

SEBI Updates

1. Relaxation in timelines for compliance with regulatory requirements:

On **December 01, 2020** Securities and Exchange Board of India (SEBI) vide **Circular No. SEBI/HO/MIRSD/DOP/CIR/P/2020/235** has further extended for certain compliance requirements in view of the situation arising due to COVID-19 pandemic, lockdown imposed by the Government and representations received from Stock Exchanges. SEBI had earlier provided relaxations in timelines for compliance with various regulatory requirements, the timelines further extended are under:

For Trading members / clearing members

S. No.	Compliance requirements for which timelines are extended	Extended timeline
I	Internal Audit for half year ended on September 30, 2020	31.12.2020
II	System Audit for half year ended on September 30, 2020	31.12.2020
III	Half yearly net worth certificate as on September 30, 2020	31.12.2020
IV	Cyber Security and Cyber Resilience Audit for half year ended on September 30, 2020	31.01.2021

For Depository Participants (DPs)

S. No.	Compliance requirements for which timelines are extended	Extended timeline / Period of exclusion
I	Submission of half yearly Internal Audit Report by DPs for the half year ended on September 30, 2020	December 31, 2020

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II	KYC application form and supporting documents of the clients to be uploaded on system of KRA within 10 working days	Period of exclusion shall be from March 23, 2020 till December 31, 2020. A 15-day time period after December 31, 2020 is allowed to Depository / DPs, to clear the back log
III	Systems audit on annual basis for the financial year ended March 31, 2020	December 31, 2020

The link of the aforementioned Circular is as mentioned below:

https://www.sebi.gov.in/legal/circulars/dec-2020/relaxation-in-timelines-for-compliance-with-regulatory-requirements_48324.html

2. Operational guidelines for transfer and dematerialization of re-lodged physical shares

On **December 02, 2020** SEBI vide **Circular No. SEBI/HO/MIRSD/RTAMB/CIR/P/2020/236** has issued operational guidelines for Transfer and Dematerialization of re-lodged physical shares.

Earlier, SEBI, vide circular no. SEBI/HO/MIRSD/RTAMB/CIR/P/2020/166 dated September 07, 2020, has fixed March 31, 2021 as the cut-off date for re-lodgment of transfer requests and has stipulated that such transferred shares shall be issued only in demat mode.

The operational guidelines for crediting the transferred shares into the respective demat account of the investor, are as under:

I. Guidelines to credit the transferred physical shares in demat mode:

- a. Subsequent to processing of the re-lodged transfer request, the RTA shall retain the physical shares and intimate the investor (transferee) about the execution of transfer through Letter of Confirmation. This letter shall be sent through Registered / Speed Post or through email with digitally signed letter and shall, inter-alia, contain details of endorsement, shares, folio of investor (required on Demat request form) as available on the physical shares.
- b. The investor shall submit the demat request, within 90 days of issue of Letter of Confirmation, to Depository participant (DP) along with the Letter of Confirmation. RTA shall also issue a reminder at the end of 60 days of issue of Letter of Confirmation, informing the investor to submit the demat request as above.

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- c. Depository Participant shall process the Demat Request on the basis of Letter of Confirmation, as this letter is a confirmation of holding of physical shares on behalf of the investor by RTA.
- d. The suggested format of the Letter of Confirmation is also issued along with aforesaid circular.
- II. In case of the shares that are required to be locked-in as per the SEBI Circular SEBI/HO/MIRSD/DOS3/CIR/P/2018/139, dated November 06, 2018, the RTA while approving / confirming the demat request, shall also incorporate / intimate the Depository about the lock-in and its period. Such shares shall be in lock-in demat mode for 6 months from the date of registration of transfer.
- III. In case of non-receipt of demat request from the investor within 90 days of the date of Letter of Confirmation, the shares will be credited to Suspense Escrow Demat Account of the Company.

