

JANUARY 2022

NEWSLETTER

REGULATORY

- RBI
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RBI

1. Master Circular - Bank Finance to Non-Banking Financial Companies (NBFCs)

RBI/2021-22/149 DOR.CRE.REC.No.77/21.04.172/2021-22

Dated: 5th January, 2022

With a view to laying down the regulatory policy regarding financing of NBFCs by banks, RBI has consolidated instructions on the subject issued up to January 04, 2022.

[Master Circular](#)

1. Options on Commodity Futures – Modification in Exercise Mechanism

Circular No.: SEBI/HO/CDMRD/DNP/CIR/P/2022/01

Dated: 3rd January 2022

Effective Date: From the date of new series of commodity derivatives launched on or after February 1, 2022.

SEBI vide Circular no. SEBI/HO/CDMRD/DMP/CIR/P/2017/55 dated June 13, 2017, had permitted Commodity Derivatives Exchanges to introduce trading in Options on Commodity Futures and stipulated guidelines with regard to the product design and risk management framework to be adopted for trading in options on commodity futures.

Vide this Circular, SEBI has decided to make changes in the Exercise Mechanism of option contracts on commodity futures. Accordingly, the existing para 5 of Annexure 1 to the above mentioned Circular dated June 13, 2017 stands deleted and the following new para 5 has been incorporated:

“5. Exercise Mechanism:

On expiry, following mechanism shall be adopted by Exchanges for exercise of the options contracts:

5.1. All In the money (ITM) option contracts shall be exercised automatically, unless ‘contrary instruction’ has been given by long position holders of such contracts for not doing so.

5.2. All Out of the money (OTM) option contracts shall expire worthless.

5.3. All exercised contracts within an option series shall be assigned to short positions in that series in a fair and non-preferential manner.”

Other guidelines prescribed in aforesaid SEBI Circular dated June 13, 2017 shall remain unchanged.

[Circular](#)

2. Schemes of Arrangement by Listed Entities - Clarification w.r.t. timing of submission of NOC from the lending scheduled commercial banks/ financial institutions/ debenture trustee

Circular No.: SEBI/HO/CFD/SSEP/CIR/P/2022/003

Dated 3rd January, 2022

SEBI vide Circulars dated November 16, 2021 and November 18, 2021 had notified changes to the Master Circular No. SEBI/HO/CFD/DIL1/CIR/P/2020/249 dated December 22, 2020 on the subject – (i) Scheme of Arrangement by Listed Entities and (ii) Relaxation under Sub-rule (7) of rule 19 of the Securities Contracts (Regulation) Rules, 1957.

Vide this Circular, SEBI has clarified that the NOC as required in terms of above circulars shall be submitted before the receipt of the No-objection letter from stock exchange in terms of Regulation 37(1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

[Circular](#)

3. Increasing Awareness regarding Online Mechanisms for Investor Grievance Redressal

Circular No.: SEBI/HO/MRD1/MRD1_ICC1/P/CIR/2022/05

Dated 5th January, 2022

Investors are encouraged to lodge their complaints through online mechanisms more specifically through SCORES portal and SCORES mobile application for effective redressal of grievances.

Vide this Circular, SEBI has advised all Recognized Stock Exchanges including Commodity Derivatives Exchanges/ Depositories / Clearing Corporations to display the following on the home page of their websites and mobile apps in order to increase the awareness regarding online grievance redressal mechanisms:

1. link / option to lodge complaint with them directly.

2. link to SCORES website/ link to download SCORES mobile app.

[Circular](#)

4. Disclosure obligations of high value debt listed entities in relation to Related Party Transactions

Circular No.: SEBI/HO/DDHS/DDHS_Div1/P/CIR/2022/0000000006

Dated 7th January, 2022

SEBI, vide notification dated September 07, 2021, had introduced Regulation 15(1A) of the SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015 ('LODR Regulations') stipulating that Regulations 15 to 27 of Listing Regulations shall be applicable to high value debt listed entities on a 'comply or explain' basis.

Subsequently, vide amendment dated November 9, 2021, SEBI had amended Regulation 23 of the LODR Regulations on related party transactions, inter-alia, mandating listed entities that have listed specified securities to submit to the stock exchanges disclosure of Related Party Transactions (RPTs) in the format specified by the Board from time to time.

SEBI vide circular dated November 22, 2021 had further specified following disclosure obligations of listed entities in relation to Related Party Transactions with respect to specified securities:

- a. Information to be reviewed by the Audit Committee for approval of RPTs;
- b. Information to be provided to shareholders for consideration of RPTs and;
- c. Format for reporting of RPTs to the Stock Exchange.

Since the provisions of Regulation 23 of the LODR Regulations would be applicable to high value debt listed companies also, SEBI has vide this circular decided to make provisions of the above referred circular dated November 22, 2021 applicable to high value debt listed entities.

High value debt listed entities are those entities which have listed non-convertible debt securities and have an outstanding value of listed non-convertible debt securities of Rupees Five Hundred Crore and above.

