

REGULATORY NEWSLETTER

MONTHLY UPDATE JANUARY 2020

(Circulars / Notifications released during January 2020)

➔ [RBI](#)

➔ [SEBI](#)

➔ [MCA](#)

➔ [IBBI](#)

RBI

1. Amendment to Master Direction (MD) on KYC

RBI/2019-20/138 DOR.AML.BC.No.27/14.01.001/2019-20
Dated 9th January, 2020

Vide Notification G.S.R. 582(E) dated August 19, 2019 and Gazette Notification G.S.R. 840(E) dated November 13, 2019, RBI had notified amendment to the Prevention of Money-laundering (Maintenance of Records) Rules, 2005.

RBI has now vide this circular permitted Video based Customer Identification Process (V-CIP) as a consent based alternate method of establishing the customer's identity, for customer onboarding.

Consequently, changes have been carried out in the Master Direction (MD) on KYC dated February 25, 2016.

[Notification](#)

2. Investment by Foreign Portfolio Investors (FPI) in Debt

RBI/2019-20/150 A.P. (DIR Series) Circular No.18
Dated 23rd January, 2020

RBI has amended the directions issued on Investment by Foreign Portfolio Investors (FPI) in Debt. Following is the brief of the amendments in the Directions issued in terms of Foreign Exchange Management (Debt Instruments) Regulations, 2019 notified vide Notification No. FEMA. 396/2019-RB dated October 17, 2019, as amended from time to time.

- a. Short-term investments by an FPI shall not exceed 30% (previously 20%) of the total investment of that FPI in either Central Government Securities (including Treasury Bills) or State Development Loans
- b. Short-term investments by an FPI shall not exceed 30% (previously 20%) of the total investment of that FPI in corporate bonds
- c. FPI investments in Security Receipts are currently exempted from the short-term investment limit and the issue limit. These exemptions are also extended to FPI investments in the following securities:
 - i. Debt instruments issued by Asset Reconstruction Companies; and
 - ii. Debt instruments issued by an entity under the Corporate Insolvency Resolution Process as per the resolution plan approved by the National Company Law Tribunal under the Insolvency and Bankruptcy Code, 2016

[Notification](#)

3. 'Voluntary Retention Route' (VRR) for Foreign Portfolio Investors (FPIs) investment in debt – relaxations

RBI/2019-20/151 A.P. (DIR Series) Circular No.19
Dated 23rd January, 2020

RBI has made changes to the Directions governing investment through the Voluntary Retention Route (VRR) Following is a brief of the amendments in the Directions issued in terms of Foreign Exchange Management (Debt Instruments) Regulations, 2019 notified vide Notification No. FEMA. 396/2019-RB dated October 17, 2019, as amended from time to time.

- a. Investment cap is increased to Rs. 1,50,000 crores from Rs. 75,000 crore
- b. FPIs that have been allotted investment limits under VRR may, at their discretion, transfer their investments made under the General Investment Limit to VRR.
- c. FPIs are also allowed to invest in Exchange Traded Funds that invest only in debt instruments.

[Notification](#)

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SEBI

1. Strengthening of the rating process in respect of 'Issuer not cooperating (INC)' ratings

Circular No.: SEBI/HO/MIRSD/CRADT/CIR/P/2020/2

Dated 3rd January, 2020

SEBI vide circular dated November 21, 2019 had specified the disclosure requirements for listed entities which have defaulted in

- payment of interest / instalment obligations on loans, from banks / financial institutions which continues beyond 30 days and
- default in case of unlisted debt securities i.e. NCDs and NCRPS, promptly but not later than 24 hours from the occurrence of the default unlisted debt securities.

Vide this circular, the No Default Statement (NDS) as prescribed by SEBI in terms of circular dated June 30, 2017 has been revised in order to align it with the requirements of the circular dated Nov 21, 2019.

To further strengthen the credit rating process, Directions with regard to 'Issuer not cooperating' (INC) ratings have been issued and form part of this circular.

