

## **SEBI Updates**

### **1. Discussion paper on review of ownership and governance norms to facilitate new entrants to set up Stock Exchange / Depository**

On **January 06, 2021** Securities and Exchange Board of India (SEBI) vide Press release no **PR No. 1/2021** floated a Discussion Paper on review of ownership and governance norms to facilitate new entrants to set up Stock Exchange / Depository seeking public comments on or before February 05, 2021.

Due to the dominant trend shaping the exchange and depository landscape, there has been an emergence of new technologies such as distributed ledger technology, artificial intelligence, machine learning etc, that has challenged the traditional functioning of Stock Exchanges and Depositories ("Market Infrastructure Institutions"/ "MIIs"). Hence, it was proposed to create a liberalized ownership framework for the MIIs by allowing higher shareholding at initial stage with dilution over a period of time.

Major proposals, for the same are provided as under:

- a. In case of setting up of a new MII
- b. In case of an existing MII
- c. Changes in Governance requirements

The link of the press release is as below:

[https://www.sebi.gov.in/media/press-releases/jan-2021/discussion-paper-on-review-of-ownership-and-governance-norms-to-facilitate-new-entrants-to-set-up-stock-exchange-depository\\_48681.html](https://www.sebi.gov.in/media/press-releases/jan-2021/discussion-paper-on-review-of-ownership-and-governance-norms-to-facilitate-new-entrants-to-set-up-stock-exchange-depository_48681.html)

### **2. Amendment to SEBI (Alternative Investment Funds) (AIFs) Regulations, 2012**

On **January 08, 2021** SEBI vide **Circular No. SEBI/HO/IMD/DF6/CIR/P/2021/004** has made an amendment 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. The link of the Circular is as below:

[https://www.sebi.gov.in/legal/circulars/jan-2021/circular-on-amendment-to-regulation-20-6-of-sebi-aif-regulations-2012\\_48710.html](https://www.sebi.gov.in/legal/circulars/jan-2021/circular-on-amendment-to-regulation-20-6-of-sebi-aif-regulations-2012_48710.html)

### **3. Monthly Reporting of Portfolio Managers**

On **January 08, 2021** SEBI vide **Circular No. SEBI/HO/IMD/DF1/CIR/P/2021/02** issued direction that Portfolio Managers are required to submit a monthly report regarding their portfolio management activity within 7 working days of the end of each month, as per a prescribed format.

## **Amita Desai & Co. Company Secretaries, Mumbai**

In view of the circular issued by SEBI on February 13, 2020 for Portfolio Managers, certain modifications specified in the format have been inserted by the Regulatory. Further, the provisions of this circular shall be applicable for monthly reports submitted for January 2021 onwards.

This circular is issued to protect the interests of investors in securities market and to promote the development of and to regulate the securities market. The link for the Circular is as below:

[https://www.sebi.gov.in/legal/circulars/jan-2021/monthly-reporting-of-portfolio-managers\\_48705.html](https://www.sebi.gov.in/legal/circulars/jan-2021/monthly-reporting-of-portfolio-managers_48705.html)

### **4. Role of KYC Registration Agencies (KRAs)/ Market Infrastructure Institutions (MIIs) in performing KYC (Know Your Client) of clients in securities market**

On **January 13, 2021** SEBI vide **Press release no. PR No.2/2021** floated a Consultation Paper for role of KRAs / MIIs in performing KYC of clients in securities market seeking public comments on or before February 15, 2021.

Various guidelines have been issued by the SEBI with regard to client KYC process. In order to achieve the multiple objectives of standardizing the KYC process, a modified process for KYC in securities market has been envisaged. Further, it has been proposed to separate the KYC and account opening process by doing client KYC through KRAs that would ensure an end to end secured KYC process.

The link of the press release is as below:

[https://www.sebi.gov.in/media/press-releases/jan-2021/consultation-paper-on-role-of-kyc-registration-agencies-kras-market-infrastructure-institutions-miis-in-performing-kyc-know-your-client-of-clients-in-securities-market\\_48751.html](https://www.sebi.gov.in/media/press-releases/jan-2021/consultation-paper-on-role-of-kyc-registration-agencies-kras-market-infrastructure-institutions-miis-in-performing-kyc-know-your-client-of-clients-in-securities-market_48751.html)

### **5. Business Responsibility and Sustainability Reporting (BRSR) by listed companies**

On **January 15, 2021** SEBI issued a **Press release No. PR No.3/2021** informing that it had conducted a round-table meeting chaired by Shri. Ajay Tyagi, Chairman, SEBI on the Business Responsibility and Sustainability Reporting (BRSR) formats.

SEBI Chairman stated that “The proposed format for BRSR aims at bringing in greater transparency through disclosure of material ESG-related information that would allow market participants to identify and assess sustainability-related risks and opportunities which will give a big fillip to transitioning towards sustainable investments and a sustainable economy.”

