

MARCH 2021

NEWSLETTER

REGULATORY

- RBI
- SEBI
- MCA



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RBI

1. Extension of Cheque Truncation System (CTS) across all bank branches in the country

RBI/2020-21/107 DPSS.CO.RPPD.No.SUO 21102/04.07.005/2020-21

Dated: 15th March 2021

Vide this notification, RBI has decided to extend the cheque truncation system (CTS) across all bank branches by September 2021 in a bid for faster and smoother cheque clearances in the Country. To leverage the availability of CTS and provide uniform customer experience irrespective of location of the bank branch, it has been decided to extend CTS across all bank branches in the country.

All Banks will have to ensure that all their branches participate in image-based CTS under respective grids by September 30, 2021. Further, they are free to adopt a model of their choice, like deploying suitable infrastructure in every branch or following a hub & spoke model and concerned banks should coordinate with the respective Regional Offices of RBI to operationalise this system.

[Notification](#)

2. Annual Closing of Government Accounts – Transactions of Central / State Governments – Special Measures for the Current Financial Year (2020-21)

RBI/2020-21/112DGBA.GBD.No.S212/42.01.029/2020-21

Dated: 25th March 2021

As per RBI circular, all government transactions done by agency banks for Financial Year 2020-21 must be accounted for within the same financial year.

Accordingly, the following arrangements have been put in place to report and account for Government transactions for March 31, 2021:

1. All agency banks should keep their designated branches open for over the counter transactions related to government transactions upto the normal working hours on March 31, 2021.
2. Transactions through National Electronic Funds Transfer (NEFT) and Real Time Gross Settlement (RTGS) System will continue upto 24:00 hours as hitherto on March 31, 2021.
3. Special clearing will be conducted for collection of government cheques on March 31, 2021 for which the Department of Payment and Settlement Systems (DPSS), RBI will issue necessary instructions.
4. Regarding reporting of Central and State Government transactions to RBI, including uploading of GST / e-receipts luggage files, the reporting window of March 31, 2021 has been extended and will be kept open till 12:00 hours on April 1, 2021.
5. Agency banks may take note and give adequate publicity to the special arrangements made as above.

[Notification](#)

SEBI

1. Master Circular on Surveillance of Securities Market

Circular No.: SEBI/HO/ISD/ISD/CIR/P/2021/22

Dated: 1st March 2021

This Master Circular is a compilation of the circulars issued by Integrated Surveillance Department, which are operational as on date of this circular.

The list of applicable Circulars has been appended to this master circular.

In case of any inconsistency between the Master Circular and the applicable circulars, the content of the relevant circular shall prevail.

[Master Circular](#)

2. Code of Conduct & Institutional mechanism for prevention of Fraud or Market Abuse

Circular No.: SEBI/HO/MRD/DCAP/CIR/P/2021/23

Dated 3rd March, 2021

SEBI has carried out necessary changes in SEBI (Prohibition of Insider Trading) Regulations, 2015 ('PIT Regulations') pursuant to the report of the Committee on Fair Market Conduct ('Committee'), set up to recommend appropriate Institutional Mechanism to ensure accountability of the management/ designated persons in case of negligence/ failure.

Vide this circular, SEBI has decided that the Code of Conduct and Institutional Mechanism for prevention of fraud or market abuse shall be applicable to Stock Exchanges, Clearing Corporations and Depositories (collectively referred as 'MIIs') also, on the lines of Regulation 9(1) to 9(4) of PIT Regulations.

Accordingly, MIIs shall formulate a Code of Conduct to regulate, monitor and report trading by their designated persons and immediate relative of designated persons towards achieving compliance with the PIT Regulations.

Further, MIIs shall put in place an Institutional Mechanism for prevention of fraud or market abuse.

[Circular](#)

3. Circular on Mutual Funds

Circular No.: SEBI/HO/IMD/DF2/CIR/P/2021/024

Dated 4th March, 2021

SEBI vide Gazette notification no. SEBI/LAD-NRO/GN/2021/08 dated February 04, 2021 had notified proposals relating to amendments to SEBI (Mutual Funds) Regulations, 1996 (MF Regulations). The amendments are effective from 4th March 2021.

