Dear Reader(s),

The 2012 saw introduction of number of measures by SEBI to regain the investor confidence in Indian Primary Market and providing variety of mechanisms to the Promoters and Companies to comply with the Public Shareholding norm. The measures included disclosure of track record of public issues managed by Merchant Bankers, extending call auction session to IPOs, Offer for Sale by Promoters through Stock Exchange Mechanism, rights issue and bonus issue for the public shareholders etc. SEBI has been continuously monitoring the developments in the area of public shareholding norms and seems to be firm in meeting the time limit. Last year also witnessed a major development with regard to Draft Red Herring Prospectus (DRHP) being filed with SEBI by the Companies. SEBI has prescribed criteria for rejections of DRHP which also provides for repercussions of rejection of documents by SEBI.

This year too is likely to witness various steps by SEBI for development & betterment of market with an objective to benefit all the market participants and particularly the investors.

**FINAL COUNTDOWN BEGINS FOR COMPANIES TO ACHIEVE MINIMUM PUBLIC SHAREHOLDING**

The three years window to achieve minimum public shareholding for all the listed companies as provided by Ministry of Corporate Affairs in June 2010 (listed companies) and August 2010 (listed PSUs) is set to close this year. During this period SEBI has provided different tools to the Companies and Promoters to achieve the set objective within the time frame. As on Dec 2012, 23 Companies have opted ‘Offer for Sale’ route to achieve the minimum public shareholding with 2 companies adopting ‘Institutional Placement program’ route.

**SEBI EYES AMENDMENT IN BUYBACK REGULATIONS. RELEASES DISCUSSION PAPER**

SEBI has released a discussion paper for general public to amend the framework of “buyback through open market route”. This discussion paper has been an outcome of the analysis carried out by SEBI with regard to success of buyback program through open market route. SEBI has observed that the provisions of open route have failed to achieve its objective in spirit. The regulator has proposed changes in following areas:

- To mandate minimum buyback quantity to 50%
- Companies to complete buyback in 3 months
- Companies to put 25% of the maximum amount proposed for buyback in escrow account
- Companies coming with buyback program may not be allowed to raise further capital for a period of two years
- Companies cannot make another buyback for a period of atleast one year if they are not able to buyback 100% the proposed amount or proposed number of shares irrespective of the mode of approval of buyback

- Buyback of 15% or more must be only through Tender offer route
- Removal of restriction on issuance of shares pursuant to ESOP scheme during buyback offer

The details are available on [www.sebi.gov.in](http://www.sebi.gov.in) under section titled “Reports”. Comments on the above framework may be emailed on or before January 31, 2013 to chitrab@sebi.gov.in/anindyakd@sebi.gov.in.
SEBI FOCUSES ON ADOPTING GLOBAL CORPORATE GOVERNANCE PRACTICES

SEBI has also released a consultative paper to invite a wider debate on the governance requirement for the listed companies. These suggestive practices shall add another dimension to Corporate Governance practices with larger focus on the disclosures about independent directors in the Company.

The proposal relates to appointment of independent directors by minority shareholders, certification course and training for independent directors, treatment of nominee director as non independent, restriction on number of independent directorship, etc. The paper also covers the areas relating to board diversity, succession planning, risk management, mandatory rotation of audit partners, mandatory e-voting for all resolutions in a listed company, ring fencing abusive Related Party Transactions, making whistle blower mechanism compulsory requirement etc.

The detailed paper can be read at www.sebi.gov.in under section titled “Reports”. Comments on the above framework may be emailed on or before January 31, 2013 to anandr@sebi.gov.in / cfddil@sebi.gov.in

LISTED COMPANIES TO DISCLOSE EVENTS TO STOCK EXCHANGES INSTANTLY

SEBI has noted that certain listed companies have been sharing periodical information about the sales/turnover/production figures to their respective bodies/industry associations without disclosing the same to Stock Exchanges. Hence it has been mandated to the listed companies under clause 36 of Listing Agreement to inform Stock Exchanges immediately of events such as strikes, lock outs, closure on account of power cuts, etc. and all events which will have a bearing on the performance/operations of the company as well as price sensitive information both at the time of occurrence of the event and subsequently after the cessation of the event. This shall appraise the position of issuer and to avoid the establishment of a false market in its securities. The disclosure of any events having bearing on the performance/operations of the Company to the Stock Exchanges has to be prior to formal dissemination of information to any other body or association.

