

JUNE 2021

NEWSLETTER

REGULATORY

- RBI
- SEBI
- MCA



Lovi Mehrotra & Associates

Chartered Accountants

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

Website : www.lma.co.in • Email : d.khanna@lma.co.in

RBI

1. Risk Based Internal Audit (RBIA)

RBI/2021-22/53 DoS.CO. PPG.SEC/03/11.01.005/2021-22
Dated 11th June, 2021

Vide this notification, RBI has decided that the provisions of Circular No. DoS.CO.PPG/SEC.05/11.01.005/2020-21 dated February 03, 2021 shall be applicable to Housing Finance Companies (HFCs) also, as stipulated below:

1. All deposit taking HFCs, irrespective of their size
2. Non-deposit taking HFCs with asset size of ₹5,000 crore and above

The above-mentioned entities shall be required to put in place a RBIA framework by June 30, 2022, in accordance with the provisions of the aforesaid circular.

[Notification](#)

2. Investment in Entities from FATF Non-compliant Jurisdictions

RBI/2021-22/55 CO.DPSS.AUTH.No.S190/02.27.005/2021-22
Dated 14th June, 2021

RBI had earlier issued circular DOR.CO.LIC.CC No.119/03.10.001/2020-21 dated February 12, 2021 on investment in NBFCs from FATF non-compliant jurisdictions.

Vide this Circular, RBI, has notified the corresponding regulations for investments in Payment Systems Operators (PSOs) as follows:

1. The Financial Action Task Force (FATF) periodically identifies jurisdictions with weak measures to combat money laundering and terrorist financing (AML/CFT) in its following publications: i) High-Risk Jurisdictions subject to a Call for Action, and ii) Jurisdictions under Increased Monitoring. A jurisdiction whose name does not appear in these two lists is referred to as a FATF compliant jurisdiction. Investments in PSOs from FATF non-compliant jurisdictions shall not be treated at par with that from compliant jurisdictions.
2. Investors in existing PSOs holding their investments prior to the classification of the source or intermediate jurisdiction/s as FATF non-compliant, may continue with the investments or bring in additional investments as per extant regulations so as to support continuity of business in India.
3. New investors from or through non-compliant FATF jurisdictions, whether in existing PSOs or in entities seeking authorisation as PSOs, are not permitted to acquire, directly or indirectly, 'significant influence' as defined in the applicable accounting standards in the concerned PSO. In other words, fresh investments (directly or indirectly) from such jurisdictions, in aggregate, should account for less than 20 per cent of the voting power (including potential voting power) of the PSO.
4. The above instructions, as amended from time to time, shall also apply to any entity that has applied for or intends to apply for authorisation as a PSO under the Payment and Settlement Systems Act, 2007.

[Notification](#)

3. Liberalised Remittance Scheme for Resident Individuals – Reporting

RBI/2021-22/56 A. P. (DIR Series) Circular No. 07
Dated 17th June, 2021

In terms of the RBI Circular A. P. (DIR Series) Circular No. 106 dated May 23, 2013, AD Category - I banks were required to upload the data in respect of number of applications received and the total amount remitted under the Liberalised Remittance Scheme (the Scheme) on Online Return Filing System (ORFS).

Vide this notification, RBI has decided to collect this information through XBRL system instead of the ORFS.

Accordingly, AD Category – I banks are required to upload the requisite information on XBRL system on or before the fifth of the succeeding month from July 01, 2021 onwards.

[Notification](#)

4. Declaration of dividends by NBFCs

RBI/2021-22/59 DOR.ACC.REC.No.23/21.02.067/2021-22
Dated 24th June, 2021

Vide this notification, RBI has prescribed guidelines on distribution of dividend by NBFCs in order to infuse greater transparency and uniformity in practice.

Following is a gist of the guidelines:

1. Applicability: These guidelines shall be applicable to all NBFCs regulated by RBI as below:

- Applicable NBFCs as defined in Paragraph 2(2) of Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016
- Applicable NBFCs as defined in Paragraph 2(2) of Non-Banking Financial Company – Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016

2. Effective Date: Dividend declared from the profits of the financial year ending March 31, 2022 and onwards.

3. Board Oversight: The Board of Directors shall, while considering the proposals for dividend, take into account the following aspects:

- Supervisory findings of the Reserve Bank (National Housing Bank (NHB) for HFCs) on divergence in classification and provisioning for Non-Performing Assets (NPAs).
- Qualifications in the Auditors' Report to the financial statements; and
- Long term growth plans of the NBFC.

