

THE MARKET CHRONICLE

~BY CATALYST

NEWS

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CIRCULAR & CONSULTATION PAPERS ISSUED BY THE MARKET REGULATOR SEBI:

Consultation paper on the proposed amendment to SEBI (Alternative Investment Funds- AIFs) Regulations, 2012 to strengthen governance mechanisms of AIFs, dated: May 18, 2023.

The objective behind the same is to seek comments and inputs from stakeholders and the public on the following proposals for the aforesaid amendment:

1. To specify the guidelines for borrowing by Category I and II AIFs;
2. To mandate AIFs to hold their securities/investments in demat form only;
3. To extend the mandate for appointment of custodians to all AIFs and to prescribe the role of custodians appointed by AIFs;
4. To specify the maximum extension of tenure by Large Value Fund for Accredited Investors (LVFs); and
5. To mandate renewal of registration of AIFs.

Read more: <https://www.sebi.gov.in/reports-and-statistics/reports/may-2023/consultation-paper-on-proposed-amendment-to-sebi-alternative-investment-funds-regulations-2012-to-strengthen-governance-mechanisms-of-alternative-investment-funds-aifs-71387.html>.

Consultation paper on the proposal to review the Qualified Institutional Buyer status of Alternative Investment Funds, Venture Capital Funds, and Foreign Venture Capital Investors dated May 19, 2023

Regulation 2(1)(ss)(ix) of SEBI (Issue of Capital and Disclosure Requirements) Regulations 2018 ("ICDR Regulations"), defines QIBs. As per the given definition, AIFs are also considered as QIBs.

Entities that may not be otherwise eligible to qualify as QIBs on their own, may avail the flexibility provided to QIBs by setting up an AIF for the said purpose.

As:

- Category I and Category II AIFs were envisaged to encourage investment primarily in unlisted securities, flexibility has been provided to Category I and Category II AIFs to invest the remaining portion of their investible funds in listed securities.
- Category III AIFs have been provided flexibility to invest their entire corpus in listed securities.

Proposal - It was viewed to mandate that AIFs having 50% or more contribution from a single investor or investors belonging to the same group should not be entitled to avail benefits designated for QIBs.

Read more: <https://www.sebi.gov.in/reports-and-statistics/reports/may-2023/consultation-paper-on-the-proposal-to-review-qualified-institutional-buyer-status-of-alternative-investment-funds-venture-capital-funds-and-foreign-venture-capital-investors-71435.html>

Circular on Dematerialization of securities of Hold Cos and SPVs held by Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs), dated May 22, 2023.

A summary of the same is as under:

- 1) Applicability: All InvITs & REITs & All Parties to InvITs & REITs
- 2) Effective: Immediate Effect
- 3) Important points of the SEBI Circular:

a) Regulation 14(4)(r) of SEBI (Infrastructure Investment Trusts) Regulations, 2014 ("InvIT Regulations") and Regulation 14(18) of SEBI (Real Estate Investment Trust) Regulations, 2014 ("REIT Regulations") provides that the units of InvIT shall be issued only in the dematerialized form to all the applicants.

b) In order to promote the dematerialization of securities, encourage ease of doing business, and improve transparency in the dealings of securities of Hold Cos/ SPVs, InvITs and REITs shall going forward hold the securities of Hold Cos and SPVs in dematerialized form only and the Investment Manager of the same shall ensure it.

c) For existing securities holdings by InvITs and REITs in Hold Cos and SPVs in physical form, the Investment Manager is directed to dematerialize the securities of Hold Cos and SPVs of the InvIT and REIT on/before June 30, 2023.

Read more: <https://www.sebi.gov.in/legal/circulars/may-2023/dematerialization-of-securities-of-hold-cos-and-spvs-held-by-real-estate-investment-trusts-reits-71448.html> & <https://www.sebi.gov.in/legal/circulars/may-2023/dematerialization-of-securities-of-hold-cos-and-spvs-held-by-infrastructure-investment-trusts-invits-71449.html>

Consultation paper on the proposal with respect to pro-rata and pari-passu rights of investors of Alternative Investment Funds (AIFs) dated May 23, 2023.

