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Newsletter for May 2014
By Amita Desai & Co.

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

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Preview:

MCA UPDATES

A. Certification of E-forms/non e-forms under the Companies Act, 2013 by the Practicing Professionals.

- MCA vide its Circular No. 10/2014 dated May 07, 2014 has allowed registered members of the Professional Institutes (ICSI, ICAI, ICOAI) to authenticate the correctness and integrity of documents filled by them on MCA Portal.

- As per rule 10 of the Companies (Registration office and Fees) Rules 2014, registrar will examine e- Forms and attachments thereto filed on the MCA portal.

- Any documents, application or return or petition etc. contain false or misleading information or any omission of material fact or incomplete information is observed by the Regional Director or the Registrar, he is empowered to conduct a quick inquiry against the professionals who has certified such form and signatory including an officer in default who is responsible for submitting false or misleading or incorrect information.

- The Regional Director or the Registrar will submit his/her report to the E-Governance cell of the Ministry **within 15 days** of the expiry of period given for submission of an explanation.

- The E-Governance cell of the Ministry shall process each case so referred and issue necessary instructions to the Regional Director/ Registrar of Companies for initiating action u/s 448 and 449 of the Companies Act 2013 and E-Governance cell will refer such cases to the concerned Institute for conducting disciplinary proceedings against that member as well as debar the such professional from filing any document on the MCA portal in future.

- http://www.mca.gov.in/Ministry/pdf/General_Circular_10_2014.pdf

B. One time opportunity for extension of period of Reservation of Name for Incorporation of the Company.

- MCA vide its Circular No. 11/2014 dated May 12, 2014 stated that due to deployment of new E-forms as per Companies Act 2013, the Services for incorporation of companies were not available on the MCA21 portal to stakeholders from April 1, 2014 to April 28, 2014. Those stakeholders had reserved names for the purpose of Company incorporation **with 60 days** prescribed validity expired during the above mentioned period.

- Due to the non-availability of services they could not avail of the 60 days period for using the name to complete the corresponding incorporation requirements.

- Therefore MCA has granted reservation of all such names with due date of expiry between April 1, 2014 to April 28, 2014 is extended **up to May 31, 2014** and all applicants whose cases fall in the above mentioned category are advised to file relevant E-forms for incorporating companies under the Companies Act, 2013.

- http://www.mca.gov.in/Ministry/pdf/General_Circular_11_2014.pdf

C. Applicability of PAN requirement for Foreign Nationals.

- While filing the application for Incorporation in form INC-7, the Foreign Nationals faced the difficulties due to mandatory requirement of submission of PAN details of intending Directors.

- MCA vide its Circular No. 12/2014 dated May 22, 2014 stated that PAN details are mandatory only for those foreign nationals who are required to possess "**PAN**" in terms of provisions of the **Income Tax Act, 1961** on the date of application for incorporation.

- For other Foreign National who is not required to possess PAN as per **Income Tax Act, 1961,** passport number, along with undertaking stating that provisions of mandatory applicability of PAN is not applicable to the person concerned will be sufficient. The form of Declaration is required to be made in the proforma enclosed in the said circular.

- http://www.mca.gov.in/Ministry/pdf/General%20circular%20no12-2014.pdf

D. Extension of validity period for name reserved as on March 31, 2014.

- MCA vide its Circular No. 13/2014 dated May 23, 2014 stated that in continuation of general circular dated May 12, 2014, approval from competent authority is conveyed to extend the continuity of all reserved names as on 31st March, 2014 for another 15 days from date of issue of this circular.

- http://www.mca.gov.in/Ministry/pdf/General%20Circular%2013-2014.pdf

E. Delegation of power to Regional director by Central Government

- MCA vide its Notification S.O 1354(E) dated May 21, 2014 Central Government delegates the powers and functions of the Central Government in respect of **allotment of Director Identification Number** (DIN) under Sections 153 (Application for allotment of DIN) and Section 154 (Allotment of DIN) of the Companies Act 2013 to the Regional Director, Joint Director, Deputy Director or Assistant Director posted in the office of Regional Director at Noida.