The Board shall ensure that the total dividend proposed for the financial year does not exceed the ceilings specified in these guidelines.

4. Eligibility Criteria: NBFCs shall comply with the following minimum prudential requirements to be eligible to declare dividend:

Sl. No.	Parameter	Requirement
1.	Capital Adequacy	(a) NBFCs (other than Standalone Primary Dealers) shall have met the applicable regulatory capital requirement (refer Annex I of Notification) for each of the last three financial years including the financial year for which the dividend is proposed. (b) Standalone Primary Dealers (SPDs) should have maintained a minimum CRAR of 20 per cent for the financial year (all the four quarters) for which dividend is proposed.
2.	Net NPA	The net NPA ratio shall be less than 6 per cent in each of the last three years, including as at the close of the financial year for which dividend is proposed to be declared.
3.	Other Criteria	(a) NBFCs shall comply with the provisions of Section 45 IC of the Reserve Bank of India Act, 1934. HFCs shall comply with the provisions of Section 29 C of The National Housing Bank Act, 1987. (b) NBFCs shall be compliant with the prevailing regulations/ guidelines issued by the Reserve Bank. The Reserve Bank or the NHB (for HFCs) shall not have placed any explicit restrictions on the NBFC for declaration of dividend.

4. Quantum of Dividend Payable: NBFCs eligible to declare dividend are required to comply with the prescribed conditions. The ceilings on dividend payout ratios for NBFCs eligible to declare dividend are as under:

Sl. No.	Type of NBFC	Maximum Dividend Payout Ratio (percentage)
1.	NBFCs that do not accept public funds and do not have any customer interface	No ceiling specified

2.	Core Investment Company	60
3.	Standalone Primary Dealers	60
4.	Other NBFCs	50

5. Reporting System: NBFC-D (Deposit taking), NBFC-ND-SI (Non-Deposit taking Systematically Important), Housing Finance Companies (HFCs) & Core Investment Companies (CICs) declaring dividend shall report details of dividend declared during the financial year as per the prescribed format. The report shall be furnished within a fortnight after declaration of dividend to the Regional Office of the Department of Supervision of the Reserve Bank/ Department of Supervision of NHB, under whose jurisdiction it is registered.

[Notification](#)

SEBI

1. 'Off-market' transfer of securities by FPI

Circular No.: SEBI/HO/FPI&C/P/CIR/2021/0569

Dated: 1st June 2021

Finance Act, 2021 provides tax incentives for relocating foreign funds to International Financial Services Centre (IFSC) in order to make the IFSC in GIFT City a global financial hub.

In view of the above objective and to further facilitate such 'relocation', SEBI vide this circular has specified that a FPI ('original fund' or its wholly owned special purpose vehicle) may approach its Designated Depository Participant (DDP) for approval of a one-time 'off-market' transfer of its securities to the 'resultant fund'.

DDP after appropriate due diligence may accord its approval for a one-time 'off-market' transfer of securities for such relocation.

Further, relocation request will imply that the FPI has deemed to have applied for surrender of its registration and the DDP may be guided by the guidelines pertaining to surrender of FPI registration.

The 'off-market' transfer shall be allowed without prejudice to any provisions of tax laws and FEMA.

[Circular](#)

2. Streamlining the process of IPOs with UPI in ASBA and redressal of investors grievances

Circular No.: SEBI/HO/CFD/DIL2/P/CIR/2021/570

Dated 2nd June, 2021

SEBI vide Circular No. SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021 (effective from May 01, 2021) had put in place measures to have a uniform policy to further streamline the processing of ASBA applications through UPI process among intermediaries/SCSBs and also provided a mechanism of compensation to investors.

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

1. SMS Alerts: Para 9 of the circular prescribed the details to be sent by SCSB's in SMS alerts. SCSB's shall continue to send SMS alerts during the actual block/debit/unblock of UPI mandate in the prescribed format, the details of total number of shares applied/allotted/non-allotted etc. shall be included in SMS for Public Issues opening on/after January 01, 2022.

2. Web Portal for CUG: For ease of doing business, Para 10 of the circular prescribed a web portal to be hosted by Sponsor Banks for closed user group (CUG) entities. It is decided that the automated web portal shall be live and operational after due testing and mock trials with the CUG entities for Public Issues opening on or after October 01, 2021. The requisite information on this automated portal shall be updated periodically in intervals not exceeding two hours.

