

**MAY 2023**

# NEWSLETTER

## REGULATORY

- RBI
- SEBI
- MCA



**Lovi Mehrotra & Associates**

**Chartered Accountants**

**21-22 IInd Floor Krishna Nagar Safdarjung Enclave**

**New Delhi 110029**

<b>RBI</b>
<b>1. Levy of charges on forex prepaid cards/store value cards/travel cards, etc.</b>
RBI/2023-24/29 A.P. (DIR Series) Circular No. 04 Dated: 9 <sup>th</sup> May, 2023
<p><b>Reference to existing circulars:</b></p> <p>A.P. (DIR Series) Circular No. 46 dated 14.06.2005 and A.P. (DIR Series) Circular No. 102 dated 02.04.2012 regarding use of International Debit Cards/Store Value Cards/Charge Cards/Smart Cards or any other instrument that can be used to create a financial liability, as '<b>currency</b>'.</p> <p>It was brought to the notice of RBI that few Authorised Persons are levying fees/charges, which are payable in India on such instruments, in foreign currency.</p> <p>Vide this notification, RBI has now advised that fees/charges payable in India have to be denominated and settled in Rupees only.</p> <p><a href="#">Notification</a></p>
<b>2. Formalisation of Informal Micro Enterprises on Udyam Assist Platform</b>
RBI/2023-24/27 FIDD.MSME & NFS.BC.No.09/06.02.31/2023-24 Dated: 9 <sup>th</sup> May, 2023
<p><b>Reference to existing Circulars:</b></p> <ol style="list-style-type: none"> <li><a href="#">Circular FIDD.MSME &amp; NFS.BC.No.4/06.02.31/2020-21 dated August 21, 2020</a>: New Definition of Micro, Small and Medium Enterprises – clarifications, wherein all lenders were advised to obtain 'Udyam Registration Certificate' for classification of entities as MSME (Micro, Small and Medium Enterprises).</li> <li><a href="#">Gazette Notification S.O. 1296(E) dated March 20, 2023</a>: GOI specified that the certificate issued on the Udyam Assist Platform (UAP) to IMEs (Informal Micro Enterprises) shall be treated at par with Udyam Registration Certificate for the purpose of availing Priority Sector Lending (PSL) benefits.</li> </ol> <p>The Ministry of Micro, Small and Medium Enterprises ('MSME'), had launched the Udyam Assist Platform (UAP) to facilitate formalisation of Informal Micro Enterprises (IMEs) through online generation of Udyam Assist Certificate. Registration on the platform is done with the assistance of Designated Agencies which are RBI regulated entities (including scheduled commercial banks, non-banking financial companies, etc.).</p> <p><b>Clarification by GOI:</b></p> <p>GOI has clarified to RBI that IMEs are those enterprises which are unable to get registered on the Udyam Registration Portal (URP) due to lack of mandatorily required documents such as Permanent Account Number (PAN) or Goods and Services Tax Identification Number (GSTIN). Hence such enterprises are unable to avail benefits of Government schemes or programmes. It has been further clarified that the turnover of enterprises exempted from filing returns under the provisions of the Central Goods and Services Tax Act, 2017 shall be the sole criterion to be defined as IMEs for the purpose of UAP. Accordingly, IMEs are such enterprises that are not covered in the Goods and Services Tax regime.</p> <p>An interface has been created between the UAP and Udyam Registration Portal (URP) to enable the transition and migration of IMEs from UAP to URP, once IMEs obtain the mandatorily required documents.</p> <p>In view of the notification and clarification, IMEs with an Udyam Assist Certificate shall be treated as Micro Enterprises under MSME for the purposes of Priority Sector Lending (PSL) classification.</p> <p><a href="#">Notification</a></p>

**SEBI****1. Introduction of Legal Entity Identifier (LEI) for issuers who have listed and/ or propose to list non-convertible securities, securitised debt instruments and security receipts**

Circular No.: SEBI/HO/DDHS/DDHS\_Div1/P/CIR/2023/64

Dated 3<sup>rd</sup> May, 2023

Legal Entity Identifier (LEI) is a unique global identifier for legal entities participating in financial transactions. LEI is designed to create a global reference data system that uniquely identifies every legal entity, in any jurisdiction, that is party to a financial transaction. RBI directions, inter alia, mandate non-individual borrowers having aggregate exposure of above Rs. 25 crores, to obtain LEI code.

