

**SEBI UPDATES**

**1. Automation of disclosure requirement under SEBI (Substantial Acquisition of Shares and Takeover Regulation, 2011 - System Driven Disclosures (SDD) - Ease of doing business**

On **March 07, 2022**, SEBI vide its Circular No. **SEBI/HO/CFD/DCR-3/P/CIR/2022/27** issued disclosure regarding automation of disclosure requirements under SEBI (SAST) Regulations, 2011. This circular shall come into effect from July 01, 2022.

Earlier, SEBI had issued various circulars for implementation of the System Driven Disclosures (“SDD”) in different phases. SEBI had amended SEBI (Substantial Acquisition of Shares and Takeover) Regulation, 2011 on August 13, 2021 doing away with requirement of manual filing for most of the takeover transactions with effect from April 01, 2022.

Therefore, transactions undertaken in the depository system under Regulation 29 (Disclosure of acquisition and disposal) and Regulation 31 (Disclosure of encumbered shares) do not require manual filing except for the following transactions:

- Triggering of disclosure requirement due to acquisition or disposal of the shares, by the acquirer together with persons acting in concert (PACs).
- Triggering of disclosure requirement in case the shares are held in physical form by the acquirer and/or PACs.
- Listed companies who have not provided PAN Number of promoter(s) including member(s) of the promoter group to the designated depository or companies which have not appointed any depository as their designated depository.

**Disclosure of encumbered shares- Capturing ultimate lender**

Promoters are required to file disclosures on reasons for encumbered shares manually to the stock exchanges.

The depositories are required to put in place systems for capturing and recording all types of encumbrances including Non-Disposal Undertakings (NDUs) as specified in Regulation 28(3) of Takeover Regulations.

Thus, in order to streamline dissemination of the information related to “encumbrances” and bring in more transparency SEBI has decided that:

- **All types of encumbrances** as defined under Regulation 28(3) of Takeover Regulations shall necessarily be **recorded in the depository system**.
- The depositories shall capture details of the **ultimate lender** along with name of the trustee acting on behalf of such ultimate lender such as banks, NBFCs etc. In case of issuance of debentures, name of the debenture issuer shall be captured in the depository system.
- The depositories shall now capture the **reasons for encumbrances** in the depository system

The depositories are also required to devise an appropriate mechanism to record all types of outstanding encumbrances in the depository system by June 30, 2022.

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### **Coordination among Market Infrastructure Institutions:**

For the purpose of dissemination of information:

- The **depositories** shall provide **information to the stock exchanges** for the transactions recorded in the depository system.
- The stock exchanges shall **consolidate the information** received from both the depositories and **disseminate** the same on their website.
- The stock exchanges shall also devise a mechanism for dissemination of disclosures under SDD in a simple readable pdf format.
- Reconciliation of data shall be conducted by listed companies, stock exchanges and depositories at least once in a quarter or immediately whenever any discrepancy is noticed.

The link for aforesaid Circular is mentioned below:

<https://www.sebi.gov.in/legal/circulars/mar-2022/automation-of-disclosure-requirements-under-sebi-substantial-acquisition-of-shares-and-takeovers-regulations-2011-system-driven-disclosures-ease-of-doing-business- 56655.html>

### **2. Revision to Operational Circular for issue and listing of Non-convertible Securities, Securitised Debt Instruments, Security Receipts, Municipal Debt Securities and Commercial Paper**

On **March 08, 2022**, SEBI vide its Circular No. **SEBI/HO/DDHS/P/CIR/2022/0028** issued an operational circular to increase in the per transaction limit for UPI based application in Initial Public Offer (IPO) of Non-convertible Securities, Securitised Debt Instruments, Security Receipts, Municipal Debt Securities and Commercial Paper from **Rs. 2 lakhs** to **Rs. 5 lakhs**

Earlier Circular dated August 10, 2021 bearing Circular No. SEBI/HO/DDHS/P/CIR/2021/613 SEBI had provided an option to investors to apply in public issues of debt securities with the facility to block funds through Unified Payments Interface ("UPI") mechanism for application value up to **Rs. 2 lakhs**.

