Skillshort

Self-Study Preparation Pack

CS EXECUTIVE

Paper 5: Capital Market and Securities Laws (CMSL)

Chapter-wise Detailed Notes

For the December 2026 examination (Tue 22 Dec 2026, 2:00–5:15 pm incl. 15 min reading) · ICSI Syllabus 2022 · Group 2 · Laws as amended up to 31 May 2026 (study material to 30 Nov 2025 + Supplement for Dec 2026)

100 marks · 3 hours | Part I Capital Market 40 · Part II Securities Laws 60 | Case study in Q1 | Internal choice in Q2 and Q6

New SEBI (Mutual Funds) Regulations 2026

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This subject pack has 6 parts

1 Chapter-wise notes

2 Important topics & weightage

3 Past papers: trends & links

4 Mock tests + solutions

5 Chapter practice questions

6 Last-week plan & strategy

Prepared by Skillshort for self-study. Original explanations and questions; not an official ICSI publication. Items marked VERIFY should be checked against the latest official material.

How to use these notes

These notes follow the **18 lessons of the current ICSI study material** for Capital Market and Securities Laws (Syllabus 2022). Regulation numbers are those of the SEBI regulations as amended up to **31 May 2026**; the December 2026 supplement items are marked NEW. Write every answer as **regulation → threshold or time limit → application → conclusion**.

Paper at a glance

Item	Detail
Marks / time	100 marks, 3 hours (2:00–5:15 pm with 15 minutes' reading time)
Part I – Capital Market (40 marks)	Lessons 1–7: Q1 case study (about 20 marks), Q2 or Q2A (about 20 marks) – stock exchanges, SCRA, SEBI Act, depositories, intermediaries, IFSCA
Part II – Securities Laws (60 marks)	Lessons 8–18: Q3, Q4, Q5 and Q6 or Q6A (about 15 marks each) – ICDR, SBEB, NCS, LODR, SAST, PIT, PFUTP, delisting, buy-back, mutual funds, CIS; Q6 is often **short notes**
Choice	Internal choice in **Q2 / Q2A** and **Q6 / Q6A** (June 2025 paper) VERIFY
Numericals	One small sum most years – **NAV**, **holding-period return** of a mutual fund unit, or buy-back / open-offer size
Applicable law	Amendments up to **31 May 2026**; ICSI study material updated to 30 November 2025 + Supplement for December 2026
Pass	40% in each paper and 50% aggregate in the group

Recent papers (December 2024 – June 2026) were fully written answers – no OMR or MCQ section was seen VERIFY. Check the instructions printed on your question paper.

NOTE ICSI Supplement – Dec 2026 (1/2)

- **L3 SCRA**: **SCR (Amendment) Rules 2026**, G.S.R. 184(E), **13-3-2026** - Rule 19(2)(b) revised **minimum public offer** slabs by post-issue market cap (25% / ₹400 cr / 10% / ₹1,000 cr + 8% / ₹6,250 cr + 2.75% / ₹15,000 cr + 1%); longer MPS timelines NEW.
- **Ch. 6**: **SEBI (Merchant Bankers) (Amendment) Regs 2025** (3-12-2025) - net worth **₹50 cr** (Cat I) / **₹10 cr** (Cat II); permitted activities Reg 13A NEW.
- **Ch. 6**: **SEBI (Stock Brokers) Regulations 2026** (7-1-2026) - **qualified stock broker**, no cash from clients NEW.
- **Ch. 6**: **SEBI (RTA) Regulations 2025** (15-12-2025) - net worth **₹50 lakh**; grievance in **21 days** NEW.

NOTE ICSI Supplement – Dec 2026 (2/2)

- **L8 ICDR (Amendment) Regs 2026** (16-3-2026): "non-transferable" marking where lock-in can't be created (Reg 17(2)); DRHP public comments **21 days** with **abridged draft** (Reg 26) NEW.
- **L9 SBEB**: valuation of sweat equity by **independent registered valuer** (not merchant banker) NEW.
- **L10 NCS (Amendment) Regs 2026** (20-1-2026): **retail individual investor** ≤ **₹2 lakh**; **incentives** (extra interest / discount) to senior citizens, women, defence personnel, retail NEW.
- **L11 LODR**: "Registrar to an Issue and Share Transfer Agent" terminology; Reg 39(2) **demat credit in 30 days**; Reg 40 transmission / transposition **only demat** NEW.
- **Ch. 17**: **SEBI (Mutual Funds) Regulations 2026** (14-1-2026) - in force **1-4-2026**; 1996 Regs repealed; **MF Lite**, **SIF** NEW.

Answer framework

Identify **regulation & chapter** (ICDR Ch II / V / VI; SAST Reg 3; PIT Reg 4) → Quote **threshold / % / time limit** → Apply to facts (compute holding %, price, lock-in) → Conclude with **disclosure, approval & penalty** (SEBI Act s.15A-15HB)

Note: Most-tested numbers: **25% open offer trigger**, **5% creeping**, **20% promoter contribution**, **18 months lock-in**, **T+3 listing**, **30-minute / 24-hour LODR disclosures**.

MEMORY TRICK **18 lessons "BSSS–DII | ISNL TPPD BMC"**

BSSSDIIISNLTPPDBMC – B Basics; S Secondary market; S SCRA; S SEBI; D Depositories; I Intermediaries; I IFSCA; I ICDR; S SBEB; N NCS; L LODR; T Takeovers; P PIT; P PFUTP; D Delisting; B Buy-back; M Mutual funds; C CIS

Chapter 1: Basics of Capital Market

In this chapter: Financial system in India · Structure of financial market · Money market vs capital market · Primary & secondary market · Regulatory framework · Capital market instruments · Participants

1.1 Financial system & market structure

- **Financial system** = institutions + markets + instruments + services + regulators channelising **savings → investment**.
- **Money market** (≤ 1 year): call / notice money, **T-bills**, **CP**, **CD**, repo / TREPS - regulated by **RBI**.
- **Capital market** (> 1 year): **primary** (new issues - IPO, FPO, rights, preferential, QIP) & **secondary** (trading on exchanges); equity & debt segments.
- **Derivatives** market - futures & options on stocks, indices, currency, commodities.

1.2 Regulators

Regulator	Domain
SEBI	Securities market, intermediaries, MFs, AIFs, commodities derivatives
RBI	Money market, G-secs, forex, banks, NBFCs, CP / CD
IRDAI	Insurance
PFRDA	Pension (NPS)
IFSCA	All financial services in **IFSCs** (GIFT City)
MCA	Companies Act - prospectus, share capital provisions (for unlisted)

- **FSDC** - coordination among regulators.

1.3 Capital market instruments

Instrument	Feature
Equity shares	Ownership; voting; residual claim; **SR shares** (superior voting) for tech founders
Preference shares	Fixed dividend; priority; **redeemable within 20 years**
Debentures / bonds	Debt; fixed interest; secured / unsecured; convertible / NCDs
Warrants	Right to subscribe shares later (≤ 18 months)
ADR / GDR / IDR	Depository receipts abroad / in India
REIT / InvIT	Units of real estate / infrastructure trusts
Green / social bonds	Specified use of proceeds
Derivatives	Futures, options, swaps

1.4 Primary vs secondary market

Point	Primary	Secondary
Securities	**New** issues	**Existing** listed securities
Money flows to	**Issuer**	Selling investor
Price	Fixed / book built	Market-determined
Intermediaries	Lead managers, RTA, bankers to issue	Brokers, CCs, depositories
Regulation	ICDR, Companies Act	SCRA, LODR, PFUTP

1.5 Market participants

- **Issuers** (companies, Govt, ULBs), **investors** (retail, HNI, QIBs - MFs, banks, insurers, FPIs, AIFs, pension funds).
- **Intermediaries** (brokers, DPs, MBs, RTAs, CRAs, DTs, custodians, IAs, RAs).

- **Market infrastructure institutions (MIIs)**: stock exchanges, **clearing corporations, depositories** - SEBI MII governance norms (public interest directors) VERIFY.
- **SROs**, investor associations, **Social Stock Exchange** (NPO - ZCZP instruments).

EXAM TIP **FAQ – Basics**

- Is a CP a capital market instrument? **No** - **money market** (≤ 1 year), regulated by RBI (listing by SEBI).
- Who regulates G-sec trading? **RBI** (NDS-OM); SEBI for exchange-traded G-secs.
- REIT minimum investment? Trading lot **1 unit** on exchanges VERIFY.

Chapter 2: Secondary Market in India

In this chapter: Concept & trading mechanism · Stock exchanges & clearing corporations · Settlement (T+1 / T+0) · Risk management - margins, circuit breakers · Regulators · Indices - Sensex, Nifty · SLB · Algo trading

2.1 Trade life-cycle

Client KYC (KRA) & **UCC** → Order via broker (online / app) → **Order matching** on screen (price-time priority) → Trade confirmation & contract note (24 hours) → **Clearing corporation** - novation & guarantee → **Settlement T+1** (optional **T+0** for select stocks) → Pay-in / pay-out via depositories

- **Clearing corporations**: NSE Clearing, ICCL, MSE Clearing - **Settlement Guarantee Fund**.
- **Block deal / bulk deal** windows; **Call auction** for IPO listing day pre-open.

