

DECEMBER 2020

NEWSLETTER

REGULATORY

- RBI
- SEBI
- MCA



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1. Opening of Current Accounts by Banks - Need for Discipline

RBI/2020-21/79 DOR.No.BP.BC.30/21.04.048/2020-21

Dated 14th December, 2020

RBI, vide this notification has decided to permit banks to open specific accounts which are stipulated under various statutes and instructions of other regulators/ regulatory departments, without any restrictions placed in terms of the circular dated August 6, 2020.

An indicative list of such accounts is as given below:

1. Accounts for real estate projects mandated under Real Estate (Regulation and Development) Act, 2016 for the purpose of maintaining 70% of advance payments collected from home buyers.
2. Nodal or escrow accounts of payment aggregators/prepaid payment instrument issuers for specific activities as permitted by Department of Payments and Settlement Systems (DPSS), Reserve Bank of India under Payment and Settlement Systems Act, 2007.
3. Accounts for settlement of dues related to debit card/ATM card/credit card issuers/acquirers.
4. Accounts permitted under FEMA, 1999.
5. Accounts for the purpose of IPO / NFO /FPO/ share buyback /dividend payment / issuance of commercial papers/allotment of debentures/gratuity, etc. which are mandated by respective statutes or regulators and are meant for specific/limited transactions only.
6. Accounts for payment of taxes, duties, statutory dues, etc. opened with banks authorized to collect the same, for borrowers of such banks which are not authorized to collect such taxes, duties, statutory dues, etc.
7. Accounts of White Label ATM Operators and their agents for sourcing of currency.

The above permission is subject to the condition that the banks shall ensure that these accounts are used for permitted/specified transactions only.

Banks shall monitor all current accounts and CC/ODs regularly, at least on a half-yearly basis, specifically with respect to the exposure of the banking system to the borrower, to ensure compliance with instructions contained in circular dated August 6, 2020.

[Notification](#)

2. Amendment to Master Direction (MD) on KYC – Centralized KYC Registry – Roll out of Legal Entity Template & other changes

RBI/2020-21/80 DOR.AML.BC.No.31/14.01.001/2020-21

Dated 18th December, 2020

Regulated Entities (REs) have been uploading the KYC data pertaining to all individual accounts opened on or after January 1, 2017 on to Centralized KYC Registry (CKYCR) in terms of the provisions of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005(PML Rules).

As the CKYCR is now fully operational for individual customers, RBI vide this notification, has decided to extend the CKYCR to Legal Entities (LEs). Accordingly, REs shall upload the KYC data pertaining to accounts of LEs opened on or after April 1, 2021, on to CKYCR in terms of Rule 9 (1A) of the PML Rules.

[Notification](#)

SEBI

1. Relaxation in timelines for compliance with regulatory requirements

Circular No.: SEBI/HO/MIRSD/DOP/CIR/P/2020/235

Dated 1st December, 2020

SEBI vide previous circulars issued during the period from April, 2020 to October, 2020 had provided relaxations in timelines for compliance with various regulatory requirements by the trading members / clearing members/ depository participants in view of the COVID-19 pandemic and lockdown imposed by the Government.

Vide this Circular, SEBI has further extended timelines for compliance with the following regulatory requirements by the trading members / clearing members / depository participants as under:

A. Regulatory requirements by the trading members / clearing members:

S. No.	Compliance requirements for which timelines are extended	Extended timeline
I	Internal Audit for half year ended on September 30, 2020	December 31, 2020
II	System Audit for half year ended on September 30, 2020	December 31, 2020
III	Half yearly net worth certificate as on September 30, 2020	December 31, 2020
IV	Cyber Security and Cyber Resilience Audit for half year ended on September 30, 2020	January 31, 2021

B. Regulatory requirements by the trading members / depository participants:

S. No.	Compliance requirements for which timelines are extended	Extended timeline / Period of exclusion
I	Submission of half yearly Internal Audit Report by DPs for the half year ended on September 30, 2020	December 31, 2020
II	KYC application form and supporting documents of the clients to be uploaded on system of KRA within 10 working days	Period of exclusion shall be from March 23, 2020 till December 31, 2020. A 15-day time period after December 31, 2020 is allowed to Depository / DPs, to clear the back log
III	Systems audit (annual) for the financial year ended March 31, 2020	December 31, 2020

[Circular](#)

2. Operational guidelines for Transfer and Dematerialization of re-lodged physical shares

Circular No.: SEBI/HO/MIRSD/RTAMB/CIR/P/2020/236

Dated 2nd December, 2020

SEBI vide Circular No. SEBI/HO/MIRSD/RTAMB/CIR/P/2020/166 dated September 07, 2020, had notified March 31, 2021 as the cut-off date for re-lodgment of transfer requests and has stipulated that such transferred shares shall be issued only in demat mode.

