

Chapter 21: Securities and Exchange Board of India, 1992

Sec 1 : Title and Commencement

To appoint a person to preside over the meeting & to maintain decorum.

Sec 3: Establishment and incorporation of Board

CG appointed a "Board" by the name of the Securities and Exchange Board of India to enforce provisions of SEBI Act, 1992. It's a body corporate, having perpetual succession and a common seal. The H.O. of the Board is at Bombay. The Board may establish offices at other places in India.

21.1

Sec 4: Management of the Board

Members of the Board :-

- (a) a Chairman; (b) two members from the officials of the Ministry of Finance and those administrating the Companies Act
 (c) one member from amongst the RBI officials; (d) five other members of whom atleast three therein shall be the whole-time members,
 to be appointed by the CG

Sec 5: Term of Office

This section relates only to Chairman [referred to in sec 4(1)(a)] and members referred to in sec 4(1)(d)[i.e. five other members of whom at least three shall be the whole-time members]. **Term of office:**

- a. Chairman and Whole Time Members: 3 years subject to age limit of 65 years. Can be reappointed
 b. Other members [i.e. those members referred in sec 4(1)(d) apart from whole time] : Max 3 years/No age limit.

Termination (by CG) & Relinquishment (by appointed person)

Termination before expiration of tenure:	Relinquishment before expiration of tenure:
a. by giving written notice to the person for not less than 3 months OR b. by giving 3 months' salary and allowances in lieu thereof,	Notice of not less than 3 months in writing to CG

Sec 6: Removal of member from office

CG shall after giving reasonable OOBH remove a member from office if he –

(a) is, or at any time has been, adjudicated as insolvent;	(b) is of unsound mind and stands so declared by a competent court;
(c) has been convicted of an offence which, in the opinion of the CG involves a moral turpitude;	d) has, in the opinion of the Central Government, so abused his position as to render his continuation in office detrimental to the public interest

Sec 7: Meetings

Time, Places, and Rules of Procedure (including Quorum) are provided by regulations. 'Chairman' or in his absence 'any other member chosen by the members present' from amongst themselves at the meeting shall preside at the meeting. All questions shall be decided by a majority vote of the members present and voting, and, in the event of equality of votes, the Chairman, or in his absence, the person presiding shall have a second or casting vote.

Sec 7A : Member not to participate in meetings in certain cases (Conflict of Interest)

- a. Any MEMBER of the Board,

- b. who is a DIRECTOR of a company and
 - c. who AS SUCH DIRECTOR has any direct or indirect pecuniary (i.e. monetary) interest in any matter coming up for consideration at a meeting of the Board, shall, as soon as possible after relevant circumstances have come to his knowledge,
 - i. disclose the nature of his interest at such meeting and
 - ii. such disclosure shall be recorded in the proceedings of the Board, and
- that member shall not take any part in any deliberation or decision of the Board w.r.t that matter.

Sec 8 : Vacancies etc., not to invalidate proceedings of Board

Act or proceeding of the Board shall NOT be invalid merely by reason of –

- a. any vacancy in, or any defect in the constitution of, the Board; or
- b. any defect in the appointment of a person acting as a member of the Board;
- c. any irregularity in the PROCEDURE of the Board not affecting the merits of the case.

Sec 11 : Functions of Board

1. It shall be the duty of the Board to protect the interest of investors in securities and to promote the development of and to regulate the securities market;
2. Board may undertake inspection of any book, or register or other document of any listed public company or a public company which intends to get its securities listed on any RSE, where the Board has reasonable grounds to believe that such company has been indulging in insider trading or fraudulent and unfair trade practices relating to securities market;
3. Regulating Self-regulatory organisations;
4. Prohibiting fraudulent and Unfair Trade Practices;
5. Promoting investors' education and training of intermediaries of securities market;
6. Regulating substantial acquisition of shares and take-over of companies;
7. Calling for information from undertaking inspection, conducting inquiries and audits of the Stock exchanges, mutual funds;
8. Calling for information from or furnishing to other authorities, whether in India or Outside having functions similar to those of the Board;
9. Performing such functions and exercising such powers under the provisions of Securities Contract (Regulation) Act, 1956;
10. Levying fees or other charges for carrying out purposes of this section;
11. Conducting research for above purposes;
12. Calling of information or furnishing to such agencies specified by Board, necessary in efficient discharge of functions;

Sec 11A : Board to regulate or prohibit issue of prospectus, offer document or advertisement soliciting money for issue of securities

Board may, for the protection of investors, -

- a. specify, by REGULATIONS – the matters and manner of disclosure, relating to issue of capital, transfer of securities and other matters incidental thereto; and
- b. specify, by GENERAL OR SPECIAL ORDERS – conditions for issue or prohibition on any company from issuing prospectus, any offer document, or advertisement soliciting money from the public for the issue of securities;
- c. specify the requirements for listing and transfer of securities and other matters incidental thereto.

