



Newsletter for January, 2020 By Team of Amita Desai & Co.



We love to serve and add value to business of our clients



Mumbai Off :

1005, Hubtown Solaris
Prof N. S. Phadke Marg,
Andheri East, Mumbai- 400069

Landline: + 91-22-2684-5919/20/21/23

Mobile : + 91-98201-77691

e-mail: info@amitadesai.com

Websit: www.amitadesai.com

Greetings and a warm welcome to our January, 2020 Month's edition of Newsletter!

We are pleased to share our Newsletter for the month of January, 2020. The newsletter covers the updates / amendments of Ministry of Corporate Affairs (MCA), Securities and Exchange Board of India (SEBI) Reserve Bank of India (RBI) and Insolvency and Bankruptcy Board of India (IBBI).

The Newsletter is part of our knowledge sharing initiative. Efforts have been made to share notifications and circulars issued by regulatory authorities during the month in concise and in simplified manner.

Our article of the month relates to “SEBI’s Circular dated January 22, 2020 on Streamlining of Fines for Non-Compliances of LODR by listed entities & Standard Operating Procedure (SoP) for Suspension and Revocation of Trading of Specified Securities.”

We appreciate your support and are so happy to have you as a reader.

With warmest thanks,
Amita Desai & Team



A. EXTENSION OF LAST DATE OF FILING OF FORM NO. BEN-2 AND BEN-1 UNDER COMPANIES ACT 2013:

- Ministry of Corporate Affairs (MCA) vide its Circular no. 1/2020 dated **January 01, 2020**, extended the time limit for **filing e-form BEN-2 till March 31, 2020** without payment of additional fees and thereafter fee and additional fee shall be payable.
- Further every Company shall file the return of SBO in form BEN-2 within 30 days from the date of Declaration in form BEN-1. Consequent to such extension, the date of filing of e-form BEN-1 may be construed accordingly.

The link for aforesaid circular is as mentioned below:

http://www.mca.gov.in/Ministry/pdf/Circular1_01012020.pdf

B. THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) AMENDMENT RULES, 2020

- On **January 03, 2020**, Ministry of Corporate Affairs (MCA) had notified the Companies (Appointment and Remuneration of Managerial Personnel) Amendment Rules, 2020 pursuant to which Rule 8A & Rule 9 (1) has been substituted and amended respectively. This Rule shall be applicable in respect of financial years commencing on or after 1st April, 2020.

Rule 8A substituted --- appointment of Whole Time Company Secretary in Companies which are not covered under Rule 8:

- The substituted Rule 8A reads as follow:

Every private company which has a paid up share capital of ten crore rupees or more shall have a whole-time company secretary.

Accordingly, now all Private Limited Company having paid-up share capital of Rs. 10 crore or more is require to appoint a Whole-time Company Secretary. As per the existing provision, this was applicable to every company (private and public) having paid up share capital of Rs.5 crore or more and now the limit has been increased to Rs.10 crore or more.

Rule 9(1) – Amended ---Secretarial Audit Report:

- The amended Rule 9 (1) reads as follow:

- a) *Every public company having a paid-up share capital of Rs. 50 crore or more; or*
- b) *Every public company having a turnover of Rs. 250 crore or more; or*
- c) *Every company having outstanding loans or borrowings from banks or public financial institutions of Rs. 100 crore or more.*

Explanation: *For the purposes of this sub-rule, it is hereby clarified that the paid up share capital, turnover, or outstanding loans or borrowings as the case may be, existing on the last date of latest audited financial statement shall be taken into account.*

- Before the Amendment of Companies (Appointment and Remuneration of Managerial Personnel) Rules, only Public Company having paid up share capital of Rs. 50 crore or more OR having turnover of Rs. 250 Crore or more was required to obtain Secretarial Audit Report (MR-3) from Practising Company Secretary.
- Accordingly, now the Secretarial Audit Report is required not only by Public Company as mentioned above, but by every company (including private limited company also) having outstanding loans or borrowings from banks or public financial institutions of Rs. 100 Cr. or more.

The link for aforesaid circular is as mentioned below:

http://www.mca.gov.in/Ministry/pdf/AmdtRules_06012020.pdf

C. COMPANIES (WINDING UP) RULES, 2020

- Ministry of Corporate Affairs (MCA) through a notification dated **January 24, 2020**, notifies the Companies (Winding Up) Rules, 2020 which will be effective from April 1, 2020, which consists of Rule 1 to 191 and Forms WIN 1 to WIN 95, which pertains to the winding up of a Company under the Companies Act, 2020.
- The Companies (Winding Up) Rules, 2020 provides the rules for
 - Winding up by Tribunal;
 - Role of Liquidators and Report by Liquidators;
 - Winding up Order;
 - application for the stay of suits, etc. on winding up order;
 - report by Company Liquidator under Section 281;
 - settlement of list of contributors;
 - Advisory Committee,
 - meeting of creditors and contributors and their proxies;
 - registration and book of account to be maintained by the companies liquidators;
 - investments of surplus funds;
 - filing and audit of Company Liquidator's account;
 - winding up by tribunal debts and claims against the company other than summary winding up; attendance and appearance of the creditors and contributories;
 - collection and distribution of assets, calls in winding up by the tribunal; examination under Section 299 and 300;
 - application against the directors or promoters or officers; compromise of claims;
 - sale by company liquidators;
 - dividends and returns of capital in winding up by the tribunal;
 - termination of winding up;
 - payments of unclaimed dividends and the summary procedure for liquidation. Etc.
- The Companies (Winding Up) Rules, 2020 elaborates on the procedure in which the winding up of a company can be commenced.

The link for aforesaid circular is as mentioned below:

http://www.mca.gov.in/Ministry/pdf/Rules_28012020.pdf

D. COMPANIES (ACCOUNTS) AMENDMENT RULES, 2020

- Ministry of Corporate Affairs (MCA) vide circular no. 02/2020 dated **January 30, 2020**, notified the two new e-forms namely:

1. AOC-4 NBFC (Ind AS) &
2. AOC-4 CFS NBFC (Ind AS)

which are likely to be deployed on January 31, 2020 & February 17, 2020 respectively.

- MCA has extended the time limit for filing the above two e-form till March 31, 2020 without payment of additional fees.
- Further MCA has also amended the Companies (Accounts) Rules, 2014 and came up with Companies (Accounts) Amendment Rules, 2020, which shall come into force on the date of their publication in the Official Gazette.
- In the Companies (Accounts) Rules, 2014 (hereinafter referred to as the said rules), in rule 12, after sub-rule (1), the following sub-rule shall be inserted, namely:

“Every Non-Banking Financial Company (NBFC) that is required to comply with Indian Accounting Standards (Ind AS) shall file the financial statements with Registrar together with Form AOC-4 NBFC (Ind AS) and the consolidated financial statement, if any, with Form AOC-4 CFS NBFC (Ind AS).”

