

SEBI UPDATES

1. Clarification with respect to timing of submission of NOC from the SCB/ FI/ Debenture Trustee

On **January 03, 2022**, SEBI vide Circular No. **SEBI/HO/CFD/SSEP/P/CIR/P/2022/03** issued clarification in relation to timing of submission of NOC from the lending Scheduled Commercial Banks (SCB)/ Financial Institutions (FI)/ Debenture Trustee.

NOC from SCBs, FIs and Debenture Trustee is required to be submitted before the receipt of No-Objection Letter from Stock Exchange for scheme of Merger, Amalgamation under Reg. 37 of SEBI (LODR) Reg, 2015.

The link for aforesaid Circular is mentioned below:

https://www.sebi.gov.in/legal/circulars/jan-2022/schemes-of-arrangement-by-listed-entities-clarification-w-r-t-timing-of-submission-of-noc-from-the-lending-scheduled-commercial-banks-financial-institutions-debenture-trustee_55166.html

2. Options on Commodity Futures - Product Design and Risk Management Framework- Modification in Exercise Mechanism

SEBI vide its circular **SEBI/HO/CDMRD/DMP/CIR/P/2017/55** permitted Commodity Derivative Exchange to trade in Options on Commodity Futures and provided guidelines for the same. Based on feedback received from Stock Exchanges and the recommendations of the Commodity Derivatives Advisory Committee, SEBI had decided to change the Exercise Mechanism of options contracts on commodity futures.

On **January 03, 2022**, SEBI vide circular No. **SEBI/HO/CDMRD/DNP/CIR/P/2022/01** issued a Framework regarding Options on Commodity Futures- Product Design and Risk Management Framework– Modification in exercise mechanism.

The new Exercise Mechanism is as follows:

- ‘All In the Money’ option contracts shall be exercised automatically, unless ‘contrary instruction’ has been given.
- ‘All Out of the Money’ option contracts shall expire worthlessly.
- All exercised contracts within an option series shall be assigned to short positions in that series in a fair and non-preferential manner.

SEBI further clarified that the circular shall be effective from the date of the new series of commodity derivatives launched on or after February 1, 2022 and exercise mechanism for Options on Futures referred to in any other guidelines prescribed by SEBI shall be as per the instant Circular.

All the other guidelines of main circular (SEBI/HO/CDMRD/DMP/CIR/P/2017/55 dated June 13, 2017) shall remain as it is.

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The link for aforesaid Circular is mentioned below:

https://www.sebi.gov.in/legal/circulars/jan-2022/options-on-commodity-futures-modification-in-exercise-mechanism_55164.html

3. Increasing Awareness regarding Online Mechanisms for Investor Grievance Redressal

On **January 05, 2022** SEBI vide Circular No. **SEBI/HO/MRD1 ICC1/P/CIR/2022/05** advised all recognized stock exchanges including commodity derivatives exchanges/ depositories/ clearing corporations to display the information to direct investors to SCORES website, on the home page of their websites and mobile apps. This is to increase awareness regarding online mechanisms for investor grievance redressal.

1. All Recognised Stock Exchange including Commodity Derivatives Exchanges/ Depositories / Clearing Corporations are advised to display the Following:
 - i.Link / option to lodge complaint with them directly.
 - ii.Link to SCORES website/ link to download SCORES mobile app
2. All Recognized Stock Exchanges including Commodity Derivatives Exchanges/ Depositories / Clearing Corporations are advised to:
 - i.Make necessary amendments to the relevant bye-laws, rules and regulations.
 - ii.Communicate to SEBI, the status of the implementation of the provisions of this circular through the Monthly Development Report (MDR).

The link for aforesaid Circular is mentioned below:

https://www.sebi.gov.in/legal/circulars/jan-2022/increasing-awareness-regarding-online-mechanisms-for-investor-grievance-redressal_55192.html

4. Disclosure obligations of listed entities in relation to Related Party Transactions

On **January 07, 2022**, SEBI vide Circular No. **SEBI/HO/DDHS/DDHS Div1/P/CIR/2022/0000000006** issued a circular on disclosure obligations of high value debt listed entities in relation to Related Party Transactions. This Circular shall come into force with immediate effect.

Regulation 15(1A) of the SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015 ('LODR Regulations') was introduced stipulating that Regulations 15 to 27 of LODR Regulations shall be applicable to high value debt listed entities on a '**comply or explain**' basis.

SEBI on November 09, 2021 amended Regulation 23 of the LODR Regulations on related party transactions, inter-alia, mandating listed entities that have listed specified securities to submit to the stock exchanges disclosure of Related Party Transactions (RPTs) in the format specified by the Board from time to time.

SEBI on November 22, 2021 vide circular no. **SEBI/HO/CFD/CMD1/CIR/P/2021/662** has specified following disclosure obligations of listed entities in relation to Related Party Transactions with respect to specified securities:

- Information to be reviewed by the Audit Committee for approval of RPTs;
- Information to be provided to shareholders for consideration of RPTs and;

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- Format for reporting of RPTs to the Stock Exchange.

Since the provisions of Regulation 23 of the LODR Regulations would be applicable to high value debt listed companies also, it has been decided to make provisions of the above referred circular dated November 22, 2021 applicable to high value debt listed entities.

The link for aforesaid Circular is mentioned below:

https://www.sebi.gov.in/legal/circulars/jan-2022/disclosure-obligations-of-high-value-debt-listed-entities-in-relation-to-related-party-transactions_55225.html

5. Framework for operationalizing the Gold Exchange in India

On **January 10, 2022**, SEBI vide Circular No. **SEBI/HO/CDMRD/DMP/CIR/P/2022/07** issued a framework for operationalising the gold exchange, wherein the Gold will be traded in the form of electronic gold receipts (EGRs). Stock exchange/s desirous of trading in electronic gold receipts (EGRs) may apply to SEBI for approval of trading of EGRs in new segment. The Circular shall come into force with immediate effect.

Framework for Gold Exchange of India covers the following:

- a. Instrument: The instrument for trading in Gold Exchange/ Segment shall be referred as 'Electronic Gold Receipts' (EGR) which has been notified as 'securities' under Section 2(h)(ia) of the Securities Contracts (Regulation) Act 1956.
- b. New and existing recognized stock exchanges may launch and deal in EGRs, in a new segment.
- c. Structure of Transaction:
 - First Tranche: Creation of EGR
 - Creation of Common Interface
 - Supply of Physical Gold
 - Standard of Gold
 - First Tranche
 - Second Tranche: Trading of EGR on stock exchange/s
 - Third Tranche: Conversion of EGR into Physical Gold
- d. Product denomination: Stock exchanges may launch contracts with different denomination for trading and / or conversion of EGR into gold.
- e. Trading Features: EGRs to have same trading features as that "securities" as defined under SCRA, 1956
- f. Fungibility and Inter-operability between the Vault Managers
- g. Withdrawal Center
- h. Storage (vaulting) and Withdrawal Charges
- i. Empanelment of assaying agencies
- j. Logistic Service Providers

The link for aforesaid Circular is mentioned below:

https://www.sebi.gov.in/legal/circulars/jan-2022/framework-for-operationalizing-the-gold-exchange-in-india_55251.html

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6. Electronic Gold Receipt included as Security under Section 2(h)(ia) of Securities Contract (Regulation) Act, 1956

On **January 10, 2022** SEBI vide Notification No. **S.O. 5401(E)** included Electronic Gold Receipt (EGR) as securities for the purpose of Securities Contract (Regulation) Act, 1956 (Act).

