

- SEBI

## SECURITIES AND EXCHANGE BOARD OF INDIA ("SEBI")

### A. Master Circular on Anti Money Laundering (AML) Standards/Combating Financing of Terrorism (CFT)/Obligations of Securities Market Intermediaries under Prevention of Money Laundering Act, 2002

SEBI has issued a master circular<sup>1</sup> consolidating all the requirements/obligations issued with regard to AML/CFT till December 15, 2008. It has been issued, primarily, to all intermediaries registered with SEBI under section 12 of the Securities and Exchange Board of India Act, 1992 and shall apply to their branches and subsidiaries located abroad. When applicable laws of their host country prohibit implementation of the requirements of the said master circular, the same is to be

<sup>1</sup> ISD/AML/CIR-1/2008 dated December 19, 2008

brought to the notice of SEBI. In case there is a variance in KYC/AML standards prescribed by SEBI and the regulators of the host country, branches/overseas subsidiaries of intermediaries are required to adopt the more stringent requirements of the two.

For more information please refer to

<http://www.sebi.gov.in/circulars/2008/isdcir0108.html>

### B. Guidelines in respect of exit option to Regional Stock Exchanges

The SEBI Board has approved the broad guidelines as set forth in the circular dated December 29, 2008<sup>2</sup>, providing an exit option to such Regional Stock Exchanges ("RSEs") whose

<sup>2</sup> MRD/DoP/SE/Cir- 36 /2008 dated December 29, 2008

recognition is withdrawn and/ or renewal of recognition is refused by SEBI and RSEs who may want to surrender their recognition. In all such cases, an appropriate order will be passed by SEBI. It is clarified that companies listed on such de-recognised RSEs and also on any other stock exchange(s) may continue to remain listed in the other stock exchange(s). In case of companies exclusively listed on those de-recognised stock exchanges, it shall be mandatory for such companies to either seek listing at other stock exchanges or provide an exit option to the shareholders as per SEBI Delisting Guidelines / Regulations after taking shareholders' approval for the same within a time frame to be specified by SEBI, failing which the companies shall stand delisted through operation of law.

For more information please refer to

<http://www.sebi.gov.in/circulars/2008/mrdcir3608.html>

C. Revisions in submission of reports on two way fungibility of ADRs/ GDRs

SEBI, vide circular dated January 05, 2009<sup>3</sup>, has stated that the report required to be submitted in respect of the Operative Guidelines on the two-way fungibility under the issue of Foreign

<sup>3</sup> Cir No. IMD/FII&C/36/2009

Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme 1993 is now required to be submitted by the custodians as 'part F' of the monthly report specified in SEBI circular dated July 21, 2008. The custodian is no longer required to submit copies of contract notes to SEBI. As and when required, SEBI may requisition the custodians to provide the same.

For more information please refer to

<http://www.sebi.gov.in/circulars/2009/imd362009.pdf>

D. Disclosure of Pledged Shares

SEBI, vide its notification dated January 28, 2009<sup>4</sup>, amended the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 ("Takeover Code") and inserted Regulation 8A<sup>5</sup> in respect of 'Disclosure of Pledged Shares' making it mandatory for a promoter or every person forming a part of the promoter group of a company to disclose to that company the details of the shares of that company pledged by him, within the stipulated time period. The

<sup>4</sup> No. LAD-NRO/GN/2008-2009/33/15022

<sup>5</sup> Regulation 8A of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) (Amendment) Regulations, 2009

company is obligated to disclose such information received, at the end of each quarter, to all stock exchanges on which the shares of such company are listed, within the stipulated time period, if the total number of shares pledged by the promoter group exceeded the thresholds in the said notification.

For more information please refer to

<http://www.sebi.gov.in/acts/sast28jan09.pdf>

E. Formats for Disclosure of pledged shares<sup>6</sup>

SEBI has prescribed new formats for making the disclosures under Regulation 8A of the Takeover Code in update at D above. SEBI has also issued another circular<sup>7</sup> about the amendments to be made in formats under Clause 35 and Clause 41 of the listing agreement for reporting of “pledged shares” by listed companies to stock exchanges.