2.2 Risk management

- **Margins**: VaR margin, **extreme loss margin (ELM)**, **mark-to-market**; peak margin; upfront collection.
- **Index circuit breakers**: **10%, 15%, 20%** movement → market-wide halts.
- **Price bands** on individual stocks (2 / 5 / 10 / 20%); **surveillance** - ASM, GSM frameworks.
- **Investor Protection Fund** (exchanges); **client fund segregation**; **upstreaming** of client funds to CCs.
- **SLB** - securities lending & borrowing; **algo trading** - exchange-approved for retail (2025) VERIFY.

2.3 Indices & exchanges

Item	Detail
Sensex (BSE)	**30** stocks; free-float market cap
Nifty 50 (NSE)	**50** stocks; free-float
Sectoral / thematic	Bank Nifty, IT, PSU indices
Exchanges	BSE (1875), NSE (1992), MSEI; IFSC exchanges - India INX, NSE IX
Market makers	Mandatory for SME platform

- Free-float = excludes promoter holding.

EXAM TIP FAQ – Secondary market

- Current settlement cycle? **T+1** (all stocks since **27-1-2023**); **optional T+0** beta for select stocks (2024).
- Who guarantees settlement? **Clearing corporation** (novation, SGF).
- What happens when Sensex falls 10% before 1 pm? **Market-wide halt** (45 minutes) - per circuit breaker rules VERIFY.

COMMON MISTAKE Secondary market traps

- Contract note within **24 hours** of trade.
- **Free-float** index excludes promoter holdings.
- Upstreaming: brokers must upstream client funds to **CC** - not retain.

2.4 Debt & derivatives segments

- **Corporate bond** market - **RFQ platform**, tri-party repo; **online bond platform providers (OBPP)** - registered as brokers (2022).
- **G-sec** retail access - **RBI Retail Direct**; NSE goBID.
- **Equity derivatives** - index & stock F&O; 2024-25 measures: higher contract size (₹15-20 lakh), weekly expiry limited to one index per exchange, upfront option premium VERIFY.
- **Commodity derivatives** - regulated by SEBI since 2015 (FMC merger).

Chapter 3: Securities Contracts (Regulation) Act 1956

In this chapter: Definitions - securities · Recognition of stock exchanges · Corporatisation & demutualisation · Powers of CG & SEBI · Bye-laws · Contracts in notified areas · Listing s.21 & delisting s.21A · Appeals to SAT · Penalties & offences · SCRR - Rule 19 & 19A (2026)

3.1 Key sections

- **s.2(h) securities**: shares, scrips, stocks, bonds, debentures, **derivatives**, units of **CIS**, **security receipts**, **MF units**, Govt securities, rights / interest in securities, **ZCZP instruments** (social stock exchange).
- **s.3-4** recognition of stock exchange (by CG - delegated to **SEBI**); **s.4A-4B** corporatisation & **demutualisation** (ownership separate from trading rights).
- **s.7-8** powers of CG / SEBI to call returns, direct rules; **s.9** bye-laws; **s.12A** directions by SEBI.
- **s.13** contracts in notified areas **void** unless between / through members of recognised SE; **s.18A** derivatives legal if traded on SE.
- **s.19** no SE other than recognised; **s.21** listing conditions; **s.21A delisting** (by company / SE); **s.22** appeal to **SAT** against refusal to list.

3.2 Min public offer - SCRR Rule 19(2)(b) (2026)

Post-issue market cap (at offer price)	Minimum offer to public
≤ **₹1,600 cr**	**25%**
₹1,600 - 4,000 cr	Value of **₹400 cr**
₹4,000 - 50,000 cr	**10%** (25% MPS in **3 years**)
₹50,000 cr - 1 lakh cr	**₹1,000 cr + 8%** (25% in **5 years**)
₹1 lakh - 5 lakh cr	**₹6,250 cr + 2.75%**
> **₹5 lakh cr**	**₹15,000 cr + 1%** (min **2.5%**)

- For the two largest slabs: if public < 15% at listing → **15% in 5 yrs, 25% in 10 yrs**; if ≥ 15% → 25% in 5 yrs.
- **SR shares** of founders must be listed on same exchange; IFSC listing - **10%** irrespective of size NEW.

3.3 Penalties & offences

- **s.23A**: failure to furnish info / returns - **₹1 lakh/day, max ₹1 crore**.
- **s.23B-23GA**: client agreement, grievances, segregation, listing conditions, returns - up to **₹1 crore** / ₹25 crore (listing) VERIFY.
- **s.23H residual**: up to **₹1 crore**; **s.23-I** adjudication by SEBI AO; **s.23L** appeal to SAT.
- **s.23M offences**: up to **10 years** or fine up to **₹25 crore**, or both; **s.23N** compounding; **s.23O** special courts.
- **Rule 19A SCRR**: **MPS 25%** continuous; restore within **12 months** if falls (Govt companies - extended).

3.4 Listing conditions & delisting under SCRA

- **Rule 19(2)(a)**: issue through offer document; post-issue capital; **minimum 25%** public (as per 19(2)(b) slabs).
- **Rule 19(3)**: listing of all securities of same class; **Rule 19(7)** SE may relax.
- **s.21A delisting**: by company (voluntary, per SEBI regulations) or by SE on grounds (non-compliance, suspension > 6 months, etc.) - appeal to **SAT** in **15 days**.
- **s.22A** - free transferability of securities of public companies VERIFY.

EXAM TIP FAQ - SCRA

- Is a forward contract outside a recognised SE void? In notified area - **yes** (s.13), unless between members / spot delivery.
- Maximum penalty under s.23A? **₹1 crore**.
- Who can appeal against SE's refusal to list? Company - to **SAT** (s.22).

Chapter 4: Securities & Exchange Board of India

In this chapter: Establishment & composition · Powers & functions s.11 · Prohibitions s.12A · Registration of intermediaries · Investigation, search & seizure · Penalties s.15A-15HB · Adjudication & settlement · SAT - composition & appeal · Central Govt powers · SCORES · Informal Guidance Scheme

4.1 SEBI – set-up & powers

- Non-statutory 1988 → statutory **30-1-1992** (SEBI Act 1992); preamble: **protect investors, develop & regulate** market.
- **Composition s.4**: Chairman + 2 from **Ministry of Finance** + 1 from **RBI** + 5 others (at least 3 WTMs) VERIFY.
- **s.11** functions - regulate exchanges & intermediaries, CIS & MFs, prohibit FUTP & insider trading, investor education; **s.11(4)** - suspend trading, restrain persons, impound proceeds, attach bank accounts.
- **s.11B** directions (incl. **disgorgement**); **s.11C** investigation; **s.11AA** CIS definition.
- **s.12** registration of intermediaries; **s.12A** prohibition of manipulative devices, insider trading, substantial acquisition.

4.2 Penalties - SEBI Act

Section	Default	Penalty
15A	Failure to furnish info / returns	**₹1 lakh/day, max ₹1 cr**
15C	Failure to redress investor grievances	₹1 lakh/day, max ₹1 cr
15D-15E	CIS / MF / intermediary defaults	₹1 lakh/day, max ₹1 cr
15F	Broker defaults	Up to ₹1 cr / 5× brokerage
15G	**Insider trading**	**₹10 lakh - ₹25 cr** or **3× profit**, higher
15H	Non-disclosure of acquisition / takeover	₹10 lakh - ₹25 cr or 3× profit
15HA	**Fraudulent & unfair trade**	**₹5 lakh - ₹25 cr** or 3× profit
15HB	Residual	Up to **₹1 cr**

- **s.15J** factors (gain, loss, repetition); **s.15JB settlement**; **s.24** offences - up to **10 years** / **₹25 cr**; **s.24A** compounding.

4.3 SAT, appeals & investor services

- **SAT s.15K-15T**: Presiding Officer (SC / HC judge) + judicial & technical members; appeal within **45 days**; decide in **6 months**; **s.15Z** appeal to **Supreme Court** in **60 days** (question of law).
- Appeal against SEBI, PFRDA, IRDAI orders lies to SAT.
- **SCORES 2.0** (2024): complaint within **3 years**; entity resolves in **21 days**; 2-level review (designated body, then SEBI); auto-routing to **ODR** portal.
- **Informal Guidance Scheme 2003**: **no-action letter** / **interpretive letter**; fee ₹25,000 VERIFY; not binding precedent.
- **Central Govt s.16-18**: directions on policy, supersede SEBI, returns & reports.