The link for the aforesaid Circular & Rules is as mentioned below:

1. http://www.mca.gov.in/Ministry/pdf/Circular_30012020.pdf
2. http://www.mca.gov.in/Ministry/pdf/Rules_31012020.pdf

E. CONDONATION OF DELAY FOR LLP

- MCA vide its Notification dated **January 30, 2020**, in exercise of the powers conferred by Section 67 (1) of Limited Liability Partnership (LLP) Act, 2008 (6 of 2009), the Central Govt. has directed that the provisions of Sec 460 of Companies Act, 2013 shall apply to LLP's from the date of publication of this notification in the official Gazette.
- For better understanding, extract of section 460 of the Companies Act, 2013 is mentioned below.

Sec 460. Condonation of Delay in certain cases:

Notwithstanding anything contained in this Act,—

- (a) Where any application required to be made to the Central Government (CG) under any provision of this Act in respect of any matter is not made within the time specified therein, that Government may, for reasons to be recorded in writing, condone the delay; and

- (b) Where any document required to be filed with the Registrar under any provision of this Act is not filed within the time specified therein, the CG may, condone the delay, on recording the reasons in writing.

After publication of this notification in official gazette LLP can make an application to Central Government for condonation of delay.

The link for this notification is as mentioned below:

http://www.mca.gov.in/Ministry/pdf/NotificationLLP_31012020.pdf

F. EXTENSION OF LAST DATE IN FILING OF AOC-4 & MGT-7 IN UNION TERRITORIES OF J&K AND LADAKH

- MCA vide its Circular no. 03/2020 dated **January 31, 2020**, in continuation to its General Circular No. 15/2019 dated November 28, 2019, has extended the due date for filing the e-form AOC-4, AOC-4 CFS, AOC-4 XBRL & MGT-7 upto March 31, 2020 for companies having jurisdiction in UT of J&K and Ladakh without levy of any additional fee.
- This extension has been made considering the problems faced by Companies in filing of Forms due to disturbance in internet services and the normal work was affected in the UT.

The link for these circular is as mentioned below:

http://www.mca.gov.in/Ministry/pdf/Circular_31012020.pdf

SEBI UPDATES

A. SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) (AMENDMENT) REGULATIONS, 2020:

- SEBI (LODR) (Amendment) Regulations, 2018 modified **Regulation 17** by including **clause 1B** which requires, from April 1, 2020, the top 500 listed entities to ensure “that the Chairperson of the Board of top 500 listed entities shall be a non-executive director and she/he shall not be related to the Managing Director or the Chief Executive Officer.”
- SEBI vide notification dated **January 10, 2020** has deferred this requirement by **two years from April 1, 2020 to April 1, 2022**.
- The SEBI (LODR) (Amendment) Regulations, 2020 shall come into force on the date of their publication in the Official Gazette i.e. January 13, 2020

The link for the said circular is as mentioned below:

https://www.sebi.gov.in/legal/regulations/jan-2020/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-amendment-regulations-2020_45649.html

B. EXEMPTION FROM CLUBBING OF INVESTMENT LIMIT FOR FOREIGN GOVERNMENT AGENCIES AND ITS RELATED ENTITIES:

- SEBI vide Circular dated **January 16, 2020** exempted certain overseas government agencies and their related entities from clubbing of investment limit that is applicable for foreign portfolio investor.
- This exemption granted in line with rules of Foreign Exchange Management (Non-debt Instruments) Rules, 2019 regarding “Investments by Foreign Portfolio Investors”, certain foreign Government agencies and its related entities are exempt from clubbing of investment limit requirements and other investment conditions either by way of an agreement or treaty with other sovereign governments or by an order of the Central Government.
- The exemption would be applicable where the Indian government has entered into agreements or treaties with overseas governments or there is an order of Central Government.

The link for the said circular is as mentioned below:

https://www.sebi.gov.in/legal/circulars/jan-2020/exemption-from-clubbing-of-investment-limit-for-foreign-government-agencies-and-its-related-entities_45697.html

C. SEBI (PORTFOLIO MANAGERS) REGULATIONS, 2020:

- SEBI on **January 16, 2020** notified the SEBI (Portfolio Managers) Regulations, 2020 which shall come into force on the date of their publication in the Official Gazette i.e. January 21, 2020.
- Such Regulation shall apply to eligible fund managers exclusively, pertaining to their activities as portfolio managers to eligible investment funds.
- The portfolio manager is a body corporate, who advises or directs or undertakes on behalf of the client (whether as a discretionary portfolio manager or otherwise) the management or administration of a portfolio of securities or goods or funds of the client and may deal in goods received in delivery against physical settlement of commodity derivatives. Every portfolio manager must obtain a certificate of registration from the SEBI.
- The minimum net worth requirement of a portfolio manager is Rs. 5 Cr., provided that a portfolio manager, who was granted a certificate of registration prior to the commencement of the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020, shall raise its net worth to not less than five crore rupees within thirty-six months from such commencement.
- Net Worth means the aggregate value of paid up equity capital plus free reserves (excluding reserves created out of revaluation) reduced by the aggregate value of accumulated losses and deferred expenditure not written off, including miscellaneous expenses not written off.
- The Procedures, Conditions for registration and other important provisions are mentioned in the SEBI (Portfolio Managers) Regulations, 2020 which have to be complied by every Portfolio Manager.

- These regulations shall come into effect from January 16, 2020.

The link for the said Regulation is as mentioned below:

https://www.sebi.gov.in/legal/regulations/jan-2020/securities-and-exchange-board-of-india-portfolio-managers-regulations-2020_45744.html

D. FORMAT FOR STATEMENT INDICATING DEVIATION OR VARIATION IN THE USE OF PROCEEDS OF ISSUE OF LISTED NON-CONVERTIBLE DEBT SECURITIES OR LISTED NON-CONVERTIBLE REDEEMABLE PREFERENCE SHARES (NCRPS):

- SEBI vide circular dated **January 17, 2020** had issued a format for Statement indicating Deviation or Variation in the use of proceeds of issue of listed non-convertible debt securities (NCDs) or listed non-convertible redeemable preference shares (NCRPs).
- The salient features of the format are as under:
 - The said format shall be applicable for the funds raised by entities through issuance of NCDs or NCRPs, which are listed.
 - The statement indicating deviation or variation shall be submitted to the Stock Exchange(s) on half yearly basis within 45 days of end of the half year until such funds are fully utilised or the purpose for which these proceeds were raised has been achieved.
- Role of Audit Committee:
 - The statement indicating deviation report shall be placed before the Audit Committee of the listed entity for review on half yearly basis and the comments of Audit Committee along with the report shall be disclosed to the stock exchange, as part of the format.
 - In cases where the listed entity is not required to have an audit committee then such report shall be reviewed by the Board and comments along with the report shall be disclosed to the stock exchange, as part of the format.
- The first such submission shall be made by the listed entities for the half year ended March 31, 2020 and the subsequent submissions shall be made on half yearly basis.
- The format for Statement indicating Deviation or Variation has been also provided in the SEBI circular.

