

LOVI MEHROTRA & ASSOCIATES

CHARTERED ACCOUNTANTS

MONTHLY UPDATE MAY 2018

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

[RBI](#)

[SEBI](#)

[MCA](#)

31st May, 2018

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I. RBI

S.NO.	CIRCULAR/ NOTIFICATION NO.	PARTICULARS	SHORT SUMMARY
1.	RBI/2017-18/170 Dated: 1 st May, 2018	Investment by Foreign Portfolio Investors (FPI) in Debt – Review	<p>RBI provides clarification with respect to FPI investment limits in Corporate Bonds and Treasury Bills</p> <p>Investments by an FPI in corporate bonds with residual maturity below one year shall not exceed 20% of the total investment of that FPI in corporate bonds at any point in time.</p> <p>In case investments in securities with less than one year residual maturity, as on 02 May 2018 (beginning of day), is more than 20% of total investment in any category, the FPI shall bring such share below 20% within a period of six months from the date of this circular.</p> <p>Notification</p>
2.	RBI/20-17-18/172 Dated: 3 rd May, 2018	Monitoring of foreign investment limits in listed Indian Companies	<p>In order to enable listed Indian companies to ensure compliance with the various foreign investment limits, RBI in consultation with SEBI, has decided to put in place a new system for monitoring foreign investment limits, for which the monitoring mechanism shall be made available by the depositories.</p> <p>All listed Indian companies are required to provide the specified data/ information on foreign investment to the depositories before May 15, 2018.</p> <p>The listed Indian companies, in non-compliance with the above instructions will not be able to receive foreign investment and will deemed to be non-compliant with Foreign Exchange Management Act, 1999 (FEMA) and regulations made thereunder.</p> <p>Notification</p>

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II. SEBI

S.NO.	CIRCULAR/ NOTIFICATION NO.	PARTICULARS	SHORT SUMMARY
1.	SEBI/HO/MIRSD /DOP2/CIR/P/20 18/76 Dated: 2 nd May, 2018	Master Circular for Credit Rating Agencies	<p>Securities and Exchange Board of India (SEBI) has Issued a Master Circular for Credit Rating Agencies (CRAs).</p> <p>This Master Circular is a compilation of the circulars issued by SEBI up to March 31, 2018.</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>Circular</p>
2.	SEBI/HO/MRD/D RMNP/CIR/P/20 18/75 Dated: 2 nd May, 2018	Circular for Additional Risk management measures for derivatives segment	<p>SEBI has prescribed additional risk management measures to be complied with by the stock exchanges/clearing corporations for derivatives segment.</p> <p>For the Equity Derivatives segment, the client margins shall include initial margin, exposure margin/extreme loss margin, calendar spread margin and mark to market settlements.</p> <p>Further, clarification provided with respect to Margin enforcement requirement for both Equity Derivatives and Currency Derivatives Segment, and in respect of computation of Liquid Net worth of Members for the equity derivative segment w.e.f. June 1, 2018.</p> <p>Circular</p>
3.	SEBI/HO/CFD/C MD/CIR/P/2018 /77 Dated: 3 rd May, 2018 Previous circular reference CFD/CMD/12/20	Circular for Non- compliance with provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Standard Operating Procedure for suspension and revocation of trading of	<p>In order to maintain consistency and to adopt a uniform approach in the matter of levy of fines for non-compliance with certain provisions of the Listing Regulations, the manner of suspension of trading of securities of a listed entity and the manner of freezing the holdings of the promoter and promoter group of a non-compliant listed entity, SEBI has come out with this circular, in supersession of earlier circulars on the subject</p> <p>The stock exchanges shall disclose on their website the action(s) taken against the listed entities for non-</p>

