

MAY 2022

NEWSLETTER

REGULATORY

- RBI
- SEBI
- MCA



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1. New Definition of Micro, Small and Medium Enterprises - Clarification

RBI/2022-23/52 FIDD.MSME & NFS.BC.No.7/06.02.31/2022-23

Dated: 19th May, 2022

Government of India, vide Gazette Notification S.O. 2134(E) dated May 06, 2022, had notified amendments in sub paragraph (3) paragraph (7) of the notification of Government of India, Ministry of Micro, Small and Medium Enterprises number S.O. 2119 (E), dated June 26, 2020, published in the Gazette of India.

Vide this notification, RBI has clarified that:

1. the existing Entrepreneurs Memorandum (EM) Part II and Udyog Aadhaar Memorandum (UAM) of MSMEs obtained till June 30, 2020 shall remain valid till June 30, 2022 for classification as MSMEs.
2. validity of documents obtained in terms of RBI Circular FIDD.MSME & NFS.BC.No.10/06.02.31/2017-18 dated July 13, 2017, for classification of MSMEs upto June 30, 2020, has been extended upto June 30, 2022.

[Notification](#)

1. System and Network Audit of Market Infrastructure Institutions (MIIs)

Circular No.: SEBI/HO/MRD1/MRD1_DTCS/P/CIR/2022/58

Dated: 2nd May 2022

SEBI vide Circular dated January 07, 2020, had mandated stock exchanges, clearing corporations and depositories (hereinafter referred as 'Market Infrastructure Institutions – MIIs) to conduct an Annual System Audit by a reputed independent auditor.

Vide this circular, SEBI has prescribed as under:

1. Market Infrastructure Institution (MIIs) are required to conduct System and Network Audit as per the framework enclosed as Annexure 1 and Terms of Reference (TOR) enclosed as Annexure 2. MIIs are also required to maintain a list of all the relevant SEBI circulars/ directions/advices, etc. pertaining to technology and compliance thereof, as per format enclosed as Annexure 3 and the same shall be included under the scope of System and Network Audit.

2. MIIs are also required to submit information with regard to exceptional major Non-Compliances (NCs)/ minor NCs observed in the System and Network audit as per format enclosed as Annexure 4 and are required to categorically highlight those observations/NCs/suggestions pointed out in the System and Network audit (current and previous) which remain open.

3. The Systems and Network audit Report including compliance with SEBI circulars/ guidelines and exceptional observation format along with compliance status of previous year observations shall be placed before the Governing Board of the MII and then the report along with the comments of the Management of the MII shall be communicated to SEBI within a month of completion of audit.

4. Further, along with the audit report, MIIs are required to submit a Joint declaration from the Managing Director(MD)/Chief Executive Officer(CEO) and Chief Technology Officer (CTO) certifying

a) the security and integrity of their IT Systems.

b) correctness and completeness of data provided to the Auditor

c) entire network architecture, connectivity (including co-lo facility) and its linkage to the trading infrastructure are in conformity with SEBI's regulatory framework to provide fair equitable, transparent and non-discriminatory treatment to all the market participants

d) internal review of Critical Systems as defined in SEBI circular dated March 22, 2021 was carried out during the Audit period, including the Failure Modes and Effects Analysis (FMEA).

This circular supersedes the abovementioned Circular dated January 07, 2020.

[Circular](#)

2. Securities and Exchange Board of India (Infrastructure Investment Trusts) (Amendment) Regulations, 2022

No. SEBI/LAD-NRO/GN/2022/83

Dated 10th May, 2022

Vide this notification, SEBI has amended the Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014.

Amendment has been made in Schedule II pertaining to fees payable for the application for grant of certificate of registration as Infrastructure investment trust to substitute paragraph 4 with the following:

"4. With respect to privately placed InvIT, the non-refundable filing fees shall be :

i. 0.1% in case of initial offer; and

ii. 0.05% in case of rights issue,

of the total issue size including green shoe option, if any, at the time of filing of draft placement memorandum or letter of offer, as applicable, with the Board;"

[Regulation](#)

3. Changes to the Framework to Enable Verification of Upfront Collection of Margins from Clients in Cash and Derivatives segments

Circular No.: SEBI/HO/MRD2/DCAP/P/CIR/2022/60
Dated 10th May, 2022

Effective Date: August 01, 2022

SEBI, vide circular dated July 20, 2020, had prescribed the framework to enable verification of upfront collection of margins from clients in cash and derivatives segments which was further modified vide SEBI Circular dated July 20, 2020, providing for additional snapshots for commodity derivatives segment.

