SEBI Board Meeting

June 18, 2025

Disclaimer - This document is neither a legal interpretation nor a statement of the SEBI's directive. All information is posted merely for educational and informational purposes. It is not intended as a substitute for professional advice. Should you decide to act upon any information in this document, you do so at your own risk.

BEACON RESEARCH
www.beacontrustee.co.in | research@beacontrustee.co.in | +91 84518 44276

Brief on the Circular

1. Amendments to SEBI (ICDR) Regulations, 2018 and SEBI (SBEB) Regulations, 2021 relaxing certain requirements related to public issue, with the objective of Ease of Doing Business

- ✓ Equity shares acquired under approved schemes are exempt from the one-year holding period requirement for Offer for Sale in public issues, except for shares from fully paid-up Compulsorily Convertible Securities (CCS).
- ✓ Investors holding equity shares from fully paid-up CCS under approved schemes currently cannot participate in Offer for Sale. Extending the exemption will aid their participation and facilitate reverse flipping by companies.
- ✓ Promoters can contribute equity shares arising from fully paid-up CCS towards the Minimum Promoter Contribution (MPC). This amendment extends this provision to relevant persons like alternative investment funds, foreign venture capital investors, banks, and other specified entities.
- ✓ Founders classified as promoters at the time of filing the draft red herring prospectus (DRHP) are currently required to liquidate share-based benefits like ESOPs before IPO. The amendment allows founders to retain and exercise such benefits if received at least one year prior to filing the DRHP.
- ✓ These changes, approved after public consultation and committee deliberations, aim to assist companies undergoing reverse flipping and relax requirements for founders' share-based benefits pre-IPO.

2. Board approved the amendment to SEBI (ICDR) Regulations, 2018 to mandate dematerialization of existing securities of select shareholders prior to filing of DRHP in order to promote dematerialisation of securities in the listed domain.

- ✓ SEBI has mandated compulsory dematerialisation of securities for specific shareholder categories before filing the Draft Red Herring Prospectus (DRHP), in addition to promoters.
- ✓ Applicable to: Promoter group, selling shareholders, KMPs, senior management, QIBs, directors, employees, shareholders with special rights, financial sector entities, and others as notified.
- ✓ Benefits include reduced fraud, prevention of loss/damage, faster transfers, improved transparency, and fewer legal disputes.
- ✓ Finalised after public consultation in April 2025 and review by the Primary Markets Advisory Committee.

3. Simplification and streamlining of Placement Document for Qualified Institutions Placement

- ✓ SEBI approved amendments to ICDR Regulations, 2018 to simplify and streamline the placement document for Qualified Institutional Placement (QIP) by listed entities.
- ✓ The changes reduce duplication of publicly available information and allow disclosures in a summarized and concise format, similar to earlier changes for Rights Issues
- ✓ Key disclosures are simplified to include only issue-specific and material risks, a summary of financial position, and a brief overview of the business and industry.
- ✓ Finalised after public consultation in May 2025 and deliberation by the Primary Markets Advisory Committee, incorporating stakeholder feedback.

4. Introduction of special measures to facilitate Voluntary Delisting of certain Public Sector Undertakings (PSUs)

- ✓ SEBI approved amendments to the Delisting of Equity Shares Regulations, 2021 to introduce special measures for PSUs (excluding Banks, NBFCs, and Insurance Companies under financial regulators) to undertake voluntary delisting through a fixed price process when Government of India and/or other PSUs hold 90% or more of total issued shares.

- ✓ These measures remove the requirement for approval by two-thirds of public shareholders for delisting and mandate the delisting to be done through a fixed price offering with a minimum 15% premium over the floor price.

- ✓ The floor price under this special route will be the highest among the volume weighted average price paid in the last 52 weeks, the highest price paid in the last 26 weeks, or the value determined by two independent registered valuers based on financial parameters.

