

LOVI MEHROTRA & ASSOCIATES

CHARTERED ACCOUNTANTS

MONTHLY UPDATE MARCH 2019

(Circulars/ Notifications released during March 2019)

[RBI](#)

[SEBI](#)

[MCA](#)

30TH March, 2019

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I. RBI

S.NO.	CIRCULAR/ NOTIFICATION NO.	PARTICULARS	SHORT SUMMARY
1.	RBI/2018- 19/135 A.P. (DIR Series) Circular No. 21 Dated 1 st March, 2019	Voluntary Retention Route' (VRR) for Foreign Portfolio Investors (FPIs) investment in debt	RBI has introduced a separate channel, called the 'Voluntary Retention Route' (VRR), to enable FPIs to invest in debt markets in India. Any FPI registered with SEBI is eligible to participate through this Route. Investments through the Route will be free of the macro-prudential and other regulatory norms applicable to FPI investments in debt markets, provided. FPIs voluntarily commit to retain a required minimum percentage of their investments in India for a period. Participation through this Route will be voluntary. The features of VRR are explained in Annexure to the Circular. (Ref Ann - A to the News Letter for the main features) Notification
2.	RBI/2018- 19/136 A.P. (DIR Series) Circular No. 22 Dated 1 st March, 2019	Hedging of exchange rate risk by Foreign Portfolio Investors (FPIs) under Voluntary Retention Route	Vide this circular, RBI has provided operational guidelines, terms and conditions for hedging the exposure to exchange rate risk on account of investments made under VRR Scheme (Ref S. No.1 above) The products covered for the purpose of hedging are : <ul style="list-style-type: none"> • forwards, • options, • cost reduction structures and • swaps with Rupee as one of the currencies. Notification
3.	RBI/2018- 2019/140 A.P. (DIR Series) Circular No. 23 Dated 13 th March, 2019	Trade Credit Policy - Revised framework	The rationalised principal regulation governing the External Commercial Borrowings (ECB) and Trade Credits was notified in Dec 2018 and the new ECB framework based on the above regulation was issued in Jan 2019. Vide this circular, the Trade Credit framework based on the aforementioned notified regulation has been issued As per the revised framework, trade credits can be raised under the automatic route up to USD 150 million or equivalent per import transaction for oil/gas refining & marketing, airline and shipping companies and for others, up to USD 50 million or equivalent per import transaction.

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			<p>The framework also deals with following issues:</p> <ul style="list-style-type: none"> • Forms and period of Trade credits • Eligible borrowers and recognized lenders • Hedging provisions • Security for trade credits • Reporting requirements <p>The designated AD Category I banks while considering the Trade Credit proposal are expected to ensure compliance with applicable Trade Credit guidelines by their constituents.</p> <p>Detailed instructions are set out in the Annex to this circular.</p> <p>Notification</p>
4.	RBI/2018-2019/146 DBR.BP.BC.No.29 /21.07.001/2018-19 Dated 22 nd March, 2019	Deferral of Implementation of Indian Accounting Standards (Ind AS)	<p>Vide this circular, RBI has deferred the implementation of new accounting rules, Indian Accounting Standards (Ind AS) for banks till further notice. The legislative amendments recommended by the RBI are under consideration of the government due to which the implementation has been deferred.</p> <p>This is the second extension of these Accounting standards. Earlier in April 2018, RBI had postponed the implementation of Ind AS by the banks by one year.</p> <p>Notification</p>
5.	RBI/FED/2018-19/67 FED Master Direction No.5/2018-19 Dated 26 th March, 2019	Master Direction - External Commercial Borrowings, Trade Credits and Structured Obligations	<p>RBI has issued Master direction - External Commercial Borrowings, Trade Credits and Structured Obligations in supersession of earlier directions contained in Master Direction - dated January 1, 2016. Instructions issued in respect of External Commercial Borrowings and Trade Credits have been compiled in this Master Direction.</p> <p>These directions lay down the modalities as to how the foreign exchange business has to be conducted by the Authorized Persons with their customers/constituents with a view to implementing the regulations framed.</p> <p>Notification</p>
6.	RBI/2018-19/154 A.P. (DIR Series) Circular	Establishment of Branch Office (BO) / Liaison Office (LO) / Project	<p>RBI had earlier notified the Foreign Exchange Management (Establishment in India of a Branch Office or a Liaison Office or a</p>