Vide this Circular, SEBI has issued the following operational guidelines for crediting the transferred shares into the demat account of the investor:

1. Guidelines to credit the transferred physical shares in demat mode:

a) Subsequent to processing of the re-lodged transfer request, the RTA shall retain the physical shares and intimate the investor (transferee) about the execution of transfer through Letter of Confirmation as per the format provided in Annexure A.

b) The investor shall submit the demat request, within 90 days of issue of Letter of Confirmation, to Depository

participant (DP) along with the Letter of Confirmation.

c) Depository Participant will process the Demat Request on the basis of Letter of Confirmation, as this letter is a confirmation of holding of physical shares on behalf of the investor by RTA.

2. The RTA while approving/ confirming the demat request, shall incorporate / intimate the Depository about the lock-in period of the shares as required by the SEBI Circular, dated November 06, 2018. Such shares shall be in “lock-in demat mode” for 6 months from the date of registration of transfer.

3. In case of non-receipt of demat request from the investor within 90 days of the date of Letter of Confirmation, the shares will be credited to Suspense Escrow Demat Account of the Company.

[Circular](#)

3. Additional Payment Mechanism (i.e. ASBA, etc.) for Payment of Balance Money in Calls for partly paid specified securities issued by the listed entity

Circular No.: SEBI/HO/CFD/DIL1/CIR/238/2020

Dated 8th December, 2020

In order to protect investors' interest and reduce investor grievances relating to refund, SEBI had introduced Application Supported by Blocked Amount (ASBA) as the sole payment mechanism in IPO and Rights issues.

Vide this Circular, SEBI has introduced additional payment mechanism (i.e. ASBA) for making subscription and/or payment of calls in respect of partly paid specified securities through SCSBs and intermediaries such as Trading Members/ Brokers (having three in one type account) and Registrar and Transfer agents (RTA).

Below are the additional channels for making subscription and/or paying call money:

Additional Channels for making subscription and/or paying call money		
Channel I	Channel II	Channel III
<u>Online ASBA:</u> Through an online portal of the SCSB.	<u>Physical ASBA:</u> Physically at the branch of a SCSB	<u>Additional Online mode:</u> using the facility of linked online trading, demat and bank account (3-in-1 type accounts), provided by some of the brokers.
The SCSBs shall send the application to RTA and block funds in shareholders account.	The SCSBs shall send the application to RTA and block funds in shareholders account.	

Period of subscription: The payment period for payment of balance money in Calls shall be kept open for fifteen days.

Disclosures in the Letter of Offer: The intermediaries including the issuer company and its RTA shall provide necessary guidance to the specified security holders for the use of ASBA mechanism while making payment of calls.

This circular shall be applicable for all Call Money Notice wherein the payment period opens on or after January 01, 2021.

[Circular](#)

4. E-Voting Facility Provided by Listed Entities

Circular No.: SEBI/HO/CFD/CMD/CIR/P/2020/242

Dated 9th December, 2020

Listed entities are required to provide remote e-voting facility to its shareholders in respect of all shareholders' resolutions under Regulation 44 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Currently, there are multiple e-voting service providers (ESPs) providing e-voting facility to listed entities in India. This necessitates registration with various ESPs and maintenance of multiple user IDs and passwords by the

shareholders.

Vide this Circular, SEBI has decided to enable e-voting to all the demat account holders, by way of a single login credential, through their demat accounts/websites of Depositories/Depository Participants.

Under this facility, Demat account holders would be able to cast their vote without having to register again with the ESPs, thereby, not only facilitating seamless authentication but also enhancing ease and convenience of participating in e-voting process.

[Circular](#)

5. Framework for issue of Depository Receipts - Clarifications

Circular No.: SEBI/HO/MRD2/DCAP/CIR/P/243

Dated 18th December, 2020

SEBI vide Circular No. SEBI/HO/MRD/DOP1/CIR/P/2019/106 dated October 10, 2019 had prescribed a Framework for issue of Depository Receipts.

Vide this Circular, SEBI has amended Para 2.15 of the above said circular in respect of the criteria for Permissible holders of Depository Receipts.

