

JUNE 2022

NEWSLETTER

REGULATORY

- RBI
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RBI

1. Discontinuation of Return under Foreign Exchange Management Act, 1999

RBI/2022-23/69 A.P. (DIR Series) Circular No. 05
Dated: 9th June, 2022

Reference is drawn to the RBI circular No. 20 dated August 29, 2012, Master Direction - External Commercial Borrowings, Trade Credits and Structured Obligations dated March 26, 2019 and the Master Direction - Reporting under Foreign Exchange Management Act, 1999 dated January 01, 2016, as amended from time to time (Part X – **‘Statement for reporting of non-resident guarantees issued and invoked in respect of fund and non-fund based facilities between two persons resident in India’**).

Vide this notification, RBI has decided to discontinue the above return, with effect from the quarter ending June 2022.

[Notification](#)

SEBI

1. Procedure for seeking prior approval for change in control of Portfolio Managers

Circular No.: SEBI/HO/IMD-I/DOF1/P/CIR/2022/77

Dated: 2nd June 2022

Regulation 11(aa) of SEBI (Portfolio Managers) Regulations, 2020 provides that a Portfolio Manager shall obtain prior approval of SEBI in case of change in control in prescribed manner as specified by SEBI. Vide Circular dated May 12, 2021, the procedure for obtaining prior approval in case of change in control of Portfolio Managers was specified.

Vide this circular, SEBI has modified above circular dated May 12, 2021 and decided the following to streamline the process of providing approval to the proposed change in control of a Portfolio Manager:

1. An online application shall be made by Portfolio Manager to SEBI for prior approval through the SEBI Intermediary Portal (<https://siportal.sebi.gov.in>)
2. The prior approval granted by SEBI shall be valid for a period of six months from the date of such approval.
3. Applications for fresh registration pursuant to change in control shall be made to SEBI within six months from the date of prior approval.
4. Pursuant to grant of prior approval by SEBI, in order to enable existing investors/ clients to take well informed decision regarding their continuance or otherwise with the changed management, the portfolio manager shall inform its existing investors/ clients about the proposed change prior to effecting the same and give an option to exit without any exit load, within a period of not less than 30 calendar days, from the date of such communication.
5. The Portfolio Manager shall ensure compliances in the matters which involve scheme(s) of arrangement which needs sanction of the National Company Law Tribunal ("NCLT") in terms of the provisions of the Companies Act, 2013 as specified in this circular.

Applicability: The provisions of this Circular shall be applicable with effect from June 15, 2022 to all applications for approval of applications of change in control of Portfolio Manager i.e. applications filed from 15-06-2022 onwards.

[Circular](#)

2. Investor Redressal Grievance Mechanism

Circular No.: SEBI/HO/MIRSD/DOS3/P/CIR/2022/78

Dated 3rd June, 2022

Vide this circular, SEBI has amended circular No. SEBI/HO/MIRSD/DOC/CIR/P/2020/226 dated November 6, 2020 to further strengthen the Investor Grievance Redressal Mechanism:

Clause 4 of the above Circular dated November 6, 2020 has been substituted with the following, namely:

"4. Arbitration

(a) For any dispute between the member and the client relating to or arising out of the transactions in Stock Exchange, which is of civil nature, the complainant/ member shall first refer the complaint to the IGRC and/ or to arbitration mechanism provided by the Stock Exchange before resorting to other remedies available under any other law. For the removal of doubts, it is clarified that the sole arbitrator or the panel of arbitrators, as the case may be, appointed under the Stock Exchange arbitration mechanism may consider any claim relating to any dispute between a stock broker and client arising out of the transactions in stock exchange, as per law, and shall always be deemed to have the competence to rule on its jurisdiction. A complainant/member, who is not satisfied with the recommendation of the IGRC shall avail the arbitration mechanism of the Stock Exchange for settlement of complaints within three months from the date of IGRC recommendation"

(b) The time period of three months mentioned in the previous sub-clause for filing arbitration shall be applicable only for cases where the IGRC recommendation is being challenged. For any arbitration application received without going through IGRC mechanism, the time period of three months shall not apply, and for such cases the limitation period for filing arbitration shall be governed by the law of limitation, i.e., The Limitation Act, 1963."

[Circular](#)

3. Extension of facility for conducting annual meeting and other meetings of unit holders of REITs and InvITs through Video Conferencing (VC) or through Other Audio-Visual means (OAVM)

Circular No.: SEBI/HO/DDHS/DDHS_Div2/P/CIR/2022/079

Dated 3rd June, 2022

SEBI vide circular dated June 22, 2020 read with circular no. SEBI/HO/DDHS/DDHS/CIR/P/2020/201 dated October 08, 2020 permitted REITs/InvITs to conduct annual meetings and other meetings of unitholders through VC or OAVM up to December 31, 2020.

