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CS Executive 2024 Question Paper · Capital Market and Securities Laws

EXAM
CS Executive

YEAR
2024

TYPE
Question Paper

SUBJECT
Capital Market and Securities Laws

DATE
December 2024

NEW SYLLABUS

525

Roll No. .....

Time allowed : 3 hours ***Maximum marks : 100***

Total number of questions : 6 ***Total number of printed pages : 12***

NOTE : *Answer* ***ALL*** *Questions.*

PART–I

1. (*a*) The Old Age Regional Stock Exchange (OARSE), once a vital financial hub, had gradually lost its significance in the face of a rapidly evolving financial market. Established decades ago, OARSE initially served a broad spectrum of investors and businesses. However, with the emergence of national-level stock exchanges and technological advancements, OARSE struggled to keep pace with modern regulatory and operational standards.

During the year 2023-24, SEBI conducted a thorough review of OARSE's operations to assess its adherence to newly established regulations. The review revealed several deficiencies in OARSE's trading practices and compliance measures. When SEBI requested detailed information regarding these areas, OARSE failed to provide adequate responses, demonstrating significant lapses in its management and operational framework. As a result, SEBI decided to derecognize OARSE, effectively preventing it from functioning as a stock exchange. This decision highlighted the importance of compliance, technological adaptation, and transparency for the survival of regional exchanges in the competitive financial landscape.

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With reference to the above case study, answer the following :

(*i*) What will be the procedure followed by SEBI for withdrawal of recognition of OARSE ?

(*ii*) Will the contracts entered by OARSE before the date of withdrawal of recognition be valid ?

(*iii*) Who all are bound at OARSE to produce documents sought by SEBI ?

(*iv*) What are the provisions relating to the maintain and preserve books of accounts and other documents by any Recognised Stock Exchange in India ?

(*v*) Can business of any Recognised Stock Exchange be suspended ?

(*2 marks each*)

(*b*) ECOM Ltd. is one of the leaders in e-commerce business. Its Board has a strength of 12 directors excluding three Nominee directors (not liable to retire by rotation) and four independent directors.

The company had completed 1st round of fund raising two years back. One of the conditions of shareholders agreement was to list the securities in near future. To tap the opportunity of growing stock market, it is planning to list on the stock exchange platform, so that, its existing Anchor investors are able to sell their holding. The Company Secretary has advised for changes in the composition of directors as per SEBI regulations.

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Nirvan (non-executive director) having in depth experience, will be attaining the age of 65 years after listing. After listing, the managing director (serving as an Independent director in two listed entity and one unlisted entity) expected to receive offers for appointment of Independent director in three more listed entity.

The promoters are actively engaged in various philanthropic activities. They are promoters of "Save Tree Foundation", a section 8 company, working for the livelihood generation amongst underprivileged community. It is learnt that now a Not for Profit Organization can also raise funds through open market.

After analysing these facts, answer the following :

(*i*) How many directors should be liable to retire by rotation at the annual general meeting ?

(*ii*) What is an upper age limit for appointment or continue as non-executive director without any approval from shareholders ?

(*iii*) What is the maximum limit of an independent directorship for a managing director of listed company ?

(*iv*) What is the type of instrument under which a Not for Profit Organization can raise fund through market ?

(*v*) If a director of a listed entity has vacated his office for medical reasons, please advice how his office can be filled.

(*2 marks each*)

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Attempt all parts of either Q. No. 2 or Q. No. 2A

2. (*a*) A retail investor, Rajesh, invested in a mutual fund scheme but noticed irregularities in the fund's performance and management. Despite multiple attempts to resolve the issue with the mutual fund company, he receives no satisfactory response. Rajesh decides to approach SEBI's complaints redressal system (SCORES) for assistance. In light of this, answer the following :

(*i*) How should Rajesh file a complaint with SEBI ?

(*ii*) What information does Rajesh needs to provide ?

(*iii*) What is the timeline for lodging complaint and one-time Review option ?

(*iv*) Can a complaint in SCORES be filed against a company under liquidation ? If yes, state the procedure.

(*1+1+1+2=5 marks*)

(*b*) What are Credit Rating Agencies ? What is the minimum net worth requirement for Credit Rating Agencies ? Explain in brief the general obligations of Credit Rating Agencies.

(*5 marks*)

(*c*) Buying a single share of any company is much riskier, as compared to buying the Exchange Traded Fund (ETF). Explain this statement, with reference to the understanding about ETF.

