

**SEPTEMBER  
2022**

# NEWSLETTER

## REGULATORY

- RBI
- SEBI
- MCA



**Lovi Mehrotra & Associates**

**Chartered Accountants**

**21-22 IInd Floor Krishna Nagar Safdarjung Enclave**

**New Delhi 110029**

**RBI**

**1. Rupee Drawing Arrangement - Enabling Bharat Bill Payment System (BBPS) to process cross-border inbound Bill Payments**

RBI/2022-23/115 A.P. (DIR Series) Circular No. 14  
Dated: 15<sup>th</sup> September, 2022

Reference is drawn to Circular No. 120 dated April 10, 2014 on 'Rupee Drawing Arrangement – Direct to Account Facility', in terms of which, foreign inward remittances received under Rupee Drawing Arrangement (RDA) can be transferred to the KYC compliant beneficiary bank accounts through electronic mode, such as, NEFT, IMPS, etc. subject to the procedure and conditions mentioned therein.

Vide this Notification, RBI has decided to allow foreign inward remittances received under the Rupee Drawing Arrangement (RDA), to be transferred to the KYC compliant bank account of the biller (beneficiary) through Bharat Bill Payment System (BBPS), subject to the conditions mentioned in Para 3 of the above Circular No. 120 dated April 10, 2014.

[Notification](#)

## SEBI

### 1. Performance/return claimed by unregulated platforms offering algorithmic strategies for trading

Circular No.: SEBI/HO/MIRSD/DOP/P/CIR/2022/117  
Dated 2<sup>nd</sup> September, 2022

It has come to the notice of the SEBI that some unregulated platforms were offering algorithmic trading services/strategies to investors for automated execution of trades. Such services and strategies were being marketed with “claims” of high returns on investment. Further, “ratings” had been assigned to the strategies, which could lead to investors being lured by such claims. This may amount to mis-selling of such services and strategies to investors.

In this regard, SEBI had cautioned investors against dealing with such unregulated platforms offering algorithmic trading services/strategies vide Press Release No. 20/2022 dated June 10, 2022.

It has also come to notice of SEBI that stock brokers provide algorithmic trading facility to investors through such platforms.

In order to prevent such acts and instances of mis-selling and to protect the interest of investors in the securities market, SEBI vide this circular has decided that:

#### Stock Brokers who provide services relating to algorithmic trading shall not:

- i. directly or indirectly make any reference to the past or expected future return/performance of the algorithm; and/or
- ii. directly or indirectly associate with any platform providing any reference to the past or expected future return/performance of the algorithm.
- iii. Stock brokers who are directly/indirectly referring to any past or expected future return/performance of an algorithm or are associated with any platform providing such reference, shall remove the same from their website and/or disassociate themselves from the platforms providing such references, as the case may be, within seven days from the date of this circular.

[Circular](#)

### 2. Master Circular on Surveillance of Securities Market

SEBI/HO/ISD/ISD-PoD-2/P/CIR/2022/118  
Dated 13<sup>th</sup> September, 2022

In order to ensure availability of comprehensive information mentioned in the circulars pertaining to Surveillance of Securities Market at one place, SEBI has been issuing Master Circular. This circular covers various circulars issued till August 31, 2022 by Integrated Surveillance Department.

Further, this Master Circular shall supersede previous Master Circular No. SEBI/HO/ISD/ISD/ CIR/P/2021/22 dated March 01, 2021.

[Master Circular](#)

### 3. Validation of Instructions for Pay-In of Securities from Client demat account to Trading Member (TM) Pool Account against obligations received from the Clearing Corporations

Circular No.: SEBI/HO/MIRSD/DoP/P/CIR/2022/119  
Dated 19<sup>th</sup> September, 2022

*Effective Date: November 25, 2022*

In order to protect clients' funds and securities and to ensure that the Stock Broker segregates securities or moneys of the client or clients and does not use the securities or moneys of a client or clients for self or for any other client, SEBI has issued various circulars from time to time.

Further, SEBI circular dated July 16, 2021, inter-alia, specified that “Depositories may keep block on the securities in client’s demat account in respect of Intra or Inter depository transfer instruction till pay-in day. The blocked securities will be transferred only after checking against the client level net delivery obligation received from Clearing Corporations (CCs).” SEBI circular dated August 18, 2022 had made the aforementioned facility of block mechanism mandatory for all Early Pay-In transactions.

