

SEBI Updates

1. Framework for monitoring of foreign holding in Depository Receipts

On **October 01, 2020** Securities and Exchange Board of India (SEBI) vide **Circular No. SEBI/HO/MRD/DCAP/CIR/P/2020/190**, based on discussion with market participants, issued the broad operational guidelines for the purpose of making necessary arrangement by Indian Depositories with the Domestic Custodian and / or Foreign Depository, to monitor the foreign holding, including that held by way of Depository Receipts (DRs), as per the limits prescribed under the Foreign Exchange Management Act, 1999 and applicable SEBI Regulations, and disseminate the information regarding outstanding DRs and available limit for conversion w.r.t. 'DRs' issued by a Listed Company.

The broad operational guidelines for the above purpose are placed at **Annexure** in the circular. Indian Depositories, in consultation with each other and market participants, may prescribe the formats and other details, as may be necessary to operationalize guideline.

The link of aforesaid Circular is as mentioned below:

<https://www.sebi.gov.in/legal/circulars/oct-2020/framework-for-monitoring-of-foreign-holding-in-depository-receipts-47777.html>

2. Relaxation in timelines for compliance with regulatory requirements

On **October 01, 2020** SEBI vide **Circular No. SEBI/HO/MIRSD/DOP/CIR/P/2020/191**, stated that in view of the prevailing situation due to Covid-19 pandemic and representation received from the Stock Exchanges, it has been decided to further extend the timelines for below mentioned compliance with the regulatory requirements by the trading members/ clearing members, mentioned in the SEBI circulars issued earlier as under:

Compliance requirements for which timelines were extended vide SEBI circular SEBI/HO/MIRSD/DOP/CIR/P/2020/61 dated April 16, 2020.	S. No. for which timeline is extended	Extended timeline / Period of exclusion
Maintaining call recordings of orders/instructions received from clients	XI	December 31, 2020
Compliance requirements for which timelines were extended vide SEBI circular SEBI/HO/MIRSD/DOP/CIR/P/2020/62 dated April 16, 2020.	S. No. for which timeline is extended	Extended timeline / Period of exclusion
KYC application form and supporting documents of the clients to be uploaded on system of KRA within 10 working days.	III	Period of exclusion shall be from March 23, 2020 till December 31, 2020

Amita Desai & Co. Company Secretaries, Mumbai

Compliance requirements for which timelines were extended vide SEBI circular SEBI/HO/MIRSD/DOP/CIR/P/2020/141 dated July 29, 2020.	S. No. for which timeline is extended	Extended timeline / Period of exclusion
Cyber Security & Cyber Resilience Audit for the year ended March 31, 2020	-	December 31, 2020

The link of aforesaid Circular is as mentioned below:

https://www.sebi.gov.in/legal/circulars/oct-2020/relaxation-in-timelines-for-compliance-with-regulatory-requirements_47778.html

3. Review of provisions regarding valuation of debt and money market instruments due to the COVID -19 pandemic

On **October 01, 2020** SEBI vide **Circular No. SEBI/HO/IMD/DF4/CIR/P/2020/192**, notified that in line with the relaxation provided by the SEBI to Credit Rating Agencies in recognition of default for restructuring by the lender/ investors solely due to COVID-19 related stress vide Circular No. SEBI/HO/MIRSD/CRADT/CIR/P/2020/160 dated August 31, 2020, discretion needs to be also provided to valuation agencies engaged by AMCs/AMFI for recognition of default in case proposal of restructuring of debt is solely due to COVID-19 related stress.

Any proposal of restructuring received by Debenture Trustees shall be communicated to investors immediately. Further, any proposal received by Mutual Funds from lenders/issuer/Debenture Trustees shall be reported immediately to the valuation agencies (along with the other material information required for the purpose of valuation), Credit Rating Agencies and AMFI. AMFI, on receipt of such information, shall immediately disseminate it to its members.

Further, if the valuation agency, based on its assessment of the proposal, is of the view that the proposed restructuring is solely due to fallout of COVID-19 pandemic then the valuation agency may not consider the restructuring/ non receipt of the dues as a default for the purpose of valuation of money market or debt securities held by Mutual Funds. Further, in the scenario as stated above, if there is any difference in the valuation of securities provided by two valuation agencies, the conservative valuation shall be accepted.

The above modifications permitted to SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019, shall be in force till December 31, 2020.

Further as per the Principles of Fair Valuation specified in Eighth Schedule of SEBI (Mutual Funds) Regulations, 1996, and other circulars issued, AMCs shall continue to be responsible for true and fairness of valuation of securities. This Circular shall come into force with immediate effect.

The link for aforesaid Circular is mentioned below:

https://www.sebi.gov.in/legal/circulars/oct-2020/circular-on-review-of-provisions-regarding-valuation-of-debt-and-money-market-instruments-due-to-the-covid-19-pandemic_47779.html

Off: 1005, Hubtown Solaris, Prof N. S. Phadke Marg, Andheri East, Mumbai – 400 069

Tel: 91 22 26845919/20/21 Cell: 09820177691

Website: www.amitadesai.com Email: info@amitadesai.com

Amita Desai & Co. Company Secretaries, Mumbai

4. Extension of timeline for submission of the Undertaking cum Indemnity bond by the Trading members (TMs) / Clearing Members (CMs) for all the bank accounts

On **October 01, 2020** SEBI vide **Circular No. SEBI/HO/MIRSD/DOP/CIR/P/2020/193**, notified that due to Covid-19 pandemic and representation received from the Stock Exchanges, it has been decided to extend the timeline for submission of the Undertaking cum Indemnity bond by the TM / CM for all the bank accounts by a period of one month i.e. **till October 31, 2020**. Earlier the due date for submission of said undertaking cum indemnity bond was within 90 days from the date of the said SEBI circular SEBI circular SEBI/HO/MIRSD/DPIEA/CIR/P/2020/115 dated July 01, 2020 i.e. September 30, 2020.

Further it has also been decided to provide flexibility to the SEs/ CCs for modifying the Undertaking cum Indemnity bond they need to take from TMs/ CMs and suitably modify the draft undertaking wherever required.