The revised Para 2.15 of the above mentioned circular is as under:

Permissible holder means a holder of DR, including its Beneficial Owner(s), satisfying the following conditions:

- (a) who is not a person resident in India;
- (b) who is not a Non-Resident Indian (NRI)

The restriction under this Clause shall not apply in case of issue of DRs to NRIs, pursuant to share based employee benefit schemes which are implemented by a company in terms of SEBI (Share Based Employee Benefits) Regulations 2014.

Further, the restriction under this Clause shall also not apply in case of issue of DRs by the company to NRIs pursuant to a bonus issue or a rights issue.

The onus of identification of NRI holders, who are issued DRs in terms employee benefit scheme, would lie with the listed company. The listed company shall provide the information of such NRI DR holders to the designated depository for the purpose of monitoring of limits.

[Circular](#)

6. Master Circular on (i) Scheme of Arrangement by Listed Entities and (ii) Relaxation under Sub-rule (7) of rule 19 of the Securities Contracts (Regulation) Rules, 1957

Circular No.: SEBI/HO/CFD/DIL1/CIR/P/2020/249

Dated 22nd December, 2020

This Master Circular is a compilation of relevant and updated circulars issued by SEBI which deal with schemes of arrangement and which are operational as on the date of this circular.

A list of SEBI circulars compiled in this Master Circular is given in Appendix at the end of this Master Circular.

[Master Circular](#)

MCA

1. Relaxation of additional fees and extension of last date of filing of Form CRA-4 (Form for filing of Cost Audit Report) for FY 2019-20 under the Companies Act, 2013

General Circular No. 38/2020
Dated 1st December, 2020

As per Rule 6(5) of Companies (Cost Records and Audit) Rules, 2014, the cost auditor is required to forward a duly signed report to the Board within 180 days from the closure of the financial year.

MCA vide General Circular No. 29/2020 dated 10th September, 2020 had permitted the submission of cost audit report for the financial year 2019-20 beyond 180 days by 30th November, 2020. As per Rule 6(6) of Companies (Cost Records and Audit) Rules, 2014, the company is required to file the Cost Audit report in e-form CRA-4 within 30 days from the date of receipt of report.

Vide this circular, MCA has further extended the submission of cost audit report from 30th November, 2020 till 31st December, 2020.

All other requirements provided in the above circular of September 2020 shall remain unchanged.

[Circular](#)

2. Companies (Auditor's Report) Second Amendment Order, 2020

Order No. S.O. 4588(E)
Dated 17th December, 2020

MCA has amended the Companies (Auditor's Report) Order, 2020.

Vide this Order, MCA has extended the applicability of Companies (Auditor's Report) Order, 2020 from 1st April, 2020 to 1st April, 2021.

[Order](#)

3. Companies (Compromises, Arrangements and Amalgamations) Second Amendment Rules, 2020

Notification No. G.S.R.....(E)
Dated 17th December, 2020

Vide this notification, MCA has amended the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016.

Following is the gist of the amendments:

1. A new definition for the term corporate action has been inserted which means

“any action taken by the Company relating to transfer of shares and all the benefits accruing on such shares namely bonus shares, split, consolidation, fraction shares and right issue to the acquirer.”

2. New Rule 26A has been inserted after Rule 26 pertaining to the “Purchase of minority shareholding held in demat form in which the company shall within 2 weeks from the date of receipt of the amount equal to the price of shares to be acquired by the acquirer, verify the details of the minority shareholders holding shares in dematerialized form. After following the prescribed procedure and upon successful payment to the minority shareholders, the company shall inform the depository to transfer the shares of such shareholders, kept in the designated Demat account of the company, to the Demat account of the acquirer.

[Notification](#)

4. Companies (Appointment and Qualification of Directors) Fifth Amendment Rules, 2020

Vide this notification, MCA has amended the Companies (Appointment and Qualification of Directors) Rules, 2014.

Following is the gist of the amendments made in Rule 6 pertaining to the Compliances required by a person eligible and willing to be appointed as an independent director:

1. Every individual whose name is so included in the data bank under sub-rule (1) shall pass an online proficiency self-assessment test conducted by the institute within a period of two years (previously one year) from the date of inclusion of his name in the data bank.

2. An individual shall not be required to pass the online proficiency self-assessment test when he has served for a total period of not less than three (previously ten) years as of the date of inclusion of his name in the data bank as a Director or KMP, , in a listed public company, an unlisted public company having a paid-up share capital of rupees ten crores or more, body corporate listed on any recognized stock exchange, statutory corporations set up under an Act of Parliament or any State Legislature carrying on commercial activities.