EGR is defined as an electronic receipt issued on the basis of deposit of underlying physical gold in accordance with the regulations made by SEBI under section 31 of the said Act.

The link for aforesaid Circular is mentioned below:

[SEBI | Notification of Electronic Gold Receipts as securities under SCRA 1956](#)

7. SEBI (ICDR) Amendment Regulation, 2022

On **January 14, 2022** SEBI had Notified amendment in SEBI (ICDR) Regulation, 2018 with following amendments. The same shall be effective from January 14, 2022.

1. Definitions

(a) In the definition of “General Corporate Purpose” the word “Letter of offer” is included.

(b) In the definition of “**Person acting in concert**” words “Regulation 2(1)(q)” being omitted having implication that definition of “**Person Acting in Concert**” is not just restricted to the meaning under Regulation 2(1)(q) of SEBI (Substantial Acquisition of Shares and Takeover) Regulation, 2011.

2. Use of Proceeds:

New Sub-Regulation for use of funds for general corporate purpose being amended by adding new clauses in Regulation 7(3) for IPO, Regulation 62(2A) for the Right Issue, Regulation 104(3)-for further public offer and Regulation 230(3) for IPO by SME. This amendment limits the use of funds towards unidentified acquisition or investment target with general corporate purpose, for which a standalone limit of 25% of the issue proceeds is now capped at 35% of the total amount raised; and such unidentified acquisition or investment in any event, shall be capped at 25% of the total amount being raised. However, where the acquisitions or investment target has been identified in the DRHP and Offer document and suitable specific disclosures have been included.

3. Restriction

To protect the public interest SEBI has imposed certain additional restrictions on non-profitable issuers accessing public funds in relation to offer for sale (“**OFS**”) by shareholders in a public issue following restrictions are imposed

- a. shares offered for sale to the public by shareholder(s) holding, individually or with persons acting in concert, more than twenty per cent (20%) of pre-issue shareholding of the issuer based on fully diluted basis, shall not exceed more than fifty per cent(50%) of their pre-issue shareholding on fully diluted basis;
- b. shares offered for sale to the public by shareholder(s) holding, individually or with persons acting in concert, less than twenty per cent (20%) of pre-issue shareholding of the issuer based on fully diluted basis, shall not exceed more than ten per cent (10%) of pre-issue shareholding of the issuer on fully diluted basis;

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- c. for shareholder(s) holding, individually or with persons acting in concert, more than twenty per cent (20%) of pre-issue shareholding of the issuer based on fully diluted basis, provisions of lock-in as specified under regulation 17 of these regulations shall be applicable, and relaxation from lock-in as provided under clause (c) of regulation 17 of these regulations shall not be applicable.

4. **Securities ineligible for minimum promoters' contribution**

This clause shall not apply to the promoters and Alternative Investment Funds (AIF) or Foreign Venture Capital Investors (FVCI) or Scheduled Commercial Banks (SCB) or Public Financial Institutions (PFI) or Insurance Company registered with IRDA if they pay to the issuer the difference between the price at which the specified securities are offered in IPO and the price at which specified securities had been acquired.

5. **Lock in of specified securities held by persons other than promoters**

As per the amendment, now the minimum holding period of 6 months of securities held by AIFs, FVCIs and VCFs shall apply to bonus issues as well. SEBI has clarified that if bonus equity shares are issued to AIFs, FVCIs and VCFs prior to the filing of the DRHP, then the lock-in period of the bonus equity shares as well as the underlying equity shares together, must be 6 months. The bonus issue shall be subject to the following:

(a) that the bonus shares being issued out of free reserves and share premium existing in the books of account as at the end of the financial year preceding the financial year in which the draft offer document is filed with the Board; and

(b) that the bonus shares not being issued by utilisation of revaluation reserves or unrealized profits of the issuer.

6. **Minimum statutory cap price for Price Band**

A gap of **minimum 5%** in price is required to be maintained between the lower end and upper end of the price band which means that the cap of the price band in the offer document shall be at least 105% of the floor price.

7. **Lock in period for Anchor Investors**

Prior to the SEBI ICDR Amendment Regulations, 2022, equity shares allotted to anchor investors were locked-in for a period of 30 days from the date of allotment in the IPO. However, post this amendment 50% of the equity shares allotted to anchor investors shall be locked-in for a period of 30 days and the balance 50% shall be locked-in for a period of 90 days from the date of allotment in the IPO.

8. **Revised allocation methodology for allocation to Non-Institutional Investors ("NIIs"):**

Prior to the SEBI ICDR Amendment Regulations, 2022 allotment to NIIs was undertaken on a proportionate basis. Now due to the amendment, following allocation methodology for NIIs shall be applicable:

(a) 1/3rd of the allocation in the NII category shall be reserved for applicants with application size of more than Rs. 2 lacs but less than Rs. 10 lacs;

(b) 2/3rd of the allocation in the NII category shall be reserved for applicants with application size of more than Rs. 10 lacs;

In the event of undersubscription in (a) or (b), inter-se spill over shall be permitted

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9. **Underwriting:**

Now Merchant Bankers or Stock Brokers registered with SEBI can be appointed as an Underwriter by issuer who is making an offer under IPO (other than book-built process) as per Regulation 40, Right Issue under Regulation 81, Further Public Offer under Regulation 136 and for IPO of Indian Depository Receipts under Regulation 198.

10. **Monitoring Agency:**

- a. Now only **Credit Rating Agencies** registered with SEBI have been allowed to act as monitoring agencies instead of Scheduled Commercial Banks and Public Financial Institutions for IPO (other than book-built process) as per Regulation 41, Right Issue under Regulation 82, Further Public Offer under Regulation 137 and for IPO under Small and Medium Exchange under Regulation 262.
- b. Now Monitoring Agencies have to monitor the entire proceeds under the primary component of the IPO instead of 95% of the issue proceeds (as previously required). Proceeds earmarked towards general corporate purposes shall also come under the ambit of the monitoring agency.

11. **Minimum Subscription:**

The time limit for refund of money in case issuer fails to receive Minimum subscription money is now reduced to 4 days of closure of issue (earlier it was 15 days).

12. **Allotment procedure and basis of allotment:**

The allotment of specified securities to applicants other than RII, NII and AI shall be on proportionate basis within their respective investor category.

The allotment of specified securities to each NII shall not be less than the minimum application size, subject to the availability of shares in NII category, and the remaining shares, if any, shall be allotted on a proportionate basis in accordance with the conditions specified in the regulation.

13. **Release of Subscription Money:**

In case issuer fails to obtain listing or trading permission from SE where specified securities were to be listed, it shall refund the entire monies received **within 4 days (earlier it was 7 days)** of receipt of intimation from SE rejecting application for listing of specified securities and not repaid **within 4 days (earlier it was 8 days)** after the issuer become liable to repay it, the issuer and every director of the company who is an officer in default shall, on and expiry of **4th day (earlier it was 8th day)**, be jointly and severally liable to repay that money with interest @15% p.a.

14. **Period of subscription under Right Issue:**

Right issue is shall be kept open for subscription for a minimum period of is **7 days** (earlier it was 15 days) under Regulation 87.

15. **Eligibility Condition under Fast Track Right Issue:**

One of the conditions in the fast-track route for right issue has been amended as follows:

The average market capitalisation of public shareholding of the issuer is at least Rs. 250 crores in at least 1 Recognised Stock Exchange having nationwide trading terminal.