SEBI vide this circular has decided to implement the following with respect to proposals relating to modifications in various circulars issued under MF Regulations:

1. Gross Exposure Limit
2. Investment Pattern
3. Procedure for Change in Control of AMC
4. Go Green Initiatives
5. Filing of Annual Information Return (AIR) by Mutual Funds
6. Investment in securities by employees of AMC(s) and Trustees of Mutual Funds
7. Advertisement
8. Disclosure of performance of mutual fund schemes
9. Undertaking from Trustees for new Scheme Offer Document
10. Key Personnel of the AMC

11. Updation of Scheme Information Document (SID) and Key Information Memorandum (KIM)
12. Disclosures of Votes Cast by Mutual Funds
13. Dividend Distribution Procedure for Mutual Funds
14. Postal Ballot
15. Exit Period for Unit holders
16. Comments from SEBI for change in Fundamental Attribute
17. Rajiv Gandhi Equity Savings Scheme (RGESS)
18. Modes of Payments and Dispatch
19. Reporting the quarterly details of transactions of dealing in securities by Trustees
20. Timelines for issuance of Consolidated Account Statement (CAS)
21. Investment in Non-Convertible Preference Shares (NCPs)
22. Change in Nomenclatures
23. Auditor of a Mutual Fund
24. Applicability of Exit Load

[Circular](#)

4. Amendments to provisions in SEBI Circular dated September 16, 2016 on Unique Client Code (UCC) and mandatory requirement of Permanent Account Number (PAN)

Circular No.: SEBI/HO/CDMRD/DNP/CIR/P/2021/30
Dated 8th March, 2021

Effective Date: April 1, 2021

SEBI vide circular no. SEBI/HO/CDMRD/DMP/CIR/P/2016/87 dated September 16, 2016, had issued the guidelines on use of Unique Client Code (UCC) and mandatory requirement of Permanent Account Number (PAN) for trading on commodity derivative exchanges (Exchanges having commodity derivatives segment).

The Income Tax (IT) Department launched the facility of e-PAN which is generated instantly through Aadhaar based e-KYC.

In order to rationalize the compliance requirement of collecting and maintaining copies of PAN of clients by their respective members and enhance the use of e-PAN, SEBI vide this circular has modified certain provisions of the above SEBI circular, which are as follows:

1. Amended Clause 3 to make it mandatory for the members of the exchanges having commodity derivatives segment to use Unique Client Code (UCC) for all clients transacting on the commodity derivative segment.

2. Amended Clause 5 to provide that exchanges having commodity derivatives segment to ensure that the members of their exchanges shall collect copies of PAN cards issued to their existing as well as new clients after verifying with the original and to cross-check the aforesaid details collected from their clients with the details on the website of the Income Tax (IT) Department.

[Circular](#)

5. Rollout of Legal Entity Template

Circular No.: SEBI/HO/MIRSD/DOP/CIR/P/2021/31
Dated 10th March, 2021

SEBI vide circular no. CIR/MIRSD/66/2016 dated July 21, 2016 on Operationalization of Central KYC Records Registry (CKYCR) directed the Registered Intermediaries (RI) to upload the KYC records with CKYCR, in respect of all individual accounts opened on or after August 01, 2016.

CKYCR, in its communication no. CKYC/2020/11 dated January 04, 2021 had specified that since CKYCR is fully operational for individual clients, it shall be extended to Legal Entities (LE) as well. Accordingly, RIs shall upload the KYC records of LE accounts opened on or after April 01, 2021 on to CKYCR in terms of Rule 9 (1A) of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005.

SEBI has come out with a template for legal entities in this regard which is attached to this circular.

The provisions of this circular are not applicable to Foreign Portfolio Investors (FPIs).

