

LOVI MEHROTRA & ASSOCIATES

CHARTERED ACCOUNTANTS

MONTHLY UPDATE NOVEMBER 2019

(Circulars / Notifications released during November 2019)

[RBI](#)

[SEBI](#)

[MCA](#)

29th November, 2019

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I. RBI

S. NO.	CIRCULAR/ NOTIFICATION NO.	PARTICULARS	SHORT SUMMARY
1.	RBI/2019-20/95 DOR.NBFC (PD) CC. No.103/22.10.038/ 2019-20 Dated 8 th November, 2019	Qualifying Assets Criteria - Review of Limits	<p>RBI has decided to increase the household income limits for borrowers of NBFC-MFIs from the current level of Rs. 1,00,000 for rural areas and Rs. 1,60,000 for urban/semi-urban areas to Rs. 1,25,000 and Rs. 2,00,000 respectively.</p> <p>Further, the limit on total indebtedness of the borrower has been increased from Rs. 1,00,000 to Rs.1,25,000. In light of the revision to the limit on total indebtedness, the limits on disbursal of loans have been raised from Rs. 60,000 for the first cycle and Rs. 1,00,000 for the subsequent cycles to Rs. 75,000 and Rs. 1,25,000 respectively.</p> <p>This has been done taking into consideration the important role played by MFIs in delivering credit to those in the bottom of the economic pyramid and to enable them play their assigned role in a growing economy,.</p> <p>Notification</p>
2.	Notification No. FEMA 5 (R)/(3)/2019-RB Dated 13 th November, 2019	Foreign Exchange Management (Deposit) (Third Amendment) Regulations, 2019	<p>Vide this notification, RBI has amended the Foreign Exchange Management (Deposit) Regulations, 2016. Amendment has been made in Schedule 4 of the principal regulations pertaining to opening of Special Non-Resident Rupee Account (SNRR account) by a PROI having a business interest in India.</p> <p>The business interest, apart from generic business interest, shall include specified INR transactions as below</p> <ol style="list-style-type: none"> 1. Investments made in India in accordance with Foreign Exchange Management (Non-debt Instruments) Rules, 2019 and Foreign Exchange Management (Debt Instruments) Regulations, 2019 2. Import of goods and services in accordance with Section 5 of the Foreign Exchange Management Act 1999 (42 of 1999) 3. Export of goods and services in accordance with Section 7 of the Foreign Exchange Management Act 1999 4. Trade credit transactions and lending under External Commercial Borrowings (ECB) framework in accordance with Foreign Exchange Management (Borrowing and Lending) Regulations, 2018 5. Business related transactions outside International Financial Service Centre (IFSC) by IFSC units at GIFT city like administrative expenses in INR outside IFSC, INR amount from sale of scrap, government incentives in INR, etc. <p>The SNRR account shall carry the nomenclature of the specific business for which it is in operation and the tenure shall be concurrent to the tenure</p>

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			<p>of the contract / period of operation / the business of the account holder and in no case shall exceed seven years.</p> <p>However, the restriction of seven years shall not be applicable to SNRR accounts opened for the purposes stated above.</p> <p>Notification</p>
3.	<p>Notification No. FEMA 14(R)/(1)/2019-RB</p> <p>Dated 13th November, 2019</p>	<p>Foreign Exchange Management (Manner of Receipt and Payment) (Amendment) Regulations, 2019</p>	<p>Vide this notification, RBI has amended the Foreign Exchange Management (Manner of Receipt and Payment) Regulations, 2016. Following is the brief highlights of the amendments:</p> <ol style="list-style-type: none"> 1. Insertion of definition for SNRR (Special Non- Resident Rupee account) account 2. An exporter may receive payment against export by debit to FCNR/ NRE/ SNRR account maintained by a PROI (overseas buyer) with an Authorised Dealer or an Authorised Bank in India 3. An exporter may receive payment against export in rupees by a PRI from SNRR Account of PROI after ensuring that the underlying transactions are in conformity with the provisions of FEMA Act, 1999 and the rules, regulations and directions issued thereunder. 4. An importer (PRI) may make payment for import of goods by credit to SNRR account maintained by a PROI (overseas seller) with an Authorised Dealer or an Authorised Bank in India for imports into India 5. An importer (PRI) may make payment for import of goods in rupees to SNRR account of the PROI (overseas seller) after ensuring that the underlying transactions are in conformity with the provisions of the FEMA, 1999 and the rules, regulations and directions issued thereunder. <p>Notification</p>

