

**MARCH 2022**

# NEWSLETTER

## REGULATORY

- RBI
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- MCA



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**RBI**

**1. Master Direction - Classification, Valuation and Operation of Investment Portfolio of Commercial Banks (Directions), 2021 - Amendment**

RBI/2021-22/185DOR.MRG.REC.96/21.04.141/2021-22  
Dated: 23<sup>rd</sup> March, 2022

RBI had earlier issued Master Direction dated August 25, 2021 outlining the prudential treatment for investment in Venture Capital Funds (VCFs).

Vide this Notification, RBI has decided that the investment in Category I and Category II AIFs, which includes VCFs, shall receive the same prudential treatment as applicable for investment in VCFs.

**Applicability:** This circular is applicable to all Commercial Banks (excluding Regional Rural Banks).

[Notification](#)

**1. Automation of disclosure requirements under SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011-System Driven Disclosures - Ease of doing business**

Circular No.: SEBI/HO/CFD/DCR-3/P/CIR/2022/27

Dated: 7<sup>th</sup> March 2022*Effective Date: July 01, 2022*

SEBI had amended the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (hereinafter referred to as “Takeover Regulations”) vide Gazette Notification dated August 13, 2021 doing away with filing for most of the transactions with effect from April 01, 2022.

Thus, transactions undertaken in the depository system under Regulation 29 and Regulation 31 of Takeover Regulations do not require manual filing except for the following transactions where disclosure shall continue to be filed:

- i. Triggering of disclosure requirement due to acquisition or disposal of the shares, as the case may be, by the acquirer together with persons acting in concert (PACs).
- ii. Triggering of disclosure requirement in case the shares are held in physical form by the acquirer and/or PACs.
- iii. Listed companies who have not provided PAN of promoter(s) including member(s) of the promoter group to the designated depository or companies which have not appointed any depository as their designated depository.

**Disclosure of encumbered shares-Capturing ultimate lender -**

- iv. Promoters are required to file disclosures in respect of reasons for encumbered shares manually to the stock exchanges as specified by SEBI vide circular dated August 05, 2015 and August 07, 2019
- v. In terms of the SEBI circular no. SEBI/HO/MRD2/DDAP/CIR/P/2020/137 dated July 24, 2020, Depositories are required to put in place systems for capturing and recording all types of encumbrances including non-disposal undertakings (NDUs), as specified under Regulation 28(3) of Takeover Regulations.

In order to streamline the capture and dissemination of the information related to “encumbrances”, SEBI vide this circular has decided that:

- i. All types of encumbrances as defined under Regulation 28(3) of Takeover Regulations shall necessarily be recorded in the depository system
- ii. Depositories shall capture details of the ultimate lender along with name of the trustee acting on behalf of such ultimate lender such as banks, NBFCs, etc. In case of issuance of debentures, name of the debenture issuer shall be captured in the depository system.
- iii. Depositories shall now capture the reasons for encumbrances in the depository system
- iv. Depositories shall also devise an appropriate mechanism to record all types of outstanding encumbrances in the depository system by June 30, 2022.

[Circular](#)**2. Change in UPI limits - Revision to Operational Circular for issue and listing of Non-convertible Securities, Securitised Debt Instruments, Security Receipts, Municipal Debt Securities and Commercial Paper**

Circular No.: SEBI/HO/DDHS/P/CIR/2022/0028

Dated 8<sup>th</sup> March, 2022

Chapters I and II of the Operational Circular dated August 10, 2021, issued by SEBI, provides the procedures pertaining to issue and listing of Non-convertible Securities, Securitised Debt Instruments, Security Receipts, Municipal Debt Securities and Commercial Paper.

The said Circular, inter-alia, provides an option to investors to apply in public issues of debt securities with the facility to block funds through Unified Payments Interface (UPI) mechanism for application value upto Rs. 2 lakh.

Further, the National Payments Corporation of India (NPCI) vide circular dated December 09, 2021, inter alia, had enhanced per transaction limit in UPI from Rs. 2 lakh to Rs. 5 lakh for UPI based Application Supported by Blocked

Amount (ASBA) Initial Public Offer (IPO).