3. Completion of Unblocks by T+4: Para 13 of the circular prescribed the process and timeline for ensuring the completion of unblocks pertaining to UPI mandates on T+4 (T: Issue Closing Date). While the process of unblocking shall be completed by T+4, the Registrar to the Issue shall provide the allotment/revoke files to the Sponsor Bank by 8:00 PM on T+3 i.e. the day when the Basis of Allotment (BOA) has to be finalized.

The Sponsor Bank shall execute the online mandate revoke file for Non-Allottees / Partial Allottees and provide pending applications for unblock, if any, to the Registrar to the Issue, not later than 5:00 PM on BOA+1. Subsequent to the receipt of the pending applications for unblock from the Sponsor Bank, the Registrar to the Issue shall submit the bank-wise pending UPI applications for unblock to the SCSBs, not later than 6:30 PM on BOA+1.

[Circular](#)

3. Circular on Enhancement of Overseas Investment Limits

SEBI vide Circular No. SEBI/HO/IMD/DF3/CIR/P/2020/225 dated November 05, 2020, had specified the overseas investment limits per Mutual Fund.

Vide this circular, SEBI has revised the investment limits per Mutual Fund as under (with immediate effect):

1. Mutual Funds can make overseas investments subject to a maximum of USD 1 billion per Mutual Fund (*previously USD 600 million*), within the overall industry limit of USD 7 billion.
2. Mutual Funds can make investments in overseas Exchange Traded Fund (ETF(s)) subject to a maximum of USD 300 million per Mutual Fund (*previously USD 200 million*), within the overall industry limit of USD 1 billion.
3. In respect of investment limits to be disclosed in the scheme documents at the time of NFO as specified in Para 2 of the aforesaid circular, and the investment limits on ongoing schemes as specified in Para 3 of the aforesaid circular, such limits would henceforth be soft limits for the purpose of reporting only by Mutual Funds on monthly basis in the format prescribed vide SEBI circular dated November 5, 2020.

[Circular](#)

4. Centralized Database for Corporate Bonds/ Debentures

Circular No.: SEBI/HO/DDHS/DDHS1/P/CIR/2021/572

Dated 4th June, 2021

Effective Date: 1st August, 2021

SEBI vide Circular No. CIR/IMD/DF/17/2013 dated October 22, 2013, on 'Centralized Database for Corporate Bonds/ Debentures' had mandated Depositories to jointly create, host, and maintain a Centralized Database of corporate bonds held in demat form.

Vide this circular, SEBI has decided to streamline the database and provide further ease of access of information for investors. In view of the same, an updated list of data fields to be maintained in the database along with the manner of filing the same has been prescribed in the circular.

The Circular deals with the Responsibilities of parties involved, contents of the database and manner of submitting the information. Parties involved being Depositories, Issuers, Stock Exchanges, Credit Rating Agencies and Debenture Trustees.

[Circular](#)

5. Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021

No. SEBI/LAD-NRO/GN/2021-25

Dated 11th June, 2021

SEBI has notified the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021.

Following is a gist of the regulations:

1. Scope and Applicability: These regulations shall apply to delisting of equity shares of a company including equity shares having superior voting rights from all or any of the recognised stock exchanges where such shares are listed.

2. Conditions for delisting: In the below cases, delisting of equity shares shall not be permitted:

- (i) unless a period of three years has elapsed since the listing of that class of equity shares on any recognised stock exchange.
- (ii) if any instrument issued by the company, which is convertible into the same class of equity share(s) that is sought to be delisted, is outstanding.

(iii) pursuant to a buyback of equity shares by the company, including a buyback pursuant to consolidation or division of all or part of the equity share capital of the company, unless a period of six months has elapsed from the date of completion of such buyback.

(iv) pursuant to a preferential allotment made by the company unless a period of six months has elapsed from the date of such allotment

3. Delisting from some of the recognised stock exchanges: A company may delist its equity shares from one or more of the recognised stock exchanges on which it is listed without providing an exit opportunity to the public shareholders, if after the proposed delisting, the equity shares remain listed on any recognised stock exchange that has nationwide trading terminals. Conditions and procedure for delisting where exit opportunity is not required to be provided is prescribed in the regulations.

4. Delisting from all the recognised stock exchanges: The equity shares of a company may be delisted from all the recognised stock exchanges having nationwide trading terminals on which they are listed, after an exit opportunity has been provided by the acquirer to all the public shareholders holding the equity shares sought to be delisted. Conditions and procedure for delisting where exit opportunity is required are prescribed in the regulations.

