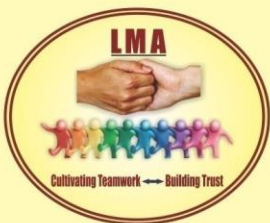


August 2024

NEWSLETTER

REGULATORY

- RBI
- SEBI
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RBI

1. Review of Master Direction - Non-Banking Financial Company – Peer to Peer Lending Platform (Reserve Bank) Directions, 2017

Notification No. RBI/2024-25/63 DoR.FIN.REC.35/03.10.124/2024-25

Dated: August 16, 2024

Reference is drawn to Master Direction - Non-Banking Financial Company – Peer to Peer Lending Platform (Reserve Bank) Directions, 2017 (“the Directions”).

The Directions envisaged the Non-Banking Financial Company – Peer to Peer Lending Platform (NBFC-P2P Lending Platform) to act as an intermediary providing online marketplace / platform to the participants involved in peer to peer lending. Accordingly, the Directions had laid down clear guidelines regarding various aspects of functioning of NBFC-P2P Lending Platforms. However, it has been observed that some of these platforms have adopted certain practices which are violative of the said Directions. Such practices include, among others, violation of the prescribed funds transfer mechanism, promoting peer to peer lending as an investment product with features like tenure linked assured minimum returns, providing liquidity options and at times acting like deposit takers and lenders instead of being a platform.

In view of the above, RBI has decided to elaborate and clarify certain provisions with some modifications for proper implementation of the Directions. The amended provisions of the Directions are enclosed in the Annex to this circular. The Master Direction stands modified accordingly.

[Notification](#)

SEBI

1. Valuation of Additional Tier 1 Bonds (“AT-1 Bonds”)

Circular No.: SEBI/HO/IMD/IMD-I POD1/P/CIR/2024/106
Dated 5th August, 2024

Reference is drawn to clause 9.3.1.1 and clause 9.4.2 of the Master Circular No. SEBI/HO/IMD/IMD-PoD-1/P/CIR/2024/90 dated June 27, 2024 for Mutual Funds (“Master Circular”) pertaining to valuation of bonds with multiple call options.

National Financial Reporting Authority (NFRA), in its report to Department of Economic Affairs, Ministry of Finance, has recommended that since the market practice for AT-1 bonds has been observed to trade at or quote prices closer to Yield to Call (YTC) basis, valuation of AT-1 Bonds on Yield to Call basis (adjusted with appropriate risk spreads) will be consistent with the principles of market-based measurement under Ind AS 113.

In view of the above, in order to align the valuation methodology with the recommendation of NFRA, SEBI vide this circular has decided that the valuation of AT-1 Bonds by Mutual Funds shall be based on Yield to Call.

For all other purposes, since liquidity risk of perpetual bonds is required to be suitably captured, deemed maturity of all perpetual bonds shall continue to be in line with the clause 9.4.2 of the Master Circular.

[Circular](#)

2. Amendment to Master Circular for Infrastructure Investment Trusts (InvITs) dated May 15, 2024 - Board nomination rights to unitholders of InvITs

Circular No.: SEBI/HO/DDHS/DDHS-PoD-2/P/CIR/2024/109
Dated 6th August, 2024

Reference is drawn to para 22.3.1. (b) of Chapter 22, titled “Board nomination rights to unitholders of Infrastructure Investment Trusts (InvITs)”, of the Master Circular for Infrastructure Investment Trusts dated May 15, 2024 which requires as under:

“Eligible Unitholder(s) shall be entitled to nominate only one Unitholder Nominee Director, subject to the unit holding of such Eligible Unitholder(s) exceeding the specified threshold. If the right to nominate one or more directors on the Board of Directors of the Investment Manager is available to any entity (or to an associate of such entity) in the capacity of shareholder of the Investment Manager or lender to the Investment Manager or the InvIT (or its HoldCo(s) or SPVs), then such entity in its capacity as unitholder, shall not be entitled to nominate or participate in the nomination of a Unitholder Nominee Director.”

In order to promote ease of doing business and based on the request of the industry and recommendation of Hybrid Securities Advisory Committee (HySAC), SEBI vide this circular has inserted the following proviso after above clause:

“Provided that the above restriction relating to the right to nominate a Unitholder Nominee Director shall not be applicable if the right to appoint a nominee director is available in terms of clause (e) of sub-regulation (1) of regulation 15 of the SEBI (Debenture Trustees) Regulations, 1993”.

