

LOVI MEHROTRA & ASSOCIATES

CHARTERED ACCOUNTANTS

MONTHLY UPDATE JULY 2019

(Circulars / Notifications released during July 2019)

[RBI](#)

[SEBI](#)

[MCA](#)

31st July, 2019

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I. RBI

S. NO.	CIRCULAR/ NOTIFICATION NO.	PARTICULARS	SHORT SUMMARY
1.	RBI/2018-19/226 A.P. (DIR Series) Circular No. 37 Dated 28 th June, 2019	Annual Return on Foreign Liabilities and Assets Reporting by Indian Companies	<p>Annual reporting of Foreign Liabilities and Assets (FLA) by Direct investment companies has been replaced with web-based Foreign Liabilities and Assets Information Reporting (FLAIR) system.</p> <p>Following are the main features of the revised Foreign Liabilities and Assets Information Reporting (FLAIR) system introduced by RBI:</p> <ol style="list-style-type: none"> Reserve Bank will provide a web-portal interface https://flair.rbi.org.in to the reporting entities for submitting "User Registration Form". The form will seek investor-wise direct investment and other financial details on a fiscal year basis. In addition, the revised form seeks information on the first year of receipt of FDI/ODI and disinvestment. Reporting entities will get system-generated acknowledgment receipt upon successful submission of the form. They can revise the data, if required, and view/download the information submitted. Entities can submit FLA information for earlier year/s after receiving RBI confirmation on their request email. The existing mechanism of email-based submission of FLA forms will be discontinued. <p><i>In view of the recent change in reporting platform for submission of FLA return, the last date for filing the FLA return for 2018-19 has been extended to July 31, 2019.</i></p> <p>Notification</p>
2.	RBI/2019-20/12 DBR.BP.BC.No.2 /21.04.098/2019-20 Dated 5 th July, 2019	Basel III Framework on Liquidity Standards - Liquidity Coverage Ratio (LCR), FALLCR against credit disbursed to NBFCs and HFCs	<p>RBI had earlier permitted banks to reckon, in a phased manner, an additional 2 percent of government securities held by them under Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR) within the mandatory SLR requirement, as Level 1 HQLA – High Quality Liquid Asset for the purpose of computing Liquidity Coverage Ratio (LCR).</p> <p>RBI has now decided that, with immediate effect, banks will be permitted to reckon this increase in FALLCR of 1.0 per cent of the bank's NDTL - Net Demand and Time Liabilities as Level 1 HQLA for computing LCR, to the extent of incremental outstanding credit to NBFCs and Housing Finance Companies (HFCs) over and above the amount of credit to NBFCs/HFCs outstanding on their books as on</p>

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			date. Notification									
3.	RBI/2019-20/20 A.P. (DIR Series) Circular No. 04 Dated 30 th July, 2019	External Commercial Borrowings (ECB) Policy – Rationalisation of End-use Provisions	<p>In terms of the provisions contained in the RBI master direction dated 26th March, 2019, ECB proceeds could not be utilized for working capital purposes, general corporate purposes and repayment of Rupee loans except when the ECB is availed from foreign equity holder for a minimum average maturity period of 5 years. Further, on-lending for these activities out of ECB proceeds was also prohibited.</p> <p>Vide this circular; RBI has now liberalized the ECB framework by rationalizing the end-use provisions contained in the master direction issued on the subject.</p> <p>Eligible borrowers are now permitted to raise ECBs for the following purposes from recognized lenders, except foreign branches/ overseas subsidiaries of Indian banks:</p> <table><tr><th>Minimum Average Maturity period</th><th>Purpose / End Use</th><th>Additional Provisions</th></tr><tr><td>10 Years</td><td>Working Capital purposes and general corporate purposes Repayment of Rupee loans availed domestically for purposes other than capital expenditure</td><td>Borrowing by NBFCs for on-lending for the purposes mentioned is also permitted.</td></tr><tr><td>7 Years</td><td>Repayment of Rupee loans availed domestically for capital expenditure</td><td>Borrowing by NBFCs for on-lending for the purposes mentioned is also permitted.</td></tr></table> <p>Additionally, eligible corporate borrowers are permitted to avail ECB for repayment of Rupee loans availed domestically for capital expenditure in manufacturing and infrastructure sector if classified as SMA-2 or NPA, under any one time settlement with lender.</p> <p>Notification</p>	Minimum Average Maturity period	Purpose / End Use	Additional Provisions	10 Years	Working Capital purposes and general corporate purposes Repayment of Rupee loans availed domestically for purposes other than capital expenditure	Borrowing by NBFCs for on-lending for the purposes mentioned is also permitted.	7 Years	Repayment of Rupee loans availed domestically for capital expenditure	Borrowing by NBFCs for on-lending for the purposes mentioned is also permitted.
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II. SEBI