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II. SEBI

S. NO.	CIRCULAR/ NOTIFICATION NO.	PARTICULARS	SHORT SUMMARY
1.	<p>Circular No.: SEBI/HO/MIRSD /CRADT/CIR/P/2 019/121</p> <p>Dated 4th November, 2019</p>	Enhanced Governance Norms for Credit Rating Agencies (CRAs)	<p>To further enhance governance and accountability of Credit Rating Agencies (CRAs), SEBI has modified the provisions of its circular issued in November 2016 in respect of constitution of rating committee.</p> <p><u>The directions included in the circular are as below:</u></p> <ol style="list-style-type: none"> MD/CEO of a CRA shall not be a member of rating committees Rating committees shall report to the Chief Ratings Officer (CRO). In case the board of a CRA is chaired by an executive director, half of the board shall comprise of independent directors, and otherwise if the board is chaired by a non-executive director then one third of the board shall comprise of independent directors. The board of a CRA shall constitute the Ratings Sub-Committee and Nomination and Remuneration Committee The Chief Ratings Officer (CRO) shall directly report to the Ratings Sub-Committee of the board of the CRA The Nomination and Remuneration Committee shall be chaired by an independent director. During the rating process, CRAs shall record minutes of the meeting with the management of the issuer and incorporate the same in the rating committee note. CRAs shall meet the audit committee of the rated entity, at least once in a year, to discuss issues including RPTs, IFC and other material disclosures made by the management, which have a bearing on rating of the listed NCDs. <p>Circular</p>
2.	<p>Circular No.: SEBI/HO/MIRSD /RTAMB/CIR/P/2 019/122</p> <p>Dated 5th November, 2019</p>	Enhanced Due Diligence for Dematerialization of Physical Securities	<p>SEBI has directed listed companies, depositories, and registrar and transfer agents (RTAs) to strengthen their due diligence process to augment the integrity of the system in the processing of dematerialization requests in respect of remaining physical shares. Since April 1, 2019 the transfer of securities held in physical mode is not permitted.</p> <p><u>The directions for enhancing the due diligence process include the following:</u></p> <ol style="list-style-type: none"> Listed companies or their RTAs are required to provide data of their members holding shares in physical mode as on March 31, 2019 to the depositories, latest by December 31, 2019. Depositories will put in place systems to validate any dematerialization request received after December 31, 2019. In the case of mismatch of name on the share certificate(s) vis-à-vis

