

# The Madras Chamber of Commerce & Industry

## Expert Committee on Company Law / Corporate Matters

Chairman: Dr. B. Ravi

Co-Chair: Mrs. B. Chandra

**MONTH: JULY 2021**

**ISSUE NO. 7**

### **SEBI UPDATES: Month June 2021**

#### **1. SEBI VIDE CIRCULAR NO. SEBI/HO/FPI&C/P/CIR/2021/0569 dated June 01, 2021 has made changes in 'Off-market' transfer of securities by FPI/**

The Finance Act, 2021 provides tax incentives for relocating foreign funds to International Financial Services Centre (IFSC) in order to make the IFSC in GIFT City a global financial hub.

In view of the above objective and to further facilitate such 'relocation', it has been decided that a FPI ('original fund' or its wholly owned special purpose vehicle) may approach its DDP for approval of a one-time 'off-market' transfer of its securities to the 'resultant fund'.

The terms 'original fund', 'relocation' and 'resultant fund' will have the same meaning as assigned to them under the Finance Act, 2021.

The DDP after appropriate due diligence may accord its approval for a one-time 'off market' transfer of securities for such relocation.

Relocation request will imply that the FPI has deemed to have applied for surrender of its registration and the DDP may be guided by the guidelines pertaining to surrender of FPI registration.

The 'off-market' transfer shall be allowed without prejudice to any provisions of tax laws and FEMA. 6. Para 3, Part C of SEBI Circular No. IMD/FPI&C/CIR/P/2019/124 dated November 05, 2019 stands modified to the extent of para 2 above.

#### **2. SEBI VIDE CIRCULAR NO SEBI/HO/CFD/DIL2/P/CIR/2021/570 dated June 02, 2021 has Streamlined the process of IPOs with UPI in ASBA and redressal of investor grievances.**

This circular comes into force with immediate effect.

The contents of the circular shall be mentioned in the DRHP and RHP filed on or after the date of this circular

SEBI vide Circular No. SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021 (hereinafter referred to as “the circular”), which came into effect from May 01, 2021 had put in place measures to have a uniform policy to further streamline the processing of ASBA applications through UPI process among intermediaries/SCSBs and also provided a mechanism of compensation to investors.

The stakeholders have approached SEBI seeking additional time for implementing the system changes given the prevailing uncertainty due to the Covid-19 pandemic.

In view of the representations received from stakeholders, the implementation timelines for the provisions of “the circular” shall be as under:

**SMS Alerts:** Para 9 of “the circular” prescribed the details to be sent by SCSB’s in SMS alerts. While SCSB’s shall continue to send SMS alerts during the actual block/debit/unblock of UPI mandate in the prescribed format, the details of total number of shares applied/allotted/non-allotted etc shall be included in SMS for Public Issues opening on/after January 01, 2022.

**Web Portal for CUG:** For ease of doing business, Para 10 of “the circular” prescribed a web portal to be hosted by Sponsor Banks for closed user group (hereinafter referred to as “CUG”) entities. In view of the representations received from the stakeholders, it has been decided that:

The automated web portal shall be live and operational after due testing and mock trials with the CUG entities for Public Issues opening on or after October 01, 2021. The requisite information on this automated portal shall be updated periodically in intervals not exceeding two hours.

In the interim, for the Public Issues opening from the date of this circular and till the automated web portal is live and operational, the Sponsor Banks shall send the details prescribed in Para 10 of “the circular” to the e-mail address of CUG entities periodically in intervals not exceeding three hours. In case of exceptional events viz., technical issues with UPI handles/PSPs/TPAPS/SCSB’s etc, the same shall be intimated immediately to the CUG entities so as to facilitate the flow of information in the Public Issue process.

The Stock Exchanges and Lead Managers shall facilitate providing the requisite data of CUG entities to Sponsor Bank for the development of automated web portal. Such information shall be provided to the Sponsor Bank before opening of the Public Issue.

