

BHANDARI & ASSOCIATES

Company Secretaries

REGULATORY UPDATES

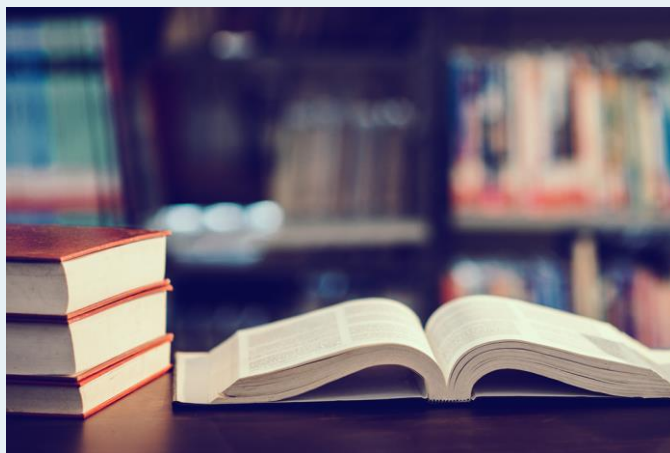
June, 2023

ABOUT US:

Bhandari & Associates was formed in the early 80's and is one amongst India's oldest practicing firms.

Our Firm is a full-service corporate law advisory firm. It assists in compliance with the Companies Act, 2013, and a wide array of other corporate laws and regulations for starts-up, medium and large Companies.

Our Regulatory Updates aim to provide an overview of the key Circulars, Notifications and Amendments by regulators/ entities including Ministry of Corporate Affairs (MCA), Securities Exchange Board of India (SEBI), Reserve Bank of India (RBI) and Stock Exchanges (BSE and NSE).



“We are what we repeatedly do. Excellence, then is not an act, but a habit.”

- Aristotle

Contents

Ministry of Corporate Affairs (MCA) Page 1

Securities and Exchange Board of India Page 2

Stock Exchange(s) Page 8

Institute of Company Secretaries of India (ICSI) Page 10

Ministry of Corporate Affairs (MCA)

1. LLP (Amendment) Rules, 2023

(Circular date: June 02, 2023)

MCA has notified the Limited Liability Partnership (Amendment) Rules, 2023 and it had come into force from the date of its publication in the Official Gazette. A new format of e-Form LLP 3 has been prescribed (Information with regard to Limited Liability Partnership Agreement and changes, if any, made therein), as mentioned in the Notification which may be accessed through the below link.

Accessible here: <https://www.mca.gov.in>

2. Relaxation in paying additional fees in case of delay in filing DPT-3 for Financial Year ended on 31st March 2023 up to 31st July 2023

(Circular date: June 21, 2023)

MCA vide this circular has informed about the relaxation in paying additional fees upto July 31, 2023, for filing of Form DPT-3 (Return of Deposit) for the financial year ending on March 31, 2023. Due date of filing Form DPT-3 is 30th of June 2023 for the Financial Year ended on March 31, 2023. Keeping in view the transition of MCA-21 Portal from Version-2 to Version-3, the said relaxation has been provided.

Accessible here: <https://www.mca.gov.in>

Securities and Exchange Board of India (SEBI) (Regulations)

1. Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2023

(Circular date: June 14, 2023)

SEBI vide this notification has further amended the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ["Listing Regulations"]. In regulation 2, sub-regulation (1), the definition of "mainstream media" has been inserted. SEBI vide this notification has amended the regulation 15, regulation 30, regulation 34, regulation 57, Schedule III and Schedule V. Further, SEBI vide this amendment has introduced new regulations/sub-regulations/clauses in the Listing Regulations such as regulation 6(1A), regulation 17(1D), regulation 26A, regulation 27(ba), regulation 30A, regulation 31B, regulation 33(3)(j) and regulation 37A.

These amendments shall come into force on the 30th day from the date of their publication in the Official Gazette. However, the amendment in regulation 3, sub-regulations III, XI, XII and XIV of these amended regulations shall come into force on the date of their publication in the Official Gazette.

Below link may be referred for detailed reading of all the amendments.