The link of the aforementioned Circular is as mentioned below:

https://www.sebi.gov.in/legal/circulars/dec-2020/operational-guidelines-for-transfer-and-dematerialization-of-re-lodged-physical-shares_48336.html

3. Additional payment mechanism (i.e. ASBA, etc.) for payment of balance money in calls for partly paid specified securities issued by the listed entity

On **December 08, 2020** SEBI vide **Circular No. SEBI/HO/CFD/DIL1/CIR/238/2020** issued Additional Payment Mechanism (i.e. ASBA, etc.) for Payment of Balance Money in Calls for partly paid specified securities issued by the listed entity.

To protect investor's interest and reduce investor grievances relating to refund, SEBI has introduced Application Supported by Blocked Amount (ASBA) as the sole payment mechanism in the IPO and Rights issues.

Considering that payment through ASBA mechanism is investor friendly and enables faster completion of the process, it has been decided to introduce additional payment mechanism (i.e. ASBA, etc) for making subscription and/or payment of calls in respect of partly paid specified securities through Self Certified Syndicate Banks (SCSBs) and intermediaries such as Trading Members/ Brokers - having three in one type account and Registrar and Transfer agents (RTA).

For the purpose of making payment of balance money for calls in respect of partly paid specified securities, the additional channels are as below:

Additional Channels for making subscription and/or paying call money		
Channel I	Channel II	Channel III

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Online ASBA: Through an online portal of the SCSB. The SCSBs shall send the application to RTA and block funds in shareholders account.	Physical ASBA: Physically at the branch of a SCSB The SCSBs shall send the application to RTA and block funds in shareholders account.	Additional Online mode: using the facility of linked online trading, demat and bank account (3-in-1 type accounts), provided by some of the brokers.
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Period of subscription:

The payment period for payment of balance money in Calls shall be kept open for **15 days**.

Disclosures in the Letter of Offer:

The intermediaries including the issuer company and its RTA shall provide necessary guidance to the specified security holders in use of ASBA mechanism while making payment of calls.

The aforesaid circular shall be applicable for all Call Money Notice wherein the payment period opens on or after January 01, 2021.

The link of the aforementioned Circular is as mentioned below:

https://www.sebi.gov.in/legal/circulars/dec-2020/additional-payment-mechanism-i-e-asba-etc-for-payment-of-balance-money-in-calls-for-partly-paid-specified-securities-issued-by-the-listed-entity_48378.html

4. Measures to increase participation by the public non-institutional shareholders/retail shareholders in the e-Voting process of listed entities

On **December 09, 2020** SEBI vide **Circular No. SEBI/HO/CFD/CMD/CIR/P/2020/242** had observed that the participation by the public non-institutional shareholders/retail shareholders in the e-voting process of listed entities is at a negligible level.

In order to increase the efficiency of the voting process, it has been decided by SEBI to enable e-voting to all the demat account holders, by way of a single login credential, through their demat accounts/ websites of Depositories/ Depository Participants. Demat account holders would be able to cast their vote without having to register again with the ESPs, thereby, not only facilitating seamless authentication but also enhancing ease and convenience of participating in e-voting process. The same shall be implemented in a phased manner.

Phase – 1: To be implemented within 6 months of the date of the circular:

a) Direct registration with Depositories

Shareholders can register directly with the depository. Shareholders would be able to access the e-voting page of various ESPs through the websites of the Depositories without further authentication by ESPs for participating in the e-voting process.

OR

b) Through Demat Accounts with Depository Participants

Demat account holders will have the option of accessing various ESP portals directly from their demat accounts. They would be routed to the webpage of the respective Depositories from their demat accounts, which in turn would enable access to the e-voting portals of various ESPs without

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further authentication by ESPs for participating in the e-voting process.

The authentication of shareholders would happen at the depository level and ESPs shall allow the demat account holders to cast their vote based on the validation carried out by the Depository.

Depository shall send a confirmatory SMS to the shareholders that the vote has been cast based on the confirmation received from the ESP.

