

LOVI MEHROTRA & ASSOCIATES

CHARTERED ACCOUNTANTS

MONTHLY UPDATE FOR THE MONTH OF JUNE 2017

(Circulars/ Notifications released during the
month of June 2017)

[RBI](#)

[SEBI](#)

[MCA](#)

30th June 2017

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I. RBI

S.NO.	CIRCULAR/ NOTIFICATION NO.	PARTICULARS	SHORT SUMMARY
1.	RBI/2016-17/316 Dated: 07.06.2017	Issuance of Rupee denominated bonds overseas	<p>With a view to harmonize the various elements of the ECB framework, RBI has decided that any proposal of borrowing by eligible Indian entities by issuance of masala bonds will be examined at the Foreign Exchange Department, Central Office, Mumbai.</p> <p>Further, it has been decided to revise the provisions in respect of the maturity period, all-in-cost ceiling and recognized lenders (investors) of masala bonds Notification</p>
2.	RBI/DNBS/2016-17/53 Dated: 08/06/2017	Master Direction - Information Technology Framework for the NBFC Sector	RBI has issued Master Directions - Information Technology Framework for the NBFC Sector with a view to regulate the credit system of the country. Notification
3.	RBI/2016-17/321 Dated: 13.06.2017	Prudential Guidelines on Capital Adequacy and Market Discipline- New Capital Adequacy Framework (NCAF) - Eligible Credit Rating Agencies - INFOMERICS Valuation and Rating Pvt. Ltd. (INFOMERICS)	<p>RBI has directed that banks may also use the ratings of INFOMERICS Valuation and Rating Pvt. Ltd. (INFOMERICS) for the purpose of risk weighting their claims for capital adequacy purposes in addition to the existing six accredited domestic credit rating agencies i.e. CARE, CRISIL, FITCH India, ICRA, Brickwork Ratings and SMERA.</p> <p>Notification</p>
4.	RBI/2016-17/326 Dated: 22.06.2017	Recording of Details of Transactions in Passbook/ Statement of Account	<p>RBI had earlier advised the Banks to ensure that brief, intelligible particulars are invariably entered in passbooks/ statement of account with a view to avoiding inconvenience to depositors. (Circular DBOD.No.Leg.BC.74/09.07.005/2003-04 dated April 10, 2004)</p> <p>RBI has now directed that banks shall at a minimum provide the relevant details in respect of entries in the accounts as indicated in the Annex to the Notification Further, Banks shall also incorporate information about 'deposit insurance cover' along with the limit of coverage, upfront in the passbooks.</p> <p>Notification</p>

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II. SEBI

S.NO.	CIRCULAR/ NOTIFICATION NO.	PARTICULARS	SHORT SUMMARY
1.	SEBI/HO/CDMRD/ DMP/CIR/P/2017/ 55 Dated: 13.06.2017	Options on Commodity Futures- Product Design and Risk Management Framework	SEBI issues circular to stipulate necessary guidelines with regard to the product design and risk management framework to be adopted for trading in options on commodity futures at the Commodity Derivatives Exchanges. Circular further lays down eligibility criteria for selection of underlying Commodity Futures for Options Circular
2.	CIR/CDMRD/DEICE/ CIR/P/2017/ 53 Dated: 13.06.2017	Comprehensive guidelines for Investor Protection Fund, Investor Service Fund and its related matters at National Commodity Derivatives Exchanges	SEBI vide Circular no SEBI/HO/CDMRD/DEICE/CIR/P/2016/94 dated September 26, 2016 had issued guidelines in respect of Investor Protection Fund, Investor Service Fund etc at National Commodity Derivatives Exchanges With the objective to align with the practices in securities markets, SEBI has now decided to modify certain clauses of the said circular. Circular
3.	CIR/MRD/DP/56/ 2017 Dated: 14.06.2017	Recording of Non Disposal Undertaking (NDU) in the Depository System	SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 requires promoters of a company to disclose details of their encumbered shares including NDUs which are covered under the scope of disclosures of 'Encumbrances' With a view to providing a framework to capture the details of NDU in the depository system as these happen outside the depository system and are not captured and reflected in the records of the depositories, SEBI has decided to permit the depositories to offer a system for capturing and recording the NDUs. Circular
4.	CIRCULARCIR/CFD /DIL/57/2017 Dated: 15.06.2017	Non-compliance with certain provisions of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 ("ICDR Regulations")	SEBI issues circular specifying amounts to be imposed as fine by the Stock Exchanges on companies for non compliance with provisions of ICDR Regulations. Circular

