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NEWSLETTER

REGULATORY

- RBI
- SEBI
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RBI

1. Investment in NBFCs from FATF non-compliant jurisdictions

RBI/2020-2021/97 DOR.CO.LIC.CC No.119/03.10.001/2020-21

Dated: 12th February 2021

The Financial Action Task Force (FATF) periodically identifies jurisdictions with weak measures to combat money laundering and terrorist financing (AML/CFT) in the following two categories: i) High-Risk Jurisdictions subject to a Call for Action, and ii) Jurisdictions under Increased Monitoring. A jurisdiction, whose name does not appear in the two aforementioned lists will be referred to as a FATF compliant jurisdiction. Investments in NBFCs from FATF non-compliant jurisdictions will not be treated at par with that from the compliant jurisdictions.

Accordingly, RBI has issued the following instructions in this regard:

1. Investors in existing NBFCs 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.
2. New investors from or through non-compliant FATF jurisdictions, whether in existing NBFCs or in companies seeking Certification of Registration (COR), should not be allowed to directly or indirectly acquire 'significant influence' (threshold of 20 per cent of the voting power) in the investee NBFC.

[Notification](#)

2. Investment by Foreign Portfolio Investors (FPI) in Defaulted Bonds - Relaxations

RBI/2020-21/105 A.P. (DIR Series) Circular No. 12

Dated: 26th February 2021

RBI vide Circular No. 31 dated November 26, 2015, had permitted FPIs to acquire NCDs/bonds, which are under default, either fully or partly, in the repayment of principal on maturity or principal instalment in the case of amortising bond. Further, FPI investment in defaulted corporate bonds were exempted from the short-term limit and the minimum residual maturity requirement under the Medium Term Framework (MTF).

Currently, FPI investments in corporate bonds are subject to a minimum residual maturity requirement, short-term investment limit and the investor limit in terms of the directions of aforesaid circular. However, FPI investments in security receipts and debt instruments issued by Asset Reconstruction Companies and debt instruments issued by an entity under the Corporate Insolvency Resolution Process as per the resolution plan approved by the NCLT under the Insolvency and Bankruptcy Code, 2016 are exempt from these requirements.

RBI vide this circular has decided to exempt investments by FPI in NCDs/bonds which are under default, either fully or partly, in the repayment of principal on maturity or principal instalment in the case of amortising bond from the aforesaid requirements.

[Circular](#)

<u>SEBI</u>	
1. Setting up of Limited Purpose Clearing Corporation (LPCC) by Asset Management Companies (AMCs) of Mutual Funds	
Circular No.: SEBI/HO/IMD/DF2/CIR/P/2021/17 Dated: 2 nd February 2021	
<p>SEBI in its meeting held on September 29, 2020, approved a proposal to facilitate setting up of a Limited Purpose Clearing Corporation (LPCC) for clearing and settling repo transactions in corporate debt securities. Accordingly, Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 (SECC Regulations) were amended vide notification dated October 8, 2020.</p> <p>Vide this circular, SEBI has decided that Asset Management Companies (AMCs) shall contribute INR 150 Cr. towards share capital of LPCC in proportion to the Asset 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.</p> <p>Further, the contribution shall be based on Average AUM of debt oriented schemes for the financial year 19-20.</p> <p>Circular</p>	
2. Revised Framework for Innovation Sandbox	
Circular No.: SEBI/HO/ITD/ITD/CIR/P/2021/16 Dated 2 nd February, 2021	
<p>In order to promote innovation in the securities market, SEBI, vide this circular, has proposed a concept of “Innovation Sandbox” in which startups including FinTech firms can have access to market related data, and test environments which are otherwise not readily available to them.</p> <p>Innovation Sandbox facilitates access to an environment (testing facilities and test data) provided by Enabling Organizations like Stock Exchanges, Depositories and Qualified Registrar and Share Transfer Agents (QRTAs) wherein innovators i.e. Sandbox Applicants would be testing their innovations in isolation from the live market. The innovators would use the environment for offline testing of the proposed solution of the applicant.</p> <p>Further, to drive the Innovation Sandbox, a steering committee comprising of representatives from the enabling organizations has been formed.</p> <p>Detailed operational guidelines are included in the circular.</p> <p>Circular</p>	
3. Master Circular for Depositories	
SEBI/HO/MRD2/DDAP/CIR/P/2021/18 Dated 5 th February, 2021	
<p>This Master Circular is a compilation of the relevant circulars/communications pertaining to Depositories issued by SEBI up to October 31, 2020 and shall come into force from the date of its issue.</p> <p>Further, in case of any inconsistency between the Master Circular and the applicable circulars, the content of the applicable/relevant circular shall prevail.</p> <p>Master Circular</p>	
4. Revised disclosure formats under Regulation 7 of SEBI (Prohibition of Insider Trading) Regulations, 2015	
Circular No.: SEBI/HO/ISD/ISD/CIR/P/2021/19 Dated 9 th February, 2021	

