

CHAPTER 3

# Regulatory updates



## Relaxation in overseas investment by Indian investors

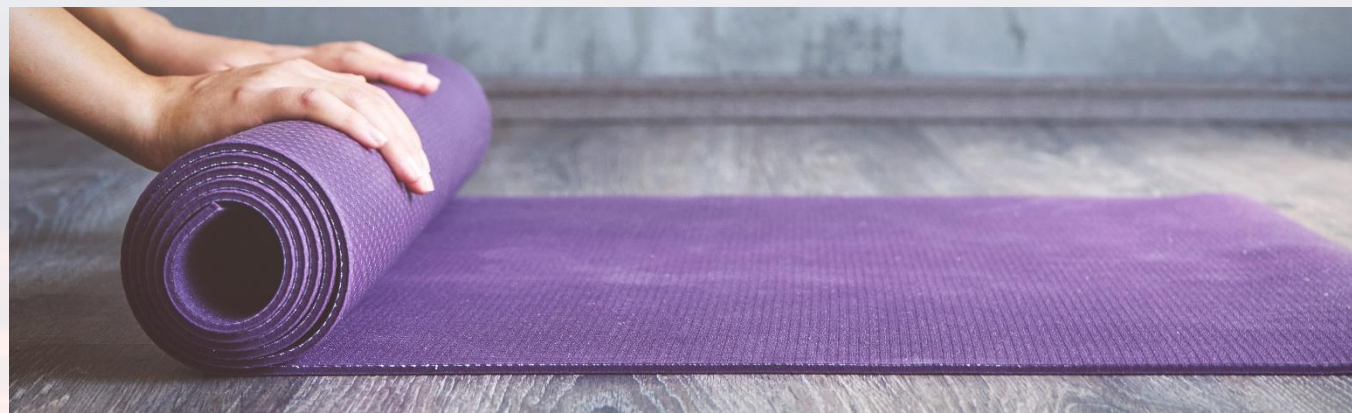
With an aim to address the diversity in the regulatory framework that governs investment funds across various jurisdictions, on 7 June 2024, the Reserve Bank of India (RBI) amended the Foreign Exchange Management (Overseas Investment) Directions, 2022 (the directions). The amendments to the directions (amendments) provide clarity with regard to the following key points pertaining to Overseas Portfolio Investments (OPIs).

**I. Form of investment:** Prior to the amendments, the directions permitted Indian investors to invest only in units issued by overseas funds. The amendment now permits Indian investors to invest in

units or any other instrument (by whatever name called) issued by an overseas investment fund.

**II. Investment regulator:** Prior to the amendments, the directions permitted investment in funds that were directly regulated by the financial sector regulator of the host country. The amendment has additionally permitted investment in funds whose activities are regulated by a financial sector regulator of the host country through a fund manager.

(Source: RBI circular no. RBI/2024-25/41 dated 7 June 2024)



## Timelines for disclosures by Social Enterprise (SE)

A Social Stock Exchange (SSE) is a segment of the stock exchange that provides a platform to Social Enterprises (SEs) to raise funds from the public. SEs are entities that get listed on the SSE. In September 2022, the Securities and Exchange Board of India (SEBI), had issued a detailed framework prescribing the minimum requirements for an entity to be registered as a SE on the SSE, which *inter alia* include the timeline and details of annual disclosures by a Non-Profit Organisation (NPO) and the requirements and timeline of an Annual Impact Report (AIR)<sup>1</sup>.

SEBI, through a circular dated 27 May 2024, revised the disclosure timelines laid down in the framework for the annual disclosures required to be made by an NPO and an AIR.

The amended timelines are given below:

**Disclosure requirement applicable to NPOs registered as an SSE:** As per the Listing Regulations, an NPO registered on the SSE is required to provide annual disclosures to the SSE on matters specified by SEBI by 31 October 2024 for FY 2023-24 (*earlier 60 days from the end of the financial year*).

**Submission of AIR:** The Listing Regulations require an SE, which is registered with or has raised funds through an SSE, to submit an AIR to the SSE in the format specified by SEBI. The revised timeline for submission is 31 October 2024 for FY 2023-24 (*earlier 90 days from the end of the financial year*).

(Source: SEBI circular no. SEBI/HO/CFD/PoD-1/P/CIR/2024/0059 dated 27 May 2024)



1. These requirements are also dealt with by Regulation 91C and 91E of the SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015.

## Mandatory audio-visual presentation of disclosures made in public issue offer documents

In order to enable investors to better comprehend the important aspects of an offer document, SEBI issued a circular on 24 May 2024, introducing Audio-Visual (AV) representation of salient disclosures made by companies in their (draft) offer documents for public issues.