Accessible here: <https://www.sebi.gov.in>

2. Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2023

(Circular date: June 27, 2023)

SEBI vide this notification has amended the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 ["MF Regulations"]. SEBI vide this amendment has inserted the definition of "Liquid net worth" and "NAV" or "Net Asset Value" in regulation 2, sub-regulation (1) and definition of "trustees" has been amended. SEBI has amended the regulation 7, regulation 14, regulation 18, regulation 21, regulation 25, regulation 31A, regulation 31B, regulation 47, regulation 48, regulation 49, regulation 53, regulation 56, regulation 57 and regulation 59. SEBI has also amended the First Schedule, Seventh Schedule, Eighth Schedule and Eleventh Schedule. Further, SEBI vide this amendment has inserted some new regulations/sub-regulations/clauses in the MF Regulations i.e. regulation 7C, regulation 16(7), regulation 25A, regulation 43(7) and regulation 43A.

Following are the key amendments in the MF Regulations:

- The definition of "Liquid net worth" has been included in Regulation 2 which means that the net worth deployed in liquid assets which are unencumbered and will include cash/ money market instruments/ Government Securities/ Treasury bills/ Repo on Government securities and any other like instruments as specified by the SEBI from time to time.
- Regulation 7 deals with Eligibility Criteria for the purpose of grant of certificate of registration. Sub- regulation (a) has been substituted relating to the sponsor having a sound-track record and general reputation of fairness and integrity in all business transactions.

- Regulation 7-C has been inserted dealing in Sponsor disassociating from the asset management company and other mutual funds. In this case, the asset management company of the existing mutual fund acts as a sponsor of the same mutual fund. The shareholding for any shareholder should be below 10%. In such an event, the Board of Directors will have to have at least two-third independent directors.
- Regulation 16 which relates to conditions for disqualification from being appointed as trustees has been revised and a new condition has been inserted which says that in case a company is appointed as the trustee of a mutual fund, the Chairperson of the board of directors of that trustee company must be an independent director.
- Regulation 25 relates to the obligations of an Asset Management company. In the same context, Sub-regulation (22) has been inserted which lays down the due diligence that has to be exercised by the Board of Directors of the asset management company and shall ensure before the launch of any scheme that the asset management company has systems in place for its back office, dealing room and accounting and key personnel/ auditors/ compliance officer/ registrar/ have already been appointed, compliance manual has been prepared etc. They also have to ensure that the company has been diligent in empaneling the brokers, no undue or unfair advantage has been given to any associates etc.
- The amendment also requires asset management company to constitute a Unit Holder Protection Committee, mandate the calculation of income for unit holders, and outline the process for making changes to scheme attributes.
- Regulation 43-A relating to Investment in Corporate Debt Market Development Fund has been inserted which says that mutual funds should invest such percentage of net assets specified by the SEBI in the units of the Corporate Debt Market Development Fund.
- According to Regulation 47, the asset management company will have to compute and carry out valuation of investments made by the scheme of the mutual fund in accordance with the investment valuation norms specified in the Eighth Schedule.

These amendments shall come into force on such dates as the SEBI may by notification in the Official Gazette appoint. However, the amendments to sub-regulations (XIII) and (XIV) of Regulation 3 shall come into force on the date of their publication in the Official Gazette. Further the amendments to clause (i) of sub-regulation (I), sub-regulation (II), sub-regulation (III), sub-regulation (IV), clause (ii) of sub-regulation (VII) and sub-regulation (XXIV) of Regulation 3 shall come into force with effect from August 1, 2023, while the amendments to clause (i) of sub-regulation (VII) of Regulation 3 shall come into force with effect from January 1, 2024.

Below link may be referred for detailed reading of all the amendments.

Accessible here: <https://www.sebi.gov.in>

Securities and Exchange Board of India (SEBI) (Circulars)

1. Online processing of investor service requests and complaints by RTAs

(Circular date: June 08, 2023)

SEBI vide this circular has proposed to digitize processing of investor service requests and complaints in two phases and provided a mechanism for the investor to lodge service requests and complaints online and thereafter track the status and obtain periodical updates which would, inter-alia, confer the following benefits:

- a) Database for service requests and complaints;
- b) Online acknowledgement and intimation to the investor;
- c) Online tracking of status of service requests and complaints by investors

SEBI vide this circular has instructed all RTAs to set up a user-friendly online mechanism or portal for service requests/ complaints with the minimum features as specified in the circular.