5.	CIR/IMD/DF1/60/ 2017 Dated: 19.06.2017	Continuous disclosures and compliances by issuers under SEBI (Issue and Listing of Debt Securities by Municipalities) Regulations, 2015	SEBI (Issue and Listing of Debt Securities by Municipalities) Regulations, 2015 (SEBI ILDM Regulations) prescribes disclosures to be made by issuers making public issues of debt securities or seeking listing of debt securities issued on private placement basis to the Stock Exchanges. SEBI now issues circular stipulating requirements in respect of disclosure of financial information and related issues such as periodicity of disclosure, Key financial statements etc. Circular
6.	SEBI/HO/CDMRD/ DMP/CIR/P/2017/ 61 Dated: 21.06.2017	Participation of Category III Alternative Investment Funds(AIFs) in the commodity derivatives market	At present, institutional participants are not allowed to participate in the commodity derivatives market in India SEBI, on recommendations of the Commodity Derivatives Advisory Committee has decided to allow the Category-III Alternative Investment Funds to participate in the commodity derivatives market, subject to the prescribed conditions. Circular
7.	CIR/MRD/DP/65/ 2017 Dated: 27.06.2017	Review of Offer for Sale (OFS) of Shares through Stock Exchange Mechanism	SEBI with a view to further streamline the process of OFS with an objective to encourage greater participation by employees, has modified certain existing provision with respect to restriction on sale of shares by promoters post OFS. Circular

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III.MCA

S.NO.	CIRCULAR/ NOTIFICATION NO.	PARTICULARS	SHORT SUMMARY															
1.	G.S.R. (E) dated: 13.06.2017	Exemption to Section 8 Companies	<p>Modifications to the exemptions provided in the Principal Notification dated June 5, 2015.</p> <p>1. Earlier provisions of Sec 149(1) (a) & (b) of the Act specifying minimum and maximum number of Directors were not applicable to a Sec 8 company.</p> <p>Now a Sec 8 company is required to comply with provisions of Sec 149(1) (a) specifying Minimum number of Directors as below</p> <p>i) Private Company 2 Directors</p> <p>ii) Public Company 3 Directors</p> <p>2. Earlier provisions of Sec 186(7) of the Act specifying the rate of interest on loan given by the company was applicable to a Sec 8 company</p> <p>Now, this section shall not apply in respect of Loan given by Section 8 company for funding Industrial Research and Development projects, provided the shareholding of Central/State Government in such Sec 8 company exceeds percentage specified in the notification.</p> <p>Notification</p>															
2	G.S.R. (E) dated: 13.06.2017	Exemption to Private Companies	<p>MCA notifies modifications to the exemptions in respect of Private Companies</p> <table><tr><th>Section</th><th>Particular</th><th>Exemption/Modification</th></tr><tr><td>Section 2 (40)</td><td>Financial statement</td><td>OPC, Small Companies, Dormant Companies & Start Up- Private Companies are not required to include the Cash Flow Statement in their financial statement.</td></tr><tr><td>73(2) -clause (a) to (e)</td><td>Acceptance of deposits from the members</td><td>Private companies are not required to comply with clause (a) to (e) of Section 73 (2) if they comply with the conditions prescribed in the notification.</td></tr><tr><td>92(1) - clause (g):</td><td>Disclosure related to remuneration of Director and KMP</td><td>Small companies are required to disclose only the aggregate amount of remuneration drawn by directors.</td></tr><tr><td>92(1) – proviso</td><td>Signing of Annual Return</td><td>Annual Return of a Start Up-private company shall be signed by the company secretary or where there is no company secretary, by a director.</td></tr></table>	Section	Particular	Exemption/Modification	Section 2 (40)	Financial statement	OPC, Small Companies, Dormant Companies & Start Up- Private Companies are not required to include the Cash Flow Statement in their financial statement.	73(2) -clause (a) to (e)	Acceptance of deposits from the members	Private companies are not required to comply with clause (a) to (e) of Section 73 (2) if they comply with the conditions prescribed in the notification.	92(1) - clause (g):	Disclosure related to remuneration of Director and KMP	Small companies are required to disclose only the aggregate amount of remuneration drawn by directors.	92(1) – proviso	Signing of Annual Return	Annual Return of a Start Up-private company shall be signed by the company secretary or where there is no company secretary, by a director.
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			143(3) – clause (i)	Auditor report to state that information and explanations necessary for the purpose of audit has been obtained	Private companies which are one person company or small company are exempted from the compliance of this clause if they comply with conditions prescribed in the Notification
			173(5)-	Board Meetings	OPC, Small Companies & Dormant Companies are required to hold only one meeting of board in each half of a calendar year such that the gap between two meetings should not be less than 90 days. Now this provision will be applicable to a Start Up –Private Company.
			174(3)-	Non Interested Directors shall be considered as quorum for Board Meeting	In case of a private company, interested director will also be counted for the purposes of quorum in meeting.
			Notification Details of the Notification are given in Annexure-1		
3.	G.S.R. (E) Dated: 13.06.2017	Exemption to Government Companies	Section 96(2)- AGM As per Principal Notification dated 05.06.2016 , AGM shall be held at the registered office of the company or at some other place within the city, town, village in which registered office is situate. In modification of the above, MCA has now notified that AGM of Government Companies can be held at such other place within the city, town or village in which the registered office of the company is situate or such other place as the Central Government may approve . Section 152 (6) & (7): Provisions related to retirement of Directors by rotation & filling of vacancy of retiring director in the adjourned AGM. MCA has now notified that government companies are exempt from the provisions of Section 152(6) & (7). Notification		
4	G.S.R. (E) Dated: 22.06.2017	Companies (Audit and Auditors) Second Amendment Rules, 2017	MCA has amended Rule 5 (b) of Companies (Audit and Auditors) Rules, 2014 relating to rotation of auditor Threshold of paid up capital increased from Rs. 20 cr to Rs. 50 cr for rotation of auditors in Private company. Notification		