The listed entity shall provide the details of the upcoming AGMs requiring voting to the Depository. The depository shall send SMS/email alerts in this regard, to the demat account holders, atleast 2 days prior to the date of the commencement of e-voting.

Phase – 2: To be implemented within 12 months from the completion of the process in phase 1:

In order to further enhance the convenience and security of the e-voting system, the depository shall validate the demat account holder through a One Time Password (OTP) verification process as under.

a) Direct registration with Depositories

Depositories shall allow login through registered Mobile number / E-mail based OTP verification as an alternate to login through username and password.

b) Through Demat Accounts with Depository Participants

A second factor authentication using Mobile / E-mail based OTP shall be introduced before the demat account holders can access the websites of the Depositories through their demat accounts.

The link of the aforementioned Circular is as mentioned below:

https://www.sebi.gov.in/legal/circulars/dec-2020/e-voting-facility-provided-by-listed-entities_48390.html

5. SEBI Board Meeting

On December 16, 2020 SEBI vide Press Release no. PR No.61 has given the details of the SEBI Board Meeting.

The Board, inter-alia, took the following decisions at the meeting:

I. Amendments to SEBI (Mutual Funds) Regulations, 1996

SEBI, in consultation with various stakeholders, undertook a detailed exercise on review of SEBI (Mutual Funds) Regulations, 1996 (hereinafter called as “MF Regulations”) and various circulars issued thereunder in order to examine certain policy proposals, to remove redundant provisions, to align with the existing applicable Acts and other SEBI Regulations, and also to address certain operational difficulties. A working group was constituted under the aegis of Mutual Fund Advisory Committee (MFAC) to take up the aforesaid exercise and based on the suggestions, MFAC recommended various changes in MF Regulations and circulars issued thereunder.

The Board approved various amendments to MF Regulations, which, *inter-alia*, are as under:

- a. Eligibility criteria for sponsoring a mutual fund
- b. Net-worth of the AMC
- c. Segregation and ring - fencing of assets and liabilities of mutual fund schemes

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The Board has further approved proposals including dispensing with the requirement to issue physical unit certificates, reducing maximum permissible exit load, reducing the timeline for payment of dividend, permitting other modes for payment of dividend and providing clarity with respect to payment of interest and penalty in case of delay in dividend payment, etc.

II. Recalibration of Minimum Public Shareholding norms for listed companies going through Corporate Insolvency Resolution Process (CIRP)

Presently, during Corporate Insolvency Resolution Process (CIRP) where the public shareholding falls below 10%, such listed companies are required to bring the public shareholding to at least 10% within a period of 18 months and to 25% within 36 months.

In this context, the Board has decided the following in respect of companies which continue to remain listed as a result of implementation of the resolution plan under the Insolvency and Bankruptcy Code:

- i. Such companies will be mandated to have at least 5% public shareholding at the time of their admission to dealing on stock exchange, as against no minimum requirement at present.
- ii. Further, such companies will be provided 12 months to achieve public shareholding of 10% from the date such shares of the company are admitted to dealings on stock exchange and 36 months to achieve public shareholding of 25% from the said date.
- iii. The lock-in on equity shares allotted to the resolution applicant under the resolution plan shall not be applicable to the extent to achieve 10% public shareholding within 12 months.
- iv. Such companies shall be required to make additional disclosures, such as, specific details of resolution plan including details of assets post-CIRP, details of securities continuing to be imposed on the companies' assets and other material liabilities imposed on the company, proposed steps to be taken by the incoming investor/acquirer for achieving the minimum public shareholding (MPS) and quarterly disclosure of the status of achieving the MPS.

