

DECEMBER  
2023

# NEWSLETTER

## REGULATORY

- RBI
- SEBI
- MCA



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**1. Investments in Alternative Investment Funds (AIFs)**

RBI/2023-24/90 DOR.STR.REC.58/21.04.048/2023-24

Dated: 19<sup>th</sup> December, 2023

Regulated entities (REs) make investments in units of AIFs as part of their regular investment operations. In this regard, RBI has noticed that certain transactions of REs involving AIFs entail substitution of direct loan exposure of REs to borrowers, with indirect exposure through investments in units of AIFs.

In order to address concerns relating to possible evergreening through this route, RBI has advised as under:

(i) REs shall not make investments in any scheme of AIFs which has downstream investments either directly or indirectly in a debtor company of the RE.

**Explanation:** The debtor company of the RE, for this purpose, shall mean any company to which the RE currently has or previously had a loan or investment exposure anytime during the preceding 12 months.

(ii) If an AIF scheme, in which RE is already an investor, makes a downstream investment in any such debtor company, then the RE shall liquidate its investment in the scheme within 30 days from the date of such downstream investment by the AIF. If REs have already invested into such schemes having downstream investment in their debtor companies as on date, the 30-day period for liquidation shall be counted from date of issuance of this circular. REs shall forthwith arrange to advise the AIFs suitably in the matter.

(iii) In case REs are not able to liquidate their investments within the above-prescribed time limit, they shall make 100 percent provision on such investments.

Further, investment by REs in the subordinated units of any AIF scheme with a 'priority distribution model' shall be subject to full deduction from RE's capital funds.

**Explanation:** 'Priority distribution model' shall have the same meaning as specified in the SEBI circular SEBI/HO/AFD-1/PoD/P/CIR/2022/157 dated November 23, 2022.

[Notification](#)**2. Foreign Exchange Management (Manner of Receipt and Payment) Regulations, 2023**

No. FEMA 14(R)/2023-RB

Dated: 21st December, 2023

Vide this notification, RBI has notified the Foreign Exchange Management (Manner of Receipt and Payment) Regulations, 2023.

Below is the gist of the Regulations:

**Manner of receipt and payment.** – (1) Save as otherwise in a manner as provided in the Act or the rules or regulations made or directions issued under the Act, no person resident in India shall make or receive payment from a person resident outside India:

Provided that the Reserve Bank may, on an application made to it, permit a person resident in India to make or receive payment under the Act.

(2) The receipt and payment between a person resident in India and a person resident outside India shall, unless provided otherwise, be made through an Authorised Bank or Authorised Person and in the manner as specified below:

**(I) Trade transactions** - (a) receipt/payment for export to or import from the countries given below of eligible goods and services shall be made as under:

**(i) Nepal and Bhutan** - in Indian Rupees provided that in case of exports from India where the importer in Nepal has been permitted by the Nepal Rashtra Bank to make payment in foreign currency, such receipts towards the amount of the

export may be in foreign currency;

**(ii) Member countries of Asian Clearing Union (ACU), other than Nepal and Bhutan** - through ACU mechanism or as per the directions issued by the Reserve Bank to authorised dealer from time to time:

Provided that in case of imports where the goods are shipped to India from a member country of the ACU (other than Nepal and Bhutan) but the supplier is resident of a country other than a member country of the ACU, the payment may be made in a manner as specified at (iii) below.

**(iii) Countries other than member countries of ACU** - In Indian Rupees or in any foreign currency.

(b) Notwithstanding anything contained in this sub-regulation, receipts and payments may also be made in a manner as may be provided in the extant Foreign Trade Policy framed by the Central Government.

Explanation: The expression 'ACU' (Asian Clearing Union) shall have the same meaning assigned to it under Article I of the ACU agreement and the ACU mechanism shall be construed accordingly.

**(II) Transactions other than trade transactions** - receipt and payment shall be made as under:

**(i) Nepal and Bhutan** - In Indian Rupees provided that in case of overseas investment in Bhutan, payment may also be made in foreign currency;

**(ii) Other Countries** – In Indian Rupees or any foreign currency.

(3) Payment and receipt in India for any current account transaction, other than a trade transaction, between any person resident in India and a person resident outside India, who is on a visit to India, may be made only in Indian Rupees.

Provided that any payment or receipt under regulation 3 may also be made by debit/ credit to a bank account maintained in terms of the rules, regulations or directions issued under the Act.

