

APRIL 2022

NEWSLETTER

REGULATORY

- RBI
- SEBI
- MCA



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1. Loans and Advances – Regulatory Restrictions - NBFCs

RBI/2022-23/29 DOR.CRE.REC.No.25/03.10.001/2022-23

Dated: 19th April, 2022*Effective Date: 1st October, 2022*

Vide this Notification, RBI has introduced certain regulatory restrictions on lending in respect of NBFCs placed in different layers. Detailed guidelines in this regard are placed as Annex to this circular.

Following Guidelines are applicable to NBFC - Middle Layer (ML) and NBFC - Upper Layer (UL) - Regulatory Restrictions on Loans and Advances.

Loans and advances to Directors - Unless sanctioned by the Board of Directors/ Committee of Directors, NBFCs shall not grant loans and advances aggregating Rupees five crores and above to -

- their directors (including the Chairman/ Managing Director) or relatives of directors.
- any firm in which any of their directors or their relatives is interested as a partner, manager, employee or guarantor.
- any company in which any of their directors, or their relatives is interested as a major shareholder, director, manager, employee or guarantor.

Loans and advances to Senior Officers of the NBFC - NBFCs shall abide by the following when granting loans and advances to their senior officers:

- Loans and advances sanctioned to senior officers of the NBFC shall be reported to the Board.
- No senior officer or any Committee comprising, inter alia, a senior officer as member, shall, while exercising powers of sanction of any credit facility, sanction any credit facility to a relative of that senior officer. Such a facility shall be sanctioned by the next higher sanctioning authority under the delegation of powers.

Loans and advances to Real Estate Sector - While appraising loan proposals involving real estate, NBFCs shall ensure that the borrowers have obtained prior permission from government/ local government/ other statutory authorities for the project, wherever required. To ensure that the loan approval process is not hampered on account of this, while the proposals may be sanctioned in normal course, the disbursements shall be made only after the borrower has obtained requisite clearances from the government / other statutory authorities.

The above mentioned norms relating to grant of loans and advances will equally apply to awarding of contracts.

[Notification](#)**2. Legal Entity Identifier (LEI) for Borrowers**

RBI/2022-23/34DOR.CRE.REC.28/21.04.048/2022-23

Dated 21st April 2022

Vide this Notification, RBI has decided that the guidelines on LEI stand extended to Primary (Urban) Co-operative Banks (UCBs) and Non-Banking Financial Companies (NBFCs). It is further advised that non-individual borrowers enjoying aggregate exposure of ₹5 crore and above from banks and financial institutions (FIs) shall be required to obtain LEI codes as per the timeline given in the Annex to the Notification.

Borrowers who fail to obtain LEI codes from an authorized Local Operating Unit (LOU) shall not be sanctioned any new exposure nor shall they be granted renewal/enhancement of any existing exposure. However, Departments/Agencies of Central and State Governments (not Public Sector Undertakings registered under Companies Act or established as Corporation under the relevant statute) shall be exempted from this provision.

[Notification](#)

SEBI

1. Standardization of industry classification- Applicability to Credit Rating Agencies (CRAs)

Circular No.: SEBI/HO/MIRSD/CRADT/CIR/P/2022/42

Dated: 1st April 2022

Effective Date: October 01, 2022

The Market Data Advisory Committee (MDAC) of SEBI had developed a harmonised four level industry classification framework for adoption by all stakeholders and for all relevant processes/ purposes in Indian securities market (Classification placed at Annexure A to the Circular).

Vide this circular, SEBI has made applicable the above mentioned industry classification to credit rating agencies w.e.f. October 01, 2022. In the meantime, any feedback and suggested changes by credit rating agencies shall be recalibrated by exchanges, wherever feasible.

[Circular](#)

2. Standardisation of Ratings Scales Used by credit rating agencies - Extension of timeline for implementation

Circular No.: SEBI/HO/MIRSD/MIRSD_CRADT/P/CIR/2022/43

Dated 1st April, 2022

In order to standardise the usage of rating scales, SEBI vide circular no. dated July 16, 2021 had advised the credit rating agencies to either align their rating scales with the rating scales prescribed under the guidelines of respective financial sector regulator or authority in terms of Regulation 9(f) of SEBI (Credit Rating Agencies) Regulations, 1999, or in absence of the same, follow rating scales prescribed by the Board vide circular dated June 15, 2011, June 13, 2019, or any other circular issued by the Board from time to time, by March 31, 2022.

