

**JULY 2022**

# NEWSLETTER

## REGULATORY

- RBI
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**1. 'Fully Accessible Route' for Investment by Non-residents in Government Securities – Additional specified securities**RBI/2022-23/86 FMRD.FMID.No.04/14.01.006/2022-23  
Dated: 7<sup>th</sup> July, 2022

Reference is drawn to the paragraph 3 of the press release on “Liberalisation of Forex Flows” dated July 06, 2022 regarding inclusion of additional ‘specified securities’ under the Fully Accessible Route (**FAR**) for investments in Government securities by non-residents.

RBI vide Circular No. 25 dated March 30, 2020, had introduced the **FAR** in pursuance of the announcement made in the Union Budget 2020-21 that certain specified categories of Central Government securities would be opened fully for non-resident investors without any restrictions, apart from being available to domestic investors. The Government Securities that were eligible for investment under the FAR (‘specified securities’) were notified by the Bank, vide circular dated March 30, 2020.

Vide this notification, RBI has decided to designate the two securities listed in the Table below as well as all new issuances of Government securities of 7-year and 14-year tenors as ‘specified securities’ under the FAR. Accordingly, these securities will, henceforth, be eligible for investment under the FAR.

<b>Table: Additional ‘specified securities’ under the Fully Accessible Route</b>		
<b>S. No.</b>	<b>ISIN</b>	<b>Security</b>
1	IN0020220011	7.10% GS 2029
2	IN0020220029	7.54% GS 2036

[Notification](#)**2. Investment by Foreign Portfolio Investors (FPI) in Debt – Relaxations**RBI/2022-23/87 A.P. (DIR Series) Circular No.07  
Dated: 7<sup>th</sup> July, 2022

Reference is drawn to:

- Paragraph 3 of the press release on “Liberalization of Forex Flows” dated July 06, 2022 regarding relaxations in the regulatory regime under the Medium-Term Framework.
- Foreign Exchange Management (Debt Instruments) Regulations, 2019 notified vide Notification No. FEMA. 396/2019-RB dated October 17, 2019, as amended from time to time, and the relevant directions issued thereunder.
- A.P. (DIR Series) Circular No. 31 dated June 15, 2018 (hereinafter, Directions), as amended from time to time.

In terms of paragraphs 4(b)(i) and 4(b)(ii) of the Directions, short-term investments by an FPI in government securities (Central Government securities, including Treasury Bills and State Development Loans) and corporate bonds shall not exceed 30% of the total investment of that FPI in any category.

RBI vide this circular has decided that investment by FPIs in government securities and corporate bonds made between July 08, 2022 and October 31, 2022 (both dates included) shall be exempted from the limit on short-term investments till maturity or sale of such investments.

In terms of paragraph 4(b)(ii) of the Directions, FPI investments in corporate bonds were subject to a minimum residual maturity requirement of one year. RBI has decided to allow FPIs to invest in commercial papers and non-convertible debentures with an original maturity of up to one year, during the period between July 08, 2022 and October 31, 2022 (both dates included). These investments shall be exempted from the limit on short-term investments till maturity or sale of such investments.

[Notification](#)

## SEBI

### 1. Investor Grievance Redressal Mechanism and Amendment to SEBI Circular no. SEBI/HO/DMS/CIR/P/2017/15 dated February 23, 2017

Circular No.: SEBI/HO/MRD1/ICC1/CIR/P/2022/94

Dated: 4<sup>th</sup> July 2022

Vide this circular, SEBI has brought about the following amendments:

#### A. Online Web Based Complaints Redressal System:

1. SEBI had implemented an online platform (SCORES) designed to help investors to lodge their complaints, pertaining to securities market, against listed companies and SEBI registered intermediaries.
2. All Recognized Stock Exchanges including Commodity Derivatives Exchanges / Depositories are advised to design and implement an online web based complaints redressal system of their own, which will facilitate investors to file complaints and escalate complaints for redressal through Grievance Redressal Committee (GRC), arbitration, appellate arbitration etc. in accordance with their respective byelaws, rules and regulations.
3. The above redressal mechanism shall be implemented within 6 months from the issuance of this circular. The salient features of the system are enclosed as Annexure to the Circular.

