if any.
- (3) The persons covered in sub-regulation (1) may obtain the views of the trustees before entering into the transaction in real estate assets, by making a suitable request to them.

CHAPTER VIB



INFRASTRUCTURE DEBT FUND SCHEMES

Definitions

49L. For the purposes of this Chapter, unless the context otherwise requires-

- (1) "Infrastructure debt fund scheme" means a mutual fund scheme that invests primarily (minimum 90% of scheme assets) in the debt securities or securitized debt instrument of infrastructure companies or infrastructure capital companies or infrastructure projects or special purpose vehicles which are created for the purpose of facilitating or promoting investment in infrastructure, and other permissible assets in accordance with these regulations or bank loans in respect of completed and revenue generating projects of infrastructure companies or projects or special purpose vehicles.
- (2) "Infrastructure" includes the sectors as specified by guidelines issued by the Board or as notified by Ministry of Finance, from time to time.
- (3) 'Strategic Investor' means;
- (i) an Infrastructure Finance Company registered with Reserve bank of India as Non Banking Financial Company;
 - (ii) a Scheduled Commercial Bank;
 - (iii) International Multilateral Financial Institution;
 - (iv) Systemically Important Non Banking Financial Companies registered with Reserve Bank of India;
 - (v) Foreign Institutional Investors registered with the Board, subject to their applicable investment limits, which are long term investors in terms of the norms specified by SEBI.

Applicability

- 49M.** (1) The provisions of this chapter shall apply to infrastructure debt fund schemes launched by mutual funds.
- (2) All other provisions of these regulations and the guidelines and circulars issued thereunder, unless the context otherwise require or repugnant to the provisions of this chapter, shall apply to infrastructure debt fund schemes, trustees and asset management companies in relation to such schemes.

Eligibility criteria for launching infrastructure debt fund scheme

- 49N.** (1) An existing mutual fund may launch an infrastructure debt fund schemes if it has an adequate number of key personnel having adequate experience in infrastructure sector.

- (2) A certificate of registration may be granted under regulation 9 to an applicant proposing to launch only infrastructure debt fund schemes if the sponsor or the parent company of the sponsor: -
- (a) has been carrying on activities or business in infrastructure financing sector for a period of not less than five years;
 - (b) fulfills eligibility criteria provided in Regulation 7.

Explanation- For the purpose of this clause, 'parent company of the sponsor' shall mean a company which holds at least 75% of paid up equity share capital of the sponsor.

Offering period

49NA. No scheme of an infrastructure debt fund, in the case of a public offer, shall be open for subscription for more than forty five days.

Conditions for infrastructure debt fund schemes

49O. (1) An infrastructure debt fund scheme shall be launched either as close-ended scheme maturing after more than five years or interval scheme with lock-in of five years and specified transaction period of not more than forty five days] as may be specified in the scheme information document.

Provided that the tenure of the scheme may be extended to two years subject to approval of two-thirds of the unit holders by value of their investment in the scheme.

- (2) Units of infrastructure debt fund schemes shall be listed on a recognized stock exchange, provided that such units shall be listed only after being fully paid up.
- (3) Mutual Funds may disclose indicative portfolio of infrastructure debt fund scheme to its potential investors disclosing the type of assets the mutual fund will be investing.
- (4) An infrastructure debt fund scheme shall have minimum five investors and no single investor shall hold more than fifty percent of net assets of the scheme.
- (5) No infrastructure debt fund scheme shall accept any investment from any investor which is less than Rupees one crore.
- (6) The minimum size of the unit shall be Rupees ten lakhs.
- (7) Each scheme launched as infrastructure debt fund scheme shall have firm commitment from the strategic investors for contribution of an amount of at least Rupees twenty five crores before the allotment of units of the scheme are marketed to other potential investors.
- (8) Mutual Funds launching infrastructure debt fund scheme may issue partly paid units to the investors, subject to following conditions:
 - (a) The asset management company shall call for the unpaid portions depending upon the deployment opportunities;
 - (b) The offer document of the scheme shall disclose the interest or penalty which may be deducted in case of non payment of call money by the investors within stipulated time; and
 - (c) The amount of interest or penalty shall be retained in the scheme.