Vide this circular, SEBI has mandated as below:

- Issuers having outstanding listed non-convertible securities as on August 31, 2023, shall report/ obtain and report the LEI code in the Centralized Database of corporate bonds, on or before September 1, 2023.
- Issuers proposing to issue and list non-convertible securities, on or after September 01, 2023, shall report their LEI code in the Centralized Database of corporate bonds at the time of allotment of the ISIN.
- Issuers having outstanding listed securitized debt instruments and security receipts as on August 31, 2023, shall report/ obtain and report the LEI code to the Depository(ies), on or before September 1, 2023.
- Issuers proposing to issue and list securitised debt instruments and security receipts on or after September 01, 2023, shall report their LEI code to the Depositories at the time of allotment of the ISIN.

Consequently, Entities can obtain the LEI code from any of the Local Operating Units (LOUs) accredited by the Global Legal Entity Identifier Foundation (GLEIF). In India, the LEI code may be obtained from Legal Entity Identifier India Ltd (LEIIL), a subsidiary of the Clearing Corporation of India Limited (CCIL), which has been recognised by the Reserve Bank of India as issuer of LEI under the Payment and Settlement Systems Act, 2007 and is accredited by the GLEIF as the LOU in India for issuance and management of LEI codes.

(Detailed guidelines in this regard form part of the Circular)

[Circular](#)

**2. Additional requirements for the issuers of transition bonds**

Circular No.: SEBI/HO/DDHS/DDHS\_Div1/P/CIR/2023/66

Dated 4<sup>th</sup> May, 2023**Reference to existing Regulations**

In February 2023, the revised definition of ‘**green debt security**’ was notified vide SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021. Disclosure requirements were also revised separately in Feb 2023 for such issuances accordingly.

‘Transition bonds’ is one of the subcategories of the revised definition of ‘green debt security’ and comprise of “funds raised for transitioning to a more sustainable form of operations, in line with India’s Intended Nationally Determined Contributions.”

In order to facilitate transparency and informed decision making amongst the investors in transition bonds and to ensure that funds raised through transition bonds are not being misallocated SEBI vide this circular, has prescribed following additional disclosure requirements for issuance and listing of Transition bonds:

1. Disclosure in the offer document for public issues /private placements of such transition bonds.
2. Disclosure in the Centralised Database for corporate bonds.
3. Disclosure to Stock Exchanges, in case of a revision in the transition plan.
4. Disclosure in the Annual report

[Circular](#)

<b>3. Registration with the FINNET 2.0 system of Financial Intelligence Unit – India (FIU-India)</b>	
Circular No.: SEBI/HO/DDHS/DDHS-POD1/CIR/P/2023/67 Dated 9 <sup>th</sup> May, 2023	
<p>FIU-India, vide letter dated 19 April 2023 had specified guidelines including red flag indicators for detecting suspicious transactions by the Debenture Trustees under Rule 7(3) of Prevention of Money Laundering (Maintenance of Records) Rules, 2005.</p> <p>It has been informed by FIU-India that:</p> <ol style="list-style-type: none"> <li>all Reporting Entities falling under Debenture Trustee segment registered in FINNET 1.0 system of FIU-India are required to re-register themselves in FINNET 2.0 system/ module.</li> <li>reporting entities which have not yet registered themselves with FIU-India are required to be registered in FINNET 2.0 system/ module of FIU-India immediately in light of the Financial Action Task Force (FATF) mutual evaluation.</li> </ol> <p>In view of the above, SEBI has advised all SEBI registered Debenture trustees to register/ re-register themselves in FINNET 2.0 system of FIU-India as soon as possible.</p> <p><a href="#">Circular</a></p>	
<b>4. Direct Market Access (DMA) to SEBI registered Foreign Portfolio Investors (FPIs) for participating in Exchange Traded Commodity Derivatives (ETCDs)</b>	
Circular No.: SEBI/HO/MRD/MRD-PoD-1/P/CIR/2023/68 Dated 10 <sup>th</sup> May, 2023	
<p><b>Reference to Existing Circulars:</b> SEBI vide Circulars dated April 3, 2008, February 20, 2009 and August 2, 2012 laid down framework of Direct Market Access (DMA) facility for institutional investors or through investment manager, as the case may be.</p> <p>DMA facilitates clients of a broker to directly access the exchange trading system through the broker's infrastructure to place/execute orders without manual intervention by the broker.</p> <p>Vide this circular, SEBI has decided to allow stock exchanges to extend DMA facility to Foreign Portfolio Investors (FPIs) for participation in Exchange Traded Commodity Derivatives (ETCDs) subject to following conditions:</p> <ol style="list-style-type: none"> <li>Stock exchanges/brokers shall adhere to the provisions stipulated in existing SEBI Circulars (<i>referred to above</i>) which include procedure for application for DMA, operational specifications, Client authorization and broker-client agreement, risk management, etc.</li> <li>The provisions of Circular dated 29 Sep 2022 allowing FPIs to participate in ETCDs shall remain applicable.</li> </ol> <p><a href="#">Circular</a></p>	
<b>5. Investment in units of Mutual Funds in the name of minor through guardian</b>	
Circular No.: SEBI/HO/IMD/POD-II/CIR/P/2023/0069 Dated 12 <sup>th</sup> May, 2023	
<p><i>Effective Date: June 15, 2023</i></p> <p><b>Reference to Existing Circular:</b> SEBI vide Circular dated 24 Dec 2019 has prescribed a uniform process to be followed across Asset Management Companies (AMCs) in respect of investments made in the name of a minor through a guardian.</p> <p>Vide this circular, in partial modification to the above SEBI circular, SEBI has mandated as under:</p> <ol style="list-style-type: none"> <li>Para 1(a) of the Circular referred to above shall read as under:</li> </ol>	