Vide circular dated February 26, 2021, the facility to conduct annual meetings of unit holders through VC/OAVM was extended till December 31, 2021 and other meetings of unitholders through VC/OAVM till June 30, 2021. Further, vide circular dated December 22, 2021 the VC/OAVM facility for conducting annual and other meetings was extended till June 30, 2022.

Vide this circular, SEBI has decided to extend the facility to conduct annual meetings of unitholders in terms of Regulation 22(3) of SEBI (REIT) Regulations, 2014 and Regulation 22(3)(a) of SEBI (InvIT) Regulations, 2014 and meetings other than annual meeting, through VC or OAVM till December 31, 2022.

[Circular](#)

4. Modification in Cyber Security and Cyber resilience framework for Stock Brokers / Depository Participants

Circular No.: SEBI/HO/MIRSD/TPD/P/CIR/2022/80

Dated 7th June, 2022

SEBI, vide circular dated December 03, 2018 had prescribed framework for Cyber Security and Cyber Resilience for Stock Brokers / Depository Participants.

In partial modification to Annexure -1 of above SEBI circular dated December 03, 2018, SEBI, vide this circular, has modified paragraph-11, 41, 42 and 44 which shall be read as under:

11. Stock Brokers / Depository Participants shall identify and classify critical assets based on their sensitivity and criticality for business operations, services and data management. The critical assets shall include business critical systems, internet facing applications/systems, systems that contain sensitive data, sensitive personal data, sensitive financial data, Personally Identifiable Information (PII) data, etc. All the ancillary systems used for accessing/communicating with critical systems either for operations or maintenance shall also be classified as critical system. The Board/Partners/Proprietor of the Stock Brokers / Depository Participants shall approve the list of critical systems.

To this end, Stock Brokers / Depository Participants shall maintain up-to-date inventory of its hardware and systems, software and information assets (internal and external), details of its network resources, connections to its network and data flows.

41. Stock Brokers / Depository Participants shall carry out periodic Vulnerability Assessment and Penetration Tests (VAPT) which inter-alia include critical assets and infrastructure components like Servers, Networking systems, Security devices, load balancers, other IT systems pertaining to the activities done as Stock Brokers / Depository Participants etc., in order to detect security vulnerabilities in the IT environment and in-depth evaluation of the security posture of the system through simulations of actual attacks on its systems and networks.

42. Stock Brokers / Depository Participants shall conduct VAPT at least once in a financial year. All Stock Brokers / Depository Participants are required to engage only CERT-In empaneled organizations for conducting VAPT. The final report on said VAPT shall be submitted to the Stock Exchanges/Depositories after approval from Technology Committee of respective Stock Brokers / Depository Participants, within 1 month of completion of VAPT activity.

In addition, Stock Brokers / Depository Participants shall perform vulnerability scanning and conduct penetration testing prior to the commissioning of a new system which is a critical system or part of an existing critical system.

44. Any gaps/vulnerabilities detected shall be remedied on immediate basis and compliance of closure of findings identified during VAPT shall be submitted to the Stock Exchanges/ Depositories within 3 months post the submission of final VAPT report.

Further, the Stock Brokers / Depository Participants are mandated to conduct comprehensive cyber audit at least once in a financial year. All Stock Brokers / Depository Participants shall submit with Stock Exchange/Depository a declaration from the MD/ CEO/ Partners/ Proprietors certifying compliance by the Stock Brokers / Depository Participants with all SEBI Circulars and advisories related to Cyber security from time to time, along with the Cyber audit report.

Furthermore, all Stock Brokers / Depository Participants are directed to communicate the status of the implementation of the provisions of this circular to Stock Exchanges/ Depositories within 10 days from the date of this Circular.

