

LOVI MEHROTRA & ASSOCIATES

CHARTERED ACCOUNTANTS

MONTHLY UPDATE APRIL 2018

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

[RBI](#)

[SEBI](#)

[MCA](#)

30th April, 2018

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I.RBI

S.NO.	CIRCULAR/ NOTIFICATION NO.	PARTICULARS	SHORT SUMMARY
1.	RBI/2017-18/150 Dated: 6 th April, 2018	Investment by Foreign Portfolio Investors (FPI) in Government Securities - Medium Term Framework – Review	RBI has notified revised investment limits for FPI's Notification
2.	RBI/2017-18/154 Dated: 06.04.2018	Prohibition on dealing in Virtual Currencies (VCs)	RBI has decided that entities regulated by the Reserve Bank shall not deal in VCs or provide such services as are prescribed in the circular for facilitating any person or entity in dealing with or settling VCs. Regulated entities which already provide such services shall exit the relationship within three months from the date of this circular. Notification
3.	FEMA 20(R)/2017-RB Updated as on April 06, 2018	Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2017 (Amended up to April 06, 2018)	RBI vide Notification No.FEMA.20(R) (1)/2018-RB dated March 26, 2018 has brought about certain amendments to the Principal Regulations: <i>Foreign Exchange Management (Transfer or issue of Security by a Person Resident outside India) Regulations, 2017</i> issued vide Notification No. FEMA 20(R)/ 2017-RB dated November 07, 2017 . The aforesaid amendments have been incorporated in the Principal Regulations and the same has been notified on 06.04.2018 as ' <i>Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2017 (Amended up to April 06, 2018)</i> '. <i>A note on major changes brought by the amendments appears in Annexure A to this News Letter</i> Notification
4.	RBI/DBR/2015-16/18 Updated as on April 20, 2018	Master Direction – Know Your Customer (KYC) Direction, 2016	RBI has made amendments in Master Direction – Know Your Customer (KYC) Direction, 2016. A brief description of the amendments in the aforesaid directions are as below: 1. If an existing KYC compliant customer desires to open another account with same Regulated Entity (RE), then there is no need for a fresh Customer Due Diligence exercise.

			<ol style="list-style-type: none"> 2. Accounts opened using OTP based e-KYC shall not be allowed for more than one year within which Biometric based e-KYC authentication is to be completed. 3. Procedure for opening of accounts by NBFCs simplified. Changes in Sec 24 (a), (b) & (c) in respect of introduction by an existing account holder 4. Amendment in CDD (Customer Due Diligence) Measures for Sole Proprietorship firms, partnership firms, companies and for unincorporated association or a body of individuals 5. Amendment in Periodic updation norms for KYC in respect of High /Medium/Low Risk customers various 6. For non-face-to-face customers: Res shall ensure that the first payment is to be effected through the customer's KYC-complied account with another RE, for enhanced due diligence (reference to additional procedures dropped) 7. Simplified Due Diligence norms for Self Help Groups <p>Notification</p>
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ANNEXURE A

Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2017

Principal Regulations: Notification No. FEMA 20(R)/ 2017-RB dated November 07, 2017

Principal Regulations Amended upto April 06, 2018: Amendments brought in by the 26-03-2018 notification have been incorporated in the Principal Regulations.

A brief description of the amendments are stated herein below:

1. Regulation 16.B (5) [Modification]: Foreign Investment in NBFC's not registered with RBI and in CICs will require prior Govt. approval. Foreign Investment in NBFC's registered with RBI will be under 100% automatic route. Additional regulations under RBI Act, 1934 as applicable for NBFCs and CICs also needs to be complied.
2. Regulation 16.B (8) [Inserted after sub clause 7]: Audit of the Investee Company ,where Person Resident Outside India has made investment should be carried out as joint audit wherein one of the auditors should not be part of the same network of auditor/ audit firm having international network as specified by the Investor.
3. Amendments brought in Sectoral Limits
 - a) 100% FDI allowed for Scheduled Air Transport Service/Domestic Scheduled Passenger Airline and Regional Air Transport Service (Automatic upto 49% and Government approval route beyond 49%. Automatic up to 100% for NRIs and OCIs)
 - b) 100% foreign investment allowed in **real estate broking services** under Automatic Route.
 - c) 100% foreign investment allowed under Automatic route in Single Brand Product Retail Trading (SBRT)

Sourcing norms will not be applicable up to three years from commencement of the business i.e. opening of the first store for entities undertaking single brand retail trading of products having 'state-of-art' and 'cutting-edge' technology and where local sourcing is not possible.

4. Amendments brought in Schedule I (Purchase/ Sale of capital instruments of an Indian company by a Person Resident Outside India)

An Indian Investee Company (engaged in an automatic route sector) may issue capital instruments to PROI, against

- a) Swap of capital instruments;
- b) Import of capital goods/ machinery/ equipment (excluding second-hand machinery) Or
- c) Pre-operative/ pre-incorporation expenses (including payments of rent etc.

