

Framework for Innovators Growth Platform

1.0 Objective

1.1. This memorandum seeks to (i) prescribe a framework for the process of accreditation of investors for the purpose of Innovators Growth Platform (“IGP”); and (ii) amend ‘Chapter X- Institutional Trading Platform’ of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (“ICDR Regulations”) in line with the approval of the Board accorded in its meeting held on December 12, 2018.

2.0 “Accredited Investors for the purpose of IGP”(AIs) - Framework for the process of accreditation

2.1. Background

The Board, in its meeting held on December 12, 2018, had considered and in-principle approved the inclusion of ‘Accredited Investors for the purpose of IGP’ as an eligibility condition for the limited purpose of prior holding of the pre-issue capital, of the Issuer Company proposed to be listed on the IGP, for at least a period of 2 years. It was also approved that in order to be recognized as an accredited investor, such investor shall need to approach Exchanges/Depositories for accreditation.

2.2. Proposal

SEBI, in consultation with the Stock Exchanges and depositories has proposed the following framework for the accreditation of investors and subject to approval of the Board, the same shall be notified through a Circular:

2.2.1 The following entities shall be eligible to be considered as AIs:

- (a) Any individual with total gross income of Rs. 50 lakhs annually and who has minimum liquid net worth of Rs. 5 crores; or
- (b) Any body corporate with net worth of Rs. 25 crores.

2.2.2 Responsibility of Stock Exchanges/Depositories

The investor, having a demat account with a Depository, will make an application to the Stock Exchanges/Depositories in the manner prescribed by them for recognition as an AI. The Stock Exchanges /Depositories may use the services of Brokers/Depository participants respectively for such purpose. However, Stock Exchanges/Depositories shall be responsible for verification and maintenance of the AI data.

2.2.3 Documentation

Als (Individuals/Hindu Undivided Families (HUF)/Body Corporate including LLP) will be required to submit certain documents including copy of PAN Card, copy of Aadhar Card/Certificate of Incorporation as applicable , copy of Income tax returns of last 3 financial years, Certificate from practicing chartered accountant stating total gross income (annually) and liquid net worth/net worth, as applicable, on the date of application and certain declarations. A list of the documents to be submitted for accreditation as an AI is placed at Annexure 'A'.

2.2.4 Validity of accreditation

The accreditation granted by the Stock Exchange/Depository shall be valid for a period of three years from the date of issue of such accreditation unless the AI becomes ineligible due to change in his/her/its financial status in which case such AI shall inform the Stock Exchange/Depository of such ineligibility.

2.2.5 Responsibility of Merchant Bankers at the time of listing on IGP with regard to Als

At the time of application by a Company for listing on IGP, the merchant bankers shall ensure due diligence with regard to eligibility of Als and that their holding in the Company desirous of listing on IGP is in accordance with the proposed Regulation 283.(1) of the ICDR Regulations.

3.0 Amendment to Chapter X of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018

Chapter X of the ICDR Regulations shall be amended in line with the recommendations of the Board made in its meeting dated December 12, 2018. Proposed amendments are placed at Annexure B for approval of the Board.

4.0 Norms for permitting start-ups listed on the Innovators Growth Platform with an option to trade in the main board

The Board, in its meeting held on December 12, 2018, had decided that requirements of migration of trading of shares from IGP to regular category should be decided in consultation with the Stock Exchanges and be specified. SEBI has consulted the Stock Exchanges and is in the process of consulting with other stakeholders. SEBI shall seek approval of the Board in this regard after completing its consultation process.

5.0 Proposal for consideration and approval

The Board is requested to consider and approve the proposals under paragraph 2.2 and 3.0 and approve the amendments to the ICDR Regulations as proposed at Annexure B. Further, Chairman may be authorized to take any consequential and incidental steps to give effect to the decisions of the Board.

