

# **LOVI MEHROTRA & ASSOCIATES**

CHARTERED ACCOUNTANTS

## **MONTHLY UPDATE NOVEMBER 2017**

(Circulars/ Notifications released during  
November 2017)

**30<sup>th</sup> November, 2017**

[RBI](#)

[SEBI](#)

[MCA](#)

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## I. RBI

S.NO.	CIRCULAR/ NOTIFICATION NO.	PARTICULARS	SHORT SUMMARY
1.	Notification No. FEMA 20(R)/ 2017-RB  Dated:07.11.201 7	Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2017	<p>RBI has notified <b>Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2017</b> in supersession of Notification No. FEMA 20/2000-RB and Notification No. FEMA 24/2000-RB both dated May 3, 2000 as amended from time to time to regulate investment in India by Person Resident Outside India</p> <p>Vide this Notification RBI has endeavored to consolidate and simplify the existing FDI regulations and the various amendments to the May 2000 Notification over the period of 17 years. The New FDI Regulations have been aligned with the existing Companies Act 2013 and SEBI Laws in order ensure strict adherence to legal provisions and also to remove any scope of ambiguity</p> <p>The key changes brought about vide this Notification are as below.</p> <ol style="list-style-type: none"> <li>1) Definitions- Many new and existing terms defined.</li> <li>2) Valuation of capital instruments - Cost Accountants authorised for valuation</li> <li>3) Timeline for issuance of capital instruments and refund in case of non-issuance -reduced from 180 days to 60 days</li> <li>4) Transfer of capital instruments or units by person resident outside India (excluding NRI/OCI/OCB) to person resident outside India- Condition precedent specified in respect of investment by FPI</li> <li>5) Pledge of shares by person resident outside India - Conditions simplified</li> <li>6) Non-applicability of pricing guidelines for investment on non-repatriation basis</li> <li>7) Prior approval in Foreign Portfolio Investments - Central Government approval required for Investments above specified limits (49%)</li> <li>8) Reclassification of FDI in case of Foreign Portfolio Investment (above specified % of investment )</li> <li>9) Foreign Investment in company engaged in</li> </ol>

			<p>investment activity -prior approval required</p> <p>10)Investment into an Indian company not having any operation – moved from approval route to automatic route</p> <p>11)Transactions reckoned as transfer in relation to real estate -certain transactions to be considered as Transfer as per the new regulations</p> <p>12) Contribution to capital of a firm or proprietary concern -new regulation</p> <p>13) Reporting requirements under the FDI regulations- modification made to timelines /formats etc</p> <p><a href="#">Notification</a></p>
2.	<p>RBI/2017-18/87 DNBR.PD.CC.No.0 90/03.10.001/20 17-18</p> <p>Dated: 09.11.2017</p>	<p>Directions on Managing Risks and Code of Conduct in Outsourcing of Financial Services by NBFCs</p>	<p>RBI has issued Directions with a view to put in place necessary safeguards applicable to outsourcing of activities by NBFCs,</p> <p>An NBFC outsourcing its activities shall ensure sound and responsive risk management practices for effective oversight, due diligence and management of risks arising from such outsourced activities.</p> <p>Norms notified have to be complied with in two months from the date of this circular.</p> <p><a href="#">Notification</a></p>
3.	<p>RBI/2017-18/96 Dated: 16.11.2017</p>	<p>Secondary market transactions in Government Securities – Notional Short Sale</p>	<p>RBI has notified that market participants undertaking 'notional' short sale need not compulsorily borrow securities in the repo market. While the short selling entity may ordinarily borrow securities from the repo market, in exceptional situations of market stress (e.g. short squeeze), it may deliver securities from its own HTM/AFS/HFT portfolios, which was not allowed earlier in terms of RBI circular dated 21-06-2012</p> <p>Further, all 'notional' short sales must be closed by an outright purchase in the market.</p> <p><a href="#">Notification</a></p>
4.	<p>RBI/2017-18/97 FMRD.DIRD.05/1 4.03.007/2017- 18</p> <p>Dated: 16.11.2017</p>	<p>Over-the-Counter Government Securities Transaction by Foreign Portfolio Investors (FPIs) – Settlement Period</p>	<p>RBI has decided to permit FPIs to settle OTC secondary market transactions in Government Securities either on T+1 or on T+2 basis as against the existing requirement of settlement on T+ 2 basis in terms of RBI circular of 20-03-2015</p> <p>Further, it is to be ensured that all trades shall be reported on the trade date itself.</p>

			<a href="#">Notification</a>
5.	RBI/2017-18/101 DNBR.PD(ARC)C C. No.04/26.03.001 /2017-18  Dated: 23.11.2017	Conversion of debt into equity- Review	RBI has notified that Asset Reconstruction Companies which meet prescribed conditions are exempt from the limit of shareholding of 26% of post converted equity of the borrower company.  <a href="#">Notification</a>

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## **II. SEBI**

S.NO.	CIRCULAR/ NOTIFICATION NO.	PARTICULARS	SHORT SUMMARY
1.	IMD/FPIC/CIR/P /2017/121 Dated: 15.11.2017	Investments by FPIs in Hybrid Securities	<p>FPIs are permitted to invest in REITs and InvITs ,which are classified as hybrid securities. Presently, the said investments are not reflected in the daily FPI net investment data or the monthly/fortnightly FPI AUC data which is disseminated by the depositories (NSDL &amp; CDSL) and are classified as either debt or equity depending on the type of the security in which the FPIs transact.</p> <p>SEBI has now notified that in order to capture FPI investment data in hybrid securities, a third category termed as “Hybrid Security” shall be created for the purpose of capturing and disseminating FPI investment data in hybrid securities.</p> <p><a href="#">Circular</a></p>
2.	CIR/MRD/DP/1 22/2017 Dated: 17.11.2017	Review of Securities Lending and Borrowing (SLB) Framework	<p>SEBI has modified the Framework for Securities Lending and Borrowing Clarifications/guidelines have been issued with regards to</p> <ul style="list-style-type: none"> <li>-Tenure of Contract,</li> <li>-Position Limit in SLB,</li> <li>-Treatment of Corporate Actions during SLB &amp;</li> <li>-Roll over facility.</li> </ul> <p><a href="#">Circular</a></p>

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### III.MCA

S.NO.	CIRCULAR/ NOTIFICATION NO.	PARTICULARS	SHORT SUMMARY
1.	G.S.R.1372(E) dated 06 <sup>th</sup> November, 2017	Companies (Filing of Documents and Forms in Extensible Business Reporting Language) Rules, 2015	<p>MCA has amended Rule 3 of the Companies (Filing of Documents and Forms in Extensible Business Reporting Language) Rules, 2015. The list of class of companies which are required to file their Financial statements in XBRL format has been modified to include companies which are required to prepare their financial statement in accordance with Companies (Indian Accounting standard) Rules, 2015</p> <p><u>Taxonomy for XBRL filing notified</u></p> <p><b>Annexure-II</b> companies preparing their financial statements under the Companies (Accounting Standards) Rules, 2006</p> <p><b>Annexure-II A</b> companies preparing their financial statements under Companies (Indian Accounting Standards) Rules, 2015,</p> <p><a href="#">Circular</a></p>

#### **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.