

VINOD KOTHARI & COMPANY

VINOD KOTHARI CONSULTANTS PRIVATE LIMITED

May 2023

CORPORATE
AND
SECURITIES
LAWS

FINANCIAL
SERVICES

RESOLUTION
AND
INSOLVENCY
LAWS

SAMAGRATA

COLLECTION OF REGULATORY UPDATES

WHAT'S INSIDE?

We are always on our forefront to apprise our clients, associates as well as those seeking knowledge with recent updates on various laws and regulations. We have consolidated various regulatory announcements and amendments by respective regulators, along with our analysis, for the month of January, 2023. This is supported with reference materials and our write ups on the same.

This issue also covers articles on other contemporary and relevant areas of corporate interest.

We have further added a new section, for all that's recently happening in the real corporate environment and relevant to our readers.

Help us improve!

Feedback/suggestions invited: Feel free to drop a mail to tejasvi@vinodkothari.com

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Section 1: Corporate and Securities Law

Introduction of Legal Entity Identifier

Circular can be viewed [here](#)

Applicability	Amendment	Actionable and timelines, if any
Issuers who have listed and/ or propose to list non-convertible securities, securitized debt instruments, security receipts and municipal debt securities; and Registered Depositories	<p>Legal Entity Identifier ('LEI') is designed to create a global reference data system that uniquely identifies every legal entity, in any jurisdiction, that is party to a financial transaction.</p> <p>SEBI has by way of the present circular, mandated that issuers having outstanding listed Non-Convertible Securities ('NCS') as on August 31, 2023, will be required to obtain/report the LEI code in the Centralized Database of corporate bonds, on or before September 1, 2023. Similarly, issuers having outstanding listed securitised debt instruments and security receipts as on August 31, 2023, shall report/ obtain and report the LEI code to the Depository(ies), on or before September 1, 2023.</p> <p>Further, issuers proposing to issue and list NCS, on or after September 01, 2023, shall report their LEI code in the Centralized Database of corporate bonds at the time of allotment of the ISIN. Similarly, issuers proposing to issue and list securitized debt instruments and security receipts, on or after September 01, 2023, shall report their LEI code to the Depositories at the time of allotment of the ISIN.</p>	<p>Since, the Company has outstanding NCS; it will be required to obtain LEI on or before September 01, 2023.</p> <p>Our write up on the same can be accessed at:</p> <p>http://vinodkothari.com/2023/05/legal-entity-identifier-code-now-mandatory-for-bond-issuers/</p>

Additional requirements for the issuers of transition bonds

Circular can be viewed [here](#)

Applicability	Amendment	Actionables and timelines, if any
Issuers who have listed and/ or propose to list green debt securities; Recognized Stock Exchanges; Registered Depositories	<p>Transition bonds, are one of the sub-categories of the revised definition of 'green debt security' and comprises of funds raised for transitioning to a more sustainable form of operations in line with India's Intended Nationally Determined Contributions.</p> <p>In order to ensure transparency and informed decision making in the process of investing in transition bonds, certain additional requirements have been prescribed by SEBI regarding the issuance and listing of such bonds, the same are summarized below:</p> <p>1. Disclosures in the offer document for public issues /private</p>	<p>No immediate actionable. If the Company intends to issue transition bonds, it will be required to ensure compliance with the given circular.</p> <p>Read our article on transition finance here:</p> <p>Financing transition from</p>

	<p>placements of transition bonds:</p> <ol style="list-style-type: none"> a. To differentiate transition bonds from other categories of green debt security, issuers will use the denotation ‘GB-T’. The denotation is to be disclosed in the offer documents on the cover page and in type of instrument field in the term sheet. b. A Transition Plan which shall contain certain details. <p>2. Disclosure in the Centralised Database for corporate bonds:</p> <ol style="list-style-type: none"> a. Issuers to disclose the denotation ‘GB-T’ in the Centralized Database for corporate bonds/ debentures by filling the same in sub point 6 i.e. Others (Please specify) of point 10 of Annex-XIV-A to Chapter XIV of the Operational Circular dated August 10, 2021. b. Depositories to update the denotation ‘GB-T’ as prefix in “instrument details” field in Centralized Database for corporate bonds/ debentures <p>3. Disclosure to Stock Exchanges, in case of a revision in the transition plan:</p> <p>In case of revision in the transition plan disclosure of the revised transition plan along with an explanation for such revision to be made to the stock exchanges.</p> <p>4. Disclosure in the Annual report:</p> <p>Disclosure of the transition plan along with a brief on the progress of the implementation of the same to be made in the annual report.</p>	<p><u>“brown” to “green”</u></p>
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Investment in units of mutual funds in the name of minor through guardian

Circular can be viewed [here](#)

Applicability	Amendment	Actionables and timelines, if any
Mutual Funds (MFs)/ Asset Management Companies (AMCs)/ Trustee Companies/ Board of Trustees of Mutual Funds/	<p>SEBI by way of circular dated December 24, 2019 prescribed a uniform process across Asset Management Companies (‘AMCs’) in respect of investments made in the name of a minor through a guardian.</p> <p>By way of present circular, the following amendments have been introduced in the said process:</p> <ol style="list-style-type: none"> a. Mode of accepting payment: At present, payment for investment in mutual fund is accepted from the bank account of the minor or from a 	<p>Company being a Registered Mutual Fund, to take note of the amendment and ensure compliance with the same while accepting investments in minor accounts.</p>

<p>Association of Mutual Funds in India (AMFI)</p>	<p>joint account of the minor with the guardian only. The amendments prescribe that such investment, shall now be accepted by any mode from the bank account of the minor, parent or legal guardian of the minor, or from a joint account of the minor with parent or legal guardian.</p> <p>b. Redemption of proceeds: Irrespective of the source of payment for subscription, all redemption proceeds shall be credited only in the verified bank account of the minor, i.e., the account the minor may hold with the parent/ legal guardian after completing all KYC formalities.</p> <p>To give effect to the same, for existing folios, the AMCs shall insist upon a change of Payout Bank mandate before redemption is processed.</p> <p>All other provisions of the erstwhile circular shall remain unchanged.</p>	
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Consultation paper on Delisting of Non-Convertible Debt Securities
Circular can be viewed [here](#)

Applicability	Amendment	Actionable and timelines, if any
--	<p>At present, both the SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 ('NCS Regulations') and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('LODR Regulations') do not provide for delisting of non-convertible debt securities.</p> <p>SEBI has by way of the present consultation paper put up for public comments a mechanism for delisting of non-convertible debt securities. The highlights of the proposed mechanism are as follows:</p> <p>A. Applicability: the proposed mechanism will be applicable to voluntary delisting of all listed non-convertible debt securities from all or any of the recognised Stock Exchanges where such non-convertible debt securities are listed. An entity shall not be permitted to delist few non-convertible debt securities while the other non-convertible debt securities continue to remain listed.</p> <p>B. In-principle approval from the Stock Exchanges ('SEs'): An application to be made to the relevant recognised Stock Exchange for seeking in-principle approval of the proposed delisting not later than 15 working days from the date of passing of the special resolution or receipt of any other statutory or regulatory approval, whichever is later. The proposal also lays down the time limits within which the SEs must dispose off the application and documents to be seen by</p>	<p>No immediate actionable. The Company may take note of the proposed amendments.</p>

them.