Later NCPI vide Circular enhanced the per transaction limit in UPI from **Rs. 2 lakhs** to **Rs. 5 lakhs** for UPI based Application Supported by Blocked Amount (ASBA) Initial Public Offer (IPO).

Accordingly respective changes have been made in Chapter I & II of SEBI Operational Circular No. Operational Circular No. SEBI/HO/DDHS/P/CIR/2021/613.

The provisions of this Circular shall be applicable to public issues of debt securities which open on or after May 1, 2022.

The link for aforesaid Circular is mentioned below:

<https://www.sebi.gov.in/legal/circulars/mar-2022/change-in-upi-limits-revision-to-operational-circular-for-issue-and-listing-of-non-convertible-securities-securitised-debt-instruments-security-receipts-municipal-debt-securities-and-commercial-p- 56665.html>

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### **3. Discontinuation of usage of pool account transactions in unit of mutual funds**

On **March 15, 2022**, SEBI vide its Circular No. **SEBI/HO/IMD/IMD-I DOF5/P/CIR/2022/29** issued clarification with respect to its circular dated October 04, 2021 through which it discontinued the intermediate pooling of funds and/or units in Mutual Fund transactions by Mutual Fund Distributors ('MFDs'), Investment Advisers ('IAs'), Mutual Fund Utilities ('MFU'), Channel Partners or any other service providers/ platforms, by whatsoever name called.

And similarly, another circular dated October 04, 2021 discontinued the pooling of funds and/ or units by stock brokers / clearing members in any manner for Mutual Fund transactions on Stock Exchange platforms, permitted *vide* SEBI circulars dated November 13, 2009 and dated November 9, 2010. Both the circular shall come in effect from April 01, 2022.

SEBI received various representation from stakeholders and recommendations of the Mutual Fund Advisory Committee. After examining those representation, SEBI decided the following for smooth implementation of the earlier Circulars.

#### **1. Transaction in unit of Mutual funds on the Stock Exchange Platforms:**

SEBI vide Circular dated October 04, 2021 directed stock brokers / clearing members who facilitates mutual fund transactions, that they shall not accept payment through one-time mandate or issuance of mandates/ instruments in their name for mutual fund transactions. However, one-time mandates in favour of SEBI recognized Clearing Corporations may be accepted. It is now clarified that:

- A)** Existing mandates which are being used for Mutual Fund transactions can continue to remain in the name of the stock brokers / clearing members, subject to Stock Exchanges/ Clearing Corporations ensuring that Payment Aggregators ("PA") puts in place mechanisms wherein beneficiary of the mandate can only be an Approved Account (which shall only be the bank account of the Clearing Corporation) such that:
- a) PA shall directly credit the monies collected from the bank account of the investor only into an Approved Account; and
  - b) PA shall not act on instructions of the stock brokers / clearing members to alter or modify the list of Approved Accounts and in no case the monies shall be credited to the bank account of the stock brokers / clearing members.
- B)** With respect to processing mutual fund transactions under the above-mentioned mandates, Stock Exchanges/ Clearing Corporations shall:
- a) ensure that PA has put in place adequate checks and balances, *inter alia*, to ensure such Approved Account is that of a Clearing Corporation;
  - b) enter into an agreement with the concerned PA to ensure that only those mutual fund transactions are processed through them which are in compliance with this Circular read with the Circular dated October 4, 2021; and
  - c) have adequate checks and balances to monitor and govern the receipt of payments through the PA, including by way of third party audits (at least on an annual basis), to verify the compliance with these provisions which shall form part of the agreement with the PA.

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- C)** In case of breach of conditions or misuse of funds by the PA appointed by the stock brokers/ clearing members or by the stock brokers/ clearing members with respect to mandates accepted in respect of Mutual Fund transactions the Stock Exchanges/ Clearing Corporations shall provide investor grievance redressal / arbitration mechanism to clients against stock brokers/ clearing members (as is applicable for other segment of Stock Exchange transactions),
- D)** On or after April 01, 2022, new mandates shall be accepted only in favour of SEBI recognized Clearing Corporations and those mandates shall exclusively be for subscriptions to units of Mutual Fund schemes and not for any other purpose.

