LEGAL EYE
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Possible reduction in bidding period for QIBs

As per a news article published in the Economic Times dated July 14, 2010, SEBI' s Primary Market Advisory Committee has recently discussed a proposal to shorten the bidding period to one or two days for qualified institutional buyers (QIBs), both in initial public offerings (IPOs) and follow on public offerings (FPOs).

SEBI had recently amended the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 (ICDR Regulations) whereby issuers were given discretion to close the bidding for QIBs one day prior to the closure of the issue subject to fulfilling certain conditions. The implementation of the current proposal will mandatorily shorten the bidding period to one or two days for QIBs. The rationale behind this proposal is to give more time to the retail investors who take a decision by gauging the response of the QIBs. In the present scenario, QIB bids have been coming on the last day of the issue since they do not want to lock-in their money (the entire bid value) for the 2 extra days (the present rules require the offering to remain open for at least 3 days), resulting in retail investors having no time to take cues from the QIBs. As per the sources, reduction in bidding period for QIBs will also help in decreasing the pressure arising from all the bids getting bunched up.

This is a welcome move by SEBI from the perspective of the retail investors who would now be able to take more informed decisions. This appears to be in continuation of a host of investor friendly measures which SEBI has been implementing recently. For instance, SEBI had recently amended the ICDR Regulations, mandatorily requiring the QIBs to bring in 100% of the application money upfront (thus bringing in parity amongst all the investors) as the margin for subscribing to all public issues hitting the capital market post May 1, 2010. This was to ensure getting in of only genuine QIB investors and check the huge oversubscriptions which the issues used to receive and often mislead the smaller retail investors.

SEBI is also looking at the idea of making the IPO application form simpler as a lot of the data is already in the system with the depository participant. Furthermore, a shorter time line between issue closure and listing of shares is being planned to take effect by the end of 2010, such that companies can list their shares within 7 days from the close of subscription against the present 12 days. This would reduce the market risk for investors and free up the funds faster.

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Standard disclosure norms for Mutual Funds (MF) planned

As per a news article published in the Economic Times dated July 14, 2010, SEBI plans to stipulate a standard set of disclosures, which will target quantitative disclosures and not just qualitative disclosures for mutual fund fact sheets, advertisements and scheme information documents. Continuing with the number of investor friendly measures taken by SEBI in the Mutual Fund space, this appears to be yet another attempt to help the investors as they can compare similar schemes of different fund houses, have a clearer picture of the performance and finally decide a scheme suiting their risk appetite.

As per the news article, the standard format for fact sheet prescribed by Association of Mutual Funds in India (AMFI) around three years ago has not been adhered to by many of the fund houses. SEBI is planning to require the mutual funds to give advertisements that give a holistic view of the performance of asset management companies, since only the best performing schemes are usually mentioned and not the schemes which give poor returns. The proposal requires the fund houses to publish advertisements that have specific quantitative parameters apart from just the scheme and benchmark returns.

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