C. Obligations of the listed entity: Listed entity to ensure that the process of obtaining necessary approval of all holders of NCS commences within 3 working days of grant of in-principle approval by SEs.

D. Disclosure on the website by the listed entity: All the events pertaining to the proposal of delisting starting from the placing of the agenda for delisting, to the board of directors and till the delisting is completed, shall be disclosed as material information to the Stock Exchanges, and on the website of the entity.

The proposal also specifies disclosures to be made on the website of the listed entity as well as to stock exchanges, within one working day from the date of receipt of in-principle approval from the recognized stock exchange for delisting of NCS (which will be in addition to the information disclosed to stock exchanges in terms of regulation 51 of the listing regulations).

E. Notice of delisting: Listed entity to send the notice of delisting to the holders of NCS, not later than 3 working days from the date of receipt of in-principle approval from the SEs. A copy of the notice of delisting is to be made available on the website of the listed entity.

F. Approval from the holders of NCS: The listed entity shall obtain approval from all holders of NCS within 15 working days from the date of the notice of delisting.

G. Failure of delisting proposal: The delisting proposal will be considered to have failed under the following circumstances:

1. non-receipt of in-principle approval from the SE;
2. non-receipt of NOC from the debenture trustee;
3. non-receipt of approval from all the holders of NCS.

In case of failure of the delisting proposal, the listed entity shall intimate the same to the Stock Exchange, within one working day from the date of such event of failure.

H. Final application to the recognised SE: Within five working days from the date of obtaining approval from all the holders of NCS the listed entity should make the final application for delisting to the relevant recognised SEs in the form specified by the SEs.

I. Delisting from some of the recognized SEs: Where a listed entity's NCS are listed on more than one recognized stock exchanges, the entity may choose to delist the NCS from all but one such recognized SE having nationwide

	<p>trading terminals. The proposal also prescribes procedure for the same.</p> <p>J. Monitoring of compliance by SEs: The respective recognised SE shall adhere and monitor compliance by the listed entity with the provisions of the proposed framework and shall report to SEBI any non-compliance, which comes to their notice.</p>	
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Risk disclosure with respect to trading by individual traders in Equity Futures & Options Segment

Circular can be viewed [here](#)

Applicability	Amendment	Actionables and timelines, if any
<p>All Recognized Stock Exchanges</p> <p>Depositories</p> <p>Stock Brokers through Recognized Stock Exchanges</p>	<p>In order to facilitate informed decision making by investors trading in derivatives segment, SEBI has by way of the present circular introduced 'risk disclosures' with respect to trading in equity Futures & Options (F&O) segment.</p> <p>All stock brokers are now required to display the risk disclosures on their websites and to their clients in the following manner:</p> <ol style="list-style-type: none"> 1. Upon login into their trading accounts with brokers, clients should be prompted to read the risk disclosures appearing as a pop-up window upon login, and be allowed to proceed ahead only after acknowledging the same. 2. The 'risk disclosures' should be displayed prominently, covering at least 50 percent area of the screen. 3. The format for display of the risk disclosure has been provided in Annexure 1 of the given circular. <p>Further, the stock brokers are be required to maintain Profit and Loss (P&L) data of their clients on continuous basis as per the format given at Annexure-II of the present circular and retain the same for a minimum period of 5 years</p>	<p>The Company being a SEBI registered stockbroker will be required to ensure compliance with the provisions of the given circular.</p>

Consultation paper on expanding definition of qualified institutional buyers for debt securities

Circular can be viewed [here](#)

Applicability	Amendment	Actionables and timelines, if any																						
All SEBI registered intermediaries	<p>SEBI has issued the present consultation paper to seek public comments to expand and broaden the definition of Qualified Institutional Buyer ('QIB'), especially for investments into debt securities with a view to increase the potential investor base for issuers of debt securities and for further developing the debt markets.</p> <p>The definition of 'QIB' for investment in debt securities is proposed to be expanded to the categories of entities mentioned below:</p> <table border="1" data-bbox="320 584 1107 2051"> <thead> <tr> <th data-bbox="320 584 480 640">Sr. No.</th> <th data-bbox="488 584 1107 640">Proposed category of Investors</th> </tr> </thead> <tbody> <tr> <td data-bbox="320 647 480 741">1.</td> <td data-bbox="488 647 1107 741">Multistate cooperatives with net worth of more than Rupees five hundred crore</td> </tr> <tr> <td data-bbox="320 748 480 882">2.</td> <td data-bbox="488 748 1107 882">Non-banking financial companies and housing finance companies regulated by RBI, subject to guidelines specified by RBI</td> </tr> <tr> <td data-bbox="320 889 480 1023">3.</td> <td data-bbox="488 889 1107 1023">Pension Funds (including Overseas Pension Funds, NPS Trust, Employee Provident Fund Organization)</td> </tr> <tr> <td data-bbox="320 1030 480 1124">4.</td> <td data-bbox="488 1030 1107 1124">Refinancing Agencies such as MUDRA</td> </tr> <tr> <td data-bbox="320 1131 480 1355">5.</td> <td data-bbox="488 1131 1107 1355">Regulatory authorities, autonomous bodies, authorities, boards or Commissions or Agencies, authorities, organizations or entities established, owned or controlled by the Central Government or a State Government</td> </tr> <tr> <td data-bbox="320 1361 480 1451">6.</td> <td data-bbox="488 1361 1107 1451">Reinsurance Companies regulated by IRDAI, subject to guidelines specified by IRDAI</td> </tr> <tr> <td data-bbox="320 1458 480 1592">7.</td> <td data-bbox="488 1458 1107 1592">SEBI regulated entities with net worth of more than Rupees five hundred crore subject to guidelines specified by SEBI</td> </tr> <tr> <td data-bbox="320 1599 480 1688">8.</td> <td data-bbox="488 1599 1107 1688">Small Finance Banks regulated by RBI, subject to guidelines specified by RBI</td> </tr> <tr> <td data-bbox="320 1695 480 1874">9.</td> <td data-bbox="488 1695 1107 1874">Universities or higher educational institutions, or funds or endowments of universities or higher educational institutions recognized by State Governments or Central Government</td> </tr> <tr> <td data-bbox="320 1881 480 2051">10.</td> <td data-bbox="488 1881 1107 2051">Urban local body, municipality or any statutory body or board or corporation, authority, trust or agency established or notified by any Central or State Act or any special purpose vehicle notified by the Central Government or State Government</td> </tr> </tbody> </table>	Sr. No.	Proposed category of Investors	1.	Multistate cooperatives with net worth of more than Rupees five hundred crore	2.	Non-banking financial companies and housing finance companies regulated by RBI, subject to guidelines specified by RBI	3.	Pension Funds (including Overseas Pension Funds, NPS Trust, Employee Provident Fund Organization)	4.	Refinancing Agencies such as MUDRA	5.	Regulatory authorities, autonomous bodies, authorities, boards or Commissions or Agencies, authorities, organizations or entities established, owned or controlled by the Central Government or a State Government	6.	Reinsurance Companies regulated by IRDAI, subject to guidelines specified by IRDAI	7.	SEBI regulated entities with net worth of more than Rupees five hundred crore subject to guidelines specified by SEBI	8.	Small Finance Banks regulated by RBI, subject to guidelines specified by RBI	9.	Universities or higher educational institutions, or funds or endowments of universities or higher educational institutions recognized by State Governments or Central Government	10.	Urban local body, municipality or any statutory body or board or corporation, authority, trust or agency established or notified by any Central or State Act or any special purpose vehicle notified by the Central Government or State Government	
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	<p>subject to the condition that it undertakes one or more functions that may be entrusted under Article 243W of the Constitution of India</p> <p>Conditions proposed to be imposed for inclusion of above categories in the definition of QIB: -</p> <p>1. Self-certification: The entity will be required to provide a self-certification, as approved by its governing body, that it has the necessary expertise and skills to evaluate investments into debt securities, undertake risk management and to carry out due diligence in such form as shall be specified and furnish the same to the exchange prior to commencing investments as a QIB.</p> <p>2. Availability of necessary expertise: The entity must either have a designated functionary or committee comprising individuals with necessary expertise and skills or may engage an independent registered investment advisor, portfolio manager or merchant banker on an on-going basis for evaluation, advising on risk management and/or for due diligence.</p> <p>3. Minimum Investible Surplus: SEBI can also specify if any of the categories above may be required to have a minimum amount of investible surplus (to be certified by its statutory auditor) and furnish the same to the Stock Exchange prior to commencing investments as a QIB. Thereafter, periodically self-certification by the entity will be required.</p>	
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Consultation paper on review of the definition of unpublished price sensitive information under SEBI (Prohibition of Insider Trading) Regulations, 2015
Circular can be viewed [here](#)