The link for the said circular is as mentioned below:

<https://www.sebi.gov.in/legal/circulars/jan-2020/format-for-statement-indicating-deviation-or-variation-in-the-use-of-proceeds-of-issue-of-listed-non-convertible-debt-securities-or-listed-non-convertible-redeemable-preference-shares-ncrps-45710.html>

E. STREAMLINING THE PROCESS OF RIGHTS ISSUE

- SEBI on **January 22, 2020** issued a circular on the process of right issue with an objective to simplify the rights issue process to make it more efficient and effective by amending the following regulations :
 - i. SEBI (ICDR) Regulations, 2018
 - ii. SEBI (LODR) Regulations, 2015
- In May, 2019, the Market Watchdogs had come out with a discussion paper under which it had proposed to reduce the overall time taken for right issue to around 31 days as well as make application and allotment process more efficient. Currently, Right Issue Process takes 55-58 days from the time Listed Entity decides to come up with issue till listing.
- In addition, it had proposed to eliminate the requirement of giving newspaper advertisement and replacing it with intimation to shareholders through stock exchange and via email.
- SEBI, keeping such proposal in view came with following changes for Streamlining the Right Issue Process in case of listed entities and making it more simple and efficient:
 - iii. **Reg. 42(2) of LODR--** Period for advance notice to Stock Exchange has been reduced from at least 7 working days to at least 3 working days (excluding the date of intimation and the record date), for the purpose of rights issue.
 - iv. **Reg. 84(1) of ICDR --** Issuance of newspaper advertisement disclosing date of completion of dispatch and intimation of same to the stock exchanges for dissemination on their websites by issuer, now time limit has been reduced from at least 3 days to 2 days before the date of opening of the issue.
 - v. SEBI with this circular introduced dematerialisation of Rights Entitlements (REs) and trading of such dematerialized REs on stock exchange platform (secondary market platform).
 - vi. Under the new process, such REs shall be credited to demat account of shareholders where the obligation has been casted on Issuer, to disclose the process of credit of REs in the demat account and renunciation thereof in the letter of offer and abridged letter of offer.
 - vii. Separate ISIN for REs needs to be generated.
 - viii. In REs process, the REs with a separate ISIN shall be credited to the demat account of the shareholders before the date of opening of the issue, against the shares held by them as on the record date.
 - ix. Physical shareholders shall be required to provide their demat account details to Issuer / Registrar to the Issue for credit of REs not later than two working days prior to the issue closing date, such that credit of REs in their demat account takes place at least one day before the issue closing date.
 - x. Trading in REs on the secondary market platform of stock exchange will begin along with the opening of the issue and will be closed at least four days prior to the closure of Right Issue.

- xi. Applications for a right issue will only through ASBA facility as a payment mode, which is investor friendly and enables faster completion of the post issue process. A shareholder is not allowed to withdraw application after the closing date of the issue.
- xii. This circular shall be applicable for all rights issues and fast track rights issue where Letter of Offer (LoF) is filed with the stock exchanges on or after February 14, 2020.
- xiii. Detailed procedures on the Rights Issue process are given in Annexure I of the said circular for due compliance by listed entities desiring to come with Right issue.

The link for the said circular is as mentioned below:

https://www.sebi.gov.in/legal/circulars/jan-2020/streamlining-the-process-of-rights-issue_45753.html

RBI UPDATES

A. SUPERVISORY ACTION FRAMEWORK FOR PRIMARY (URBAN) CO-OPERATIVE BANKS (UCBS) :

- The RBI on **January 06, 2020** has revised its supervisory action framework for Urban Co-operative Banks (UCBs). It seeks to ensure expeditious resolution of financial stress faced by some of the UCBs.
- The move comes in the backdrop of the alleged irregularities in the Punjab and Maharashtra Cooperative (PMC) Bank causing distress to over 9 lakh depositors.
- The revised rules include threshold limits for asset quality, profitability and Capital to Risk-weighted Assets ratio (CRAR).
- UCBs will be kept under supervisory action framework in following cases:
 - when its **net non-performing assets (NPAs) exceed 6%** of its net advances;
 - When losses are incurred for two consecutive financial years or losses have accumulated on the balance sheets, and;
 - If **CRAR** falls below 9%
- However, RBI can also take action if there are serious governance issues.
- Possible Restrictions and Actions that can be taken by the RBI:
 - UCBs may be asked to submit a board-approved action plan to correct the situation like reducing net NPAs below 6%, etc.
 - The board of the UCB may be asked to review the progress under the action plan on quarterly/monthly basis and submit the post-review progress report to the RBI.
 - The RBI can impose restrictions on declaration or payment of dividend or donation without prior approval if any one of the above mentioned parameters is breached.
 - The RBI may also seek a board-approved proposal for merging the UCB with another bank or converting itself into a credit society if CRAR falls below 9%.

- The RBI may also consider issue of show-cause notice for cancellation of banking licence when continued normal functioning of the UCB is no longer considered to be in the interest of its depositors/public.

The link for the said circular is as mentioned below:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11779&Mode=0>

B. MASTER DIRECTION ON KYC

- The Reserve Bank of India (RBI) on **January 09, 2020**, has amended the Reserve Bank of India (Know Your Customer (KYC)) Directions, 2016 along with amendments to the Prevention of Money-laundering (Maintenance of Records) Rules, 2005 and Video based Customer Identification Process (V-CIP).
- The RBI has permitted V-CIP as a consent based alternate method of establishing the customer's identity for customer onboarding to leverage the digital channels for Customer Identification Process (CIP) by Regulated Entities (REs).
- The following are the amendments to PML rules:
 - It amends the definition of Digital KYC and Equivalent e-document.
 - Section 16 has been amended and accordingly, the customers for the purpose of Customer Due Diligence CDD) process, shall submit the following:
 - Aadhaar number or Officially Valid Document (OVD) or
 - the equivalent e-document thereof containing the details of his identity and address, and
 - Permanent Account Number or the equivalent e-document thereof or Form No. 60 as defined in Income-tax Rules, 1962; and such other documents.
 - Equivalent e-document has also been permitted for accounts of non-individual customer.
 - A customer who has provided aadhar number for identification, provides different address than which is available with Data Repository, a self-declaration may be required to be submitted for the same.
 - The changes due to introduction of Video based Customer Identification Process (V-CIP) are:

Under the process of V-CIP, REs may undertake live V-CIP, to be carried out by an official of the RE, for establishment of an account based relationship with an individual customer, after obtaining his informed consent and shall adhere to the following stipulations:

 - The RE shall record video and capture photograph of customer present for identification and obtain the identification information by either using OTP or offline verification.
 - RE shall capture a clear image of PAN card to be displayed by the customer during the process, except in cases where e-PAN is provided by the customer.
 - Live location of the customer (Geotagging) shall be captured to ensure that customer is physically present in India.