III. Doing away with the applicability of Minimum Promoters' Contribution and the subsequent lock in requirements for issuers making a Further Public Offer - amendments to SEBI (ICDR) Regulations, 2018

The Board approved the proposal to do away with the applicability of Minimum Promoters' Contribution and the subsequent lock in requirements for the issuers making a Further Public Offer of specified securities subject to fulfilment of the following conditions:

- i. the equity shares of the issuer are frequently traded on a stock exchange for a period of at least three years,
- ii. the issuer has been in compliance with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 for a period of at least three years, and
- iii. the issuer has redressed at least ninety-five per cent of the complaints received from the investors.

IV. Amendment to SEBI (Investment Advisers) Regulations, 2013

The Board approved amendment to SEBI (Investment Advisers) Regulations, 2013 (IA Regulations) requiring Investment Advisers (IA) to seek membership of a body recognised by SEBI for administration and supervision of IAs under IA Regulations. The Board also approved modification

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to the structure of fees payable by IAs, while ensuring that the total cost borne by IAs towards fees remains same as that payable by IAs under the present IA Regulations

V. Amendment to SEBI (Alternative Investment Funds) Regulations, 2012

The Board approved amendment to SEBI (Alternative Investment Funds) Regulations, 2012 (AIF Regulations) to provide certain exemptions to AIFs in respect of Investment Committee members in terms of Regulation 20(6) of AIF Regulations, conditional upon capital commitment of at least INR 70 Crore from each investor accompanied by a suitable waiver.

VI. Amendment to the Securities and Exchange Board of India (Intermediaries) Regulations, 2008

1. The Board approved the amendments to the Securities and Exchange Board of India (Intermediaries) Regulations 2008 with an objective to rationalize the processes in the said Regulations and to avoid the duplicity of proceedings before the Designated Authority and the Designated Member.

2. The amendments include the following:

(1) The Designated Member, if required, in the interest of justice, to remit the matter to the Designated Authority, for reasons to be recorded in writing, to enquire afresh or to further enquire and resubmit the report;

(2) The Designated Member may consider granting an opportunity of personal hearing in a case where either the Designated Authority has recommended cancellation of the certificate of registration of the Intermediary, or the Designated Member is of the *prima facie* view that the matter at hand is a fit case for cancellation of the certificate of the registration of the Intermediary.

VII. Repeal of Securities and Exchange Board of India (Central Database of Market Participants) Regulations, 2003

After the introduction of Permanent Account Number as the sole identification number for all securities market transactions and the discontinuance of the requirement of Unique Identification Number issued under the Securities and Exchange Board of India (Central Database of Market Participants) Regulations, 2003 and related Circulars, the Securities and Exchange Board of India (Central Database of Market Participants) Regulations, 2003 have outlived their utility. The Board approved the repeal of Securities and Exchange Board of India (Central Database of Market Participants) Regulations, 2003.

The link for the above press release is as mentioned below:

https://www.sebi.gov.in/media/press-releases/dec-2020/sebi-board-meeting_48451.html

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6. Review of framework of Innovators Growth platform (IGP) under SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (ICDR Regulations)

On December 17, 2020 SEBI vide Press release no. PR No.62/2020 a **consultation paper was floated for seeking comments on proposed changes for IGP framework.**

The key proposals under consideration are as follows:

1. **Eligibility Criteria:** Period of holding of 25% of pre-issue capital to be held by eligible investors for 2 years, is proposed to be reduced to 1 year.

2. **Accredited Investors (AIs):** AIs' pre-issue shareholding may be considered for entire 25% (instead of present 10%) of the pre-issue capital required for meeting eligibility condition norms. Further, Family trusts may be included as a part of AI definition.

3. **Lock –In:** Post issue six months lock-in requirements for AIF Cat –II investors is proposed to be exempted, provided shares are held for a period of 1 year from the date of purchase.

4. **Discretionary Allotment to Anchor Investors:** It is proposed that upto 60% portion of the issue size may be allocated on a discretionary basis, prior to issue opening, to all eligible investors as defined under the IGP framework, provided that there will be a lock in of 30 days on such shares.

