

**FEBRUARY
2023**

NEWSLETTER

REGULATORY

- RBI
- SEBI
- MCA



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1. Implementation of Indian Accounting Standards (Ind AS)

RBI/2023-2023/182 DOR.ACC.REC.No.104/21.07.001/2022-23

Dated: 20th February, 2023

RBI vide its circulars dated 13th March, 2022 and 01st April, 2022 had issued certain instructions and guidelines for Asset Reconstruction Companies (ARCs). It was observed that consequent to the implementation of Ind AS, some ARCs were recognizing management fees even though the said fee had not been realized for more than 180 days.

Vide this circular, RBI has decided that ARCs preparing their financial statements as per Ind AS, shall reduce the following prescribed amounts from their net owned funds while calculating the Capital Adequacy Ratio and the amount available for payment of dividend:

- (a) Management fee recognised during the planning period that remains unrealised beyond 180 days from the date of expiry of the planning period.
- (b) Management fee recognised after the expiry of the planning period that remains unrealised beyond 180 days of such recognition.
- (c) Any unrealised management fees, notwithstanding the period for which it has remained unrealised, where the net asset value of the Security Receipts has fallen below 50 per cent of the face value.

The amount reduced from net owned funds and amount available for payment of dividend shall be net of any specific expected credit loss allowances held on unrealized management fee referred to above and the tax implications thereon, if any.

Applicability: *This circular is applicable to all ARCs preparing their financial statements as per Ind AS.*

[Notification](#)

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| SEBI | |
| 1. Changes to the Framework to Enable Verification of Upfront Collection of Margins from Clients in Cash and Derivatives segments | |
| Circular No.: SEBI/HO/MRD/MRD-PoD-2/P/CIR/2023/016 Dated 1 st February, 2023 | |
| <p><i>Effective Date: 1st April 2023</i></p> <p>SEBI, vide circular dated July 20, 2020, had prescribed the framework to enable verification of upfront collection of margins from clients in cash and derivatives segments. The framework was modified vide Circular dated December 16, 2021 providing for additional snapshots for commodity derivatives segments.</p> <p>Subsequently, SEBI, vide circular dated May 10, 2022, modified the aforesaid framework specifying that the margin requirements to be considered for the intra-day snapshots, in derivatives segments (including commodity derivatives), shall be calculated based on the fixed Beginning of Day (BOD) margin parameters. It was also specified therein that there shall be no change in methodology of determination and collection of End of Day (EOD) margin obligation of the client.</p> <p>Vide this Circular, SEBI has decided that EOD margin collection requirement from clients, in derivatives segments (including commodity derivatives), shall also be calculated based on the fixed BOD margin parameters.</p> <p>It is further clarified that that the above mentioned change is only for the purpose of verification of upfront collection of margins from clients.</p> <p>Circular</p> | |
| 2. Transaction in Corporate Bonds through Request for Quote (RFQ) platform by Alternative Investment Funds (AIFs) | |
| Circular No.: SEBI/HO/AFD/PoD/P/CIR/2023/017 Dated 1 st February, 2023 | |
| <p><i>Effective Date: 1st April, 2023</i></p> <p>SEBI had prescribed stipulations for transactions on RFQ platform by Mutual Funds, Portfolio Management Services and Stock Brokers to increase the liquidity on RFQ platform of stock exchanges and to enhance the transparency and disclosure pertaining to trading in secondary market in Corporate Bonds.</p> <p>Vide this circular, SEBI has stipulated that AIFs shall undertake at least 10% of their total secondary market trades in Corporate Bonds by value in a month by placing/seeking quotes on the RFQ platform.</p> <p>Further, in terms of SEBI Circular dated October 19, 2022, quotes on RFQ platform can be placed to an identified counterparty (i.e. 'one-to-one' mode) or to all the participants (i.e. 'one-to-many' mode).</p> <p>In this regard, SEBI has clarified that all transactions in Corporate Bonds wherein AIF(s) is on both sides of the trade shall be executed through RFQ platform in 'one-to-one' mode. However, any transaction entered by an AIF in Corporate Bonds in 'one-to-many' mode which gets executed with another AIF, shall be counted in 'one-to-many' mode and not in 'one-to-one' mode.</p> <p>Circular</p> | |
| 3. Amendments to Operational Circular for Credit Rating Agencies. | |
| Circular No.: SEBI/HO/DDHS/DDHS-RACPOD2/P/CIR/2023/19 Dated 3 rd February, 2023 | |
| SEBI had issued an 'Operational Circular dated 06 January 2023 for Credit Rating Agencies' (Operational Circular). | |

