

SEBI UPDATES

1. Investor Grievance Redressal Mechanism and Amendment to SEBI Circular no. SEBI/HO/DMS/CIR/P/2017/15 dated February 23, 2017

On **July 04, 2022**, SEBI vide its Circular no. **SEBI/HO/MRD1/ICC1/CIR/P/2022/94** (hereinafter referred to as "**the Circular**") with regards to Investor Grievance Redressal Mechanism advised as follows:

i. Online Web Based Complaints Redressal System

SEBI, in line with the **SCORES platform**, advised all the Recognized Stock Exchanges including Commodity Derivatives Exchanges / Depositories, to design and implement an online web-based complaints redressal system ("the system") of their own within 6 months from the issuance of the circular, to enable investors to lodge, follow up and track the status of redressal of their complaints.

The system will facilitate investors to file and escalate complaints for redressal through Grievance Redressal Committee ("**GRC**"), arbitration, appellate arbitration etc. in accordance with the respective byelaws, rules and regulations of the Recognized Stock Exchanges including Commodity Derivatives Exchanges / Depositories. Further the system will expedite redressal/disposal of investors' complaints, obviate the need for physical movement of complaints and facilitate easy retrieval and tracking of complaints.

ii. Hybrid Mode of Conducting GRC and Arbitration / Appellate Arbitration

During COVID pandemic, Stock Exchanges were advised to conduct GRC and arbitration / appellate arbitration meetings/hearings online for faster redressal of complaints which saved time and cost of the parties involved.

Therefore SEBI, vide the circular has decided that the Stock Exchanges shall continue with the **hybrid mode** (i.e., online and offline) of conducting GRC and arbitration / appellate arbitration process.

Further, the Depositories in line with the Stock Exchanges shall also follow the hybrid mode of conducting GRC and arbitration / appellate arbitration process.

iii. Amendment to SEBI Circular no. SEBI/HO/DMS/CIR/P/2017/15 dated February 23, 2017

SEBI vide the circular amended the SEBI Circular no. SEBI/HO/DMS/CIR/P/2017/15 dated February 23, 2017, thereby obviating the requirement of payment of fees provided in the clause for speeding up grievance redressal mechanism of the aforementioned circular, in cases of claim / counter claim up to Rs. 20 lakhs (Rupees Twenty Lakhs).

The link for the aforesaid Circular is as below:

https://www.sebi.gov.in/legal/circulars/jul-2022/investor-grievance-redressal-mechanism-and-amendment-to-sebi-circular-no-sebi-ho-dms-cir-p-2017-15-dated-february-23-2017_60535.html

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2. Modification in Cyber Security and Cyber Resilience Framework of KYC Registration Agencies (KRAs)

On **July 05, 2022**, SEBI vide its Circular no. **SEBI/HO/MIRSD/TPD/P/CIR/2022/95** (hereinafter referred to as "**the Circular**") partially modified the requirements prescribed in its Circular no. **SEBI/HO/MIRSD/DOP/CIR/P/2019/111** dated **October 15, 2019**, with respect to reporting of cyber attacks and threats experienced by KRAs and provided the following:

- i. All Cyber-attacks, threats, cyber-incidents and breaches experienced by KRAs **shall be reported to SEBI within 6 hours** of noticing / detecting such incidents or being brought to notice about such incidents.
- ii. The incident shall also be **reported to Indian Computer Emergency Response Team (CERT-In)** in accordance with the guidelines / directions issued by CERT-In.
- iii. KRAs, whose systems have been identified as "Protected System" by National Critical Information Infrastructure Protection Centre (NCIIPC) shall also **report the incident to NCIIPC.**
- iv. The **quarterly reports** containing information on cyber-attacks, threats, cyber-incidents and breaches experienced by KRAs and measures taken to mitigate vulnerabilities, threats and attacks including information on bugs/ vulnerabilities/threats that may be useful for other KRAs shall now **be submitted to SEBI within 15 days** from the quarter ended June, September, December and March of every year.
- v. The provisions of the Circular shall come into force with immediate effect.

The link for the aforesaid Circular is as below:

<https://www.sebi.gov.in/legal/circulars/jul-2022/modification-in-cyber-security-and-cyber-resilience-framework-of-kyc-registration-agencies-kras-60562.html>

3. Modification in Cyber Security and Cyber resilience framework of Qualified Registrars to an Issue and Share Transfer Agents ("QRTAs")

On **July 06, 2022**, SEBI vide its Circular no. **SEBI/HO/MIRSD/TPD/P/CIR/2022/96** (hereinafter referred to as "**the Circular**") partially modified the requirements prescribed in its Circular no. **SEBI/HO/MIRSD/CIR/P/2017/0000000100** dated **September 08, 2017**, with respect to reporting of cyber attacks and threats experienced by QRTAs and provided the following:

- i. All Cyber-attacks, threats, cyber-incidents and breaches experienced by QRTAs shall be reported to **SEBI within 6 hours of noticing** / detecting such incidents or being brought to notice about such incidents.
- ii. The incident shall also be **reported to Indian Computer Emergency Response Team (CERT-In)** in accordance with the guidelines / directions issued by CERT-In.
- iii. QRTAs, whose systems have been identified as "Protected system" by National Critical Information Infrastructure Protection Centre (NCIIPC) shall also **report the incident to NCIIPC.**
- iv. The **quarterly reports** containing information on cyber-attacks, threats, cyber-incidents and breaches experienced by QRTAs and measures taken to mitigate vulnerabilities, threats and attacks including information on bugs/ vulnerabilities/threats that may be useful for other QRTAs shall now **be submitted to SEBI within 15 days** from the quarter ended June, September, December and March of every year.
- v. The provisions of the Circular shall come into force with immediate effect.

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The link for the aforesaid Circular is as below:

<https://www.sebi.gov.in/legal/circulars/jul-2022/modification-in-cyber-security-and-cyber-resilience-framework-of-qualified-registrars-to-an-issue-and-share-transfer-agents-qrtas-60605.html>

4. Caution to public against fraudulent calls / e-mails / messages about refund of money

On **July 07, 2022**, SEBI vide its **Press Release No. 22/2022** informed the public that it has come to its notice that unscrupulous individuals are trying to cheat the public by holding out as officials of **Recovery and Refund Department of SEBI** and falsely informing the public about refund of money in various cases through phone calls/ e-mails/ messages.

SEBI also cautioned and advised the public against parting with any documents / money on receipt of such calls / emails / messages etc. as SEBI does not seek processing fees or money in any form in cases where monies are to be refunded as per court order etc.