- The official of the RE shall ensure that photograph of the customer in the Aadhaar/PAN details matches with the customer.
- All accounts opened through V-CIP shall be made operational only after being subject to concurrent audit, to ensure the integrity of process.
- RE shall ensure that the process is a seamless, real-time, secured, end-to-end encrypted audio-visual interaction with the customer and the quality of the communication is adequate to allow identification of the customer beyond doubt.
- In case of offline verification it shall be ensured that the XML file or QR code generation date is not older than 3 days from the date of carrying out V-CIP.
- Software and security audit and validation of the V-CIP application shall be carried out before rolling it out.
- AV interaction shall be from the domain of RE itself and not from third party service providers.
- REs shall ensure that the video recording is stored in a safe and secure manner.
- RE shall ensure to redact or blackout the Aadhaar number in terms of Section 16.
- REs are encouraged to take assistance of the latest available technology, including Artificial Intelligence (AI) and face matching technologies.
- The ultimate responsibility of customer due diligence shall be of the Bank and the official at the other end of V-CIP interaction will necessarily be a bank official.

The link for the said circular is as mentioned below:

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/CIRCULAR1385B2E30C2E186423CB03E DF39D6133254.PDF>

C. HEDGING OF COMMODITY PRICE RISK AND FREIGHT RISK IN OVERSEAS MARKETS (RESERVE BANK) DIRECTIONS, 2018- AMENDMENT :

- The Reserve Bank of India (RBI) on **January 15, 2020**, with reference to Foreign Exchange Management (Foreign Exchange Derivative Contracts) Regulations, 2000, as amended from time to time, and Hedging of Commodity Price Risk and Freight Risk in Overseas Markets (Reserve Bank) Directions, 2018, has amended Para 10 of the Directions vide this notification.
- After the said amendment, the Banks have to submit a quarterly report to the Chief General Manager, Financial Markets Regulation Department, Reserve Bank of India through XBRL, instead of email.
- Even if there is no transactions, a NIL Report is required to be submitted by the Bank.

The link for the said circular is as mentioned below:

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/NT14359F9769B7A79446495B5C3B1F5761D 1F.PDF>

D. REPORTING OF LARGE EXPOSURES TO CENTRAL REPOSITORY OF INFORMATION ON LARGE CREDITS (CRILC) – UCBs

- The RBI on **January 16, 2020** has notified on Reporting of Large Exposures to Central Repository of Information on Large Credits (CRILC) – UCBs.
- RBI directed UCBs having total assets of Rs. 500 Cr or more as on 31st March of the previous financial year **to report:**
 - Credit information
 - Classification of an account as Special Mention Account (SMA)on all borrowers having aggregate exposures of Rs. 5 Cr and more with them **to the Central Repository of Information on Large Credits (CRILC) maintained by Reserve Bank**. Aggregate exposure shall include all fund-based and non-fund based exposure, including investment exposure on the borrower.
- The RBI has created a CRILC of commercial banks, all India financial institutions and certain NBFC with multiple objectives, which, among others, include strengthening offsite supervision and early recognition of financial distress.
- The frequency of the CRILC– UCBs return is on quarterly basis and banks will submit the date on large exposures within 30 days from the end of the quarter.
- In case of non-compliance of the guidelines, a penalty action will be undertaken. Thus, banks are requested to take care about data accuracy and integrity while submitting the data on large credits to RBI.
- The banks are advised to submit the data in CRILC-UCBs return with effect from the quarter ended December 31, 2019 and the format for reporting is available at RBI website.
- The Operational guidelines for reporting the CRILC – UCBs return are also mentioned in the said notification.

The link for the said circular is as mentioned below:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11790&Mode=0>

E. INVESTMENT BY FOREIGN PORTFOLIO INVESTORS (FPI) IN DEBT

- The RBI vide notification dated **January 23, 2020** has eased norms with the investment norms for Foreign Portfolio Investor in Debt.
- FPIs are allowed to invest in various debt market instruments such as government bonds, treasury bills, state development loans and corporate bonds, but with certain limits and restrictions.
- The RBI increased FPIs cap on investment in government security and corporate bonds to 30% outstanding stock of that security, from 20% earlier.

- FPI investments in Security Receipts are currently exempted from the short-term investment limit. These exemptions are extended to FPI investments in the following securities vide this notification:
 - Debt instruments issued by Asset Reconstruction Companies;
 - Debt instruments issued by an entity under the Corporate Insolvency Resolution Process as per the resolution plan approved by the NCLT under the Insolvency and Bankruptcy Code, 2016

The link for the said circular is as mentioned below:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11797&Mode=0>

F. VOLUNTARY RETENTION ROUTE' (VRR) FOR FOREIGN PORTFOLIO INVESTORS (FPI) INVESTMENT IN DEBT – RELAXATIONS

- On **January 23, 2020** RBI came with circular giving relaxations to FPIs by making changes to the Directions governing investment through the Voluntary Retention Route (VRR).
- The RBI has announced the following revisions to the FPI VRR route of investment:
 - The cap on investment under VRR has been increased to INR 1,50,000 crores from INR. 75,000 crores.
 - FPIs that have been allotted investment limits under VRR may, at their discretion, transfer their investments made under the General Investment Limit available to FPI to VRR.
 - The scope of instruments that FPIs can invest in has been expanded under VRR to also include Exchange Traded Funds that invest only in debt instruments.

The link for the said circular is as mentioned below:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11798&Mode=0>

IBBI UPDATES

A. INSOLVENCY AND BANKRUPTCY BOARD OF INDIA (LIQUIDATION PROCESS) (AMENDMENT) REGULATIONS, 2020:

- Insolvency and Bankruptcy Board of India (IBBI) vide its notification dated **January 06, 2020** notifies IBBI (Liquidation Process) (Amendment) Regulations, 2020 which shall come into force on the date of its publication in the Official Gazette i.e. January 09, 2020.
- Following amendments has been made to the IBBI (Liquidation Process) Regulations 2016:
 1. In regulation 2, in sub-regulation (1), after clause (c), new clause (ca) has been inserted for defining 'Corporate Liquidation Account':
 - (ca) "Corporate Liquidation Account" means the Corporate Liquidation Account operated and maintained by the Board under regulation 46.