5. **Differential Voting Rights (DVR) / Superior Voting Right (SR) equity shares:** It is proposed that companies listed under IGP framework may be allowed to issue DVR / SR equity shares to promoters / founders.

6. **Takeover requirements:** The Substantial Acquisition of Shares and Takeover Regulations, 2011 (SAST), stipulation for triggering open offer may be relaxed to higher threshold of 49% from existing 25%, subject to the condition that any change in control irrespective of value of acquisition will trigger open offer. The threshold for disclosure of the aggregate shareholding is proposed to be increased from the present 5% to 10% and whenever there is subsequent change of $\pm 5\%$ (instead of present $\pm 2\%$) in the shareholding.

7. **Voluntary Delisting:** For companies listed under IGP framework, the delisting may be considered if 75% of the total shareholding / voting rights are acquired. Further, while delisting the floor price may be determined by delisting regulations along with a new mandatory provision for premium for delisting which the acquirer will have to justify.

8. **Migration to Main Board:** Eligibility requirements to have 75% of capital to be held by QIBs as on date of application for migration for migration to main board (for a company which does not satisfy the requirements of profitability, net worth, net assets etc.) may be reduced from 75% to 40%.

Details of above mentioned proposals and consultation paper on review of IGP framework are available at following link : <https://www.sebi.gov.in/reports-and-statistics/reports/dec-2020/consultation-paper-on-review-of-framework-of-innovators-growth-platform-igp-under-sebi-issue-of-capital-and-disclosure-requirements-regulations-2018-48428.html> .

Last date for giving comments on consultation paper is January 11, 2021.

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The link for the above press release is as mentioned below:

<https://www.sebi.gov.in/media/press-releases/dec-2020/review-of-framework-of-innovators-growth-platform-igp-under-sebi-issue-of-capital-and-disclosure-requirements-regulations-2018-icdr-regulations-48470.html>

7. Clarifications with respect to the framework for issue of depository receipts

On **December 18, 2020** SEBI vide **Circular No. SEBI/HO/MRD2/DCAP/CIR/P/2020/243** has issued clarification with respect to its Circular No. SEBI/HO/MRD/DOP1/CIR/P/2019/106 (the said circular) dated October 10, 2019, prescribing framework for issue of depository receipts.

A. The para 2.15 of the said circular specifies the following criteria for Permissible holders of Depository Receipts :

Permissible holder means a holder of DR, including its Beneficial Owner(s), satisfying the following conditions:

(a) who is not a person resident in India;

(b) who is not a Non-Resident Indian (NRI)

Explanation 1: For the purpose of this Circular, 'Beneficial Owner' shall have the same meaning as provided in proviso to sub-rule 1 of rule 9 of Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, as amended by the Central Government vide notification no. G.S.R. 669(E) dated September 18, 2019.

Explanation 2: The Permissible holder, including its Beneficial Owner(s), shall be responsible for ensuring compliance with this requirement.

In this regard, based on representations received from market participants, SEBI has revised the para 2.15 of the said circular is as under:

Permissible holder means a holder of DR, including its Beneficial Owner(s), satisfying the following conditions:

(a) who is not a person resident in India;

(b) who is not a Non-Resident Indian (NRI)

Provided that the restriction under this Clause shall not apply in case of issue of DRs to NRIs, pursuant to share based employee benefit schemes which are implemented by a company in terms of SEBI (Share Based Employee Benefits) Regulations 2014;

Provided further that the restriction under this Clause shall also not apply in case of issue of DRs by the company to NRIs pursuant to a bonus issue or a rights issue;

Explanation 1: For the purpose of this Circular, 'Beneficial Owner' shall have the same meaning as provided in proviso to sub-rule 1 of rule 9 of Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, as amended by the Central Government vide notification no. G.S.R. 669(E) dated September 18, 2019.

Explanation 2: The Permissible holder, including its Beneficial Owner(s), shall be responsible for ensuring compliance with this requirement.

