

NOVEMBER 2020

# NEWSLETTER

## REGULATORY

- RBI
- SEBI
- MCA



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## RBI

### **1. Opening of Current Accounts by Banks - Need for Discipline**

RBI/2020-21/62 DOR.No.BP.BC.27/21.04.048/2020-21  
Dated 2<sup>nd</sup> November, 2020

RBI vide its Circular on the subject dated August 6, 2020 had specified that the banks shall ensure compliance with the instructions issued in respect of the existing current and CC/OD accounts within a period of three months i.e. within November 5, 2020.

RBI vide this circular has extended the above compliance requirement till December 15, 2020 in view of several references received from banks seeking clarifications on operational issues regarding maintenance of current accounts already opened by the banks.

Further, these references are being examined by the Reserve Bank and will be clarified separately by means of a FAQ.

[Circular](#)

### **2. Discontinuation of Returns/Reports under Foreign Exchange Management Act, 1999**

RBI/2020-21/66 A.P. (DIR Series) Circular No. 05  
Dated 13<sup>th</sup> November, 2020

Vide this notification, RBI has discontinued 17 returns/reports as provided in the **Master Direction - Reporting under Foreign Exchange Management Act, 1999 dated January 01, 2016** with immediate effect with a view to improve the ease of doing business and reduce the cost of compliance.

The list of discontinued Returns/Reports is as under:

S. No.	Name of Report	Reporting Entity	Frequency
1	Category-wise transaction where the amount exceeds USD 5000 per transaction	AD Category-II	Monthly
2	Category-wise, transaction-wise statement where the amount exceeds USD 25,000 per transaction	AD Category-II	Monthly
3	Statement of Purchase transactions of USD 10,000 and above (including transactions of their franchisees)	FFMCs and AD Category- II	Monthly
4	Extension of Liaison Offices (LOs)	AD Category-I banks	As and when extension is granted
5	Extension of Project Offices (POs)	AD Category-I banks	As and when extension is granted
6	FII/FPI daily: Daily inflow/outflow of foreign fund on account of investment by FPIs	AD banks	Daily
7	FII/FPI Return (Monthly): Data relating to actual inflow /outflow of remittances on account of investments by Foreign Institutional Investors (FIIs) in the Indian Capital market	AD Category-I banks	Monthly
8	FVCI reporting: Inflows/outflows of remittances on account of investments by Foreign Venture Capital Investor (FVCIs) and Market value of Investments made by FVCIs	AD Category-I banks/Custodian banks	Monthly
9	Reporting of Inflow/Outflow details in respect of Mutual Fund by Asset Management Companies	Asset Management Companies	Quarterly
10	Market value of FII Investment in India on fortnightly basis	AD Category-I banks	Fortnightly
11	Market value of FII Investment in India on Monthly basis	AD Category-I banks	Monthly
12	FII holdings as percentage of floating stock	AD Category-I banks	Monthly
13	Form DRR for Issue/transfer of sponsored/unsponsored Depository Receipts (DRs)-	Custodian	At the time of issue/transfer of

	Hardcopy*		depository receipts
14	ADR/GDR Movement Report- two way fungibility	AD Category-I banks	Monthly
15	Repatriation of Sales proceeds of underlying shares represented by FCCBs/GDRs/ ADRs	Custodian	Monthly
16	GDR/ADR underlying shares issued, re deposited and released monthly reporting	Custodian	Monthly
17	Monitoring of disinvestments by Overseas Corporate Bodies	AD banks	Monthly

\* Note: Only the hardcopy filing of form DRR has been discontinued. The domestic custodian may continue to report the form DRR on FIRMS application in terms of Regulation 4 (5) of FEM (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019.

#### [Notification](#)

### **3. Establishment of Branch Office (BO) / Liaison Office (LO) / Project Office (PO) or any other place of business in India by foreign law firms**

RBI/2020-21/69 A.P. (DIR Series) Circular No. 07  
Dated 23<sup>rd</sup> November, 2020

RBI vide its Circular No. 23 dated October 29, 2015 had advised Reserve Bank/AD Category-I banks not to grant fresh permissions / renewal of permission to any **foreign law firm** for opening of Liaison Office in India, till the policy is reviewed based on, among others, final disposal of the matter by the Hon'ble Supreme Court.

Considering the decision of the Hon'ble Supreme Court dated 13<sup>th</sup> March, 2018 RBI has now directed AD Category – I banks not to grant any approval to any branch office, project office, liaison office or other place of business in India under FEMA for the purpose of practicing legal profession in India.

Further, they are required to bring to the notice of the Reserve Bank in case any such violation of the provisions of the **Advocates Act, 1961** is noticed by them.