Applicability	Amendment	Actionables and timelines, if any
	<p>In order to curb insider trading by effective categorization of material information by the listed entities, SEBI has by way of this consultation paper proposed to review of the definition of Unpublished Price Sensitive Information ('UPSI') under SEBI (Prohibition of Insider Trading) Regulations, 2015 ('PIT Regulations') and bring under its scope the disclosures as required under regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations').</p> <p>It proposed to amend regulation 2(1)(n) of PIT Regulations that defines UPSI and add the following clause:</p> <p>“(vi) material event in accordance with regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.”</p>	<p>No immediate actionable. The Company may take note of the proposed amendments.</p> <p>Watch our YouTube video on the proposal here –</p> <p>Brief discussion around SEBI Consultation Paper proposing amendment to UPSI definition</p>

Consultation paper on draft SEBI (Prohibition of Unexplained Suspicious Trading Activities in the Securities Market) Regulations, 2023

Circular can be viewed [here](#)

Applicability	Amendment	Actionables and timelines, if any
	<p>SEBI, being the securities market regulator, is entrusted with the task of demonstrating what constitutes a fair playing field for all its market participants and taking actions against deviations, wherever required, through appropriate enforcement measures. A just and proper regulatory intervention by SEBI is required to deal with malpractices by market participants who use new age technologies and modus operandi to evade the law.</p> <p>Hence, in order to address such trading that at the very outset appear to impact the interest of the investors in the securities market, and where gathering direct evidence becomes challenging due to usage of sophisticated technology and modus operandi by such entities, it becomes necessary to have a suitable regulatory framework for dealing with such contravention.</p> <p>To tackle the same, SEBI has by way of this consultation paper, sought public comment on the draft SEBI (Prohibition of Unexplained Suspicious Trading Activities in the Securities Market) Regulations, 2023.</p> <p>Key highlights of the proposed framework are as follows:</p> <ol style="list-style-type: none"> 1. In order to address challenges, a new regulatory framework is being conceptualized wherein a person or group of connected persons exhibiting an Unexplained Suspicious Trading Pattern i.e., repetitive abnormal gainful dealings in a security or a set of securities, around the presence of Material Non-Public Information, would be deemed to be violating the securities laws, unless they are able to effectively rebut the said presumption. 2. The outline of the proposed framework talks about the following: <ol style="list-style-type: none"> a. Unusual Trading Pattern ('UTP') b. Deemed UTP c. Material Non- Public Information d. Suspicious Trading activity e. Rebuttal by the persons charged under the Regulations f. Unexplained Suspicious Trading Activity ('USTA') g. Influencer 3. Prohibition of USTA 	<p>No immediate actionable. The Company may take note of the proposed amendments.</p>

4. Surveillance and Investigation including: obligation
The draft regulation is placed at Annexure 1 of the consultation paper.

Consultation paper on enabling direct participation by clients/ participants in the Limited Purpose Clearing Corporation

Circular can be viewed [here](#)

Applicability	Amendment	Actionables and timelines, if any
	<p>SEBI had set up an exclusive Limited Purpose Clearing Corporation ('LPCC') by suitably amending the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 in October, 2020. Pursuant to this AMC Repo Clearing Limited ('ARCL') was recognized as a LPCC by SEBI in January, 2022 and is due to start operations shortly.</p> <p>As part of its operations, ARCL has proposed two models - proprietary model and client model. While the proprietary model is already in place, the client model is proposed to be introduced. The introduction of 'client model' for tri-party repo in corporate bonds will facilitate participation by entities, which cannot take direct membership of the Stock Exchange/ Clearing Corporation (such as bodies corporate, NBFCs, Insurance companies, Mutual Funds, etc.)</p> <p>To effectively operationalize the LPCC, and strengthen its the risk management system to meet the contingencies arising on account of possible failure of the clients/ participants as well, it is essential that the contribution to the Core Settlement Guarantee Fund ('SGF') can also be made by clients/ participants directly, in cases where the clearing member is not involved in the tri-party repo transactions.</p> <p>Accordingly, SEBI by way of this consultation paper proposes:</p> <ol style="list-style-type: none"> 1. Amendment to the Stock Broker Regulations: <ol style="list-style-type: none"> a. Insertion of a second proviso to regulation 10A (Application for registration under Chapter II - Registration of Clearing Members) providing that no separate registration with the LPCC would be required for an entity for participating in the tri-party repo segment for corporate bonds. 2. Amendment to the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 ('SECC Regulations'): <ol style="list-style-type: none"> a. Amendment to Regulation 22D - Contribution to the 	<p>No immediate actionable. The Company may take note of the proposed amendments.</p>

