

LOVI MEHROTRA & ASSOCIATES

CHARTERED ACCOUNTANTS

MONTHLY UPDATE JULY 2018

(Circulars/ Notifications released during JULY '18)

[RBI](#)

[SEBI](#)

[MCA](#)

31st July, 2018

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I. RBI

S.NO.	CIRCULAR/ NOTIFICATION NO.	PARTICULARS	SHORT SUMMARY
1.	RBI/2018-19/14 DBR.AML.BC.No. 210/14.01.001/2 018-19 Dated: 12 th July, 2018	Incorporation of Name of the Purchaser on the Face of the Demand Draft	<p>In order to address the concerns arising out of the anonymity provided by payments through demand drafts and its possible misuse for money laundering, RBI has mandated that the name of the purchaser be incorporated on the face of the demand draft, pay order, banker's cheques, etc., by the issuing bank.</p> <p>These instructions shall take effect for such instruments issued on or after September 15, 2018.</p> <p>Notification</p>
2.	RBI/2017-18/27 DNBR (PD) CC.No.094/03.10. 001/2017-18 Dated: 27 th July, 2018	Diversification of activities of Standalone Primary Dealers- Foreign Exchange Business	<p>RBI has decided to permit Standalone Primary Dealers (SPDs) to offer foreign exchange products to their FPI clients to facilitate them to provide comprehensive services to them</p> <p>For offering such products, SPDs are required to obtain the necessary AD Licence.</p> <p>Such activities shall form part of their non-core activities.</p> <p>Notification</p>

[Back](#)

II. SEBI

S.NO.	CIRCULAR/ NOTIFICATION NO.	PARTICULARS	SHORT SUMMARY
1.	SEBI/HO/IMD/D F1/CIR/P/2018/ 103/2018 Dated: 3 rd July, 2018	Circular for Alternative Investment Funds (AIFs) / Venture Capital Funds (VCFs)	<p>SEBI has enhanced the overseas investment limit of Alternative investment Funds and Venture capital Funds to USD 750 million from the current limit of USD 500 million.</p> <p>In order to monitor the utilization of overseas investment limits, SEBI has asked AIFs and VCFs to mandatorily disclose the utilization of such limits within five working days of such usage on the regulator's intermediary portal.</p> <p>Further, in case an AIF or VCF has not utilized a part of the overseas limit within the validity period, the same shall be reported within two working days after expiry of the validity period.</p> <p>Also, in case, an AIF/ VCF wishes to surrender the overseas limit at any point of time within the validity period, the same shall be reported within 2 working days from the date of such decision to surrender the limit.</p> <p>Circular</p>
2.	SEBI/HO/MIRSD /DOS3/CIR/P/20 18/104 Dated: 4 th July, 2018	Master Circular on Guidelines on Anti- Money Laundering (AML) Standards	<p>SEBI has issued a Master Circular with Guidelines on Anti-Money Laundering (AML) Standards and Combating the Financing of Terrorism (CFT) /Obligations of Securities Market Intermediaries under the Prevention of Money Laundering Act, 2002 and Rules framed there under.</p> <p>These guidelines have been divided into two parts;</p> <p>The first part is an overview on the background and essential principles that concern combating Money Laundering (ML) and Terrorist Financing (TF).</p> <p>The second part provides a detailed account of the procedures and obligations to be followed by all registered intermediaries to ensure compliance with AML/CFT directives.</p> <p>Circular</p>
	CIR/MRD/DoP- 1/P/00108/2018	Review of Adjustment of corporate actions for Stock Options	SEBI had earlier prescribed a framework for adjustment of corporate actions for stock option contracts

3.	<p>Dated: 5th July, 2018</p> <p><u>Previous Circular reference</u></p> <p>SMDRP/DC/CIR-8/01 dated 21-6-01 & SMDRP/DC/CIR-15/02 dated 18-12-02</p>		<p>/adjustment in derivative contracts.</p> <p>Based on feedback received from stakeholders, SEBI has reviewed the extant mechanism of dividend adjustment for stock options.</p> <p>Accordingly, corporate action i.e. adjustment in strike price shall be carried out in the following cases of declaration of dividends:</p> <ol style="list-style-type: none"> Dividends declared at and above 5% of the market value of the underlying stock ;or All cases of dividends, where the listed entity has sought exemption from the timeline prescribed under the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. <p>Circular</p>
4.	<p>SEBI/HO/IMD/DF5/CIR/P/2018/109</p> <p>Dated: 10th July, 2018</p>	Master Circular for Mutual Funds	<p>SEBI has issued a Master Circular for Mutual Funds in order to compile various circulars issued from time to time.</p> <p>This Master Circular is a compilation of all the circulars issued by SEBI on Mutual Funds up to 5th June, 2018, which are operational as on date of this circular.</p> <p>This shall supersede the previous Master Circular SEBI/HO/IMD/DF3/CIR/P/2016/84 dated September 14, 2016.</p> <p>In case of any inconsistency between the Master Circular and the applicable circulars, the contents of the relevant circular shall prevail.</p> <p>Circular</p>
5.	<p>SEBI/HO/MIRSD/DOP/CIR/P/2018/113</p> <p>Dated: 12th July, 2018</p> <p>Previous circular reference SEBI/MRD/SE/Cir33/2003/27/08 dated 27-8-03 (Mode of</p>	Discontinuation of acceptance of cash by Stock Brokers	<p>SEBI has directed Stock Brokers not to accept cash from their clients either directly or by way of deposit to their bank account.</p> <p>Accordingly, all payments shall be received / made by the stock brokers from / to the clients strictly by account payee crossed cheques/ demand drafts or by way of direct credit into the bank account through electronic fund transfer, or any other mode permitted by the Reserve Bank of India.</p> <p>Circular</p>