“Accredited Investors for the purpose of IGP”(AIs) – Documentation for the process of accreditation

For accreditation as an Accredited Investor for the purpose of Innovators Growth Platform, the investor, having a demat account with a Depository shall submit the following documents with the Exchanges/Depositories or Brokers/Depository participants:

In case of Individual / HUF

- i. Copy of PAN Card.
- ii. Copy of Aadhaar Card or Copy of Valid Passport.
- iii. Copies of Income tax return of last 3 financial years
- iv. Certificate from practicing chartered accountant stating total gross income (annually) and liquid net worth as on date of application. Working of Liquid Net worth shall be given as an Annexure to the certificate. Liquid net worth shall be calculated as follows:

Capital + Free Reserves

Less: non-allowable assets

- (a) Fixed assets
 - (b) Pledged Securities
 - (c) Non-allowable securities (unlisted securities)
 - (d) Doubtful debts and advances (Includes debts/advances overdue for more than three months or given to associates and to related parties)
 - (e) Prepaid expenses, losses
 - (f) Intangible assets
 - (g) 30% value of marketable securities
- v. Where the individual has been debarred or disciplinary action has been taken against investor by SEBI, RBI or any other regulatory

body, then the debarment period or disciplinary action should be over. In case of an Non Resident Indian, he or she shall confirm that he or she has not been restricted from accessing securities market by the country of jurisdiction where he or she resides.

- vi. Declaration from investor which will state that:
- (a) he/she/it is not a wilful defaulter as defined under Regulation 2(1)(III) of SEBI (ICDR) Regulations, 2018.
 - (b) he/she/it is not a fugitive economic offender as defined under Regulation 2(1)(p) of SEBI (ICDR) Regulations, 2018.
 - (c) he/she/it is not in violation of Regulation 24 of SEBI (Delisting of Equity Shares) Regulation, 2009.
 - (d) he/she/it is not in violation of the restrictions imposed by SEBI under SEBI circular no. SEBI/HO/ MRD/DSA/CIR/P/2017/92 dated August 01, 2017.
 - (e) he/she/it is in compliance with RBI regulations, if applicable.
 - (f) that the investment in the Companies are in compliance with RBI norms, if applicable.
 - (g) that the submissions made to the Exchange/Depository are true and correct and if found incorrect, the Exchange/Depository reserves right to reject the application and take necessary action.
 - (h) that in case of ineligibility due to change in the financial status of the Accredited Investor, it shall inform the Exchange/Depository of such ineligibility.

In case of body corporate including LLP

- i. Certificate of Incorporation.
- ii. If the body corporate is registered with any regulatory body such as RBI, IRDA, etc., then certificate of such valid registration from such regulatory body.
- iii. Copy of PAN card of body corporate.

- iv. Copies of Financial Statements of last 3 financial years.
- v. Copies of Income tax return of last 3 financial years.
- vi. Certificate from statutory auditor of the body corporate stating net worth as on date of application. Working of Net worth shall be given as Annexure to the certificate
- vii. Certified copy of Board Resolution to make application for Accredited Investor as per IGP norms.
- viii. Declaration from Managing Director/Designated Partner/authorized person:
 - (a) the Body corporate or its promoters/partners or directors are not wilful defaulter as defined under Regulation 2(1)(III) of SEBI (ICDR) Regulations, 2018.
 - (b) the promoters/partners or directors of the Body corporate are not a fugitive economic offender as defined under Regulation 2(1)(p) of SEBI (ICDR) Regulations, 2018.
 - (c) the Body corporate or its promoters/partners or whole-time directors should not be in violation of the provisions of Regulation 24 of the SEBI Delisting Regulations, 2009.
 - (d) the Body corporate or its promoters/partners, its directors should not be in violation of the restrictions imposed by SEBI under SEBI circular no. SEBI/HO/ MRD/DSA/CIR/P/2017/92 dated August 01, 2017.
 - (e) the Body corporate is in compliance with RBI Regulations, if applicable.
 - (f) that the investment made in the Companies are within the limit prescribed by the RBI and if investments exceed the prescribed limit, then approval of RBI for the same has been obtained, in case the same is applicable .
 - (g) that the submissions made to the Exchange/Depository are true and correct and if found incorrect, the Exchange/Depository reserves right to reject the application and take necessary action.

- (h) that in case of ineligibility due to change in the financial status of the Accredited Investor, it shall inform the Exchange/Depository of such ineligibility.

Proposed amendments to ICDR Regulations, 2018

The words 'INSTITUTIONAL TRADING PLATFORM' shall be replaced with the words 'INNOVATORS GROWTH PLATFORM' and the words 'ITP' shall be replaced with the words 'IGP' wherever appearing in the SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2018..