4.4 Investigation & enforcement

Surveillance / complaint → **Examination / inspection** (s.11(2)(i)) → **Investigation s.11C** (Investigating Authority; search & seizure with magistrate order) → **SCN** → Adjudication (s.15-I) / WTM order (s.11, 11B) → **Settlement s.15JB** (optional) → Appeal **SAT**

- **Recovery s.28A** - attachment of bank accounts, property, arrest.
- **Disgorgement** - s.11B Explanation.

EXAM TIP **FAQ – SEBI**

- Can SEBI pass interim orders without hearing? **Yes** in urgent cases - post-decisional hearing.
- Is settlement an admission of guilt? **No** - without admission or denial.
- Time to file complaint on SCORES? Within **3 years** of cause of action.
- Who appoints SAT Presiding Officer? **Central Govt** in consultation with CJI / nominee.

Chapter 5: Depositories & Depository Participants

In this chapter: Depositories Act 1996 · SEBI (D&P) Regulations 2018 · Depository model & functions · DP · Dematerialisation & rematerialisation · ISIN · Pledge · Rights of beneficial owner · Penalties · Audits by PCS - internal, concurrent, reconciliation of share capital

5.1 Depository system

- Depositories: **NSDL** (1996) & **CDSL** (1999); **DPs** - banks, brokers, FIs registered with SEBI.
- **s.9** securities in depository **fungible**; **s.10** depository = **registered owner**, investor = **beneficial owner** (all rights & liabilities).
- **ISIN** - 12-character unique code allotted by depository.
- **Demat**: investor → DP (**DRF + certificates**) → issuer / RTA confirms in **15 days** VERIFY → credit.
- **Remat** - reverse; **pledge / hypothecation** through depository (**margin pledge**).
- **Transfer of securities** of listed entities **only in demat** (LODR Reg 40).

5.2 Audits by Practising CS

Audit	Scope	Frequency / timing
Internal audit of DP	Operations of DP - account opening, KYC, DIS, controls	**Half-yearly** VERIFY
Concurrent audit	Account opening, DIS issuance, POA / DDPI, modifications	Ongoing
Reconciliation of Share Capital Audit (Reg 76 D&P)	Total issued = demat (NSDL + CDSL) + physical	**Quarterly**, within **30 days** of quarter-end to SEs

- PCS / CA may conduct; report to depository / SE.

5.3 Penalties & obligations

- **s.19A-19H** penalties: failure to furnish info - ₹1 lakh/day max ₹1 crore; failure to redress grievances / dematerialise / reconcile records - up to ₹1 crore; residual s.19H.
- **s.20** offences - up to **10 years** / **₹25 crore**; s.22C compounding.
- DP obligations: **segregation**, KYC, **DDPI** (Demat Debit & Pledge Instruction - replaced POA), nomination, investor charter.
- Depository - **Investor Protection Fund**; **systemically important** market infrastructure.

5.4 Depository vs DP

Point	Depository	Depository participant
Role	Holds securities electronically; records ownership	**Agent** of depository; investor interface
Registration	SEBI - certificate of commencement	SEBI registration through depository
Examples	NSDL, CDSL	Banks, brokers, custodians
Liability	**s.16** - indemnify loss caused by negligence	Liable to depository & investors

EXAM TIP FAQ – Depositories

- Who is the registered owner of demat shares? The **depository** (s.10(1)); voting by beneficial owner.
- Can securities be held in both physical & demat? Listed - transfers **only demat**; holdings may remain physical.
- Who conducts Reconciliation of Share Capital Audit? **PCS / CA** - quarterly.

Chapter 6: Securities Market Intermediaries

In this chapter: SEBI (Intermediaries) Regulations 2008 · Merchant bankers (2025 amendment) · Stock brokers (Regulations 2026) · RTAs (Regulations 2025) · Bankers to issue · Debenture trustees · Portfolio managers · Investment advisers · Research analysts · Credit rating agencies · Custodians · AIFs · FPIs · REITs & InvITs

NOTE Merchant bankers – 2025 amendment

- **Net worth**: **Cat I ₹50 crore**; **Cat II ₹10 crore**; **liquid net worth** ₹12.5 cr / ₹2.5 cr NEW.
- **Cat II** cannot manage **main-board public issues** VERIFY.
- **Permitted activities Reg 13A**: public issues, QIP, rights; takeovers, buy-back, delisting, schemes, SBEB; underwriting; private placement; international offerings; AIF PPM; **fairness opinion**; market making; other activities via **separate business unit**.
- Records **8 years**, data in India; can't manage **own issue**; can't lead an issue where its directors / KMP / employees & relatives hold **> 0.1%** or ₹10 lakh nominal (lower).
- Underwriting ≤ **20× liquid net worth**; **compliance officer** - CS or law graduate, independent; vacancy filled in **3 months**.

NOTE Stock brokers – Regulations 2026

- **Stock broker** - trading rights on recognised SE (incl. trading member).
- **Qualified stock broker (Reg 19)** - designated on clients, client assets, volumes, margins, proprietary volumes → enhanced governance, risk, infra, **orderly wind-down**, cyber security, online grievance redressal.
- **Reg 20 prohibited**: indicative / guaranteed return schemes, unauthorised PMS / CIS, **cash from clients**.
- Base net worth: **trading member ₹1 cr**, self-clearing **₹5 cr**, clearing **₹15 cr**, professional clearing **₹50 cr**.
- Records **8 years**; segregation of client funds & collateral; SCORES & **ODR**; execute at **best available price** NEW.

6.1 Other intermediaries

Intermediary	Key requirement
RTA (Regs 2025)	Net worth **₹50 lakh**; grievance ≤ **21 days**; investor charter NEW
Debenture trustee	Bank / FI / insurer / body corporate; net worth ₹10 cr VERIFY
Portfolio manager	Net worth **₹5 cr**; client minimum **₹50 lakh**
Investment adviser	Individual - qualification + NISM; fee caps; no execution conflict
Research analyst	Registration; disclosures; independence
Credit rating agency	Net worth ₹25 cr; rating committee
AIF	Cat I / II / III; corpus **₹20 cr**; investor min **₹1 cr** (accredited exempt)
FPI	Cat I / II; < **10%** per company
REIT / InvIT	Min 80% in completed / revenue-generating assets; NAV-based units

- **Intermediaries Regulations 2008** - common registration, **fit & proper** (Schedule II), action for defaults.

6.2 AIF categories

Category	Invests in	Leverage
Cat I	Startups, SMEs, social ventures, infrastructure, **VC funds**, angel funds	No (except temporary)
Cat II	PE, debt funds - anything not Cat I / III	No (except temporary)
Cat III	Hedge funds, complex trading strategies	**Allowed** (limits)

- Close-ended Cat I & II - min tenure **3 years**; sponsor / manager continuing interest **2.5%** or ₹5 cr VERIFY.

EXAM TIP **FAQ – Intermediaries**

- Can a merchant banker manage the IPO of its associate where its KMP holds 1%? **No** - > 0.1% holding bars (Reg 21C).
- Can a broker accept cash margin? **No** - prohibited (Stock Brokers Regs 2026 Reg 20).
- RTA grievance resolution time? **21 calendar days**.

Chapter 7: International Financial Services Centres Authority

In this chapter: IFSCA Act 2019 · Composition & powers · Financial products & services · Regulated entities · Listing at IFSC · Direct listing of Indian companies · Fund management

7.1 IFSCA basics

- **IFSCA Act 2019** - unified regulator for **financial products, services & institutions** in **IFSCs** (first: **GIFT City**, Gandhinagar); HQ Gandhinagar; operational **27-4-2020**.
- IFSC set up under **SEZ Act s.18**; transactions in **foreign currency**; units treated as **non-residents** under FEMA.
- **Composition**: Chairperson + 1 each from **RBI, SEBI, IRDAI, PFRDA** + 2 from **MoF** + 2 whole-time members VERIFY.
- Powers of RBI, SEBI, IRDAI, PFRDA in IFSC vest in IFSCA (s.13); appeals to **SAT** (s.29) VERIFY.

7.2 IFSC capital market ecosystem

Area	Detail
Exchanges	**India INX** (BSE), **NSE IX**; clearing corporations
Listing	Equity, debt (green bonds), DRs; min public offer **10%** (SCRR Explanation) NEW
Direct listing	Indian public cos may list equity on IFSC exchanges (Companies (Listing of Equity Shares in Permissible Jurisdictions) Rules 2024) VERIFY
Funds	**Fund Management Regulations 2025** - venture capital, restricted / retail schemes VERIFY
Others	Bullion exchange (IIBX), aircraft leasing, ship leasing, global in-house centres

EXAM TIP FAQ

- Is an IFSC unit resident for FEMA? **No** - treated as **person resident outside India**.
- Which body hears appeals against IFSCA? **SAT** VERIFY.
- Min public offer for IFSC listing? **10%** irrespective of post-issue capital (SCRR 2026 Explanation).

