

APRIL, 2021

NEWSLETTER

REGULATORY

- RBI
- SEBI
- MCA



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RBI

1. External Commercial Borrowings (ECB) Policy – Relaxation in the period of parking of unutilised ECB proceeds in term deposits

RBI/2021-22/16 A.P. (DIR Series) Circular No. 01

Dated: 7th April, 2021

ECB borrowers were allowed to park ECB proceeds in term deposits with AD Category-I banks in India for a maximum period of 12 months cumulatively in terms of the paragraph 4.2 of the of Master Direction No.5 dated March 26, 2019 on “External Commercial Borrowings, Trade Credits and Structured Obligations”.

Vide this circular, RBI has provided relief to the ECB borrowers affected by the Covid-19 pandemic who could not utilise the proceeds due to lockdown by relaxing the above stipulation as a one-time measure. Accordingly, unutilised ECB proceeds drawn down on or before March 01, 2020 can be parked in term deposits with AD Category-I banks in India prospectively for an additional period up to March 01, 2022.

All other provisions of the ECB policy remain unchanged.

[Circular](#)

SEBI

1. Setting up of Limited Purpose Clearing Corporation (LPCC) by Asset Management Companies (AMCs) of Mutual Funds

Circular No.: SEBI/HO/IMD/IMD-1 DOF2/P/CIR/2021/0548

Dated: 6th April 2021

SEBI vide Circular No. SEBI/HO/IMD/DF2/CIR/P/2021/17 dated February 2, 2021 had prescribed the modalities for contribution of AMCs towards share capital of LPCC that the contribution from AMCs shall be in proportion to the Average Assets Under Management (AUM) of open ended debt oriented mutual fund schemes (excluding overnight, gilt fund and gilt fund with 10-year constant duration but including conservative hybrid schemes) managed by them for the Financial Year 2019-20.

Vide this circular, SEBI has modified paragraph 4 of the above Circular to the effect that the contribution of AMCs shall be based on Average AUM of debt oriented schemes, as detailed above, for the Financial Year 2020-21.

[Circular](#)

2. Circular on Regulatory Reporting by AIFs

Circular No.: SEBI/HO/IMD/IMD-I/DOF6/CIR/2021/549

Dated 7th April, 2021

AIFs are required to submit periodical reports to SEBI relating to their activity, in terms of AIF Regulations and Circular No. CIR/IMD/DF/10/2013 dated July 29, 2013.

Vide this circular, SEBI has prescribed that all AIFs shall submit report on their activity as an AIF to SEBI on quarterly basis within 10 calendar days from the end of each quarter in the revised formats as specified in Annexure I to the circular. Further, Category III AIFs shall also submit report on leverage undertaken, on quarterly basis in the revised formats as specified in Annexure II.

These reports are required to be submitted online through SEBI intermediary Portal.

The above requirement will be applicable for quarter ending December 31, 2021 onwards.

Further, in partial modification to paragraph 3 of Circular No. CIR/IMD/DF/16/2014 dated July 18, 2014, any changes in terms of private placement memorandum and in the documents of the fund/scheme shall be intimated to investors and SEBI on a consolidated basis, within 1 month of the end of each financial year. Such intimation shall specifically mention the changes carried-out in the private placement memorandum and the documents of the fund/scheme, along with the relevant pages of revised sections/clauses.

[Circular](#)

3. Circular on Reporting Formats for Mutual Funds

Circular No.: SEBI/HO/IMD/IMD-I DOF2/P/CIR/2021/550

Dated 12th April, 2021

SEBI, vide this circular has revised the reporting formats to be submitted by AMCs to Trustees, by AMCs to SEBI and by Trustees to SEBI.

Following is the gist of the amendments:

A. Reporting by AMCs to Trustees

- 1. Bi-monthly Compliance Certificate (BCC):** In partial modification to the SEBI Circular No. MFD/CIR/09/014/2000 dated January 5, 2000, the Compliance Certificate to be submitted by the AMC to the Trustees on a Bi-monthly basis shall be discontinued.

