

OCTOBER 2020

NEWSLETTER

REGULATORY

- RBI
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RBI

1. Interest Subvention Scheme for MSMEs – Co-operative banks

RBI/2020-21/48 DOR (PCB).BPD.Cir No.3/13.05.001/2020-21
Dated 7th October, 2020

Government of India, Ministry of Micro, Small and Medium Enterprises (MSMEs) had announced the 'Interest Subvention Scheme for MSMEs 2018 on November 2, 2018 for Scheduled Commercial Banks. The scheme provides for an interest relief of two per cent per annum to eligible MSMEs on their outstanding fresh/incremental term loan/working capital during the period of its validity.

Vide this notification, the operational guidelines of the Scheme have been modified as under:

- a. The validity of the scheme has been extended till March 31, 2021. Accordingly, fresh or incremental term loan / working capital limit extended by co-operative banks with effect from March 3, 2020 will be eligible for coverage under the scheme.
- b. Acceptance of claims in multiple lots for a given half-year by eligible institutions is permitted.
- c. Requirement of Udyog Aadhaar Number (UAN) may be dispensed with for units eligible for GST. Units not required to obtain GST may either submit Income Tax Permanent Account Number (PAN) or their loan account must be categorized as MSME by the concerned bank.
- d. Trading activities have also been allowed to be covered under the scheme without UAN.

[Notification](#)

2. Scheme for grant of ex-gratia payment of difference between compound interest and simple interest for six months to borrowers in specified loan accounts (1.3.2020 to 31.8.2020)

RBI/2020-21/61 DOR.No.BP.BC.26/21.04.048/2020-21
Dated 26th October, 2020

The Government of India (Ministry of Finance) has announced a Scheme for grant of ex-gratia payment towards difference between compound interest and simple interest for six months payable to borrowers in specified loan accounts (1.3.2020 to 31.8.2020) (the 'Scheme') on October 23, 2020, by respective lending institutions.

Following are the relevant provisions of the [Scheme](#):

1. **Applicability:** The scheme is applicable to all lending institutions which must be either of the following –
Banking Company; Public Sector Bank; Co-operative Bank; Regional Rural Bank; All India Financial Institution; Non-Banking Financial Company; Housing Finance Company; National Housing Bank.
2. **Eligibility:** Borrowers in the prescribed segment who have loan accounts having sanctioned limits and outstanding amount of not exceeding Rs. 2 crore (aggregate of all facilities with lending institutions) as on 29.02.2020 are eligible under the scheme (subject to other prescribed conditions).
3. **Period for Interest Computation:** 01.03.2020 to 31.08.2020 (six months/184 days). For accounts closed during the said period, the period for crediting would be from 01.30.2020 upto the date of closure of account.
4. **Rate of Interest:** Rate prevailing on 29.02.2020. Any change in interest rate thereafter not to be considered
5. **Crediting of Interest:** To be completed on or before 05.11.2020.
6. **Claiming of reimbursement:** After crediting the interest amount to accounts of the eligible borrowers, the lending institutions can lodge for their claim for reimbursement to the Designated Officer(s)/cell at the State Bank of India by 15.12.2020.

[Notification](#)

SEBI

1. Framework for monitoring of foreign holding in Depository Receipts

Circular No. SEBI/HO/MRD/DCAP/CIR/P/2020/190

Dated 1st October, 2020

SEBI vide circular no. SEBI/HO/MRD/DOP1/CIR/P/2019/106 dated October 10, 2019 had notified the framework for issuance of Depository Receipts ('DRs') by a Listed Company that provided obligations of Indian Depositories and Domestic Custodian whereby Indian Depositories were required to develop a system to monitor the foreign holding including that held by way of DRs, as per the limits prescribed under the Foreign Exchange Management Act, 1999 and applicable SEBI Regulations.

Vide this circular, SEBI has issued the broad operational guidelines prescribed in the Annexure to the circular for the above purposes.

[Circular](#)

2. Relaxation in timelines for compliance with regulatory requirements

Circular No.: SEBI/HO/MIRSD/DOP/CIR/P/2020/191

Dated 1st October, 2020

SEBI had previously provided relaxations in timelines for compliance with various regulatory requirements by the trading members / clearing members/ depository participants vide various circulars.

