

LOVI MEHROTRA & ASSOCIATES

CHARTERED ACCOUNTANTS

MONTHLY UPDATE JUNE 2019

(Circulars / Notifications released during June 2019)

[RBI](#)

[SEBI](#)

[MCA](#)

29th June, 2019

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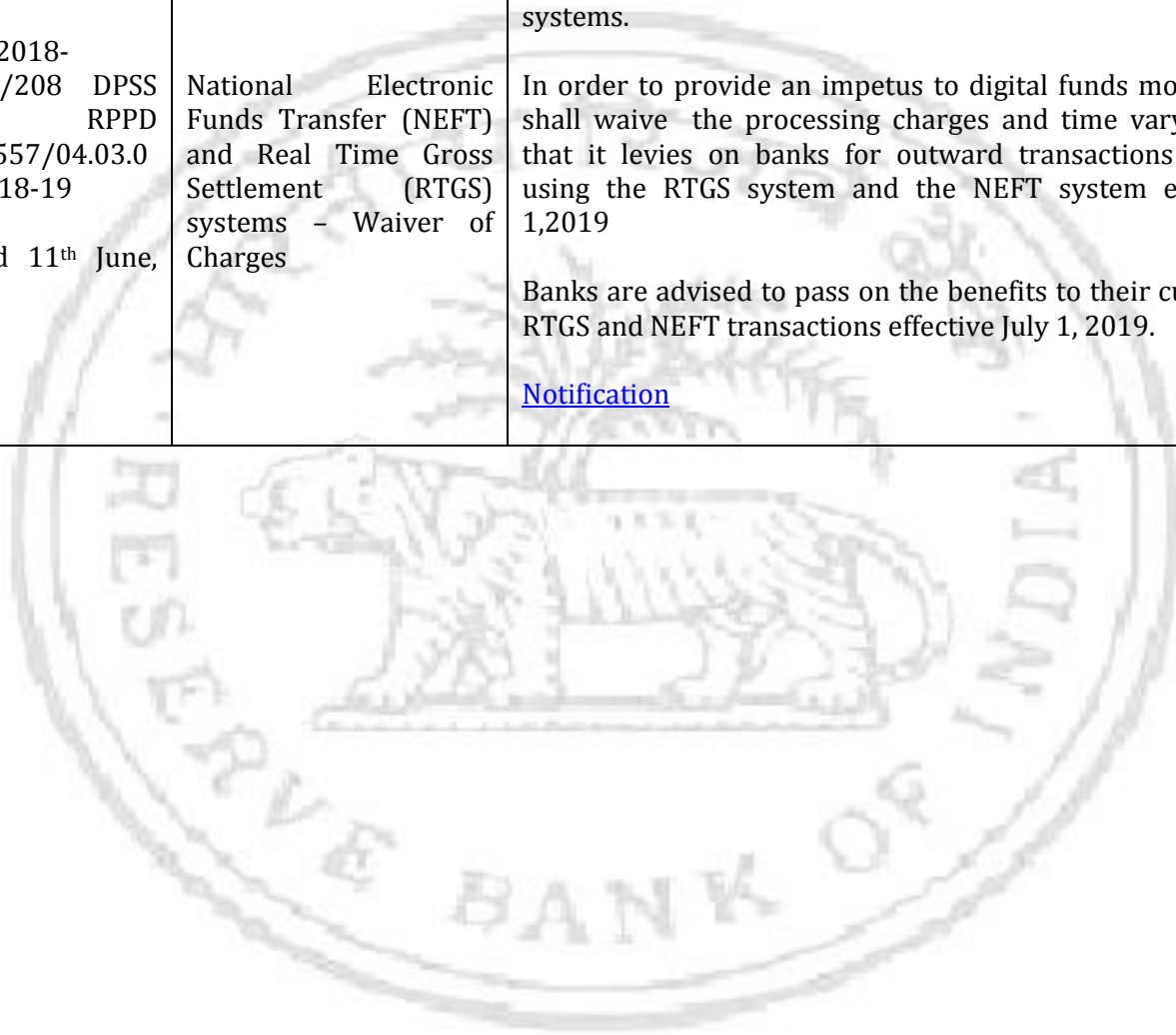
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I. RBI