	<p>Settlement Guarantee Fund (SGF)–under Chapter IV: enabling contribution to the Core SGF by direct clients/participants.</p> <p>b. Amendment to Regulation 37(2)- Fund to guarantee settlement of trades under Chapter VI: General Obligations: empowering the clearing corporation to utilize the Core SGF also in the event, a direct client/ participant fails to honour its settlement obligations.</p> <p>The consultation paper further states that the proposals specified therein would facilitate easier participation by market participants, thus ensuring greater volumes in the corporate bond repo market. This, in turn, is intended to boost the liquidity in the secondary market for corporate bonds.</p>	
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Consultation paper on strengthening of investor grievance handling mechanism through SCORES and linking to the online dispute resolution mechanism approved by SEBI

Circular can be viewed [here](#)

Applicability	Amendment	Actionables and timelines, if any
	<p>SEBI with a view to strengthen the investor grievance handling mechanism through SCORES making the entire redressal process of grievances in the securities market more comprehensive by providing an end-to-end solution, and making the process more efficient and faster by reducing timelines and introducing auto-routing and auto-escalation and integrating the same with the online dispute resolution by way of this consultation paper proposes the following:</p> <ol style="list-style-type: none"> SCORES as a platform may be redesigned as a platform for the investors to seek timely redressal of their grievances from entities directly and for the investors who are dissatisfied with the redressal provided by entities, an opportunity for two levels of review be given even before option to opt for the ODR mechanism. The proposed process flow is placed at Annexure 2 Complaints pertaining to Market Price Manipulation, Price/ Volume Manipulation in Equity, Derivatives Commodity Derivatives, Insider Trading, Accounting Manipulation by Listed Companies that are currently being auto-closed with the observations above will be excluded from SCORES platform as these cannot be treated as complaints and a separate portal for Market Intelligence will be created for this purpose. In case, the investors lodges complaints in nature of market intelligence on SCORES, such type of complaints would be closed and routed to 	<p>No immediate actionable. The Company may take note of the proposed amendments to SCORES.</p>

	Market Intelligence portal. In case the investors lodge complaints in the nature of market intelligence on SCORES, such types of complaints should be closed and routed to the market intelligence portal.	
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Consultation paper on reduction of timeline for listing of shares in Public Issue from existing T+6 days to T+3 days

Notification can be viewed [here](#)

Applicability	Amendment	Actionables and timelines, if any
	<p>This consultation paper pertains to seek comments on the reduction of time from the date of Issue closure to the date of listing of shares through Public Issues from the existing six days to three days. In November 2018, SEBI introduced the Unified Payment Interface ('UPI') as an additional payment mechanism with Application Supported by Blocked Amount ('ASBA') for retail individual investors and prescribed the timelines for listing within six days of closure of issue (T+6), 'T' being the day of closure of Issue.</p> <p>SEBI by way of the present consultation paper proposes reduction in timelines, which will enable issuers to gain faster access to the capital, raised, thereby enhancing the ease of doing business. Additionally, investors will have the opportunity to obtain early credit and liquidity for their investments.</p> <p>The revised timelines have been proposed for the following key activities:</p> <ol style="list-style-type: none"> a. Submission of applications and modification of bids by Investors; b. Processing of application by Self Certified Syndicate Banks (SCSBs) and Intermediaries prior to the closure of public issue; c. Scrutiny of applications with respect to third party investors; d. Submission of Final Certificates by SCSBs and Sponsor Bank; e. Lock-in of Pre-Issue Capital; f. Finalization and approval of basis of allotment; b. Fund transfer and Unblocking of ASBA application monies; c. Execution of corporate action for credit of shares to allottees; d. Listing and Trading approval; e. Publishing of allotment advertisement; f. Commencement of trading. <p>The revised timelines for the above actives have been</p>	<p>No immediate actionable. The Company may take note of the proposed amendments.</p>

	summarized in Annexure – A.	
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Model tripartite agreement between the Issuer Company, existing share transfer agent and new share transfer agent as per regulation 7(4) of SEBI (LODR) Regulation, 2015

Notification can be viewed [here](#)

Applicability	Amendment	Actionables and timelines, if any
<p>All registered Registrars to an Issue and Share Transfer Agents (RTAs)</p> <p>All Listed Companies through Recognized Stock Exchanges</p> <p>Recognized Stock Exchanges</p>	<p>As per regulation 7(4) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, “in case of any change or appointment of a new share transfer agent, the listed entity shall enter into a tripartite agreement between the existing share transfer agent, the new share transfer agent and the listed entity, in the manner as specified by the Board from time to time.”</p> <p>SEBI has, by way of the present circular prescribed a model Tripartite Agreement in consultation with Registrar Association of India (RAIN) to be executed by the parties in case of change of its share transfer agent. The model agreement is placed at Annexure-A of the circular.</p>	<p>The Company being a listed entity is required to publish the model tripartite agreement on its website, comply with the conditions laid down in the circular and make necessary amendments to the relevant bye-laws, rules and regulations, operational instructions, as the case may be, for the implementation of the circular.</p>

Consultation paper on proposal with respect to pro-rata and pari-passu rights of investors of Alternative Investment Funds (AIFs)

Notification can be viewed [here](#)

Applicability	Amendment	Actionables and timelines, if any
	<p>As per SEBI (Alternative Investment Funds) Regulations, 2012 (‘AIF Regulations’), AIF is a privately pooled investment vehicle, which collects funds from investors for investing it in accordance with a defined investment policy for the benefit of its investors.</p> <p>Maintaining pro –rata rights of investors in each investment of the scheme of the AIF, including while making distribution of investment proceeds, is an essential characteristic of the AIF structure and thus SEBI by way of this consultation paper provides that differential treatment shall not be provided to the investors of the AIF/ Scheme because it would affect the economic rights of the investors and thus pro rata treatment of the investors shall be maintained.</p> <p>However, in order to retain flexibility, AIFs may provide certain differential rights which are bilaterally agreed between the investors and manager and have no effect on economic rights of other investors to terms such as hurdle rate of return, performance linked fee, and management fee as may be excluded from the aforesaid requirement.</p>	<p>No immediate actionable. The AIF may take note of the proposed amendments.</p>

