

April 2024

# NEWSLETTER

## REGULATORY

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## Lovi Mehrotra & Associates

Chartered Accountants

21-22 IInd Floor Krishna Nagar Safdarjung Enclave  
New Delhi 110029

Website : [www.lma.co.in](http://www.lma.co.in) • Email : [d.khanna@lma.co.in](mailto:d.khanna@lma.co.in)

RBI

**1. Foreign Exchange Management (Foreign Currency Accounts by a person resident in India) (Amendment) Regulations, 2024**

No. FEMA. 10(R)(3)/2024-RB  
Dated: 23<sup>rd</sup> April, 2024

**Reference:** Foreign Exchange Management (Foreign Currency Accounts by a person resident in India) Regulations, 2015 relating to opening, holding and maintaining of Foreign Currency Accounts and the limits up to which amounts can be held in such accounts by a person resident in India.

Vide this notification, RBI has amended the Regulation 5(E)(1) of the above regulations pertaining to opening, holding and maintaining a Foreign Currency Account outside India. The existing provision is substituted as under:

“Subject to compliance with the conditions in regard to raising of External Commercial Borrowings (ECB) or raising of resources through American Depository Receipts (ADRs) or Global Depository Receipts (GDRs) *or through direct listing of equity shares of companies incorporated in India on International Exchanges*, the funds so raised may, pending their utilisation or repatriation to India, be held in foreign currency accounts with a bank outside India.”

[Notification](#)

**2. Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) (Amendment) Regulations, 2024**

No. FEMA. 395(2)/2024-RB  
Dated: 23<sup>rd</sup> April, 2024

**Reference:** Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019 relating to mode of payment and reporting requirements for investment in India by a person resident outside India.

Vide this Notification, RBI has amended Regulation 3.1 pertaining to Mode of Payment and Remittance of sale proceeds and Regulation 4 pertaining to reporting requirements.

Following is the gist of amendments:

**1. Regulation 3.1:-** Schedule XI has been inserted pertaining to Purchase or Subscription of Equity Shares of companies incorporated in India on International Exchanges Scheme by Permissible Holder.

**A. Mode of Payment**

Consideration amount of purchase / subscription of equity shares is payable:

- (i) Through banking channels to a foreign currency account of the Indian company held in accordance with Foreign Exchange Management (Foreign currency accounts by a person resident in India) Regulations, 2015.
- (ii) As inward remittance from abroad through banking channels.

**B. Remittance of sale proceeds**

The sale proceeds (net of taxes) of the equity shares may be remitted outside India or may be credited to the bank account of the permissible holder maintained in accordance with the Foreign Exchange Management (Deposit) Regulations, 2016.

**2. Regulation 4:-** Sub-regulation 8 has been substituted as under:

LEC (FII):

- (i) The AD Category I banks are required to report to the RBI in Form LEC (FII) the purchase / transfer of equity instruments by FPIs on the stock exchanges in India.

*(ii) The Investee Indian company through an AD Category I bank is required to report to the RBI in Form LEC (FII) the purchase/subscription (classified as Foreign Portfolio Investment) of equity shares by permissible holder except transfers between permissible holders, on an International Exchange.*

[Notification](#)

## SEBI

### 1. Entities allowed to use e-KYC Aadhaar Authentication services of UIDAI in Securities Market as sub-KUA

Circular No.: SEBI/HO/MIRSD/SECFATF/P/CIR/2024/21

Dated: 5<sup>th</sup> April, 2024

**Reference to Existing Circular:** The Master Circular on Know Your Client (KYC) norms for the securities market SEBI/HO/MIRSD/SECFATF/P/CIR/2023/169 dated October 12, 2023 provides detailed provision for the adaptation of Aadhaar based e-KYC process and e-KYC Authentication facility for Resident Investors under Prevention of Money Laundering Act, 2002 (PMLA) in Securities Market as sub-KUA and onboarding process by UIDAI.

Department of Revenue, Ministry of Finance (DoR-MoF) had notified a list of 24 entities permitted to undertake Aadhaar Authentication service of UIDAI on 20<sup>th</sup> February 2024.

