

APRIL 2023

NEWSLETTER

REGULATORY

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1. AP Connect - Online application for Full Fledged Money Changers(FFMC) and non-bank Authorised Dealers Category-II

RBI/2023-24/13/ Circular No. 01

Dated: 6th April, 2023

Reference is drawn to the following circular and master directions issued for Full Fledged Money Changers (FFMCs) and non-bank Authorised Dealers (AD) Category-II:

- RBI Circular dated March 06, 2006 with instructions for AD - Category II license/reporting
- Master Direction on Money Changing Activities dated January 01, 2016 with guidelines on issuance and renewal of FFMC license and on money changing activities
- Master Direction on Money Transfer Service Scheme (MTSS) dated February 22, 2017 containing guidelines for Indian Agents under MTSS.

Vide this circular, a software application called 'AP Connect' has been released for processing of application for licensing of FFMC, non-bank AD Cat-II, authorisation as MTSS Agent, renewal of existing license / authorisation, for seeking approval as per the extant instructions and for submission of various statements/returns by FFMCs and non-bank AD Cat II. The application can be accessed at 'https://apconnect.rbi.org.in/entity'.

The AP Connect application broadly consists of the following facilities/functionalities:

- i. Registration and licensing of new companies as well as existing Authorised Persons (FFMC / non-bank AD Cat II / NBFC eligible for AD Cat-II)
- ii. Registration of new Branches
- iii. Registration of Temporary Money Changing Facilities
- iv. Registration of franchisees
- v. Authorisation as Indian Agents under MTSS
- vi. Upgradation of FFMC to non-bank AD Cat-II
- vii. Renewal of Licences
- viii. Opening of Foreign Currency Accounts
- ix. Opening of Nostro Accounts for eligible entities
- x. Voluntary Surrender of Licence
- xi. Write-off of foreign currency notes
- xii. Submission of Returns/Statements

Existing FFMCs / non-bank AD Category-II are required to register themselves on the AP Connect application within three months from the date of issue of this circular, through the web link. The FFMCs and non-bank AD Cat-II are also required to adhere to instructions issued by RBI, in this regard, from time to time.

On receipt of confirmation from the Regional Office of RBI regarding generation of license through AP Connect, the existing FFMCs/non-bank AD Cat-II shall surrender their existing license to the respective Regional Office of RBI .

Eligible entities, desirous of applying for fresh FFMC/ non-bank AD Category II / MTSS Agent license / authorisation are required to submit their application only through AP Connect.

[Circular](#)

SEBI

1. Guidelines with respect to excusing or excluding an investor from an investment of AIF

Circular No.: SEBI/HO/AFD-1/PoD/P/CIR/2023/053

Dated 10th April, 2023

SEBI, vide Circular dated February 05, 2020, had introduced templates for Private Placement Memorandum (PPM) for AIFs, providing certain minimum level of information to be disclosed in a simple and comparable format.

Accordingly, a proposal was deliberated in Alternative Investment Policy Advisory Committee ('AIPAC') to review the information disclosed in PPM under the term 'Excuse and Exclusion' for excusing or excluding an investor from an investment of the AIF.

Taking into account the recommendations of AIPAC, SEBI vide this circular has decided that an AIF may excuse its investor from participating in a particular investment in the following circumstances:

1. If the investor, based on opinion of a legal professional/legal advisor, confirms that its participation in the investment opportunity would be in violation of an applicable law or regulation.
2. If participation of the Investor as part of contribution agreement or any other agreement signed with AIF would be in contravention to the internal policy of the investor. The Manager of AIF shall ensure that terms of such agreement with the investor include reporting of any change in the disclosed internal policy, to the AIF, within 15 days of such change.

Further, if the investor in an AIF is also an AIF or any other investment vehicle, such investor may be partially excused or excluded from participation in an investment opportunity, to the extent of the contribution of the said fund/investment vehicle's underlying investors who are to be excused or excluded from such investment opportunity. The Manager of AIF shall record the rationale for such excuse or exclusion along with the supporting documents.

[Circular](#)

2. Direct plan for schemes of Alternative Investment Funds (AIFs) and trail model for distribution commission in AIFs

Circular No.: SEBI/HO/AFD/PoD/CIR/2023/054

Dated 10th April, 2023

Effective Date: 1st May, 2023

SEBI, vide Circular dated February 05, 2020, had introduced templates for Private Placement Memorandum (PPM) for AIFs, providing certain minimum level of information to be disclosed in a simple and comparable format. These templates provides for disclosure with respect to Direct Plan for investors, and constituents of fees that may be charged by the AIF/scheme of AIF, including distribution fee/placement fee.

Vide this circular, SEBI has now specified the following modifications to the above templates to provide flexibility to investors for investing in AIFs, bring transparency in expenses and curb mis-selling:-

A. Direct Plan for schemes of AIFs

- i. Schemes of AIFs shall have an option of 'Direct Plan' for investors. Such Direct Plan shall not entail any distribution fee/placement fee.
- ii. AIFs shall ensure that investors who approach the AIF through a SEBI registered intermediary which is separately charging the investor any fee (such as advisory fee or portfolio management fee), are on-boarded via Direct Plan only.

