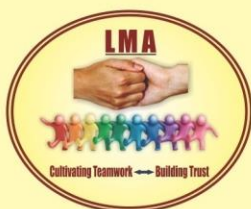


JULY 2021

NEWSLETTER

REGULATORY

- RBI
- SEBI
- MCA



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RBI

1. New Definition of Micro, Small and Medium Enterprises - Addition of Retail and Wholesale Trade

RBI/2021-2022/67FIDD.MSME & NFS.BC.No.13/06.02.31/2021-22

Dated 7th July, 2021

RBI had issued Circulars No. FIDD.MSME & NFS.BC.No.3/06.02.31/2020-21 dated July 2, 2020 on 'Credit flow to Micro, Small and Medium Enterprises Sector' and FIDD.MSME & NFS.BC.No.4/06.02.31/2020-21 dated August 21, 2020, on 'New Definition of Micro, Small and Medium Enterprises- clarifications'.

RBI, vide this notification, has modified the definition of MSME and included Retail and Wholesale trade as MSMEs for the limited purpose of Priority Sector Lending. They would be allowed to be registered on Udyam Registration Portal for the following NIC Codes and activities mentioned against them:

NIC Code	Activity
45	Wholesale and retail trade and repair of motor vehicles and motorcycles
46	Wholesale trade except of motor vehicles and motorcycles
47	Retail trade except of motor vehicles and motorcycles

Enterprises having Udyog Aadhaar Memorandum (UAM) under above three NIC Codes are now allowed to migrate to Udyam Registration Portal or file Udyam Registration afresh.

[Notification](#)

SEBI

1. Master Circular for Commodity Derivatives Market

SEBI/HO/CDMRD/DMP/P/CIR/2021/589

Dated: 1st July 2021

SEBI has issued a Master Circular for Commodity derivatives market.

This Master Circular is a compilation of the relevant circulars/communications pertaining to commodity derivatives market issued by SEBI upto 30th April 2021 and shall come into force from the date of its issue.

Further, the term “National commodity derivatives exchanges” or “Regional commodity derivatives exchanges” or “Commodity derivatives exchanges” have been suitably replaced with Stock exchanges; wherein stock exchanges means recognized stock exchange having commodity derivatives segment.

In case of any inconsistency between the Master Circular and the original applicable circulars, the content of the original circular shall prevail.

This Master Circular shall supersede previous Master Circular SEBI/HO/CDMRD/DNPMP/CIR/P/2020/118 dated July 10, 2020.

[Master Circular](#)

2. Issue of No Objection Certificate for release of 1% of Issue amount

Circular No.: SEBI/HO/OIAE/IGDR/CIR/P/2021/588

Dated 5th July, 2021

SEBI vide Circular No. CIR/OIAE/1/2009 dated November 25, 2009, had laid down guidelines for obtaining NOC for release of 1% of issue amount. As per point 2 of the said circular, the issuer company was required to submit an application addressed to SEBI, for the purpose of obtaining the NOC after lapse of 4 months from listing on the Exchange which was the last to permit listing,.

SEBI vide this circular, has reduced the time period after listing for submitting the application to 2 months from the existing period of 4 months. The same is subject to the condition that all issue related complaints have been resolved by the merchant banker/ issuer.

Further, the merchant banker is required to submit a certificate confirming that all the SCSBs involved in ASBA process have unblocked ASBA accounts. SEBI shall consider application as incomplete if the application is not accompanied by a confirmation by merchant banker that all the accounts in ASBA have been ‘unblocked’.

[Circular](#)

3. Master Circular for Stock Exchanges and Clearing Corporations

SEBI/HO/MRD2/MRD2_DCAP/P/CIR/2021/0000000591

Dated 5th July, 2021

SEBI has issued Master Circular for Stock Exchanges and Clearing Corporations. This Master Circular is a compilation of the relevant circulars/communications issued by SEBI up to March 31, 2021 and shall come into force from the date of its issue.

In case of any inconsistency between the Master Circular and the applicable circulars, the content of the relevant circular shall prevail.

[Master Circular](#)

4. Standard Operating Procedure for handling of technical glitches by Market Infrastructure Institutions (MIIs)

and payment of “Financial Disincentives” thereof

Circular No.: SEBI/HO/MRD1/DTCS/CIR/P/2021/590

Dated 5th July, 2021

MIIs (i.e. Stock Exchanges, Clearing Corporations and Depositories) are systemically important institutions as they, inter-alia, provide infrastructure necessary for the smooth and uninterrupted functioning of the securities market.

