



SEBI issues changes w.r.t Investment Advisers, Rights issue, Takeover Code, Administrative Assistance to trustees of mutual funds

INSIGHTS

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SEBI has introduced series of changes in relation to:

- Additional guidelines for investment advisers in furtherance of the recently issued SEBI (Investment Advisers) (Amendment) Regulations, 2020, along with the timelines for their implementation;
- Relaxations for Rights Issue and rationalization of eligibility criteria, disclosure requirements, with an intent of making fund raising through rights issue easier, faster and cost effective;
- Automated system driven disclosures (**SDD**) under Takeover Regulations in furtherance of recent introduction of SDD for SEBI (Prohibition of Insider Trading) Regulations, 2015;
- Delayed implementation of circular issued by SEBI to provide administrative assistance to trustees of Mutual Funds, till January 1, 2021.

Following is the summary of these changes:

Guidelines for investment advisers | Details process and guidelines issued along with timelines

Further to the notification of SEBI (Investment Advisers) (Amendment) Regulations, 2020 (**Amended IA Regulations**) dated July 03, 2020 that are due to come into force on September 30, 2020, SEBI has issued further detailed directions to the Investment Advisers (**IAs**) as follows:

| Sr. No. | Directions / Guideline in relation to | Compliance by |
|---------|---|---|
| 1. | Client Level Segregation of Advisory and Distribution Activities | April 1, 2021 |
| 2. | Agreement between IA and the client | April 1, 2021 |
| 3. | Fees: Assets under Advice (AUA) mode, Fixed fee mode | April 1, 2021 |
| 4. | Qualification and certification requirement | IAs to hold NISM accredited certifications and follow process under Amended IA Regulations |
| 5. | Registration as Non-Individual Investment Advisor | Existing Individual IA, having more than 150 clients on September 30, 2020, shall report their number of clients to SEBI through, latest by October 15, 2020 |
| 6. | Maintenance of record | January 1, 2021 |
| 7. | Audit | Any adverse findings of the audit, along with action taken thereof duly approved by the individual IA/management of the non-individual IA, shall be reported to respective SEBI office within a period of one month from the date of the audit report but not later than October 31st of each year for the previous financial year starting with the financial year ending March 31, 2021 |
| 8. | Risk profiling and suitability for non-individual clients | January 1, 2021 |
| 9. | Display of details on website and in other communication channels | January 1, 2021 |

Detailed guidelines and directions are provided in the SEBI circular dated September 23, 2020 ([available here](#)).

Relaxations for Rights Issue | Rationalization of eligibility criteria and disclosure requirements

In order to make the fund raising through rights issue easier, faster and cost effective, SEBI has amended the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (**ICDR Regulations**) to rationalize the eligibility criteria and disclosure requirements. Key changes are summarized below:

- Fast track rights issue:** Issuer shall be eligible to make fast track rights issue, in case of pending show-cause notices in respect to adjudication, prosecution proceedings and audit qualification, provided that necessary disclosures along with potential adverse impact on the issuer are made in the letter of offer.

- **Relaxation in minimum subscription criteria:** Mandatory 90% minimum subscription criteria for rights issue shall not be applicable to those issuers where object of the issue involves financing other than financing of capital expenditure for a project, provided that the promoters and promoter group of the issuer undertake to subscribe fully to their portion of rights entitlement.
- **Increased threshold for filing letter of offer with SEBI:** Threshold increased from Rs. 10 crores to Rs. 50 crores for filing requirement of rights issue draft letter of offer with SEBI for its observations.
- **Truncated disclosures and no duplication:** Issuer will be allowed to make truncated disclosures and disclosure requirements will be rationalized to avoid duplication of information in letter of offer.

Aforementioned changes have been announced vide Press Release dated September 23, 2020 ([available here](#)), and will be effective upon notification of amendments to ICDR Regulations.

Automated system driven disclosures (SDD) under Takeover Regulations

Vide its circulars dated December 01, 2015 and December 21, 2016, SEBI had introduced the SDD in securities market detailing the procedure to be adopted for its implementation with effect from January 1, 2016. Recently, SEBI has also initiated SDD under the SEBI (Prohibition of Insider Trading) Regulations, 2015 (**PIT Regulations**) for members of promoter group and designated persons in addition to the promoters and directors of company under Regulation 7(2) of PIT Regulations (SEBI Circular dated September 9, 2020, [available here](#) (**PIT SDD Circular**)).

In continuation of the same, for disclosures under SEBI (SAST) Regulations, 2011, SEBI has decided that capture of the PAN of the entities will be done from the listed company itself, rather than through the registrar and transfer agents (RTAs) as per the procedure mentioned in Para 2,3 and 4 of the Annexure A of the PIT SDD Circular. Aforementioned implementation of SDD for disclosures under SEBI (SAST) Regulations, 2011 is enforced vide SEBI Circular dated September 23, 2020 ([available here](#)).

Resource for trustees of Mutual Funds | Implementation delayed till January 1, 2021

SEBI has extended the enforcement of SEBI Circular dated August 10, 2020 ([available here](#)) from October 1, 2020 to **January 1, 2021**, vide SEBI Circular dated September 23, 2020 ([available here](#)). Under the aforementioned circular, trustees are required to appoint a dedicated officer having professional qualification and minimum 5 years of experience in finance and financial services related field. Further, trustees are also required to have standing arrangements with independent firms for special purpose audit and/or to seek legal advice in case of any requirement as identified and whenever considered necessary.

We trust you will find this an interesting read. For any queries or comments on this update, please feel free to contact us at insights@elp-in.com

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