

LOVI MEHROTRA & ASSOCIATES

CHARTERED ACCOUNTANTS

MONTHLY UPDATE FEBRUARY 2018

(Circulars/ Notifications released during
February 2018)

28th February, 2018

[RBI](#)

[SEBI](#)

[MCA](#)

Lovi Mehrotra & Associates

21-22, II Floor, Krishna Nagar,

Safdarjung Enclave,

New Delhi – 110029

www.lma.co.in

I. RBI

S.NO.	CIRCULAR/ NOTIFICATION NO.	PARTICULARS	SHORT SUMMARY
1.	RBI/2017-18/129 DBR.No.BP.BC.10 0/21.04.048/2017-18 Dated:- 07 th February, 2018	Relief for MSME Borrowers registered under Goods and Services Tax (GST)	<p>Presently, banks and NBFCs in India generally classify a loan account as Non-Performing Asset (NPA) based on 90 day and 120 day delinquency norms, respectively</p> <p>As a measure of support to smaller entities whose cash flows have been impacted due to GST Registration and transition to a formalised business environment, RBI has decided that the exposure of banks and NBFCs to a borrower classified as micro, small and medium enterprise under the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, shall continue to be classified as a standard asset in the books of banks and NBFCs subject to the certain conditions.</p> <p>A provision of 5% shall be made by the banks/NBFCs against the exposures not classified as NPA in terms of this circular</p> <p>Further, the additional time is being provided for the purpose of asset classification only and not for income recognition</p> <p>Circular</p>
2.	RBI/2017-18/131 DBR.No.BP.BC.10 1/21.04.048/2017-18 Dated: - 12 th February, 2018	Resolution of Stressed Assets – Revised Framework	<p>RBI has in the past issued various instructions aimed at resolution of stressed assets in the economy, including introduction of certain specific schemes</p> <p>In view of the enactment of the Insolvency and Bankruptcy Code, 2016 (IBC), RBI has decided to substitute the existing guidelines with a harmonized and simplified generic framework for resolution of stressed assets.</p> <p>Revised prudential norms applicable to any restructuring, whether under the IBC framework or outside the IBC, are also notified (Annex-1 to the Circular)</p> <p>Circular</p>
3.	Ref.CEPD.PRS.No. 3590/13.01.004/ 2017-18 Dated: 23.02.2018	Ombudsman Scheme for Non-Banking Financial Companies, 2018	<p>RBI has notified the Ombudsman Scheme for Non-Banking Financial Companies, 2018.</p> <p>NBFCs, as defined in Section 45-I(f) of the Reserve Bank of India Act, 1934 and registered with the RBI under Section 45-IA of the Reserve Bank of India Act, 1934 which (a) are authorised to accept deposits; or (b) have customer</p>

			<p>interface, with assets size of one billion rupees or above, as on the date of the audited balance sheet of the previous financial year, will be covered under the scheme.</p> <p>The Non-banking Financial Company - Infrastructure Finance Company (NBFC-IFC), Core Investment Company (CIC), Infrastructure Debt Fund - Non-banking Financial Company (IDFNBFC) and an NBFC under liquidation, are excluded from the ambit of the Scheme.</p> <p>Circular</p>
4.	<p>RBI/2017-18/133 DNBR.PD.CC.No 091/03.10.001/2017-18</p> <p>Dated: - 23rd Feb, 2018</p>	<p>Ombudsman Scheme for Non-Banking Financial Companies, 2018 - Appointment of the Nodal Officer/Principal Nodal Officer</p>	<p>RBI has notified norms dealing with appointment and role of Nodal Officers/Principal Nodal Officers in terms of the provisions of the Ombudsman Scheme for Non-Banking Financial Companies, 2018</p> <p>Names and contact details of PNOs/NOs of the zones may be forwarded by the NBFC to the RBI Ombudsman of the concerned zone</p> <p>Circular</p>
1.	<p>RBI/2017-18/134 Dated: 26th February, 2018</p>	<p>Risk Management and Inter-bank Dealings: Revised guidelines relating to participation of a person resident in India and Foreign Portfolio Investor (FPI) in the Exchange Traded Currency Derivatives (ETCD) Market</p>	<p>Currently persons resident in India and FPIs are allowed to take a long (bought) or short (sold) position in USD-INR upto USD 15 million per exchange without having to establish existence of underlying exposure. In addition, residents & FPIs are allowed to take long or short positions in EUR-INR, GBP-INR and JPY-INR pairs, all put together, upto USD 5 million equivalent per exchange without having to establish existence of any underlying exposure.</p> <p>RBI has now decided to permit persons resident in India and FPIs to take positions (long or short), without having to establish existence of underlying exposure, upto a single limit of USD 100 million equivalent across all currency pairs involving INR, put together, and combined across all exchanges.</p> <p>Circular</p>