Vide this Circular, SEBI has further extended the timelines for compliance with the regulatory requirements by the trading members/clearing members, mentioned in the SEBI circulars, as under:

Compliance requirements for which timelines were extended vide respective SEBI Circulars	S. No. for which timeline is extended	Previous Extension / Previous Period of exclusion	Extended timeline / Period of exclusion
SEBI Circular No. SEBI/HO/MIRSD/DOP/CIR/P/2020/61 dated April 16, 2020 – Maintaining call recordings of orders/instructions received from clients.	XI	May 17, 2020	December 31, 2020
SEBI Circular No. SEBI/HO/MIRSD/DOP/CIR/P/2020/62 dated April 16, 2020 – KYC application form and supporting documents of the clients to be uploaded on system of KRA within 10 working days.	III	Period of exclusion was from March 23, 2020 till May 17, 2020	Period of exclusion shall be from March 23, 2020 till December 31, 2020
SEBI Circular No. SEBI/HO/MIRSD/DOP/CIR/P/2020/141 dated July 29, 2020 – Cyber Security & Cyber Resilience Audit for the year ended March 31, 2020	-	September 30, 2020	December 31, 2020

All other conditions specified in the aforementioned circulars shall continue to remain applicable till the period of relaxation.

[Circular](#)

3. Circular on Review of provisions regarding valuation of debt and money market instruments due to the COVID - 19 pandemic

Circular No.: SEBI/HO/IMD/DF4/CIR/P/2020/192

Dated 1st October, 2020

SEBI vide circular no. SEBI/HO/IMD/DF3/CIR/2020/70 dated April 23, 2020, had provided relaxation for the valuation agencies engaged by Association of Mutual Funds of India (AMFI) to recognize default of a security as required under SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019 till the period of moratorium permitted by Reserve Bank of India (RBI).

SEBI, vide Circular No. SEBI/HO/MIRSD/CRADT/CIR/P/2020/160 dated August 31, 2020 had provided relaxation to Credit Rating Agencies in recognition of default for restructuring by the lender/ investors solely due to COVID-19 related stress.

Vide this Circular, SEBI has provided discretion to the valuation agencies engaged by AMCs/AMFI for recognition of default in case proposal of restructuring of debt is solely due to COVID-19 related stress. The valuation agency may not consider the restructuring or non-receipt of dues as default for the purpose of valuation of money market or debt securities held by mutual funds.

Further, if there is any difference in the valuation of securities provided by two valuation agencies, the conservative valuation shall be accepted.

The above modifications permitted to SEBI Circular dated September 24, 2019 shall be in force till December 31, 2020.

[Circular](#)

4. Standardization of timeline for listing of securities issued on a private placement basis

Circular No.: SEBI/HO/DDHS/CIR/P/2020/198
Dated 5th October, 2020

Effective Date – 01 December, 2020

Vide this circular, SEBI has defined timelines (as below) within which securities issued on private placement basis under SEBI (Issue and Listing of Debt Securities) Regulations, 2008 (SEBI ILDS), SEBI (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013 (SEBI NCRPS), SEBI (Public Offer and Listing of Securitised Debt Instruments and Security Receipts) Regulations, 2008 (SEBI SDI) and SEBI (Issue and Listing of Municipal Debt Securities) Regulations, 2015 (SEBI ILDM) need to be listed after completion of allotment:

Serial Number	Details of Activities	Due Date
1	Closure of Issue	T Day
2	Receipts of funds	To be completed by T+2 trading day
3	Allotment of Securities	
4	Issuer to make listing application to Stock Exchange(s)	To be completed by T+4 trading day
5	Listing permission from Stock Exchange(s)	

In case of delay in listing of securities issued on privately placement basis beyond the timelines specified above, the issuer shall;

- pay penal interest of 1% p.a. over the coupon rate for the period of delay to the investor (i.e. from date of allotment to the date of listing)
- be permitted to utilize the issue proceeds of its subsequent two privately placed issuances of securities only after receiving final listing approval from Stock Exchanges.