*“Payment for investment by any mode shall be accepted from the bank account of the minor, parent or legal guardian of the minor, or from a joint account of the minor with parent or legal guardian. For existing folios, AMCs shall insist upon a Change of Pay-out Bank mandate before redemption is processed”*

2. Irrespective of the source of payment for subscription, all redemption proceeds shall be credited only in the verified bank account of the minor, i.e. the account the minor may hold with the parent/ legal guardian after completing all KYC formalities.
3. All other provisions mentioned in the circular of 24 Dec 2019 shall remain unchanged.

[Circular](#)

## **6. Master Circular for Registrars to an Issue and Share Transfer Agents**

Circular No.: SEBI/HO/MIRSD/POD-1/P/CIR/2023/70

Dated 17<sup>th</sup> May, 2023

This Master Circular is a compilation of the circulars/directions to Registrars to an Issue and Share Transfer Agents (RTA). In order to enable the users to have access to the applicable circulars at one place, this Master Circular in respect of RTA is being issued.

SEBI circulars which are operational and to the extent relevant for RTAs are compiled in this Master Circular. Circulars mentioned in Appendix shall stand rescinded from the date of issuance of this Master Circular.

Provisions in respect of acts done/their legality etc. in terms of the Circulars rescinded (prior to rescission) also form part of this Master Circular.

[Master Circular](#)

## **7. Master Circular for Stock Brokers**

Circular No.: SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71

Dated 17<sup>th</sup> May, 2023

**Reference to existing Circular:** SEBI's Master Circular for Stockbrokers dated June 01, 2018.

SEBI has issued various guidelines/directions to Stockbrokers by way of circulars/advisory. Some of the references to the Statutes/ Regulations in the Master Circular now stand repealed.

In view of the same this new Master Circular has been issued which is a compilation of the circulars/directions to Stockbrokers. This Master circular supersedes the June 2018 Master Circular.

With the issuance of this Master Circular, directions/instructions contained in the circulars listed out in the Appendix to this Master Circular, to the extent they relate to the Stockbrokers, shall stand rescinded.

Provisions in respect of acts done/their legality etc. in terms of the Circulars rescinded (prior to rescission) also form part of this Master Circular.

[Master Circular](#)

## **8. Master Circular for Mutual Funds**

Circular No.: SEBI/HO/IMD/IMD-PoD-1/P/CIR/2023/74

Dated 19<sup>th</sup> May, 2023

For effective regulation of Mutual Fund Industry, SEBI has been issuing various circulars from time to time. In order to enable the stakeholders to have access to all applicable regulatory requirements at one place, SEBI has now issued this Master Circular for Mutual Funds in which provisions of the said circulars issued till 31.03.23 are incorporated.

