

**SEBI UPDATES**

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

On **October 01, 2021** SEBI vide Circular No. **SEBI/HO/CFD/DIL2/CIR/P/2021/633** has granted further relaxations pertaining to **Rights Issue opening upto March 31, 2022** provided the issuer along with the Lead Manager(s) shall continue to comply with point (v) of the SEBI Circular No. SEBI/HO/CFD/DIL2/CIR/P/2020/78 dated May 06, 2020 which is as follows:

**That the issuer along with Lead Manager(s) shall ensure the following as per clause (v) of SEBI circular dt May 06, 2020:**

- (a) The mechanism(s) of relaxation given by SEBI vide Circular dt May 06, 2020 shall only be an additional option and not a replacement of the existing process. As far as possible, attempts will be made to adhere to the existing prescribed framework.
- (b) The mechanism(s) shall be transparent, robust and have adequate checks and balances. It should aim at facilitating subscription in an efficient manner without imposing any additional costs on investors. The issuer along with lead manager(s), and registrar shall satisfy themselves about the transparency, fairness and integrity of such mechanism.
- (c) An FAQ, online dedicated investor helpdesk, and helpline shall be created by the issuer company along with lead manager(s) to guide investors in gaining familiarity with the application process and resolve difficulties faced by investors on priority basis.
- (d) The issuer along with lead manager(s), registrar, and other recognized intermediaries (as incorporated in the mechanism) shall be responsible for all investor complaints.

Apart from the above, issuer along with Lead Manager(s), Registrar, and other recognized intermediaries shall also ensure the following:

- (a) An application for a rights issue shall be made only through **ASBA facility**. In view of the difficulties faced due to COVID-19 pandemic and the lockdown measures, and in order to ensure that all eligible shareholders are able to apply to rights issue during such times, **institute an optional mechanism (non- cash mode only) to accept the applications** of the shareholders subject to ensuring that no third party payments shall be allowed in respect of any application.
- (b) Refund for un-allotted / partial allotted application shall be completed on or before T+1 day (T: Basis of allotment day).
- (c) Registrar to the issue shall ensure that all data with respect to refund instructions is error free to avoid any technical rejections. Further, in case of any technical rejection of refund instruction, same shall be addressed promptly.

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- (d) Issuer Company shall conduct a Vulnerability Test for optional mechanism (non-cash mode only) provided to accept the applications in Rights Issue (facility provided by RTA), from an independent IT Auditor, and submit the report to Stock Exchange(s).

The link for the Circular is as below:

[https://www.sebi.gov.in/legal/circulars/oct-2021/relaxations-relating-to-procedural-matters-issues-and-listing\\_53083.html](https://www.sebi.gov.in/legal/circulars/oct-2021/relaxations-relating-to-procedural-matters-issues-and-listing_53083.html)

### **2. Circular on Mutual funds**

On **October 4, 2021** SEBI vide **Circular No. SEBI/HO/IMD/IMD-I DOF5/P/CIR/2021/634** has issued a circular on Mutual Funds which shall come in effect from **April 01, 2022**.

#### **A. Discontinuation of usage of pool accounts by entities including online platforms other than stock exchanges for transactions in the units of Mutual Funds**

With respect to transactions in the units of Mutual Funds undertaken through service providers/platforms other than stock exchanges:

1. AMCs shall ensure that the transactions (financial/ non-financial) can be executed only if there is a service agreement between the AMC and the service provider / platform.
2. AMCs shall ensure that intermediate pooling of funds and/or units in any manner by MFDs, IAs, MFU, channel partners or any other service providers/ platforms, by whatsoever name called, are discontinued for MF transactions. However, this requirement shall not apply to the SEBI registered Portfolio Managers subject to compliance with SEBI (Portfolio Managers) Regulations, 2020 and circulars issued thereunder.
3. AMCs shall put necessary systems in place to ensure the following:
  - i. For subscription, funds should be credited directly from the investors' account into the MF scheme account without any intermediate pooling. For ease of transactions, funds can be routed through payment aggregators authorized by RBI or SEBI recognized clearing corporations, as the case may be.
  - ii. For redemption, funds should be directly credited to the investor's registered bank account from the MF scheme account without any intermediate pooling.
  - iii. For subscription, units should be directly credited into the investor's account by the mutual fund for both demat and non-demat modes without any intermediate pooling.
  - iv. For redemption, units should be directly transferred from investor's account to the mutual fund without any intermediate pooling, in both demat and non-demat modes.
  - v. MFDs / IAs, MFU, channel partners and other entities (including online platforms) facilitating MF transactions shall not accept payment through one-time mandate or issuance of mandates/ instruments in their name for mutual fund transactions.
  - vi. Cheque payments from investor shall be made in favor of the respective MF Schemes only.
  - vii. For better investor experience and faster transfer of funds, AMCs shall provide different methods of payment through RBI recognized modes of payment.

