RECENT AMENDMENTS INTRODUCED BY THE SEBI

KRITIKA AGARWAL AND RAHUL DATTA

MAJMUDAR & PARTNERS
INTERNATIONAL LAWYERS
LEGAL EXCELLENCE SINCE 1943
Raheja Chambers, 2nd floor, Free Press Journal Road
Nariman Point, Mumbai 400 021, INDIA
Tel: +91 22 6123-7272, Fax: +91 22 6123-7252
Other Offices: Bangalore, New York
Integrated Network Offices: Chennai, Hyderabad and New Delhi
E-mail: mailbox@majmudarindia.com
www.majmudarindia.com

Independent Directors (IDs)

- Key Changes
  - Appointment, reappointment and removal of IDs shall require a special resolution.
  - At least 2/3rd of the members of the nomination and remuneration committee and the audit committee of listed entities must mandatorily comprise of IDs.
  - At the time of resignation, the resignation letter along with detailed reasons, names of listed entities from which the director has resigned in the last three (3) years, and the current directorships and memberships of the ID must be disclosed.
  - IDs and their relatives are prohibited from having a pecuniary relationship with the listed entity, its holding, subsidiary or associate company, or their promoters or directors, during the current or preceding three (3) financial years.
  - Former KMPs, their relatives and employees of promoter group companies are subject to a cooling off period of three (3) years prior to their appointment as an ID. Relatives of employees of promoter group companies are now exempted.
- Impact
  - Improvement in corporate governance due to stricter eligibility requirements and minimization of promoter interference.
  - Greater participation for public shareholders and increase in transparency.

Accredited Investors (AIs)

- Key Changes

  - AI is defined as a person with a specified net worth or annual income, who has received a certificate of accreditation.

  - AIs shall have the flexibility to participate in products with an investment amount which is lower than the minimum amount prescribed under the regulations for alternative investment funds (**AIF**) and portfolio managers.

  - Large value funds for AIs (funds in which each investor is an AI and invests not less than INR700 million) will be permitted to avail relaxations in respect of portfolio diversification norms, conditions for launch of schemes and tenure of the AIF.

  - AIs with a minimum investment of INR100 million with a registered portfolio manager will be permitted to enter into bilateral negotiations with the portfolio manager.

- Impact

  - Relaxations and exemptions will incentivize greater investment avenues for AIs.

  - More flexibility for AIFs, portfolio managers and investment advisors to introduce investment schemes and products.

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Shift Away from the Concept of "Promoter"

- Key Changes
  - Conceptual shift from promoters to persons in control or controlling shareholders.
  - Aim to engage with other regulators to ascertain and resolve regulatory hurdles.
  - Aim to introduce amendments to several securities laws, including, corporate governance norms, insider trading regulations and the takeover code.
  - Resolution to develop a detailed roadmap for implementing the shift in consonance with other Indian corporate laws.
- Impact
  - Successful implementation has the potential to improve identification of controlling stakeholders.
  - Shift in focus may pave the way for the introduction of an objective test for control.
  - Professionally run companies, especially in the gig economy, will find it easier to list.

Relaxation in Lock-in Requirements

- <u>Key Changes</u>

  - Minimum promoters' contribution shall be locked-in for eighteen (18) months, as opposed to three (3) years, from the date of allotment in the Initial Public Offer (IPO) if

    - ✓ the object of issue involves only an offer for sale; and/or

    - ✓ not more than 50% of funds raised are used for capital expenditure.

  - Promoter shareholding in excess of minimum promoter contribution shall be locked-in for six (6) months, as opposed to one (1) year earlier, in the foregoing cases.

  - Pre-issued capital held by persons other than promoters shall be locked-in for six (6) months, as opposed to one (1) year earlier, from the date of allotment in IPO.

- <u>Impact</u>

  - Reduction in lock-in duration will boost private equity investment and mitigate concerns in relation to liquidity.

  - Pre-issue shareholders may be incentivized to reduce their shareholding on the basis of their listing gains. May create uncertainties for retail investors.

Thank You

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