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	No. 27 Dated 28 th March, 2019	Office (PO) or any other place of business in India by foreign entities	<p>Project Office or any Other Place of Business) (Amendment) Regulations, 2019.</p> <p>RBI has now clarified that approval of RBI is not required for establishment of branch office, liaison office or project office or any other place of business in India, in case approval or license/permission has been obtained by the applicant falling in four sectors namely Defence, Telecom, Private Security and Information and Broadcasting from the concerned Ministry/Regulators.</p> <p>Notification</p>

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II. SEBI

S.NO.	CIRCULAR/ NOTIFICATION NO.	PARTICULARS	SHORT SUMMARY
1.	Circular No.: SEBI/HO/IMD/DF2 /CIR/P/2019/34 Dated 8 th March, 2019	Circular on Filing of Advertisements under SEBI (Mutual Funds) Regulations, 1996	<p>SEBI (Mutual Funds) Regulations, 1996 (MF Regulations) on advertisement material requires Mutual Funds to submit to SEBI, the advertisements issued by them, within 7 days from the date of issue.</p> <p>As a Go Green Initiative, Mutual Funds are now advised to submit links to access the advertisements by sending the same to SEBI through e-mail.</p> <p>Mutual Funds are also required to maintain copy of advertisements for future reference.</p> <p>Circular</p>
2.	Circular No.: IMD/FPIC/CIR/P/2 019/37 Dated 12 th March, 2019	Review of Investment by Foreign Portfolio Investors (FPI) in Debt Securities	<p>To encourage a wider spectrum of investors to access the Indian corporate debt market, RBI vide Circular No. 19 Dated 15th February, 2019 had decided to withdraw the restriction w.r.t, limit of investment of 20% of FPI's corporate bond portfolio in a single corporate including exposure to related parties of the corporate as defined in the Companies Act 2013.</p> <p>To give effect to the same, SEBI vide this circular has withdrawn the corresponding provision in SEBI circular dated 15th June, 2018.</p> <p>Further, it is clarified that all circulars and directions issued hereinafter by RBI w.r.t investment conditions for FPI Investment in corporate debt securities shall be complied with as per the timelines specified in the RBI circular(s). No separate circular(s) shall be issued by SEBI.</p> <p>Circular</p>
3.	Circular No. SEBI/HO/CFD/DCR2/CI R/P/2019/35 Dated 13 th March, 2019	SEBI (Delisting of Equity Shares) Regulations, 2015 - Timelines for Counter Offer	<p>SEBI has amended the SEBI (Delisting of Equity Shares) Regulations, 2015 to allow promoter(s) / acquirer(s) to make "Counter offer", in case price discovered through reverse book building is not acceptable to the promoter(s) / acquirer(s).</p> <p>The public announcement of such counter offer shall disclose the book value per share and the Letter of offer for</p>

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			<p>counter offer in the abridged form containing the relevant details of the counter offer.</p> <p>“Timelines for Counter offer” and the framework has also been prescribed in the circular issued.</p> <p>Circular</p>
4.	<p>Circular No. SEBI/HO/MRD/DRMNP /CIR/P/2019/39</p> <p>Dated 18th March, 2019</p>	<p>Clarification on participation of Eligible Foreign Investors (EFIs) in Commodity Derivatives in IFSC</p>	<p>Vide this circular, SEBI has clarified that Eligible Foreign Investors (EFIs) may participate in commodity derivatives contracts traded in stock exchanges in IFSC (International Financial Services Centre) subject to the following conditions:</p> <ul style="list-style-type: none"> • Participation would be limited to the derivatives contracts in non-agricultural commodities only, • Contracts would be cash settled on the settlement price determined on overseas exchanges, and • Transactions shall be denominated in foreign currency only. <p>Circular</p>
5.	<p>Circular No. SEBI/HO/IMD/DF2 /CIR/P/2019/42</p> <p>Dated 25th March, 2019</p>	<p>Review of Commission, Expenses, Disclosure norms etc. - Mutual Fund</p>	<p>SEBI has reviewed and modified the commission as well as disclosure norms for the Mutual fund industry. Conditions required for up-fronting of trail commission based on SIP inflows at the mutual fund level have been amended.</p> <p>Accordingly, commission will be paid from Asset Management Company's books and only the first SIP(s) purchased by the new investor will be eligible for up-fronting. In case multiple SIP(s) are purchased on different dates, the SIP(s) for which the instalment starts on the earliest date will be considered for up-fronting.</p> <p><u>Disclosure norms</u></p> <p>AMCs are required to disclose the Total Expense Ratio of all mutual fund schemes except infrastructure debt fund schemes on their website on daily basis.</p> <p>Prior notice to the investors will not be required in case of any increase or decrease in TER due to change in asset under management (AUM) or other regulatory requirements.</p> <p>Circular</p>