	<p>The Consultation paper puts forth the following proposals:</p> <ul style="list-style-type: none"> • With respect to pro-rata rights of investors, the following is being proposed: The rights of each investor shall be maintained: <ul style="list-style-type: none"> a) pro-rata to their commitment to the scheme, in each investment of the scheme, while making investment, and; b) Pro-rata to investment made in the investee company, while distributing the proceeds of the investment. Provided that the manager may charge performance linked fee as per the terms of contribution agreement with each investor. c) While manager/sponsor may continue to have differential distribution to bear loss more than their pro-rata holding, the same is subject to the condition that the amount invested by the AIF in the investee company shall not be utilized directly or indirectly to repay any pending obligations to the manager/sponsor or their associates. d) Existing schemes of AIFs which have adopted priority distribution model may continue with the existing investments, but shall not accept any fresh commitment or make investment in a new investee company <p>With respect to pari-passu rights of investors, the following is proposed:</p> <ul style="list-style-type: none"> • All investors of the AIF/scheme shall be treated equally with respect to economic rights of the investors i.e.no differential rights shall be provided to investors of AIF/scheme, which would affect economic rights of other investors. <p>The aforesaid provision shall not apply in case of differential rights provided on terms with respect to hurdle rate of return, performance linked fee/additional return and management fees.</p>	
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SEBI (Issue of Capital and Disclosure Requirements) (Second Amendment) Regulations, 2023

Notification can be viewed [here](#)

Applicability	Amendment	Actionables and timelines, if any
Issuers of capital	<p>SEBI has notified the SEBI (Issue of Capital and Disclosure Requirements) (Second Amendment) Regulations, 2023 and given effect to the proposals made in the consultation paper issued on February 22, 2023.</p> <p>The highlights of the amendments are as follows:</p> <ol style="list-style-type: none"> 1. Substitution of terms: <p>Substitution of the term “SEBI (Share Based Employee</p>	

Benefits) Regulations, 2014” with the term “SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021”.

2. Changes w.r.t Pension Funds (‘PFs’):

- a. Modification in the definition of Qualified Institutional Buyers (‘QIBs’): only those PFs that have with minimum corpus of Rs. 25 crores and that registered with the Pension Fund Regulatory and Development Authority will be recognized as a QIBs;
- b. PFs sponsored by entities that are associates of lead managers are now allowed to act as Anchor Investors in a public issue.

3. Hosting of documents on website of issuer companies:

Issuer companies will now be required to host the ‘draft offer document and the ‘offer document’ on their own websites, in addition to the same being hosted on the websites of SEBI, stock exchanges and lead managers associated with the issue.

4. Precondition for bonus issue:

- a. Listed entities will be eligible to announce a bonus issue and issue bonus shares only if it has received approval from the stock exchanges for listing and trading of all the securities issued prior to the issuance of bonus shares (excluding ESOPs and convertible shares/ warrants);
- b. Allotment of shares in a bonus issue shall be made only in the dematerialised form.

5. Material contracts & documents:

- a. If extract of an industry report is disclosed in the offer document, the complete industry report will have to be provided as part of the material documents.
- b. Further, the issuer will now be required to make available the material contracts and material documents for inspection through online means in addition to the offline inspection.

6. Underwriting in IPO and FPO:

- a. Underwriting has been classified into 2 types:
 - i. Hard underwriting: underwriting in case of under-subscription the of issue.
 - ii. Soft underwriting: underwriting in case rejection of applications.
- b. Underwriting agreement in case in of IPO/ FPO

	<p>through the book building process:</p> <ol style="list-style-type: none"> i. In case of hard underwriting: underwriting agreement is to be entered into prior to filing the red herring prospectus with the stock exchanges. A disclosure to this effect has to be made in the red herring prospectus. ii. In case of soft underwriting: underwriting agreement is to be entered into prior to filing the prospectus with the stock exchanges. A disclosure to this effect has to be made in the prospectus. c. Underwriting agreement in case in of IPO/ FPO other than through the book building process: In case of both hard and soft underwriting, the underwriting agreement is to be entered into prior to filing the prospectus with the stock exchanges. A disclosure to this effect has to be made in the prospectus. <p>The underwriting agreement must indicate the maximum number of securities that the underwriters will subscribe, further the price at the which they undertake to subscribe to the securities should be a price that is not be less than the issue price.</p>	
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Master Circular for Stock Brokers

Notification can be viewed [here](#)

Applicability	Amendment	Actionables and timelines, if any
	<p>SEBI by way of present circular has suitably updated the Master Circular for Stock Brokers by incorporating relevant circular, guidelines issued on the subject as on date.</p> <p>A list of circulars that have been superseded are listed in the Appendix of the present circular.</p>	<p>The said master circular is a consolidation of all instructions issued on the subject, till date.</p> <p>The Company being a SEBI registered stock broker to take note of the same.</p>

FAQ's on filing of announcements in XBRL format on BSE listing center

Notification can be viewed [here](#)

Applicability	Amendment	Actionables and timelines, if any
	<p>The Stock Exchange ('SEs') have vide circular dated March 31, 2023, mandated filing of announcements for certain items under regulation 30 of the LODR Regulations in XBRL format. The SEs have now issued FAQ's on the said subject for guidance.</p>	<p>Company to take note of the FAQs issued.</p>

Companies (Compromises, Arrangements and Amalgamations) Amendment Rules, 2023

Notification can be viewed [here](#)

Applicability	Amendment	Actionables and timelines, if any
	<p>MCA notified the Companies (Compromises, Arrangements and Amalgamations) Amendment Rules, 2023 that amends rules 25 of the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016.</p> <p>The amendments have been introduced in order to streamlining the process of approvals for the mergers and amalgamations by way of introduction of timelines for the same.</p> <p>1) Rule 25(5) now provides that if no objection/suggestion is received within a period of 30 days from the Registrar of Companies/ Official Liquidator, and if the Central Government ('CG') is of the opinion that the scheme is in the public interest or in the interest of creditors, it can issue a confirmation order of the said scheme in form no. CAA.12 within a period of 15 days after the expiry of said 30 days.</p> <p>If the CG does not issue a confirmation order within 60 days of the receipt of the scheme, it will be deemed that there is no objection, and a confirmation order will be issued.</p> <p>2) Rule 25 (6) provides that if the objections/suggestions are received within 30 days, the CG can take following actions:</p> <p>a. if the objections/ suggestions are deemed unsustainable, and the CG is of the opinion that the scheme is in the public interest or the interest of creditors: issue a confirmation order in form no. CAA.12 will be issued within 30 days</p> <p>b. where on the basis of the objections or otherwise the CG is of the opinion that the scheme is not in the public interest or the interest of creditors, it can within 60 days file an application with the NCLT in form no. CAA.13, stating the objections or opinion and requesting that Tribunal may consider the scheme under section 232 of the Companies Act, 2013.</p> <p>If the CG does not issue a confirmation order or file an application with the tribunal within a period of 60 days, the same shall be considered as a deemed approval and a confirmation order will be issued accordingly.</p>	<p>No Immediate Actionable.</p> <p>Company to take note of the amendments.</p> <p>Read our article on the subject here – https://vinodkothari.com/2023/05/fast-track-merger-finally-on-a-faster-track/</p>