S.NO.	CIRCULAR/ NOTIFICATION NO.	PARTICULARS	SHORT SUMMARY										
1.	RBI/2018-19/203 DBR.No.BP.BC.45/21.04.048/2018-19 Dated 7 th June, 2019	Prudential Framework for Resolution of Stressed Assets	<p>RBI has issued the Reserve Bank of India (Prudential Framework for Resolution of Stressed Assets) Directions 2019 with the objective of early recognition; reporting and time bound resolution of stressed assets. The Directions shall apply to Scheduled Commercial Banks, All India Term Financial Institution, Small Finance Banks and NBFC's.</p> <p>Following are the brief highlights of the directions issued:</p> <table border="1"> <tr> <td>Early identification and Reporting of Stress</td> <td>Classification as Special Mention Accounts based on defined categorization for loans and credit facilities</td> </tr> <tr> <td>Implementation of Resolution Plan (a <i>breather from the one-day default rule whereby they had to draw up a Resolution Plan(RP) for implementation within 180 days of the first default.</i></td> <td><i>Prima facie</i> review of the borrower account within thirty days from default ("Review Period"). RP shall be implemented within 180 days from the end of Review Period for accounts with exposure above a threshold on or after the 'reference dates defined based on amounts involved in default</td> </tr> <tr> <td>Implementation conditions for Resolution Plan</td> <td>Norms defined for independent credit evaluation (ICE) of the residual debt (exceeding INR 1 Billion) by credit rating agencies Conditions laid down for RP to be deemed to be implemented.</td> </tr> <tr> <td>Delayed implementation of Resolution Plan</td> <td>Norms defined for additional provision to be made in case RP is delayed.</td> </tr> <tr> <td>Prudential Norms</td> <td>Prudential norms applicable to any restructuring/change in ownership, whether under</td> </tr> </table>	Early identification and Reporting of Stress	Classification as Special Mention Accounts based on defined categorization for loans and credit facilities	Implementation of Resolution Plan (a <i>breather from the one-day default rule whereby they had to draw up a Resolution Plan(RP) for implementation within 180 days of the first default.</i>	<i>Prima facie</i> review of the borrower account within thirty days from default (" Review Period "). RP shall be implemented within 180 days from the end of Review Period for accounts with exposure above a threshold on or after the ' reference dates defined based on amounts involved in default	Implementation conditions for Resolution Plan	Norms defined for independent credit evaluation (ICE) of the residual debt (exceeding INR 1 Billion) by credit rating agencies Conditions laid down for RP to be deemed to be implemented.	Delayed implementation of Resolution Plan	Norms defined for additional provision to be made in case RP is delayed.	Prudential Norms	Prudential norms applicable to any restructuring/change in ownership, whether under
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			<p>the IBC framework or outside the IBC defined in Annexure to the Directions,</p> <p>Notification</p>
2.	<p>RBI/2018-2019/208 DPSS (CO) RPPD No.2557/04.03.0 1/2018-19</p> <p>Dated 11th June, 2019</p>	<p>National Electronic Funds Transfer (NEFT) and Real Time Gross Settlement (RTGS) systems - Waiver of Charges</p>	<p>Reserve Bank has reviewed the charges levied by it on the member banks for transactions processed in the RTGS and NEFT systems.</p> <p>In order to provide an impetus to digital funds movement, RBI shall waive the processing charges and time varying charges that it levies on banks for outward transactions undertaken using the RTGS system and the NEFT system effective July 1,2019</p> <p>Banks are advised to pass on the benefits to their customers for RTGS and NEFT transactions effective July 1, 2019.</p> <p>Notification</p>