Vide this circular, SEBI has decided to extend the date of applicability of the Section B (Standardisation of Ratings Scales) of the aforesaid circular. Credit rating agencies shall ensure compliance with the requirements / provisions of the section B of the aforesaid circular on or before June 30, 2022.

[Circular](#)

3. Execution of 'Demat Debit and Pledge Instruction' (DDPI) for transfer of securities towards deliveries / settlement obligations and pledging / re-pledging of securities

Circular No.: SEBI/HO/MIRSD/DoP/P/CIR/2022/44

Dated 4th April, 2022

Effective Date: 1st July 2022

SEBI, vide circular dated April 23, 2010 had issued guidelines regarding execution of Power of Attorney (PoA) by the client in favor of Stock Broker / Stock Broker and Depository Participant ("POA Guidelines, 2010").

Vide SEBI circular no. dated August 27, 2020 ("PoA Guidelines, 2020"), it was inter-alia reiterated that:

1. PoA is optional and should not be insisted upon by the stock broker / stock broker depository participant for opening of the client account.

2. PoA executed in favour of stock broker / stock broker depository participant by the client shall be utilized:

i. For transfer of securities held in the beneficial owner account of the client towards Stock Exchange related deliveries / settlement obligations arising out of trades executed by such a client on the Stock Exchange through the same stock broker.

ii. For pledging / re-pledging of securities in favour of the trading member (TM) / clearing member (CM) for the purpose of meeting margin requirements of the client in connection with the trades executed by such a client on the

Stock Exchange.

iii. For the limited purposes as specified in paragraph 1(iii) and 2 of the Enclosure to the POA Guidelines, 2010.

Vide this circular, SEBI has decided that the two conditions as specified in paragraphs 2(i) and 2(ii) will be made part of a separate document viz. 'Demat Debit and Pledge Instruction' (DDPI) (Annexure-A), under which the clients shall explicitly agree to authorize the stock broker/stock broker and depository participant to access their BO account for the limited purpose of meeting pay-in obligations for settlement of trades executed by them.

The DDPI shall serve the same purpose of PoA and significantly mitigate the misuse of PoA. The use of DDPI shall be limited only for the two purposes as mentioned in paragraph 2(i) and 2(ii).

[Circular](#)

4. Revision of UPI limits in Public Issue of Equity Shares and convertibles

Circular No.: SEBI/HO/CFD/DIL2/CIR/P/2022/45

Dated 5th April, 2022

SEBI vide Circular 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 and the same was mandated w.e.f. July 01, 2019 for applications by Retail Individual Investors submitted through Intermediaries.

NPCI vide circular reference no. NPCI/UPI/OC No. 127/ 2021-22 dated December 09, 2021, inter alia, had enhanced the per transaction limit in UPI from Rs. 2 lakh to Rs. 5 lakh for UPI based Application Supported by Blocked Amount (ASBA) in Initial Public Offers(IPOs).

NPCI had reviewed the systemic readiness required at various intermediaries to facilitate the processing of applications with increased UPI limit and confirmed that as on March 30, 2022, more than 80% of SCSBs/Sponsor Banks/UPI Apps have conducted the system changes and had complied with the NPCI provisions.

Vide this circular, SEBI has decided that all Individual Investors applying in Public Issues where the application amount is upto 5 Lakhs shall use UPI and shall also provide their UPI ID in the bid-cum-application form submitted with any of the entities mentioned herein below:

- i. a syndicate member
- ii. a stock broker registered with a recognised stock exchange (and whose name is mentioned on the website of the stock exchange as eligible for this activity) ('broker')
- iii. a depository participant ('DP') (whose name is mentioned on the website of the stock exchange as eligible for this activity)
- iv. a registrar to an issue and share transfer agent ('RTA') (whose name is mentioned on the website of the stock exchange as eligible for this activity)

Applicability: This circular shall come into force for Public Issues opening on or after May 01, 2022.

[Circular](#)

5. Circular on Risk value of commodities for risk-o-meter

Circular No.: SEBI/HO/TMD/TMD-II DOF3/P/CIR/2022/49

Dated 11th April, 2022

SEBI, vide circular on 'Product Labeling in Mutual Fund schemes – Risk-o-meter' dated October 5, 2020, had issued detailed guidelines for evaluation of risk levels of scheme for the purpose of risk-o-meter.

