

JULY 2020

NEWSLETTER

REGULATORY

- RBI
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RBI

1. Extension of timeline for finalization of audited accounts

Notification No. RBI/2020-21/11 DoR (NBFC) (PD) CC. No. 114/03.10.001/2020-21
Dated 6th July, 2020

Vide this notification SEBI has extended the timeline for finalization of audited accounts by Non-Banking Financial Companies (NBFCs). As per the Master Direction on Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 and Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016, every NBFC is required to finalize its balance sheet within a period of 3 months from the date to which it pertains.

As per the notification issued, it has been specified that every NBFC shall finalize its balance sheet within a period of 3 months from the date to which it pertains or any date as notified by SEBI for submission of financial results by listed entities.

[Notification](#)

2. Exemption from Registration as NBFC – Alternative Investment Fund (AIF)

Notification No. RBI/2020-21/12 DOR (NBFC).CC.PD.No.115/03.10.001/2020-21
Dated 10th July, 2020

RBI vide Master Directions on Exemptions from the provisions of RBI Act, 1934 dated August 25, 2016 had prescribed that Venture capital fund companies, holding a certificate of registration obtained under section 12 of the SEBI Act, 1992 and not holding or accepting public deposit are exempted from registration as NBFC under the RBI Act, 1934 and also from the applicability of guidelines issued by the Bank for NBFCs.

Vide this notification, RBI has specified that in view of the repeal of SEBI (Venture Capital Funds) Regulations, 1996 and enactment of SEBI (Alternative Investment Funds) Regulations, 2012, the above exemption will be applicable to Alternative Investment Fund Companies.

[Notification](#)

3. Implementation of Indian Accounting Standards

Notification No. RBI/2020-21/15 DOR (NBFC).CC.PD.No.116/22.10.106/2020-21
Dated 24th July, 2020

RBI vide circular dated 13th March, 2020 had provided regulatory guidance on Indian Accounting Standards (Ind AS) for preparation of financial statements for Ind AS implementing NBFCs and Asset Reconstruction Companies (ARCs). As per the guidance, any net unrealized gains arising on fair valuation of financial instruments was not required to be included in owned funds whereas all such net losses were to be considered.

Vide this notification, RBI has specified that the unrealized gain/loss on a derivative transaction undertaken for hedging may be offset against the unrealized loss/gain recognized in the capital (either through Profit or Loss or through other Comprehensive Income) on the corresponding underlying hedged instrument. If after such offset and netting with unrealized gains/losses on other financial instruments, there are still net unrealized gains, the same should be excluded from regulatory capital as required under the provisions of the said circular. It is also clarified that unrealized gains/losses shall be considered net of the effect of taxation.

[Notification](#)

SEBI

1. Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) (Third Amendment) Regulations, 2020

No. SEBI/LAD-NRO /GN/ 2020/20
Dated 1st July, 2020

SEBI has amended the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

Following is the gist of amendments:

1. **Regulation 17(1)** – Insertion of proviso; In case of indirect acquisitions where public announcement has been made, an amount equivalent to a hundred percent of the consideration payable in the open offer shall be deposited in the escrow account.

2. **Regulation 17(3) (c)** – Insertion of proviso; Deposit of securities shall not be permitted in respect of indirect acquisitions where public announcement has been made.

3. **Regulation 18(11)** - Insertion of sub-regulation; In case the acquirer is unable to make payment to the shareholders who have accepted the open offer within the prescribed period, then the acquirer shall pay interest for the period of delay to all such shareholders whose shares have been accepted in the open offer, at the rate of 10% per annum.

[Regulation](#)

2. Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Third Amendment) Regulations, 2020

No. SEBI/LAD-NRO/GN/2020/21
Dated 1st July, 2020

SEBI has amended the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018. A new regulation 164B has been inserted after regulation 164 in respect of Optional Pricing in preferential issue.

[Regulation](#)

3. Relaxation from compliance with certain provisions of the SEBI (Issue and Listing of Municipal Debt Securities) Regulations, 2015 (ILDM Regulations) and certain SEBI Circulars due to the CoVID -19 virus pandemic

Circular No. SEBI/HO/DDHS/CIR/P/2020/116
Dated 7th July, 2020

SEBI vide Circular No. SEBI/HO/DDHS/CIR/P/2020/4 Dated 23rd March, 2020 had granted extension of timelines for certain requirements for issuers of Municipal Debt Securities.

