

LOVI MEHROTRA & ASSOCIATES

CHARTERED ACCOUNTANTS

MONTHLY UPDATE SEPTEMBER 2019

(Circulars / Notifications released during September 2019)

[RBI](#)

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30th September, 2019

Lovi Mehrotra & Associates

21-22, II Floor, Krishna Nagar,

Safdarjung Enclave,

New Delhi – 110029

www.lma.co.in

I. RBI

S. NO.	CIRCULAR/ NOTIFICATION NO.	PARTICULARS	SHORT SUMMARY
1.	<p>RBI/2019-20/64 DBS.CO.ARS.No. BC.01/08.91.02 1/2019-20</p> <p>Dated 18th September, 2019</p>	Concurrent Audit System	<p>Reference RBI circular dated 16 July, 2015 on the Concurrent Audit System for Commercial Banks.</p> <p>Existing guidelines on the subject have been reviewed and revised guidelines have been issued under this circular.</p> <p>The revised guidelines covers the following aspects which are briefed as under:</p> <p>A. Coverage: The scope of work is left to the discretion of the head of internal audit of banks, with the due prior approval of the Audit Committee of the Board of Directors (ACB)/Local Management Committee ((LMC) in case of foreign banks) of the bank.</p> <p>B. Appointment of Auditors: The option to consider whether concurrent audit should be done by bank's own staff or external auditors (which may include retired staff of its own bank) continues to be at the discretion of individual banks.</p> <p>C. Accountability: If external firms are appointed and any serious acts of omission or commission are noticed in their working, their appointments may be cancelled after giving them reasonable opportunity to be heard and the fact shall be reported to ACB/ LMC of the bank, RBI and ICAI.</p> <p>D. Tenure: ACB/ LMC of the bank shall decide the maximum tenure of external concurrent auditors with the bank.</p> <p>E. Remuneration: The remuneration to be paid to external concurrent auditors shall be decided by the ACB/ LMC of the bank.</p> <p>F. Review of effectiveness of Concurrent Audit: ACB/ LMC of the bank should review the effectiveness of the Concurrent Audit system as well as the performance of the concurrent auditors on an annual basis and take necessary measures to suitably strengthen the system.</p> <p>G. Reporting System: Banks' Internal Audit Department should develop a reporting system for concurrent auditors with the approval of ACB/LMC.</p> <p>Notification</p>

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II. SEBI

S. NO.	CIRCULAR/ NOTIFICATION NO.	PARTICULARS	SHORT SUMMARY						
1.	<p>Circular No.: SEBI/HO/CDMR D/DRMP/CIR/P /2019/100</p> <p>Dated 13th September, 2019</p>	<p>Additional commodities as Eligible Liquid Assets for Commodity Derivatives Segment</p>	<p>SEBI has decided to include Diamond, Base metals and Alloys in the list of permissible liquid assets, subject to concentration limits for non-bullion collateral as specified vide SEBI Circular dated October 14, 2016 and Minimum Haircut as mentioned below:</p> <table><tr><th>Item</th><th>Minimum Haircut</th></tr><tr><td>Base metals and Alloys*</td><td>30%</td></tr><tr><td>Diamond</td><td>40%</td></tr></table> <p>* Steel being an Alloy, minimum haircut stipulated for Steel stands revised from current applicable level of 60% to 30%</p> <p>Further, all commodities to be accepted as collateral should be of same quality specification which is deliverable under the contract specification of commodity derivatives being traded on the Exchange.</p> <p>Circular</p>	Item	Minimum Haircut	Base metals and Alloys*	30%	Diamond	40%
Item	Minimum Haircut								
Base metals and Alloys*	30%								
Diamond	40%								
2.	<p>Circular No.: SEBI/LAD-NRO/GN/2019/ 32</p> <p>Dated 17th September, 2019</p>	<p>Securities and Exchange Board of India (Prohibition of Insider Trading) (Third Amendment) Regulations, 2019</p>	<p>Vide this amendment, SEBI has formalized a scheme for incentivizing informants of original information pertaining to violation of Insider Trading laws. SEBI has also specified the procedural aspects in this regard dealing with the following</p> <ul style="list-style-type: none">• -setting up an independent office (Office of Informant Protection) separate from the investigation and inspection wings• informant would be mandated to disclose the source of original information and to provide an undertaking that such information was not sourced from any person employed with SEBI or any related regulator.• confidentiality regarding the identity of the informant and information provided would be protected through the OIP <p><u>Reward Mechanism</u></p> <ul style="list-style-type: none">• Informants would be suitably rewarded in case Unpublished Price Sensitive Information (UPSI) provided by them leads to a disgorgement of at least Rs 1 crore.• Total amount of monetary reward shall be 10 percent of the monies collected but shall not exceed Rs 1 crore.• Interim reward not exceeding Rs 10 lacs may be given at the stage of issuance of the final order by the SEBI against the person directed to disgorge.						