Private Placement

- 49-OA.** (1) The units of an infrastructure debt fund scheme may be offered through private placement to less than fifty persons, subject to approval by the trustees and the board of the asset management company.
- (2) The offer made under sub-regulation (1), shall be subject to the following:

- (a) A placement memorandum, in the manner as specified by the Board, shall be filed by the mutual fund with the Board at least seven days prior to the launch of the scheme; and
- (b) the mutual fund shall pay to the Board, filing fee as specified in the Second Schedule.

Permissible investments

- 49P.** (1) Every infrastructure debt fund scheme shall invest at least ninety percent of the net assets of the scheme in the debt securities or securitized debt instruments of infrastructure companies or projects or special purpose vehicles which are created for the purpose of facilitating or promoting investment in infrastructure or bank loans in respect of completed and revenue generating projects of infrastructure companies or special purpose vehicle.

Provided that the funds received on account of re-payment of principal, whether by way of pre-payment or otherwise, with respect to the underlying assets of the scheme, shall be invested as specified in this sub-regulation:

Provided further that if the investments specified in this sub-regulation are not available, such funds may be invested in bonds of Public Financial Institutions and Infrastructure Finance Companies.

- (2) Subject to sub-regulation (1), every infrastructure debt fund scheme may invest the balance amount in equity shares, convertibles including mezzanine financing instruments of companies engaged in infrastructure, infrastructure development projects, whether listed on a recognized stock exchange in India or not; or money market instruments and bank deposits.
- (3) The investment restrictions shall be applicable on the life-cycle of the infrastructure debt fund scheme and shall be reckoned with reference to the total amount raised by the infrastructure debt fund scheme.
- (4) No mutual fund shall, under all its infrastructure debt fund schemes, invest more than thirty per cent of its net assets in the debt securities or assets of any single infrastructure company or project or special purpose vehicles which are created for the purpose of facilitating or promoting investment in infrastructure or bank loans in respect of completed and revenue generating projects of any single infrastructure company or project or special purpose vehicle.
- (5) An infrastructure debt scheme shall not invest more than 30% of the net assets of the scheme in debt instruments or assets of any single infrastructure company or project or special purpose vehicles which are created for the purpose of facilitating or promoting investment in infrastructure or bank loans in respect of completed and revenue generating projects of any single infrastructure company or project or special purpose vehicle.
- (5A) The overall investments by an infrastructure debt fund scheme in debt instruments or assets of infrastructure companies or projects or special purpose vehicles, which are created for the purpose of facilitating or promoting investment in infrastructure or bank loans in respect of completed and revenue generating projects of infrastructure companies or projects or special purpose vehicles, which are rated below investment grade or are unrated, shall not exceed 30% of the net assets of the scheme:

Provided that the overall investment limit may increase up to 50% of the net assets of the scheme with the prior approval of the trustees and the board of the asset management company.
- (6) No infrastructure debt fund scheme shall invest in –
 - (i) Any unlisted security of the sponsor or its associate or group company;
 - (ii) Any listed security issued by way of preferential allotment by the sponsor or its associate or group company;

- (iii) Any listed security of the sponsor or its associate or group company or bank loan in respect of completed and revenue generating projects of infrastructure companies or special purpose vehicles of the sponsor or its associate or group companies, in excess of twenty five per cent of the net assets of the scheme, subject to approval of trustees and full disclosures to investors for investments made within the aforesaid limits; or
- (iv) any asset or securities owned by the sponsor or asset management company or their associates in excess of 30% of the net assets of the scheme, provided that-
 - (a) such investment is in assets or securities not below investment grade;
 - (b) the sponsor or its associates retains atleast 30% of the assets or securities, in which investment is made by the scheme, till the assets or securities are held in the scheme portfolio; and
 - (c) approval for such investment is granted by the trustees and full disclosures are made to the investors regarding such investment.