Sec 11B : Power to issue Directions

Except as otherwise provided in section 11 (i.e. Functions of SEBI), if after enquiry, the Board is satisfied that it is necessary,-

- i. in the interest of investors, or orderly development of securities market; or
- ii. to prevent the affairs of any intermediary or other persons referred to in section 12 (i.e. intermediaries who need registration) being conducted in a manner detrimental to the interest of investors or securities market; or
- iii. to secure the proper management of any such intermediary or person, it may issue such directions;
 - a. to any person or class of persons referred to in section 12, or associated with the securities market; or
 - b. to any company in respect of matters specified in section 11A (i.e. issue of prospectus, offer document, advertisement), as may be appropriate in the interests of investors in securities and the securities market

Sec 11C: Inspection & Investigation

Grounds	<ul style="list-style-type: none"> i. the transactions in securities are being dealt with in a manner detrimental to the investors or the securities market; or ii. any intermediary or any person associated with the securities market has violated any of the provisions or directions of the law.
Duties of Director, Officer	<ul style="list-style-type: none"> i. to preserve and to produce to the Investigating Authority, all the relevant requisite documentation, which are in their custody, ii. to furnish such information or documentation relevant or necessary for the purposes of its investigation.
Powers of Investigation Officer	<ul style="list-style-type: none"> i. Retain books and all documents required for 6 months ii. Power to examine on oath, any manager, employee or intermediary iii. Get notes & evidence signed which are taken while investigation
Seizure of documents	<ul style="list-style-type: none"> i. Application to Magistrate of 1st class on reasonable grounds by Investigating Officer. ii. Magistrate can order search & seizure of books. iii. No seizure for company intending to get listed except in case of Insider Trading or market manipulation. iv. Return the books, place the investigation marks and inform the magistrate.
Penalty	<ul style="list-style-type: none"> i. Failure or refusal to comply with order of inspector or investigation officer in respect of above stated duties without any cause, result in imprisonment upto 1 year or fine upto Rs. 1 crore. ii. Plus Rs. 5 Lacs for every day till default continues.

Sec 11D: Cease Desist Proceeding

Board finds, after inquiry, that any person has violated, or is likely to violate, any provisions, it may pass an order requiring such person to cease and desist from committing or causing such violation.

Common points for Sec 11C & 11D

In respect of any listed public company or a public company (other than the intermediaries specified under section 12) which intends to get its securities listed on any recognised stock exchange unless the Magistrate/Board has reasonable grounds to believe that such company has indulged in insider trading or market manipulation.

Sec 12: Registration of stock brokers, sub-brokers, share transfer agents, etc.

Provision related to	It states
----------------------	-----------

Persons who are authorised to buy, sell or dealing in securities	Stock-broker, sub- broker, share transfer agent, banker to an issue, trustee of trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser and such other intermediary who may be associated with securities market shall conduct the transactions in accordance with the conditions of a certificate of registration obtained from the Board in accordance with the regulations made under this Act.
Board shall by notification specify the persons who shall buy or sell or deal in securities	Depository, participant, custodian of securities, foreign institutional investor, credit rating agency or any other intermediary associated with the securities market as the Board may by notification in this behalf specify, shall conduct the transactions in accordance with the conditions of a certificate of registration obtained from the Board in accordance with the regulations made under this Act.
Person who shall sponsor or cause to be sponsored or carry-on or cause to be carried-on any venture capital funds or collective investment schemes including mutual funds.	Shall be, who obtains certificate of registration from the Board in accordance with the regulations.

Finance, Accounts and Audit

Sec 13: Grants by the Central Government

After Parliament appropriates funds, CG, makes grants to the Board.

Sec 14: Fund

- Securities and Exchange Board of India General Fund shall be constituted and credited with-
 - all grants, fees and charges received by the Board under this Act;
 - all sums received by the Board from such other sources as may be decided upon by the CG.
- The Fund shall be applied for meeting -
 - the salaries, allowances and other remuneration of members, officers and other employees of the Board;
 - the expenses of the Board in the discharge of its functions under section 11;
 - the expenses on objects and for purposes authorised by this Act.

Sec 15: Accounts and Audit

- Board maintains proper accounts and records and prepares an annual statement of accounts as notified by CG with C&AG's consultation, and pays the C&AG for expenses relating to its audit thereof.
- Audit by C&AG shall be at such intervals as may be specified by him.
- C&AG or its appointee for audit shall have the same rights and privileges and authority as in audit of the Government accounts and, in particular, shall have the right to demand the production of books, accounts, connected vouchers and other documents and papers and to inspect any of the offices of the Board.
- The accounts together with the audit report thereon shall be forwarded annually to the CG who then lays it before each House of Parliament.

Penalties of SEBI

Sec	Nature of Contravention	Quantum
15A	<ol style="list-style-type: none"> Failure to furnish document return to SEBI Failure to file return or furnish any information, books or other documents to SEBI Failure to maintain books and records 	Lower of: 1. Rs. 1 lac per day or 2. Rs. 1 crore
15B	Failure by intermediary to enter into an agreement with his client.	

15C	Failure to redress the investor grievances by any company or intermediary specified by SEBI in specified time.	
15D	A. Carrying on any collective investment scheme without obtaining certificate of registration. B. Person carrying out collective investment scheme as registered with SEBI, makes any of the following default: i. Failure to comply with the terms & conditions of certificate of registration. ii. Failure to make application for listing its scheme. iii. Failure to dispatch unit certification of any scheme. iv. Failure to refund the application monies paid by the investor. v. Failure to invest the money collected by him.	
15E	Where any asset management company of a mutual fund, fails to comply with any of the regulations providing for restrictions on the activities of the asset management companies.	
15F	A registered Stock Broker: ✓ Fails to issue contract notes in the form and in the manner specified by the Stock Exchange.	Rs. 1 Lac to amount of contract note.
	✓ Fails to deliver any security or fails to make payment of the amount due to the investor in the manner within the period specified in the regulations.	Lower of: 1. Rs. 1 lac per day or 2. Rs. 1 crore
	✓ Charges an amount of brokerage which is in excess of the brokerage specified in the regulations.	Higher of Rs. 1 lac or 5 times excess brokerage
12A	No person shall directly or indirectly – a. use or employ, related to the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions; b. employ any device or scheme or artifice to defraud related to the issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange; c. engage in any act, practice, course of business operating fraudulently upon any person related to issue, dealing in securities which are listed or proposed to be listed in contravention of the provisions.	Rs. 25 Cr. or 3 times of profit derived whichever is higher
15G	If any insider who on the basis of unpublished price-sensitive information: i. either on his own or on behalf of any other person, deals in securities; ii. counsels, or procures for any other person on the basis of unpublished price-sensitive information. iii. communicates any unpublished price-sensitive information to any person, with or without his request except as required in the ordinary course of business or under any law; or	Rs. 10 Lacs to Rs. 25 Cr. or 3 times of profit derived whichever is higher.
15H	If any person: i. discloses the aggregate of his shareholding in the body corporate before he acquires any shares of that body corporate; or ii. makes a public announcement to acquire shares at a minimum price; or iii. make a public offer by sending letter of offer to the shareholders of the concerned company; or iv. make payment of consideration to the shareholders who sold their shares pursuant to letter of offer	
15HA	If any person indulges in fraudulent & unfair trade practices relating to securities	Rs. 5 Lacs to Rs. 25 Cr. or 3 times of profit derived whichever is higher.
15HB	Any other non-compliance for which no separate penalty has been provided	Rs. 1 Lac per day Maximum upto Rs. 1 crore.
24	If any person fails to pay the penalty imposed by the adjudicating officer or fails to comply with any of his	Imprisonment: 1 month to 10 yrs or

