

OCTOBER 2022

# NEWSLETTER

## REGULATORY

- RBI
- SEBI
- MCA



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**1. Multiple NBFCs in a Group: Classification in Middle Layer**

RBI/2022-23/129 DOR.CRE.REC.No.78/03.10.001/2022-23

Dated: 11<sup>th</sup> October, 2022

Reference is drawn to the Circular dated October 22, 2021, on “Scale Based Regulation (SBR): A Revised Regulatory Framework for NBFCs” on delineating the four layered regulatory structure for NBFCs under Scale Based Regulatory Framework.

As per para 16 of the Master Direction – Non-Banking Financial Company-Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions 2016, applicable NBFCs that are part of a common Group or are floated by a common set of promoters shall not be viewed on a standalone basis. In line with the existing policy on consolidation of assets of the NBFCs in a Group, the total assets of all the NBFCs in a Group shall be consolidated to determine the threshold for their classification in the Middle Layer.

Vide this Notification, RBI has now decided that if the consolidated asset size of the Group is Rs. 1000 crore and above, then each Investment and Credit Company (NBFC-ICC), Micro Finance Institution (NBFC-MFI), NBFC-Factor and Mortgage Guarantee Company (NBFC-MGC) lying in the Group shall be classified as an NBFC in the Middle Layer and consequently, regulations as applicable to the Middle Layer shall be applicable to them.

[Notification](#)

## SEBI

### 1. Extension of timeline for entering the details of the existing outstanding non-convertible securities in the 'Security and Covenant Monitoring' system hosted by Depositories

Circular No.: Circular No.: SEBI/HO/DDHS/RACPOD1/CIR/P/2022/136

Dated 3<sup>rd</sup> October, 2022

SEBI vide Circular SEBI/HO/MIRSD/MIRSD\_CRADT/CIR/P/2021/618 dated August 13, 2021, specified the manner of recording of charges by Issuers and manner of monitoring and other responsibilities of Debenture Trustees (DTs), Credit Rating Agencies, etc. for 'Security and Covenant Monitoring' using Distributed Ledger Technology (DLT).

Further, SEBI vide Circular SEBI/HO/MIRSD/CRADT/CIR/P/2022/38 dated March 29, 2022, specified the Operating Guidelines of the said system using DLT, including roles and responsibilities of the various stakeholders involved.

Vide this circular, SEBI has now decided to provide an extension of one month in the timeline of entering the legacy data, viz. details of the existing outstanding non-convertible securities.

Accordingly, in modification of the para 8.d of the SEBI Circular dated March 29, 2022, for existing outstanding non-convertible securities, issuers are required to ensure that they enter the details into the DLT system on or before October 31, 2022; DTs shall verify the same by December 31, 2022.

[Circular](#)

### 2. Execution of 'Demat Debit and Pledge Instruction' (DDPI) for transfer of securities towards deliveries / settlement obligations and pledging / re-pledging of securities - Clarification

Circular No.: SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2022/137

Dated 6<sup>th</sup> October, 2022

*Effective Date: November 18, 2022*

SEBI vide circular no. SEBI/HO/MIRSD/DoP/P/CIR/2022/44 dated April 04, 2022, had issued guidelines regarding execution of 'Demat Debit and Pledge Instruction' (DDPI) for transfer of securities towards deliveries / settlement obligations and pledging / re-pledging of securities.

Vide this circular, SEBI has now decided to widen the scope of DDPI to include:

- a. Mutual Fund transactions being executed on Stock Exchange order entry platforms; and
- b. Tendering shares in open offers through Stock Exchange platforms

Accordingly, amendments have been made in paras 3, 8 & 9 of the said Circular.

[Circular](#)

### 3. Suspension, Cancellation or Surrender of Certificate of Registration of a Credit Rating Agency

Circular No.: SEBI/HO/DDHS/DDHS-RACPOD2/P/CIR/2022/ 140

Dated 13<sup>th</sup> October, 2022

Securities and Exchange Board of India (SEBI) Act, 1992 read with Securities and Exchange Board of India (Intermediaries Regulations), 2008 and Securities and Exchange Board of India (Credit Rating Agencies) Regulations, 1999 ("CRA Regulations"), inter alia provide for cancellation, suspension or surrender of certificate of registration of a Credit Rating Agency (CRA).