Government approval shall be obtained if the Indian investee company is engaged in a sector under Government route

II. SEBI

S.NO.	CIRCULAR/ NOTIFICATION NO.	PARTICULARS	SHORT SUMMARY
1.	SEBI/HO/CDMR D/DRMP/CIR/P /2018/60 Dated 3 rd April, 2018	Orders per second limit and requirement of empanelment of system auditors for algorithmic trading in commodity derivatives	<p>SEBI has decided to permit exchanges to relax the limit on the number of orders per second from a particular CTCL ID/ATS User-ID up to hundred orders per second (as against the earlier limit of twenty orders for second as stipulated by SEBI circular dated 27-09-2016).</p> <p>Requirement of empanelment of system auditors by the exchanges for system audit of algorithmic trading dispensed with.</p> <p>Circular</p>
2.	IMD/FPIC/CIR/ P/2018/61 Dated: 05 th April, 2018	Monitoring of Foreign Investment limits in listed Indian companies	<p>In order to facilitate the listed Indian companies to ensure compliance with the various foreign investment limits, SEBI in consultation with RBI has decided to put in place a new system for monitoring the foreign investment limits.</p> <p>The architecture of the new system which will be made operational from May 1, 2018 has been explained in the Circular</p> <p>Circular</p>
3.	CIR/IMD/FPIC/ CIR/P/2018/64 Dated: 10 th April, 2018	Know Your Client Requirements for Foreign Portfolio Investors (FPIs)	<p>SEBI has decided to make changes in the risk based documentation requirements which were prescribed (vide circulars in 2012 & 2013) for Know Your Client (KYC) of eligible foreign investors classified as category I, II and III investing under Portfolio Investment Scheme (PIS) route.</p> <p>Changes made in the documentation requirement deal with the following subjects</p> <ol style="list-style-type: none"> 1. Identification and verification of Beneficial Owners 2. Format for reporting of BOs 3. Indians as BO of FPIs

			4. Bearer share structure 5. KYC review 6. KYC documentation for Category III FPI 7. Exempted documents to be provided during investigations/ enquiry Circular
4.	SEBI/HO/MRD/DP/CIR/P/2018/67 Dated: 11 th April, 2018	Review of Framework for Stocks in Derivatives Segment	<p>With a view to improve market integrity and provide better alignment of cash and derivatives segment, SEBI has decided to take measures in connection with the <i>eligibility criteria, exit criteria and settlement of stock derivatives. These measures deal with the following subjects</i></p> <ol style="list-style-type: none"> 1. Physical settlement of stock derivatives (to be made mandatory in a phased/calibrated manner)] 2. Enhanced eligibility criteria for introduction of stocks in Derivatives Segment (prescribed criteria are to be met for a continuous period of six months) <p>After a period of one year from the date of this circular, only those stocks which meet the enhanced Eligibility criteria shall remain in derivatives segment</p> <p>The risk management framework settlement mechanism and other procedures of the cash segment shall be applicable when a stock derivatives devolves into physical settlement.</p> Circular
5.	SEBI/IMD/FPIC/CIR/P/2018/70 Dated 12 th April, 2018	Investments by FPIs in Government and Corporate debt securities	SEBI has decided to revise the Corporate Debt Investment Limits and limit for investment by FPIs in Government Securities and State Development Loans for FY 2018-19 Circular
6.	SEBI/HO/DDHS/DDHS/CIR/P/2018/71 Dated: 13 th April, 2018	Guidelines for issuance of debt securities by Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs)	SEBI has notified that for issuance of debt securities, REITs/InvITs shall follow provisions of SEBI (Issue and Listing of Debt Securities Regulations), 2008 in the manner specified in the circular. REITs/InvITs shall appoint one or more debenture trustee registered with SEBI for issuance of debt securities.

			<p>Any secured debt securities issued by REITs/InvITs shall be secured by the creation of a charge on such assets and of such value as prescribed in the Circular.</p> <p>Disclosure requirements notified in respect of REITs/InvITs which have issued debt securities</p> <p>Circular</p>
7.	<p>SEBI/HO/MIRS D/DOP1/CIR/P /2018/73</p> <p>Dated: 20th April, 2018</p>	<p>Strengthening the Guidelines and Raising Industry standards for RTA, Issuer Companies and Banker to an Issue</p>	<p>SEBI has issued guidelines to streamline and strengthen the procedures and processes with regard to handling and maintenance of records, transfer of securities and payment of dividend/interest/redemption by the RTAs, Issuer Companies and Bankers to Issue covering the following broad areas</p> <ol style="list-style-type: none"> 1. Provisions with respect to Payment of Dividend/interest/redemption/redemption. 2. Provisions with respect to Transfer/Transmission/Correction of errors etc. 3. Compulsory internal audit of RTAs. <p>Records /documents shall be maintained for period not less than eight years.</p> <p>Where share transfer agent activities are carried out in house by issuer companies, the issuer companies shall ensure that their in house share transfer activities comply with the relevant norms as applicable to them.</p> <p>Circular</p>

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III. MCA

S.NO.	CIRCULAR/ NOTIFICATION NO.	PARTICULARS	SHORT SUMMARY
1.	G.S.R. Dated: - 2 nd April, 2018	Accounting Standards 22	<p>MCA has notified that Accounting standards relating to deferred tax assets or deferred tax liability shall not apply to specified government companies</p> <p>The earlier relief given for a period of seven years effective April 1,2017 has now been done away with.</p> <p>Notification</p>
2.	G.S.R. (E) Dated: - 10 th April, 2018	Amendment in Schedule I	<p>MCA has made following amendment in para 2 of Table F of Schedule I (Articles of Association) to the Companies Act, 2013</p> <p>Every certificate shall specify the shares to which it relates and the amount paid-up thereon and shall be signed by two directors or by a director and the company secretary.</p> <p>in case of an One Person Company, it shall be sufficient if the certificate is signed by a director and the company secretary</p> <p>Notification</p>
	G.S.R. (E) Dated: - 10 th April, 2018	Companies (Share Capital & Debentures) Rules, 2018	<p>MCA has amended rule 5(3) of Companies (Share Capital and Debentures) Rules, 2014 and has notified that every share certificate shall specify the shares to which it relates, the amount paid-up thereon and shall be signed by two directors or by a director and the company secretary, wherever the company has appointed company secretary.</p> <p>A director shall be deemed to have signed the share certificate if his signature is printed thereon as facsimile signature</p> <p>Notification</p>

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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.