Central Depository Services (India) Limited

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COMMUNIQUÉ TO REGISTRAR & TRANSFER AGENTS

CDSL/OPS/RTA/GENRL/2024/208 **November 14, 2024**

SEBI CIR - RELAXATION FROM CERTAIN PROVISIONS FOR UNITS ALLOTTED TO AN EMPLOYEE BENEFIT TRUST INVITS

Issuers / RTAs are advised to refer to the SEBI Circular no. **SEBI/HO/DDHS/DDHS-PoD-2/P/CIR/2024/159 dated November 13, 2024,** regarding **Relaxation from certain provisions for units allotted to an employee benefit trust for the purpose of a unit based employee benefit scheme, Alignment of timelines for making distribution by InvITs and Format of Quarterly Report and Compliance Certificate – Infrastructure Investment Trusts (InvITs) [refer Annexure].**

Issuers / RTAs are advised to take note of the same.

Queries regarding this communiqué may be addressed to: CDSL – Helpdesk Emails may be sent to: **dprtasupport@cdslindia.com** and connect through our IVR Number 022-62343333

For and on behalf of
Central Depository Services (India) Limited

sd/-

Nilesh Shah
Asst. Vice President – Operations

Public

KEYWORD : SEBI

भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

CIRCULAR

SEBI/HO/DDHS/DDHS-PoD-2/P/CIR/2024/159 **November 13, 2024**

To,

Bharat InvITs Association
All Infrastructure Investment Trusts (InvITs)
All Parties to InvITs
All Recognised Stock Exchanges
All Depositories

Madam/Sir,

Sub: Relaxation from certain provisions for units allotted to an employee benefit trust for the purpose of a unit based employee benefit scheme, Alignment of timelines for making distribution by InvITs and Format of Quarterly Report and Compliance Certificate – Infrastructure Investment Trusts (InvITs)

Relaxation from certain provisions for units allotted to an employee benefit trust for the purpose of a unit based employee benefit scheme

1. SEBI (Infrastructure Investment Trusts) Regulations, 2014 ("InvIT Regulations") were amended on July 13, 2024 to provide a framework for unit based employee benefit ("UBEB") scheme. The framework for UBEB scheme, *inter-alia,* provides that issuance of units to the employee benefit trust shall be based on the guidelines for preferential issue of units, including pricing guidelines as specified by the Board.

2. Chapter 7 of the Master Circular for Infrastructure Investment Trusts (InvITs) dated May 15, 2024 ("Master Circular") provides the guidelines for preferential issue and institutional placement of units by InvITs. The provisions for preferential issue of units, *inter-alia*, provides the following lock-in and allotment related restrictions:

   "7.6. ***Lock-in***
   7.6.1. .....

7.6.2. The units allotted to persons other than the sponsor(s) shall be locked-in for a period of one year from the date of trading approval for such units.

7.6.3. The entire pre-preferential issue unitholding of the allottees, if any, shall be locked-in from the relevant date up to a period of six months from the date of trading approval."

"7.7. ***Allotment***

7.7.1. Preferential issue of units shall not be made to any person who has sold or transferred any units of the issuer during the 90 trading days preceding the relevant date. Further, where any person belonging to the sponsor(s) has sold/transferred their units of the issuer during the 90 days preceding the relevant date, all sponsors shall be ineligible for allotment of units on a preferential basis.

Provided that this restriction on preferential issue of units shall not apply to a sponsor(s), in case any asset is being acquired by the InvIT from that sponsor(s), and preferential issue of units is being made to that sponsor, as full consideration for the acquisition of such asset.

7.7.2. ....."

