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NEWSLETTER

REGULATORY

- RBI
- SEBI
- MCA



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1. Large Exposures Framework – Credit Risk Mitigation (CRM) for offsetting – non-centrally cleared derivative transactions of foreign bank branches in India with their Head Office

RBI/2021-22/97 DOR.CRE.REC.47/21.01.003/2021-22

Dated 9th September, 2021

Vide this notification, RBI has advised that the Indian branches of foreign banks shall be permitted to reckon cash/unencumbered approved securities, the source of which is interest-free funds from Head Office or remittable surplus retained in Indian books (reserves), held with RBI under 11(2)(b)(i) of the Banking Regulation Act, 1949 ('BR Act') as CRM, for offsetting the gross exposure of the foreign bank branches in India to the Head Office (including overseas branches) for the calculation of LEF limit, subject to the following conditions:

- i. The amount so held shall be over and above the other regulatory and statutory requirements and shall be certified by the statutory auditors.
- ii. The amount so held shall not be included in regulatory capital. (i.e., no double counting of the fund placed under Section 11(2) as both capital and CRM). Accordingly, while assessing the capital adequacy of a bank, the amount will form part of regulatory adjustments made to Common Equity Tier 1 Capital.
- iii. The bank shall furnish an undertaking as on March 31 every year to the Department of Supervision (DoS), RBI that the balance reckoned as CRM for the purpose will be maintained on a continuous basis.
- iv. The CRM shall be compliant with the principles/conditions prescribed in paragraph 7 in the Master Circular – Basel III Capital Regulations dated July 1, 2015 as amended from time to time.

The amount held under section 11(2)(b)(i) of the BR Act and earmarked as CRM shall be disclosed by way of a note in Schedule 1: Capital to the Balance Sheet as given below:

"An amount of ₹... (previous year: ₹....) out of the amount held as deposit under Section 11(2) of the Banking Regulation Act, 1949 has been designated as credit risk mitigation (CRM) for offsetting of non-centrally cleared derivative exposures to Head Office (including overseas branches), and is not reckoned for regulatory capital and any other statutory requirements."

Excess amount over and above the CRM requirements shall be permitted to be withdrawn subject to certification by the Statutory Auditor and approval of the DoS, RBI. It may be noted that the onus of compliance with the LEF limit at all times shall be on the bank.

Further, it has been decided to permit foreign banks to exclude derivative contracts executed prior to April 1, 2019 while computing the derivative exposures on their Head Office (including overseas branches).

[Notification](#)

1. Revised guidelines for Liquidity Enhancement Scheme in the Equity Cash and Equity Derivatives Segments

Circular No.: SEBI/HO/MRD/DSA/CIR/P/2021/623

Dated: 1st September 2021

SEBI vide circular CIR/MRD/DP/14/2014 dated April 23, 2014 had permitted stock exchanges to introduce liquidity enhancement schemes in the equity cash and equity derivatives segments to enhance liquidity in illiquid securities.

Vide this Circular, SEBI has modified clause 3.1 and 4.1 of said Circular as under:

“3.1 The Scheme shall have prior approval of the Governing Board of the Stock Exchange which will be valid for one year. The Governing Board of the Stock Exchange may give yearly approval till the time the scheme is in operation. Further, its implementation and outcome shall be monitored by the Governing Board at quarterly intervals.

4.1. The Stock Exchange shall introduce liquidity enhancement schemes on any security. Once the scheme is discontinued, the scheme can be re-introduced on the same security”.

Further, the above modification will also be applicable to existing schemes. Other conditions prescribed in aforesaid SEBI Circular dated April 23, 2014 shall remain unchanged.

[Circular](#)

2. Alignment of interest of Asset Management Companies ('AMCs') with the Unit holders of the Mutual Fund Schemes

Circular No.: SEBI/HO/IMD/IMD-IDOF5/P/CIR/2021/624

Dated 2nd September, 2021

As per sub-regulation 16(A) in Regulation 25 of SEBI (Mutual Funds) Regulations, 1996 ('MF Regulations'), asset management companies ('AMCs') are required to invest such amount in such scheme (s) of the mutual fund, based on the risk associated with the scheme, as may be specified by the Board from time to time.