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### **B. Other measures to prevent third-party payments and to safeguard the interest of unitholders**

1. For mitigation of the risk of third party payments:
  - I. The onus of compliance with PMLA provisions and not permitting usage of third party bank account payments continues to lie with the AMCs.
  - II. In order to ensure that the folio and source bank account belong to the same person, AMCs shall make sure that payment for MF transactions are accepted through only such modes where independent traceability of end investor can be ensured and source account details are available as audit trail without relying on any other intermediary's records. However, the investment in MF by way of cash/ through e-wallets (Prepaid Payment Instruments) shall be in compliance with SEBI Circulars dated September 13, 2012 and May 22, 2014 (for cash) and May 8, 2017 (for e-wallets), respectively.
  - III. AMCs shall ensure that payment is credited directly to the registered and verified bank account of the investor mapped with the concerned folio, after due verification. The process carried out by AMCs to verify bank account details i.e. investor name, bank account number, bank name, etc. shall be available as audit trail.
  - IV. In case of redemption of units, Two-Factor Authentication (for online transactions) and signature method (for offline transactions) shall be used to authenticate transactions. One of the Factors for such Two-Factor Authentication (for online transactions) shall be a One-Time Password sent to the unit holder at his/her email/ phone number registered with the AMC.
2. AMC would be liable to compensate for losses, if any, occurred to a unit holder, where unauthorized transaction(s) occur(s) in unit holder's folio due to fraud/ negligence/ deficiency on the part of the AMC, employee of AMC or persons/ entities whose services have been availed by the AMC including the platform providers, MFDs, RTAs, MFU, and channel partners, irrespective of whether or not the fraud is reported by the unit holder. For this purpose, it is clarified that any unauthorized transaction(s) performed by the Investment Advisors while providing services to the unit holder(s) would not be considered as a liability of the AMC.
3. AMFI shall, in consultation with SEBI, issue guidelines with respect to verification of key details of investors like Bank account details, email id, mobile number and address etc.

The link for the Circular is as below:

[https://www.sebi.gov.in/legal/circulars/oct-2021/circular-on-mutual-funds\\_53103.html](https://www.sebi.gov.in/legal/circulars/oct-2021/circular-on-mutual-funds_53103.html)

### **3. Disclosure of Complaints against the Stock Exchange (s) and the Clearing Corporation (s)**

On **October 04, 2021** SEBI vide **Circular No. SEBI/HO/CDMRD/DoC/P/CIR/2021/636** issued a circular on Disclosure of Complaints against the Stock Exchange (s) and the Clearing Corporation (s) which shall come into effect from **January 01, 2022**.

All the Stock Exchanges and the Clearing Corporations shall disclose on their websites, the data on complaints received against them and redressal thereof, latest by 7<sup>th</sup> of succeeding month, as per the format prescribed. These disclosure requirements are in addition to those already mandated by SEBI.

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The link for the Circular is as below:

[https://www.sebi.gov.in/legal/circulars/oct-2021/disclosure-of-complaints-against-the-stock-exchanges-and-the-clearing-corporations\\_53112.html](https://www.sebi.gov.in/legal/circulars/oct-2021/disclosure-of-complaints-against-the-stock-exchanges-and-the-clearing-corporations_53112.html)

#### **4. Revised Formats for filing Financial information**

On **October 05, 2021** SEBI vide **Circular No. SEBI/HO/DDHS/CIR/2021/000000637** has revised Formats for filing Financial information for listed entities (whose non-convertible securities are listed) to disclose financial results on a quarterly basis, including assets & liabilities and cash flows as well as requiring certain changes in the line items in the financial results. Accordingly, the circular provides the revised formats for reporting of financial information and limited review report.

Banking Companies and Insurance Companies shall disclose financial information as per the formats prescribed under the respective Acts/ Regulations as specified by their Regulators.

The format of financial results to be published in newspapers, in terms of Regulation 52 (8) of the Listing Regulations, is prescribed in **Annex - I**.

#### **Reasons for delay in disclosure of financial results to be submitted to Stock Exchanges and placed on listed entity's website:**

- a. The listed entity shall disclose detailed reasons for non-submission/ delay to the stock exchanges within one working day of the due date of submission of the financial results in case of non-submission/ delayed submission of financial results within the timelines prescribed under regulation 52 of the Listing Regulations.
- b. The listed entity shall disclose detailed reasons for delay to the stock exchanges within one working day of such decision in case the decision to delay the results was taken by the listed entity prior to the due date.

The link for the Circular is as below:

[https://www.sebi.gov.in/legal/circulars/oct-2021/revised-formats-for-filing-financial-information-for-issuers-of-non-convertible-securities\\_53136.html](https://www.sebi.gov.in/legal/circulars/oct-2021/revised-formats-for-filing-financial-information-for-issuers-of-non-convertible-securities_53136.html)

#### **5. Amendments to manner and mechanism of providing exit option to dissenting unit holders pursuant to Regulation 22(6A) and Regulation 22(8) of SEBI (Real Estate Investment Trusts) Regulations, 2014 ("SEBI (REIT) Regulations")**

On **October 05, 2021** SEBI vide **Circular No. SEBI/HO/DDHS/DDHS Div3/P/CIR/2021/640** provides for modification in the circular SEBI/HO/DDHS/DDHS/CIR/P/2020/123 dated July 17, 2020 as under:

#### **a. Clause 1.6 of Annexure – I of the circular is modified to read as under:**

*1.6 "Relevant date" means the last day of voting for resolution under Regulation 22(6A) or Regulation 22(8) of the SEBI (REIT) Regulations.*

*Provided that in case an acquisition described under Regulation 22(6A) or change in sponsor or inducted sponsor or change in control of sponsor or inducted sponsor under regulation 22(8) of SEBI (REIT) Regulations is triggered pursuant to an open offer under the provisions of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011, the relevant date shall mean the date of public*

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announcement made for the acquisition in terms of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011.

**b. Clause 2.5A is added after Clause 2.5 of Annexure-I of the circular to read as under:**

*In case an acquisition described under Regulation 22(6A) or change in sponsor or change in control of sponsor or inducted sponsor under Regulation 22(8) of SEBI (REIT) Regulations is triggered pursuant to an open offer under the provisions of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011, the summary of activities pertaining to exit option/offer is indicated with the prescribed timelines.*

**c. Clause 3.4 is added after Clause 3.3 of Annexure-I of the circular to read as under:**

*In case an acquisition described under Regulation 22(6A) or change in sponsor or inducted sponsor or change in control of sponsor or inducted sponsor under regulation 22(8) of SEBI (REIT) Regulations is triggered pursuant to an open offer under the provisions of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011, the exit option price shall stand enhanced by an amount equal to a sum determined at the rate of ten per cent per annum for the period between the first notice date and second notice date.*

The link for the Circular is as below:

<https://www.sebi.gov.in/legal/circulars/oct-2021/amendments-to-manner-and-mechanism-of-providing-exit-option-to-dissenting-unit-holders-pursuant-to-regulation-22-6a-and-regulation-22-8-of-sebi-real-estate-investment-trusts-regulations-2014-se-53137.html>

**6. Amendments to manner and mechanism of providing exit option to dissenting unit holders pursuant to Regulation 22(5C) and Regulation 22(7) of SEBI (Infrastructure Investment Trusts) Regulations, 2014 (“SEBI (InvIT) Regulations”)**

On **October 05, 2021** SEBI vide **Circular No. SEBI/HO/DDHS/DDHS Div3/P/CIR/2021/639** provides for modification in the circular SEBI/HO/DDHS/DDHS/CIR/P/2020/122 dated July 17, 2020 as under:

**a. Clause 1.6 of Annexure – I of the circular is modified to read as under:**

*1.6 “Relevant date” means the last day of voting for resolution under Regulation 22(5C) or Regulation 22(7) of the SEBI (InvIT) Regulations.*

*Provided that in case an acquisition described under Regulation 22(5C) or change in sponsor or inducted sponsor or change in control of sponsor or inducted sponsor under regulation 22(7) of SEBI (InvIT) Regulations is triggered pursuant to an open offer under the provisions of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011, the relevant date shall mean the date of public announcement made for the acquisition in terms of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011.*

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### **b. Clause 2.5A is added after Clause 2.5 of Annexure-I of the circular to read as under:**

*In case an acquisition described under Regulation 22(5C) or change in sponsor or change in control of sponsor or inducted sponsor under Regulation 22(7) of SEBI (InvIT) Regulations is triggered pursuant to an open offer under the provisions of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011, the summary of activities pertaining to exit option/offer is indicated with the prescribed timelines.*

### **c. Clause 3.4 is added after Clause 3.3 of Annexure-I of the circular to read as under**

*In case an acquisition described under Regulation 22(5C) or change in sponsor or inducted sponsor or change in control of sponsor or inducted sponsor under regulation 22(7) of SEBI (InvIT) Regulations is triggered pursuant to an open offer under the provisions of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011, the exit option price shall stand enhanced by an amount equal to a sum determined at the rate of ten per cent per annum for the period between the first notice date and second notice date.*

