



CAPITAL MARKETS

The Securities and Exchange Board of India (SEBI) at its board meeting held on 29 September 2020 considered certain amendments which are as follows:

1. Mutual Funds

SEBI has approved amendment of the SEBI (Mutual Funds) Regulations, 1996 to:

- a. introduce a code of conduct which will be applicable to the fund managers, including their chief investment officers and dealers of asset management companies. Presently, under the said regulations a code of conduct is applicable only to asset management companies and trustees.
- b. enable asset management companies, on behalf of their mutual fund schemes, to become a self-clearing member of the recognized clearing corporations to clear and settle trades in the debt segment of recognized stock exchanges.

2. Changes in the powers of debenture trustee

- a. In order to protect the interest of debenture holders, SEBI has approved a proposal to require debenture trustees to take actions towards *inter alia* enforce security and participate in the inter-creditor agreement with other lenders as per the framework specified by RBI. Any decision of joining the other creditors or enforcing the security will require prior consent of the debenture holders.
- b. A debenture trustee will be henceforth required to carry out due diligence of assets to be secured and will be required to monitor the asset coverage on a half yearly basis supported by a certificate from the statutory auditor.

3. Additional disclosure by listed entities

SEBI has directed all listed companies to disclose to stock exchanges (a) any initiation of forensic audit together with the name of the entity carrying out the audit and the reasons thereof; and (b) the forensic audit report (except for forensic audit initiated by regulatory / enforcement agencies) along with the comments of management, if any. This condition will be applicable irrespective of any materiality.

4. **Delisting Regulations**

SEBI has exempted companies which become wholly owned subsidiary of a listed company pursuant to a scheme of arrangement from complying with the reverse book building process while delisting, provided that the following conditions are met:-

- a. the listed holding and subsidiary companies should be in the same line of business;
- b. both the companies should be compliant with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, specifically, the regulations pertaining to processing of the schemes of arrangement;
- c. The votes cast by public shareholders of the listed subsidiary in favour of the proposal should be atleast twice the number of votes cast against it in terms of the present delisting regulations;
- d. the shares of the parent listed company and the listed subsidiary entity should have been listed for atleast three years and should not be suspended at the time of taking this route, and the subsidiary should have been a listed subsidiary of the listed holding entity for atleast three preceding years.

5. **Other amendments**

SEBI has approved amendment of certain provisions of:-

- a. SEBI (Alternate Investment Funds) Regulations, 2012 pertaining to the definition of *relevant professional qualification inter alia* to provide that the qualification and experience criteria of the investment team may be fulfilled individually or collectively, and responsibilities of investment management committee;
- b. SEBI (Prohibition of Insider Trading Regulations), 2015 relating to the timeline for reporting violations and the information required to be disclosed for the trades by suspect and unpublished price sensitive information on which insider trading is alleged.

however, these amendments are presently unclear and will be clarified when the revised regulations are published.

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