[Circular](#)

6. Review of norms regarding investment in debt instruments with special features, and the valuation of perpetual bonds

Circular No.: SEBI/HO/IMD/DF4/CIR/P/2021/032

Dated 10th March, 2021

Effective Date: 1st April, 2021

SEBI vide this circular has specified prudential investment limits for mutual funds investing in debt instruments having special features viz. subordination to equity (absorbs losses before equity capital) and /or convertible to equity upon trigger of a pre-specified event for loss absorption:

Limits specified -

1. No Mutual Fund under all its schemes shall own more than 10% of such instruments issued by a single issuer.
2. A Mutual Fund scheme shall not invest –
 - a. more than 10% of its NAV of the debt portfolio of the scheme in such instruments; and
 - b. more than 5% of its NAV of the debt portfolio of the scheme in such instruments issued by a single issuer.

The above investment limit for a mutual fund scheme shall be within the overall limit for debt instruments issued by a single issuer, as specified under SEBI (Mutual Fund) Regulations, 1996, and other prudential limits with respect to the debt instruments.

3. The investments of mutual fund schemes in such instruments in excess of the limits specified under paragraph 2 above as on the date of this circular may be grandfathered and such mutual fund schemes shall not make any fresh investment in such instruments until the investment comes below the specified limits.

SEBI has also specified the provisions for Segregated Portfolio in the Scheme Information Document and Valuation of Perpetual Bonds. **The maturity of all perpetual bonds shall be treated as 100 years from the date of issuance of the bond for the purpose of valuation.** Close ended debt schemes are not allowed to invest in perpetual bonds.

[Circular](#)

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

No. SEBI/LAD-NRO/GN/2021/10

Dated 16th March, 2021

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

Following is the gist of amendments made in Regulation 7 pertaining to **Consideration of application:**

1. Substitution of sub-clause (i) in clause (d) of sub-regulation (2) of regulation 7. Additional criteria has been inserted for the qualification of Principal Officer of the applicant (portfolio manager). Now, the Principal Officer can also attain professional qualification by completing a *Post Graduate Program in the Securities Market (Portfolio Management) from NISM of a duration not less than one year.*
2. Insertion of new proviso in in clause (d) of sub-regulation (2) of regulation 7. A fresh NISM certification shall be obtained before expiry of the validity of the existing certification to ensure continuity in compliance with the certification requirements.
3. Substitution of words “*minimum qualifications and experience*” with “*minimum qualifications, experience and certification*” in the first proviso to clause (e) of sub-regulation (2) of regulation 7.

[Regulation](#)

8. Securities and Exchange Board of India (Research Analysts) (Amendment) Regulations, 2021	
No. SEBI/LAD-NRO/GN/2021/09 Dated 16 th March, 2021	
<p>SEBI has amended the Securities and Exchange Board of India (Research Analysts) Regulations, 2014.</p> <p>Amendment is made in Regulation 7 pertaining to Qualification and certification requirement. As per the amendment, additional criteria for minimum qualification has been inserted for research analyst as follows–</p> <p>“a professional qualification by completing a Post Graduate Program in the Securities Market (Research Analysis) from NISM of a duration not less than one year.”</p> <p>Regulation</p>	
9. Securities and Exchange Board of India (Investment Advisers) (Second Amendment) Regulations, 2021	
No. SEBI/LAD-NRO/GN/2021/11 Dated 16 th March, 2021	
<p>SEBI has amended the Securities and Exchange Board of India (Investment Advisers) Regulations, 2013.</p> <p>Amendment is made in Regulation 7 pertaining to Qualification and certification requirement. As per the amendment, additional criteria for minimum qualification has been inserted for investment adviser and partners and representatives of an investment adviser as follows–</p> <p>“a professional qualification by completing a Post Graduate Program in the Securities Market (Investment Advisory) from NISM of a duration not less than one year.”</p> <p>Regulation</p>	
10. Streamlining the process of IPOs with UPI in ASBA and redressal of investors grievances	
Circular No.: SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M Dated 16 th March, 2021	
<p>SEBI vide circular SEBI/HO/CFD/DIL2/CIR/P/2018/138 dated November 01, 2018 had introduced the use of Unified Payment Interface as an additional payment mechanism with Application Supported by Blocked Amount (ASBA) for Retail Individual Investors along with timelines for listing within six days of closure of issue (T+6).</p> <p>In view of the various issues arising due to the current UPI system, SEBI vide this circular, has decided to put in place measures to have a uniform policy to streamline the reconciliation process among intermediaries/SCSBs and providing a mechanism of compensation to investors.</p> <p>This circular shall come into force for IPOs opening on/after May 01, 2021. The provisions of this circular shall become part of the offer documents, DRHP and RHP.</p> <p>Circular</p>	
11. Guidelines for Business Continuity Plan (BCP) and Disaster Recovery (DR) of Market Infrastructure Institutions (MIIs)	
Circular No.: SEBI/HO/MRD1/DTCS/CIR/P/2021/33 Dated 22 nd March, 2021	
<p>SEBI vide circular SEBI/HO/MRD/DMS1/CIR/P/2019/43 dated March 26, 2019 had prescribed a framework for Business Continuity Plan (BCP) and Disaster Recovery Site (DRS) for Stock Exchanges, Depositories and Clearing Corporations.</p>	