In order to facilitate orderly migration of credit ratings of listed or proposed to be listed, non-convertible securities, securitised debt instruments, security receipts, municipal debt securities or commercial paper, and other regulated products pursuant to cancellation, suspension, or surrender of certificate of registration of a CRA to another SEBI-registered CRA, the following are hereby prescribed, subject to the requirements of corresponding cancellation or suspension order(s) passed by SEBI ("the Order"), if any:

### **Surrender of certificate of registration**

On and from the date of the Order, or the date of submission of request for surrender of certificate of registration (“the Request”) to SEBI, as applicable, the concerned CRA shall –

- a. disclose prominently on its website, the Order or the Request, as the case may be, and communicate the same to its clients within 15 days of the Order or the Request;
- b. not take any new clients or fresh mandates;
- c. allow its clients to withdraw any assignment given to the CRA, without any additional cost to such clients;
- d. facilitate an orderly migration of assignments as desired by clients to other CRA(s) holding a certificate of registration under CRA Regulations;
- e. continue to comply with the provisions of the CRA Regulations and circulars thereunder, till the time the CRA holds the certificate of registration;
- f. continue to co-operate with SEBI with regard to sharing of information when requested and payment of fees as required under CRA Regulations;
- g. take such other action including providing any records or documents within the time period and in the manner, as may be required under the CRA regulations or as may be directed by SEBI.

The CRA, on and from the date of acceptance of the request by SEBI, or when it is commencing the winding up process, shall –

- a. return the certificate of registration so cancelled to SEBI,
- b. not represent itself to be a holder of certificate for carrying out the activity for which such certificate had been granted;
- c. suspend undertaking activity for which such certificate had been granted;
- d. until it is wound up, continue to co-operate with SEBI on matters pertaining to the activities of the CRA undertaken by it till it held the certificate of registration under CRA Regulations;
- e. make provisions as regards liability incurred or assumed by it;
- f. until it is wound up, take such other action including providing any records or documents within the time period and in the manner, as may be required under the CRA regulations or as may be directed by SEBI

Additionally, in case of suspension of the certificate of registration, the CRA, during such period of suspension, shall –

- a. suspend undertaking activity for which such certificate of registration had been granted;
- b. continue to co-operate with SEBI on matters pertaining to the activities of the CRA undertaken by it under CRA Regulations;
- c. make provisions as regards liability incurred or assumed by it;
- d. take such other action including providing any records or documents within the time period and in the manner, as may be required under the CRA regulations or as may be directed by SEBI.

### **Cancellation of Certificate of registration**

In case of cancellation of certificate of registration, the credit ratings assigned by the CRA shall be valid till such time the client withdraws the assignment and/or migrates the assignment to other CRA as specified or the CRA is wound-up, whichever is earlier.

### **Surrender of certificate of registration**

In case of surrender of certificate of registration, the credit ratings assigned by the CRA whose certificate of registration is being surrendered, shall be valid till such time the client withdraws the assignment and/or migrates to another CRA, or the date of acceptance of surrender by SEBI, whichever is earlier.

### **Suspension of certificate of registration**

In case of suspension of certificate of registration, the credit ratings assigned by the CRA, whose certificate of registration is suspended, shall not be valid during the period of suspension.

Upon cancellation or surrender or suspension of certificate of registration of a CRA, the concerned CRA's services cannot be used by listed entities or issuers for compliance with requirements of various SEBI regulations which require credit ratings from a CRA registered with SEBI. Listed entities or issuers who have obtained credit rating from a CRA whose registration is cancelled or suspended or surrendered, desirous of obtaining credit rating for regulatory purposes, shall obtain credit rating(s) from another SEBI-registered CRA(s) holding a valid certificate of registration under CRA Regulations.

#### **4. Governing Council for Social Stock Exchange ("SSE")**

Circular No.: SEBI/HO/MRD/MRD-RAC-2/P/CIR/2022/141  
Dated 13<sup>th</sup> October, 2022

SEBI had amended SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("ICDR Regulations"), SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("LODR Regulations") and SEBI (Alternative Investment Funds) Regulations, 2012 ("AIF Regulations") to provide a framework for Social Stock Exchange.