### **2. Transactions in unit of Mutual Funds facilitated by entities including online platforms other than stock exchange**

SEBI vide Circular dated **October 04, 2021** required that MFDs / IAs, MFU, channel partners and other entities (including online platforms) ("OTM Holders") facilitating MF transactions shall not accept payment through one-time mandate or issuance of mandates/ instruments in the name of the OTM holders for mutual fund transactions. It is now clarified that:

- A)** Existing mandates being used for Mutual Fund transactions can continue to remain in the name of such OTM holders, subject to AMCs ensuring that the PA puts in place mechanisms wherein beneficiary of the mandate can only be an Approved Account (which shall only be the bank account of a mutual fund pool account or mutual fund scheme account) such that:
- a) PA shall directly credit the monies collected from the bank account of the investor only into an Approved Account, with the credit being made as per the mandate/ instruction given to the OTM holder by the client; and
- b) PA shall not act on instructions of the OTM holder to alter or modify the list of Approved Accounts and in no case the monies shall be credited to the bank account of the OTM Holder.
- B)** Processing mutual fund transactions under the above-mentioned mandates, AMCs shall:
- a) ensure that PA has put in place adequate checks and balances, inter alia, such that Approved Account is that of a mutual fund scheme or mutual fund registered with SEBI;
- b) Enter into an agreement with the concerned PA to ensure that only those mutual fund transactions are processed through them which are in compliance with this Circular read with the Circular dated October 4, 2021; and
- c) Have adequate checks and balances to monitor and govern the receipt of payments through the PA, including by way of third-party audits (at least on an annual basis), to verify the compliance with these provisions which shall form part of the agreement with the P.A.
- C)** AMCs shall be liable to the unit holders for breach of these conditions or misuse of funds by PA or OTM holder with respect to mandates covering Mutual Fund transactions.
- D)** On or after April 01, 2022, new Mandates may be accepted in the name of the OTM holders, subject to compliance with conditions mentioned above and those mandates shall exclusively be for subscriptions to units of Mutual Fund schemes and not for any other purpose.

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### **3. The term “Mandate” and “Payment Aggregators” are defined as follows:**

*“Mandate” includes instrument, authorisation or order in any form, including electronic means, to effect a payment by a person for the purpose of mutual fund investment; and*

*“Payment Aggregators” includes Payment Aggregators authorized / permitted by RBI and scheduled commercial banks acting in the capacity of Payment Aggregators.*

### **4. Clause 4.4 of Circular dated October 4, 2021 is modified as under which shall come into effect from April 15, 2022:**

*“In case of redemption of units, Two-Factor Authentication (for online transactions) and signature method (for offline transactions) shall be used for authentication. One of the Factors for such Two-Factor Authentication for non demat redemption shall be a One-Time Password sent to the unit holder at his/her email/ phone number registered with the AMC. In case of demat redemption, process of authentication as laid down by the Depositories shall be followed.”*

The link for aforesaid Circular is mentioned below:

[https://www.sebi.gov.in/legal/circulars/mar-2022/discontinuation-of-usage-of-pool-accounts-for-transactions-in-the-units-of-mutual-funds-clarifications-with-respect-to-circulars-dated-october-4-2021\\_56887.html](https://www.sebi.gov.in/legal/circulars/mar-2022/discontinuation-of-usage-of-pool-accounts-for-transactions-in-the-units-of-mutual-funds-clarifications-with-respect-to-circulars-dated-october-4-2021_56887.html)

### **4. Standardisation of industry classification – Revision in Chapter – XIV of Operational Circular for issue and listing of Non- Convertible Securities, Securitised Debt Instruments, Security Receipts, Municipal Debt Securities and Commercial Paper**

On **March 22, 2022**, SEBI vide its Circular amended Chapter- XIV of Operational Circular dated August 10, 2021 which states provisions mandating stock exchanges and depositories to jointly create, host and maintain a Centralized Database of corporate bonds, held in demat form. The provisions of this circular shall be applicable to all issuances of debt securities, which open, on or after April 1, 2022.