directions or orders, he shall be punishable with imprisonment for a term which shall not be less than one month but which may extend to

Fine upto Rs. 25 Cr. or both.

Adjudication, Appeals, Reference & Revisions

Offences by a person under SEBI shall be adjudicated by Adjudication Officer (AO). The AO shall be appointed by SEBI of rank of Divisional Chief and above. AO shall hold enquiry after giving OOBH. AO can summon attendance & demand documents and demand information as required. AO shall impose penalty after hearing facts. SEBI can review such order and enhance such penalty on giving OOBH to person.

Sec 15I – 15JB: Procedure for Adjudication

- i. Board appoints Adjudicating Officer (AO) who is an officer not below the rank of a Division Chief.
- ii. Powers of AO: a. summon and enforce the attendance; b. Receive evidence and production of any document; c. Impose penalty after giving OOBH.
- iii. Factors to be taken into account by the adjudicating officer while adjudicating the quantum of penalty:
 - a. the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;
 - b. the amount of loss caused to an investor or group of investors as a result of the default;
 - c. the repetitive nature of the default.
- iv. Cognizance of offences by Courts: a. No Court shall take cognizance of any offence under this Act except on complaint made by SEBI
- v. No Court inferior to that of a Court of Session shall try any offence punishable under this Act.
- vi. **Power of SEBI under adjudication**
The Board may call for and examine the record of any proceedings under this section and if it considers that the order passed by the Adjudicating Officer is erroneous to the extent it is not in the interests of the securities market, it may, after making or causing to be made such inquiry as it deems necessary, pass an order enhancing the quantum of penalty, if the circumstances so justify. Provided that no such order shall be passed unless the person concerned has been given an OOBH.
- vii. **Crediting sums realised by way of penalties to Consolidated Fund of India:** Penalties recovered shall be credited to the Consolidated Fund of India.
- viii. **Settlement of administrative and civil proceedings:** For proceedings initiated/to be initiated under sec 11, 11B, 11D, 12(3) & 15-I, option of SETTLEMENT is available. Procedure:
 - a. Person may file a written application to Board proposing for settlement of the proceedings initiated/to be initiated for the alleged defaults.
 - b. Board after considering the nature, gravity and impact of defaults, may agree to the proposal for settlement
 - c. Board may require payment of such sum by the defaulter or fulfilment of such other terms.
 - d. NO APPEAL u/s 15T to SAT is possible against any order passed under this section.

Sec 15K, 15L, 15M, 15N & 15T: Appellate Tribunal

Sec 15K-Establishment of Securities Appellate Tribunal: CG by notification, establishes one or more Securities Appellate Tribunal (SAT).

Sec 15L: Composition of SAT by CG	Sec 15N : Tenure of Presiding Officer and other Members of SAT	
SAT shall consist of:	Tenure of Office	Age Limit
i. a Presiding Officer	5 years.	68 years

ii. 2 other members	Eligible for reappointment	62 years
----------------------------	-----------------------------------	-----------------

Sec 15M - Qualification for appointment as Presiding Officer or Member of the Securities Appellate Tribunal:

Type of Appointment	Qualification
1. Presiding officer	i. Sitting or retired Judge of the Supreme Court OR ii. Sitting or retired Chief Justice of a High Court. iii. Appointed by the CG in consultation with the Chief Justice of INDIA or his nominee
2. Member of SAT	Person of ability, integrity and standing who has shown capacity in dealing with problems relating to securities market and has qualification and experience of corporate law, securities laws, finance, economics or accountancy

21.7

Following persons of the BOARD (i.e. Board of Members of SEBI in Sec 3 & 4) NOT to be appointed to SAT :

- Member of the BOARD or
- Any person holding a post at senior management level equivalent to Executive Director in the BOARD during his service or tenure as such with the Board or within two years from the date on which he ceases to hold office as such in the Board.

Sec 15T : Appeal to the SAT

Order made by :	Appeal made to:	Exception:	Time limit of appeal to SAT:	Extension of time	Communication of SAT's order	Disposal of Appeal
Board*	SAT	Parties to appeal can consent not to make an appeal to SAT.	45 days from date on which order copy is received by appellant	Granted based on sufficient cause	To Board, Adjudicating Officer, Parties to appeal.	Within 6 months of receipt of appeal
Adjudicating Officer (Sec 15I)						

*Order of the Board shall be made, on and after the commencement of the Securities Laws (Second Amendment) Act, 1999. SAT may, after giving the parties to the appeal, an opportunity of being heard, pass such orders thereon as it thinks fit, confirming, modifying or setting aside the order appealed against.