Chapter 8: Issue of Capital & Disclosure Requirements

In this chapter: ICDR 2018 - IPO eligibility · Promoter contribution & lock-in · Allocation · Pricing & book building · Offer document & public comments (2026) · ASBA / UPI · Listing T+3 · FPO · Rights issue · Preferential issue · QIP · Bonus issue · SME IPO · SR shares · Innovators Growth Platform

8.1 IPO eligibility – Reg 6

Reg 6(1) profitability route	Reg 6(2) QIB route
Net tangible assets ≥ **₹3 cr** in each of 3 preceding years (≤ 50% monetary, unless used / committed)	Issuer not meeting 6(1)
Average operating profit ≥ **₹15 cr** in 3 preceding years (each year)	**≥ 75%** of net offer to **QIBs**
Net worth ≥ **₹1 cr** in each of 3 preceding years	Retail ≤ **10%**, NII ≤ 15%
Name change in last year → 50% revenue from new name activity	Refund if QIB portion unsubscribed

- **Ineligible (Reg 5)**: issuer / promoters / directors **debarred**, **wilful defaulter / fraudulent borrower**, **fugitive economic offender**; outstanding convertibles (except ESOPs).
- **Allocation under 6(1)**: QIB **≤ 50%** (anchor up to **60%** of QIB), NII **≥ 15%**, retail **≥ 35%**; employee reservation ≤ 5% of post-issue capital.

8.2 Promoter contribution & lock-in

Item	Requirement
Minimum promoter contribution	**20% of post-issue capital**
Lock-in on MPC	**18 months** (**3 years** if issue for capex)
Excess over MPC	**6 months** (1 year if capex)
Pre-IPO capital (non-promoters)	**6 months** from allotment
Anchor investors	**50%** - 90 days; 50% - 30 days
Ineligible for MPC	Shares bought in last 1 yr at lower price, bonus out of revaluation, pledged

- Supplement NEW: where lock-in can't be created, depository records securities as **"non-transferable"** (Reg 17(2)).
- Lock-in shares can be **pledged** to banks / NBFCs for loans to the issuer.

8.3 IPO process & timeline

Appoint **lead managers**, RTA, legal counsel → **DRHP** filed with SEBI & SEs → **Public comments ≥ 21 days** (DRHP + **abridged draft** on websites) NEW → SEBI observations → **RHP** with RoC; copy + abridged prospectus to SEBI & SEs NEW → Price band ad (**2 working days** before opening) → Bid period **3-10 working days** → Basis of allotment → **Listing T+3**

- **Price band**: cap ≤ **120%** of floor; min spread **105%** VERIFY; book building vs fixed price.
- **ASBA mandatory**; **UPI** for individuals up to **₹5 lakh**.
- **Minimum subscription 90%**, else refund; OFS - shares held ≥ **1 year**.

8.4 Other issues

Issue	Key norms
Rights issue (Ch III)	Record date; renunciation; fast-track; completion in **23 working days** (2025) VERIFY
Preferential (Ch V)	SR; pricing - **90 / 10 trading days VWAP** (frequently traded); allot in **15 days**; lock-in promoters **18 months**, others **6 months**
QIP (Ch VI)	Only QIBs; floor - **2-week average**; min **2 allottees** (≤ ₹250 cr) / **5** (> ₹250 cr); no allottee > 50%

Issue	Key norms
Bonus (Ch IX)	From free reserves / premium / CRR; **not from revaluation**; implement within **2 months** of Board approval; not in lieu of dividend
FPO	Listed issuer; similar to IPO with exemptions
SME IPO (Ch IX)	Post-issue paid-up **≤ ₹25 cr**; operating profit **₹1 cr** in 2 of 3 years VERIFY; OFS ≤ 20%; min application > **₹2 lakh** (2 lots) VERIFY

8.5 SR shares & IGP

- **Superior voting rights (SR) shares**: tech-intensive issuer; SR holder = **promoter / founder** with net worth ≤ **₹1,000 cr** VERIFY; ratio **2:1 to 10:1**; held ≥ 3 months before RHP; **sunset 5 years** (extendable 5) ; convert on transfer / death.
- **Innovators Growth Platform (IGP)**: tech / IP / data analytics issuers; **25%** pre-issue held by QIBs / accredited investors; minimum application ₹2 lakh.
- **Observations validity**: SEBI observation valid **12 months** to open issue VERIFY.

EXAM TIP FAQ – ICDR

- Issuer with operating profit ₹12 cr average wants IPO - route? **Reg 6(2)** - 75% to QIBs.
- Promoter holds 15% post-issue - MPC? Others (AIFs, FPIs, PE) may contribute up to 10% to make **20%** VERIFY.
- Listing timeline? **T+3** working days from issue closure (mandatory since **1-12-2023**).
- Can a company make IPO with outstanding warrants? **No** (Reg 5(2)), except ESOPs / fully paid CCPS converting before RHP.

8.6 Allocation illustration (Reg 6(1) IPO)

- Net offer **₹1,000 cr**: QIB **≤ ₹500 cr** (anchor ≤ ₹300 cr), NII **≥ ₹150 cr**, retail **≥ ₹350 cr**.
- NII split: ⅓ for ₹2-10 lakh applicants, ⅔ above ₹10 lakh; minimum NII application allotment.
- Retail allotment: minimum **one lot** to max applicants (lottery if oversubscribed).
- Anchor: ⅓ reserved for **domestic MFs**; price ≥ issue price (difference paid).

8.7 Preferential pricing (Reg 164)

Floor price = Higher of 90-trading-day VWAP and 10-trading-day VWAP preceding relevant date (frequently traded)

- **Relevant date** = **30 days** before shareholders' meeting.
- Infrequently traded → **registered valuer** report; > 5% change in control → also valuation.
- Consideration other than cash - valuation by **independent registered valuer**.
- Allotment within **15 days** of approval; **warrants** - 25% upfront, convert within 18 months.

8.8 Rights issue (fast track)

Board approval & record date → **Letter of offer** filed with SE for in-principle approval (SEBI observations dispensed - 2025) VERIFY → **Rights entitlements** credited in demat (tradeable) → Issue open **7-30 days** → Renunciation on market / off-market → Basis of allotment → Listing

- Promoters must disclose intention to subscribe; **minimum subscription 90%** (unless promoters underwrite).

COMMON MISTAKE **ICDR traps**

- Retail **≥ 35%** only under Reg 6(1); under 6(2) retail is **≤ 10%**.
- Promoter contribution counts on **post-issue** capital, not pre-issue.
- OFS shares must be held **≥ 1 year** before DRHP (exceptions: bonus from free reserves, schemes).
- **Bonus out of revaluation reserves** - not permitted.
- Price band cap ≤ **120%** of floor.
- SME IPO: **market making** compulsory for 3 years VERIFY.

EXAM TIP **FAQ – more ICDR**

- Can an issuer change price band during bid period? **Yes** - bid period extended by **3 working days** (max 10).
- Who can be anchor investor? **QIB** applying ≥ **₹10 crore** VERIFY.
- Monitoring agency? Mandatory for issue size > **₹100 crore** (CRA as monitoring agency) VERIFY.
- Minimum subscription in IPO? **90%** of fresh issue.

Chapter 9: Share Based Employee Benefits & Sweat Equity

In this chapter: SEBI (SBEB & SE) Regulations 2021 - schemes · Eligibility · Compensation committee · Shareholder approval · Vesting & exercise · Trust route · Sweat equity - limits, pricing, valuation (2025), lock-in · Disclosures

9.1 Schemes & governance

- Schemes: **ESOS**, **ESPS**, **SAR**, **General Employee Benefits Scheme**, **Retirement Benefit Scheme**.
- **Employee**: permanent employee (India / abroad), director (whole-time or not, **excluding independent director**), employees of group / subsidiary / associate; **excludes promoter / promoter group** & director holding > 10% (except startups / founders) VERIFY.
- **Compensation committee** (NRC) administers; **special resolution** of shareholders; separate SR for group companies & for > 1% grant to one employee in a year.
- **Minimum vesting 1 year** (except death / disability); exercise price as per scheme.

9.2 Trust route & limits

- **Trust** may acquire shares via **secondary market** - ≤ **2% of paid-up** per year; total secondary holding ≤ **5%** VERIFY; trustee not promoter / director / KMP.
- Shares from secondary acquisition held ≥ **6 months** before transfer to employees.
- Trust can't deal in derivatives; must comply with **PIT** (trading window etc.).
- **Accounting** - Ind AS 102 / Guidance Note (fair value).

9.3 Sweat equity

- To employees / directors for **know-how, IPR or value addition**; **special resolution**.
- Limit: **15% of paid-up per year** or **₹5 cr**, whichever higher; total ≤ **25%** of paid-up (**50%** for IGP-listed within 10 years of incorporation) VERIFY.
- **Valuation of IPR / know-how / value addition**: by **independent registered valuer** (s.247 CA 2013) - replaces merchant banker (2025); MBs finish ongoing work in **9 months** NEW.
- **Lock-in 3 years**; price ≥ ICDR preferential pricing; disclosure in Board's report.
- Unlisted companies - **Companies (Share Capital) Rules 2014, Rule 8**.