Vide this circular, SEBI has decided to modify the extension period granted with respect to filing of investor grievance report, financial results and accounts maintained by issuers under ILDM Regulations. The timeline for filing the aforesaid is extended till 31st July, 2020 (previously 30th June, 2020).

[Circular](#)

4. Master Circular for Commodity Derivatives Market

Circular No. SEBI/HO/CDMRD/DNPMP/CIR/P/2020/118
Dated 10th July, 2020

SEBI has issued a Master Circular for Commodity Derivatives Market.

This Master Circular is a compilation of circulars issued by Commodity Derivatives Market Regulation Department (CDMRD) of SEBI pertaining to domestic commodity derivatives segment till the date of this circular.

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

[Master Circular](#)

5. Guidelines for Issue and Listing of Structured Products/ Market Linked Debentures-Amendments

Circular No. SEBI/HO/DDHS/CIR/P/2020/120

Dated 13th July, 2020

The extant guidelines for Issue and Listing of Structured Products/ Market Linked Debentures (MLD) prescribe that issuer of MLD shall appoint a third party valuation agency which shall be a Credit Rating Agency (CRA) registered with SEBI for carrying out valuation of MLDs.

SEBI on May 30, 2020 had amended the SEBI (Credit Rating Agencies) Regulation, 1999 and stated that a CRA cannot carry out any activity other than rating of securities post May 30, 2020.

In view of the above, SEBI vide this circular has amended the guidelines for Issue and Listing of Structured Products/ Market Linked Debentures (MLD) and specified that valuation of MLDs shall be carried out by an agency appointed by AMFI for the purpose of carrying out valuation.

[Circular](#)

6. Relaxation from compliance with provisions of the SEBI (Issue and Listing of Debt Securities) Regulations, 2008 ("ILDS Regulation"), SEBI (Non-Convertible Redeemable Preference Shares) Regulations, 2013 ("NCRPS Regulations") and SEBI Circulars relating to Listing of Commercial Papers

Circular No. SEBI/HO/DDHS/CIR/P/2020/121

Dated 15th July, 2020

SEBI vide Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/106 dated 24th June, 2020 had extended the timelines for submission of financial results for the quarter/half year/annual financial year for the period ending March 31, 2020 till July 31, 2020.

SEBI vide this circular, has permitted listed issuers who have issued NCDs/NCRPS/CPs, on or after July 01, 2020 and intend/propose to list such issued NCDs/NCRPS/CPs, on or before July 31, 2020, to use available financials as on December 31, 2019.

[Circular](#)

7. Securities and Exchange Board of India (Prohibition of Insider Trading) (Amendment) Regulations, 2020

No. SEBI/LAD-NRO/GN/2020/23

Dated 17th July, 2020

SEBI has amended the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015.

Following is the gist of amendments made:

Regulation 3	Communication or procurement of unpublished price sensitive information	Sub-regulation 5 has been replaced and new sub-regulation has been inserted after sub-regulation 5.
Regulation 7	Disclosures by certain persons	A new clause (c) has been inserted in sub-regulation 2 to prescribe that the disclosures shall be made in such form and such manner as may be specified by the Board from time to time.
Schedule B	Minimum Standards for Code of Conduct for Listed Companies	- Insertion of words "or transactions which are undertaken through such other mechanism as may be specified by the

	to Regulate, Monitor and Report Trading by Designated Persons	Board from time to time” after the words “delisting offer” in clause 4(3)(b) - Substitution of clause 12 - Substitution of words “inform the Board promptly” with the words “promptly inform the stock exchange(s) where the concerned securities are traded, in such form and such manner as may be specified by the Board from time to time” in clause 13
Schedule C	Minimum Standards for Code of Conduct for Intermediaries and Fiduciaries to Regulate, Monitor and Report Trading by Designated Persons	- Substitution of clause 10 - Substitution of words “inform the Board promptly” with the words “promptly inform the stock exchange(s) where the concerned securities are traded, in such form and such manner as may be specified by the Board from time to time” in clause 11

[Regulation](#)

8. Framework to Enable Verification of Upfront Collection of Margins from Clients in Cash and Derivatives segments

Circular No. SEBI/HO/MRD2/DCAP/CIR/P/2020/127
Dated 20th July, 2020

Effective Date – 1st December, 2020

This circular is issued in partial modification of the SEBI Circular dated November 19, 2019 pertaining to Collection and reporting of margins by Trading Member(TM) / Clearing Member (CM) in Cash Segment.