Considering the criticality of smooth functioning of systems of MIIs (as any disruption adversely impacts all classes of investors / market participants as well as the credibility of the securities market), SEBI has decided to specify a pre-defined threshold for downtime of systems of MIIs. For any downtime or unavailability of services, beyond such pre-defined time, there is a need to ensure that “Financial Disincentive” is paid by the MIIs as well as Managing Director (being the executive head in-charge of all day-to-day operations) and Chief Technology Officer (being the executive head in-charge of technology) of the MII.

This will encourage MIIs to constantly monitor the performance and efficiency of their systems and upgrade/ enhance their systems etc. to avoid any possibility of technical glitches/disruption/disaster and restart their operations expeditiously in the event of glitch/disruption/disaster.

Vide this circular, SEBI has decided that MIIs shall:

- a. Follow the Standard Operating Procedure (SOP) for handling technical glitches as detailed at Annexure – I of this Circular, and,
- b. Comply with the “Financial Disincentive” structure as detailed at Annexure – II of this Circular.

The aforesaid “Financial Disincentives”, when triggered automatically under pre-defined conditions, as detailed in Annexure-II of this Circular, shall be credited to the Investor Protection Fund / Core Settlement Guarantee Fund maintained by the MII.

[Circular](#)

5. Standard Operating Procedure for listed subsidiary company desirous of getting delisted through a Scheme of Arrangement wherein the listed parent holding company and the listed subsidiary are in the same line of business

Circular No.: SEBI/HO/CFD/DIL1/CIR/P/2021/0585

Dated 6th July, 2021

SEBI, vide notification dated June 10, 2021, had amended the SEBI (Delisting of Equity Shares) Regulations, 2021 where in, in Chapter VI, Part C, and Regulation 37, special provisions had been inserted for a listed subsidiary company getting delisted through a scheme of arrangement with respect to a listed holding company and the listed subsidiary company which are in the ‘same line of business’.

SEBI, vide this circular, has clarified that for the purposes of defining ‘same line of business’, the following criteria need to be fulfilled by the listed holding company and the listed subsidiary company:

1. The principal economic activities of both, Holding and Subsidiary Company are under the same Group (3-digit numeric code) under the National Industrial Classification (NIC) Code 2008.
2. Not less than 50% of revenue from the operations of the listed holding and listed subsidiary company must come from the same line of business as per last audited annual financial results submitted by both the companies in compliance with SEBI (LODR) Regulations, 2015.
3. Not less than 50% of the net tangible assets of the listed holding and listed subsidiary company must have been invested in the same line of business as per last audited annual financial results submitted by both the companies in compliance with SEBI (LODR) Regulations, 2015.
4. In case of change of name of the listed entities, within the last one year, at least fifty percent of the revenue, calculated on a restated and consolidated basis, for the preceding one full year has to be earned from the activity indicated by its new name.

5. The listed holding and listed subsidiary company have to provide a self-certification with respect to both the companies being in the same line of business.

All of the above-mentioned criteria shall be certified by the Statutory Auditor and SEBI Registered Merchant Banker.

Further, in terms of Regulation 37(2)(e) and (f) of the SEBI (Delisting of Equity Shares) Regulations, 2021, shares of the listed holding and listed subsidiary company shall be listed for at least 3 years and the subsidiary company shall be a listed subsidiary of the listed holding company for a period of 3 years.

[Circular](#)

6. Valuation of securities with multiple put options present ab-initio

Circular No.: SEBI/HO/IMD/DF4/P/CIR/2021/593

Dated 9th July, 2021

Effective Date: 1st October 2021

SEBI had notified provisions for “Valuation of securities with Put/Call options” vide SEBI Circular No. MFD/CIR/8/92/2000 dated September 18, 2000 and SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019.

Vide this circular, SEBI has decided the following in respect of valuation of securities with multiple put options present ab-initio where in put option is factored into valuation of the security by the valuation agency:

A. If the put option is not exercised by a Mutual Fund, while exercising the put option would have been in favour of the scheme -

- i. A justification for not exercising the put option shall be provided by the Mutual Fund to the Valuation Agencies, Board of AMC and Trustees on or before the last date of the notice period.
- ii. The Valuation Agencies shall not take into account the remaining put options for the purpose of valuation of the security.

B. The put option shall be considered as ‘in favour of the scheme’ if the yield of the valuation price ignoring the put option under evaluation is more than the contractual yield/coupon rate by 30 basis points.

