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DSK Legal Knowledge Center

Updates on

- SEBI

SECURITIES AND EXCHANGE BOARD OF INDIA ("SEBI")

A. Cross Margining across Exchange traded Equity (Cash) and Exchange traded Equity Derivatives (Derivatives) segments

The existing facility of cross margining has been revised to extend it across cash and derivatives segments from institutional trades to all categories of market participants. The features of the revised cross margining facility have been detailed in the SEBI circular dated December 2, 2008¹ which include the details with regard to computation of cross margin, default provisions and requirement of an Exchange / a Clearing Corporation to enter into an agreement with a client / a clearing member / a

¹ SEBI/DNPD/Cir- 44 /2008

trading member / a custodian, as the case may be, wherein the agreement shall stipulate the inter-se distribution of liabilities / responsibilities in the event of default.

For more information please refer to
<http://www.sebi.gov.in/circulars/2008/dnppcir44.html>

B. Maintenance of Security Deposit of 1% of the amount of securities offered to public/ shareholders by issuer companies with the designated stock exchanges

SEBI vide its circular dated December 05, 2008², has issued certain directions to the stock exchanges in reference to the expiry of the bank guarantees kept with the stock exchanges under Clause 42 of the listing agreement. SEBI has observed

² MRD/DSA/SE/Cir.-34 /2008

that in many cases, the stock exchanges have failed to take any step to prevent such eventuality and revive the bank guarantees so expired. SEBI has asked all the stock exchanges to implement the directions contained in the abovementioned circular within three months from the date of issue thereof.

Further, SEBI, in response to the question whether stock exchanges can adjust the 1% security deposit against the dues payable to them by the issuer companies, has clarified that the stock exchanges shall maintain the said 1% security deposit at all times and no adjustment against any dues of the company can be permitted.

For more information please refer to
<http://www.sebi.gov.in/circulars/2008/mrdcir342008.pdf>

C. RBI Seeks Comments on change in or take over of the Management of the business of the borrower under SARFAESI Act, 2002

RBI, vide its press release dated December 05, 2008³, has placed on its website draft regulatory guidelines for

securitisation and reconstruction companies. The draft guidelines relate to change in or takeover of the management of the business of the borrowers by securitisation companies/reconstruction companies. The RBI has invited comments on the draft guidelines from banks, financial institutions, non-banking finance companies, securitization companies, reconstruction companies, chambers of commerce and members of public. The responses can be emailed within 60 days.

For more information please refer to
<http://rbidocs.rbi.org.in/rdocs/PressRelease/PDFs/88779.pdf>

D. 'Amendments to SEBI (Disclosure and Investor Protection) Guidelines, 2000' and 'Listing and trading of warrants issued as part of a Qualified Institutions Placement (QIP) being a combined issuance of Non-convertible Debentures with Warrants'

SEBI vide its circular dated December 8, 2008⁴, amended the SEBI (Disclosure and Investor Protection (DIP)) Guidelines, 2000 to permit a listed company to make a combined offering of Non-convertible Debentures (NCDs) with warrants through the QIP

³ Press Release : 2008-2009/837

⁴ SEBI/CFD/DIL/DIP/33/2008/08/12

mechanism, in terms of the provisions of Chapter XIII-A of the abovementioned Guidelines. SEBI vide its circular dated December 08, 2008⁵, has clarified that NCDs and warrants issued pursuant to a combined offering as mentioned above, can be listed and traded separately. No relaxation from the applicability of the provisions of Rule 19(2)(b) of the Securities Contracts (Regulation) Rules, 1957 ("SCRR") shall be required for listing of the NCDs, as this relaxation is available pursuant to Regulation 22(b)(i) of the SEBI (Issue and Listing of Debt Securities) Regulations, 2008. However, for listing and trading of the warrants, relaxation from the applicability of the provisions of the Rule 19(2)(b) of SCRR is required. The minimum contract value for trading of NCDs/ warrants has been set at Rs. one hundred thousand.

For more information please refer to
<http://www.sebi.gov.in/circulars/2008/dip332008.pdf>
<http://www.sebi.gov.in/circulars/2008/dilse2008.pdf>

⁵ SEBI/CFD/DIL/SE/2008/08/12

E. Review of Provisions relating to Close Ended Schemes

SEBI, vide its circular dated December 11, 2008⁶, has provided provisions required to be complied with in respect of all close ended schemes (except Equity Linked Savings Schemes) that are to be launched on or after December 12, 2008, including that all units are required to be mandatorily listed. The said circular also requires the trustees to ensure that before launch of the scheme, the in-principle approval for listing has been obtained from the stock exchange(s) and appropriate disclosures are made in the Scheme Information Document. Circular further states that schemes for which observations (final) under Regulation 29 of SEBI (Mutual Funds) Regulations, 1996 have been issued, but are yet to be launched, shall be required to carry out the changes in Scheme Information Document and file the same with SEBI before the launch.

For more information please refer to
<http://www.sebi.gov.in/circulars/2008/imdcir122008.pdf>

⁶ SEBI/IMD/CIR No. 12/147132/08

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