Vide this circular, SEBI has decided the following:

1. Depositories, prior to executing actual transfer of the securities for Pay-In from client demat account to TM Pool account, shall validate the transfer instruction received through any of the available channels for the purpose of Pay-in, i.e. either initiated by clients themselves or by the Power of Attorney (POA) / Demat Debit and Pledge Instruction (DDPI) holder against the client-wise net delivery obligation received from CCs.
2. For Early Pay-In transactions, the existing facility of Block mechanism shall continue.

In order to validate the Pay-In Instructions, the following process has been put in place by the Depositories:

1. Validation of transfer instruction details with CC obligation details
2. Matched instruction
3. Unmatched instruction
4. Trades Confirmed by Custodians

[Circular](#)

#### 4. Framework on Social Stock Exchange (SSE)

Circular No.: SEBI/HO/CFD/PoD-1/P/CIR/2022/120  
Dated 19<sup>th</sup> September, 2022

Vide notification dated July 25, 2022, 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”) were amended to provide a broad framework for Social Stock Exchange.

In terms of the said amendment, a detailed framework on SSE is now specified as under vide this circular:

**A. Minimum requirements to be met by a Not for Profit Organization (NPO) for registration with SSE in terms of Regulation 292F of the ICDR Regulations:** A NPO desirous of registration on SSE, in terms of Regulation 292F(1) of ICDR Regulations, shall fulfil the following criteria:

Broad Parameter	Indicator	Details
<b>Legal Requirements</b>		
Entity is registered as an NPO	Registration certificate valid at least for next 12 months at the time of seeking registration with SSE	Entity must be registered in India as one of the below: <ol style="list-style-type: none"> <li>a charitable trust registered under the public trust statue of the relevant state;</li> <li>a charitable trust registered under the Societies Registration Act, 1860</li> <li>a charitable trust registered under the Indian Trusts Act, 1882</li> <li>a company incorporated under section 8 of the Companies Act, 2013</li> </ol>
Ownership and control	Governing document (MoA & AoA/ Trust Deed/ Bye-laws/ Constitution)	Disclose if NPO is owned and/or controlled by government or private
Exemption under Income Tax Act	Registration Certificate under section 12A/12AA/12AB under Income Tax Act, 1961	Registration Certificate under section 12A/12AA/12AB to be valid for at least the next 12 months. Does not have a notice or ongoing scrutiny by Income Tax.
Registration with	IT PAN	Valid IT PAN

Income Tax as an NPO		
Age of the NPO	Registration certificate	Minimum 3 years
Deduction under Income Tax Act, 1960	Valid 80G registration under Income Tax Act, 1961.	Entity to ensure that tax deduction is available to investors.
Eligible to be Social Enterprise	Requirements with Regulation 292E of ICDR Regulations	As may be specified by SSE
<b>Minimum Fund Flows</b>		
Annual Spending in the past financial year	Receipts or Payments from Audited accounts/ Fund Flow Statement	Must be at least Rs. 50 lakhs
Funding in the past financial year	Receipts from Audited accounts/ Fund Flow Statement	Must be at least Rs. 10 lakhs

**B. Minimum Initial Disclosure Requirement for NPOs raising funds through the issuance of Zero Coupon Zero Principal Instruments in terms of Regulation 292K(1) of the ICDR Regulations:** SSE under the guidance of SSE Governing Council (SGC) shall mandate the structure of the draft fund raising document/ final fund raising document. SSE shall host such requirements on its website. SSE shall also ensure that the documents contain the minimum disclosures as prescribed in the circular.

**C. Annual disclosure by NPOs on SSE which have either raised funds through SSE or are registered with SSE in terms of Regulation 91C of the LODR Regulations:** The following disclosures would be made by the NPOs on an Annual Basis within 60 days from end of Financial Year -

- (1) Disclosures on General aspects
- (2) Disclosures on Governance aspects
- (3) Disclosures on Financial aspects
- (4) SSE may specify additional parameters that may be required to be disclosed by NPO on annual basis.

A guidance note in respect of the above aspects is provided at Annexure I to the circular.

**D. Disclosure of Annual Impact Report by all Social Enterprises which have registered or raised funds using SSE in terms of Regulation 91E of the LODR Regulations:** All Social Enterprises (SEs) will have to provide duly audited Annual Impact Report (AIR) to SSE within 90 days from the end of Financial Year.