Now the issuer or the promoter or the promoter group or the director of the issuer has settled any alleged violations of securities laws through the settlement mechanism of SEBI in the past 3 years

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immediately preceding the reference date, then the disclosure of such compliance of the settlement order, should be made in the letter of offer.

16. **Eligibility Requirement for Further Public Offer (FPO):**

An issuer shall be eligible to make FPO, if it has not changed its name in the last 1 year period immediately preceding the date of filing the relevant offer document and if issuer has changed its name in the last one year period immediately preceding the date of filing the relevant offer document, then such an issuer shall make FPO if at least 50% of the revenue for the preceding 1 full year has been earned by it from the activity indicated by its new name.

If an issuer does not satisfy the condition stipulated then it shall make FPO only if the issue is made through the book building process and the issuer undertakes to allot at least 75% of the net offer, to qualified institutional buyers and to refund full subscription money if it fails to make the said minimum allotment to qualified institutional buyers.

17. **Disclosure from Issuer, Promoters and Directors:**

A confirmation is required from the issuer, promoters and directors that they have not been identified as a fraudulent borrower by any bank or financial institution or consortium thereof.

18. **DRHP:**

Now the cover page of the DRHP to include the details of the selling shareholders in a tabular form along with the details of their offer for sale, average cost of acquisition and other details as specified by the regulator from time to time.

19. **Other conditions for pricing for Preferential Issue:**

A new regulation 166A has been inserted which prescribes other conditions for pricing. As per new regulation, any preferential issue, which may result in a change in control or allotment of more than 5% of the post issue fully diluted share capital of the issuer, to an allottee or to allottees acting in concert, shall require a valuation report from an independent registered valuer and consider the same for determining the price.

20. **Pledge of locked-in specified security:**

A new regulation 167A has been inserted which prescribes provisions relating to the pledging of locked-in specified securities. As per new regulation, specified securities, except Superiour Rights equity shares, held by the promoters and locked-in under the provisions of these regulations, may be pledged as collateral for a loan granted by a scheduled commercial bank or a public financial institution or a systemically important non-banking finance company or a housing finance company.

21. **Pricing of frequently traded shares:**

Amendment has been made to Regulation 164 stating that now instead of 26 weeks, 90 trading days will be taken as basis period for determination of pricing of frequently traded shares.

22. **Conditions for Preferential Issue:**

Clause (f) under Regulation 160 is inserted which states that an issuer company will be required to necessarily apply for in-principle approval from stock exchanges on the date of dispatch of notice to shareholders for general meeting approving the preferential allotment.

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23. Disclosure to Shareholders under Preferential Issue

- a. The current and proposed status of allottee post preferential issue is required to be specified, i.e., whether the same is and/ or remains a promoter or a non-promoter.
- b. The certificate certifying compliance with the ICDR Regulations at the time of making preferential issue is required to be obtained from a practicing company secretary (earlier, the same was required to be taken from statutory auditors) and also required to be hosted on the website of the company, with link of the same to be provided for in the notice calling general meeting of shareholders for proposed preferential issue.

The link for aforesaid Notification is mentioned below:

<https://egazette.nic.in/WriteReadData/2022/232654.pdf>

8. SEBI (Foreign Portfolio Investor) Amendment Regulation, 2022

On **January 14, 2022** SEBI vide Circular No. **SEBI/LAD-NRO/GN/2022/64** issued SEBI (Foreign Portfolio Investors) (Amendment) Regulations, 2022 to further amend the SEBI (Foreign Portfolio Investors) Regulations, 2019. This shall come into force on January 14, 2022.

A. Regulation 7(i)—Certificate of Registration

The designated depository participant shall on behalf of the Board grant the certificate of registration, bearing registration number generated by **Board (earlier it was National Securities Depositories Limited)**, as specified in the First Schedule to an applicant if it is satisfied that the applicant is eligible and fulfils the requirements as specified in these regulations.

B. New regulation 43B: Exemption from strict enforcement of the regulations in other cases is inserted which states the following:

(1) The SEBI may suo motu or on an application made by a FPI, after recording the reasons in writing, provide relaxation from the strict enforcement of any of the provisions of these regulations, subject to such conditions as the Board deems fit to impose in the interests of investors and the securities market and for the development of the securities market, if the SEBI is satisfied that:

- (a) the non-compliance is caused due to factors beyond the control of the entity; or
- (b) the requirement is procedural or technical in nature.

(2) The application referred to under sub-regulation (1) shall be accompanied by a non-refundable fee of US \$ 1,000 payable by way of NEFT/ RTGS/ IMPS or any other mode allowed by the Reserve Bank of India in the designated bank account of the Board.

The link for aforesaid Notification is mentioned below:

<https://egazette.nic.in/WriteReadData/2022/232644.pdf>

9. SEBI (Settlement Proceeding) (Amendment) Regulation, 2022

On **January 14, 2022** SEBI vide Circular No. **SEBI/LAD-NRO/GN/2022/62** issued SEBI (Settlement Proceedings) Regulations, 2022 to further amend the SEBI (Settlement Proceedings) Regulations, 2018 which shall be effective from January 14, 2022.

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- Clause 2 of Regulation 4 has been omitted which provides an exception of sufficient cause for delay in filing an application within 60 days from the date of service of the notice to show cause.
- In Regulation 5 (2)(i), the word “Or” has been inserted. The Regulation now reads as follows:
The Board may not settle any specified proceeding, if it is of the opinion that the alleged default, -
 - i. has market wide impact, or*
 - ii. caused losses to a large number of investors, or*
 - iii. affected the integrity of the market*

Regulation 6: Rejection of Application:

(1) An application may **also (inserted)** at any time be rejected on the following grounds:

- a) Where the applicant refuses to receive or respond to the communications sent by the Board;
- b) Where the applicant does not submit or delays the submission of information, document, **Revised Settlement Terms (inserted)**, etc., as called for by the Board;
- c) Where the applicant who is required to appear, does not appear before the Internal Committee on more than one occasion;
- d) Where the applicant violates in any manner the undertaking and waivers as provided in Part-C of the Schedule-I;
- e) Where the applicant does not remit the settlement amount within the period specified in clause (a) of sub-regulation (2) of regulation 15 and/or does not abide by the undertaking and waivers.
- f) Where the applicant fails to comply with the condition precedent(s) for settlement within the time as required by the Internal Committee. (New clause inserted)**

Regulation 9: Settlement Terms:

- a. In sub- regulation (2) regarding non-monetary terms, a new clause (j) is inserted as follows:
Restraining from accessing the securities market and/or prohibiting from buying, selling or otherwise dealing in securities, directly or indirectly and associating with the securities market in any manner for a specific period.
- b. In sub- regulation (4) in the explanation part, following changes are made: Legal costs shall include liquidated costs, as may be determined by the Board, in respect of costs for obtaining appropriate orders from the Tribunal or Court under sub-regulation (2) of regulation 24 **and include other expenses incurred by the Board in any other proceeding before any Court or Tribunal in respect of such application (inserted).**

Regulation 13(2): Proceedings before the Internal Committee:

- a. Sub-rule (ba) has been inserted as follows: **“Require the applicant to comply with certain condition precedent(s) within a specified time period for consideration of the application for settlement”**
- b. In clause (c) following changes are made: permit the applicant to submit revised settlement terms within a period not exceeding **fifteen (earlier it was ten)** working days from the date of the Internal Committee meeting.
- c. Pivotal to clause (c) is which states that the revised settlement terms received after **ten** working days, but within twenty working days may be considered subject to an increase of 10% over the recommended settlement amount **omitted**.