Annexure – A**Revised/proposed timelines of public issue processing as compared to the existing timelines**

Day	Activities under T+6 (Existing)	Activities under T+3(Proposed)
Issue Opening Date To Issue Closing Date (T)	<ol style="list-style-type: none"> 1. Submission of applications by Investors; 2. Processing of applications by SCSBs and intermediaries. 	<ol style="list-style-type: none"> 1. Submission of applications by Investors; 2. Processing of applications by SCSBs and intermediaries. 3. Initiation of scrutiny of applications with respect to third party investors
T	<ol style="list-style-type: none"> 3. Issue Closure at 4 PM for QIB and NII Categories; 4. Issue Closure at 5 PM for all Categories except QIB and NII. [Actual practice with respect to processing of applications varies from 11AM upto 5 PM] 	<ol style="list-style-type: none"> 4. Issue Closure at 4 PM for QIB and NII Categories; 5. Issue Closure at 5 PM for all Categories except QIB and NII. 6. Submission of confirmation of funds blocked (Final Certificate) by SCSBs and Sponsor Banks to Registrar
T+1	<ol style="list-style-type: none"> 5. Submission of confirmation of funds blocked (Final Certificate) by SCSBs and Sponsor Banks to Registrar 	<ol style="list-style-type: none"> 7. Initiation of corporate action to carry out lock-in for pre-issue capital held in depository system, by Registrar 8. Completion of scrutiny of applications with respect to third party investors 9. Finalization of basis of allotment by Registrar; 10. Approval of basis of allotment by designated Stock Exchange
T+2	<ol style="list-style-type: none"> 6. Scrutiny of applications with respect to third party investors 	<ol style="list-style-type: none"> 11. Completion of lock-in for pre-issue capital by depository; 12. Issuance of fund transfer/debit instructions to SCSBs and Sponsor Bank(s) by Registrar; 13. Issuance of unblock instructions to SCSBs and Sponsor Bank(s) by Registrar; 14. Completion of fund transfer to the escrow account of Issuer; 15. Completion of unblock for non-allottees; 16. Initiation of corporate action for credit of shares to the demat accounts of allottees. 17. Completion of credit of shares to the demat accounts of allottees; 18. Issuer to make a listing application to Stock Exchange(s) and Stock

Day	Activities under T+6 (Existing)	Activities under T+3(Proposed)
		<p>Exchange(s) to give listing and trading permission.</p> <p>19. Stock Exchange(s) to issue commencement of trading notice.</p> <p>20. Stock Exchange(s), Issuer, Merchant Banker and Registrar to publish the allotment advertisement on their website.</p>
T+3	<p>7. Finalization of basis of allotment by Registrar;</p> <p>8. Approval of basis of allotment by designated Stock Exchange;</p> <p>9. Issuance of fund transfer/debit instructions to SCSBs and Sponsor Bank(s) by Registrar;</p> <p>10. Issuance of unblock instructions to SCSBs and Sponsor Bank(s) by Registrar;</p> <p>11. Initiation of corporate action to carry out lock-in for pre-issue capital held in depository system by Registrar</p>	<p>21. Publishing of allotment advertisement in all the newspapers where issue opening/closing advertisements have appeared earlier.</p> <p>22. Trading Commences.</p>
T+4	<p>12. Completion of lock-in for pre-issue capital by depository;</p> <p>13. Completion of fund transfer to the escrow account of Issuer;</p> <p>14. Completion of unblock for non-allottees;</p> <p>15. Initiation of corporate action for credit of shares to the demat accounts of allottees.</p>	
T+5	<p>16. Completion of credit of shares to the demat accounts of allottees;</p> <p>17. Issuer to make a listing application to Stock Exchange(s) and Stock Exchange(s) to give listing and trading permission.</p> <p>18. Stock exchange(s) to issue commencement of trading notice.</p>	
T+6	<p>19. Publishing of allotment advertisement in all the newspapers where issue opening/closing advertisements have appeared earlier.</p> <p>20. Trading Commences.</p>	

Our Articles of Corporate Interest

Legal Entity Identifier Code now mandatory for bond issuers

- Ajay Ramanathan, Executive

Legal Entity Identifier (LEI) Code is a unique 20-digit code used to identify legal entities that engage in financial transactions worldwide in order to improve the quality and accuracy of financial data systems for better risk management post the global financial crisis by establishing a global reference system. Prior to the present SEBI Circular, all non-individual borrowers availing an aggregate exposure of Rs.5 crore and above from banks and financial institutions were mandated to obtain LEI Code over the prescribed timeline. The requirement was initially introduced by RBI vide notification dated November 02, 2017 for large corporate borrowers i.e. having total exposure of Rs.50 crore. Further, the roadmap for borrowers with exposure from Rs.5 crore to Rs.50 crore was to be issued in due course. Thereafter, in April 21, 2022 RBI extended the requirement for non-individual borrowers having an aggregate exposure of Rs.5 crore and above to obtain Legal Entity Identifier ('LEI') code in a phased manner. Presently, non-individual borrowers with total exposure of Rs.25 crores or more have been mandated to obtain LEI by April 30, 2023.

Our snippet on the said notification may be accessed [here](#). Details of LEI obtained can be verified [here](#). Rules, FAQs etc. for issuance and renewal can be accessed [here](#).

Financing transition from “brown” to “green”

- Mahak Agarwal, Executive

As climate change and its impacts continue to remain one of the major concerns of any economy, transition finance is a step towards effectively transforming carbon emissions and combating climate change. 'Transition Bonds', as the word speaks for itself, are debt instruments that facilitate transition of a carbon-intensive business into decarbonizing business and eventually achieving the Net Zero emissions targets. While it is true that change is the only constant, it cannot be denied that the same can often be challenging. Similar is the case with enterprises looking to metamorphosis their activities into a sustainable form. A huge amount of finance is required for carbon-intensive sectors to decarbonize and it is here that transition bonds find their application. According to a recent report discussing the shape and size of the GSS+ market as of 31st December, 2022, the size of the transition bond market has seen a year on year increase from USD 3.3 billion to USD 3.5 billion.

This article discusses in detail the meaning, compliances and the regulatory framework as applicable in the issuance and listing of transition bonds. For further reading click [here](#)

Need For Strategic Vision In CSR Spending By Companies

- Pammy Jaiswal, Partner

While the sense of 'Corporate Social Responsibility' ('CSR') might have been the result of the statute, first on a "comply or explain" basis, and later, as a mandate, it is heartening to note that companies are now not looking at CSR as a mere compulsion, but are seeing this as an instrument for social bridge-building.