Clause (i) of Annexure to the said circular dated July 20, 2020, inter-alia, requires Clearing Corporations to send snapshots of client wise margin requirement to TMs/CMs for them to know the intra-day margin requirement per client in each segment.

Vide this Circular, SEBI has decided that the margin requirements to be considered for the intra-day snapshots, in derivatives segments (including commodity derivatives), shall be calculated based on the fixed Beginning of Day (BOD) margin parameters. The BOD margin parameters would include all SPAN margin (Initial Margin required by the exchanges in F&O segment) parameters as well as ELM (Extreme Loss Margin) requirements.

There shall be no change in methodology of determination and collection of End of Day (EOD) margin obligation of the client. Also, there shall be no change in the provisions relating to collection and reporting of margins in cash segment.

Further, it is clarified that the above mentioned change is only for the purpose of verification of upfront collection of margins from clients. The margin parameters applicable for collection of margin obligation by Clearing Corporations shall continue to be updated intra-day, as per the extant provisions.

SEBI circulars dated July 20, 2020 and December 16, 2021 shall, accordingly, be modified to the above extent. All other provisions of the said SEBI circulars dated July 20, 2020 and December 16, 2021 shall continue to remain applicable.

[Circular](#)

4. Guidelines for seeking NOC by Stock Brokers / Clearing Members for setting up Wholly Owned Subsidiaries, Step Down Subsidiaries, Joint Ventures in GIFT IFSC

Circular No.: SEBI/HO/MIRSD/DoR/P/CIR/2022/61
Dated 13th May, 2022

Vide this circular, SEBI has issued the following guidelines to rationalize and streamline the process of application for setting up Wholly Owned Subsidiaries, Step Down Subsidiaries, Joint Ventures, etc. in GIFT IFSC by Stock Brokers / Clearing Members:

- a) The format of application along with list of supporting documents for seeking NOC for setting up Wholly Owned Subsidiaries, Step Down Subsidiaries or entering into Joint Ventures in GIFT IFSC is placed as Annexure-A to the circular.
- b) Stock Brokers and Clearing Members are required to apply through a Stock Exchange where the applicant is a member, along with the required information, documents and NOC received from all Stock Exchanges/Clearing Corporations/Depositories in which the applicant is a member/participant.
- c) Stock Exchanges/ Clearing Corporations (where the applicant is only clearing member) are directed to forward the complete application to SEBI, after verification along with its recommendation.

[Circular](#)

5. Relaxation from compliance with certain provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

MCA vide Circular dated May 05, 2022 has extended the relaxations from dispatching of physical copies of financial statements for the year 2022 (i.e. till December 31, 2022).

In view of the same, SEBI, vide this circular, has decided to provide relaxation upto December 31, 2022, from Regulation 36 (1) (b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("LODR Regulations") which requires sending hard copy of annual report containing salient features of all the documents prescribed in Section 136 of the Companies Act, 2013 to the shareholders who have not registered their email addresses. Further, the notice of Annual General Meeting published by advertisement in terms of Regulation 47 of LODR Regulations, should contain a link to the annual report, so as to enable shareholders to have access to the full annual report.

It is however emphasized that in terms of Regulation 36 (1) (c) of LODR Regulations, listed entities are required to send hard copy of full annual report to those shareholders who request for the same.

Further, the requirement of sending proxy forms under Regulation 44 (4) of the LODR Regulations is dispensed with upto December 31, 2022, in case of general meetings held through electronic mode only.

[Circular](#)

6. Relaxation from compliance with certain provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – for entities with listed non-convertible securities

Circular No.: SEBI/HO/DDHS/P/CIR/2022/0063

Dated 13th May, 2022

SEBI vide Circular dated May 12, 2020 had, inter-alia, relaxed certain provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) related to dispatch of hard copy of Annual Report to debenture holders, pursuant to relaxations granted by the Ministry of Corporate Affairs (MCA). Thereafter, vide Circular dated January 15, 2021, the said relaxations were extended till December 31, 2021.

Subsequently, MCA vide Circular dated May 5, 2022, has extended the relaxations from dispatching of physical copies of financial statements for the year 2022 (i.e. till December 31, 2022).