The link for aforesaid Circular is mentioned below:

<https://www.sebi.gov.in/legal/circulars/oct-2020/standard-operating-procedure-in-the-cases-of-trading-member-clearing-member-leading-to-default-extension-of-timeline-for-submission-of-the-undertaking-cum-indemnity-bond-by-the-trading-members-tm-47780.html>

5. Standardization of timeline for listing of securities issued on a private placement basis

On **October 05, 2020** SEBI vide **Circular No. SEBI/HO/DDHS/CIR/P/2020/19**, notified that on requests from various market participants for clarification on the time period within which securities issued on private placement basis under SEBI (Issue and Listing of Debt Securities) Regulations, 2008 (SEBI ILDS), SEBI (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013 (SEBI NCRPS), SEBI (Public Offer and Listing of Securitized Debt Instruments and Security Receipts) Regulations, 2008 (SEBI SDI) and SEBI (Issue and Listing of Municipal Debt Securities) Regulations, 2015 (SEBI ILDM) Regulations need to be listed after completion of allotment. After discussions and taking feedback from market participants, it has been decided to stipulate the following timelines:

Sr. No.	Details of Activities	Due date
1	Closure of issue	T day
2	Receipt of funds	To be completed by T+2 trading day
3	Allotment of securities	
4	Issuer to make listing application to Stock Exchange(s)	To be completed by T+4 trading day
5	Listing permission from Stock Exchange(s)	

Depositories shall activate the ISINs of debt securities issued on private placement basis only after the Stock Exchange(s) have accorded approval for listing of such securities. Further, in order to facilitate re-issuances of new debt securities in an existing ISIN, Depositories are advised to allot such new debt securities under a new temporary ISIN which shall be kept frozen. Upon receipt of listing approval from Stock Exchange(s) for such new debt securities, the debt securities credited in the new temporary ISIN shall be debited and the same shall be credited in the pre-existing ISIN of the existing debt securities, before they become available for trading.

Off: 1005, Hubtown Solaris, Prof N. S. Phadke Marg, Andheri East, Mumbai – 400 069

Tel: 91 22 26845919/20/21 Cell: 09820177691

Website: www.amitadesai.com Email: info@amitadesai.com

Amita Desai & Co. Company Secretaries, Mumbai

Stock Exchange(s) are advised to inform the listing approval details to the Depositories whenever listing permission is given to debt securities issued on private placement basis.

In case of delay in listing of securities issued on privately placement basis beyond the timelines specified in above, the issuer shall;

- i. pay penal interest of 1% p.a. over the coupon rate for the period of delay to the investor (i.e. from date of allotment to the date of listing)
- ii. be permitted to utilise the issue proceeds of its subsequent two privately placed issuances of securities only after receiving final listing approval from Stock Exchanges.

Clause 4(a) (ii) of the SEBI Circular No. SEBI/HO/MIRSD/DOS3/CIR/P/2019/68 dated May 27, 2019 stands deleted. **The circular shall come into force with effect from December 01, 2020.**

The link for aforesaid Circular is mentioned below:

https://www.sebi.gov.in/legal/circulars/oct-2020/standardization-of-timeline-for-listing-of-securities-issued-on-a-private-placement-basis_47790.html

6. Review of Dividend option(s) / Plan(s) in case of Mutual Fund Schemes

- i. On **October 05, 2020** SEBI vide **Circular No. SEBI/HO/IMD/DF3/CIR/P/2020/194**, draw the attention towards Ninth and Eleventh Schedule of SEBI (Mutual Funds) Regulations, 1996 and SEBI circular No. SEBI/IMD/CIR No 18 / 198647 /2010 dated March 15, 2010, which mandates that when units are sold, and sale price (NAV) is higher than face value of the unit, a portion of sale price that represents realized gains shall be credited to an Equalization Reserve Account and which can be used to pay dividend and the same shall be clearly communicated to Investor.
- ii. Based on the recommendations of Mutual Funds Advisory Committee (MFAC), it is decided to stipulate the following:
 1. All the existing and proposed Schemes of Mutual Funds shall name/ rename the Dividend option(s) in the following manner:

Option/Plan	Name
Dividend Payout	Payout of Income Distribution cum capital withdrawal option
Dividend Re-investment	Re-investment of Income Distribution cum capital withdrawal option
Dividend Transfer Plan	Transfer of Income Distribution cum capital withdrawal option

2. Offer documents shall clearly disclose that the amounts can be distributed out of investors capital (Equalization Reserve), which is part of sale price that represents realized gains. Further, AMCs shall ensure that the said disclosure is made to investors at the time of subscription of such options/plans.
3. AMCs shall ensure that whenever distributable surplus is distributed, a clear segregation between income distribution (appreciation on NAV) and capital distribution (Equalization Reserve) shall be suitably disclosed in the Consolidated Account Statement provided to investors as required under Regulation 36(4) of SEBI (Mutual Funds) Regulations, 1996 and SEBI Circular No. CIR/MRD/ DP/ 31/2014 dated November 12, 2014.

Off: 1005, Hubtown Solaris, Prof N. S. Phadke Marg, Andheri East, Mumbai – 400 069

Tel: 91 22 26845919/20/21 Cell: 09820177691

Website: www.amitadesai.com Email: info@amitadesai.com

Amita Desai & Co. Company Secretaries, Mumbai

- iii. All other conditions specified in this regard shall remain unchanged. The provisions mentioned under paragraph ii shall be effective from April 01, 2021.

The link of aforesaid Circular is as mentioned below:

https://www.sebi.gov.in/legal/circulars/oct-2020/circular-on-review-of-dividend-option-s-plan-s-in-case-of-mutual-fund-schemes_47795.html

7. Product Labeling in Mutual Fund schemes – Risk-o-meter

- i) On **October 05, 2020** SEBI vide **Circular No. SEBI/HO/IMD/DF3/CIR/P/2020/197**, notified that based on the recommendation of Mutual Fund Advisory Committee (MFAC), it has reviewed the guidelines for product labeling in mutual funds issued by SEBI circular no. CIR/IMD/DF/5/2013 dated March 18, 2013 and CIR/IMD/DF/4/2015 dated April 30, 2015 and the following has been decided:
- a. Risk Level of a scheme will be depicted by “Risk-o-meter”.
- b. Risk-o-meter shall have following six levels of risk for mutual fund schemes:
- (i) Low Risk
 - (ii) Low to Moderate Risk
 - (iii) Moderate Risk
 - (iv) Moderately High Risk
 - (v) High Risk and
 - (vi) Very High Risk
- ii) The detailed guidelines for evaluation of risk levels of a scheme alongwith few examples are provided at **Annexure A** of Circular. Pursuant to calculation of risk value of the scheme portfolio based on the methodology specified in Annexure A, risk level of a scheme as mentioned at Table 11 of Annexure A shall be depicted by risk-o-meter. Based on the scheme characteristics, Mutual Funds shall assign risk level for schemes at the time of launch of scheme/New Fund Offer. Further any change in risk-o-meter shall be communicated by way of Notice cum Addendum and by way of an e-mail or SMS to unitholders of that particular scheme.
- iii) Risk-o-meter shall be evaluated on a monthly basis and Mutual Funds/AMCs shall disclose the Risk-o-meter alongwith portfolio disclosure for all their schemes on their respective website and on AMFI website within 10 days from the close of each month.
- iv) Mutual Funds shall disclose the risk level of schemes as on March 31 of every year, alongwith number of times the risk level has changed over the year, on their website and AMFI website. Mutual Funds shall also publish table of scheme wise changes in Risk-o-meter in scheme wise Annual Reports and Abridged summary. (Format of table is given in circular).
- v) Product label shall be disclosed on:
- a. Front page of initial offering application form, Scheme Information Documents (SID) and Key Information Memorandum (KIM).
 - b. Common application form – along with the information about the scheme.