Vide this Circular, SEBI has mandated that these entities are required to follow the processes delineated in above mentioned circular. Additionally, KYC User Agencies (KUAs) are tasked with facilitating the onboarding of these entities as sub-KUAs to provide the services of Aadhaar authentication with respect to KYC.

[Circular](#)

### 2. Standardization of the Private Placement Memorandum (PPM) Audit Report

Circular No.: SEBI/HO/AFD/SEC-1/P/CIR/2024/22

Dated 18<sup>th</sup> April, 2024

**Reference to Existing Circular:** SEBI vide its circular dated July 31, 2023 had made it mandatory for Alternative Investment Funds (AIFs) to carry out an annual audit of compliance with the terms of Private Placement Memorandum (PPM).

Accordingly, AIFs are required to submit Annual PPM Audit Reports to the Trustees/ Designated Partners (DPs) / Board of the AIF, DPs or Board of the Manager and SEBI, within 6 months from the end of the Financial Year.

Vide this Circular, SEBI had developed a standardized reporting format for PPM Audit Reports in consultation with the pilot Standard Setting Forum for AIFs (SFA) to establish uniformity in compliance standards and ease of compliance reporting. This format is applicable to various categories of AIFs and is designed to simplify reporting procedures.

AIFs are required to submit the PPM Audit Reports to SEBI online through the SEBI Intermediary Portal (SI Portal) as per above format.

All other provisions with respect to the filing of the PPM audit report specified in the Master circular shall remain unchanged.

[Circular](#)

### 3. Cross Margin benefits for offsetting positions having different expiry dates

Circular No.: SEBI/HO/MRD/TPD-1/P/CIR/2024/24

Dated 23<sup>rd</sup> April, 2024

*Effective Date: July 23, 2024*

**Reference to Existing Circular:** SEBI vide Circular dated October 16, 2023 issued for Stock Exchanges and Clearing Corporations had provided stipulations for Cross Margin between index futures position and constituent stock futures position in derivatives segment as well as cross margin in respect of offsetting positions in correlated equity indices.

Vide this circular, SEBI had decided to extend cross margin benefit on offsetting positions having different expiry dates as under:

- a. A spread margin of 40% will be levied for offsetting positions in correlated indices with different expiry dates. In

case of same expiry date, spread margin of 30% will continue.

- b. A spread margin of 35% will be levied for offsetting positions in index and its constituents with different expiry dates. In case of same expiry date, spread margin of 25% will continue..
- c. The spread margin benefit will be revoked at the beginning of the expiry day of the position expiring first in case the expiry dates of both legs of the position are different.
- d. Exchanges and clearing corporations are mandated to implement suitable monitoring mechanisms to track cross margin activities.
- e. All other requirements pertaining to cross margin remain will unchanged and applicable.

The circular would be effective three months from its date of issuance.

[Circular](#)

#### **4. Ease of Doing Business: Text on Contract Note with respect to Fit and Proper status of shareholders**

Circular No.: SEBI/HO/MRD/MRD-PoD-2/P/CIR/2024/25

Dated 24<sup>th</sup> April, 2024

**Reference to Existing Circular and Regulations:** Master Circular (Stock Exchanges and Clearing Corporations) dated Oct 16, 2023 and SEBI (Securities Contract (Regulation) (Stock Exchanges and Clearing Corporation) Regulations, 2018 (i.e. SCR (SECC) Regulations, 2018).

Vide this circular, SEBI has provided relaxation in respect of requirement of publishing the text pertaining to ‘**fit and proper**’ on the contract note in terms of chapter 6 of above circular and Regulation 19 and 20 of above regulations. The above master circular is accordingly amended as under:

In the post listing scenario, in lieu of text only a reference of the applicable regulation with regard to fit and proper (by mentioning the URL/weblink of Regulation 19 and 20 of the SCR(SECC) Regulations, 2018) shall be made part of the contract note.

[Circular](#)

#### **5. Securities and Exchange Board of India (Alternative Investment Funds) (Second Amendment) Regulations, 2024**

No. SEBI/LAD-NRO/GN/2024/168

Dated 25<sup>th</sup> April, 2024

Vide this notification, SEBI had notified SEBI (Alternative Investment Funds) (Second Amendment) Regulations, 2024 to amend the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012.