Regulation 15: Action on the recommendation of High-Powered Advisory Committee:

- a. Sub regulation (2) (a) now reads as follows: “Remit the settlement amount forming part of the settlement terms, not later than fifteen calendar days from the date of receipt of the notice of

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demand.” (Which may be extended by the Panel of Whole Time Members for reasons to be recorded, by sixty calendar days, only after receipt of an application seeking extension of time within thirty days from the date of receipt of notice of demand is omitted.)

Remittance of settlement amount shall be done by way of a demand draft drawn in favour of 'Securities and Exchange Board of India' payable at Mumbai or by way of **payment through the dedicated payment gateway provided for the purpose. (earlier it was direct credit in the specified bank account through NEFT/RTGS/IMPS or any other authorized electronic mode of payment.)**

- b. The first proviso which states that where the settlement amount is remitted after thirty calendar days from the date of receipt of the notice of demand and on or before the ninetieth day from such receipt, the settlement amount payable by the applicant shall be increased by the levy of simple interest at the rate of six per cent per annum from the date of receipt of the notice of demand till the date of payment of the settlement amount is **omitted**.
- c. The second proviso now reads as: Provided that **(word further omitted)** in no case shall such remittance be accepted after the **thirtieth (earlier it was ninetieth)** calendar day from the date of the receipt of the notice of demand

Regulation 26: Settlement Schemes now reads as: Notwithstanding anything contained in these regulations, the Board may specify **(the procedure and terms of settlement of specified proceedings under is omitted)** a settlement scheme for any class of persons involved in respect of any similar specified defaults.

Regulation 31: Irregularity in procedure:

- a. Now new regulation reads as follows: No settlement order or rejection of a settlement application shall **be invalidated on ground of any defect in procedure or determination of the settlement terms (earlier it was void on ground of any defect in procedure or calculation of the settlement amount)** or on account of any vacancy in or any defect in the constitution of any committee under Chapter V.
- b. The first proviso now reads as follows: Provided that, nothing in these regulations shall prohibit the Board from revoking the settlement order where the applicant fails to pay any difference due to any discrepancy **in arriving at settlement terms. (Earlier it was calculation of the settlement amount)**.
- c. After the second proviso, explanation is inserted which reads as follows: **For the removal of doubts, it is clarified that the power to seek the difference under this regulation shall include and always be deemed to have included the profits gained or losses avoided out of the violations for which the specified proceedings also have been initiated.**

Regulation 33: Procedure for composition now reads as follows: The provisions of Chapters IV to VI and Schedule-II may be applied mutatis mutandis for **determining the terms while processing (earlier it was arriving at a proposal pursuant to)** a compounding application

In Schedule I:

- a. **Part A: Application Form for Settlement:** Clause 13 reads as Stage at which pending”, **including details of hearing opportunity given by the Board or AO, if any” is inserted.**
- b. **Part B now reads as follows:** Every applicant under Chapter II of these regulations shall pay a non-refundable processing fee of fifteen thousand rupees, by way of a demand draft in favour of 'Securities and Exchange Board of India' payable at Mumbai or by way of **payment through the dedicated payment gateway provided for the purpose (earlier it was direct credit in the bank account through NEFT/RTGS/IMPS or any other mode allowed by RBI).**

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In Schedule II:

- a.** Chapter I regarding Guidelines arriving at Settlement Terms, proviso to Clause (2) is omitted.
- b.** In Chapter II, Clause (5) is omitted.
- c.** In Chapter III, Table I is substituted as per the Circular.
- d.** In Chapter V, in Clause I, II and III: the words “applied once for all or any of them” shall be substituted as “for each of them wherever applicable, subject to a maximum limit of 3”
- e.** In Chapter VI,
 - Table VII and notes of Table VII are substituted as per the Circular.
 - Table VIII and notes of Table VIII are substituted as per the Circular.
 - In Table IX, the words Foreign Institutional Investors is substituted as “Foreign Portfolio Investors”.
 - Table X and notes of Table X are substituted as per Circular.

The link for aforesaid Notification is mentioned below:

<https://egazette.nic.in/WriteReadData/2022/232643.pdf>

10. SEBI (Alternate Investment Fund) Amendment Regulation, 2022

On **January 24, 2022**, SEBI vide Circular No. **SEBI/LAD-NRO/GN/2022/68** issued SEBI (Alternate Investment Fund) Amendment Regulation, 2022 to further amend the SEBI (Alternate Investment Fund) Regulation, 2012 which shall be effective from January 24, 2022.

- a. Regulation 3: Registration of Alternative Investment Funds:**
Regulation 3(4)(a) now reads as follows: Category I Alternative Investment Fund” which invests in start-up or early-stage ventures or social ventures or SMEs or infrastructure or other sectors or areas which the government or regulators consider as socially or economically desirable and shall include venture capital funds, SME Funds, social venture funds, infrastructure funds, **special situation funds (inserted)** and such other Alternative Investment Funds as may be specified.
- b. Regulation 12: Schemes:**
After regulation 12(3) a proviso is inserted: **“Provided that the requirements under sub-regulation (2) and (3) shall not apply to large value fund for accredited investors.”**
- c. A new Chapter III-B regarding Special Situation Fund is introduced**
It consists of Definitions, Applicability, Registration of Special Situation Funds, Investment in Special Situation Funds, Investment by Special Situation Funds.
- d.** In First Schedule, Form A regarding Application for Grant of Certificate of Registration as Alternative Investment Fund, Clause (1)(e) is substituted as follows:
(e) Category under which the application is made –
 - 1. Category I Alternative Investment Fund-Venture Capital Fund**
 - 2. Category I Alternative Investment Fund-Social Venture Fund**
 - 3. Category I Alternative Investment Fund-SME Fund**
 - 4. Category I Alternative Investment Fund-Infrastructure Fund**
 - 5. Category I Alternative Investment Fund - Special Situation Fund**
 - 6. Category I Alternative Investment Fund-Other**

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7. Category II Alternative Investment Fund

8. Category III Alternative Investment Fund

The link for aforesaid Notification is mentioned below:

<https://egazette.nic.in/WriteReadData/2022/232844.pdf>

11. SEBI (Credit Rating Agencies) (Amendment) Regulations, 2022

On **January 24, 2022**, SEBI vide Circular No. **SEBI/LAD-NRO/GN/2022/69** issued SEBI (Credit Rating Agencies) Amendment Regulation, 2022 to further amend the SEBI (Credit Rating Agencies) Regulations, 1999 which shall be effective from January 24, 2022.

Regulation 9: Conditions of Certificate:

Clause (f) regarding condition subject to which Certificate of Registration will be granted now reads as follows:

Nothing contained in these regulations shall preclude a credit rating agency from **carrying out any activity as may be specified by the Board or (inserted)** rating of financial instruments under the respective guidelines of a financial sector regulator or any authority as may be specified by the Board.

The link for aforesaid Notification is mentioned below:

<https://egazette.nic.in/WriteReadData/2022/232846.pdf>

12. SEBI (Listing Obligation Disclosure Requirement) (Amendment) Regulation, 2022

On **January 24, 2022**, SEBI vide Circular No. **SEBI/LAD-NRO/GN/2022/66** issued SEBI (Listing Obligation Disclosure Requirement) (Amendment) Regulation, 2022 to further amend the SEBI (Listing Obligation Disclosure Requirement) Regulation, 2015 which shall be effective from January 24, 2022.