Off: 1005, Hubtown Solaris, Prof N. S. Phadke Marg, Andheri East, Mumbai – 400 069

Tel: 91 22 26845919/20/21 Cell: 09820177691

Website: www.amitadesai.com Email: info@amitadesai.com

Amita Desai & Co. Company Secretaries, Mumbai

- c. The product label with respect to (a) & (b) above shall be placed in proximity to the caption of the scheme and shall be prominently visible.
 - d. Scheme advertisements – placed in manner so as to be prominently visible to investors.
- v) Change in risk-o-meter will not be considered as a Fundamental Attribute Change of the scheme of SEBI (Mutual Fund) Regulations, 1996.
- vii) This circular shall be in force with effect from January 1, 2021, to all the existing schemes and all schemes to be launched on or thereafter. However, mutual funds may choose to adopt the provisions of this circular before the effective date.

The link of aforesaid Circular alongwith Annexure is as mentioned below:

<https://www.sebi.gov.in/legal/circulars/oct-2020/circular-on-product-labeling-in-mutual-fund-schemes-risk-o-meter-47796.html>

8. Issuance, listing and trading of Perpetual Non-Cumulative Preference Shares (PNCPS) and Innovative Perpetual Debt Instruments (IPDIs)/Perpetual Debt Instruments (PDIs) (commonly referred to as Additional Tier 1 (AT 1) instruments)

On **October 06, 2020** SEBI vide Circular No. **SEBI/HO/DDHS/CIR/P/2020/199** notified that considering the nature and contingency impact of AT 1 instruments and the fact that full import of the discretion is available to an issuer, may not be understood in the truest form by retail individual investors, the matter was discussed in SEBI's advisory committee on the development of corporate bond market in India viz. Corporate Bonds and Securitization Advisory Committee (CoBoSAC) and based on the recommendations of the CoBoSAC, SEBI has decided that the following shall be the additional framework related to issuance, listing and trading of **Perpetual Non-Cumulative Preference Shares (PNCPS) and Innovative Perpetual Debt Instruments (IPDIs)/Perpetual Debt Instruments (PDIs)** which are proposed to be listed:

(a) Manner of Issuance:

- i. The issuance of AT1 instruments shall be done mandatorily on the Electronic Book Provider (EBP) platform irrespective of the issue size in terms of SEBI circulars SEBI/HO/DDHS/CIR/P/2018/05 dated January 05, 2018 and SEBI/HO/DDHS/CIR/P/2018/122 dated August 16, 2018.
- ii. "Securities" as defined in clause 1.1.8 of Schedule A of SEBI circular SEBI/HO/DDHS/CIR/P/2018/05 dated January 05, 2018, shall include:
 - i) Perpetual non-cumulative preference shares (PNCPS)
 - ii) Innovative perpetual debt instruments (IPDIs) and
 - iii) Perpetual debt instruments (PDIs)

(b) Investors

Issuers and Stock Exchanges shall ensure that only QIBs are allowed to participate in the issuance of AT1 instruments.

(c) Allotment size

The minimum allotment of AT1 instruments shall not be less than Rs. 1 crore.

Off: 1005, Hubtown Solaris, Prof N. S. Phadke Marg, Andheri East, Mumbai – 400 069

Tel: 91 22 26845919/20/21 Cell: 09820177691

Website: www.amitadesai.com Email: info@amitadesai.com

Amita Desai & Co. Company Secretaries, Mumbai

(d) Trading lot size

The minimum trading lot size for AT1 instruments shall be Rs. 1 crore.

(e) Other requirements:

Issuers, in addition to making disclosures as per Schedule I of the SEBI NCRPS Regulations, shall comply with the following:

- i. Disclosures as specified in Annex I.
- ii. Provisions of circulars as specified in Annex II.
- iii. Specific disclosures about:
 - a) Details of all the conditions upon which the call option will be exercised by them for AT1 instruments, in the Information /Private Placement Memorandum.
 - b) Risk factors, to include all the inherent features of these AT1 instruments
 - c) Point of Non Viability (PONV) clause: The absolute right, given to the RBI, to direct a bank to write down the entire value of its outstanding AT1 instruments/bonds, if it thinks the bank has passed the Point of Non Viability (PONV), or requires a public sector capital infusion to remain a going concern.

This circular shall come into force with effect from October 12, 2020.

The link for aforesaid Circular along with Annexure is as mentioned below:

<https://www.sebi.gov.in/legal/circulars/oct-2020/issuance-listing-and-trading-of-perpetual-non-cumulative-preference-shares-pncps-and-innovative-perpetual-debt-instruments-ipdis-perpetual-debt-instruments-pdis-commonly-referred-to-as-additi-47805.html>

9. Extension of facility for conducting Extra Ordinary Meeting(s) of unit holders of InvITs and REITs through Video Conferencing or Other Audio-Visual Means (VC/OAVM)

On **October 08, 2020** SEBI vide Circular No. **SEBI/HO/DDHS/DDHS/CIR/P/2020/201** has decided to **extend the facility of VC or OAVM for conducting extraordinary meetings(s) (EGM) of unit holders by InvITs/ REITs upto December 31, 2020**, subject to compliance with the procedure prescribed in Annexure-I of SEBI circular no. SEBI/HO/DDHS/DDHS/CIR/P/2020/102 dated June 22, 2020. (Earlier the facility was extended till September 30, 2020).

Further vide clause 6 of the SEBI circular no. SEBI/HO/DDHS/DDHS/CIR/P/2020/102 dated June 22, 2020, the facility of VC or OAVM was made available for annual meeting of unit holders in terms of Regulation 22(3)(a) of InvIT Regulations and Regulation 22(3) of REIT Regulations, to be conducted during calendar year 2020.

The link for aforesaid Circular is as mentioned below:

<https://www.sebi.gov.in/legal/circulars/oct-2020/extension-of-facility-for-conducting-extraordinary-meeting-s-of-unit-holders-of-invits-and-reits-through-video-conferencing-or-other-audio-visual-means-vc-oavm-47815.html>

Off: 1005, Hubtown Solaris, Prof N. S. Phadke Marg, Andheri East, Mumbai – 400 069

Tel: 91 22 26845919/20/21 Cell: 09820177691

Website: www.amitadesai.com Email: info@amitadesai.com

Amita Desai & Co. Company Secretaries, Mumbai

10. Guidelines on Inter Scheme Transfers of Securities

On **October 08, 2020** SEBI vide **SEBI/HO/IMD/DF4/CIR/P/2020/202** has issued Guidelines on Inter Scheme Transfers of Securities of Mutual Fund. Presently, transfers of securities from one scheme to another scheme in the same mutual fund is allowed only if such transfers are done at the prevailing market price for quoted instruments on spot basis and the securities so transferred are in conformity with the investment objective of the scheme to which such transfer has been made.