The provisions of this circular are applicable with immediate effect except for the provision of downgrading the rating assigned to the instrument of issuer to Non-investment grade with INC status which has all the outstanding ratings as non-cooperative for more than 6 months. The same is applicable w.e.f. July 01, 2020.

[Circular](#)

2. Annual System Audit of Market Infrastructure Institutions (MII)

Circular No.: SEBI/HO/MRD1/ICC1/CIR/P/2020/03

Dated 7th January, 2020

SEBI vide circular dated November 29, 2011 had mandated that stock exchanges and depositories should conduct an Annual System Audit by a reputed independent auditor. Subsequently, the framework was extended to clearing corporations.

SEBI has now made amendments in the existing System Audit Framework and advised the MIIs as under:

- a. to conduct an Annual System Audit as per the framework enclosed as Annexure 1 to the circular and Terms of Reference (TOR) enclosed as Annexure 2 to the circular
- b. to maintain a list of all the relevant SEBI circulars/directions/advice, etc. pertaining to technology and compliance thereof, as per format enclosed as Annexure 3 to the circular
- c. to submit information with regard to exceptional major Non-Compliances (NCs)/minor NCs observed in the System Audit as per format enclosed as Annexure 4 to the circular
- d. to categorically highlight those observations/NCs/suggestions pointed out in the System Audit (current and previous) which remain open

[Circular](#)

3. Exemption from clubbing of investment limit for foreign Government agencies and its related entities

Circular No.: IMD/FPI&C/CIR/P/2020/07

Dated 16th January, 2020

The Foreign Exchange Management (Non-debt Instruments) Rules, 2019 regarding "Investments by Foreign Portfolio Investors", specifies that certain foreign Government agencies and its related entities are exempt from clubbing of investment limit requirements and other investment conditions either by way of an agreement or treaty with other sovereign governments or by an order of the Central Government.

In view of the above, SEBI has amended Operational guidelines for FPIs & DDPs and EFIs regarding "Monitoring of investment limit at investor group level". The amended operational guidelines are annexed with the circular.

4. Format for Statement indicating Deviation or Variation in the use of proceeds of issue of listed non-convertible debt securities or listed non-convertible redeemable preference shares (NCRPs)

Notification No. SEBI/LAD-NRO/GN/2019/45

Dated 17th January, 2020

As per the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, listed entities are required to submit to the stock exchange, a statement of deviation or variation, if any, in the use of proceeds of issue of non-convertible debt securities or non-convertible redeemable preference shares (NCRPs), from the objects stated in the offer document/Information memorandum.

A format for the statement indicating deviation or variation in the use of proceeds of issue for entities whose specified securities are listed was prescribed by SEBI vide circular dated December 24, 2019.

Vide this circular SEBI has specified that listed entities which have issued **non-convertible debt securities or NCRPs**, shall submit the statement indicating deviation or variation, if any in the prescribed format placed as Annex A to the circular on half yearly basis. The disclosure is required to be made within 45 days of end of the half year.

5. Non-compliance with certain provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Standard Operating Procedure for suspension and revocation of trading of specified securities

Circular No.: SEBI/HO/CFD/CMD/CIR/P/2020/12

Dated 22nd January, 2020

Previous circular reference SEBI/HO/CFD/CMD/CIR/P/2018/77 dated May 3, 2018

This circular (which supersedes the previous circular on the subject) is issued by SEBI pursuant to the amendments to Listing Regulations and to further streamline the Standard Operating Procedure for dealing with non-compliances.

As per the provisions of the circular, the stock exchanges are required to:

- a. take action in case of non-compliances with the Listing Regulations as specified in *Annexure I* of this Circular, and
- b. follow the Standard Operating Procedure (“SOP”) for suspension and revocation of suspension of trading of specified securities as specified in *Annexure II* to this Circular.

This Circular shall come into force with effect from compliance periods ending on or after March 31, 2020.