*Vide this Circular, SEBI has decided to increase the limit for investment through UPI mechanism to Rs. 5 lakh.*

Accordingly, the following amendments are being made to Chapters I & II of the said Circular, pertaining to limits of UPI transactions, as given below:

#### **Chapter I -Application process in case of public issues of securities and timelines for listing -**

Paragraph 1.2 shall stand modified as follows:

*“Mentioning UPI ID in order to block the funds. The investor may utilize the UPI mechanism to block the funds for application value upto Rs. 5 lakh per application.”*

Paragraph 2.1 (c) shall stand modified as follows:

*“An investor may submit the bid-cum-application form with a SCSB or the intermediaries mentioned above and use his/her bank account linked UPI ID for the purpose of blocking of funds, if the application value is Rs. 5 lakh or less. The intermediary shall upload the bid on the stock exchange bidding platform. The application amount would be blocked through the UPI mechanism in this case.”*

Paragraph 5.3 shall stand modified as follows:

*“Sponsor Bank means a Banker to the Issue registered with SEBI which is appointed by the Issuer to act as a conduit between the stock exchanges and the NPCI in order to push the mandate collect requests and/ or payment instructions of the investors into the UPI.”*

Paragraph 11.3 (a) (ii) shall stand modified as follows:

*“App based/ web interface applications from investors with UPI mode for blocking the mode for application value upto Rs.5lakh.”*

#### **Chapter II –Application form and Abridged Prospectus**

Paragraph 3.1 shall stand modified as follows:

*“UPI mechanism for blocking funds would be available for application value upto Rs. 5 lakh.”*

**Applicability:** The provisions of this circular shall be applicable to public issues of debt securities which open on or after May 1, 2022.

[Circular](#)

### **3. Securities and Exchange Board of India (Alternative Investment Funds) (Second Amendment) Regulations, 2022**

No. SEBI/LAD-NRO/GN/2022/75  
Dated 16<sup>th</sup> March, 2022

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

Amendment has been made to Clause (d) of sub-regulation (1) of regulation 15 pertaining to General Investment Conditions to substitute with the following clause, namely,-

*“(d) Category III Alternative Investment Funds shall invest not more than ten per cent of the investable funds in an Investee Company, directly or through investment in units of other Alternative Investment Funds and the large value funds for accredited investors of Category III Alternative Investment Funds may invest up to twenty per cent of the investable funds in an Investee Company, directly or through investment in units of other Alternative Investment Funds:*

*Provided that for investment in listed equity of an Investee Company, Category III Alternative Investment Funds may calculate the investment limit of ten per cent of either the investable funds or the net asset value of the scheme and large value funds for accredited investors of Category III Alternative Investment Funds may calculate the investment limit of twenty per cent of either the investable funds or the net asset value of the scheme, subject to the conditions specified by the Board from time to time.”*

[Regulation](#)

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

F. No. SEBI/ LAD-NRO/GN/2022/76.  
Dated 22<sup>nd</sup> March, 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 amendment:

**1. In Regulation 17 pertaining to Conditions for Category II Alternative Investment Funds, sub-regulation (1B) has been omitted** where it was specified that Fund of Category II Alternative Investment Funds may invest in units of Category I or Category II Alternative Investment Fund provided that they shall only invest in such units and shall not invest in units of other Funds of Funds.

2. in Schedule II, in PART E, after clause C, the following has been inserted, namely, -

**“D. Separate posts of Chairperson and the Managing Director or the Chief Executive Officer**

The listed entity may appoint separate persons to the post of the Chairperson and the Managing Director or the Chief Executive Officer, such that the Chairperson shall –

- (a) be a non-executive director; and
- (b) not be related to the Managing Director or the Chief Executive Officer as per the definition of the term “relative” defined under the Companies Act, 2013.”

[Regulation](#)

**5. Change in control of Sponsor and/or Manager of Alternative Investment Fund involving scheme of arrangement under Companies Act, 2013**

Circular No.: SEBI/HO/IMD-1/ DF9/CIR/2022/032  
Dated 23<sup>rd</sup> March, 2022

Regulation 20(13) of SEBI (Alternative Investment Funds) Regulations, 2012 (“AIF Regulations”), inter-alia, requires that in case of change in control of the Sponsor and/or Manager of the Alternative Investment Fund (AIF), prior approval from the Board shall be taken by the AIF. Further, SEBI circulars dated June 19, 2014 and July 18, 2014 inter-alia provides for the process to be followed in case of change in control of Sponsor / Manager.

Vide this Circular, SEBI has decided the following to streamline the process of providing approval to the proposed change in control of the Sponsor and/or Manager of the AIF involving scheme of arrangement which needs sanction of National Company Law Tribunal (“NCLT”) in terms of the provisions of the Companies Act, 2013:

- i. Application seeking approval for the proposed change in control of the Sponsor and/or Manager of the AIF under Regulation 20(13) of AIF Regulations shall be filed with SEBI prior to filing the application with the NCLT.
- ii. Upon being satisfied with compliance of the applicable regulatory requirements, in-principle approval will be granted by SEBI.
- iii. Validity of such in-principle approval shall be three months from the date of issuance, within which the relevant application shall be made to NCLT.
- iv. Within 15 days from the date of order of NCLT, applicant shall submit the following documents to SEBI for final approval:
  - a. Application for the final approval



- b. Copy of the NCLT Order approving the scheme
- c. Copy of the approved scheme
- d. Statement explaining modifications, if any, in the approved scheme vis-à-vis the draft scheme and the reasons for the same
- e. Details of compliance with the conditions/ observations mentioned in the in-principle approval provided by SEBI

**Applicability:** The provisions of this Circular shall be applicable to all the applications for change in control of Sponsor and/or Manager of the AIF for which the scheme(s) of arrangement is filed with NCLT on or after April 01, 2022.