This Operational Circular is a compilation of the existing circulars as on December 31st 2022, with consequent changes.

Vide this circular, SEBI has now made the following important amendments to Operational Circular:

1. *Para 5.6.1 shall stand modified as follows:*

In addition to the standardized rating scales prescribed for various instruments, subsequent to discussions with various stakeholders, the following rating scale viz. Expected Loss (EL) based Rating Scale 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. |

2. *Para 11.8.3 shall stand deleted and para 11.9 has been inserted as follows:*

"Para 11.2 to 11.4 of Operational Circular shall be applicable latest by March 31, 2023"

3. *Para 12.6 shall stand deleted and para 12.2 has been modified as follows:*

Press Release for Withdrawal of Rating of a rated security: At the time of withdrawal of any credit rating of securities that are listed, or proposed to be listed, on a recognized stock exchange, the CRA shall assign a rating to such security and issue a press release as per the format prescribed in Annexure 13.

However, in cases where the company whose security is rated is wound up or merged or amalgamated with another company, CRA shall not assign any rating.

Further, the Press Release shall also mention the reason(s) for withdrawal.

4. *Para 17 shall stand modified as follows:*

Request by Issuers for review/appeal of ratings provided by CRAs: Cases of request by an issuer for review/appeal of the rating(s) provided to its security/ies shall be reviewed by a rating committee of the CRA that shall consist of majority of members that are different from those in the Rating Committee of the CRA that assigned the earlier rating, and at least one-third of members are independent. ("Independent" would mean people not having any pecuniary relationship with the CRA or any of its employees).

5. Certain Annexures have also been modified such as: Annexure 19 (Format for Half-Yearly Rating Summary Sheet), Annexure 20 (Details of new credit ratings assigned during last six-month), Annexure 21 (Movement of Each Credit Rating), and Annexure 24 (List of Defaults Separately for Each Rating Category (on half-yearly basis)).

[Circular](#)

4. Manner of achieving minimum public shareholding

Circular No.: SEBI/HO/CFD/PoD2/P/CIR/2023/18
Dated 3rd February, 2023

SEBI, vide circular dated February 22, 2018 had permitted different methods that may be used by listed entities to

achieve compliance with the minimum public shareholding (MPS) requirements mandated under Rule 19(2)(b) and 19A of the Securities Contracts (Regulation) Rules, 1957 ("SCRR") read with regulation 38 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("LODR Regulations").

Vide this circular, SEBI has now introduced two additional methods and rationalized few existing methods to facilitate listed entities achieve MPS compliance. The methods have been prescribed in the circular.

Further the Stock Exchanges are required to monitor the methods adopted by Listed entities to increase their Public Holdings and comply with MPS requirements.

[Circular](#)

5. Guidelines on Anti-Money Laundering (AML) Standards and Combating the Financing of Terrorism (CFT) /Obligations of Securities Market Intermediaries under the Prevention of Money Laundering Act, 2002 and Rules framed there under

No. SEBI/HO/MIRSD/MIRSD-SEC-5/P/CIR/2023/022
Dated 3rd February, 2023

SEBI, vide this Circular, has stipulated the essential principles for combating Money Laundering (ML) and Terrorist Financing (TF) and provided detailed procedures and obligations to be followed and complied with by all the registered intermediaries.

These guidelines shall also apply to the branches of the Stock Exchanges, registered intermediaries, and their subsidiaries situated abroad.