#### Notification

### **3. Liberalised Remittance Scheme (LRS) for Resident Individuals- Reporting of monthly return and daily transactions**

RBI/2023-24/93 A.P. (DIR Series) Circular No.11  
Dated: 22<sup>nd</sup> December, 2023

In terms of RBI Circular No. 07 dated June 17, 2021, AD Category-I banks were required to upload data in respect of number of applications received and the total amount remitted under Liberalised Remittance Scheme (LRS) on a monthly basis on XBRL site.

Further in terms of RBI Circular No. 23 dated April 12, 2018, AD Category-I banks were required to upload daily transaction-wise information undertaken by them under LRS on XBRL site.

Vide this notification, RBI has decided that with effect from December 26, 2023, the submission of both the returns through the XBRL site will be discontinued and shifted to the Centralised Information Management System (CIMS), which is the Bank's new data warehouse. AD Category-I banks have already been onboarded on CIMS portal, and are currently submitting both the returns on XBRL site as well as CIMS portal.

**The LRS monthly return and LRS daily return have been assigned return codes- 'R089' and 'R010' respectively on CIMS portal.**

**Due Dates:** AD Category-I banks shall upload the LRS monthly return on or before fifth of the succeeding month commencing from the reporting month of December 2023, and LRS daily return from December 26, 2023 onwards on the next working day on CIMS portal (URL: <https://sankalan.rbi.org.in>). In case no data is to be furnished, AD Category-I banks shall upload a 'NIL' report.

#### Notification

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| <b>SEBI</b>  |  |
| <b>1. Extension of timeline for implementation of provisions of circular SEBI/HO/OIAE/IGRD/CIR/P/2023/156 dated September 20, 2023 on Redressal of investor grievances through the SEBI Complaint Redressal (SCORES) Platform and linking it to Online Dispute Resolution platform</b>   |  |
| Circular No: SEBI/HO/OIAE/IGRD/CIR/P/2023/183<br>Dated: 1 <sup>st</sup> December, 2023   |  |
| <p><b>Reference to the Existing Provisions:</b></p> <ul style="list-style-type: none"> <li>➤ The provisions of SEBI circular dated September 20, 2023 related to work flow of processing of investor grievances by Entities and framework for monitoring and handling of investor complaints by the Designated Bodies were required to come into force with effect from December 04, 2023.</li> <li>➤ Further, the designated bodies were required to apply for SCORES Authentication and/or for Application Programming Interface (API) integration with SCORES within such period so as to ensure that Designated Bodies can comply with provisions of the said circular by December 04, 2023 and onwards.</li> </ul> <p>Vide this circular, SEBI has extended the effective date of implementation of above said provisions to April 01, 2024.</p> <p>Accordingly, the above circular shall rescind the Master Circular on the redressal of investor grievances through the SEBI Complaints Redress System (SCORES) platform dated November 07, 2022 with effect from April 01, 2024.</p> <p>The Entities however, shall continue to submit the Action Taken Report (“ATR”) on SCORES within 21 calendar days from the date of receipt of the complaint as directed in above mentioned circular.</p> <p><a href="#">Circular</a></p>                        |  |
| <b>2. Revised framework for computation of Net Distributable Cash Flow (NDCF) by Real Estate Investment Trusts (REITs)</b>   |  |
| Circular No.: SEBI/HO/DDHS/DDHS-PoD/P/CIR/2023/185<br>Dated 6 <sup>th</sup> December, 2023   |  |
| <p><b>Reference to the Existing Provisions:</b></p> <ul style="list-style-type: none"> <li>➤ Regulation 18(16) of SEBI (Real Estate Investment Trust) Regulations, 2014 (“REIT Regulations”), provides that the Net Distributable Cash Flow (NDCF) shall be computed at the level of REIT and HoldCo/SPV. Further, the minimum distribution shall be 90% of the NDFC at the Trust level as well as the HoldCo/SPV level, subject to applicable provisions in the Companies Act, 2013 or the Limited Liability Partnership Act, 2008.</li> <li>➤ Paragraph F of Chapter 3 of the Master Circular for Real Estate Investment Trusts provides an indicative framework for calculating NDCF at SPV level and at the REIT level.</li> </ul> <p>Vide this Circular, SEBI has decided to standardize the framework for calculation of available Net Distributable Cash Flows. Accordingly, the revised framework for computation of NDCF by REITs and its Holdcos/SPVs shall be as per Annexure A to this circular.</p> <p><b>Applicability:</b> The revised framework shall be applicable with effect from April 1, 2024 and supersedes the Framework for calculation of Net Distributable Cash Flows provided in Paragraph F of Chapter 3 of the Master Circular for Real Estate Investment Trusts (REITs) dated July 06, 2023.</p> <p><a href="#">Circular</a></p> |  |
| <b>3. Revised framework for computation of Net Distributable Cash Flow (NDCF) by Infrastructure Investment Trusts (InvITs)</b>   |  |
| Circular No.: SEBI/HO/DDHS/DDHS-RAC-1/P/CIR/2023/178<br>Dated 6 <sup>th</sup> December, 2023   |  |



