

SEBI issues Consultation Paper on amendments in ICDR regulations

Proposals w.r.t bonus issue

☐ Precondition for bonus issue:

- LEs will be eligible to announce a bonus issue only upon receipt of in-principle approval from the SEs for listing of all securities issued prior to the bonus issue.
- Not applicable to listing of ESOPs and convertible shares/ warrants.

o **Rationale**

- Bonus issues conducted without receiving in-principal approval for prior issuances have led to mismatch between issued capital and listed capital and thereby causing rejection/delay in in-principal approval for bonus shares by SEs.

☐ **Bonus issue to be conducted in demat form only.**

- Even to shareholders holding physical shares
- Where the investor does not have demat account, LEs to open a separate demat account for dealing with such unclaimed securities.

Hosting offer document on the website

- ☐ Presently, the draft offer document & offer document is required to be hosted on the websites of SEBI, SEs, BRLMs associated with the issue.
- ☐ Consultation paper proposes that these documents also be hosted on the website of the issuer company

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Underwriting in public issue

☐ Present scenario:

- Issuers enter into the underwriting agreement after finalization of price and the Red Herring Prospectus ('RHP') contains a disclosure to this effect.

☐ **Proposed change:**

- Underwriting classified into 2 types:
 - o **Hard underwriting:** underwriting in case of under-subscription the of issue
 - o **Soft underwriting:** underwriting in case of under-subscription on account of technical rejections.
- In case of Hard underwriting agreement to be entered into prior to filing RHP.
- In case of soft underwriting the agreement to be entered into prior to filing the prospectus with SEs
- The agreement to **indicate** the maximum number of securities that the underwriters will subscribe.

Disclosure of complete industry report

- ☐ Presently, the 'Industry Overview' section of the offer document must contain extracts of 'Industry Report'
- ☐ The Consultation paper proposes disclosure of the entire Industry Report in the offer document.

Timeline to submit comments

Comments may be submitted to SEBI by **March 08, 2023.**

Material contracts & documents to be made available online

- ☐ At present issuers are to disclose details w.r.t the time and place at which the material contracts and documents will be available for inspection.
- ☐ It is proposed that issuers make available these documents for online inspection as well.
- ☐ Online inspection was made available during Covid time – now proposed to regularized and added in the regulations

Proposals w.r.t Anchor investors

☐ Present scenario:

- Lead managers and their associates cannot act as Anchor Investors in a public issue.
- Exceptions to rule include mutual funds, insurance companies, AIFs, FPIs sponsored by the entities that are associate of the lead manager

☐ **Proposed change:**

- Pension Funds ('PFs') sponsored by entities that are associates of lead managers be allowed to act as Anchor Investors.

☐ **Rationale:**

- PFs are registered intermediaries under PFRDA and are duly regulated.
- PFs with minimum corpus of 25 crore rupees are defined as QIBs
- In case of public issue of REITS – PFs sponsored by entities that are associate of lead managers are allowed to participate as Anchor Investors
- The same is proposed to be extended to public issue under ICDR.