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1.	<p>Circular No.: SEBI/HO/CFD/CMD1/CIR/P/2019/78</p> <p>Dated 16th July, 2019</p>	<p>Circular on Modification of circular dated September 24, 2015 on 'Format for compliance report on Corporate Governance to be submitted to Stock Exchange (s) by Listed Entities'</p>	<p>Regulation 27(2) of SEBI (LODR) Regulations, 2015, specifies that listed entity shall submit a quarterly compliance Report on Corporate Governance in the specified format to recognized Stock Exchange(s) within 15 days from close of each quarter.</p> <p>(Format was prescribed vide Circular No. CIR/CFD/CMD/5/2015 dated September 24, 2015).</p> <p>Based on Kotak Committee recommendations, SEBI has now prescribed a new format for disclosures to be made as under:</p> <p>i) on quarterly basis, ii) at the end of financial year (for the whole of the financial year) and iii) within six months from the end of the financial year This can be submitted along with the second-quarter report.</p> <p>Further, in view of the revised timelines under the amended regulations, the circular shall come into force with effect from the quarter ending on September 30, 2019.</p> <p>Circular</p>
2.	<p>Circular No.: CIR/CFD/CMD1/79/2019</p> <p>Dated 17th July, 2019</p>	<p>Disclosure of divergence in the asset classification and provisioning by banks</p>	<p>SEBI vide circular dated July 18, 2017, had specified that banks which have listed specified securities shall disclose to the stock exchanges, divergences in the asset classification and provisioning wherever the additional provisioning requirements assessed by RBI/the additional Gross NPAs identified by RBI exceeded a certain threshold.</p> <p>RBI has now modified the disclosure requirements varying the aforesaid thresholds, vide its Notification dated April 1, 2019.</p> <p>In line with the revised RBI requirements, , SEBI has now prescribed that all banks which have listed specified securities shall disclose to the stock exchanges divergences in the asset classification and provisioning, if either or both of the following conditions are satisfied:</p> <p>a. the additional provisioning for NPAs assessed by RBI exceed 10 per cent of the reported profit before provisions and contingencies for the reference period, and b. the additional Gross NPAs identified by RBI exceed 15 per cent of the published incremental Gross NPAs for the reference period.</p>

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			<p>All other requirements mentioned in the circular on the subject dated July 18, 2017 would remain unchanged.</p> <p>Circular</p>
3.	<p>Circular No.: SEBI/HO/ISD/IS D/CIR/P/2019/82</p> <p>Dated 19th July, 2019</p>	<p>Standardizing Reporting of violations related to Code of Conduct under SEBI (Prohibition of Insider Trading) Regulations, 2015</p>	<p>In terms of SEBI (Prohibition of Insider Trading Regulations) 2015, listed entities, intermediaries and fiduciary entities are required to formulate a code of conduct for designated persons and their immediate relatives and to inform non compliances to SEBI.</p> <p>SEBI has now standardized the process relating to dealing with aforesaid the Code of Conduct. The listed entities, intermediaries and fiduciary entities are now mandated to:</p> <ul style="list-style-type: none"> - report the non-compliances in Ann - A specified vide this circular. - maintain a database of the violation of the code of conduct by designated persons and immediate relatives of designated persons that would entail initiation of appropriate action against them. <p>Circular</p>
4.	<p>Circular No.: SEBI/HO/CFD/DIL2/CIR/P/2019/85</p> <p>Dated 26th July, 2019</p>	<p>Streamlining the Process of Public Issue of Equity Shares and convertibles- Implementation of Phase II of Unified Payments Interface with Application Supported by Block Amount</p>	<p>SEBI vide circular dated 01.11.2018, had introduced the use of Unified Payments Interface (UPI) as a payment mechanism with Application Supported by Block Amount (ASBA) for applications in public issues by retail individual investors through intermediaries (Syndicate members, Registered Stock Brokers, Registrar and Transfer agent and Depository Participants) with effect from January 1, 2019.</p> <p>Implementation was carried out in a phased manner and Phase II has become effective from July 2019.</p> <p>Vide this circular, SEBI has prescribed that applications through UPI in IPOs can be made only through the Self Certified Syndicate Banks (SCSBs) / mobile applications (apps) whose name appears on the SEBI website. A list of SCSBs and mobile application, which, as on the date of this Circular, are live for applying in public issues using UPI mechanism is provided at Annexure 'A' to this circular.</p> <p>Circular</p>