This Master Circular shall come into force from the date of its issuance. The circulars mentioned in the Appendix to this Master Circular shall stand rescinded with the issuance of the Master Circular. With respect to the directions or other guidance issued by SEBI, as specifically applicable to Mutual Funds, the same shall continue to remain in force in addition to the provisions of any other law for the time being in force.

Provisions in respect of acts done/their legality etc. in terms of the Circulars rescinded (prior to rescission) also form part of this Master Circular.

[Master Circular](#)

#### **9. Risk disclosure with respect to trading by individual traders in Equity Futures & Options Segment**

Circular No.: SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/73

Dated 19<sup>th</sup> May, 2023

With a view to facilitating informed decision making by the investors trading in derivatives segment, SEBI vide this circular has decided to introduce '**Risk disclosures**' with respect to trading in Equity Futures & Options (F&O) segment.

Accordingly, all stockbrokers shall display the 'Risk disclosures' given at Annexure-I of this circular on their websites and shall communicate to all their clients in the manner as specified.

All Qualified Stockbrokers (QSBs) shall maintain the Profit and Loss (P&L) data of their clients on continuous basis as per the format given at Annexure-II. The P&L data of the clients shall be retained for at least 5 years.

**Applicability:** The provisions of this circular shall come into force with effect from July 01, 2023.

[Circular](#)

#### **10. Dematerialization of Securities of Hold Cos and Special Purpose Vehicles (SPVs) held by Real Estate Investment Trusts (REITs)**

Circular No.: SEBI/HO/DDHS-PoD-2/P/CIR/2023/75

Dated 22<sup>nd</sup> May, 2023

Regulation 14(18) of SEBI (Real Estate Investment Trust) Regulations, 2014 ("REIT Regulations") provides that units of REIT shall be issued only in dematerialized form to all the applicants.

Vide this circular, SEBI has decided that REITs shall henceforth hold the securities of Hold Cos and Special Purpose Vehicles (SPVs) in dematerialized form only. The Manager of the REIT shall ensure the same.

Further, for existing securities holdings by REITs in Hold Cos and SPVs in physical form, the Manager of the REIT is directed to dematerialize the securities of Hold Cos and SPVs of the REIT on or before June 30, 2023.

[Circular](#)

#### **11. Dematerialization of securities of Hold Cos and Special Purpose Vehicles (SPVs) held by Infrastructure Investment Trusts (InvITs)**

Circular No.: SEBI/HO/DDHS-PoD-2/P/CIR/2023/76

Dated 22<sup>nd</sup> May, 2023

Regulation 14(4)(r) of SEBI (Infrastructure Investment Trusts) Regulations, 2014 ("InvIT Regulations") provides that the units of InvIT shall be issued only in dematerialized form to all the applicants.

Vide this circular, SEBI has decided that InvITs shall henceforth hold the securities of Hold Cos and Special Purpose Vehicles (SPVs) in dematerialized form only. The Investment manager of the InvIT shall ensure the same.

Further, for existing securities holdings by InvITs in Hold Cos and SPVs in physical form, the Investment Manager of

the InvIT is directed to dematerialize the securities of Hold Cos and SPVs of the InvIT on or before June 30, 2023.

[Circular](#)

## **12. Comprehensive guidelines for Investor Protection Fund and Investor Services Fund at Stock Exchanges and Depositories**

Circular No.: SEBI/HO/MRD/MRD-PoD-3/P/CIR/2023/81  
Dated 30<sup>th</sup> May, 2023

**Reference to existing circulars:** SEBI vide circular dated 28 Oct 2004 had issued comprehensive guidelines for Investor Protection Fund (IPF) to be maintained by Stock Exchanges. Earlier, SEBI vide circular dated 12 Oct 1992 had advised stock exchanges to establish an Investor Services Fund (ISF).

Vide this circular, SEBI has decided to modify certain provisions of the existing guidelines for IPF and ISF.