As per Regulation 292D of the ICDR Regulations, every Social Stock Exchange shall constitute a Social Stock Exchange Governing Council to have an oversight on its functioning, with composition and terms of reference as specified by the Board. SEBI vide this circular has specified aspects related to the Social Stock Exchange Governing Council ("SGC") as below:

##### **1) Composition of SGC:**

- a) The SGC shall comprise of individuals with relevant expertise who can contribute to the development of SSE. It shall have a balanced representation, drawing from various categories of stakeholders such as:-
  - i) Philanthropic and social sectors including public / private sector donors,
  - ii) Non-profit organizations,
  - iii) Information Repositories,
  - iv) Social Impact Investors,
  - v) Social Audit Profession / self-regulatory organization for social auditors,
  - vi) Capacity Building Fund,
  - vii) Stock Exchange
- b) SGC will have a minimum of 7 members having representation from each of the said categories (i to vii above)
- c) SGC shall be supported by administrative staff from the SSE
- d) The Board of the Stock Exchange shall prescribe the procedure, frequency, quorum etc. for the meetings of SGC as well as guidelines for handling potential conflict of interest, if any.
- e) SGC shall meet as frequently as required with minimum of four meetings in a financial year.

##### **2) Terms of Reference**

The SGC is expected to provide oversight and guidance to facilitate the smooth functioning of the operations of the Social Stock Exchange, with regard to registration, fund raising and disclosures by Social Enterprises. Accordingly, the terms of reference of the SGC shall include the following:

- a) Provide expertise towards development of the SSE including growth of registration/ listing of social enterprises and number of investors.
- b) Oversee the listing function of SSE and provide guidance in laying down procedures for on-boarding and listing of Social Enterprises.
- c) Facilitate effective oversight on the adequacy of disclosures made by Social Enterprises and guide development of necessary systems and processes towards the same.
- d) Review the functioning of the SSE, including feedback received from stakeholders.
- e) Any other matter related to governance and development of SSE.

The Stock Exchange shall constitute a Governing Council for the Social Stock Exchange prior to seeking final approval from SEBI for introduction of Social Stock Exchange as a separate segment.

#### **5. Request for Quote (RFQ) platform for trade execution and settlement of trades in listed Non-convertible Securities, Securitised Debt Instruments, Municipal Debt Securities and Commercial Paper**

*Effective Date: January 1, 2023*

SEBI vide circular no. CIR/MRD/DP/03/2013 dated January 2013, had introduced a dedicated debt segment permitting the stock exchanges to offer electronic, screen based trading providing for order matching, request for quote, negotiated trades, etc.

In February 2020, pursuant to approvals from SEBI, both National Stock Exchange of India Limited and BSE Limited launched RFQ platforms, as an extension of their existing trade execution and settlement platforms, to bring in transparency in “Over the Counter” deals which were negotiated bilaterally.

RFQ is an electronic platform to enable sophisticated, multi-lateral negotiations to take place on a centralized online trading platform with straight-through-processing of clearing and settlement to complete a trade. The following securities are eligible for being traded on the RFQ platform:

Non-convertible securities	Commercial Paper
Securitized Debt Instruments	Certificate of Deposit
Municipal Debt Securities	Government Securities
State development Loans	Treasury Bills
Any other instrument, as may be specified by Stock Exchanges in consultation with SEBI	

In February 2020, the RFQ platform was introduced as a ‘participant-based’ model wherein all regulated entities, listed bodies corporate, institutional investors and all India financial institutions were eligible to register, access and transact. To enhance liquidity on the RFQ platforms of the stock exchanges, SEBI has, inter alia, mandated registered Mutual Funds and Portfolio Management Services, to undertake a specified percentage of their total secondary market trades in Corporate Bonds through RFQ platform of stock exchanges. IRDAI has also prescribed similar stipulations for Insurers.

Vide this Circular, SEBI has decided to allow stock brokers registered under the debt segment of the Stock Exchange(s) to place / seek bids on the RFQ platform on behalf of client(s), in addition to the existing option of placing bids in a proprietary capacity. Stock Exchange(s) are directed to put in place the necessary infrastructure for access and use of the platform by the participants including stock brokers and issue necessary circular (s) covering the modalities for operational aspects.

[Circular](#)

## **6. Block Mechanism in demat account of clients undertaking sale transactions – Clarification**

Circular No.: SEBI/HO/MIRSD/DOP/P/CIR/2022/143

Dated 27<sup>th</sup> October, 2022

SEBI, vide circular no. CIR/HO/MIRSD/DOP/P/CIR/2022/595 dated July 16, 2021, had introduced block mechanism in the demat account of clients undertaking sale transactions, for ease of operations in Early Pay-in mechanism. The mechanism was introduced on optional basis.

Subsequently, vide circular no. SEBI/HO/MIRSD/DoP/P/CIR/2022/109 dated August 18, 2022, SEBI had made the facility of block mechanism mandatory for all Early Pay-In transactions by amending clause 5 of circular dated July 16, 2021

Vide this Circular, SEBI has clarified that the block mechanism shall not be applicable to clients having arrangements with custodians registered with SEBI for clearing and settlement of trades.

