



Submission of Comments to the Securities and Exchange Board of India (SEBI)
on
“Discussion Paper on Alternate Capital Raising Platform and Review of other regulatory requirements”

1. Background

The Securities and Exchange Board of India (SEBI), has issued a ‘Discussion Paper on Alternate Capital Raising Platform and Review of other regulatory requirements’ in public domain for inviting comments from interested stakeholders.

Consumer Unity & Trust Society (CUTS, www.cuts-international.org) is a non-profit, non-government vigilant institution working in the area of economic regulation, financial sector, consumer protection, competition, trade, and investment since last 30 years.

2. CUTS comments

CUTS comments on the subject are set out below:

Sr. no.	Pertains to serial number under paragraph (3)/ (4)	Agree/ Disagree to the proposal at the said serial number	Proposed changes/ suggestions	Rationale
1.	3.1.3 and 3.3.1	Partially agree	The facility must be available for all companies having innovative business models	The scope of companies mentioned under highlighted paragraphs is different. While Paragraph 3.1.3 includes new-age companies having innovative business models, amongst other kinds of companies and imposes additional condition of creating new business opportunities or serving important efficiency enhancement in existing business activities; paragraph 3.3.1 does not have any such additional conditions but limits the scope to new age companies having innovative business models but belonging to knowledge

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				<p>based technology sector.</p> <p>This results in lack of clarity with respect to eligible entities. Companies with innovative business models might or might not: i) create new business opportunities; ii) serve important efficiency enhancement in existing business activities; iii) necessarily belong to knowledge based technology sector.</p> <p>SEBI has rightly identified that companies with innovative business models are facing resource crunch. It might not be judicious for the regulator to limit this opportunity to sector-specific companies, or impose additional conditions.</p> <p>While such additional conditions could aid the stock exchanges/ SAT in taking a decision regarding grant of in-principle approval, the decision must not be based solely on these factors, and must depend on the fact of company having an innovative business model.</p> <p>Consequently it is suggested that the facility be open for all 'companies having innovative business models'.</p>
2.	3.2.3	Partially agree	Introduce reservation for mutual funds	While SEBI has rightly prohibited retail investors from directly participating in the IPP, a reservation must be provided for mutual funds, within the QIB portion, so the retail investors could indirectly from the growth of innovative start-ups.
3.	3.2.4 and 3.2.6	Not enough data for decision making		It has been suggested that no QIB shall be allotted more than 5 percent of the issue size and the minimum no. of allottees is proposed to be 500. No rationale/ data/ justification have been provided for such requirements. It is also not clear that if some

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				<p>prior studies in relation to shareholding of companies listed/ having the potential of being listed on IPP have been conducted.</p> <p>While the objective is to have dispersed shareholding, one must note that the eligibility criteria itself ensures that no person holds more than 25 percent of the pre-issue share capital.</p> <p>It would be useful if some sound justification is provided for imposing the said conditions.</p>
4.	All	Agree	Stringent liability on companies in the event of non-disclosure of material information	While SEBI has taken a step in right direction by moving towards materiality based thresholds and focusing on quality of information, it must improve its monitoring, surveillance, and prosecution capacities to ensure that all material disclosures are duly made. Any non-compliance in this regard must be strictly and swiftly dealt with.
