

**AUGUST 2020**

# NEWSLETTER

## REGULATORY

- RBI
- SEBI
- MCA



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**1. New Definition of Micro, Small and Medium Enterprises – clarifications**

Notification No. RBI/2020-2021/26 FIDD.MSME &amp; NFS.BC.No.4/06.02.31/2020-21

Dated 21<sup>st</sup> August, 2020

Vide this notification, RBI has provided clarifications on the new definition of Micro, Small and Medium Enterprises, based on the representations from IBA and banks regarding the classification criteria.

Following is the gist of the clarifications issued:

**1. Classification of Enterprises as per new definition** - All enterprises are required to register online and obtain 'Udyam Registration Certificate' and All lenders may, therefore, obtain 'Udyam Registration Certificate' from the entrepreneurs.

**2. Validity of EM Part II and UAMs issued till June 30, 2020** - The existing Entrepreneurs Memorandum and Udyog Aadhaar Memorandum (UAMs) of MSMEs obtained till 30th June 2020 shall remain valid till 31<sup>st</sup> March 2021. All enterprises registered till 30<sup>th</sup> June 2020, shall file new registration in the Udyam Registration Portal well before March 31, 2021, and Udyam Registration Certificate' issued on self-declaration basis for enterprises exempted from filing GSTR and/or ITR returns will be valid for the time being, upto March 31, 2021.

**3. Value of Plant and Machinery or Equipment** - The online form for Udyam Registration captures depreciated cost as on 31<sup>st</sup> March each year of the relevant previous year. Therefore, the value of Plant and Machinery or Equipment for all purposes and for all enterprises shall mean the Written Down Value (WDV) as at the end of the Financial Year as defined in the Income Tax Act and not cost of acquisition or original price, which was applicable in the context of the earlier classification criteria.

[Notification](#)

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| <b><u>SEBI</u></b>   |  |
| <b>1. Procedural Guidelines for Proxy Advisors</b>   |  |
| Circular No.: SEBI/HO/IMD/DF1/CIR/P/2020/147<br>Dated 3 <sup>rd</sup> August, 2020   |  |
| <p>Regulation 24(2) read with 23(1) of SEBI (Research Analyst) Regulations, 2014 mandates proxy advisors to abide by Code of Conduct specified therein.</p> <p>Vide this circular, SEBI has issued procedural guidelines which are required to be complied with by the proxy advisors in addition to the code of conduct.</p> <p>The procedural guidelines are applicable with effect from September 01, 2020.</p> <p><a href="#">Circular</a></p>   |  |
| <b>2. Grievance Resolution between listed entities and proxy advisers</b>  |  |
| Circular No.: SEBI/HO/CFD/CMD1/CIR/P/2020/119<br>Dated 4 <sup>th</sup> August, 2020  |  |
| <p>Vide this circular, SEBI has provided facility for resolution of the grievances of listed entities against SEBI registered proxy advisors. The listed entities may approach SEBI and SEBI will examine the matter for non-compliance by proxy advisors with the provisions of the Code of Conduct under regulation 24(2) read with 23(1) of SEBI (Research Analyst) Regulations, 2014 and the procedural guidelines for proxy advisors issued vide SEBI circular no. SEBI/HO/IMD/DF1/CIR/P/2020/147 dated August 03, 2020 as specified above.</p> <p>The provisions of this Circular will be applicable with effect from September 01, 2020.</p> <p><a href="#">Circular</a></p>  |  |
| <b>3. Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2020</b>  |  |
| No. SEBI/LAD-NRO/GN/2020/25<br>Dated 5 <sup>th</sup> August, 2020  |  |
| <p>SEBI has amended the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.</p> <p>As per the amendment, modification is made in Regulation 42 (1) pertaining to the Record Date or Date of closure of transfer books.</p> <p>Information in respect of events specified in Reg (1) is required to be given to all <i>stock exchange(s) where “it is listed or where stock derivatives are available on the stock of the listed entity or where listed entity’s stock form part of an index on which derivatives are available”</i>.</p> <p>In the existing regulation, the words added (as above in italics) appeared only in clause (e) which specifies corporate actions such as mergers, demergers, splits etc.</p> <p>By adding these words in the starting sentence of the Sub regulation, the applicability of the words added has been extended to all of the events specified in therein.</p> <p><a href="#">Regulation</a></p> |  |
| <b>4. Administration and Supervision of Investment Advisers</b>  |  |
| Circular No.: SEBI/HO/IMD/DF1/CIR/P/2020/148   |  |

Vide this circular, SEBI has decided to grant recognition to a wholly-owned subsidiary of the stock exchange (stock exchange subsidiary) to administer and supervise Investment Advisors registered with SEBI.

Detailed criteria for grant of recognition, setting up of requisite systems by stock exchanges for the purpose and responsibilities of the subsidiary of a stock exchange are provided in the circular.