[Circular](#)

5. Circular on Guidelines on Inter Scheme Transfers of Securities

Circular No.: SEBI/HO/IMD/DF4/CIR/P/2020/202
Dated 8th October, 2020

Effective Date: 1st January, 2021

Presently, transfers of securities from one scheme to another scheme in the same mutual fund is allowed only if such transfers are done at the prevailing market price for instruments on spot basis and the securities so transferred are in conformity with the investment objective of the scheme to which such transfer has been made.

Vide this circular, SEBI has issued following additional safeguards in order to ensure that such Inter Schemes Transfers (ISTs) of securities are in conformity with the above objective:

1. In case of Close Ended Schemes, IST purchases would be allowed within “three” business days of allotment pursuant to New Fund Offer (NFO) and thereafter, no ISTs shall be permitted to/from Close Ended Schemes.
2. In case of Open Ended Schemes, ISTs may be allowed in the following scenarios:
 - a) For meeting liquidity requirement in a scheme in case of unanticipated redemption pressure
 - b) For Duration/Issuer/Sector/Group rebalancing

[Circular](#)

6. Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2020

No. SEBI/LAD-NRO/GN/2020/33
Dated 8th October, 2020

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

Below is the gist of the amendments:

1. **Regulation 54 pertaining to Asset cover:** All listed entities will now have to maintain 100 percent asset cover or **asset cover as per the terms of the offer document**, sufficient to discharge the principal amount at all times for the non-convertible debt securities issued. The non-applicability of asset coverage requirement in case of unsecured debt securities issued by regulated financial sector entities eligible for meeting capital requirements as specified by respective regulators has now been removed.
2. **Regulation 56 pertaining to Documents and Intimation to Debenture Trustees:** The listed entities will have to promptly forward to debenture trustees a half-yearly certificate regarding maintenance of 100 percent asset cover, or **asset cover as per the terms of the offer document**, in respect of listed non-convertible debt securities, by the **statutory auditor** (previously Practising CA/CS) along with the half-yearly financial results. The submission of half-yearly certificates will be exempted only where bonds are secured by a government guarantee.
3. **Schedule III pertaining to Disclosure of Events or Information: Specified Securities:** All listed companies are mandatorily required to make disclosures about their forensic audit reports to stock exchanges. The companies will be required to disclose their final forensic audit report, other than the forensic audit initiated by regulatory or enforcement agencies, on receipt by the listed entity, along with comments of the management, if any.

[Regulation](#)

7. Securities and Exchange Board of India (Debenture Trustees) (Amendment) Regulations, 2020

No. SEBI/LAD-NRO/GN/2020/34
Dated 8th October, 2020

SEBI has amended the Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993.

Following regulations have been substituted:

1. **Regulation 14 pertaining to obligations of the debenture trustees** – It has been specified that every debenture trustee shall amongst other matters, accept the trust deeds which shall contain the matters as specified in Section 71 of Companies Act, 2013, and Form No. SH.12 specified under the Companies (Share Capital and Debentures) Rules, 2014. Such a trust deed shall consist of two parts, Part A containing statutory/standard information pertaining to the debt issue, and Part B containing details specific to the particular debt issue.
2. **Regulation 15 pertaining to duties of the debenture trustees** – It has been specified that before creating a charge on the security for the debentures, the debenture trustee shall exercise independent due diligence to ensure that

such security is free from any encumbrance or that it has obtained the necessary consent from other charge-holders if the security has an existing charge, in the manner as may be specified by the Board from time to time.

[Regulation](#)

8. Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) (Second Amendment) Regulations, 2020

No. SEBI/LAD-NRO/GN/2020/36
Dated 19th October, 2020

SEBI has amended the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003.

Amendment is made in **Regulation 4 pertaining to Prohibition of manipulative, fraudulent and unfair trade practices** by inserting an explanation in sub-regulation (1) stating that any act of diversion, misutilisation or siphoning off of assets or earnings of a company whose securities are listed or any concealment of such act or any device, scheme or artifice to manipulate the books of accounts or financial statement of such a company that would directly or indirectly manipulate the price of securities of that company shall be and shall always be deemed to have been considered as manipulative, fraudulent and an unfair trade practice in the securities market.