6. Streamlining the process of Rights Issue

Circular No.: SEBI/HO/CFD/DIL2/CIR/P/2020/13

Dated 22nd January, 2020

SEBI has made the following changes in the rights issue process to make it more efficient and effective by amending the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (“ICDR Regulations”) and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“LODR Regulations”):

1. The period for advance notice to stock exchange(s) under LODR Regulations has been reduced from 7 working days to 3 working days (excluding the date of intimation and the record date)
2. Issuance of newspaper advertisement disclosing date of completion of dispatch and intimation of same to the stock exchanges for dissemination on their websites, as per ICDR Regulations, shall be completed by the issuer at least 2 days (previously 3 days) before the date of opening of the issue.
3. Introduction of dematerialized Rights Entitlements (REs) and the process of credit of REs in the demat account and renunciation thereof
4. Process of trading of dematerialized REs on stock exchange platform

The detailed procedures on the Rights Issue process are given at *Annexure I* to this circular for due compliance. The provisions of this circular are applicable for all rights issues and fast track rights issue where Letter of Offer (LoF) is filed with the stock exchanges on or after February 14, 2020.

[Circular](#)

7. Review of Margin Framework for Commodity Derivatives Segment

Circular No.: SEBI/HO/CDMRD/DRMP/CIR/P/2020/15

Dated 27th January, 2020

SEBI had, vide previous circulars, prescribed Risk Management Framework for the Commodity Derivatives Segment (CDS). Such circulars stipulated minimum value for Initial Margin (IM) and Margin Period of Risk (MPOR).

SEBI has now decided to categorize commodities as per their realized volatility and to prescribe floor values of IM and IMPOR depending upon their categories. Accordingly, the norms regarding Minimum IM and minimum MPOR for commodity derivatives segment stands revised as per the framework mentioned in the circular.

[Circular](#)

MCA

1. Relaxation of additional fees and extension of last date of filing of Form BEN-2 and BEN-1 under the Companies Act, 2013

General Circular No. 1/2020
Dated 1st January, 2020

MCA vide General Circular No. 10/2019 dated 24th September, 2019 had extended the last date for filing of e-Form BEN-2 without additional fees upto 31.12.2019. MCA has now extended the last date upto 31.03.2020.

Consequent to the extension in the date of filing of e-Form BEN-2, the date of filing of Form BEN-1 may be construed accordingly.

Form BEN-2 (Return to the Registrar in respect of declaration under section 90)

Form BEN-1 (Declaration by the beneficial owner who holds or acquires significant beneficial ownership in shares).

[Circular](#)

2. Companies (Appointment and Remuneration of Managerial Personnel) Amendment Rules, 2020

Notification No. G.S.R. 13(E).
Dated 3rd January, 2020

Amendments to the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 brought vide this notification are described hereunder:

| Relevant Rule | Particulars | |
|---|---|--|
| | Before the amendment | After the amendment |
| Rule 8A: Appointment of Company Secretaries in Companies Not Covered Under Rule 8 | A company other than a company covered under rule 8 which has a paid up share capital of five crore rupees or more shall have a whole-time company secretary. | Every private company which has a paid up share capital of ten crore rupees or more shall have a whole-time company secretary. |
| Rule 9: Secretarial Audit Report | Applicability: a. Every public company having a paid-up share capital of fifty crore rupees or more; or b. Every public company having a turnover of two hundred fifty crore rupees or more | Applicability: a. Every public company having a paid-up share capital of fifty crore rupees or more; or b. Every public company having a turnover of two hundred fifty crore rupees or more; c. every company having outstanding loans or borrowings from banks or public financial institutions of one hundred crore rupees or more [Paid up share capital, turnover, or outstanding loans or borrowings as the case may be, existing on the last date of latest audited financial statement shall be taken into account.] |

[Notification](#)

3. Companies (Winding Up) Rules, 2020

Notification No. G.S.R. __ (E).
Dated 24th January, 2020

MCA has notified the Companies (Winding Up) Rules, 2020 which have been bifurcated into the following parts:

| | |
|-----------------|---|
| Part I | General |
| Part II | Winding Up by Tribunal |
| Part III | Winding Up by Tribunal (Other than Summary Winding Up) Debts and Claims against the Company |
| Part IV | Costs, etc. |

| | |
|----------------|---|
| Part V | Summary Procedure for Liquidation |
| Part VI | Miscellaneous |
| Forms | Form WIN 1, Form WIN 2, Form WIN 3 etc. |

The rules are applicable to the winding up under the Companies Act, 2013 and effective from 1st April, 2020.