EXAM TIP FAQ – SBEB

- Can an independent director get ESOPs? **No** (excluded from "employee").
- Minimum gap between grant and vesting? **1 year**.
- Sweat equity in a year above 15%? Only up to **15% or ₹5 cr**, whichever higher; overall cap **25%**.
- Who values IPR for sweat equity now? **Independent registered valuer** (2025).

COMMON MISTAKE SBEB traps

- Promoters cannot get ESOPs (except founders in startups as per rules) VERIFY.
- Separate **special resolution** for grant to employees of subsidiaries.
- Sweat equity **lock-in 3 years** - not 1 year.

Chapter 10: Issue & Listing of Non-Convertible Securities

In this chapter: SEBI (NCS) Regulations 2021 · Debt securities, NCRPS, perpetual instruments · Public issue conditions · Private placement & EBP · Debenture trustee & recovery expense fund · Green & social debt · Commercial paper listing · Retail investors & incentives (2026)

10.1 Public issue of debt securities

- Conditions: **credit rating** (at least one CRA), **debenture trustee**, **recovery expense fund**, demat, in-principle approval of SE, **minimum subscription 75%** of base issue.
- **Face value** - private placement **₹10,000** (from ₹1 lakh, 2024) VERIFY; public - ₹1,000 VERIFY.
- **Secured** debt - security cover ≥ 100%; **creation of charge** before listing.
- Issue open ≥ **3**, ≤ **10 working days**; listing **T+3**; **ASBA / UPI** mandatory.
- **Shelf prospectus** valid **1 year** (tranches).

NOTE Retail investors & incentives (Jan 2026)

- **Retail individual investor**: individual applying for debt securities **≤ ₹2 lakh** NEW.
- **Reg 31 proviso**: issuer may offer **additional interest or discount** to **senior citizens, women, serving / retired defence personnel, widows / widowers of defence personnel, retail individual investors** NEW.
- Incentive available **only to initial allottee** - lost on transfer / transmission NEW.
- Aim: deepen retail participation in corporate bonds.

10.2 Instruments & private placement

Instrument	Note
NCDs / bonds	Secured / unsecured; listed via public issue or private placement
NCRPS	Non-convertible redeemable preference shares - min tenure 3 years VERIFY
Perpetual debt / PNCPS	Banks / NBFCs - additional tier capital
Green debt securities	Renewable, clean transport, climate adaptation; **blue / yellow / transition** bonds
Social bonds	Social projects; impact reporting
Commercial paper	Issued per RBI directions; listing per SEBI (Ch VIII-A); 7 days - 1 year
Municipal debt	Urban local bodies

- **EBP platform** for private placement (≥ ₹50 cr VERIFY); **HVDLE** governance (listed debt ≥ threshold) VERIFY.

10.3 Debenture trustee duties & debt listing

- DT ensures **security creation**, monitors **asset cover** quarterly, calls meetings of holders, enforces security; **Recovery Expense Fund** - 0.01% of issue (max ₹25 lakh) VERIFY.
- Listed debt: half-yearly results; **record date** 15 days before interest; **Chapter V LODR** - interest payment intimation within 1 working day.
- **Default** → intimation to SE & CRA; **inter-creditor agreement**.

EXAM TIP FAQ – NCS

- Can a debt issuer give extra interest to women investors? **Yes** (2026 proviso) - only to **initial allottees**.
- Minimum subscription in public debt issue? **75%** of base issue size.
- Is credit rating mandatory for public issue of debt? **Yes**.

Chapter 11: Listing Obligations & Disclosure Requirements

In this chapter: LODR 2015 - common obligations · Compliance officer · Board composition · Committees · Related party transactions · Secretarial audit · Material event disclosures Reg 30 · Financial results · Shareholding pattern · Investor services Reg 39-40 (2026) · Website & newspapers · Schemes of arrangement · BRSR

11.1 Board & committees

Item	Requirement
Board size	≥ **6** directors (top 2000); ≥ **1 woman ID** (top 1000)
Independent directors	½ if chairperson executive / promoter-related; else ⅓
Board meetings	**4** a year; gap ≤ **120 days**
Audit committee (Reg 18)	≥ 3; **⅔ independent**; chair ID; 4 meetings; quorum 2 IDs
NRC (Reg 19)	≥ 3 NEDs; ≥ ⅔ ID VERIFY
SRC (Reg 20)	Chair NED; meets yearly
RMC (Reg 21)	Top **1000**; ≥ 3; majority Board; meets twice
Directorships (Reg 17A)	ID in ≤ **7 listed** (≤ 3 if WTD elsewhere)

- **Compliance officer (Reg 6)** - **qualified company secretary**, KMP, one level below Board.

11.2 Key disclosure timelines

Disclosure	Time limit
Material events Reg 30	**24 hours**; board outcome **30 minutes**; events from entity **12 hours**
Board meeting notice (results)	**2 working days** before
Financial results Reg 33	Quarter: **45 days**; Q4 / annual: **60 days**
Shareholding pattern Reg 31	**21 days** after quarter
Voting results Reg 44	**2 working days** of meeting
Investor grievances Reg 13	Quarterly statement **21 days**
Corporate governance report Reg 27	**21 days** after quarter
Investor service requests Reg 39(2)	**30 days** - credit in **demat** NEW
Annual report Reg 34	Before dispatch to members

11.3 RPT, secretarial audit & investor services

- **Material RPT (Reg 23)**: > **₹1,000 cr** or **10%** of annual consolidated turnover, lower → **prior shareholder approval** (related parties can't vote); all RPTs - **audit committee** (only IDs vote) VERIFY.
- **Secretarial audit (Reg 24A)**: by **peer-reviewed PCS** - individual **one term of 5 years**, firm **2 terms of 5 years** (shareholder approval, from FY 2025-26); **Secretarial Compliance Report** within **60 days** of FY end.
- **Reg 40** (2026): transfer only if **demat**; **transmission / transposition only in demat** (old physical transfers executed before **1-4-2019** - allowed with conditions) NEW.
- **BRSR** - top **1000**; **BRSR Core** assurance for top companies (phased).
- **Reg 37** - schemes need SE **no-objection** before NCLT filing.

EXAM TIP **FAQ – LODR**

- Board outcome on dividend declared at 3:00 pm - disclose by? **3:30 pm** (30 minutes).
- A director resigns - disclosure? Within **24 hours** with detailed reasons; IDs - confirmation of no material reasons.
- Can a PCS be secretarial auditor for 12 years? Individual - **5 years**; firm - **10 years** (2 terms), then cooling-off **5 years**.
- Who must be the compliance officer of a listed company? A **qualified CS** (Reg 6(1)).

MEMORY TRICK **Reg 30 clocks "30-12-24"**

301224 – 30 minutes - board meeting outcome; 12 hours - event emanating from entity; 24 hours - event not from entity

11.4 Deemed material events - Schedule III Part A

- **Acquisition / scheme / sale** of unit or subsidiary; **issuance / buy-back / split / consolidation** of securities; **revision in credit rating**; outcome of Board meetings (dividend, results, fund raising).
- Change in **directors, KMP, auditors, compliance officer, RTA**; resignation of auditor with reasons; **fraud / default** by promoter / KMP / entity; arrest of KMP.
- **Corporate insolvency** (CIRP) events; **one-time settlement**; **forensic audit** initiation & report.
- Actions by regulators (penalties > threshold), **cyber security incidents** (quarterly) VERIFY.
- Materiality test (Reg 30(4)): lower of **2% turnover, 2% net worth, 5% of 3-year average profit** (absolute value) VERIFY.

11.5 IDs, subsidiaries & website

- **Reg 25**: ID tenure per CA 2013; **appointment / removal by special resolution** (listed); separate meeting of IDs annually; D&O insurance (top 1000); replace ID within **3 months**.
- **Reg 24**: at least one ID of listed entity on Board of **material unlisted subsidiary**; disposal > 50% of material subsidiary needs **special resolution**.
- **Reg 46**: website - policies, results, shareholding, contact, investor grievance; updated within **2 working days**.
- **Reg 47**: newspaper publication of results, notices (one English, one regional).

Chapter 12: Acquisition of Shares & Takeovers

In this chapter: SAST 2011 - definitions (acquirer, control, PAC) · Triggers Reg 3 & 4 · Creeping acquisition · Voluntary offer · Offer size & price · Exemptions Reg 10-11 · Open offer process & timelines · Escrow · Withdrawal · Disclosures Reg 29-31

12.1 Open offer triggers

Trigger	Rule
Reg 3(1)	Acquiring shares / voting rights taking holding to **≥ 25%**
Reg 3(2) creeping	Holder of **25%-75%** acquiring **> 5%** in a FY
Reg 4 control	Acquiring **control** irrespective of %
Reg 5 indirect	Acquisition of parent abroad / in India
Reg 6 voluntary	Holder of **≥ 25%** (& no acquisition in 52 weeks) - offer ≥ **10%**

- **Control** = right to appoint **majority of directors** or control **management / policy** decisions (incl. via shareholders' agreements).
- **PAC** - persons acting in concert (common objective of acquisition / control).

