

# BHANDARI & ASSOCIATES

## Company Secretaries

# REGULATORY UPDATES

## September, 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).



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

*- Aristotle*

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## Ministry of Corporate Affairs (MCA)

### 1. Notification dated 01.09.2023 on Limited Liability Partnership (Second Amendment) Rules, 2023

*(Circular date: September 01, 2023)*

MCA has notified Limited Liability Partnership (Second Amendment) Rules, 2023 and vide this notification, Form 3 (Information with regard to Limited Liability Partnership Agreement and changes, if any, made therein) and Form 4 (Notice of appointment, cessation, change in name/address/designation of a designated partner or partner and consent to become a partner/designated partner) in the Limited Liability Partnership Rules, 2009 has been substituted.

The key amendments in the Form 3 are:

- A new excel is introduced for point 5(Obligation to contribute) and point 19a(Details of each partners' obligation to contribute money or property or other benefit or to perform services and their profit sharing ratio, after change in LLP agreement and details of designated partners and partner appointed), which is required to be uploaded in the form. This requirement was previously available in the form itself in a tabular format.
- Additional columns such as details of LLPIN/CIN/FCRN/FLLPIN/Other identification number, type of body corporate and name of body corporate are introduced in the said excel sheet.

The key amendments in the Form 4 are:

- A new excel is introduced for point 3 (Details of individual designated partner(s) for which this form is being filed), point 4 (Details of bodies corporate and their nominees as designated partner(s) for which this form is being filed), point 5 (Details of individual partner(s) for which this form is being filed and point 6 (Details of bodies corporate as partners and their nominees for which this form is being filed) which is required to be uploaded in the form. This requirement was previously available in the form itself.
- Jurisdiction of police station is added as a separate heading in the form.

The amendment is effective from September 01, 2023.

The circular can be accessed from the below link.

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

2. Clarification on holding of Annual General Meeting (AGM) and Extra-ordinary General Meeting (EGM) through video conference (VC) or other Audio Video Means (OAVM) and passing of Ordinary and Special resolutions by the companies under the Companies Act, 2013 read with rules made thereunder-Extension of timeline.

*(Circular date: September 25, 2023)*

MCA vide this circular has allowed Companies whose AGMs are due in the year 2023 or 2024 to conduct their AGMs on or before September 30, 2024, in accordance with the requirements laid down in Para 3 and Para 4 of the General Circular No. 20/2020 dated May 05, 2020 and it has been also clarified that this circular shall not be construed as conferring any extension of time for holding AGMs under the Companies Act, 2013.

Further, MCA vide this circular has also allowed Companies to conduct their EGMs through Video-Conference (VC) or Other Audio Video Means (OAVM) or transact items through postal ballot in accordance with framework provided in the Ministry's General Circular No. 14/2020 dated 08.04.2020, General Circular No. 03/2022 dated 05.05.2022 and General Circular No. 11/2022 dated 28.12.2022 upto September 30, 2024.

All other requirement provided in the said circulars has remain unchanged.

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) (Fourth Amendment) Regulations, 2023.

*(Circular date: September 19, 2023)*

SEBI vide this notification has amended the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ["Listing Regulation"] by inserting a new regulation 62A after regulation 62 with respect to listing of subsequent issuances of non-convertible debt securities.

The new regulation 62A is as follows:

1. A listed entity whose non-convertible debt securities are listed shall list all non-convertible debt securities proposed to be issued on or after January 1, 2024 on the Stock exchange(s).
2. A listed entity whose subsequent issues of unlisted non-convertible debt securities made on or before December 31, 2023 are outstanding on the said date may list such securities on the Stock Exchange(s).
3. A listed entity that proposes to list the non-convertible debt securities on the Stock Exchanges on or after January 1, 2024 shall list all outstanding unlisted non-convertible debt securities previously issued before January 1, 2024 on the Stock exchanges within three months from the date of listing of non-convertible debt securities proposed to be listed.
4. However the following securities are not required to be listed:
  - i. Bonds issued under Section 54EC of the Income Tax Act, 1961.
  - ii. Non-Convertible debt securities issued pursuant to an agreement entered into between the listed entity of such securities and multilateral institutions.
  - iii. Non-convertible debt securities issued pursuant to an order of any court or Tribunal or regulatory requirement as stipulated by the financial sector regulatory namely, the Board, Reserve Bank of India, Insurance Regulatory and Development Authority of India or the Pension Fund and Regulatory Development Authority.
5. The securities issued by the listed entity under clause (ii) and (iii) of sub-regulation 4 shall be locked in and held till maturity by the investors and shall be unencumbered.
6. A listed entity proposing to issue securities under sub-regulation (4) shall disclose to the stock exchanges on which its non-convertible debt securities are listed, all the key terms of such securities, including embedded options, security offered, interest rates, charges, commissions, premium (by any name called), period of maturity and such other details as may be required to be disclosed by the Board from time to time.