Vide this Circular, SEBI has decided that based on the risk value assigned to the scheme(s), in terms of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 5, 2020, AMCs shall invest minimum amount as a percentage of assets under management ('AUM') in their scheme(s) as provided in the Annexure.

For the above purpose:

- a) The risk value of the scheme as per the risk-o-meter of the immediate preceding month shall be considered.
- b) The investment shall be maintained at all points of time till the completion of tenure of the scheme or till the scheme is wound up.
- c) AMCs shall, except in case of close ended scheme(s), conduct a quarterly review to ensure compliance with the requirement of investment of minimum amount in the scheme(s) which may change either due to change in value of the AUM or in the risk value assigned to the scheme. Further, based on review of quarterly average AUM, shortfall in value of the investment in scheme(s), if any, shall be made good within 7 days of such review. AMC shall have the option to withdraw any excess investment than what is required pursuant to such review.
- d) AMCs may invest from their net worth or the sponsor may fund the AMC to fulfil the aforesaid obligations, if required. However, the AMCs shall be required to make good the shortfall in the minimum networth to comply with the requirement of the MF Regulations in case of sustenance of temporary Mark to Market loss for two consecutive quarters. AMC shall ensure that such temporariness of the Mark to Market loss is certified by the statutory auditor.
- e) AMCs shall not be required to invest in ETFs, Index Funds, Overnight Funds, Funds of Funds scheme(s) and in case of close ended funds wherein the subscription period has closed as on date of coming into force of MF Amendment Regulations.

Further, the mandatory contribution already made by the AMCs in compliance with the applicable MF Regulations shall not be withdrawn. However, such contribution can be adjusted against the investment required by the AMC as per this circular.

The compliance of the provisions of this circular shall be ensured by the AMCs and monitored by the Trustees. Any non-compliance in this regard, shall be reported in the Quarterly CTR and half-yearly Trustee Report.

The provisions of this circular shall come into force on the date of applicability of the MF Amendment Regulations (02/02/2022). SEBI circular SEBI/HO/IMD/DF4/CIR/P/2020/100 dated June 12, 2020 shall stand rescinded from such date.

[Circular](#)

3. Amendment to SEBI Circular SEBI/HO/DMS/CIR/P/2017/15 dated February 23, 2017 on Amendment pursuant to comprehensive review of Investor Grievance Redressal Mechanism

Circular No.: SEBI/HO/MRD1/ICC1/CIR/P/2021/625

Dated 2nd September, 2021

SEBI had issued a Circular SEBI/HO/DMS/CIR/P/2017/15 dated February 23, 2017 on Amendment pursuant to comprehensive review of Investor Grievance Redressal Mechanism.

Vide this Circular, SEBI has modified the following paragraphs of the aforesaid circular as under:

A. Clause 1.H. is replaced as under:

“1.H. Place of arbitration / appellate arbitration

In case award amount is more than Rs. 50 lakh (Rs. Fifty lakh), the next level of proceedings (arbitration or appellate arbitration) may take place at the nearest metro city, if desired by any of the party involved. The additional statutory cost for arbitration, if any, to be borne by party desirous of shifting the place of arbitration.”

B. Clause 1.J. is modified as under:

“1.J. Speeding up grievance redressal mechanism

“(v) In all cases except the additional fees charged from the trading members, if the claim is filed beyond the timeline prescribed in column 3, (only for member), on issue of the arbitral award the stock exchange shall refund the deposit to the party in whose favour the award has been passed.

(vi) The additional fees charged from the trading members, if the claim is filed beyond the timeline prescribed in column 3, (only for member), if any, to be deposited in the IPF of the respective Stock Exchange.”