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			<p>name of the beneficial owner of Demat account, the depository system shall generate flag/alert.</p> <p>4. In the case of complete mismatch of name on the share certificate(s) vis-à-vis name of the beneficial owner of Demat account, the applicant may approach the Issuer Company / RTA for establishing his title / ownership.</p> <p>Circular</p>
3.	<p>Circular No.: SEBI/HO/MIRSD /DOP/CIR/P/2019 /123</p> <p>Dated 5th November, 2019</p>	e-KYC Authentication facility under Section 11A of the Prevention of Money Laundering Act, 2002 by entities in the securities market for Resident Investors	<p>The Department of Revenue (DoR), Ministry of Finance issued a circular dated May 09, 2019 on procedure for processing of applications under section 11A of the Prevention of Money Laundering Act, 2002 ("PMLA") for use of Aadhaar authentication services by entities other than the Banking companies.</p> <p>Accordingly, entities in the securities market, as may be notified by the Central Government, shall be allowed to undertake Aadhaar Authentication under section 11A of the PMLA. These entities would be registered with UIDAI as KYC user agency ("KUA") and shall allow all the SEBI registered intermediaries mutual fund distributors to undertake Aadhaar Authentication of their clients for the purpose of KYC through them.</p> <p>The KUAs and sub-KUAs shall adopt the following process for Aadhaar e-KYC of investors (resident) in the securities market.</p> <p>a. Online Portal based Investor (Resident) e-KYC process (Aadhaar as an Officially Valid Document (OVD))</p> <p>b. Assisted Investor (Resident) e-KYC process (Aadhaar as an Officially Valid Document (OVD))</p> <p>Guidelines to be followed by the KUA/sub KUA while performing the Aadhaar authentication have also been specified in the Circular.</p> <p>Circular</p>
4.	<p>Circular No.: IMD/FPI&C/CIR/ P/2019/124</p> <p>Dated 5th November, 2019</p>	Operational Guidelines for FPIs & DDPs under SEBI (Foreign Portfolio Investors), Regulations 2019 and for Eligible Foreign Investors	<p>Vide this circular, SEBI has issued Operational guidelines for foreign portfolio investors, designated depository participants and eligible foreign investors.</p> <p>These consolidated operational guidelines for foreign portfolio investors (FPIs) and Designated Depository Participants (DDPs) are issued to facilitate the implementation of SEBI (Foreign Portfolio Investors) Regulations, 2019.</p>

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			<p>The existing circulars, FAQs, operating guidelines, other guidance issued by SEBI shall stand withdrawn with the issue of these Operating Guidelines.</p> <p>Circular</p>
5.	<p>Circular No.: SEBI/HO/CFD/D-CR2/CIR/P/2019/133</p> <p>Dated 8th November, 2019</p>	<p>Streamlining the Process of Public Issue of Equity Shares and convertibles- Extension of time line for implementation of Phase II of Unified Payments Interface with Application Supported by Blocked Amount</p>	<p>SEBI vide circular dated Nov 1, 2018 had introduced the use of Unified Payments Interface (UPI) as a payment mechanism with Application Supported by Blocked Amount (ASBA) for applications in public issues by retail individual investors through intermediaries (Syndicate members, Registered Stock Brokers, Registrar and Transfer agent and Depository Participants), with effect from January 01, 2019.</p> <p>Subsequently vide circular dated June 28, 2019, Phase II was implemented from July 01, 2019. In Phase II, the process of physical movement of forms from intermediaries to Self-Certified Syndicate Banks (SCSBs) for blocking of funds was discontinued and only the UPI mechanism with existing timeline of T+6 days was mandated, for a period of 3 months or floating of 5 main board public issues, whichever is later.</p> <p>In order to ensure that the transition to UPI in ASBA is smooth for all the stakeholders, SEBI has now granted extension of timeline for implementation of Phase II of Unified Payments Interface with Application Supported by Blocked Amount till March 31, 2020.</p> <p>The revised timelines for the existing T+6 environment have been specified in Annexure to the circular.</p> <p>The announcement in respect of modalities and the date for T+3 listing have been deferred.</p> <p>Circular</p>
6.	<p>Circular No.: SEBI/HO/MIRSD /DOP/CIR/P/2019 /136</p> <p>Dated 15th November, 2019</p>	<p>Mapping of Unique Client Code (UCC) with Demat account of the clients</p>	<p>SEBI vide circular dated December 17, 2018 had notified the Early Warning Mechanism for the Stock Exchanges/ Clearing Corporation and Depositories to detect the diversion of client's securities by the stock broker at an early stage so as to take preventive measures to detect diversion of clients' securities and to share information among themselves in respect of diversion of pay out of securities to non clients/other clients and mismatches between gross (client-wise) securities pay-in and pay-out files of stock brokers generated by the Clearing Corporation.</p> <p>In order to facilitate ease in reconciliation, SEBI in discussion with the Stock Exchanges and the Depositories has decided that a mechanism for mapping of UCC with the Demat account of the client shall be put in</p>