In view of above, SEBI vide this circular, has decided to provide relaxation upto December 31, 2022, from the requirements of Regulation 58 (1)(b) of the Listing Regulations which prescribes that an entity with listed non-convertible securities shall send a hard copy of statement containing the salient features of all the documents, as specified in Section 136 of Companies Act, 2013 and rules made thereunder to those holders of non-convertible securities who have not registered their email address(es) either with the listed entity or with any depository.

[Circular](#)

7. Master Circular for Commodity Derivatives Market

SEBI/HO/CDMRD/DMP/P/CIR/2022/64

Dated 17th May, 2022

In order to ensure availability of comprehensive information mentioned in the circulars pertaining to commodity derivatives market at one place, SEBI has been issuing Master Circular comprising of information mentioned in various circulars pertaining to commodity derivatives segment. The references in the circular to the Statutes/Regulations which now stand repealed have been suitably updated.

This Master circular includes various circulars issued till March 31, 2022.

It is clarified that in case of any inconsistency between the Master Circular and the original applicable circular, the content of the original circular shall prevail.

This Master Circular shall supersede previous Master Circular dated July 01, 2021.

[Master Circular](#)

8. Simplification of procedure and standardization of formats of documents for transmission of securities pursuant to amendments to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

Circular No.: SEBI/HO/MIRSD/MIRSD_RTAMB/P/CIR/2022/65
Dated 18th May, 2022

The procedure for transmission of securities was simplified vide the SEBI (Listing Obligations and Disclosure Requirements) (Fourth Amendment) Regulations, 2022 (“**LODR Amendment Regulations**”) Gazette Notification dated 25th April, 2022.

The LODR Amendment Regulations had inter alia enhanced the monetary limits for simplified documentation for transmission of securities, allowed ‘Legal Heirship Certificate or equivalent certificate’ as one of the acceptable documents for transmission and provided clarification regarding acceptability of Will as one of the valid documents for transmission of securities.

Pursuant to the notification of the LODR Amendment Regulations, SEBI, vide this circular, has specified the formats of various documents which are required to be furnished for the processing of transmission of securities.

A ready reckoner listing out the documents required for transmission of securities, in case of demise of the sole holder, is provided in **Annexure –A** to this Circular. The Operational Guidelines for processing investor’s service request for the purpose of transmission of securities are provided in **Annexure –B** to this Circular. The format of the form to be filed by nominee/claimant/legal heir while requesting transmission of securities is provided in **Annexure –C** to this Circular.

[Circular](#)

9. Streamlining the Process of Rights Issue

Circular No.: SEBI/HO/CFD/SSEP/CIR/P/2022/66
Dated 19th May, 2022

SEBI, vide Circular dated January 22, 2020, had stipulated procedures streamlining the Rights Issue process.

Para 1.4.1 and Annexure I para C (e) of the above Circular, deal with the requirement regarding minimum time period between closure of trading in Right Entitlements (REs) on stock exchange platform. It also deals with closure of the rights issue, which requires trading in REs on the secondary market platform of stock exchanges. The period has to be closed at least four days prior to the closure of the rights issue.

In case there are trading holidays between last date of REs trading date and issue closure, provision of minimum gap of four days may not always ensure that there are adequate days for settlement, as minimum 2 working days are required for settlement of REs traded on last day of REs trading window (REs traded on exchange platform have T+2 rolling settlement). Also, there should be a minimum gap of three working days considering two days for settlement and one additional day for investor to make application in Rights Issue.

Accordingly, Vide this circular, SEBI has modified the above paras and reduced the above period from at least four to at least three working days.

Applicability: This circular shall be applicable for all rights issues and fast track rights issue with immediate effect.

[Circular](#)

10. Simplification of procedure and standardization of formats of documents for issuance of duplicate securities certificates

Circular No.: SEBI/HO/MIRSD/MIRSD_RTAMB/P/CIR/2022/70

SEBI, vide this circular, has simplified the procedure and documentation requirements for issuance of duplicate securities by the Registrars to an Issue and Share Transfer Agents (RTAs) and the Issuer companies.

