

LOVI MEHROTRA & ASSOCIATES

CHARTERED ACCOUNTANTS

MONTHLY UPDATE JUNE, 2018

(Circulars/ Notifications released during the month of JUNE 2018)

[RBI](#)

[SEBI](#)

[MCA](#)

30st June, 2018

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I. RESERVE BANK OF INDIA (RBI)

S.NO.	CIRCULAR/ NOTIFICATION NO.	PARTICULARS	SHORT SUMMARY
1.	Notification No. FEMA.20(R) (2)/2018-RB Dated: 1 st June, 2018	Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2018	<p><u>Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2017 dtd 07-11-17</u></p> <p>RBI has notified June 2, 2018 as the effective date for certain provisions Details are as follows</p> <p>Regulation 10(1) proviso (ii) where a person resident outside India is an FPI and the acquisition of capital instruments resulted in breach of applicable aggregate FDI limit or sectoral limits the FPI shall sell such capital instruments to a person resident in India eligible to hold such instruments within the time stipulated by Reserve Bank in consultation with the Central Government.</p> <p>Regulation 10(2) proviso (ii) where the acquisition of capital instruments by an NRI or an OCI resulted in a breach of the applicable aggregate NRI/ OCI limit or sectoral limits, the NRI or the OCI shall sell such capital instruments to a person resident in India eligible to hold such instruments within the time stipulated by Reserve Bank in consultation with the Central Government</p> <p>Notification</p>
2.	RBI/2017- 18/186 Dated: 6 th June, 2018	Encouraging formalisation of MSME sector	<p>Previous circular Reference (DBR.No.BP.BC.100/21.04.048/2017-18 dated February 07, 2018)</p> <p>RBI has decided to temporarily allow banks and NBFCs to classify their exposure, to all MSMEs, including those not registered under GST as per the 180 days past due criterion, as a 'standard' asset' subject conditions specified in the circular.</p> <p>Notification</p>
3.	RBI/2017- 18/189 Dated: 07 th June, 2018	Investment in the units of an infrastructure investment trust (InvIT) by sponsor CIC-NDSI	<p>In order to enable Systemically Important Core Investment Companies (CIC-NDSI) to act as a sponsor of InvITs, RBI has decided to permit CIC-NDSIs to hold InvIT units only as a sponsor. Limit of exposure of CICs towards InvITs has also been defined.</p> <p>Notification</p>

5.	RBI/2017-18/194 Dated: 7 th June, 2018	Foreign Investment in India -Reporting in Single Master Form	<p>RBI has decided to introduce a Single Master Form (SMF) with the objective of integrating the extant reporting structures of various types of foreign investment in India.</p> <p>SMF will be filed online and will provide a facility for reporting total foreign investment in an Indian entity as also investment by person resident outside India in an Investment Vehicle. Indian entities will be provided an interface, to input the data on total foreign investment in a specified format. The interface will be available on RBI website from June 28, 2018 to July 12, 2018</p> <p>Notification</p>
6.	RBI/2017-18/198 Dated: 14 th June, 2018 (Effective dated June 15,2018)	Interest Rate Options in India	<p>RBI has decided to permit Interest Rate Swaptions in Rupees so as to enable better timing flexibility for the market participants seeking to hedge their interest rate risk.</p> <p>RBI has accordingly issued Notification No. FMRD.DIRD. 8/2018 dated June 14, 2018 enabling the introduction of swaptions.</p> <p>Notification</p>
7.	RBI/2017-18/199 A.P. (DIR Series) Circular No. 31 Dated: 15 th June, 2018	Investment by Foreign Portfolio Investors (FPI) in Debt	<p>RBI has amended existing directions in respect of FPI Investment in Debt notified earlier vide Notification No. FEMA.20(R)/2017-RB dated November 07, 2017,</p> <p><u>Revision in Minimum residual maturity requirement in respect of FPI investment revised</u></p> <ul style="list-style-type: none"> i) FPIs are now permitted to invest in Central Government securities (G-secs), including in Treasury Bills, and State Development Loans (SDLs) without any minimum residual maturity requirement, subject to conditions ii) FPIs are now permitted to invest in corporate bonds with minimum residual maturity of above one year, subject to the condition <p><u>Revision of security-wise limit</u></p> <p>Cap on aggregate FPI investments in any Central Government security, currently at 20% of the outstanding stock of that security, in terms of A.P. (DIR Series) Circular No. 19 dated October 6, 2015, stands revised to 30% of the outstanding stock of that security</p> <p>Notification</p>