[Circular](#)

7. Block Mechanism in demat account of clients undertaking sale transactions

Circular No.: SEBI/HO/MIRSD/DOP/P/CIR/2021/595

Dated 16th July, 2021

SEBI, vide Circular No. SEBI/HO/MIRSD/DOP/CIR/P/2020/73 dated September 15, 2020, had issued clarification w.r.t. collection and reporting of margins by Trading Member (TM)/Clearing Member (CM) in Cash Segment. It was inter alia clarified that if Early Pay-In (EPI) of securities has been made to the Clearing Corporation (CC), then all margins would be deemed to have been collected and penalty for short /non-collection of margin including other margins shall not arise.

Vide this circular, SEBI has provided a mechanism of block in the demat account of clients undertaking sale transactions. When the client intends to make a sale transaction, shares will be blocked in the demat account of the client in favour of Clearing Corporation. If sale transaction is not executed, shares shall continue to remain in the client's demat account and will be unblocked at the end of the T Day. Thus, this mechanism will do away with the movement of shares from client's demat account for early pay-in and back to client's demat account if trade is not executed.

Detailed process flow for block mechanism is provided in this circular.

[Circular](#)

8. Introduction of Expected Loss (EL) based Rating Scale and Standardisation of Rating Scales Used by Credit Rating Agencies

Circular No.: SEBI/HO/MIRSD/MIRSD_CRADT/P/CIR/2021/594
Dated 16th July, 2021

SEBI, vide Circular No. CIR/MIRSD/4/2011 dated June 15, 2011, had devised certain standardised rating symbols and their definitions used by the Credit Rating Agencies (CRAs). Further, SEBI vide circular No. SEBI/ HO/ MIRSD/ DOS3/ CIR/ P/ 2019/ 70 dated June 13, 2019 had standardised symbols and definitions for ratings of instruments having explicit credit enhancement feature.

Vide this circular, SEBI has, in addition to the standardized rating scales prescribed by aforementioned circulars, introduced the Expected Loss (EL) based Rating Scale which may be used by CRAs for ratings of projects/ instruments associated with infrastructure sector to begin with:

Rating symbols should have CRA's first name as prefix	
Rating symbol	Definition
EL 1	Instruments rated "EL 1" are considered to have the lowest expected loss, over the life of the instrument
EL 2	Instruments rated "EL 2" are considered to have very low expected loss, over the life of the instrument
EL 3	Instruments rated "EL 3" are considered to have low expected loss, over the life of the instrument
EL 4	Instruments rated "EL 4" are considered to have moderate expected loss over the life of the instrument.
EL 5	Instruments rated "EL 5" are considered to have high expected loss, over the life of the instrument
EL 6	Instruments rated "EL 6" are considered to have very high expected loss, over the life of the instrument
EL 7	Instruments rated "EL 7" are considered to have highest expected loss, over the life of the instrument

Further, for existing outstanding ratings, the CRAs shall be guided by the para 6 of SEBI circular No. CIR/MIRSD/4/2011 dated June 15, 2011.

Applicability: The CRAs shall ensure compliance with the requirements of this circular, latest by March 31, 2022 and also place the compliance status of this circular before their Board of Directors. Further, the CRAs are advised to confirm compliance of this circular to SEBI latest by April 15, 2022.

[Circular](#)

9. Relaxation in timelines for compliance with regulatory requirements by Debenture Trustees due to Covid-19

Circular No.: SEBI/HO/MIRSD/CRADT/CIR/P/2021/597
Dated 20th July, 2021

Earlier, SEBI had provided relaxations in timelines for compliance with certain regulatory provisions of SEBI Circular No. SEBI/HO/MIRSD/CRADT/CIR/P/2020/230 dated November 12, 2020 vide Circular No. SEBI/HO/MIRSD/CRADT/CIR/P/2021/561 dated May 03, 2021.

In view of the prevailing situation due to Covid-19 pandemic, SEBI vide this circular, has decided to extend the timelines for compliance with the following regulatory requirements of the SEBI circular dated November 12, 2020 for the quarter/half year/year ending March 31, 2021, as under:

S. No.	Regulatory requirements of SEBI circular dated November 12, 2020	Current Timeline	Extended Timeline
1.	Submission of reports/certifications to Stock Exchanges as per clause 2.1 of the circular	July 15, 2021	
	a Asset Cover Certificate		August 31, 2021
	b A statement of value of pledged securities		August 31, 2021

	c	A statement of value for Debt Service Reserve Account (DSRA) or any other form of security offered		August 31, 2021	
	d	Net worth certificate of guarantor (secured by way of personal guarantee)		October 31, 2021	
	e	Financials/value of guarantor prepared on basis of audited financial statement etc. of the guarantor (secured by way of corporate guarantee)		October 31, 2021	
	f	Valuation report and title search report for the immovable/movable assets, as applicable		October 31, 2021	
2.	Following disclosures on the website as per clause 4 of circular:		July 15, 2021	August 31, 2021	
	i	Monitoring of asset cover certificate and quarterly compliance report of the listed entity.			
	ii	Monitoring of utilization certificate			
	iii	Status of information regarding breach of covenants/terms of the issue, if any action taken by debenture trustee			
	iv	Status regarding maintenance of accounts maintained under supervision of debenture trustee			

[Circular](#)

10. Continuous disclosures in compliances by Real Estate Investment Trusts (REITs) - Amendments

Circular No.: SEBI/HO/DDHS/DDHS_Div3/P/CIR/2021/599
Dated 22nd July, 2021

SEBI vide Circular No. CIR/IMD/DF/146/2016 dated December 29, 2016, had inter alia issued guidelines for Grievance Redressal Mechanism for REITs.

In order to further enhance investor protection and to increase transparency in grievance redressal, SEBI, vide this circular, has modified Para 5.3 of Annexure B of above Circular, as under:

“5.3 All complaints including SCORES complaints received by the REIT shall be disclosed in the format mentioned in Annexure –A on the website of the REIT and also filed with the recognized stock exchange(s), where its units are listed within 21 days from the end of financial year or end of quarter, as the case may be.”

All other conditions specified in SEBI circular dated December 29, 2016 shall remain unchanged.

[Circular](#)

11. Continuous disclosures in compliances by Infrastructure Investment Trusts (InvITs) - Amendments

Circular No.: SEBI/HO/DDHS/DDHS_Div3/P/CIR/2021/600
Dated 22nd July, 2021

SEBI vide Circular No. CIR/IMD/DF/127/2016 dated November 29, 2016, had inter alia issued guidelines for Grievance Redressal Mechanism for InvITs.

In order to further enhance investor protection and to increase transparency in grievance redressal, SEBI vide this circular, has modified Para 5.3 of Annexure B of above Circular, as under:

“5.3 All complaints including SCORES complaints received by the InvIT shall be disclosed in the format mentioned in Annexure -A on the website of the InvIT and also filed with the recognized stock exchange(s), where its units are listed within 21 days from the end of financial year or end of quarter, as the case may be.”

All other conditions specified in SEBI circular dated November 29, 2016, shall remain unchanged.

[Circular](#)

12. Nomination for Eligible Trading and Demat Accounts

Circular No.: SEBI/HO/MIRSD/RTAMB/CIR/P/2021/601

Dated 23rd July, 2021

Vide this circular, SEBI has prescribed that Investors opening new trading and or demat account(s) on or after October 01, 2021 shall have the choice of providing nomination or opting out nomination, as follows;

- a. The format for nomination form is given in Annexure –A to this circular
- b. Opt out of nomination through ‘Declaration Form’, as provided in Annexure –B to this circular

In this regard, Trading Members and Depository Participants (hereinafter, intermediaries), shall activate new Trading and Demat accounts from October 01, 2021, only upon receipt of above formats.

The nomination and Declaration form shall be signed under wet signature of the account holder(s) and witness shall not be required. However, if the account holder(s) affixes thumb impression (instead of wet signature), then witness signature shall be required in the forms. The on-line nomination and Declaration form may also be signed using e-Sign facility and in that case witness will not be required.

Further, all existing eligible trading and demat account holders shall provide choice of nomination as per the option given in paragraph 2 above, on or before March 31, 2022, failing which the trading accounts shall be frozen for trading and demat account shall be frozen for debits.

[Circular](#)

13. Extension of time for holding the Annual General Meeting (AGM) by top 100 listed entities by market capitalization

Circular No.: SEBI/HO/CFD/CMD1/P/CIR/2021/602

Dated 23rd July, 2021

In terms of Regulation 44(5) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 (‘SEBI LODR’/ ‘LODR’), top 100 listed entities by market capitalization are required to hold their AGM within a period of five months from the date of closing of the financial year.

Vide this circular, SEBI has extended the timeline for conducting the AGM by top-100 listed entities by market capitalization. Accordingly, such entities shall hold their AGM within a period of six months from the date of closing of the financial year for 2020-21.