[Notification](#)

5. Applicability of the Provisions of the Companies (Amendment) Act, 2020

Notification No. S.O.(E)
Dated 21st December, 2020

Vide this notifications, MCA has notified the following provisions of the Companies (Amendment) Act, 2020 with immediate effect:

S. No.	Sections of Companies (Amendment) Act, 2020	Corresponding Sections of Companies Act, 2013
1.	Section 1	Short title and commencement
2.	Section 3	Section 8 - Formation of Companies with Charitable Objects, etc.
3.	Section 6 to 10 (both inclusive)	Section 26 - Matters to be Stated in Prospectus Section 40 – Global Depository Receipt Section 48 - Variation of Shareholders' Rights Section 56 - Transfer and Transmission of Securities Section 59 - Rectification of Register of Members
4.	Section 12 to 17 (both inclusive)	Section 64 - Notice to be Given to Registrar for Alteration of Share Capital Section 66 - Reduction of Share Capital Section 68 - Power of Company to Purchase its Own Securities Section 71 - Debentures Section 86 - Punishment for Contravention (Charges) Section 88 - Register of Members, etc.
5.	Clauses (a) and (b) of Section 18	Section 89 - Declaration in Respect of Beneficial Interest in any Share
6.	Section 19 to 21 (both inclusive)	Section 90 - Register of significant beneficial owners in a company Section 92 – Annual Return Section 105 – Proxies
7.	Clause (i) of Section 22	Section 117 - Resolutions and Agreements to be Filed
8.	Section 24	Section 128 – Books of Account, etc., to be kept by Company
9.	Section 26	Section 134 - Financial Statement, Board's Report, etc.
10.	Section 28 to 31 (both inclusive)	Section 137 - Copy of Financial Statement to be Filed with Registrar Section 140 - Removal, Resignation of Auditor and Giving of Special Notice Section 143 - Powers and Duties of Auditors and Auditing Standards Section 147 - Punishment for Contravention
11.	Section 33 to 39 (both inclusive)	Section 165 - Number of directorships Section 167 - Vacation of Office of Director Section 172 - Punishment Section 178 - Nomination and Remuneration Committee and Stakeholders Relationship Committee Section 184 - Disclosure of Interest by Director Section 187 - Investments of Company to be Held in its Own Name Section 188 – Related Party Transactions
12.	Section 41 to 44 (both inclusive)	Section 204 - Secretarial Audit for Bigger Companies

		Section 232 - Merger and Amalgamation of Companies Section 242 - Powers of Tribunal Section 243 - Consequence of Termination or Modification of Certain Agreements
13.	Section 46 to 51 (both inclusive)	Section 284 - Promoters, Directors, etc., to Cooperate with Company Liquidator Section 302 - Dissolution of Company by Tribunal Section 342 - Prosecution of Delinquent Officers and Members of Company Section 347 - Disposal of Books and Papers of Company Section 348 - Information as to Pending liquidations Section 356 - Powers of Tribunal to Declare Dissolution of Company Void
14.	Section 54	Section 392 - Punishment for Contravention (Companies Incorporated Outside India)
15.	Section 57	Section 405 - Power of Central Government to Direct Companies to Furnish Information or Statistics
16.	Section 61	Section 441 - Compounding of Certain Offences
17.	Section 63	Section 450 - Punishment Where No Specific Penalty or Punishment is Provided

The Amendment Act 2020 has done away with imprisonment as a consequence of a violation of certain provisions of the Companies Act, 2013. It has also reduced or modified the fines/penalties for certain offences under the provisions of the Companies Act, 2013.

[Notification](#)

6. Companies (Share Capital and Debentures) Second Amendment Rules, 2020

G.S.R. __ (E)
Dated 24th December, 2020

MCA has amended the Companies (Share Capital and Debentures) Rules, 2014.

Vide this amendment, MCA has modified e-Form-7 for notice to Registrar in respect of any alteration in share capital.

[Notification](#)

7. Companies (Incorporation) Third Amendment Rules, 2020

G.S.R. __ (E)
Dated 24th December, 2020

Effective Date: 26th January, 2021

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

Vide this amendment, a new rule 9A pertaining to extension of reservation of name in certain cases has been inserted after rule 9.

As per the amendment, the Registrar shall have the power to extend the period of name reserved under Rule 9 on payment of prescribed fees through web service SPICE+ as under:

Period of extension from date of approval	Amount of fees to be paid	Payment of fees before the expiry of number of days
40 days	1,000	20 days from the date of approval
60 days	2,000	40 days from above
60 days	3,000	20 days from the date of approval

The registrar shall also have the power to cancel the reserved name.

[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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