12.2 Offer size & price

- **Offer size (Reg 7)**: at least **26%** of total shares (voluntary ≥ 10%); not to breach **max non-public shareholding (75%)** - else reduce in 12 months.
- **Offer price (Reg 8(2))** - highest of: **negotiated price**; **volume-weighted average** price paid in **52 weeks**; **highest price in 26 weeks**; **60-trading-day VWAP** (frequently traded).
- **Escrow (Reg 17)**: **25%** of first **₹500 cr** + **10%** of balance; 100% if conditional.
- **Payment**: within **10 working days** of tendering period close; delay → interest **10% p.a.** VERIFY.

12.3 Open offer timeline

Public announcement - same day as agreement (Reg 13) → **Detailed public statement** - within **5 working days** → **Draft letter of offer** to SEBI - within **5 working days** of DPS → SEBI comments → Letter of offer dispatched → **Tendering period 10 working days** → Payment in **10 working days**

- Target Board: **committee of IDs** gives reasoned recommendation **2 working days** before tendering.
- **Withdrawal (Reg 23)** only: statutory approval refused, acquirer (natural person) dies, conditions outside control.

12.4 Exemptions - Reg 10

- **Inter se transfer** among **immediate relatives, promoters** (named ≥ 3 years), group companies, PACs - subject to price ≤ **25%** above market VERIFY.
- **Succession / inheritance**; **transmission**; acquisition in **public issue / rights** (up to entitlement); **buy-back** increase (reduce within 90 days or exempt); **scheme of arrangement** (court / NCLT); **IBC resolution plan**; lenders under **debt restructuring**; ADR conversion.
- **Reg 11** - SEBI may exempt on application (Takeover Panel).
- Report exempt acquisitions to SEs & SEBI (Reg 10(5)-(7)) VERIFY.

12.5 Disclosures - Reg 29-31

Disclosure	Trigger	Time
Reg 29(1)	Acquirer + PAC reaching **5%**	**2 working days**
Reg 29(2)	Holder of ≥ 5% - change of **2%**	2 working days
Reg 30	Annual shareholding of ≥ 25% holders & promoters	**7 working days** of FY end
Reg 31	**Encumbrance** of promoter shares - creation / release	**7 working days**

- Promoters' declaration of no other encumbrance annually.

EXAM TIP FAQ – SAST

- A holds 22%; buys 4% more - open offer? **Yes** - crosses **25%** (Reg 3(1)).
- B holds 40%; buys 4% in FY - open offer? **No** - within **5%** creeping limit.
- Can an acquirer withdraw because share price fell? **No** - not a permitted ground.
- Offer for how much? At least **26%** of total shares.

12.6 Offer price illustration

- Negotiated price **₹420**; 52-week VWAP by acquirer **₹405**; highest in 26 weeks **₹430**; 60-day VWAP **₹412**.

Offer price = Highest = **₹430**

- Escrow for offer of ₹900 cr = 25% × 500 + 10% × 400 = **₹165 cr**.
- Competing offer - within **15 working days** of DPS.

EXAM TIP FAQ – more SAST

- Can an acquirer buy shares during the offer period outside the offer? Allowed (not in last **3 working days** before tendering) - price revision upward VERIFY.
- Indirect acquisition where Indian target > 80% of parent's value? Treated as **direct acquisition** (Reg 5(2)) VERIFY.
- Inter se promoter transfer exemption price cap? Not > **25%** above **60-day VWAP** VERIFY.

COMMON MISTAKE SAST traps

- **5% creeping** is gross acquisition per FY - no netting of sales.
- Voluntary offer **min 10%**, mandatory **min 26%**.
- Offer price can't be **lower** than any price paid in the **26 weeks** before PA.

Chapter 13: Prohibition of Insider Trading

In this chapter: PIT 2015 - insider, connected person, UPSI · Communication & procurement of UPSI · Trading when in possession · Defences · Trading plans · Disclosures - initial & continual · Code of conduct & fair disclosure · Trading window · Structured digital database · Informant mechanism · Penalties

13.1 Key definitions

- **Insider**: **connected person** (within **6 months** before act - directors, employees, professionals, relatives deemed) or person **in possession of / access to UPSI**.
- **UPSI**: not generally available info likely to **materially affect price** - **financial results, dividends, change in capital structure, M&A / delisting / disposals, changes in KMP**, material events per LODR (2024 expansion: fund raising, agreements, frauds, resolution plans) VERIFY.
- **Generally available information** - accessible to public on non-discriminatory basis (SE disclosures).
- **Reg 3**: no communication of UPSI except **legitimate purpose** (NDA, notice of confidentiality); **structured digital database (SDD)** of UPSI sharing - time stamped, non-tamperable.

13.2 Trading prohibition & defences

- **Reg 4**: insider shall not trade when in possession of UPSI - **presumption** that trade was motivated (insider must prove otherwise).
- **Defences**: off-market **inter se transfer** between promoters both having same UPSI; **block deal** between persons with same UPSI; statutory / regulatory obligation; **ESOP exercise**; **trading plan**; pledge for bona fide purpose.
- **Trading plans (Reg 5)**: approved by compliance officer, public disclosure; **cool-off 120 days** VERIFY; plan for ≥ **2 months** to 1 year VERIFY; no trading window closure restrictions; price limits allowed (2024).

13.3 Disclosures & code

Item	Requirement
Initial (Reg 7(1))	KMP / director / promoter on appointment - **7 days**
Continual (Reg 7(2))	Trades > **₹10 lakh** in a calendar quarter → company in **2 trading days**; company → SE in **2 trading days**
Trading window	Closed from **end of quarter** till **48 hours** after results
Pre-clearance	Above threshold by designated persons
Contra trade	Not within **6 months** (profit disgorged to IPEF)
Code of fair disclosure	Board approves; **CIRO** - chief investor relations officer

- **Penalty**: **s.15G** - ₹10 lakh - ₹25 cr or **3× profit**; criminal **s.24** (10 years / ₹25 cr).
- **Informant reward** (Chapter IIIA) up to **₹10 crore** VERIFY; protection against retaliation.

EXAM TIP FAQ – PIT

- CFO's spouse sells shares a day before poor results - violation? **Yes** - relative of connected person presumed; spouse's trade presumed on UPSI.
- Auditor of company - insider? **Yes** - connected person (professional relationship).
- Is window closure applicable to trading plans? **No** - approved trading plan is a defence.

MEMORY TRICK UPSI items "F-D-C-M-K"

FDCMK – F Financial results; D Dividends; C Capital structure change; M Mergers, demergers, acquisitions, delisting; K KMP changes

Chapter 14: Prohibition of Fraudulent & Unfair Trade Practices

In this chapter: PFUTP Regulations 2003 · Fraud · Manipulative & deceptive devices · Illustrative practices Reg 4(2) · Front running · Mis-selling · Market abuse · SEBI powers & penalties · Unregistered finfluencers

14.1 Core prohibitions

- **Fraud (Reg 2(1)(c))**: act / omission / concealment / misrepresentation **inducing another to deal** in securities, whether or not wrongful gain or loss (includes **false statements, active concealment, promise without intent**).
- **Reg 3**: no person shall buy / sell / deal **fraudulently**, use **manipulative or deceptive device**, employ scheme to defraud, or engage in **act which operates as fraud**.
- **Reg 4(1)**: no **manipulative, fraudulent or unfair trade practice**.
- Statutory basis: **SEBI Act s.12A(a)-(c)**; penalty **s.15HA** - ₹5 lakh - ₹25 cr or 3× profit.

14.2 Reg 4(2) illustrations

Practice	Meaning
Wash trades	No change in beneficial ownership
Circular trading	Group trades to create artificial volume
Price rigging / pump & dump	Artificially inflating price
Front running	Trading ahead of client's large order
Mis-selling	Unsuitable products / false info by intermediary
Misleading info / rumours	Incl. via social media
Spoofing / layering	Orders without intent to execute
Insider front-running	By intermediaries' employees
Diverting funds of issue	Misutilisation of IPO proceeds

EXAM TIP FAQ

- Is intention to defraud essential? Not always - **"fraud" includes acts inducing dealing**; *SEBI v. Kanaiyalal Baldevbhai Patel* (2017) - front running by non-intermediaries covered.
- Can SEBI order disgorgement? **Yes** - s.11B; interest also.
- Unregistered finfluencers? SEBI-regulated entities **must not associate** with unregistered persons giving advice / return claims (2024) VERIFY.