Consequently the earlier circulars issued by SEBI on the subject of Anti-Money Laundering and Combating the Financing of Terrorism, listed out in the Appendix to this circular, shall stand rescinded.

[Master Circular](#)

6. Revised Disclosure Requirements for Issuance and Listing of Green Debt Securities

Circular No.: SEBI/HO/DDHS/DDHS-RACPOD1/P/CIR/2023/023
Dated 6th February, 2023

Effective Date: 1st April, 2023

SEBI vide circular dated August 10, 2021 (updated as on April 13, 2022) had specified the following with reference to issuers of green debt securities:

- (a) Additional disclosure requirements in the offer document;
- (b) Continuous disclosure requirements in annual report and financial results; and
- (c) Responsibilities of the issuer

Vide this circular, SEBI has now replaced Chapter IX of the NCS Operational Circular dealing with the following disclosure requirements with a view to align the extant framework for green debt securities with the updated Green Bond Principles (GBP) recognised by International Organization of Securities Commissions (IOSCO):

- 1. Initial disclosure requirements for issue and listing of green debt securities
- 2. Continuous disclosure requirements for listed green debt securities
- 3. Responsibilities of the issuer

[Circular](#)

7. Grant of extension of time to entities operating/ desirous of operating as Online Bond Platform Providers (OBPPs) for making an application to obtain certificate of registration as a stock broker under the Securities and Exchange Board of India (Stock Brokers) Regulations, 1992

Regulation 51 of SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 prescribes that a person acting as an OBPP without the certificate of registration on or prior to November 09, 2022, may continue to do so for a period of three months from November 09, 2022 on specified conditions.

Further SEBI Circular dated November 14, 2022 on 'Registration and regulatory framework for Online Bond Platform Providers' requires entities desirous of operating as OBPPs to be companies incorporated in India.

Vide this circular, SEBI has now decided to grant additional time period of three weeks commencing from February 09, 2023 for making an application to obtain certificate of registration as a stock broker under SEBI regulations considering the difficulties faced by entities operating / desirous of operating as OBPPs and taking into account the relaxation by MCA (General Circular no. 03/2023 dated February 07, 2023 discussed later in MCA Section).

Accordingly, the application for registration by OBPPs as stock brokers can be made by March 01, 2023.

[Circular](#)

8. Entities allowed to use e-KYC Aadhaar Authentication services of UIDAI in Securities Market as sub-KUA

Circular No. SEBI/HO/MIRSD/SEC-5/P/CIR/2023/0026
Dated 8th February, 2023

SEBI, vide circular dated November 05, 2019 had provided details on e-KYC Authentication facility by entities in the securities market for Resident Investors.

Subsequently, SEBI vide circular dated May 12, 2020 had listed the entities who shall undertake Aadhaar Authentication service of UIDAI as KYC user agency (KUA) in securities market.

Further, Department of Revenue-Ministry of Finance, Government of India, vide Gazette Notification dated July 13, 2022 & January 30, 2023 had notified 155 and 39 reporting entities to use Aadhaar authentication services of UIDAI.

Vide this circular, SEBI has now specified that the above mentioned entities shall enter into an agreement with a KUA and get themselves registered with UIDAI as sub-KUAs. The agreement in this regard shall be as prescribed by UIDAI.

Further, the KUAs shall facilitate the onboarding of these entities as sub-KUAs to provide the services of Aadhaar authentication with respect to KYC and follow the process provided by SEBI.

[Circular](#)

9. Clarification w.r.t. issuance and listing of perpetual debt instruments, perpetual non-cumulative preference shares and similar instruments under Chapter V of the SEBI (Issue and Listing of Non-convertible Securities) Regulations, 2021

Circular No.: SEBI/HO/DDHS/DDHS-RACPOD1/P/CIR/2023/027
Dated 8th February, 2023

SEBI (Issue and Listing of Non-convertible Securities) Regulations, 2021 dated 9th August, 2021 (hereinafter referred to as the 'NCS Regulations') and circulars issued thereunder, provide the framework for issuance and listing of non-convertible securities.