Valuation of assets and declaration of net asset value

- 49Q.** (1) The assets held by an infrastructure debt fund scheme shall be valued "in good faith" by the asset management company on the basis of appropriate valuation methods based on principles approved by the trustees.
- (2) The valuation shall be documented and the supporting data in respect of each security so valued shall be preserved at least for a period of five years after the expiry of the scheme.
 - (3) The methods used to arrive at values 'in good faith' shall be periodically reviewed by the Trustees and by the statutory auditor of the mutual fund.
 - (4) The valuation policy approved by the board of asset management company shall be disclosed in the scheme information document.
 - (5) The net asset value of every infrastructure debt fund scheme shall be calculated and declared atleast once in each quarter.

Duties of asset management company

- 49R.** (1) The asset management company shall lay down an adequate system of internal controls and risk management.
- (2) The asset management company shall exercise due diligence in maintenance of the assets of an infrastructure debt fund scheme and shall ensure that there is no avoidable deterioration in their value.
 - (3) The asset management company shall record in writing, the details of its decision making process in buying or selling infrastructure companies' assets together with the justifications for such decisions and forward the same periodically to trustees.
 - (4) The asset management company shall ensure that investment of funds of the Infrastructure Debt Fund schemes is not made contrary to provisions of this chapter and the trust deed.
 - (5) The asset management company shall obtain, wherever required under these regulations, prior in-principle approval from the recognized stock exchange(s) where units are proposed to be listed.
 - (6) The asset management company shall institute such mechanisms as to ensure that proper care is taken for collection, monitoring and supervision of the debt assets by appointing a service provider having extensive experience thereof, if required.

Disclosures in offer document and other disclosures

- 49S.** (1) The offer documents of infrastructure debt fund schemes shall contain disclosures which are adequate for investors to make informed investment decisions and such further disclosures as may be specified by the Board.
- (2) The portfolio disclosures and financial results in respect of an infrastructure debt fund schemes shall contain such further disclosures as may be specified by the Board.
- (3) Advertisements in respect of infrastructure debt fund schemes shall conform to such guidelines as may be specified by the Board.

Transactions by employees etc.

- 49T.** (1) All transactions done by the trustees or the employees or directors of the asset management company or the trustee company in the investee companies shall be disclosed by them to the compliance officer within one month of the transaction.
- (2) The compliance officer shall make a report thereon from the view point of possible conflict of interest and shall submit it to the trustees with his recommendations, if any.
- (3) The persons covered in sub-regulation (1) may obtain the views of the trustees before entering into the transaction in investee companies, by making a suitable request to them.

CHAPTER VII



GENERAL OBLIGATIONS

To maintain proper books of account and records, etc.

- 50.** (1) Every asset management company for each scheme shall keep and maintain proper books of account, records and documents, for each scheme so as to explain its transactions and to disclose at any point of time the financial position of each scheme and in particular give a true and fair view of the state of affairs of the fund and intimate to the Board the place where such books of account, records and documents are maintained.
- (2) Every asset management company shall maintain and preserve for a period of eight years its books of account, records and documents.
- (3) The asset management company shall follow the accounting policies and standards as specified in Ninth Schedule so as to provide appropriate details of the scheme wise disposition of the assets of the fund at the relevant accounting date and the performance during that period together with information regarding distribution or accumulation of income accruing to the unit holder in a fair and true manner.

Financial year

- 51.** The financial year for all the schemes shall end as of March 31st of each year;
- Provided** that, for a new scheme commenced during a financial year, the disclosure and reporting requirements would apply for the period beginning from the date of its commencement and ending on March 31st of that financial year.

Credit of exit load to scheme.

- 51A.** The exit load charged, if any, after the commencement of the SEBI (Mutual Funds) (Second Amendment) Regulations, 2012, shall be credited to the scheme.

Limitation on fees and expenses on issue of schemes

- 52.** (1) All expenses should be clearly identified and appropriated in the individual schemes.