1. Regulation 17: Board of Directors:

Regulation 17(1C) along with provisos now reads as:

The listed entity shall ensure that approval of shareholders for appointment of a person on the Board of Directors **or as a Manager (inserted)** is taken at the next general meeting or within a time period of three months from the date of appointment, whichever is earlier.

Provided that the appointment or a re-appointment of a person, including as a managing director or a whole-time director or a manager, who was earlier rejected by the shareholders at a general meeting, shall be done only with the prior approval of the shareholders: (inserted)

Provided further that the statement referred to under sub-section (1) of section 102 of the Companies Act, 2013, annexed to the notice to the shareholders, for considering the appointment or re-appointment of such a person earlier rejected by the shareholders shall contain a detailed explanation and justification by the Nomination and Remuneration Committee and the Board of directors for recommending such a person for appointment or re-appointment. (inserted)

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2. Regulation 32: Statement of deviation(s) or variation(s):

Regulation 32 (7) now reads as “Where the listed entity has appointed a monitoring agency to monitor the utilisation of proceeds of a public or rights issue, the monitoring report of such agency shall be placed before the audit committee on a **quarterly basis**”. (Earlier It was on annual basis.)

3. Regulation 39: Issuance of Certificates or Receipts/Letters/Advices for securities and dealing with unclaimed securities:

Regulation 39 (2) now states that “The listed entity shall **effect issuance of (earlier it was issue)** certificates or receipts or advices, as applicable, of subdivision, split, consolidation, renewal, exchanges, endorsements, issuance of duplicates thereof or issuance of new certificates or receipts or advices, as applicable, in cases of loss or old decrepit or worn out certificates or receipts or advices, as applicable **in dematerialised form (inserted)** within a period of 30 days from the date of such lodgement.

4. Regulation 40: Transfer or transmission or transposition of securities:

Proviso to Regulation 40(1) is substituted as follows:

Provided that requests for effecting transfer of securities shall not be processed unless the securities are held in the dematerialised form with a depository

Provided further that transmission or transposition of securities held in physical or dematerialised form shall be affected only in dematerialised form.

Proviso to Regulation 40(3) now reads as follows:

Provided that the listed entity shall ensure that transmission requests are processed (words for securities held in dematerialized mode and physical mode is omitted) within seven days (words and twenty- one days respectively is omitted), after receipt of the specified documents.

5. Schedule VI: Manner of Dealing with Unclaimed Shares

- a. Clause D (1) states as follows: As and when the allottee approaches the listed entity, the listed entity shall, after proper verification of the identity of the allottee either credit the shares lying in the Unclaimed Suspense Account or demat suspense account, as applicable, to the demat account of the allottee to the extent of the allottee’s entitlement. **(words or deliver the physical certificates after re-materialising the same, depending on what has been opted for by the allottee is omitted.)**
- b. **Proviso to Clause D (1) is omitted.**

The link for aforesaid Circular is mentioned below:

https://www.sebi.gov.in/legal/regulations/jan-2022/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-amendment-regulations-2022_55526.html

13. Issuance of Securities in dematerialized form in case of Investor Service Requests

On **January 25, 2022**, SEBI vide Circular No. **SEBI/HO/MIRSD/MIRSD RTAMB/P/CIR/2022/8** issued a circular regarding issuance of securities in dematerialized form in case where Investor Service Requests is provided.

- To enhance ease of dealing in securities markets by investors, it has been decided by SEBI that listed companies shall issue the securities in DEMAT form only while processing the following service request.

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- a. Issue of duplicate securities certificate;
 - b. Claim from Unclaimed Suspense Account;
 - c. Renewal / Exchange of securities certificate;
 - d. Endorsement;
 - e. Sub-division / Splitting of securities certificate;
 - f. Consolidation of securities certificates/folios;
 - g. Transmission;
 - h. Transposition.
- The securities holder/claimant shall submit duly filled up Form ISR-4 which should be hosted on the website of the Issuer Companies and the RTAs as per the given in this circular. For item nos. c to h as stated above, the RTA / Issuer Companies shall obtain the original securities certificate(s) for processing of service requests.
 - The RTA / Issuer Company shall verify and process the service requests and then issue a 'Letter of confirmation' in lieu of physical securities certificate(s), to the securities holder/ claimant within 30 days of its receipt of such request after removing objections, if any.
- a. The 'Letter of Confirmation' shall be valid for a period of 120 days from the date of its issuance, within which the securities holder/ claimant shall make a request to the Depository Participant for dematerializing the said securities
 - b. The RTA / Issuer Companies shall issue a reminder after the end of 45 days and 90 days from the date of issuance of Letter of Confirmation, informing the securities holder/claimant to submit the demat request as above, in case no such request has been received by the RTA / Issuer Company.
 - c. In case the securities holder/claimant fails to submit the demat request within the aforesaid period, RTA / Issuer Companies shall credit the securities to the Suspense Escrow Demat Account of the Company.
 - d. Circular is being issued to protect the interests of investors in securities and to promote the development of, and to regulate the securities market read with Regulation 101 of SEBI (Listing Obligations and Disclosure Requirements), 2015.
- This Circular also provides for Operational guidelines for dematerialization of securities received for processing investor's service request.

The link for aforesaid Circular is mentioned below:

https://www.sebi.gov.in/legal/circulars/jan-2022/issuance-of-securities-in-dematerialized-form-in-case-of-investor-service-requests_55542.html

14. SEBI (Mutual Fund) (Amendment) Regulation, 2022

On **January 25, 2022** SEBI vide Circular No. **SEBI/LAD-NRO/GN/2022/70** amended SEBI (Mutual Fund) Regulation with following amendments which shall be effective from January 25, 2022:

- 3. Regulation 18(15) (c) which states the "Rights and obligations of the trustee" has been amended and it now reads as under:**

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“The trustees shall obtain the consent of the unitholders—

(c) when the majority of the trustees decide to wind up a **scheme in terms of clause (a) of sub regulation (2) of regulation 39** or prematurely redeem the units of a close ended scheme.

4. Regulation 39 (2) is amended it now reads as follows:

“ A scheme of a mutual fund **is to be wound up** –

- a. on the happening of any event which, in the opinion of the trustees, requires the scheme to be wound up; or
- b. if seventy-five per cent of the unit holders of a scheme pass a resolution that the scheme be wound up; or
- c. if the Board so directs in the interest of the unitholders.”

Earlier wording was “may be wound up, after repaying the amount due to the unit holders” which implies that it was not mandatory to wound up Mutual Fund scheme.

5. Regulation 39(3) has been substituted and it now reads as under:

“Where a scheme is to be wound up under sub-regulation (2), the trustees shall give notice within one day, disclosing the circumstances leading to the winding up of the scheme,

- a) to the Board; and
- b) in two daily newspapers having circulation all over India, a vernacular newspaper circulating at the place where the mutual fund is formed:

Provided that where a scheme is to be wound up under clause (a) of sub-regulation (2), the trustees shall obtain consent of the unit holders participating in the voting by simple majority on **the basis of** one vote per unit and publish the results of voting within forty five days from the publication of notice under sub-regulation (3).

Provided further that in case the trustees fail to obtain the required consent of the unitholders under clause (a) of sub-regulation (2), the schemes shall be reopened for business activities from the second business day after publication of results of the voting.”

