

SEBI LAUNCHES ONLINE PLATFORM FOR PORTFOLIO MANAGERS, FOREIGN VENTURE CAPITAL INVESTORS, VENTURE CAPITAL FUNDS (PRESS RELEASE NO. 29/2017)

To support the 'Ease of doing Business in India' plan, markets regulator Securities and Exchange Board of India (SEBI), on July 5th, 2017 introduced an online platform for portfolio managers, foreign venture capital investors (FVCI) and venture capital funds.

The new system would help make it easier for the existing and new market intermediaries to complete their registration and other regulatory filings with SEBI much faster and in a cost-effective way, SEBI said in a statement.

"All applicants desirous of seeking registration as a portfolio manager are now required to submit their applications on the online system, through SEBI Intermediary Portal at <https://siportal.sebi.gov.in>" SEBI said. Furthermore, all SEBI registered FVCIs are now required to file their compliance reports and submit applications for any request under the provisions of FVCI Regulations, through the online system only. The aforesaid online filing system for FVCI has been made operational from July 1, 2017 Besides, the system provides a comprehensive solution for all the regulatory compliance specified under the SEBI's Portfolio Managers norms.

Earlier this month, SEBI announced a portal for eight categories of market intermediaries - stock brokers, sub- brokers, merchant bankers, underwriters, registrar to an issue and share transfer agents, debenture trustees, bankers to an issue and credit rating agency.

SEBI Guidelines for issuance of ODI

The SEBI on July 7, 2017 issued conditions to be complied by Foreign Portfolio Investors (FPI) for issuance of ODI-

- The ODIs issued shall not have derivatives as underlying. The exception to this is that the derivative positions held by the ODI issuing FPI is for hedging an equity share on one to one basis.
- If the ODI does not fall within the exception specified above then the FPI has to liquidate the ODI latest by the date of maturity of the ODI instrument or December 31, 2020 whichever is earlier.
- Fresh issuance of ODI with derivatives as underlying will require a certificate to be issued by the compliance officer of the ODI issuing FPI (indicating that the same is only for hedging the equity shares held for one on one basis) Monthly reports shall be submitted along with the certificate.
- The term hedging of equity shares means taking one to one position in only those derivatives which have the same underlying as the equity share.

ARA LAW View

SEBI's initiatives to establish this e-portal and support the government's plan for 'Ease of Doing Business in India' is a great move. Earlier, the process of registration for such intermediaries was long drawn, as they had to file an Application to SEBI in Form A along with all the necessary documents and wait for SEBI's approval. This process was rather time consuming and did not encourage FVCI's to invest in India. We believe that this move will encourage FVCI's to invest in Indian ventures and help grow the economy. Also, we believe that similar process should be made applicable to AIF categories as well