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NEWSLETTER

REGULATORY

- RBI
- SEBI
- MCA



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1. Amendment to the Master Direction - Know Your Customer (KYC) Direction, 2016

Notification No. RBI/2024-2025/87 DOR.AML.REC.49/14.01.001/2024-25

Dated: November 6, 2024

Reference is drawn to Master Direction - Know Your Customer (KYC) Direction, 2016 dated February 25, 2016, as amended from time to time, in terms of which Regulated Entities (REs) have to undertake Customer Due Diligence (CDD), as per the process laid out therein, for their customers.

Vide this notification, RBI has amended the Master Direction to:

- (a) align the instructions with the recent amendments carried out in the Prevention of Money Laundering (Maintenance of Records) Rules, 2005 vide Gazette Notification dated July 19, 2024,
- (b) incorporate instructions in terms of the corrigendum dated April 22, 2024 issued by the Government of India to the Order dated February 2, 2021 on the 'Procedure for implementation of Section 51A of the Unlawful Activities (Prevention) Act, 1967', and
- (c) revise certain existing instructions.

The changes carried out in the Master Direction are provided in Annex to the notification. The amended provisions in the Master Direction shall come into force with immediate effect.

[Notification](#)

2. Operational framework for reclassification of Foreign Portfolio Investment to Foreign Direct Investment (FDI)

Notification No. RBI/2024-25/90 A.P. (DIR Series) Circular.No.19

Dated: November 11, 2024

Reference is drawn to Schedule II of Foreign Exchange Management (Non-debt Instruments) Rules, 2019 (hereinafter referred to as "Rules") which prescribes that investment made by the Foreign Portfolio Investor (FPI) along with its investor group shall be less than 10 percent of the total paid-up equity capital on a fully diluted basis.

The rules further prescribe that any FPI investing in breach of the prescribed limit shall have the option of divesting its holdings or reclassifying such holdings as FDI subject to the conditions specified by the RBI and SEBI within five trading days from the date of settlement of the trades causing the breach.

RBI vide this notification has accordingly prescribed an operational framework for such reclassification of foreign portfolio investment by FPI to FDI as detailed in Annexure to the notification.

[Notification](#)

SEBI

1. Investments in Overseas Mutual Funds/ Unit Trusts by Indian Mutual Funds

Circular No. SEBI/HO/IMD/IMD-PoD-1/P/CIR/149
Dated 04th November, 2024

SEBI, vide Master Circular no. SEBI/HO/IMD/IMD-PoD-1/P/CIR/2024/90 dated June 27,2024, had permitted Mutual Funds to invest in overseas securities which also includes investment in overseas Mutual Funds/Unit Trusts ('MF/UTs').

SEBI vide this circular has prescribed the following guidelines in order to facilitate ease of investment in overseas MF/UTs, to bring transparency in the manner of investment, and to enable Mutual Funds to diversify their overseas investments:

- Indian Mutual Fund schemes may also invest in overseas MF/UTs that have exposure to Indian securities, provided that the total exposure to Indian securities by these overseas MF/UTs shall not be more than 25% of their assets.
- While investing in overseas MF/UTs that have exposure to Indian securities the Indian Mutual Fund schemes shall ensure the following:
 - ✓ Contribution of all investors of the overseas MF/UT is pooled into a single vehicle
 - ✓ All investors in the overseas MF/UT have pari passu and pro rata rights in the fund,
 - ✓ Overseas MF/UT is managed by an independent investment manager/fund manager who is actively involved in making all investment decisions for the fund
 - ✓ Such overseas MF/UTs disclose their portfolios at least on a quarterly-intervals
 - ✓ There shall not be any advisory agreements between Indian Mutual Funds and underlying overseas MF/UTs, to prevent conflict of interest and avoid undue advantage to either of the parties
- At the time of making investments (both fresh and subsequent), Indian Mutual Fund schemes shall ensure that the underlying overseas MF/UTs do not have more than 25% exposure to Indian securities.
- Subsequent to the investment, if the exposure by an underlying overseas MF/UTs to Indian securities exceeds 25% of their net assets, an observance period of 6 months from the date of publicly available information of such breach (e.g. portfolio disclosures) shall be permitted to Indian Mutual Fund schemes for monitoring of any portfolio rebalancing activity by the underlying overseas MF/UT.
- If the portfolio of an underlying overseas MF/UT is not rebalanced within the 6-month observance period, Indian Mutual Fund scheme shall liquidate its investments in the concerned underlying overseas MF/UT within the next 6 months ('liquidation period') from end of the observance period.
- If the Indian Mutual Fund/AMC fails to rebalance the portfolio of the scheme, then after 6 months of liquidation period, the Indian Mutual Fund/Asset Management Company shall:
 - a. not be permitted to accept any fresh subscriptions in concerned Indian Mutual Fund scheme;
 - b. not permitted to launch any new scheme
 - c. not levy exit load, if any, on the investors exiting such scheme(s)