Other provisions include compulsory delisting by stock exchanges, special provisions for small companies, special provisions for companies listed on Innovators Growth Platform, special provisions for a subsidiary company getting delisted through a scheme of arrangement wherein the listed holding company and the subsidiary company are in the same line of business and special provisions for delisting by operation of law.

[Regulation](#)

6. Revised Framework for Regulatory Sandbox

Circular No.: SEBI/HO/ITD/ITD/CIR/P/2021/575
Dated 14th June, 2021

SEBI, vide Circular No.: SEBI/HO/MRD-1/CIR/P/2020/95 dated June 05, 2020, had issued framework for Regulatory Sandbox with the intent to promote innovation in the securities market.

Vide this circular, SEBI has revised eligibility criteria of the Regulatory Sandbox with an objective to grant certain facilities and flexibilities to the entities regulated by SEBI so that they can experiment with FinTech solutions in a live environment and on limited set of real users for a limited time frame.

The updated guidelines pertaining to the functioning of the Regulatory Sandbox are provided at Annexure A of this circular.

[Circular](#)

7. Relaxation from the requirement of minimum vesting period in case of death of employee(s) under SEBI (Share Based Employee Benefit) Regulations, 2014

Circular No.: SEBI/HO/CFD/DCR2/CIR/P/2021/576
Dated 15th June, 2021

As per regulation 18(1) and 24(1) of the SEBI (Share Based Employee Benefit) Regulations, 2014 ("SBEB Regulations") there shall be a minimum vesting period of one year in case of employee stock options ("options") and stock appreciation rights ("SAR").

Further, regulation 9(4) of the SBEB Regulations provides that in the event of death of the employee while in employment, all the options, SAR or any other benefit granted to him/her under a scheme till such date shall vest in the legal heirs or nominees of the deceased employee.

In view of the COVID-19 pandemic situation, SEBI, vide this circular, has provided relief to the families of the deceased employees of listed companies, as under:

a. The provisions under the SBEB Regulations relating to minimum vesting period of one year shall not apply in case

of death (for any reason) of an employee and in such instances all the options, SAR or any other benefit granted to such employee(s) shall vest with his/her legal heir or nominee on the date of death of the employee.

b. This relaxation shall be available to all such employees who have deceased on or after April 01, 2020.

[Circular](#)

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

Circular No.: SEBI/HO/MIRSD/DOP/P/CIR/2021/577

Dated 16th June, 2021

Effective Date: 1st August, 2021

SEBI, vide Circular No. MIRSD/SE/Cir-19/2009 dated December 03, 2009 and SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016, had issued the guideline for settlement of running account of client's funds/securities. As specified by SEBI, the actual settlement of funds and securities shall be done by the member depending on the mandate of the client and there must be a gap of maximum 90 / 30 days (as per the choice of client viz. Quarterly / Monthly) between two settlements of running account.

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

Further, SEBI, vide circular no. SEBI/HO/MIRSD/DOP/CIR/P/2020/28 dated February 25, 2020, had discontinued title transfer of securities to the demat account of TM for margin purposes. TM is required to accept collateral from the clients in the form of securities only by way of 'margin pledge' created in the Depository system.

Vide this circular, SEBI has partially modified the aforementioned circulars dated December 03, 2009 and September 26, 2016 on settlement of running account, as stated below:

1. 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, at least once within a gap of 30/90 days between two settlements of running account as per the preference of the client.
2. In case of client having any outstanding trade position on the day on which settlement of running account of funds is scheduled, a TM may retain funds calculated in the manner as specified in the circular.
3. Client's running account shall be considered settled only by making actual payment into client's bank account and not by making any journal entries. Journal entries in client account shall be permitted only for levy / reversal of charges in client's account.
4. For the clients having credit balance, who have not done any transaction in the 30 calendar days since the last transaction, the credit balance shall be returned to the client by TM, within next three working days irrespective of the date when the running account was previously settled.
5. In cases where physical payment instrument (cheque or demand draft) is issued by the TM towards the settlement of running account due to failure of electronic payment instructions, the date of realization of physical instrument into client's bank account shall be considered as settlement date and not the date of issue of physical instrument.
6. Retention of any amount towards administrative/operational difficulties in settling the accounts of regular trading clients (active clients), shall be discontinued.
7. The Authorized person is not permitted to accept client's funds and securities. The TM should keep a proper check. Proprietary trading by Authorized person should be permitted only on his own funds and securities and not using any of the client's fund.
8. Once the TM settles the running account of funds of a client, an intimation shall be sent to the client by SMS on mobile number and also by email.
9. Client shall bring any dispute on the statement of running account, to the notice of TM within 30 working days from the date of the statement.