- ✓ The need for these relaxations arises from the fact that certain PSUs with low public float often trade at prices that do not reflect their financial fundamentals, making delisting under current norms financially burdensome.

- ✓ If such a delisted PSU undergoes voluntary strike-off within 30 days after completion of one year from delisting, the unpaid amount due to public shareholders who didn't tender shares must be transferred to a designated stock exchange account and held for seven years.

- ✓ After seven years, any remaining unclaimed funds will be transferred to the Investor Education and Protection Fund (IEPF) or SEBI's Investor Protection and Education Fund (IPEF), and shareholders can still claim the funds through the stock exchange, which will be reimbursed by IEPF/IPEF.

- ✓ These proposals were finalized after public consultation in May 2025 and discussions within the Primary Markets Advisory Committee, factoring in the feedback received.

5. Measures for regulation of activities of Debenture Trustee ("DT") including measures for Ease of Doing Business

- ✓ SEBI (Debenture Trustee) Regulations, 1993 were created to regulate the activities of Debenture Trustees (DTs), but DTs have also been engaging in several other activities not regulated by SEBI. Initially, SEBI had decided in December 2024 that such non-SEBI-regulated activities should be hived off into a separate legal entity to manage associated risks.

- ✓ After internal review and industry feedback, SEBI has now relaxed this requirement and allowed DTs to continue such activities within the same entity, under specific conditions.

- ✓ DTs can undertake activities regulated by other Financial Sector Regulators (FSRs), provided they comply with the applicable regulatory framework of the concerned FSR. DTs can also carry out activities not regulated by SEBI or any other FSR, provided these are fee-based, non-fund-based, and pertain to the financial services sector, and are subject to SEBI-specified conditions.

- ✓ SEBI has approved insertion of provisions into the DT Regulations to define specific rights of DTs and the obligations of issuers under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, which were earlier missing.

- ✓ Provisions have also been approved for model formats of Debenture Trust Deeds (DTDs) in the DT and NCS Regulations to bring uniformity, which is currently lacking due to broad principles without standard templates. Amendments have been approved to modify the utilization framework for the Recovery Expense Fund (REF), as the current framework lacks clarity on permissible expense categories, causing operational issues for DTs.

- ✓ These proposals followed public consultation in November 2024, along with feedback from the Corporate Bonds and Securitization Advisory Committee, market participants, and two industry associations of Debenture Trustees.

- ✓ The amendments aim to ease compliance for DTs while mitigating risks associated with unregulated activities performed by SEBI-registered entities.

6. Measures to enhance Ease of Doing Business for the activities of Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs)

- ✓ SEBI has approved amendments to the SEBI (REIT) Regulations, 2014 and SEBI (InvIT) Regulations, 2014, based on public consultation (May 2, 2025) and recommendations of the Hybrid Securities Advisory Committee.

- ✓ Related parties of the REIT/InvIT and of the Sponsor, Investment Manager/Manager, and Project Manager will not be classified as "public", unless they are Qualified Institutional Buyers (QIBs). However, the Sponsor, Sponsor Group, Investment Manager/Manager, and Project Manager are always excluded from "public," even if they are QIBs.

- ✓ Previously, units held by related parties of Sponsor, Manager, and Project Manager were not considered public holdings. The amendment allows classification as public only if these related parties are QIBs.

- ✓ HoldCos can now adjust their own negative net distributable cash flows against the cash received from SPVs before making distributions to REITs/InvITs, subject to proper disclosures to unitholders. This is a change from the previous requirement to distribute 100% of SPV cash flows.

- ✓ Timelines for submission of various reports (including quarterly and valuation reports) have been aligned with the timelines for submission of financial results. Earlier, different timelines caused inconsistencies as some financial disclosures were derived from valuation reports.

- ✓ The minimum allotment lot in the primary market for privately placed InvITs has been reduced to ₹25 lakhs, aligning it with the existing secondary market trading lot size. Earlier, the minimum allotment lot was ₹1 crore or ₹25 crore, depending on the asset mix.