**Completion of Unblocks by T+4:** Para 13 of “the circular” prescribed the process and timeline for ensuring the completion of unblocks pertaining to UPI mandates on T+4 (T: Issue Closing Date). while the process of unblocking shall be completed by T+4, in view of the representations received from stakeholders, the following shall be the revised timelines:

The Registrar to the Issue shall provide the allotment/ revoke files to the Sponsor Bank by 8:00 PM on T+3 i.e, the day when the Basis of Allotment (BOA) has to be finalized.

The Sponsor Bank shall execute the online mandate revoke file for Non-Allottees / Partial Allottees and provide pending applications for unblock, if any, to the Registrar to the Issue, not later than 5:00 PM on BOA+1. 3.3.3 Subsequent to the receipt of the pending applications for unblock from the Sponsor Bank, the Registrar to the Issue shall submit the bank-wise pending UPI applications for unblock to the SCSBs, not later than 6:30 PM on BOA+1. 3.3.4 To ensure that the unblocking is completed on T+4, the Lead Managers, on a continuous basis and before the opening of the public issue shall take up the matter with the SCSB’s at appropriate level.

### **3. SEBI VIDE CIRCULAR NO SEBI/HO/IMD/IMD-II/DOF3/P/CIR/2021/571 dated June 03, 2021 has enhanced Overseas Investment limits for Mutual Funds.**

This circular shall come into force with immediate effect.

The Para 1 of SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2020/225 dated November 05, 2020 specified the overseas investment limits per Mutual Fund.

In this regard, based on the representations received from Mutual Fund industry to enhance the investment limits per Mutual Fund, the limits are being revised as under:

Mutual Funds can make overseas investments subject to a maximum of US \$ 1 billion per Mutual Fund, within the overall industry limit of US \$ 7 billion.

Mutual Funds can make investments in overseas Exchange Traded Fund (ETF(s)) subject to a maximum of US \$ 300 million per Mutual Fund, within the overall industry limit of US \$ 1 billion.

In respect of investment limits to be disclosed in the scheme documents at the time of NFO as specified in Para 2.2 of the aforesaid circular, and the investment limits on ongoing schemes as specified in Para 2.3 of the aforesaid circular, such limits would henceforth be soft limits for the purpose of reporting only by Mutual Funds on monthly basis in the format prescribed vide SEBI circular dated November 5, 2020.

All other conditions specified in the above mentioned circular shall remain unchanged.

### **4. SEBI VIDE CIRCULAR NO SEBI/HO/DDHS/DDHS1/P/CIR/2021/572 dated June04, 2021 - Centralized Database for Corporate Bonds/ Debentures**

SEBI vide circular no. CIR/IMD/DF/17/2013 dated October 22, 2013, on 'Centralized Database for Corporate Bonds/ Debentures' mandated Depositories to jointly create, host, and maintain a Centralized Database of corporate bonds held in demat form.

Pursuant to discussions with market participants, it has been decided to further streamline the database and provide further ease of access of information for investors. In view of the same, it is proposed to supersede the above referred circular and provide an updated list of data fields to be maintained in the database along with the manner of filing the same as prescribed in the succeeding paragraphs. **(Please see the circular for details)**

### **5. SEBI VIDE CIRCULAR NO SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/573 dated June 07, 2021 - Potential Risk Class Matrix for debt schemes based on Interest Rate Risk and Credit Risk.**

This circular shall come into force with effect from December 1, 2021, for all the existing debt schemes and all the debt schemes to be launched on or thereafter. However, mutual funds may at their discretion, choose to adopt the provisions of this circular before the effective date.

**(For details please see the circular.)**

#### **6. SEBI VIDE NOTIFICATION No. SEBI/LAD-NRO/GN/2021-25 dated 10.06.2021**

has issued **Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021**. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009, stand repealed from the date on which these regulations come into force. (For details please see the notification)

#### **7. SEBI VIDE CIRCULAR NO SEBI/HO/ITD/ITD/CIR/P/2021/575 dated June 14, 2021**

has issued Revised Framework for Regulatory Sandbox.