#### B. Hybrid Mode of Conducting GRC and Arbitration / Appellate Arbitration:

1. During the COVID pandemic, Stock Exchanges were advised to conduct GRC and arbitration / appellate arbitration meetings/hearings online for faster redressal of complaints.
2. Stock Exchanges shall continue with the hybrid mode (i.e., online and offline) of conducting GRC and arbitration / appellate arbitration process. Depositories shall follow the hybrid mode (i.e. online and offline) of conducting GRC and arbitration / appellate arbitration process.

#### C. Amendment to SEBI Circular no. SEBI/HO/DMS/CIR/P/2017/15 dated February 23, 2017:

1. Clause 1.J. of the SEBI circular dated February 23, 2017 pertaining to Speeding up grievance redressal mechanism has been replaced with the following new clause:

*“(iii) A client, who has a claim / counter claim upto Rs.20 lakh (Rs. Twenty lakh) and files arbitration reference, will be exempted from payment of the fees specified in Clause 1.J.(i).”*

[Circular](#)

### 2. Modification in Cyber Security and Cyber resilience framework of KYC Registration Agencies (KRAs)

Circular No.: SEBI/HO/MIRSD/TPD/P/CIR/2022/95

Dated 5<sup>th</sup> July, 2022

SEBI vide circular dated 15 October 2019 and 30 May 2022 had prescribed framework for Cyber Security and Cyber Resilience for KYC Registration Agencies.

In partial modification to Annexure A of SEBI circular dated 15 October 2019, SEBI, vide this circular, has modified the paragraph-51 as under:

51. All Cyber-attacks, threats, cyber-incidents and breaches experienced by KRAs shall be reported to SEBI within 6 hours of noticing / detecting such incidents or being brought to notice about such incidents.

The incident shall also be reported to Indian Computer Emergency Response team (CERT-In) in accordance with the guidelines / directions issued by CERT-In from time to time. Additionally, the KRAs, whose systems have been identified as “Protected system” by National Critical Information Infrastructure Protection Centre (NCIIPC) shall also report the incident to NCIIPC.

The quarterly reports containing information on cyber-attacks, threats, cyber-incidents and breaches experienced by KRAs and measures taken to mitigate vulnerabilities, threats and attacks including information on bugs/vulnerabilities/threats that may be useful for other KRAs shall be submitted to SEBI within 15 days from the quarter

ended June, September, December and March of every year. The above information shall be shared through the dedicated e-mail id: [kra@sebi.gov.in](mailto:kra@sebi.gov.in). The format for submitting the quarterly reports is attached as Annexure B to the Circular.

[Circular](#)

### **3. Modification in Cyber Security and Cyber resilience framework of Qualified Registrars to an Issue and Share Transfer Agents (QRTAs)**

Circular No.: SEBI/HO/MIRSD/TPD/P/CIR/2022/96

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

SEBI vide circulars dated 08 September 2017, 15 October 2019 and 27 May 2022 had prescribed framework for Cyber Security and Cyber Resilience for all Qualified Registrars to an Issue and Share Transfer Agents (QRTAs).

In partial modification to Annexure A of SEBI circular dated 08 September 2017, SEBI, vide this circular, has modified paragraph-51 of the said circular as under:

51. All Cyber-attacks, threats, cyber-incidents and breaches experienced by QRTAs shall be reported to SEBI within 6 hours of noticing / detecting such incidents or being brought to notice about such incidents.

The incident shall also be reported to Indian Computer Emergency Response team (CERT-In) in accordance with the guidelines / directions issued by CERT-In from time to time. Additionally, the QRTAs, whose systems have been identified as "Protected system" by National Critical Information Infrastructure Protection Centre (NCIIPC) shall also report the incident to NCIIPC.