In order to ensure that such Inter Schemes Transfers (ISTs) securities are in conformity with the above objective, the following additional safeguards have been prescribed by SEBI:

1. In case of Close Ended Schemes, IST purchases would be allowed within “three” business days of allotment pursuant to New Fund Offer (NFO) and thereafter, no ISTs shall be permitted to/from Close Ended Schemes.
2. In case of Open Ended Schemes, ISTs may be allowed in the following scenarios:

a) For meeting liquidity requirement in a scheme in case of unanticipated redemption pressure:

AMCs shall have an appropriate Liquidity Risk Management (LRM) Model at scheme level, approved by trustees, to ensure that reasonable liquidity requirements are adequately provided for. Recourse to ISTs for managing liquidity will only be taken after the following avenues for raising liquidity have been attempted and exhausted:

- I. Use of scheme cash & cash equivalent
- II. Use of market borrowing
- III. Selling of scheme securities in the market
- IV. After attempting all the above, if there is still a scheme level liquidity deficit, then out of the remaining securities, outward ISTs of the optimal mix of low duration paper with highest quality shall be effected.

The use of market borrowing before ISTs will be optional and Fund Manager may at his discretion take decision on borrowing in the best interest of unit holders. The option of market borrowing or selling of security as mentioned at para.2.a.II & 2.a.III above may be used in any combination and not necessarily in the above order. In case option of market borrowing and/or selling of security is not used, the reason for the same shall be recorded with evidence.

b) For Duration/ Issuer/ Sector/ Group rebalancing

- I. ISTs shall be allowed only to rebalance the breach of regulatory limit.
- II. ISTs can be done where anyone of duration, issuer, sector and group balancing is required in both the transferor and transferee schemes. Different reasons cannot be cited for transferor and transferee schemes except in case of transferee schemes is being a Credit Risk scheme.
- III. In order to guard against possible mis-use of ISTs in Credit Risk scheme, trustees shall ensure to have a mechanism in place to negatively impact the performance incentives of Fund Managers, Chief Investment Officers (CIOs), etc. involved in process of ISTs in Credit Risk scheme, in case the security becomes default grade after the ISTs within a

Off: 1005, Hubtown Solaris, Prof N. S. Phadke Marg, Andheri East, Mumbai – 400 069

Tel: 91 22 26845919/20/21 Cell: 09820177691

Website: www.amitadesai.com Email: info@amitadesai.com

Amita Desai & Co. Company Secretaries, Mumbai

period of one year. Such negative impact on performance shall mirror the existing mechanism for performance incentives of the AMC.

3. No ISTs of a security shall be allowed, if there is negative news or rumors in the mainstream media or an alert is generated about the security, based on internal credit risk assessment in terms of clause F of SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2019/104 dated October 01, 2019 during the previous four months.
4. AMC shall ensure that Compliance Officer, Chief Investment Officer and Fund Managers of transferor and transferee schemes have satisfied themselves that ISTs undertaken are in compliance with the regulatory requirements. **“Template” (Annexure –A) and documentary evidence in this regard shall be maintained by the AMC for all ISTs.**
5. If security gets downgraded following ISTs, within a period of four months, Fund Manager of buying scheme has to provide detailed justification /rationale to the trustees for buying such security.

The circular shall be applicable with effect from January 1, 2021.

The link for aforesaid circular along with Annexure is as mentioned below:

https://www.sebi.gov.in/legal/circulars/oct-2020/circular-on-guidelines-on-inter-scheme-transfers-of-securities_47817.html

11. Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2020

On **October 08, 2020** SEBI vide notification no. **SEBI/LAD-NRO/GN/2020/32** notified Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2020. Through this notification SEBI has amended and made the following changes Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018:

i. In regulation 2, sub-regulation (1)-

(a) clause (d) shall be substituted with the following clause, namely,-

“clearing corporation” means an entity that is established to undertake the activity of clearing and settlement of trades in securities or other instruments or products that are dealt with or traded on a recognized stock exchange and includes a clearing house and a limited purpose clearing corporation specified under Chapter IV-A.”

(b) after clause (h), the following clause (ha) shall be inserted, namely,-

“(ha) “debt securities” means corporate bonds, debentures or any other debt instruments as may be specified by the Board;”

(c) after clause (j), the following clause (ja) shall be inserted, namely,-

“(ja)“limited purpose clearing corporation” means an entity that is established to undertake the activity of clearing and settlement of repo transactions;”

Off: 1005, Hubtown Solaris, Prof N. S. Phadke Marg, Andheri East, Mumbai – 400 069

Tel: 91 22 26845919/20/21 Cell: 09820177691

Website: www.amitadesai.com Email: info@amitadesai.com

Amita Desai & Co. Company Secretaries, Mumbai

(d) after clause (r), the following clause (ra), (rb) and (rc) shall be inserted, namely,-

“(ra)“repo” means an instrument for borrowing by selling debt securities with an agreement to repurchase the debt securities on an agreed future date at an agreed price which includes interest on funds borrowed;

(rb)“repo transaction” means a transaction in repo and reverse repo in the debt securities that are dealt with or traded on a recognised stock exchange;

(rc)“reverse repo” means an instrument for lending by purchasing debt securities with an agreement to resell the debt securities on an agreed future date at an agreed price which includes interest on funds lent;”

ii. In regulation 7, sub-regulation (4), -

(a) after clause (a), the following proviso shall be inserted, namely,-

“Provided that where the applicant is a limited purpose clearing corporation specified under Chapter IV-A, compliance with the requirement under this clause may be demonstrated by way of outsourcing arrangement(s) with a recognized clearing corporation(s), subject to such conditions as may be specified by the Board from time to time;”

(b) after clause (g), the following proviso shall be inserted, namely,-

“Provided that where the applicant is a limited purpose clearing corporation specified under Chapter IV-A, compliance with the requirement under this clause may be demonstrated by way of outsourcing arrangement(s) with a recognized clearing corporation(s), subject to such conditions as may be specified by the Board from time to time;”

iii. after Chapter IV, the following Chapter shall be inserted, namely, -

“CHAPTER IV – A”

LIMITED PURPOSE CLEARING CORPORATION

Applicability

22A. (1) The provisions of this Chapter shall only apply to the recognized limited purpose clearing corporations.

(2) All provisions under these regulations, except regulation 18, regulation 31 and regulation 38, shall apply to the recognized limited purpose clearing corporation.

Shareholding in a recognised limited purpose clearing corporation

22B. (1) No person resident in India shall at any time, directly or indirectly, either individually or together with persons acting in concert, acquire or hold more than five per cent. of the paid-up equity share capital in a limited purpose clearing corporation: Provided that, —

(a) a depository

(b) a banking company;

(c) an insurance company;

(d) a recognised stock exchange;

(e) a recognised clearing corporation;

(f) a public financial institution;

(g) an asset management company of a mutual fund registered with the Board; and

(h) an asset management company of a pension fund registered with the Pension Fund Regulatory and Development Authority;

Off: 1005, Hubtown Solaris, Prof N. S. Phadke Marg, Andheri East, Mumbai – 400 069

Tel: 91 22 26845919/20/21 Cell: 09820177691

Website: www.amitadesai.com Email: info@amitadesai.com

Amita Desai & Co. Company Secretaries, Mumbai

may acquire or hold, either directly or indirectly, either individually or together with persons acting in concert, up to fifteen per cent of the paid-up equity share capital of a recognised clearing corporation.
(2) No person resident outside India shall, directly or indirectly, either individually or together with persons acting in concert, acquire or hold more than five per cent of the paid-up equity share capital in a recognised clearing corporation.