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II. SEBI

S.NO.	CIRCULAR/ NOTIFICATION NO.	PARTICULARS	SHORT SUMMARY										
1.	Circular No.: SEBI/HO/MIRSD/DOS3 /CIR/P/2019/70 Dated 13 th June, 2019	Guidelines for Enhanced Disclosures by Credit Rating Agencies (CRAs)	<p>SEBI has released Guidelines for enhanced by Credit rating agencies. The Guidelines deal with the following disclosure requirements</p> <table border="1"> <tr> <td>Computation of Cumulative Default Rates (CDR)</td> <td>CDR shall be calculated issuer-wise using the Marginal Default Rate (MDR) approach, using monthly static pools.</td> </tr> <tr> <td>Probability of Default (PD) benchmarks</td> <td>PD benchmarks shall be computed and disclosed for each rating category for one-year, two-year and three-year cumulative default rates ,both for short-run and long-run</td> </tr> <tr> <td>Rating symbol for instruments having explicit Credit Enhancement feature</td> <td>CRAs shall now assign the suffix 'CE (Credit Enhancement) to rating of instruments having explicit credit enhancement. Standardized symbols and definitions are included in Annexure B to the circular.</td> </tr> <tr> <td>Disclosure of rating sensitivities in press release</td> <td>CRA shall have a specific section on 'Rating Sensitivities' in the Press Release which shall explain the broad level of operating and/ or financial performance levels that could trigger a rating change</td> </tr> <tr> <td>Disclosure on Liquidity Indicators</td> <td>Liquidity indicators to be disclosed using one of the following indicators: a. Superior / Strong b. Adequate c. Stretched d. Poor</td> </tr> </table> <p>Circular</p>	Computation of Cumulative Default Rates (CDR)	CDR shall be calculated issuer-wise using the Marginal Default Rate (MDR) approach, using monthly static pools.	Probability of Default (PD) benchmarks	PD benchmarks shall be computed and disclosed for each rating category for one-year, two-year and three-year cumulative default rates ,both for short-run and long-run	Rating symbol for instruments having explicit Credit Enhancement feature	CRAs shall now assign the suffix 'CE (Credit Enhancement) to rating of instruments having explicit credit enhancement. Standardized symbols and definitions are included in Annexure B to the circular.	Disclosure of rating sensitivities in press release	CRA shall have a specific section on 'Rating Sensitivities' in the Press Release which shall explain the broad level of operating and/ or financial performance levels that could trigger a rating change	Disclosure on Liquidity Indicators	Liquidity indicators to be disclosed using one of the following indicators: a. Superior / Strong b. Adequate c. Stretched d. Poor
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	Circular No. HO/MIRSD/DOP/CIR/P /2019/75	Handling of Clients' Securities by Trading Members/Clearing Members	In order to protect clients' funds and securities, The Securities Contracts (Regulation) Act, 1956 and Securities and Exchange Board of India (Stock-Brokers) Regulations, 1992 specifies that the stock broker shall segregate										

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	Dated 20 th June , 2019		<p>securities or moneys of the client or clients or shall not use the securities or moneys of a client or clients for self or for any other client. Circulars were issued by SEBI from time to time detailing the operational modalities with respect to handling of client's funds and securities by stock broker.</p> <p>Circulars have been issued by SEBI from time to time detailing the operational modalities with respect to handling of client's funds and securities by stock broker.</p> <p>SEBI has now mandated that effective 01-09 2019, clients' securities lying with the TM/CM in "Client collateral account" "Client Margin Trading Securities account" and "Client unpaid securities account" cannot be pledged to the Banks/NBFCs for raising funds even with authorization by client . Further the client securities already pledged shall by 31-08-2019 either be unpledged and returned to the clients upon fulfillment of pay-in obligation or disposed off after giving notice of 5 days to the client.</p> <p>Stock Exchanges, Clearing Corporations and Depositories shall put in place a mechanism for monitoring of the implementation of the provisions of this circular.</p> <p>Circular</p>

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III. MCA

S.NO.	CIRCULAR/ NOTIFICATION NO.	PARTICULARS	SHORT SUMMARY
1.	Notification No. G.S.R. 390(E) Dated 30 th May, 2019	Schedule VII of the Companies Act, 2013	<p>MCA has notified further amendments to Schedule VII of the Companies Act, 2013, with respect to CSR activities.</p> <p>Amendment seeks to include disaster management, including relief, rehabilitation and reconstruction activities as new areas under CSR activities.</p> <p>Before the said amendment, the contribution to any disaster management / relief activities was not specifically covered in the Schedule except for Prime Minister's National Relief Fund.</p> <p>Notification</p>
2.	Notification No. G.S.R. 411(E) Dated 7 th June, 2019	Companies (Incorporation) Sixth Amendment Rules, 2019	<p>MCA has amended the Companies (Incorporation) Rules, 2014 by which Rule 19 pertaining to License under Section 8 for new companies with charitable objects etc. has been amended.</p> <p>Requirement of obtaining License in E-Form INC-12 from Registrar of Companies, before incorporation of the Sec 8 company is now dispensed with.</p> <p>MCA has made necessary changes in the e-Form INC - 32 (Spice) and all information / declarations are now part of the form. Separate filing and processing of Form INC - 12 is no longer required.</p> <p>The aforesaid amendment is effective from 15th August, 2019.</p> <p>Notification</p>
3.	General Circular No. 07/2019 Dated: 27 th June, 2019	Filing DIR-3 KYC under the Companies Act. 2013	<p>MCA has proposed that every person who has already filed DIR-3 KYC will only be required to complete his/her KYC vide a simple web-based verification service, with pre-filled data based on the records in the registry.</p> <p>However, for updation of mobile no. or e-mail address, e-form DIR-3 KYC will be required to be filed. In case of updation in any other personal detail, e-form DIR-6 may be filed for updation of the same before completion of KYC</p>

			<p>through the web-based service.</p> <p>The amendment in the relevant rules including the amendment related to the extension of time for completion of KYC through e-form DIR-3 KYC or the web-based service is to be notified shortly.</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.

Ministry of Company Affairs
Government of India