[Circular](#)

14. Relaxation in timelines for compliance with regulatory requirements

Circular No.: SEBI/HO/MIRSD/DOP/P/CIR/2021/607

Dated 30th July, 2021

SEBI vide various circulars had earlier provided relaxations in timelines for compliance with various regulatory requirements by the trading members / clearing members / depository participants.

In view of the prevailing situation due to Covid-19 pandemic and representation received from Stock Exchanges, SEBI vide this circular has decided to extend the timelines for compliance with the following regulatory requirements by the Trading Members / Clearing Members / KYC Registration Agencies, as under:

S. No	Submission/Compliance	Current timeline/Period of exclusion	Extended timeline/Period of exclusion
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1.	KYC application form and supporting documents of the clients to be uploaded on system of KRA within 10 working days	Till July 31, 2021, documents may be uploaded on to the system of KRA within 15 working days. *	Till September 30, 2021, documents may be uploaded on to the system of KRA within 15 working days. *
2.	Submission of Internal Audit Report for Half year ended (HYE) March-2021	Till July 31, 2021	Till September 30, 2021
3.	System Audit /Cyber Audit Report – Algo / Type III Members for the period ended March 31, 2021		
4.	Submission of System Audit Report for the period ended March 2021		
5.	Submission of Cyber Security & Cyber Resilience Audit Report for the period ended March 2021		
6.	Reporting of Risk Based Supervision		
7.	Maintaining call recordings of orders / instructions received from clients		
8.	To operate the trading terminals from designated alternate locations		Till December 31, 2021

* A 30-day time period is provided to SEBI Registered Intermediary after July 31, 2021 to clear the backlog

The relaxation in compliance requirement at S. No. 7 is provided with respect to trading members working from designated alternate locations. However, the trading member and the Stock Exchange shall send a confirmation on the registered mobile number of the client immediately after execution of the order.

[Circular](#)

MCA

1. Companies (Incorporation) Fifth Amendment Rules, 2021

G.S.R. 503(E).
Dated 22nd July, 2021

Effective Date: 1st September 2021

Vide this notification, MCA has amended the the Companies (Incorporation) Rules, 2014.

1. After rule 33, the following new Rule 33A has been inserted:

“33A. Allotment of a new name to the existing company under section 16(3) of the Act:

- (1) In case a company fails to change its name or new name, as the case may be, in accordance with the direction issued under sub-section (1) of section 16 of the Act within a period of three months from the date of issue of such direction, the letters “ORDNC” (which is an abbreviation of the words “Order of Regional Director Not Complied”), the year of passing of the direction, the serial number and the existing Corporate Identity Number (CIN) of the company shall become the new name of the company without any further act or deed by the company, and the Registrar shall accordingly make entry of the new name in the register of companies and issue a fresh certificate of incorporation in Form No.INC-11C:

Provided that nothing contained in sub-rule (1) shall apply in case e-form INC-24 filed by the company is pending for disposal at the expiry of three months from the date of issue of direction by Regional Director, unless the said e-form is subsequently rejected.

- (2) A company whose name has been changed under sub-rule (1) shall at once make necessary compliance with the provisions of section 12 of the Act and the statement, “Order of Regional Director Not Complied (under section 16 of the Companies Act, 2013)” shall be mentioned in brackets below the name of company, wherever its name is printed, affixed or engraved:

Provided that no such statement shall be required to be mentioned in case the company subsequently changes its name in accordance with the provisions of section 13 of the Act.”

2. In the Annexure, after Form No.INC-11B, the format of “Certificate of Incorporation pursuant to change of name due to Order of Regional Director not being complied” has been inserted.

[Notification](#)

2. Commencement Notification of Companies (Amendment) Act, 2020

S.O. 2904(E).
Dated 22nd July, 2021

Effective Date: 1st September 2021

Vide this notification, MCA has notified the below Section 4 of the Companies (Amendment) Act, 2020 with effect from 1st September 2021:

Companies (Amendment) Act, 2020	Companies Act, 2013	Provision
Section 4	Section 16	Rectification of Name of Company

[Notification](#)

3. Clarification on spending of CSR funds for COVID-19 vaccination

General Circular No. 13/2020
Dated 30th July, 2021

MCA vide General Circular No. 10/2020 dated 23.03.2020 had clarified that spending of CSR funds for COVID 19 is an eligible CSR activity.

In continuation to the said circular, MCA vide this circular has further clarified that spending of CSR funds for COVID 19 vaccination for persons other than employees and their families is an eligible CSR activity under item no. (i) of Schedule VII of the Companies Act, 2013 relating to promotion of health care including preventive health care and item no. (xii) relating to disaster management.

[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.



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