The comprehensive guidelines for IPF and ISF include the following:

### **A. Investor Protection Fund (IPF)**

1. Constitution and Management of the IPF
2. Contribution to IPF of Stock Exchange
3. Contribution to IPF of Depository
4. Utilization of IPF and interest or income from IPF
5. Deployment of Funds of IPF by Stock Exchanges and Depositories
6. Review of IPF Corpus
7. Timelines for declaration of default of a TM, processing of investor claims out of IPF and review of claims
8. Manner of inviting claims from investors by stock exchanges
9. Eligible Claims
10. Threshold limit for claims
11. Determination of legitimate claims from IPF for clients of the defaulter TM
12. Disbursements of claims from the IPF
13. Disclosures

### **B. Investor Services Fund of Stock Exchanges (ISF)**

1. Stock exchange shall set aside at least 20% of the listing fees received for ISF for providing services to investing public.
2. In order to have better management and control on the contributions and utilization of ISF corpus, supervision of the same will rest with the Regulatory Oversight Committee.
3. The amount in ISF of the stock exchanges and any interest generated from this ISF shall be utilized for the purpose as stated in the table forming part of the Circular:

**C. Applicability:** Provisions of this Circular shall come into effect from 30<sup>th</sup> day of issuance of this circular.

[Circular](#)

**MCA****1. Companies (Removal of Names of Companies from the Register of Companies) Second Amendment Rules, 2023**

G.S.R. 354(E).  
Dated 10<sup>th</sup> May, 2023

Vide this notification, MCA has amended the Companies (Removal of Names of Companies from Register of Companies) Rules, 2016.

1. In Rule 4 pertaining to application for removal of name of company, in sub-rule (1), the following provisos has been inserted, namely:

*“Provided that the company shall not file an application unless it has filed overdue financial statements under section 137 and overdue annual returns under section 92, up to the end of the financial year in which the company ceased to carry its business operations:*

*Provided further that in case a company intends to file the application after the action under subsection (1) of section 248 has been initiated by the Registrar, it shall file all pending financial statements under section 137 and all pending annual returns under section 92, before filing the application:*

*Provided also that once notice under sub-section (5) of section 248 has been issued by the Registrar for publication pursuant to the action initiated under sub-section (1) of section 248, a company shall not be allowed to file the application under this sub-rule.”*

[Notification](#)**2. Companies (Compromises, Arrangements and Amalgamations) Amendment Rules, 2023**

G.S.R. 367(E).  
Dated 15<sup>th</sup> May, 2023

*Effective Date: June 15, 2023*

Vide this notification, MCA has amended the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016.

**Amendment:** Sub Rule (5) and (6) of Rule 25 pertaining to merger or amalgamation of certain companies has been substituted with the following, namely: -

*“(5) Where no objection or suggestion is received within a period of thirty days of receipt of copy of scheme under sub-section (2) of section 233, from the Registrar of Companies and Official Liquidator by the Central Government and the Central Government is of the opinion that the scheme is in the public interest or in the interest of creditors, it may, within a period of fifteen days after the expiry of said thirty days, issue a confirmation order of such scheme of merger or amalgamation in Form No. CAA.12:*

*Provided that if the Central Government does not issue the confirmation order within a period of sixty days of the receipt of the scheme under sub-section (2) of section 233, it shall be deemed that it has no objection to the scheme and a confirmation order shall be issued accordingly.*

*(6) Where objections or suggestions are received within a period of thirty days of receipt of copy of scheme under sub-section (2) of section 233 from the Registrar of Companies or Official Liquidator or both by the Central Government and –*

*(a) such objections or suggestions of Registrar of Companies or Official Liquidator, are not sustainable and the Central Government is of the opinion that the scheme is in the public interest or in the interest of creditors, it may within a period of thirty days after expiry of thirty days referred to above, issue a confirmation order of such scheme of merger or amalgamation in Form No. CAA.12.*

*(b) the Central Government is of the opinion, whether on the basis of such objections or otherwise, that the scheme is*



*not in the public interest or in the interest of creditors, it may within sixty days of the receipt of the scheme file an application before the Tribunal in Form No. CAA.13 stating the objections or opinion and requesting that Tribunal may consider the scheme under section 232 of the Act:*

*Provided that if the Central Government does not issue a confirmation order under clause (a) or does not file any application under clause (b) within a period of sixty days of the receipt of the scheme under subsection (2) of section 233 of the Act, it shall be deemed that it has no objection to the scheme and a confirmation order shall be issued accordingly.”*

[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.



**Lovi Mehrotra & Associates**

**Chartered Accountants**

**21-22 IInd Floor Krishna Nagar Safdarjung Enclave  
New Delhi 110029**

**Website : [www.lma.co.in](http://www.lma.co.in) • Email : [d.khanna@lma.co.in](mailto:d.khanna@lma.co.in)**