Some of the key considerations of the prescribed AV format are listed below:

### Content

- The content of the AV should comply with the specified provisions<sup>2</sup> of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (ICDR Regulations).
- It should be in bilingual format (English and Hindi) with the duration of each bilingual version of the AV being approximately 10 minutes. The duration of the AV should be equitably distributed to cover material disclosures<sup>3</sup> made under various sections

of the Draft Red Herring Prospectus (DRHP) and Red Herring Prospects (RHP).

- The content of the AV should be factual, non-repetitive, non-promotional and should not mislead in any manner.

### Availability

The AV should be prepared and placed in the public domain for all main board public issues.

### Responsibility

The issuer and all the lead managers are responsible for the content and information made available in the AV.

### Where and when to disclose

- The AV should be uploaded on the following websites:
  - Website of the issuer and their digital/social media platform

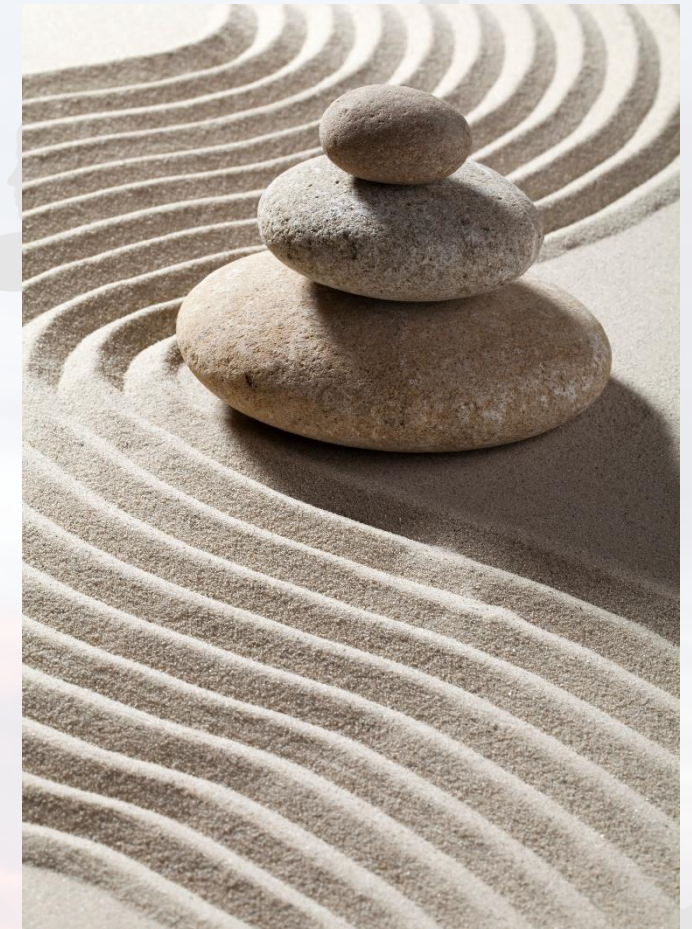
- Website of Association of Investment Bankers of India (AIBI) and their digital/social media platform
- Website of stock exchanges
- Website of lead managers.

- AV should also be accessible through a QR code.
- AV should be uploaded within 5 working days of filing the DRHP with SEBI.

**Applicability:** The provisions of this circular shall be made applicable to all DRHP filed with SEBI-

- On a voluntary basis on or after 1 July 2024
- On a mandatory basis from 1 October 2024.

(Source: SEBI circular no. SEBI/HO/CFD/CFD-TPD-1/P/CIR/2024/55 dated 24 May 2024)



2. Provisions regarding 'Public communications and publicity materials' prescribed under Schedule IX of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.

3. Material disclosures include disclosures about the company, risk factors, capital structure, objects of the offer, business of the issuer, promoters, management, summary of financial information, litigations, material developments and terms of the offer, etc.

## Self Regulatory Organisations for Social Impact Assessors

As per the ICDR Regulations, a Social Impact Assessor means an individual registered with a Self-Regulatory Organization (SROs) under the Institute of Chartered Accountants of India or such other agency, as may be specified by SEBI.

On 27 May 2024, SEBI has specified that in addition to the SROs registered with ICAI, following agencies would be specified as self-regulatory organisations for social impact assessors in the context of Social Stock Exchange:

- ICMAI Social Auditors Organisation (ICMAI SAO) under the Institute of Cost Accountants of India
- ICSI Institute of Social Auditors (ICSI ISA) under the Institute of Cost Accountants of India.

(Source: SEBI circular no. SEBI/HO/CFD/PoD-1/P/CIR/2024/0060 dated 27 May 2024)