B. Trail model for distribution commission in AIFs

- i. AIFs shall disclose distribution fee/placement fee, if any, to the investors of AIF/scheme of AIF at the time of on-boarding.

- ii. No upfront distribution fee/ placement fee shall be charged by Category III AIFs directly or indirectly to their investors but it shall directly be paid by only from management fee received by the managers of such Category III AIFs.
- iii. Category I AIFs and Category II AIFs may pay up to one-third of the total distribution fee/ placement fee to the distributors on upfront basis, and the remaining distribution fee/ placement fee shall be paid to the distributors on equal trail basis over the tenure of the fund.

[Circular](#)

3. Issue of Master Circular by Stock Exchanges, Clearing Corporations and Depositories

Circular No.: SEBI/HO/MRD/POD 3/CIR/P/2023/58

Dated 20th April, 2023

Market Infrastructure Institutions (MIIs) i.e., Stock Exchanges, Clearing Corporations and Depositories communicate with market participants including investors on a regular basis way of circulars, directions, operating instructions, communiques or any other mode of communication (hereinafter collectively referred to as 'guidelines') for necessary compliance. This had led to plethora of guidelines on various subjects.

In order to enable all market participants, including investors to find all applicable provisions on a specific subject at a place, SEBI, vide this circular, has decided that the MIIs shall ensure the following:

1. Issue the respective Master Circulars consolidating all guidelines issued and applicable as on March 31 of every year, segregated subject-wise.
2. Take due care to include only the relevant guidelines into the respective Master Circular while reviewing all the existing guidelines on a particular subject.
3. Such Master Circular shall not include the following:
 - i. Bye-laws, Rules and Regulations issued by MIIs.
 - ii. Status of any compliance by the market participant.
 - iii. Actions taken against any entity.
4. The Master Circulars shall contain a savings clause as under:

“Notwithstanding such rescission,

- a. Anything done or any action taken or purported to have been done or contemplated under the rescinded guidelines before the commencement of this Master Circular shall be deemed to have been done or taken or commenced or contemplated under the corresponding provisions of the Master Circular or rescinded guidelines whichever is applicable.
- b. The previous operation of the rescinded guidelines or anything duly done or suffered thereunder, any right, privilege, obligation or liability acquired, accrued or incurred under the rescinded guidelines, any penalty, incurred in respect of any violation committed against the rescinded guidelines, or any investigation, legal proceeding or remedy in respect of any such right, privilege, obligation, liability, penalty as aforesaid, shall remain unaffected as if the rescinded guidelines have never been rescinded.”

The first Master Circular incorporating all the guidelines applicable as on March 31, 2023 shall be issued on or before June 30, 2023. Subsequently, MIIs shall update the Master Circular incorporating all guidelines issued during the financial year, and issue the same on or before April 30 of each year.

[Circular](#)

4. Modifications in the requirement of filing of Offer Documents by Mutual Funds

Circular No.: SEBI/HO/IMD/IMD-RAC-2/P/CIR/2023/60

Dated 25th April, 2023

Effective Date: 1st May, 2023

SEBI, vide circular dated August 10, 2016 had mandated submission of soft copy of the final SIDs (Scheme Information Documents) along with printed/final copy seven working days prior to the launch of the scheme.

In partial modification of above circular, SEBI, vide this circular, has decided that AMCs shall file all final offer documents (final SID and KIM (Key Information Memorandum)) only digitally by emailing the same to prescribed email id imdsidfiling@sebi.gov.in and there would be no requirement of filing of physical copies of the same with SEBI as part of the go green initiative.

Accordingly, based on the consultation with Association of Mutual Funds in India (AMFI), such submission of all final SID and KIM in digital form shall be made at least two working days prior to the launch of the scheme. Further, to safeguard the interest of investors it has been decided that all new fund offers (“NFOs”) shall remain open for subscription for a minimum period of three working days.

[Circular](#)

MCA

1. Companies (Removal of Names of Companies from Register of Companies) Amendment Rules, 2023

G.S.R...(E). Dated 17th April, 2023

Effective Date: 1st May, 2023

Vide this notification, MCA has amended the Companies (Removal of Names of Companies from Register of Companies) Rules, 2016. Following is the gist of amendments:

- i. Application for removal of name of company has been revised - An application for removal of name of a company under sub-section (2) of section 248 will now be made to **Registrar, Centre for Processing Accelerated Corporate Exit** in Form No. STK-2 along with fee of Rs. 10,000. The Registrar, Centre for Processing Accelerated Corporate Exit established under sub-section Section 396(1) shall be Registrar of Companies for the purpose of exercising functional jurisdiction of processing and disposal of applications made in Form No. STK-2 and all other related matters under Section 248.
- ii. The following forms are substituted:
 - a) Form No. STK-2 – Application by Company to ROC for removing its name from the register of Companies
 - b) Form No. STK- 6 – Public Notice
 - c) Form No. STK-7 – Notice of Striking Off and Dissolution

[Notification](#)

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.



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