- http://www.mca.gov.in/Ministry/pdf/delegation%20of%20powers%20u-s%20153%20and%20154%20of%20CA%202013%20to%20RD%20Noida.pdf

F. Delegation of power to Regional director by Central Government

- MCA vide its Notification S.O 1352(E) dated May 21, 2014 delegates to the **Regional Directors of Mumbai, Kolkata, Chennai, Noida, Ahmedabad, Hyderabad and Shillong**, the power and functions vested in the following sections of the Companies Act, subject to the condition that the Central Government may revoke such delegation of powers or may itself exercise the powers under the said sections, if in its opinion such a course of action is necessary in the public interest.

    - Section 8(4)(a) (for alteration of memorandum in case of conversion into another kind of company) --- Company with Charitable Objects
    - Section 8(6) --- Cancel the license issued to company with Charitable Objects
    - Section 13(4) ---Application for shifting of Regd Off from one State to Another State
    - Section 13(5)—Approval for shifting of Regd Off from one State to Another State
    - Section 16 – Rectification of Name of the Company
    - Section 87 – Rectification in Register of Charges
    - Section 111(3)--- With respect to Circulation of Members Resolution
    - Section 140(1)-----Removal of Auditors before expiry of their term
    - Section 399(1)(i) ----- Approval for inspection of documents

- http://www.mca.gov.in/Ministry/pdf/delegation_of%20powers%20under%20section%20458%20of%20CA%202013%20to%20RDs.pdf

G. Delegation of power to Regional director by Central Government

- MCA vide its Notification No. S.O 1353 (E) dated May 21, 2014 states that the Central Government **delegates to the Registrar of Companies,** the power and functions vested under the following sections of the Companies Act, 2013, subject to the condition that the Central Government may revoke such delegation of powers or may itself exercise the powers and functions under the said sections, if in its opinion, such a course of action is necessary in the public interest.

    - Section 4(2) -- Approval of Name availability for formation of company
    - Section 8(1) –Issue of License for company with Charitable Object
    - Section 8(4) (i) except for alteration of memorandum in case of conversion into another kind of company
    - Section 8(5); -Conversion of existing company in Company with Charitable Objects
    - Section 13(2)--- Change of name of the Company

- http://www.mca.gov.in/Ministry/pdf/delegation%20of%20powers%20under%20section%20458%20of%20CA%202013%20to%20ROCs.pdf

RBI UPATES

A. Foreign Direct Investment (FDI) in India – Reporting mechanism for transfer of equity shares/ fully and mandatorily convertible preference shares/ fully and mandatorily convertible debentures

- RBI vide its Circular No. 127 dated May 02, 2014 rationalised the existing procedure of filing form FC-TRS, in cases where the NR investor including an NRI acquires shares on the stock exchanges.

- It has now been decided by the RBI that **the investee company would have to file form FC-TRS with the AD Category-I bank** instead of earlier transferor/ transferee, whoever is resident in India.

- In order to facilitate operational convenience, it has been decided that the AD Category-I bank may approach Regional Office concerned of Reserve Bank of India, Foreign Exchange Department to regularize the delay in submission of form FC-TRS, beyond the prescribed period of 60 days and in all other cases, form FC-TRS shall continue to be scrutinised at AD bank level as per extant practice.

- The AD banks shall continue to comply with the consolidated reporting requirement as stipulated in terms of Para 6.4 of A. P. (DIR Series) Circular No. 16 dated October 4, 2004.

- http://rbidocs.rbi.org.in/rdocs/notification/PDFs/AP127C020514F.pdf

B. External Commercial Borrowings (ECB) Policy - Refinance / Repayment of Rupee loans raised from domestic banking system

- RBI vide its Circular No. 129 dated May 09, 2014 decided that eligible Indian companies **will not be permitted to raise ECB from overseas branches /subsidiaries of Indian banks** for the purpose of refinance / repayment of the Rupee loans raised from the domestic banking system in respect of the following:

    a. Scheme of take-out financing

    b. Repayment of existing Rupee loans for companies in infrastructure sector

    c. Spectrum allocation

    d. Repayment of Rupee loans

- http://rbidocs.rbi.org.in/rdocs/notification/PDFs/C129APD090514.pdf

C. External Commercial Borrowings (ECB) Policy: Re-schedulement of ECB - Simplification of procedure

- As a measure of simplification of the existing procedures where AD Category – banks are permitted to approve changes / modifications in the drawdown / repayment schedule of the ECBs already availed, both under the approval and the automatic routes, RBI vide its Circular No. 128 dated May 09, 2014, decided to delegate the power to the designated AD Category – I bank to allow re-schedulement of ECB due to changes in draw-down schedule and / or repayment schedule with the following conditions:

    i. Changes, if any, in all-in-cost (AIC) is only on account of the change in average maturity period (AMP) due to re-schedulement of ECB and post re-schedulement, the AIC and the AMP are in conformity with applicable guidelines. There should not be any increase in the rate of interest and no additional cost (in foreign currency / Indian Rupees) should be involved.