The Market Data Advisory Committee (MDAC), Standing Committee constituted by SEBI examined the existing industry classification structures, across sectors, and developed a revised harmonised 4 level industry classification framework for adoption by all stakeholders and for all relevant processes/ purposes in Indian securities market. This standardised framework will bring uniformity in the classifications of industry across all sectors.

Amendments are made in Chapter XIV – Centralized Database for corporate bonds/ debentures as follows:

Para 2.2 b) now reads as follows: ***“Post listing of securities, issuer shall submit information in the requisite fields as provided in Annex - XIV-B to any of the stock exchanges where their securities are listed on a periodical basis within 30 days from the end of the financial year and/ or ‘as and when’ basis (i.e. event based), as applicable. The stock exchange shall indicate the format of filing to the issuers in this regard.”***

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Clause 8. b) of Annex XIV-A regarding Type of Issuer - Based on nature of business is be deleted.  
Clause 9 of Annex XIV-A regarding Sector of Business is replaced as per the table given in this Circular.

The link for aforesaid Circular is mentioned below:

<https://www.sebi.gov.in/legal/circulars/mar-2022/standardisation-of-industry-classification-revision-in-chapter-xiv-of-operational-circular-for-issue-and-listing-of-non-convertible-securities-securitised-debt-instruments-security-receipts-mun-57060.html>

### **5. SEBI (Listing Obligations and Disclosure Requirements) 2<sup>nd</sup> Amendment Regulations, 2015**

On **March 22, 2022**, SEBI vide its **SEBI/ LAD-NRO/GN/2022/76** amended SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015, which shall be effective from March 22, 2022 whereby **“Separation of posts of Chairperson and the Managing Director or the Chief Executive Officer”** which was mandatory under Regulation 17 (1B) of SEBI (LODR) Regulations, 2015 is omitted.

1. Regulation 17 (1B) which reads as follows is now **omitted**:

*“With effect from April 1, 2022, the top 500 listed entities shall ensure that the Chairperson of the board of such listed entity shall:*

*(a) be a non-executive director;*

*(b) not be related to the Managing Director or the Chief Executive Officer as per the definition of the term “relative” defined under the Companies Act, 2013.*

*Provided that this sub-regulation shall not be applicable to the listed entities which do not have any identifiable promoters as per the shareholding pattern filed with stock exchanges.*

*Explanation -The top 500 entities shall be determined on the basis of market capitalisation, as at the end of the immediate previous financial year”*

2. In Schedule II PART E, after clause C, the following clause D shall be inserted:

**“D. Separate posts of Chairperson and the Managing Director or the Chief Executive Officer**

The listed entity may appoint separate persons to the post of the Chairperson and the Managing Director or the Chief Executive Officer, such that the Chairperson shall –

(a) be a non-executive director; and

(b) not be related to the Managing Director or the Chief Executive Officer as per the definition of the

term “relative” defined under the Companies Act, 2013.”

The link for aforesaid Circular is mentioned below:

<https://www.sebi.gov.in/legal/regulations/mar-2022/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-second-amendment-regulations-2022-57098.html>

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### **6. SEBI (Alternative Investment Funds) (Second Amendment) Regulations, 2022**

On **March 16, 2022**, SEBI vide its **SEBI/LAD-NRO/GN/2022/75** amended SEBI (Alternative Investment Funds) Regulations, 2012 as SEBI (Alternative Investment Funds) (Second Amendment) Regulations, 2022, which shall come into effect from March 16, 2022.