The quarterly reports containing information on cyber-attacks, threats, cyber-incidents and breaches experienced by QRTAs and measures taken to mitigate vulnerabilities, threats and attacks including information on bugs/vulnerabilities/threats that may be useful for other QRTAs shall be submitted to SEBI within 15 days from the quarter ended June, September, December and March of every year. The above information shall be shared through the dedicated e-mail id: [rta@sebi.gov.in](mailto:rta@sebi.gov.in).

The format for reporting as prescribed in the circular dated 15 October 2019 remains unchanged and is attached as Annexure B to the Circular.

[Circular](#)

### **4. Levy of Goods & Services Tax (GST) on the fees payable to SEBI**

Circular No.: SEBI/HO/GSD/TAD/CIR/P/2022/0097

Dated 18<sup>th</sup> July, 2022

The GST Council in its meeting held on June 28 and June 29, 2022, recommended inter alia to withdraw the exemption granted to services by SEBI and the same has been notified vide Notification No.4/2022 dated 13<sup>th</sup> July, 2022.

Accordingly, all the Market Infrastructure Institutions, Companies who have listed / are intending to list their securities, other intermediaries and persons who are dealing in the securities market, are hereby informed that the fees and other charges payable to SEBI shall be subject to GST at the rate of 18% with effect from July 18, 2022.

[Circular](#)

### **5. 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/2022/99

Dated 20<sup>th</sup> July, 2022

SEBI vide circular dated November 05, 2019 had detailed the e-KYC Authentication facility under Section 11A of the Prevention of Money Laundering Act, 2002, by entities in the securities market for Resident Investors.

Subsequently, SEBI vide its circular dated May 12, 2020 had listed the entities who were to undertake Aadhaar



Authentication service of UIDAI as KYC User Agency (KUA) in securities market. The KUA shall allow SEBI registered intermediaries to undertake Aadhaar Authentication of their clients as sub-KUA for the purpose of KYC.

In this regard, Department of Revenue-Ministry of Finance, Government of India, vide Gazette Notification No. S.O. 3187(E) dated July 13, 2022 has notified 155 reporting entities as sub-KUA to use Aadhaar authentication services of UIDAI under section 11A of the Prevention of Money-laundering Act, 2002. A copy of the same is enclosed at Annex A to the circular.

The above mentioned entities are required to enter into an agreement with a KUA and get themselves registered with UIDAI as sub-KUAs. The agreement in this regard will be as prescribed by UIDAI. Further, the Sub-KUAs are also required to follow the process as detailed in SEBI circular dated Nov 05, 2019 and as may be prescribed by UIDAI from time to time.

The KUAs will facilitate the onboarding of these entities as sub-KUAs to provide the services of Aadhaar authentication with respect to KYC.

[Circular](#)

## **6. Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Fifth Amendment) Regulations, 2022**

F. No. SEBI/LAD-NRO/GN/2022/88  
Dated 25<sup>th</sup> July, 2022

Vide this notification, SEBI has amended the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Following is the gist of amendments:

1. Inclusion of “Zero Coupon Zero Principal Instruments” in the definition of “designated securities”.
2. Insertion of clause (zo) after (zn): the expressions “For Profit Social Enterprise”, “Not for Profit Organization”, “Social Enterprise”, “Social Stock Exchange”, “draft fund raising document”, “final fund raising document”, “fund raising document”, “Social Auditor” and “Social Audit Firm” shall have the same meaning as assigned to them in the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulation, 2018
3. After Chapter IX and before Chapter X, Chapter IX-A pertaining to ‘Obligations of Social Enterprises’ has been inserted.

