

## REGULATORY FRAMEWORK

### **SEBI (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013, notified**

Securities Exchange Board of India notified the SEBI (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013 as on June 12, 2013. The said Regulations provide for a comprehensive regulatory framework for public issuance of non-convertible redeemable preference shares and also for listing of privately placed redeemable preference shares. Further, as per Basel III norms, Banks can issue non-equity instruments such as Perpetual Non-Cumulative Preference Shares and Innovative Perpetual Debt Instruments, which are in compliance with the criteria specified by RBI for inclusion in Additional Tier I Capital. The Regulations shall also be applicable to such instruments issued by banks.

(Source: SEBI Press Release No. PR No. 58/2013 dated June 14, 2013)

### **Enhancement in limits of the Foreign Investment by SEBI registered Long term investors in G-secs**

The Reserve Bank of India vide its circular dated June 12, 2013 enhanced the limit for foreign investment in G-secs with USD 5 billion to USD 30 billion with immediate effect. The enhanced limit of USD 5 billion will be available only for investments in Government dated securities by long term investors registered with SEBI – Sovereign Wealth Funds (SWFs), Multilateral Agencies, Pension/ Insurance/ Endowment Funds, Foreign Central Banks. SEBI will issue operational guidelines in this regard shortly.

(Source: RBI/2012-13/530 A.P. (DIR Series) Circular No.111 dated June 12, 2013)

### **SEBI revises the Scheme of Arrangement for listed companies**

Securities Exchange Board of India vide its circular dated February 4, 2013 has imposed stringent requirements for schemes of arrangement to be followed by listed companies. However, based on comments received from stakeholders, SEBI has vide circular dated May 21, 2013, clarified certain issues and made modifications to the previous circular dated February 4, 2013.

Some of the key modifications in the May 21 circular are set out below:

- Applicability of the circular: SEBI has clarified that both the circulars are applicable to all listed companies undertaking a Scheme of Arrangement under the Companies Act including Amalgamation/ Merger/ Reconstruction/ Reduction of Capital. It is also clarified that both the circulars are applicable to cases where no exemption from Rule 19(2)(b) of Securities Contracts (Regulation) Rules, 1957 is sought from SEBI.
- Valuation Report from independent CA: All listed companies undertaking a Scheme of Arrangement are required to submit a valuation report from an Independent Chartered Accountant. However, the valuation report is not required in cases where there is no change in the shareholding pattern of the listed company / resultant company and illustrations have been provided in the circular to determine cases where there is no change in the shareholding pattern.
- Designated Stock Exchange for the purpose of coordinating with SEBI: SEBI vide its February 4, 2013 circular required listed companies to choose one stock exchange with nationwide terminals for the purpose of coordinating with SEBI. However, SEBI requires that a company listed on any stock exchange having nationwide terminal and/or on regional stock exchange, must choose the stock exchange having nation-wide trading terminals as the designated stock exchange for the purpose of coordinating with SEBI. However, SEBI has relaxed norms for companies listed solely on regional stock exchanges:
  - a) Where exemption from Rule 19(2)(b) of Securities Contracts (Regulation) Rules, 1957 is sought, such company shall obtain in-principle approval for listing of equity shares on any stock exchange having nationwide trading terminals.

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- b) Where exemption from Rule 19(2)(b) of Securities Contracts (Regulation) Rules, 1957 is not sought, then one of the stock exchanges having nationwide trading terminals shall provide a platform for dissemination of information of such Schemes along with other prescribed documents.
- Requirement of voting by public shareholders: The February 4 circular provided that proposal for a scheme would require public shareholders to vote in favour of the proposal at least two times to the number of votes cast by public shareholders against it. However, in the present circular, voting by public shareholders through postal ballot and e-voting, after disclosure of all material facts in the explanatory statement sent to the shareholders in relation to such resolution, is restricted to the following cases only:
    - i. Where additional shares have been allotted to Promoter / Promoter Group, Related Parties of Promoter / Promoter Group, Associates of Promoter / Promoter Group, Subsidiary/(s) of Promoter / Promoter Group of the listed company, or
    - ii. Where the Scheme of Arrangement involves the listed company and any other entity involving Promoter / Promoter Group, Related Parties of Promoter / Promoter Group, Associates of Promoter / Promoter Group, Subsidiary/(s) of Promoter / Promoter Group.
    - iii. Where the parent listed company, has acquired the equity shares of the subsidiary, by paying consideration in cash or in kind in the past to any of the shareholders of the subsidiary who may be Promoter / Promoter Group, Related Parties of Promoter / Promoter Group, Associates of Promoter / Promoter Group, Subsidiary/(s) of Promoter / Promoter Group of the parent listed company, and if that subsidiary is being merged with the parent listed company under the Scheme.

(Source: SEBI circular no. CIR/CFD/DIL/8/2013 dated May 21, 2013)