6. In Regulation 50 which states “General Obligations To maintain proper books of account and records, etc” new sub-regulation (1A) has been added which states that:

“The financial statements and accounts of the mutual fund schemes shall be prepared in accordance with Indian Accounting Standards (IND AS) and any addendum thereto, as notified by the Companies (Indian Accounting Standards) Rules, 2015, as amended from time to time:

Provided that in case there is any conflict between the requirements of IND AS and these regulations and guidelines issued thereunder, the asset management regulations and guidelines issued thereunder, the asset management company shall follow the requirements specified in under these regulations.”

7. Regulation 52 (6A) - Limitation on fees and expenses on issue of schemes

- a) brokerage and transaction costs which are incurred for the purpose of execution of trade up to 0.12 per cent of trade value in case of cash market transactions and 0.05 per cent of trade value in case of derivatives transactions.

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8. Regulation 54 which states guideline on “Annual Report” has been substituted. Now it reads as follows:

“Every mutual fund or the asset management company shall prepare in respect of each financial year, an annual report and annual financial statements of the schemes as specified in the Eleventh Schedule and as specified by the Board from time to time.”

9. Schedule (Nineth) IX – Accounting Policies and Standards

7.1 Part A Clause (a) has been substituted and it now reads as:

“For the purposes of the financial statements, mutual funds shall mark all investments to market and carry investments in the balance sheet at market value. The realised gains or losses on sale or redemption of investment, as well as unrealised appreciation or depreciation shall be recognised in all financial statements through Revenue Accounts. However, since the unrealised gain arising out of appreciation on investments cannot be distributed, provision has to be made for exclusion of this item when arriving at distributable income.”

7.2 Part A Clause (d)

In determining the holding cost of investments and the gains or loss on sale of investments, the “**weighted average cost**” method must be followed.

Earlier it was average cost that average of prices

Eg. $(\text{Price 1} + \text{Price 2} + \text{Price 3}) / 3$

Now it is weighted average cost which implies

Eg. $(\text{Price 1} \times \text{Units}) + (\text{Price 2} \times \text{Units}) + (\text{Price 3} \times \text{Units}) / 3$

7.3 Part A Clause (k) has been Substituted with following:

“The investments acquired or sold shall be accounted at transaction price excluding all transaction costs such as brokerage, stamp charges and any charge customarily included in the broker’s contract note that are attributable to acquisition/sale of investments.”

Earlier investment acquired or purchased would include brokerage, stamp charges with this amendment it has been specifically excluded from investment.

Part A Clause (m) has been substituted with the following:

“Non-traded investments shall be valued in good faith in accordance with the norms specified in the Eighth Schedule:

Provided that in the case of real estate mutual funds schemes, investments in unlisted equity shares shall be valued as per the norms specified by the Board in this regard.”

Earlier the current proviso was tabling as provision.

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10. In XI Schedule

3.1 under Para 1 clause (vi) is amended as follows:

“On written request, present and prospective unitholders/investors can obtain a physical copy of the trust deed, the annual report and scheme related documents at a nominal price.”

3.2 Under para 2 Clause (a) has been substituted and it now reads as follows:

“For investments in securities- The accounting policies given in Part A of the Ninth Schedule shall be followed.”

Earlier it was “For investments in securities-Following accounting policies shall be followed by Mutual Funds for investments in securities for the preparation of accounts”

3.3 Clause (b) (i) has been substituted is now reads as follows:

(b) For investments in real estate assets-Following accounting policies shall be followed by real estate mutual fund schemes for the preparation of accounts

“(i)The accounting policies given in Part A of the Ninth Schedule in respect of investment in securities”

Earlier it was

i. The accounting policies given in paragraph 2(a) in respect of investment in securities required to be followed

3.4 In para 3 (i) has been amended it now reads as under:

“The Balance sheet shall give scheme wise particulars of its assets and liabilities in format **specified by SEBI** It shall also disclose, inter alia, accounting policies relating to valuation of investments including real estate investment asset and other important areas. “

3.5 In Para 3 (ii) has been substituted and it now reads as follows:

The aggregate market value of investments in securities shall be stated separately in respect of each type of investment, such as equity shares, preference shares, convertible debentures listed on recognised stock exchange, non-convertible debentures or bonds further differentiating between those listed on recognised stock exchange and those privately placed.

3.6 In Para 3 clause (f) of clause (vii) (A) words “average weekly net asset value” has been substituted with “average net asset”. It now reads as follows :

“Aggregate value of purchases and sales of investments during the year and expressed as a percentage of average net asset.”

3.7 In Para 3 (vii) (A) (g) has been substituted with the following:

“In case of securities, excluding debt securities, where the non-traded investments which have been valued “in good faith” exceed 5% of the net assets at the end of the year, the aggregate value of such investments along with percentage to net assets.

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In case of debt securities which have been valued at a price other than the price given by the Independent Valuation Agencies at the end of year, the aggregate value of such securities and percentage to net assets; and”

3.8 In Para 3 (vii) (A) (j) has been substituted with the following:

“The total income of the scheme shall include unrealised depreciation or appreciation on investment.”

3.9 Para 4 (i) has been amended and it now reads as under:

“The Revenue Account shall give scheme wise particulars of the income, expenditure and surplus of the mutual fund **in the format specified by the Board**”

3.10 In Para 4 (iv) has been omitted which stated that :

“The Revenue Account shall indicate the appropriation of surplus by way of transfer to reserves and dividend distributed”

3.11 In Para 4 Clause (v) (A) has been amended. It now reads as follows:

“The following disclosures shall also be made in the revenue account:

- (a) provision for aggregate value of doubtful deposits, debts and outstanding and accrued income;
- b) profit or loss in sale and redemption of investment may be shown on a **gross(previously net)** basis;
- (c) custodian and registrar fees;
- (d) total income and expenditure expressed as a percentage of average net assets, calculated on a **daily (previously weekly)** basis.”

3.12 Para 6 has been substituted and it now reads as follows:

“Perspective historical per unit statistics

(1) This statement shall disclose the following schemewise per unit statistics for the past 3 years:

- i. net assets value, per unit at plan/option level;
- ii. gross income per-unit broken up into the following components:
 - (i) income other than profit(loss) on sale of investment, per unit;
 - (ii) income from profit(loss) on inter-scheme sales/transfer of investment, per unit;
 - (iii) income from profit(loss) on sale of investment to third party, per unit;
 - (iv) transfer to revenue account from past year’s reserve, per unit.
 - (v) gross income - sum of b(i),(ii) and (iii)
- iii. aggregate of expenses, write off, amortisation and charges, per unit;
- iv. net income, per unit (gross income – aggregate of expenses);
- v. unrealised appreciation/depreciation in value of investments, per unit;
- vi. if the units are traded, the highest and the lowest prices per unit during the year;
- vii. ratio of expenses to average net assets by percentage;
- viii. ratio of gross income to average net assets by percentage (excluding transfer to revenue account from past year’s reserve but including unrealised appreciation on investments);
- ix. the highest and the lowest NAV per unit during the year at plan/option level;
- x. face value per unit;

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- xi. total unit capital (in Rupees);
- xii. average Net asset (in Rupees);
- xiii. no. of days;
- xiv. Weighted average Price Earnings Ratio of equity/equity related instruments held as at end of year/period.”