[Circular](#)

5. Nomination for Mutual Fund Unit Holders

Circular No.: SEBI/HO/IMD/IMD-II DF3/P/CIR/2022/82
Dated 15th June, 2022

Vide this circular, SEBI has decided the following in case of nomination for eligible Mutual Fund Unit Holders in order to bring uniformity in practices across all constituents in securities market:

1. Investors subscribing to mutual fund units on or after August 1, 2022, shall have the choice of:
 - a. Providing nomination in the format specified in fourth schedule of SEBI (Mutual Funds) Regulations, 1996 (or)
 - b. Opting out of nomination through a signed Declaration form as provided in Annexure - A to this circular.
2. AMC shall provide an option to the unit holder(s) to submit either the nomination form or the declaration form for opting out of nomination in physical or online as per the choice of the unit holder(s). In case of physical option, the forms shall carry the wet signature of all the unit holder(s) and in case of online option, the forms shall be using e-Sign facility recognized under Information Technology Act, 2000, instead of wet signature(s) of all the unit holder(s).
3. All AMCs shall ensure that adequate systems are in place for providing the e-Sign facility and take all necessary steps to maintain confidentiality and safety of client records.
4. All AMCs are advised to set deadline as March 31, 2023 for nomination / opting out of nomination for existing individual unit holder(s) holding mutual fund units either solely or jointly as mentioned at para 1 above, failing which the folios shall be frozen for debits.

[Circular](#)

6. Naming / Tagging of demat accounts maintained by Stock Brokers

Circular No.: SEBI/HO/MIRSD/ MIRSD_DPIEA/P/CIR/2022/83
Dated 20th June, 2022

SEBI vide circular dated September 26, 2016 had mandated uniform nomenclature to be followed by stock brokers for Naming/Tagging of Bank and Demat Accounts to reflect the purpose for which those bank/demat accounts are being maintained and the reporting of such accounts to the Stock Exchanges/Depositories.

Subsequently, vide circulars dated June 22, 2017, June 20, 2019 and February 25, 2020, modifications to such naming/tagging of demat accounts have been prescribed.

Thus, currently, stock brokers are required to maintain demat accounts only under the following 5 categories:

S. No.	Demat Account Category	Purpose of Demat Account
1.	Proprietary Account	Hold Own Securities
2.	Pool account	Settlement Purpose
3.	Client Unpaid Securities Account	Hold Unpaid Securities of Clients
4.	Client Securities Margin Pledge Account	For Margin obligations to be given by way of Pledge/

		Re-pledge
5.	Client Securities under Margin Funding Account	Hold funded securities in respect of margin funding

Vide this circular, SEBI has laid down guidelines as below

1. All demat accounts of stock brokers which are untagged need to be appropriately tagged by June 30, 2022.
2. Credit of securities shall not be allowed in any demat account left untagged from July 01, 2022 onwards. Credits on account of corporate actions shall be permitted.
3. Debit of securities shall also not be allowed in any demat account left untagged from August 01, 2022.
4. Stock Broker shall obtain permission from Stock Exchanges to allow tagging of such demat accounts from August 01, 2022 onwards. Stock Exchange shall grant such approval within two working days after imposing penalty as per their internal policy.

Applicability:

1. This circular shall not be applicable for demat accounts which are used exclusively for banking activities by stock brokers which are also banks
2. Stock Exchanges and Depositories shall coordinate and ensure compliance of this circular by the stock brokers and submit a compliance report to SEBI on July 01, 2022 and August 01, 2022.

[Circular](#)

7. Introduction of Unified Payments Interface (UPI) mechanism for Real Estate Investment Trusts (REITs)

Circular No.: SEBI/HO/DDHS/DDHS_Div3/P/CIR/2022/086
Dated 24th June, 2022

SEBI Circular No. dated January 15, 2019 (hereinafter to be referred as 'ASBA Circular') had laid down the process for payment for applications in public issue of units of Real Estate Investment Trust (REIT) through the facility of ASBA.

SEBI vide this circular has decided to provide an additional option to individual investors to apply in public issues of units of REITs with a facility to block funds through Unified Payments Interface (UPI) mechanism for application value upto Rs. 5 Lac.

The process flow for availing the option of blocking funds through UPI mechanism is placed at *Annex I* to this Circular.

[Circular](#)

8. Introduction of Unified Payments Interface (UPI) mechanism for Infrastructure Investment Trusts (InvITs)

Circular No.: SEBI/HO/DDHS/DDHS_Div3/P/CIR/2022/085
Dated 24th June, 2022

SEBI Circular No. dated January 15, 2019 (hereinafter to be referred as 'ASBA Circular') had laid down the process for payment for applications in public issue of units of Infrastructure Investment Trusts (InvITs) through the facility of ASBA.

SEBI vide this circular has decided to provide an additional option to individual investors to apply in public issues of units of InvITs with a facility to block funds through Unified Payments Interface (UPI) mechanism for application value upto Rs. 5 Lac.

The process flow for availing the option of blocking funds through UPI mechanism is placed at *Annex I* to this Circular.