All other provisions in the SEBI circular dated August 18, 2022 and SEBI circular dated July 16, 2021 shall continue to remain applicable

[Circular](#)

**7. Reduction in denomination for debt securities and non-convertible redeemable preference shares**

Circular No.: SEBI/HO/DDHS/P/CIR/2022/00144

Dated 28<sup>th</sup> October, 2022

SEBI, vide circular no. SEBI/HO/DDHS/P/CIR/2021/613 dated August 10, 2021, had prescribed provisions pertaining to denomination of issuance and trading of Non-convertible Securities. It had mandated that the face value of each debt security or non-convertible redeemable preference share issued on private placement basis shall be Rs. Ten lakh and the trading lot shall be equal to the face value.

Vide this Circular, SEBI has reduced the face value and trading lot to enable more investors to access the market for corporate bonds enhance the liquidity in the corporate bond market. The face value of each debt security or non-convertible redeemable preference share issued on private placement basis shall be Rs. One lakh. Also, The face value of the listed debt security and non-convertible redeemable preference share issued on private placement basis traded on a stock exchange or OTC basis shall be Rs. One lakh.

The provisions of this circular shall be applicable to all issues of debt securities and non-convertible redeemable preference shares, on private placement basis, through new ISINs, on or after January 1, 2023.

[Circular](#)**8. Addendum to SEBI Circular on Development of Passive Funds**

Circular No.: SEBI/HO/IMD/DOF2/P/CIR/2022/145

Dated 28<sup>th</sup> October, 2022

This has reference to SEBI Circular No. SEBI/HO/IMD/DOF2/P/CIR/2022/69 dated May 23, 2022 and subsequent addendum Circular No. SEBI/HO/IMD/DOF2/P/CIR/2022/102 dated July 28, 2022 on development of passive funds.

Vide this Circular, SEBI has now decided that clause 2(IV)(A) of the circular shall be applicable with effect from May 01, 2023. Clause 2(IV)(A) of the circular deals with Direct transaction in ETFs through AMCs as under:

Direct transactions with AMCs shall be facilitated for investors only for transactions above a specified threshold. In this regard, to begin with any order placed for redemption or subscription directly with the AMC must be of greater than INR 25 Cr. The aforesaid threshold shall not be applicable for MMs and shall be periodically reviewed.

[Circular](#)

**MCA****No new circulars/notifications in October 2022****BANNED & CAUTION COUNTRIES LIST (FOREIGN ACTION TASK FORCE (FATF))  
OCTOBER 2022**

At the Plenary session of the FATF held in Paris on 21st October 2022 the following countries were placed in the Banned and Caution list (tabulated below).

:

S. No.	BANNED COUNTRIES LIST	CAUTION COUNTRIES LIST
1.	Afghanistan	Algeria
2.	Albania	Angola
3.	Balkans	Argentina
4.	Barbados	Antigua and Barbuda
5.	Belarus	Bangladesh
6.	Bhutan	Ecuador
7.	Bosnia and Herzegovina	Ghana
8.	Burkina Faso	Indonesia
9.	Burundi	Kenya
10.	Cambodia	Kyrgyzstan
11.	Cayman Islands	Mexico
12.	Central African Republic	Mongolia
13.	Cote d'Ivoire (Ivory Coast)	Nicaragua
14.	Cuba	Nigeria
15.	Democratic Republic of Congo	Papua New Guinea
16.	Ethiopia	Philippines
17.	Gibraltar	Sao Tome & Principe
18.	Guyana	Sri Lanka
19.	Haiti	Tajikistan
20.	Iran	Trinidad & Tobago
21.	Iraq	Turkey
22.	Jamaica	United Arab Emirates
23.	Jordan	Vietnam
24.	Lao Peoples Democratic Republic	
25.	Lebanon	
26.	Liberia	
27.	Libya	
28.	Mali	
29.	Morocco	
30.	Myanmar	
31.	Nepal	
32.	North Korea (DPRK)	
33.	Pakistan	
34.	Panama	
35.	Senegal	
36.	Somalia	
37.	South Sudan	
38.	Sudan	
39.	Syria	
40.	Tanzania	
41.	Tunisia	

42.	Uganda	
43.	Vanuatu	
44.	Venezuela	
45.	Yemen	
46.	Zimbabwe	

RBI/FIU directive or advisory in this regard is expected soon.

**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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