Below are the simplified requirements:

- Submission of copy of FIR including e-FIR/Police complaint/Court injunction order/copy of plaint (where the suit filed has been accepted by the Court and Suit No. has been given), by the security holder necessarily having details of the securities, folio number, distinctive number range and certificate numbers.
- Issuance of advertisement regarding loss of securities in a widely circulated newspaper.
- Submission of Affidavit and Indemnity bond as per the format prescribed by the Board.
- Point No. 1 and 2 above shall not be complied, if the value of securities as on the date of submission of application, along with complete documentation as prescribed by the Board does not exceed Rs. 5 Lakhs.
- The applicant shall quantify the value of the securities on the basis of the closing price of such securities at any one of the recognized stock exchanges a day prior to the date of such submission in the application.
- In case of non-availability of Certificate Nos./Distinctive Nos./ Folio nos., the RTA (upon written request by the security holder) shall provide the same, to the security holder only where the signature and the address of the security holder matches with the RTA / listed company's records. In case the signature and/or the address do not match, the security holder shall first comply with the KYC procedure and then only the details of the securities shall be provided to the security holder by the RTA/listed company.
- Fake / forged / stolen certificates or certificates where duplicate certificate is issued, must be seized and defaced by the RTA / listed company and disposed of in the manner, authorized by the Board of the Company.
- Defaced certificate shall be kept in custody of the Company/ RTA and disposed of in the manner as authorized by the Board of the Company.
- The listed company shall take special contingency insurance policy towards the risk arising out of the requirements relating to issuance of duplicate securities in order to safeguard and protect the interest of the listed company.
- As mandated vide SEBI Circular dated January 25, 2022, duplicate securities shall be issued in dematerialized mode only.

Applicability: The provisions of this Circular shall come into force with immediate effect
This circular supersedes RTI Circular No. 1 (2000-2001) dated May 9, 2001.

[Circular](#)

11. Modification to Standard Operating Procedure in the cases of Trading Member / Clearing Member leading to default

Circular No.: SEBI/HO/MIRSD/DPIEA/CIR/P/2022/72

Dated 27th May, 2022

SEBI vide circular no. SEBI/HO/MIRSD/DPIEA/CIR/P/2020/115 dated July 1, 2020 had specified the Standard Operating Procedure enumerating the steps to be taken by the Stock Exchanges ("SEs"), Clearing Corporations ("CCs") and Depositories in cases where SE / CC is of the view that Trading Member/ Clearing Member is likely to default in repayment of funds or securities to its clients.

SEBI, vide this circular, has decided to modify clause 4.25 of SEBI circular no. SEBI/HO/MIRSD/DPIEA/CIR/P/2020/115 dated July 1, 2020 in order to provide equitable distribution of funds amongst investors. Accordingly, clause 4.25 of the said circular stands modified as under:

Action	Timeline
ISE / SEs / CCs shall endeavour to settle the claims of maximum number of clients by way of interim measures, under their supervision prior to issuing show cause notice (SCN) for declaring the TM a defaulter. The TM shall be instructed to pay small investors out of available funds and own resources (movable and immovable) under the supervision of the ISE/ SEs.	Within 30 trading days from crystallization of balances
Further, the unencumbered deposits available with the SEs/ CCs, after adjusting for any dues of the SE / CC and maintaining the minimum BMC, shall also be utilised for	

settling the credit balance of investors starting from the smallest amount. Such amount shall be paid in full to all such investors having credit balance up to the amount of Rs.25,00,000/-(Rupees twenty five lakh), subject to availability of funds. Further, investors having credit balance of more than Rs.25,00,000/-(Rupees twenty five lakh) shall be paid on pro-rata basis from the remaining funds.

Also, any surplus available with any SEs / CCs shall be utilised for settling the credit balances of clients with respect to other SEs. BGs of the TM shall be invoked and also the FDRs shall be encashed for utilisation. SEs / CC may settle such clients in tranches. For this purpose, the balances of client will be netted across exchanges to arrive at the final credit balance due to such client.

The TM shall furnish the proof of payment to the clients, to the SEs.

[Circular](#)

12. Processing of ASBA applications in Public Issue of Equity Shares and Convertibles

Circular No.: SEBI/HO/CFD/DIL2/P/CIR/2022/75

Dated 30th May, 2022

SEBI vide circular dated December 30, 2009 had prescribed the facility of Application Supported by Blocked Amount (ASBA) in Public Issues for all categories of investors except Qualified Institutional Buyers (QIBs). The facility of ASBA was extended to QIBs in public issues opening on or after May 1, 2010 vide circular dated April 06, 2010.