### ***Reference to the Existing Provisions:***

- Regulation 18(6) of SEBI (Infrastructure Investment Trust) Regulations, 2014 (“InvIT Regulations”), provides that the Net Distributable Cash Flow (NDCF) shall be computed at the level of InvIT and HoldCo/SPV. Further, the minimum distribution shall be 90% of the NDCF at the Trust level as well as the HoldCo/SPV level, subject to applicable provisions in the Companies Act, 2013 or the Limited Liability Partnership Act, 2008.
- Paragraph F of Chapter 3 of the Master Circular for Infrastructure Investment Trusts provides an indicative framework for calculating NDCF at SPV level and at the InvIT level.

Vide this circular, SEBI has decided to standardize the framework for calculation of available Net Distributable Cash Flows. Accordingly, the revised framework for computation of NDCF by InvITs and its Holdcos/SPVs shall be as per Annexure A.

**Applicability:** The revised framework shall be applicable with effect from April 1, 2024 and supersedes the Framework for calculation of Net Distributable Cash Flows provided in Paragraph F of Chapter 3 of the Master Circular for Infrastructure Investment Trusts (InvITs) dated July 06, 2023.

### **Circular**

#### **4. Credit of units of AIFs in dematerialised form**

Circular No.: SEBI/HO/AFD/PoD1/CIR/2023/186  
Dated 11<sup>th</sup> December, 2023

### ***Reference to the Existing Provisions:***

In terms of para 3.1 of SEBI circular dated June 21, 2023 on ‘Issuance of units of AIFs in dematerialised form’, all schemes of Alternative Investment Funds AIFs were mandated to dematerialise their units as per the following timeline:

| Particulars                                   | Schemes of AIFs with corpus $\geq$ INR 500 Crore | Schemes of AIFs with corpus < INR 500 Crore |
|---|--|---|
| Dematerialisation of all the units issued     | Latest by October 31, 2023                       | Latest by April 30, 2024                    |
| Issuance of units only in dematerialised form | November 01, 2023 onwards                        | May 01, 2024 onwards                        |

As per the above timeline, schemes of AIFs with corpus  $\geq$  INR 500 Crore have created International Securities Identification Numbers (ISINs) for their units issued and have commenced crediting the units to the investors’ demat accounts.

Vide this circular, SEBI has decided to specify the process to be followed for dematerializing / crediting the units issued, in cases where investors are yet to provide demat account details to AIFs.

Below is the gist of the updates:

1. AIF industry and depositories shall adopt implementation standards as formulated by the pilot Standard Setting Forum for AIFs (SFA) along with the two depositories, in consultation with SEBI. The standards shall detail steps to be taken by AIF managers and depositories to reach out to investors and facilitate conversion and credit of their units in demat form.
2. Units already issued by schemes of AIFs to existing investors who have not provided their demat account details, shall be credited to a separate demat account named "Aggregate Escrow Demat Account".
3. When such investors provide their demat account details to the AIF, their units held in Aggregate Escrow Demat Account shall be transferred to the respective investors’ demat accounts within 5 working days.
4. Schemes of AIFs with corpus  $\geq$  INR 500 Crore shall credit units already issued to existing investors (on boarded prior to November 01, 2023) who have not provided their demat account details, into Aggregate Escrow Demat Account latest by January 31, 2024.

5. Schemes of AIFs with corpus < INR 500 Crore shall credit units issued to their investors who have not provided their demat account details by April 30, 2024, into Aggregate Escrow Demat Account latest by May 10 2024.