14.3 Code of conduct - designated persons

Identify **designated persons** (Board) → Maintain **SDD** & UPSI list → **Trading window** closure → **Pre-clearance** above threshold → Trade within **7 trading days** of pre-clearance → Disclosure (Reg 7) → No contra trade **6 months** → Report violations to SEBI

- Compliance officer reports to Board / audit committee; annual review of internal controls (Reg 9A).

Chapter 15: Delisting of Equity Shares

In this chapter: SEBI (Delisting) Regulations 2021 · Voluntary delisting - conditions, approvals, reverse book building, fixed price route · Floor price · Counter offer · Exit price · Compulsory delisting · Small companies · Delisting of subsidiaries / schemes · Re-listing bar

15.1 Voluntary delisting process

Initial public announcement → **Board approval** (with peer-reviewed CS due diligence report) → **Special resolution** by postal ballot - votes of **public** in favour ≥ **2× votes against** → **In-principle approval** of SE → Detailed public announcement & letter of offer → **Reverse book building** / fixed price → Success if acquirer holding reaches **90%** → Payment & final approval

- **Not allowed**: within **3 years** of listing from a public issue VERIFY; if buy-back / preferential allotment in last **6 months**; if convertible instruments outstanding.
- **Fixed price route** (2024): for **frequently traded** shares - offer price ≥ **15% premium** over floor VERIFY.

15.2 Floor price & counter offer

- **Floor price** - highest of: volume-weighted average price paid by acquirer in **52 weeks**; highest price in **26 weeks**; **60-trading-day VWAP**; (infrequently traded - valuation); **adjusted book value** (2024) VERIFY.
- **Discovered price** = price at which acquirer reaches 90% (RBB); acquirer may accept, reject or make **counter offer** (≥ indicative price) within 2 working days.
- Remaining shareholders can tender for **1 year** post delisting at exit price.
- Escrow **25%** of consideration at floor price VERIFY.

15.3 Compulsory vs voluntary delisting

Point	Voluntary	Compulsory (by SE)
Initiated by	Promoter / acquirer	**Stock exchange** (non-compliance)
Exit price	Discovered / fixed	Determined by **independent valuer** appointed by SE
Consequence	Re-list after **5 years** VERIFY	Company, WTDs, promoters **barred 10 years**
Investor	Tender / exit	Promoters purchase at fair value

- **Small companies** (paid-up ≤ **₹10 cr**, net worth ≤ **₹25 cr**) or no trading in 1 year - exit without RBB VERIFY.

EXAM TIP FAQ – Delisting

- Can promoters delist 2 years after IPO? **No** VERIFY - lock period after listing.
- What if acquirer gets only 85%? Offer **fails**; return shares; acquirer can't make fresh offer for **6 months** VERIFY.
- Who appoints valuer in compulsory delisting? **Stock exchange**.

Chapter 16: Buy-back of Securities

In this chapter: Companies Act s.68-70 · SEBI (Buy-back) Regulations 2018 · Conditions & limits · Methods - tender offer (open market phased out) · Board & shareholders approval · Escrow · Extinguishment · Restrictions · Tax (deemed dividend from 1-10-2024)

16.1 Conditions & limits

- Sources: **free reserves, securities premium, proceeds of other securities** (not same kind).
- Limit: **≤ 25%** of paid-up + free reserves (standalone & consolidated); **Board** up to **10%**; equity buy-back ≤ **25% of paid-up equity** in a FY.
- **Post buy-back debt : equity ≤ 2 : 1** (standalone & consolidated) VERIFY.
- Fully paid shares only; **one year gap** between buy-back offers (s.68(2)).
- Completion within **1 year** of resolution (Act); SEBI - tender offer timelines shortened.

16.2 Tender offer process

Board / special resolution (postal ballot for listed) → **Public announcement** within 2 working days → Draft letter of offer to SEBI → **Record date** → Escrow (25% of first ₹100 cr + 10% balance) VERIFY → **Tendering period 5 working days** VERIFY → Settlement → **Extinguish shares within 7 days** of completion

- **Open market route** (SE / book building) **phased out from 1-4-2025**.
- Reservation of **15%** for **small shareholders** (holding ≤ ₹2 lakh).

COMMON MISTAKE Restrictions & traps

- No **fresh issue of same kind** for **1 year** (except bonus, conversions, ESOP / sweat equity).
- No buy-back through **subsidiary / investment companies**; not if default in deposits, debentures, dividend, term loans (s.70) - unless remedied + **3 years** passed.
- Promoters can't trade in shares during buy-back period.
- **Tax**: from **1-10-2024**, buy-back proceeds are **deemed dividend** in shareholders' hands (s.2(22)(f) [IT Act 1961]); cost as capital loss.

16.3 Buy-back limit illustration

- Paid-up equity **₹100 cr**, free reserves **₹300 cr**, debt **₹500 cr**.
- 25% of (100 + 300) = **₹100 cr** (special resolution); Board: 10% = **₹40 cr**.
- Debt-equity post buy-back: equity after ₹100 cr buy-back = 300 → 500 / 300 = **1.67 : 1** ≤ 2 → **OK**.
- Shares bought ≤ **25%** of paid-up equity in the FY.

EXAM TIP FAQ – Buy-back

- Can a company issue bonus shares during the 1-year post buy-back period? **Yes** - bonus allowed.
- Time to extinguish bought-back shares? **7 days** of completion.
- Can buy-back be made out of proceeds of an earlier equity issue? **No** - not from same kind of securities.

Chapter 17: Mutual Funds

In this chapter: SEBI (Mutual Funds) Regulations 2026 - definitions · Registration & sponsor eligibility (2 routes) · Shareholding & governance · Trust deed & trustees · Custodian · AMC - eligibility & net worth · Offer document · Listing · Investment restrictions · NAV · Exit load · Specialized Investment Fund · Mutual Fund Lite

NOTE MF Regulations 2026 – essentials

- Notified **14-1-2026**, in force **1-4-2026**; **MF Regs 1996 repealed** NEW.
- **Mutual fund** = **trust** registered under Reg 3 raising money via **units** - invests in securities, money market, **gold, silver**, other notified assets.
- **Equity oriented scheme**: ≥ **65%** of net assets in equity & related; **Infrastructure Debt Fund**: ≥ **90%** in infra debt.
- **ETF** units mandatorily **listed**; close-ended schemes listed; units freely transferable (demat).
- **Exit load** of open-ended scheme ≤ **3% of NAV** NEW.
- SEBI observations on offer document within **21 working days**.

17.1 Sponsor eligibility - two routes (Reg 5)

Criterion	Route 1 (track record)	Route 2 (net worth)
Experience	Financial services **5 years** + key personnel (≥ 3 yrs each)	Key personnel (CEO, COO, CRO, CCO, CIO) combined **30 years**
Profitability	Net profit **each of 5 years**; average **₹10 cr**	**None**
Sponsor net worth	Positive each of 5 years	N.A.
AMC net worth	**₹50 cr**	**₹150 cr** at registration (maintain ₹100 cr; ₹50 cr after 5 profit years)
Lock-in	None	₹150 cr shareholding - **5 years**

- Sponsor contributes **≥ 40%** of AMC net worth; **10% cross-holding** restriction in other AMCs / trustee companies (Reg 6) NEW.

17.2 Custodian, AMC & new categories

- **Custodian** appointed by trustees - intimate SEBI in **15 calendar days**; sponsor-associated custodian only if sponsor net worth ≥ **₹20,000 cr** & ≥ 50% custodian directors independent NEW.
- **AMC board**: ≥ **50% independent** directors; fit & proper; can't act as trustee.
- **Specialized Investment Fund (SIF)**: minimum investment **₹10 lakh**; NISM-certified fund manager NEW.
- **MF Lite**: only **passive** schemes (index funds, ETFs, FoFs); **trustee = registered debenture trustee**; lighter eligibility (Chapter X) NEW.
- Investment restrictions (Reg 41), NAV computation (Reg 43), **Development fund** (Reg 40) VERIFY.

17.3 Scheme types

Type	Feature
Open-ended	Continuous sale / redemption at NAV
Close-ended	Fixed maturity; **listed**
Equity-oriented	≥ 65% equity (tax-favoured)
Index fund / ETF	Passive; ETF listed
FoF	Invests in other MF schemes
Gold / silver ETF	Underlying metal
SIF	₹10 lakh minimum; sophisticated strategies

EXAM TIP **FAQ – MF**

- Can a sponsor hold 15% in another AMC? **No** - **10%** cross-holding cap (Reg 6).
- Who holds MF property? **Trustees** (trust deed registered).
- Which regulation governs MFs from April 2026? **SEBI (Mutual Funds) Regulations 2026**.