The aforesaid online system along with functional website shall be implemented by QRTAs from January 01, 2024 and by all other registered RTAs dealing with listed companies from June 01, 2024.

RTAs shall provide a certificate of compliance from a practicing Company Secretary, within 30 days from the date of implementation of Phase I as provided in para 5 of this circular, certifying the changes carried out, systems put in place/ new operating procedures implemented etc. to comply with the provisions of this circular.

Listed companies and RTAs shall also disseminate the availability of this mechanism on their respective websites.

Accessible here: <https://www.sebi.gov.in>

2. Participation of Mutual funds in repo transactions on Corporate Debt Securities

(Circular date: June 08, 2023)

SEBI vide this circular has modified the Para 12.18 of SEBI Master Circular on Mutual Funds dated May 19, 2023 with the following changes:

- ❖ The Mutual Funds can participate in repos on following corporate debt securities:
 - Listed AA and above rated corporate debt securities
 - Commercial Papers (CPs) and Certificate of Deposits (CDs)

For the purpose of consideration of credit rating of exposure on repo transactions for various purposes including for Potential Risk Class (PRC) matrix, liquidity ratios, Risk-o-meter etc., the same shall be as that of the underlying securities, i.e., on a look through basis.

For transactions where settlement is guaranteed by a Clearing Corporation, the exposure shall not be considered for the purpose of determination of investment limits for single issuer, group issuer and sector level limits.

The provisions of this circular shall come into force with immediate effect and all other conditions mentioned in the abovementioned circular shall remain the same.

Accessible here: <https://www.sebi.gov.in>

3. Regulatory framework for Execution Only Platforms for facilitating transactions in direct plans of schemes of Mutual Funds

(Circular date: June 13, 2023)

Presently, there is no specific framework available for technology/digital platforms (including platforms provided by Investment Advisers/Stock Brokers to non-clients) to provide execution-only services in direct plans of Mutual Fund schemes and to obtain data feeds with respect to such transactions. Therefore, in order to strike a balance between investor convenience and investor protection, SEBI vide this circular has provided a framework for Execution Only Platforms for transacting in direct plans of schemes of Mutual Funds. In this regard, the SEBI (Stock Brokers) Regulations, 1992 have been amended and notified on January 17, 2023.

This circular shall come into force with effect from September 01, 2023.

The comprehensive framework for Execution Only Platforms ('EOPs') is specified at Annexure A of this circular which can be accessed through below link.

Accessible here: <https://www.sebi.gov.in>

4. Adherence to provisions of regulation 51A of SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 by Online Bond Platform Providers on product offerings on Online Bond Platforms

(Circular date: June 16, 2023)

SEBI Circular SEBI/HO/DDHS/DDHS-RACPOD1/P/CIR/2022/154 dated November 14, 2022 ('OBP Circular') provides for the registration and regulatory framework for Online Bond Platform Providers (OBPP). As per Clause 5.2 of the OBP circular, an OBPP are restricted from offering products other than listed debt securities on their platforms. However, it is noted that certain OBPPs continue to offer products other than listed debt securities and debt securities proposed to be listed through a public offering on their platforms. Also, some OBPPs are offering unlisted bonds/ other products on a separate platform/ website and have not divested of such offerings. Such practices are not as per the mandate provided in the SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 (NCS Regulations) and the OBP circular.

In view of the above, SEBI has restricted OBPP to offer on its Online Bond Platform or any other platform/ website, products or services not permitted under the clause 5.2 of the OBP circular and also reiterated that OBPP shall divest itself of offerings of other products/ securities or services.

A holding company, subsidiary or associate of an OBPP or any third party shall not utilize the name/ brand name/ any name resembling to that of the Online Bond Platform Provider or the Online Bond Platform for undertaking any activity or offering products/ securities that are not regulated by a financial sector regulator viz. SEBI, RBI, IRDAI, or PFRDA.

An OBPP shall not have on its Online Bond Platform or any other platform/ website, any link or tab to websites/ platforms of its holding company, subsidiary or associate, undertaking any activity or offering products/ securities or services that are not regulated by a financial sector regulator viz. SEBI, RBI, IRDAI, or PFRDA.