3. In order to promote ease of doing business and to facilitate the acquisition of units by the employee benefit trust and the subsequent transfer of units to the employees as per the terms of the UBEB scheme, it is proposed that the aforementioned lock-in and allotment related restrictions shall not apply to the employee benefit trust. Accordingly, in Chapter 7 of the Master Circular –

3.1. a new paragraph 7.6.4. is inserted as under:

"The lock-in requirement mentioned at paragraph 7.6.2. and 7.6.3. above shall not be applicable in case of units allotted to an employee benefit trust for the purpose of a unit based employee benefit scheme in compliance with Chapter IVB of the InvIT Regulations."

3.2. the following proviso is inserted under paragraph 7.7.1.:

"Provided further that this restriction on preferential issue of units shall not be applicable in case of units allotted to an employee benefit trust for the purpose of a unit based employee benefit scheme in compliance with Chapter IVB of the InvIT Regulations."

Format of Quarterly Report and Compliance Certificate

4. Regulation 9(3) of the Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014 ("InvIT Regulations") requires as under:
"The trustee shall oversee activities of the investment manager in the interest of the unit holders, ensure that the investment manager complies with regulation 10 and shall obtain compliance certificate from the investment manager, in the form as may be specified, on a quarterly basis."

5. Regulation 10(18)(a) of the InvIT Regulations requires as under:
"The investment manager shall submit to the trustee-
(a) quarterly reports on the activities of the InvIT including receipts for all funds received by it and for all payments made, position on compliance with these regulations, specifically compliance with regulations 18, 19 and 20 performance report, status of development of under-construction projects, within thirty days of end of such quarter;"

6. To ensure uniformity across the industry, Bharat InvITs Association ("BIA"), in consultation with SEBI, shall specify the format of quarterly report and compliance certificate required to be submitted by the Investment Manager of the InvIT to the Trustee under Regulation 10(18)(a) and Regulation 9(3) of the InvIT Regulations respectively, and publish it on its website. Any future changes to this format shall be made by BIA in consultation with SEBI, prior to implementation.

7. All InvITs shall follow the aforementioned format specified by BIA to ensure compliance with Regulation 10(18)(a) and Regulation 9(3) of the InvIT Regulations.

Alignment of timelines for making distribution by InvITs

8. InvIT Regulations were amended on September 27, 2024 to revise the timelines for distributions made by InvITs w.e.f. November 27, 2024. Chapter 23 and Annexure 16 of the Master Circular for InvITs dated May 15, 2024 related to procedural framework for dealing with unclaimed amounts lying with InvITs also provides reference to the timelines for making distributions. Accordingly, Master Circular for InvITs is modified as under to align timelines for making distributions with the InvIT Regulations:

   8.1. Para 23.2. of Chapter 23 of Master Circular for InvITs shall be modified as under:

   "Regulation 18(6)(c) of the InvIT Regulations, inter-alia, provides the timelines for distribution. However, in certain cases it has been observed that the distribution amounts remained unclaimed or unpaid because of various reasons, including failure to update account details by the unitholders."

   8.2. Clause A(1) of Part I of Annexure 16 of Master Circular for InvITs shall be modified as under:

   "Transfer of unclaimed amount to Unpaid Distribution Account: Where a distribution has been made by the Investment Manager within the timelines specified under Regulation 18(6)(c) of the InvIT Regulations, but the payment to any unitholders has remained unpaid or unclaimed, the Investment Manager shall, within seven working days from the date of expiry of timelines specified under Regulation 18(6)(c) of the InvIT Regulations, transfer such unclaimed amounts to an Escrow Account to be opened by it on behalf of the InvIT in any scheduled bank. Such account shall be termed as the 'Unpaid Distribution Account'"

9. This circular shall be applicable with immediate effect.

10. This circular is being issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 and Regulations 17I(c), 9(3),

10(18)(a), 18(6) and 33 of the InvIT Regulations. This circular is issued with the approval of the competent authority.

11. The recognized Stock Exchanges are advised to disseminate the contents of this Circular on their website.

12. This Circular is available on the website of the Securities and Exchange Board of India at www.sebi.gov.in under the category “Legal” and under the drop down “Circulars”.

Yours faithfully

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