9.	RBI/2017-18/204 Dated: 19 th June, 2018	Liberalised Remittance Scheme – Harmonisation of Data and Definitions	<p>RBI has made the following changes in its existing directions in respect of Liberalised Remittance Scheme(LRS)</p> <p>i. Furnishing of PAN, which hitherto was not to be insisted upon while putting through permissible current account transactions of up to USD 25,000, shall now be mandatory for making all remittances under LRS.</p> <p>ii. in the context of remittances allowed under LRS for maintenance of close relatives, it has been decided, to align the definition of ‘relative’ with the definition given in Companies Act, 2013 instead of Companies Act, 1956</p> <p>Notification</p>
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II. Securities and Exchange Board of India (SEBI)

S.NO.	CIRCULAR/ NOTIFICATION NO.	PARTICULARS	SHORT SUMMARY
1.	SEBI/HO/MIRSD /DOP1/CIR/P/20 18/87 Dated: 1 st June, 2018	Master Circular for Stock Brokers	<p>SEBI has issued a Master Circular for Stock Brokers.</p> <p>This Master Circular is a compilation of all the existing / applicable circulars issued by Market Intermediaries regulation and Supervision Department of SEBI pertaining to Stock Brokers.</p> <p>In case of any inconsistency between the Master Circular and the applicable circulars, the contents of the relevant circular shall prevail.</p> <p>Master Circular</p>
2.	SEBI/LAD- NRO/GN/2018/2 Dated: 1 st June, 2018	Securities and Exchange Board Of India(Issue Of Capital And Disclosure Requirements) (Second Amendment) Regulations, 2018	<p>SEBI has notified the Securities and Exchange Board Of India (Issue Of Capital And Disclosure Requirements) (Second Amendment) Regulations, 2018.</p> <p>A new proviso to Regulation 70(1) has been inserted stating that provisions of Chapter VII relating to Preferential Issue, except the lock-in provisions, shall not apply where the preferential issue of specified securities is made in terms of the rehabilitation scheme approved by BIFR under the Sick Industrial Companies (Special Provisions) Act, 1985[1 of 1986]or the resolution plan approved under section 31 of the Insolvency and Bankruptcy Code, 2016.</p> <p>Regulation</p>
3.	SEBI/LAD- NRO/GN/2018/2 3 Dated: 1 st June, 2018	Securities and Exchange Board of India (Delisting of Equity Shares) (Amendment) Regulations, 2018	<p>SEBI has notified the Securities and Exchange Board of India (Delisting of Equity Shares) (Amendment) Regulations, 2018.</p> <p>A new sub-regulation has been inserted in Regulation 3 to the effect that the said regulations shall not apply to any delisting of equity shares of a listed entity made pursuant to a resolution plan approved under section 31 of the Insolvency and Bankruptcy Code, 2016 on satisfaction of certain conditions.</p> <p>An application for listing of delisted equity shares may be made in respect of a company which has undergone</p>

