

LOVI MEHROTRA & ASSOCIATES

CHARTERED ACCOUNTANTS

MONTHLY UPDATE JANUARY 2019

(Circulars/ Notifications released during January 2019)

[RBI](#)

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31st January, 2019

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I. RBI

S.NO.	CIRCULAR/ NOTIFICATION NO.	PARTICULARS	SHORT SUMMARY
1.	RBI/2018-19/109 A.P. (DIR Series) Circular No. 17 Dated 16 th January, 2019	External Commercial Borrowings (ECB) Policy – New ECB Framework	<p>RBI has announced the new External Commercial Borrowing (ECB) Framework as a part of the on-going efforts at rationalizing multiple regulations framed under FEMA 1999. The new framework is instrument neutral and would further strengthen the AML/CFT framework.</p> <p>The major liberalisation / rationalisation in the new framework includes:</p> <ul style="list-style-type: none"> • Tracks I and II under the existing framework are merged as “Foreign Currency denominated ECB” and Track III and Rupee Denominated Bonds framework are merged as “Rupee Denominated ECB” to replace the current four-tiered structure. • The list of eligible borrowers has been expanded. All entities eligible to receive FDI can borrow under the ECB framework. • The minimum average maturity period (MAMP) has been kept at 3 years for all ECBs. • In respect of ECBs raised from foreign equity holder and utilised for specific purposes, MAMP would be 5 years. Similarly, in respect of ECB up to USD 50 million per financial year raised by manufacturing sector, which has been given a special dispensation, the MAMP would be 1 year. • All eligible borrowers can now raise ECBs up to USD 750 million or equivalent per financial year under the automatic route replacing the existing sector wise limits. • Introduction of late submission fee for delay in prescribed reporting under the ECB framework to obviate the need for compounding these contraventions. <p>Notification</p>
2.	Notification No. G.S.R. 40(E). Dated 21 st January, 2019	Foreign Exchange Management (Establishment in India of a branch office or a liaison office or a project office or any other place of business) (Amendment) Regulations, 2019	<p>Vide these regulations, RBI has amended the Foreign Exchange Management (Establishment in India of a Branch Office or a Liaison Office or a Project Office or any Other Place of Business) Regulations, 2016.</p> <p>As per the amended regulations, 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 the approval or license/permission by the concerned Ministry/Regulators has been obtained by the applicant falling in four sectors namely Defence, Telecom, Private Security and Information and</p>

Broadcasting.

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II. SEBI

S.NO.	CIRCULAR/ NOTIFICATION NO.	PARTICULARS	SHORT SUMMARY
1.	Circular No.: SEBI/HO/MRD/DO PI/CIR/P/2018/159 Dated 28 th December, 2018	Review of Offer for Sale (OFS) of Shares through Stock Exchange Mechanism	<p>Offer for Sale (OFS) of shares through Stock Exchange Mechanism is now modified to make it available to companies with market capitalization of Rs.1000 crores and above. Previously, OFS mechanism was extended to only top 200 companies with highest market capitalization</p> <p>Threshold of market capitalization will be computed as the average daily market capitalization for six months period prior to the month in which the OFS opens.</p> <p>All other conditions for sale of shares through OFS framework contained in the relevant circulars issued earlier will remain same.</p> <p>Circular</p>
2.	Circular No. SEBI/HO/MRD/DOPI/C IR/P/2018/161 Dated 31 st December, 2018 Reference: Circular SEBI/HO/MRD/DP/CIR /P/2018/67 Dated 11 th April, 2018	Physical settlement of stock derivatives	<p>Vide this circular, SEBI has decided to make physical settlement mandatory for all stock derivatives.</p> <p>Stock derivatives which are presently being cash settled shall move to physical settlement mode in the following manner:</p> <ul style="list-style-type: none">• Stocks which are being cash settled shall be ranked in descending order.• Based on the ranking arrived, the bottom 50 stocks shall move to physical settlement from April 2019 expiry onwards, the next 50 stocks from the bottom shall move to physical settlement from July 2019 expiry onwards, and the remaining stocks shall move to physical settlement from October 2019 expiry onwards. <p>Circular</p>