Background – SEBI Circular SEBI/HO/AFD-1/PoD/P/CIR/2022/157 dated November 23, 2022, has been decided by SEBI that schemes of AIFs that have adopted a priority distribution model, shall not accept any fresh commitment or make an investment in a new investee company, till a view is taken by SEBI in this regard.

Proposal –

1. The rights of each investor shall be maintained

- pro-rata to their commitment to the scheme, in each investment of the scheme, while making an investment, and;
- pro-rata to the investment made in the investee company, while distributing the proceeds of the investment.

Provided that the manager may charge a performance-linked fee as per the terms of the contribution agreement with each investor.

2. While the manager/sponsor may continue to have differential distribution to bear loss more than their pro-rata holding, the same is subject to the condition that the amount invested by the AIF in the investee company shall not be utilized directly or indirectly to repay any pending obligations to the manager/sponsor or their associates.

3. Existing schemes of AIFs that have adopted a priority distribution model may continue with the existing investments, but shall not accept any fresh commitment or make an investment in a new investee company.

4. With respect to pari-passu rights of investors, the following is proposed:

- All investors of the AIF/scheme shall be treated equally with respect to the economic rights of the investors i.e., no differential rights shall be provided to investors of AIF/scheme which would affect the economic rights of other investors.
- The aforesaid provision shall not apply in case of differential rights provided on terms with respect to the hurdle rate of return, performance-linked fee/additional return, and management fees.

With reference to the consultation paper, public comments are to be provided to SEBI latest by June 04, 2023.

Read more: <https://www.sebi.gov.in/reports-and-statistics/reports/may-2023/consultation-paper-on-proposal-with-respect-to-pro-rata-and-pari-passu-rights-of-investors-of-alternative-investment-funds-aifs-71540.html>

11TH SECURITIZATION SUMMIT- 2023

Indian Securitization Summit, Initiated and organized by Indian Securitisation Foundation and Vinod Kothari Consultants is one of India's most sought Market Industry forums. On 19th May 2023, the 11th Securitization Summit was held at Novotel- Mumbai, we at Catalyst Trusteeship Ltd were happy to be a part of the same in the capacity of attendee and Nominee for the Event. The deal Named "Nimbus 2022 TR Eagle" won the Most Innovative Deal of the Year Award and the other Nomination for Innovative Deal were: Nimbus 2022 AHF Auckland, MOST I Trust, and Leo August 2022. It gives us immense pleasure in informing you that We - Catalyst Trustee has acted as a trustee for all four aforesaid transactions.

HIGHLIGHTS OF THE MONTH:

Security Trustee deals:

Sectors	Count of Transactions	Facility Amount (Cr.)
Infrastructure Sector	02	720
Renewable Sector	14	2486
Real Estate Sector	03	625
NBFC	19	4392
Others	05	580
Grand Total	43	8,803

Debenture Trustee deals:

Sector	Category	Issue Size in Crores
Banking & Finance	24	4645
NBFC	32	36064
Infrastructure	8	1360
Energy	3	164.5
Healthcare & Pharma	4	2145
Other	3	100
Grand Total	69	44478.5

Securitization deals:

Asset Class	No. of Deals	Pool Size in Crores
Commercial Vehicle	2	1193
Educational Institutional Loan	1	146
Gold Loan	1	60
Housing Loan	1	187
Loan Against Property	5	2166
MSME loan	12	742
Personal Loan	5	325
Revolving Finance Loan	1	451
Secured Business Loan	2	67
Trade Receivables	1	30
Unsecured Business Loan	2	186
Grand Total	33	5553

AIFs deals:

Category of the Fund	No. of funds	Issue Size in Crores
CAT II	3	2450
CAT III	2	1020
Grand Total	5	3450

Thanks and Regards,
~ Editorial team of Catalyst.

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"We are the Market Leaders in the Debenture Trustee Segment in terms of NCD Issuance".