			<p>corporate insolvency resolution process under the Insolvency and Bankruptcy Code, 2016.</p> <p>Regulation</p>
4.	<p>SEBI/LAD-NRO/GN/2018/20</p> <p>Dated: 1st June, 2018</p>	<p>Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) (Amendment) Regulations, 2018</p>	<p>SEBI has notified the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) (Amendment) Regulations, 2018.</p> <p>Amendment is carried out to insert a new proviso to Regulation 3 (2), after the first proviso, to deal with acquisition through the Resolution Plan under IBC.</p> <p>Acquisition pursuant to a resolution plan approved under Section 31 of the Insolvency and Bankruptcy Code, 2016 shall be exempt from the obligation w.r.t substantial acquisition of shares or voting rights in a target company entitling them to exercise twenty-five per cent or more of the voting rights in the target Company.</p> <p>Regulation</p>
5.	<p>SEBI/LAD-NRO/GN/2018/21</p> <p>Dated: 1st June, 2018</p>	<p>Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2018</p>	<p>SEBI has notified the Securities and Exchange Board of India ((Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2018.</p> <p>These regulations specify provisions which shall not be applicable during the insolvency resolution process period in respect of a listed entity which is undergoing corporate insolvency resolution process under the IBC.</p> <p>Regulations</p>
6.	<p>SEBI/HO/DDHS/DDHS/CIR/P/2018/89</p> <p>Dated: 5th June, 2018</p>	<p>Guidelines for Preferential Issue of Units by Infrastructure Investment Trusts(InvITs)</p>	<p>SEBI has notified detailed guidelines for Preferential Issue of Units by Infrastructure Investment Trusts (InvITs) and provided that a listed InvIT may make preferential issue of units to an institutional investor as defined in the InvIT regulations subject to the condition specified in the circular.</p> <p>Circular</p>
7.	<p>SEBI/LAD-NRO/GN/2018-15</p> <p>Dated 6th June, 2018</p>	<p>Amendment to Securities and Exchange Board of India (Credit Rating Agencies) Regulations, 1999</p>	<p>SEBI has brought amendments to the Securities and Exchange Board of India (Credit Rating Agencies) Regulations, 1999.</p> <p>As per the amendment provisions, CRA may withdraw a rating granted by it, subject to fulfillment of certain conditions.</p> <p>Circular</p>

8.	SEBI/HO/MIRSD /DOSR1/CIR/P/2 018/93 Dated: 6 th June, 2018	Amendments to Prevention of Money- laundering of (Maintenance of Records) Rules, 2005	SEBI has notified Prevention of Money - laundering (Maintenance of Records) Second Amendment Rules, 2017 (PML Second Amendment Rules) on June 01, 2017 making the Aadhaar number and Permanent Account Number (PAN) mandatory for both new and existing accounts with the financial market intermediaries including securities market intermediaries. Circular
9.	IMD/FPIC/CIR/P /2018/101 Dated: 15 th June, 2018	Review of Investment by Foreign Portfolio Investors (FPI) in Debt	SEBI has decided to withdraw minimum residual maturity restriction of three years for investment by FPIs in G-Secs and SDLs. Circular

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III. MINISTRY OF CORPORATE AFFAIRS (MCA)

S.NO.	CIRCULAR/ NOTIFICATION NO.	PARTICULARS	SHORT SUMMARY
1.	G.S.R-(E) Dated: - 12 th June, 2018	Companies (Appointment and Qualification of Directors) 3rd Amendment Rules, 2018	<p>MCA has notified Companies (Appointment and Qualification of Directors) 3rd Amendment Rules, 2018</p> <p>As per the notified rules, DPIN can also be obtained by filing Form DIR-3 under the Companies (Appointment and Qualifications of Directors) Rules, 2014 and such DIN shall be sufficient for being appointed as designated partner under the Limited Liability Partnership Act, 2008 or Directors under the Companies Act, 2013.</p> <p>Accordingly, Form DIR-3 and Form DIR-6 have been revised w.e.f 15th June 2018.</p> <p>Notification</p>
2.	G.S.R-(E) Dated: 13 th June, 2018	Companies (Registered Valuers and Valuation) 2nd Amendment Rules, 2018	<p>MCA has notified Companies (Registered Valuers and Valuation) 2nd Amendment Rules, 2018</p> <p>As per the notified rules, the Presidents of the Institute of Chartered Accountants of India, the Institute of Company Secretaries of India, the Institute of Cost Accountants of India shall act as ex-officio members of the Committee (known as "Committee to advise on valuation matters") constituted by the Central Government to advise on valuation matters.</p> <p>Notification</p>
3.	G.S.R-(E) Dated: 13 th June, 2018	Companies (Significant Beneficial Owners) Rules, 2018	<p>MCA has notified Companies (Significant Beneficial Owners) Rules, 2018.</p> <p><i>Key highlights of the Rules are discussed in Annexure A to this Newsletter.</i></p> <p>Notification</p>
4.	S.O.-(E) Dated: 13 th June, 2018	Commencement Notification	<p>MCA has notified 13th June, 2018 as the date on which the various provisions of the Companies Act, 2017 shall come into force.</p> <p>Key highlights of the amendments brought by the notification are as follows:</p>

