

5 FIIs of StanChart IDRs explore legal options against SEBI

The Standard Chartered Indian Depository Receipt (IDR) crashed post the circular on redemptions issued on June 3. Sources from the legal community said that at least five good quality Foreign Institutional Investors (FII) have been seeking legal opinions to evaluate their options going forward. Currently, they might file representations with SEBI, though moving court has still not been ruled out.

The market regulator Securities and Exchange Board of India (SEBI) said that in the absence of fungibility, freely allowing redemptions would lead to illiquidity in the domestic market. CNBC-TV18's Nayantara Rai reports quoting sources on what options are the investors looking at.

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Sources informed that these FIIs may file these representations with SEBI in the next one or two days. Considering the lock-in period expired on June 11 and SEBI's circular on redemptions was released on June 3, the FIIs feel that it is a bit unfair and strange on the sheer timing.

It is learnt that these FIIs are likely to tell SEBI that the investment climate is worsening and it shouldn't dampened further by such circulars.

Both, SEBI and RBI feel that IDRs are not automatically fungible into underlying equity shares. IDR fungibility and redemption is permitted only after one year of lock-in period.

A day after sending the circular, Nishith Desai Associates (NDA) came out with a conclusion saying, "Such changes in policy being made effectively and retrospectively against the legitimate expectations of the investors might force them to suffer losses. This could be challenged in the court of law. Introducing circulars, which have retrospective effect or which could considerably change the premise of investment by an investor, could tarnish the image and reputation of the Indian market."

Also watch the accompanying video.