2. In the principal regulations, in regulation 2B, in sub-regulation (1), the following proviso shall be inserted:

Provided that a person, who is not eligible under Insolvency and Bankruptcy Code, 2016 (IBC) to submit a resolution plan for insolvency resolution of a corporate debtor, shall not be a party in any manner to a compromise or arrangement of the corporate debtor under section 230 of the Companies Act, 2013.

3. In the principal regulations, in regulation 6, in sub-regulation (2), for clause (q), the words “Register of unclaimed dividends and undistributed properties deposited in accordance with Regulation 45” has been substituted with the words “Register of unclaimed dividends and undistributed proceeds”.

4. In the principal regulations, in regulation 21A, for sub-regulation (2), the following sub-regulations shall be substituted:

“(2) Where a secured creditor proceeds to realise its security interest, it shall pay –

(a) as much towards the amount payable under clause (a) and sub-clause (i) of clause (b) of sub-section (1) of section 53, as it would have shared in case it had relinquished the security interest, to the liquidator within ninety days from the liquidation commencement date; and

(b) the excess of the realised value of the asset, which is subject to security interest, over the amount of his claims admitted, to the liquidator within one hundred and eighty days from the liquidation commencement date:

Provided that where the amount payable under this sub-regulation is not certain by the date the amount is payable under this sub-regulation, the secured creditor shall pay the amount, as estimated by the liquidator:

Provided further that any difference between the amount payable under this sub-regulation and the amount paid under the first proviso shall be made good by the secured creditor or the liquidator, as the case may be, as soon as the amount payable under this sub-regulation is certain and so informed by the liquidator.

(3) Where a secured creditor fails to comply with sub-regulation (2), the asset, which is subject to security interest, shall become part of the liquidation estate.”

5. In the principal regulations, in regulation 37, after sub-regulation (7), the following sub-regulation (8) shall be inserted:

“(8) A secured creditor shall not sell or transfer an asset, which is subject to security interest, to any person, who is not eligible under the Code to submit a resolution plan for insolvency resolution of the corporate debtor.”

6. A Liquidator shall deposit the amount of unclaimed dividends, if any, and undistributed proceeds, if any, in a liquidation process along with any income earned thereon into the Corporate Liquidation Account before he submits an application for dissolution of the corporate debtor. A “Corporate Liquidation Account” is meant for the liquidator to deposit all unclaimed dividends and undistributed properties during liquidation process. The Amendment Rules also prescribes a process for a stakeholder to seek withdrawal from the Corporate Liquidation Account. Also Form I & Form J has been inserted which is for Deposit of Unclaimed Dividends and / or Undistributed Proceeds & Withdrawal from Corporate Liquidation Account respectively. [Reg. 46 substituted]

- Further IBBI vide its Circular dated January 09, 2020, for the purpose of Regulation 46 i.e. Corporate Liquidation Account discloses the details of separate account which is mentioned as under:

Name of the Account	: IBBI-Corporate Liquidation Account
Account Number	: 2254005800000015
Nature of Account	: Current
Name of the Bank	: Punjab National Bank
IFSC Code	: PUNB0225400
Name of the Branch	: Barakhamba Road Branch, New Delhi

The links for the aforesaid Regulations & Circular are as under:

1. <https://www.ibbi.gov.in/uploads/legalframework/672273de085acc7678468590d0f981e6.pdf>
2. <https://ibbi.gov.in/uploads/legalframework/a549596284635f9acce887260dacfe7f.pdf>

B. INSOLVENCY AND BANKRUPTCY BOARD OF INDIA (VOLUNTARY LIQUIDATION PROCESS) (AMENDMENT) REGULATIONS, 2020

- IBBI vide its notification dated January 15, 2020 notifies IBBI (Voluntary Liquidation Process) (Amendment) Regulations, 2020 which shall come into force on the date of its publication in the Official Gazette i.e. January 18, 2020.
- Following amendments has been made to the IBBI (Voluntary Liquidation Process) Regulations 2017:
 1. In regulation 2, in sub-regulation (1), after clause (b), new clause (ca) has been inserted for defining ‘Corporate Voluntary Liquidation Account’:

‘(ba) “Corporate Voluntary Liquidation Account” means the Corporate Voluntary Liquidation Account operated and maintained by the Board under regulation 39;’
 2. In the principal regulations, in regulation 10, in sub-regulation (2), for clause (q), the words “Register of unclaimed dividends and undistributed properties deposited in accordance with Regulation 39” has been substituted with the words “Register of unclaimed dividends and undistributed proceeds”.

3. The Board shall operate and maintain an Account to be called the Corporate Voluntary Liquidation Account in the Public Accounts of India. A Liquidator shall deposit the amount of unclaimed dividends, if any, and undistributed proceeds, if any, in a liquidation process along with any income earned thereon into the Corporate Voluntary Liquidation Account before he submits an application for dissolution of the corporate debtor. A “Corporate Voluntary Liquidation Account” is meant for the liquidator to deposit all unclaimed dividends and undistributed properties during liquidation process. The Amendment Rules also prescribes a process for a stakeholder to seek withdrawal from the Corporate Voluntary Liquidation Account. Also Form G & Form H has been inserted which is for Deposit of Unclaimed Dividends and / or Undistributed Proceeds & Withdrawal from Corporate Voluntary Liquidation Account respectively.
- Further IBBI vide its circular dated January 20, 2020, for the purpose of Regulation 39 i.e. Corporate Liquidation Account discloses the details of separate account which is same as discussed in Point A above.

The links for the aforesaid Regulations & Circular are as under:

1. <https://www.ibbi.gov.in/uploads/legalframework/04ddc0bd1b6813e608bbe60e9d920464.pdf>
2. <https://ibbi.gov.in/uploads/legalframework/fcbdc5eaf8db978a1d82b6cd3d92c5c.pdf>

C. TRANSFER OF MEMBERSHIP FROM ONE REGISTERED VALUER ORGANISATION (RVO) TO ANOTHER:

- IBBI vide its circular dated **January 28, 2020** prescribes the timelines and process seamless transfer of a membership from one Registered Valuer Organisation (RVO) to another.
- The Companies (Registered Valuers and Valuation) Rules, 2017 (Rules) directs RVOs to act as front-line regulators for development and regulation of the valuation profession.
- The Rules also prescribes that a member may shift membership from one RVO to another, subject to prior permission of the IBBI.
- IBBI has prescribed the process which is to be followed by RVOs, this steps has been taken in order to streamline the process of transfer of membership from one RVO to another.