As a part of the continuing efforts to further streamline the bidding process and to ensure the orderly development of securities market, SEBI vide this circular has prescribed that the ASBA applications in Public Issues shall be processed only after the application monies are blocked in the investor's bank accounts. Accordingly, all intermediaries / market infrastructure institutions are advised to ensure that appropriate systemic and procedural arrangements are made within three months from the date of issuance of this circular.

This circular shall be applicable for public issues opening on or after September 01, 2022.

[Circular](#)

MCA

1. Companies (Prospectus and Allotment of Securities) Amendment Rules, 2022

G.S.R 320(E)
Dated 5th May, 2022

Effective Date: May 01, 2022

Vide this notification, MCA has amended the Companies (Prospectus and Allotment of Securities) Rules, 2014.

Following is the gist of the amendment:

1. In rule 14(1), after the fourth proviso, the following proviso has been inserted:

“Provided also that no offer or invitation of any securities under this rule shall be made to a body corporate incorporated in, or a national of, a country which shares a land border with India, unless such body corporate or the national, as the case may be, have obtained Government approval under the Foreign Exchange Management (Non-Debt Instrument) Rules, 2019 and attached the same with the private placement offer cum application letter.”

Form PAS-4 (Private Placement Offer Letter) has also been modified accordingly.

[Notification](#)

2. Clarification of holding of Annual General Meeting (AGM) through Video Conference (VC) or Other Audio Visual Means (OAVM)

General Circular No. 2/2022
Dated 5th May, 2022

In continuation to MCA General Circular Nos. 20/2022, 02/2021, 19/2021 and 21/2021 dated 05.05.2020, 13.01.2021, 08.12.2021 and 14.12.2021 respectively where companies whose AGMs are due in the year 2022 were allowed to conduct their AGMs on or before 30th June, 2022 in accordance with the requirements laid down in Para 3 and Para 4 of the General Circular No. 20/2020 dated 05.05.2020. MCA vide this circular has extended the timeline to 31st December, 2022.

Para 3 of the aforesaid circular bifurcates the requirements to be fulfilled as under:

- A. For companies which are required to provide the facility of e-voting under the Act, or any other company which has opted for such facility.
- B. For companies which are not required to provide the facility of e-voting under the Act.

Para 4 specifies fulfilment of other compliances associated with the provisions relating to general meetings.

It has been further clarified that this circular shall not be construed as conferring any extension of time for holding of AGMs by the Companies under the Companies Act, 2013 (the Act) and the companies which have not adhered to the relevant timelines shall be liable to legal action under the appropriate provisions of the Act.

[Circular](#)

3. Clarification on passing of Ordinary and Special Resolutions by the companies under the Companies Act, 2013 read with rules made thereunder on account of COVID-19- Extension of timeline

General Circular No. 3/2022
Dated 5th May, 2022

In continuation to the MCA General Circular Nos. 14/2022, 17/2020, 22/2020, 33/2020, 39/2020, 10/2021 and 20/2021 dated 08.04.2020, 13.04.2020, 08.12.2021, 15.06.2020, 28.09.2020, 31.12.2020 23.06.2021 and 08.12.2021 respectively, MCA vide this circular has decided to allow the companies to conduct their EGMs through Video Conference (VC) or Other Audio Visual Means (OAVM) or transact items through postal ballot in accordance with

framework provided in the aforesaid Circulars upto 31st December, 2022 (previously 30th June, 2022).

All other requirements provided in the said Circulars shall remain unchanged.

[Circular](#)

4. Companies (Incorporation) Second Amendment Rules, 2022

G.S.R(E)
Dated 20th May, 2022

Effective Date: 1st June, 2022

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

Form INC-9 pursuant to Declaration by Subscribers and First Directors has been substituted with new form INC- 9.

[Notification](#)

5. Relaxation in paying additional fees in case of delay in filing Form 11(Annual Return) by Limited Liability Partnerships upto 30th June, 2021

General Circular No. 04/2022
Dated 27th May, 2022

Vide this circular, MCA has extended the time-line for filing of LLP Form 11 (Annual Return) by LLPs without payment of additional fees upto 30th June, 2022.

The above relaxation has been provided in view of transition from version-2 of MCA to version-3 and to promote compliance on the part of LLPs.

[Circular](#)

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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