Change in name of Chapter X

The words 'INSTITUTIONAL TRADING PLATFORM' shall be deleted and the words 'INNOVATORS GROWTH PLATFORM' shall be added.

Applicability

The words 'retail individual investors' in Regulation 282 (3) shall be deleted.

The Regulation would read as follows:

“282. (3) The institutional trading platform shall be accessible only to institutional investors and non-institutional investors.”

Eligibility

(a) The following shall replace Regulation 283.(1) a):

“283. (1) An issuer which is intensive in the use of technology, information technology, intellectual property, data analytics, bio-technology or nano-technology to provide products, services or business platforms with substantial value addition shall be eligible for listing on the innovators growth platform, provided that as on the date of filing of draft information document or draft offer document with the Board, as the case may be, 25% of the pre-issue capital, of the Issuer Company for at least a period of two years, should have been held by::

I. Qualified Institutional Buyers

- II. Family trust with net-worth of more than five hundred crore rupees, as per the last audited financial statements
- III. Accredited Investors (AIs) for the purpose of IGP.
- IV. The following regulated entities:
 - (a) Category III Foreign Portfolio Investor;
 - (b) An entity meeting all the following criteria:
 - i. It is a pooled investment fund with minimum assets under management of one hundred and fifty million USD;
 - ii. It is registered with a financial sector regulator in the jurisdiction of which it is a resident;
 - iii. It is resident of a country whose securities market regulator is a signatory to the International Organization of Securities Commission's Multilateral Memorandum of Understanding (Appendix A Signatories) or a signatory to Bilateral Memorandum of Understanding with the Board;
 - iv. It is not resident in a country identified in the public statement of Financial Action Task Force as:
 - a) a jurisdiction having a strategic Anti-Money Laundering or Combating the Financing of Terrorism deficiencies to which counter measures apply; or
 - b) a jurisdiction that has not made sufficient progress in addressing the deficiencies or has not committed to an action plan developed with the Financial Action Task Force to address the deficiencies;

Explanation :

- (a) The following entities shall be eligible to be considered as accredited investors for the purpose of innovators growth platform:
 - (i) Any individual with total gross income of fifty lakhs rupees annually and who has minimum liquid net worth of five crore rupees or

- (ii) Any body corporate with net worth of twenty five crore rupees.

- (b) Not more than 10% of the pre-issue capital may be held by Accredited Investors.

- (c) For the purpose of accreditation: The persons /corporate bodies who wish to get accreditation for the purpose of innovators growth platform, shall approach the stock exchanges or depositories and follow the procedures prescribed by the Board and / or such stock exchange or depository for the purpose of accreditation as an Accredited investor, from time to time.”

Regulation 283(1)b) and 283 (2) shall stand deleted.

Minimum Public shareholding norms and minimum offer size

A new Regulation 285 A shall be inserted as follows:

“285 A.(1) – The issuer shall be in compliance with minimum public shareholding requirements specified in the Securities Contracts (Regulation) Rules, 1957.”

“285 A.(2) – The minimum offer size shall be ten crore rupees.”

Regulation 286 - Minimum application size

The words ‘ten lakh rupees’ shall be replaced with the words ‘two lakh rupees and in multiples thereof’. The Regulation would read as follows:

“286. The minimum application size shall be two lakh rupees and in multiples thereof.”

Regulation 287 - Allocation and allotment

The words 'two hundred' in Regulation 287 (1) shall be replaced with the words 'fifty'. The Regulation would read as follows:

"287. (1) The number of allottees in the initial public offer shall at least be fifty."
Regulation 287(2) (a) and (b), and Regulation 287(4) and 287(5) which were dependent on 287(2) shall stand deleted. Regulation 287(3) shall be renumbered as 287(2) and shall be reframed as follows:

" 287.(2) The allotment to institutional investors as well as non-institutional investors shall be on a proportionate basis."

Regulation 287 (6) shall be renumbered as Regulation 287(3).

Trading lot

The words 'ten lakh rupees' shall be replaced with the words 'two lakh rupees and in multiples thereof'. The Regulation would read as follows:

"289. The minimum trading lot on the stock exchange shall be two lakh rupees and in multiples thereof."