Sec 15Z : Appeal to the Supreme Court

Order by	Appeal to	Reason	Time limit of appeal to SAT	Extension of time
SAT	SC	Question of Law	60 days from date on which SAT order communicated to appellant	60 days granted based on sufficient cause

Sec 15R: Orders constituting Appellate Tribunal to be final and not to invalidate its proceedings

No order of the Central Government appointing any person as the Presiding Officer or a Member of a SAT shall be called in question in any manner, and no act or proceeding before a Securities Appellate Tribunal shall be called in question in any manner on the ground merely of any defect in the constitution of a SAT.

Sec 26A-E: Establishment of Special Courts

CG may for speedy trial of offences establish or designate multiple Special Courts.

Special Court constitutes 1 Judge appointed by CG with the concurrence of the Chief Justice of the HIGH COURT within whose jurisdiction the judge to be appointed is working.

Qualification for appointment: Appointee must hold the office of a Sessions Judge or an Additional Sessions Judge immediately before such appointment.

Offences Triable by: All offences under this SEBI Act, 1992 shall be taken cognizance of and tried by the Special Court for area under its jurisdiction or where there are more than one Special Courts for such area, by such one of them as may be specified in this behalf by the High Court concerned.

APPEAL AND REVISION: High Court shall consider Special Court as a Court of Sessions for this purpose

APPLICATION OF 'CODE' : Code of Criminal Procedure, 1973 shall apply to the proceedings before a Special Court and shall be deemed to be a Court of Sessions

PERSON CONDUCTING PROSECUTION before a Special Court shall be deemed to be a Public Prosecutor and should have been in practice as an advocate for not less than seven years or should have held a post, for a period of not less than seven years, under the Union or a State, requiring special knowledge of law.

Sec 28A : Recovery of Amounts

In case of failure:

- i. to pay the penalty imposed by the AO, or
- ii. to comply with any Board's direction for refunding of monies, or
- iii. to comply with a direction of disgorgement order issued u/sec 11B (i.e. Power to issue Directions) , or
- iv. to pay any fees due to the Board,

the Recovery Officer may draw up under his signature a statement in the specified form specifying the amount due from the person and shall proceed to recover from such person that amount by one or more of the following modes, namely:—

- a) attachment and sale of the person's movable property;
- b) attachment of the person's bank accounts;
- c) attachment and sale of the person's immovable property;
- d) arrest of the person and his detention in prison;
- e) appointing a receiver for the management of the person's movable and immovable properties.

DARSHAN KHARE'S
ACADEMY & PUBLICATION

Securities and Exchange Board of India (Issue of Capital and Disclosure Requirement) Regulations, 2009

Applicability

Regulations shall apply to the following:

a. a public issue;	b. a rights issue in excess of Rs. 50 Lakhs by a Listed Company
c. a preferential issue;	d. an issue of bonus shares by a listed issuer;
e. a qualified institutions placement by a listed issuer;	f. an issue of Indian Depository Receipts

21.9

Reg. 26-27: Conditions for IPO/ FPO

1. An issuer may make an initial public offer (IPO), if:
 - a. it has net TANGIBLE assets of at least Rs. 3 crore in each of the preceding 3 full years (of 12 months each), of which not more than 50% are held in monetary assets. Provided that if more than 50% of the net tangible assets are held in monetary assets, the issuer has made firm commitments to utilize such excess monetary assets in its business or project;
 - b. it has a minimum average pre-tax operating profit of Rs. 15 crores, calculated on a restated & consolidated basis, during the 3 most profitable years out of the immediately preceding 5 years.
 - c. it has a net worth of at least Rs. 1 crore in each of the preceding three full years (of 12 months each);

Clauses (d)& (e) and Sub- Section 2 are to be fulfilled for IPO and FPO

- d. *the aggregate of the proposed issue and all previous issues made in the same FY in terms of issue size does not exceed 5 times its pre-issue net worth as per the audited balance sheet of the preceding FY;*
 - e. *if it has changed its name within the last 1 year, at least 50% of the revenue for the preceding 1 full year has been earned by it from the activity indicated by the new name.*
2. *An issuer not satisfying the condition above may make an IPO if the issue is made through the book-building process and the issuer undertakes to allot, at least 75% of the net offer to public, to qualified institutional buyers (QIBs) and to refund full subscription money if it fails to make the said minimum allotment to QIBs.*
3. An issuer may make an IPO of convertible debt instruments without making a prior public issue of its equity shares and listing thereof.
4. An issuer shall not make an allotment pursuant to a public issue if the number of prospective allottees is less than one thousand.

Steps involved to opt for IPO

<ol style="list-style-type: none"> 1. Appointment of Merchant Banker from following: <ol style="list-style-type: none"> a. SEBI Registered Merchant Banker b. Registrar to the issue who shall provide administrative help. c. Bankers who provide collection of money and application. d. Brokers who advertise the issue and e. Underwriters who help obtain finance in case of shortage. 	<ol style="list-style-type: none"> 2. Marketing the issue Issue is to be advertised to prospective investors. And timing of issue should not be such that overall sentiment is negative.
---	--

3. Registration of Offer Document: File 10 copies of Draft Prospectus with SEBI. No changes to be made AFTER 21 days of filing. SEBI clears the Prospectus after 21 days, barring any corrections	4. Post closure of the subscription list Within 3 days Merchant Banker reports if atleast 90% is subscribed. If not, underwriters fulfil their Firm commitments in 60 days If more than 100 % subscribed, pro rata allotment and refund of excess applications is done in 30 days.	
	FIXED PRICE ISSUE	BOOK BUILT ISSUE
Offer Price	Known in advance	Method of price discovery, 20 % price band is given, market forces determine price.
Demand	Known after closure of issue	Known in real-time on BSE website
Payment	Value is to be paid upfront with application	Same as Fixed issue, BUT QIB's are called to pay only 10% initially
Reservation	50% shares reserved for applications below Rs. 1 lakh	50% for QIB's, 35% for small, balance for others.