#### [Circular](#)

## **SEBI**

### **1. Schemes of Arrangement by Listed Entities and (ii) Relaxation under Sub-rule (7) of Rule 19 of the Securities Contracts (Regulation) Rules, 1957**

Circular No. SEBI/HO/CFD/DIL1/CIR/P/2020/215  
Dated 3<sup>rd</sup> November, 2020

SEBI vide Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 had laid down the framework for Schemes of Arrangement by listed entities and relaxation under Rule 19(7) of the Securities Contracts (Regulation) Rules, 1957.

Vide this circular, SEBI has amended the above circular to streamline the processing of draft schemes filed with the stock exchanges. The amendments are aimed at ensuring that recognized Stock Exchanges refer draft schemes to SEBI only upon being fully convinced that the listed entity is in compliance with SEBI Act, Rules, Regulations and circulars issued thereunder. The list of the amendments are provided in the Annexure to the Circular.

This circular shall be applicable for all the schemes filed with the Stock exchanges after 17<sup>th</sup> November, 2020. The amendment indicated at Para 7 of the Annexure shall be applicable for all listed entities seeking listing and/or trading approval from the stock exchanges after November 3, 2020.

[Circular](#)

### **2. Creation of Security in issuance of listed debt securities and 'due diligence' by debenture trustee(s)**

Circular No.: SEBI/HO/MIRSD/CRADT/CIR/P/2020/218  
Dated 3<sup>rd</sup> November, 2020

*Effective Date – 01 January, 2021*

SEBI vide Notification No. SEBI/LAD-NRO/GN/2020/34 & SEBI/LAD-NRO/GN/2020/35 dated October 08, 2020 had amended the SEBI (Debenture Trustees) Regulations, 1993 ("DT Regulations") and SEBI (Issue and Listing of Debt Securities) Regulations, 2008 ("ILDS Regulations").

Vide this Circular, SEBI has issued guidelines on the following aspects for giving effect to the above amendments:

1. Documents/Consents required at the time of entering into Debenture Trustee agreement.
2. Due diligence by Debenture trustees for creation of security.
3. Disclosures in the offer document or private placement memorandum / information memorandum and filing of OD or PPM/IM by the Issuer.
4. Creation and registration of charge of security by Issuer.

[Circular](#)

### **3. Advisory for Financial Sector Organizations regarding Software as a Service (SaaS) based solutions**

Circular No. SEBI/HO/MIRSD2/DOR/CIR/P/2020/221  
Dated 3<sup>rd</sup> November, 2020

Ministry of Electronics & Information Technology (MoE&IT), has informed SEBI that the financial sector institutions are availing or thinking of availing Software as a Service (SaaS) based solution for managing their Governance, Risk & Compliance (GRC) functions so as to improve their cyber Security Posture. As observed by MoE&IT, though SaaS may provide ease of doing business and quick turnaround, it may also bring significant risk to health of financial sector.

In this regard, Indian Computer Emergency Response Team (CERT-in) has issued an advisory for Financial Sector organizations. The advisory is enclosed in *Annexure A* of this Circular.

The compliance of the advisory shall be reported in the half yearly report by stock brokers and DP to stock exchanges and depositories respectively and by direct intermediaries to SEBI

[Circular](#)

#### **4. Guidelines for rights issue of units by an unlisted Infrastructure Investment Trust (InvIT)**

Circular No.: SEBI/HO/DDHS/DDHS/CIR/P/2020/223  
Dated 4<sup>th</sup> November, 2020

Chapter VIA of the SEBI (Infrastructure Investment Trusts) Regulations, 2014 (InvIT Regulations) provides the framework for private placement of units by InvITs which are not eligible to be listed. In order to enable unlisted InvITs to raise further funds, SEBI vide this circular has decided to provide a mechanism for raising of funds by them through rights issue of units.

For the purpose of this circular “rights issue” shall mean an offer of units by an unlisted InvIT to the unit holders of the InvIT as on the record date fixed for the said purpose.

The guidelines in respect of a rights issue of units by an unlisted InvIT include the following:

1. Conditions for issuance
2. Underwriting
3. Letter of Offer
4. Application
5. Pricing of Units
6. Timelines
7. Manner of Issuance
8. Allotment
9. Restriction on further capital issues

[Circular](#)

#### **5. Circular on Enhancement of Overseas Investment limits for Mutual Funds**

Circular No.: SEBI/HO/IMD/DF3/CIR/P/2020/225  
Dated 5<sup>th</sup> November, 2020

SEBI vide this Circular, has modified clause 1(b) of SEBI Circular No. SEBI/IMD/CIR No.7/104753/08 dated September 26, 2007 and clause 2 of SEBI Circular SEBI/IMD/CIR No. 2/122577/08 dated April 08, 2008, to enhance the Overseas investment limits per Mutual Fund as under:

1. Mutual Funds can make overseas investments subject to a maximum of USD 600 million per Mutual Fund, within the overall industry limit of USD 7 billion.
2. Mutual Funds can make investments in overseas Exchange Traded Fund (ETF(s)) subject to a maximum of USD 200 million per Mutual Fund, within the overall industry limit of USD 1 billion.