The stock exchanges, fulfilling the prescribed criteria may submit the detailed proposal incorporating requisite systems and mechanism to discharge responsibilities, to SEBI within 30 days from the date of this circular.

[Circular](#)

## 5. Resources for Trustees of Mutual Funds

Circular No.: SEBI/HO/IMD/DF4/CIR/P/2020/0000000151

Dated 10<sup>th</sup> August, 2020

*Effective Date – 01 October, 2020*

In order to provide administrative assistance to Trustees in monitoring various activities of the Asset Management Companies (AMCs), SEBI vide this circular, has provided the following:

1. Trustees shall appoint a dedicated officer having professional qualification and minimum 5 years of experience in finance and financial services related field.

a. The officer so appointed, shall be an employee of the Trustees and shall directly report to the Trustees.

b. The scope of work for the said officer shall be specified by Trustees from time to time to support the role and responsibilities of the Trustees.

c. The said officer shall be treated as access person in terms of SEBI Circular No. MFD/CIR No.4/216/2001 dated May 08, 2001.

2. Trustees shall have standing arrangements with independent firms for special purpose audit and/or to seek legal advice in case of any requirement as identified and whenever considered necessary.

3. The expenditure incurred for the above shall be charged under the clause 52(b)(iv) “fees and expenses of trustees” of SEBI (Mutual Funds) Regulations, 1996.

4. The Trustees shall continue to be liable for discharge of various fiduciary responsibilities as cast upon them in the SEBI (Mutual Funds) Regulations, 1996.

[Circular](#)

## 6. Investor grievances redressal mechanism – Handling of SCORES complaints by stock exchanges and Standard Operating Procedure for non-redressal of grievances by listed companies

Circular No.: SEBI/HO/OIAE/IGRD/CIR/P/2020/152

Dated 13<sup>th</sup> August, 2020

*Effective Date – 01 September, 2020*

Vide this circular, SEBI has laid down a procedure for handling investor complaints by the stock exchanges as well as standard operating procedure for actions to be taken against listed companies for failure to redress investor grievances.

Under the framework, exchanges can levy penalty on companies in case of non-redressal of investor complaints and ask depositories to freeze the shareholding of the promoter entities.

The time-line for handling complaints along with timelines on the actions to be taken by stock exchanges for non-

resolution of investor grievances is provided in *Annexure –I* to the circular.

[Circular](#)

#### **7. Corrigendum to Master Circular for Depositories dated October 25, 2019 on preservation of records**

Circular No.: SEBI/HO/MRD2/DDAP/CIR/P/2020/153

Dated 18<sup>th</sup> August, 2020

SEBI vide circular dated December 9, 2009 had prescribed that Depositories and Depository Participants are required to preserve the records and documents for a minimum period of five years in terms of regulations 38 and 49 of the SEBI (Depositories and Participants) Regulations, 1996.

Whereas, as per the Regulations 54 and 66 of the SEBI (Depositories and Participants) Regulations, 2018, Depositories and Depository Participants are required to preserve the records and documents for a minimum period of eight years.

In order to align the provisions of the D&P Regulations, 2018 with that of Master Circular for Depositories dated October 25, 2019, Section 4.6 (i) - Preservation of Records shall be replaced with the following:

*“Depositories and Depository Participants are required to preserve the records and documents for a minimum period of 8 years”*

[Circular](#)

#### **8. Master Circular for Mutual Funds**

Circular No.: SEBI/HO/IMD/DF2/CIR/P/2020/156

Dated 24<sup>th</sup> August, 2020

SEBI has issued a Master Circular for Mutual Funds.

This Master Circular is a compilation of circulars issued by SEBI on the above subject, which are operational as on the date of this circular.

This Master Circular shall supersede the previous Master Circular No. SEBI/HO/IMD/DF5/CIR/P/2018/109 dated July 10, 2018.

[Master Circular](#)

#### **9. Procedural Guidelines for Proxy Advisors’ - Extension of implementation timeline**

Circular No.: SEBI/HO/IMD/DF1/CIR/P/2020/157

Dated 27<sup>th</sup> August, 2020

SEBI vide circular no. SEBI/HO/IMD/DF1/CIR/P/2020/147 dated 3<sup>rd</sup> August, 2020, had issued procedural guidelines for compliance by the proxy advisors. The procedural guidelines were applicable with effect from September 01, 2020.

However, on account of requests received from registered proxy advisors, and the prevailing business and market conditions due to CoVID-19 pandemic, SEBI vide this circular has extended the timeline for compliance with the requirements of above circular by four months.

Accordingly, the provisions of said SEBI Circular shall be applicable with effect from **January 01, 2021**.

[Circular](#)

#### **10. ‘Grievance Resolution between listed entities and proxy advisers’ – Extension of timeline for implementation**

SEBI vide circular no. SEBI/HO/IMD/DF1/CIR/P/2020/147 dated 3<sup>rd</sup> August, 2020, had issued procedural guidelines for compliance by the proxy advisors. The procedural guidelines were applicable with effect from September 01, 2020.