Book Building Route

5. Under and Over Subscription both are hazardous to Companies, and so to avoid the same in both IPO and FPO, for which Company uses the Book Building route.
6. Main reason of over or under subscription is demand variability which ultimately relates to pricing. So if we can control the price, we can control the demand through which we can control both Over & Under Subscription.
7. **Process is as follows:**
 - a. Appoint Lead Book Runner & Co-Book Runner.
 - b. Prescribe no. of securities & Price Band in Red Herring Prospectus.
 - c. Appoint Syndicate members (Brokers) with whom Public can raise the bids which will be recorded in the Electronic Book. Such book will be open for 5 days.
 - d. Public shall place the bid in a price band. Price band can be shifted depending on demand and rebidding will be conducted.
 - e. Optimum price will be finalized and will be declared as final price.
 - f. Securities will be allotted to optimum bidders & remaining money will be refunded.

Reg. 28-31: Pricing Regulation

Reg. 28: Pricing

An issuer may determine the price of specified securities, the coupon rate and conversion price of convertible debt instrument by way of:

- a. consultation with the lead merchant banker OR
- b. through the book building process specified in Sch. XI.

Reg. 29: Differential Pricing

An issuer may offer specified securities at different prices, subject to the following:

Type of Issue	All issues	Book Built Issue	Composite Issue (Public + Rights)	Alternate Book building method
Investor group that can be priced differently:	Retail Individual Investors OR Retail Individual Shareholders OR Employees entitled for 'reservation' in Reg. 42 applying for Securities upto 2 lakhs.	Anchor Investor	Both Public Issue Subscribers & Rights Issue Subscribers	Employees
Price can be:	Upto 10% lower than other categories	Not lower than other applicants	Both Issues can be priced differently if justification given	Upto 10 % lower than floor price

Reg. 30: Price and Price band

Price Band related conditions: a. Price Band upper limit can be 120% of Floor Price b. Floor Price / Final price shall be \geq Face Value

PRICE RELATED DISCLOSURES

Where to mention :	Draft Prospectus in case of fixed price issue	Red Herring Prospectus in case of Book Built issue
What to mention :	Price or Price Band	Floor Price or Price Band
OTHER NECESSARY ANNOUNCEMENTS/DISCLOSURES TO BE MADE TO PUBLIC:		
What should be disclosed:	Financial ratios computed AND Draw attention of investors to "basis of issue price" section in prospectus	
When to announce to public:	Min. 5 working days before opening of bid for IPO; Min. 1 working day before opening of bid for FPO	
Where to announce:	All newspapers wherein pre-issue advertisement was released; On websites of stock exchanges where securities may be listed. Pre-filled into application forms available on those websites.	

21.11

Reg. 31 : Face value of equity shares

Applicable to: Issuer of IPO for Equity shares (other than government company, statutory authority or corporation or any special purpose vehicle set up by any of them, which is engaged in infrastructure sector).

Issue Price	Face value	Disclosure to be made regarding Face Value:
500 or more	Rs 1 to Rs 10	In all advertisements, offer documents and application forms in identical font size as that of issue price or price band
Less than 500	Rs 10 only	

Reg. 32 to 40: Promoter's Contribution

'Promoter group' includes

- i. the promoter;
- ii. an immediate relative of the promoter (i.e. spouse, or any parent, brother, sister or child of the person or of the spouse); and
- iii. in case promoter is a body corporate:
 - a. a subsidiary or holding company of such body corporate;
 - b. any body corporate in which the promoter holds $\geq 10\%$ of the equity share capital or which holds $\geq 10\%$ of the equity share capital of the promoter;
 - c. any body corporate in which a group of individuals or companies or combinations thereof which holds $\geq 20\%$ of the equity share capital in that body corporate also holds \geq of the equity share capital of the issuer; and
- iv. in case the promoter is an individual:
 - a. any body corporate in which $\geq 10\%$ of the equity share capital is held by the promoter or an immediate relative of the promoter or a firm or HUF in which the promoter or any one or more of his immediate relative is a member;
 - b. any body corporate in which a body corporate as provided in (a) above holds $\geq 10\%$ of the equity share capital;
 - c. any HUF or firm in which the aggregate shareholding of the promoter and his immediate relatives is $\geq 10\%$ of the total; and

Provided that a financial institution, scheduled bank, foreign institutional investor other than Category III foreign portfolio investor and mutual fund shall not be deemed to be promoter group merely by virtue of the fact that $\geq 10\%$ of the equity share capital of the issuer is held by such person.

'Promoter's Contribution'

Type of Issue	IPO	FPO	Composite (Public + Rights)
Promoter's	20% or more of the post	To the extent of 20% of : 'proposed issue	To the extent of 20% of 'proposed issue size' or 'post issue capital'.

Contribution	issue capital	size' or 'post issue capital'	EXCLUDING RIGHTS ISSUE
--------------	---------------	-------------------------------	------------------------

Lock in period

- minimum promoters' contribution shall be locked-in for a period of 3 years from the date of commencement of commercial production or date of allotment in the public issue, whichever is later;
- promoters' holding in excess of minimum promoters' contribution shall be locked-in for a period of 1 year
- In case of an IPO, the entire pre-issue capital held by persons other than promoters shall be locked-in for a period of one year locked-in shares can be pledged, transferred inter se between promoters.