    ii. The re-schedulement is allowed only once, before the maturity of the ECB.

    iii. If the lender is an overseas branch of a domestic bank, the prudential norms applicable on account of re-schedulement should be complied with.

    iv. The changes on account of re-schedulement should be reported to DSIM through revised Form 83.

    v. The ECB should be in compliance with all applicable guidelines related to eligible borrower, recognised lender, AIC, AMP, end-uses, etc.

    vi. The borrower should not be in the default / caution list of RBI and should not be under the investigation of Directorate of Enforcement.

- The facility will be available for **ECBs raised both under the automatic and approval routes**. Provisions of this Circular do not apply to FCCBs.

D. External Commercial Borrowings (ECB) from Foreign Equity Holder - Simplification of Procedure

- As a measure of simplification of the existing procedure where ECBs from direct foreign equity holders (FEHs) are considered both under the automatic and the approval routes, as the case may be. ECBs from indirect equity holders and group companies and ECBs from direct FEH for general corporate purpose are, however, considered under the approval route. Further, any request for change of the ECB lender in case of FEH requires RBI's approval.

- RBI vide its Circular No. 130 dated May 16, 2014, decided to delegate **powers to AD banks to approve the following cases under the automatic route:**

  i. Proposals for raising ECB by companies belonging to manufacturing, infrastructure, hotels, hospitals and software sectors from indirect equity holders and group companies.

  ii. Proposals for raising ECB for companies in miscellaneous services from direct / indirect equity holders and group companies. Miscellaneous services mean companies engaged in training activities (but not educational institutes), research and development activities and companies supporting infrastructure sector. Companies doing trading business, companies providing logistics services, financial services and consultancy services are, however, not covered under the facility.

  iii. Proposals for raising ECB by companies belonging to manufacturing, infrastructure, hotels, hospitals and software sectors for general corporate purpose.ECB for general corporate purpose (which includes working capital financing) is, however, permitted only from direct equity holder.

  iv. Proposals involving change of lender when the ECB is from FEH – direct / indirect equity holders and group company.

- http://rbidocs.rbi.org.in/rdocs/notification/PDFs/AP130160514CF.pdf

E. Overseas Direct Investments – Limited Liability Partnership (LLP) as Indian Party

- RBI vide its Circular No. 131 dated May 19,2014, has decided to notify a **Limited Liability Partnership (LLP)**, registered under the Limited Liability Partnership Act, 2008 (6 of 2009), as **an "Indian Party"** under clause (k) of Regulation 2 of the Foreign Exchange Management (Transfer or Issue of any Foreign Security) Regulations, 2004.

- Accordingly, an LLP, may henceforth undertake financial commitment to / on behalf of a Joint Venture / Wholly Owned Subsidiary abroad in terms of the extant FEMA provisions under Regulation 6 (and regulation 7, if applicable) of the Notification ibid.

- The AD banks shall report the financial commitment/s undertaken by an LLP in Form ODI Part I and II and also other reporting (APR, disinvestments, etc.) as per the extant reporting requirements.

- http://rbidocs.rbi.org.in/rdocs/notification/PDFs/AP31N190514C.pdf

F. Export of Goods - Long Term Export Advances

- As per the extant provisions of sub-regulation (2) of Regulation 16 of the Foreign Exchange Management (Export of Goods and Services) Regulations, 2000, prior approval of RBI is required to be obtained by an exporter for receipt of advance where the export agreement provides for shipment of goods extending beyond the period of one year from the date of receipt of advance payment.

- Further, AD Category- I banks are permitted to allow exporters to receive advance payment for export of goods which would take more than one year to manufacture and ship and where the 'export agreement' provides for the same.