[Circular](#)

2. Disclosure of expenses, half yearly returns, yield and risk-o-meter of schemes of Mutual Funds

Circular No. SEBI/HO/IMD/PoD1/CIR/P/2024/150
Dated 05th November, 2024

Effective date: 05th December, 2024

Under the current regulatory framework for Mutual Funds, various disclosure requirements have been mandated, which include disclosures by Mutual Funds with respect to expenses and risks pertaining to schemes.

SEBI vide this circular has prescribed the following guidelines in order to facilitate enhanced transparency, ease of comprehension by investors and a standardised approach towards disclosures by the Mutual Fund industry:

A. Disclosure of expenses, half yearly returns and yield of a scheme

Disclosure of expenses, returns during the half year and yield of direct and regular plans shall be as under:

- The expenses disclosed shall contain separate disclosures for total recurring expenses for direct and regular plans, apart from the disclosure of total recurring expenses of the scheme.
- Returns during the half year and compounded annualized yields respectively shall be separately disclosed for direct and regular plans.
- For all other regulatory disclosures where expenses, expense ratio, returns and/or yield of the schemes are required to be disclosed, separate disclosures shall be made for both regular and direct plans.

B. Colour Scheme for Risk-o-meter

- In addition to the existing labels relating to levels of risk i.e. Low, Low to Moderate, Moderate, Moderately High, High and Very High, the Risk-o-meter shall also be depicted using a colour scheme.
- The given colour scheme of risk-o-meter shall be applicable for all digital and polychrome printed promotion materials/disclosures for the schemes.

C. Disclosure of change in Risk-o-meter

- Any change in the risk-o-meter shall be communicated to unitholders of that particular scheme by way of a Notice cum Addendum as well as an e-mail or SMS.
- In order to standardise the format of disclosure and for ease of understanding of the change in level of risk for unitholders, the Mutual Funds shall disclose the existing risk-o-meter along with the revised risk-o-meter.

[Circular](#)

3. Procedure for reclassification of FPI investment to FDI

Notification No. SEBI/HO/AFD/AFD-POD-3/P/CIR/2024/152
Dated 11th November, 2024

Regulations 20(7) and 22(3) of the SEBI (Foreign Portfolio Investors) Regulations, 2019 provide that in case a FPI fails to divest its holdings in excess of 10%, within five trading days, the entire investment in the company by such FPI including its investor group shall be considered as investment under the Foreign Direct Investment (“FDI”), as per the procedure specified by the Board.

SEBI vide this circular has modified **Para 17 of Part C** of Master Circular No. SEBI/HO/AFD/AFD-PoD-2/P/CIR/P/2024/70 dated May 30, 2024. Details as below

- In case the investment made by a FPI (along with its investor group) reaches 10% or more of the total paid up equity capital of a company on a fully diluted basis and the FPI (along with its investor group) intends to reclassify its FPI holdings as Foreign Direct Investment (FDI), it shall follow extant FEMA Rules and circulars issued thereunder in this regard.
- The Custodian after receiving the said information from FPI shall report the same to the Board and freeze purchase transactions by such FPI in equity instruments of such Indian company, till completion of the reclassification.
- On receipt of request from the FPI for transfer of the equity instruments of such Indian company from its FPI demat account to its demat account maintained for holding FDI investments, the Custodian shall process the request if the reporting for reclassification, as prescribed by RBI, is complete in all respect.