[Circular](#)

9. Reduction of timelines for listing of units of privately placed Infrastructure Investment Trust (InvIT)

Circular No.: SEBI/HO/DDHS/DDHS_Div3/P/CIR/2022/087
Dated 24th June, 2022

Regulation 16(8)(a) of SEBI (Infrastructure Investment Trusts) Regulations, 2015 ("InvIT Regulations) provides that the listing of privately placed units shall be done within thirty working days from the date of allotment.

SEBI vide this circular has decided to reduce the time taken for allotment and listing of units of privately placed Infrastructure Investment Trust (InvIT), after the closure of issue to six working days as against the present requirement of thirty working days.

Timelines from issue closure till date of listing:

S. No.	Details of Activities	Due Date
1.	Closure of issue and receipt of funds	T day
2.	Post receipt of funds, Sponsor shall transfer its entire shareholding or interest or rights in the HoldCo and /or SPV or ownership of the infrastructure projects as disclosed in the placement memorandum.	Within T+3 working day
3.	Finalize the list of allottees along with the number of units to be allotted to the applicants pursuant to the issue.	
4.	Finalization of Final Placement Memorandum (FPM) and dispatch of confirmation of allocation notes ("CANs") along with FPM.	
5.	Investment manager on behalf of the InvIT to initiate corporate action for credit of units of InvIT to the demat account of sponsor(s)/other shareholders of the SPV/Holdcos and to the demat account of the investors in the private placement.	
6.	Receipt of confirmation by Investment Manager from Depositories for credit of Units in demat accounts of sponsor(s)/other shareholders of the SPV/Holdcos and the investors in the private placement, and lock-in of units to the extent applicable	Within T+4 working day
7.	Post successful allotment, Investment Manager on behalf of InvIT shall make listing application to stock exchange(s) for listing and trading permission	Within T+5 working day
8.	Stock exchange(s) to issue notice for listing and commencement of trading.	
9.	Stock exchange to send the notice to depositories in order to change the status of ISIN to active.	
10.	Trading commences	Within T+6 working day

Working days will be all trading days of stock exchanges, excluding Sundays, and bank holidays

The provisions of this circular shall be applicable to listing of units of privately placed InvIT under the SEBI (Infrastructure Investment Trusts) Regulations, 2014 which opens on or after August 01, 2022.

[Circular](#)

10. Implementation of Circular on 'Guidelines in pursuance of amendment to SEBI KYC (Know Your client) Registration Agency (KRA) Regulations, 2011

Circular No.: SEBI/HO/MIRSD/DoP/P/CIR/2022/89
Dated 24th June, 2022

SEBI, vide Circulars dated April 6, 2022, had issued guidelines in pursuance of amendment to SEBI KYC (Know Your client) Registration Agency (KRA) Regulations, 2011. The provisions of this circular at clause 9 and clause 13 were to come into effect from July 01, 2022.

Vide this circular, SEBI has decided to extend the timelines for applicability of clause 9 and clause 13 as under:

- KYC records of all existing clients (who have used Aadhaar as an OVD (Officially Valid Documents)) shall be validated within a period of 180 days from August 01, 2022.
- The validation of all KYC records (new and existing) shall commence from August 01, 2022

[Circular](#)

11. Adjustment in derivative contracts for dividend announcements

Circular No.: SEBI/HO/MRD2/MRD2_DCAP/P/CIR/2022/90

Effective Date: June 29, 2022

SEBI, vide Circulars dated June 21, 2001, dated December 18, 2002 and dated July 05, 2018, had inter-alia, laid down a framework for adjustment in derivative contracts (single stock options and futures) post dividend announcements.

Vide this circular, SEBI has decided that the adjustment in derivative contracts shall be carried out in cases where dividends declared are at or above 2% (previously 5%) of the market value of underlying stock.

The revised threshold, as stated above, would be applicable for dividend announcements done on or after the effective date of the circular. All other provisions of the above SEBI circulars shall continue to remain applicable.

[Circular](#)

MCA

1. Companies (Appointment and Qualification of Directors) Amendment, Rules, 2022

G.S.R. ____

Dated 1st June, 2022

Vide this notification, MCA has amended the Companies (Appointment and Qualification of Directors) Rules, 2014.

Addition of proviso to already existing proviso to Rule 8:

The newly added proviso further stipulates that if the person, who is to be appointed as a Director, is a national of any country which shares a land border with the territory of India, he has to obtain a security clearance from the Ministry of Home Affairs, Government of India. The said clearance will be attached with the consent form.