			<table><tr><td>Sec 90</td><td>Register of Significant beneficial Owners in a Company</td><td>highlights discussed in Annexure A to this Newsletter</td></tr><tr><td>Section 93</td><td>Filing of return in Form No. MGT.10 with respect to changes in the shareholding position of promoters and top ten shareholders by Listed Companies</td><td>Omitted</td></tr><tr><td>Section 94</td><td>Requirement of filing copy of proposed Special Resolution in advance with the Registrar for keeping registers or copies of return at any other place (other than the registered office) in India</td><td>Omitted</td></tr><tr><td>Section 96</td><td>Annual General Meeting</td><td>AGM of an unlisted company may be held at any place in India if consent is given by all members in advance</td></tr><tr><td>Sec 216</td><td>Investigation of ownership of Company</td><td>Central Government may appoint one or more inspectors for investigation of persons who have or had beneficial interest in shares of a company or who are or have been beneficial owners or significant beneficial owner of a company.</td></tr></table> <p>Notification</p>	Sec 90	Register of Significant beneficial Owners in a Company	highlights discussed in Annexure A to this Newsletter	Section 93	Filing of return in Form No. MGT.10 with respect to changes in the shareholding position of promoters and top ten shareholders by Listed Companies	Omitted	Section 94	Requirement of filing copy of proposed Special Resolution in advance with the Registrar for keeping registers or copies of return at any other place (other than the registered office) in India	Omitted	Section 96	Annual General Meeting	AGM of an unlisted company may be held at any place in India if consent is given by all members in advance	Sec 216	Investigation of ownership of Company	Central Government may appoint one or more inspectors for investigation of persons who have or had beneficial interest in shares of a company or who are or have been beneficial owners or significant beneficial owner of a company.
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5.	G.S.R-(E) Dated: 13 th June, 2018	Companies (Management and Administration) 2nd Amendment Rules, 2018	<p>MCA has notified Companies (Management and Administration) 2nd Amendment Rules, 2018. Vide this notification, the corresponding rules of amended provisions of the Companies Act, 2013 are also amended.</p> <p>Accordingly the following provisions have been omitted:</p> <ul style="list-style-type: none">➤ The requirement for filing of return in Form No. MGT.10 with respect to changes in the															