Further, SEBI informed that in case of receipt of such calls / emails / messages, the public / investors may check the employee directory of SEBI and details of refund process initiated by SEBI, if any, as available on www.sebi.gov.in

The link for the aforesaid Press Release is as below:

https://www.sebi.gov.in/media/press-releases/jul-2022/caution-to-public-against-fraudulent-calls-e-mails-messages-about-refund-of-money_60649.html

5. Consultation Paper on applicability of SEBI (Prohibition of Insider Trading), Regulations, 2015 to Mutual Fund (MF) units

SEBI (Prohibition of Insider Trading), Regulations, 2015 (“**PIT Regulations**”) are applicable to dealing in securities of listed company or proposed to be listed, when in possession of Unpublished Price Sensitive Information (“**UPSI**”). The **units of mutual funds were specifically excluded** from the definition of securities under PIT Regulations.

In the past it was observed that a Registrar and Transfer Agent of a Mutual Fund had redeemed all its units from a scheme, being privy to certain sensitive information pertaining to scheme of Mutual Fund, which was not yet communicated to the unit holders of a particular scheme.

Similarly, in another instance, a few key personnel of a Mutual Fund were found to have redeemed their holdings in the schemes, while in possession of certain sensitive information not communicated to the unit holders of the schemes.

SEBI however imposed conditions for investments/trading in securities by employees of Asset Management Companies (AMC(s)) and Trustees of Mutual Funds through various circulars which inter-alia required reporting of such transactions to the Compliance Officer and also placed restrictions on periods during which such employees cannot transact in the units of concerned Mutual Fund schemes.

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However, the units of mutual funds being specifically excluded from the purview of PIT Regulations, a need has, therefore, been felt to harmonise the provisions in PIT Regulations to initiate serious enforcement actions against those who misuse the sensitive non-public information pertaining to scheme of Mutual fund, directly or indirectly, which they have access, by virtue of their fiduciary capacity.

SEBI, therefore on **July 08, 2022**, has come out with a **consultation paper to solicit public comments**/ views, on its proposal to cover dealing in units of Mutual Funds under PIT Regulations. The objective of the proposal is to harmonize the regulations governing trading in securities, while in possession of UPSI.

The public comments may be sent via email on pit-mf@sebi.gov.in, or through post on the address mentioned in the consultation paper, not later than July 29, 2022.

The link for the aforesaid Consultation Paper is as below:

https://www.sebi.gov.in/reports-and-statistics/reports/jul-2022/consultation-paper-on-applicability-of-sebi-pit-regulations-to-mf-units_60689.html

6. Declaration of “Zero Coupon Zero Principal Instruments” as securities for the purposes of Securities Contracts (Regulation) Act, 1956

The Ministry of Finance vide **S.O. 3210(E)** dated **July 15, 2022**, notified that the Central Government vide the powers conferred by sub-clause (iia) of clause (h) of section 2 of the Securities Contracts (Regulation) Act (“the Act”), 1956, has declared “zero coupon zero principal instruments” as securities for the purposes of the said Act.

Further, for the purposes of the above-mentioned notification, “zero coupon zero principal instrument” means an instrument issued by a **Not-for-Profit Organisation** which shall be registered with **Social Stock Exchange** segment of a recognised Stock Exchange in accordance with the regulations made by the Securities and Exchange Board of India.

The link for the aforesaid Notification is as below:

https://www.sebi.gov.in/legal/gazette-notification/jul-2022/declaration-of-zero-coupon-zero-principal-instruments-as-securities-under-the-securities-contracts-regulation-act-1956_60875.html

7. Levy of Goods & Services Tax (GST) on the fees payable to SEBI

On **July 18, 2022**, SEBI vide its Circular no. **SEBI/HO/GSD/TAD/CIR/P/2022/0097** (hereinafter referred to as “**the Circular**”) informed that the fees and other charges payable to SEBI by all the Market Infrastructure Institutions, Companies who have listed / are intending to list their securities, other intermediaries and persons who are dealing in the securities market, be subject to GST at the rate of 18% with effect from July 18, 2022.

The above-mentioned decision of SEBI has come in the light of recommendation of the GST Council made in its meeting held on June 28 and June 29, 2022, inter alia to withdraw the exemption granted to services by SEBI, which was notified on **July 13, 2022**.

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The link for the aforesaid Circular is as below:

https://www.sebi.gov.in/legal/circulars/jul-2022/levy-of-goods-and-services-tax-gst-on-the-fees-payable-to-sebi_60880.html

8. Entities allowed to use e-KYC Aadhaar Authentication services of UIDAI in Securities Market as sub-KUA

SEBI vide Circular no. **SEBI/HO/MIRSD/DOP/CIR/P/2019/123** dated **November 05, 2019**, detailed the e-KYC (Aadhaar) Authentication facility of Unique Identification Authority of India (“UIDAI”) under section 11A of the Prevention of Money Laundering Act, 2002 (“PMLA”) and provided that securities market entities as notified by Central Government shall be allowed to undertake Aadhaar Authentication for resident investors by registering themselves as KYC user agency (“KUA”).

Further, securities market entities registered as KYC user agency (“KUA”) shall allow all the SEBI Registered intermediaries, to use Aadhaar based e-KYC facility to complete the KYC of their clients for online on-boarding of clients, customer convenience, increased efficiency and reduced time for client on-boarding.

For this purpose, the SEBI registered intermediaries shall enter into an agreement with any one KUA and get themselves registered with UIDAI as sub-KUAs.

Subsequently, SEBI vide Circular no. **SEBI/HO/MIRSD/DOP/CIR/P/2020/80** dated **May 12, 2020**, listed the securities market entities who shall undertake Aadhaar Authentication service of UIDAI as KUA and as mentioned above the KUA shall allow SEBI registered intermediaries to undertake Aadhaar Authentication of their clients as sub-KUA for the purpose of KYC.

In this regard, the **Department of Revenue-Ministry of Finance, Government of India**, vide Gazette Notification No. S.O. 3187(E) dated July 13, 2022 **has notified 155 reporting entities** as sub-KUA to use Aadhaar authentication services of UIDAI under section 11A of the Prevention of Money-laundering Act, 2002

On **July 20, 2022**, SEBI vide its Circular no. **SEBI/HO/MIRSD/SEC-5/P/CIR/2022/99** (hereinafter referred to as “**the Circular**”) provided that the above mentioned 155 reporting entities shall enter into an **agreement with a KUA and get themselves registered with UIDAI as sub-KUAs.**

The agreement in this regard shall be as prescribed by UIDAI. Further, the Sub-KUAs shall follow the process as detailed in SEBI circular dated Nov 05, 2019 and as may be prescribed by UIDAI from time to time.