The provisions of this Chapter are applicable to:

- (a) a For Profit Social Enterprise whose designated securities are listed on the applicable segment of the Stock Exchange(s);
- (b) a Not for Profit Organization that is registered on the Social Stock Exchange(s);

The new chapter contains the following provisions with respect to ‘Obligations of Social Enterprises’

- a. Disclosures to be made by a For Profit Social Enterprise and by a Not for Profit Organization
- b. Intimations and disclosures by Social Enterprise of events or information to Social Stock Exchange(s) or Stock Exchange(s)
- c. Disclosures by a Social Enterprise in respect of social impact
- d. Statement of utilisation of funds

[Regulation](#)

## **7. Securities and Exchange Board of India (Alternative Investment Funds) (Third Amendment) Regulations, 2022**

F. No. SEBI/LAD-NRO/GN/2022/89  
Dated 25<sup>th</sup> July, 2022

Vide this notification, SEBI has amended the SEBI (Alternative Investment Funds) Regulations, 2012.

Following is the gist of amendments:

1. Following definitions have been inserted:
  - a. Disclosures by a Social Enterprise in respect of not for profit organization” shall have the same meaning as assigned to it in clause (e) of regulation 292A of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018
  - b. “social enterprise” shall have the same meaning as assigned to it in clause (h) of regulation 292A of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
  - c. “social impact fund” means an Alternative Investment Fund which invests primarily in securities, units or partnership interest of social ventures or securities of social enterprises and which satisfies the social performance norms laid down by the fund;
  - d. “social stock exchange” shall have the same meaning as assigned to it in clause (i) of regulation 292A of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
  - e. “social units” means units issued by a social impact fund or schemes of a social impact fund to investors who have agreed to receive only social returns or benefits and no financial returns against their contribution;
2. In Regulation 3 pertaining to Registration of Alternative Investment Funds, the words “social venture funds” has been substituted with the words “social impact funds”.
3. In Regulation 10 pertaining to Investment in Alternative Investment Fund, following are amendments:
  - a. a social impact fund or schemes of a social impact fund may also issue social units
  - b. each scheme of the social impact fund shall have a corpus of at least five crore rupee
  - c. In case of a social impact fund which invests only in securities of not for profit organizations registered or listed on a social stock exchange, the minimum value of investment by an individual investor shall be two lakh rupees
4. In Regulation 16 pertaining to conditions for Category I Alternative Investment Funds, following are amendments:
  - a. the word “venture” has been substituted with the word “impact”
  - b. at least seventy-five percent of the investable funds shall be invested in unlisted securities or partnership interest of social ventures or in units of social ventures or in securities of social enterprises.
  - c. an existing social impact fund may invest the remaining investable funds in securities of not for profit organizations registered or listed on a social stock exchange with the prior consent of atleast 75% of the investors by value of their investment
  - d. a social impact fund or schemes of a social impact fund launched exclusively for a not for profit organization registered or listed on a social stock exchange, shall be permitted to deploy or invest hundred percent of the investable funds in the securities of not for profit organizations registered or listed on a social stock exchange.

#### Regulation

### **8. Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Third Amendment) Regulations, 2022**

F. No. SEBI/LAD-NRO/GN/2022/90

Dated 25<sup>th</sup> July, 2022

Vide this notification, SEBI has amended the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018. After Chapter X and before Chapter XI, a new Chapter X-A pertaining to Social Stock Exchange has been inserted

The provisions of this Chapter are applicable to:

- (a) a Not for Profit Organization seeking to only get registered with a Social Stock Exchange;
- (b) a Not for Profit Organization seeking to get registered and raise funds through a Social Stock Exchange;
- (c) a For Profit Social Enterprise seeking to be identified as a Social Enterprise under the provisions of this Chapter.