- RBI vide its Circular No. 132 dated May 21, 2014 has decided **to permit AD Category- I banks to allow exporters having a minimum of three years' satisfactory track record** to receive long term export advance up to a maximum tenor of 10 years to be utilized for execution of long term supply contracts for export of goods subject to the following conditions:

  a. Firm irrevocable supply orders should be in place. The contract with the overseas party /buyer should be vetted and clearly specify the nature, amount and delivery timelines of products over the years and penalty in case of non- performance or contract cancellation. Product pricing should be in consonance with prevailing international prices.

  b. Company should have capacity, systems and processes in place to ensure that the orders over the duration of the said tenure can actually be executed.

  c. The facility is to be provided only to those entities, who have not come under the adverse notice of Enforcement Directorate or any such regulatory agency or have not been caution listed.

  d. Such advances should be adjusted through future exports.

  e. The rate of interest payable, if any, should not exceed LIBOR plus 200 basis points.

  f. The documents should be routed through one Authorized Dealer bank only.

  g. Authorised Dealer bank should ensure compliance with AML / KYC guidelines and also undertake due diligence for the overseas buyer so as to ensure it has good standing / sound track record.

  h. Such export advances shall not be permitted to be used to liquidate Rupee loans, which are classified as NPA as per the Reserve Bank of India asset classification norms.

  i. Double financing for working capital for execution of export orders should be avoided.

  j. Receipt of such advance of USD 100 million or more should be immediately reported to the Trade Division, Foreign Exchange Department, Reserve Bank of India, Central Office, 5th Floor, Amar Building, Mumbai under copy to the concerned Regional Office of the Reserve Bank of India as per the format given in Annex – I of the said Circular.

- In case Authorized Dealer banks are required to issue bank guarantee (BG) / Stand by Letter of Credit (SBLC) for export performance, the following guidelines may also be adhered to:

  a. Issuance of BG / SBLC, being a non-funded exposure, should be rigorously evaluated as any other credit proposal keeping in view, among others, prudential requirements based on board approved policy. Such facility will be extended only for guaranteeing export performance.

  b. BG / SBLC may be issued for a term not exceeding two years at a time and further rollover of not more than two years at a time may be allowed subject to satisfaction with relative export performance as per the contract.

  c. BG / SBLC should cover only the advance on reducing balance basis.

  d. BG / SBLC issued from India in favour of overseas buyer should not be discounted by the overseas branch / subsidiary of bank in India.

- http://rbidocs.rbi.org.in/rdocs/notification/PDFs/132APDIR210514.pdf

G. Foreign Exchange Management (Transfer or issue of Security by a Person Resident outside India) (fifth Amendment) Regulations, 2014

- RBI vide its Notification No.FEMA.304/ 2014-RB dated May 22, 2014 made the following amendments to the Foreign Exchange Management (Transfer or issue of security by a person resident outside India) Regulations, 2000 (Notification No. FEMA.20/2000-RB dated May 3, 2000), namely:

- **Amendment to Schedule 5**

  In the Foreign Exchange Management (Transfer or issue of security by a person resident outside India) Regulations, 2000 (Notification No.FEMA.20/2000-RB dated May 3, 2000), in Schedule 5,

  a) In paragraph 1, after the existing clause (k) and before the existing proviso, the following shall be inserted, namely:

     “(l) listed non-convertible/redeemable preference shares or debentures issued in terms of Regulation 7 (2) of these Regulations."

  b) in paragraph 1A, in clause (v), after sub-clause (h), the following shall be inserted, namely:

     “(i) listed non-convertible/redeemable preference shares or debentures issued in terms of Regulation 7 (2) of these Regulations."

  c) in paragraph 1B, in clause (iii), after sub-clause (j), the following shall be inserted, namely:

     “(k) listed non-convertible/redeemable preference shares or debentures issued in terms of Regulation 7 (2) of these Regulations."

  d) in paragraph 1C, in clause (1), after sub-clause (k), the following shall be inserted, namely:-
     “(l) listed non-convertible/redeemable preference shares or debentures issued in terms of Regulation 7 (2)of these Regulations."

e) in paragraph 2,

(a) in clause (1A), after sub-clause (iv), the following shall be added, namely:

"(v) listed non-convertible/redeemable preference shares or debentures issued in terms of Regulation 7 (2) of these Regulations."

(b) in clause (2) the following shall be added, namely:-

"A Non-resident Indian may, without limit, purchase on non-repatriation basis, listed non-convertible/redeemable preference shares or debentures issued in terms of Regulation 7 (2) of these Regulations."