[Regulation](#)

9. Securities and Exchange Board of India (Alternative Investment Funds) (Amendment) Regulations, 2020

No. SEBI/LAD-NRO/GN/2020/37
Dated 19th October, 2020

SEBI has amended the Securities and Exchange Board of India (Alternative Investment Funds) (Amendment) Regulations, 2012.

Following is the gist of the amendments made:

- Regulation 4 pertaining to eligibility:** Additional criteria has been added in respect of the key investment team of the Manager of Alternative Investment Fund. The team is additionally required to have at least one key personnel with professional qualification in finance, accountancy, business management, commerce, economics, capital market or banking from a university or an institution recognized by the Central Government or any State Government or a foreign university, or a CFA charter from the CFA institute or any other qualification as may be specified. The additional criteria can be fulfilled by the same key personnel.
- Regulation 20 pertaining to general obligations:** Insertion of sub-regulation 6 which provides that the Manager shall be responsible for investment decisions of the Alternative Investment Fund. The Manager may constitute an Investment Committee to approve investment decisions of the Alternative Investment Fund subject to certain conditions.

[Regulation](#)

10. Contribution by Issuers of listed or proposed to be listed debt securities towards creation of "Recovery Expense Fund"

Circular No.: SEBI/HO/MIRSD/CRADT/CIR/P/2020/207
Dated 22nd October, 2020

Effective Date: 1st January, 2021

Vide this circular, SEBI has prescribed to mandatorily create a 'Recovery Expense Fund' (REF) to enable the Debenture Trustee(s) to take prompt action for enforcement of security in case of 'default' in listed debt securities. The fund shall be utilised in the manner as decided in the meeting of the holders of debt securities.

SEBI has also prescribed the following with respect to the above fund:

- a. Manner of creation and operation of Recovery Expense Fund
- b. Manner of utilization of Recovery Expense Fund
- c. Refund of Recovery Expense Fund to the issuer

[Circular](#)

11. Clarification on SEBI Circular SEBI/HO/OIAE/IGRD/CIR/P/2020/152 dated 13 August, 2020 on Investor grievances redressal mechanism – Handling of SCORES complaints by stock exchanges and Standard Operating Procedure for non-redressal of grievances by listed companies

Circular No.: SEBI/HO/OIAE/IGRD/CIR/P/2020/208
Dated 22nd October, 2020

SEBI vide Circular No. SEBI/HO/OIAE/IGRD/CIR/P/2020/152 dated 13th August, 2020 had laid down a procedure for handling investor complaints by the stock exchanges as well as standard operating procedure for actions to be taken against listed companies for failure to redress investor grievances.

Vide this circular, SEBI has clarified that in respect of Paras 16, 27, 32 and Point 2C, the words “promoter and promoter group” and promoter/promoter group” shall be read as “promoter(s)”. The substitution has been made to restrict applicability of the above paras only to the promoters.

[Circular](#)

MCA

1. Companies (Prospectus and Allotment of Securities) Amendment Rules, 2020

Notification No. G.S.R.(E)

Dated 16th October, 2020

Vide this notification, MCA has amended the Companies (Prospectus and Allotment of Securities) Rules, 2014:

Amendment is made in Rule 14(1) pertaining to the Private Placement whereby a company can make an offer or invitation to subscribe to securities through issue of a private placement offer letter with the prior approval of the shareholders by special resolution.

As per the amendment a proviso has been inserted to provide that in case of offer or invitation of any securities to qualified institutional buyers, it shall be sufficient if the company passes a previous special resolution only once in a year for all the allotments to such buyers during the year.

[Notification](#)

2. Special Measures under the Companies Act, 2013 and Limited Liability Partnership Act, 2008 in view of COVID-19 outbreak

General Circular No. 36/2020

Dated 20th October, 2020

MCA in continuation to General Circular No. 11/2020 dated 24th March, 2020 issued on the subject has clarified that non-compliance of minimum residency in India for a period of at least 182 days in a year, by at least one director in every company under section 149 of the Companies Act, 2013 shall not be treated as non-compliance for the financial year 2020-2021. Previously, MCA had relaxed the aforesaid residency norms for the financial year 2019-2020 vide above circular.

[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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