			<p>shareholding position of promoters and top ten shareholders by Listed Companies.</p> <ul style="list-style-type: none"> ➤ The requirement of filing copy of proposed Special Resolution in advance with the Registrar for keeping registers or copies of return at any other place (other than the registered office) in India. ➤ The requirement for holding Extraordinary General Meeting of a wholly owned subsidiary of a company incorporated outside India in India. <p>Proviso to sub rule 16 of rule 22 has been amended to provide that any items of business, if required to be transacted by means of postal ballot, may be transacted at a general meeting by a company which is required to provide the facility to members to vote by electronic means under Section 108, in the manner provided in that section</p> <p>One person companies and companies with members upto 200 need are not required to have a postal ballot</p> <p>Notification</p>
6.	G.S.R-(E) Dated: 18 th June, 2018	Companies (Accounting Standards) Amendment Rules, 2018	<p>MCA has notified Companies (Accounting Standards) Amendment Rules, 2018 and has amended Para 32 of Accounting Standard 11 relating to the effects of changes in Foreign Exchange Rates, as follows</p> <p>“Remittance from a non-integral foreign operation by way of repatriation of accumulated profits does not form part of a disposal unless it constitutes return of the investment.”</p> <p>Notification</p>
7.	Dated: 28 th June, 2018	Updation of Directors' Registry	<p>MCA would be conducting KYC of Directors of all companies annually through a new e-form viz. DIR-3 KYC to be notified shortly.</p> <p>Accordingly, every Director who has been allotted DIN on or before 31st March, 2018 and whose DIN is in 'Approved' status, would be mandatorily required to file form DIR-3 KYC on or before 31st August, 2018.</p> <p>Filing of DIR-3 KYC would be mandatory for Disqualified Directors also.</p>

Annexure A

Companies (Significant Beneficial Owners) Rules, 2018 read with Section 90 (Register of significant beneficial owners in a Company) of the Companies Act, 2013.

Effective from – 13th June, 2018

Key Highlights –

1. Definition of "**registered owner**" - registered owner means a person whose name is entered in the register of members of a Company as the holder of shares in that Company but who does not hold beneficial interest in such shares.
2. Definition of "**significant beneficial owner**" - significant beneficial owner means an individual **referred to in sub-section (1) of section 90** (holding ultimate beneficial interest of not less than ten per cent) read with sub-section (10J) of section 89, but whose name is not entered in the register of members of a Company as the holder of such shares, and the term 'significant beneficial ownership' shall be construed accordingly
3. **As per section 90(1)** - Every individual, who acting alone or together, or through one or more persons or trust, including a trust and persons resident outside India, holds beneficial interests, of **not less than twenty-five per cent** or such other percentage as may be prescribed, in shares of a Company or the right to exercise, or the actual exercising of significant influence or control.
4. **Transitional Provision – A Declaration** is required to be filed by every significant beneficial owner to the Company in **Form No. BEN-1** within ninety days from the commencement of these rules.
5. Declaration for acquisition of significant beneficial ownership in a Company after the commencement of these rules is required to be filed in **Form No. BEN-1** within thirty days of acquiring such significant beneficial ownership or in case of any change in such ownership.
6. **Return of significant beneficial owners in shares** – Any declaration received by the Company is required to be filed by the Company in **Form No. BEN-2** within thirty days of its receipt.
7. Register of significant beneficial owners is required to be made by the Company in **Form No. BEN-3**. The same shall be available for inspection by the members during business hours for reasonable time (of not less than 2 hours) on every working day on payment of specified fees not more than fifty rupees for each inspection.
8. A Company can seek information by giving notice in **Form No. BEN-4** to any person where the Company knows or has reasonable cause to believe that person:
 - to be a significant beneficial owner of the Company;
 - to be having knowledge of the identity of a significant beneficial owner or another person likely to have such knowledge; orto have been a significant beneficial owner of the Company at any time during the three years immediately preceding the date on which the notice is issued, and who is not registered as a significant beneficial owner with the Company.
9. The information required by the notice mentioned above shall be given by the concerned person within a period not exceeding thirty days.

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10. In case the information is not satisfactory or that person fails to provide the information required by the notice within the time specified therein then the Company within a period of fifteen days of the expiry of such period may apply to the Tribunal for order directing that the shares in question be subject to restrictions, including:

- restrictions on the transfer of interest attached to the shares;
- suspension of the right to receive dividend;
- suspension of voting rights;
- any other restriction on all or any of the rights attached with the shares in question.

11. **Non-Applicability:** These rules are not applicable to the holding of shares of companies/body corporates, in case of pooled investment vehicles/investment funds such as Mutual Funds, Alternative Investment Funds (AIFs), Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) regulated under SEBI Act.

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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.