	Payment and Delivery)		
6.	<p>IMD/FPIC/CIR/P/2018/114</p> <p>Dated 13th July, 2018</p>	Investment by Foreign Portfolio Investors (FPI) through primary market issuances	<p>SEBI has amended SEBI (Foreign Portfolio Investors) Regulations, 2014.</p> <p>As per amended regulations, the purchase of equity shares of each company by a single FPI or an investor group shall be below ten percent of the total issued capital of the company.</p> <p>For the aforesaid limit, the investment through multiple entities where the ultimate beneficial owner is the same shall be treated as same investor group.</p> <p>The monitoring of investment limits at the level of investor group shall be performed by the depositories based on the information provided by DDPS.</p> <p>Circular</p>
7.	<p>SEBI/HO/MIRSD/DOS3/CIR/P/2018/115</p> <p>Date: 16th July, 2018</p>	Strengthening the Guidelines and Raising Industry standards for RTAs, Issuer Companies and Banker to an Issue – Clarification	<p>SEBI vide its circular No. SEBI/HO/MIRSD/DOP1/CIR/P/2018/73 dated April 20, 2018, inter-alia, mandated RTAs to send a letter under Registered / Speed post seeking PAN and bank details within 90 days of the said circular and two reminders thereof after the gap of 30 days.</p> <p>The timeline for sending the initial letter by Registered/Speed Post to physical shareholders has been extended to September 30, 2018 to enable companies to send out the same along with Annual Reports / notice of AGM.</p> <p>Subsequently, two reminders may be sent by other modes including ordinary post / courier.</p> <p>Circular</p>

[Back](#)

III. MCA

S.NO.	CIRCULAR/ NOTIFICATION NO.	PARTICULARS	SHORT SUMMARY
1.	S.O. 3299(E). Dated 5 th July, 2018	Satisfaction of Charge – Timeline for filing of Form CHG-4	<p>A company or charge holder shall within a period of three hundred days from the date of the payment or satisfaction in full of any charge registered under Chapter VI, give intimation of the same to the Registrar in Form No. CHG-4 along with the fee.</p> <p>(Earlier the period allowed was thirty days).</p> <p>Notification</p>
2.	S.O. 3300(E). Dated 5 th July, 2018 Effective Date: 15 th August, 2018	Modification of certain provisions of the Companies Act, 2013 by virtue of enforceability of corresponding provisions of the Companies (Amendment) Act, 2017	<p>MCA has notified 15th August, 2018 as the date on which the various provisions of the Companies (Amendment) Act, 2017 shall come into force.</p> <p><i>Key highlights of the above provisions are discussed in Annexure A to this Newsletter.</i></p> <p>Notification</p>
3.	G.S.R. 615(E). Dated: 5 th July, 2018 (effective from 10th July, 2018)	Companies (Appointment and Qualification of Directors) fourth Amendment Rules, 2018	<p><u>Directors KYC:-</u> Every individual who has been allotted a Director Identification Number (DIN) as on 31st March of a financial year shall, submit E-form DIR-3-KYC to the Central Government on or before 30th April of immediate next financial year.</p> <p>Every individual who has already been allotted a DIN as at 31st March, 2018, shall submit e-form DIR-3 KYC on or before 31st August, 2018.”;</p> <p>Failure to intimate as above will result in DIN deactivation.</p> <p>The de-activated DIN shall be re-activated after e-form DIR-3-KYC is filed along with fee of Rs. 5,000/-.</p> <p>Notification</p>