- 2. Half yearly Compliance Certificate (HYCC) by AMC to Trustees:** In partial modification to the SEBI Circular No. MFD/CIR/09/014/2000 dated January 5, 2000, the Compliance Certificate to be submitted by the AMC to the Trustees on an half yearly basis shall be discontinued.

The contents of both BCC and HYCC have been suitably incorporated in the Quarterly Report by AMC to Trustees.

- 3. Quarterly Report by AMC to Trustees (QR):** The AMC shall submit QR to the trustees, as required in sub-regulation (4) of Regulation 25 of MF Regulations, on its activities and the compliance with MF Regulations and various circulars issued thereunder. The format of QR is prescribed at Annexure I to the Circular and the same shall be submitted by AMC to Trustees by 21st calendar day of succeeding month for the quarters ending March, June, September and December.

B. Reporting by AMCs to SEBI

1. Compliance Test Report by AMC to SEBI (CTR): To synchronize the frequency of submission of the CTR and QR, SEBI circulars No. MFD/CIR/5/360/2000 dated July 4, 2000, SEBI/IMD/CIR No. 11/36222/2005 dated March 16, 2005 and SEBI/IMD/CIR NO 6/98057/07 dated July 5, 2007 have been modified to the extent that, instead of exceptional reporting, complete CTR shall be submitted by AMC to SEBI on a quarterly basis, by 21st calendar day of succeeding month for the quarters ending March, June, September and December. The revised format of CTR is prescribed at Annexure II to the Circular.

C. Reporting by Trustees to SEBI

1. Half Yearly Trustee Report by Trustees to SEBI (HYTR):

- a) In partial modification to the SEBI circular No. MFD/CIR/09/014/2000 dated January 5, 2000, the HYTR containing the broad coverage of report of trustees to SEBI has been revised & prescribed at Annexure III to the Circular.
- b) Trustees, shall submit corrective steps taken with respect to the non-compliance reported in the HYTR.
- c) Trustees shall continue to submit HYTR for the half year ending September and March within two month from the end of the half year.

D. Applicability

- 1. For QR and CTR reports,** the circular shall come into effect for reporting from the quarter ending June, 2021.
- 2. For HYTR report,** the circular shall come into effect for reporting from the half-year ended March, 2021.
- 3. BCC and HYCC** shall be discontinued subsequent to the effective date of the QR report (June 2021).

[Circular](#)

4. Relaxations relating to procedural matters –Issues and Listing

Circular No.: SEBI/HO/CFD/DIL2/CIR/P/2021/552
Dated 22nd April, 2021

SEBI vide Circular no. SEBI/HO/CFD/DIL2/CIR/P/2020/78 dated May 6, 2020, had granted one time relaxations 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.

SEBI, had extended the validity of these relaxations for Rights Issues opening up to December 31, 2020 and further extended for Rights Issues opening up to March 31, 2021, vide SEBI Circular No. SEBI/HO/CFD/DIL1/CIR/P/2020/136 dated July 24, 2020 and SEBI Circular No. SEBI/HO/CFD/DIL1/CIR/P/2021/13 dated January 19, 2021 respectively.

Vide this circular, SEBI has further extended the above relaxations for Rights Issues opening up to September 30, 2021, provided that the issuer along with the Lead Manager(s) shall continue to comply with point (v) of the SEBI Circular No. SEBI/HO/CFD/DIL2/CIR/P/2020/78 dated May 06, 2020.

In respect to mechanism and compliance requirements at point (iv) and (v) of the above SEBI Circular dated May 6, 2020, the issuer along with Lead Manager(s), Registrar, and other recognized intermediaries (as incorporated in the

mechanism) shall also ensure the following:

- a. Refund for un-allotted / partial allotted application shall be completed on or before T+1 day (T: Basis of allotment day).
- b. Registrar to the issue, shall ensure that all data with respect to refund instructions is error free to avoid any technical rejections. Further, in case of any technical rejection of refund instruction, same shall be addressed promptly.