A holding company, subsidiary or associate of an OBPP undertaking any activity or offering products/ securities or services that are not regulated by any financial sector regulator viz.

SEBI, RBI, IRDAI, or PFRDA, shall neither have access to or receive any information about a user of the Online Bond Platform nor cross-sell products/ securities or services to a user of the Online Bond Platform.

In view of the above modifications, the consequential changes in the OBP circular are Annex to this circular which may be accessed through below link.

Accessible here: <https://www.sebi.gov.in>

5. Disclosure of Information on Issuers Not Cooperating (INC) with CRAs

(Circular date: June 27, 2023)

As per regulation 16 of SEBI (Credit Rating Agencies) Regulations, 1999 (“CRA Regulations”) every Credit Rating Agency (‘CRA’) shall carry out periodic reviews of all published ratings during the lifetime of the securities, unless the rating is withdrawn. However, in case a client does not cooperate with the CRA, the CRA is required to carry out the review on the basis of best available information or in the manner specified by SEBI. Further, in such cases, CRAs are required to disclose that such ratings have been assigned based on the best available information.

Over time, the number of issuers that are non-cooperative with CRAs have increased, with a vast majority of INC issuers being unlisted and small entities.

In order to provide enhanced transparency and information regarding non-cooperative issuers to various stakeholders, market participants and investors, SEBI vide this circular has prescribed a format for the CRAs to disclose two lists of the INC issuers and such disclosure shall be made separately for:

- i. Securities that are listed, or proposed to be listed, on a recognized stock exchange, and
- ii. Other ratings

SEBI vide this circular has also specified the format which requires the following disclosures and such disclosures shall be updated on a daily basis:

- a. Name of Non-cooperative issuer;
- b. Date of categorization of issuer as non-cooperative; and
- c. Link to the webpage hosting the issuer’s press releases

The circular shall be applicable with effect from July 15, 2023, and CRAs shall report on their compliance with this circular (as ratified by their respective board of directors) to SEBI within one quarter from the date of applicability of this circular.

Monitoring of this circular shall be done in terms of the half-yearly internal audit for CRAs, mandated under Regulation 22 of the CRA Regulations and circulars issued thereunder.

Accessible here: <https://www.sebi.gov.in>

6. SEBI Board Meeting dated June 28, 2023

SEBI in its Board Meeting held on June 28, 2023 has approved the following key decisions:

- The proposal for reducing the time period for listing of shares in Public Issue from existing 6 days to 3 days, from the date of issue closure (T Day). The revised timeline of T+3 days shall

be made applicable in two phases i.e. voluntary for all public issues opening on or after September 01, 2023 and mandatory on or after December 01, 2023.

- The amendment to SEBI (Listing Obligations and Disclosure requirements) Regulations, 2015 requiring listed entities having outstanding listed NCDs (as on December 31, 2023) to list their subsequent issuances of NCDs at the stock exchange(s). This requirement will come into effect from January 01, 2024.
- The proposal for enabling entities having listed debt securities to delist such securities, subject to compliance with certain requirements including approval from all holders of debt securities, suitable disclosures to the Stock Exchanges, etc.
- Strengthening of investor grievance handling mechanism through SCORES and linking the new platform with the Online Dispute Resolution Mechanism.

Accessible here: <https://www.sebi.gov.in>

7. Master Circulars

SEBI has issued following Master Circulars during the month, in order to provide access to all the applicable circulars/ directions at one place. These master circulars are compilation of all the existing/ applicable circulars issued by SEBI.

- i. Master Circular on Electronic Gold Receipts (EGR)
- ii. Master Circular for Research Analysts
- iii. Master Circular for Investment Advisers
- iv. Master Circular on Scheme of Arrangement
- v. Master Circular for Issue of Capital and Disclosure Requirements
- vi. Master Circular for listing obligations and disclosure requirements for Non-convertible Securities, Securitized Debt Instruments and/ or Commercial Paper

Accessible here: <https://www.sebi.gov.in>

Stock Exchange(s)

1. Filing of Annual Secretarial Compliance Report (ASCR) in XBRL format on BSE Listing Center

(Circular date: June 14, 2023)

The facility for filing of ASCR under Regulation 24A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 in XBRL Mode, has been made available with effect from June 15, 2023. The due date of submission of Secretarial Compliance Report in XBRL format for Financial Year March 31, 2023 was June 30, 2023.