Further, Mutual Funds shall report the utilisation of overseas investment limits on monthly basis, within 10 days from end of each month in the format for reporting provided in *Annexure A* to the Circular.

[Circular](#)

#### **6. Investor Grievance Redressal Mechanism**

Circular No.: SEBI/HO/MIRSD/DOC/CIR/P/2020/226  
Dated 6<sup>th</sup> November, 2020

*Effective Date – 01 January, 2021*

To further strengthen the Investor Grievance Redressal Mechanism SEBI, vide this circular has issued clarification as below to the following earlier circulars on the subject

Circular No. CIR/MRD/DSA/24/2010 dated August 11, 2010,  
Circular No. CIR/MRD/DSA/2/2011 dated February 09, 2011, and



Circular No. CIR/MRD/ICC/30/2013 dated September 26, 2013:

Clarifications

- 1) **Resolution of complaints by Stock Exchange:** Investor complaints shall be resolved within 15 working days from the date of receipt of the complaint. Additional information, if any, required from the complainant, would be sought within seven working days from the date of receipt of the complaint.
- 2) **Handling of complaints by IGRC:** Investor Grievance Redressal Committee (IGRS) shall resolve the Investor complaints within 15 working days through conciliation process. IGRC will not dispose the complaint citing lack of information and complexity of the case. All the expenses of IGRC will be borne by the respective stock exchange and no fees would be charged to the complainant.
- 3) **Arbitration:** 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 six months from the date of IGRC recommendation.
- 4) **Advise to the Stock Exchanges:** The stock exchanges are advised to –
  - a) make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision immediately;
  - b) bring the provisions of this circular to the notice of the members of the stock exchange and also to disseminate the same through their website; and
  - c) communicate to SEBI, the status of implementation of the provisions of this circular in the Monthly Development Reports to SEBI.

[Circular](#)

**7. Introduction of “Flexi Cap Fund” as a new category under Equity Schemes**

Circular No.: SEBI/HO/IMD/DF3/CIR/P/2020/228

Dated 6<sup>th</sup> November, 2020

SEBI vide Circular No. SEBI/HO/IMD/DF3/CIR/P/2017/114 dated October 06, 2017, had issued guidelines regarding categorization and rationalization of Mutual Fund Schemes.

SEBI vide this Circular, has introduced a new category named “Flexi Cap Fund” under Equity Schemes with the following characteristics to give more flexibility to the mutual funds:

Category of Scheme	Scheme Characteristics	Type of scheme (uniform description of scheme)
Flexi Cap Fund	Minimum investment in equity & equity related instruments - 65% of total assets	An open ended dynamic equity scheme investing across large cap, mid cap, small cap stocks

The AMC is required to ensure that a suitable benchmark is adopted for the Flexi Cap Fund.

Mutual Funds will have the option to convert an existing scheme into a Flexi Cap Fund subject to compliance with the requirement for change in fundamental attributes of the scheme in terms of Regulation 18(15A) of the SEBI (Mutual Funds) Regulations, 1996.

[Circular](#)

**8. Monitoring and Disclosures by Debenture Trustee(s)**

Circular No.: SEBI/HO/MIRSD/CRADT/CIR/P/2020/230

Dated 12<sup>th</sup> November, 2020

*Effective Date – Quarter ended 31 December, 2020*

Issuers are required to submit information/ documents to Debenture Trustee(s) in accordance with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and SEBI (Debenture Trustees) Regulations, 1993 (“DT Regulations”).

Vide this Circular, SEBI has entrusted the Debenture trustee(s) to undertake an independent periodical assessment of the compliance with the covenants or terms of the issue of listed debt securities including for 'security created' to enable debenture trustee(s) to discharge its obligations in respect of listed debt securities.

The independent periodical assessment by the Debenture trustee(s) will include the assessment on the following:

1. Monitoring of 'security created' / 'assets on which charge is created'
2. Action to be taken in case of breach of covenants or terms of issue
3. Disclosure on website by debenture trustee
4. Reporting of regulatory compliance

[Circular](#)

#### **9. Non-compliance with provisions related to continuous disclosures**

Circular No.: SEBI/HO/DDHS/DDHS/CIR/P/2020/231

Dated 13<sup>th</sup> November, 2020

*Effective Date – 31 December, 2020*

SEBI has prescribed continuous disclosure norms for

- issuers of listed Non-Convertible Debt Securities and Non-Convertible Redeemable Preference Shares (NCRPS) vide SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and
- issuers of listed Commercial Papers vide SEBI Circular Nos. SEBI/HO/DDHS/DDHS/CIR/P/2019/115 dated October 22, 2019 and SEBI/HO/DDHS/DDHS/CIR/P/2019/167 dated December 24, 2019.