The link for the aforesaid circular is as under:

<https://ibbi.gov.in/uploads/legalframework/d3f663f6774e21079019669a1aa5a208.pdf>

D. MANNER OF DEALING WITH THE THIRD PARTY ASSETS IN CUSTODY OR POSSESSION OF SUCH FINANCIAL SERVICE PROVIDERS:

- The MCA vide its notification dated **January 30, 2020** notifies the manner of dealing with the third party assets in custody or possession of such financial service providers under IBBI (Insolvency and Liquidation Proceedings of Financial Service Providers and Application to Adjudicating Authority) Rules 2019.

1) Receivables for Third Parties:

- Where a financial service provider is contractually obliged, as on the insolvency commencement date, to act as a servicing or collection agent on behalf of third parties in respect of a transaction such as securitisation or lending arrangement, then the Administrator shall:
 - prepare a statement of such transactions and respective agency contract;
 - continue to discharge the obligations of the financial service provider as a servicing or collection agent;
 - ensure that the receivables, in respect of such transactions, collected are deposited and maintained in a separate account and are not merged with the funds or other assets of such financial service provider;
 - oversee the operation of such account;
 - transfer such receivables collected and deposited in such account.

Explanation.- For the purpose of this item, any fee received by the financial service provider as a servicing or collection agent shall not be transferred to the account referred to in item (c) and it shall be dealt with by the Administrator as forming part of the assets of such financial service provider.

2) Assets of Third Parties:

- Where a financial service provider has, as on the insolvency commencement date, in its custody or possession assets owned by its customers or counterparties or by counterparties of its customers under a contract, and is under an obligation to return or transfer such assets in accordance with the terms and conditions of such contract, then the Administrator shall-
 - prepare a statement of such assets and the respective contracts;
 - ensure that such assets are maintained in a separate and distinct manner, capable of identifying them contract-wise, and are not merged with those of financial service provider;
 - return or transfer such assets to the person entitled to receive it in accordance with the terms and conditions of such contract.

Provided that when such assets shall not be returned by the Administrator, due to breach of the terms of the contract, the financial service provider has become entitled to retain such assets for itself or dispose of the same to realise its dues.

The link for the aforesaid notification is as under:

http://www.mca.gov.in/Ministry/pdf/NotificationFSPs_31012020.pdf

Article on SEBI's Circular dated January 22, 2020 on Streamlining of Fines for Non-Compliance of LODR by listed entities & Standard Operating Procedure (SoP) for Suspension and Revocation of Trading of Specified Securities

A. BACKGROUND:

1. As per SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 ("LODR"), the Stock Exchanges used to **impose fines for non-compliances by a listed entity and invoke suspension of trading for consecutive defaults.**
2. In order to maintain uniformity, vide circular dated November 30, 2015, SEBI had taken an initiative and prescribed the procedure to be followed by the Stock Exchanges for levying penalties for violation of Listing Regulations by any listed entity and **mandated a Standard Operating Procedure (SoP)** to follow for suspension and revocation of suspension of trading of specified securities and any deviation therefrom to be recorded in writing with justification. Depositories were also required to freeze or unfreeze the entire shareholding of the promoter and promoter group in such entity.
3. SEBI had observed that some of the non-compliant listed entities have not paid the fines levied by the recognized stock exchanges under provisions of LODR and its circular dated November 30, 2015. Hence for **ensuring effective implementation of SoP and fines** SEBI vide circular dated October 26, 2016 decided to freeze the share holding of promoters and promoter group entities of those non-complaint listed entities to the extent of liability which shall be calculated on a quarterly basis. And in case of non-compliance for two consecutive periods, **freeze the entire shareholding** of the promoter and promoter group in such listed entities and also to freeze any other shares / securities in the demat account of promoter and promoter group (as per discretion of stock exchange) to the extent of liability which shall be calculated on a quarterly basis.
4. On May 03, 2018, in order to streamline the SoP and to adopt the uniform approach in the matter of levying of fines SEBI had issued Circular which superseded the circular dated November 30, 2015 and October 26, 2016.
5. However **after amendment in LODR with effect from 1st April, 2019 there was a need for further streamlining the SoP** for dealing with non-compliances & suspension / revocation of trading.

B. NEW SOP CIRCULAR:

1. Hence, SEBI had vide circular dated January 22, 2020 (herein after called as “the New SoP Circular”) revised the approach to be taken by Stock Exchanges for dealing with non-compliances, suspension and revocation of suspension of trading in supersession of SEBI’s earlier circular dated May 03, 2018. The New SoP Circular shall come into force with effect from compliance periods ending on or after March 31, 2020. It may be noted that the circular dated May 03, 2018 would be applicable till the time New SoP Circular comes into force. The provision was kept for the Stock Exchanges, that if it found necessary it may deviate from the approach mandated by SEBI in New SoP Circular, however the reason for same to be recorded in writing.
2. The SoP is without prejudice to the power of SEBI to take action under the securities laws against such non-compliant entities.
3. There are two annexures in the New SoP Circular
 - (a) **Annexure I-** Action to be taken by Stock Exchange for non-compliance; and
 - (b) **Annexure II-** Standard Operating Procedures (SoP)

C. ANNEXURE I FOR ACTION TO BE TAKEN BY STOCK EXCHANGES FOR NON-COMPLIANCES:

1. **Non-compliances:** Additional 10 Regulations of LODR are covered in the New SoP Circular and hence now the fines are standardised for the non-compliances of total **28 regulations of LODR.**
2. **The fines and its accrual:** Fines are specified either **per day or per instances** of non-compliances and mandated in Annexure I. The fines shall **continue to accrue** till the time of rectification of the non-compliance by the listed entity to the satisfaction of the concerned stock exchange or till the scrip of such listed entity is suspended from trading for non-compliance with aforesaid provisions.
3. **IEPF:** Such amount of fine received from the non-compliant listed entities shall be credited to the **“Investor Protection Fund”** of the stock exchange.
4. **Notice to listed entity:** Stock Exchange shall review the compliance status of listed entity and shall issue notice to non-compliant listed entities **within 30 days** from the due date of submission of information. The non-compliant listed entities need **to ensure compliance in next 15 days** and **pay the fines** for such non compliances.
5. **Notice to promoters:** In case such non-complaint listed entity fails to comply and/or pay fine, the Stock Exchange shall, **issue notices to the promoter(s)** of such non-compliant entities, to ensure compliance with the requirement(s) and pay fines within 10 days from the date of such notice. Stock Exchange shall also send intimation to other Stock Exchange(s) where the shares of the non-compliant entity are listed.