These amendments has come into force on the date of their publication in the Official Gazette i.e. September 19, 2023.

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

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

### 1. New format of Abridged Prospectus for public issue of Non-Convertible Debt Securities and/or Non-Convertible Redeemable Preference Shares.

*(Circular date: September 04, 2023)*

SEBI vide this circular has revised the format of Abridged prospectus for public issue of Non-Convertible Debt securities and/or Non-convertible Redeemable Preference Shares.

As per regulation 2(1)(a) of SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 (“NCS Regulations”) “abridged prospectus” means a memorandum accompanying the application form for a public issue containing such salient features of a prospectus as specified by Board. Abridged prospectus shall be in the format specified in Part B of Schedule I of NCS Regulations.

In order to further simplify, provide greater clarity and consistency in the disclosures and to provide for additional but critical information in abridged prospectus, SEBI vide this circular has revised the format for disclosures in abridged prospectus which is attached as Annexure-1 to this circular.

Further instructions to investors for completing the application form is specified in Annexure-II to this circular. Issuer/Merchant Banker/syndicate members like brokers who are involved in the public issue shall disclose the same on their websites during the period a public issue is kept open. A copy of Abridged Prospectus should be made available on the website of issuer/ merchant banker/register of issuer and a link for downloading the same shall be provided in issue advertisement for public issue. The issuer/merchant banker shall insert a Quick Response (QR) code on the last page of the abridged prospectus, scan of which would lead to the Prospectus.

The contents of this circular will appropriately be added to Chapter II (Application form and Abridged Prospectus) of the Master Circular dated August 10, 2021, for issue and listing of Non-convertible Securities, Securitised Debt Instruments, Security Receipts, Municipal Debt Securities and Commercial Paper, as updated.

This Circular shall be applicable for all public issues opening on or after October 1, 2023. Accordingly, for public issues that open on or after October 1, 2023, the format of an Abridged Prospectus shall be as per Annex-I of this Circular instead of Part B of Schedule I of the NCS Regulations.

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

### 2. Change in mode of payment w.r.t SEBI Investor Protection and Education Fund Bank A/c.

*(Circular date: September 04, 2023)*

SEBI vide this circular has changed the mode of payment w.r.t SEBI Investor Protection and Education Fund Bank (SEBI IPEF) A/c. SEBI Circular no. SEBI/HO/ISD/ISD/CIR/P/2020//135 dated July 23, 2020 had prescribed that the amount shall be credited to SEBI IPEF through online mode or by way of demand draft in favour of the Board (SEBI IPEF). Henceforth remittances to SEBI IPEF shall be made only through the link provided in the homepage of SEBI website under the head “Click here to make payment to IPEF”. The link enables the remitter to make payment in the following manner:

- Net Banking
- NEFT/RTGS
- Debit Cards
- UPI

While making the remittances online, through the above link, remitters shall furnish the requisite information like name of the payer, PAN, mobile number, email ID, the purpose for which payment is made, the amount to be paid, etc.