[Circular](#)

5. Framework for operationalizing the Gold Exchange in India

Circular No.: SEBI/HO/CDMRD/DMP/CIR/P/2022/07

Dated 10th January, 2022

SEBI, had earlier approved the framework for Gold Exchange and SEBI (Vault Managers) Regulations, 2021 on September 28, 2021.

Subsequently, Government of India vide Gazette notification S.O. 5401(E) dated December 24, 2021, had declared "electronic gold receipts" as 'securities' under Section 2(h)(ia) of the Securities Contracts (Regulation) Act 1956, and vide Gazette notification dated December 31, 2021, the SEBI (Vault Managers) Regulations, 2021 were notified.

Vide this circular, SEBI has prescribed the framework for operationalizing the gold exchange. The framework for the proposed Gold Exchange is listed at Annexure 1 to the Circular.

The stock exchange/s desirous of trading in electronic gold receipts (EGRs) may apply to SEBI for approval of trading of EGRs in new segment.

[Circular](#)

6. Securities and Exchange Board of India (Foreign Portfolio Investors) (Amendment) Regulations, 2022

No. SEBI/LAD-NRO/GN/2022/64

Dated 14th January, 2022

Vide this notification, SEBI has amended the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019.

Following is the gist of the amendments:

In Chapter VIII-A, after regulation 43A, the following regulation has been inserted, namely,–

“Exemption from strict enforcement of the regulations in other cases.

43B. (1) The Board may suo motu or on an application made by a foreign portfolio investor, for reasons recorded in writing, grant relaxation from the strict enforcement of any of the provisions of these regulations, subject to such conditions as the Board deems fit to impose in the interests of investors and the securities market and for the development of the securities market, if the Board is satisfied that:

- (a) the non-compliance is caused due to factors beyond the control of the entity; or
- (b) the requirement is procedural or technical in nature.

(2) The application referred to under sub-regulation (1) shall be accompanied by a non-refundable fee of US \$ 1,000 payable by way of NEFT/ RTGS/ IMPS or any other mode allowed by the Reserve Bank of India in the designated bank account of the Board.”

[Regulation](#)

7. Securities and Exchange Board of India (Alternative Investment Funds) (Amendment) Regulations, 2022

No. SEBI/LAD-NRO/GN/2022/68

Dated 24th January, 2022

Vide this notification, SEBI has amended the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012.

As per the amendment, following changes have been made:

- A. A proviso has been inserted in Regulation 12(3) pertaining to schemes: the Board has provided that the requirement of filing placement memorandum with the Board through Merchant Banker shall not apply to large value fund for accredited investors. AIF can file the memorandum directly to the Board and shall not be required to comply with the requirements of sub-regulation (2) and (3).
- B. A new chapter III-B has been notified which shall be applicable to special situation funds and schemes launched by such special situation funds.

The new chapter includes the following:

- 1. Definitions
- 2. Applicability
- 3. Registration of special situation funds
- 4. Investment in special situation funds
- 5. Investment by special situation funds

[Regulation](#)

8. Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2022

No. SEBI/LAD-NRO/GN/2022/66

Dated 24th January, 2022

Vide this notification, SEBI has amended the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Following is the gist of the amendments:

- 1. **Appointment of Manager [Reg. 17(1C)]:** Appointment of Manager would require shareholders’ approval and it has to be obtained at the next general meeting or within three months from the date of appointment, whichever

is earlier.

2. **Re/Appointment of MD/WTD/Manager, once rejected by shareholders [Reg. 17(1C)]:** Re/appointment of MD/WTD/Manager, once rejected by shareholders, shall be done only by prior approval of shareholders, which means approval of board followed by shareholders would only be valid process before their appointment.
3. **Explanatory Statement:** Any re/appointment under point no. 2 above should be supported with an explanatory statement and should contain detailed explanation and justification of NRC and Board for recommending re/appointment.
4. **Statement of monitoring agency** should be placed on quarterly basis instead of annual.
5. **Sub-division, split, consolidation, renewal, exchange of share certificates** should be done only in dematerialized form.
6. **Transfer and Transmission of securities** to be done in dematerialized form.

Regulation

9. Securities and Exchange Board of India (Credit Rating Agencies) (Amendment) Regulations, 2022

No. SEBI/LAD-NRO/GN/2022/69

Dated 24th January, 2022

Vide this notification, SEBI has amended the SEBI (Credit Rating Agencies) Regulations, 1999.

SEBI has broadened the area of work of Credit Rating Agencies(CRA) by amending Regulation 9(f) dealing with the area of work permitted to be carried out by them

In terms of the last amendment to the regulations (Aug 2021), Regulation 9 (f) stood as under:

“a credit rating agency shall not carry out any activity other than the rating of securities that are listed or proposed to be listed on a stock exchange recognized by the Board. Nothing contained in these regulations shall preclude a credit rating agency from rating of financial instruments under the respective guidelines of a financial sector regulator or any authority as may be specified by the Board:

Vide the current amendment, Regulation 9 (f) has been further amended to read as follows, (with the words added being highlighted in italics)

“a credit rating agency shall not carry out any activity other than the rating of securities that are listed or proposed to be listed on a stock exchange recognized by the Board. Nothing contained in these regulations shall preclude a credit rating agency *from carrying out any activity as may be specified by the Board* or rating of financial instruments under the respective guidelines of a financial sector regulator or any authority as may be specified by the Board.”