The discussions in round-table centered around enhancing key environment, social and governance disclosures. The link of the press release is as below:

[https://www.sebi.gov.in/media/press-releases/jan-2021/sebi-chairman-meets-industry-representatives-on-business-responsibility-and-sustainability-reporting-by-listed-companies\\_48776.html](https://www.sebi.gov.in/media/press-releases/jan-2021/sebi-chairman-meets-industry-representatives-on-business-responsibility-and-sustainability-reporting-by-listed-companies_48776.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](http://www.amitadesai.com) Email: [info@amitadesai.com](mailto:info@amitadesai.com)

**6. Norms for investment and disclosure by Mutual Funds in Exchange Traded Commodity Derivatives (“ETCDs”)**

On **January 15, 2021** SEBI vide **Circular no. SEBI/HO/IMD/DF2/CIR/P/2021/10** has issued a clarification with respect to its circular no. SEBI/HO/IMD/DF2/CIR/P/2019/65 dated May 21, 2019, that it shall not consider the following exposures in the cumulative gross exposure:

- a. Short position in Exchange Traded Commodity Derivatives (ETCDs) not exceeding the holding of the underlying goods received in physical settlement of ETCD contracts.
- b. Short position in ETCDs not exceeding the long position in ETCDs on the same goods.

Further, it was clarified that mutual funds shall not write options, or purchase instruments with embedded written options in goods or on commodity futures. The link of the Circular is as below:

<https://www.sebi.gov.in/legal/circulars/jan-2021/norms-for-investment-and-disclosure-by-mutual-funds-in-exchange-traded-commodity-derivatives-etcds-48789.html>

**7. Relaxation from compliance with certain provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 due to the CoVID -19 pandemic**

On **January 15, 2021**, SEBI vide Circular No. **SEBI/HO/CFD/CMD2/CIR/P/2021/11** has further extended 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 provided relaxations to companies to conduct their Annual General Meeting (AGMs) due in the year 2021 till December 31, 2021 through Video Conferencing (VC) or through other audio-visual means (OAVM). Accordingly, the relaxation in respect of sending physical copies of annual report to shareholders and requirement of proxy for general meetings held through electronic mode, are extended for listed entities, till December 31, 2021. The link of the Circular is as below:

<https://www.sebi.gov.in/legal/circulars/jan-2021/relaxation-from-compliance-with-certain-provisions-of-the-sebi-listing-obligations-and-disclosure-requirements-regulations-2015-due-to-the-covid-19-pandemic-48790.html>

**8. Relaxations relating to procedural matters –Issues and Listing**

On **January 19, 2021**, SEBI vide **Circular No. SEBI/HO/CFD/DIL1/CIR/P/2021/13** has granted further relaxations relating to Circular no. SEBI/HO/CFD/DIL2/CIR/P/2020/78 dated May 6, 2020 pertaining to Rights Issue opening upto July 31, 2020.

Based on the representations received from the market participants, the validity of these relaxations was further extended and shall be applicable for Rights Issues opening upto March 31, 2021 provided the issuer along with the Lead Manager(s) shall continue to comply point (v) of the SEBI Circular No. SEBI/HO/CFD/DIL2/CIR/P/2020/78 dated May 06, 2020.

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](http://www.amitadesai.com) Email: [info@amitadesai.com](mailto:info@amitadesai.com)

## **Amita Desai & Co. Company Secretaries, Mumbai**

The link of the aforementioned Circular is as mentioned below:

[https://www.sebi.gov.in/legal/circulars/jan-2021/relaxations-relating-to-procedural-matters-issues-and-listing\\_48812.html](https://www.sebi.gov.in/legal/circulars/jan-2021/relaxations-relating-to-procedural-matters-issues-and-listing_48812.html)

### **9. Consultation Paper on appointment/re-appointment of MD/WTd by listed entities, once rejected by shareholders.**

On **27<sup>th</sup> January 2021**, SEBI has issued Notice inviting public comments latest by February 12, 2021. On Consultation Paper on introduction of provisions relating to appointment / re-appointment of persons who fail to get elected as WTDs / MDs at the general meeting of a listed entity.

Generally listed companies follow a practice of proposing two separate resolutions, (i) ordinary resolution for appointment as director (ii) ordinary/special resolution for appointment of WTDs/ MDs. There is no provision under the law, which restricts the listed entities from appointment/ re-appointment of WTD/MD, whose candidature is once rejected by shareholders.

Therefore, SEBI intends to insert the compliance requirements under SEBI LODR Regulations, 2015, which listed entity is required to comply with.

Major proposal for appointment/re-appointment of MD/WTd, once his/ her candidature is rejected by shareholders are as follows:

- i) Nomination & Remuneration Committee (NRC) recommendation should be in detail, about reason for appointment after shareholders' rejection.
- ii) Board of Directors to consider and approve the appointment/re-appointment, after recording reasons for such appointment despite rejection by shareholders earlier.
- iii) Stock exchanges intimation – Reasons for appointment and recommendation of NRC to be intimated within 24 hours.
- iv) Shareholders approval to be obtained within 3 months from Board approval or next general meeting, whichever is earlier.
- v) Explanatory statements should contain a detailed explanation and recommendation of NRC, for such appointments even after rejection from shareholders.

In case the shareholders reject the candidature of the persons again, such persons can not be considered for appointment as director, or continue as a director of that particular listed entity, for a period of **two years** from the date of rejection by the shareholders.

The link of the press release is as mentioned below:

[https://www.sebi.gov.in/web/?file=https://www.sebi.gov.in/sebi\\_data/attachdocs/jan-2021/1611745101962.pdf](https://www.sebi.gov.in/web/?file=https://www.sebi.gov.in/sebi_data/attachdocs/jan-2021/1611745101962.pdf)