#### **8. SEBI VIDE CIRCULAR NO SEBI/HO/CFD/DCR2/CIR/P/2021/576 dated June 15, 2021**

has issued **Relaxation from the requirement of minimum vesting period in case of death of employee(s) under SEBI (Share Based Employee Benefit) Regulations, 2014**. This relaxation shall be available to all such employees who have deceased on or after April 01, 2020.

#### **9. SEBI VIDE CIRCULAR NO SEBI/HO/ISD/ISD/CIR/P/2021/578 dated June 16, 2021**

Automation of Continual Disclosures under Regulation 7(2) of SEBI (Prohibition of Insider Trading) Regulations, 2015 - System driven disclosures for inclusion of listed Debt Securities. (For details please see the circular) The Depositories and Stock Exchanges shall make necessary arrangements such that the disclosures pertaining to listed Debt Securities along with equity shares and equity derivative instruments are disseminated on the websites of respective stock exchanges **with effect from July 01, 2021**

#### **10. SEBI VIDE CIRCULAR NO SEBI/HO/IMD/IMD-I/DOF1/P/CIR/2021/579 dated June 18, 2021**

Has issued a framework for administration and supervision of Investment Advisers under the SEBI (Investment Advisers) Regulations, 2013. (For details please see the circular)

#### **11. SEBI VIDE CIRCULAR NO SEBI/HO/IMD/IMD-I DOF2/P/CIR/2021/580 dated June 18, 2021**

has issued Norms for investment and disclosure by Mutual Funds in Derivatives. **(For details please see the Circular)**

#### **12. SEBI VIDE CIRCULAR NO SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/583 dated June 25, 2021**

Has issued Prudential norms for liquidity risk management for open ended debt schemes. (For details please see the circular) This framework specified by AMFI as referred under para 2 shall come into force **with effect from December 1, 2021**, for all the existing open ended debt schemes (except Overnight Fund, Gilt Fund and Gilt Fund with 10 year constant duration) and schemes to be launched on or thereafter. However, mutual funds may at their discretion, choose to adopt the framework specified by AMFI before the effective date.

#### **13. SEBI VIDE CIRCULAR NO SEBI/HO/IMD/IMD-I/DOF5/P/CIR/2021/582 dated June 25, 2021**

Has provided for Alignment of interest of Key Employees of Asset Management Companies (AMCs) with the Unit holders of the Mutual Fund Schemes. The aforesaid circular was to be applicable with effect from July 01, 2021. However, based on the feedback received from stakeholders, it has been decided to extend the date of implementation of the circular to October 01, 2021.

**14. SEBI VIDE CIRCULAR NO SEBI/HO/IMD-I/DF6/P/CIR/2021/584 dated June 25, 2021**

Has issued Amendment to SEBI (Alternative Investment Funds) Regulations, 2012. (For details please see the circular.

**15. SEBI VIDE CIRCULAR NO SEBI/HO/CDMRD/CDMRD\_DRM/P/CIR/2021/586 dated June 29, 2021**

has issued Cross Margin in Commodity Index Futures and its underlying constituent futures or its variants.

**16. PR No.22/2021** SEBI Board Meeting. The SEBI Board met in Mumbai today. The Part-Time Members joined the meeting through video conferencing. The Board, inter-alia, took the following decisions: (Please see the press release for the details.)

**17. SEBI VIDE CIRCULAR NO SEBI/HO/MIRSD/DOP/P/CIR/2021/587 dated June 30, 2021** has provided relaxation in timelines for compliance with regulatory requirements. (Please see the circular for details.

**MCA UPDATES: Month - June 2021**

**1. MINISTRY OF CORPORATE AFFAIRS VIDE NOTIFICATION G.S.R. 418(E), dated 18th June, 2021 makes the following rules, to amend the Companies (Creation and Maintenance of databank of Independent Directors) Rules, 2019, namely:-**

1. Short Title and Commencement.–

(1) These rules may be called the Companies (Creation and Maintenance of databank of Independent Directors) Amendment Rules, 2021.