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			<p>place.</p> <p>The detailed operational mechanism laid down by SEBI has been specified vide this circular.</p> <p>Stock exchanges and depositories are required to share data by November 30, 2019 and the process to link UCC with PAN and other data of the clients is required to be completed by December 31, 2019.</p> <p>Circular</p>
7.	<p>Circular No.: CIR/HO/MIRSD/DOP/CIR/P/2019/139</p> <p>Dated 19th November, 2019</p>	<p>Collection and reporting of margins by Trading Member (TM) /Clearing Member (CM) in Cash Segment</p>	<p>SEBI vide its earlier circulars had earlier laid out a mechanism for regular monitoring of and penalty for short-collection/ non-collection of margins from clients in Derivatives segment. The last such circular was issued on August 1, 2019.</p> <p>Further, SEBI vide circular dated January 11, 2019 implemented uniform membership structure in Cash segment as Trading Member (TM), Self clearing Member (SCM), Clearing Member (CM) and Professional Clearing Member (PCM) as prevalent in the equity derivatives segment.</p> <p>Vide this circular, SEBI has laid down guidelines in respect of collection and reporting of margins and short collection from clients by Trading and Clearing Members in the cash segment. This has been done with a view to align and streamline the risk management framework of the cash and derivatives segments</p> <p>The 'margins' for this purpose shall mean VaR margin, extreme loss margin (ELM), mark to market margin (MTM), delivery margin, special /additional margin or any other margin as prescribed by the Exchange to be collected by TM/CM from their clients.</p> <p><i>The circular lays out the following operational guidelines</i></p> <ol style="list-style-type: none"> Henceforth, like in derivatives segment, the TMs/CMs in cash segment are also required to mandatorily collect upfront VaR margins and ELM from their clients. The TMs/CMs will have time till 'T+2' working days to collect margins (except VaR margins and ELM) from their clients. (The clients must ensure that the VaR margins and ELM are paid in advance of trade and other margins are paid as soon as margin calls are made by the Stock Exchanges/TMs/CMs. TM/CM shall be exempted from collecting upfront margins from the institutional investors carrying out business transactions and in cases where early pay-in of securities is made by the clients In case, adequate initial margins are collected from the client to cover the potential losses, collection of MTM is not required.