For evaluation of risk value of commodities in which mutual funds are permitted to invest, in terms of para 2(d) of above mentioned SEBI circular, vide this circular, SEBI has decided that investment in commodities by mutual fund schemes shall be assigned a risk score corresponding to the annualized volatility of the price of the said commodity.

The annualized volatility shall be computed quarterly based on past 15 years' prices of benchmark index of the said

commodity and risk score for the commodity shall be in terms of the following table:

Annualized volatility	Risk value on risk-o-meter (Risk)
<10%	3 (Moderate)
10-15%	4 (Moderately High)
15-20%	5 (High)
>20%	6 (Very High)

Accordingly, para 3(viii) of Annexure A to the said circular pertaining to risk value of gold and gold related instruments stands modified as above.

[Circular](#)

6. Comprehensive Risk Management Framework for Electronic Gold Receipts (EGR) segment

Circular No.: SEBI/HO/CDMRD/CDMRD_DRM/P/CIR/2022/50

Dated 11th April, 2022

SEBI Board in its meeting held on September 28, 2021 approved the framework for Gold Exchange and SEBI (Vault Managers) Regulations, 2021.

Vide this circular, SEBI has prescribed the risk management framework applicable to the EGR segment on the recognized Stock Exchange/s in Annexure A to this circular.

[Circular](#)

7. SEBI (Debenture Trustees) (Amendment) Regulations, 2022

No. SEBI/LAD-NRO/GN/2022/78

Dated 11th April, 2022

Vide this notification, SEBI has amended the Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993.

Following is the gist of amendments:

In case where listed debt securities are secured, the debenture trustees shall:

1. On a Quarterly basis-(a)carry out the necessary due diligence and monitor the security cover in the manner as may be specified by the Board from time to time.
2. On a Half-Yearly basis-(a)obtain a certificate from the statutory auditor of the issuer regarding security cover including compliance with the covenants of the Offer Document/Information Memorandum in the manner as may be specified by the Board from time to time.

[Regulation](#)

8. SEBI (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2022

No. SEBI/LAD-NRO/GN/2022/79

Dated 11th April, 2022

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

This regulation comes into effect with immediate effect and aims to replace “asset cover” with “security cover” for the listed debt with Securities and Exchange Board of India (SEBI). Asset cover certificate is used to monitor the adequacy of assets charged against the debt obligations of the person issuing it. It is submitted to the Debenture Trustee.

[Regulation](#)

9. Streamlining the process of public issues and redressal of investor grievances

Circular No.: SEBI/HO/CFD/DIL2/CIR/P/2022/51
Dated 20th April, 2022

SEBI vide Circular dated March 16, 2021 (“the March’21 Circular”), which came into effect from May 01, 2021, had put in place measures to have a uniform policy to further streamline the processing of the ASBA applications through UPI process among intermediaries/SCSBs.

Vide Circular dated June 02, 2021, the implementation timelines for certain provisions of the Circular were deferred.

A. Redressal of Investor grievances:

SEBI had provided a mechanism of compensation to investors for delay in unblocking of application amounts by SCSBs and prescribed certain compliance and reporting standards to be adopted by SCSBs.

Vide this circular, SEBI had devised a new reporting format for Annexure IV of the March’ 21 Circular to capture the data of all ASBA applications unblocked by SCSBs and their corresponding date of actual unblock. SCSBs shall submit the Annexure IV of the March’21 Circular in the format prescribed in Annexure IV of this circular.

Further, it is reiterated that the SCSBs shall continue to compensate the investors for delays in unblocking of application amounts as per the compensation clause provided in the March’21 Circular. The compensation prescribed in the March’21 Circular shall be applicable to all ASBA applications processed by the SCSBs.

B. Payment of Processing Fee to SCSBs:

To claim the processing fee, SCSBs shall make an application to the Merchant Bankers in the format prescribed in Annexure I of this circular (complete with requisite information mentioned therein) with a copy to the Registrar to the Issue, subject to the following conditions:

- The application shall be made no later than 30 days from the finalization of basis of allotment by Registrar to the Issue.
- The SCSBs shall make the application only after (i) unblocking of application amounts for each application received by such SCSB has been fully completed; (ii) applicable compensation relating to investor complaints has been paid by the SCSB.

Further, the SCSBs shall continue to be responsible to provide information requested by the Merchant Bankers/ Registrar to the Issue/ Issuer and also remain liable to pay compensation applicable as per the Circular (including any amendments thereof), for delays in unblocking of application amounts after the processing fee has been claimed by the SCSBs.