[Circular](#)

3. Amendment to Master Circular for Real Estate Investment Trusts (REITs) dated May 15, 2024 – Board nomination rights to unitholders of REITs

Circular No.: SEBI/HO/DDHS/DDHS-PoD-2/P/CIR/2024/108
Dated 6th August, 2024

Reference is drawn to para 18.2.2. (b) of Chapter 18, titled “Board nomination rights to unitholders of REITs”, of the Master Circular for Real Estate Investment Trusts dated May 15, 2024 which requires as under:

“Eligible Unitholder(s) shall be entitled to nominate only one Unitholder Nominee Director, subject to the unit holding of

such Eligible Unitholder(s) exceeding the specified threshold. If the right to nominate one or more directors on the Board of Directors of the Investment Manager is available to any entity (or to an associate of such entity) in the capacity of shareholder of the Investment Manager or lender to the Manager or the REIT (or its HoldCo(s) or SPVs), then such entity in its capacity as unitholder, shall not be entitled to nominate or participate in the nomination of a Unitholder Nominee Director.”

In order to promote ease of doing business and based on the request of the industry and recommendation of Hybrid Securities Advisory Committee (HySAC), SEBI vide this circular has inserted the following proviso after above clause:

“Provided that the above restriction relating to the right to nominate a Unitholder Nominee Director shall not be applicable if the right to appoint a nominee director is available in terms of clause (e) of sub-regulation (1) of regulation 15 of the SEBI (Debenture Trustees) Regulations, 1993”.

[Circular](#)

4. Master Circular for Stock Brokers

No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/110
Dated 9th August, 2024

Reference is drawn to Master Circular for Stock Brokers dated May 22, 2024 (**‘Old Master Circular’**). Subsequently, various guidelines/directions were issued to Stock Brokers by way of circulars/advisory. In view of the same, SEBI has now compiled a Master Circular for Stock Brokers in order to enable the stakeholders to have access to the provisions of applicable circulars issued till August 9, 2024 at one place.

This master circular will supersede the previous Master Circular for Stock Brokers dated May 22, 2024 (**‘Old Master Circular’**). The directions / instructions contained in the circulars listed out in the Appendix to Old Master Circular, to the extent they relate to the Stock Brokers were rescinded. Now in addition, the directions / instructions listed out at S. No. 117-118 in the Appendix to this Master Circular shall also stand rescinded to the extent they relate to Stock Brokers.

Notwithstanding such rescission,

- a. anything done or any action taken or purported to have been done or taken under the rescinded circulars shall be deemed to have been done or taken under the corresponding provisions of this Master Circular.
- b. any application made to SEBI under the rescinded circulars, prior to such rescission, and pending before it shall be deemed to have been made under the corresponding provisions of this Master Circular.
- c. the previous operation of the rescinded circulars or anything duly done or suffered thereunder shall remain unaffected as if the rescinded circulars have never been rescinded

[Master Circular](#)

5. Cybersecurity and Cyber Resilience Framework (CSCRF) for SEBI Regulated Entities (REs)

Circular No.: SEBI/HO/ ITD-1/ITD_CSC_EXT/P/CIR/2024/113
Dated 20th August, 2024

SEBI had issued Cybersecurity and Cyber resilience framework for Market Infrastructure Institutions (MIIs) in 2015. Subsequently, SEBI had issued other Cybersecurity and Cyber resilience frameworks in line with MIIs circular of 2015 for following Registered entities (REs):

- Stock Brokers and Depository Participants;
- Mutual Funds(MFs) / Asset Management Companies (AMCs);
- KYC Registration Agencies (KRAs);
- Qualified Registrar to an Issue and Share Transfer Agents (QRTAs);
- Portfolio Managers.

Further, SEBI had also issued various advisories to REs, from time to time, on Cybersecurity best practices.

In order to strengthen the cybersecurity measures in Indian securities market, and to ensure adequate cyber resiliency against cybersecurity incidents/ attacks, SEBI vide this circular has formulated Cybersecurity and Cyber Resilience

Framework (CSCRF) for SEBI REs in consultation with the stakeholders. The CSCRF aims to provide standards and guidelines for strengthening cyber resilience and maintaining robust cybersecurity of SEBI REs. This framework shall supersede existing SEBI cybersecurity circulars/ guidelines/ advisories/ letters (list of such superseded circulars/ guidelines/ advisories/ letters are given as part of the framework attached as Annexure-1).

The key objective of CSCRF is to address evolving cyber threats, to align with the industry standards, to encourage efficient audits, and to ensure compliance by SEBI REs. The CSCRF also sets out standards formats for reporting by REs.

[Circular](#)

MCA

1. The Companies (Adjudication of Penalties) Amendment Rules, 2024

G.S.R. 476(E)
Dated 5th August, 2024

Effective date: 16th September, 2024

Vide this notification, MCA has amended the Companies (Adjudication of Penalties) Rules, 2014.