6. Accordingly, the following is clarified with respect to issuance and credit of units of AIFs in demat form:

| Details   | Schemes with corpus $\geq$ INR 500 Crore as on Oct 31, 2023  | Schemes with corpus < INR 500 Crore as on Oct 31, 2023 and schemes launched after Oct 31, 2023 irrespective of corpus  |
|---|--|--|
| Investors who have provided their demat account details   | Units issued after Oct 31, 2023, shall be in demat form and credited only to investors demat accounts.   | Units issued after Apr 30, 2024, shall be in demat form and credited only to investors demat accounts.   |
| Investors who have not provided their demat account details   | For investors on-boarded prior to Nov 01, 2023, units shall be credited in Aggregate Escrow Demat Account temporarily, till investors provide their demat account details. | For investors on-boarded prior to May 01, 2024, units shall be credited in Aggregate Escrow Demat Account temporarily, till investors provide their demat account details. |
| Completion of credit of demat units to<br>a) demat accounts of investors who have provided demat account details and b) Aggregate Escrow Demat Account, for those who have not provided demat account details | Latest by Jan 31, 2024   | Latest by May 10, 2024   |

7. Units of AIFs held in Aggregate Escrow Demat Account can be redeemed and proceeds shall be distributed to respective investors bank accounts with full audit trail of the same.

8. Managers of AIFs shall maintain investor wise KYC details of units held in Aggregate Escrow Demat Account, including name, PAN and bank account details, along with audit trail of the transactions. The same shall also be reported to Depositories and Custodians on a monthly basis.

[Circular](#)

## 5. Extension of timelines for providing 'choice of nomination' in eligible demat accounts and mutual fund folios

Circular No.: SEBI/HO/MIRSD/POD-1/P/CIR/2023/193  
Dated 27<sup>th</sup> December 2023

SEBI, vide circular nos. SEBI/HO/MIRSD/POD-1/CIR/2023/158 dated September 26, 2023 and SEBI/HO/IMD/IMD-I POD1/P/CIR/2023/160 dated September 27, 2023, extended the last date for submission of 'choice of nomination' for demat accounts and mutual fund folios respectively to December 31, 2023.

Vide this circular, SEBI has decided to extend the last date for submission of 'choice of nomination' for demat accounts and mutual fund folios to **June 30, 2024**.

Accordingly, Depository Participants, AMCs and RTAs shall encourage the demat account holders/ mutual fund unit holders to fulfil the requirement for nomination/opting out of nomination by sending a communication on fortnightly basis by way of emails and SMS to all such demat account holders/ mutual fund unit holders who are not in compliance with the requirement of nomination.

[Circular](#)

## 6. Framework on Social Stock Exchange ("SSE")

Circular No.: SEBI/HO/CFD/PoD-1/P/CIR/2023/196  
Dated 28<sup>th</sup> December 2023

SEBI vide its circular SEBI/HO/CFD/PoD-1/P/CIR/2022/120 dated September 19, 2022 notified the detailed framework on Social Stock Exchange.

Vide this circular, SEBI has approved the following modifications/ additions to the aforesaid Circular:

1. In Paragraph 1(A), titled “Minimum requirement to be met by a Not for Profit Organization (NPO) for registration with SSE in terms of Regulation 292F of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (“ICDR Regulations”), the following requirement under the Broad Parameter in the table given below shall read as under:

| Broad Parameter                       | Indicator   | Details  |
|---------------------------------------|---|--|
| Exemption under Income-tax Act, 1961: | Registration Certificate under section 12A/ 12AA/ 12AB/ 10(23C)/ 10(46) under Income-tax Act, 1961                                  | a. Registration Certificate under section 12A/ 12AA/ 12AB/ 10(23C)/ 10(46) to be valid for at least the next 12 months.<br>b. Details regarding pending notices or scrutiny cases from all regulatory and statutory authority shall be disclosed at the time of making the application for the registration.<br>c. Fines or penalties if imposed shall be disclosed as paid or appealed within 7 days.<br>The Stock Exchanges shall have the right to refuse registration of those applicants, if the notices/ scrutiny cases are grave and debilitating enough to endanger the registration of the NPO under the Income-tax Act, 1961 or other relevant laws. |
| Deduction under Income-tax Act, 1961  | Valid 80G registration under Income Tax Act, 1961 for entities registered under section 12A/ 12AA/ 12AB of the Income-tax Act, 1961 | Entity to ensure disclosure whether tax deduction is available or not to investors.  |

2. In Paragraph 1, after sub-paragraph A and before sub-paragraph B, the following new sub-paragraphs AA, AB and AC shall be inserted pertaining to –

AA. Procedure for public issuance of Zero Coupon Zero Principal Instruments by a not for profit organization

AB. Contents of the fund raising document.