7. Board approves Category I & II AIFs to offer co-investment opportunities within the AIF structure, to enhance ease of doing business for AIFs

- ✓ SEBI has approved a proposal to allow Category I and II Alternative Investment Funds (AIFs) to offer a Co-investment Scheme (CIV scheme) under the SEBI (AIF) Regulations, 2012, with the objective of enhancing ease of doing business and supporting capital formation in unlisted companies.
- ✓ Co-investment refers to investments made by the sponsor, manager, or investors of Category I or II AIFs in unlisted investee companies where the AIF is already investing.
- ✓ For example, if an AIF scheme invests ₹100 crore in a company and the total capital need is ₹300 crore, the manager can offer the opportunity to co-invest the additional ₹200 crore to existing investors in the same scheme.
- ✓ Currently, co-investment is permitted through the PMS route, but it poses operational challenges such as requiring dual registration and causing fragmentation in shareholder structure for investee companies. To overcome these issues, SEBI accepted the recommendation of a Working Group to allow co-investment directly within the AIF structure.
- ✓ The new CIV scheme will be a scheme under Category I or II AIFs and will facilitate co-investment by accredited investors in unlisted securities of investee companies where the AIF scheme is investing or has invested. A separate CIV scheme will be launched for each co-investment, with safeguards to ensure it is used only for genuine purposes.
- ✓ Certain regulatory requirements applicable to standard AIF schemes will be relaxed for CIV schemes to ensure operational flexibility. SEBI had issued a consultation paper on May 9, 2025, inviting public comments which largely supported the proposals, and relevant suggestions have been incorporated along with inputs from the Alternative Investment Policy Advisory Committee.
- ✓ This policy initiative will enable Category I and II AIFs to facilitate co-investment through CIV schemes within the AIF framework, in addition to the existing PMS-based co-investment option.

8. Board approves proposal to review regulatory framework for Angel Funds under AIF Regulations to rationalise their fund raising and enhance ease of doing business

- ✓ SEBI has decided to continue regulating Angel Funds under the AIF framework, following the removal of Angel Tax, with the aim to support capital formation in start-ups while ensuring only investors with sufficient risk capacity are allowed to participate.
- ✓ Only Accredited Investors (AIs) will now be eligible to invest in Angel Funds, replacing outdated Angel Investor eligibility norms from 2013. AIs undergo independent verification and meet updated financial thresholds aligned with current market conditions.
- ✓ To widen participation while maintaining regulatory compliance, AIs will be classified as Qualified Institutional Buyers (QIBs) specifically for investments in Angel Funds. SEBI is also simplifying the AI accreditation process to encourage adoption.
- ✓ Existing investments by non-AIs will be grandfathered, and a one-year glide path has been provided for full transition to the new framework. SEBI is also exploring lighter regulatory requirements for AI-only investment pools to ease compliance.
- ✓ Key relaxations for Angel Funds include reducing the investment range per company to ₹10 lakh–₹25 crore, removing the 25% concentration limit, allowing more than 200 AIs per investment, and enabling follow-on investments in companies no longer classified as start-ups.
- ✓ Angel Funds must offer every investment opportunity to all investors and allocate based on pre-disclosed methods in the Private Placement Memorandum (PPM), ensuring fairness and transparency.
- ✓ To ensure alignment of interest, sponsors or managers must maintain a minimum investment of 0.5% of investment amount or ₹50,000 (whichever is higher) in each investment. These reforms are based on public consultations and recommendations from the Alternative Investment Policy Advisory Committee.

9. Board approves a proposal to relax regulatory compliances for FPIs investing only in Government Securities (G-Secs) to facilitate ease of doing business

- ✓ SEBI has approved a proposal to relax certain regulatory requirements for existing and prospective Foreign Portfolio Investors (FPIs) that invest exclusively in Government Securities (G-Secs), referred to as GS-FPIs, to improve ease of doing business and promote a risk-based regulatory approach.