In particular, Chapter V of the NCS Regulations, prescribes the conditions for issuance and listing of perpetual debt instruments, perpetual non-cumulative preference shares and similar instruments.

Vide this Circular, SEBI has now clarified that only securities which have characteristics as stated below shall necessarily be required to comply with the provisions for issuance and listing as specified under Chapter V of the NCS Regulations and circulars issued thereunder:

- i. The issuer is permitted by RBI to issue such instruments,

- ii. The instruments form part of non-equity regulatory capital,
- iii. The instruments are perpetual debt instruments, perpetual non-cumulative preference shares or instruments of similar nature
- iv. The instruments contain a discretion with the issuer/RBI for events including but not restricted to all or any of the below events:
 - conversion into equity
 - write off of interest/ principal
 - skipping/ delaying payment of interest/principal
 - making an early recall
 - changing any terms of issue of the instrument.

[Circular](#)

10. Clarification in respect of the compliance by the first-time issuers of debt securities under SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 with Regulation 23(6)

Circular No.: SEBI/HO/DDHS/DDHS-RACPOD1/P/CIR/2023/028

Dated 9th February, 2023

Regulation 23(6) of Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021 ("NCS Regulations") dated 9th August, 2021 provides time period up to September 30, 2023 for existing debt listed issuers to amend their Article of Association (AOA) to include provision with respect to the requirement for the Board of directors to appoint such person nominated by the debenture trustee.

Vide this circular, SEBI has now advised Stock Exchanges to take an undertaking from first-time issuers that they will ensure that their AoA are amended within a period of six months from the date of listing of the debt securities. This undertaking may be obtained at the time of granting the in-principle approval.

Accordingly, the issuer shall, within such time, comply and report compliance to Stock Exchanges, which shall periodically monitor/ remind such issuers for doing the needful.

[Circular](#)

11. Maintenance of a website by stock brokers and depository participants

Circular No.: SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/30

Dated 15th February, 2023

Effective Date: August 16, 2023

SEBI, vide this circular, has mandated Stock Brokers (SB) and Depository Participants (DP) to maintain a designated website which shall mandatorily display the following information, in addition to all such information, which has been mandated by SEBI/stock exchanges/depositories from time to time:

- i. Basic details of the SB/DP such as registration number, registered address of Head Office and branches, if any.
- ii. Names and contact details such as email ids etc. of all key managerial personnel (KMPs) including compliance officer.
- iii. Step-by-step procedures for opening an account, filing a complaint on a designated email id, and finding out the status of the complaint, etc.
- iv. Details of Authorized Persons.

URL to the website of a SB/ DP shall be reported to the stock exchanges/ depositories within a week of this circular coming into effect. Any modification in the URL shall be reported to stock exchanges/depositories within 3 days of such changes.

[Circular](#)

12. Master Circular for Substantial Acquisition of Shares and Takeovers

SEBI/HO/CFD/PoD-1/P/CIR/2023/31

SEBI, has released a Master Circular for Takeover Regulations in order to enable the stakeholders to have access to the provisions of applicable circulars at one place.

The directions/instructions contained in the circulars listed out in Annexure-V to this Master Circular, to the extent they relate to the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (hereinafter referred to as “Takeover Regulations”), shall stand rescinded.

Notwithstanding such rescission, anything done or any action taken or purported to have been done or taken including any enquiry or investigation commenced or show cause notice issued in respect of the circulars specified in Annexure-V, shall be deemed to have been done or taken under the corresponding provisions of this Master Circular.

[Master Circular](#)

13. Advisory for SEBI Regulated Entities (REs) regarding Cybersecurity best practices

Circular No.: SEBI/HO/ITD/ITD_VAPT/P/CIR/2023/032

Dated 22nd February, 2023

Financial sector organizations, stock exchanges, depositories, mutual funds and other financial entities have been experiencing cyber incidents which are rapidly growing in frequency and sophistication.

Considering the interconnectedness and interdependency of the financial entities to carry out their functions, the cyber risk of any given entity is no longer limited to the entity’s owned or controlled systems, networks and assets.