[Circular](#)

9. Automation of Continual Disclosures under Regulation 7(2) of SEBI (Prohibition of Insider Trading) Regulations, 2015 - System Driven Disclosures for inclusion of listed Debt Securities

SEBI, vide circular no. SEBI/HO/ISD/ISD/CIR/P/2020/168 dated September 09, 2020, had implemented the System Driven Disclosures in phases, under SEBI (Prohibition of Insider Trading) Regulations, 2015.

In terms of the aforesaid Circular, System Driven Disclosures has been implemented for member(s) of promoter group and designated person(s) in addition to the promoter(s) and director(s) of company (hereinafter collectively referred to as entities) under Regulation 7(2) of PIT Regulations pertaining to trading in equity shares and equity derivative instruments i.e. Futures and Options of the listed company (wherever applicable) by the entities. The disclosures for Equity and Equity Derivative segments are being displayed on the exchange website under 'System Driven Disclosures'.

Vide this circular, SEBI has decided to include the listed debt securities of equity listed companies under the purview of the said System Driven Disclosures for entities mentioned at Para 2 above. Further, the procedure for implementation of System Driven Disclosures as provided in above mentioned SEBI circular, shall also be applicable for the listed Debt Securities.

The Depositories and Stock Exchanges shall make necessary arrangements such that the disclosures pertaining to listed Debt Securities along with equity shares and equity derivative instruments are disseminated on the websites of respective stock exchanges with effect from July 01, 2021.

[Circular](#)

10. Framework for administration and supervision of Investment Advisers under the SEBI (Investment Advisers) Regulations, 2013

Circular No.: SEBI/HO/IMD/IMD-I/DOF1/P/CIR/2021/579

Dated 18th June, 2021

In terms of Regulation 14 of the SEBI (Investment Advisers) Regulations 2013 ("IA Regulations"), an entity granted recognition under the Regulation shall be designated as "Investment Adviser Administration and Supervisory Body" ("IAASB") and shall be entrusted with the administration and supervision of IAs.

BSE Administration & Supervision Limited (BASL), a wholly owned subsidiary of BSE Limited, has been granted recognition as IAASB for a period of three years from June 01, 2021.

SEBI vide this circular, has prescribed the following responsibilities of IAASB:

- i. Supervision of IAs including both on-site and offsite
- ii. Grievance redressal of clients and IAs
- iii. Administrative action including issuing warning and referring to SEBI for enforcement action
- iv. Monitoring activities of IAs by obtaining periodical reports
- v. Submission of periodical reports to SEBI
- vi. Maintenance of database of IAs

Pursuant to grant of aforementioned recognition, SEBI registered IAs are required to ensure compliance with the membership requirements, payment of fees and reporting requirements.

SEBI shall continue to concurrently administer and supervise all registered IAs and IAASB shall be subject to periodic inspection by SEBI

[Circular](#)

11. Norms for investment and disclosure by Mutual Funds in Derivatives

Circular No.: SEBI/HO/IMD/IMD-I DOF2/P/CIR/2021/580

Dated 18th June, 2021

SEBI vide Circular No. Cir/IMD/DF/11/2010 dated August 18, 2010 had, inter alia, prescribed the guidelines for participation of mutual fund schemes in Interest Rate Swaps (IRS).

Vide this circular, SEBI has modified paragraph 8 of the aforesaid circular as follows:

“8. (a) Mutual Funds may enter into plain vanilla Interest Rate Swaps (IRS) for hedging purposes. The value of the notional principal in such cases must not exceed the value of respective existing assets being hedged by the scheme.

(b) In case participation in IRS is through over the counter transactions, the counter party has to be an entity recognized as a market maker by RBI and exposure to a single counterparty in such transactions should not exceed 10% of the net assets of the scheme. However, if mutual funds are transacting in IRS through an electronic trading platform offered by the Clearing Corporation of India Ltd. (CCIL) and CCIL is the central counter party for such transactions guaranteeing settlement, the single counterparty limit of 10% shall not be applicable.”

[Circular](#)

12. Securities Contracts (Regulation) (Amendment) Rules, 2021

G.S.R. 423(E)
Dated 18th June, 2021

Vide this Notification, SEBI has amended the Securities Contracts (Regulation) Rules, 1957.