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			<p>5. TMs/CMs in cash segment and derivatives segment are required to report to the Stock Exchange on T+5 day the actual short-collection / non-collection of all margins from clients.</p> <p>The aforesaid provisions/guidelines are applicable from January 01, 2020. Apart from the above, the penalty structure for short-collection/non-collection of margins and false/incorrect reporting of margin collection from the clients by TMs/CMs has also been discussed in the circular, the provisions of which are applicable from April 01, 2020.</p> <p>Circular</p>								
8.	<p>Circular No.: SEBI/HO/CFD/CMD1/CIR/P/2019/140</p> <p>Dated 21st November, 2019</p>	<p>Disclosures by listed entities of defaults on payment of interest/repayment of principal amount on loans from banks / financial institutions and unlisted debt securities</p>	<p>SEBI has specified the disclosure requirements for listed entities which have defaulted in payment of interest / instalment obligations on loans, including revolving facilities like cash credit, from banks / financial institutions and unlisted debt securities.</p> <p>Listed entities are required to make the disclosures of such default to the Stock exchanges within the prescribed timelines as tabulated herein below:</p> <table><tr><th>Particulars of Default</th><th>Timeline for reporting to the Stock Exchange</th></tr><tr><td>In case of default on loans, including revolving facilities like cash credit, from banks/financial institutions which continues beyond 30 days</td><td>Not later than 24 hours from the 30th day of such default</td></tr><tr><td>In case of default of unlisted debt securities i.e. NCDs and NCRPS</td><td>Not later than 24 hours from the occurrence of the default</td></tr><tr><td>In case of default of listed NCDs / listed NCRPS/listed Commercial paper</td><td>As per the provisions contained in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015</td></tr></table> <p>Circular</p>	Particulars of Default	Timeline for reporting to the Stock Exchange	In case of default on loans, including revolving facilities like cash credit, from banks/financial institutions which continues beyond 30 days	Not later than 24 hours from the 30 th day of such default	In case of default of unlisted debt securities i.e. NCDs and NCRPS	Not later than 24 hours from the occurrence of the default	In case of default of listed NCDs / listed NCRPS/listed Commercial paper	As per the provisions contained in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015
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9.	<p>Circular No.: SEBI/HO/MRD2/DCAP/CIR/P/2019/145</p> <p>Dated 28th November, 2019</p>	Investment Policy of Clearing Corporations	<p>SEBI vide circular dated May 04, 2016 had permitted Clearing Corporations to make investments in Fixed Deposits with Bank, Central Government Securities and Liquid schemes of debt mutual funds subject to prescribed limits.</p> <p>Vide this circular, SEBI has decided to permit Clearing Corporations to make investments in Overnight Funds as well.</p> <p>However, the combined investments made by Clearing Corporations in Liquid Funds and Overnight Funds shall not exceed a limit of ten percent of the total investible resource.</p> <p>Circular</p>
10.	<p>Circular No.: SEBI/HO/MRD2/DCAP/CIR/P/2019/146</p> <p>Dated 28th November, 2019</p>	Framework for issue of Depository Receipts	<p>SEBI had notified a framework for issue of Depository Receipts (DRs) by listed companies vide Circular dated October 10, 2019. The circular permitted listed companies to issue permissible securities or transfer permissible securities of existing holders, for the purpose of issue of DRs, only in permissible jurisdictions.</p> <p>The Circular provided that 'Permissible Jurisdiction' shall mean jurisdictions as may be notified by the Central Government.</p> <p>Accordingly, the Central Government vide notification dated November 28, 2019, has notified the list of Permissible Jurisdiction which has been placed as Annexure A of this circular.</p> <p>Circular</p>

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III. MCA

S. NO.	CIRCULAR/ NOTIFICATION NO.	PARTICULARS	SHORT SUMMARY
1.	Important Update Dated 31 st October, 2019:	Identification and flagging of Disqualified Directors u/s 164(2) (a) of the Companies Act, 2013	<p>MCA has issued an important update on its website with regard to 'Identification and flagging of Disqualified Directors u/s 164(2)(a) of the Companies Act, 2013'.</p> <p>Vide this update, it has been informed that the Registrar of Companies has initiated the process of identification and flagging of Disqualified Directors for their default of non-filing of Annual Return & Financial Statement for a continuous period of 3 years i.e. 2015-16, 2016-17 & 2017-18.</p> <p>Accordingly, all defaulting directors are cautioned to file the pending statutory returns and do necessary compliances as per the provisions of the Act, otherwise, an action shall be initiated and the DIN's of such directors will not be allowed to be used for filing any e-forms on the MCA portal.</p> <p>Notification</p>
2.	Compliance Monitoring System (MCACMS Portal):		<p>MCA has come out with an online Compliance Monitoring System (MCACMS Portal) for issuing show-cause notices and submitting replies from companies/directors for non-compliance under provisions of Companies Act, 2013.</p> <p>The notice will carry details of non-compliances under which section the notice is issued and the timelines for submitting the reply. The Company is required to serve a copy of the said notice to the directors/KMPs and the notice will be treated as deemed to have been served upon every officer in default of the company in terms of the Companies Act, 2013.</p> <p>MCACMS</p>
3.	Notification No. G.S.R. 852(E). Dated 15 th November, 2019	Insolvency and Bankruptcy (Insolvency Liquidation Proceedings of Financial Service Providers and Application to Adjudicating Authority) Rules, 2019	<p>MCA has notified Insolvency and Bankruptcy (Insolvency and Liquidation Proceedings of Financial service providers and Application to Adjudicating Authority) Rules, 2019.</p> <p>These Rules provide a generic framework for insolvency and liquidation proceedings of systemically important Financial Service Providers (FSPs) other than banks.</p> <p>The Rules shall apply to such FSPs or categories of FSPs, as will be notified by the Central Government under section 227 from time to time in consultation with appropriate regulators, for the purpose of</p>

