To, 30th April, 2020

Deputy General Manager
Corporation Finance Department
Securities and Exchange Board of India
SEBI Bhavan
Plot No. C4-A, "G" Block
Bandra Kurla Complex
Bandra (East), Mumbai - 400 051

Via email to: ankurb@sebi.gov.in

Sub: COMMENTS ON CONSULTATION PAPER FOR RELAXATION W.R.T. QIP ISSUES

At the outset, we, at Indian Association of Investment Professionals (IAIP), a member society of the CFA Institute, appreciate the opportunity to submit our response to the **COMMENTS ON CONSULTATION PAPER FOR RELAXATION W.R.T. QIP ISSUES.**

IAIP is an association of over 2000 local investment professionals who are CFA charterholders and about 4000+ professionals who have cleared exams, eligible and awaiting charter. The Association consists of valuation professionals, portfolio managers, security analysts, investment advisors, and other financial professionals, that; promote ethical and professional standards within the investment industry, facilitate the exchange of information and opinions among people within the local investment community and beyond, and work to further the public's understanding of the CFA designation and investment industry.

CFA Institute is a global non-profit association of investment professionals with over 164,000 members in over 165 countries. In India, the community of CFA charterholders is represented by the Indian Association of Investment Professionals (CFA Society India).

Through our global research and outreach efforts, CFA Societies around the world endeavour to provide resources for policy makers, financial services professionals and their customers in order to align their interests. Our members engage with regulators in all major markets.

With regards to the above-mentioned consultation paper, we would like to propose a few suggestions consistent with our objective to promote fair and transparent global capital markets and to advocate for investor protection.

We would be happy to hear and discuss the merits / demerits of suggestions proposed by other practitioners and request to be included in the deliberation process.

Our responses to the proposed initiatives by SEBI are mentioned below:

A. Details of our Organisation:

1. **Name:** Indian Association of Investment Professionals (CFA Society India)
2. **Contact number:** +91 98196 30042
3. **Email address:** advocacy@iaipirc.org
4. **Postal address:** 702, 7th Floor, A Wing, One BKC Tower, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051

B. Key Contributors:

Shwetabh Sameer, CFA	Kshitiz Jain, CFA	Om Jha, CFA	Ashwini Damani, CFA
Sivananth Ramachandran, CFA	Manish Jain, CFA	Sivananda Subudhi, CFA	Monika Chopra, CFA

C. Suggestions / Comments:

Name of entity/person: Indian Association of Investment Professionals (CFA Society India)
Contact Number & Email Address: +91 98196 30042; advocacy@iaipirc.org

Sr. No.	Reference Para of the consultation paper	Comments/Suggestions	Rationale
1.	3.2.1. "…Relaxation may be provided for successive QIPs within 6 months of previous QIP"	In principle, we don't agree to the proposed relaxation for successive QIPs because it leads to partial disclosure of information on multiple occasions. However, in light of the current circumstances, in case this resolution is passed, the following point must be taken into consideration so that this resolution can work in any stage of the business cycle. If an issuer company plans to perform a subsequent QIP within 6 months of the first QIP, they must submit incremental disclosures, which should reflect changes since the last time the placement document was filed, to the exchanges. These disclosures should include, but not limited to, changes in the firm's risk factors, prices and volumes, dividends, and any recent financial statements that would be shared with QIBs at the time of subsequent QIP.	Markets should be fair and orderly such that no participant has an unfair advantage that could deter investors from investing. Our **Financial Reporting Disclosures** document talks at length about the importance of financial disclosures in promoting transparency and equal access to information. An issuer company should generally prefer mechanisms such as Rights Issue or FPO as their first choice to raise capital since they have elaborate procedural requirements. On the other hand, QIPs should only be thought of as a makeshift arrangement when an issuer company has urgent capital requirements. Even if shareholders pass the special resolution to raise capital in tranches, they would not be privy to the financial documents that QIBs will have access to on multiple occasions when they plan to buy securities via private placement. This results in information asymmetry and puts minority shareholders at a disadvantage. This need for transparency is heightened in the case of small companies due to reduced market coverage of their recent business conditions and performance. Hence, if an issuer company can foresee a successive QIP at the time of the first placement, they should start planning for a Rights Issue or an FPO in advance.

Citation

1. Financial Reporting Disclosures
https://www.cfainstitute.org/-/media/documents/article/position-paper/financial-reporting-disclosures-investor-perspectives-on-transparency-trust-volume.ashx

Thank you again for the opportunity to comment on this important regulatory framework. If you or your staff have questions or seek further clarification, please do not hesitate to contact Mr. Rajendra Kalur, CFA at +91 98196 30042 or at advocacy@iaipirc.org.

Sincerely yours,

Rajendra Kalur, CFA
Director - Research and Advocacy Committee
Indian Association of Investment Professionals, Member Society of CFA Institute