The link for the Circular is as below:

<https://www.sebi.gov.in/legal/circulars/oct-2021/amendments-to-manner-and-mechanism-of-providing-exit-option-to-dissenting-unit-holders-pursuant-to-regulation-22-5c-and-regulation-22-7-of-sebi-infrastructure-investment-trusts-regulations-2014-s-53139.html>

### **7. SEBI issues Directions to NCDEX regarding trading in Mustard Seed contracts**

On **October 08, 2021** SEBI vide **PR No. 29/2021** has issued the following directions to National Commodity & Derivatives Exchange Limited (NCDEX), in respect of trading in Mustard Seed contracts:

- i. No new Mustard Seed contract shall be launched till further orders.
- ii. In respect of running contracts, no new position will be allowed to be taken. Only squaring up of position will be allowed.
- iii. These directions will be implemented with immediate effect

The link for the Press Release is as below:

[https://www.sebi.gov.in/media/press-releases/oct-2021/sebi-issues-directions-to-ncdex-regarding-trading-in-mustard-seed-contracts\\_53182.html](https://www.sebi.gov.in/media/press-releases/oct-2021/sebi-issues-directions-to-ncdex-regarding-trading-in-mustard-seed-contracts_53182.html)

### **8. Revised Formats for Limited Review/ Audit Report for issuers of non-convertible securities**

On **October 14, 2021** SEBI vide **Circular No. SEBI/HO/DDHS/CIR/2021/0000000638** has revised Formats for Limited Review/ Audit Report for listed entities (whose non-convertible securities are listed).

SEBI vide notification dated September 07, 2021, amended Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015 ('Listing Regulations'), inter-alia, mandating entities that have listed non-convertible securities to disclose financial results on a quarterly basis, including assets & liabilities and cash flows as well as requiring certain changes in the

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line items in the financial results. Accordingly, this circular provides the revised formats for limited review report / audit report.

- a. The formats for limited review/ audit reports on financial information to be adopted by listed entities other than insurance companies have been given in the circular.

<b>Annexure</b>	<b>Format</b>
<b>Annex I</b>	Limited Review Report for quarterly standalone financial results for entities other than Banks, NBFCs
<b>Annex II</b>	Limited Review Report for quarterly standalone financial results for Banks and NBFCs.
<b>Annex III</b>	Audit Report for quarterly standalone financial results for entities other than Banks, NBFCs
<b>Annex IV</b>	Audit Report for quarterly standalone financial results for Banks and NBFCs
<b>Annex V</b>	Audited Annual consolidated Financial Results for entities other than Banks, NBFCs
<b>Annex VI</b>	Audited Annual consolidated Financial Results for Banks and NBFCs

*The format for audit report for annual audited standalone financial results shall be in line with the Annexure III or IV, as applicable.*

- b. Insurance companies shall disclose limited review/audit reports as per the formats specified by IRDAI.  
c. This circular shall come into immediate effect and supersedes the earlier circulars No. **CIR/IMD/DF1/19/2015** dated November 27, 2015 and No. **CIR/IMD/DF1/69/2016** dated August 10, 2016 issued to listed entities for disclosure of financial results that have listed non-convertible debt securities and non-convertible redeemable preference shares.

The link for the Circular is as below:

[https://www.sebi.gov.in/legal/circulars/oct-2021/revised-formats-for-limited-review-audit-report-for-issuers-of-non-convertible-securities\\_53279.html](https://www.sebi.gov.in/legal/circulars/oct-2021/revised-formats-for-limited-review-audit-report-for-issuers-of-non-convertible-securities_53279.html)

### **9. Streamlining issuance of SCORES Authentication for companies intending to list their securities on SEBI recognized stock exchanges**

On **October 14, 2021** SEBI vide **Circular No. SEBI/HO/OIAE/IGRD/CIR/P/2021/642** has introduced an online mechanism for obtaining SCORES credentials for redressing investor grievances.

1. There has been partial modification to the Circular dated August 02, 2019, in automating the generation of SCORES credentials for all new SEBI registered intermediaries (except brokers and depositories) and thereby dispensing with the requirement of sending Form-B to SEBI.
2. SEBI has now introduced an online mechanism for obtaining SCORES credentials for all “companies intending to list their securities on SEBI recognized stock exchanges”. The online form can be accessed on the SCORES website [www.scores.gov.in](http://www.scores.gov.in). This has been done as part of SEBI’s green initiative and to streamline the redressal of investor grievances against companies before listing.