Provided that, —

- (a) a foreign stock exchange;
- (b) a foreign depository;
- (c) a foreign banking company;
- (d) a foreign insurance company;
- (e) a foreign commodity derivatives exchange; and
- (f) a bilateral or multilateral financial institution approved by the Central Government,

may acquire or hold, either directly or indirectly, either individually or together with persons acting in concert, up to fifteen per cent of the paid-up equity share capital of a recognized clearing corporation.

Explanation: For the purpose of this proviso, the persons referred to in clauses (a) to (f) shall mean persons recognised/incorporated outside India.

(3) Subject to the limits as otherwise prescribed by the Central Government from time to time, the combined holding of all persons resident outside India in the paid-up equity share capital of a recognised clearing corporation shall not exceed, at any time, forty-nine per cent of its total paid up equity share capital.

(4) The shareholding of persons setting up the limited purpose clearing corporation shall be locked-in for a period of five years from the date of grant of recognition by the Board.

Composition of the governing board of recognised limited purpose clearing corporation

22C. The representative of the issuers of debt securities may be appointed on the governing board of the recognized limited purpose clearing corporation on a rotational basis and such a director shall be deemed to be a shareholder director.

Explanation: For the purpose of this sub-regulation, representative of issuers of debt securities during a financial year shall be one amongst the top three issuers, which are public sector undertakings, based on their issue size in the preceding financial year.

Contribution to the Settlement Guarantee Fund

22D. (1) The contribution to the Fund as specified in regulation 37 shall be made by the recognized limited purpose clearing corporation, the clearing members and issuers of the debt securities, in the manner as may be specified by the Board from time to time.

(2) Any shortfall in the Fund, shall be replenished by the recognized limited purpose clearing corporation to the threshold level as may be specified by the Board from time to time.

Off: 1005, Hubtown Solaris, Prof N. S. Phadke Marg, Andheri East, Mumbai – 400 069

Tel: 91 22 26845919/20/21 Cell: 09820177691

Website: www.amitadesai.com Email: info@amitadesai.com

Amita Desai & Co. Company Secretaries, Mumbai

Utilization of profits and investments

22E. (1) The utilization of profits and investments by recognized limited purpose clearing corporations shall be in accordance with the norms specified by the Board:

Provided that for the first five years from the date of grant of recognition by the board, there shall be no distribution of dividend to the shareholders and the profits of recognized limited purpose clearing corporation shall be transferred to the Fund specified in regulation 37.

(2) The limited purpose clearing corporation shall not carry on any activity whether involving deployment of funds or otherwise without the prior approval of the Board: Provided that the prior approval of the Board shall not be required in case of treasury investments if such investments are as per the investment policy approved by the governing board of limited purpose clearing corporation.

Arbitration Mechanism

22F. The recognized limited purpose clearing corporation shall have arbitration mechanism for settlement of disputes or claims arising out of transactions cleared and settled by it."

The link for aforesaid notification is as mentioned below:

<http://egazette.nic.in/WriteReadData/2020/222313.pdf>

12. Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2020

On **October 08, 2020** SEBI vide notification no. **SEBI/LAD-NRO/GN/2020/33** notified Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2020. Through this notification SEBI has amended and made the following changes in Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015:

i. In regulation 54 -

(a) sub-regulation (1) shall be substituted by the following, namely, —

"(1) In respect of its listed non-convertible debt securities, the listed entity shall maintain 100% asset cover or asset cover as per the terms of offer document/ Information Memorandum and/or Debenture Trust Deed, sufficient to discharge the principal amount at all times for the non-convertible debt securities issued."

(b) sub-regulation 3 shall be omitted.

ii. In regulation 56,-

(a) in sub-regulation (1), in clause (c), the following new sub-clause shall be inserted after the existing sub-clause (iii), namely, -

"(iv) All covenants of the issue (including side letters, accelerated payment clause, etc.)"

Off: 1005, Hubtown Solaris, Prof N. S. Phadke Marg, Andheri East, Mumbai – 400 069

Tel: 91 22 26845919/20/21 Cell: 09820177691

Website: www.amitadesai.com Email: info@amitadesai.com

Amita Desai & Co. Company Secretaries, Mumbai

(b) in sub-regulation (1), the existing clause (d) along with the proviso, shall be substituted with the following, namely, -

“(d) a half-yearly certificate regarding maintenance of 100% asset cover or asset cover as per the terms of offer document/ Information Memorandum and/or Debenture Trust Deed, including compliance with all the covenants, in respect of listed non-convertible debt securities, by the Statutory Auditor, along with the half-yearly financial results:
Provided that the submission of half yearly certificate is not applicable where bonds are secured by a Government guarantee.”

iii. In Schedule III,-

(a) in Part A, under the Clause A, after the existing sub-clause 16, the following new sub-clause shall be inserted, namely,-

“17. Initiation of Forensic audit: In case of initiation of forensic audit, (by whatever name called), the following disclosures shall be made to the stock exchanges by listed entities:

- a) The fact of initiation of forensic audit along-with name of entity initiating the audit and reasons for the same, if available;
- b) Final forensic audit report (other than for forensic audit initiated by regulatory / enforcement agencies) on receipt by the listed entity along with comments of the management, if any.”

The link for aforesaid notification is as mentioned below:

<http://egazette.nic.in/WriteReadData/2020/222322.pdf>

13. Securities and Exchange Board of India (Debenture Trustees) (Amendment) Regulations, 2020.

On **October 08, 2020** SEBI vide notification no. **SEBI/LAD-NRO/GN/2020/34** notified Securities and Exchange Board of India (Debenture Trustees) (Amendment) Regulations, 2020. Through this notification SEBI has amended and made the following changes in Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993:

i. Regulation 14 shall be substituted by the following namely,-

“Every debenture trustee shall amongst other matters, accept the trust deeds which shall contain the matters as specified in section 71 of Companies Act, 2013 and Form No. SH.12 specified under the Companies (Share Capital and Debentures) Rules, 2014. Such trust deed shall consist of two parts:

- a. Part A containing statutory/standard information pertaining to the debt issue;
- b. Part B containing details specific to the particular debt issue.”

ii. In Regulation 15,-

1) in sub-regulation (1), clause (h) shall be substituted by the following, namely, —

“ensure the implementation of the conditions regarding creation of security for the debentures, if any, debenture redemption reserve and recovery expense fund;”

Off: 1005, Hubtown Solaris, Prof N. S. Phadke Marg, Andheri East, Mumbai – 400 069

Tel: 91 22 26845919/20/21 Cell: 09820177691

Website: www.amitadesai.com Email: info@amitadesai.com

Amita Desai & Co. Company Secretaries, Mumbai

2) in sub-regulation (1), clause (t) shall be substituted by the following, namely, —

“In case where listed debt securities are secured by way of receivables/ book debts, it shall, -

(i) on a Quarterly basis-

(a) carry out the necessary due diligence and monitor the asset cover in the manner as may be specified by the Board from time to time.

