

MCA Eases Private Placement Norms for Qualified Institutional Buyers

The Ministry of Corporate Affairs (MCA) notified the Companies (Prospectus and Allotment of Securities) Amendment Rules, 2020 which eased the placement norms for qualified institutional buyers. The notification seeks to amend the Companies (Prospectus and Allotment of Securities) Rules, 2014. In the Companies (Prospectus and Allotment of Securities) Rules, 2014, in Rule 14, in sub-rule (1), after the third proviso, the, "Provided also that in case of offer or invitation of any securities to qualified institutional buyers, it shall be sufficient if the company passes a previous special resolution only once in a year for all the allotments to such buyers during the year," shall be inserted. In other words, companies need not to repeatedly pass Special resolution in case of offer or invitation of any securities to qualified institutional buyers, it shall be sufficient if the company passes a previous special resolution only once in a year for all the allotment to such buyers.

(Source: <https://www.taxscan.in/>)

Sebi Extends Regulatory Approval Validity for IPO, Rights Issue by 6 Months

The step comes following representations from various industry bodies, the Securities and Exchange Board of India (Sebi) said in a circular. Sebi said it has decided to grant these one-time relaxations in view of the impact of COVID-19 pandemic. Recently, Sebi extended validity of regulatory approval for launching initial public offering and rights issue by six months in the wake of coronavirus pandemic. The step comes following representations from various industry bodies, the Securities and Exchange Board of India (Sebi) said in a circular. The validity of Sebi's observations, where the same have expired or will expire between March 1, 2020 and September 30, 2020, has been extended by 6 months from the date of expiry of such observation.

This is subject to an undertaking from lead manager of the issue confirming compliance with the ICDR (Issue of Capital and Disclosure Requirements) Regulations while submitting the updated offer

document to Sebi, it said. As per the norms, a public issue/rights issue needs to be opened within 12 months from the date of issuance of observations by Sebi. Sebi's observation is necessary for any company to launch public issues. The regulator said that an issuer, whose offer document for IPO, follow on public offer and rights issue is pending receipt of its observation, will be permitted to increase or decrease the fresh issue size by up to 50 per cent of the estimated issue size without requiring to file fresh draft offer document with the Sebi.

The relaxation is subject to no change in the objects of the issue, and the lead manager will need to ensure that all appropriate changes are made to the relevant section of DRHP, and an addendum in this regard shall be made public. The relaxation on change in fresh issue size will be applicable for offer documents pending receipt of Sebi observations until December 31, 2020. Under the norms, any increase or decrease in estimated fresh issue size by more than 20 per cent of the estimated fresh issue size require fresh filing of the draft offer document along with fees. Sebi said it has decided to grant these one-time relaxations in view of the impact of COVID-19 pandemic. The circular will come into force with immediate effect, it added.

(Source: <https://www.financialexpress.com/>)

Reserve Bank of India Announces Steps to Boost Credit Flow to Real Estate Sector

As per a notification issued by the RBI, new housing loans will attract a risk weight of 35 per cent where LTV is less than 80 per cent and a risk weight of 50 per cent where LTV is more than 80 per cent but less than 90 per cent. This measure, according to the RBI, is expected to give a lull to bank lending to the real estate sector which is critical for economic recovery, given its role in employment generation and the inter linkages with other industries.

In a bid to increase flow of credit to the real estate sector, the Reserve Bank recently rationalised the risk weightage to LTV (loan to value) ratio for all new housing loans sanctioned up to March 31, 2022. As per a notification issued by the RBI, new housing loans will attract a risk weight of 35 per

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(Source: <https://economictimes.indiatimes.com/>)

Forensic Audit Information to Stock Exchanges – A Must

Markets regulator Sebi recently made it mandatory for all listed entities to disclose to the stock exchanges any forensic audit that a company carries out. The entity is also required to intimate to the exchanges when a forensic audit is initiated, the regulator said after its board meeting earlier in the day. To make debt funds less risky for investors, Sebi has decided that from now on debenture trustees should carry out an independent audit of the collateral against which the company is issuing the debentures. During the board meeting, Sebi also approved a proposal to facilitate setting up of a limited purpose repo-clearing corporation, which could help deepen the debt market. Sebi further said that a person informing the regulator or a company about any violations relating to insider trading could do so within a period of three years from the date of violation. It also made changes in the rules so that the informant for insider trades should include specific information. These refer to details of securities, trades by the suspect and unpublished price sensitive data based on which the insider trading is alleged, it said. The move will address the gaps in availability of information on forensic audit of listed entities. At present, listed companies usually do not make forensic audits public, mainly for fears of negative impact on the stock price and the company's brand. However, forensic audits initiated by regulatory

or enforcement agencies have been excluded from this list.

The Sebi board decided to introduce a code of conduct for fund managers, including chief investment officers and dealers of fund houses. The board also permitted fund houses to become self-clearing members of recognised clearing corporations to clear and settle trades in the debt segment of recognised stock exchanges, on behalf of its mutual fund schemes, it said.

(Source: https://timesofindia.indiatimes.com)

SEBI Comes Out with Uniform Timeline for Listing Securities on Private Placement Basis

The move comes after the regulator received several requests from various market participants for clarification on the time period within which such securities need to be listed after completion of allotment. Markets regulator SEBI recently came out with a uniform time period for listing securities, including municipal bonds, issued on private placement basis. The timeline will be applicable for non-convertible redeemable preference shares, debt securities, securitised debt instruments and security receipts and municipal bonds, SEBI said in a circular. The move comes after the regulator received several requests from various market participants for clarification on the time period within which such securities need to be listed after completion of allotment.

After taking feedback from market participants, SEBI has decided that allotment of securities will be completed by T+2 trading days after receiving funds. T day refers to closure of the issue. It further said issuer needs to make listing application to stock exchanges and obtain approval from the bourses by T+4 trading day.

In case of delay in listing of securities issued on private placement basis beyond the timeline, the issuer will pay penal interest of 1 percent per annum over the coupon rate for the period of delay to the investor (i.e. from date of allotment to the date of listing), SEBI said. Stock exchanges have been asked to inform the listing approval details to the depositories whenever listing permission is given to debt securities issued on private placement basis.

(Source: <https://www.moneycontrol.com/>)