Following is a gist of the amendments:

1. Rule 19 (2) (b) (iii) pertaining to requirements with respect to the listing of securities on a recognised stock exchange: (words in italics will be inserted)

a. The minimum offer and allotment to public in terms of an offer document shall be at least ten per cent of each class or kind of equity shares or debentures convertible into equity shares issued by the company, if the post issue capital of the company calculated at offer price is above four thousand crore rupees *but less than or equal to one lakh crore rupees*.

b. After sub-clause (iii) above, and before the provisos, the following shall be inserted, namely:

“(iv) at least such percentage of each class or kind of equity shares or debentures convertible into equity shares issued by the company equivalent to the value of five thousand crore rupees and at least five per cent of each such class or kind of equity shares or debenture convertible into equity shares issued by the company, if the post issue capital of the company calculated at offer price is above one lakh crore rupees.

Provided that the company referred to in this sub-clause (iv) shall increase its public shareholding to at least ten per cent within a period of two years and at least twenty-five per cent. within a period of five years, from the date of listing of the securities, in the manner specified by the Securities and Exchange Board of India.”

2. Rule 19A (Sub rule 5) pertaining to Continuous Listing Requirement:

a. In the proviso, when the public shareholding falls below ten per cent, the same shall be increased to at least ten per cent, within a maximum period of twelve months (*previously eighteen*) from the date of such fall.

b. After first proviso, the following proviso shall be inserted, namely:

“Provided further that, every listed company shall maintain public shareholding of at least five per cent as a result of implementation of the resolution plan approved under section 31 of the Insolvency and Bankruptcy Code, 2016.

[Rules](#)

13. Circular on Prudential norms for liquidity risk management for open ended debt schemes

Circular No.: SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/583
Dated 25th June, 2021

SEBI vide circular SEBI/HO/IMD/DF3/CIR/P/2020/229 dated November 6, 2020 had specified norms regarding holding of liquid assets in open ended debt schemes & stress testing of open ended debt schemes.

A committee was set up to deliberate on norms regarding holding of liquid assets in open ended debt schemes, as mentioned in para 3 of the aforementioned circular. Based on the recommendations of the said Committee AMFI is advised to prescribe a suitable framework, in consultation with SEBI, for liquidity risk management for open ended debt schemes (except Overnight Fund, Gilt Fund and Gilt Fund with 10-year constant duration) within a period of one month from the date of issuance of this circular.

The said framework shall be adopted by all AMCs and shall come into force with effect from December 1, 2021.

Further SEBI has clarified the following with respect to para 1 (b) of aforementioned circular:

- a. For all regulatory limit calculations other than Asset Allocation Limits (e.g. for Macaulay Duration, Risk-o-meter, investment restrictions pertaining to issuer, sector and group), the base to be considered is 100% of Net Assets.
- b. For asset allocation limits (applicable for Banking and PSU Bond Fund, Floater Fund, Credit Risk Fund and Corporate Bond Funds scheme categories in terms of SEBI circular on 'Categorization and Rationalization of Mutual Fund Schemes') the base shall be considered as Net assets excluding the extent of minimum stipulated liquid assets i.e. 10%. Illustration in this regard is given as Annexure A of the circular.

[Circular](#)

14. Circular on Amendment to SEBI (Alternative Investment Funds) Regulations, 2012

Circular No.: SEBI/HO/IMD-I/DF6/P/CIR/2021/584

Dated 25th June, 2021

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

Following is a gist of amendments:

- 1. Framework for AIFs to invest simultaneously in units of other AIFs and directly in securities of investee companies:**
 - a. In terms of Regulation 15(1) (c) and (d) of the AIF Regulations, AIFs may invest in an Investee Company up to a specified limit, directly or through investment in the units of other AIFs. In partial modification to Paragraph 3.f. of SEBI Circular No. CIR/IMD/DF/14/2014 dated June 19, 2014, AIFs may invest in units of other AIFs without labelling themselves as a Fund of AIFs.
 - b. Existing AIFs may also invest simultaneously in securities of investee companies and in units of other AIFs, subject to appropriate disclosures in the Private Placement Memorandum (PPM) and with the consent of at least two-thirds of unit holders by value of their investment in the AIF in terms of Regulation 9(2) of the AIF Regulations.
 - c. In partial modification to Paragraph 3.4. (iii) of the SEBI Circular No. CIR/IMD/DF/10/2013 dated July 29, 2013, Category III AIFs investing in units of other AIFs may undertake leverage not exceeding two times of the value of portfolio (NAV) after excluding the value of investment in units of other AIFs.
- 2. Applicability of Code of Conduct on key management personnel:** In terms of Regulation 20(1), the key management personnel of the AIF and the Manager shall abide by the Code of Conduct as specified in the Fourth Schedule of the AIF Regulations. AIFs shall disclose the names of all the key management personnel of the AIF and Manager as specified in Paragraph 3.1 above, in their PPMs. Any change in key management personnel shall be intimated to the investors and the Board.
- 3. Clarifications with respect to Investment Committee: In terms of proviso to Regulation 20(8) of AIF Regulations,** there is a requirement to furnish a waiver to AIF in respect of compliance with the said Regulation. The format for waiver to be furnished by the investors in this regard is specified in Annexure I. For the purpose of Regulation 20(10) of AIF Regulations, consent of the investors of the AIF or scheme may not be required for change in ex-officio external members (who represent the sponsor, sponsor group, manager group or investors, in their official capacity), in the investment committee set up by the Manager.

[Circular](#)

MCA

1. Companies (Incorporation) Fourth Amendment Rules, 2021

G.S.R. 392(E).
Dated 7th June, 2021

Vide this notification, MCA has amended the the Companies (Incorporation) Rules, 2014.

Amendment is made in **Rule 38A** pertaining to **Application for registration of GSTIN, ESIC, EPFO and Professional tax Registration, Opening of Bank Account**. In the marginal heading, for the words “*Opening of Bank Account*” the words “*Opening of Bank Account and Shops and Establishment Registration*”, has been substituted for mandating the Shops and Establishment Registration. For clauses “(c) and (d)” relating to “Profession Tax Registration and Opening of Bank Account”, the following clauses shall be substituted, namely:-

- (d) Profession Tax Registration with effect from the 23rd February, 2020;
- (e) Opening of Bank Account with effect from the 23rd February, 2020;
- (f) Shops and Establishment Registration.”

Form INC 35 (AGILE-PRO-S): Form for “Application for Goods and services tax Identification number, Employees state Insurance corporation registration plus Employees provident fund organization registration, Profession tax Registration, Opening of bank account and Shops and Establishment Registration” has been modified and provided in the Annexure to this Rules.

[Rules](#)

2. Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Amendment Rules, 2021

G.S.R. 396 (E).
Dated 9th June, 2021

Vide this notification, MCA has amended the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016.

Following is the gist of the amendments:

1. Rule 3(2) pertaining to amounts to be credited to Fund: After clause (f), the following new clause (fa) has been inserted:

“(fa) all shares held by the Authority in accordance with proviso of sub-section (9) of section 90 of the Act and all the resultant benefits arising out of such shares, without any restrictions;”

2. After Rule 6, the following new Rule 6A has been inserted:

“6A. Manner of transfer of shares under sub-section (9) of section 90 of the Act to the Fund.- The shares shall be credited to DEMAT Account of the Authority to be opened by the Authority for the said purpose, within a period of thirty days of such shares becoming due to be transferred to the Fund. Transfer of shares by the companies to the Fund shall be deemed to be transmission of shares and the procedure to be followed for transmission of shares shall be followed by the companies while transferring the shares to the fund. Such shares shall be transferred to the Authority without any restrictions and no application shall be filed for claiming back such shares from the Authority.

[Rules](#)

3. Companies (Meetings of Board and its Powers) Amendment Rules, 2021

G.S.R. 409(E).
Dated 15th June, 2021

Vide this notification, MCA has amended the Companies (Meetings of Board and its Powers) Rules, 2014.

Amendment has been made to omit the Rule 4 pertaining to matters not to be dealt with in a meeting through Video Conferencing or Other Audio-Visual Means.

Accordingly, now all companies are free to discuss and approve the matters related to the approval of the annual financial statements; the approval of the Board's report; the approval of the prospectus; the Audit Committee Meetings for consideration of financial statement including consolidated financial statement if any; and the approval of the matter relating to amalgamation, merger, demerger, acquisition, and takeover, in any meeting held through video conferencing or other audio visual means. Earlier, MCA had provided relaxation in this regard up to 30th June 2021.

