

A. As a New Year gift to the Companies that are not meeting the Minimum Public Holding requirement, SEBI has at its Board Meeting held on 3rd January 2012 decided to introduce the following additional methods, for the purpose of compliance with the provisions of SCRR with regard to the Minimum Public Shareholding to be maintained in any listed company:

1. Institutional Placement Programme (IPP); and

2. Offer for sale of shares through stock exchanges

Both the above mentioned methods have certain salient features/ pre prerequisites and need to be followed in compliance therewith. Under both the options, caps have been specified, in terms of the Issue Size, limits of dilution, categories of allottees/ transferees, procedure for allotment etc.

The highlights of IPP Method are as follows:

Public shareholding can be increased by 10% or such lesser percentage as is required to comply with the minimum public shareholding requirement.

Shares can be sold only to qualified institutional buyers, with a reservation of minimum 25% to mutual funds and insurance companies.

Issuer shall announce an indicative floor price or price band atleast one day prior to the opening of the offer.

The aggregate demand schedule shall be displayed by stock exchanges.

There shall be atleast 10 allottees in every IPP issuance. No single investor shall receive allotment for more than 25% of the offer size.

The allotment of shares may be made on price priority, proportionate or on pre- specified criteria which has to be disclosed in advance in the prospectus and cannot be changed subsequently.

The highlights of Offer of shares through stock exchanges are as follows:

A separate window shall be offered by the Stock Exchange.

The offer shall be for atleast 1% of the paid-up capital of the company, subject to minimum of Rs. 25 crores.

Only the promoter/ promoter group of companies which are active /eligible for trading would be permitted to offer their shares for sale.

Every bid/buy order would be required to be backed by 100% upfront cash margin. The settlement shall be through exchange clearing mechanism.

Allotment would be done either on price priority or clearing price basis proportionately and would be overseen by the exchanges.

Further, it has also been decided that Offer for sale through the stock exchanges method can, apart from being used for compliance with minimum shareholding requirements, also be used by the promoters of top 100 Companies (based on average market capitalization) for sale of their stake.

To recapitulate, SEBI had vide its Circular dated 16th December 2010, mandated that for the purpose of compliance of Cl 40 A of Listing Agreement, listed companies could have resorted to either issuance of shares to public through prospectus or offer for sale of shares held by promoters to public through prospectus or sale of shares held by promoters through the secondary market, with the prior approval of the Specified Stock Exchange, within the timelines specified by Ministry of Finance.

This move for allowing the above 2 additional methods shall prove Industry friendly in meeting with the Minimum Public Shareholding requirements in case of listed companies.

B. Further, SEBI has also decided to make the following amendments in the SEBI Buyback Regulations:

Procedure for acceptance of shares in buy back through tender offer: The company shall announce ratio of buyback as is done in the case of rights issues and fix a record date for determination of entitlements as per shareholding on record date. While the shareholders will be free to tender over and above their entitlement, acceptance of shares shall first be based on entitlement of each shareholder and if any shares are still left to be bought back, acceptance of additional shares tendered over and above the entitlement shall be in proportion to the excess shares tendered by the shareholder.
“Record Date” in lieu of Specified Date.

Review of requirement of issuing Public Notice and Public Announcement: The Public Announcement shall be published within two working days from the date of Board or Shareholders resolution, as the case may be.

Rationalisation of timelines in buyback through tender offer: It has been decided to revise the time lines for various activities involved in the buyback process.

SEBI has also issued a Circular bearing no. CIR/IMD/FIIC/1/2012 dated 3rd January 2012, with respect to the investment limits of FIIs in Government debts and Corporate debts, whereby it has withdrawn the facility of re-investment and now re-investment period shall not be allowed for all new allocations of debt limit to FIIs/sub-accounts.



SEBI Board Meeting

The SEBI Board met today and took the following decisions:

1. Manner of increasing minimum public shareholding to comply with Securities Contracts Regulation (Rules), 1957

The following additional methods viz. Institutional Placement Programme (IPP) and Offer for Sale of Shares through the stock exchange for the purpose of compliance with SCRR requirements are being introduced. The broad features of the same are as under:

A. Institutional Placement Programme (IPP):

- i. This method can be used only for the purpose of complying with minimum public shareholding requirements under SCRR, either by way of fresh issue of capital or dilution by the promoters through an offer for sale. Using this method, public shareholding can be increased by 10% or such lesser percentage as is required to comply with the minimum public shareholding requirement.
- ii. There would be simultaneous filing of red herring prospectus / prospectus with SEBI, Registrar of Companies and Stock Exchanges.
- iii. Offer would be made only to Qualified Institutional Buyers (QIBs). There would be a reservation of minimum 25% to mutual funds and insurance companies.
- iv. Issuer shall announce an indicative floor price or price band atleast one day prior to the opening of the offer.
- v. The aggregate demand schedule shall be displayed by stock exchanges.
- vi. Issuers shall endeavor to maximize the number of allottees in order to ensure wider distribution of shares. There shall be atleast 10 allottees in every IPP issuance. No single investor shall receive allotment for more than 25% of the offer size.
- vii. The allotment of shares may be made on price priority, proportionate or on pre- specified criteria which has to be disclosed in advance in the prospectus and cannot be changed subsequently.

