

## **SNAPSHOT - INVESTORS RELATED DEVELOPMENTS IN CAPITAL MARKET.**

**MONTH – MARCH 2021**

### **Mutual fund related developments**

#### **1. Annual Reports of MF AMCs for unitholders**

The annual report containing accounts of the AMC should be displayed on the websites of the mutual funds immediately after approval in Annual General Meetings within a period of four months, from the date of closing of the financial year. It should also be mentioned in the annual report of mutual fund schemes that the unitholders, if they so desire, may request for the annual report of the AMC. Further, the annual report of AMC shall be displayed on their websites in machine readable format.

#### **2. Dividend Distribution Procedure for Mutual Funds**

Within one calendar day of the decision by the trustees regarding approval of dividend, AMC shall issue notice to the public communicating the decision including the record date. The record date shall be 5 calendar days from the date of publication in at least one English newspaper or in a newspaper published in the language of the region where the Head Office of the mutual fund is situated, whichever is issued earlier.

With respect to payment of interest in the event of failure of despatch of dividend payments, it is clarified that the interest for the delayed payment of dividend shall be calculated from the record date.

#### **3. Postal Ballot**

As per the existing provisions of MF Regulations and various circulars issued thereunder, wherever consent or approval of unitholders is required, an option should be given to unitholders to vote. In this regard, it is clarified that the same can also be done through Postal Ballot mechanism. For this purpose, voting through Postal Ballot shall mean voting by post or through any electronic mode.

#### **4. Exit Period for Unitholders**

In order to bring uniformity, wherever exit option is required to be given to unitholders under MF Regulations and circulars issued thereunder, unitholders shall be given a time period of at least 30 calendar days for the purpose of exercising the exit option.

## **Streamlining the process of IPOS with UPI in ASBA and redressal of investor grievances**

Gaining on the experience of the market with the current UPI system in IPO process, based on the consultation with market participants, SEBI has identified various problems faced by the investors related to blocking and unblocking of funds, which need to be addressed.

Therefore, SEBI has decided to put in place measures to have a uniform policy and to further streamline the reconciliation process among intermediaries/SCSBs a detail circular dated March 16, 2021 has been issued by SEBI addressing these issues in the interest of the investors which also provides a mechanism of compensation to investors.

### **Streamlining the IPO Process**

1. In order to ensure timely response with regard to IPO process, Self Certified Commercial Scheduled Banks (SCSBs) shall identify the nodal officer for IPO applications processed through UPI as a payment mechanism and the details of nodal officers of SCSBs shall be hosted on the SEBI Website.
2. SCSBs shall send SMS alerts for mandate block and unblock.
3. Registrars to an Issue (RTI) shall submit the details of cancelled/withdrawn/deleted applications to SCSB's on daily basis within 60 minutes of bid closure time from the Issue opening date till Issue closing date (T) by obtaining the same from Stock Exchanges. SCSBs shall unblock such applications by the closing hours of the bank day and submit the confirmation to Lead Managers and RTA on daily basis, as per the format prescribed.

### **Unblocking of UPI Mandates**

In view of the complaints received pertaining to delayed unblock, SCSBs shall ensure that the unblock for non-allotted/partial-allotted applications is completed by the closing hours of bank day on (Basis of Allotment) BOA+1 day. SCSB's shall submit the confirmation on the same, to Lead Managers and RTA, not later than BOA+1. Such report shall be submitted as per the format prescribed. SCSBs failing to provide the details as per prescribed format to Lead Managers/RTI, not later than BOA+1 shall be liable to face appropriate action under Securities Laws .

### **Investor Grievance Redressal**

1. In order to provide an efficient redressal mechanism for complaints from investors pertaining to Block/Unblock of funds, to protect the interests of investors and to avoid any opportunity loss, the compensation structure as prescribed shall be applicable. SCSBs shall compensate the investor, immediately on the date of receipt of complaint from the investor.

2. If there is any delay in resolving the grievance beyond the date of receipt of complaint from investor, for each day delay, the compensation as prescribed shall be applicable in addition to the compensation as per para 4 above.
3. Lead Managers shall ensure that the payment of Processing fee/Selling commission to the intermediaries be released only after ascertaining that there are no pending complaints pertaining to block/unblock of UPI bids, receiving the confirmation on completion of Unblocks from Sponsor Banks/SCSBs.

All the above provisions shall come into force for IPOs opening on/after May 01,2021 and shall become part of the offer documents, DRHP and RHP.

### **Reduced timelines for refund of money in case of non-subscription of IPO or rejection of trading permission by Stock Exchanges.**

Presently, in terms of SEBI(ICDR) Regulations, 2018, in case of non-receipt of minimum subscription, the issuer is mandated to refund all the application monies within a period of “**fifteen days**” from the closure of the issue.

Similarly, in case the issuer fails to obtain listing or trading permission from the stock exchanges where the specified securities were to be listed, it shall refund the entire monies received within “**seven days**” of receipt of intimation from stock exchanges rejecting the application for listing of specified securities.

SEBI vide its circular dated March 31, 2021 has amended the timelines within which such amounts shall be refunded. As per the amendment, the words ‘**fifteen days**’ and “**seven days**” shall be read as ‘**four days**’.

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