Vide this circular, SEBI has issued a modified framework for BCP and DR in order to reduce the time period specified for moving from Primary Data Centre (PDC) to DRS.

Stock Exchanges, Clearing Corporations and Depositories are advised to submit their revised BCP-DR policy to SEBI within 3 months from the date of this circular.

[Circular](#)

12. Clarification on the valuation of bonds issued under Basel III framework

Circular No.: SEBI/HO/IMD/DF4/CIR/P/2021/034

Dated 22nd March, 2021

SEBI, vide para 8 of the circular No. SEBI/HO/IMD/DF4/CIR/P/2021/032 dated March 10, 2021, had inter alia stated that the maturity of all perpetual bonds shall be treated as 100 years from the date of issuance of the bond for the purpose of valuation.

Vide this circular, SEBI has modified the deemed residual maturity for the purpose of valuation of existing as well as new bonds issued under Basel III framework as under:

Time Period	Deemed Residual Maturity of Basel III AT-1 bonds (Years)	Deemed Residual Maturity of Basel III Tier 2 Bonds (Years)
Till March 31, 2022	10	10 years or Contractual Maturity whichever is earlier
April 01, 2022 – September 30, 2022	20	Contractual Maturity
October 01, 2022 – March 31, 2023	30	Contractual Maturity
April 01, 2023 onwards	100*	Contractual Maturity

*100 years from the date of issuance of the bond.

Macaulay Duration for bonds issued under Basel III framework shall be calculated based on the deemed residual maturity as mentioned in the above table.

Further, AMFI is advised to issue detailed guidelines with respect to valuation of bonds issued under Basel III framework, which shall be implemented by April 01, 2021.

[Circular](#)

13. Prior Approval for Change in control: Transfer of shareholdings among immediate relatives and transmission of shareholdings and their effect on change in control

Circular No.: SEBI/HO/MIRSD/DOR/CIR/P/2021/42

Dated 25th March, 2021

SEBI had previously specified procedure to stock exchanges/depositories and intermediaries for seeking prior approval for change in control. Vide this circular, SEBI has provided clarity with respect to transfer of shareholding among immediate relatives and transmission of shareholding as under:

1. Transfer / transmission of shareholding in case of unlisted body corporate intermediary - transfer of shareholding among immediate relatives would not be construed as a change in control. Further, transfer of shareholding by way of transmission to an immediate relative or not, shall not result in a change in control.
2. Transfer / transmission of shareholding in case of a proprietary firm type intermediary – In case of an intermediary being a proprietary concern, the transfer or bequeathing of the business/capital by way of transmission to another person is a change in the legal formation or ownership and is hence a change in control. The legal heir or transferee in such cases is required to obtain prior approval and thereafter fresh registration needs to be obtained in the name legal heir/ transferee.
3. Transfer / transmission of ownership interest in case of partnership firm type intermediary - For transfer of ownership interest in case of partnership firm with more than two partners, inter-se transfer amongst the partners would not be construed to be changed in control. Where the partnership firm consists of two partners only, the same would

stand as dissolved upon the death of one of the partners, it added. However, if a new partner is inducted in the firm, it would be considered as a change in control, requiring fresh registration and prior approval of SEBI

[Circular](#)

14. Transfer of business by SEBI registered intermediaries to other legal entity

Circular No.: SEBI/HO/MIRSD/DOR/CIR/P/2021/46

Dated 26th March, 2021

SEBI vide this circular has issued following clarification with respect to Transfer of business by SEBI registered intermediaries to other legal entity:

- a. The transferee is required to obtain fresh registration from SEBI in the same capacity before the transfer of business if it is not registered with SEBI in the same capacity.
- b. SEBI will issue new registration number to transferee different from transferor's registration number in case Business is transferred through regulatory process (pursuant to merger / amalgamation / corporate restructuring by way of order of primary regulator /govt. / NCLT, etc.) or non - regulatory process (as per private agreement / MOU pursuant to commercial dealing / private arrangement) irrespective of transferor continues to exist or ceases to exist after the said transfer.
- c. In case of change in control pursuant to both regulatory process and non-regulatory process, prior approval and fresh registration shall be obtained. While granting fresh registration to same legal entity pursuant to change in control, same registration number shall be retained.
- d. If the transferor ceases to exist, its certificate of registration shall be surrendered.
- e. In case of complete transfer of business by transferor, it shall surrender its certificate of registration.
- f. In case of partial transfer of business by transferor, it can continue to hold certificate of registration.

[Circular](#)

15. Circular on Guidelines pertaining to Surrender of FPI Registration

Circular No.: SEBI/HO/IMD/FPI&C/CIR/P/2021/045

Dated 30th March, 2021

As per SEBI (Foreign Portfolio Investors) Regulations, 2019, any Foreign Portfolio Investor (FPI) desirous of surrendering the certificate of registration may request for such surrender to the Designated Depository Participant (DDP).

SEBI vide Circular dated November 5, 2019 had prescribed the procedural requirements to be followed by the DDP for processing surrender requests.

SEBI vide this circular has prescribed following additional guidelines in order to have a uniform market practice for processing of such surrender requests:

1. While making an application to SEBI for seeking “**No Objection Certificate**” (NOC) for surrender, the DDP shall confirm the following with respect to the FPI
 - i) Accounts held by the applicant in the capacity of FPI have NIL balance and are blocked for further transactions. Further, the CP code of the FPI is also blocked.
 - ii) There are no dues/ fees pending towards SEBI.
 - iii) There are no actions/ proceedings pending against the said applicant.
2. DDP shall ensure that:
 - i) all the accounts (including bank account and securities account) held by the applicant in the capacity of FPI are closed; and
 - ii) the CP code is deactivatedwithin 10 working days from the date of receipt of NOC from SEBI.

[Circular](#)

MCA

1. Applicability of the provision of the Companies (Amendment) Act, 2017

Notification No. S.O. 1066(E)
Dated 5th March, 2021

Vide this notifications, MCA has notified the below provision of the Companies (Amendment) Act, 2017 with immediate effect:

Clause (i) of Section 23 pursuant to the Annual Returns (Corresponding Section 92(1) of the Companies Act, 2013) stating that the Central Government may prescribe abridged form of annual return for "One Person Company, small company and such other class or classes of companies as may be prescribed.

[Notification](#)

2. Companies (Management and Administration) Amendment Rules, 2021

Notification No. G.S.R. 159(E)
Dated 5th March, 2021

Vide this notification, MCA has amended the Companies (Management and Administration) Rules, 2014.