Regulation 15 of SEBI (Alternative Investment Funds) Regulations, 2012, provides for General Investment Conditions in which sub-regulation (1) enumerates “**Investment condition for all categories of Alternative Investment Funds**” in that clause (d) is altered with following wordings:

*“(d) Category III Alternative Investment Funds shall invest not more than 10% of the investable funds in an Investee Company, directly or through investment in units of other Alternative Investment Funds and the large value funds for accredited investors of Category III Alternative Investment Funds may invest up to 20% of the investable funds in an Investee Company, directly or through investment in units of other Alternative Investment Funds.*

*Provided that for investment in **listed equity** of an Investee Company, Category III Alternative Investment Funds may calculate the investment limit of **10%** of either the investable funds or the net asset value (NAV) of the scheme and large value funds for accredited investors of Category III Alternative Investment Funds may calculate the investment limit of **20%** of either the investable funds or the net asset value of the scheme, subject to the conditions specified by the SEBI.”*

The link for aforesaid Circular is mentioned below:

[https://www.sebi.gov.in/legal/regulations/mar-2022/securities-and-exchange-board-of-india-alternative-investment-funds-second-amendment-regulations-2022\\_56966.html](https://www.sebi.gov.in/legal/regulations/mar-2022/securities-and-exchange-board-of-india-alternative-investment-funds-second-amendment-regulations-2022_56966.html)

### **7. Change in control of Sponsor and/or Manager of Alternative Investment Fund (AIF) involving scheme of arrangement under Companies Act, 2013**

SEBI on **March 23, 2022** vide its Circular **SEBI/HO/IMD-1/ DF9/CIR/2022/032** streamlined the process for approval with respect to change in control of sponsor and manager of Alternative Investment Funds (AIFs) involving a scheme of arrangement under the Companies Act, 2013 which shall be effective from **April 01, 2022**.

Regulation 20 (13) of SEBI (Alternative Investment Funds) Regulations, 2012 enumerates that, in case of change in control of the Sponsor and/or Manager of the AIF, prior approval from the SEBI shall be taken by the AIF. Further, SEBI Circular dated June 19, 2014 read with SEBI Circular dated July 18, 2014 provides for the process to be followed in case of change in control of Sponsor / Manager.

To streamline the process of providing approval to the proposed change in control of the Sponsor and/or Manager of the AIF involving scheme of arrangement which needs sanction of National Company Law Tribunal (“NCLT”) following has been decided by SEBI:

- The application seeking approval for the proposed change in control of the Sponsor and/or Manager of the AIF under Regulation 20(13) of AIF Regulations shall be filed with SEBI prior to filing the application with the NCLT;
- SEBI to grant in principle approval post satisfaction of compliance of the applicable regulatory requirements;

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- The validity of In-principal approval shall be 3 months from the date of issuance, within which the application shall be made to NCLT;
- Within 15 days from the date of order of NCLT, applicant shall submit the following documents to SEBI for final approval
  - a. Application for the final approval;
  - b. Copy of the NCLT Order approving the scheme;
  - c. Copy of the approved scheme;
  - d. Statement explaining modifications, if any, in the approved scheme vis-à-vis the draft scheme and the reasons for the same; and
  - e. Details of compliance with the conditions/ observations mentioned in the in-principle approval provided by SEBI.

The link for aforesaid Circular is mentioned below:

[https://www.sebi.gov.in/legal/circulars/mar-2022/change-in-control-of-sponsor-and-or-manager-of-alternative-investment-fund-involving-scheme-of-arrangement-under-companies-act-2013\\_57064.html](https://www.sebi.gov.in/legal/circulars/mar-2022/change-in-control-of-sponsor-and-or-manager-of-alternative-investment-fund-involving-scheme-of-arrangement-under-companies-act-2013_57064.html)

### **8. Calculation of investment concentration norm for Category III AIFs**

Earlier on March 16, 2022, SEBI amended SEBI (Alternative Investment Funds) Regulation, 2012 to provide flexibility to Category III AIFs (The same is provided above in this Newsletter). Further On March 28, 2022 vide its Circular **SEBI/HO/IMD/IMD-I/DOF6/P/CIR/2022/0000000037** issued **“Calculation of investment concentration norm for Category III AIFs”** which shall be effective with immediate effect. Key points are discussed below:

- AIF can calculate investment concentration norm based either on **investable funds** or **net asset value** (“NAV”) of the scheme while investing in listed equity of an investee company
- **“Existing Category III AIFs”** may opt for calculating investment concentration norm based on investable funds with the **approval of their trustees or board of directors or designated partners** and inform the same to investors of Category III AIF **within 30 days**.
- All Category III AIFs shall disclose the **basis for calculation of investment concentration norm** in the placement memorandum of their schemes.
- The basis for calculating investment concentration norm shall not be changed during the term of the scheme.
- However, if Category III AIFs opt to calculate investment concentration norm based on NAV then they are required to comply with SEBI circular dated November 22, 2021.