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			<ul style="list-style-type: none"> Reward will be paid through Investor Protection and Education Fund (IEPF). Regulations
3.	Circular No.: SEBI/LAD-NRO/GN/2019/34 Dated 23 rd September, 2019	Securities and Exchange Board of India (Credit Rating Agencies) (Amendment) Regulations, 2019	<p>SEBI has amended the Securities and Exchange Board of India (Credit Rating Agencies) Regulations, 1999.</p> <p>Following amendment have been brought in the regulation 14 to incorporate enabling provisions in rating agreements:</p> <ol style="list-style-type: none"> Substitution of clause “c” to the effect that the client shall co-operate with the credit rating agency in order to enable the latter to carry out periodic review of the rating during the tenure of the rated instrument. Deletion of words “agree to” from the following clauses with the effect that clients will now be mandated to <ul style="list-style-type: none"> (clause d) provide true/adequate information required for the rating (clause f) disclose information in the Offer document, the ratings assigned to the client’s listed securities by any Credit rating agency during the last three years and details of any rating to clients securities by other credit agency not accepted by the client. (clause g) obtain a rating for any debt securities in accordance with the relevant regulations. In order to enable CRAs to have timely information on the default of an entity, clause h has been inserted in the rating agreement between the CRA and the issuer/ client, providing explicit consent by the client to the CRA to obtain details of the existing and/ or future borrowing of the issuer, its repayment and any delay or default in servicing of such borrowing, either from the lender or any other statutory/ non-statutory organization maintaining any such information. <p>Amendments shall come into force from date of their publication in official gazette (September 23, 2019)</p> Regulation
4.	Circular No.: SEBI/LAD-NRO/GN/2019/35	Securities and Exchange Board of India (Issue of Capital and Disclosure	SEBI has amended the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.

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	Dated 23 rd September, 2019	Requirements) (Fourth Amendment) Regulations, 2019	<p><u>Following amendments have been brought in the regulations:</u></p> <ol style="list-style-type: none"> 1. Substitution of words “foreign portfolio investor other than Category III foreign portfolio investor” with the words “foreign portfolio investor other than individuals, corporate bodies and family offices” in clauses oo, pp, ss of regulation 2(1) implying that the exceptions granted in the respective definitions of ‘promoter’, ‘promoter group’ and ‘qualified institutional buyer’ will not be available to category III FPI. 2. Insertion of Part V. Granting companies listed on the Innovators Growth Platform pursuant to an initial public offer, an option to trade under the regular category of the main board of the stock exchange <p>Part V specifies provisions pertaining to the eligibility requirements, minimum promoters’ contribution and lock in period applicable along with the exemptions in respect thereof.</p> <p>Regulation</p>
5.	<p>Circular No.: SEBI/HO/IMD/DF4/CIR/P/2019/102</p> <p>Dated 24th September, 2019</p>	Valuation of money market and debt securities	<p>SEBI has issued a circular to All Mutual Funds / Asset management companies (AMCs) to adopt a waterfall approach for the money market, debt securities valuation in order to bring uniformity and consistency in valuation.</p> <p>Under this approach, all traded securities would be valued on the basis of traded yields, subject to identification of outlier trades by the valuation agencies. Besides, the regulator has barred the mutual funds for use of own trades for valuation and has come out with a framework relating to valuation of inter-scheme transfers.</p> <p>A money market or debt security will be classified as "default" if the interest and/or principal amount has not been received on the day such amount was due or when such security was downgraded to "default" grade by a CRA. In the case of default, mutual funds will have to promptly inform the valuation agencies and the CRAs any instance of non-receipt of payment of interest and/ or principal amount (part or full) in any security.</p> <p>Circular</p>

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III. MCA

S. NO.	CIRCULAR/ NOTIFICATION NO.	PARTICULARS	SHORT SUMMARY
1.	Notification No. G.S.R. 636(E). Dated 5 th September, 2019	National Financial Reporting Authority (NFRA) Amendment Rules 2019	<p>MCA has notified the National Financial Reporting Authority (Amendment) Rules, 2019.</p> <p>Following amendments have been brought through the notification:</p> <p>a. Notification of Form NFRA-1 for filing of Annual Return with NFRA by the Auditor. The due date for filing such e-Form has been changed to 30th November of every year instead of 30th April as prescribed earlier.</p> <p>b. Insertion of explanation for “banking company” to include ‘corresponding new bank’ as defined in section 2(d) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, and section 2(b) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 and ‘subsidiary bank’ as defined in section 2(k) of the State Bank of India (Subsidiary Bank) Act, 1959.</p> <p>c. Insertion of new provision under rule 11 (5) pertaining to disciplinary proceedings. The new provision provides that where the disposal of disciplinary proceedings does not take place within the defined period, the Division constituted by the Authority shall record the reasons for not disposing of the show-cause notice within the said period, and the chairperson, may extend the aforesaid period by such additional period not exceeding ninety days as he may consider necessary.</p> <p>Notification</p>
2.	General Circular No. 10/2019 Dated 24 th September, 2019	Extension time for filing BEN-2	<p>MCA has extended the last date for filing of e-Form BEN-2 without additional fees upto 31.12.2019.</p> <p>Consequent to the extension in the date of filing of e-Form BEN-2, the date of filing of Form BEN-1 may be construed accordingly.</p> <p>Form BEN-2 (Return to the Registrar in respect of declaration under section 90)</p> <p>Form BEN-1 (Declaration by the beneficial owner who holds or acquires significant beneficial ownership in shares).</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.