Explanation 3: Except as permitted under the provisos above, NRIs shall neither subscribe to any further issue of DRs nor make any further acquisition of DRs (including of DRs issued prior to October 10, 2019)."

B. After Para 2.12, the following is inserted as Para 2.12A:

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2.12A. "The onus of identification of NRIs holders, who are issued DRs in terms employee benefit scheme, would lie with the listed company. The listed company shall provide the information of such NRI DR holders to the designated depository for the purpose of monitoring of limits."

The link of the aforementioned Circular is as mentioned below:

https://www.sebi.gov.in/legal/circulars/dec-2020/framework-for-issue-of-depository-receipts-clarifications_48477.html

8. Review of inclusion of Historical Scenarios in Stress Testing in Commodity Derivatives Segment

On **December 21, 2020** SEBI vide **Circular no. SEBI/HO/CDMRD/DRMP/CIR/P/2020/244** has reviewed the inclusion of Historical Scenarios in Stress Testing in Commodity Derivatives Segment, in light of an unprecedented event of negative final settlement price in the crude oil futures markets in the recent past.

In line with the recommendations of the Risk Management Review Committee (RMRC), following clause is inserted after Para '1' of Part 'A' of Annexure to the SEBI Circular SEBI/HO/CDMRD/DRMP/CIR/P/2018/111 dated July 11, 2018 with a view to address the concerns emanating from exceptional and extreme volatile price events:-

"Price movements corresponding to a Z-score of 10 will replace extreme price movements beyond that threshold in peak historical returns of all the commodities. Mean and sigma of returns over the applicable MPOR period across 15 years would be used for calculation of the Z-score."

The aforesaid circular shall be effective from the date of its issuance.

The link of the aforementioned Circular is as mentioned below:

https://www.sebi.gov.in/legal/circulars/dec-2020/review-of-inclusion-of-historical-scenarios-in-standardized-stress-testing-in-commodity-derivatives-segment_48494.html

9. Core Settlement Guarantee Fund, Default Waterfall and Stress Test for Limited Purpose Clearing Corporation (LPCC)

On **December 21, 2020** SEBI vide **Circular no. SEBI/HO/MRD2/DCAP/CIR/P/2020/245** has modified its Circular no. CIR/MRD/DRMNP/25/2014 dated August 27, 2014 Circular No. SEBI/HO/MRD2/DCAP/CIR/P/2020/01 dated January 03, 2020 Core Settlement Guarantee Fund, Default Waterfall and Stress Test for Limited Purpose Clearing Corporation (LPCC)

The link of the aforementioned Circular is as mentioned below:

<https://www.sebi.gov.in/legal/circulars/dec-2020/core-settlement-guarantee-fund-default-waterfall-and-stress-test-for-limited-purpose-clearing-corporation-lpcc-48496.html>

10. Master Circular on (i) Scheme of Arrangement by Listed Entities and (ii) Relaxation under Sub-rule (7) of rule 19 of the Securities Contracts (Regulation) Rules, 1957

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On **December 22, 2020** SEBI vide **Circular no. SEBI/HO/CFD/DIL1/CIR/P/2020/249** has issued master circular for Scheme of Arrangement by listed Entities. SEBI, from time to time, has been issuing various circulars/directions which lay down the detailed requirements to be complied by listed entities while undertaking schemes of arrangements. In order to enable the users to have access to the applicable circulars at one place, Master Circular in respect of schemes of arrangement issued by the regulator.

The link of the aforesaid Master Circular is as mentioned below:

https://www.sebi.gov.in/legal/master-circulars/dec-2020/master-circular-on-i-scheme-of-arrangement-by-listed-entities-and-ii-relaxation-under-sub-rule-7-of-rule-19-of-the-securities-contracts-regulation-rules-1957_48531.html

11. Creation of Security in issuance of listed debt securities and 'due diligence' by debenture trustee(s) - Extension of timeline for implementation

On **December 31, 2020** SEBI vide **Circular no. SEBI/HO/MIRSD/CRADT/CIR/P/2020/254** after taking into consideration the representation received from debenture trustees, and the challenges arising out of the prevailing business and market conditions due to COVID-19 pandemic, SEBI has extended the implementation date of the provisions of the circular no. SEBI/HO/MIRSD/CRADT/CIR/P/2020/218 dated November 03, 2020.

