



भारतीय प्रतिभूति और विनिमय बोर्ड  
Securities and Exchange Board of India

# Addendum to Consultation Paper

---

INTERIM RECOMMENDATIONS OF THE EXPERT  
COMMITTEE FOR FACILITATING EASE OF DOING  
BUSINESS AND HARMONIZATION OF THE  
PROVISIONS OF ICDR AND LODR REGULATIONS

**FEBRUARY 02, 2024**



## CONSULTATION PAPER

1. SEBI had issued a [Consultation Paper](#) dated January 11, 2024 on 'Interim Recommendations of the Expert Committee for facilitating ease of doing business and harmonization of the provisions of the ICDR and LODR Regulations' seeking public feedback on the said recommendations.

## ADDITIONAL RECOMMENDATION ON EASE OF DOING BUSINESS UNDER THE ICDR REGULATIONS

2. The Expert Committee has given an additional recommendation on ease of doing business under the ICDR Regulations on 'Review of requirement of 1% security deposit in public / rights issue of equity shares as prescribed under the ICDR Regulations'. The said recommendation is placed as [Annexure](#) to this Addendum.

## PUBLIC COMMENTS

3. Public Comments are solicited on the additional recommendation of the Expert Committee (refer Sl. No. 10 of the [prescribed format](#)). The timeline for submission of comments on the Consultation Paper and the Addendum is extended to **February 9, 2024**. The comments / suggestions along with rationale should be sent only by email to [consultationcfd@sebi.gov.in](mailto:consultationcfd@sebi.gov.in) in the [prescribed format](#).
4. While sending the email, kindly mention the subject as "*Comments on the interim recommendations of the Expert Committee for facilitating ease of doing business and harmonization of the provisions of ICDR and LODR Regulations.*"

\*\*\*\*\*



**ADDITIONAL RECOMMENDATION ON EASE OF DOING BUSINESS UNDER  
THE ICDR REGULATIONS**

**1. Review of requirement of 1% security deposit in public/rights issue of equity shares as prescribed under the ICDR Regulations**

1.1. Existing provisions: Currently, in terms of the ICDR Regulations (Regulation 38, 80, 135, 197 and 259 of ICDR Regulations), an issuer is required to deposit with the designated stock exchange, an amount calculated at the rate of one per cent. of the issue size available for subscription to the public in the manner specified by Board and/or stock exchange(s).

This security deposit amount is refundable or forfeitable in the manner specified by the Board.

1.2. Suggestion from stakeholders: It was suggested that the requirement of one per cent. security deposit for public/rights issues may be done away with.

1.3. Recommendation and rationale: The requirement of one per cent. security deposit was put in place for public/rights issues so that an issuer resolves investor complaints relating to the transaction such as for refund of application money, allotment of securities and dispatch of certificates. However, considering various reforms and present framework for public/rights issue such as application through ASBA, UPI mode of payment, mandatory allotment in demat etc., the concerns relating to post-issue investor complaints regarding refund of application money, non-dispatch of physical certificates does not arise.

Further, from the data it is observed that average number of complaints per IPO have reduced post implementation of T+3 listing in IPOs. Also, it is observed that majority of complaints are regarding delay in unblocking of ASBA funds by SCSBs, for which SEBI *vide* circular dated March 16, 2021 has already prescribed a mechanism to deal with such complaints of delay in unblocking of application amounts under ASBA.

Therefore, since the requirement of one per cent. security deposit imposes cost on the part of issuers, the removal of the requirement will result in ease of doing business for issuers accessing the primary market.

1.4. Suggested text of the amendment: Regulation 38, 80, 135, 197 and 259 of ICDR Regulations to be deleted.

\*\*\*\*