8.13 In Para 6 Annexure 1A- Contents of scheme wise Balance Sheet, 1B- Contents of scheme wise balance sheet and 2- Contents of revenue account has been omitted:

The Link for aforementioned Notification is as follows:

<https://www.sebi.gov.in/legal/regulations/jan-2022/securities-and-exchange-board-of-india-mutual-funds-regulations-1996-last-amended-on-january-25-2022-55732.html>

15. SEBI (Prohibition of Unfair Trade Practices Relating to Securities Market) (Amendment) Regulation

On **January 25, 2022** SEBI vide Circular No. **SEBI/LAD-NRO/GN/2022/71** amended SEBI (Prohibition of Unfair Trade Practices Relating to Securities Market) Regulation, 2003 which shall be effective from January 25, 2022. The amendment is provided as under:

1. Regulation 2 (2) has been substituted with the following it now states that:

“The words and expressions used and not defined in these regulations but defined in the Act, the Securities Contracts (Regulation) Act, 1956 (42 of 1956), the Depositories Act, 1996 (22 of 1996), the Companies Act, 2013 (18 of 2013), or any rules or regulations made thereunder shall have the same meanings respectively assigned to them in those acts, rules or regulations made thereunder or any statutory modification or re-enactment thereto, as the case may be.”

2. Regulation 4(2) (k) has been substituted and now it reads as under:

Dealing in securities shall be deemed to be a manipulative fraudulent or an unfair trade practice if it involves any of the following:

“(k) disseminating information or advice through any media, whether physical or digital, which the disseminator knows to be false or misleading in a reckless or careless manner and which is designed to, or likely to influence the decision of investors dealing in securities.”

3. In Regulation 6(2) which specifies Power of Investing Authority the word “its activities” has been added). It now reads as under:

“to undertake inspection of any book, or register, or other document or record of any listed public company or a public company (not being intermediaries referred to in section 12 of the Act) which intends to get its securities listed on any recognized stock exchange where the Investigating Authority has reasonable grounds to believe that such company has been conducting **its activities** in violation of these regulations.”

4. In Regulation 6 which specifies Power of Investing Authority in sub-regulation (4) the time for keeping in custody books, register and other document has been increased. Regulation 6(4) now reads as under:

“To keep in his custody any books, registers, other documents and record produced under this regulation for a maximum period of **six months**, earlier it was from one month to maximum 6 months.”

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5. In Regulation 6 which specifies Power of Investing Authority 4 new powers has been added from Regulation 6(7) to Regulation 6(10) which are as follows:

“(7) to call for information and record from any person including any bank or any other authority or board or corporation established or constituted by or under any Central, State or Provincial Act in respect of any transaction in securities which are under investigation;

(8) to make an application to the Judge of the designated court in Mumbai as notified by the Central Government for an order for the seizure of any books, registers, other documents and record, if in the course of investigation, the Investigating Authority has reasonable ground to believe that such books, registers, other documents and record of, or relating to, any intermediary or any person associated with securities market in any manner may be destroyed, mutilated, altered, falsified or secreted;

(9) to keep in his custody the books, registers, other documents and record seized under these regulations for such period not later than the conclusion of the investigation as he considers necessary and thereafter to return the same to the person, the company or the other body corporate, or, as the case may be, to the managing director or the manager or any other person from whose custody or power they were seized:

Provided that the Investigating Authority may, before returning such books, registers, other documents and record as aforesaid, place identification marks on them or any part thereof;

(10) save as otherwise provided in this regulation, every search or seizure made under this regulation shall be carried out in accordance with the provisions of the Code of Criminal Procedure, 1973 (2 of 1974) relating to searches or seizures made under that Code.”

6. Regulation 7 which stated “Power of Investigating Authority to be exercised with prior Approval” has been omitted.

7. In Regulation 8 (1) which states “Duty to co-operate, etc” the word “Regulation 7” has been substituted with “Regulation 5”. It now reads as under:

It shall be the duty of every person in respect of whom an investigation has been ordered **under Regulation 5**

8. In Regulation 8 (1) (b) which states “Duty to co-operate, etc” the words Regulation 7 has been omitted. It now reads as under:

“To appear before the Investigating Authority personally when required to do so by him under regulation 6 to answer any question which is put to him by the Investigating Authority in pursuance of the powers under the said regulations.”

9. In Regulation 8 (3) in clause (a) and (b) the words “or any person authorized by him in this behalf” has been added and clause (c) has been substituted. Regulation 8 (3) now reads as follows:

“Without prejudice to the generality of the provisions of sub-regulations (1) and (2), such person shall—

- a) allow the Investigating Authority **or any person authorized by him in this behalf** to have access to the premises occupied by such person at all reasonable times for the purpose of investigation;

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- b) extend to the Investigating Authority **or any person authorized by him in this behalf** reasonable facilities for examining any books, accounts and other documents in his custody or control whether kept manually or in computer or in any other form) reasonably required for the purposes of the investigation;
- c) provide to such Investigating Authority or any person authorized by him in this behalf any such books, accounts and records which, in the opinion of the Investigating Authority, are relevant to the investigation or, as the case may be, allow the Investigating Authority or any person authorized by him in this behalf to take computer print-outs thereof."

10. Regulation 11 (2) has been substituted and the requirement of issuing press release in newspaper of final order by board has been done away with. Regulation 11 (2) now reads as under:

"Any final order passed under sub-regulation (1) shall be put on the website of the Board ."

11. Regulation 11A which states "Manner of service of summons and notices issued by the Board" has been substituted and it now reads as follows:

"(1) A summons or notice issued by the Board under these regulations shall be served on the person through any of the following modes, namely—

- a) by delivering or tendering it to that person or his duly authorised agent; or
- b) by sending it to the person by fax or electronic mail or electronic instant messaging services along with electronic mail or by courier or speed post or registered post:

Provided that the courier or speed post or registered post shall be sent to the address of his place of residence or his last known place of residence or the place where he carried on, or last carried on, business or personally works, or last worked, for gain, with acknowledgment due:

Provided further that a summons or notice sent by fax shall bear a note that the same is being sent by fax and in case the document contains annexure, the number of pages being sent shall also be mentioned

Provided further that a summons or notice sent through electronic mail or electronic instant messaging services along with electronic mail shall be digitally signed by the competent authority and bouncing of the electronic mail shall not constitute valid service.

(2) In case of failure to serve a summons or notice through any one of the modes provided under sub-regulation (1), the summons or notice may be affixed on the outer door or some other conspicuous part of the premises in which the person resides or is known to have last resided, or carried on business or personally works, or last worked, for gain and a written report thereof shall be prepared in the presence of two witnesses.

(3) In case of failure to affix the summons or notice on the outer door as provided under sub-regulation (2), the summons or notice shall be published in at least two newspapers, one of which shall be in an English daily newspaper having nationwide circulation and another shall be in a newspaper having wide circulation published in the language of the region where that person was last known to have resided or carried on business or personally worked for gain."