Following is the gist of the amendments:

1. Rule 11 pertaining to Annual Return: A new e-form MGT-7A has been introduced for One Person Companies and Small Companies for filing annual return from the financial year 2020-21 onwards.

2. Rule 12 pertaining to Filing of Annual Return with Registrar has been substituted as "A copy of the annual return shall be filed with the Registrar with such fees as may be specified for this purpose."

2. Rule 20 pertaining to Voting through electronic means: The explanations have been numbered as I for definition of Nidhi Company and II for definition of other terms.

[Notification](#)

3. Companies (Incorporation) Third Amendment Rules, 2021

Notification No. G.S.R. 158(E)
Dated 5th March, 2021

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

In the Form 35 AGILE-PRO, an option to perform Aadhaar authentication for GSTIN registration has been inserted.

[Notification](#)

4. Amendment to Schedule V of the Companies Act, 2013

Notification No. S.O. 1256(E)
Dated 18th March, 2021

Vide this notification, MCA has amended Schedule V of the Companies Act, 2013 pertaining to the conditions to be fulfilled for the appointment of a managing or whole-time director or a manager without the approval of the central government.

Amendments has been made in Part-II pertaining to Remuneration as specified below:

1. Section I pertaining to Remuneration payable by companies having profits: Subject to the provisions of section 197, a company having profits in a financial year may pay remuneration to a managerial person or persons **or other**

director or directors not exceeding the limits specified in such section. Earlier only managerial person(s) were permitted.

2. Section II pertaining to Remuneration payable by companies having no profit or inadequate profit: Where in any financial year during the currency of tenure of a managerial person **or other director**, a company has no profits or its profits are inadequate, it may pay remuneration to the managerial person **or other director** not exceeding, the limits as specified under Table A. Earlier only managerial person(s) were permitted.

3. Table A under Section II pertaining to capital limits has been substituted as below:

(1)		(2)	(3)
Sl. No.	Where the effective capital (in rupees) is	Limit of yearly remuneration payable shall not exceed (in Rupees) in case of a managerial person	Limit of yearly remuneration payable shall not exceed (in rupees) in case of other director
(i)	Negative or less than 5 crores.	60 lakhs	12 lakhs
(ii)	5 crores and above but less than 100 crores.	84 lakhs	17 lakhs
(iii)	100 crores and above but less than 250 crores.	120 lakhs	24 lakhs
(iv)	250 crores and above.	120 lakhs plus 0.01% of the effective capital in excess of Rs.250 crores:	24 Lakhs plus 0.01% of the effective capital in excess of Rs.250 crores

4. Section III pertaining to Remuneration payable by companies having no profit or inadequate profit in certain special circumstances: In the circumstances mentioned in Section III, a company may pay remuneration to a managerial person **or other director** in excess of the amounts specified in Section II above. Earlier only managerial person(s) were permitted.

5. Following explanation has been inserted at the end:-

Explanation – For the purposes of Section I, Section II and Section III, the term “or other director” shall mean a non-executive director or an independent director.

[Notification](#)

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

Notification No. S.O. 1255(E)
Dated 18th March, 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	Particulars of change
1.	Section 32	Section 149 – Company to have Board of Directors	If a company has no profits or its profits are inadequate, an independent director may receive remuneration, exclusive of any fees payable under sub-section (5) of section 197, in accordance with the provisions of Schedule V.
2.	Section 40	Section 197 - Overall Maximum Managerial Remuneration and Managerial Remuneration in Case of Absence or Inadequacy of Profits	After the words "whole-time director or manager", the words "or any other non-executive director, including an independent director" have been inserted.

[Notification](#)

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

Notification No. S.O.____(E)

Dated 24th March, 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	Particulars of Change
1.	Section 23	Section 124 – Unpaid Dividend Account	Penal provisions have been made effective
2.	Section 45	Section 247 – Valuation by Registered Valuers	Penal provisions have been made effective

[Notification](#)**7. Amendment to Schedule III of the Companies Act, 2013**

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

Dated 24th March, 2021*Effective Date: 1st April, 2021*

Vide this notifications, MCA has amended the Schedule III of the Companies Act, 2013 pertaining to general instructions for preparation of balance sheet and statement of profit and loss of a company.