(2) They shall come into force on the date of their publication in the Official Gazette.

2. In the Companies (Creation and Maintenance of databank of Independent Directors) Rules, 2019, in rule 3,-

(a) in sub-rule (7), in clause (a), after the words “for inclusion”, the words “or renewal” shall be inserted;

(b) after sub-rule (7), before explanation, the following sub-rule shall be inserted, namely:-

“(8) In case of delay on the part of an individual in applying to the institute under sub-rule (7) for inclusion of his name in the data bank or in case of delay in filing an application for renewal thereof, the institute shall allow such inclusion or renewal, as the case may be, under rule 6 of the Companies (Appointment and Qualification of Directors) Rules, 2014 after charging a further fees of one thousand rupees on account of such delay”.

**2. MINISTRY OF CORPORATE AFFAIRS VIDE GENERAL CIRCULAR NO 10/2021 dated 23.06.2021**

has clarified on passing of ordinary and special resolutions by companies under the Companies Act 2013 read with rules made there under on account of COVID 19. It has been decided to allow companies to conduct their EGMs through VC or OAVM or transact items through postal ballot in accordance with the framework provided in the circulars no14/2020, 17/2020 and 39/2020 upto to 31.12.2021. All other requirements in the said circulars shall remain unchanged.

**3. MINISTRY OF CORPORATE AFFAIRS vide NOTIFICATION G.S.R 409(E) dated 15th June, 2021, the Central Government makes the following rules further to amend the Companies (Meetings of Board and its Powers) Rules, 2014, namely:-**

(1) These rules may be called the Companies (Meetings of Board and its Powers) Amendment Rules, 2021.

(2) They shall come into force on the date of their publication in the Official Gazette.

1. In the Companies (Meetings of Board and its Powers) Rules, 2014, rule 4 shall be omitted.

(Rule 4 reads as under: The following matters shall not dealt with in any meeting held through video conferencing or other audio visual means

- a) The approval of the annual financial statements
- b) The approval of the Board's report
- c) The approval of the prospectus
- d) The Audit committee Meetings for consideration of financial statement including consolidated financial statement, if any, to be approved by the Board under sub section (1) of Section 134 of the Act and
- e) The approval of the matter relating to amalgamation, merger, demerger, acquisition and takeover

**4. MINISTRY OF CORPORATE AFFAIRS vide NOTIFICATION G.S.R 432(E). dated 23rd June, 2021, the Central Government makes the following rules**

These rules may be called the Companies (Accounting Standards) Rules, 2021. (2) They shall come into force on the date of their publication in the Official Gazette. (Please see the notification for details of the rules). The Accounting Standards shall come into effect in respect of accounting periods commencing on or after the 1st day of April, 2021.

**5. MINISTRY OF CORPORATE AFFAIRS vide NOTIFICATION G.S.R 419(E) dated 18th June, 2021, the Central Government makes the following rules viz Companies (Indian Accounting Standards) Amendment Rules, 2021. (Details please see the Notification)**

**6. MINISTRY OF CORPORATE AFFAIRS vide Notification no G.S.R. 392(E) dated 07.06.2021 the Central Government hereby makes the following rules further to amend the Companies (Incorporation) Rules, 2014, namely:-**

- (1) These rules may be called the Companies (Incorporation) Fourth Amendment Rules, 2021 (For details please see the notification).

**7. MINISTRY OF CORPORATE AFFAIRS VIDE GENERAL CIRCULAR NO 11/2021 dated 30.06.2021 has relaxed on levy of additional fees in filing certain forms under the Companies Act 2013 and LLP Act 2008. (Please read the circular for details)**

**8. MINISTRY OF CORPORATE AFFAIRS VIDE GENERAL CIRCULAR NO 12/2021 dated 30.06.2021 has announced relaxation of time for filing forms related to creation or modification of charges under the Companies Act 2013. (Please read the circular for details)**

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