The link for aforesaid Circular is mentioned below:

[https://www.sebi.gov.in/legal/circulars/mar-2022/circular-on-calculation-of-investment-concentration-norm-for-category-iii-aifs\\_57249.html](https://www.sebi.gov.in/legal/circulars/mar-2022/circular-on-calculation-of-investment-concentration-norm-for-category-iii-aifs_57249.html)

### **9. Product specifications pertaining to the Electronic Gold Receipts (EGR) segment in India**

Earlier, SEBI has issued various Circulars in January & February 2022 for framework for operationalizing the Gold Exchange in India & Standard Operating Guidelines for the Vault Managers and Depositories in Electronic Gold Receipts (EGR) segment.

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Now on March 28, 2022 SEBI vide Circular SEBI/HO/CDMRD/DMP/P/CIR/2022/36 issued further guidelines, which is **applicable with immediate effect**, specifying that stock exchanges may launch contracts with different denomination for trading and / or conversion of EGR into gold subject to complying with the following:

- Any person desirous of dealing in EGR on the stock exchange shall deposit the gold with the registered Vault Managers, in the 'deposit unit'.
- The trading of EGR shall take place on stock exchanges, in the 'trading unit'. The stock exchanges shall ensure that **trading unit is not smaller than 10th part of the corresponding deposit unit**.
- The **"settlement unit"** of EGR shall be same as **"trading unit"**.
- Beneficial owner of EGR intending to obtain physical gold against the EGR/s, is required to follow procedure stated in SEBI Circular dated January 10, 2022. The 'withdrawal unit' of EGR shall be same as 'deposit unit'.
- The ISINs of EGRs shall also contain **details of deposit unit and trading unit**.
- The stock exchanges shall disseminate adequate information for EGRs holders with different deposit and trading unit.
- The details of deposit unit / withdrawal unit and trading unit / delivery unit shall be clearly spelt out in the contract specifications of the exchange
- At the time of creation of EGR, the beneficial owner of gold shall specify the trading unit of EGR, to the Vault Manager.

The link for aforesaid Circular is mentioned below:

[https://www.sebi.gov.in/legal/circulars/mar-2022/circular-on-product-specifications-pertaining-to-egr-segment-in-india\\_57235.html](https://www.sebi.gov.in/legal/circulars/mar-2022/circular-on-product-specifications-pertaining-to-egr-segment-in-india_57235.html)

### **10. Revision in BSE Annual Listing Fees for listing of Privately Placed Debt Instruments (PPDIs):**

Bombay Stock Exchange (BSE) on March 26, 2022 vide its Circular **LIST/COMP/OPS/423/2021-22** revised its Annual Listing Fees to be paid by the listed entities for listing of **Privately Placed Debt Instruments (PPDIs)** on the Exchange which shall be **effective from April 01, 2022**.

The link for aforesaid Circular is mentioned below:

<https://www.bseindia.com/markets/MarketInfo/DispNewNoticesCirculars.aspx?page=20220326-2>

### **11. Revision in BSE Annual Listing Fees of Securities other than Privately Placed Debt Instruments (PPDIs)**

Bombay Stock Exchange (BSE) on March 26, 2022 vide its Circular **LIST/COMP/OPS/422/2021-22** revised its Annual Listing Fees to be paid by the listed entities of Securities other than Privately Placed Debt Instruments (PPDIs) on the BSE which shall be effective from **April 01, 2022**.