The link for the aforesaid Circular is as below:

https://www.sebi.gov.in/legal/circulars/jul-2022/entities-allowed-to-use-e-kyc-aadhaar-authentication-services-of-uidai-in-securities-market-as-sub-kua_61047.html

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9. Consultation Paper on Online Bond Trading Platforms - Proposed Regulatory Framework

Debt Securities are issued through public issuance i.e. through the on-line system of the Stock Exchanges and Depositories or on private placement basis.

For privately placed debt securities, the following issues of debt securities has to be mandatorily made through Electronic Book Provider Platform (EBP Platform):

- i. In case of issuers who are in existence for 3 years and more, where the issue size is of Rs.100 crore or more;
- ii. If the issuers are in existence for less than 3 years, irrespective of the issue size.

Presently participants which are eligible to bid on the EBP platforms are:

- i. Qualified Institutional Buyers (QIBs);
- ii. Non-QIBs including arrangers who/which has been authorized by the issuer.

According to data gathered on recent trends in issuance of debt securities, it has been observed that substantial number of issuances of debt securities is through private placement mode and while non-QIB investors authorized by the issuer are eligible for bidding/participating on the EBP platform, there is no participation from Non-Institutional Investors as hardly any market participant (including Non-Institutional Investors) other than QIBs invests through the EBP platforms.

As a result, number of online bond platforms have mushroomed over the past 2 to 3 years, which sell debt securities to investors, particularly Non-Institutional Investors.

While these bond platforms do tap a group of investors, particularly Non-Institutional Investors to invest in bonds, they do not come under any regulatory purview i.e. the platform providers are not registered with any Regulator.

SEBI, therefore on **July 21, 2022**, in order to bring such bond platforms within its regulatory purview has come out with a **consultation paper to solicit public comments / views, on its proposal to bring about, inter alia, regulatory oversight, common standard practices, investor redress mechanism** etc.

The public comments may be sent via email on pradeepr@sebi.gov.in, nikhilc@sebi.gov.in and kirand@sebi.gov.in, or through post on the address mentioned in the consultation paper, latest by August 12, 2022.

The link for the aforesaid Consultation Paper is as below:

https://www.sebi.gov.in/reports-and-statistics/reports/jul-2022/consultation-paper-on-online-bond-trading-platforms-proposed-regulatory-framework_61087.html

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10. Consultation Paper on the framework for platforms providing “execution-only” services in direct plans of Mutual Funds

To facilitate growth and cost-effectiveness of mutual fund products, in the year 2012, SEBI mandated Mutual Funds (MFs)/Assets Management Companies (AMCs) to provide a separate plan for direct investments, i.e. investments not routed through a distributor.

Today an investor desirous of investing in Mutual Funds may invest directly i.e., without involving or routing the investment through any distributor/agent in a ‘**Direct Plan**’ or may choose to do so through the services of a Mutual Fund Distributor (MFD) in what is termed as a ‘**Regular Plan**’.

Further, to promote the adoption of technology and ease of doing business in the MF Industry, SEBI had undertaken various initiatives and presently there are various channels available to investors for investment in direct plans of MF schemes, which include the following:

- a. through the office/website/mobile app of the AMC, in physical or digital mode.
- b. through SEBI registered Stock Broker (SB)/Investment Adviser (IA)/Portfolio Manager (PM) in digital mode using Mutual Fund transaction platform provided by Stock Exchanges viz. NMF Platform and BSE StAR MF.
- c. through SEBI registered IA/PM directly with AMCs as their clients.
- d. through platforms like MF Utilities India Pvt. Ltd., MF Central, etc.

Though the platforms provided by Stock Exchanges/RTAs viz, NMF Platform, BSE StAR MF, and MF Central enable the investors to transact directly without availing services of an intermediary, there are considerable number of investors who may find it more convenient to avail the services of technology/digital platforms provided by IAs/SBs for transactions in mutual fund schemes of different AMCs.

It is observed that investors who are executing transactions in direct plans of MF schemes through SEBI registered IA/SB platforms are not availing of any advisory/broking services i.e. such investors are not clients of SEBI registered IA/SB. However, for the investors who are not clients in terms of IA/SB/PM Regulations the risk associated with such transactions cannot be overlooked as the non-clients do not have any recourse or protection available under any regulatory framework. Thus, there is a need to strike balance between the convenience and investor protection.

Hence, to further promote the penetration of MFs and to ensure that Ease of Investment comes with adequate investor protection and grievance redressal mechanism the matter was discussed in the Mutual Fund Advisory Committee (MFAC) wherein it was proposed that a separate framework for **Execution-Only Platforms (EOPs)** can be introduced. Further, the Committee deliberated on various requirements for the proposed framework, which inter-alia included the following:

- i. **Legal structure and regulation of EOPs** – Either as an intermediary registered with SEBI (i.e., as an agent of investor) or registered with AMFI as an agent of AMC
- ii. **Framework for EOPs** – visibility of client transactions, connectivity with AMCs, client level segregation, data sharing among stakeholders, etc.
- iii. **Revenue model** - Fee structure for EOPs as an agent of AMC to be transaction based, a suitable cap can be prescribed on such fees while acting as an agent of investors.

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SEBI, **July 22, 2022**, considering the implications of the above-mentioned proposal on the market participants came out with a consultation paper to solicit public comments on the said proposal.

The public comments may be sent via email on eop@sebi.gov.in or through post on the address mentioned in the consultation paper, latest by August 12, 2022.

The link for the aforesaid Consultation Paper is as below:

https://www.sebi.gov.in/reports-and-statistics/reports/jul-2022/consultation-paper-on-the-framework-for-platforms-providing-execution-only-services-in-direct-plans-of-mutual-funds_61126.html

11. SEBI (Issue of Capital & Disclosure Requirements) (Third Amendment) Regulations, 2022 – Introduction of Chapter on “Social Stock Exchange”

SEBI in its Board Meeting held on **September 28, 2021**, had proposed the framework for Social Stock Exchange (“SSE”) and approved the creation of the SSE, under the regulatory ambit of SEBI, for fund raising by Social Enterprises (“SE”).

The framework for the SSE has been developed on the basis of the recommendations of a working group and a technical group constituted by SEBI.

Further vide **S.O. 3210(E)** dated **July 15, 2022**, of the Ministry of Finance, the Central Government vide the powers conferred by sub-clause (iia) of clause (h) of section 2 of the Securities Contracts (Regulation) Act (“the Act”), 1956, has declared “**zero coupon zero principal instruments**” as securities for the purposes of the said Act.