C. Clause 2.E. is replaced as under:

“2.E. Determination of legitimate claims from IPF for clients of the defaulter member

The Stock Exchanges shall ensure that once a member has been declared defaulter, the claim(s) shall be placed before the Member Core Settlement Guarantee Fund Committee (MCSGFC, the erstwhile Defaulters’ Committee) for sanction and ratification. MCSGFC’s advice w.r.t. legitimate claims shall be sent to the IPF Trust for disbursement of the amount immediately.

In case the claim amount is more than the coverage limit under IPF or the amount sanctioned and ratified by the MCSGFC is less than the claim amount then the investor will be at liberty to prefer for arbitration outside the exchange mechanism/ any other legal forum outside the exchange mechanism for claim of the balance amount.”

D. Clause 2.F. is modified as under:

“2.F. Threshold limit for interim relief paid out of IPF in Stock Exchanges

(iii) In case, order is in favour of client and the member opts for arbitration wherein the claim value admissible to the client is not more than Rs. 20 lakhs (Rs. Twenty lakhs), the following steps should be undertaken by the Stock Exchange:

a) In case the GRC order is in favour of the client then 50% of the admissible claim value or Rs. 2.00 lakhs (Rs. Two lakhs), whichever is less, should be released to the client from IPF of the Stock Exchange.

b) In case the arbitration award is in favour of the client and the member opts for appellate arbitration then a positive difference of, 50% of the amount mentioned in the arbitration award or Rs. 3.00 lakhs (Rs. Three lakhs), whichever is less, and the amount already released to the client at clause (a) above, shall be released to the client from IPF of the

Stock Exchange.

c) In case the appellate arbitration award is in favour of the client and the member opts for making an application under Section 34 of the Arbitration and Conciliation Act, 1996 to set aside the appellate arbitration award, then a positive difference of, 75% of the amount mentioned in the appellate arbitration award or Rs. 5.00 lakhs (Rs. Five Lakhs), whichever is less and the amount already released to the client at clause (a) and (b) above, shall be released to the client from IPF of the Stock Exchanges.

d) Total amount released to the client through the facility of interim relief from IPF in terms of this Circular shall not exceed Rs.10.00lakhs (Ten lakhs) in a financial year.”

[Circular](#)

4. Position Limits for Currency Derivatives Contracts

Circular No.: SEBI/HO/MRD2_DCAP/P/CIR/2021/626

Dated 7th September, 2021

SEBI vide circular CIR/MRD/DP/20/2014 dated June 20, 2014 inter alia had prescribed the position limits in permitted currency pairs.

Vide this Circular, SEBI has decided to revise the client level position limits, per stock exchange, as follows:

Currency Pair	Position limits
USD-INR	Gross open position across all contracts shall not exceed 6% of the total open interest or USD 20 million, whichever is higher.
EUR-INR	Gross open position across all contracts shall not exceed 6% of the total open interest or EUR 10 million, whichever is higher.
GBP-INR	Gross open position across all contracts shall not exceed 6% of the total open interest or GBP 10 million, whichever is higher.
JPY-INR	Gross open position across all contracts shall not exceed 6% of the total open interest or JPY 400 million, whichever is higher.

The revised position limits shall also apply to Non-Resident Indians (NRIs) and Category II FPIs that are individuals, family offices, and corporates. The circular(s) SEBI/HO/MRD/DP/CIR/P/2017/63 dated June 28, 2017 and CIR/MRD/DP/20/2014 dated June 20, 2014 read with SEBI circular IMD/FPI&C/CIR/P/2019/124 dated November 05, 2019 shall stand modified to the extent mentioned above.

The position limits for Category I FPIs and Category II FPIs (other than individuals, family offices, and corporates) shall continue to remain the same as specified vide SEBI circular CIR/MRD/DP/20/2014 dated June 20, 2014 read with SEBI circular IMD/FPI&C/CIR/P/2019/124 dated November 05, 2019. All other conditions as specified vide earlier SEBI circulars shall also remain unchanged.

The provisions of this circular shall come into force with immediate effect.