Accessible here: <https://www.bseindia.com>

Accessible here: <https://static.nseindia.com>

2. SEBI (Prohibition of Insider Trading) Regulations, 2015 (“PIT Regulations”) – Framework for restricting trading by Designated Persons (“DPs”) by freezing PAN at security level

(Circular date: June 28, 2023)

This circular is in furtherance to the Exchange notice dated August 8, 2022 and in accordance with SEBI circular dated August 5, 2022, regarding Trading Window closure period under Clause 4 of Schedule B read with Regulation 9 of SEBI (Prohibition of Insider Trading) Regulations, 2015 (“PIT Regulations”) – Framework for restricting trading by Designated Persons (“DPs”) by freezing PAN at security level.

The Circular is applicable to declaration of financial results by the listed company in phased manner as per table given below:

Sr. No.	Quarter-end	Trading window closure start date from	No. of listed companies to be considered for PIT Regulations
1	September 30, 2023	October 1, 2023	List of companies shortlisted shall be shared in separate circular by July 21, 2023.
2	December 31, 2023	January 1, 2024	List of additional companies shortlisted shall be shared in separate circular by October 20, 2023.
3	March 31, 2024	April 1, 2024	All listed companies

Companies that qualify must include all equity ISIN and ISINs that are convertible into equity.

Listed entities are required to designate one of the depositories as its designated depository and provide the information including PAN of Promoter(s), promoter group, director(s) and designated person(s) in the manner as specified by the depositories according to SEBI circular dated September 9, 2020. Further, listed entities shall update their designated person list in the manner specified by the depositories on regular basis.

This circular shall come into force with effect from the quarter ending September 30, 2023.

Accessible here: <https://www.bseindia.com>

3. Master Circular – Listing Compliance

(Circular date: June 30, 2023)

The Exchanges has vide this circular consolidated all the previous circulars/guidelines as on June 14, 2023 and provided a master circular for listed companies, so as to provide one single document to refer for various policy and operational matters. The circular may be referred through the below link.

Accessible here: <https://www.bseindia.com>

Accessible here: <https://static.nseindia.com>

The Institute of Company Secretaries of India (ICSI)

1. Social Audit Standards

ICSI has formulated Social Audit Standards (ICSI SAS) for the purpose of providing guidance to conduct Social Audit of a Social Enterprise engaged in any of the activities as enumerated under Regulation 292E(2) (a) of SEBI (Issue of Capital and Disclosure Requirements), Regulations, 2018. This Standard deals with procedures, responsibilities and duties of the Auditor with respect to the Social Audit being conducted by him/ her of such Social Enterprises.

Social Audit is a novel concept and its impartial systematic process that allows stakeholders to assess the impact made by the Social Enterprise through its intervention, program or projects and identify the gap between desired object and actual impact made by the Social Enterprise during the reporting period.

These Social Audit Standards are applicable to all Social Auditors empanelled with the ICSI Institute of Social Auditors who undertakes the Social Audit assignment as per the relevant provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 and other relevant provisions notified from time to time.

As per these standards “Social Auditor” means an individual registered with a self-regulatory organization under the Institute of Chartered Accountants of India or such other agency, as may be specified by the Board, who has qualified a certification program conducted by (x) National Institute of Securities Market and holds a valid certificate.

Below link may be referred for detailed reading of these standards.

Accessible here: <https://www.icsi.edu>

-----*****-----

Disclaimer

The contents of this publication comprise information in summary form and is therefore intended for general guidance only. It is not intended to be exhaustive or a substitute for professional advice. No one should act on such information without appropriate professional advice.

Bhandari & Associates shall not be responsible for any loss whatsoever sustained by any person relying on this material. If you require any further information about the material contained in this document, please get in touch with us.

We are happy to receive feedback/queries @bhandariandassociates@gmail.com

Bhandari & Associates

Company Secretaries

Agility | Precision | Quality

Mumbai Office:

901, Kamla Executive Park,

Off. Andheri-Kurla Road,

Andheri (East)

Mumbai – 400059

Tel: 022-42215300

www.bhandariandassociates.com

Follow us on:

