

Proposal by SEBI to introduce Scheme of Arrangement framework for debt securities/NCRPS' listed entities solely

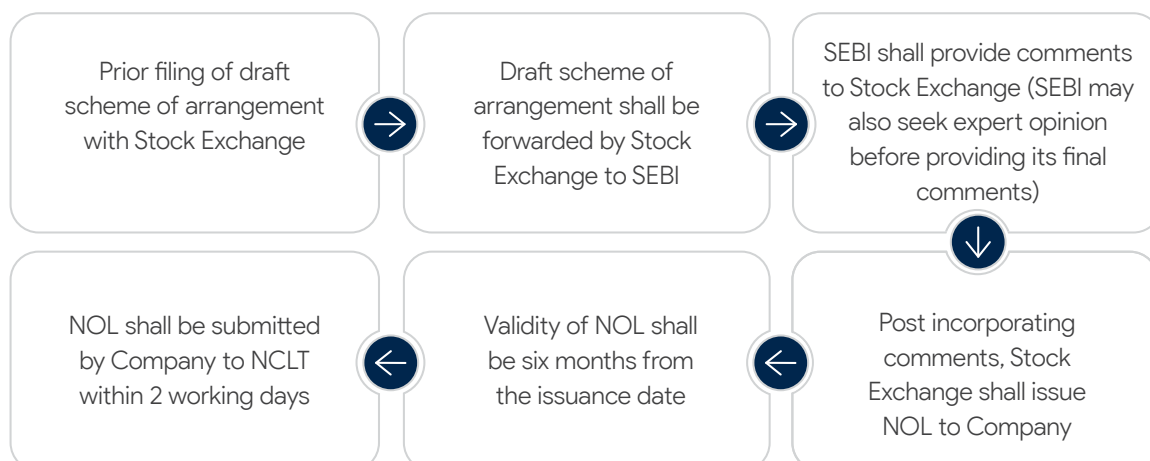
Background

Any company entering into a Scheme of Arrangement and having shares listed on Stock Exchange(s) have to seek approval from Stock Exchange(s) and Securities Exchange Board of India ('SEBI'). However, entities whose shares are unlisted but have debt securities or Non-Convertible Redeemable Preference Shares('NCRPS') listed were out of the purview to mandatorily seek approval from SEBI and Stock Exchange(s).

SEBI on May 20, 2022 issued a consultation paper by introducing framework for Schemes of Arrangement entered by entities that have listed debt securities/ NCRPS'.

SEBI set up a Corporate Bonds and Securitization Advisory Committee (CoBoSAC) and recognized the need of regulatory intervention for safeguarding the interest of listed entities, debt securities/NCRPS' holders. Companies who have their debt securities listed and are proposing to enter into a Scheme of Arrangement, will now have to seek approval from Stock Exchange(s) and SEBI before filing the scheme with National Company Law Tribunal (NCLT). However, restructuring proposal approved by the Tribunal as part of a resolution plan under Section 31 of the Insolvency & Bankruptcy Code is explicitly excluded.

Chronology of events



Proposed Amendment

Similar to equity listed companies, CoBoSAC has proposed to have a regulatory framework for debts securities /NCRPS' listed companies by bringing about amendments in Listing Regulations and SEBI circulars. Proposed timeline for debt securities/NCRPS' listed companies for seeking approvals from SEBI and Stock Exchange(s) for effectuating Scheme of Arrangement is summarized hereunder:

Sr. No.	Debt listed entities raised money by mode of public issue of debt securities/NCRPS'	Debt listed entities raised money by mode of private placement of debt securities/NCRPS'
1.	Draft Scheme along with other documents to be filed with Stock Exchange(s) prior to filing of such scheme with any NCLT by paying requisite fees as prescribed by SEBI for obtaining No-Objection Letter ("NOL").	Draft Scheme along with other documents to be filed with Stock Exchange(s) at the time of filing such scheme with any NCLT by paying requisite fees as prescribed by SEBI for obtaining No-Objection Letter ("NOL").
2.	Draft Scheme shall be forwarded by Stock Exchange(s) to SEBI within 3 working days from the date of receipt of the scheme.	Draft Scheme shall be forwarded by Stock Exchange(s) to SEBI within 2 working days from the date of receipt of the scheme.
3.	<p>Stock Exchange(s) shall endeavor to complete the process within 30 calendar days from date of receipt of draft scheme.</p> <p>Stock Exchange(s) shall endeavor to submit NOL to SEBI within 7 working days from receipt of required comments/satisfactory replies, from a registered valuer/ statutory auditor/listed entity as applicable.</p> <p>First set of queries seeking clarifications, if any, from registered valuer/statutory auditors/listed entity as applicable shall be sent by Stock Exchange(s) within 10 working days from the date of receipt of the scheme.</p>	Stock Exchange(s) shall submit NOL to SEBI within 15 working days from receipt of draft scheme.
4.	Comments on draft scheme shall be provided by SEBI to Stock exchange(s) within 30 calendar days from receipt of NOL or required comments/ satisfactory replies, whichever is later.	Comments on draft scheme shall be provided by SEBI to Stock exchange(s) within 15 working days from receipt of NOL or required comments/ satisfactory replies, whichever is later.
5.	Post incorporating SEBI comments, Stock Exchange(s) shall issue NOL to listed entity within 7 calendar days .	Post incorporating SEBI comments, Stock Exchange(s) shall issue NOL to listed entity within 2 working days .

The last date to submit the comments specified in the circular dated May 20, 2022 is June 19, 2022.

RBSA Comments

SEBI aims to protect interest of investors of debt securities/NCRPS' listed entities by proposing and discussing the framework with its CoBoSAC and few issuers of debt securities/ NCRPS' who have been involved in Scheme of Arrangements in the past. In case of acceptance of proposal mentioned in SEBI's consultation paper it will bring lucidity and transparency to applicable procedures for Scheme of Arrangement of debt securities/NCRPS' listed entities. However, the framework will also bring its own set of hardships as it will be a cumbersome activity to seek regulatory approvals in time bound manner.

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