(ii) on a Half-Yearly basis-

(a) obtain a certificate from the statutory auditor of the issuer giving the value of receivables/book debts including compliance with the covenants of the Offer Document/Information Memorandum in the manner as may be specified by the Board from time to time.||

3) in sub-regulation (2), in clause (b), after the word “default” and before the words “or which”, the words and symbols “or breach of covenants (as specified in the Offer Document/Information Memorandum and/or debenture trust deed)” shall be inserted.

4) after sub-regulation (5), the following sub-regulations (6) and (7) shall be inserted, namely, -

(6) Before creating a charge on the security for the debentures, the debenture trustee shall exercise independent due diligence to ensure that such security is free from any encumbrance or that it has obtained the necessary consent from other charge-holders if the security has an existing charge, in the manner as may be specified by the Board from time to time.

(7) Subject to the approval of the debenture holders and the conditions as may be specified by the Board from time to time, the debenture trustee, on behalf of the debenture holders, may enter into inter-creditor agreements provided under the framework specified by the Reserve Bank of India.||

The link for aforesaid notification is as mentioned below:

<http://egazette.nic.in/WriteReadData/2020/222323.pdf>

14. Securities and Exchange Board of India (Debenture Trustees) (Amendment) Regulations, 2020.

On **October 08, 2020** SEBI vide notification no. **SEBI/LAD-NRO/GN/2020/35** notified Securities and Exchange Board of India (Issue and Listing of Debt Securities) (Amendment) Regulations, 2020. Through this notification SEBI has amended and made the following changes in Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008:

i. In Regulation 2,

a. in sub-regulation (1), clause (h) shall be substituted with the following, namely, -

“(h)“*Private placement*” means an offer or invitation to subscribe or issue of securities to a select group of persons by a company (other than by way of public offer) through private placement offer-cum-application, which satisfies the conditions specified in section 42 of the Companies Act, 2013.”

Off: 1005, Hubtown Solaris, Prof N. S. Phadke Marg, Andheri East, Mumbai – 400 069

Tel: 91 22 26845919/20/21 Cell: 09820177691

Website: www.amitadesai.com Email: info@amitadesai.com

Amita Desai & Co. Company Secretaries, Mumbai

- b. in sub-regulation (2) the words and symbols “Companies Act, 1956” shall be substituted with the words and symbols “Companies Act, 2013”.
- ii. **In Regulation 4, in sub-regulation (4),** the words and symbols “Section 117B of the Companies Act, 1956 (1 of 1956)” **shall be substituted** with the words and symbols “Section 71 of the Companies Act, 2013 (18 of 2013)”.
- iii. **In Regulation 5, in sub-regulation (2), clause (a) shall be substituted** with the following, namely, - “disclosures specified in Companies Act, 2013 and Rules prescribed thereunder;”.
- iv. **In Regulation 6A, in sub-regulation (3),** the words and symbols “Companies Act, 1956 or “and “whichever is applicable” **shall be omitted.**
- v. **In Regulation 15, the existing sub-regulation (2), shall be substituted** with the following, namely,-
“(2) Every debenture trustee shall amongst other matters, accept the trust deeds which shall contain the matters as prescribed under section 71 of Companies Act, 2013 and Form No. SH.12 of the Companies (Share Capital and Debentures) Rules, 2014. Such trust deed shall consist of two parts:
- a. Part A containing statutory/standard information pertaining to the debt issue.
 - b. Part B containing details specific to the particular debt issue.”
- vi. **In Regulation 16, in sub-regulation (1),** the words and symbols “Companies Act, 1956” shall be **substituted** with the words and symbols “Companies Act, 2013.”
- vii. **In Regulation 18, in sub-regulation (2),** the words “twenty one days” shall be **substituted** the words “fifteen days”.
- viii. **In Regulation 19, in sub-regulation (1),** the words and symbols “sub-section 1 of section 75 of the Companies Act, 1956 (1 of 1956)” shall be **substituted** with the words and symbols “subsection (1) and sub-section (2) of section 40 of the Companies Act, 2013 (18 of 2013).”
- ix. **In Regulation 20, in sub-regulation (1), in clause (a),** the words and symbols “Companies Act, 1956” shall be **substituted** with the words and symbols “Companies Act, 2013.”
- x. **After Regulation 21A and before regulation 22, the following new regulation shall be inserted,** namely,-
“Creation of Security”
21B. The issuer shall give an undertaking in the Information Memorandum that the assets on which charge is created are free from any encumbrances and in cases where the assets are already charged to secure a debt, the permission or consent to create a second or pari-passu charge on the assets of the issuer has been obtained from the earlier creditor.”
- xi. **In Regulation 26,**
- a. in sub-regulation (2), the words and symbols “Schedule II of the Companies Act, 1956” shall be substituted with the words and symbols “the Companies Act, 2013 and the Rules made thereunder.”

Off: 1005, Hubtown Solaris, Prof N. S. Phadke Marg, Andheri East, Mumbai – 400 069

Tel: 91 22 26845919/20/21 Cell: 09820177691

Website: www.amitadesai.com Email: info@amitadesai.com

Amita Desai & Co. Company Secretaries, Mumbai

b. after sub-regulation (6), the following new sub-regulation shall be inserted, namely,-

“(7) The issuer shall create a recovery expense fund in the manner as maybe specified by the Board from time to time and inform the Debenture Trustee about the same.”

xii. In Regulation 28, the words and symbols “section 621 of the Companies Act, 1956” shall be **substituted** with the words and symbols “section 439 of the Companies Act, 2013”.

xiii. In Schedule I, in para 3, in sub-para B, various new tables has been inserted. (Details of table given in notification).

xiv. In Schedule II, para 4, the words and symbols “Companies Act, 1956” shall be **substituted** with the words and symbols “Companies Act, 2013.”

The link for aforesaid notification and tables is as mentioned below:

<http://egazette.nic.in/WriteReadData/2020/222324.pdf>

15. Standardisation of procedure to be followed by Debenture Trustee (s) in case of 'Default' by Issuers of listed debt securities

On **October 13, 2020** SEBI vide **Circular no. SEBI/HO/MIRSD/CRADT/CIR/P/2020/203** issued after consultation with stakeholders including investors, Debenture Trustee(s), Issuers etc., prescribes the process to be followed by the Debenture Trustee(s) in case of 'Default' by issuers of listed debt securities including seeking consent from the investors for enforcement of security and/or entering into an Inter-Creditor Agreement (“ICA”).