3.	<p>No.: SEBI/LAD-NRO/GN/2018/57</p> <p>Dated 31st December, 2018</p>	<p>Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2018</p>	<p>SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 have been modified. Details of the modifications to the principal regulations are as under:</p> <ul style="list-style-type: none">In an issue made other than through the “book building process”, the allocation in the net offer category shall be made as follows: <table><tr><th>Min 50 %</th><th>Retail individual investors</th></tr><tr><td>Balance</td><td>individual applicants other than retail individual investors and other investors including corporate bodies or institutions, irrespective of the number of specified securities applied for</td></tr><tr><td>Unsubscribed portion</td><td>applicants in other categories.</td></tr></table> <ul style="list-style-type: none">Fresh draft offer document is required to be filed with the Board in the following instances:<ul style="list-style-type: none">a) increase or decrease in estimated issue size by more than twenty per cent - in case of fresh issueb) increase or decrease in either the number of shares offered for sale or the estimated issue size, by more than fifty per cent – in case of offer for sale.c) increase or decrease as stated in a)/b) above – in case of issue comprising of both fresh issue and offer for sale <p>Regulation</p>	Min 50 %	Retail individual investors	Balance	individual applicants other than retail individual investors and other investors including corporate bodies or institutions, irrespective of the number of specified securities applied for	Unsubscribed portion	applicants in other categories.
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4.	<p>Circular No.: SEBI/HO/MIRSD/DOP/CIR/P/2019/05</p> <p>Dated 4th January, 2019</p>	<p>Acceptance of Probate of Will or Will for Transmission of Securities held in dematerialized mode</p>	<p>SEBI has notified that transmission of securities held in dematerialized mode shall be dealt with in line with SEBI (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2018. Accordingly, the procedures for transmission of securities in dematerialized mode will be dealt in the same manner as the transmission of securities in physical mode.</p> <p>The said Regulations provide that 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 are valid as documentary requirement in the case for transmission of securities held in physical mode. The same is now applicable for transmission of securities in</p>						

			dematerialized mode. Circular
5.	<p>Circular No.: SEBI/HO/MIRSD/DOP/CIR/P/2019/14</p> <p>Dated 11th January, 2019</p>	Uniform membership structure across segments	<p>To facilitate ease of doing business., SEBI has brought about unification in membership structure across equity cash and derivatives segments of stock exchanges.</p> <p>For this, the membership structure as Trading Member (TM), Self-clearing Member (SCM), Clearing Member (CM) and Professional Clearing Member (PCM) as prevalent in equity derivatives segment shall be implemented in cash segment with effect from April 01, 2019.</p> <p>Stock Brokers are required to meet the eligibility criteria for the unified membership on before 30th September, 2019.</p> <p>Circular</p>
6.	<p>Circular No.: SEBI/HO/IMD/DF2/CIR/P/2019/17</p> <p>Dated 16th January, 2019</p> <p>Reference Circular No.: Cir/IMD/DF/11/2010</p> <p>Dated 18th August, 2010</p>	Norms for investment and disclosure by mutual funds in derivatives	<p>SEBI circular dated 18th August, 2010 had permitted mutual funds to undertake transactions in equity derivatives. However, they were not allowed to write options or purchase instruments with embedded written options.</p> <p>Vide this circular, SEBI has now permitted mutual funds to write call options under a “covered call strategy” for constituent stocks of NIFTY 50 and BSE SENSEX subject to fulfillment of certain prescribed conditions.</p> <p>This is also required to be disclosed in the Scheme Information Document.</p> <p>Circular</p>
7.	<p>Circular No.: SEBI/HO/CDMRD/D NPMP/CIR/P/2019/02 3</p> <p>Dated 23rd January, 2019</p>	Alignment of Trading Lot and Delivery Lot size	<p>Vide this circular, SEBI has decided that the stock exchanges shall follow the policy of uniform trading and delivery lot size for the commodity derivatives contracts.</p> <p>All new contracts initiated after January 23, 2019 will have uniform size of trading lot and delivery lot</p> <p>For this purpose, stock exchanges are required to submit proposals for alignment or exemption within 1 month from the date of this circular.</p> <p>Circular</p>