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	15 dated 30-11-15 and HO/CFD/CIR/P/2016/116 dated 26-10-16	specified securities	<p>compliance(s); amount of fine levied the period of suspension details regarding the freezing of shares, etc.</p> <p>This Circular shall come into force with effect from compliance periods ending on or after September 30, 2018.</p> <p>Circular</p>
4.	SEBI/HO/MRD/DRMNP/CIR/78 Dated: 4 th May, 2018	Trading Hours on Stock Exchanges	<p>SEBI has earlier notified permitted hours on Stock Exchanges for trading in commodity derivatives along with other segments of securities market.</p> <p>In order to bring about harmony in trading of various segments of securities market at the level of exchanges, it has been decided to permit Stock Exchanges to set their trading hours in the Equity Derivatives Segment between 9:00 AM and 11:55 PM, similar to the trading hours for Commodity Derivatives Segment which are presently fixed between 10:00 AM and 11:55 PM.</p> <p>The provisions of this Circular shall be applicable from October 01, 2018.</p> <p>Circular</p>
5.	SEBI/LAD-NRO/GN/2018/10 Dated: 9 th May, 2018	Securities and Exchange Board Of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018	<p>SEBI has notified the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018 which shall come into force with effect from April 1, 2019.</p> <p><i>The major amendments brought about by the notification are discussed in Annexure A to this Newsletter.</i></p> <p>Regulations</p>
6.	SEBI/HO/CFD/CMD/CIR/P/2018/79 Dated 10 th May, 2018	Circular for implementation of certain recommendations of the Kotak Committee on Corporate Governance	<p>SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 notification dated May 9, 2018 has made amendments necessary to implement the Kotak committee recommendations on Corporate Governance .</p> <p>A few accepted recommendations (as highlighted below) applicable to entities whose equity shares are listed on a recognised stock exchange are to be implemented vide issue of circular.</p> <ul style="list-style-type: none"> • Disclosure on Board evaluation (observations of the year, proposed action in respect thereof and action taken on previous year observations) • Group Governance Unit (in respect of monitoring of unlisted subsidiaries) • Disclosure of Medium term and Long term strategy

			by listed entities. Circular
6.	SEBI/HO/MIRSD /DOP1/CIR/P/20 18/80 Date: 11 th May, 2018	Master Circular for Underwriters (issued by the Market Intermediaries Regulation and Supervision Department MIRSD)	SEBI has issued a Master Circular for Underwriters to compile various circulars/directions issued from time to time up to March 31, 2018. In case of any inconsistency between the Master Circular and the applicable circulars, the contents of the relevant circular shall prevail. Circular
7.	SEBI/HO/IMD/F PIC/CIR/P/2018 /81 Dated: 17 th May, 2018	Amendment to SEBI Circular No. IMD/FPIC/CIR/P/2018 /61 dated April 5, 2018 and Circular No. IMD/FPIC/CIR/P/2018 /74 dated April 27, 2018 on Monitoring of Foreign Investment limits in listed Indian companies	SEBI vide Circular dated April 5, 2018 introduced a new system for Monitoring of Foreign Investment limits in listed Indian companies and prescribed guidelines w.r.t the necessary infrastructure, data to be provided by listed Indian companies and other related matters. Vide this circular the deadline for the companies to provide the necessary data to the depositories has been extended to May 25, 2018 and the new system for monitoring foreign investment limits in listed Indian companies shall be made operational on June 01, 2018 . Circular

Annexure A

SECURITIES AND EXCHANGE BOARD OF INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) (AMENDMENT) REGULATIONS, 2018

(Notification No. SEBI/LAD-NRO/GN/2018/10 dated 9th May, 2018)

1. Regulation 24A - Every Listed entity and its material unlisted subsidiaries incorporated in India shall undertake Secretarial Audit and shall annex with its annual report, a Secretarial Audit Report, given by a Company Secretary in Practice, in such form as may be specified with effect from the year ended 31st March, 2019.

2. Regulation 17 (1) –

i) The Board of Directors of the Top 500 Listed Entities shall have at least One Independent Woman Director by 1st April, 2019 and the Board of Directors of the Top 1000 Listed Entities shall have at least One Independent Woman Director by 1st April, 2020.

ii) The Board of Directors of the Top 1000 Listed Entities (with effect from 1st April, 2019) and the Top 2000 Listed Entities (with effect from 1st April, 2020) shall comprise of not less than Six (6) Independent Directors.

3. Regulation 17 (1A) - No listed entity shall appoint a person or continue the directorship of any person as a non-executive director who has attained the age of seventy five years unless a special resolution is passed to that effect, in which case the explanatory statement annexed to the notice for such motion shall indicate the justification for appointing such a person.

4. Regulation 17 (1B) - The top 500 listed entities shall ensure that the Chairperson of the board of such listed entity shall be a non-executive director and not be related to the Managing Director or the Chief Executive Officer as per the definition of the term “relative” defined under the Companies Act, 2013.

5. Regulation 17 (2A) - The quorum for every meeting of the board of directors of the top 1000 listed entities with effect from April 1, 2019 and of the top 2000 listed entities with effect from April 1, 2020 shall be one-third of its total strength or three directors, whichever is higher, including at least one independent director.

6. Regulation 17 (6) – In case, in any financial year, the annual remuneration payable to a single non-executive Director exceeds fifty per cent of the total annual remuneration payable to all non-executive Directors then the approval of shareholders by way of Special Resolution shall be obtained after giving details of the remuneration thereof.