[Circular](#)

## 6. Introduction of Options on Commodity Indices - Product Design and Risk Management Framework

Circular No.: SEBI/HO/CDMRD/DNP/CIR/P/2022/34  
Dated 24<sup>th</sup> March, 2022

Vide this circular, SEBI has permitted recognised Stock Exchanges having a Commodity Derivative segment, to introduce options on commodity indices.

The product design and risk management framework should be in conformity with the guidelines prescribed in the Annexure to this circular.

Recognized Stock Exchanges with a Commodity Derivative segment, willing to introduce trading in options on commodity indices shall take prior approval of SEBI for the same.

Stock Exchanges shall submit at-least past three-years data of the index constructed along with data on monthly volatility, roll over yield for the month and monthly return while seeking approval from SEBI. On approval, the Stock Exchange(s) shall also publish the above data on their website before launch of the contract.

Stock Exchanges shall make necessary disclosures, such as, open interest of top 10 largest participants/group of participants in “option in indices” (both long and short) and the details of their combined open interest in underlying constituents, etc.

[Circular](#)

## 7. Product specifications pertaining to the Electronic Gold Receipts (EGR) segment in India

Circular No.: SEBI/HO/CDMRD/DMP/P/CIR/2022/36  
Dated 28<sup>th</sup> March, 2022

SEBI vide Circular dated January 10, 2022, had issued framework for operationalizing the Gold Exchange in India and vide Circular dated February 14, 2022, had issued Standard Operating Guidelines for the Vault Managers and Depositories in Electronic Gold Receipts (EGR) segment.

As per the framework, the entire transaction in EGR segment had been divided into three tranches. In tranche 1, physical gold will be converted into EGR; in tranche 2, EGR shall be traded on stock exchanges; and in tranche 3 –EGR can be converted into physical gold. The framework also states that stock exchanges may launch contracts with different denomination for trading and / or conversion of EGR into gold.

Vide this circular, SEBI has specified that the stock exchanges may launch products / contracts subject to complying with the following guidelines:

- i. Any person desirous of dealing in EGR on the stock exchange shall deposit the gold with the registered Vault Managers, in the ‘deposit unit’, which shall be specified by the stock exchanges.
- ii. The trading of EGR shall take place on stock exchanges, in the ‘trading unit’, which shall be specified by the stock exchanges. The stock exchanges shall ensure that trading unit is not smaller than 10th part of the corresponding deposit unit.
- iii. The ‘settlement unit’ of EGR shall be same as ‘trading unit’, which shall be specified by the stock exchanges.

iv. Beneficial owner of EGR intending to obtain physical gold against the EGR/s, shall follow the procedure as stated in SEBI Circular dated January 10, 2022. The 'withdrawal unit' of EGR shall be same as 'deposit unit', which shall be specified by the stock exchanges.

v. At the time of creation of EGR, the beneficial owner of gold shall specify the trading unit of EGR, to the Vault Manager.

[Circular](#)

## 8. Circular on Calculation of investment concentration norm for Category III AIFs

Circular No.: SEBI/HO/IMD/IMD-I/DOF6/P/CIR/2022/0000000037  
Dated 28<sup>th</sup> March, 2022

Regulation 15(1)(d) of SEBI (Alternative Investment Funds) Regulations, 2012 ("AIF Regulations"), had been amended and notified on March 16, 2022, to provide flexibility to Category III AIFs, including large value funds for accredited investors of Category III AIFs, to calculate investment concentration norm based either on investable funds or net asset value ("NAV") of the scheme while investing in listed equity of an investee company, subject to the conditions specified by the Board from time to time.

Vide this Circular, SEBI has specified the following:

i. Existing Category III AIFs may opt for calculating investment concentration norm based on investable funds with the approval of their trustees or board of directors or designated partners, as the case may be, and inform the same to their investors within 30 days from the date of the issuance of this circular.

ii. Category III AIFs shall disclose the basis for calculation of investment concentration norm in the placement memorandum of their schemes.

iii. The basis for calculating investment concentration norm shall not be changed during the term of the scheme.