			<p>their insolvency and liquidation proceedings.</p> <p>The rules provide that the provisions of the Code relating to the Corporate Insolvency Resolution Process (CIRP), Liquidation Process and Voluntary Liquidation Process for a corporate debtor shall, mutatis mutandis, apply to the insolvency resolution process of an FSP, subject to certain modifications.</p> <p>Notification</p>
4.	<p>Notification No. S.O. 854(E) and S.O. 855(E).</p> <p>Dated 15th November, 2019</p>	<p>Insolvency and Bankruptcy (Application to adjudicating authority for insolvency resolution process for personal Guarantor to Corporate Debtor) Rules, 2019 and Insolvency and Bankruptcy (Application to adjudicating authority for bankruptcy process for personal Guarantor to Corporate Debtor) Rules, 2019</p>	<p>MCA has notified the following Rules which shall be applicable from 01-12-2019.</p> <p>Insolvency and Bankruptcy (Application to Adjudicating Authority for Bankruptcy Process for Personal Guarantors to Corporate Debtors) Rules, 2019 and</p> <p>Insolvency and Bankruptcy (Application to adjudicating authority for bankruptcy process for personal Guarantor to Corporate Debtor) Rules, 2019.</p> <p>A corporate debtor (CD) may have guarantors, who could be corporates (corporate guarantors to CDs) or individuals (personal guarantors to CDs). Presently, the resolution of corporate guarantors was available under IBC. Now with this notification, even resolution of personal guarantors will be available.</p> <p>Notification</p>
5.	<p>Notification No. S.O. 4139(E).</p> <p>Dated 18th November, 2019</p>	<p>Notification of Categories of Financial Service Providers</p>	<p>Non-banking finance companies (which include housing finance companies) with asset size of Rs 500 crore or more, as per last audited balance sheet, can be taken up for insolvency resolution and liquidation proceedings under the Code with the Reserve Bank of India being defined as the appropriate regulator .</p> <p>Notification</p>
6.	<p>Notification No. G.S.R. ____ (E).</p> <p>Dated 18th November, 2019</p>	<p>Companies (Meeting of Board and its Powers) Second Amendment Rules, 2019</p>	<p>MCA has amended Rule 15 (3) (a) of the Companies (Meetings of Board and its Powers) Rules, 2014 to ease down the requirements of obtaining approval of the shareholders for any related party transactions.</p> <p>Accordingly, the threshold limit for obtaining prior approval of members, for entering any transaction with the related party exceeding the limit as provided under Section 188 of the Companies Act, 2013 read with Rule 15 has been amended.</p> <p>Now the limit has been confined/limited to "10% of the turnover of</p>

			the Company" only and no monetary ceiling of Rs. 100 cr/50 cr shall apply for making compliances of such provisions. Notification
7.	General Circular No. 4/2019 Dated 27 th November, 2019	Extension of last date of filing of Form NFRA – 2	Vide this circular, MCA has extended the last date for filing of Form NFRA-2 i.e. Annual Return required to be filed by the Auditor. The time limit for filing of form NFRA-2 will be 90 days from the date of deployment of this form on the website of National Financial Reporting Authority (NFRA). Circular

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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.