For more information please refer to

<http://www.sebi.gov.in/press/2009/200976.html>

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<sup>6</sup> PR No.:76/2009 dated February 3, 2009

<sup>7</sup> SEBI/CFD/DIL/LA/2009/3/2 dated February 3, 2009  
[<http://www.sebi.gov.in/circulars/2009/dil0309.pdf>]

F. Allocation methodology of debt investment limits to FIIs

SEBI Circular dated February 06, 2009<sup>8</sup> stipulates the following:

- the cumulative debt investment limit has been increased by USD 9 billion (from USD 6 billion to USD 15 billion) for FII investments in Corporate Debt;
- USD 8 billion shall be allocated to the market participants in an open bidding platform.
- The bidding platform shall be provided by the stock exchanges. The circular stipulates details, including in respect of duration of bidding, access to platform, amount of bid, price of bid and allocation method.
- To begin with, the initial bidding platform shall be offered by the National Stock Exchange of India Ltd. (NSEIL). The next round of bidding shall be done on Bombay Stock Exchange Limited (BSE) and thereon by turns. The other modalities of the bidding platform shall be announced by the Exchanges.

For more information please refer to

<http://www.sebi.gov.in/circulars/2009/fiic372009.pdf>

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<sup>8</sup> Cir No. IMD/FII & C/ 37/2009

G. Amendment to the Takeover Code

In view of the Satyam episode and as a matter of bailout to listed companies similarly struck, SEBI, vide Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) (Second Amendment) Regulations, 2009, has amended the Takeover Code as follows:

- A new Regulation 29A has been inserted, which empowers the SEBI to exempt a company, whose board has been replaced by the central or a state government or by a regulatory authority, from the applicability of different provisions of Chapter III of the Takeover Code. Moreover, under newly inserted Regulation 25 (2A), such companies, once exempted under Regulation 29A, shall not be subjected to any competitive bidding. The exemption shall be made on an application to SEBI by the company.
- The amended provisions are different from the existing similar provisions under Regulation 4 of the Takeover Code, inter alia, on two counts:
  - (i) The applicant in this case shall be the target company itself, unlike the acquirer under Regulation 4.
  - (ii) SEBI shall be the authority which shall consider such application, unlike the takeover panel under Regulation 4.

For more information please refer to

<http://www.sebi.gov.in/acts/substantialamend09.pdf>

H. Amendments to SEBI (Disclosure and Investor Protection) Guidelines, 2000 (“DIP Guidelines”)

SEBI, vide its circular dated February 24, 2009<sup>9</sup>, has amended the DIP Guidelines as outlined below:

- validity period of observations issued by SEBI has been enhanced to 12 months and the benefit has been made available to all observation letters whose validity period has not expired on December 4, 2008;
- provisions have been made in respect of filing of updated offer document with SEBI within the time period specified therein;
- the timeline for completion of bonus issues has been reduced. The bonus issue is now required to be completed within 15 days from the date of the approval by the board of directors of the issuer (where no shareholder approval required) or within 60 days from the date of the meeting of

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<sup>9</sup> SEBI/CFD/DIL/DIP/ 34/2009/24/09

board of directors where-in bonus was announced subject to shareholders' approval, as applicable.

- the issuer has been permitted to announce the floor price or price band after the date of registration of the Red Herring Prospectus with the Registrar of Companies, atleast two working days before the issue opening date. Where the floor price or price band is announced after the date of registration of the Red Herring Prospectus, every issuer making a public issue is required to ensure wide dissemination of the floor price or price band through various means. While announcing the floor price or price band, the issuer is required to disclose details of the relevant financial ratios used for justification of the floor price or price band.
- allotment of warrants on preferential basis is subject to the allottees paying upfront an amount equivalent to at least 25% of the price fixed on the date of their allotment (earlier, it was 10%);
- certain clarifications have been given regarding lock-in requirements of instruments allotted on preferential basis;
- issuers which have been granted relaxation by the Board in terms of regulation 29A of the Takeover Code have been exempted from certain provisions of Chapter XIII of DIP Guidelines subject to fulfillment of certain conditions;

- listing of certain securities as stipulated in the circular are exempted from the requirement of strict compliance with rule 19(2)(b) of the Securities Contracts (Regulation) Rules, 1957. Rule 19(2)(b) stipulates that at least 25% of each class or kind of securities issued by a company be offered to the public for subscription and that applications received in pursuance of such offer are allotted subject to fulfillment of certain conditions<sup>10</sup>.

For more information please refer to

<http://www.sebi.gov.in/circulars/2009/dip342009.pdf>

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<sup>10</sup> <http://www.sebi.gov.in/acts/act02c.html>

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