BANKS APPLYING IN PUBLIC/RIGHTS ISSUE TO HAVE SEPARATE ACCOUNT WITH OTHER SCSB

SEBI has clarified vide circular dated 02/01/2013 that any banks applying in public or rights issue should have separate account in own name with any other registered Self Certified Syndicate Bank (SCSB). Such account shall be exclusively used for the purposes of making application in public/rights issue.

INTRODUCTION OF ADDITIONAL FACILITIES FOR IPO INVESTORS

In order to widen the reach of investors and facilitating them to make applications in IPO easily SEBI has introduced new mechanism. An IPO investor may approach any of the brokers for making an application in the issue. The list of stock brokers is available on the website of Stock Exchange(s). SEBI has proposed to make this facility available at more than 1000 locations which are part of the broker network of stock exchanges. With introduction of this mechanism the retail investor now has following avenues:

- Approaching nominated syndicate members with cheque and application or ASBA Application (Syndicate ASBA)
- Approaching his/her SCSB Bank where account is maintained by the investor (ASBA Direct)
- Approach any of the nominated stock broker network of Stock Exchange's (Non Syndicate Broker Network)

SEBI BOARD MEETING

The SEBI board met on 18/01/2013 and took the decisions on following areas:

1.Offer for Sale through Stock Exchange (OFS) Mechanism:
The board observed that OFS mechanism has been useful tool to promoters to achieve minimum public shareholding. In order to make this route more economical, efficient and transparent SEBI has approved following changes.

- The Institutions have option to place orders/bids with 100% upfront margin or without upfront margin. However, orders/bids placed with 100% upfront margin shall be able to modify/cancel such orders/bids whereas others cannot modify/cancel their order/bids except for upward revision in the price or quantity.
- The cumulative bid quantity and the indicative price calculated based on the bids/orders shall be made available.
2. SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011:

(a) The relevant date for making public announcement and determination of offer price for open offer obligation triggered pursuant to an agreement or in combination of any modes of acquisition shall be the earliest date on which obligations were triggered.

(b) In case of preferential allotment the date of passing board resolution shall be considered as ‘relevant date’ for the purposes of open offer obligations and determination of open offer price instead of the date on which special resolution is passed under Sec 81(1A) of the Companies Act, 1956.

(c) The open offer obligation triggered on account of Buyback program of Company by a shareholder who is not party to buyback arrangement was given 90 days period to bring down the voting rights below the threshold limit from the date of increase. It has been clarified that date of closure of buyback will the considered for calculating the 90 days period.

(d) In terms of Reg 22 of SAST Regulation, the acquirer is not allowed to complete the acquisition of shares or voting rights which triggers the open offer obligations until the expiry of open offer period. But such acquisition can be completed after the expiry of 21 working days from the date of the detailed public statement, provided the acquirer deposits 100 percent of the consideration payable in cash in the escrow account, which required to be completed within two days as per settlement process, thus creating an anomalous situation. It has, therefore, now been decided that market purchases made during the open offer period can be completed during the open offer period subject to such shares being kept in an escrow account. These shares can be transferred from escrow account to the name of acquirer after 21 working days from the date of detailed public statement if acquirer deposits 100 percent of the consideration payable in cash in the escrow account.

SEBI board has made few amendments in (a) Mutual Funds program of Company by a shareholder who is not party to Buyback Regulations, 1996, (b) Stock Brokers and Sub Brokers Regulations 1992 and (c) KYC Regulations 2011. It has also proposed amendments in ICDR Regulations 2009 for enabling two way fungibility of Indian Depository Receipts (IDRs). SEBI will notify guidelines providing a detailed roadmap for the future IDR issuances as well as for the existing listed IDRs.