C. SMS Alerts to Investors:

SEBI has decided that the SCSBs/UPI Apps eligible for Public Issues shall send SMS Alerts to Investors for all ASBA applications and may also provide the Invoice in the Inbox as an additional feature to verify the UPI mandate details. The SMS/Invoice in the Inbox shall include the details as prescribed in Annexure II to the circular.

[Circular](#)

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

No. SEBI/LAD-NRO/GN/2022/80.
Dated 25th April, 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. In Regulation 40(7) pertaining to transferor transmission or transposition of securities, in Regulation 61(4) pertaining to terms of non convertible debt securities and non convertible redeemable preference shares: the word 'transmission' has been inserted to amend that the listed entity shall comply with all procedural requirements as specified in Schedule VII with respect to transfer and transmission of securities.

2. Schedule VII pertaining to transfer of securities:

(i) the word 'transmission' has been inserted to the heading of the schedule as 'Transfer and Transmission of Securities'.

(ii)

3. Clause C has been substituted with the following:

"C. Documentation requirements in case of transmission of securities.

(1) In case of transmission of securities, where the securities are held in single name with nomination, the following documents shall be submitted:

(a) duly signed transmission request form by the nominee;

(b) original death certificate or copy of death certificate attested by the nominee subject to verification with the original or copy of death certificate duly attested by a notary public or by a Gazetted Officer;

(c) self-attested copy of the Permanent Account Number card of the nominee, issued by the Income Tax Department.

(2) In case of transmission of securities, where the securities are held in single name without nomination, the following documents shall be submitted:

(a) a notarized affidavit from all legal heir(s) made on non-judicial stamp paper of appropriate value, to the effect of identification and claim of legal ownership to the securities:

Provided that in case the legal heir(s)/claimant(s) are named in the Succession Certificate or Probate of Will or Will or Letter of Administration as may be applicable in terms of Indian Succession Act, 1925 (39 of 1925) or Legal Heirship Certificate or its equivalent certificate issued by a competent Government Authority, an affidavit from such legal heir(s)/claimant(s) alone shall be sufficient;

(b) duly signed transmission request form by the legal heir(s)/claimant(s);

(c) original death certificate or copy of death certificate attested by the legal heir(s)/claimant(s) subject to verification with the original or copy of death certificate duly attested by a notary public or by a Gazetted Officer;

(d) self-attested copy of the Permanent Account Number card of the legal heir(s)/claimant(s), issued by the Income Tax Department;

(e) a copy of Succession Certificate or Probate of Will or Will or Letter of Administration or Court Decree as may be applicable in terms of Indian Succession Act, 1925 (39 of 1925) or Legal Heirship Certificate or its equivalent certificate issued by a competent Government Authority, attested by the legal heir(s)/claimant(s) subject to verification with the original or duly attested by a notary public or by a Gazetted Officer:

Provided that in a case where a copy of Will or a Legal Heirship Certificate or its equivalent certificate issued by a competent Government Authority is submitted, the same shall be accompanied with a notarized indemnity bond from the legal heir(s)/claimant(s) to whom the securities are transmitted, in the format specified by the Board:

Provided further that in a case where a copy of Legal Heirship Certificate or its equivalent certificate issued by a competent Government Authority is submitted, the same shall also be accompanied with a No Objection from all non-claimants, stating that they have relinquished their rights to the claim for transmission of securities;

(f) for cases where value of securities is up to rupees five lakhs per listed entity in case of securities held in physical mode, and up to rupees fifteen lakhs per beneficial owner in case of securities held in dematerialized mode, as on date of application, and where the documents mentioned in para (e) are not available, the legal heir(s)/claimant(s) may submit the following documents:

- (i) no objection certificate from all legal heir(s) stating that they do not object to such transmission or copy of family settlement deed executed by all the legal heirs duly attested by a notary public or by a Gazetted Officer; and
- (ii) a notarized indemnity bond made on non-judicial stamp paper of appropriate value, indemnifying the Share Transfer Agent/ listed entity, in the format specified by the Board:

Provided that the listed entity may, at its discretion, enhance the value of securities from the threshold limit of rupees five lakhs, in case of securities held in physical mode.

[Regulation](#)

11. Master Circular for Infrastructure Investment Trusts (InvITs)

SEBI/HO/DDHS/DDHS_Div3/P/CIR/2022/53
Dated 26th April, 2022

This Master Circular is a compilation of relevant circulars on the subject issued by SEBI up to March 31, 2022 which are operational as on date of this circular.

