

MAY 2024

# NEWSLETTER

## REGULATORY

- RBI
- SEBI
- MCA



## Lovi Mehrotra & Associates

Chartered Accountants

21-22 IInd Floor Krishna Nagar Safdarjung Enclave  
New Delhi 110029

Website : [www.lma.co.in](http://www.lma.co.in) • Email : [d.khanna@lma.co.in](mailto:d.khanna@lma.co.in)

**1. Instructions on Money Changing Activities**

RBI/2024-25/39 A.P. (DIR Series) Circular No. 08

Dated: May 27, 2024

In terms of FED Master Direction No.3 /2015-16 dated January 01, 2016 (updated from time to time) on Money Changing Activities, Full Fledged Money Changers (FFMCs)/non-bank Authorised Dealers (ADs) Category-II may obtain their normal business requirements of foreign currency notes from other FFMCs and Authorised Dealers (ADs) in India. Further, they are also required to keep balances in foreign currencies at reasonable levels to avoid buildup of idle balances.

Vide this circular, RBI has decided that from July 1, 2024, value of foreign currency notes sold by FFMCs / non-bank ADs Category -II to the public for permitted purposes should not be less than 75% of the value of foreign currency notes purchased from other FFMCs/ ADs, on a quarterly basis. Data of such sale and purchase is also required to be maintained and made available for audit / inspection. FFMCs/ADs selling foreign currency may also ascertain the 'sale to public' requirement of the buying FFMCs/non-bank ADs Category II, by seeking relevant data from such entities.

Further, it has also been decided that FFMCs/non-bank ADs Category-II shall submit their annual audited balance sheet to the concerned Regional Office of the Reserve Bank along with a certificate from their statutory auditors regarding the Net Owned Funds (NOF) as on the date of the balance sheet, latest by October 31 of the year concerned.

[Circular](#)**2. Foreign Exchange Management (Deposit) (Fourth Amendment) Regulations, 2024**

Notification No. FEMA 5(R)/(4)/2024-RB

Dated: May 6, 2024

Vide this notification, RBI has amended the Foreign Exchange Management (Deposit) Regulations, 2016. Regulation 7 pertaining to Other deposits made or held by authorised dealer is amended by insertion of a new sub-regulation 6 after 5 as under:

An authorised dealer in India may allow a person resident outside India to open, hold and maintain an interest bearing account in Indian Rupees and / or foreign currency for the purpose of posting and collecting margin in India, for a permitted derivative contract entered into by such person in terms of Foreign Exchange Management (Margin for Derivative Contracts) Regulations, 2020, dated October 23, 2020, as amended from time to time, subject to directions issued by the Reserve Bank in this regard.

[Regulation](#)

## SEBI

### 1. Portfolio Managers - Facilitating ease in digital on-boarding process for clients and enhancing transparency through disclosures

Circular No.: SEBI/HO/IMD/IMD-PoD-1/P/CIR/2024/35

Dated: 2<sup>nd</sup> May, 2024

*Effective Date: October 1, 2024*

Vide this Circular, SEBI has mandated measures to facilitate ease in digital on-boarding process for clients of Portfolio Managers (as below):

1. While on-boarding a client, Portfolio Manager is required to ensure the following:
  - a) client has understood the structure for fees and charges
  - b) the new client has separately signed the annexure on fees and charges and added a note, that they have understood the structure for fees and charges, in the following manner:
    - i) handwritten, in case the client is on-boarded through physical mode.
    - ii) Typed using keyboard or written electronically using fingers/a stylus pen, in case client is on-boarded through digital mode
2. Portfolio Manager is required to provide a fee calculation tool to all clients that highlights various fee options with multi-year fee calculations. Such tool shall incorporate the high watermark principle, wherever applicable. The link to access the said tool is required to be provided in advance to all new clients, on-boarded on or after October 01, 2024.

Disclosure Requirements:

1. *PMS-client agreement*: Whenever performance fees is charged to client, annexure to the PMS-client agreement for fees and charges, shall also contain additional fee illustrations as prescribed in the circular.
2. *Periodic reports*: In partial modification to the format of periodic report to be provided to client, as specified in Annexure 5D to the Master Circular, Portfolio Manager shall also provide an annexure detailing fee calculation. The standard format for annexure detailing fee calculation shall be as specified by Association of Portfolio Managers in India (APMI), in consultation with SEBI.
3. *Most Important Terms and Conditions (MITC) document*: In order to facilitate ease of understanding of the critical aspects of the Portfolio Manager-client relationship, Portfolio Manager shall additionally provide to its client a MITC document, which shall be duly acknowledged by client.