Further, SEBI vide circular no. SEBI/HO/CFD/CMD1/CIR/P/2020/119 dated 4<sup>th</sup> August, 2020 had provided facility for resolution of the grievances of listed entities against SEBI registered proxy advisors.

SEBI had extended the timeline for compliance with the requirements of circular dated 3<sup>rd</sup> August, 2020 by four months.

In line with the same, SEBI vide this circular has extended the applicability of the provisions of circular dated 4<sup>th</sup> August, 2020 and same shall be applicable with effect from **January 01, 2021**.

[Circular](#)



## MCA

### **1. Clarification on dispatch of notice under section 62(2) of Companies Act, 2013 by listed companies for rights issues opening upto 31<sup>st</sup> December, 2020**

General Circular No. 27/2020  
Dated 3<sup>rd</sup> August, 2020

MCA vide General Circular No. 21/2020 Dated 11<sup>th</sup> May, 2020 had clarified that listed companies inability's to dispatch the notice through registered post or speed post or courier for right issues opening upto 31<sup>st</sup> July, 2020 will not be considered as violation under section 62(2) of the Act as long as they comply with the provisions of SEBI circular issued in this regard.

Vide this circular, MCA has extended the validity of the relaxation provided in the aforesaid circular. Accordingly, listed companies which are unable to dispatch the relevant notice to shareholders through registered post or speed post or courier would not be considered to be in violation of section 62(2) of the Act for right issues opening upto 31<sup>st</sup> December, 2020.

[Circular](#)

### **2. Clarification on Extension of Annual General Meeting (AGM) for the financial year ended as at 31.03.2020- Companies Act, 2013**

General Circular No. 28/2020  
Dated 17<sup>th</sup> August, 2020

Vide this circular, MCA has reiterated that companies which are unable to hold their AGM for the financial year ended on 31.03.2020, despite availing the relaxations provided in the General Circular No. 20/2020 dated 05.05.2020 regarding holding of AGM through video conferencing (VC) or other audio visual means (OCAM) may seek extension of time by filing applications in Form No. GNL 1 with the concerned Registrar of Companies on or before 29.09.2020.

The Registrars of Companies are further advised to consider all such applications (filed in Form No. GNL-1) and to grant extension for the period as applied for (upto three months) in such applications.

[Circular](#)

### **3. Amendments in Schedule VII of the Companies Act, 2013**

Notification No. G.S.R. 525(E).  
Dated 24<sup>th</sup> August, 2020

Vide this notification, MCA has made amendments in the item (ix) of Schedule VII and the entries thereto, to substitute the same with the new clause.

As per the amendment, contribution to incubators or research and development projects in the field of science, technology, engineering and medicine, funded by the Central Government or State Government or Public Sector Undertaking or any agency of the Central Government or State Government has been added in sub-clause (a) and certain new institutions which are engaged in conducting research in science, technology, engineering and medicine aimed at promoting Sustainable Development Goals (SDGs) have been added to the list.

[Notification](#)

### **4. Companies (Corporate Social Responsibility Policy) Amendment Rules, 2020**

Notification No. G.S.R. 526(E).  
Dated 24<sup>th</sup> August, 2020

Vide this notification, MCA has amended the Companies (Corporate Social Responsibility Policy) Rules, 2014. As per the amendment, a new proviso has been added in Rule 2(1)(e), to provide that any Company engaged in

research and development activity of new vaccine, drugs and medical devices in their normal course of business may undertake research and development activity of new vaccine, drugs and medical devices related to COVID-19 for financial years 2020-21, 2021-22 and 2022-23 subject to the following conditions:

1. such research and development activities shall be carried out in collaboration with any of the institutes or organizations mentioned in item (ix) of Schedule VII to the Act.
2. details of such activity shall be disclosed separately in the Annual Report on CSR included in the Board's Report.

Further, to facilitate the application of the aforesaid proviso, in Rule 4(1) the words, "*excluding activities undertaken in pursuance of its normal course of business*" have been deleted.

[Notification](#)

**5. Companies (Amendment) Act, 2017 read with Companies (Management and Administration) Amendment Rules, 2020**

Notification No. S.O.\_\_\_\_ and G.S.R. \_\_\_\_ (E).  
Dated 28<sup>th</sup> August, 2020

Vide this notification, MCA has notified the applicability of Section 92(3) pertaining to Annual Return and stated that '*Every company shall place a copy of the annual return on the website of the company, if any, and the web-link of such annual return shall be disclosed in the Board's report*'.

In view of the above, amendment is made in Companies (Management and Administration) Rules, 2014.

Proviso is inserted in rule 12(1) pertaining to Extract of Annual Return and it is stated that a company shall not be required to attach the extract of the annual return with the Board's report in Form No. MGT.9, in case the web link of such annual return has been disclosed in the Board's report in accordance with Section 92(3) of the Companies Act, 2013.

[Notification](#)  
[Rules](#)



**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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