Now, SEBI vide Notification No. **F. No. SEBI/LAD-NRO/GN/2022/90** dated **July 25, 2022**, has notified the SEBI (Issue of Capital & Disclosure Requirements) (Third Amendment) Regulations, 2022 (“Amendment Regulations”) to further amend the SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2018 (“the Regulations”).

Vide the Amendment Regulations, a new chapter, namely ‘**Chapter X-A – Social Stock Exchange**’ (“the Chapter”) has been added in the Regulations and Regulation 292A to 292P has been inserted.

A. The Chapter provides for fund raising by eligible entities defined in the Chapter, through:

1. Issue of Zero Coupon Zero Principal Instruments to institutional and/or non-institutional investors
2. Issue of Equity Shares on the main board, SME platform or innovators growth platform
3. Issue of Equity Shares to an Alternative Investment Fund including a Social Impact Fund
4. Issue of Debt Securities
5. Donations through Mutual Fund Schemes as specified by SEBI

B. Further the Chapter, inter alia, provides for the following important aspects in relation to SSE:

1. Investors eligible to access the SSE
2. Governing Council for the SSE
3. Eligibility conditions for being identified as SE
4. Fund raising by SE

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5. In-Eligibility for raising of funds
6. Eligibility, Procedure, Contents of the fund-raising document, other conditions, in relation to issuance of Zero Coupon Zero Principal Instruments

The link for the aforesaid Notification is as below:

<https://egazette.nic.in/WriteReadData/2022/237561.pdf>

12. SEBI (Listing Obligations & Disclosure Requirements) (Fifth Amendment) Regulations, 2022 – Introduction of Chapter on “Obligations of Social Enterprises”

SEBI vide Notification No. **F. No. SEBI/LAD-NRO/GN/2022/88** dated **July 25, 2022**, has notified the SEBI (Listing Obligations & Disclosure Requirements) (Fifth Amendment) Regulations, 2022 (“Amendment Regulations”) to further amend the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2022 (“the Regulations”).

Vide the Amendment Regulations, the following amendments have been made to the Regulations:

1. In Regulation 2 following amendments are made.
 - (a) Addition of **“Zero Coupon Zero Principal Instruments”** in the definition of Designated Securities in Regulation 2(1)(h) of the Regulations.
 - (b) Addition of clause (zo) after clause (zn) in Regulation 2(1) of the Regulations reads that following definition shall have the same meaning as assigned to them in the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulation, 2018
 1. “For Profit Social Enterprise”
 2. “Not for Profit Organization”
 3. “Social Enterprise”
 4. “Social Stock Exchange”
 5. “Draft fund-raising document”
 6. “Final fund-raising document”
 7. “Fund raising document”
 8. “Social Auditor”
 9. “Social Audit Firm”
2. Introduction of a new **“Chapter IXA on Obligations of Social Enterprises”** with Regulation 91A to 91F has been inserted, providing the following:
 - 91A. Entities to which the chapter shall be applicable
 - 91B. Disclosures by a For Profit Social Enterprise
 - 91C. Disclosures by a Not-for-Profit Organization
 - 91D. Intimations and disclosures by Social Enterprise of events or information to Social Stock Exchange(s) or Stock Exchange(s)
 - 91E. Disclosures by a Social Enterprise in respect of social impact
 - 91F. Submission of Statement of utilisation of funds

The link for the aforesaid Notification is as below:

<https://egazette.nic.in/WriteReadData/2022/237557.pdf>

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13. SEBI (Alternative Investment Funds) (Third Amendment) Regulations, 2022 Regulations, 2022 – Introduction of Chapter on “Social Stock Exchange”

SEBI vide Notification No. F. No. SEBI/LAD-NRO/GN/2022/89 dated July 25, 2022, has notified the SEBI (Alternative Investment Funds) (Third Amendment) Regulations, 2022 (“Amendment Regulations”) to further amend the SEBI (Alternative Investment Funds) Regulations, 2012 (“the Regulations”).

Vide the Amendment Regulations, the following amendments have been made to the Regulations:

1. Addition of following definitions in Regulation 2(1) of the Regulations:
 - b. “not-for-profit organization”
 - c. “social enterprise”
 - d. “social impact fund”
 - e. “social stock exchange”
 - f. “social units”
2. **“Social Venture Funds”** were identified as one of the categories in which Alternative Investment Funds (“AIF”) are compulsorily required to seek registration as provided under Regulation 3(4) of the Regulations. The word **“Social Venture Funds”** has now been substituted by the words **“Social Impact Funds”**.
3. In **Conditions for Investment** in all categories of AIFs in **Regulation 10** of the Regulations:
 - i. a proviso has been added to sub-clause (a) which provides that an AIF may raise funds by way of issue of units, providing that an AIF categorised as Social Impact Fund may raise funds by issue of social units. The proviso reads as under:
“Provided that a social impact fund or schemes of a social impact fund may also issue social units;”
 - ii. a proviso has been added to sub-clause (b) which provides for minimum corpus amount for each scheme of an AIF, providing that each scheme of an AIF categorised as Social Impact Fund shall have a corpus of at least five crore rupees. The proviso reads as under:
“Provided that each scheme of the social impact fund shall have a corpus of at least five crore rupees;”
 - iii. a second proviso has been added to sub-clause (c) which provides for minimum investment value an AIF shall accept from an investor, providing the minimum value of investment an AIF categorised as Social Impact Fund which invests only in securities of not-for-profit organizations registered or listed on a social stock exchange, shall accept from an individual investor. The proviso reads as under:
“Provided further that in case of a social impact fund which invests only in securities of not for profit organizations registered or listed on a social stock exchange, the minimum value of investment by an individual investor shall be two lakh rupees;”
4. In **Investment Conditions for Category I AIFs** in **Regulation 16** of the Regulations:
 - i. In sub-regulation (4) which provides for additional investment conditions to be complied by AIFs categorised as Social Venture Funds, the word **“venture”** has been substituted by the word **“impact”**.