- http://rbidocs.rbi.org.in/rdocs/notification/PDFs/FM304060614FS.pdf

H. Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) (Sixth Amendment) Regulations, 2014

- RBI vide its Notification No. FEMA.305/2014 – RB dated May 22, 2014 made the following amendments to the Foreign Exchange Management (Transfer or issue of security by a person resident outside India) Regulations, 2000 (Notification No. FEMA. 20 / 2000-RB dated 3rd May 2000, amended from time to time), namely:-

- **Amendment to Regulation 12**

In Regulation 12, after sub-regulation (iv), the following shall be inserted, namely:

"(v) Any person being a non-resident investor of a company registered in India and listed on a recognised stock exchange/s in India (resident investee company), may pledge the shares of that company, in favour of a Non-Banking Financial Company in India, to secure the credit facilities being extended to that resident investee company for bonafide business purposes, subject to the AD bank satisfying itself of the compliance of the conditions stipulated by the Reserve Bank, from time to time, in this regard."

- http://rbidocs.rbi.org.in/rdocs/notification/PDFs/FA305060614FE.pdf

I. Requirement for obtaining prior approval of RBI in cases of acquisition/ transfer of control of NBFCs

- RBI vide its Circular No. DNBS (PD) CC.No.376/03.10.001/2013-14 dated May 26, 2014 decided that the prior written permission of the Reserve Bank of India shall be required for –

i. any takeover or acquisition of control of an NBFC, whether by acquisition of shares or otherwise;

ii. any merger/amalgamation of an NBFC with another entity or any merger/amalgamation of an entity with an NBFC that would give the acquirer / another entity control of the NBFC;

iii. any merger/amalgamation of an NBFC with another entity or any merger/amalgamation of an entity with an NBFC which would result in acquisition/transfer of shareholding in excess of 10% of the paid up capital of the NBFC.

iv. Prior written approval of the Reserve Bank would also be required before approaching the Court or Tribunal under Section 391-394 of the Companies Act, 1956 or Section 230-233 of Companies Act, 2013 seeking order for mergers or amalgamations with other companies or NBFCs.

- Applications in this regard may be submitted to the Regional Office of the Department of Non-Banking Supervision in whose jurisdiction the Registered Office of the Company is located.

- http://rbidocs.rbi.org.in/rdocs/notification/PDFs/CM376260514F.pdf

K. Risk Management and Inter Bank Dealings

- On a review of the evolving market conditions and with a view to providing importers with greater flexibility in hedging facility, it has been decided by the RBI vide its Circular No. 135 dated May 27, 2014 **to allow importers to book forward contracts, under the past performance route, up to 50 per cent of the eligible limit**.

- Importers, who have already booked contracts up to previous limit of 25 per cent in the current financial year, shall be eligible for difference arising out of the enhanced limits. All other operational guidelines, terms and conditions shall apply mutatis mutandis.

- http://rbidocs.rbi.org.in/rdocs/notification/PDFs/AP135260514F.pdf

SEBI UPATES

A. SECURITIES AND EXCHANGE BOARD OF INDIA (MUTUAL FUNDS) (AMENDMENT) REGULATIONS, 2014

- SEBI vide its Notification dated May 06,2014 made the following regulations to further amend the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, namely:

- These Regulations shall be called the Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2014.

- They shall come into force on the date of their publication in the Official Gazette.

- Following are some of the amendments made to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996:

    - As per Regulation 21(1)(f) of the said regulation, the eligibility criteria for appointment of an Asset Management Company is net worth of Rs. 10 Crores, “net worth” means the aggregate of the paid up capital and free reserves of the asset management company after deducting there from miscellaneous expenditure to the extent not written off or adjusted or deferred revenue expenditure, intangible assets and accumulated losses. **SEBI has now increased the criteria of the net worth of an AMC from Rs. 10 Crore to Rs. 50 Crores**.

    - An asset management company already granted approval under the provisions of Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 shall within a period of 3 years from the date of notification of these regulations increase its net worth to Rs. 50 Crores.

    - No new schemes shall be allowed to be launched or managed by such asset management company till the net worth has been raised to Rs. 50 Crores.

    - The existing Second proviso, i.e. that the period specified above may be extended in appropriate cases by the Board up to three years for reasons to be recorded in writing has now been appointed.

    - After the existing third proviso, the following proviso shall be inserted, namely :

      "Provided further that an asset management company of a mutual fund eligible to launch only infrastructure debt fund schemes, shall have a net worth of not less than Rs. 10 Crores."