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

### 3. Mechanism for sharing of Information by Credit Rating Agencies (CRAs) to Debenture Trustees (DTs)

*(Circular date: September 04, 2023)*

SEBI (Credit Rating Agencies) Regulations 1999 (“CRA Regulations”) and circulars issued thereunder require sharing of certain information from CRAs to Debenture Trustees (DTs). It is essential that data shared by CRAs should be structured and submitted in specific format for which an excel template is provided by SEBI which is placed as Annexure to this circular. CRAs shall use the same template for its daily submission of rating revision to DTs. Such submission shall be sent by CRAs to DTs on the same day as the day of revision in ratings, on either the generic e-mail ID being used for regulatory purpose or e-mail ID/URL as may be communicated by DTs. Monitoring of this circular shall be done in terms of half yearly internal audit for CRAs. The circular shall be applicable with effect from October 01, 2023 and CRAs shall report on the compliance with this circular to SEBI within one quarter form the date of applicability of this circular.

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

### 4. Clarification regarding investment of Mutual Funds schemes in units of Corporate Debt Market Development Fund

*(Circular date: September 06, 2023)*

SEBI vide this circular has provided clarification in reference to SEBI Circular SEBI/HO/IMD/PoD2/P/CIR/2023/129 dated July 27, 2023 on Investment by Mutual Fund Schemes and Asset Management Companies (AMCs) in units of Corporate Debt Market Development Fund (“CDMDF”). In this context Association of Mutual funds in India (AMFI) has requested that for calculation of asset allocation limits, the base may be considered as net asset excluding of investment in units of CDMDF. It is therefore clarified that for calculation of asset allocation limits of mutual fund schemes in terms of Part IV of Chapter 2 on ‘Categorization and Rationalization of Mutual Fund Schemes’ of Master Circular for Mutual Funds dated May 19, 2023, investment in units of CDMDF shall be excluded from base of net assets.

The circular has come into force with immediate effect.

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



5. Redressal of investor grievances through the SEBI Complaint Redressal (SCORES) Platform and linking it to Online Dispute Resolution platform.

*(Circular date: September 20, 2023)*

SEBI Complaint Redressal System (SCORES) is a centralised web based platform compliant redressal facilitation platform launched in 2011 vide its circular dated June 03, 2011 (bearing reference number CIR/OIAE/2/2011) to provide a facilitative platform for the benefit of aggrieved investor whose grievances against (a) listed company, (b) registered intermediary or (c) market infrastructure institution (“Entities”) are not resolved.

SEBI vide this circular has revised the framework for handling of complaints received through SCORES platform for entities and for monitoring the complaints by designated bodies which is specified in ‘Annexure I’ to this circular. A pictographic representation of the process is also set out in Schedule III of this circular. The other general provisions applicable to all entities concerning SCORES portal are specified in Annexure II.

The Entities shall submit the Action Taken Report (ATR) on SCORES within 21 calendar days from the date of receipt of the complaint.

The designated bodies referred to in Schedule II to this circular may apply for SCORES authentication and/or for Application Programming Interface integration as per Annexure I within such period so as to ensure that Designated Bodies can comply with the provision of this circular by December 04, 2023 and onwards.

This circular shall rescind the Master Circular SEBI/HO/OIAE/IGRD/P/CIR/2022/0150 dated November 07, 2022 above with effect from December 04, 2023. However, anything done or any action taken or purported to have been done or taken or any previous operation under the rescinded circular shall remain unaffected as if the rescinded circular have never been rescinded.

The provisions of this circular related to work flow of processing of investor grievances by entities and framework for monitoring and handling of investor complaints by Designated bodies shall come into force from December 04, 2023.

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

6. Extension of timelines (i) for nomination in eligible demat accounts and (ii) for submission of PAN, Nomination and KYC details by physical security holders; and voluntary nomination for trading accounts.

*(Circular date: September 26, 2023)*

SEBI vide this circular has extended the last date for submission of “choice of nomination” in case of trading and demat account to December 31, 2023 which earlier was September 30, 2023 with reference to circular no. SEBI/HO/MIRSD/RTAMB/CIR/P/2021/601 dated July 23, 2021. In case of failure to comply with the same the trading and demat account shall be frozen.

For physical security holder, SEBI vide this circular has extended the last date of submission of PAN, Nomination, Contact details, Bank A/C details and specimen signature for the corresponding



folio number to December 31, 2023 which earlier was September 30, 2023 with reference to circular no. SEBI/HO/MIRSD/MIRSD-POD-1/P/CIR/2023/37 dated March 16, 2023. In case of failure to comply with the same the folio shall be frozen.