**E. Statement of utilisation of funds in terms of 91F of the LODR Regulations:** Listed NPO shall submit statement of utilisation of funds to SSE, as mandated under Regulation 91F of the LODR Regulations, within 45 days from the end of quarter.

[Circular](#)

## 5. Firewall between Credit Rating Agencies and their Affiliates

Circular No.: SEBI/HO/DDHS/DDHS-RACPOD2/P/CIR/2022/ 121  
Dated 21<sup>st</sup> September, 2022

*Effective Data: January 1, 2023*

SEBI (Credit Rating Agencies) Regulations, 1999 (“CRA Regulations”) provide for a principle-based regulation of Credit Rating Agencies (CRAs) focusing inter alia on prevention of conflict of interests. Regulation 13 of the CRA Regulations require CRAs to abide by the Code of Conduct contained in the Third Schedule.

Further, CRA Regulations inter alia require CRAs to segregate certain activities to a separate entity (hereinafter referred to as “non-rating associate or subsidiary or group entity” or collectively as “non-rating entities”).

Vide this Circular, SEBI has mandated following measures to strengthen the firewall between SEBI-registered CRAs and their non-rating entities:

1. CRA shall formulate a policy on separation or firewall practices with non-rating entities and document the same in their internal operational manuals or governing document.



2. CRA shall disclose on its website, details of any common director or Chief Executive Officer or Managing Director between the CRA and the non-rating entity. Such disclosure shall be updated by the CRA on the first working day of each month. The disclosure should include a reference to the date it was last updated by the CRA, along with a reference or hyperlink to archives of previous such disclosures.

3. Credit rating scales (i.e., symbols and definitions) prescribed by SEBI vide its circulars dated June 15, 2011 or July 16, 2011 or any other circular issued under the CRA Regulations, shall not be used by any non-rating entities of the CRA.

4. The websites of SEBI-registered CRAs and their non-rating entities shall be separate. CRA's website may contain hyperlinks to the separate websites of the non-rating entities.

**Applicability:** The circular shall be applicable with effect from January 1, 2023, and CRAs shall report on their compliance with this circular (as ratified by their respective board of directors) to SEBI within one quarter from the date of applicability of this circular.

**Monitoring:** Monitoring of this circular shall be done in terms of the half-yearly internal audit for CRAs, mandated under Regulation 22 of the SEBI (Credit Rating Agencies) Regulations, 1999 and Circular dated January 06, 2010 issued thereunder.

#### [Circular](#)

### 6. Credit Ratings supported by Credit Enhancement (CE)

Circular No.: SEBI/HO/DDHS/DDHS-RACPOD2/P/CIR/2022/ 124

Dated 28th September, 2022

*Effective Date: January 1, 2023*

SEBI vide Circular dated June 13, 2019 had inter alia mandated various measures in reference to credit ratings of securities having explicit credit enhancement feature. SEBI's measures for CE-ratings are being further reviewed to provide for enhanced transparency and improved rating process for CE-ratings.

**Applicability:** (1) This circular shall be applicable to credit ratings of securities that are listed, or proposed to be listed, on a recognized stock exchange, and other credit ratings that are required under various SEBI Regulations or circulars thereunder..

(2) The circular shall be applicable with effect from January 1, 2023, and CRAs shall report on their compliance with this circular (as ratified by their respective board of directors) to SEBI within one quarter from the date of applicability of this circular.

Vide this Circular, SEBI has reiterated that credit ratings where the credit enhancement is external (or from third party), but the rated security is not bankruptcy remote (*unlikelihood of an entity being subjected to voluntary or involuntary bankruptcy proceedings*) of the issuer / originator will carry the 'CE' suffix. A list of such support considerations for CE-suffix is specified at Annexure A.

Further, the following measures are being mandated for credit ratings wherein any of the support considerations specified at Annexure A ("specified support considerations") is considered in the rating process:

**A.** In partial modification of SEBI circular dated June 13, 2019, to enable investors to understand the extent of credit enhancement provided by third party/ parent/ Group Company or specified support considerations, the press release for credit ratings, with or without the CE-suffix, backed by specified support considerations shall contain the following disclosures:

- i. Unsupported ratings without factoring in the explicit credit enhancement or specified support considerations,
- ii. Supported rating after factoring in the explicit credit enhancement or specified support considerations

Further, the Press Release shall also contain a detailed explanation of all the covenants of the security.