[Circular](#)

## 9. Timelines for Rebalancing of Portfolios of Mutual Fund Schemes

Circular No.: SEBI/HO/IMD/IMD-II DF3/P/CIR/2022/39  
Dated 30<sup>th</sup> March, 2022

In order to bring uniformity across Mutual Funds with respect to timelines for rebalancing of portfolio, SEBI vide this circular has decided the following:

a. In the event of deviation from mandated asset allocation mentioned in the Scheme Information Document (SID) due to passive breaches (occurrence of instances not arising out of omission and commission of AMCs), rebalancing period across schemes shall be as follows:

S. No.	Category of Scheme	Mandated Rebalancing Period
i.	Overnight Fund	NA
ii.	All schemes other than Index Funds and Exchange Traded Funds	Thirty (30) business days

b. In case the portfolio of schemes mentioned at para 1 (a) (ii) above are not rebalanced within the above mandated timelines, justification in writing, including details of efforts taken to rebalance the portfolio shall be placed before Investment Committee. The Investment Committee, if so desires, can extend the timelines up to sixty (60) business days from the date of completion of mandated rebalancing period.

c. In case the portfolio of schemes is not rebalanced within the aforementioned mandated plus extended timelines, AMCs shall:

- not be permitted to launch any new scheme till the time the portfolio is rebalanced.
- not to levy exit load, if any, on the investors exiting such scheme(s).

The circular also specifies the reporting and disclosure norms. Such mentioned norms shall be applicable to main portfolio only and not to segregated portfolio(s), if any, and shall be effective from July 01, 2022

[Circular](#)

**10. Clarification on applicability of regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 in relation to Related Party Transactions**

Circular No.: SEBI/HO/CFD/CMD1/CIR/P/2022/40  
Dated 30<sup>th</sup> March, 2022

*Effective Date: 1<sup>st</sup> April 2022*

SEBI had amended Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015 ('LODR Regulations') vide notification dated November 9, 2021 for enhancing the scope of related party, related party transactions (RPTs) and the materiality threshold for seeking shareholder approval.

Vide this Circular, SEBI has provided the following clarifications and guidance for smooth implementation of the amended Regulation 23 of the LODR Regulations:

(i) For an RPT that has been approved by the audit committee and shareholders prior to April 1, 2022, there shall be no requirement to seek fresh approval from the shareholders.

(ii) Regulation 23(8) of the LODR Regulations specifies that all existing material related party contracts or arrangements entered into prior to the date of notification of these regulations and which may continue beyond such date shall be placed for approval of the shareholders in the first General Meeting subsequent to notification of these regulations.

In accordance with the said regulation, an RPT that has been approved by the audit committee prior to April 1, 2022 which continues beyond such date and becomes material as per the revised materiality threshold shall be placed before the shareholders in the first General Meeting held after April 1, 2022.

(iii) It is reiterated that an RPT for which the audit committee has granted omnibus approval, shall continue to be placed before the shareholders if it is material in terms of Regulation 23(1) of the LODR Regulations.

[Circular](#)



**1. Limited Liability Partnership (Second Amendment) Rules, 2022**

G.S.R 173(E)  
Dated 4<sup>th</sup> March, 2022

Vide this notification, MCA has amended the Limited Liability Partnership Rules, 2009.

Following is the gist of the amendments:

**1. Increase in allotment of number of DPINs at the time of incorporation:** The amendment has been made pertaining to allotment of Designated Partner Identification Number (DPIN) at the time of incorporation. Now Five DPINs can be applied at the time of incorporation. Earlier, application for a maximum of two DPINs was allowed at the time of incorporation of LLP.

**2. Web-based process for LLP Formation:** All the forms of the LLP shall be web-based only.

**3. Allotment of PAN & TAN along with Certificate of Incorporation:** The amended provisions provide that PAN and TAN shall be allotted to LLPs along with the Certification of Incorporation (COI) itself. The amendment has been made to align the Incorporation process of LLPs as that of the Company. Earlier there was no provision for the automatic allotment of the PAN & TAN of the LLP at the time of incorporation.

**4. Relaxation in requirement of mentioning the name of authority under which name change application is filed:** The requirement of attaching the authority letter under which a person is making an application under Rule 19 of the LLP Rules, 2009 is done away.

**5. Signing of Annual Return of LLPs under Insolvency:** The amended provisions prescribe that where the Corporate Insolvency Resolution Process (CIRP) has been initiated against the LLP having turnover upto five crore rupees during the corresponding financial year or contribution upto fifty lakh rupees under the IBC, 2016 or the LLP Act, 2008, Form 11- Annual Return may be signed on behalf of the LLP by the Interim Resolution Professional or Resolution Professional, or Liquidator or LLP Administrator. Earlier, there were no provisions with regard to the signing of the Statement of Account and Solvency of the LLPs under insolvency.

[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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