[Circular](#)

4. Trading supported by Blocked Amount in Secondary Market

Notification No. SEBI/HO/MRD-PoD2/CIR/P/2024/153
Dated 11th November, 2024

Effective date: 1st February, 2025

In order to protect investors from the default of the Trading Member/Clearing Member, SEBI vide Master Circular on

Stock Exchanges and Clearing Corporations ('Master Circular') dated October 16, 2023 had introduced a supplementary process for trading in secondary market based on blocked funds in investors bank account, instead of transferring them upfront to the TMs, thereby, providing enhanced protection to the cash collateral of the investors. The said facility went live from January 01, 2024.

Further, the facility of trading using UPI block mechanism was introduced as a non-mandatory facility to be provided by the stock brokers.

SEBI vide this circular has prescribed the following considering that significant changes required to be made in the systems and processes of the Clearing Corporations, Stock Exchanges, Depositories, NPCI and the TMs, in implementation of the facility of trading supported by blocked amount to trade in the secondary market:

- In addition to the current mode of trading, the Qualified Stock Brokers (QSBs) shall provide either the facility of trading supported by blocked amount in the secondary market (cash segment) using UPI block mechanism or the 3-In-1 Trading Account facility, to their clients.
- The 3-in-1 trading account facility offered/ to be offered by the TMs shall, at least have the features as specified in para 4 of this circular.
- Clients of the QSBs will have the option, to either continue with the existing facility of trading by transferring funds to TMs or opt for either of the facilities as stated above, as provided by the QSB.

[Circular](#)

5. Master circular for compliance with the provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 by listed entities

Circular No. SEBI/HO/CFD/PoD2/CIR/P/0155
Dated 11th November, 2024

SEBI has, from time to time, been issuing circulars/directions pertaining to the compliance requirements under the relevant provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. In order to enable the users to have access to the provisions of the applicable circulars at one place, SEBI had issued a Master Circular dated July 11, 2023 by consolidating all relevant circulars issued till June 30, 2023.

Subsequently, SEBI had issued new circulars on provisions relating to the LODR Regulations. In view of the same, the Master Circular dated July 11, 2023 has been updated to include all relevant circulars that were issued on / before September 30, 2024. This Master Circular supersedes the previous above Master Circular.

Accordingly, all directions/instructions contained in the circulars listed out listed out at Sl. No. 68-74 in the Appendix to this Master Circular shall stand rescinded. 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.

[Circular](#)

6. Master Circular for Issue of Capital and Disclosure Requirements

Circular No. SEBI/HO/CFD/PoD-1/P/CIR/2024/0154
Dated 11th November, 2024

SEBI has, from time to time, been issuing circulars/directions under the relevant provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018. In order to enable the stakeholders to have access to all such circulars at one place, SEBI had issued a Master Circular dated June 21, 2023 by consolidating all relevant circulars issued till June 21, 2023.

Subsequently, SEBI had issued new circulars on provisions relating to the ICDR Regulations. In view of the same, the Master Circular dated June 21, 2023 has been updated to include all relevant circulars that were issued on / before

September 30, 2024. This Master Circular supersedes the previous above Master Circular.

Accordingly, all directions/instructions contained in the circulars listed out in the Appendix to this Master Circular shall stand rescinded to the extent they relate to ICDR Regulations. Notwithstanding such rescission,

- d. 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.
- e. 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.
- f. 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.

[Circular](#)

7. Simplified registration for Foreign Portfolio Investors (FPIs)

Notification No. SEBI/HO/AFD/AFD-PoD-3/P/CIR/2024/156

Dated 12th November, 2024

SEBI vide Master Circular for Foreign Portfolio Investors, Designated Depository Participants and Eligible Foreign Investors dated May 30, 2024 had mandated every FPI applicant to submit a duly filled and signed Common Application Form (CAF) and 'Annexure to CAF' supported by required documents for registration.