With the introduction of the Companies Corporate Social Responsibility Policy (Amendment) Rules, 2021, read with the changes under section 135 of the Act pursuant to the Companies (Amendment) Act, 2019, an element of penalty for not doing the needful has been added, at the same time permitting companies to overspend their obligation and claim a set off within the next 3 years, there are several companies which are spending more than their targets.

This write up dwells on the need to look at CSR with a focus on business responsibility, and spending with a strategic vision which should guide companies while choosing their CSR activities. While the larger conspectus

will still be limited by Schedule VII, however, it should be obvious that not everything in Schedule VII is the right CSR spend for a particular company. Therefore, the flavor of this article is not to bifurcate between an eligible spending versus a non-eligible CSR spending, but rather to draw the attention of the readers to the fact that if companies are guided by a particular CSR vision, based on their business footprints on the society and the environment, the much needed impact will be visible to the world at large and India can set an example before the world of what a visioned CSR spending can do to the society!

Succession Planning: Failing To Plan Is Planning To Fail

- Anushka Vora, Manager

Passing the torch, lighting the way – an expression that can be used to refer to succession planning. Be it a household, business organization or institution, succession planning is needed everywhere. In a household, as the family possessions and culture are passed on, it is simply termed as continuing the legacy. In an HUF, according to HUF laws, after the Karta (head of the HUF) dies, the senior most coparcener becomes the head of the HUF. In corporates, the larger the scale and complexity of business, the need for succession planning becomes much more important.

Let us dive deeper into the nuances of succession planning and its impact by way of this article.

Section 2: Financial Sector Updates

Amendment to Master Directions on KYC relating to wire transfer

Notification can be viewed [here](#)

Applicability	Amendment	Actionables and timelines, if any
Regulated Entities	Para 64 of the Master Directions on KYC, dealing measures to be taken by Regulated Entities ('REs') while dealing with the Wire Transfer, have been amended to align the same with relevant FATF recommendations.	

Formalisation of informal micro enterprises on Udyam assist platform

Notification can be viewed [here](#)

Applicability	Amendment	Actionables and timelines, if any
<ul style="list-style-type: none"> All Commercial Banks (including Small Finance Banks, Local Area Banks and Regional Rural Banks) All Primary (Urban) Co-operative Banks/State Co-operative Banks/District Central Co-operative Banks All-India Financial Institutions All Non-Banking Financial Companies 	<p>RBI vide circular dated August 21, 2020, advised all the lenders to obtain 'Udyam Registration Certificate' for classification of entities as MSME.</p> <p>The Ministry of Micro, Small and Medium Enterprises ('MSME'), Government of India ('GOI') has launched the Udyam Assist Platform ('UAP') to facilitate formalisation of Informal Micro Enterprises ('IMEs') through online generation of Udyam Assist Certificate wherein IMEs may register themselves with the assistance of designated agencies which are RBI regulated entities (including scheduled commercial banks, non-banking financial companies, etc.).</p> <p>GOI has by way of circular dated March 20, 2023 provided that certificate issued on the UAP to IMEs shall be treated at par with Udyam Registration Certificate for availing Priority Sector Lending benefits. Further, GOI has clarified to RBI that IMEs are those enterprises that cannot get registered on the Udyam Registration Portal (URP) due to lack of mandatory documentation (such as PAN, GSTIN) and are those enterprises that are not covered in the GST regime. IMEs can transition and migrate from UAP to URP once the IMEs obtain the mandatorily required documents.</p> <p>In view of the aforementioned notification and clarification, the RBI has by way of the circular dated May 09, 2023, clarified that IMEs with an Udyam Assist Certificate shall be treated as Micro Enterprises under MSME for the purposes of</p>	<p>No immediate actionable. The Company to take note that IMEs with an Udyam Assist Certificate shall be treated as Micro Enterprises under MSME for the purposes of PSL classification.</p>

PSL classification.

LIBOR transition

Notification can be viewed [here](#)

Applicability	Amendment	Actionables and timelines, if any
<ul style="list-style-type: none"> • All Commercial and Co-operative Banks / All India Financial Institutions / • Non-Banking Financial Companies including Housing Finance Companies and Standalone Primary Dealers 	<p>RBI has issued an advisory on “Roadmap for LIBOR Transition” dated July 08, 2021 advising banks and financial institutions to:</p> <ol style="list-style-type: none"> i. cease, and also encourage their customers to cease, entering into new financial contracts that reference London Interbank Offered Rate (‘LIBOR’) as a benchmark and instead use any widely accepted Alternative Reference Rate (‘ARR’), in any case by December 31, 2021 and ii. incorporate robust fallback clauses in all financial contracts that reference LIBOR and the maturity of which was after the announced cessation date of the LIBOR settings. <p>While a smooth transition with respect to LIBOR settings that have ceased to be published/become non-representative after December 31, 2021 has been achieved, there have been instances of a few US\$ LIBOR linked financial contracts undertaken/facilitated by banks/FIs after January 1, 2022. Also, while banks have reported that substantial progress has been made towards insertion of fallback clauses, the process is yet to be completed for all contracts where such fallbacks are required to be inserted.</p> <p>RBI by way of the present circular, has stated that the remaining five US\$ LIBOR settings and MIFOR, a domestic interest rate benchmark reliant on US\$ LIBOR, as published by Financial Benchmarks India Pvt. Ltd. (FBIL) will cease to be published permanently after June 30, 2023.</p> <p>Accordingly, RBI has advised banks/ FIs to –</p> <ol style="list-style-type: none"> i. ensure that no new transaction undertaken by them or their customers rely on or are priced using the US\$ LIBOR or the MIFOR; ii. take all necessary steps to ensure insertion of fallbacks in all remaining legacy financial contracts that reference US\$ LIBOR (including transactions that reference MIFOR); iii. Further, banks/FIs are advised not to rely on the availability of synthetic LIBOR rates as a substitute for fallbacks in legacy contracts. <p>Develop systems and processes to manage the complete transition away from LIBOR from July 1, 2023.</p>	<p>The Company to ensure that the necessary advice issued by RBI with respect to the transition from LIBOR and MIFOR is implemented within the timeline of June 30, 2023.</p>

Master Circular – Basel III Capital Regulations

Notification can be viewed [here](#)

Applicability	Amendment	Actionables and timelines, if any
All Scheduled Commercial Banks (Excluding Small Finance Banks, Payments Banks and Regional Rural Banks)	RBI by way of present circular has suitably updated the Master Circular on prudential guidelines on Basel III capital adequacy by incorporating relevant guidelines, issued as on date. A list of circulars consolidated in this Master Circular is contained in Annex 26 of the same.	No immediate actionable. The said master circular is a consolidation of all instructions issued on the subject, till date.