Following is the gist of amendments:

1. The Central Government (CG) proposes to launch a centralised and advanced e-adjudication platform for adjudication of penalties.
2. The following proceedings will take place only through an electronic mode on the e-adjudication platform:
 - issue of notices;
 - filing responses and supporting documentation;
 - conducting hearings;
 - recording attendance of witnesses;
 - passing orders; and
 - payment of penalty.
3. If the e-mail address of the concerned person to whom a notice / summons is required to be issued under the Adjudication Rules is not available, the adjudicating officer will send a physical notice by post. A copy of such notice will be maintained by the adjudication officer in the electronic record on the e-adjudication platform.
4. In case there is no address available for the concerned person, the notice will be put on the e-adjudication platform.

Under the present Adjudication Rules, the adjudicating officer would issue a notice to the concerned person before commencing proceedings, including hearings, filing of representations and passing of orders, all of which are conducted ***in a physical mode***. Currently, while the Adjudication Rules permit filing of replies to notice and payment of penalty on the MCA portal in electronic mode, a centralised system equipped for all steps of the proceedings is not present. ***With the introduction of the Amendment, these processes, including hearings, will be conducted in electronic mode on the e-adjudication platform.***

The Amendment also provides a format of '***Form ADJ***' for filing an appeal against the adjudication order. While this form is available as part of the Adjudication Rules for filing of appeal in physical form, it is now made available for filing of appeals in electronic mode.

[Notification](#)

2. The Limited Liability Partnership (Amendment) Rules, 2024

G.S.R. 475(E)
Dated 5th August, 2024

Effective date: 27th August, 2024

Vide this notification, MCA has notified Limited Liability Partnership (Amendment) Rules, 2024 to amend the Limited Liability Partnership Rules, 2009.

The new amendment rules introduce the Centre for Processing Accelerated Corporate Exit (C-PACE) as an additional

authority, along with the Registrar, to handle the operations of the LLP name strike-off or Form 24 applications. The applicable changes are made in Chapter XIV - Striking Off Name of Defunct LLP under LLP rules, 2009.

The Centre for Processing Accelerated Corporate Exit means the office of Centre for Processing Accelerated Corporate Exit established by the Central Government, vide notification number S.O. 1269(E), dated 17th March, 2023 issued under sub-sections (1) and (2) of Section 396 of the Companies Act, 2013 (18 of 2013).

[Notification](#)

3. The Companies (Indian Accounting Standards) Amendment Rules, 2024.

G.S.R. 492 (E)
Dated 12th August, 2024

Vide this notification, MCA has notified Companies (Indian Accounting Standards) Amendment Rules, 2024 to amend the Companies (Indian Accounting Standards) Rules, 2015.

Following is the gist of important amendments:

MCA has notified IND AS 117 “**Insurance Contracts**” based on the recommendations of the National Financial Reporting Authority (NFRA)

- IND AS 117 defines principles for the recognition, measurement, presentation and disclosure of insurance contracts.
- IND AS 117 will bring accounting in Indian Insurance industry closer to global standards as it is based on IFRS 17 which is followed globally.
- Consequential amendments are also made to Ind as 101 (First Time adoption of IND AS), IND AS 109 (Financial Instruments) and IND AS 37 (Provisions, Contingent Liabilities and Contingent Assets)
- As per MCA, IND AS 117 will be applicable from 1st April, 2024, however its applicability will depend on go-ahead by Insurance Regulatory and Development Authority of India (IRDAI). As of Now, Indian Accounting Standards (IND AS) are not applicable to Insurance companies as implementation approval is pending from IRDAI.

[Notification](#)

4. The Companies (Registration of Foreign Companies) Amendment Rules, 2024

G.S.R. 491(E)
Dated 12th August, 2024

Effective date: 9th September, 2024

Vide this notification, MCA has notified Companies (Registration of Foreign Companies) Amendment Rules, 2024 to amend the Companies (Registration of Foreign Companies) Rules, 2014.

Following is the gist of amendment:

1. In Rule 3(3) pertaining to Particulars Relating to Directors and Secretary to be furnished to the Registrar by Foreign Companies, for the word, “Registrar”, the words, “Registrar, Central Registration Centre” is substituted. Now, a foreign company is required to file with the Registrar, Central Registration Centre” Form FC-1 within a period of thirty days of the establishment of its place of business in India. Previously, the form was to be filed to the Registrar.
2. Insertion of the proviso in rule 8(1) pertaining to Office Where Documents to be Delivered and Fee for Registration of Documents: The documents for registration by a foreign company referred to in sub-rule (3) of rule (3) shall be delivered in Form FC-1 to the Registrar, Central Registration Centre.”

[Notification](#)

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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