7. Regulation 17A - The directors of listed entities shall not be eligible for appointment as director in more than eight listed entities with effect from April 1, 2019 and in not more than seven listed entities with effect from April 1, 2020 and shall not serve as an independent director in more than seven listed entities. Further, any person who is serving as a whole time director / managing director in any listed entity shall serve as an independent director in not more than three listed entities.

8. Regulation 19 - The quorum for a meeting of the nomination and remuneration committee shall be either two members or one third of the members of the committee, whichever is greater, including at least one independent director in attendance. The nomination and remuneration committee shall meet at least once in a year.

9. Regulation 24 - At least one independent director on the board of directors of the listed entity shall be a director on the board of directors of an unlisted material subsidiary, whether incorporated in India or not. The term “material subsidiary” shall mean a subsidiary, whose income or net worth exceeds twenty percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

10. Regulation 25 - No person shall be appointed or continue as an alternate director for an independent director of a listed entity

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with effect from October 1, 2018. Further, every independent director shall, at the first meeting of the board in which he participates as a director and thereafter at the first meeting of the board in every financial year or whenever there is any change in the circumstances which may affect his status as an independent director, submit a declaration that he meets the criteria of independence as provided in clause (b) of sub-regulation (1) of regulation 16 and that he is not aware of any circumstance or situation, which exist or may be reasonably anticipated, that could impair or impact his ability to discharge his duties with an objective independent judgment and without any external influence.

11. Regulation 25(10) - With effect from October 1, 2018, the top 500 listed entities by market capitalization, shall undertake Directors and Officers insurance ('D and O insurance') for all their independent directors of such quantum and for such risks as may be determined by its board of directors.

12. Regulation 32(7A) - Where an entity has raised funds through preferential allotment or qualified institutions placement, the listed entity shall disclose every year, the utilization of such funds during that year in its Annual Report until such funds are fully utilized.

13. Regulation 33(8) - The statutory auditor of a listed entity shall undertake a limited review of the audit of all the entities/companies whose accounts are to be consolidated with the listed entity as per AS 21 in accordance with guidelines issued by the Board on this matter.

14. Regulation 34 – The listed entity shall submit to the stock exchange and publish on its website a copy of the annual report sent to the shareholders along with the notice of the annual general meeting not later than the day of commencement of dispatch to its shareholders and in the event of any changes to the annual report, the revised copy along with the details of and explanation for the changes shall be sent not later than 48 hours after the annual general meeting. The amendment in this clause shall be applicable in respect of the Annual report filed for the year ended March 31, 2019 and thereafter.

15. Regulation 44 - The top 100 listed entities by market capitalization, determined as on March 31st of every financial year, shall hold their annual general meetings within a period of five months from the date of closing of the financial year. Further, the top 100 listed entities shall provide one-way live webcast of the proceedings of the annual general meetings.

16. In Corporate Governance Report, additional certificate from a company secretary in practice is required to the effect that none of the directors on the board of the company have been debarred or disqualified from being appointed or continuing as directors of companies by the Board/Ministry of Corporate Affairs or any such statutory authority.

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III. MCA

S.NO.	CIRCULAR/ NOTIFICATION NO.	PARTICULARS	SHORT SUMMARY
1.	S.O. (E). Dated: - 7 th May, 2018	Commencement Notification	<p>MCA has notified 7th May, 2018 as the date on which the various provisions of the Companies Act, 2017 shall come into force.</p> <p><i>Key highlights of the above provisions are discussed in Annexure B to this Newsletter.</i></p> <p>Notification</p>
2.	General Circular No. 05/2018 Dated: 17 th May, 2018	Clarification- Condonation of Delay Scheme, 2018	<p>It is clarified that in the event of defaulting companies whose names have been removed from the register of companies under section 248 of the Act and which have filed applications for revival under section 252 of the Act up to the date of this scheme, the Director's DIN shall be re-activated only after NCLT order of revival subject to the company having filed all overdue documents.</p> <p>Circular</p>
3.	General Circular No. 06/2018 Dated: 28 th May, 2018	Clarification- Provisions under section 135(5) of the Companies Act, 2013	<p>Concerns have been raised by various stakeholders regarding non-compliance of the first proviso to sub-section (5) of section 135 of the Companies Act, 2013, which lays down that a company shall give preference to the local area and areas around where it operates, for spending the amount earmarked for Corporate Social Responsibility activities.</p> <p>Vide this circular MCA has reiterated that the above provisions has to be followed in letter and spirit.</p> <p>Circular</p>