With this amendment CRA can carry out rating of other instruments also as may be notified by SEBI.

Regulation

10. Issuance of Securities in dematerialized form in case of Investor Service Requests

Circular No.: SEBI/HO/MIRSD/MIRSD_RTAMB/P/CIR/2022/8

Dated 25th January, 2022

Vide this circular, SEBI has decided that listed companies shall henceforth issue the securities in dematerialized form only (vide Gazette Notification no. SEBI/LAD-NRO/GN/2022/66 dated January 24, 2022) while processing the following service request:

- i. Issue of duplicate securities certificate
- ii. Claim from Unclaimed Suspense Account
- iii. Renewal / Exchange of securities certificate
- iv. Endorsement
- v. Sub-division/Splitting of securities certificate
- vi. Consolidation of securities certificates/folios
- vii. Transmission

viii. Transposition

The securities holder/claimant shall submit duly filled up Form ISR-4 (to be hosted on the website of the Issuer Companies and the RTAs) as per the format attached to this circular along with the documents / details specified therein. For item nos. iii to viii above, the RTA/ Issuer Companies shall obtain the original securities certificate(s) for processing of service requests.

Further, the RTA/ Issuer Companies shall verify and process the service requests and thereafter issue a 'Letter of confirmation' in lieu of physical securities certificate(s), to the securities holder/claimant within 30 days of its receipt of such request after removing objections, if any.

The 'Letter of Confirmation' shall be valid for a period of 120 days from the date of its issuance, within which the securities holder/claimant shall make a request to the Depository Participant for dematerializing the said securities.

The operational guidelines are detailed in the Annexure –A to this circular.

[Circular](#)

MCA**1. Companies (Registration Offices and Fees) Amendment Rules, 2022**G.S.R. 12(E)
Dated 11th January, 2022*Effective Date: 1st July, 2022*

Vide this notification, MCA has substituted sub-point B in the Annexure, in item I pertaining to Fee for filing under Section 403 of the Companies Act, 2013:

“B. Following Table of additional fee and higher additional fee (in certain cases) shall be applicable for delay in filing of forms other than for increase in Nominal share capital or forms under Section 92/137 of the Act or forms for filing charges.

Table

S. No.	Period of delays	Additional fee as a multiple of normal fees	Higher additional fee as a multiple of normal fees (for certain cases)
1.	Upto 15 days (sections 139 and 157)	One time of normal fees	-
2.	More than 15 days and upto 30 days (Section 139 and 157) and upto 30 days in remaining forms.	2 times of normal filing fees	3 times of normal filing fees
3.	More than 30 days and upto 60 days	4 times of normal filing fees	6 times of normal filing fees
4.	More than 60 days and upto 90 days	6 times of normal filing fees	9 times of normal filing fees
5.	More than 90 days and upto 180 days	10 times of normal filing fees	15 times of normal filing fees
6.	Beyond 180 days	12 times of normal filing fees	18 times of normal filing fees

Note 1: Higher additional fees shall be payable, if there is a delay in filing e-form INC-22, or e-form PAS-3, as the case may be, on two or more occasions, within a period of three hundred and sixty five days from the date of filing of the last such belated e-form for which additional fee or higher additional fee, as the case may be, was payable.

Note 2: Wherever higher additional fee is payable, additional fee shall not be charged.

Note 3: E-form INC-22, or e-form PAS-3, as the case may be, filed prior to the commencement of the Companies (Registration Offices and Fees) Amendment Rules, 2022 shall not be reckoned for the purposes of determining higher additional fee.

[Rules](#)**2. Commencement Notification**S.O. ____ (E)
Dated 11th January, 2022

Vide this notification, MCA has notified the second and third proviso to clause (i) of Section 80 of the Companies (Amendment) Act, 2017 with effect from 1st July, 2022 pertaining to payment of additional fees on filing of forms after the expiry of prescribed period.

[Notification](#)**3. Commencement Notification**S.O. ____ (E)
Dated 11th January, 2022

Vide this notification, MCA has notified Section 56 of the Companies (Amendment) Act, 2020 with effect from 1st July, 2022pertaining to payment of higher additional fees. This will be implemented by substituting the third proviso to the Sec 403 of the principal Act (as below).

“Provided also that where there is default on two or more occasions in submitting, filing, registering or recording of such document, fact or information, as may be prescribed, it may, without prejudice to any other legal action or liability under this Act, be submitted, filed, registered or recorded, as the case may be, on payment of such higher additional fee, as may be prescribed”

[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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