Reg. 41 : Minimum offer to public

Minimum Issue to Public	10%	25%
Conditions to fulfill	<ol style="list-style-type: none"> Min 20 lakh securities in number offered to public Offer size 100 crores. It should be Book built issue allocating 60% to QIB. Min 10% shall be offered to Public. 	In case, conditions for 10% minimum offer to public are not fulfilled, minimum 25% of issue shall be made to public of each kind of securities through advertisement in newspaper for atleast 2 days.

Cross Listing

Means listing of same share at multiple exchanges. Such that there is an increased liquidity for the shares. Meaning that buyers and sellers are numerous and there is swift availability of shares changing ownership. At both exchanges all fees and documents and rules placed have to be followed and fulfilled.

Reg. 52: Right Issue

Definition: "Rights issue" means an offer of specified securities by a listed issuer to the shareholders of the issuer as on the record date fixed for the said purpose Sec 62 lays down a duty to issue shares to already existing shareholders, before issue to others.

For Listed Issuers:

- Conditions for making rights issue:

Value of securities(incl. premium)	> 50 Lakhs	Upto 50 lakhs
Steps to make Rights Issue	<ol style="list-style-type: none"> Draft Letter of Offer to Board 30 days before File Letter of Offer with SEBI 	File Letter of Offer with SEBI

- To determine eligibility of shareholders for rights issue a RECORD DATE is set.
- If issuer withdraws rights issue after announcement of the record date, then for 12 months after that record date no application for listing of equity share can be made to any RSE except for equity shares arising out of convertible instruments issued prior to announcement of record date.

Reg. 92-95 : Bonus Shares

Listed Issuer shall fulfil following conditions :

- AOA must authorize for issue of bonus shares, capitalisation of reserves, etc, if not, then issuer shall pass a resolution at its general body meeting making provisions in the AOA
- Issuer has not defaulted in payment of interest or principal in respect of fixed deposits or debt securities issued by it;

- c. Issuer has sufficient reason to believe that it has not defaulted in respect of the payment of statutory dues of the employees such as contribution to provident fund, gratuity and bonus;
- d. the partly paid shares, if any outstanding on the date of allotment, are made fully paid up

Restrictions to issue of Bonus shares

- a. Where issuer has issued a Convertible debt instrument it will transform into a particular kind or class of equity shares at later stage through conversion. If “bonus shares” are issued for that kind or class of equity shares, then a reserved quantity of “bonus shares” shall also be approved to meet the obligations arising post conversion of debt instruments as well.
- b. Bonus shares are not to be issued in lieu of dividend.
- c. Time Limits for Bonus Issue process

Requisite Approvals	Approval of BOD only	Approval of BOD and shareholders for capitalization of reserves
Time Limit for completion	15 days from BOD's approval	2 months from BOD's approval
Time Limit for withdrawal	Once approved bonus issue cannot be withdrawn.	

- d. Sec 63 of Companies Act, 2013:

A company may issue fully paid-up bonus shares to its members, in any manner whatsoever, out of:

- i. its free reserves; ii. the securities premium account; or
iii. the capital redemption reserve account:

Provided that no issue of bonus shares shall be made by capitalising reserves created by the revaluation of assets.

21.13

Preferential Allotment

Preferential Allotment means issue of shares by a Body Corporate to any select persons or groups on preferential basis and does not include shares or other securities offered through a public issue, employee stock option scheme or sweat equities or bonus shares or depository receipts issued in country outside India or Foreign Securities.

Conditions: Under the SEBI (ICDR) Regulations 2009, following conditions must be followed for the preferential issue by Listed Company:

- Approval from shareholders shall be taken
- Existing proposed allottees shall have shares in dematerialised form.
- Shall not make preferential issue unless it:
 - Is in compliance with the conditions of continuous listing;
 - Has obtained PAN of all the proposed allottees
- Issuer Company cannot make issue to a person who has sold any equity shares during the six months preceding relevant date.

(volume weighted average prices: VWAP)

Security	Minimum Price	Relevant Date
Frequently traded shares listed for 26 weeks or more	Higher of the average of weekly high/ low of VWAP during: 26 weeks or 2 weeks prior to Relevant Date.	30 days prior to EGM date where resolution u/s 81(A) is passed.
Shares listed for less than 26 weeks	Higher of the: <ol style="list-style-type: none"> Average of weekly high/ low of VWAP during the period prior to Relevant Date. IPO Price or value arrived at under Scheme of Arrangement Average of weekly high/low of VWAP during the 2 weeks prior to the Relevant Date. 	

Preferential Allotment to QIBs not exceeding 5 in number	Average of weekly high/low of VWAP during the 2 weeks prior to the Relevant Date.	
Shares arising out of Warrants/ FCD/ PCD	Average of weekly high/low of VWAP during the 2 weeks prior to the Relevant Date.	As above or as at Company's option a date 30 days prior to date of exercise of warrant/ FCD.
Infrequently traded shares	Other valuation parameters, such as, book value, comparable trading multiples, etc. may be considered. A Certificate from a CA/ Merchant Banker Should be obtained for the same.	
If relevant date falls on a weekend or a Holiday, then the Day before such Weekend/ Holiday.		
Lock-in Requirements to be fulfilled are:		
1. Securities allotted to the Promoter and Promoter Group: If excess of 20% of total capital of the Company then lock in for a period of 1 year otherwise for 3 years from the date of allotment.		
2. Other than promoter and promoter group: Lock in for a period of 1 year from the date of allotment.		
3. Shares acquired on conversion of warrants/FCD in this case the lock-in period shall be reduced by the period of warrants/ FCD (Fully convertible Debentures).		
4. The entire Pre-preferential capital held by the allottees for the lock-in period shall be 6 months from the preferential allotment.		