[Circular](#)

### 2. Entities allowed to use e-KYC Aadhaar Authentication services of UIDAI in Securities Market as sub-KUA

Circular No.: SEBI/HO/MIRSD/SECFATF/P/CIR/2024/36

Dated: 6<sup>th</sup> May, 2024

**Reference to Existing Circular:** Master Circular on Know Your Client (KYC) norms for securities market SEBI/HO/MIRSD/SECFATF/P/CIR/2023/169 dated Oct 12, 2023 provides detailed provision for adaptation of Aadhaar based e-KYC process and e-KYC Authentication facility for Resident Investors under Prevention of Money Laundering Act, 2002 (PMLA), entities permitted to undertake e-KYC Aadhaar Authentication service of UIDAI in Securities Market as sub-KUA and onboarding process by UIDAI.

Department of Revenue, Ministry of Finance (DoR-MoF) has from time to time issued gazette notifications notifying entities, to undertake Aadhaar authentication service of UIDAI under Section 11A of the Prevention of Money Laundering Act, 2002.

DoR-MoF has vide Gazette Notification S.O. 1863(E) dated April 30, 2024, notified one entity which is permitted to use Aadhaar authentication services of UIDAI under section 11A of the Prevention of Money-laundering Act, 2002 - **360 ONE Distribution Services Limited**

Vide this circular, SEBI has prescribed that above mentioned entity shall follow the process as detailed in SEBI circular dated October 12, 2023 and as may be prescribed by UIDAI from time to time. The KUAs shall facilitate on-boarding of the entity as sub-KUA to provide services of Aadhaar authentication with respect to KYC.

[Circular](#)

### **3. Review of validation of KYC records by KRAs under Risk Management Framework**

Circular No.: SEBI/HO/MIRSD/SEC FATF/P/CIR/2024/41  
Dated 14<sup>th</sup> May, 2024

**Reference to Existing Circulars:** Master Circular on Know Your Client (KYC) norms for securities market SEBI/HO/MIRSD/SECFATF/P/CIR/2023/169 dated Oct 12, 2023 has specified the Risk Management Framework at KRAs wherein attributes for verification by KRAs have been mentioned.

Vide this Circular, SEBI has modified following paras of the above master circular:

Para 96: As a part of risk management framework, KRAs shall verify the following attributes of records of all clients within 2 days of receipt of KYC records:

- a. Permanent Account Number (PAN)
- b. Name
- c. Address

Para 100: The records of those clients verified by KRAs with official databases (such as Income Tax Department database on PAN, Aadhaar XML / Digi locker / M-Aadhaar) and PAN-Aadhaar linkage has also been verified as referred to in Rule 114AAA of the Income Tax Rules, 1962 shall be considered as Validated Records.

[Circular](#)

### **4. Framework for considering unaffected price for transactions upon confirmation of market rumour**

Circular No.: SEBI/HO/CFD/CFD-PoD-2/P/CIR/2024/51  
Dated 21<sup>st</sup> May, 2024

In terms of Regulation 30(11) of SEBI(Listing Obligations and Disclosure Requirements) Regulations, 2015(“LODR Regulations”), as amended by SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2024 (link), a listed entity is required to verify market rumors, upon material price movement. The Regulation specifies that stock exchanges shall issue the framework for material price movement on their websites.

As per second proviso to Regulation 30(11) of LODR Regulations, unaffected price shall be considered for transactions on which pricing norms specified by SEBI or the stock exchanges are applicable, provided that the rumor pertaining to such transaction has been confirmed within 24 hours from the trigger of material price movement. Further, the unaffected price shall be considered by excluding the effect on the price of the equity shares of the listed entity due to material price movement and confirmation of the rumour.

Vide this circular, SEBI has specified the framework for considering unaffected price Such framework is applicable to top 100 listed entities with effect from June 01, 2024 and to top 250 listed entities (i.e., next top 150) with effect from December 01, 2024.

The framework has been placed as an Annexure to this circular.

[Circular](#)

### **5. Audiovisual (AV) presentation of disclosures made in Public Issue Offer Documents**

Circular No.: SEBI/HO/CFD/CFD-TPD-1/P/CIR/2024/55  
Dated: 24<sup>th</sup> May, 2024

In order to create awareness among investors to not rely on unauthorized/unsolicited information about public issues, SEBI vide this circular has decided that the salient disclosures made in the Draft Red Herring Prospectus (DRHP), Red Herring Prospects (RHP) and Price Band Advertisement for public issues shall also be made available in Audio Visual



format (AV) for ease in understanding the features of public issues. The same shall initially be in bilingual format i.e. English and Hindi. The Hindi version shall contain text in Devanagari script.