[Notification](#)

1. Insolvency and Bankruptcy Board of India (Liquidation Process) (Amendment) Regulations, 2020

Notification No. IBBI/2019-20/GN/REG053

Dated 6th January, 2020

Following are the amendments brought into effect:

- a. A person, who is not eligible under the Code to submit a resolution plan for insolvency resolution of the corporate debtor, shall not be a party in any manner to a compromise or arrangement of the corporate debtor under section 230 of the Companies Act, 2013.
- b. A secured creditor cannot sell or transfer an asset, which is subject to security interest, to any person, who is not eligible under the Code to submit a resolution plan for insolvency resolution of the corporate debtor.
- c. A secured creditor, who proceeds to realise its security interest, shall contribute its share of the insolvency resolution process cost, liquidation process cost and workmen's dues, within 90 days of the liquidation commencement date. It shall also pay excess of realised value of the asset, which is subject to security interest, over the amount of its claims admitted, within 180 days of the liquidation commencement date. Where the secured creditor fails to pay such amounts to the Liquidator within 90 days or 180 days, as the case may be, the asset shall become part of Liquidation Estate.
- d. A Liquidator shall deposit the amount of unclaimed dividends, if any, and undistributed proceeds, if any, in a liquidation process along with any income earned thereon into the Corporate Liquidation Account before he submits an application for dissolution of the corporate debtor.
- e. The process to seek withdrawal from the Corporate Liquidation Account has also been specified in these regulations.

[Notification](#)**2. Deposit of unclaimed dividends and/or undistributed proceeds of liquidation process in accordance with regulation 46 of the Insolvency and Bankruptcy Board of India (Liquidation Process) Regulations, 2016**

Circular No. IBBI/LIQ/027/2020

Dated 9th January, 2020

IBBI, vide Insolvency and Bankruptcy Board of India (Liquidation Process) (Amendment) Regulations, 2020 had amended Regulation 46 pertaining to Corporate Liquidation Account as stated aforesaid.

In terms of the amended regulation, the IBBI has opened a separate bank account for deposit of unclaimed dividends and/or undistributed proceeds of liquidation processes. The liquidators are, therefore, advised to deposit any unclaimed dividends and/or undistributed proceeds of liquidation processes into the aforesaid account in accordance with regulation 46 of the Regulations.

[Circular](#)**3. Insolvency and Bankruptcy Board of India (Voluntary Liquidation Process) (Amendment) Regulations, 2020**

Notification No. IBBI/2019-20/GN/REG054

Dated 15th January, 2020

As per the amendment provisions, a Liquidator is required to deposit the amount of unclaimed dividends, if any, and undistributed proceeds, if any, in a liquidation process along with any income earned thereon into the Corporate Voluntary Liquidation Account before he submits an application for dissolution of the corporate person. The process to seek withdrawal from the Corporate Voluntary Liquidation Account has also been specified in these regulations.

[Notification](#)**4. Deposit of unclaimed dividends and / or undistributed proceeds of voluntary liquidation process in accordance with regulation 39 of the Insolvency and Bankruptcy Board of India (Voluntary Liquidation Process) Regulations, 2017**

Circular No. IBBI/VL/028/2020

Dated 20th January, 2020

IBBI, vide Insolvency and Bankruptcy Board of India (Voluntary Liquidation Process) (Amendment) Regulations, 2020 had amended Regulation 39 pertaining to Corporate Voluntary Liquidation Account as stated aforesaid.

In terms of the amended regulation, the IBBI has opened a separate bank account for deposit of unclaimed dividends and/or undistributed proceeds of voluntary liquidation processes. The liquidators are, therefore, advised to deposit any unclaimed dividends and/or undistributed proceeds of voluntary liquidation processes into the aforesaid account in accordance with regulation 39 of the Regulations.

[Circular](#)