- (2) The asset management company may charge the scheme with investment and advisory fees which shall be fully disclosed in the offer document.
- (3) Omitted.
- (4) In addition to the fees mentioned in sub-regulation (2), the asset management company may charge the scheme with the following expenses, namely:—
 - (a) Omitted.
 - (b) recurring expenses including:—
 - (i) marketing and selling expenses including agents' commission, if any ;
 - (ii) brokerage and transaction cost ;
 - (iii) registrar services for transfer of units sold or redeemed ;
 - (iv) fees and expenses of trustees ;
 - (v) audit fees ;
 - (vi) custodian fees ;
 - (vii) costs related to investor communication ;
 - (viii) costs of fund transfer from location to location ;
 - (ix) costs of providing account statements and dividend/redemption cheques and warrants ;
 - (x) insurance premium paid by the fund ;
 - (xi) winding up costs for terminating a fund or a scheme ;
 - (xii) costs of statutory advertisements ;
 - (xii-a) in case of a gold exchange traded fund scheme, recurring expenses incurred towards storage and handling of gold;
 - (xii-b) in case of a capital oriented scheme, rating fees;
 - (xii-c) in case of a real estate mutual fund scheme, insurance premia and costs of maintenance of the real estate assets (excluding costs of development of such assets) over and above the expenses specified in regulation 52 to the extent disclosed in the offer document;
 - (xii-d) listing fees, in case of schemes listed on a recognised stock exchange; and
 - (xiii)] such other costs as may be approved by the Board.
- (5) Any expense other than those specified in sub-regulations (2) and (4) shall be borne by the asset management company or trustee or sponsors.
- (6) The total expenses of the scheme excluding issue or redemption expenses, whether initially borne by the mutual fund or by the asset management company, but including the investment management and advisory fee shall be subject to the following limits:—
 - (a) in case of a fund of funds scheme, the total expenses of the scheme including weighted average of charges levied by the underlying schemes shall not exceed 2.50 per cent of the daily net assets of the scheme.
 - (b) in case of an index fund scheme or exchange traded fund, the total expenses of the scheme including the investment and advisory fees shall not exceed one and one half percent (1.5%) of the daily net assets;
 - (c) in case of any other scheme-
 - (i) on the first Rs.100 crores of the daily net assets 2.5%;

- (ii) on the next Rs.300 crores of the daily net assets 2.25%;
- (iii) on the next Rs.300 crores of the daily net assets 2.0%;
- (iv) on the balance of the assets 1.75%:

Provided that in respect of a scheme investing in bonds such recurring expenses shall be lesser by at least 0.25% of the daily net assets outstanding in each financial year.

(6A) In addition to the limits specified in sub-regulation (6), the following costs or expenses may be charged to the scheme, namely-

- (a) brokerage and transaction costs which are incurred for the purpose of execution of trade and is included in the cost of investment, not exceeding 0.12 per cent in case of cash market transactions and 0.05 per cent in case of derivatives transactions;
- (b) expenses not exceeding of 0.30 per cent of daily net assets, if the new inflows from such cities as specified by the Board from time to time are at least -
 - (i) 30 per cent of gross new inflows in the scheme, or;
 - (ii) 15 per cent of the average assets under management (year to date) of the scheme,

whichever is higher:

Provided that if inflows from such cities is less than the higher of sub-clause (i) or sub-clause (ii), such expenses on daily net assets of the scheme shall be charged on proportionate basis:

Provided further that expenses charged under this clause shall be utilized for distribution expenses incurred for bringing inflows from such cities:

Provided further that amount incurred as expense on account of inflows from such cities shall be credited back to the scheme in case the said inflows are redeemed within a period of one year from the date of investment;

- (c) additional expenses, incurred towards different heads mentioned under sub-regulations (2) and (4), not exceeding 0.05 per cent of daily net assets of the scheme or as specified by the Board:

Provided that such additional expenses shall not be charged to the schemes where the exit load is not levied or applicable.

- (7) Any expenditure in excess of the limits specified in [sub-regulations (6) and (6A)] shall be borne by the asset management company or by the trustee or sponsors.
- (8) The provisions of sub-regulations (3), (4), (5) and (6) will come into effect [from 1st April, 1997] for those schemes of mutual funds which have been launched prior to notification of these regulations.

Declaration of dividends

52A. A mutual fund may declare dividends in accordance with the offer document and subject to such Guidelines as may be specified by the Board.