[Circular](#)

5. Securities and Exchange Board of India (Portfolio Managers)(Second Amendment) Regulations, 2021

No. SEBI/LAD-NRO/GN/2021/16

Dated 26th April, 2021

SEBI has amended the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020.

Amendment is made in Regulation 11 pertaining to Conditions of registration. A new clause is inserted after clause (a) and before clause (b) –

(aa) the portfolio manager shall obtain prior approval of the Board in case of change in control in such manner as may be specified by the Board.

[Regulation](#)

6. Securities and Exchange Board of India (Prohibition of Insider Trading) (Amendment) Regulations, 2021

No. SEBI/LAD-NRO/GN/2021/17

Dated 26th April, 2021

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

Amendment is made in Regulation 7 pertaining to Initial Disclosure. As per clause (a) of sub-regulation 1 of regulation 7, every promoter (member of the promoter group), key managerial personnel and director of every company whose securities are listed on any recognised stock exchange was required to disclose his holding of securities of the company to the company within thirty days of these regulations taking effect.

The above provision has been omitted with effect from 26th April, 2021.

[Regulation](#)

7. Standardizing and Strengthening Policies on Provisional Rating by Credit Rating Agencies (CRAs) for Debt Instruments

Circular No.: SEBI/ HO/ MIRSD/ MIRSD_CRADT/ P/ CIR/ 2021/ 554

Dated 27th April, 2021

SEBI, vide Circular No. SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dated November 1, 2016, had advised Credit Rating Agencies to frame detailed policy on provisional ratings.

Vide this circular, SEBI has prescribed the following in order to strengthen and standardize the policies on provisional rating:

1. **Rating Symbol:** All Provisional Ratings ('long term' or 'short term') for debt instruments shall be prefixed as 'Provisional' before the rating symbol in all communications viz. rating letter, press release/ rating rationale, etc.
2. **Standardized Term:** A rating shall be considered as provisional, and not final, when it is contingent upon occurrence of prescribed steps or execution of prescribed documents.
In no case shall a rating, including provisional rating, be assigned by a credit rating agency for an issuer/ client evaluating strategic decisions, such as funding mix for a project, acquisition, debt restructuring, scenario-

analysis in loan refinancing, etc.

3. **Validity period:** The provisional rating shall be converted into a final rating within 90 days from the date of issuance of the debt instrument. The final rating assigned after end of 90 days shall be consistent with the available documents or completed steps, as applicable. Extension may be granted on case-to-case basis.
4. **Disclosures in the press release / rating rationale:** In addition to the disclosures already made by Credit Rating Agencies, some additional disclosures as prescribed in the circular are required to be included in press release/rating rationale while assigning provisional ratings.
5. **Unaccepted provisional rating:** In case the provisional rating assigned is not accepted by the issuer (or sponsor, in case of REITs/InvITs), then in the “non-accepted ratings” published by credit rating agencies on their website additional supplementary disclosures are required to be provided.

[Circular](#)

8. Relaxation from compliance with certain provisions of the SEBI (Listing Obligations Disclosure Requirements) Regulations, 2015 due to the CoVID-19 pandemic

Circular No.: SEBI/HO/CFD/CMD1/P/CIR/2021/556
Dated 29th April, 2021

Vide this circular, SEBI has granted the following relaxations from compliance with certain provisions of the LODR Regulations due to ongoing second wave of the CoVID-19 pandemic and restrictions imposed by various state governments:

S. No.	Regulation	Requirement	Due date	Extended deadline for the quarter / half year / year ending March 31, 2021
1.	Regulation 24A read with Circular No. CIR/CFD/CMD1/27/2019 dated February 8, 2019 relating to Annual Secretarial Compliance Report	Sixty days from end of the financial year	May 30, 2021	June 30, 2021
2.	Regulation 33 (3) – Quarterly financial results / Annual audited financial results	Forty-five days from end of the quarter / Sixty days from end of the financial year	May 15, 2021 / May 30, 2021	June 30, 2021
3.	Regulation 32 (1) read with SEBI Circular No. CIR/CFD/CMD1/162/2019 dated December 24, 2019 on Statement of deviation or variation in use of funds	Along with the financial results (within 45 days of end of each quarter/ 60 days from end of the financial year)	May 15, 2021 / May 30, 2021	June 30, 2021

Listed entities are permitted to use digital signature certifications for authentication/certification of filings/submissions made to the stock exchanges under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 for all filings until December 31, 2021.

[Circular](#)

9. Relaxation from compliance with certain provisions of the SEBI (Listing Obligations Disclosure Requirements) Regulations, 2015 / other applicable circulars due to the CoVID-19 pandemic

Circular No.: SEBI/HO/DDHS/DDHS_Div1/P/CIR/2021/557
Dated 29th April, 2021

Vide this circular, SEBI has granted the following relaxations from compliance with certain provisions of the LODR Regulations / other applicable circulars due to ongoing second wave of the CoVID-19 pandemic and restrictions imposed by various state governments:

S. No.	Regulation	Requirement	Due date	Extended deadline for the quarter / half year / year ending March 31, 2021
	For entities that have listed their debt securities under the SEBI (Issue and Listing of Debt Securities) Regulations, 2008, SEBI (Issue and Listing of Non-convertible Redeemable Preference Shares Regulations, 2013, and SEBI (Public Offer and Listing of Securitised Debt Instruments) Regulations, 2008			
1.	Regulation 52(1) – Half –yearly financial results Regulation 52 (2) – Annual audited financial results	Forty-five days from end of the quarter / Sixty days from end of the financial year	May 15, 2021 / May 30, 2021	June 30, 2021
2.	Regulation 52(7) read with SEBI Circular No. SEBI/HO/DDHS/08/2020 dated January 17, 2020 on Statement of deviation or variation in use of funds	Along with the financial results (within 45 days of end of each quarter / 60 days from end of the financial year)	May 15, 2021 / May 30, 2021	June 30, 2021
	For entities that have listed their bonds under the SEBI (Issue and Listing of Municipal Bonds) Regulations, 2015			
3.	Requirements as per Circular No. SEBI/HO/DDHS/CIR/P/134/2019 dated November 13, 2019 Annual audited financial results	Sixty days from end of the financial year	May 30, 2021	June 30, 2021
	For entities that have listed Commercial Paper			
4.	Requirements as per SEBI/HO/DDHS/DDHS/CIR/P/2019/115 dated October 22, 2019 Half Yearly financial results Annual audited financial results	Forty-five days from end of the Half Year / Sixty days from end of the financial year	May 15, 2021 / May 30, 2021	June 30, 2021

Listed entities are permitted to use digital signature certifications for authentication/certification of filings/submissions made to the stock exchanges under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 for all filings until December 31, 2021.

Further, Entities that have listed their municipal bonds may also opt to use digitally signed documents for making filings with Stock Exchanges in terms of SEBI Circulars CIR/IMD/DF1/60/2017 dated June 19, 2017 and SEBI/HO/DDHS/CIR/P/134/2019 dated November 13, 2019.

Entities that have listed Commercial Paper may also opt to use digitally signed documents for making filings with Stock Exchanges in terms of SEBI Circular No. SEBI/HO/DDHS/DDHS/CIR/P/2019/115 dated October 22, 2019.

[Circular](#)

10. Addendum to SEBI Circular on “Relaxation in adherence to prescribed timelines issued by SEBI due to Covid 19” dated April 13, 2020

Circular No.: SEBI/HO/MIRSD/RTAMB/P/CIR/2021/558
Dated 29th April, 2021

SEBI vide Circular No. SEBI/HO/MIRSD/RTAMB/CIR/P/2020/59 dated April 13, 2020 had granted relaxations in adherence to prescribed timelines to RTAs in view of the Covid-19 pandemic.

