

# Update



## *SEBI approves Regulations for issue and listing of non-convertible redeemable preference shares*

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March 9, 2013

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## *Update*

In the Board Meeting held on March 08, 2013, the market regulator Securities Exchange Board of India (“SEBI”) through its press note PR No. 27/2013<sup>1</sup> informed stakeholders that the SEBI (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013 (“**Regulations**”) has been approved.

### **NEED FOR THE REGULATIONS**

Presently, the following two regulations have been issued by SEBI for issue and listing of securities:

1. Securities And Exchange Board Of India (Issue and Listing of Debt Securities) Regulations, 2008 which is applicable to non-convertible debt securities which create or acknowledge indebtedness i.e. debentures, bonds
2. Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 which is applicable to convertible securities *only*.

There were no regulations to govern the issue and listing of non-convertible redeemable preference shares. Indian companies have raised over Rs 25,000 crore through preference share issuance in the last three years<sup>2</sup>.

### **APPLICABILITY**

The Regulations are applicable to:

1. public issuance of non-convertible redeemable preference shares
2. listing of privately placed redeemable preference shares

The Regulations shall also be applicable to banks. This is in line with the Basel III norms, whereby banks can issue Perpetual Non-Cumulative Preference Shares and Innovative Perpetual Debt Instruments, which are in compliance with the specified criteria for inclusion in Additional Tier I Capital<sup>3</sup>.

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<sup>1</sup> <http://www.sebi.gov.in/sebiweb/home/detail/25447/yes/PR-SEBI-Board-Meeting>

<sup>2</sup> <http://businesstoday.intoday.in/story/sebi-sets-new-norms-for-listing-of-preference-shares/1/193152.html>

<sup>3</sup> According to Basel III, Additional Tier I Capital shall mean “neither secured nor covered by a guarantee of the issuer or related entity or other arrangement that legally or economically enhances the seniority of the claim vis-à-vis bank creditors”



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### **KEY HIGHLIGHTS**

Although, the entire text of the Regulations is yet to be released, the following are the key highlights of the Regulations, in case of public issues:

1. The minimum tenure of the instruments would be 3 (three) years
2. Minimum rating would be (“AA-” or equivalent)

In case of listing of non-convertible redeemable preference shares, minimum application size for each investor will be Rs. 10 (ten) lakhs.

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