BSE has classified its **Fees Structure** based on:

- A. Paid up Capital
- B. Market Capitalisation

The link for aforesaid Circular is mentioned below:

<https://www.bseindia.com/markets/MarketInfo/DispNewNoticesCirculars.aspx?page=20220326-1>

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### **12. SEBI Board Meeting**

On **March 29, 2022** SEBI vide Press Release **PR No. 8/2022** released the decisions approved in the Board Meeting of the SEBI held on March 29, 2022. The SEBI Board met in Mumbai. The Board took following decisions:

- I. Amendment to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 for simplification of procedure for transmission of securities:
  - a. The existing threshold limit for simplified documents has been revised from Rs. 2 Lakhs to Rs. 5 Lakhs for securities held in physical mode per listed issuer and Rs. 5 Lakhs to Rs. 15 Lakhs for securities held in dematerialized mode for each beneficiary account.
  - b. Legal Heirship Certificate or its equivalent certificate issued by competent Government Authority will be an acceptable document for transmission of securities.

The objective is to ensure that uniform processes are followed by the Registrars to an Issue and Share Transfer Agents (RTAs) /listed companies which would further ease the transmission process for investors.

- II. Amendments to SEBI (Collective Investment Schemes) Regulations, 1999:

The Board approved amendment to SEBI (Collective Investment Schemes) Regulations, 1999 to strengthen the regulatory framework for Collective Investment Schemes (CIS) in line with Mutual Fund regulations to remove regulatory arbitrage. Some of the key amendments are as follows:

  - a. Enhancement of net-worth criteria and requirement of having track record in relevant field as an eligibility requirement for registration as a Collective Investment Management Company (CIMC).
  - b. CIMC and its group/ associates/ shareholders are restricted to 10% shareholding or representation on board of another CIMC to avoid conflict of interest.
  - c. Mandatory investment of CIMC and its designated employees in the Collective Investment Schemes (CIS) to align their interest with that of the CIS.
  - d. Mandatory requirement of minimum number of investors, maximum holding of a single investor and minimum subscription amount at CIS level.
  - e. Rationalization of fee and expenses to be charged to the scheme.
  - f. Reduction of timelines for offer period of scheme, allotment of units and refund of money to investors.

- III. Enabling Custodians to provide custodial services in respect of silver exchange traded fund schemes of mutual funds ('silver ETFs'):

The Board considered the proposal and approved the amendments to the SEBI (Custodian) Regulations, 1996, to enable SEBI registered Custodians to provide custodial services in respect of silver or silver related instruments held by silver ETFs of Mutual Funds.

The link for aforesaid Press Release is mentioned below:

[https://www.sebi.gov.in/media/press-releases/mar-2022/sebi-board-meeting\\_57326.html](https://www.sebi.gov.in/media/press-releases/mar-2022/sebi-board-meeting_57326.html)

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

### **13. Clarification on applicability of regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 in relation to Related Party Transactions**

SEBI on **March 30, 2022** vide its Circular **SEBI/HO/CFD/CMD1/CIR/P/2022/40** issued clarifications and guidelines for smooth implementation of the amended Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR Regulations). This Circular shall come into force with effect from April 1, 2022.

- a. For an RPT that has been approved by the audit committee and shareholders prior to April 1, 2022, there shall be no requirement to seek fresh approval from the shareholders.
- b. Regulation 23(8) of the LODR Regulations, 2015 specifies that all existing material related party contracts or arrangements entered into prior to the date of notification of these regulations and which may continue beyond such date shall be placed for approval of the shareholders in the first General Meeting subsequent to notification of these regulations.

In accordance with the said regulation, an RPT that has been approved by the audit committee prior to April 1, 2022 which continues beyond such date and becomes material as per the revised materiality threshold shall be placed before the shareholders in the first General Meeting held after April 1, 2022.

- c. An RPT for which the audit committee has granted omnibus approval, shall continue to be placed before the shareholders if it is material in terms of Regulation 23(1) of the LODR Regulations.
- d. Transparency, accountability and shareholder empowerment are the bedrock of robust corporate governance. Listed entities, therefore, shall ensure to comply with the spirit of the law and endeavour to provide relevant and detailed information to enable and empower shareholders for taking an informed decision.