Annexure B

Key Highlights of the Companies Act, 2013

1. Meeting of Board and its powers: Any other director may participate through video conferencing or other audio visual means if there is quorum in a meeting through physical presence of directors
2. Ratification of appointment of Auditor in AGM no longer required: The requirement of ratification of appointment of Auditor in every annual general meeting (AGM) till the conclusion of sixth AGM has been removed.
3. 15 days' time for re-submission in case of reservation of name through RUN: Registrar shall allow fifteen days' time for re-submission in case of reservation of name through web service -RUN for rectification of defects if any. Earlier re-submission was not allowed in case of re-submission of application through RUN.
4. Additional fee payable on delayed annual filing: Additional fee of Rs. 100 per day will be effective from July 1, 2018 for delay in filing of annual return and financial statements. The additional fee shall be applicable to revised financial statement or Board report as well as Secretarial audit report.
5. Norms for appointment of Independent Directors: The revised norms provide that in case of appointment of Independent Director, none of the relatives of such independent director should be indebted to the company, its holding subsidiary or associate company or their promoters, or directors; or has given a guarantee or provided any security in connection with indebtedness of any third person to its holding, subsidiary or associate company or their promoter or directors for an amount of Rs. 50 Lakhs at any time during the two immediately preceding financial years or during current financial year.
6. Prospectus and allotment of securities: The amendment prescribes omission of clause (a), (b) and (d) of sub-section 1. The requirement of stating numerous information in the prospectus has now been omitted and now only such information as specified by SEBI in consultation with the Central Government is required to be stated.
7. Loan to Directors etc.: As per the revised provisions, a Company can now provide loan to certain parties/entities in whom the Director of the concerned Company is interested subject to the passing of Special Resolution and fulfillment of certain other conditions.

S.O. (E) Commencement notification dated 07.05.2018

S. No.	Section of Companies (Amendment) Act, 2017	Amended Section of Companies Act, 2013	Title
1.	Clause (i) and clause (xiii) of Section 2	Clause (6) of Section 2 and sub-clause (ii) of (87) of Section 2	Definitions
2.	Section 8	Section 26	Matters to be Stated in Prospectus
3.	Section 13	Section 54	Issue of Sweat Equity Shares
4.	Section 18 & 19	Section 77 & 78	Duty to Register Charges, etc and Application for Registration of Charge
5.	Clause (i) and (ii) of Section 21	Section 89	Declaration in respect of Beneficial Interest in any Share
6.	Clause (iii) and (iv) of Section 23	Section 92	Annual Return
7.	Section 30	Section 117	Resolutions and Agreements to be filed
8.	Section 31	Section 121	Report on Annual General Meeting
9.	Section 33	Section 129	Financial Statement
10.	Section 39	Section 137	Copy of Financial Statement to be filed with Registrar
11.	Section 40	Section 139	Appointment of Auditors
12.	Section 46	Section 149	Company to have Board of Directors
13.	Section 49	Section 157	Company to Inform Director Identification Number to Registrar
14.	Section 52	Section 164	Disqualifications for Appointment of Director
15.	Section 54	Section 167	Vacation of Office of Director

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16.	Section 55	Section 168	Resignation of Director
17.	Section 56	Section 173	Meetings of Board
18.	Section 57	Section 177	Audit Committee
19.	Section 58	Section 178	Nomination and Remuneration Committee and Stakeholders Relationship Committee
20.	Section 61	Section 185*	Loan to Directors, etc.
21.	Section 62	Section 186	Loan and Investment by Company
22.	First proviso to clause (i) of Section 80 and (ii) of Section 80	Section 403	Fee for Filing, etc.
23.	Section 83	Section 410	Constitution of Appellate Tribunal
24.	Section 86	Section 435	Establishment of Special Courts
25.	Section 87	Section 438	Application of code to proceedings before Special Court
26.	Section 88	Section 439	Offenses to be Non-cognizable
27.	Section 89	Section 440	Transitional Provisions

In lieu of the above notified sections, the following rules have also been notified:

S. No.	Amended Rules notified w.e.f. 7 th May, 2018
1.	Companies (Prospectus and Allotment of Securities) Amendment Rules, 2018
2.	Companies (Appointment and Qualification of Directors) Second Amendment Rules, 2018
3.	Companies (Meetings of Board and its Powers) Amendment Rules, 2018
4.	Companies (Audit and Auditors) Amendment Rules, 2018
5.	Companies (Specification of Definition Details) Amendment Rules 2018
6.	Companies (Share Capital and Debentures) 2nd Amendment Rules, 2018
7.	Companies (Registration Offices and Fees) Second Amendment Rules 2018

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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.