- ✓ The move aligns with recent announcements by global index providers to include Indian G-Secs in major global bond indices, such as JP Morgan (June 2024), Bloomberg (January 2025), and FTSE Russell (September 2025), which has already driven FPI investments in FAR-eligible securities past ₹3 lakh crore by March 2025.

- ✓ SEBI noted that many existing FPI regulations were originally framed for equity and corporate bond investments, and are not relevant to GS-FPIs, prompting the need for specific relaxations.

- ✓ As a result, GS-FPIs will undergo less frequent KYC reviews, aligned with Reserve Bank of India's (RBI) KYC norms, reducing compliance burden.

- ✓ FPIs investing solely in G-Secs under the Fully Accessible Route (FAR) will not be required to submit investor group details, as these are mainly necessary for monitoring equity and corporate bond exposure.

- ✓ NRIs, OCIs, and Resident Indians will now be allowed to be constituents or even have control of GS-FPIs, without the usual FPI restrictions. However, existing conditions for RIs (such as the Liberalised Remittance Scheme and investment limits in global funds with Indian exposure) will continue to apply. GS-FPIs will now have 30 days (instead of 7 days) to report any material changes, easing operational timelines.

- ✓ The identification of an FPI as a GS-FPI at the time of onboarding and any transition between GS-FPI and other categories will be subject to SEBI-specified conditions going forward.

10. SEBI Board takes note of Settlement Scheme to aid settlement of violations of winding up provisions by migrated Venture Capital Funds

- ✓ SEBI has introduced a one-time Settlement Scheme for Venture Capital Funds (VCFs) that did not wind up their schemes on time but have migrated to the SEBI (AIF) Regulations, 2012.
- ✓ The settlement amount includes ₹1,00,000 for a delay of up to one year and ₹50,000 for each additional year or part thereof, plus an additional slab-based fee ranging from ₹1 lakh to ₹6 lakhs based on the cost of unliquidated investments.
- ✓ Eligibility requires prior migration to AIF Regulations, and all settlement-related expenses must be borne by the Investment Manager or Sponsor.
- ✓ The last date to apply under the scheme is January 19, 2025, and SEBI will issue separate communication regarding the application process.
- ✓ SEBI had earlier issued a circular on August 19, 2024, allowing VCFs to migrate and gain more time for asset liquidation and winding-up, though past delays still attract compliance action.
- ✓ The Settlement Scheme is introduced under Regulation 26 of SEBI (Settlement Proceedings) Regulations, 2018 and follows recommendations from SEBI's High Powered Advisory Committee.

11. Amendments to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“LODR Regulations”) as a measure to encourage dematerialization of securities as well as to streamline certain processes in view of current regulatory landscape.

- ✓ SEBI has approved amendments aimed at enhancing investor protection and ease of doing business by mandating dematerialisation of securities during corporate actions.

- ✓ Listed companies will now be required to issue securities only in demat form for corporate actions such as consolidation/split of face value and schemes of arrangement, to promote demat holdings.

- ✓ SEBI and the Ministry of Corporate Affairs (MCA) have taken several steps over time to promote dematerialisation, given its benefits like fraud reduction, prevention of loss/damage, faster transfers, improved transparency, legal clarity, and cost efficiency.

- ✓ Significant progress has been made through collaborations with companies having large numbers of physical security holders and by implementing policies requiring demat mode for rights issues, bonus issues, fresh issues, and transfers.

- ✓ Continuing with this push, SEBI has approved a proposal to prohibit creation of fresh physical securities by listed companies during corporate actions like split/consolidation of face value or schemes of arrangement, further reinforcing the shift to demat.

BEACON®
RESEARCH

Visit Beacon Research Webpage to get more updates like these

www.beacontrustee.co.in/research

Follow Us On