30.6%

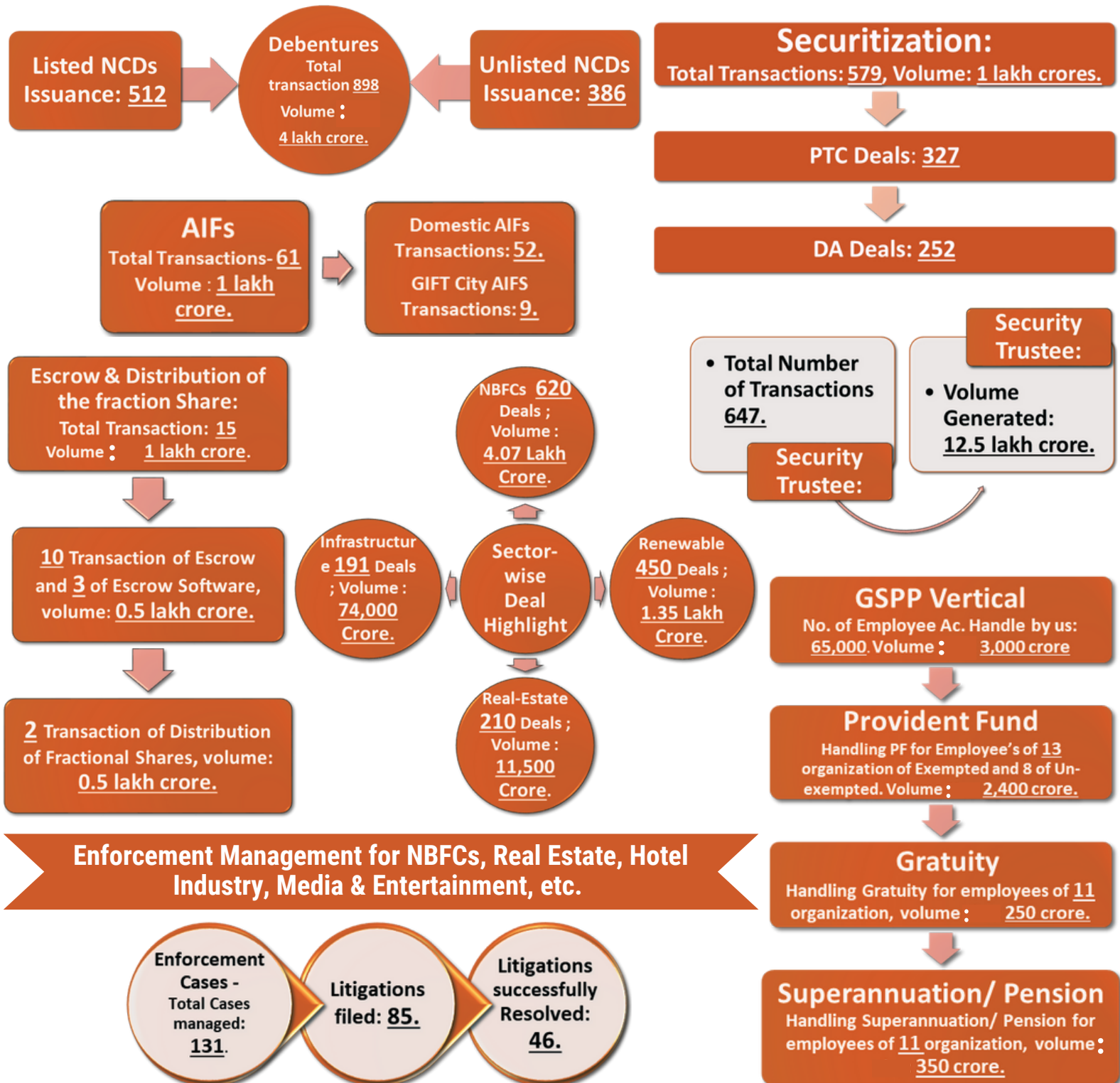
Market share in Debenture Trustee in-terms of NCD Issuance making us the Leaders.

#01

No. 1- Leading Trustee in Debentures and Securitization Segment.

69%

Market Share in Securitization making us the leaders in the same since half a decade.



"Currently, our employee size stands at 170+ making us the largest team in trusteehip in India, and we are committed to providing timely and effective services to our client..."