

## Amendment in SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009

The Board hereby makes the following regulations to further amend the **Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009**.

These regulations may be called the **SEBI (Issue of Capital and Disclosure Requirements) (Second Amendment) Regulations, 2015**.

In the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, in regulation 70, after sub-regulation (4), the following shall be inserted, namely, -

**“(5)Conversion of debt into equity under strategic debt restructuring scheme –**

The provisions of this Chapter shall not apply where the preferential issue of equity shares is made to the consortium of banks and financial institutions pursuant to conversion of their debt, as part of the strategic debt restructuring scheme in accordance with the guidelines specified by the Reserve Bank of India, subject to the following conditions: (a) conversion price shall be determined in accordance with the guidelines specified by the Reserve Bank of India for strategic debt restructuring scheme, which shall not be less than the face value of the equity shares; 2 (b) conversion price shall be certified by two independent qualified valuers, and for this purpose 'valuer' shall have the same meaning as assigned to it under clause (r) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Issue of Sweat Equity) Regulations, 2002; (c) equity shares so allotted shall be locked-in for a period of one year from the date of trading approval: Provided that for the purposes of transferring the control, the consortium of banks and financial institutions may transfer their shareholding to an entity before completion of the lock-in period subject to continuation of the lock-in on such shares for the remaining period with the transferee; (d) applicable provisions of Companies Act, 2013 are complied with, including the requirement of special resolution.

(6) The provisions of this Chapter shall not apply when any other secured lenders opt to join the strategic debt restructuring scheme in accordance with the guidelines specified by the Reserve Bank of India and convert their debt into equity share in accordance with subregulation (5). "

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## Insertion of New Clause in SEBI (Substantial

11 May 2015

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India Juris

F-116

Lajpat Nagar-1

New Delhi - 110 024, India

Ph: +91-11-29814816 / 29814817

Fax: +91-11-29815116

E: [newdelhi@indiajuris.com](mailto:newdelhi@indiajuris.com)

[www.indiajuris.com](http://www.indiajuris.com)

## International Desks

Asia & Australia

M.P.Mehani

[asia@indiajuris.com](mailto:asia@indiajuris.com)

Americas

Shivkumar Idnani

## Acquisition of Shares and Takeovers) Regulations, 2011

As per SEBI notification dated 5th May 2015, the Board hereby makes the new regulations called the **SEBI (Substantial Acquisition of Shares and Takeovers) (Second Amendment) Regulations, 2015**.

These new regulations are made to amend the earlier regulations, namely, **SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011**.

In the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 in regulation 10, after clause (h) of sub-regulation (1) the following shall be inserted namely:-

### " (i) Conversion of debt into equity under Strategic Debt Restructuring Scheme –

Acquisition of equity shares by the consortium of banks, financial institutions and other secured lenders pursuant to conversion of their debt as part of the Strategic Debt Restructuring Scheme in accordance with the guidelines specified by the Reserve Bank of India.

Provided that the conditions specified under sub-regulation (5) or (6) of regulation 70 of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as may be applicable, are complied with."

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## RBI Guidelines For Loan Frauds

Loan Frauds in the financial sector has now become a major and serious issue in India. To prevent from loan related frauds, RBI has time to time provided guidelines. As per RBI notification dated 07.05.2015, the framework for dealing with loan frauds are summarised as below:

1. The concept of a Red Flagged Account (RFA) is being introduced in the current framework as an important step in fraud risk control. A RFA is one where a suspicion of fraudulent activity is thrown up by the presence of one or more Early Warning Signals (EWS). These signals in a loan account should immediately put the bank on alert regarding a weakness or wrong doing which may ultimately turn out to be fraudulent.
2. List of some EWS is given for the guidance of banks from where banks may choose to adopt or adapt the relevant signals and also include other alerts/signals based on their experience, client profile and business models.
3. In respect of large accounts it is necessary that banks undertake a detailed study of the Annual Report as a whole and not merely of the financial statements, noting particularly the Board Report and the Managements' Discussion and Analysis Statement as also the details of related party transactions in the notes to accounts.

americas@indiajuris.com

### UK & Europe

Sameer Rastogi

europe@indiajuris.com

### Africa

Vineet Verma

africa@indiajuris.com

### Middle East

Dinesh Sabharwal

middleeast@indiajuris.com

4. Pre-sanction, Disbursement, Annual Review, Staff Empowerment, Role of Auditors, Incentive for Prompt Reporting, these roles should be carried out in an efficient manner to strengthen the monitoring processes and thus it helps in minimise the loan frauds.
5. The Banks may use Forensic Experts or External Auditors for investigation and the investigation process must be completed on stipulated time.
6. Under Consortium or Multiple Banking Arrangements, individual banks must conduct their own due diligence.
7. The penal provisions as applicable to wilful defaulters would apply to the fraudulent borrower.
8. Banks are required to lodge the complaint with the law enforcement agencies immediately on detection of fraud. The complaint lodged by the bank with the law enforcement agencies should be drafted properly and invariably be vetted by a legal officer.
9. Banks must initiate and complete a staff accountability exercise within six months from the date of classification as a Fraud.
10. The Reserve Bank is in the process of designing a Central Fraud Registry, a centralised searchable database, which can be accessed by banks.

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