Addition of a proviso to Rule 10, in sub-rule (1):

The newly added proviso stipulates that no identification number will be generated for the Director if he/she is a national of any country which shares a land border with the territory of India, unless, he/she obtains necessary security clearance from the Ministry of Home Affairs, Government of India. The said clearance will be attached with the application for issuance of Director Identification Number.

The amendments to the rules also amend the aforementioned consent form (Form DIR-2) and provisional DIN form (Form DIR-3).

[Notification](#)

2. Companies (Removal of Names of Companies from the Register of Companies) Amendment Rules, 2022

G.S.R 436 (E)

Dated 9th June, 2022

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

Vide this notification, the Ministry has prescribed the number of resubmissions allowed (i.e., 2 resubmissions) along with the period within which resubmission is to be made by the concerned companies when they are in the process of voluntary strike off. Following is the gist of amendments:

- i. Upon examination of form STK-2, if it is found necessary by the concerned ROC to call for further information or if the application or any document is incomplete or defective, he shall inform the applicant to remove such defects;
- ii. the applicant has to resubmit the form within 15 days from the date of such information;
- iii. after the re-submission of the form, if the ROC finds that the form/ document is defective or incomplete in any respect, he shall give further time of 15 days to remove such defects;
- iv. in both the resubmissions, any failure to resubmit the form within 15 days shall make the application invalid;
- v. any re-submission of the application in form STK-2 made prior to the commencement of these rules shall not be counted for the purposes of reckoning the maximum number of re-submissions

In addition to the above, forms, STK-1, STK-5 & STK-5A have also been revised.

[Notification](#)

3. Companies (Appointment and Qualification of Directors) Second Amendment, Rules, 2022

G.S.R. 439(E)

Dated 10th June, 2022

Vide this notification, MCA has amended the Companies (Appointment and Qualification of Directors) Rules, 2014.

Rule 6(4) provides that, “every individual whose name is so included in the data bank shall pass an online proficiency

self-assessment test conducted by the institute within a period of 2 years from the date of inclusion of his name in the data bank, failing which, his name shall stand removed from the databank of the institute.”

If the name was removed under sub-rule (4), the individuals whose names were so removed were required to apply afresh under sub-rule (1). Vide this notification MCA, has provided an opportunity to such individuals to restore their names upon payment of fees of ₹1,000 subject to the following conditions:

- i. name shall be shown in a separate restored category for a period of 1 year from the date of restoration;
- ii. such individual shall be required to pass the online proficiency self-assessment test within a period of 1 year from the date of restoration;
- iii. name shall be included in the databank, only, if the individual passes the said online proficiency self-assessment test;
- iv. iv. upon passing the test, the fees paid by the individual at the time of initial registration shall continue to be valid for the period for which the same was initially paid;
- v. in case the individual fails to pass the online proficiency self-assessment test within 1 year from the date of restoration, his name shall be removed from the data bank;
- vi. upon failing the online proficiency self-assessment test, the individual shall be required to apply afresh under sub-rule (1) for inclusion of his name in the databank.

[Notification](#)

4. National Financial Reporting Authority Amendment Rules, 2022

G.S.R. 456(E)
Dated 17th June, 2022

Vide this notification, MCA has amended the National Financial Reporting Authority Rules, 2018.

Following is the gist of the amendment:

Rule 13 has been substituted with the following rule, namely:-

“13. Punishment in case of non-compliance:-

Whoever contravenes any of the provisions of these rules, shall be punishable with fine not exceeding five thousand rupees, and where the contravention is a continuing one, with a further fine not exceeding five hundred rupees for every day after the first during which the contravention continues.”

Previously, the penal provisions were as under:

Particulars	Penalty
Company and every officer in default	Rs. 10,000 and; in case of continuing contravention, with a further penalty of Rs. 1,000 for each day
Maximum penalty	Company – Rs. 200,000 Officer in Default – Rs. 50,000

[Notification](#)

5. Further relaxation in paying additional fees in case of delay in filing Form 11 (Annual Return) by Limited Liability Partnerships upto 15th July, 2022

General Circular No. 07/2022
Dated 29th June, 2022

In continuation of MCA General Circular No. 04/2022 dated 27.05.2022, the time-line for filing of LLP Form 11 (Annual Return) by LLPs without payment of additional fees has been further extended vide this circular from 30th June, 2022 to 15th July, 2022.

The above relaxation has been provided in view of transition from version-2 of MCA to version-3 and to promote

compliance on the part of LLPs.

[Circular](#)

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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