(*5 marks*)

(*d*) Distinguish between Currency Derivatives & Commodity Derivatives.

(*5 marks*)

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OR (Alternative question to Q. No. 2)

2A. (*i*) Green Tech Solutions, is a Tech Start-up Company. It develops eco-friendly energy storage systems. Founded in 2022, it promoters are focused on products relating to sustainable technology to reduce carbon footprints in urban areas, seeking to revolutionize green energy. This company wishes to list on the recognised stock exchanges in IFSC. Considering these facts :

(*a*) State the criteria for listing of Start-up companies on recognised stock exchanges in IFSC.

(*b*) State the salient features related to Direct Listing and Minimum Subscription.

(*3+2=5 marks*)

(*ii*) You have been newly appointed SEBI consultant, for Techno AVR Ltd. This is a fintech Start-up company incorporated in 2010 under the Companies Act 1956. Their management, is seeking to list the company on the BSE SME platform. So, please advise the following :

(*a*) Can Techno AVR Ltd. get listed at BSE SME Platform ?

(*b*) What should be the tangible assets of Techno AVR for this listing ?

(*c*) What should be post issue paid up capital of Techno AVR Ltd ?

(*d*) Is it compulsory for Techno AVR Ltd. to facilitate trading of securities in demat form, or also in physical form ?

(*e*) Techno AVR Ltd. has changed its promoters about ten month preceding the date of filing the listing application with the BSE. Does this have any impact its listing ?

(*5 marks*)

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(*iii*) TechGlobal Corp is a multinational technology company, it decided to acquire a significant stake in a promising Indian start-up, RecreateX Ltd, but it is a listed company with NSE. To avoid market disruption and potential price fluctuations, TechGlobal and RecreateX negotiated and entered into a bulk deal.

The transaction involves TechGlobal purchasing 50% of RecreateX's equity shares. This transaction includes, shareholding held by one of its shareholder Mr. X as 5% and another shareholder Mr. Y as 0.5% of RecreateX's total outstanding shares.

The brokering Firm, ABC Ltd. facilitated the transaction. But once the deal was completed, ABC Ltd. failed to report the details to the National Stock Exchange (NSE), where RecreateX's shares are listed. Under these scenarios, answer the following :

(*a*) Is these three transactions [50% including 5% and 0.5%] constitutes a bulk deal on a stock exchange ?

(*b*) What is the reporting timing, when a bulk deal happens through a single trade or multiple trades ?

(*c*) Who is required to disclose the details of a bulk deal to the stock exchange ?

(*2+2+1=5 marks*)

(*iv*) List down the institutions recognised as Qualified Institutional Buyer under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.

(*5 marks*)

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PART–II

3. (*a*) Rohit is a regular investor in the market, electronically holding one thousand equity shares with special voting right shares of Growmore Ltd. He made a request for rematerialisation of his shares to the Company. Rohit also wanted to know, after how many days of rematerialisation, he can trade his shares. As the Company Secretary of Growmore Ltd, explain the meaning of rematerialisation, procedure to be followed for remat and tradability postremat.

(*5 marks*)

(*b*) Gelwel Ltd, a Bombay Stock Exchange listed company, received a penalty order [dated 9th September 2024] from the stock exchange for default in compliances on 10th December 2024. Being the Company Secretary of Gelwel Ltd, decide the following situations :

(*i*) Can Gelwel Ltd. file an appeal against the penalty order, issued by Bombay Stock Exchange, for default in compliances ?

(*ii*) With whom and within what time period appeal should be filed, if applicable ?

(*iii*) What is the time period, within which such appeals if filed should be disposed off ?

(*2+2+1=5 marks*)

(*c*) Explain the guidelines issued by SEBI, for returning of the draft offer document and its resubmission relating to issue of Capital and Disclosure Requirements.

(*5 marks*)

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4. (*a*) Differentiate between Initial Public Offer (IPO) and Further Public Offer (FPO). Which entities are not entitled to make an Initial Public Offer (IPO).

(*5 marks*)

(*b*) Zubin has been declared by a private bank PB Ltd, as a willful defaulter under SEBI (Substantial Acquisition of shares and Takeovers) Regulations, 2011. But, he is interested to acquire shares of XYZ Ltd. Explain the meaning of the willful defaulter. He is declared as willful defaulter by the private bank, therefore discuss about any option available with Zubin to acquire shares of XYZ Ltd ?