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III. MCA

S. NO.	CIRCULAR/ NOTIFICATION NO.	PARTICULARS	SHORT SUMMARY						
1.	<p>Notification No. S.O. 2269 (E). read with G.S.R. 467(E).</p> <p>Dated 1st July, 2019</p> <p>Effective Date: 15th August, 2019</p>	<p>Commencement Notification in respect of Section 406 of the Companies Act, 2013 and the Nidhi (Amendment) Rules, 2019</p>	<p>MCA has notified Section 81 of the Companies Act, 2017 (Section 406 of Companies Act, 2013) pertaining to NIDHI companies and amended the original Nidhi Rules, 2014 through Nidhi (Amendment) Rules, 2019.</p> <p>The new Nidhi rules have changed the basic status of Nidhi Companies. Now, companies have to claim the Nidhi status by filing NDH-4 form instead of registration. In case a company does not follow the Nidhi rules, then it will lose the Nidhi status.</p> <p>The due date for filing the NDH-4 form is as follows;</p> <table><thead><tr><th>Particulars</th><th>Due date</th></tr></thead><tbody><tr><td>For every new Nidhi company</td><td>Within sixty days after the expiry of one year from the date of its incorporation</td></tr><tr><td>For every existing company</td><td>Within a period of one year from its date of incorporation OR within a period of six months from the date of commencement of Nidhi rules 2019, whichever is later</td></tr></tbody></table> <p>Form NDH-4 has been introduced for:</p> <ul style="list-style-type: none">- self declaration of compliance with applicable NIDHI regulations)- for updation of status as NIDHI company- Filing of registration <p>Companies not complying with the aforesaid requirements within the prescribed timelines, shall not be allowed to file Form SH-7 (Notice to Registrar of any alteration of share capital) and Form PAS-3 (Return of Allotment).</p> <p>Notification</p>	Particulars	Due date	For every new Nidhi company	Within sixty days after the expiry of one year from the date of its incorporation	For every existing company	Within a period of one year from its date of incorporation OR within a period of six months from the date of commencement of Nidhi rules 2019, whichever is later
Particulars	Due date								
For every new Nidhi company	Within sixty days after the expiry of one year from the date of its incorporation								
For every existing company	Within a period of one year from its date of incorporation OR within a period of six months from the date of commencement of Nidhi rules 2019, whichever is later								
2.	<p>Notification No. S.O. 466 (E).</p> <p>Dated 1st July, 2019</p>	<p>Companies (Significant Beneficial Owners) Second Amendment Rules, 2019</p>	<p>MCA has amended the Companies (Significant Beneficial Owners) Rules, 2018 by which e-Form BEN-2 for filing of Return to the Registrar in respect of declaration under Section 90 (Significant Beneficial Owners) has been notified.</p> <p>MCA had earlier clarified the time limit for filing the e-Form BEN-2 without additional fee shall be 30 days from the date of deployment of e-form BEN-2 on the MCA portal i.e. 01.07, 2019.</p>						

			<p>This time limit has been further extended to 30.09.2019 (see point no 4 below General Circular No. 08/2019)</p> <p>Notification</p>									
3.	<p>Notification No. G.S.R. ____ (E). Dated 25th July, 2019</p>	<p>Companies (Appointment and Qualification of Directors) Third Amendment Rules, 2019 read with Companies (Registration Offices and Fees) Fourth Amendment Rules, 2019</p>	<p>MCA has amended the Companies (Appointment and Qualification of Directors) Rules, 2014.</p> <p>As per the amended rules, every person who is a DIN holder is required to file E-Form DIR-3 KYC / E-Form DIR-3 KYC_WEB as tabulated hereunder:</p> <table><tr><th>Form Type</th><th>To be filed by</th><th>Due date</th></tr><tr><td>E-Form DIR-3 KYC</td><td>individual who holds DIN and is filing his KYC details for the first time or by the DIN holder who has already filed his KYC once in E-Form DIR-3 KYC but wishes to update his details.</td><td>30th September, 2019</td></tr><tr><td>DIR-3-KYC-WEB</td><td>by the DIN holder who has submitted DIR-3 KYC E-Form in the previous financial year and no update is required in his details.</td><td>30th September, 2019</td></tr></table> <p>There is no fees for filing the above forms within the aforesaid time limits. However, there is penalty of Rs. 5,000 for delay in filing the forms.</p> <p>Notification</p>	Form Type	To be filed by	Due date	E-Form DIR-3 KYC	individual who holds DIN and is filing his KYC details for the first time or by the DIN holder who has already filed his KYC once in E-Form DIR-3 KYC but wishes to update his details.	30 th September, 2019	DIR-3-KYC-WEB	by the DIN holder who has submitted DIR-3 KYC E-Form in the previous financial year and no update is required in his details.	30 th September, 2019
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DIR-3-KYC-WEB	by the DIN holder who has submitted DIR-3 KYC E-Form in the previous financial year and no update is required in his details.	30 th September, 2019										
4.	<p>General Circular No. 08/2019</p>	<p>Relaxation of additional fees and extension of last date of filing of Form BEN-2 under the Companies Act, 2013</p>	<p>Vide this circular, MCA has extended the time limit for filing of E-Form BEN-2 (Declaration of Beneficial Interest) upto 30.09.2019.</p> <p>No additional fees will be payable for filing of form within the aforesaid date.</p> <p>Circular</p>									

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Disclaimer:

This is not a complete listing of all circulars/notifications issued during the month.

Instead it is only a listing of some of the circulars/notifications that we considered important.