**B.** While assigning such credit ratings, CRAs shall conduct independent due diligence on the nature of specified support consideration and form a definitive internal view / opinion, and, wherever warranted, obtain an independent external legal opinion for ascertaining the strength of the credit enhancement.

**C.** CRAs shall verify the documentation related to the specified support considerations to ensure inter alia the following:

- i. The support is unconditional, irrevocable, and legally enforceable till all the obligations of the rated security has been paid to the investors.
- ii. CRAs shall undertake independent examination of financial strength of the support provider to ascertain the ability to honour the obligations guaranteed by the support provider.
- iii. The support provider has a lower probability of default on a continuous basis, compared with the rated issuer, till the time such ratings are outstanding.

**Monitoring:** Monitoring of this circular shall be done in terms of the half-yearly internal audit for CRAs.

[Circular](#)

#### **7. Amendments to guidelines for preferential issue and institutional placement of units by a listed InvIT**

Circular No.: SEBI/HO/DDHS/DDHS\_Div3/P/CIR/2022/129

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

SEBI vide circular dated November 27, 2019 had issued guidelines for preferential issue and institutional placement of units by listed InvITs (“Guidelines”) which were subsequently revised vide circulars dated March 13, 2020, September 28, 2020, November 17, 2020 and August 26, 2022.

Vide this Circular, SEBI has modified the above guidelines for preferential issue and institutional placement of units by listed InvITs as under:

1. Clause 2.2. of the above SEBI circular (as amended), is modified as under:

“2.2 Units of the same class, which are proposed to be allotted have been listed on a stock exchange for a period of at least six months prior to the date of issuance of notice to its unit holders for convening the meeting to pass the resolution in terms of clause 2.1 above:”

2. Clause 4.2. of Annexure II of the above SEBI circular (as amended), is modified as under:

“4.2 No allotment shall be made, either directly or indirectly, to any institutional investor who is a sponsor(s) or investment manager, or is a person related to, or related party or associate of, the sponsor(s) or the investment manager

Provided that allotment of units can be made to the sponsor for un-subscribed portion in the institutional placement subject to following conditions:

- a. at least ninety percent of the issue size has been subscribed
- b. objects of the issue is acquisition of assets from sponsor
- c. units allotted to sponsor shall be locked in as per Clause 3 of Annexure I.
- d. unitholders approval shall be taken for unsubscribed portion being allotted to sponsor”

[Circular](#)

#### **8. Amendments to guidelines for preferential issue and institutional placement of units by a listed REIT**

Circular No.: SEBI/HO/DDHS/DDHS\_Div3/P/CIR/2022/130

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

SEBI vide circular dated November 27, 2019 had issued guidelines for preferential issue and institutional placement of units by listed REITs (“Guidelines”) which were subsequently revised vide circulars dated March 13, 2020, September 28, 2020 and August 26, 2022.

Vide this Circular, SEBI has modified the above guidelines for preferential issue and institutional placement of units by listed REITs as under:

1. Clause 2.2. of the above SEBI circular (as amended), is modified as under:

*“2.2 Units of the same class, which are proposed to be allotted have been listed on a stock exchange for a period of at least six months prior to the date of issuance of notice to its unit holders for convening the meeting to pass the resolution in terms of clause 2.1 above:”*

2. Clause 4.2. of Annexure II of the above SEBI circular (as amended), is modified as under:

*“4.2 No allotment shall be made, either directly or indirectly, to any institutional investor who is a sponsor(s) or manager, or is a person related to, or related party or associate of, the sponsor(s) or the manager*

*Provided that allotment of units can be made to the sponsor for un-subscribed portion in the institutional placement subject to following conditions*

- a. *at least ninety percent of the issue size has been subscribed*
- b. *objects of the issue is acquisition of assets from that sponsor*
- c. *units allotted to sponsor shall be locked in as per Clause 3 of Annexure I.*
- d. *unitholders approval shall be taken for unsubscribed portion being allotted to sponsor”*

[Circular](#)