Further, SEBI vide Circular No. SEBI/HO/CFD/CMD/CIR/P/2020/12, dated January 22, 2020, had specified a uniform structure for imposing fines for issuers not in compliance with certain provisions of SEBI LODR Regulations in respect of the listed specified securities (i.e. equity shares and convertible securities).

SEBI has also prescribed provisions for monitoring of compliance and imposition of fines by stock exchanges.

Vide this Circular, SEBI has laid down a similar uniform structure for imposing fines for non-compliance with continuous disclosure requirements by issuers of listed Non-Convertible Debt Securities or NCRPS or Commercial Papers specified in Annexure I and Annexure II of this circular.

The amount of fine realized as per the structure provided in Annexure I of this circular shall be credited to the "Investor Protection Fund" of the concerned recognized stock exchange.

[Circular](#)

#### **10. Amendments to guidelines for preferential issue and institutional placement of units by a listed InvIT**

Circular No.: SEBI/HO/DDHS/DDHS/CIR/P/2020/232

Dated 17<sup>th</sup> November, 2020

Vide this circular, SEBI has modified Clause 4.1 of the guidelines for preferential issue and institutional placement of units by listed InvITs issued vide Circular No. SEBI/HO/DDHS/DDHS/CIR/P/2019/143 dated November 27, 2019.

Clause 4.1 of Annexure I is modified as under:

“4.1. Preferential issue of units shall not be made to any person who has sold or transferred any units of the issuer during the six months preceding the relevant date.

Explanation: Where any person belonging to sponsor(s) has sold/transferred their units of the issuer during the six months preceding the relevant date, the sponsor(s) shall be ineligible for allotment of units on preferential basis.”

[Circular](#)

**11. Introduction of Unified Payments Interface (UPI) mechanism and Application through Online interface and Streamlining the process of Public issues of securities under - SEBI (Issue and Listing of Debt Securities) Regulations, 2008 (ILDS Regulations), SEBI (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013 (NCRPS Regulations), SEBI (Issue and Listing of Securitised Debt Instruments and Security Receipts) Regulations, 2008 (SDI Regulations) and SEBI (Issue and Listing of Municipal Debt Securities) Regulations, 2015 (ILDM Regulations)**

Circular No.: SEBI/HO/DDHS/CIR/P/2020/233  
Dated 23<sup>rd</sup> November, 2020

SEBI vide this circular has introduced Unified Payments Interface (UPI) mechanism and an additional mode for application through online (app/ web) interface in public issues of securities under the following Regulations:

- a) SEBI (Issue and Listing of Debt Securities) Regulations, 2008 (ILDS Regulations)
- b) SEBI (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013 (NCRPS Regulations)
- c) SEBI (Issue and Listing of Securitised Debt Instruments and Security Receipts) Regulations, 2008 (SDI Regulations)
- d) SEBI (Issue and Listing of Municipal Debt Securities) Regulations, 2015 (ILDM Regulations)

In addition to the already specified modes under the ASBA Circular dated 16<sup>th</sup> August, 2018, SEBI has decided to introduce the following:

1. Option to investors to apply in public issues of debt securities through the app / web interface of Stock Exchange(s) with a facility to block funds through Unified Payments Interface (UPI) mechanism for application value upto Rs. 2 Lac.
2. Permitting the UPI mechanism to block funds for application value upto Rs. 2 Lac submitted through intermediaries (Syndicate members, Registered Stock Brokers, Registrar and Transfer agent and Depository Participants).

The process flow for applying through online interface of stock exchanges or intermediaries and availing the option of blocking funds through UPI mechanism is placed at Annex 1 to this Circular.

[Circular](#)



## MCA

### **1. Extension of LLP Settlement Scheme, 2020**

General Circular No. 37/2020

Dated 9<sup>th</sup> November, 2020

MCA vide General Circular No. 31/2020 dated 28<sup>th</sup> September, 2020 had extended the LLP Settlement Scheme, 2020 to be in force till 31<sup>st</sup> December, 2020.

Vide this circular, MCA has extended the due date for filing of belated documents till 30<sup>th</sup> November, 2020 (Previously 31<sup>st</sup> August, 2020). Accordingly, the defaulting LLPs are permitted to file *belated documents, which are due for filing till 30<sup>th</sup> November, 2020* in accordance with the provisions of the scheme till 31.12.2020.

All other requirements provided in the above circular and original Circular No. 13 dated 30<sup>th</sup> March, 2020 shall remain unchanged.

It is further clarified that if a statement of account and solvency for the FY 2019-2020 has been signed beyond the period of six months from the end of financial year but not later than 30<sup>th</sup> November, 2020, the same shall not be deemed as non-compliance.

[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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