

SEBI BOARD MEETING - AMENDMENT PROPOSED IN SEBI (MUTUAL FUND) REGULATIONS, 1996 AND (PORTFOLIO MANAGERS) REGULATIONS, 1993, ETC.

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The SEBI Board met in New Delhi today and took the following decisions:

1. Reservation to Holders of Convertible Debt Securities in Rights/Bonus Issues

On the issue of reservation to convertible debt holders in rights/bonus issues, it has been decided to clarify that reservation shall be available only to compulsorily convertible debt holders, since conversion in such cases is not at the option of the holders of these instruments.

2. Waiver of Certain Requirements Relating to Preferential Allotment to Insurance Companies and Mutual Funds

It has been decided to exempt Insurance Companies and Mutual Funds which are broad based investment vehicles representing the interests of the public at large from the provisions of SEBI (Issue of Capital and Disclosure Requirements) Regulations relating to sale and lock-in of their pre-preferential shareholding in the issuer company. Presently, SEBI (ICDR) Regulations preclude companies from issuing preferential allotment to entities who have sold any of their holdings during the six month period prior to relevant date. Further, allottees in preferential allotment are required to lock-in their entire pre-preferential holdings for a period of six months from date of preferential allotment. The lock-in on shares allotted in preferential issue *per se*, however, would remain unchanged.

3. Amendment to SEBI (Mutual Fund) Regulations, 1996

a. Amendment relating to Advertisement Code

- In order to provide flexibility to Asset Management Companies (AMCs) in issuing true and fair advertisements with meaningful disclosure to investors, the Sixth Schedule of SEBI (Mutual Fund) Regulations, 1996 and various circulars issued from time to time on Advertisement Code shall be amended and made principle based as far as possible.
- AMCs shall be responsible for the accuracy, truthfulness, fairness of the advertisement.
- The definition of advertisement shall be broadened to include all forms of communication that may influence investment decisions of any investor.

b. Amendment relating to Investment Valuation Norms

In order to provide for fair valuation of securities/assets of Mutual Fund schemes, the following proposed changes in the SEBI (Mutual Fund) Regulations, 1996 are approved by the Board:

- AMC shall ensure fair treatment to all investors *i.e.*, to existing investors as well as to investors seeking to purchase or redeem units of Mutual Funds at all point of time in all schemes.
- In case debt and money market securities are not traded on a particular valuation day then valuation through amortization basis shall be restricted to securities having residual maturity of up to 60 days (currently 91 days), provided such valuation shall be reflective of the realizable value/ fair value of the securities.

4. Amendment to SEBI (Portfolio Managers) Regulations, 1993

The Board decided to amend the SEBI (Portfolio Managers) Regulations, 1993 to give effect, *inter alia*, to the following:

- To enhance the minimum investment amount per client from Rs.5 lakh to Rs.25 lakh.
- To ensure segregation of holdings in individual demat accounts in respect of unlisted securities also.

The proposed amendment would be applicable on prospective basis for new clients and for fresh investments by existing clients.