12. Regulation 12 which states "Suspension or cancellation of registration" has been amended and it now reads as under:

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“The Board may, without prejudice to **any action under the securities laws or directions or circulars issued thereunder**, by an order, for reasons to be recorded in writing, in the interests of investors and securities market take the following action against an intermediary :

- (a) issue a warning or censure
- (b) suspend the registration of the intermediary; or
- (c) cancel of the registration of the intermediary

Provided that no final order of suspension or cancellation of an intermediary for violation of these regulations shall be passed unless the procedure specified in the regulations applicable to such intermediary under the **SEBI (Intermediaries) Regulations, 2008** is complied with. “

The Link for aforementioned notification is as below:

https://www.sebi.gov.in/legal/regulations/jan-2022/securities-and-exchange-board-of-india-prohibition-of-fraudulent-and-unfair-trade-practices-relating-to-securities-market-amendment-regulations-2022_55595.html

16. Introduction of Special Situation Funds as a sub-category under Category I AIFs

On **January 27, 2022** SEBI vide **Circular No. SEBI/HO/IMD-I/DF6/P/CIR/2022/009** introduced further guidelines for **Special Situation Fund (SSF)** which were notified on January 24, 2022 by Securities and Exchange Board of India (Alternative Investment Funds) (Amendment) Regulations, 2022 and were introduced as a sub-category under Category I AIF, which shall invest in ‘special situation assets’.

Following further guidelines have been issued:

1. Each scheme of SSF shall have a corpus of at least 100 crore rupees.
2. SSF shall accept an investment of value not less than 10 crore rupees from an investor. In case of an accredited investor, the SSF shall accept an investment of value not less than 5 crore rupees. Further, in case of investors who are employees or directors of the SSF or employees or directors of the manager of the SSF, the minimum value of investment shall be 25 lakh rupees.
3. SSF intending to act as a resolution applicant under the Insolvency and Bankruptcy Code, 2016 shall ensure compliance with the eligibility requirement provided thereunder.

In case of Stressed Loan:

- A. SSF may acquire stressed loan in terms of clause 58 of RBI Master Direction upon inclusion of SSF in the respective Annex of the RBI Master Direction.
- B. Stressed loan acquired by SSF in terms of clause 58 of the RBI Master Direction shall be subject to a minimum lock-in period of six months. The lock in period shall not be applicable in case of recovery of the stressed loan from the borrower.
- C. SSF acquiring stressed loans in terms of the RBI Master Direction shall comply with the same initial and continuous due diligence requirements for its investors, as those mandated by Reserve Bank of India for investors in Asset Reconstruction Companies.

Link for aforementioned circular is as below:

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https://www.sebi.gov.in/legal/circulars/jan-2022/introduction-of-special-situation-funds-as-a-sub-category-under-category-i-aifs_55625.html

17. SEBI {KYC (KNOW YOUR CLIENT) REGISTRATION AGENCY} (AMENDMENT) REGULATIONS, 2022.

On **January 28, 2022** SEBI vide Notification No. **SEBI/LAD-NRO/GN/2022/72** has introduced SEBI {KYC (Know your client) Registration Agency} (Amendment) Regulations, 2022 which amends SEBI {KYC (Know Your Client) Registration Agency} Regulations, 2011.

1. In Regulation 2(1) new clause (da) has been added which defines “Change in Control” which is as follows:

“Change in control”, in relation to a KRA, means: –

- (i) if its shares are listed on any recognised stock exchange, change in control within the meaning of regulations framed under clause (h) of sub-section (2) of section 11 of the Act;
- (ii) in any other case, change in the controlling interest;

Explanation. – For the purpose of sub-clause (ii), the expression “controlling interest” means,

- A. an interest, whether direct or indirect, to the extent of at least fifty-one percent of voting rights; or
- B. right to appoint majority of the directors or to control the management directly or indirectly;”

2. Regulation 2(1)(h) which defines KYC Registration Agency (KRA)” the words Companies Act, 1956 has been substituted with Companies Act, 2013 it now reads as follows:

“KYC Registration Agency (KRA)” is a company formed and registered under the **Companies Act, 2013** and which has been granted a certificate of registration under these regulations which hereinafter shall be deemed to be an intermediary in terms of the provisions of the Act.”

3. Regulation 2(1)(i) which defines KYC the word prescribed has been substituted with specified and it now reads as follows:

“KYC” means the procedure **specified (earlier it was prescribed)** by the Board for identifying and verifying the Proof of Address, Proof of Identity and compliance with rules, regulations, guidelines and circulars issued by the Board or any other authority for Prevention of Money Laundering from time to time.

4. Regulation 2(1) clause (k) and (l) which defines “Rules” and “Prescribed” respectively have been omitted.

5. In regulation 2 (2) The words “Companies Act, 1956 (1 of 1956)” substituted with “Companies Act, 2013 (18 of 2013)” and words “PML rules” substituted with “any rules or regulations made thereunder.” It can be reads as follows:

“All other words and expressions used but not defined in these regulations shall have the same meaning as have been assigned to them under the Act or the Securities Contracts (Regulation) Act, 1956 (42 of 1956), or the Depositories Act, 1996 (22 of 1996), or the **Companies Act, 2013 (18 of**

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2013), or Prevention of Money Laundering Act, 2002 (15 of 2003) or any rules or regulations made thereunder or any statutory modification or re-enactment thereto, as the case may be."

6. In Regulation 7 which states "Grant of certificate of registration" new sub-regulation (5) added:

"Where the KRA proposes change in control, it shall obtain prior approval of the Board for continuing to act as such after the change."

7. In Regulation 14 which states "Documents to be obtained by the KRA for the purpose of KYC" The words "as prescribed by the Board" is omitted now it reads as follows:

"The KRA shall obtain the KYC documents of the client from the intermediary and in terms of the rules, regulations, guidelines and circulars issued by the Board or any other authority for Prevention of Money Laundering, from time to time."

8. Regulation 15 which states that "Function and Obligation of KRA" new clause (da) has been added after Clause (d):

"KRA shall carry out an independent validation of the KYC records uploaded onto its system by the intermediary in such a manner as specified by the Board from time to time."

9. Regulation 15(e) has been amended and it now reads as under:

"KRA shall retain the KYC documents of the client, in 13[]electronic form for the period specified by **Rules made under the Prevention of Money Laundering Act, 2002 (15 of 2003) (earlier it was Rules)** as well as ensuring that retrieval of KYC information is facilitated within stipulated time period."

10. Regulation 15(k) has been amended now reads as under:

"KRA shall take all reasonable measures to prevent unauthorized access to its database and have audit of its systems and procedures at regular intervals **as specified by the Board from time to time (earlier it was "as prescribed by the Board"**

11. In Regulation 15 new clause (p) has been added after Clause (o) it reads as under:

"KRA shall maintain an audit trail of any upload/ modification /download regarding the KYC records of each client."

12. In Regulation 16 new clause (e) being added after clause (d) which reads as under:

"The intermediary shall integrate its systems with the KRA to facilitate seamless movement of KYC documents to and from the intermediary to the KRA."

13. In Regulation 18 (2) (a) which states "Boards Right to Inspect" the word "as prescribed by the Board" has been substituted with "as specified by the Board from time to time". It now reads as under:

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“The Board may inspect a KRA for the following purposes:

(a) that the books of accounts, records and KYC documents, **as specified by the Board from time to time**, are being maintained by the KRA”

14. In Schedule I, Form A, Part I, in clause 1.10 the wordings “having a valid certificate of practice under sub section (1) of section 6 of the Chartered Accountants Act, 1949 (38 of 1949)” has been added. Now Clause 1.10 read as under:

“Networth of the applicant for the past three financial years(enclose copy of balance sheet and a copy of the latest networth certified by a practicing chartered accountant **having a valid certificate of practice under sub section (1) of section 6 of the Chartered Accountants Act, 1949 (38 of 1949)**”

Link for aforementioned regulation is as below:

https://www.sebi.gov.in/legal/regulations/jan-2022/securities-and-exchange-board-of-india-kyc-know-your-client-registration-agency-amendment-regulations-2022_55733.html

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