The link for aforesaid circular and procedure is as mentioned below:

https://www.sebi.gov.in/legal/circulars/oct-2020/standardisation-of-procedure-to-be-followed-by-debenture-trustee-s-in-case-of-default-by-issuers-of-listed-debt-securities_47855.html

16. Utilization of Fund Created out of the Regulatory Fee Forgone by SEBI – Additional Guidelines

On **October 19, 2020** SEBI vide **Circular no. SEBI/HO/CDMRD/DNPMP/CIR/P/2020/206**, after deliberation with the Commodity Derivatives Advisory Committee (CDAC) and based on the recommendations of CDAC, SEBI has decided to permit the Stock Exchanges (SE) to utilize the separate fund created by the SE, out of the regulatory fee forgone by the SEBI, for the following additional activities by the SE for the benefit of and easy participation by Farmers/ Farmers Producers Organizations (FPOs) in the agricultural commodity derivatives market, in accordance with the guidelines specified vide SEBI circular no. SEBI/HO/CDMRD/DMP/CIR/P/2019/40 dated March 20, 2019:

- (i) **Reimbursement of Mandi tax:** Reimbursement of Mandi tax including any other mandi cess or whatever name it may be called, levied against the goods deposited in warehouses accredited with Clearing Corporations for the purpose of delivering on Exchange platform for which exchange specific Electronic Negotiable Warehouse Receipt (eNWR) is generated.

Off: 1005, Hubtown Solaris, Prof N. S. Phadke Marg, Andheri East, Mumbai – 400 069

Tel: 91 22 26845919/20/21 Cell: 09820177691

Website: www.amitadesai.com Email: info@amitadesai.com

Amita Desai & Co. Company Secretaries, Mumbai

- (ii) **Reimbursement of assaying, cleaning, drying, sorting, storage and transportation charges:** Farmers/FPOs can be reimbursed the charges incurred towards assaying, cleaning, drying, sorting, storage and transportation in respect of goods deposited in warehouses accredited with Clearing Corporations with an intention to deliver them on Exchange Platform for which exchange specific eNWR is generated.
- (iii) **Incentivising Option Premium:** The Farmers / FPOs can be incentivized to participate in “options in goods”. For this purpose, the Farmers / FPOs can be reimbursed a certain percentage or fixed amount of the premium paid by them, for purchasing “options in goods” on the exchange platform.
- (iv) **Reimbursement of fees levied by Clearing Corporation:** Fees/cost levied by Clearing Corporation, if any, on Farmers/FPOs in the process of their participation in commodity derivatives trading can be reimbursed.

The Stock Exchanges can revise their action plan for utilisation of regulatory fee foregone by SEBI for FY 2020-21 incorporating the abovementioned activities and the revised plan, if any, shall be disseminated on their website. Further, in order to enhance transparency, the Stock Exchanges are advised to make disclosure regarding the corpus of the fund and its utilization, on their website, on a monthly basis.

The Stock Exchanges are further advised to include the details of the corpus of the fund and its utilization in the Monthly Development Report (MDR). All other extant provisions of the circular dated March 20, 2019 shall continue to remain in force. **The provisions of this circular shall be effective from the date of this circular.** The link for aforesaid circular is as mentioned below:

https://www.sebi.gov.in/legal/circulars/oct-2020/utilization-of-fund-created-out-of-the-regulatory-fee-forgone-by-sebi-additional-guidelines_47897.html

17. Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) (Second Amendment) Regulations, 2020

On **October 19, 2020** SEBI vide notification no. **SEBI/LAD-NRO/GN/2020/36** notified Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) (Second Amendment) Regulations, 2020. Through this notification SEBI has amended and made the following changes in Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003:

i. In Regulation 4, in sub-regulation (1), the following Explanation shall be inserted, namely: –

“Explanation.– For the removal of doubts, it is clarified that any act of diversion, misutilisation or siphoning off of assets or earnings of a company whose securities are listed or any concealment of such act or any device, scheme or artifice to manipulate the books of accounts or financial statement of such a company that would directly or indirectly manipulate the price of securities of that company shall be and shall always be deemed to have been considered as manipulative, fraudulent and an unfair trade practice in the securities market.”

The link for aforesaid notification and tables is as mentioned below:

<http://egazette.nic.in/WriteReadData/2020/222561.pdf>

Off: 1005, Hubtown Solaris, Prof N. S. Phadke Marg, Andheri East, Mumbai – 400 069

Tel: 91 22 26845919/20/21 Cell: 09820177691

Website: www.amitadesai.com Email: info@amitadesai.com

Amita Desai & Co. Company Secretaries, Mumbai

18. Securities and Exchange Board of India (Alternative Investment Funds) (Amendment) Regulations, 2020.

On **October 19, 2020** SEBI vide notification no. **SEBI/LAD-NRO/GN/2020/37** notified Securities and Exchange Board of India (Alternative Investment Funds) (Amendment) Regulations, 2020. Through this notification SEBI has amended and made the following changes in Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012:

i. Sub-clause (g) of Regulation 4 shall be substituted with the following, namely,

“(g) The key investment team of the Manager of Alternative Investment Fund has –

- (i) adequate experience, with at least one key personnel having not less than five years of experience in advising or managing pools of capital or in fund or asset or wealth or portfolio management or in the business of buying, selling and dealing of securities or other financial assets; and
- (ii) at least one key personnel with professional qualification in finance, accountancy, business management, commerce, economics, capital market or banking from a university or an institution recognized by the Central Government or any State Government or a foreign university, or a CFA charter from the CFA institute or any other qualification as may be specified by the Board:

Provided that the requirements of experience and professional qualification as specified in regulation 4(g)(i) and 4(g)(ii) may also be fulfilled by the same key personnel.”

ii. After sub-regulation (5) of Regulation 20, the following shall be inserted, namely, -

“(6) The Manager shall be responsible for investment decisions of the Alternative Investment Fund:

Provided that the Manager may constitute an Investment Committee (by whatever name it may be called), to approve investment decisions of the Alternative Investment Fund, subject to the following:

- (i) The members of Investment Committee shall be equally responsible as the Manager for investment decisions of the Alternative Investment Fund.
- (ii) The Manager and members of the Investment Committee shall jointly and severally ensure that the investments of the Alternative Investment Fund are in compliance with the provisions of these regulations, the terms of the placement memorandum, agreement made with the investor, any other fund documents and any other applicable law.
- (iii) External members whose names are not disclosed in the placement memorandum or agreement made with the investor or any other fund documents at the time of onboarding investors, shall be appointed to the Investment Committee only with the consent of at least seventy five percent of the investors by value of their investment in the Alternative Investment Fund or scheme.
- (iv) Any other conditions as specified by the Board from time to time.”