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3. Companies to attach a declaration, with the online form, on the letter head of the company signed by the Compliance Officer, as under:
  - a. Companies intending to list on Main Board: A Declaration that the DRHP has been submitted with SEBI.
  - b. Companies intending to list on SME/Debt Platform of stock exchange: A Declaration that an application to list its securities has been submitted with the stock exchange/in-principal approval to list its securities has been obtained from the stock exchange.
4. The SCORES credentials shall be sent to the e-mail id of the Compliance Officer/Dealing Officer as provided in the online form.
5. In view of the same, companies are no longer required to submit physical copy of Form-A or e-mail the same to SEBI, as provided in Circular No. CIR/OIAE/1/2014 dated December 18, 2014.

The link for the Circular is as below:

[https://www.sebi.gov.in/legal/circulars/oct-2021/streamlining-of-issuance-of-scores-authentication\\_53291.html](https://www.sebi.gov.in/legal/circulars/oct-2021/streamlining-of-issuance-of-scores-authentication_53291.html)

### **10. Transmission of Securities to joint Holder(s)**

On **October 18, 2021** SEBI vide **Circular No. SEBI/HO/MIRSD/MIRSD RTAMB/P/CIR/2021/644** has issued a circular for Transmission of Securities to joint Holder(s) for all listed companies (through Stock Exchanges) and all registered Registrars to an Issue & Share Transfer Agents (RTAs).

It was decided that the norms pertaining to transmission of securities to joint holders(s) are provided in clause 23 of Table F in schedule 1 read with section 56(2) & 56(4)(c) of the Companies Act 2013. In some cases, it was observed that due to counterclaim / dispute from the legal representative of one of the deceased holder, the RTAs have not effected transmission to the surviving joint holder(s).

In the event of demise of one or more joint holder(s), provided that there is nothing contrary to the same in the Article of Association of the Company, RTAs are now advised to comply with the provisions of the Companies Act, 2013 and transmit securities in favour of surviving Joint holder(s).

The link for the Circular is as below:

<https://www.sebi.gov.in/legal/circulars/oct-2021/transmission-of-securities-to-joint-holder-s-53313.html>

### **11. Modalities for filing of placement memorandum through a Merchant Banker**

On **October 21, 2021** SEBI vide **Circular No SEBI/HO/IMD/IMD-I/DF6/P/CIR/2021/645** has issued Circular for Modalities for filing of placement memorandum through a Merchant Banker which shall come into force from **November 11, 2021**.

SEBI (Alternative Investment Funds) Regulations, 2012 ("AIF Regulations"), has been amended and notified on August 13, 2021 which state that AIFs shall launch scheme(s) subject to filing of placement memorandum with SEBI through a SEBI registered Merchant Banker. In this context it is now specified that:

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- (A) The Merchant Banker shall independently exercise due diligence of all the disclosures in the placement memorandum, satisfy itself with respect to veracity and adequacy of the disclosures and provide a due diligence certificate in the format prescribed.
- (B) While filing draft placement memorandum at the time of registration or prior to launch of new scheme on the SEBI intermediary portal, the due diligence certificate provided by the Merchant Banker shall also be submitted, along with other necessary documents
- (C) The details of the Merchant Banker shall be disclosed in the placement memorandum
- (D) AIFs are required to intimate SEBI regarding any changes in terms of placement memorandum on a consolidated basis, within one month of the end of each financial year. Such intimation shall also be submitted through a Merchant Banker, along with the due diligence certificate provided by the Merchant Banker in the format prescribed.
- (E) The Merchant Banker appointed for filing of placement memorandum shall not be an associate of the AIF, its sponsor, manager or trustee.

The link for the Circular is as below:

[https://www.sebi.gov.in/legal/circulars/oct-2021/modalities-for-filing-of-placement-memorandum-through-a-merchant-banker-under-sebi-alternative-investment-funds-regulations-2012\\_53379.html](https://www.sebi.gov.in/legal/circulars/oct-2021/modalities-for-filing-of-placement-memorandum-through-a-merchant-banker-under-sebi-alternative-investment-funds-regulations-2012_53379.html)

### **12. Dealing in unregulated products by SEBI registered investment advisers.**

On **October 21, 2021** SEBI issued **Press release No. 30/2021** for investment advisers who are dealing in unregulated products by SEBI.

SEBI says that some registered investment adviser are engaged in unregulated activity by providing platform for buying/selling/dealing in unregulated products including digital gold by Investment Advisors which is not in accordance with provision of Section 12(1) of the SEBI Act 1992 read with SEBI (Investment Advisers) Regulations, 2013. Investment Advisers are advised to refrain from undertaking such unregulated activities

Any dealing in unregulated activities by investment advisers may entail action as deemed appropriate under the SEBI Act, 1992 and regulation framed thereunder.