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- ii. Clause (a) of sub-regulation (4), has been substituted, thereby adding “**units of social ventures and securities or social enterprises**” as additional avenues in which 75% of investible funds of an AIF categorised as Social Impact Fund can be invested in. The substituted clause (a) reads as under:

“At least 75% of the investable funds shall be invested in unlisted securities or partnership interest of social ventures or in units of social ventures or in securities of social enterprises:

Provided that an existing social impact fund may invest the remaining investable funds in securities of not-for-profit organizations registered or listed on a social stock exchange with the prior consent of atleast 75% of the investors by value of their investment;”

- iii. In first proviso to clause (b) of sub-regulation (4), the minimum amount of grant which can be accepted by an AIF categorised as Social Impact Fund has been reduced from Rs. 25 lakhs (Rupees Twenty-Five Lakhs) to Rs. 10 lakhs (Rupees Ten Lakhs)

- iv. A new clause viz. clause (ba) to sub-regulation (4) has been added, providing that a social impact fund or schemes of a social impact fund launched exclusively for a not-for-profit organization registered or listed on a social stock exchange, shall be permitted to deploy or invest **100% of the investable funds in the securities of not-for-profit organizations registered or listed on a social stock exchange, notwithstanding** the provisions of newly substituted **clause (a)** which requires at least 75% of the investable funds of an AIF categorised as Social Impact Fund to be invested in unlisted securities or partnership interest of social ventures or in units of social ventures or in securities of social enterprises and allows remaining funds to be invested in securities of not-for-profit organizations registered or listed on a social stock exchange with the prior consent of atleast 75% of the investors by value of their investment and **clause (b)** which requires that the grants received by an AIF categorised as Social Impact Fund shall be utilized as per clause (a). The new clause reads as under:

“(ba) Notwithstanding the provisions of clauses (a) and (b), a social impact fund or schemes of a social impact fund launched exclusively for a not-for-profit organization registered or listed on a social stock exchange, shall be permitted to deploy or invest hundred percent of the investable funds in the securities of not-for-profit organizations registered or listed on a social stock exchange.”

- v. In clause (c) of sub-regulation (4), the words “**or social enterprises**” has been added thus allowing an AIF categorised as Social Impact Fund to now give grants to social enterprises in addition to social ventures.

- vi. Clause (d) of sub-regulation (4) which provided that an AIF categorised as Social Impact Fund may accept muted returns for their investors i.e. they may accept returns on their investments which may be lower than prevailing returns for similar investments has been omitted.

- vii. In **Form A** (“the Form”) of First Schedule to the Regulations viz. Application for Grant of Certificate of Registration as Alternative Investment Fund in clause (e) of the Form i.e. the categories under which the application is made by AIF for seeking registration, in the option “Social Venture Fund”, the word “venture” has been substituted by the word “impact”.

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The link for the aforesaid Notification is as below:

<https://egazette.nic.in/WriteReadData/2022/237555.pdf>

14. Implementation of Circular on 'Guidelines in pursuance of amendment to SEBI KYC (Know Your client) Registration Agency (KRA) Regulations, 2011'

SEBI, vide Circular No. **SEBI/HO/MIRSD/DOP/P/CIR/2022/46** dated **April 06, 2022**, had issued guidelines in pursuance of amendment to SEBI KYC (Know Your Client) Registration Agency (KRA) Regulations, 2011. Following provisions of clause 9 & 13 of this Circular were to come into effect from **July 01, 2022**:

- 1. Clause 9:** KYC records of all existing clients (who have used Aadhaar as an OVD) shall be validated within a period of 180 days from **July 01, 2022**.
- 2. Clause 13:** The validation of all KYC records (new and existing) shall commence from **July 01, 2022**.

Subsequently, SEBI vide Circular No. **SEBI/HO/MIRSD/DOP/P/CIR/2022/89** dated **June 24, 2022**, granted an extension whereby the aforesaid clause 9 and 13 were to come into effect from **August 01, 2022**.

SEBI has once again received requests from the KRAs to extend the timelines for applicability of these clauses 9 & 13 for KYC validation. Hence, SEBI on **July 27, 2022** vide Circular No. **SEBI/HO/MIRSD/SEC-5/P/CIR/2022/100** has decided to extend the timelines of KYC Validation as per Clause 9 and 13 mentioned above to **November 01, 2022**

The link for the aforesaid Circular is as below:

<https://www.sebi.gov.in/legal/circulars/jul-2022/implementation-of-circular-on-guidelines-in-pursuance-of-amendment-to-sebi-kyc-know-your-client-registration-agency-kra-regulations-2011-61220.html>

15. Settlement of Running Account of Client's Funds lying with Trading Member (TM)

SEBI vide Circular No. **MIRSD/SE/Cir-19/2009** dated **December 03, 2009** and **SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95** dated **September 26, 2016**, had issued the guideline for settlement of running account of client's **funds / securities** by Trading Member (TM), with a maximum gap of 90/30 days between two settlements, depending on the mandate of the client.

Further, vide Circular No. **CIR/HO/MIRSD/DOP/CIR/P/2019/75** dated **June 20, 2019** settlement of running account for **securities** had been discontinued.

Subsequently, SEBI vide **Circular No. SEBI/HO/MIRSD/DOP/P/CIR/2021/577** dated **June 16, 2021**, partially modified the Circulars dated **December 03, 2009** and **September 26, 2016** and, inter-alia, vide clause 5.1, provided that the settlement of running account of funds of the client shall be done by the TM after considering the End of the Day (EOD) obligation of funds as on the date of settlement across all the Exchanges, at least once within a gap of 30 / 90 days between two settlements of running account as per the preference of the client.

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Now, SEBI on **July 27, 2022**, vide Circular No. **SEBI/HO/MIRSD/DOP/P/CIR/2022/101**, pursuant to extensive consultation with Stock Exchanges and to ensure uniformity in settlement of running account, has decided to modify the clause 5.1 as mentioned above which reads as follows:

“The settlement of running account of funds of the client shall be done by the TM after considering the End of the Day (EOD) obligation of funds as on the date of settlement across all the Exchanges on first Friday of the Quarter (i.e., Apr-Jun, Jul-Sep, Oct-Dec, Jan-Mar) for all the clients i.e., the running account of funds shall be settled on first Friday of October 2022, January 2023, April 2023, July 2023 and so on for all the clients. If first Friday is a trading holiday, then such settlement shall happen on the previous trading day.

For clients, who have opted for Monthly settlement, running account shall be settled on first Friday of every month. If first Friday is a trading holiday, then such settlement shall happen on the previous trading day.”

The link for the aforesaid Circular is as below:

<https://www.sebi.gov.in/legal/circulars/jul-2022/settlement-of-running-account-of-client-s-funds-lying-with-trading-member-tm-61222.html>

16. Addendum to SEBI Circular on Development of Passive Funds

Considering the emergence of passive funds i.e., **Exchange Traded Funds (ETFs) and Index Funds** as an investment product for retail investors globally and various advantages of passive investing like transparency, diversification, lower cost vis-à-vis active funds, a need was felt to review the regulatory framework for passive funds in India. In this regard, a Working Group (WG) was constituted with representation from various stakeholders in the passive funds' domain like AMCs, Mutual Fund Trustees, Stock Brokers, Market Makers, Stock Exchanges, Clearing Corporations, Industry Expert, etc.