In terms of circulars CIR/ISD/01/2015 dated May 11, 2015 and CIR/ISD/02/2015 dated September 16, 2015, SEBI had specified formats for disclosures under Regulation 7 of SEBI (Prohibition of Insider Trading) Regulations, 2015 ("PIT Regulations").

Vide this Circular, SEBI has revised the relevant disclosure formats (Forms B to D) in view of the amendments to the PIT Regulations effecting the inclusion of member of the promoter group, and designated person in place of employee, in Regulation 7 thereof.

All other conditions stipulated in the aforesaid circulars shall remain unchanged.

[Circular](#)

5. Extension of facility for conducting meeting(s) of unitholders of REITs and InvITs through Video Conferencing (VC) or through other audio-visual means (OAVM)

Circular No.: SEBI/HO/DDHS/DDHS/CIR/P/2021/21
Dated 26th February, 2021

SEBI vide Circular dated June 22, 2020 and October 08, 2020 had permitted REITs/InvITs to conduct annual meetings and other meetings of unitholders through VC or OAVM up to December 31, 2020.

MCA, vide circulars dated December 31, 2020 and January 13, 2021 permitted companies to conduct their Extraordinary General meetings upto June 30, 2021 and Annual General meetings due in the year 2021 through VC or OAVM.

Accordingly, SEBI vide this circular has extended the facility to conduct meeting of unitholders, through VC or OAVM for REITs/InvITs as under:

- a. Annual meeting of unitholders which becomes due in the calendar year 2021 to be conducted till December 31, 2021.
- b. For meetings other than annual meeting of unitholders till June 30, 2021

[Circular](#)

MCA

1. Companies (Compromises, Arrangements and Amalgamations) Amendment Rules, 2021

Notification No. G.S.R. 93(E)

Dated 1st February, 2021

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

Amendment is made in rule 25 pertaining to “Merger or Amalgamation of certain companies”. After sub-rule (1), the following new sub-rule (1A) has been inserted to pave way to a scheme of merger or amalgamation under section 233 of the Act that may be entered into between any of the following class of companies, namely:-

- (i) two or more start-up companies; or
- (ii) one or more start-up company with one or more small company.

Further, “start-up company” means a private company incorporated under the Companies Act, 2013 or Companies Act, 1956 and recognised as such in accordance with notification number G.S.R. 127 (E), dated the 19th of February, 2019 issued by the Department for Promotion of Industry and Internal Trade.

[Notification](#)

2. Companies (Incorporation) Second Amendment Rules, 2021

Notification No. G.S.R. 91(E)

Dated 1st February, 2021

Effective Date: 1st April 2021

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

Following is the gist of the amendments:

1. Rule 3 pertaining to One Person Company (OPC): Amendment is made in the eligibility of natural person incorporating the OPC and nominee for the sole member of OPC. The natural person being Indian Citizen may be resident or otherwise. Previously, such natural person had to be Indian Citizen and resident.

For the purposes of this rule, the term "resident in India" means a person who has stayed in India for a period of not less than 120 days (previously 182 days) during the immediately preceding financial year.

2. Sub-rule 7 has been omitted: The restriction on conversion of OPC into any other kind of company unless 2 years has expired from the date of incorporation with an exception to the increase in paid up share capital beyond Rs. 50 lakhs or average annual turnover beyond Rs. 2 crores has been omitted.

3. Rule 6 pertaining to Conversion of OPC into a Public company or a Private company has been substituted: An OPC may be converted into a Private or Public Company (other than a company registered under Section 8 of the Act), after increasing the minimum number of members and directors to two or seven members and two or three directors, as the case may be, and maintaining the minimum paid-up capital as per the requirements of the Act for such class of company. Further, the application for conversion is required to be filed in Form No. INC-6, along with prescribed fees.

The paid-up share capital and the turnover threshold limits are not required to be breached for conversion of OPC into Public or Private Company.