The link for the Press Release is as below:

[https://www.sebi.gov.in/media/press-releases/oct-2021/dealing-in-unregulated-products-by-sebi-registered-investment-advisers\\_53370.html](https://www.sebi.gov.in/media/press-releases/oct-2021/dealing-in-unregulated-products-by-sebi-registered-investment-advisers_53370.html)

### **13. Amendment to SEBI Circular Pertaining to Investor Protection Fund/ Investor Service Fund and related matters**

On **October 22, 2021** SEBI vide **Circular No. SEBI/HO/CDMRD/DoC/P/CIR/2021/651** issued amendment to SEBI Circular pertaining To Investor Protection Fund/ Investor Services Fund and its related matters which shall come into effect from **January 1, 2022**.

SEBI already issued guidelines on Investor Protection Fund (IPF), Investor Service Fund (ISF) and its related matters with circular bearing reference no. **CIR/CDMRD/DEICE/CIR/P/2017/53** dated June 13, 2017.

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Clause 2(g) of the circular dated June 13, 2017 shall be substituted with the following :

### **2(g). Determination of legitimate claims**

“The Stock Exchanges shall ensure that once a member has been declared defaulter, the claim (s) shall be placed before the Member Core Settlement Guarantee Fund Committee (MCSGFC, the erstwhile Defaulters’ Committee) for sanction and ratification. MCSGFC’s advice w.r.t. legitimate claims shall be sent to the IPF Trust for disbursement of the amount immediately.

In case the claim amount is more than the coverage limit under IPF or the amount sanctioned and ratified by the MCSGFC is less than the claim amount then the investor will be at liberty to prefer for arbitration outside the exchange mechanism / any other legal forum outside the exchange mechanism for claim of the balance amount.”

The stock exchange are advised to :

- a. Make necessary amendments to the relevant bye-laws, rules and regulations.
- b. Implementation of the provisions of this circular through the Monthly Development Report (MDR)

The link for the Circular is as below:

[https://www.sebi.gov.in/legal/circulars/oct-2021/amendment-to-sebi-circular-pertaining-to-investor-protection-fund-ipf-investor-service-fund-isf-and-its-related-matters\\_53448.html](https://www.sebi.gov.in/legal/circulars/oct-2021/amendment-to-sebi-circular-pertaining-to-investor-protection-fund-ipf-investor-service-fund-isf-and-its-related-matters_53448.html)

### **14. Amendments to SEBI Circulars Pertaining to Investor Grievance Redressal System and Arbitration Mechanism**

On **October 22, 2021** SEBI vide **Circular No. SEBI/HO/CDMRD/DoC/P/CIR/2021/649** issued a circular on Amendments Pertaining to investor Grievance Redressal system and Arbitration Mechanism which shall come into effect from **January 1, 2022**.

SEBI Previously issued Circular bearing reference Nos. **CIR/CDMRD/DEICE/CIR/P/2017/77** dated July 11, 2017 and **CIR/CDMRD/DCE/CIR/P/2018/48** dated March 14, 2018 on Investor Grievance Redressal System and Arbitration Mechanism, for the effectiveness they get the feedback from the stock exchange and they decided to add/modify certain provision of the aforesaid Circular.

There are following amendment in Circular **CIR/CDMRD/DEICE/CIR/P/2017/77 dated July 11, 2017**

#### **2. A (viii). Place of arbitration / appellate arbitration**

“In case, the award amount is more than Rs. 50 lakh (Rs. Fifty Lakh), the next level of proceedings (arbitration or appellate arbitration) may take place at the nearest metro city, if so desired by any of the parties involved. The additional statutory cost for arbitration, if any, shall be borne by the party desirous of shifting the place of arbitration.”

#### **2. A (xi) (iii). Threshold limit for interim relief paid out of IPF in Stock Exchanges**

“(iii) In case, the order is in favour of client and the member opts for arbitration wherein the claim value admissible to the client is not more than Rs. 20 lakh (Rs. Twenty Lakh), the following steps shall be undertaken by the Stock Exchange:

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- a) In case the GRC order is in favour of the client, then 50% of the admissible claim value or Rs. 2 lakh (Rs. Two Lakh), whichever is less, shall be released to the client from IPF of the Stock Exchange.
- b) In case the arbitration award is in favour of the client and the member opts for appellate arbitration, then a positive difference of, 50% of the amount mentioned in the arbitration award or Rs. 3 lakh (Rs. Three Lakh), whichever is less, and the amount already released to the client at clause (a) above, shall be released to the client from IPF of the Stock Exchange.
- c) In case the appellate arbitration award is in favour of the client and the member opts for making an application under Section 34 of the Arbitration and Conciliation Act, 1996 to set aside the appellate arbitration award, then a positive difference of, 75% of the amount mentioned in the appellate arbitration award or Rs. 5 lakh (Rs. Five Lakh), whichever is less, and the amount already released to the client at clause (a) and (b) above, shall be released to the client from IPF of the Stock Exchange.
- d) Total amount released to the client through the facility of interim relief from IPF in terms of this Circular shall not exceed Rs. 10 lakh (Ten Lakh) in a financial year.”