<b>MCA</b>
<b>1. Companies (Specification of definition details) Amendment Rules, 2022</b>
G.S.R. 700(E) Dated 15 <sup>th</sup> September, 2022
<p>Vide this notification, MCA has amended the Companies (Specification of Definition Details) Rules, 2014.</p> <p>In Rule 2(1), for clause (t) pertaining to definition of ‘Small Company’, the following clause shall be substituted, namely:-</p> <p><i>“(t) For the purposes of sub-clause (i) and sub-clause (ii) of clause (85) of section 2 of the Act, paid up capital and turnover of the small company shall not exceed rupees four crore and rupees forty crores respectively (previously two crore and rupees twenty crores respectively).”</i></p> <p><a href="#">Notification</a></p>
<b>2. Companies (Corporate Social Responsibility Policy) Amendment Rules, 2022</b>
G.S.R. 715(E) Dated 20 <sup>th</sup> September, 2022
<p>Vide this notification, MCA has amended the Companies (Corporate Social Responsibility Policy) Rules, 2014.</p> <p>Following is the gist of the amendments:</p> <p><b>1. In Sub Rule (1) to Rule 3 pertaining to CSR, after the proviso, the following proviso has been inserted, namely: -</b></p> <p>“Provided further that a company having any amount in its Unspent Corporate Social Responsibility Account as per sub-section (6) of section 135 shall constitute a CSR Committee and comply with the provisions contained in sub-sections (2) to (6) of the said section.”</p> <p><b>2. Sub-rule (2) to Rule 3 has been omitted. This sub rule</b> required that every company which ceases to be a company covered under section 135(1) of the Act for three consecutive financial years shall not be required to constitute a CSR Committee and to comply with the provisions. Once the CSR provisions become applicable on a company, they will continue to be applicable.</p> <p><b>3. In rule 4 pertaining to CSR Implementation, for sub-rule (1), the following sub-rule shall be substituted, namely: -</b></p> <p>‘(1) The Board shall ensure that the CSR activities are undertaken by the company itself or through, –</p> <ul style="list-style-type: none"> <li>(a) a company established under section 8 of the Act, or a registered public trust or a registered society, exempted <b>under sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10</b> or registered under section 12A and approved under 80 G of the Income Tax Act, 1961 (43 of 1961), established by the company, either singly or along with any other company; or</li> <li>(b) a company established under section 8 of the Act or a registered trust or a registered society, established by the Central Government or State Government; or</li> <li>(c) any entity established under an Act of Parliament or a State legislature; or</li> <li>(d) a company established under section 8 of the Act, or a registered public trust or a registered society, exempted <b>under sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10</b> or registered under section 12A and approved under 80 G of the Income Tax Act, 1961, and having an established track record of at least three years in undertaking similar activities.</li> </ul> <p><b>Explanation - For the purpose of clause (c), the term “entity” shall mean a statutory body constituted under an Act of Parliament or State legislature to undertake activities covered in Schedule VII of the Act.’.</b></p> <p>Earlier, only those companies established under the provisions of Section 8 of the Act, or registered public trusts or</p>

registered societies who were registered under Sections 12A and 80 G of the Income Tax Act, 1961 were eligible under the said rule. Now, the scope has been widened to include those companies established under section 8 of the Act, or registered public trusts or registered societies which are exempted under sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10 or registered under section 12A and approved under 80 G of the Income Tax Act, 1961. The word “entities” has also been defined by way of an explanation.

**4. In rule 8 pertaining to CSR Reporting, in clause (c) to sub-rule (3) -**

A Company undertaking impact assessment may book the expenditure towards Corporate Social Responsibility for that financial year, which shall not exceed two percent (*previously five percent*) of the total CSR expenditure for that financial year or fifty lakh rupees, whichever is higher (*previously whichever is less*).

**5. Annexure-II - format for the annual report on CSR activities** to be included in the board’s report for financial year commencing on or after the 1st day of April, 2020, has been substituted with new Annexure-II.

[Notification](#)

**3. Extension of time for filing of e-form DIR-3 KYC and web form DIR-3 KYC-WEB without fee upto 15.10.2022**

General Circular No. 09/2022  
Dated 29<sup>th</sup> September, 2022

Vide this Circular, MCA has permitted the filing of e--form DIR-3 KYC and web form DIR-3 KYC-WEB without filing fee upto 15<sup>th</sup> October, 2022.

The original due date for filing of the above e-forms of KYC was 30<sup>th</sup> September, 2022.

[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.



## **Lovi Mehrotra & Associates**

**Chartered Accountants**

**21-22 IInd Floor Krishna Nagar Safdarjung Enclave  
New Delhi 110029**

**Website : [www.lma.co.in](http://www.lma.co.in) • Email : [d.khanna@lma.co.in](mailto:d.khanna@lma.co.in)**