The recommendations of the Working Group and the feedback received from the industry were deliberated in the Mutual Funds Advisory Committee (MFAC). Considering the recommendations of MFAC, the decisions w.r.t. review of regulatory framework for passive funds were notified by SEBI on **May 23, 2022** vide Circular No. **SEBI/HO/IMD/DOF2/P/CIR/2022/69** and the provisions of the circular were applicable from July 01, 2022.

Clause 2(IV)(A) of the aforesaid circular prescribed that in order to enhance liquidity in units of ETFs on stock exchange platform direct transaction with AMCs shall be facilitated for investors only for transactions above a specified threshold. In this regard, to begin with any order placed for redemption or subscription directly with the AMC must be of greater than **INR 25 Cr**. The aforesaid threshold shall not be applicable for Market Makers and shall be periodically reviewed.

Subsequently, feedback was received from stakeholders expressing certain challenges with respect to implementation of the above clause. Considering the same SEBI on **July 28, 2022**, vide Circular No. **SEBI/HO/IMD/DF2/CIR/P/2022/102**, has decided that the above clause shall be applicable from **November 01, 2022**.

The link for the aforesaid Circular is as below:

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https://www.sebi.gov.in/legal/circulars/jul-2022/addendum-to-sebi-circular-on-development-of-passive-funds_61320.html

17. Operational Circular for listing obligations and disclosure requirements for Non-convertible Securities, Securitized Debt Instruments and/ or Commercial Paper

Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI LODR”), prescribes the continuous disclosure requirements for issuers of listed **Non-convertible Securities (“NCS”), Securitized Debt Instruments (“SDI”) and Commercial Paper (“CP”)**.

Also, **multiple circulars** have been issued by SEBI, over the years, covering the **operational and procedural aspects** of the SEBI LODR.

Further to enable the issuers and other market stakeholders to get access to all the **applicable circulars** at one place and for effective regulation of corporate bond market, SEBI on **July 29, 2022**, vide Circular No. **SEBI/HO/DDHS/DDHS_Div1/P/CIR/2022/0000000103** has come out with an **“Operational Circular”**.

The Operational Circular is a compilation of the relevant existing circulars, with consequent changes. The stipulations contained in these circulars have been detailed chapter-wise in this operational circular. For ease of reference, each chapter of the operational circular contains footnotes corresponding to the respective erstwhile circulars.

The operational circular is divided into following chapters, which provides for the following:

A. Chapter I – Formats for filing financial information by listed entities which has listed its non-convertible securities

Regulations 52(1) and 2) of SEBI LODR mandates listed entities to submit/ disclose financial information (quarterly and annual) to the Stock Exchange(s). Further, **Regulation 52(2)(f) of SEBI LODR** mandates listed entities to submit Statement of Assets and Liabilities and Statement of Cash Flows, on half yearly basis. This Chapter provides the relevant formats for the following:

1. Formats for Standalone financial results on a quarterly basis and Standalone and Consolidated financial results on an annual basis (to be submitted to the Stock Exchanges and placed on listed entity’s website - **Regulations 52(1) and 52(2) of SEBI LODR**).
2. Format for Statement of Assets and Liabilities on half yearly basis (to be submitted to Stock Exchange(s) and placed on listed entity’s website - **Regulation 52(2)(f) of SEBI LODR**).
3. Format for Statement of Cash Flows on half yearly basis (to be submitted to the Stock Exchange(s) and placed on listed entity’s website - **Regulation 52(2)(f) of SEBI LODR**).

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

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4. Format for financial results to be published in newspapers in terms of **Regulation 52 (8) of SEBI LODR**.
5. Further, in addition to the above-mentioned formats this chapter also provides that in case of non-submission/ delayed submission of financial results within the timelines prescribed under **Regulation 52 of SEBI LODR**, the listed entity shall disclose detailed reasons for such non-submission/ delay to the Stock Exchange(s) within one working day of the due date of submission of the financial results.

In case the decision to delay the results was taken by the listed entity prior to the due date, the listed entity shall disclose detailed reasons for such delay to the Stock Exchange(s) within one working day of such decision.

B. Chapter II – Formats for Limited Review Report/ Audit Report for issuers of Non-convertible Securities

Regulations 52(2)(a), (d), (e) and 52(3)(a) of SEBI LODR prescribes the requirement for submission of Limited Review report/ Audit Report. This Chapter provides the relevant formats for the following:

1. Formats for Limited Review Report/ Audit Report on financial information to be adopted by **listed entities other than Insurance companies**, as under
 - i. Limited Review Report for quarterly standalone financial results for entities other than Banks and NBFCs.
 - ii. Limited Review Report for quarterly standalone financial results for Banks and NBFCs.
 - iii. Audit Report for quarterly standalone financial results for entities other than Banks and NBFCs.
 - iv. Audit Report for quarterly standalone financial results for Banks and NBFCs.
 - v. Audit Report for Audited Annual Consolidated Financial Results for entities other than Banks and NBFCs.
 - vi. Audit Report for Audited Annual Consolidated Financial Results for Banks and NBFCs.
2. The format for Audit Report for annual audited standalone financial results.

Insurance companies shall disclose Limited Review Report/ Audit Report as per the formats specified by IRDAI

C. Chapter III – Disclosure of the Impact of Audit Qualifications by Listed Entities

Regulation 52(3) of SEBI LODR prescribes the procedure for submission of Statement on Impact of Audit Qualifications by listed entities. In this regard, the following requirements have been mandated in this Chapter:

1. The listed entity shall disseminate the cumulative impact of all the audit qualifications in a separate format, simultaneously, while submitting the annual audited financial results to the Stock Exchange(s).

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2. For audit reports with unmodified opinion, the listed entity shall furnish a declaration to that effect to the Stock Exchange(s) while submitting the annual audited financial results.
3. For audit reports with modified opinion, a statement showing impact of audit qualifications shall be filed with the Stock Exchange(s) in a format as specified in this Chapter.
4. The management of the listed entity shall have the option to explain its views on the audit qualifications.
5. Where the impact of the audit qualification is not quantified by the auditor, the management shall make an estimate. In case the management is unable to make an estimate, it shall provide reasons for the same. In both the scenarios, the auditor shall review and provide comments.
6. The aforesaid Statement on Impact of Audit Qualifications filed by the listed entity shall be reviewed by the stock exchanges as specified in regulation 95 of SEBI LODR and be a part of regular monitoring by the stock exchanges as specified in regulation 97 of SEBI LODR. In case of non-compliance, the stock exchanges shall take action against such entities as deemed fit and report to SEBI on a regular basis.
7. The stock exchanges shall coordinate with one another in case the security is listed on more than one stock exchange.

