



N. A. SHAH ADVISORY SERVICES LLP

BULLETIN

CAPITAL MARKETS BULLETIN – FEBRUARY 2023



EXECUTIVE SUMMARY

- ◆ SEBI has permitted participation of Alternative Investment Fund ('AIF') in Credit Default Swap ('CDS').
- ◆ SEBI has made changes to co-investment strategy controlled by portfolio managers
- ◆ SEBI has provided an extension and made amendments regarding listing and disclosure requirements
- ◆ SEBI has introduced video conferencing meetings of REIT

PARTICIPATION OF AIFs IN CREDIT DEFAULT SWAPS (CDS)

- ◆ As per the amended norms, Cat-I AIFs may use CDS for the purpose of hedging. Further, Cat-II & Cat-III AIFs have been permitted to buy or sell CDS.
- ◆ In general terms, CDS are contracts that transfer the credit risk of fixed income products from one party to another.
- ◆ The sponsor or manager of the Cat-I and Cat-II AIFs transacting in CDS shall be required to appoint a custodian registered with the SEBI.

AMENDMENTS TO SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENT) REGULATIONS, 2015 ('LODR REGULATIONS')


- ◆ With effect from 1st April 2023, the managers of such REIT/InvITs which are classified as 'high value debt listed entity' shall not be required to comply with Corporate Governance ('CG') norms specified in LODR regulations. Instead, they shall be governed with CG norms specified in the regulations applicable to REIT/InvIT.
- ◆ Extant provision for appointment of director where the listed entity has to obtain approval of shareholders within 3 months from the date of appointment is also applicable to the re-appointment. However, a public sector company has to take the approval in next general meeting i.e. 3 month time limit is not applicable.
- ◆ The definition of 'Senior Management' is amended to include the functional heads of the listed entity. Accordingly, all such compliances under LODR Regulations such as adherence to code of conduct etc. which are applicable to senior management shall also be applicable to these functional heads.
- ◆ For financial year 2022-23 and onwards, the listed entities shall disclose in the annual report, the details of its material subsidiaries, including the date and place of incorporation as well as the name and date of appointment of the statutory auditors of such subsidiaries.

MEETING OF UNIT HOLDERS OF REIT THROUGH VIDEO CONFERENCING

- ◆ Considering the representations received from manager of REITs and in order to ensure maximum participation of unit holders in the decision making process, SEBI has allowed REIT to conduct meetings through video conferencing or other audio visual means.
- ◆ The manager of the REIT is required to adopt, inter alia, following procedures:
 - The recorded transcript of the meeting must be maintained in safe custody and be uploaded on the website of the REIT.
 - At least one independent director of the manager and the auditor or auditor's representative must attend the meeting.
 - Notice of meeting to be circulated through e-mail and should make all the disclosure regarding objective of the meeting.
- ◆ Manager of the REIT is required to disclose to stock exchange and trustees that meeting of unit holders will be conducted through video conferencing or such similar mode. Further, trustee of the REIT shall also attend the meeting.

EXTENSION OF RELAXATION TO DISPATCH PHYSICAL COPIES OF FINANCIAL STATEMENTS

- ◆ SEBI (LODR) Regulations provides that entity with listed non-convertible securities is required to send physical copy of statement containing the salient features of its financial statements etc. to those holders of non-convertible securities who have not registered their email address either with the listed entity or with any depository.
- ◆ In this respect, SEBI has extended the timeline for applicability of above provision to September 30, 2023.



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