However, it has been observed that information is already captured in depositories CAF module in case the FPI applicant belong to the categories of fund(s) operated by investing/non-investing IM, sub-fund(s) of a master fund, sub-fund(s) or separate class(es) of shares or equivalent structure(s) with segregated portfolio of a fund, scheme(s) of insurance companies wherein the parent entity or any scheme of insurance company is already registered as FPI.

Accordingly, SEBI vide this circular has prescribed the following guidelines in order to facilitate ease of onboarding for FPI applicants and reduce duplication of available information:

- In case of onboarding applicants belonging to the categories mentioned above, they may be provided with an option to fill the entire CAF or fill an abridged version of CAF, i.e., a version of CAF where applicants fill only those fields that are unique to them.
- In case applicant opts for this abridged version of CAF, the remaining fields shall either be auto populated from the information available in the CAF module or shall be disabled, as applicable.
- While using the available information, an explicit consent to use the same and a confirmation that all the details other than those mentioned in the abridged version of CAF remain unchanged, shall be obtained from the applicant.
- DDPs shall ensure that the CAF module hosted on the website of the Depository reflects complete information (information filled in by applicant and that auto-populated) and facilitates seamless fetching of the same.

The implementation standards along with the fields that can be auto populated from the CAF module or be disabled, shall be formulated by the pilot Custodians and Designated Depository Participants Standards Setting Forum (CDSSF), in consultation with SEBI.

The provisions of this circular shall come into force after three months from the date of this circular.

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8. Amendment to Para 15 of Master Circular for Credit Rating Agencies (CRAs) dated May 16, 2024 ("Master Circular")

Notification No. SEBI/HO/DDHS/DDHS-PoD-3/P/CIR/2024/160

Dated 18th November, 2024

Annexure 11 of the Master Circular for Credit Rating Agencies (CRAs) dated May 16, 2024 specifies the definition of default for debentures/ bonds as "A delay of 1 day even of 1 rupee (of principal or interest) from the scheduled repayment date". No exemption is provided from the above, except in case of rescheduling of the debt instrument by the lenders prior to the due date of payment. Therefore, any other instance of a one-day delay in payment or one-rupee shortfall in payment shall be recognized by the CRA as default. Such requirement is reiterated and remains unchanged since the notification of

the SEBI (Credit Rating Agencies) Regulations, 1999

In the wake of COVID-19 pandemic, with a view to providing some flexibility to CRAs in taking appropriate view in cases of defaults corrected by the rated entity within a relatively shorter span of time, the following provision on post-default curing period was introduced vide SEBI Circular SEBI/HO/MIRSD/CRADT/CIR/P/2020/87 dated May 21, 2020, which is contained in Para 15 of the Master Circular:

“15.1 After a default is cured and the payments regularized, a CRA shall generally upgrade the rating from default to non-investment grade after a period of 90 days based on the satisfactory performance by the company during this period. CRAs may deviate from the said period of 90 days on a case-to-case basis, subject to the CRAs framing a detailed policy in this regard. The said policy shall also be placed on CRA’s website. Cases of deviations from stipulated 90 days, if any, shall be placed before the Ratings Sub-Committee of the board of the CRA, on a half yearly basis, along with the rationale for such deviation.

15.2 The CRA shall frame a policy in respect of upgrade of default rating to investment grade rating and place it on its website.

*15.3 The policies framed as above may include scenarios like **‘technical defaults’**, change in management, acquisition by another firm, sizeable inflow of long-term funds or benefits arising out of a regulatory action, etc. which fundamentally alter the credit risk profile of the defaulting firm.”*

SEBI vide this Circular, has omitted the term "technical default" from above para in order to address the following scenarios of non-payment of debt (principal and/ or interest) which may arise due to reasons beyond the control of the issuer, namely, failure to remit payment due to absence of correct information or due to incorrect or dormant investor account furnished by the investor(s) or due to notice/ instruction received from a government authority to freeze the account of investor(s).