5.	G.S.R. 612(E). Dated: 5 th July, 2018 Effective Date: 15 th August, 2018	Companies (Acceptance of Deposits) Amendment Rules, 2018	<p>By virtue of Notification No. S.O. 3300(E). Dated 5th July, 2018, the Companies (Acceptance of Deposits) Amendment Rules, 2018 have also been modified to be in line with the Act.</p> <p>Amendments pertaining to the aforesaid rules are discussed in Annexure A to this Newsletter.</p> <p>Notification</p>
6.	G.S.R. 613(E). Dated: 5 th July, 2018 Effective Date: 15 th August, 2018	Companies (Authorised to Register) Second Amendment Rules, 2018	<p>By virtue of Notification No. S.O. 3300(E). Dated 5th July, 2018, the Companies (Authorised to Register) Second Amendment Rules, 2018 have also been modified to be in line with the Act.</p> <p>Amendments pertaining to the aforesaid rules are discussed in Annexure A to this Newsletter.</p> <p>Notification</p>
7.	S.O. (E). Dated: 27 th July, 2018	Modification of certain provisions of the Companies Act, 2013 relating to Incorporation and Registered Office	<p>For incorporation of companies, affidavit from Subscribers and First Directors in Form INC-9 was required to be filed This has now been replaced by a declaration.</p> <p>Further, a Company was required to have a registered office within 15 days of incorporation and any change made thereafter was required to be intimated to the ROC within 15 days.</p> <p>Now, the time period in both the above cases is 30 days.</p> <p>By virtue of the said notification, the Companies (Incorporation) Rules, 2014 have also been modified to be in line with the Act.</p> <p>Notification</p>

Annexure A

Key Highlights of the Companies Act, 2013

1. Section 73 - Prohibition on Acceptance of Deposits from Public: The requirement for maintaining 15% of the amount of deposits maturing during the financial year in the deposit repayment reserve account has been increased to 20%. Also, the provision relating to deposit insurance has been omitted.
2. Section 74 - Repayment of Deposits, etc., accepted before Commencement of this Act: The requirement for repayment of the deposits accepted before the commencement of the Act has been extended from 1 year to 3 years or the deposit period, whichever is earlier.
3. Companies (Acceptance of Deposits) Amendment Rules, 2018: As per the amended rules, the following provisions have been modified:
 - Proviso to rule 4(1) – In Form DPT-1, a certificate from the statutory auditor of the company is also required to be attached for stating that the Company has not defaulted in repayment of deposits or interest thereon or has made good an earlier default etc.
 - Rule 5 relating to deposit insurance stands omitted
 - Proviso to rule 13 – The limit of the amount required to be kept in the Scheduled Bank for repayment of deposits has been increased from 15% to 20%.
 - Rule 14 – Details relating to deposit insurance required to be maintained in the Register of Deposits also stands omitted.
 - Form DPT-1 modified
4. Section 366 - Companies Capable of Being Registered: The requirement of registration as an unlimited company, or as a company limited by shares, or as a company limited by guarantee constituted under any other act or law other than this act with seven or more members has been reduced to two or more members.
5. Section 374 - Obligations of Companies Registering Under this Part: As per the amended provisions, an LLP which has been registered under the act as a Company shall be deemed to have been dissolved under the Limited Liability Partnership Act, 2008 without any further act or deed.
6. Companies (Authorised to Register) Second Amendment Rules, 2018: As per the amended rules, the following provisions have been modified:
 - Rule 2(1) – Definitions of society, trust, registrar of firms and registrar of trusts has been inserted.
 - Rule 3 - The requirement of registration as an unlimited company, or as a company limited by shares, or as a company limited by guarantee constituted under any other act or law other than this act with seven or more members has been reduced to two or more members. The company with less than 7 members shall be registered as private company.
 - The requisite documents to be provided by the Company in Form No. URC-1 have been segregated into 4 parts –
 - (a) Application by a Limited Liability Partnership or firm for registration as a company limited by shares
 - (b) Application by a Limited Liability Partnership or firm for registration as a company limited by guarantee or as an unlimited company
 - (c) Application by a society for registration as a company limited by guarantee under section 8.
 - (d) Application by a trust for registration as a company limited by guarantee under section 8.
 - Rule 4 & 5 – Provisions are modified to include society, trust, registrar of firms and registrar of trusts in its ambit
 - Form No. URC-1 and Form No. URC-2 have been modified.

S.O. 3300(E). Commencement notification dated 05.07.2018 effective from 15.08.2018

S. No.	Section of Companies (Amendment) Act, 2017	Amended Section of Companies Act, 2013	Title
1.	Section 15	Section 73	Prohibition on Acceptance of Deposits from Public
2.	Section 16	Section 74	Repayment of Deposits, etc., Accepted before Commencement of this Act
3.	Section 75	Section 366	Companies Capable of Being Registered

4.	Section 76	Section 374	Obligations of Companies Registering Under this Part
By virtue of the above notified sections, the following rules as discussed above have also been notified:			
S. No.	Amended Rules notified w.e.f. 15 th August, 2018		
1.	Companies (Acceptance of Deposits) Amendment Rules, 2018		
2.	Companies (Authorised to Register) Second Amendment Rules, 2018		

[Back](#)

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.