The aforementioned circular contained a list of 12 specific items for which relaxation in prescribed timelines were granted. Vide this circular, SEBI has included “Processing of the demat requests” to such list. Accordingly, the list of 13 items that are eligible for relief stand revised.

Such relaxation is being given to intermediaries / market participants w.r.t. compliance with the prescribed timelines which has been extended to July 31, 2021 in view of the Covid-19 situation.

[Circular](#)

11. Relaxation in timelines for compliance with regulatory requirements

Circular No.: SEBI/HO/MIRSD/DOP/P/CIR/2021/559

Dated 29th April, 2021

SEBI had earlier provided relaxations in timelines for compliance with various regulatory requirements by the trading members / clearing members / depository participants vide various circulars issued in April 2020, June 2020, July 2020, October 2020 and December 2020.

In view of the prevailing situation due to Covid-19 pandemic, SEBI has decided to further extend the timelines for compliance with the regulatory requirements by the Trading Members / Clearing Members / Depository Participants / KYC Registration Agencies. The details of compliance requirements along with extended timelines have been provided in the Circular.

[Circular](#)

MCA

1. Companies (Accounts) Second Amendment Rules, 2021

Notification No. G.S.R. 247(E)

Dated 1st April, 2021

Effective Date: 1st April, 2021

Vide this notifications, MCA has amended the Companies (Accounts) Rules, 2014.

Amendment has been made in proviso to sub-rule 1 of Rule 3 pertaining to the manner of books of account to be kept in Electronic Mode, as mentioned below:

“Provided that for the financial year commencing on or after the **1st day of April, 2022**, every company which uses accounting software for maintaining its books of account, shall use only such accounting software which has a feature of recording audit trail of each and every transaction, creating an edit log of each change made in books of account along with the date when such changes were made and ensuring that the audit trail cannot be disabled.”

Previously, the financial year commencing on or after the 1st day of April, 2021 was mentioned.

[Notification](#)

2. Companies (Audit and Auditors) Second Amendment Rules, 2021

Notification No. G.S.R. 248(E)

Dated 1st April, 2021

Effective Date: 1st April, 2021

Vide this notification, MCA has amended the Companies (Audit and Auditors) Rules, 2014.

Amendment has been made to the clause (g) of Rule 11 pertaining to the other matters to be included in auditors report, as mentioned below:

“Whether the company, **in respect of financial years commencing on or after the 1st April, 2022**, has used such accounting software for maintaining its books of account which has a feature of recording audit trail (edit log) facility and the same has been operated throughout the year for all transactions recorded in the software and the audit trail feature has not been tampered with and the audit trail has been preserved by the company as per the statutory requirements for record retention.”

MCA had earlier mandated that Auditor has to report in his Audit report starting from 01.04.2021 that if the Company is maintaining its books of account in a Accounting Software which has a feature of recording audit trail (edit log) facility or not. This report is now made applicable from 01.04.2022 instead of 01.04.2021.

[Notification](#)

3. Clarification on spending of CSR funds for setting up makeshift hospitals and temporary COVID Care facilities

General Circular No. 05/2021

Dated 22nd April, 2021

MCA, vide Circular No. 10/2020 dated 23.03.2020, had clarified that spending of CSR funds for COVID-19 is an eligible CSR activity.

Vide this circular, MCA has further clarified that spending of CSR funds for ‘setting up makeshift hospitals and temporary COVID Care facilities’ is an eligible CSR activity under item nos. (i) and (xii) of Schedule VII of the Companies Act, 2013 relating to promotion of health care, including preventive health care and disaster management respectively.

The Companies are advised to undertake the aforesaid activities in consultation with State Government subject to fulfilment of Companies (CSR Policy) Rules, 2014 and the circulars related to CSR issued by the Ministry of Corporate Affairs 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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