As per the amendments many new disclosures have been mandatory as detailed below:

- a. Disclosure of Shareholding of Promoters
- b. Trade Payables ageing schedule with age 1 year, 1-2 year, 2-3 year & More than 3 years
- c. Reconciliation of the gross and net carrying amounts of each class of assets
- d. Trade Receivables ageing schedule with age 1 year, 1-2 year, 2-3 year & More than 3 years
- e. Detailed disclosure regarding title deeds of Immovable Property not held in name of the Company.
- f. Disclosure regarding revaluation & CWIP ageing.
- g. Loans or Advances granted to promoters, directors, KMPs and the related parties
- h. Details of Benami Property held
- i. Reconciliation and reasons of material discrepancies, in quarterly statements submitted to bank and books of accounts.
- j. Disclosure where a company is a declared wilful defaulter by any bank or financial Institution
- k. Relationship with Struck off Companies
- l. Pending registration of charges or satisfaction with Registrar of Companies
- m. Compliance with number of layers of companies
- n. Disclosure of 11 Ratios
- o. Compliance with approved Scheme(s) of Arrangements
- p. Utilisation of Borrowed funds and share premium
- q. Details of transaction not recorded in the books that has been surrendered or disclosed as income in the tax assessments
- r. Disclosure regarding Corporate Social Responsibility
- s. Details of Crypto Currency or Virtual Currency

[Notification](#)**8. Companies (Accounts) Amendment Rules, 2021**

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

Dated 24th March, 2021*Effective Date: 1st April, 2021*

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

Following is the gist of the amendments:

1. In sub-rule 1 of Rule 3 pertaining to Manner of Books of Account to be Kept in Electronic Mode: following new proviso has been inserted:

“Provided that for the financial year commencing on or after 1st day of April, 2021, every company which uses accounting software for maintaining its books of accounts, 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.”

2. In sub-rule 5 of Rule 8 pertaining to matters to be included in Board's Report: After clause (x), following new clauses have been inserted for disclosures in the Board's Report:

“(xi) the details of application made or any proceedings pending under the Insolvency and Bankruptcy Code, 2016 (31 of 2016) during the year along with their status as at the end of the financial year.

(xii) the details of difference between amount of the valuation done at the time of one time settlement and the valuation done while taking loan from the Banks or Financial Institution along with reasons thereof.”

Notification

9. Companies (Audit and Auditors) Amendment Rules, 2021

Notification No. G.S.R.....(E)
Dated 24th March, 2021

Effective Date: 1st April, 2021

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

Following amendments has been made in Rule 11 pertaining to other matters to be included in Auditors Report:

1. Clause (d) pertaining to requisite disclosure of holding and dealing in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016, has been omitted.

2. After Clause (d), following new clauses have been inserted for inclusion in Auditors Report:

“(e) (i) Whether the management has represented that, to the best of it's knowledge and belief, other than as disclosed in the notes to the accounts, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the company to or in any other person(s) or entity(ies), including foreign entities (“Intermediaries”), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company (“Ultimate Beneficiaries”) or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

(ii) Whether the management has represented, that, to the best of it's knowledge and belief, other than as disclosed in the notes to the accounts, no funds have been received by the company from any person(s) or entity(ies), including foreign entities (“Funding Parties”), with the understanding, whether recorded in writing or otherwise, that the company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (“Ultimate Beneficiaries”) or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

(iii) Based on such audit procedures that the auditor has considered reasonable and appropriate in the circumstances, nothing has come to their notice that has caused them to believe that the representations under sub-clause (i) and (ii) contain any material mis-statement.

(f) Whether the dividend declared or paid during the year by the company is in compliance with section 123 of the Companies Act, 2013.

(g) Whether the company 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.”

[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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