The above circular required the Trading Members (TMs) / Clearing Members (CMs) in cash segment to mandatorily collect upfront VaR margins and ELM from their clients.

On receipt of representations from market participants regarding issues in operationalization of collection of upfront margin from clients, SEBI vide this circular has prescribed the framework for the purpose of ‘Mechanism for regular monitoring of and penalty for short-collection/non-collection of margins from clients’ in Cash and Derivatives segments.

The framework is provided as Annexure to the Circular.

[Circular](#)

9. Relaxations relating to procedural matters - Issues and Listing

Circular No. SEBI/HO/CFD/DIL1/CIR/P/2020/136
Dated 24th July, 2020

SEBI vide circular dated 6th May, 2020 had given one time relaxation from strict enforcement of certain regulations of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, pertaining to Rights Issue opening upto July 31, 2020.

Vide this circular, SEBI has further extended the applicability of the aforesaid circular till December 31, 2020 and it shall be applicable for Rights Issue also.

[Circular](#)

10. Extension of time for submission of financial results for the quarter/half year/ financial year ended 30th June 2020

SEBI vide circular dated 24th June, 2020 had extended the timeline for submission of financial results by listed entities for the quarter / half-year / financial year ended 31st March 2020 to July 31, 2020 due to the impact of the CoVID-19 pandemic.

In terms of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('LODR Regulations') 2015, listed entities are required to submit the financial results for the quarter/half year ended June 30, 2020 on or before August 14, 2020.

SEBI vide this circular has extended the due date for submission of financial results by listed entities for the quarter / half-year / financial year ended 30th June, 2020 from 14th August, 2020 to 15th September, 2020.

[Circular](#)

11. Relaxation in timelines for compliance with regulatory requirements

Circular No. SEBI/HO/MIRSD/DOP/CIR/P/2020/141

Dated 29th July, 2020

SEBI had earlier provided relaxations in timelines for compliance with various regulatory requirements by the trading members / clearing members / depository participants through various circulars due to the impact of the CoVID-19 pandemic.

SEBI vide this circular has further extended the timelines for compliance with various regulatory requirements by the trading members / clearing members / depository participants. The further extensions in timelines are tabulated in the circular.

[Circular](#)

12. Relaxation in timelines for compliance with regulatory requirements

Circular No. SEBI/HO/MIRSD/DOP/CIR/P/2020/142

Dated 29th July, 2020

SEBI had earlier provided relaxations in timelines for compliance with various regulatory requirements by the Depository Participants (DPs) / Registrars to an Issue & Share Transfer Agents (RTAs) vide various circulars due to the impact of the CoVID-19 pandemic.

SEBI vide this circular has further extended the timelines for compliance with various regulatory requirements by the Depository Participants (DPs) / Registrars to an Issue & Share Transfer Agents (RTAs) / KYC Registration Agency (KRAs). The further extensions in timelines are tabulated in the circular.

[Circular](#)

13. Implementation of SEBI circular on Margin obligations to be given by way of Pledge / Re-pledge in the Depository System

Circular No. SEBI/HO/MIRSD/DOP/CIR/P/2020/143

Dated 29th July, 2020

SEBI, vide circular dated February 25, 2020, specified mechanism with regard to Margin obligations to be given by way of Pledge/ Re-pledge in the Depository System. The provisions of this circular which were initially to come into effect from June 01, 2020 were extended till August 01, 2020 vide Circular dated May 29, 2020.

In view of the prevailing situation arising out of the Covid 19 pandemic and based on representations received, SEBI vide this circular has decided as below in order to give a one-time further relaxation in the matter.

Trading Members (TM) / Clearing Members (CM) shall be allowed to accept client collateral by way of title transfer into the Client Collateral Account as per the present system. The system of parallel acceptance shall be available upto August 31, 2020 with no further extension.