AC. Other conditions relating to issuance of Zero Coupon Zero Principal Instruments

Detailed amendments form part of the Circular.

[Circular](#)

## 7. Master Circular for Online Resolution of Disputes in the Indian Securities Market

Circular No.: SEBI/HO/OIAE/OIAE\_IAD-3/P/CIR/2023/195

Dated 28<sup>th</sup> December 2023

Consequent to the gazette notification (dated July 3, 2023) of the SEBI (Alternative Dispute Resolution Mechanism) (Amendment) Regulations, 2023, vide this master circular, SEBI has streamlined the existing dispute resolution mechanism in the Indian securities market under the aegis of Stock Exchanges and Depositories (collectively referred to as Market Infrastructure Institutions (MIIs)), by expanding their scope and by establishing a common Online Dispute Resolution Portal (“ODR Portal”) which harnesses online conciliation and online arbitration for resolution of disputes arising in the Indian Securities Market.

This Master Circular specifies the details on the following:

1. Investors and Listed Companies/Specified Intermediaries/Regulated entities under the ambit of ODR
2. Introduction of the common Online Dispute Resolution Portal
3. Initiation of the dispute resolution process
4. ODR Portal and allocation system
5. Conciliation
6. Arbitration
7. Form of Proceedings
8. Fees & Charges

9. Empanelment and Training of the Panel of Conciliator and Arbitrators
10. Roles and Responsibilities of MIIs
11. Responsibilities of the Market Participants
12. Timelines for Implementation

Detailed amendments form part of the Circular.

[Master Circular](#)

## **8. Settlement of Running Account of Client's Funds lying with Trading Member (TM)**

Circular No.: SEBI/HO/MIRSD/MIRSD-PoD1/P/CIR/2023/197

Dated 28<sup>th</sup> December 2023

In order to safeguard the interests of investors, SEBI in 2018 had mandated settlement of running account of client's funds on first Friday of the quarter/month. This has been incorporated as clause 47 of "Master Circular on Stock Brokers" issued on May 17, 2023.

Broker's Industry Standards Forum (ISF) have recommended that TMs may be allowed to settle the running account of clients on Friday and/or Saturday to address the operational difficulties such as hectic activities on the day of settlement leading to chances of errors, missing out on payment timings of banks due to late finalization, delayed instructions, etc. due to single day of settlement.

Vide this circular, SEBI has decided to accept the recommendation to settle the running account of clients on Friday and/or Saturday, which streamlines the process of settlement and ensures ease of doing business for various stakeholders viz. stock brokers and banks, while at the same time safeguarding the interests of the investors by ensuring error free settlement.

In view of this, the following changes are made in the Master circular dated May 17, 2023:

1. Clause 47.1.1 stands modified as follows:

*"47.1.1 The TM, after considering the End of the Day (EOD) obligation of funds across all the Exchanges, shall settle the running accounts at the choice of the clients on quarterly and monthly basis, on the dates stipulated by the Stock Exchanges."*

2. To ensure uniformity and clarity on dates of such monthly and quarterly settlement of client accounts, clause 47.1.2 is modified as follows:

*"47.1.2 Stock exchanges shall, jointly, issue the annual calendar for the settlement of running account (quarterly and monthly) at the beginning of the financial year."*

3. Further, to safeguard against any possibility of misuse of one client's funds to settle another clients' running account, it is stipulated that any funds received from clients shall remain in the upstreaming account. To incorporate this safeguard, clause 47.1.3 is inserted as follows:

*"47.1.3 TM shall ensure that funds, if any, received from clients, whose running account has been settled, remain in the "Up Streaming Client Nodal Bank Account" and no such funds shall be used for settlement of running account of other clients. Stock Exchanges shall evolve a monitoring mechanism for this purpose."*

**Applicability:** The provisions of this circular shall be applicable with effect from the quarterly settlement of Jan-Mar 2024 and monthly settlement of January 2024.

Further, all other provisions under Clause 47 of the circular dated May 17, 2023 shall continue to remain applicable.

[Circular](#)



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| <b>MCA</b>   |
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| <i>There is no relevant update in the month of December, 2023.</i> |
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**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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