- In regulation 28, after sub-regulation (3), the following sub-regulation shall be inserted, namely-

"(4) The sponsor or asset management company shall invest not less than one percent of the amount which would be raised in the new fund offer or Rs. 50 Lacs, whichever is less, in the growth option of the scheme and such investment shall not be redeemed unless the scheme is wound up:

Provided that this sub-regulation shall not apply to close ended schemes.

(5) The sponsor or asset management company of schemes existing as on date of notification of the SEBI (Mutual Funds)(Amendment) Regulations, 2014 shall invest not less than one percent of the assets under management of the scheme as on date of notification of these regulations or Rs. 50 Lacs, whichever is less, in the growth option of the scheme and such investment shall not be redeemed unless the scheme is wound up:

Provided that the amount calculated as per this sub-regulation shall be invested within one year from the date of notification of these regulations:

Provided further this sub-regulation shall not apply to close ended schemes."

➢ http://www.sebi.gov.in/cms/sebi_data/attachdocs/1399529863919.pdf

B. Risk management framework for Foreign Portfolio Investors (FPI) under the SEBI (Foreign Portfolio Investors) Regulations, 2014

➢ SEBI vide its Circular No. CIR/MRD/DP/15/2014 dated May 15, 2014 issued the Risk management framework for Foreign Portfolio Investors (FPI) under the SEBI (Foreign Portfolio Investors) Regulations, 2014.

➢ To effect a smooth transition to the FPI regime, stock exchanges and clearing corporations, SEBI directed stock exchanges and clearing corporations to take the following measures with regard to trading and risk management of FPI trades:

- Margining of trades undertaken by FPIs in the Cash Market:
  i. The trades of FPIs in Category I, II & III shall be margined on a T+1 basis.

  ii. However, the trades of FPIs who are Corporate bodies, Individuals or Family offices shall be margined on an upfront basis as per the extant margining framework for the non-institutional trades.

- Position limit of an FPI in the Equity Derivatives Segment and for Interest Rate Futures:

  Category I & II FPIs shall have position limits as presently available to FIIs. Category III FPIs shall have position limits as applicable to the clients.

- Facility for allocation of trades:

  In modification to the SEBI circular MRD/DoP/SE/Cir-35/2004 dated October 26, 2004, the following framework shall be implemented to facilitate allocation of trades of a FPI to other FPIs:

i. Entities who trade on behalf of FPIs shall inform the stock brokers of the details of FPIs on whose behalf the trades would be undertaken.

ii. The stock broker, in turn, shall inform the stock exchanges the details of such related FPIs.

iii. Stock exchanges shall put-in place suitable mechanism to ensure that allocation of trade by a FPI is permitted only within such related FPIs.

- Custodians / DDPs shall provide necessary details related to FPIs, including categorisation of FPIs, to the stock exchanges for the purpose of implementing the aforementioned provisions.

- Stock Exchanges and Clearing Corporations may specify additional requirements as they may deem fit with regard to transition from FII to FPI regime.

- Stock Exchanges and Clearing Corporations are directed to:

  - Take necessary steps to put in place systems for implementation of the circular, including necessary amendments to the relevant bye-laws, rules and regulations.

  - Bring the provisions of this circular to the notice of the stock brokers / clearing members and also disseminate the same on its website;

  - Communicate to SEBI the status of implementation of the provisions of this circular.

- http://www.sebi.gov.in/cms/sebi_data/attachdocs/1400154572524.pdf

C. Establishment of Connectivity with both depositories NSDL and CDSL – Companies eligible for shifting from Trade for Trade Settlement (TFTS) to Normal Rolling Settlement

- SEBI vide circular no. CIR/MRD/DP/16/2014 dated May 16, 2014 observed that certain companies listed therein established connectivity with both the depositories and was of the opinion that stock exchanges may consider shifting the trading in those securities to normal Rolling Settlement.

- The stock exchanges may consider shifting the trading in these securities to normal Rolling Settlement subject to the following:

  a. At least 50% of other than promoter holdings as per clause 35 of Listing Agreement are in dematerialized mode before shifting the trading in the securities of the company from TFTS to normal Rolling Settlement. For this purpose, the listed companies shall obtain a certificate from its Registrar and Transfer Agent (RTA) and submit the same to the stock exchange/s. However, if an issuer-company does not have a separate RTA, it may obtain a certificate in this regard from a practicing company Secretary/Chartered Accountant and submit the same to the stock exchange/s.

  b. There are no other grounds/reasons for continuation of the trading in TFTS.