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6.	<p>Circular No. CIR/CFD/CMD1/44 /2019</p> <p>Dated: 29th March, 2019</p> <p>Effective Date: 1st April, 2019</p>	<p>Procedure and formats for limited review / audit report of the listed entity and those entities whose accounts are to be consolidated with the listed entity</p>	<p>SEBI has amended SEBI LODR Regulations with the insertion of a new sub regulation 8 to regulation 30 (as below)</p> <p><i>"The Statutory auditor of a listed entity shall undertake a limited review of the audit of all the entities/companies whose accounts are to be consolidated with the listed entity as per AS 21 in accordance with guidelines issued by the Board on this matter".</i></p> <p>Formats for Limited Review reports and Audit Reports have also been prescribed in Annex to this circular.</p> <p>Accordingly, the existing formats for limited review reports and audit reports already specified vide SEBI Circular No. CIR/CFD/CMD/15 /2015 dated 30.11.2015 will be replaced with the new formats prescribed vide this circular.</p> <p>Circular</p>

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III. MCA

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1.	Notification No. G.S.R.180(E) Dated 6 th March, 2019	Companies (Incorporation) Second Amendment Rules, 2019	<p>MCA has amended the Companies (Incorporation) Rules, 2014 and following amendments have been made:</p> <ol style="list-style-type: none"> 1. The advertisement in Form INC-26 in respect of shifting of registered office from one state to another can be published in newspaper having 'wide' circulation instead of 'widest' circulation. 2. Companies incorporated on or after 26th January, 2018 with a nominal capital of Rs. 15 lakhs (previously Rs. 10 lakhs) are not required to pay any fees on filing of INC-32 (SPICe) <p>Notification</p>
2.	General Circular No. 03/2019 Dated 11 th March, 2019	Clarification on filing of e- form RD- 1-Conversion of public company into private company and change in a Financial Year	<p>MCA had earlier notified that applications for change in financial year and conversion of public limited company into private company shall be processed by Regional Directors. (Notification No. G.S.R 1219(E) dated 18/12/18)</p> <p>MCA has now clarified that pending deployment of revised version of E-form RD- 1, Regional Directors are advised to process the aforesaid applications if 'others' is selected in e-form RD-1.</p> <p>MCA has also clarified that such applications filed in E-form no. RD-1 should not be rejected on the ground that "others" and "E-form is not available" is selected.</p> <p>Circular</p>

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Annexure A

The main features of VRR(Voluntary Retention Route) for FPIs are as under:

1. Investments through this Route will be free of the macro-prudential and other regulatory norms applicable to FPI investments in debt markets.
2. FPIs are required to voluntarily commit to retain a required minimum percentage of their investments in India for such period.
3. Eligible instruments (VRR-Govt and VRR-Corp) are defined and include Repo transactions and Reverse Repo transactions. Investment cap limits for both categories of instruments are specified.
4. Investment through this Route shall be in addition to the General Investment Limit. The prescribed investment limit shall be released in one or more tranches.
5. Allocation of investment amount to FPIs under this Route shall be made on tap or through auctions.
6. The mode of allotment, allocation to VRR-Govt and VRR-Corp categories and the minimum retention period shall be announced by RBI ahead of allotment.
7. The minimum retention period shall be three years, or as decided by RBI for each allotment by tap or auction.
8. FPIs shall invest the amount allocated, called the Committed Portfolio Size (CPS) in the relevant debt instruments and remain invested at all times during the voluntary retention period, subject to certain relaxations.
9. Amounts of investment shall be reckoned in terms of the face value of securities.

Suitable amendments have been made to regulations under the Foreign Exchange Management Act, 1999 to enable FPIs participating in the VRR scheme to hedge their interest rate and exchange rate risks related to their investments under the scheme and to undertake repo/reverse repo transactions to meet their liquidity requirements.

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.