Regulation 80-91: Qualified Institutions Placement (QIP)

Reg. 80: Applicable to

Qualified Institutional Placement made by a Listed Issuer.

Reg. 82: Conditions for Qualified Institutions Placement

1. GM-SR is required.	2. The securities shall be of same class which are listed on Stock Exchange for last one year.
3. The price will be averaged out market price of last 2 weeks high lows.	4. The issuer shall appoint Merchant Banker to manage the issue.

Reg. 83: Appointment of Merchant Banker

A QIP shall be managed by a Merchant Banker(s) to by exercising due diligence. While seeking in-principle approval for listing of the eligible securities he shall furnish to each Stock Exchange a Due Diligence Certificate and that the issuer complies with requirements of this Chapter.

Reg. 84: Placement Document

- QIP shall be made on the basis of a Placement Document containing all material information, including those specified in Schedule XVIII.
- It shall be serially numbered and copies shall be circulated only to select investor.
- Issuer while seeking in-principle approval from the RSE shall furnish a copy of the Placement Document, Compliance Certificate & any other document.
- It shall also be placed on the website of the concerned Stock Exchange and of the Issuer with a disclaimer that it is w.r.t the QIP and that no offer is being made to the Public or to any other category of investors.

Reg. 85: Pricing

QIP shall be made at a price not less than the average of the weekly high and low of the closing prices of the equity shares of the same class quoted on the stock exchange during the 2 weeks preceding the relevant date. However, the issuer may offer a discount of not more than 5% on the price so calculated for the QIP, subject to approval of shareholders.

Reg. 86: Restrictions on allotment

1. Minimum of 10% of eligible securities shall be allotted to mutual funds. However, if the mutual funds do not subscribe to said minimum percentage or any part thereof, such minimum portion or part thereof may be allotted to other QIBs;
2. Allotment shall not be made, directly or indirectly, to any QIB who is a promoter or any person related to promoters of the issuer. However, a QIB who does not hold any shares in the issuer and who has acquired the said rights in the capacity of a lender shall not be deemed to be a person related to promoters.
3. The applicants in qualified institutions placement shall not withdraw their bids after the closure of the issue.

Reg. 87: Minimum number of allottees

1. The minimum number of allottees for each placement of eligible securities made under qualified institutions placement shall not be less than:
 - a. 2, where the issue size \leq Rs. 250 crores; b. 5, where the issue size $>$ Rs. 250 crores. Provided that no single allottee shall be allotted $>$ 50% of the issue size.
2. The QIBs belonging to the same group or who are under same control shall be deemed to be a single allottee.

21.15

Reg. 88: Validity of the Special Resolution

1. Allotment pursuant to SR referred in clause (a) of Reg. 82 shall be completed within a period of 12 months from the date of passing of the resolution.
2. The issuer shall not make subsequent QIP until expiry of 6 months from the date of the prior QIP made pursuant to one or more special resolutions.

Reg. 89: Restrictions on amount raised

The aggregate of the proposed qualified institutions placement and all previous qualified institutions placements made by the issuer in the same financial year shall not exceed five times the net worth of the issuer as per the audited balance sheet of the previous financial year.

Reg. 90: Tenure

The tenure of the convertible or exchangeable eligible securities issued through QIP shall not exceed 60 months from the date of allotment.

Reg. 91: Transferability of eligible securities

The eligible securities allotted under QIP shall not be sold by allottees for a period of 1 year from the date of allotment, except on a recognized stock exchange.

Listing Obligation & Disclosure Requirement Regulation, 2015

These regulations shall apply to the listed entity who has listed any of the following designated securities on recognised stock exchange(s):

- a. specified securities listed on main board or SME Exchange or institutional trading platform;
- b. non-convertible debt securities, non-convertible redeemable preference shares, perpetual debt instrument, perpetual non-cumulative preference shares;
- c. Indian depository receipts;
- d. units issued by mutual funds;
- e. securitised debt instruments;
- f. any other securities as may be specified by the Board.

Common Obligations of Listed Entities

Regulation 6: Compliance Officer and his Obligations

Qualified Company Secretary shall be appointed as the compliance officer. Responsibility of Compliance officer is as follows:

- a. ensuring conformity with the applicable regulatory provisions
- b. monitoring email address of designated grievance redressal division
- c. ensuring the procedural correctness in filings done by the listed entity under these regulations.
- d. co-ordination with and reporting to the Board, recognised stock exchange(s) and depositories

Regulation 7: Share Transfer Agent

Listed entity can either appoint or have a Share Transfer facility in-house.

Regulation 24: Corporate Governance Requirements with respect to Subsidiary of Listed Entity

1. Min 1 common independent director shall be on Board of LISTED ENTITY (LE) & on Board of its UNLISTED MATERIAL SUBSIDIARY (ULS), incorporated in India.
2. The management of the ULS shall periodically bring to the notice of the board of directors of the LE, a statement of all significant transactions and arrangements entered into by the unlisted subsidiary.
3. A LE shall not dispose of shares in its ULS resulting in reduction of its shareholding (either on its own or together with other subsidiaries) to less than fifty percent or cease the exercise of control over the subsidiary without passing a special resolution in its General Meeting except in cases where such divestment is made under a scheme of arrangement duly approved by a Court/Tribunal.
4. Selling, disposing and leasing of assets amounting to more than twenty percent of the assets of the material subsidiary on an aggregate basis during a financial year shall require prior approval of shareholders by way of special resolution, unless the sale/disposal/lease is made under a scheme of arrangement duly approved by a Court/Tribunal.