This circular has come into effect immediately in supersession of relevant provisions contained in various circulars issued by SEBI including Master Circulars issued for Stock Brokers and Registrars to an Issue and Share Transfer Agents dated May 17, 2023.

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

#### 7. Nomination for Mutual Fund Unit holders- Extension of timelines.

*(Circular date: September 27, 2023)*

SEBI vide circular no. SEBI/HO/IMD/IMD-II DOF3/P/CIR/2022/82 dated June 15, 2022 read with SEBI circular no. SEBI/HO/IMD/IMD-I DOF1/P/CIR/2022/105 dated July 29, 2022, and SEBI circular No. SEBI/HO/IMD/IMD-I POD1/P/CIR/2023/47 dated March 28, 2023 had prescribed the requirement for nomination/ opting out of nomination for all the existing individual unit holder(s) holding mutual fund units either solely or jointly, by September 30, 2023, failing which the folios shall be frozen for debits.

SEBI vide this circular has extended the timelines to comply with the provision mentioned at Para 4 of SEBI circular dated June 15, 2022 with regard to freezing of folios and the same shall come into effect from January 01, 2024 instead of September 30, 2023.

AMC's and RTA's shall encourage the unitholders to fulfill the requirement of nomination/ opting out by sending a communication on fortnightly basis by way of email and SMS to all such unit holder(s) who are in non-compliance with the requirement of nomination. Such communication will provide guidance for nomination or opting out of nomination.

All other provisions of circular no. SEBI/HO/IMD/IMD-II DOF3/P/CIR/2022/82 dated June 15, 2022 and SEBI/HO/IMD/IMD-I DOF1/P/CIR/2022/105 dated July 29, 2022 shall remain unchanged.

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

#### 8. Extension of timeline for verification of market rumours by listed entities.

*(Circular date: September 30, 2023)*

The proviso to Regulation 30(11) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("LODR Regulations") inter-alia requires top 100 listed entities by market capitalization with effect from October 1, 2023 and top 250 listed entities by market capitalization with effect from April 1, 2024 to mandatorily verify and confirm, deny or clarify market rumours.

SEBI vide this circular has extended the effective date of implementation of the proviso to regulation 30(11) of the LODR Regulations for top 100 listed entities by market capitalization, to February 1, 2024 and for top 250 listed entities by market capitalization, to August 1, 2024.

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

## Stock Exchange(s)

1. Transfer of shares and dividend belonging to notified parties by the companies to the Investor and Education Protection Fund (IEPF)

*(Circular dated: September 26, 2023)*

BSE on receipt of a letter from the office of custodian, dated September 15, 2023 has issued this circular. It states that the custodian is directing the listed companies to refrain from transferring, the shares and dividend to IEPF belonging to the notified parties as attached by the custodian.

Please refer the below link for detailed reading.

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

2. Format of Cyber Security Incidence Disclosure under Corporate Governance Report.

*(Circular dated: September 29, 2023)*

SEBI vide its notification dated June 14, 2023, inserted regulation 27(2)(ba) of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015) wherein the details of cyber security incidents or breaches or loss of data or documents shall be disclosed in the Corporate Governance Report to be submitted by the listed entities quarterly, effective July 14, 2023 onwards. In this regard, BSE vide this circular has added the required fields in the existing Corporate Governance Report utility and prescribed a format for disclosing cyber security incidents under the Corporate Governance Report which can be referred from the below link.

The abovementioned changes in the XBRL utility has been made effective from the quarter ended September 30, 2023, and onwards.

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

3. Revised Standard Operating Procedure (SOP) on application filed under Regulation 37 and 59A of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 w.r.t. Scheme of Arrangements

*(Circular dated: September 29, 2023)*

BSE vide this circular has revised Standard Operating Procedure (SOP) to be followed by listed entities w.r.t draft of scheme of arrangement filed with stock exchanges under Regulation 37 and 59A of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 read along with SEBI Master Circulars dated June 20, 2023, SEBI operational Circular SEBI/HO/DDHS/DDHS\_Div1/P/CIR/2022/0000000103 dated July 29, 2022 updated on December, 01 2022 and amendment thereof.