Following is the gist of amendments:

##### **1. Insertion of new definition clauses:**

- a. “dissolution period” means the period following the expiry of the liquidation period of the scheme for the purpose of liquidating the unliquidated investments of the scheme of the Alternative Investment Fund.
- b. “encumbrance” shall have the same meaning as assigned to it under chapter V of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.”

##### **2. Insertion of new proviso in Regulation 16(1)(c):**

Category I Alternative Investment Funds may create encumbrance on equity of investee company, which is in the business of development, operation or management of projects in any of the infrastructure sub-sectors listed in the Harmonised Master List of Infrastructure issued by the Central Government, only for the purpose of borrowing by such investee company and subject to such conditions as may be specified by the Board from time to time.

##### **3. Insertion of new proviso in Regulation 17 (c):**

Category II Alternative Investment Funds may create encumbrance on equity of investee company, which is in the business of development, operation or management of projects in any of the infrastructure sub-sectors listed in the Harmonised Master List of Infrastructure issued by the Central Government, only for the purpose of borrowing by such investee company and subject to such conditions as may be specified by the Board from time to time.



#### **4. Insertion of new Regulation 20:**

Every Alternative Investment Fund, Manager of the Alternative Investment Fund and Key Management Personnel of the Manager and the Alternative Investment Fund shall exercise specific due diligence, with respect to their investors and investments, to prevent facilitation of circumvention of such laws, as may be specified by the Board from time to time.

#### **5. Insertion of new Sub - Regulation 29 (9A) and (10), 29A (8) and Regulation 29B:**

The new sub-regulations and regulation pertains to liquidation and dissolution of schemes. Detailed provisions and processes are set out in the regulations.

[Regulation](#)

#### **6. Flexibility to Alternative Investment Funds (AIFs) and their investors to deal with unliquidated investments of their schemes**

Circular No.: SEBI/HO/AFD/PoD-I/P/CIR/2024/026

Dated 26<sup>th</sup> April, 2024

**Reference to Regulations:** SEBI (Alternative Investment Funds) (Second Amendment) Regulations, 2024 notified on 25<sup>th</sup> April, 2024 (*refer point no. 5 above*).

In line with amendments made in the above regulations, SEBI vide this circular has prescribed certain conditions and provisions with respect to the following:

1. Dissolution Period
2. Mandatory in-specie distribution of unliquidated investments
3. One-time flexibility to schemes of AIFs whose Liquidation Period has expired, to deal with unliquidated investments.
4. Responsibility for compliance
5. Discontinuation of the option of launching Liquidation Scheme

Detailed framework with respect to above forms part of this circular.

[Circular](#)

#### **7. Framework for Category I and II Alternative Investment Funds (AIFs) to create encumbrance on their holding of equity of investee companies**

Circular No.: SEBI/HO/AFD/PoD1/CIR/2024/027

Dated 26<sup>th</sup> April, 2024

**Reference to Regulations:** SEBI (Alternative Investment Funds) (Second Amendment) Regulations, 2024 notified on 25<sup>th</sup> April, 2024 (*refer point no. 5 above*).

In line with the amendments made in the above regulations, SEBI vide this circular has prescribed certain conditions and provisions with respect to creation of encumbrances on equity of investee company by Category I and Category II AIFs only for the purpose of borrowing by such investee company.

Detailed framework forms part of this circular.

[Circular](#)

<b>MCA</b>
There is no new circular issued by MCA in the month of April, 2024.

**Disclaimer:**

This is not a complete listing of all circulars/notifications issued during the month.  
Instead, it is only a listing of some of the circulars/notifications that we considered important.



**Lovi Mehrotra & Associates**

**Chartered Accountants**

**21-22 IInd Floor Krishna Nagar Safdarjung Enclave**

**New Delhi 110029**

**Website : [www.lma.co.in](http://www.lma.co.in) • Email : [d.khanna@lma.co.in](mailto:d.khanna@lma.co.in)**