Despatch of warrants and proceeds

53. Every mutual fund and asset management company shall,

- (a) despatch to the unit holders the dividend warrants within [30] days of the declaration of the dividend;
- (b) despatch the redemption or repurchase proceeds within 10 working days from the date of redemption or repurchase;

- (c) in the event of failure to despatch the redemption or repurchase proceeds within the period specified in sub-clause (b), the asset management company shall be liable to pay interest to the unit holders at such rate as may be specified by the Board for the period of such delay;
- (d) notwithstanding payment of such interest to the unit-holders under sub-clause (c), the asset management company may be liable for penalty for failure to despatch the redemption or repurchase proceeds within the stipulated time.

Annual Report

54. Every mutual fund or the asset management company shall prepare in respect of each financial year an annual report and annual statement of accounts of the schemes and the fund as specified in Eleventh Schedule.

Auditor's report

55. (1) Every mutual fund shall have the annual statement of accounts audited by an auditor who is not in any way associated with the auditor of the asset management company.

Explanation : For the purposes of this sub-regulation and regulation 66 "auditor" means a person who is qualified to audit the accounts of a company under section 224 of the Companies Act, 1956 (1 of 1956).

- (2) An auditor shall be appointed by the trustees.
- (3) The auditor shall forward his report to the trustees and such report shall form part of the Annual Report of the mutual fund.
- (4) The auditor's report shall comprise the following:—
 - (a) a certificate to the effect that,—
 - (i) he has obtained all information and explanations which, to the best of his knowledge and belief, were necessary for the purpose of the audit ;
 - (ii) the balance sheet and the revenue account give a fair and true view of the scheme, state of affairs and surplus or deficit in the Fund for the accounting period to which the Balance Sheet or, as the case may be, the Revenue Account relates ;
 - (iii) the statement of account has been prepared in accordance with accounting policies and standards as specified in the Ninth Schedule.

Providing copies of Annual report and summary thereof

56. (1) The scheme wise Annual Report of a mutual fund or an abridged summary thereof shall be provided to all unit holders as soon as may be but not later than four month from the date of closure of the relevant accounts year in the manner specified by the Board.
- (2) The Annual Report and abridged summary thereof shall contain details as specified in the Eleventh Schedule and such other details as are necessary for the purpose of providing a true and fair view of the operations of the mutual fund:
- Provided** that the abridged scheme wise Annual Report provided to the unit holders is in the format prescribed by the Board in this regard.
- (3) Notwithstanding anything contained in sub-regulation (1), the mutual fund shall provide physical copy of the abridged summary of the Annual Report without any cost, if a request through any mode is received from a unit holder.
- (3A) The report provided in abridged summary form as per sub-regulation (1) shall carry a note that for unit holders of a scheme full Annual Report shall be available for inspection at the Head Office of the mutual fund and a copy thereof shall be made available to unit holder on payment of such nominal fees as may be specified by the mutual fund.

- (4) The asset management company shall display the link of the full scheme wise annual reports prominently on their website.

Annual Report to be forwarded to the Board

57. Every mutual fund shall within four months from the date of closure of each financial year forward to the Board a copy of the Annual Report and other information including details of investments and deposits held by the mutual fund so that the entire scheme wise portfolio of the mutual funds is disclosed to the Board.

Periodic and continual disclosures

58. (1) The mutual fund, the asset management company, the trustee, custodian, sponsor of the mutual fund shall make such disclosures or submit such documents as they may be called upon to do so by the Board.
- (2) Without prejudice to the generality of sub-regulation (1), the mutual fund shall furnish the following periodic reports to the Board, namely:—
- (a) copies of the duly audited annual statements of accounts including the balance sheet and the profit and loss account for the fund and in respect of each scheme, once a year;
 - (b) a copy of six monthly unaudited accounts ;
 - (c) a quarterly statement of movements in the net assets for each of the schemes of the fund;
 - (d) a quarterly portfolio statement, including changes from the previous periods, for each scheme.
- (3) No sale of units of any scheme of a mutual fund shall be made by the trustees or an asset management company unless accompanied by documents which contain information which is adequate for the investors to take an informed decision.

Half-yearly Disclosures

59. (1) A mutual fund and asset management company shall within one month from the close of each half year, that is on 31st March and on 30th September, host a soft copy of its unaudited financial results on their website:
- Provided that the half-yearly unaudited report referred to in this sub-regulation shall contain details as specified in Twelfth Schedule and such other details as are necessary for the purpose of providing a true and fair view of the operations of the mutual fund.
- (2) A mutual fund and asset management company, shall publish an advertisement disclosing the hosting of such financial results on their website, in atleast one English daily newspaper having nationwide circulation and in a newspaper having wide circulation published in the language of the region where the Head Office of the mutual fund is situated.