Circulars providing temporary relaxations with regards to certain compliance requirements for InvITs in the wake of the COVID-19 pandemic have not been included in the master circular.

In case of any inconsistency between the master circular and the applicable circulars, the contents of the relevant circular shall prevail.

[Circular](#)

12. Master Circular for Real Estate Investment Trusts (REITs)

SEBI/HO/DDHS/DDHS_Div3/P/CIR/2022/52
Dated 26th April, 2022

This Master Circular is a compilation of relevant circulars on the subject issued by SEBI up to March 31, 2022 which are operational as on date of this circular.

Circulars providing temporary relaxations with regards to certain compliance requirements for REITs in the wake of the COVID-19 pandemic have not been included in the master circular.

In case of any inconsistency between the master circular and the applicable circulars, the contents of the relevant circular shall prevail.

[Circular](#)

13. Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Second Amendment) Regulations, 2022

SEBI/HO/DDHS/DDHS_Div3/P/CIR/2022/52
Dated 26th April, 2022

Vide this notification, SEBI has amended the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.

Following is the gist of the amendment:

I. The amendments relating to sub-regulation (3A) of regulation 32, regulation 49, regulation 129, regulation 145, clause (10) and clause (15) of Part A of Schedule XIII, and Schedule XIV carried out by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2022 shall come into force in the following manner: -

- (a) for public issues of a size less than ₹10,000 crore and opening on or after April 1, 2022; with effect from April 1, 2022;
- (b) for public issues of a size equal to or more than ₹10,000 crore and opening on or after April 1, 2022; with effect from July 1, 2022.

[Regulation](#)

14. Modification in the Operational Guidelines for Foreign Portfolio Investors, Designated Depository Participants and Eligible Foreign Investors - SEBI to generate FPI registration number and both the Depositories to host the CAF.

Circular No.: SEBI/HO/IMD/FPI&C/CIR/P/2022/57

Dated 29th April, 2022

Effective Date: May 09, 2022

SEBI had notified the SEBI (Foreign Portfolio Investors) (Amendment) Regulations, 2022 on January 14, 2022 for generation of Foreign Portfolio Investor (FPI) registration number by SEBI.

Subsequently, the Department of Economic Affairs, Ministry of Finance, Government of India, vide Notification dated March 29, 2022, had amended the Common Application Form (CAF), wherein both the Depositories, viz., NSDL and CDSL have been allowed to host the CAF for FPI registration.

Vide this Circular, SEBI had decided to modify the 'Operational Guidelines for Foreign Portfolio Investors, Designated Depository Participants and Eligible Foreign Investors', issued vide SEBI Circular dated November 05, 2019 (hereinafter referred to as 'the Operational Guidelines'), as under:

a. In Paragraph 6 of Part A of the Operational Guidelines, pertaining to the Certificate of Registration, shall be read as follows:

"The designated depository participant shall grant the certificate of registration, bearing registration number generated by SEBI"

b. In Paragraph 10(iii) of Part A of the Operational Guidelines, pertaining to Name change, shall be read as follows:

"Upon receipt of the request for name change along with above mentioned documents, the DDP shall effect the change in name in the certificate. The DDP shall issue a letter and fresh registration certificate to such applicant acknowledging the change in name. Respective Depositories shall make necessary arrangements for DDPs to provide fresh registration certificate as an acknowledgement from its database including a statement that the name change has been granted without prejudice to any tax liability/ implication in India."

[Circular](#)

MCA

1. Companies (Management and Administration) Amendment Rules, 2022

G.S.R 279(E)
Dated 6th April, 2022

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

In Rule 14 after sub rule (2), the following sub-rule (3) has been inserted:

“(3) Notwithstanding anything contained in sub-rules (1) and (2), the following particulars of the register or index or return in respect of the members of a company shall not be made available for any inspection under sub-section (2) or for taking extracts or copies under sub-section (3) of section 94, namely:

- i. address or registered address (in case of body corporate)
- ii. e-mail ID
- iii. Unique Identification Number
- iv. PAN Number”

[Notification](#)

2. Companies (Incorporation) Amendment Rules, 2022

G.S.R(E)
Dated 8th April, 2022

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

In Rule 12, the following proviso has been inserted:

“Provided further that in case of a Company being incorporated as a Nidhi, the declaration by the Central Government under section 406 of the Act shall be obtained by the Nidhi before commencing the business and a declaration in this behalf shall be submitted at the stage of incorporation by the company.”

[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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