Specified requirements with regards to creation of security in issuance of listed debt securities and due diligence to be carried out by debenture trustee(s), which were applicable from January 01, 2021 are now extended till April 01, 2021.

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The link of the aforesaid Circular is as mentioned below:

https://www.sebi.gov.in/legal/circulars/dec-2020/creation-of-security-in-issuance-of-listed-debt-securities-and-due-diligence-by-debenture-trustee-s-extension-of-timeline-for-implementation_48621.html

12. Relaxation in timelines for compliance with regulatory requirements

On **December 31, 2020** SEBI vide **Circular no. SEBI/HO/MIRSD/DOP/CIR/P/2020/255** has further extended the timelines for compliance with the following regulatory requirements by the trading members / clearing members, as under:

S. No.	Compliance requirements for which timelines are extended	Extended timeline / Period of exclusion
I	Maintaining call recordings of orders/ instructions received from clients.	February 28, 2021.
II	KYC application form and supporting documents of the clients to be uploaded on system of KRA within 10 working days.	Period of exclusion shall be from January 01, 2021 till February 28, 2021. A 15-day time period after February 28, 2021, is allowed to clear the back log.

The link of the aforesaid Circular is as mentioned below:

https://www.sebi.gov.in/legal/circulars/dec-2020/relaxation-in-timelines-for-compliance-with-regulatory-requirements_48625.html

13. Circular on Mutual Funds

On **December 31, 2020** SEBI vide **Circular no. SEBI/HO/IMD/DF2/CIR/P/2020/253** has Upon consideration of the subsequent representation received from AMFI regarding operational challenges, it has been decided to extend the date of applicability of the SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2020/175 dated September 17, 2020, the uniform applicability of NAV in respect of purchase of units of mutual fund schemes upon realization of funds provision to February 1, 2021 (earlier it was to come into effect from January 1, 2021).

Further, In partial modification to paragraph 2 on 'Trade Execution and Allocation' of SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2020/175 dated September 17, 2020, the following has been decided:

- i. Clause a) of paragraph 2.2.1 on orders pertaining to equity and equity related instruments of the aforesaid circular is modified as under:

"(1) AMCs shall use an automated Order Management System (hereinafter referred to as 'OMS'), wherein the orders for equity and equity related instruments of each scheme shall be placed by the fund manager(s) of the respective schemes. However, a fund manager may authorize an employee of the AMC for order placement on his behalf, subject to adherence to the following:

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- a) *The order instructions to such employee by the fund manager shall be through electronic mode i.e. either through e-mail or other electronic utility, wherein scheme wise audit trail of such orders starting from the instruction of the fund manager is maintained along with time stamping of each stage of the process.*
- b) *The employee placing the order shall be bound by the same requirements of maintaining confidentiality and the code of conduct as applicable to the fund manager in this regard i.e. in respect of order placement.*

(2) Further, the orders in case of arbitrage transactions, stock lending and borrowing transactions, passive schemes (such as Index Funds and ETFs) and schemes investing primarily based on pre-defined rules and models, where the discretion of the fund manager is not required for placement of order, is not mandated to be placed through OMS, subject to the following:

- a) *The AMC shall document and demonstrate that no judgement and discretion of the fund manager is required for placement of such orders.*
- b) *The AMCs shall ensure that orders in breach of applicable regulatory limits and allocation limits as specified in Scheme Information Documents (SIDs), should not be placed and executed.*
- c) *The fund manager shall provide the schemewise details as required for order placement such as value of transaction(s), nature of transaction(s), etc. to the dealer.*
- d) *The schemewise audit trail of placement of orders (including the information provided by the fund manager), order execution and trade allocation shall be maintained along with time stamping of each stage of the process.*