In the aforesaid scenario, the CRA shall confirm and verify the availability of adequate funds with the issuer and also confirm and verify

- the proof of failure of the required payment of debt (principal and/ or interest)
- the reasons for failure being as specified above, and
- the required amounts being duly paid into a separate escrow account maintained with a scheduled commercial bank by the issuer on the due date of payment

[Circular](#)

9. Withdrawal of Master Circular on issuance of No Objection Certificate (NOC) for release of 1% of Issue Amount

Notification No. SEBI/HO/CFD/CFD-PoD-2/P/CIR/2024/0161
Dated 21st November, 2024

In terms of Regulation of 38 (1) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (ICDR Regulations), the Issuer was required to deposit 1% of the issue size available for subscription to the public with the designated stock exchange. However, the requirements were dispensed with vide amendment in the ICDR Regulations on May 17, 2024.

Consequent to above amendment, SEBI vide this circular has withdrawn the requirement for Issuance of No Objection Certificate for release of such 1% of Issue Amount as contained in the Master Circular no. SEBI/HO/OIAE/IGRD /P/CIR/2022/0151 dated November 07, 2022.

However, the Stock Exchanges are required to frame a joint standard operating procedure (SOP) for release of 1% security deposit that were deposited with stock exchanges by the issuer prior to abovementioned amendments in ICDR Regulations, 2018.

[Circular](#)

10. Guidelines to Stock Exchanges, Clearing Corporations and Depositories

Notification No. SEBI/HO/MRD/POD-3/P/CIR/2024/162

Effective date: 01st April, 2025

SEBI vide this circular has issued the following guidelines to strengthen the Governance of Market Infrastructure Institutions (MIIs) i.e. Stock Exchanges, Clearing Corporations and Depositories:

Guidelines to enhance accountability:

A. Meetings of Public Interest Directors and their reporting

- Public Interest Directors (PIDs) of the Market Infrastructure Institutions (MIIs) shall meet separately, at least once in every six months, to exchange views on critical issues concerning the MII.
- All PIDs shall mandatorily attend such meetings. The objectives of such meetings shall include the points as prescribed in this circular.
- A report on the outcome of such meetings shall be submitted by the PIDs to SEBI and to the Governing Board of the MII within 30 days of such meeting.

B. Quarterly reporting by Compliance Officer (CO)

- Compliance Officer (CO) shall submit to SEBI a report of any non-compliance of any Acts, rules, regulations, circulars or directions issued thereunder and for the redressal of investors' grievances, on a quarterly basis.
- CO shall submit the quarterly report to SEBI, within 45 days from the end of the quarter (i.e. June, September, December and March) in prescribed format.

C. Half yearly reporting by Chief Risk Officer (CRiO)

- Chief Risk Officer (CRiO) shall be responsible for the overall risk management of the MII and submit a report to SEBI on half-yearly basis.
- CRiO shall submit the half yearly report to SEBI within 90 days from the end of half year (i.e. September and March).

D. Disclosure of Board Meeting Agenda and Minutes

- MIIs shall disclose on their website the agenda and minutes of its governing board meetings pertaining to regulatory, compliance, risk management and investor grievance areas.
- MIIs may, however, subject to adherence to disclosure requirements as specified under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 not publicly disclose items which are of strategic/ confidential in nature and disclosure of which will put them in a disadvantageous business position. Such items should be classified as "confidential" along with reasons for such classification by their governing board.
- Relevant agenda and minutes shall be disclosed within 7 working days from the date of approval of such minutes.

E. Whistle Blower Policy of MIIs

- MIIs shall resolve the whistle blower complaints within 60 days from the date of receipt of such complaints.
- The Audit Committee shall receive and investigate the whistle blower complaints, take appropriate decision, including any further course of action, with respect to the whistle blower complaint.
- The Audit Committee shall also Submit a report to the governing board of the MII containing the details of all whistle blower complaints received during a quarter and decisions, if any, taken with respect to such complaints in the next governing board meeting after the end of the quarter.

Further detailed guidelines with respect to *Enhancing Supervision and Monitoring Mechanism of MIIs; Training or knowledge up-gradation of Directors on Governing Board of MII; Policy on Data Sharing; Appointment or Reappointment of Directors on the Governing Board and Reporting lines of KMPs* forms part of the circular.

[Circular](#)

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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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