D. Chapter IV – Format of Statement indicating utilisation and Statement indicating deviation/variation in the use of proceeds of issue of listed Non-convertible Securities

1. As per **Regulation 52(7) of SEBI LODR**, a listed entity is required to submit to the Stock Exchange(s), a statement indicating the utilization of issue proceeds of listed non-convertible securities and as per **Regulation 52(7A) of SEBI LODR**, a listed entity is required to submit to the Stock Exchange(s), information about deviation/variation, if any, in the use of proceeds of issue of listed non-convertible securities, from the objects stated in the offer document, within 45 days of end of the quarter, until such funds are fully utilised or the purpose for which these proceeds were raised has been achieved.
2. In case there are no deviations in the utilization of issue proceeds of listed non-convertible securities, a 'nil' report shall be filed.
3. The format for statement indicating the utilization of issue proceeds and the format for statement indicating deviation/ variation, if any, shall be as specified in this chapter.
4. The statement indicating deviation/ variation report shall be placed before the Audit Committee of the listed entity for review on quarterly basis and after such review, the comments of Audit Committee along with the report shall be disclosed/ submitted to the Stock Exchange(s), as part of the format. In cases where the listed entity is not required to have an Audit Committee under the provisions of SEBI LODR or the Companies Act, 2013, the word 'Audit Committee' shall be replaced with the 'Board of Directors'.

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E. Chapter V – Disclosures by listed entities of defaults on payment of interest/ repayment of principal amount on loans from banks/ financial institutions and unlisted debt securities

1. **Regulation 51 of SEBI LODR** requires listed entity to promptly inform the Stock Exchange(s) of all information which has bearing on its performance/ operation or is price sensitive or shall affect payment of interest or redemption payment of non-convertible securities.

Additionally, **Part B of Schedule III of SEBI LODR** enumerates an indicative list of information which the listed is required to promptly inform the Stock Exchange.

2. Bodies Corporate in India are primarily reliant on loans from banks/ financial institutions. Further, information with regards to default in payment of interest/ instalment obligations on loans and unlisted debt securities, which also has a bearing on the performance/ operation listed entity or is price sensitive or shall affect payment of interest or redemption payment of listed non-convertible securities, is not available to investors.
3. Therefore, in order to address this critical gap in the availability of information to investors, listed entities are required to comply with the following requirements of this chapter:
 - i. The disclosures shall be made to the Stock Exchange(s) when the entity has defaulted in payment of interest/ instalment obligations on loans, including revolving facilities like cash credit, from banks/ financial institutions and unlisted debt securities.

‘Default’ for the purpose of this circular shall mean non-payment of the interest or principal amount in full on the date when the debt has become due and payable (‘pre-agreed payment date’).

Provided that for revolving facilities like cash credit, an entity would be considered to be in ‘default’ if the outstanding balance remains continuously in excess of the sanctioned limit or drawing power, whichever is lower, for more than 30 days.

- ii. In case of any default on loans, including revolving facilities like cash credit, from banks/ financial institutions which continues beyond 30 days, the listed entity shall make the disclosure promptly but not later than 24 hours from the 30th day of such default in the **format specified in this chapter**.
 - iii. For defaults in case of unlisted debt securities i.e. Non-convertible Debentures (NCDs) and Non-convertible Redeemable Preference Shares (NCRPS), the disclosure shall be made promptly but not later than 24 hours from the occurrence of the default **in the format specified in this chapter**.
 - iv. Further, **quarterly disclosures** of above-mentioned defaults shall be made by the listed entities **in the format specified in this chapter**.
4. Disclosures pertaining to default of **listed Non-convertible Debentures** and **listed Non-convertible Redeemable Preference Shares** shall continue to be made as per relevant provisions of the SEBI Regulations and Circulars issued thereunder.

F. Chapter VI – Schemes of Arrangement involving Non-convertible Debentures (“NCDs”)/Non-convertible Preference Shares (“NCRPS”) issued in lieu of specified securities

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1. **Regulations 11, 37 and 94 of SEBI LODR** create obligations on listed entities and Stock Exchange(s) with respect to Schemes of Arrangement.

Accordingly, SEBI issued circulars laying down the detailed requirements to be complied with, by listed entities while undertaking schemes of arrangement for listing of equity or warrants pursuant to the Scheme.

Whereas, such **Corporate Restructuring** may result in issuance of **NCDs and/ or NCRPS**, in lieu of **specified securities** as well, however, the said circulars do not prescribe any provisions for listing of NCDs and/ or NCRPS, so issued.

Hence, this chapter provides for additional requirements, in case where an entity with listed specified securities, has issued NCDs and/ or NCRPS, in lieu of specified securities, vide a scheme of arrangement; and where such NCDs and/ or NCRPS are proposed to be listed on recognized Stock Exchange(s).

2. Further, **Sub-rule (7) of Rule 19 of the Securities Contracts (Regulation) Rules, 1957 (SCRR)** gives the power to SEBI to relax the strict enforcement of any or all of the requirements with respect to listing of securities on a recognised Stock Exchange, at its discretion. However, SEBI may, while granting such relaxation, stipulate any other conditions as may be deemed necessary in the interest of investors and securities market, under the facts and circumstances of the specific case.

Therefore, with regards to the above-mentioned power of SEBI to relax strict enforcement of requirements, this chapter provides that application for relaxation under sub-rule (7) of rule 19 of SCRR, after the scheme is sanctioned by the Hon'ble High Court or NCLT, for listing of NCDs and/ or NCRPS shall include a detailed Compliance Report, duly certified by the Company Secretary and the Managing Director, confirming compliance of the scheme of arrangement with the various regulatory requirements specified in this regard and the **format for the Compliance Report** has been specified in the Chapter as well.

G. Chapter VII – Formats specifying disclosure of Corporate Governance by 'high value debt listed entities

Regulations 15 to 27 of SEBI LODR contain provisions relating to **Corporate Governance** which are applicable on **'high value debt listed entities'**. In particular, **Regulation 24A of SEBI LODR** mandates listed entities to submit a secretarial audit report and secretarial compliance report. Further, **Regulation 27(2) of SEBI LODR** mandates listed entities to submit **compliance report on corporate governance** on quarterly basis.

This Chapter specifies operational aspects with regards to **Compliance Report on Corporate Governance, Annual Secretarial Audit Report** and **Secretarial Compliance Report** as below:

1. **Format for Compliance Report on Corporate Governance** to be submitted by a listed entity on quarterly basis has been prescribed in the chapter.
2. To avoid **duplication** with regards to **Secretarial Audit Report**, the chapter prescribes that the listed entities and its unlisted material subsidiaries shall continue to use the same **Form No.**

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MR-3 as required under Companies Act, 2013 and the rules made thereunder for the purpose of compliance with Regulation 24A of SEBI LODR.