The new chapter contains the following provisions with respect to ‘Social Stock Exchange’

- a. Definitions and Accessibility
- b. Social Stock Exchange Governing Council
- c. Eligibility conditions for being identified as a Social Enterprise;

- d. Requirements relating to registration for a Not for Profit Organization;
- e. Fund raising by Social Enterprises;
- f. Ineligibility for raising of funds;
- g. Issuance of Zero Coupon Zero Principal Instruments;
- h. Eligibility for issuance of Zero Coupon Zero Principal Instruments;
- i. Procedure for private and public issuance of Zero Coupon Zero Principal Instruments by a Not for Profit Organization;
- j. Contents of the fund raising document;
- k. Other conditions relating to issuance of Zero Coupon Zero Principal Instruments;
- l. Termination of listing of Zero Coupon Zero Principal Instruments from the Social Stock Exchange

## Regulation

### **9. Implementation of Circular on 'Guidelines in pursuance of amendment to SEBI KYC (Know Your client) Registration Agency (KRA) Regulations, 2011'**

Circular No.: SEBI/HO/MIRSD/DoP/P/CIR/2022/101  
Dated 27<sup>th</sup> July, 2022

SEBI, vide Circulars dated April 6, 2022, had issued guidelines in pursuance of amendment to SEBI KYC (Know Your client) Registration Agency (KRA) Regulations, 2011. The provisions of this circular at clause 9 and clause 13 were to come into effect from July 01, 2022.

Subsequently, an extension was granted vide circular no. SEBI/HO/MIRSD/DOP/P/ CIR/2022/89 dated June 24, 2022 whereby the aforesaid clauses were to come into effect from August 01, 2022

Vide this circular, SEBI has decided to further extend the timelines for applicability of clause 9 and clause 13 as under:

- A. KYC records of all existing clients (who have used Aadhaar as an OVD (Officially Valid Documents)) shall be validated within a period of 180 days from November 01, 2022.
- B. Validation of all KYC records (new and existing) shall commence from November 01, 2022.

## Circular

### **10. Settlement of Running Account of Client's Funds lying with Trading Member (TM)**

Circular No.: SEBI/HO/MIRSD/DoP/P/CIR/2022/101  
Dated 27<sup>th</sup> July, 2022

*Effective Date: October 1, 2022*

SEBI vide circular no. CIR/HO/MIRSD/DOP/CIR/P/2019/75 dated June 20, 2019, had discontinued settlement of running account for securities and therefore, SEBI circulars dated December 03, 2009 and September 26, 2016, were applicable for settlement of running account of client's "funds" only.

Further, SEBI, vide circular no. SEBI/HO/MIRSD/DOP/P/CIR/2021/577 dated June 16, 2021, had partially modified the aforementioned SEBI circulars dated December 03, 2009 and September 26, 2016 on settlement of running account.

Vide this circular, SEBI has decided the following:

- a. The settlement of running account of funds of the client shall be done by the TM after considering the End of the day (EOD) obligation of funds as on the date of settlement across all the Exchanges on first Friday of the Quarter (i.e., Apr-Jun, Jul-Sep, Oct-Dec, Jan-Mar) for all the clients i.e., the running account of funds shall be settled on first Friday of October 2022, January 2023, April 2023, July 2023 and so on for all the clients. If first Friday is a trading holiday, then such settlement shall happen on the previous trading day.
- b. For clients, who have opted for Monthly settlement, running account shall be settled on first Friday of every month. If first Friday is a trading holiday, then such settlement shall happen on the previous trading day.

Clause 5.1 of the circular dated June 16, 2021 is modified to this extent. All other provisions in the circular dated June 16, 2021 shall continue to remain applicable.

[Circular](#)

### **11. Addendum to SEBI Circular on Development of Passive Funds**

Circular No.: SEBI/HO/IMD/DF2/CIR/P/2022/102  
Dated 28<sup>th</sup> July, 2022

The provisions of SEBI Circular No. SEBI/HO/IMD/DOF2/P/CIR/2022/69 dated May 23, 2022 on “Development of passive funds” were to apply with effect from July 01, 2022.

Clause 2(IV)(A) of the aforesaid circular prescribed that in respect of units of ETFs, direct transaction with AMCs shall be facilitated for investors only for transactions above a specified threshold of INR 25 Cr.

SEBI vide this circular has decided that the applicability of clause 2(IV)(A) of the circular shall be November 01, 2022.

