

March 2024



## SEBI approves proposed amendments to SEBI ICDR Regulations and others

The Securities and Exchange Board of India (“SEBI”), by way of its consultation paper dated January 11, 2024 had sought comments on the interim recommendations of the expert committee (“**Expert Committee**”) for facilitating ease of doing business and harmonization of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended (“**SEBI ICDR Regulations**”) and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (“**SEBI Listing Regulations**”). Taking into account stakeholder feedback, the SEBI, in its board meeting dated March 15, 2024 has approved amendments to a number of regulations, including the SEBI ICDR Regulations, the SEBI Listing Regulations, and the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, as amended (“**SEBI Insider Trading Regulations**”). Set out below are certain key amendments proposed by the SEBI.

### Proposed amendments to the SEBI ICDR Regulations

- **Inclusion of converted/exchanged equity shares in minimum promoters’ contribution:**

The proposed amendments will permit equity shares arising from the conversion of fully paid-up compulsorily convertible securities held for a year before filing of the draft red herring prospectus to be considered towards meeting the requirements of minimum promoters’ contribution.

- **Promoter group entities and non-individual shareholders to be permitted to contribute towards minimum promoters’ contribution:** Regulation 14 of the SEBI ICDR Regulations requires shareholding of the promoters of the issuer to lock-in 20% of the post-offer paid-up equity share capital, on a fully-diluted basis, as minimum promoters’ contribution. Presently, non-promoter entities such as alternative investment funds, foreign venture capital

investors, scheduled commercial banks, public financial institutions or insurance companies can contribute to meet the shortfall in minimum promoters’ contribution, subject to a maximum of 10% of the post-offer equity share capital.

The proposed amendments will permit promoter group entities and non-individual shareholders holding more than 5% of the post-offer equity share capital to contribute towards minimum promoters’ contribution without being identified as a promoter, to meet any shortfall in the minimum promoters’ contribution, without being identified as a promoter, subject to a maximum of 10% of the post-offer equity share capital.

- **Thresholds for increase/decrease in issue size triggering re-filing of draft offer documents:** Presently, pursuant to Schedule XVI of the SEBI ICDR Regulations, any increase or decrease in the offer for sale component in either number of shares offered for sale or the estimated issue size (in Rupee terms), by more than 50% would require fresh filing of a draft offer document. The proposed amendments will limit the re-filing trigger to increase or decrease in size of offer for sale to be based on only one of the criteria i.e., either issue size in Rupee terms, or number of shares, as disclosed in the draft offer document.
- **Compliance requirements:**
  - In case of **force majeure** events, issuers will have flexibility to extend the bid/offer closing date by a minimum of one day (instead of three days as presently prescribed).
  - Issuers will no longer be required to make a security deposit of 1% of the size of the offer, for public issues and rights issues.



## Proposed amendments to the SEBI Listing Regulations

- **Applicability based on market capitalization:** The extant SEBI Listing Regulations include provisions that are applicable to listed entities identified on the basis of market capitalization as at March 31 of the immediately preceding financial year. The proposed amendments will require market capitalization-based compliance requirements for listed entities to be applicable based on average market capitalization of six months ending December 31, instead of a single day's market capitalization. Further, in order to ease compliance requirements, a sunset clause of three years for cessation of applicability of market capitalization-based provisions has also been approved.
- **Timeline for prior intimation of board meetings:** Regulation 29 of the SEBI Listing Regulations requires a listed entity to give prior intimation to stock exchanges for meetings of its board in which certain types of proposals are to be considered, such as financial results, buyback, fund raising, alteration of nature of securities, and date of payment of interest or redemption, within prescribed timelines, which range from two working days to 11 working days. The proposed amendments will harmonize the timelines for prior intimation of board meetings for all types of proposals to two working days.
- **Other proposed amendments:**
  - Any vacancy in the office of key managerial personnel of a listed entity has to be filled up at the earliest, and

not later than six months from the date of such vacancy (instead of three months, as presently prescribed).

- The maximum permitted time gap between two consecutive meetings of the risk management committee is to be increased from 180 days to 210 days.

## Proposed amendments to the SEBI Insider Trading Regulations

- **Verification of market rumours:** The SEBI has approved the following uniform approach to verification of market rumours by equity listed entities: (a) specifying an objective and uniformly assessed criteria for rumour verification in terms of material price movement of equity shares of the listed entity; (b) considering the unaffected price for any transactions in relation to which pricing norms have been prescribed under SEBI regulations, provided that the rumour pertaining to such transaction has been confirmed within 24 hours from the trigger of material price movement; and (c) promoters, directors, key managerial personnel and senior management to provide timely response to the listed entity for verifying market rumour.
- **Generally available information:** As a corollary of the above, the SEBI has clarified that unverified event or information reported in print or electronic media will not be considered as 'generally available information' for the purposes of the SEBI Insider Trading Regulations.

Please feel free to address any further questions or request for advice to:

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