Quarterly Compliances – Listed Entity

Regulation No:	Who should file?	With whom?	Time Limit from end of Qtr	Contents of filing
13(3)	Listed Entity	RSE	21 days	Statement showing investor complaints at: i. Beginning of Qtr ii. During the Qtr iii. Disposed off during the Qtr iv. Unresolved at end of Qtr
27(2)	Listed Entity	RSE	15 days	Following documents are to be filed: i. Compliance report on corporate governance AND ii. Details of all material transactions with related parties Signed by Compliance Officer or CEO
31(1)	Listed Entity		21 days	Statement showing i. Holding of Securities and ii. Shareholding Patterns for each class of security. Such statement shall also be filed: i. 1 day before listing of Securities in stock exchanges. ii. Within 10 days of capital restructuring which results in total PUC increase by 2%.
32(1)	Listed Entity	RSE		Statement showing : i. deviations in the use of proceeds from the objects stated in the pre-issue document; ii. category wise variation (capital expenditure, sales and marketing, working capital etc.) between projected utilization as per pre issue documents and the actual utilisation of funds.
33(3)	Listed Entity	RSE	45 days (except 4th Qtr)	Statement of Quarterly and YTD (year to date) standalone financial results.

Prior Intimation of Board Meetings

Regulation No.	Who should file?	With whom?	Purpose for which intimation is to be given:	Intimation given (days)	Exclusions
----------------	------------------	------------	--	-------------------------	------------

29(1)(a)	Listed Entity	RSE	BOD meeting for considering Financial Results	5 days	Date of meeting & Date of intimation
29(1)(b)-(f)	Listed Entity	RSE	BOD meeting for: a. proposal for buyback of securities; b. proposal for voluntary delisting from the stock exchange(s); c. fund raising by way of FPO, rights issue, ADR/GDR/FCCB's, QIP, debt issue, preferential issue or any other method and for determination of issue price. d. declaration/ recommendation of dividend, issue of convertible securities including convertible debentures or of debentures carrying a right to subscribe to equity shares or the passing over of dividend. e. the proposal for declaration of bonus securities where such proposal is communicated to the board of directors of the listed entity as part of the agenda papers.	2 working days	
29(3)	Listed Entity	RSE	BOD for: a. any alteration in the form or nature of any of its listed securities or in the rights or privileges of the holders thereof. b. any alteration in the date on which, the interest on debentures or bonds, or the redemption amount of redeemable shares or of debentures or bonds, shall be payable	11 working days	
42(2)	Listed Entity	RSE	Notify Record Date and purpose thereof.	7 Working days	Date of Intimation & Record Date
42(3)	Listed Entity	As law requires	Notify the recommendation or declaration of dividend or cash bonuses	5 working days	
46(3)	Listed Entity	NA	Update change in the content of website, if any.	2 working days	

Annual/ Yearly Compliances

Regulation No:	Who should file?	Recipient	Time Limit	Contents of filing
33(3)	Listed Entity	RSE	60 days (from end of FY)	i. Audited Standalone financial results for FY ii. Audit report in Form A or Form B
34	Listed Entity	RSE	21 working days after AGM at which it was approved and adopted	Annual Report
36(2)	Listed Entity	Holder of Securities	21 days before AGM for approval	Annual Report

Corporate Governance

Related Parties: Approval for RPT has to be obtained under these Regulations. If contracts exist before or continue to be in force after the commencement of this Regulation, then at the FIRST G.M. after commencement they shall be approved by these shareholders.

Types of Committees under LODR Regulations

Headings	Audit Committee		Remuneration Committee		Stakeholders Grievance Committee		Risk Management Committee	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
Min. Members	3	3	3	3	3	3	Not specified	NA
Consisting of	ED & NED	ED & NED	NED	ED & NED	ED & NED	ED & NED	Majority of BOD	NA
IDs	2/3 rd	Majority	50%	50%	-	-	Not Specified	NA
Chairman	ID	Any BOD	ID	Any BOD	NED	Any BOD	Senior Executives	NA
CS	Of Company						NA	

Audit Committee

- MEMBERS of AUDIT COMMITTEE shall consist of at least 3 DIRECTORS.
- 2/3rd of TOTAL MEMBERS to be INDEPENDENT
- CHAIRPERSON shall be INDEPENDENT
- CHAIRPERSON shall answer investor queries at AGM
- Company Secretary shall be SECRETARY of the AUDIT COMMITTEE
- It can invite to its meetings :

MEETINGS

- 4 times a year.
- Gap of NOT more than 120 days between two meetings
- Quorum is 2 members or 1/3rd of total members, AND at least 2 of them shall be independent Directors

Finance Director, Head of Finance function, Head of Internal Audit, Statutory Auditors' representative and such other executives

vii. Powers of Audit Committee

- Investigate any activity within its purview
- Obtain outside legal and professional advice.
- Seek information from employees
- Bring in outsiders with necessary expertise

Nomination and Remuneration Committee

- Members of N&R committee shall consist of at least 3 directors
- All directors in this committee shall be non-executive
- Min 50 % OF directors shall be independent
- Chairperson shall be independent
- Chairperson of the listed entity can be a member of N&R committee but can't be chairperson of N&R committee.

Stakeholder's Relationship Committee

- Looks into mechanism of redressal of grievance of shareholders
- BOD appoints members.
- Chairperson shall be Non Executive Director

Risk Management Committee

- Applicable only to top 100 select listed entities.
- BOD appoints MEMBERS.
- Majority of members are from BOD.

- iv. CHAIRPERSON shall be BOARD MEMBER.
- v. MEMBERS in committee shall be senior executives
- vi. They monitor and review Risk Mgmt Plan, and like functions