[Circular](#)

5. Introduction of T+1 rolling settlement on an optional basis

Circular No.: SEBI/HO/MRD2/DCAP/P/CIR/2021/628

Dated 7th September, 2021

Effective Date: 1st January, 2022

SEBI, vide circular no. SMD/POLICY/Cir -/03 dated February 6, 2003, had shortened the settlement cycle from T+3 rolling settlement to T+2 w.e.f. April 01, 2003.

Vide this Circular, SEBI has decided to provide flexibility to Stock Exchanges to offer either T+1 or T+2 settlement cycle. Accordingly, a Stock Exchange may choose to offer T+1 settlement cycle on any of the scrips, after giving an advance notice of at least one month, regarding change in the settlement cycle, to all stakeholders, including the public at large, and also disseminating the same on its website.

After opting for T+1 settlement cycle for a scrip, the Stock Exchange shall have to mandatorily continue with the same for a minimum period of 6 months. Thereafter, in case, the Stock Exchange intends to switch back to T+2 settlement cycle, it shall do so by giving 1-month advance notice to the market.

Any subsequent switch (from T+1 to T+2 or vice versa) shall be subject to minimum period and notice period as mentioned in above Para. There shall be no netting between T+1 and T+2 settlements.

The settlement option for security shall be applicable to all types of transactions in the security on that Stock Exchange. For example, if a security is placed under T+1 settlement on a Stock Exchange, the regular market deals as well as block deals will follow the T+1 settlement cycle on that Stock Exchange.

[Circular](#)

6. Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Fifth Amendment) Regulations, 2021

No. SEBI/LAD-NRO/GN/2021/47
Dated 7th September, 2021

Vide this Notification, SEBI has amended the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Following is the gist of the amendments:

1. Amendment in definition of non-convertible debt securities, non-convertible redeemable preference shares, 'non-convertible securities, perpetual debt instrument and perpetual non-cumulative preference share
2. The provisions of these regulations which become applicable to listed entities on the basis of the criterion of the value of outstanding listed debt securities shall continue to apply to such entities even if they fall below prescribed thresholds.
3. The provisions of regulation 15 and regulation 16 to regulation 27 of chapter IV shall apply to a listed entity which has listed its non-convertible debt securities and has an outstanding value of listed non-convertible debt securities of Rupees Five Hundred Crore and above.
4. The provisions of Risk Management Committee shall be applicable to top 1000 listed entities (previously 500), determined on the basis of market capitalization as at the end of the immediate preceding financial year; and, a 'high value debt listed entity'.
5. The listed entity shall give prior intimation to the stock exchange of at least two working days in advance, excluding the date of the intimation and the date of the meeting of the board of directors, about the Board meeting in which the Board is going to consider any of the proposals relating to:
 - a. an alteration in the form or nature of non-convertible securities that are listed on the stock exchange or in the rights or privileges of the holders thereof;
 - b. An alteration in the date of the interest/ dividend/redemption payment of non-convertible securities;
 - c. Financial results viz. quarterly or annual, as the case may be;
 - d. Fundraising by way of issuance of non-convertible securities; or
 - e. any matter affecting the rights or interests of holders of non-convertible securities.
6. The amendment also provides that the annual audited standalone and consolidated financial results for the financial years shall be submitted to the stock exchange(s) within sixty days from the end of the financial year along with the audit report.

[Regulation](#)

7. Clarifications with respect to Circular dated April 28, 2021 on 'Alignment of interest of Key Employees ('Designated Employees') of Asset Management Companies (AMCs) with the Unit holders of the Mutual Fund Schemes'

Circular No.: SEBI/HO/IMD/IMD-I/DOF5/P/CIR/2021/629
Dated 20th September, 2021

SEBI, vide Circular no. SEBI/HO/IMD/IMD-I/DOF5/P/CIR/2021/553 dated April 28, 2021, had provided that a part of the compensation of Key Employees of the AMCs shall be paid in the form of units of the scheme(s) in which they have

a role or oversight.

Vide this Circular, SEBI has provided clarifications on certain provisions and on the applicability of the aforementioned circular in the Annexure-1 to this circular.