Statement of Portfolio

- 59A. A mutual fund shall before the expiry of ten days from the close of each half-year (*i.e.*, 31st March and 30th September), send to all unit holders a complete statement of its scheme portfolio, in the manner specified by the Board.

Disclosures to the investors

60. The trustee shall be bound to make such disclosures to the unit holders as are essential in order to keep them informed about any information which may have an adverse bearing on their investments.

CHAPTER VIII



INSPECTION AND AUDIT

Board's right to inspect and investigate

61. (1) The Board may appoint one or more persons as inspecting officer to undertake the inspection of the books of account, records, documents and infrastructure, systems and procedures or to investigate the affairs of a mutual fund, the trustees and asset management company for any of the following purposes, namely :—
- (a) to ensure that the books of account are being maintained by the mutual fund, the trustees and asset management company in the manner specified in these regulations;
 - (b) to ascertain whether the provisions of the Act and these regulations are being complied with by the mutual fund, the trustees and asset management company ;
 - (c) to ascertain whether the systems, procedures and safeguards followed by the mutual fund are adequate ;
 - (d) to ascertain whether the provisions of the Act or any rules or regulations made thereunder have been violated
 - (e) to investigate into the complaints received from the investors or any other person on any matter having a bearing on the activities of the mutual funds, trustees and asset management company ;
 - (f) to *suo motu* ensure that the affairs of the mutual fund, trustees or asset management company are being conducted in a manner which is in the interest of the investors or the securities market.

Notice before inspection and investigation

62. (1) Before ordering an inspection or investigation under regulation 61 the Board shall give not less than ten days notice to the mutual fund, asset management company or trustees as the case may be.
- (2) Notwithstanding anything contained in sub-regulation (1), where the Board is satisfied that in the interest of the investors no such notice should be given, it may, by an order in writing direct that such inspection or investigation be taken up without such notice.
- (3) During the course of inspection or investigation, the mutual fund, trustees or asset management company against whom the inspection or investigation is being carried out shall be bound to discharge his obligations as provided in regulation 63.

Obligations on inspection and investigation

63. (1) It shall be the duty of the mutual fund, trustees or asset management company whose affairs are being inspected or investigated, and of every director, officer and employee thereof, to produce to the inspecting officer such books, accounts, records, and other documents in its custody or control and furnish him such statements and information relating to the activities as mutual funds, trustees or asset management company, as the inspecting officer may require, within such reasonable period as the inspecting officer may specify.
- (2) The mutual fund, trustees or asset management company shall allow the inspecting officer to have a reasonable access to the premises occupied by it or by any other person on its behalf and also extend reasonable facility for examining any books, records, documents and computer data in the possession of the mutual fund, trustees and asset management company or such other person and also provide copies of documents or other materials which in the opinion of the inspecting officer are relevant for the purpose of the inspection.

- (3) The inspecting officer, in the course of inspection or investigation, shall be entitled to examine or record the statements of any director, officer, or employee of the mutual fund, trustees and asset management company.
- (4) It shall be the duty of every director, officer, or employee of the mutual fund, asset management company or trustee to give to the inspecting officer all assistance in connection with the inspection or investigation, which the inspecting officer may reasonably require.

Submission of report to the Board

64. The inspecting officer shall, as soon as possible, on completion of the inspection or investigation submit a report to the Board:

Provided that if directed to do so by the Board, he may submit an interim report.

Action on inspection or investigation report

65. The Board or the Chairman shall after consideration of inspection or investigation report take such action as the Board or Chairman may deem fit and appropriate including action under the Securities and Exchange Board of India (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002.

Appointment of auditor

66. Without prejudice to the provisions of regulation 55, the Board shall have the power to appoint an auditor to inspect or investigate, as the case may be, into the books of account or the affairs of the mutual fund, trustee or asset management company:

Provided that the Auditor so appointed shall have the same powers of the inspecting officer as stated in regulation 61 and the obligation of the mutual fund, asset management company, trustee, and their respective employees in regulation 63, shall be applicable to the investigation under this regulation.