- http://www.sebi.gov.in/cms/sebi_data/attachdocs/1400232136059.pdf

D. Circular on Mutual Funds

- **Cash investments in Mutual Funds**

  - SEBI, had earlier permitted cash transaction in mutual funds to the extent of `20,000/- per investor, per mutual fund, per financial year vide its Circular No. CIR/IMD/DF/21/2012 dated September 13, 2012.

  - In partial modification to Para I (1) of the aforesaid circular, it has been decided by SEBI vide its Circular No. CIR/IMD/DF/10/2014 dated May 22, 2014 to **increase the limit of cash transactions in mutual funds from the existing limit of`20,000/- per investor, per mutual fund, per financial year to `50,000/- per investor, per mutual fund, per financial year**, subject to compliance with Prevention of Money Laundering Act,2002 and Rules framed there under, the SEBI Circular(s) on Anti Money Laundering (AML) and other applicable AML rules, regulations and guidelines and sufficient systems and procedures in place.

- **Investment/Trading in Securities by Employees of Asset Management Companies and Trustees of Mutual Funds**

  Liquid schemes have emerged as a distinct category of Mutual Fund scheme having features similar to that offered by Money Market Mutual Fund (MMMF) schemes, thus, it has been decided by the SEBI that

  i. Liquid schemes shall be added in list of securities of Investment/Trading in Securities by Employees of Asset Management Companies (AMCs) and Trustees of Mutual Funds.

  ii. In point 3 of the aforementioned guidelines, along-with Money Market Mutual Fund (MMMF) schemes, transaction in Liquid schemes shall be exempted from being reported by employees to compliance officer within 7 calendar days from the date of transaction.

  iii. In Point 3.2 of the aforesaid guidelines, which mentions various situations wherein employees of AMC & Trustees of Mutual Funds shall not purchase or sell units of any schemes, term 'liquid scheme' shall be included along-side MMMF schemes.

- http://www.sebi.gov.in/cms/sebi_data/attachdocs/1400751529272.pdf

E. SECURITIES CONTRACTS (REGULATION) RULES, 1957

- SEBI vide its Notification dated 23rd May 2014 notified the Securities and Exchange Board of India (Payment of Fees) (Amendment) Regulations, 2014. Following are the highlights of the said notification:

- **Amendment to the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012:**

  - In the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012, in the Second Schedule, Part A shall be substituted with the following, namely,-

PART A - Amount To Be Paid As Fees

Application fee	Rs. 1,00,000
Registration fee for Category I Alternative Investment Funds other than Angel Funds	Rs. 5,00,000
Registration fee for Category II Alternative Investment Funds	Rs. 10,00,000
Registration fee for Category III Alternative Investment Funds	Rs. 15,00,000
Scheme Fee for Alternative Investment Funds other than Angel Funds	Rs. 1,00,000
Re-registration Fee	Rs. 1,00,000
Registration fees for Angel Funds	Rs. 2,00,000

- **Amendment to the Securities and Exchange Board of India (Bankers to an Issue) Regulations, 1994.**

  - In the Securities and Exchange Board of India (Bankers to an Issue) Regulations, 1994, in Schedule II –
  - Every banker to an issue shall pay a sum of Rs. 25 Lacs as registration fees at the time of the grant of certificate by the Board.
  - Every banker to an issue to keep registration in force shall pay renewal fee of Rs. 9 Lacs every three years from the fourth year from the date of initial registration.
  - The non-refundable fee payable along with an application for registration under sub-regulation (1A) of regulation 3 or an application for renewal of registration under sub-regulation (1A) of regulation 8 shall be a sum of fifty thousand rupees.

- **Amendment to the Securities and Exchange Board of India (Credit Rating Agencies) Regulations, 1999**

  - In the Securities and Exchange Board of India (Credit Rating Agencies) Regulations, 1999, in the Second Schedule, in Part A – the Renewal fees has been revised from Rs.10,00,000 to Rs.15,00,000.