[Rules](#)

4. Companies (Indian Accounting Standards) Amendment Rules, 2021

G.S.R.....(E)
Dated 18th June, 2021

Vide this notification, MCA has amended the Companies (Indian Accounting Standards) Rules, 2015. Amendment is made in the following IND AS:

1. Ind AS 101: First-time Adoption of Indian Accounting Standards
2. Ind AS 102: Share-based Payment
3. Ind AS 103: Business Combinations
4. Ind AS 104: Insurance Contracts
5. Ind AS 105: Non-current Assets Held for Sale and Discontinued Operations
6. Ind AS 106: Exploration for and Evaluation of Mineral Resources
7. Ind AS 107: Financial Instruments: Disclosures
8. Ind AS 109: Financial Instruments
9. Ind AS 111: Joint Arrangements
10. Ind AS 114: Regulatory Deferral Accounts
11. Ind AS 115: Revenue from Contracts with Customers
12. Ind AS 116: Leases
13. Ind AS 1: Presentation of Financial Statements
14. Ind AS 8: Accounting Policies, Changes in Accounting Estimates and Errors
15. Ind AS 12: Income Taxes
16. Ind AS 16: Property, Plant and Equipment
17. Ind AS 27: Separate Financial Statements
18. Ind AS 28: Investments in Associates and Joint Ventures
19. Ind AS 34: Interim Financial Reporting
20. Ind AS 33: Earnings per Share
21. Ind AS 37: Provisions, Contingent Liabilities and Contingent Assets
22. Ind AS 38: Intangible Assets
23. Ind AS 40: Investment Property

[Rules](#)

5. Companies (Creation and Maintenance of databank of Independent Directors) Amendment Rules, 2021

G.S.R. 418(E).
Dated 18th June, 2021

Vide this notification, MCA has amended the Companies (Creation and Maintenance of databank of Independent Directors) Rules, 2019.

Amendment has been made in Rule 3 pertaining to Creation and maintenance of data bank:

1. In clause (a) of sub-rule (7), after the words "for inclusion", the words "or renewal" has been inserted in respect of fixing a reasonable fee to be charged from.
2. after sub-rule (7) above, before explanation, the following sub-rule has been inserted, namely:-

“(8) In case of delay on the part of an individual in applying to the institute under sub-rule (7) for inclusion of his name in the data bank or in case of delay in filing an application for renewal thereof, the institute shall allow such inclusion or renewal, as the case may be, under rule 6 of the Companies (Appointment and Qualification of Directors) Rules, 2014 after charging a further fees of one thousand rupees on account of such delay.”.

[Rules](#)

6. Clarification on passing of ordinary and special resolutions by companies under the Companies Act, 2013 read with rules made thereunder on account of COVID-19 – Extension of time

General Circular No. 10/2021

Dated 23rd June, 2021

In continuation to the MCA General Circulars No. 14/2020 dated 8th April 2020, No. 17/2020 dated 13th April 2020, No. 22/2020 dated 15th June, 2020, No. 33/2020 dated 28th September, 2020 and No. 39/2020 dated 31st December, 2020, vide this circular, MCA has decided to allow companies to conduct their EGMs through VC or OAVM or transact items through postal ballot in accordance with the framework provided in the aforesaid Circulars upto 31st December, 2021.

All other requirements provided in the said Circulars shall remain unchanged.

[Circular](#)

7. Companies (Accounting Standards) Rules, 2021

G.S.R.....(E)

Dated 23rd June, 2021

Vide this notification, MCA has issued the Companies (Accounting Standards) Rules, 2021.

Following is the gist of the Rules:

1. Accounting Standards:

(i) The Central Government hereby specifies Accounting Standards 1 to 5, 7 and 9 to 29 as recommended by the Institute of Chartered Accountants of India, which are specified in the Annexure to these rules.

(ii) The Accounting Standards shall come into effect in respect of accounting periods commencing on or after the 1st day of April, 2021.

2. Obligation to comply with Accounting Standards:

(i) Every company, other than companies on which Indian Accounting Standards as notified under Companies (Indian Accounting Standards) Rules, 2015 are applicable, and its auditor(s) shall comply with the Accounting Standards in the manner specified in the Annexure.

(ii) The Accounting Standards shall be applied in the preparation of Financial Statements.

3. Qualification for exemption or relaxation in respect of SMC: An existing company, which was previously not a Small and Medium Sized Company (SMC) and subsequently becomes a SMC, shall not be qualified for exemption or relaxation in respect of Accounting Standards available to a SMC until the Company remains a SMC for two consecutive accounting periods.

[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.



Lovi Mehrotra & Associates

Chartered Accountants

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

Website : www.lma.co.in • Email : d.khanna@lma.co.in