

Sebi sets new norms for listing of preference shares

With an aim to bring in more transparency in raising of funds through non-convertible preference shares, market regulator Sebi today announced a new set of regulations to govern issuance and listing of such securities.

To safeguard the interest of small investors from such high-risk securities, Sebi also said that the listing of privately placed non-convertible redeemable preference shares would require a minimum application size of Rs 10 lakh for each investor.

Besides, the public issuance of such shares would require a minimum three-year tenure for the instruments and a minimum rating of 'AA-' or equivalent investment grade, the market regulator Sebi said in a statement after its board meeting here today.

There have been many instances of public investors being taken for a ride through sale of such shares, as there have been ambiguity about regulations governing them.

At the same time, a defined framework for issuance and listing of such shares would also make it easier for banks and infrastructure companies to garner funds through this route.

Preference share is an equity security with properties of both an equity and a debt instrument. It usually carries no voting rights, but may carry a dividend.

Sebi said that its board has approved the Sebi (Issue and Listing of non-convertible redeemable preference shares) Regulations, 2013 to provide a comprehensive regulatory framework for issuance and listing of non-convertible redeemable preference shares.

Sebi said that the new regulations would be applicable to issuances by banks of non-equity instruments such as Perpetual Non-Cumulative Preference Shares and Innovative Perpetual Debt Instruments, which are in compliance with the specified criteria for inclusion in Additional Tier I Capital.

Such instruments can be issued by banks to meet Basel III norms.

(The Times Of India)