(3) At all points of time, the responsibility associated with order placement shall continue to vest with the fund manager."

ii. *Clause d) of Paragraph 2.2.1 of the aforesaid circular is modified as under:*

"All orders of fund manager(s) shall be received by dedicated dealer(s) responsible for order placement and execution. However, in case of orders for arbitrage transactions, stock lending and borrowing transactions, passive schemes (such as Index Funds and ETFs) and schemes investing primarily based on pre-defined rules and models, the requirement of a dedicated dealer shall not be mandatory."

iii. *Paragraph 2.3.2 of the aforesaid circular is modified as under:*

"Audit trail of activities as detailed in paragraph 2.2.1 related to order placement, trade execution and allocation shall be available in the system. Further, there should be time stamping with respect to order placed by fund manager (or the order placed by the employee of the AMC authorized by the fund manager), order placed by dealer, order execution and trade allocation in the OMS. The audit trail and time stamping of all other orders (including orders through RFQ platform) not placed through OMS shall also be adequately maintained.

All other conditions specified in SEBI circular dated September 17, 2020 remain unchanged.

The link of the aforesaid Circular is as mentioned below:

https://www.sebi.gov.in/legal/circulars/dec-2020/circular-on-mutual-funds_48630.html

14. Procedural guidelines for Proxy Advisors

On **December 31, 2020** SEBI vide **Circular no. SEBI/HO/IMD/DF1/CIR/P/2020/256** has issued the procedural guidelines for Proxy Advisors. In partial modification to SEBI Circular No. SEBI/HO/IMD/DF1/CIR/P/2020/147 dated August 03, 2020 and SEBI Circular No.

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SEBI/HO/IMD/DF1/CIR/P/2020/157 dated August 27, 2020 on “Procedural Guidelines for Proxy Advisors”, the following has been decided:

- a. Clause 1(c) of the SEBI CircularNo. SEBI/HO/IMD/DF1/CIR/P/2020/147 dated August 03, 2020 is modified as under:
“Proxy Advisors shall alert clients, within 24 hours of receipt of information, about any factual errors and any impending material revisions to their reports. Further, any such material revisions to their reports shall be communicated to the clients within 72 hours of receipt of the information, while ensuring that adequate time is available for clients to make an informed decision.”
- b. Clauses 1(c) and 1(e) of SEBI Circular No. SEBI/HO/IMD/DF1/CIR/P/2020/147 dated August 03, 2020 shall be applicable with effect from February01, 2021.

All other conditions specified in the SEBI Circular No. SEBI/HO/IMD/DF1/CIR/P/2020/147 dated August 03, 2020 shall remain unchanged.

The link of the aforesaid Circular is as mentioned below:

https://www.sebi.gov.in/legal/circulars/dec-2020/procedural-guidelines-for-proxy-advisors_48633.html

15. SEBI has form new department to check promoter frauds:

SEBI has set up a specialised department to tackle cases of diversion of funds, bank loans and resources by company promoters. The new department will be known as the Corporation Finance Investigation Department (CFID).

Currently, investigations and corporate finance departments separately look at various frauds committed by company promoters. But there is often confusion and clash as both the departments. According to SEBI’s internal circular, the CFID will, among others, handle cases of fraud, diversion, and siphoning or misappropriation of funds; will look at material mis-statement in financial statements; will probe complex transactions involving resources of the listed entity undertaken for the ultimate benefit of promoter/promoter group; investigate fraudulent related party transactions wherein financial and governance issues are inter-linked and a holistic examination is required; take up cases where a forensic audit has been initiated by lenders, management other regulators; and look into allegations made against auditors.

Source:

<https://www.thehindubusinessline.com/markets/stock-markets/sebi-forms-new-department-to-check-promoter-frauds/article33321760.ece>

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