Amendment to the FEMA rules

Notification can be viewed [here](#)

Applicability	Amendment	Actionables and timelines, if any
International credit card issuers	Ministry of Finance by way of the present circular has notified the Foreign Exchange Management (Current Account Transactions) (Amendment) Rules, 2023 to amend the Foreign Exchange Management (Current Account Transactions) Rules, 2000. By way of this present amendment, it is provided that Rule 7 of the Foreign Exchange Management (Current Account Transactions) Rules, 2000, relating to the use of the International Credit Card outside India shall be omitted	No Immediate Actionable. Company to take note of the amendment introduced.

Our articles of financial interest

Amended KYC Norms: A Move Towards Faceless KYC

- Anita Baid, Vice President

Recognising the increasing trend towards faceless lending, and the use of technology for customer due diligence, the RBI has made much-needed changes in the KYC process, permitting lenders to avoid any of physical interface with borrowers and rely on documents stored in Digilocker or other e-documents. Amendments, immediately effective, were made to the Master Direction – Know Your Customer (KYC) Direction, 2016 vide a notification dated April 28, 2023. The amendments in the KYC Directions are applicable to every entity regulated by the RBI, including but not limited to banks, cooperative banks, payment system providers, AIFIs as well as NBFCs, intend to achieve the following:

- To incorporate the recent amendments dated March 7, 2023, in the Prevention of Money-Laundering Act, 2002 (“PML Act”) and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005 (‘PML Rules’);
- To align the KYC process with increasing use of non-face-to-face lending transactions;
- To incorporate instructions on the procedure for implementation of Section 12A of the Weapons of Mass Destruction (WMD) and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005 (‘WMD Act, 2005’);
- To update certain instructions in accordance with FATF Recommendations.

The following article intends to discuss the changes introduced by the RBI vide its notification dated April 28, 2023, on ‘Amendment to the Master Direction (MD) on KYC’. Further, Watch our YouTube video on the topic [here](#)

Practicing professionals as reporting entities under PMLA

- Team Finserv

The Ministry of Finance vide notification dated May 03, 2023 (‘Notification’) has widened the ambit of the term “Reporting Entity” as defined in Section 2(1)(wa), read with sec. 2 (1)(sa) of the Prevention of Money Laundering Act, 2002 (‘PMLA’). The Notification, which has already created a lot of flutter, seems to bring practising corporate professionals (CAs, CSs, CMAs), if the said corporate professionals are carrying certain “financial transactions” on behalf of their clients. At its first reading, one may either take a very aggressive view, to regard all practising corporate professionals as being “reporting entities”. However, a finer reading suggests that only such professionals, who are carrying specified financial transactions on behalf of their clients, are covered as reporting entities.

We have discussed the same in our article below.

Our YouTube video on the topic discussing the changes brought in by the said notification and its implications is available [here](#)

Shorn Of Tax Benefit, MLDs Now Face Tax Deduction On Payouts

- Dayita Kanodia, Executive

The Finance Bill, 2023, has quite nearly caused the demise of the so-called “Market-Linked Debentures” (MLDs). The changes made pursuant to the Finance Bill, 2023, took away what seemed to be a strong reason for popularity of MLDs, i.e., the tax arbitrage. Finance Bill, 2023 inserts a new section 50AA to the Income Tax Act, 1961, which makes MLDs to be taxed at slab rates as a short term capital asset in all cases at the time of transfer or redemption on maturity, irrespective of the period of holding, therefore losing out on the earlier lower LTCG rate of 10%.

MLDs are different from plain vanilla bonds in the sense that typically there is a premium paid on redemption, giving rise to capital gains in the hands of the investor. Further, this premium was linked with some external parameter, representing a market rate or external benchmark – hence the name “market linked debentures”. Further, most MLDs

are listed. This article focuses on the answering the various questions that arise due to the double whammy of changes brought about by the Finance Act, 2023

Digital Lending Balloon: Navigating The Path To Growth

- Dayita Kanodia, Executive

From pawnbrokers lending money in exchange for collateral to the use of sophisticated technologies to carry out credit underwriting, the landscape of lending business has evolved significantly in the last century. The Global Digital Lending Market is anticipated to reach a value of USD 30.77 Billion by the year 2030 exhibiting a Compound Annual Growth Rate (CAGR) of 13.30% over the forecast period 2022 to 2030. This growth can be attributed to the increased usage of digital solutions across banking operations to streamline business processes while improving the overall functionality and efficiency of the banking sector. Moreover, the growing preference for online banking facilities through apps are also aiding the market growth.

This article has discussed how the digital lending industry has been continuously growing, however the question which arises is – whether this ever increasing balloon ever burst? And if yes then when?

Vehicle Financiers Must Follow Sarfaesi Process For Repossession: Patna High Court

- Mr. Vinod Kothari, Managing Partner

Repossession of vehicles (from two-wheelers to four-wheelers), in case of borrowers' defaults, has been done almost entirely using common law process, on the strength of the provisions of the hypothecation agreement. However, a recent Patna High Court, from a single judge of the Court, holds that since hypothecation is a "security interest" on the vehicle, the use of the process of the SARFAESI Act is mandatory, and any repossession action not adhering to the process of that Act is illegal. The Court has gone to the extent of ordaining all banks and NBFCs in the State to return the repossessed vehicles which are either not sold or are traceable to the borrowers on payment of 30% of the due amount, and in case of those vehicles which are not traceable or returnable, it permits the petitioners to seek compensation. It has simultaneously directed the Police to investigate and register cases of use of force or illegal tactics in repossession.

This article discusses the reason why the SARFAESI process is rarely, if ever, resorted to, in the case of vehicles, the RBI codes for recovery in case of banks and NBFCs, the classic rulings of the SC in the case of Prakash Kaur and Shanti Devi, and the scenario that might emerge after this ruling.

Section 3: Special Mentions



Mr. Vinod Kothari
Managing Partner

- Seminar on the topic “NBFC-Regulations and Compliances” on May 04, 2023 at BBD Bag CA Study Circle, EIRC
- Study Circle Meeting on “Recent Developments in Related Party Transactions and NBFC Regulations ” on May 05, 2023 at ICSI-NIRC
- Lecture on “ Lecture on ESG & BRSR, CSR and POSH” on May 06, 2023 at ICSI-NIRC



Ms. Anita Baid
Vice President

- Seminar on the topic “NBFC-Regulations and Compliances” on May 04, 2023 at BBD Bag CA Study Circle, EIRC



Ms. Barsha Dikshit
Partner

- Session on the topic “Concept, process and treatment of claims under IBC”, at ICSI- IIP in an Online Mode.



Ms. Pammy Jaiswal

- Session on “Recent Amendments in SEBI Regulations” on May 20, 2023 at ICSI-EIRC.



Ms. Shaivi Bhamaria

- Session on the topic “Concept, process and treatment of claims under IBC”, at ICSI- IIP in an Online Mode.

Section 4: Contact Us

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