(*5 marks*)

(*c*) ABC Ltd. is an auto component manufacturing company, incorporated under the provisions of the Companies Act, 2013. This company is listed on Bombay Stock Exchange. The paid up capital of the company is ₹ 400 crore as per the latest audited balance sheet. The company fails to comply with the various requirements set out in the listing agreement within the prescribed time period. The stock exchange orders for the compulsory delisting of the equity shares of ABC Ltd. Being the Company Secretary of ABC Ltd, you are required to advise regarding :

(*i*) Public notice before delisting order

(*ii*) Rights of public shareholders.

(*2+3=5 marks*)

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5. (*a*) Money Plus Ltd. manages a mutual fund. The details of the mutual fund is as follows :

- Value of invested securities : ₹ 7.5 crore
- Cash and cash equivalents : ₹ 1.5 crore
- Accrued income : ₹ 2.3 crore
- Short-term liabilities : ₹ 10 lakh
- Long-term liabilities : ₹ 1.2 crore
- Accrued expense : ₹ 5 lakh
- Number of units outstanding : 2 crore of ₹ 1 each

X is holding 50,000 unit of this mutual fund, he got an offer from Y to purchase his entire holding at 110% of the net asset value. Determine the value of transaction that Y will pay to X.

(*5 marks*)

(*b*) Sun & Moon Ltd. is a Mumbai based construction company. The company is listed in National Stock Exchange. The extract of the balance sheet of Sun & Moon Ltd. is as follows :

Equity Share Capital = ₹ 10,00,000 of rupees 25 each

12% preference share capital ₹ 2,00,000 of rupees 50 each [Series A]

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10.5% preference share capital ₹ 10,00,000 of rupees 100 each [Series B]

14% debenture capital ₹ 4,00,000 of rupees 50 each

(*i*) What is the maximum equity share capital that can be bought back ?

(*ii*) What is the maximum number of equity shares that can be bought back ?

(*2+3=5 marks*)

(*c*) Zenith Wealth Management is a leading collective investment management company, dedicated to delivering exceptional financial services. Its focus remains on data-driven strategies and personalized solutions. In this context, explain general provisions of collective investment company in terms of :

(*i*) Maintaining proper books of accounts and records, etc

(*ii*) Dispatch of warrants and proceeds.

(*3+2=5 marks*)

Attempt all parts of either Q. No. 6 or Q. No. 6A

6. Write short notes on the following :

(*a*) Asset Management Company

(*3 marks*)

(*b*) Frequently Traded Shares

(*3 marks*)

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(*c*) Trust Deed under SEBI (Issue & Listing of Non-Convertible Securities) Regulations, 2021

(*3 marks*)

(*d*) Code of conduct of Mutual Fund

(*3 marks*)

(*e*) Continual disclosures under SEBI (Prohibition of Insider Trading) Regulation, 2015.

(*3 marks*)

OR (Alternative question to Q. No. 6)

6A. (*i*) What is the meaning of Holding Period Return ? Calculate holding period return for an unit holder who bought a unit at ₹ 24.60 and received a dividend of ₹ 3 per unit during the period. Face value of the unit is ₹ 10 and current unit price is ₹ 28.69.

(*5 marks*)

(*ii*) PQR Ltd. is a pharmaceutical company, whose equity shares are listed on BSE. Company management wish to issue sweat equity shares in accordance with provisions of the Companies Act, 2013. As a company secretary of PQR Ltd. you are required to advise its management on the following :

(*a*) Maximum quantum of sweat equity shares

(*b*) Pricing of sweat equity shares

(*c*) Ceiling on managerial remunerations.

(*2+1+2=5 marks*)

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(*iii*) ABC Limited, is a newly formed manufacturing company by a prominent industrial house. Within 3 years of its incorporation, it has issued its first bonus shares. Considering its overall business performance, shares prices of ABC Limited is transacted around 18 times of its PE in Bombay Stock Exchange. But, due to some difference with its management, the Company Secretary has vacated the post of KMP.

Looking at your past performance, ABC Limited has appointed you as their new Company Secretary. One of your junior Company Secretary wanted to know, which outcomes of the board meeting should be disclosed to the Bombay Stock Exchange within 30 minutes of the closure of these meetings ? Please explain.

(*5 marks*)

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