Payment of inspection fees to the Board

67. The Board shall be entitled to recover such expenses including fees paid to the auditors as may be incurred by it for the purposes of inspecting the books of account, records and documents of the mutual fund, the trustees and the asset management company.

CHAPTER IX



PROCEDURE FOR ACTION IN CASE OF DEFAULT

Liability for action in case of default

68. A mutual fund which—
- (a) contravenes any of the provisions of the Act and these regulations;
 - (b) fails to furnish any information or furnishes wrong information relating to its activity as a mutual fund as required under these regulations;
 - (c) fails to submit periodical returns as required under these regulations;
 - (d) does not co-operate in any inquiry or inspection conducted by the Board;
 - (e) fails to comply with any directions of the Board issued under the provisions of the Act or the regulations;
 - (f) fails to resolve the complaints of the investors or fails to give a satisfactory reply to the Board in this behalf;
 - (g) Indulges in unfair trade practices in securities.

Explanation.—For the purposes of this clause “unfair trade practices” has the same meaning as in the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995;

- (h) is guilty of misconduct or improper or unbusinesslike or unprofessional conduct which is not in accordance with the Code of Conduct specified in the Fifth Schedule;
- (i) asset management company fails to maintain the net worth in accordance with the provisions of regulation 21;
- (j) fails to pay any fees;
- (k) violates the conditions of registration;
- (l) mutual fund, asset management company or trustees of that mutual fund does not carry out its obligations as specified in these regulations, shall be dealt with in the manner provided under the Securities and Exchange Board of India (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002.

69. to 74. Omitted

Action against intermediaries

75. The Board may initiate action for suspension or cancellation of registration of an intermediary holding a certificate of registration under section 12 of the Act who fails to exercise due diligence or to comply with the obligations under these regulations:

Provided that no such certificate of registration shall be suspended or cancelled unless the procedure specified in regulations applicable to such intermediary is complied with.

Action against mutual fund and/or asset management company

- 75A. Without prejudice to regulation 68, a mutual fund and/or asset management company shall be liable for action under the applicable provisions of the Act and the Regulations framed thereunder,–
- (a) in case the advertisement issued is in contravention with the Advertisement Code specified in Sixth Schedule;
 - (b) in case the valuation of securities is in contravention of the Principles of Fair Valuation specified in Eighth Schedule.]

Adjudication, etc.

76. (1) The Board may for the offences specified in sections 15A to 15E of the Act initiate action under section 15-I of the Act and in case of violation of any of the provisions of the Act or the regulations, initiate action under section 11, 11B or section 24 of the Act.
- (2) The Board may in addition to suspension or cancellation of certificate, order suspension of launching of any scheme of a mutual fund for a period not exceeding one year for violation of any of the provisions of these regulations after following procedure under this Chapter.
- (3) The Board may during the pendency of any proceeding of suspension or cancellation under this Chapter also order suspension for launching of any scheme not exceeding three months without following procedure under this Chapter:

Provided that no order shall be passed without giving an opportunity of hearing.

CHAPTER X



MISCELLANEOUS

Power of the Board to issue clarifications

77. In order to remove any difficulties in the application or interpretation of these regulations, the Board shall

have the power to issue clarifications and guidelines in the form of notes or circulars which shall be binding on the sponsor, mutual funds, trustees, asset management companies and custodians.

Repeal and saving

78. (1) The Securities & Exchange Board of India (Mutual Funds) Regulations, 1993 are hereby repealed.
- (2) Notwithstanding such repeal :
- (a) anything done or any action taken or purported to have been done or taken, including registration or approval granted, fees collected, scheme announced, registration or approval, suspended or cancelled, any inquiry or investigation commenced under the said regulations, shall be deemed to have been done or taken under the corresponding provisions of these regulations ;
 - (b) any application made to the Board under the said regulations and pending before it shall be deemed to have been made under the corresponding provisions of these regulations ;
 - (c) any appeals preferred to the Central Government under the said regulations and pending before it shall be deemed to have been preferred under the corresponding provisions of these regulations.