Financial Computer Security Incident Response Team (CSIRT-Fin) has provided important recommendations in its report sent to SEBI.

Vide this Circular, SEBI has enlisted the applicable recommendations of (CSIRT-Fin), in the form of an advisory, as enclosed at Annexure-A to this circular.

Compliance of the advisory shall be provided by the Regulated Entities along with their cybersecurity audit report (conducted as per the applicable SEBI Cybersecurity and Cyber Resilience framework). Compliance shall be submitted as per existing reporting mechanism and frequency of the respective cybersecurity audit.

[Circular](#)

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| MCA | |
| 1. Extension of Time for filing of 45 company e-Forms and PAS-03 in MCA 21 Version 3.0 without additional fee -Regulation | |
| General Circular no. 03/2023 Dated 7 th February, 2023 | |
| <p>MCA vide General Circular No. 01/2023 dated 9th January, 2023 had decided to allow additional time of 15 days for filing of forms which were due for filing during the period between 07.01.2023 and 22.01.2023 without levying additional fees.</p> <p>Vide this circular, MCA has now allowed further additional time of 15 days for filing of e-forms on Version-3 (V-3), without payment of additional fees.</p> <p>Further, Form PAS-03 which was launched in V-3 on 23.01.2023 and whose due dates for filing fall between 20.01.2023 and 06.02.2023, can also be filed without payment of additional fees for a period of 15 days.</p> <p>Circular</p> | |
| 2. Extension of Time for filing of 45 company e-Forms, PAS-03 and SPICE + Part A in MCA 21 Version 3.0 without additional fee | |
| General Circular no. 04/2023 Dated 21 st February, 2023 | |
| <p>MCA in continuation to its General Circulars No. 01 and 03 dated 09.01.2023 and 07.02.2023 respectively, had allowed additional time of 30 days (15 days +15days) for filing of forms which were due for filing during the period between 07.01.2023 and 22.01.2023 without levying additional fees.</p> <p>Vide this circular, MCA has decided to allow further additional time till 31/03/2023 for filing of forms which are due for filing between 07.02.2023 and 28.02.2023 without payment of additional fees.</p> <p>Further, Form PAS-03 which was launched in V-3 on 23.01.2023 and whose due dates for filing fall between 20.01.2023 and 28.02.2023, can also be filed without payment of additional fees till 31.03.2023.</p> <p>MCA has Further extended the reservation period for the names which are reserved by a period of 20 days. The resubmission period falling between 23.01.2023 and 28.02.2023, is also extended by 15 days.</p> <p>Circular</p> | |
| 3. Filing of Forms GNL-2 (filing of prospectus related documents and private placement), MGT-14 (filing of Resolutions relating to prospectus related documents and private placement), PAS-3 (Allotment of Shares), SH-8 (letter of offer for buyback of own shares or other securities), SH-9 (Declaration of Solvency) and SH-11 (Return in respect of buy-back of securities) due to migration from V2 Version to V3 Version in MCA 21 Portal from 22.02.2023 to 31.03.2023 | |
| General Circular no. 05/2023 Dated 22 nd February, 2023 | |
| <p>Vide this circular, MCA has issued clarification in respect of filing of following forms during the period 22.02.2023 to 31.03.2023:</p> <ul style="list-style-type: none"> (i) Form GNL-2 (filing of prospectus and related Documents), (ii) Form MGT-14 (filing of resolutions relating to prospectus related documents), (iii) Form PAS-3 (Allotment of Shares), (iv) Form SH-8 (letter of offer for buyback of own shares or other securities), (v) Form SH-9 (Declaration of Solvency) and (vi) Form SH-11 (Return in respect of buy-back of securities) <p>The above forms may be filed in physical mode duly signed by the persons concerned as per requirements of the</p> | |

relevant forms, along with a copy thereof in electronic media, with the concerned Registrar without payment of fee and obtain acknowledgement thereof. Such filing will be accompanied by an undertaking from the company that, the company shall also file the relevant Form in electronic form on MCA-21 Portal along with fee payable as per rules.

[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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