- http://www.sebi.gov.in/cms/sebi_data/attachdocs/1400841851911.pdf

ARTICLE OF THE MONTH

DISCLOSURE OF INTEREST BY DIRECTOR

- As per the provisions of Section 184 and Section 189(2) of the Companies Act, 2013, every **Director and the Key Managerial Personnel (KMP) of the Company** shall :

  - at the first meeting of the Board in which he participates as a director and
  - thereafter at the first meeting of the Board in every financial year or
  - whenever there is any change in the disclosures already made, then at the first Board meeting held after such change,

  disclose his concern or interest in any company or companies or bodies corporate (where he is Director, Promoter, Manager, Chief Executive Officer or holding shares more than 2% of total share capital), partner in the firms or member of other association of individuals which shall include the shareholding, **Form MBP 1**.

- The Company has to pass a Board resolution taking Form MBP 1 on record and file **such resolution in Form MGT 14 with RoC in 30 days** from the date of Board Meeting

- A Director on his appointment, should furnish to the Company Form MBP1, even if he participates or not in such meeting where he is appointed. This should be done in order to comply with the requirements of filing of Form DIR 12 with the Registrar of Companies in 30 days on his appointment, this is required practically, as in DIR 12 form the details of his concern or interest in other entities are to be disclosed.

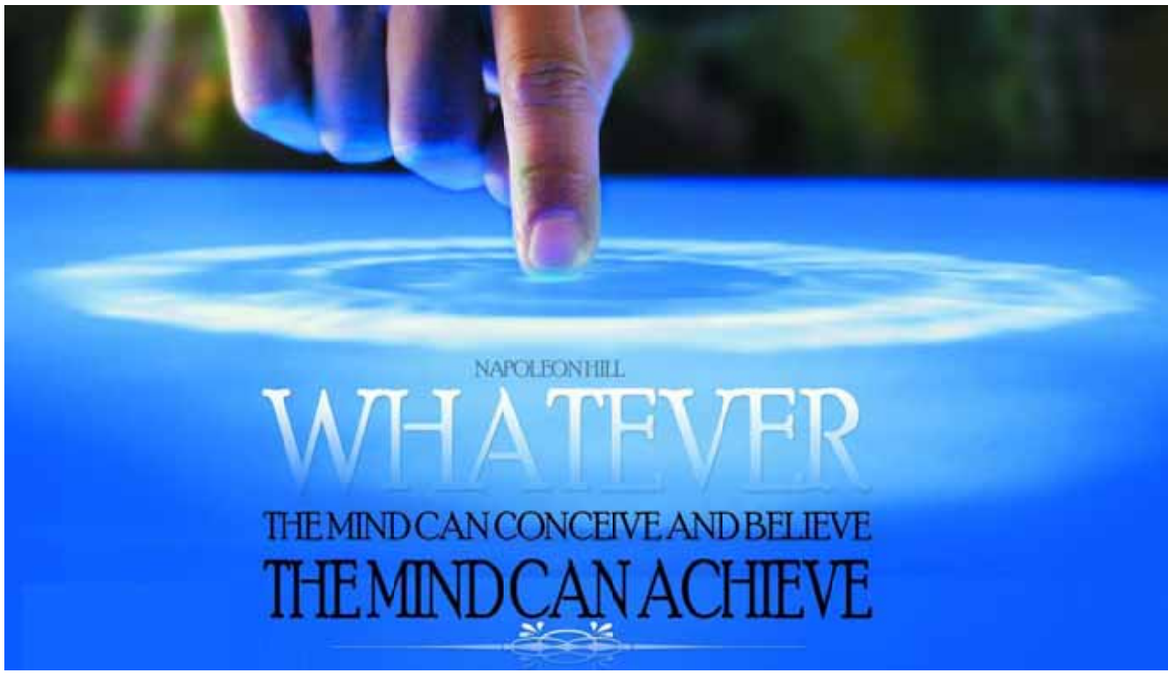
- The Director and the KMP who is in any way whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into by the Company , where he is interested or concerned , shall disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed and shall not participate in such meeting.

- Any Director or KMP who is not so concerned or interested at the time of entering into such contract or arrangement, he shall, if he becomes concerned or interested after the contract or arrangement is entered into, disclose his concern or interest forthwith when he becomes concerned or interested or at the first meeting of the Board held after he becomes so concerned or interested.

- A contract or arrangement entered into by the company without disclosure or with participation by a director who is concerned or interested in any way, directly or indirectly, in the contract or arrangement, shall be voidable at the option of the company.

- If a Director of the company fails to give such disclosures, such director shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than INR 50,000/- (Fifty Thousand Rupees) but which may extend to INR 1 Lac (One Lac Rupees), or with both.

INSPIRATIONAL QUOTES



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