6. **Reason to give notice to Promoters:** This change has been brought up **to give an opportunity to promoter to rectify the violation and pay fines.** As there may be some listed entities where the promoters are not on Board of the Company or there may be some possibilities that such listed entity had not complied with the listing regulations in order to purposely hide certain events or information. In such circumstances, the Promoters are suffering due to non-compliance by listed entity and their shareholdings get frozen. Now the Stock Exchange gives opportunity to the Promoters before freezing their shareholding and thus Promoters require to keep a check on compliance status of the listed entity in order to safeguard its securities from being frozen by stock exchange and also to maintain the good governance in entity.
7. **Freezing of Securities of the Promoters:** If the non-compliant listed entity fails to ensure the compliances and pay fine, then the Stock Exchange shall **intimate the depositories to freeze the entire shareholding** of the promoter(s) in such entity as well as all other securities held in the demat accounts.
8. **Depository:** The depository(ies) shall immediately freeze demat accounts of promoters & intimate the promoter about it.
9. **Rectification by non-complaint listed entities:** Subsequently if such non-compliant listed entity complies with the requirements and pays the fine as stipulated in the notice then the Stock Exchange shall intimate the depositories to **unfreeze the shares** which were frozen, immediately from the date of compliance (earlier it was done after one month from the date of compliance) and the Stock Exchange shall **display on its website** details of compliance and fines paid by the listed entity.
10. **No rectification by non-complaint listed entity:** The Stock Exchange may also initiate appropriate enforcement action apart from freezing the shares of promoters.
11. **Placing details before the Board of such non-complaint listed entity:** The Stock Exchange shall also advise such non-compliant listed entity to ensure that the details of non-compliance and action taken by the Stock Exchange in that regard shall be placed before the Board of Directors of such non-complaint listed entity in its next meeting and comments made by the Board shall be informed to the Stock Exchange for dissemination.
12. **Fines:** According to New SoP circular, the Stock Exchanges can impose a fine of Rs 50,000 per instance for non-compliance with obtaining in-principle approval of stock exchange before issuance of securities. The Stock Exchange can levy a fine of Rs 25,000 to listed entity per instance of (a) non-disclosure of Dividend Distribution Policy in Annual Reports and on the websites of the entity (b) for non-convening of Annual General Meeting within a period of five months from the close of the financial year and (c) for not obtaining approval of Stock Exchange before filing request for change of name with the Registrar of Companies

D. ANNEXURE II- STANDARD OPERATING PROCEDURE (SoP) FOR SUSPENSION & REVOCATION OF SUSPENSION OF TRADING OF SECURITIES:

1. In case the listed entity is ***non-complaint of LODR as specified in para 2 of Annexure II (detailed below)***, the Stock Exchange shall, in addition to imposing fine and freezing the shares of Promoters shall take following two actions :
 - (a) ***Move the scrip to "Z" category*** as per **Para A** of Annexure II
 - (b) ***Suspend Trading*** of such non-complaint listed entity as per **Para B** of Annexure II and **revocation of suspension** of trading as per **Para C** of Annexure II.

2. **Criteria for suspension of the trading in the shares of the listed entities:**

Failure of any of the following eight criteria, the Stock Exchange can initiate action of suspension of trading:

- (a) Failure to comply with regulation 17(1) of LODR with respect to **Board composition** including appointment of woman director for two consecutive quarters;
- (b) Failure to comply with regulation 18(1) of LODR with respect to **constitution of audit committee** for two consecutive quarters;
- (c) Failure to comply with regulation 27(2) of LODR with respect to submission of **corporate governance compliance report** for two consecutive quarters;
- (d) Failure to comply with regulation 31 of LODR with respect to submission of **shareholding pattern** for two consecutive quarters;
- (e) Failure to comply with regulation 33 of LODR with respect to submission of **financial results** for two consecutive quarters;
- (f) Failure to comply with regulation 34 of LODR with respect to submission of **Annual Report** for two consecutive financial years;
- (g) Failure to submit information on the **reconciliation of shares and capital audit report**, for two consecutive quarters;
- (h) Receipt of the **notice of suspension of trading by any other Stock Exchange** on any or all of the above grounds.

Explanation: Any non-compliance of Regulations 17(1) [Board composition] and 18(1) [constitution of Audit Committee] for two consecutive quarters, refers to two complete consecutive quarters (180 days) of non-compliance

3. If the ***non-compliant listed entity rectifies non-compliance***, the Stock Exchange shall:
 - (a) neither move the listed entity to “Z” category
 - (b) nor suspend trading in the shares of such listed entity.
 - (c) However, the entire shareholding of the promoter(s) ***shall remain frozen*** till the non-compliant listed entity complies with the requirement and pays the fines
4. If the ***non-compliant listed entity rectifies non-compliance and pays the fine also***, the Stock Exchange shall
 - (a) neither move the listed entity to “Z” category
 - (b) nor suspend trading in the shares of such listed entity
 - (c) intimate the depositories to **unfreeze the entire shareholding** of the promoter(s) in such entity as well as all other securities held in the demat account of the promoter(s) immediately from the date of compliance.

5. If the **non-compliant listed entity complies the requirement(s), within 6 months but after the date of suspension**, the Stock Exchange shall:
 - (a) revoke the suspension of trading as per process prescribed in Para C of Annexure II.
6. If the **non-compliant listed entity fails to comply the requirement(s) within 6 months from the date of suspension**, the Stock Exchange shall:
 - (a) Initiate the process of compulsory delisting of the non-compliant listed entity in accordance with the provisions of applicable regulations like SCRA, 1956, SCR Rules, 1957 and the SEBI (Delisting of Equity Shares) Regulations, 2009.

E. PARA A- SOP FOR MOVING THE SCRIP TO Z CATEGORY:

If a listed entity defaults as per Criteria mentioned above the Stock Exchange shall, in **addition to imposing fine** move the scrip of such non-complaint listed entity to "Z" category wherein trades shall take place **on 'Trade for Trade' basis**.

1. The Stock Exchange shall before moving the scrip to "Z" category send a **written intimation** to non-compliant listed entity calling upon it to **comply with requirement within 7 days** of the date of the intimation
2. The Stock Exchange shall also give **10 days prior public notice to investors** before moving the scrip of the listed entity to "Z" Category and intimate to other Stock Exchanges also.
3. The Stock Exchange **shall not move the scrip to "Z" category**, if such non-compliant listed entity **complies with the provisions in 2 working days** before the proposed date of movement of the scrip to "Z" category. The Stock Exchange shall give a public notice on its website and intimate other Stock Exchanges, where the shares of the non-compliant entity are listed.
4. If the non-complaint listed entity **complies with the requirements and the scrip is not yet suspended**, the Stock Exchange **shall move back the scrip from "Z" category to the normal trading category**. The Stock Exchange shall intimate the other Stock Exchange, where the shares of the non-compliant entity are listed.