B. Offer for sale of shares through stock exchanges:

- i. The stock exchange would offer a separate window for the purpose of such sales. The duration of this window would co- exist with the normal trading hours.
- ii. The offer shall be for atleast 1% of the paid-up capital of the company, subject to a minimum of Rs. 25 crores.
- iii. Only the promoter/ promoter group of companies which are active /eligible for trading would be permitted to

offer their shares for sale. Promoter/ promoter group of the company would not be permitted to bid for the shares.

iv. Every bid/buy order would be required to be backed by 100% upfront cash margin. The settlement shall be through exchange clearing mechanism.

v. Allotment would be done either on price priority or clearing price basis proportionately and would be overseen by the exchanges.

Apart from use for compliance with minimum shareholding requirements, this method can be used by promoters of top 100 companies (based on average market capitalization) for sale of their stake.

2. Amendment to SEBI (Buyback of Securities) Regulations, 1998

As a part of constant endeavor to align regulatory requirements with the principle of equitable treatment to all shareholders as well as to enhance efficiency of the buyback process, the following changes in the tender offer method of buyback are being made:

i) Procedure for acceptance of shares in buyback through tender offer

The company shall announce ratio of buyback as is done in the case of rights issues and fix a record date for determination of entitlements as per shareholding on record date. While the shareholders are free to tender over and above their entitlement, acceptance of shares shall first be based on entitlement of each shareholder and if any shares are still left to be bought back, acceptance of additional shares tendered over and above the entitlement shall be in proportion to the excess shares tendered by the shareholder.

ii) "Record date" in lieu of specified date

The company shall fix "record date" for the purpose of deciding entitlement for buyback, as per the practice followed for other corporate actions as laid down in listing agreement.

iii) Review of requirement of issuing Public Notice and Public Announcement

The Public Announcement shall be published within two working days from the date of Board or Shareholders resolution, as the case may be.

iv) Rationalisation of timelines in buyback through tender offer

The timelines for various activities involved in the buyback process have been revised which shall result in substantial reduction of time taken for completion of buyback.

Mumbai

January 03, 2012



CIRCULAR

CIR/IMD/FIIC/1/2012

January 03, 2012

To

All Foreign Institutional Investors

through their designated Custodians of Securities

Dear Sir/Madam

Sub: Changes in Re-investment period of FII debt limit

1. Please refer to para 2 of SEBI circular Cir No. IMD/FII&C/30/2008 dated July 04, 2008 and para 6 of circular CIR/IMD/FIIC/18 /2010 dated November 26, 2010, relating to facility provided for FIIs for re-investment period for debt investments.

Withdrawal of the facility of re-investment

2. It has been decided that henceforth re-investment period shall not be allowed for all new allocations of debt limit to FIIs/sub-accounts. Thus, limits acquired in the bidding sessions henceforth shall expire/lapse on either sale or redemption at maturity of the debt investments. These limits then shall again be allocated in subsequent bidding processes.

Treatment for entities that currently hold limits/ investments

3. As on the date of the issuance of this circular those FIIs and sub-accounts that already have acquired limits and /or invested in debt, these existing limits shall expire in the following manner:-
 - a. Facility of re-investment shall continue until any one of the following thresholds is breached
 - i. Total sales made from the existing debt portfolio (current debt investment and the un-utilized limit currently with the entity, if any) is twice the size of its debt portfolio as on the date of this circular
 - or
 - ii. expiry of two years from the date of this circular i.e. January 02, 2014
 - b. Re-investment period for the above purposes shall continue to be as per para 6 of circular CIR/IMD/FIIC/18 /2010 dated November 26, 2010
4. After the threshold as mentioned above is breached, in case of any sale or redemption of the investments, the limit shall expire/lapse. These limits then shall again be allocated in subsequent bidding processes.
5. It is clarified here that the FII/sub-account is not required to sell its investments in debt instrument after it reaches the threshold mentioned above, and thus it can continue to retain the debt investments beyond the threshold, however, the sale or redemption thereon will not be eligible for re-investment beyond the thresholds above.



Investments in long term infra debt category

New Allocations

6. For all new allocations of debt limit under this category, if a FII decides to sell their holdings during lock-in period to another FII; the limit will automatically transfer to purchasing entity. However, if a FII decides to sell/redeem their holdings after lock-in period; same limit shall expire/lapse. These limits then shall again be allocated in subsequent bidding processes.

Treatment for entities currently holding investments:

7. Similar facility as provided in para 3 & 4 above shall also be applicable for all investments made in the long term infra debt category (with one year lock in and one year residual maturity clause) where lock in provisions are in force.
 - a. During the lock-in period, if a FII/sub-account decides to sell its investments in the special trading window as provided by the exchanges in terms of SEBI circular dated March 31, 2011, selling FII/ sub-account may exercise its option to sell its investments along with the limits or may choose to sell only the investments and retain the limits.
 - b. In case the selling entity chooses to retain the limit, then it shall be subject to para 3 of this circular.
 - c. If selling entity chooses to transfer the limit, then the purchasing entity shall be subject to the para 3 of this circular.
8. Entities can avail of the benefit of Para 7 (a) if it sells the investments to another another FII/sub-accounts after lock-in period; however this benefit can be availed only upto January 02, 2014.
9. Upto January 02, 2014, if the FII/Subaccount redeems the investments at the maturity of the instrument, or sells to a domestic participant after the lock-in period, it can avail benefit of para 3 of this circular.
10. FIIs are advised to evolve suitable mechanism in consultation with their custodian to give effect to the provisions of this circular.

This circular is issued in exercise of the powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act 1992, read with Section 10 of the Securities Contracts (Regulation) Act, 1956 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

A copy of this circular is available at the web page "F.I.I." on our website www.sebi.gov.in. The custodians are requested to bring the contents of this circular to the notice of their FII clients.

Yours faithfully,

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