The link for aforesaid notification and tables is as mentioned below:

<http://egazette.nic.in/WriteReadData/2020/222560.pdf>

Off: 1005, Hubtown Solaris, Prof N. S. Phadke Marg, Andheri East, Mumbai – 400 069

Tel: 91 22 26845919/20/21 Cell: 09820177691

Website: www.amitadesai.com Email: info@amitadesai.com

Amita Desai & Co. Company Secretaries, Mumbai

19. Contribution by Issuers of listed or proposed to be listed debt securities towards creation of "Recovery Expense Fund"

On **October 22, 2020** SEBI vide Circular no. **SEBI/HO/MIRSD/CRADT/CIR/P/2020/207** has issued about the contribution by Issuers of listed or proposed to be listed debt securities towards creation of "Recovery Expense Fund." In order to enable the Debenture Trustee(s) to take prompt action for enforcement of security in case of 'default' in listed debt securities, a 'Recovery Expense Fund' (REF) shall be created which shall be used in the manner as decided in the meeting of the holders of debt securities

The provisions of this circular shall **come into force w.e.f. January 01, 2021** and all the applications for listing of debt securities made on or after January 01, 2021 shall comply with the condition of creation of REF. The existing issuers whose debt securities are already listed on Stock Exchange(s) shall be given additional time period of 90 days to comply with this circular for creation of REF.

The Circular has laid down the following to deal with in case of Default, details of the same are given in the link below:-

1. Manner of creation and operation of REF
2. Manner of Utilization of REF
3. Refund of REF to the issuer

The link for the aforesaid circular is as mentioned below:

<https://www.sebi.gov.in/legal/circulars/oct-2020/contribution-by-issuers-of-listed-or-proposed-to-be-listed-debt-securities-towards-creation-of-recovery-expense-fund-47939.html>

20. Clarification on Investor Grievances Redressal Mechanism on handing of SCORES complaints by stock exchanges

On **October 22, 2020** SEBI vide **Circular no. SEBI/HO/OIAE/IGRD/CIR/P/2020/208** clarified about its earlier Circular No. SEBI/HO/OIAE/IGRD/CIR/P/2020/152 dated August 13, 2020 on Investor grievances redressal mechanism on handing of SCORES complaints by stock exchanges and Standard Operating Procedure (SoP) for non-redressal of grievances by listed company.

The changes are such that in respect of Paras 16, 27, 32 and Point 2c of Annexure -1 to the said circular, please read the words "promoter and promoter group" and "promoter or promoter group" as "**promoter(s)**" and will now be read as:

- a) **Para 16:** In case the listed entity fails to comply with the aforesaid requirement and /or pay fine levied within the stipulated period as per the notices, the SE shall forthwith 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 account of the promoter(s).
- b) **Para 27:** In case the promoters' shareholding is frozen by the SE, an intimation shall be given to depositories to unfreeze the promoter(s) holdings from the date of such compliance.

Off: 1005, Hubtown Solaris, Prof N. S. Phadke Marg, Andheri East, Mumbai – 400 069

Tel: 91 22 26845919/20/21 Cell: 09820177691

Website: www.amitadesai.com Email: info@amitadesai.com

Amita Desai & Co. Company Secretaries, Mumbai

- c) **Para 32:** The recognized stock exchanges are advised to bring the provisions of the Circular dated August 13, 2020 to the notice of listed entities and the listed entities shall in turn bring the same to the notice of their promoter(s).
- d) **Point 2c of Annexure-1:** Freezing of promoters shareholdings (i.e. Entire shareholding of the promoter(s) in listed company as well as all other securities held in the demat account of the promoter(s)) in demat account.)

The link for the aforesaid circular is as mentioned below:

<https://www.sebi.gov.in/legal/circulars/oct-2020/clarification-on-sebi-circular-sebi-ho-oiae-igrd-cir-p-2020-152-dated-13-august-2020-on-investor-grievances-redressal-mechanism-handling-of-scores-complaints-by-stock-exchanges-and-standard-operati-47953.html>

21. Processing of applications for registrations of AIFs and launch of schemes

On **October 22, 2020** SEBI vide Circular no. **SEBI/HO/IMD/DF6/CIR/P/2020/209** notified about the processing of applications for registration of Alternation Investment Funds (AIFs) and launch of schemes.

In the Circular, it has been observed that while processing applications for registration of AIFs and launch of new schemes, it has been observed that the **Manager of AIF** often proposes to **set up an Investment Committee** with the mandate to provide investment recommendations or advice to the Manager.

In some applications, the Investment Committee is mandated to approve the investment decisions of the AIF. Such Investment Committees may consist of internal members (employees, directors or partners of the Manager) and/ or external members. The same is allowed as per the SEBI (AIF) Regulations, 2012 amended on October 19, 2020.

Further SEBI has written to Government and RBI seeking clarity on the applicability of clause (4) of Schedule VIII under FEMA (Non-debt Instruments) Rules, 2019 to investment made by an AIF whose Investment Committee approves investment decisions and consists of external members who are not 'resident Indian citizens'.

Pending clarification on the same, the application for registration of AIFs shall be dealt as under:

- a) The applications wherein Investment Committee proposed to be constituted to approve investment decisions of AIF **includes external members who are 'resident Indian citizens', shall be duly processed.**
- b) The applications wherein Investment Committee proposed to be constituted to approve investment decisions of AIF **includes external members who are not 'resident Indian citizens', shall be considered only after receipt of clarification as stated above.**

The link for the aforesaid circular is as mentioned below:

<https://www.sebi.gov.in/legal/circulars/oct-2020/processing-of-applications-for-registrations-of-aifs-and-launch-of-schemes-47956.html>

Off: 1005, Hubtown Solaris, Prof N. S. Phadke Marg, Andheri East, Mumbai – 400 069

Tel: 91 22 26845919/20/21 Cell: 09820177691

Website: www.amitadesai.com Email: info@amitadesai.com

Amita Desai & Co. Company Secretaries, Mumbai

22. Public notice in respect of Extension of the SEBI Settlement Scheme 2020

On **October 31, 2020** SEBI vide Public Notice approved the **extension of the period of SEBI Settlement Scheme 2020 till December 31, 2020**, in view of the representations received by SEBI, seeking extension of the period of the Scheme.

Earlier, vide public notice dated July 27, 2020, SEBI had introduced the Settlement Scheme which proposed to provide a onetime settlement opportunity to those entities that had executed trade reversals in the stock options segment of BSE during the period from April 01, 2014 to September 30, 2015 and against whom enforcement proceedings had been approved by SEBI. The period of the Scheme was August 01, 2020 and was to end on October 31, 2020, which is now extended up to December, 31 2020.

The link for the aforesaid public notice is as mentioned below:

https://www.sebi.gov.in/media/public-notices/oct-2020/public-notice-in-respect-of-extension-of-the-sebi-settlement-scheme-2020_48049.html

Off: 1005, Hubtown Solaris, Prof N. S. Phadke Marg, Andheri East, Mumbai – 400 069

Tel: 91 22 26845919/20/21 Cell: 09820177691

Website: www.amitadesai.com Email: info@amitadesai.com