[Circular](#)

### **12. Framework for automated deactivation of trading and demat accounts in cases of inadequate KYCs**

Circular No.: SEBI/HO/EFD1/EFD1\_DRA4/P/CIR/2022/104  
Dated 29<sup>th</sup> July, 2022

*Effective Date – 31<sup>st</sup> August, 2022*

SEBI vide various Circulars issued from time to time has mandated that addresses form a critical part of the Know Your Client (“KYC”) procedures.

To ensure that the client furnishes accurate/updated details of address and to ensure that KYC details are correct, SEBI vide this circular, has prescribed following framework involving stock exchanges (except Commodity Derivatives Exchanges) and depositories (hereinafter collectively referred to as “the MIIs”):

Where SEBI instructs MIIs to serve any Show Cause Notice (“SCN”) or order issued by SEBI, the MIIs shall arrange to physically deliver the same to the entity. The MIIs shall forward signed acknowledgement of its receipt by the concerned addressee or its authorized representative to SEBI within a period of 30 working days from the date of receipt of such instructions from SEBI.

If none of the MIIs are –

- (i) able to deliver the SCN or order, as the case may be, at any of the addresses mentioned in the KYC records linked to any trading / demat account of the entity; and
- (ii) obtain a signed acknowledgement of its receipt from the entity or its authorized representative

then all MIIs shall deactivate all trading and demat accounts i.e. implement a restraint/freeze on debit and credit (except for corporate actions) of all trading and demat accounts of the entity based on the entity’s Permanent Account Number (PAN), within 5 working days from the last unsuccessful delivery report.

MIIs shall advise their registered intermediaries to ensure updation of KYC records at regular intervals as per the extant norms. An Illustration covering different scenarios is provided as Annexure-A.

[Circular](#)

### **13. Nomination for Mutual Fund Unit Holders – Extension of timelines**

Circular No.: SEBI/HO/IMD/IMD-I DOF1/P/CIR/2022/105  
Dated 29<sup>th</sup> July, 2022

SEBI vide Circular No SEBI/HO/IMD/IMD-II DOF3/P/CIR/2022/82 dated June 15, 2022 had mandated submission of nomination details/declaration for opting out of nomination for investors subscribing to mutual fund units on or after



August 1, 2022.

Vide this circular, SEBI has modified the provisions of above circular as under:

1. Investors subscribing to mutual fund units on or after October 1, 2022 (previously August 1, 2022), shall have the choice of:

- a. Providing nomination in the format specified in fourth schedule of SEBI (Mutual Funds) Regulations, 1996 (or)
- b. Opting out of nomination through a signed Declaration form as provided in Annexure - A to this circular.

2. AMC shall provide an option to the unit holder(s) to submit either the nomination form or the declaration form for opting out of nomination in physical or online as per the choice of the unit holder(s). In case of physical option, the forms shall carry the wet signature of all the unit holder(s). In case of online option, instead of wet signature(s) of all the unit holder(s), AMCs shall validate the forms:

- i. using e-Sign facility recognized under Information Technology Act, 2000; or
- ii. through two factor authentication (2FA) in which one of the factor shall be a One-Time Password sent to the unit holder at his/her email/ phone number registered with the AMC”

[Circular](#)

**MCA**

**1. Clarification on spending of CSR funds for "Har Ghar Tiranga"**

General Circular No. 08/2022

Dated 26<sup>th</sup> July, 2022

'Har Ghar Tiranga', a campaign under the aegis of Azadi Ka Amrit Mahotsav, is aimed to invoke the feeling of patriotism in the hearts of the people and to promote awareness about the Indian National Flag. In this regard, it is clarified that spending of CSR funds for the activities related to this campaign, such as mass scale production and supply of the National Flag, outreach and amplification efforts and other related activities, are eligible CSR activities under item no. (ii) of Schedule VII of the Companies Act, 2013 pertaining to promotion of education relating to culture.

The companies may undertake the aforesaid activities, subject to fulfillment of the Companies (CSR Policy) Rules, 2014 and related circulars / clarifications issued by the Ministry thereof, from time to time.

[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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