There are following amendment in Circular No. **CIR/CDMRD/DCE/CIR/P/2018/48** dated **March 14, 2018**:

### **Clause 2 (ii). Speeding up grievance redressal mechanism**

“The additional fees charged from the trading members, if the claim is filed beyond the prescribed timeline, if any, to be deposited in the IPF of the respective Stock Exchange.”

The link for the Circular is as below:

[https://www.sebi.gov.in/legal/circulars/oct-2021/amendment-to-sebi-circulars-pertaining-to-investor-grievance-redressal-system-and-arbitration-mechanism\\_53450.html](https://www.sebi.gov.in/legal/circulars/oct-2021/amendment-to-sebi-circulars-pertaining-to-investor-grievance-redressal-system-and-arbitration-mechanism_53450.html)

## **15. Guiding Principles for bringing uniformity in Benchmarks of Mutual Fund Schemes**

On **October 27, 2021** SEBI vide **Circular No. SEBI/HO/IMD/IMD-II DF3/P/CIR/2021/652** issued Guiding Principles for bringing uniformity in Benchmarks of Mutual Fund Schemes.

In order to standardize and bring uniformity in the Benchmarks of Mutual Fund Schemes and after taking into account the recommendations of Mutual Fund Advisory Committee (MFAC), it has been decided that there would be two-tiered structure for benchmarking of schemes for certain categories of schemes. The first tier benchmark shall be reflective of the category of the scheme, and the second tier benchmark should be demonstrative of the investment style / strategy of the Fund Manager within the category. All the benchmarks followed should necessarily be Total Return Indices.

The following are the guiding principles for first tier benchmarks:

### **1. For Income / Debt Oriented Schemes:**

First Tier: One Broad Market Index per Index Provider for each category  
Second Tier: Bespoke according to Investment Style/Strategy of the

### **2. For Growth / Equity Oriented Schemes:**

First Tier: One Broad Market Index per Index Provider for each category  
Second Tier: Bespoke according to Investment Style/Strategy of the Index

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### **3. For Hybrid and Solution Oriented Schemes:**

There would be a single benchmark, i.e., Broad Market Benchmark wherever available or bespoke to be created for schemes, which would then be applicable across industry.

### **4. For Thematic/ Sectoral schemes:**

There would be a single benchmark as characteristics of the schemes are already tapered according to the theme/sector.

### **5. For Index Funds and Exchange Traded Funds (ETFs):**

There would be a single benchmark as these schemes replicate an underlying index.

### **6. For Fund of Funds Schemes (FoFs):**

Similar to Index Fund and ETFs, if a FoF scheme is investing in a single fund, then benchmark of the underlying scheme shall be used for corresponding FoF.

However, in case a FoF scheme invests in multiple schemes, then Broad Market Index shall be applied.

### **7. For Other Schemes:**

Depending on underlying asset allocation, Broad Market benchmark may be arrived at AMFI is advised to publish:

- (a) Benchmarks intended to be used by AMCs as first tier benchmarks within a period of one month from the date of issuance of this circular and it shall come into force with effect from December 1, 2021.
- (b) Benchmarks intended to be used as first tier benchmark by AMCs for open ended debt schemes as per the Potential Risk Class Matrix on or before December 1, 2021 and it shall come into force with effect from January 01, 2022.

The second tier Benchmark is optional and shall be decided by the AMCs according to Investment Style/Strategy of the Index.

The link for the Circular is as below:

[https://www.sebi.gov.in/legal/circulars/oct-2021/guiding-principles-for-bringing-uniformity-in-benchmarks-of-mutual-fund-schemes\\_53539.html](https://www.sebi.gov.in/legal/circulars/oct-2021/guiding-principles-for-bringing-uniformity-in-benchmarks-of-mutual-fund-schemes_53539.html)

## **16. Investment/ trading in securities by employees and Board members of AMC(s) and Trustees of Mutual Funds**

On **October 28, 2021** SEBI vide **circular no. SEBI/HO/IMD/IMD-I DOF5/P/CIR/2021/654** has issued amendment in trading in security by employees and board members of AMC(s) and trustees of mutual funds. All the provisions of this circular shall be applicable with effect from **December 01, 2021** except for Paragraph II(C)(3)(f) of Annexure A regarding obtaining prior approval for personal investment transactions shall be applicable from **October 28, 2021**.