Annexure-1

Exemption/ Modifications brought in the Principal Notification of June 5,2016 vide notification dated June 13, 2017 <u>Notification</u>		
Section	Existing provision of the Act	Exceptions/ Modifications brought in the Principal Notification by way of further notification dated June 13, 2017
2(40): Financial Statement	Provides for the definition of the “financial statement” which states that financial statement of one person company, small company and dormant company, may not include the cash flow statement.	Proviso has been substituted and it now provides that financial statement of one person company, small company, dormant company and private company (if such a company is a start-up), may not include the cash flow statement.
73(2) -clause (a) to (e) – Deposits	Lays down conditions which need to be complied with for acceptance of deposits from the members of a company	Exemption has been substituted to the effect that provisions of clauses (a) to (e) of section 73(2) shall not apply to a private company if it fulfils conditions prescribed in the notification
92(1) - clause (g): Annual Return	Annual return shall disclose remuneration of directors and key managerial personnel.	Applicable to private companies which are small companies to the extent that they are only required to disclose aggregate amount of remuneration drawn by directors.
92(1) – proviso Annual Return	Annual return of one person company and small company shall be signed by the company secretary or where there is no company secretary, by a director.	Annual return of one person company, small company and a Startup-private company be signed by the company secretary or where there is no company secretary, by a director.
143(3) – clause (i)	Auditor report shall state that Auditor has obtained all the information and explanations to the best of his knowledge and belief as necessary for the purpose of audit and if not, details thereof and the effect of such information on the financial statements to be provided.	Private companies which are one person company or small company are exempted from the compliance of said clause if they company with prescribed conditions
173(5)	One person company, small company and dormant company shall convene one meeting of board in each half of a calendar year and the gap between two meetings should not be less than 90 days.	Start up-private company in addition to one person company, small company and dormant company notified for exemption of convening one meeting of board in each half of a calendar year and the gap between two meetings should not be less than 90 days. Provided nothing will apply to such one person company where there is only one director.
174(3)	Where number of interested directors exceeds or is equal to 2/3 rd of the total strength of the board, the number of disinterested directors present at the meeting being not less than 2 shall be the quorum for such meeting.	In case of a private company, interested director will also be counted for the purposes of quorum in meeting.

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.