All other provisions mentioned in the circular SEBI/HO/IMD/IMD-I/DOF5/P/CIR/2021/553 dated April 28, 2021 and circular SEBI/HO/IMD/IMD-I/DOF5/P/CIR/2021/582 dated June 25, 2021 shall remain unchanged.

[Circular](#)

8. Risk Management Framework (RMF) for Mutual Funds

Circular No.: SEBI/HO/IMD/IMD-1 DOF2/P/CIR/2021/630
Dated 27th September, 2021

Effective Date: 1st January, 2022

SEBI vide Circular No. MFD/CIR/15/19133/2002, dated September 30, 2002 had prescribed certain systems, procedures and practices that must be followed by all mutual funds with regard to risk management in various areas like fund management, operations, customer service, marketing and distribution, disaster recovery and business contingency, etc.

Vide this circular, SEBI has decided to review the extant Risk Management Framework for Mutual Funds. The revised Risk Management Framework (RMF) for mutual funds is placed at Annexure-A to the circular. It provides a set of principles or standards, which inter alia comprise the policies, procedures, risk management functions and roles & responsibilities of the management, the Board of AMC and the Board of Trustees.

AMCs are required to perform a self-assessment of their RMF and practices and submit a report, thereon, to their Board along with the roadmap for implementation of the framework.

Further, the Circular No. MFD/CIR/15/19133/2002, dated September 30, 2002 on “Risk Management System” shall be rescinded with effect from January 01, 2022. However, AMCs may choose to adopt the provisions of this circular before the effective date.

Compliance with the RMF should be reviewed annually by the AMC. Reports of such reviews shall be placed before the Board of AMC and Trustees for their consideration and appropriate directions, if any.

[Circular](#)

9. Circular on Swing pricing framework for mutual fund schemes

Circular No.: SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/631
Dated 29th September, 2021

Effective Date: March 1, 2022

SEBI vide this circular has decided to introduce swing pricing framework for open ended debt mutual fund schemes (except overnight funds, Gilt funds, and Gilt with 10-year maturity funds).

Under this framework, to begin with, the swing pricing framework will be made applicable only for scenarios related to net outflows from the schemes. The framework shall be a hybrid framework with:

- a) a partial swing during normal times and
- b) a mandatory full swing during market dislocation times for high-risk open-ended debt schemes.

[Circular](#)

MCA**1. Extension of time for holding of Annual General Meeting (AGM) for the Financial year ended on 31.03.2021**

CL-II-03/252/2021/-O/o DGCoA-MCA
Dated 23rd September, 2021

Vide this Notification, MCA has issued the Office Memorandum wherein it has extended the time for holding of AGM for the Financial Year ended on March 31, 2021, by two months from the due date.

The Central Government has received representations seeking extension of time for holding Annual General Meeting (AGM) for the financial year 2020-21 ending on 31st March 2021 citing many difficulties faced due to second wave of Covid-19 and consequent lockdowns etc.

Accordingly, MCA has advised the Registrar of Companies (RoCs) to accord approval for extension of time for a period of two months beyond the due date by which companies are required to conduct their AGMs for the financial year 2020-21 ended on 31st March 2021.

2. Extension of last date of filing of Cost Audit Report to the Board of Directors under Rule 6(5) of the Companies (Cost Records and Audit) Rules, 2014

General Circular No. 15/2021
Dated 27th September, 2021

Vide this Notification, MCA has provided relaxation with respect to Cost Audit Report required to be submitted by the Cost Auditor to the Board.

In view of extraordinary disruption caused due to the pandemic, it has been decided that if cost audit report for the financial year 2020-21 by the cost auditor to the Board of Directors of the companies is submitted by 31st October, 2021 then the same would not be viewed as violation of rule 6(5) of Companies (Cost Records and Audit) Rules, 2014. Consequently, the cost audit report for the FY ended on 31st March, 2021 shall be filed in e-form CRA-4 within 30 days from the receipt of the copy of the cost audit report by the Company.

However, in case a company has got extension of time for holding Annual General Meeting, then the e-form CRA may be filed within resultant extended period of filing financial statements under section 137 of the Companies Act, 2013.

[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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