SEBI vide circular dated March 04, 2021, partially modified Annexure A of the circular dated November 17, 2016. SEBI has reviewed the circular and partially modified the provisions of the circular dated November 17, 2016 as under:

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1. Paragraph II(B)(2) of Annexure A of the circular dated November 17, 2016, regarding the objectives of the guidelines and definition of 'access person', it now states that :  
"To ensure that the employees of AMC(s), Board members of AMC(s) and Board members of Trustees, including Access Persons shall not take undue advantage of any sensitive information that they may have about any company or its securities or about the AMC's schemes or its units.
2. Paragraph II(C)(1)(b)(iii) of Annexure A regarding investments not covered under the guidelines, , now states that:  
"Investments in government securities, overnight schemes and schemes of other Mutual Funds."
3. Paragraph II(C)(3)(f) of Annexure A regarding obtaining prior approval for personal investment transactions, now states that:  
"All employees shall refrain from profiting from the purchase and sale or sale and purchase of any security within a period of 30 calendar days from the date of their personal transaction. However, in cases where it is done, the employee shall provide a suitable explanation to the Compliance Officer, which shall be reported to the Board of the AMC and the Trustees at the time of review."  
"This clause shall not be applicable in case of investments and redemptions made in Mutual Fund units as per the provisions of SEBI circulars dated April 28, 2021 and September 20, 2021 on 'Alignment of interest of Key Employees ('Designated Employees') of Asset Management companies with the Unit holders of the Mutual Fund Schemes."
4. In respect of investments through the secondary markets, the following shall be inserted after Paragraph II(D)(2)(b)(ii) of Annexure A of the circular dated November 17, 2016, with respect to relaxation from the provisions of "cooling off" period.  
"Provisions of the "cooling off" period may be relaxed for Access Persons, subject to the following:
  - a) Such relaxation shall be given by Compliance Officer for not more than 2 times in a financial year per Access Person.
  - b) Such relaxation shall be applicable only for sale of securities.
  - c) Such relaxation shall be applicable only for securities held by the Access Person for not less than a period of one year.
  - d) Access Person may apply anytime during the financial year for such relaxation to the Compliance Officer. Compliance Officer shall decide on the said application within 5 days of receipt of such application.
  - e) Access Person may sell the securities within 10 trading days from the date of clearance by the Compliance Officer.
  - f) Roll over of unexecuted portion, if any, shall not be allowed. However, a second request can be made within the financial year as stated at (a) above.
  - g) The Access Person shall ensure that from the time of making an application under clause (d) till the conclusion of the sale of the concerned securities, he/she is not in possession of / does not have access to any non-public information which could materially impact the price of the concerned securities. Compliance Officer shall not grant clearance for such transaction, where the Asset Management Company is in possession of / has access to any non-public information which could materially impact the price of the concerned securities.
  - h) The Compliance Officer shall maintain all other regulatory checks and obtain necessary undertakings from the Access Person."

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5. For Paragraph II(E)(1) of Annexure A now states that “Access persons as well as other employees do not require prior clearance of the Compliance Officer for purchase or sale of units of Mutual Fund schemes. However, details of each such transaction, excluding transactions in overnight schemes shall be reported by them to the Compliance Officer within 7 calendar days from the date of transaction.”
6. Paragraph II(E)(3) of Annexure regarding investments in units of Mutual Fund Schemes now states that:  
“Notwithstanding anything mentioned earlier, employees of AMC(s), Board members of AMC(s) and Board members of Trustees, including Access Persons shall not purchase or sell or repurchase or redeem units of any scheme, including overnight scheme of their Mutual Fund, where any information available to the Mutual Fund is not yet communicated to the unit holders and which could materially impact the NAV or interest of unit holders, including scenarios where there is a likelihood of:
- a) a change in the investment objectives of the concerned Mutual Fund Scheme(s);
  - b) a change in the accounting policy;
  - c) a material change in the valuation of any asset, or class of assets;
  - d) conversion of a close ended scheme to an open-ended scheme or an open-ended scheme to a close ended scheme;
  - e) restrictions on redemptions, winding up of scheme(s);
  - f) creation of segregated portfolio;
  - g) material change in the liquidity position of the concerned Mutual Fund Scheme(s);
  - h) default in the underlying securities which is material to the concerned Mutual Fund Scheme(s) etc.”

The Link for the circular is as below:

[https://www.sebi.gov.in/legal/circulars/oct-2021/investment-trading-in-securities-by-employees-and-board-members-of-amc-s-and-trustees-of-mutual-funds\\_53618.html](https://www.sebi.gov.in/legal/circulars/oct-2021/investment-trading-in-securities-by-employees-and-board-members-of-amc-s-and-trustees-of-mutual-funds_53618.html)

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