F. PARA B- SOP FOR SUSPENSION OF TRADING:

If a listed entity complies with the requirements, the Stock Exchange would not initiate suspension proceedings.

1. The Stock Exchange shall before suspending the trading of scrip send a **written intimation** to non-compliant listed entity calling upon it to **comply with requirement and pay fines within 21 days** of the date of the intimation
2. The Stock Exchange shall also give **30 days prior public notice to investors** before the date of suspension and intimate to other Stock Exchanges also.
3. The Stock Exchange **shall not suspend the trading**, if such non-compliant listed entity **complies with the provisions in 2 working days** before the proposed date of suspension. The Stock Exchange shall give a public notice on its website and intimate other Stock Exchanges, where the shares of the non-compliant entity are listed.

4. In case of **failure to comply with requirement(s)**, the Stock Exchange shall **suspend** the trading in the shares of a non-compliant listed entity. The Stock exchange(s) shall **send intimation** of suspension to other recognized stock exchange(s) where the shares of the non-compliant entity are listed. The **entire shareholding** of the promoter in the non-compliant listed entity and other securities held in the demat account(s) **shall remain frozen** during the period of suspension.
5. **After 15 days of suspension**, trading in the shares of non-compliant entity may be allowed on **'Trade for Trade' basis**, on the first trading day of every week for 6 months from the date of suspension. In this regard, the Stock Exchange shall also give instruction to its trading members to obtain confirmation from clients before accepting an order for purchase of shares of the non-compliant listed entity on 'Trade for Trade' basis.
6. The Stock Exchange shall put in place a system to **publish a caution message** on its trading terminals, as follows: "Trading in shares of the <Name of the Listed Entity> is presently under 'suspension and trade to trade basis' and trading shall stop completely and compulsory delisting may be initiated if <Name of the Listed Entity> does not become compliant by <Date>

G. PARA C- SOP FOR REVOCATION OF SUSPENSION OF TRADING:

1. If the non-compliant listed entity complies with the requirement(s) after trading is suspended in the shares, the Stock Exchange shall on the date of compliance give a public notice on its website informing compliance by the listed entity.
2. The Stock Exchange shall revoke the suspension of trading of its shares after a period of 7 days from the date of public notice.
3. The Stock Exchange shall send intimation of the public notice to other Stock Exchange where the shares of the entity are listed.
4. After revocation of suspension, the trading of shares shall be permitted only in 'Trade for Trade' basis for a period of 7 days from the date of revocation and thereafter, trading in the shares of the entity shall be shifted back to the normal trading category

H. INSTANCES WHERE THE STOCK EXCHANGE TOOK ACTION UNDER SoP CIRCULAR OF MAY 03, 2018:

1. The National Stock Exchange (NSE) after monitoring the compliance of LODR for all its listed entities imposed fines and issued notices to non-compliant companies for quarter ended 31 March 2019.
2. The NSE disclosed that it has penalized about 250 companies for violating LODR. The violations include non-appointment of a woman director, compliance officer and share transfer agent and delay in intimation of board meeting.
3. The companies include Adani Ports and Special Economic Zone Ltd, Bharat Petroleum Corp. Ltd, Jet Airways (India) Ltd, Bharat Heavy Electricals Ltd, Inter Globe Aviation Ltd, IL&FS Engineering and Construction Co. Ltd and Indian Oil Corp. Ltd.

NSE has penalised various companies for following non –compliances

Sr. No.	Default / Non -compliance	No. of Companies
1	Non-compliance with the composition of a board, including appointment of a woman director.	72
2	Non-submission of the statement on shareholder complaints within the stipulated time frame	39
3	Non-compliance with constitution of nomination and remuneration committee	19
4	Non-compliance with the constitution of audit committee	18
5	Non-submission of corporate governance compliance report within the prescribed period	26
6	Non-submission of shareholding pattern within the prescribed period	37

4. In May 2019, India's biggest stock exchanges have penalized hundreds of companies for non-compliance with LODR. BSE has levied penalties against various companies for late or non-submission of filings and non-compliance with corporate governance requirements based on filings received by the exchange from companies for the March quarter.

BSE has penalised various companies for following non –compliances

Sr. No.	Default / Non -compliance	No. of Companies
1	Non-compliance in appointing a qualified Company Secretary as the Compliance Officer	515
2	Non-compliance with Board composition requirements,	173
3	Non-compliance with composition of Nomination and Remuneration Committee	122
4	Non-submission or delay in submission of shareholding pattern	121
5	Non-submission or delay in submission of Investor complaints report	124

CONCLUSION: The objective of SEBI is that all listed entities complies with listing regulations (LODR) and follow good corporate governance practice. SEBI specified uniform structure of fines for any non-compliance of LODR and mandated Stock Exchange to take action of fines, suspension of trading or revocation of suspension of trading as per Standard Operating Procedure (SoP) prescribed by it. In order to safeguard the interest of shareholders and investors, in the revised SoP, SEBI has provided more opportunities to such non-compliant entity to comply, before Stock Exchange shift the scrip to Z category or suspend it.

Further if the listed entity complies with the provisions of LODR but unable to pay the fines, the Stock Exchange shall neither move the listed entity to Z category nor suspend trading in its shares. Instead, the **entire shareholding of the promoters in such non-compliant entity as well as all other securities held in their demat accounts shall remain frozen** till the compliances are made and fines are paid.

Hence, as a law of natural justice Stock Exchange to issue **notice to the promoter of such non-complaint listed entity, giving them time of 10 days to ensure compliance and pay fines**. Upon expiry of stipulated period mentioned in the notice, Stock Exchange shall **forthwith** intimate depositories to freeze the entire shareholding of the promoter in such non-compliant entity as well as all other securities held in their demat accounts.

The onus of compliance of LODR by the listed entity is thus shifted on the Promoter also.

The link for the New SoP Circular is mentioned below for your quick reference:

<https://www.sebi.gov.in/legal/circulars/jan-2020/non-compliance-with-certain-provisions-of-the-sebi-listing-obligations-and-disclosure-requirements-regulations-2015-and-the-standard-operating-procedure-for-suspension-and-revocation-of-trading-of-45752.html>

**BE SOMEONE'S STRENGTH.
BE SOMEONE'S INSPIRATION.
BE SOMEONE'S REASON
TO NEVER GIVE UP.**

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**Amita Desai & Co.
Company Secretaries**

Mumbai Off :

1005, Hubtown Solaris
Prof N S Phadke Marg
Andheri Flyover, Andheri (East)
Mumbai-400069

Landline: + 91-22-2684-5920/21

Fax: + 91-22-6678-7499

Mobile : + 91-982-017-7691