Funded stocks held by the TM / CM under the margin trading facility shall preferably be held by the TM / CM by way of pledge with effect from August 01, 2020. TM / CM may continue to hold funded stocks in respect of margin funding in 'Client Margin Trading Securities Account' till August 31, 2020 by which date all such accounts shall be closed. It is reiterated that TM / CM shall be required to close all existing Demat accounts tagged as 'Client Margin / Collateral' by August 31, 2020.

[Circular](#)

14. Clarification on applicability of regulation 40(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 to open offers, buybacks and delisting of securities of listed entities

Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/144
Dated 31st July, 2020

Regulation 40(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR Regulations) provides that except in case of transmission or transposition of securities, requests for effecting transfer of securities shall not be processed unless the securities are held in the dematerialized form with a depository.

In view of the representations received from investors expressing concerns that they have not been able to participate in open offers, buybacks and delisting of securities of listed entities since the securities held by them were not in dematerialized form, SEBI has issued clarification in this circular in respect of the same.

It has been clarified that shareholders holding securities in physical form are allowed to tender shares in open offers, buy-backs through tender offer route and exit offers in case of voluntary or compulsory delisting. However, such tendering shall be as per the provisions of respective regulations.

[Circular](#)

15. Use of digital signature certifications for authentication / certification of filings / submissions made to Stock Exchanges

Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/145
Dated 31st July, 2020

SEBI vide Circular dated April 17, 2020 had permitted use of digital signature certifications for authentication/certification of filings / submissions made under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('LODR Regulations'), to the Stock Exchanges, till June 30, 2020.

In view of the representations received from the Institute of Company Secretaries of India (ICSI), SEBI has extended the use of digital signature certifications for authentication / certification of filings / submissions to the Stock Exchanges till December 31, 2020.

[Circular](#)

16. Collection and Reporting of Margins by Trading Member (TM) / Clearing Member (CM) in Cash Segment

Circular No. SEBI/HO/MIRSD/DOP/CIR/P/2020/146
Dated 31st July, 2020

SEBI vide Circular dated November 19, 2019 had issued guidelines with regard to collection of margins from clients and reporting of short-collection/non-collection of margins by Trading Member (TM) / Clearing Member (CM).

In view of the representations received from the investors, TMs/CMs, stock broker associations, SEBI vide this circular has granted following relaxations from the above provision of the said circular:

1. If TM / CM collects minimum 20% upfront margin in lieu of VaR and ELM from the client, then penalty for short-collection / non-collection of margin shall not be applicable. However, it is reiterated that Clearing Corporation shall continue to collect the upfront margin from the TM / CM based on VaR and ELM.
2. The penalty provision for short-collection / non-collection of upfront margin in cash segment shall be implemented with effect from September 01, 2020.

All the other provisions of the November 19 circular shall continue to be applicable.

[Circular](#)

MCA

1. Extension of the last date of filing of Form NFRA-2

General Circular No. 26/2020
Dated 6th July, 2020

MCA has extended the last date for filing of Form NFRA-2 i.e. Annual Return required to be filed by the Auditor. The time limit for filing of form NFRA-2 for reporting period FY 2018-19 will be 270 days (Previously 210 days) from the date of deployment of this form on the website of National Financial Reporting Authority (NFRA).

[Circular](#)

2. Companies (Indian Accounting Standards) Amendment Rules, 2020

Notification No.: G.S.R. 463(E)
Dated 24th July, 2020

MCA has amended the Companies (Indian Accounting Standards) Rules, 2015. Following is the list of Indian Accounting Standards in which amendments have been made:

1. Indian Accounting Standard (Ind AS) 103 – Business Combinations
2. Indian Accounting Standard (Ind AS) 107 – Financial Instruments: Disclosures
3. Indian Accounting Standard (Ind AS) 109 – Financial Instruments
4. Indian Accounting Standard (Ind AS) 116 - Leases
5. Indian Accounting Standard (Ind AS) 1 - Presentation of Financial Statements
6. Indian Accounting Standard (Ind AS) 8 - Accounting Policies, Changes in Accounting Estimates and Errors
7. Indian Accounting Standard (Ind AS) 10 - Events after the Reporting Period
8. Indian Accounting Standard (Ind AS) 34 - Interim Financial Reporting
9. Indian Accounting Standard (Ind AS) 37 - Provisions, Contingent Liabilities and Contingent Assets

[Notification](#)

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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