The explanatory statement contained in the notice sent to the shareholders for seeking approval for an RPT shall provide relevant information so as to enable the shareholders to take a view whether the terms and conditions of the proposed RPT are not unfavourable to the listed entity, compared to the terms and conditions, had similar transaction been entered into between two unrelated parties.

The link for aforesaid Circular is mentioned below:

[https://www.sebi.gov.in/legal/circulars/mar-2022/clarification-on-applicability-of-regulation-23-of-sebi-listing-obligations-and-disclosure-requirements-regulations-2015-in-relation-to-related-party-transactions\\_57398.html](https://www.sebi.gov.in/legal/circulars/mar-2022/clarification-on-applicability-of-regulation-23-of-sebi-listing-obligations-and-disclosure-requirements-regulations-2015-in-relation-to-related-party-transactions_57398.html)

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### **14. Timelines for Rebalancing of Portfolios of Mutual Fund Schemes**

SEBI on **March 30, 2022** vide its Circular **SEBI/HO/IMD/IMD-II DOF3/P/CIR/2022/39** issued norms regarding timelines for Rebalancing of Portfolios of Mutual Fund Schemes and to bring uniformity across Mutual Funds. The below mentioned norms shall be applicable to main portfolio only and not to segregated portfolio(s), if any and shall be effective from July 01, 2022.

Following has been decided by SEBI:

- a. In the event of deviation from mandated asset allocation mentioned in the Scheme Information Document (SID) due to passive breaches (occurrence of instances not arising out of omission and commission of AMCs), rebalancing period across schemes shall be as follows:

<b>Sr. No.</b>	<b>Category of Scheme</b>	<b>Mandated Rebalancing Period</b>
1	Overnight Fund	NA
2	All schemes other than Index Funds and Exchange Traded Funds	30 business days

- b. In case the portfolio of schemes mentioned at para above are not rebalanced within the above mandated timelines, justification in writing, including details of efforts taken to rebalance the portfolio shall be placed before Investment Committee. The Investment Committee, if so desires, can extend the timelines up to 60 business days from the date of completion of mandated rebalancing period.
- c. In case the portfolio of schemes is not rebalanced within the aforementioned mandated plus extended timelines, AMCs shall:
- not be permitted to launch any new scheme till the time the portfolio is rebalanced.
  - not to levy exit load, if any, on the investors exiting such scheme(s).
- d. Reporting and Disclosure Requirements:
- i. AMCs to report the deviation to Trustees at each stage.
  - ii. In case the AUM of deviated portfolio is more than 10% of the AUM of main portfolio of scheme:
    - AMCs have to immediately disclose the same to the investors through SMS and email / letter including details of portfolio not rebalanced.
    - AMCs shall also have to immediately communicate to investors through SMS and email / letter when the portfolio is rebalanced.
    - Subject line of the aforementioned emails / letters should be uniform across industry and clearly indicate “breach of” / “deviation” from mandated asset allocation.
- e. AMCs have to disclose any deviation from the mandated asset allocation to investors along with periodic portfolio disclosures as specified by SEBI from the date of lapse of mandated plus extended rebalancing timelines.

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The link for aforesaid Circular is mentioned below:

[https://www.sebi.gov.in/legal/circulars/mar-2022/timelines-for-rebalancing-of-portfolios-of-mutual-fund-schemes\\_57376.html](https://www.sebi.gov.in/legal/circulars/mar-2022/timelines-for-rebalancing-of-portfolios-of-mutual-fund-schemes_57376.html)

### **15. Frequently Asked Questions on SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011**

SEBI on **March 30, 2022** vide its Circular **SEBI/HO/IMD/IMD-II DOF3/P/CIR/2022/39** issued FAQs on SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 for simplistic explanation/clarification of terms/concepts related to the SAST Regulations.

The link for the aforesaid FAQs is mentioned below:

[https://www.sebi.gov.in/sebi\\_data/faqfiles/mar-2022/1648620806406.pdf](https://www.sebi.gov.in/sebi_data/faqfiles/mar-2022/1648620806406.pdf)

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