The key points in revised SOP are:

- The Scheme of Arrangement seeking Stock Exchange's NOC under Regulation 37 / 59A of ('SEBI LODR') shall be submitted to the Exchange along with all the documents as per the Exchange Checklist within 15 working days of board meeting approving the draft scheme

of arrangement. In case of non-submission within the prescribed time, the company shall take fresh approval from its board considering fresh financials, valuation report, etc.

- At the time of submission of the application to the Exchanges under Regulation 37/59A of SEBI LODR, the audited financials of last 3 years (financials not being older than 6 months) shall be submitted.
- Audited financials considered for preparation of Valuation Report, shall not be older than 3 months on the date of valuation report. While submitting with Exchange, the detailed working of valuation under different methods shall also be given.
- SEBI shall consider the scheme of arrangement within 7 working days of the issuance of valuation report.
- At the time of submission of application with the Stock Exchanges, the documents under Regulation 37 and Regulation 59A shall be complete in all aspects.
- If the documents are incomplete or any material inadequacies/non-compliance with the SEBI circulars referred above are observed by the Exchange in the documents, the Scheme shall be returned to the Company for filing after ensuing compliance. In such cases, the processing fee paid by the Company will be forfeited by the Exchange/Regulator.
- If any clarification is required from the company side, a period of 7 working days from date of raising query by the Exchange will be allowed to the company for submission of rectification. On expiry of aforesaid timelines if the company is unable to make submissions, then any fees paid by the Company for processing of the application shall be forfeited by the Exchange/Regulator and the scheme documents shall be returned to the company.
- For only Debt Listed Entities: The Listed Entity shall submit their revert to queries (if any) raised by the Stock Exchange as early as possible which shall not exceed thirty days from the date of receipt of the draft scheme of arrangement.
- The company shall be required to pay fresh fees to the exchanges/ Regulator in case of any refiling because of previous unsatisfactory filing.

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

## Reserve Bank of India (RBI)

### 1. Master Direction - Classification, Valuation and Operation of Investment Portfolio of Commercial Banks (Directions), 2023.

*(Circular dated: September 12, 2023)*

Commercial banks are currently required to follow regulatory guidelines on classification and valuation of investment portfolio, which are based on framework issued in October 2000 drawing upon the then prevailing global standards and best practices. In view of the significant development in global financial reporting standards, the linkages with the capital adequacy framework as well as progress in the domestic financial markets, RBI vide this circular has revised regulatory framework for the investment portfolio and issued a Master Direction on Classification, Valuation and Operation of Investment Portfolio of Commercial Banks (Directions), 2023. The revised framework updates the regulatory guidelines with global standards and best practices while introducing a symmetric treatment of fair value gains and losses, a clearly identifiable trading book under Held for Trading (HFT), removing the 90-day ceiling on holding period under HFT, removal of ceilings on Held to Maturity and more detailed disclosures on the investment portfolio.

These Directions shall be applicable to all banking companies, corresponding new banks and State Bank of India as defined under subsections (c), (da) and (nc) of section 5 of the Banking Regulation Act, 1949.

These Directions shall come into effect for accounting period commencing on or after April 1, 2024.

Below link may be referred for detailed reading of these Master Directions.

Accessible here: <https://www.rbi.org.in>

### 2. Master Direction - Reserve Bank of India (Prudential Regulations on Basel III Capital Framework, Exposure Norms, Significant Investments, Classification, Valuation and Operation of Investment Portfolio Norms and Resource Raising Norms for All India Financial Institutions) Directions, 2023

*(Circular dated: September 21, 2023)*

RBI vide this circular has issued the Master Directions on Prudential Regulations on Basel III Capital Framework, Exposure Norms, Significant Investments, Classification, Valuation and Operation of Investment Portfolio Norms and Resource Raising Norms for All India Financial Institutions which can be accessed through the below link.

Accessible here: <https://www.rbi.org.in>

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## Disclaimer

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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.

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Agility | Precision | Quality

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