[Back](#)

II. SEBI

S.NO.	CIRCULAR/ NOTIFICATION NO.	PARTICULARS	SHORT SUMMARY
1.	<p>Circular No.: SEBI/HO/IM D/DF2/CIR/P/20 18/15</p> <p>Dated:- 02nd February, 2018</p>	<p>Charging of additional expenses of upto 0.20% in terms of Regulation 52 (6A) (c) of SEBI (Mutual Funds) Regulations, 1996</p>	<p>SEBI has clarified that in respect of Mutual Fund schemes including close ended schemes, wherein exit load is not levied / not applicable, the AMCs shall not be eligible to charge additional expenses not exceeding 0.20% of daily net assets of scheme , allowed in terms of Regulation 52 (6A) (c) of SEBI (Mutual Funds) Regulations, 1996</p> <p>Further, existing Mutual Fund schemes including close ended schemes, wherein exit load is not levied / not applicable, shall discontinue, with immediate effect, the levy of the additional expenses, if any.</p> <p>Circular</p>
2.	<p>Circular No.: SEBI/HO/IM D/DF2/CIR/P/20 18/19</p> <p>Dated: - 07th February, 2018</p>	<p>Enhancing fund governance for Mutual Funds</p>	<p>SEBI vide circular dated Nov 30, 2017 (Enhancing fund governance for Mutual Funds) had permitted existing independent trustees and independent directors, who had held office for 9 years or more (as on November 30, 2017), to continue in their respective position for a maximum of 1 additional year.</p> <p>SEBI has now stipulated that the aforesaid provision may be complied with, in a phased manner within a period of two years.</p> <p>Further, Auditors who have conducted Audit of Mutual Funds for 9 years or more can continue till the end of FY 2018-19.</p> <p>Circular</p>
3.	<p>Circular No.: SEBI/HO/CF D/DIL2/CIR/P/2 018/22</p> <p>Dated: - 15th February, 2018</p>	<p>Compensation to Retail Individual Investors (RIIs) in an IPO</p>	<p>SEBI has put in place a uniform policy for calculation of minimum compensation payable to investors in cases where the applicants in an Initial Public Offering have failed to get allotment of specified securities and in the process may have suffered an opportunity loss due to certain specified factors attributable to failure on the part of Self Certified Syndicate Banks (SCSBs)</p> <p>In case of issues which are subscribed between 90-100%, i.e. non oversubscribed issues, the applicants would be compensated for all the shares which they would have been allotted.</p>

			<p>No compensation would be payable to the applicant in case the listing price is below the issue price.</p> <p>Circular</p>
4.	<p>Circular No.: CIR/IMD/FP IC/ 26 /2018</p> <p>Dated: - 15th February, 2018</p>	Easing of Access Norms for investment by FPIs	<p>SEBI has made changes in extant regulatory provisions to ease the access norms for investment by Foreign Portfolio Investors (FPIs)</p> <p>The changes stipulated are as below:</p> <ol style="list-style-type: none"> 1. Discontinuance of requirements for seeking prior approval from SEBI in case of change in local custodian/ Designated Depository Participant (DDP) 2. Rationalization of procedure for submission of PCC/MCV Declarations and Undertakings (D&U) and Investor grouping requirement at the time of continuance of registration of FPIs 3. Placing reliance on due diligence carried out by erstwhile DDP at the time of change of Custodian/ DDP of FPIs 4. Exemption to FPIs having Multiple Investment Managers (MIM) structure from seeking prior approval from SEBI in case of Free of Cost (FOC) transfer of assets: 5. Simplification of process for addition of share class 6. Permitting FPIs operating under the Multiple Investment Managers (MIM) structure to appoint multiple custodians 7. Permitting appropriately regulated Private Bank/ Merchant Bank to invest on their behalf and also on behalf of their clients 8. Other Clarifications on Conditional registration: <p>Circular</p>
5.	<p>Circular No.: SEBI/HO/CF D/CMD/CIR/P/4 3/2018</p> <p>Dated: - 22nd February, 2018</p>	Manner of Achieving Minimum Public Shareholding	<p>Reference circular No. CIR/CFD/CMD/14/2015 dated November 30, 2015, which allowed for various methods that may be used by a listed entity to achieve compliance with the minimum public shareholding.</p> <p>SEBI has introduced following additional methods to comply with Minimum Public Shareholding requirement by Listed Entities.</p> <ol style="list-style-type: none"> a) <u>Open Market Sale</u>: - Sale of shares by Promoter/Promoter's group upto 2% of the paid up share capital in Open Market, subject to five times' average monthly trading volume of the shares of the listed entity. <i>Conditions for Open market sale have also been notified .</i> b) <u>Qualified Institutional Placement</u>: - Allotment of Securities through QIP as per Chapter VIII Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.

			Circular
--	--	--	--------------------------

[Back](#)



III.MCA

S.NO.	CIRCULAR/ NOTIFICATION NO.	PARTICULARS	SHORT SUMMARY
1.	S.O. 529(E). dated 05 th February, 2018	Notification regarding Exemption to Government Companies under section 129(6) of Companies Act, 2013 from recognizing Deferred Tax Assets/ Deferred Tax Liability under AS-22/IND AS-12	<p>MCA has notified that provisions of Accounting Standard AS-22 or Indian Accounting Standard IND AS- 12 relating to deferred tax asset or deferred tax liability shall not apply for 7 years starting from 01st April, 2017 to a Government Company which is a:-</p> <ul style="list-style-type: none"> Public Financial Institution as defined under Section 2(72) (iv) of Companies Act, 2013. NBFC registered with RBI <u>and</u> is engaged in the business of infrastructure finance leasing with not less than seventy five per cent of its total revenue being generated from such business with Government companies or other entities owned or controlled by Government. <p>Circular</p>
2.	S.O. 630 (E) dated 09 th February, 2018	Commencement Notification dated 09.02.2018	<p>In exercise of the powers conferred by sub-section (2) of section 1 of the Companies (Amendment) Act, 2017 (1 of 2018), the Central Government hereby appoints 09-02-2018 as the date on which specified sections of the said Act shall come into force.</p> <p>The specified sections are tabulated in the Notification</p> <p>Circular</p>
3.	G.S.R. 155 (E). dated 09 th February, 2018	Companies (Registered Valuers and Valuation) Amendment Rules, 2018.	<p>Vide this amendment MCA has increased the time period for obtaining certificate of registration by the registered Valuer under Rule 11 of Companies (Registered Valuers and Valuation) Rules, 2017 from 31st March, 2018 to 30th September, 2018</p> <p>Circular</p>
4.	S.O. - (E) dated 21 st February, 2018	Companies (Removal of Difficulties) Order, 2018. (Section 169 Removal of Independent Directors)	<p>Vide this Order MCA has amended Sec 169 of the Companies Act 2013 to provide that Independent Directors re-appointed for a second term under Sec 149(10) by way of a Special Resolution shall be removed by way of a special resolution after giving him a reasonable opportunity of being heard (<i>as against an Ordinary Resolution as per existing provision</i>)</p>

			Order
5	S.O. – (E) dated 23 rd February, 2018	Exemption from Section 129 to companies engaged in Defence Production	MCA has notified that Section 129 of Companies Act, 2013 shall not apply to the companies engaged in Defence production to the extent of application of relevant Accounting Standard on segment reporting" Circular

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.