Chapter 18: Collective Investment Schemes

In this chapter: SEBI Act s.11AA · Meaning & exclusions · Deemed CIS (₹100 crore) · SEBI (CIS) Regulations 1999 · CIMC · Trustee · Schemes · Investor protection · Enforcement & penalties

18.1 Meaning – s.11AA

- **CIS**: scheme where (i) **contributions pooled** & utilised for the scheme, (ii) for **profits / income / produce / property**, (iii) property managed **on behalf of investors**, (iv) investors have **no day-to-day control**.
- **Deemed CIS**: any pooling scheme with corpus ≥ **₹100 crore** not registered / exempt (2014 amendment).
- **Exclusions**: cooperative societies, **chit funds**, **deposits** (Companies Act / RBI), **insurance**, provident / pension funds, **MFs**, Nidhi, schemes under other regulators.

18.2 CIS Regulations 1999

- Only a **Collective Investment Management Company (CIMC)** registered with SEBI can launch CIS; net worth **₹5 crore** VERIFY.
- **Trustee** - separate; holds property; scheme must be **close-ended**, rated by CRA, appraised; min subscription; investors' approval for changes.
- **No guaranteed returns**; units can't be redeemed before 3 years VERIFY.
- Unregistered CIS → SEBI can **attach, refund orders, debar** (s.11(4), 11B); penalty **s.15D**; *PACL*, *Sahara* cases.

EXAM TIP FAQ – CIS

- Plantation / goat-farming scheme pooling public money with promised returns? **CIS** - needs SEBI registration; else illegal (*PACL* - ₹49,000 cr refund).
- Is a chit fund a CIS? **No** - excluded (Chit Funds Act).
- Who regulates "Sahara" OFCDs? **SEBI** (public issue to > 50 persons) - *Sahara v. SEBI* (2012).

Quick Revision – Numbers & Timelines

In this chapter: ICDR, LODR, SAST, PIT, Delisting, Buy-back, MF numbers

Issue & listing numbers

Item	Number
IPO 6(1)	NTA ₹3 cr; OP ₹15 cr; NW ₹1 cr
QIB route	≥ 75% to QIBs
Retail / NII / QIB	≥ 35 / ≥ 15 / ≤ 50%
MPC	20% - 18 months
Pre-IPO lock-in	6 months
DRHP comments	21 days
Listing	T+3
Pref. issue lock-in	18 / 6 months
QIP allottees	2 / 5
Min public offer	25% (≤ ₹1,600 cr)
Debt retail investor	≤ ₹2 lakh

Market conduct numbers

Item	Number
Open offer trigger	25%
Creeping	5% per FY
Offer size	26%
Disclosure	5% / 2% - 2 working days
Tendering period	10 working days
PIT continual	> ₹10 lakh / quarter
Contra trade	6 months
Window reopens	48 hrs after results
Delisting success	90%
Buy-back max	25% (Board 10%)
Debt-equity post buy-back	2 : 1
MF exit load	≤ 3% NAV

Penalty & appeal numbers

Item	Number
SEBI s.15A	₹1 lakh/day, max ₹1 cr
Insider / FUTP	up to ₹25 cr or 3× profit
Offences s.24	10 years / ₹25 cr
SAT appeal	45 days
SC appeal	60 days
SCORES resolution	21 days
Reconciliation audit	Quarterly, 30 days
Merchant banker NW	₹50 / 10 cr
Trading member NW	₹1 cr
RTA NW	₹50 lakh

COMMON MISTAKE **Last-minute traps**

- MF Regulations **1996 are repealed** - cite **MF Regs 2026** (from 1-4-2026).
- Minimum public offer now depends on **post-issue market cap slabs** (SCRR 2026) - not a flat 10% / 25%.
- Sweat equity valuation - **registered valuer**, not merchant banker.
- Transmission & transposition - **demat only**.
- Open-market buy-back route **no longer available**.
- Stock brokers **cannot accept cash** from clients.

WORKED EXAMPLE **Landmark cases**

- *Sahara India Real Estate v. SEBI* (2012) - OFCDs to > 50 persons = public issue; SEBI jurisdiction.
- *SEBI v. Kanaiyalal Baldevbhai Patel* (2017) - front running by any person is fraud.
- *Rakesh Agarwal v. SEBI* (SAT 2004) - motive relevant in insider trading (pre-2015).
- *Balram Garg v. SEBI* (SC 2022) - relatives' trades need proof of communication of UPSI.
- *Subhkam Ventures* (SAT 2010) - negative / veto rights & "control".

Comparison Bank & Practice Questions

In this chapter: SAST vs delisting vs buy-back · Insider trading vs FUTP · Offer documents · Descriptive questions to practise

SAST vs delisting vs buy-back

Point	Open offer (SAST)	Delisting	Buy-back
Purpose	Exit for public on **change in control / 25%**	Remove shares from SE	Company purchases own shares
Offeror	Acquirer + PACs	Promoter / acquirer	**Company**
Price	Reg 8 highest of 4	**Reverse book building** / fixed (premium)	Board decides (tender ≥ market)
Success	No minimum (conditional possible)	**90%** holding	N.A.
Escrow	25% of first ₹500 cr + 10%	25% at floor VERIFY	25% of first ₹100 cr + 10% VERIFY
Timeline	Tendering 10 working days	RBB 5 working days	Tendering 5 working days VERIFY

Insider trading vs FUTP

Point	PIT 2015	PFUTP 2003
Basis	Trading on **UPSI**	**Manipulation / fraud** in dealing
Who	Insiders (connected / in possession)	**Any person**
Mental element	Presumption on possession	Inducement / deception
Penalty	**s.15G**	**s.15HA**
Example	Director selling before bad results	Circular trading, pump & dump

Offer documents

Document	Use
DRHP	Filed with SEBI / SEs for observations (no price)
RHP	Book-built issue - filed with RoC; price band, not final price
Prospectus	Final - with price & size
Shelf prospectus	Multiple debt tranches in 1 year
Abridged prospectus	Accompanies application form
Placement document	QIP
Letter of offer	Rights / buy-back / open offer

EXAM TIP Descriptive questions to practise

- Explain **eligibility, promoter contribution & lock-in** for an IPO under ICDR.
- Discuss the **revised minimum public offer** norms under SCRR (2026).
- Triggers, offer size & pricing in an **open offer**; exemptions under Reg 10.
- Duties of **compliance officer (CS)** under LODR & PIT.
- **Reg 30** disclosure framework with timelines.
- Procedure for **voluntary delisting** and floor price.
- Key changes under **MF Regulations 2026** (MF Lite, SIF, sponsor routes).
- Powers of **SEBI** & appeals to **SAT**; SCORES 2.0.

Descriptive Case Scenarios (model answers)

In this chapter: 6 case studies with structured answers

WORKED EXAMPLE Case 1 – IPO eligibility

- **Facts**: X Ltd - NTA ₹8 cr, average operating profit ₹9 cr, net worth ₹40 cr; wants IPO.
- **Rule**: ICDR Reg 6(1) / 6(2).
- **Answer**: Fails **₹15 cr** operating-profit test → can list under **Reg 6(2)** allotting **≥ 75%** to QIBs (retail ≤ 10%); promoters contribute **20%** locked-in 18 months.

WORKED EXAMPLE Case 2 – Creeping acquisition

- **Facts**: Promoter group holds 62%; buys 3% in April and 2.5% in December (same FY).
- **Rule**: SAST Reg 3(2) - > 5% per FY by 25%+ holder; Reg 29 disclosure.
- **Answer**: Total **5.5%** > 5% → **open offer** triggered on the December buy; disclose changes of **2%** within 2 working days.

WORKED EXAMPLE Case 3 – Insider trading

- **Facts**: Company secretary's brother buys shares 3 days before a merger announcement; CS had UPSI.
- **Rule**: PIT Reg 2 (connected person / relative), Reg 4 presumption; s.15G; *Balram Garg*.
- **Answer**: Brother is **immediate relative** only if financially dependent / consults; SEBI must establish **communication** of UPSI; if proved - penalty up to **₹25 cr / 3× profit**, disgorgement.

WORKED EXAMPLE Case 4 – Delayed disclosure

- **Facts**: Board approves a buy-back at 11 am; company informs SE at 6 pm.
- **Rule**: LODR Reg 30 - board outcome within **30 minutes**.
- **Answer**: Delay violates Reg 30; SE fine / SEBI penalty **s.15A(b)**; compliance officer (CS) accountable.

WORKED EXAMPLE Case 5 – Minimum public offer

- **Facts**: Post-issue market cap ₹60,000 cr company plans IPO.
- **Rule**: SCRR Rule 19(2)(b)(iv) (2026).
- **Answer**: Offer at least **₹1,000 cr** value **and ≥ 8%**; reach **25% MPS within 5 years** of listing VERIFY.

WORKED EXAMPLE Case 6 – Mutual fund sponsor

- **Facts**: A fintech (2 years old, loss-making, net worth ₹300 cr) wants to sponsor an MF.
- **Rule**: MF Regs 2026 Reg 5 - Route 2.
- **Answer**: Not eligible under Route 1 (5-year profit test); eligible under **Route 2** - AMC net worth **₹150 cr**, key personnel 30 years combined, **5-year lock-in**; or opt for **MF Lite** for passive schemes.