The contents of the AV shall be as per the following guidelines –

1. AV to be in compliance with the provisions regarding “Public communications and publicity materials” prescribed under Schedule IX of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018
2. It shall contain the following disclosure to investors–  
*“Investors are advised not to rely on any other document, content or information provided in respect to the public issue on the internet/online websites/social media platforms/micro-blogging platforms by influencers. Investors are advised to rely only on the information contained in the Offer document and Price Band Advertisement for making investment decision.”*
3. The duration of each bilingual version of the AV shall be approximately 10 minutes.
4. The total duration of the AV shall be equitably distributed to cover material disclosures made under various sections of the DRHP and RHP
5. The content of the AV must be factual, non-repetitive, non-promotional and shall not be misleading in any manner

The AV shall be uploaded on the website of the Issuer and Association of Investment Bankers of India (AIBI) within 5 working days of the filing of DRHP with SEBI. The AV shall also be made available on digital/social media platforms of the Issuer and AIBI.

**Applicability:** The provisions of this circular shall be made applicable to all DRHP filed with SEBI-

1. On or after July 01, 2024 on Voluntary basis
2. October 01, 2024 onwards on Mandatory basis

[Circular](#)

## **6. Timelines for disclosures by Social Enterprises on Social Stock Exchange (“SSE”)**

Circular No.: SEBI/HO/CFD/PoD-1/P/CIR/2024/0059  
Dated 27<sup>th</sup> May, 2024

Vide this circular, SEBI has specified the timelines for disclosures by Social Enterprises on Social Stock Exchange (“SSE”) for FY 2023-24 as under:

1. In terms of Regulation 91C (1) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI LODR Regulations’) Not for Profit Organizations (NPOs) registered on SSE including NPOs whose designated securities are listed on SSE, will be required to make annual disclosures to the SSE on matters specified under the SEBI Circular dated September 19, 2022 by 31<sup>st</sup> October, 2024 for the Financial Year 2023-24.
2. In terms of Regulation 91E (1) of SEBI LODR Regulations, 2015, Social Enterprises which have registered or raised funds through SSE shall be required to submit Annual Impact Report to SSE by 31<sup>st</sup> October, 2024 for the Financial Year 2023-24.

[Circular](#)

## **7. Self-Regulatory Organizations for Social Impact Assessors in the context of Social Stock Exchange (SSE)**

Circular No.: SEBI/HO/CFD/PoD-1/P/CIR/2024/0060  
Dated 27<sup>th</sup> May, 2024

In terms of Regulation 292A(f) of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, (“ICDR Regulations’) a Social Impact Assessor means an individual registered with self-regulatory organization under the Institute of Chartered Accountants of India (ICAI) or such other agency, as may be specified by the Board, who has qualified a certification program conducted by National Institute of Securities Market.

In addition to the Self-Regulatory Organization under the ICAI, SEBI vide this circular has specified the following

agencies as Self-Regulatory Organizations for Social Impact Assessors in the context of Social Stock Exchange:

1. ICMAI Social Auditors Organization (ICMAI SAO) under the Institute of Cost Accountants of India

2. ICSI Institute of Social Auditors (ICSI ISA) under the Institute of Company Secretaries of India.

[Circular](#)

## MCA

### 1. Relaxation of additional fees and extension of last date of filing of Form No. LLP BEN-2 and LLP Form No. 4D under the Limited Liability Partnership Act, 2008

General Circular No. 03/2024  
Dated: May 7, 2024

#### Reference to Existing Circular:

1. MCA, vide G.S.R. No. 832(E) dated 09.11.2023, had notified LLP (Significant Beneficial Owners) Rules, 2003 and prescribed e-Form LLP BEN-2 to file Return with ROC in respect of declaration under section 90 of Companies Act, 2013.
2. MCA, vide G.S.R. No. 803(E) dated 27.10.2023, had notified LLP (Third Amendment) Rules, 2023 and prescribed LLP Form no. 4D to file Return with ROC in respect of declaration of beneficial interest in contribution received by the LLP.

In view of the transition of MCA-21 from V2 to V3, MCA vide General Circular No. 01/2024 dated 7<sup>th</sup> February, 2024 had extended the filing of form LLP BEN-2 and LLP Form no. 4D up to 15<sup>th</sup> May 2024 without payment of additional fees.

Vide this circular, MCA has further extended the timelines for filing of form LLP BEN-2 and LLP Form no. 4D up to 1<sup>st</sup> July, 2024 without payment of additional fees.

[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.



## Lovi Mehrotra & Associates

Chartered Accountants

21-22 IInd Floor Krishna Nagar Safdarjung Enclave  
New Delhi 110029

Website : [www.lma.co.in](http://www.lma.co.in) • Email : [d.khanna@lma.co.in](mailto:d.khanna@lma.co.in)