4. Rule 7 pertaining to conversion of Private Company into OPC: The threshold limits for paid-up share capital and turnover are not required to be maintained for conversion of Private Company to OPC. The application for conversion is required to be filed in Form No. INC-6.

[Notification](#)

3. Companies (Specification of Definitions Details) Amendment Rules, 2021	
Notification No. G.S.R. 92(E) Dated 1 st February, 2021	
<p><i>Effective Date: 1st April 2021</i></p> <p>The Finance Minister declared in the Budget Speech 2021-2022 that the benefits provided for small companies shall be extended to more companies. Towards achieving this objective, MCA has amended the Companies (Specification of Definitions Details) Rules, 2014 vide this notification.</p> <p>The amendments are carried out to extend the scope of the term ‘Small Companies’.</p> <p>The amendment provides that, companies with paid-up capital and turnover not exceeding rupees two crores and rupees twenty crores respectively shall be considered as small companies.</p> <p>Notification</p>	
4. Producer Companies Rules, 2021	
Notification No. G.S.R. 112(E) Dated 11 th February, 2021	
<p>Vide this notification, MCA has issued the Producer Companies Rules, 2021.</p> <p>Following is the gist of the rules issued:</p> <p>1. Applicability: These rules shall apply to a Producer Company as referred in clause (l) of section 378A of Companies Act, 2013.</p> <p>2. Definition of Co-operative Society: co-operative society means a society registered or deemed to be registered under any law relating to co-operative societies for the time being in force in any State.</p> <p>3. Change of place of registered office from one State to another: The rules 27, 30 and 31 of the Companies (Incorporation) Rules, 2014, including the forms stated therein shall be applied for the purpose of change of place of registered office of a Producer Company from one State to another.</p> <p>4. Investment of general reserves: A Producer Company shall make investments from and out of its general reserves in any one or in combination of the following:</p> <ul style="list-style-type: none"> (a) in approved securities, fixed deposits, units and bonds issued by the Central Government or State Governments or co-operative societies or scheduled bank (b) in a co-operative bank, State co-operative bank, co-operative land development bank or Central co-operative bank (c) with any other scheduled bank (d) in any of the securities specified in section 20 of the Indian Trusts Act, 1882 (02 of 1882) (e) in the shares or securities of any other inter-State co-operative society or any co-operative society (f) in the shares, securities or assets of public financial institutions specified under clause (72) of section 2 of the Act. <p>Notification</p>	
5. Companies (Share Capital and Debentures) Amendment Rules, 2021	
Notification No. G.S.R. 113(E) Dated 11 th February, 2021	
<p><i>Effective Date: 1st April 2021</i></p> <p>Vide this notification MCA has amended the Companies (Share Capital and Debentures) Rules, 2014.</p> <p>A new rule 12A has been introduced which notifies the minimum offer period for Rights offer. The time period within which the offer can be made has been reduced from 15 days to 7 days making it easier for the companies to close the</p>	

offer period for Rights Offer

[Notification](#)

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

Notification No. S.O. 644(E)
Dated 11th February, 2021

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 52	Insertion of Chapter XXIA in respect of the Producer Companies (Section 378A to 378ZU)
2.	Section 66	Section 465 - Repeal of Certain Enactments and Savings

[Notification](#)

7. Companies (Specification of Definitions Details) Second Amendment Rules, 2021

Notification No. G.S.R. 123(E)
Dated 19th February, 2021

Effective Date: 1st April, 2021

Vide this notification, MCA has amended the Companies (Specification of Definitions Details) Rules, 2014 which is aimed at excluding certain classes of companies from the definition of 'listed company' under Section 2(52) of Companies Act, 2013.

Accordingly, a new Rule 2A has been inserted which excludes following companies from the definition of 'listed company':

- (a) Public companies which have not listed their equity shares on a recognized stock exchange but have listed their –
- (i) non-convertible debt securities issued on private placement basis in terms of SEBI (Issue and Listing of Debt Securities) Regulations, 2008; or
 - (ii) non-convertible redeemable preference shares issued on private placement basis in terms of SEBI (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013; or
 - (iii) both categories of (i) and (ii) above.
- (b) Private companies which have listed their non-convertible debt securities on private placement basis on a recognized stock exchange in terms of SEBI (Issue and Listing of Debt Securities) Regulations, 2008;
- (c) Public companies which have not listed their equity shares on a recognized stock exchange but whose equity shares are listed on a stock exchange in a jurisdiction as specified in sub-section (3) of section 23 of the Act.

[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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