Banking & Finance
Regulatory Update

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Securities and Exchange Board of India ("SEBI") revises provisions pertaining to Electronic Book Provider (EBP) platform

On May 16, 2025, SEBI revised the EBP process to simplify and liberalize the existing regime in order to increase its efficacy and utility. The full text of the circular can be accessed here.

Key amendments are summarised below:

- **Reduction in timeline for obtaining in-principle approval for first time issuers:**

  SEBI has reduced the current timeline for obtaining in-principal approval from stock exchange for first-time issuers from 'T-5 days' to 'T-3 days'. Note that there is no change to the timeline of 'T-2 days' which is applicable to the existing issuers.

- **Removal of 'time' factor:**

  SEBI has removed factor of 'time' of a bid while allotting bids on a 'pro-rata' basis. Thus, if two or more bids are made at the same price or coupon but at different time, all bids will receive proportionate allocation and the time stamp at which the bids are made will not be considered.

- **Increase in anchor portion:**

  Earlier, the limit for anchor portion was capped at 30% of the base issue size. SEBI has now increased the anchor portion basis the rating of the instrument as below:

Instrument Rating	Anchor Portion (%) of base size
AAA/ AA+/ AA/ AA-	Not exceeding 30%
A+/ A-	Not exceeding 40%
Others	Not exceeding 50%

  This will result in increase in anchor investments in a non-investment grade issuer where earlier, investors were sometimes deterred from investing on account of lack of voting control.

- **Confirmation of participation by anchor investor:**

  In addition to requiring the issuers to disclose details of anchor investor and anchor portion in the placement memorandum, SEBI has imposed an obligation on the anchor investors requiring them to electronically confirm their participation on the EBP platform by T-1 day (T= bidding date). It is pertinent to note that the amount not confirmed by any such investor must be included back to the base issue size.

- **Mandatory issuance of securities through EBP for all private placement issuances above INR 20 crore:**

  SEBI has lowered the threshold for mandatory issuance of debt securities, non-convertible redeemable preference shares and municipal debt securities on private placement through EBP platform from INR 50 crore to INR 20 crore.

Further, issuers of debt securities, non-convertible redeemable preference shares and municipal debt securities with issue sizes less than INR 20 crore may also opt to use the EBP platform.

Effective dates:

Most of the provisions are effective from the date of the circular i.e. May 16, 2025 other than the provisions mentioned below:

<table>
<tr><th>Provision</th><th>Effective Date</th></tr>
<tr><td>Reduction in timeline for obtaining in-principle approval for first time issuers</td><td rowspan="3">3 months from the date of this circular</td></tr>
<tr><td>Increase in anchor portion</td></tr>
<tr><td>Confirmation of participation by anchor investor</td></tr>
<tr><td>Voluntary issuance of commercial papers and certificates of deposit, the issuers of securitised debt instruments, security receipts, and units of REITs, SM REITs, and InvITs</td><td rowspan="2">6 months from the date of this circular</td></tr>
<tr><td>Removal of 'time' factor</td></tr>
</table>

Reserve Bank of India ("RBI") withdraws short-term investment limits for Foreign Portfolio Investor ("FPI") investments under the general route

On May 08, 2025, RBI withdrew the requirement for investments by FPIs in corporate debt securities to comply with the short-term investment limit and the concentration limit. Earlier, these limits required FPIs to closely monitor their investment portfolio to ensure that on a rolling basis, short-term investments of an FPI in corporate debt securities do not exceed 30% of such FPI's total investment in corporate debt securities. With these restrictions now removed, FPIs will have less burden of compliance, somewhat increased level of flexibility in terms of structuring their investments and the ability to hold all their investments in corporate debt securities as short-term investments (provided such investments in corporate debt securities comply with other applicable regulatory requirements).

This change should not be seen as a shift away from the VRR route, which was largely introduced to address the issue wise limit under the general route (i.e. investment by any FPI shall not exceed 50% of the issue size). The exposure limit continues to be applicable to other FPIs, who can continue to opt for the VRR route to subscribe to 100% of any particular issuance.

This is a welcome change which is expected to enhance market liquidity and attract more investments from FPI. The full text of the RBI circular can be accessed here.

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

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