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III. MCA

S.NO.	CIRCULAR/ NOTIFICATION NO.	PARTICULARS	SHORT SUMMARY
1.	Notification Dated: 12 th January, 2019	Companies (Amendment) Ordinance, 2019	<p>The Companies (Amendment) Ordinance, 2018, promulgated by the President on 02.11.2018, will cease to operate on 21.01.2019, as an ordinance, is valid for six weeks from the date when the next session of Parliament starts.</p> <p>The Companies (Amendment) Bill, 2019 to replace the Companies (Amendment) Ordinance, 2018 has been passed by the Lok Sabha on 04.01.2019 and is pending in the Rajya Sabha.</p> <p>For the purpose of giving continued effect to the provisions of Companies (Amendment) Ordinance, 2018, the Companies (Amendment) Ordinance, 2019 has been issued by the Ministry of Law and Justice (Legislative Department). It shall be deemed to have come into force from the 2nd day of November, 2018.</p> <p>Notification</p>
2.	Notification No. G.S.R.29(E). Dated 15 th January, 2019	National Company Law Tribunal Rules, 2016	<p>Amendment has been notified in Rule 71 pertaining to filing of application before NCLT for consolidation/division of the share capital into shares of a larger amount than its existing shares resulting in change in the voting percentage of shareholders.</p> <p>As per the amended rules, the company is required to serve a copy of such application and copy of objections received from any person to the jurisdictional Regional Director.</p> <p>Previously, above documents were required to be served on the Central Government.</p> <p>Notification</p>
3.	Notification No. G.S.R._(E). Dated 22 nd January, 2019	Companies (Acceptance of Deposits) Amendment Rules, 2019	<p>MCA has notified the Companies (Acceptance of Deposits) Amendment Rules, 2019 to further amend the Companies (Acceptance of Deposits) Rules, 2014.</p> <p>As per the amended rules, every company other than a Government company is required to file a onetime return of outstanding money or loan received by it but not considered as deposits (as defined under the Companies Act, 2013) from 01.04.2014 to the date of publication of</p>

			<p>this notification in the Official Gazette.</p> <p>The return as specified in Form DPT-3 is to be filed within ninety days from the date of said publication of this notification along with the requisite fees.</p> <p>Notification</p>
4.	<p>Notification No. S.O. 368(E).</p> <p>Dated 22nd January, 2019</p>	<p>Companies (Furnishing of information about payment to micro and small enterprise suppliers) Order, 2019</p>	<p>Half Yearly Return (MSME Form 1) has been notified for all companies receiving supplies of goods/services from MSME suppliers.</p> <p>If payment to such suppliers exceed 45 days, amount outstanding and reason for delay of payment is to be stated in the six-monthly return to be filed by 31st Oct (for April –Sep period) and 30th April (for Oct to March period)</p> <p>Information in respect of the amount outstanding as on the date of notification of this order to be filed in MSME Form I within thirty days.</p> <p>Notification</p>
5.	<p>Notification No. G.S.R. 43(E).</p> <p>Dated 22nd January, 2019</p>	<p>Companies (Prospectus and Allotment of Securities) Amendment Rules, 2019</p>	<p>Vide these rules, MCA has amended the Companies (Prospectus and Allotment of Securities) Rules, 2014.</p> <p>Earlier the provisions in respect of dematerialization of shares were applicable to every Unlisted Public Company without any exemption given to any class of such Company.</p> <p>However, amendment has now been made to exempt unlisted Public Companies which are either Nidhi Companies or Government Companies or Wholly Owned Subsidiary (WOS) Company of above companies from mandatory provisions of Dematerialization of shares.</p> <p>Notification</p>

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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.