

INTERNATIONAL FINANCIAL SERVICES CENTRES AUTHORITY

Agenda Item : Draft IFSC Authority (Issuance and Listing of Securities) Regulations, 2021.

A presentation was made on the agenda item.

- a) Member from SEBI stated that the proposed captioned Regulations may be notified only after the Rules under Sections 23(3) and 393 A of the Companies Act, 2013 are notified as these Rules would provide the enabling framework for the issue and listing of securities by issuers incorporated in India and issuers incorporated in foreign jurisdictions respectively.

The Chairperson clarified that the listing regulations of IFSCA would essentially serve as an enabling framework and companies from different jurisdictions (including domestic companies) will be able to list only when their home regulations permit such overseas listing. This is clearly indicated in 7(c) of the draft regulations, which states that “an issuer shall be eligible to list its securities under these regulations in IFSC only if

(c) the listing of securities in IFSC is in accordance with the laws of the jurisdiction of incorporation”. With respect to notification under section 393A of the Companies Act, the Companies Act 2013 already provides for making certain exemptions to foreign companies and the draft notification prepared by the Ministry of Corporate Affairs (in consultation with IFSCA) is at an advanced stage.

With reference to para 4.2 of the captioned agenda, the SEBI representative stated that as Rules 19(2)(b) and 19A of the Securities Contracts (Regulation) Rules, 1957 (SCRR) – on initial dilution in public issues and maintenance of minimum public shareholding respectively – are applicable to an IFSC, the proposed Regulations may also suitably incorporate such cross referencing to the SCRR.

The Chairperson observed that this may not be necessary, as Securities Contracts (Regulation) Rules, 1957 (SCRR) applies to the IFSC and the proposed regulations do not contradict it in any manner. Accordingly the minimum public share holding will automatically apply.

b) Member from DEA while supporting the draft regulations made the following comments:-

- i. SEBI currently includes schedules in its regulations, which contain application format, fee etc.,
- ii. Corporate Governance aspect also may be seen separately. He stated that detailed observations of DEA will be sent by mail for consideration in whatever manner considered appropriate.

The Chairperson stated that IFSCA has done consolidation of listing regulations, which is unique in the Indian regulatory context, but the fee structure has been separately published for different types of entities. On Corporate Governance, he indicated that typically home country standards would apply. He, however, stated that IFSCA would, after gaining some experience, attempt a common minimum framework on Corporate Governance beyond disclosure requirements etc., required under the IFSCA regulations. The Chairperson stated that on receipt of the written communication, the recommendations would be suitably incorporated in circulars/guidelines wherever considered necessary.

The Authority, based on some specific suggestions made by DFS Member approved the draft regulations with the following modifications:-

- a) The reference to “financial year” w.r.t eligibility criteria for IPO shall mean financial year followed by the issuer;
- b) The fast track FPOs may be permitted if the equity shares of the issuer have been listed on a recognised stock exchange for a period of at least 18 months;
- c) The definition of start-up companies shall include – “Entity is working towards innovation, development or improvement of products or processes or services, or if it is a scalable business model with a high potential of employment generation or wealth creation”.
- d) The reference to “special auditor” may be replaced with “auditor” referred in the chapter on listing obligations and disclosure requirements.

The Authority authorized the Chairperson to notify the draft International Financial Services Centres Authority (Issuance and Listing of Securities) Regulations, 2021 in the Official Gazette, after carrying out these changes and other changes, if any, of drafting and consequential nature. The Authority further authorized the Chairperson to take such necessary, consequential and incidental steps to operationalize the said regulations.