3. Format for **Annual Secretarial Compliance Report** has been prescribed in the chapter.

H. Chapter VIII – Disclosure obligations of listed entities in relation to its Related Party Transactions

Regulation 23 of SEBI LODR prescribes the obligations of ‘**high value debt listed entities**’, pertaining to the following:

- i. Related Party Transactions (RPTs)
- ii. Formulation of policy on materiality of RPTs
- iii. Manner on dealing with RPTs
- iv. Approval by the Audit Committee
- v. Disclosure of RPTs to the Stock Exchange(s)
- vi. Publication of RPTs on the entity’s website

This Chapter specifies the below mentioned operational aspects with regards to the above.

1. Information to be reviewed by the **Audit Committee** for approval of **proposed RPTs**:
 - i. Type, material terms and particulars of the proposed transaction;
 - ii. Name of the related party and its relationship with the listed entity or its subsidiary, including nature of its concern or interest (financial or otherwise);
 - iii. Tenure of the proposed transaction (particular tenure shall be specified);
 - iv. Value of the proposed transaction;
 - v. The percentage of the listed entity’s annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary’s annual turnover on a standalone basis shall be additionally provided);
 - vi. If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary:
 - a. details of the source of funds in connection with the proposed transaction;
 - b. where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments:
 - nature of indebtedness;
 - cost of funds; and
 - tenure;
 - c. applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
 - d. the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
 - vii. Justification as to why the RPT is in the interest of the listed entity;
 - viii. A copy of the valuation or other external party report, if any such report has been relied upon;
 - ix. Percentage of the counter-party’s annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
 - x. Any other information that may be relevant.

The audit committee shall also review the status, of long-term (more than one year) or recurring RPTs, on an annual basis.

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2. Information to be provided to **shareholders** for **consideration of RPTs**:

The notice being sent to the shareholders seeking approval for any proposed RPT shall, in addition to the requirements under the Companies Act, 2013, include the following information as a part of the explanatory statement:

- i. A summary of the information provided by the management of the listed entity to the audit committee as specified in point 1 above;
- ii. Justification for why the proposed transaction is in the interest of the listed entity;
- iii. Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary, the details specified under point 1 (vi) above; (The requirement of disclosing source of funds and cost of funds shall not be applicable to listed banks/ NBFCs.)
- iv. A statement that the valuation or other external report, if any, relied upon by the listed entity in relation to the proposed transaction will be made available through the registered email address of the shareholders;
- v. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT, on a voluntary basis;
- vi. Any other information that may be relevant.

3. The format for disclosure of RPT to be made by listed entity every half year, has also been prescribed in this chapter.

I. Chapter IX – Non-compliance with provisions related to continuous disclosures

SEBI has prescribed continuous disclosure norms under SEBI LODR for issuers of listed Non-Convertible Securities and/ or Commercial Paper

This chapter provides a uniform structure for levying of fines and for taking action by the Stock Exchanges, for non-compliance with regards to the said continuous disclosures by the issuers.

Stock Exchanges may deviate from the uniform structure, if found necessary, only after recording reasons in writing.

In case a non-compliant entity is listed on more than one recognized Stock Exchange, the concerned recognized Stock Exchanges shall take uniform action under this circular in consultation with each other.

The provisions of the circular ref. no. **SEBI/HO/DDHS/DDHS/CIR/P/2020/231** dated **November 13, 2020**, on '**Non-compliance with provisions related to continuous disclosures**', shall be applicable for all non-compliances of continuous disclosures under the Listing Regulations, till **January 31, 2022**.

The provisions of the circular ref. no. **SEBI/HO/DDHS_Div2/P/CIR/2021/699** dated **December 29, 2021**, on the same subject, shall remain in force till **July 31, 2022**.

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J. Chapter X – Format for statements/ reports to be submitted to Stock Exchange(s) by listed entity which has listed its Securitised Debt Instruments

Regulation 82(3) of SEBI LODR, specifies that an entity with listed Securitised Debt Instruments, shall submit statements, reports or information including financial information to the Stock Exchange(s) within seven days from the end of the month/ actual payment date, either by itself or through the servicer, in the format as specified by the Board from time to time. Further **Regulation 82(4) of SEBI LODR**, mandates an entity with listed Securitised Debt Instruments, to disclose loan level information to the Stock Exchange(s).

This Chapter prescribes formats for statements/ reports which requires the listed entity to provide pool level, tranche level and loan level details as mentioned above.

K. Chapter XI – Formats relating to review of rating and payment obligations

Regulation 55 of SEBI LODR mandates review of **rating** obtained from a **Credit Rating Agency** at least once a year.

Further, **Regulation 57 of SEBI LODR** prescribes certain intimation/ submissions to be made by the listed entity to the Stock Exchange(s) concerning the payment of interest/ dividend/ principal obligations for Non-convertible Securities.

Hence, with regards to the above this chapter prescribes the formats for submissions under Regulation 55 and Regulation 57 respectively.

Recognized Stock Exchanges, Issuers and other stakeholders are directed to:

- i. comply with the conditions laid down in this circular;
- ii. bring the provisions of this circular to the notice of listed entities/ issuers of listed Non-Convertible Securities, Securitised debt instruments, and/ or Commercial Paper;
- iii. disseminate the provisions of the circular on their website;
- iv. put in place necessary systems and infrastructure for implementation of this circular;
- v. make consequential changes, if any, to their respective bye-laws; and
- vi. communicate and create awareness amongst the stakeholders.

This circular shall come into force with effect from **August 1, 2022**.

The link for the aforesaid Circular is as below:

https://www.sebi.gov.in/legal/circulars/jul-2022/lodr-single-operational-circular-for-listing-obligations-and-disclosure-requirements-for-non-convertible-securities-securitized-debt-instruments-and-or-commercial-paper_61345.html

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18. Nomination for Mutual Fund Unit Holders – Extension of timelines

On **June 15, 2022**, SEBI, in order to bring uniformity in practices across all constituents in securities market, had issued Circular No. **SEBI/HO/IMD/IMD-II DOF3/P/CIR/2022/82**, for the matter related to nomination for eligible Mutual Fund Unit Holders and decided as follows:

1. Investors subscribing to Mutual Fund Units ***on or after August 1, 2022***, shall have the choice of:
 - a. Providing **Nomination** in the format specified in SEBI (Mutual Funds) Regulations, 1996 (or)
 - b. Opting out of Nomination through a signed **Declaration Form** as provided in the circular.
2. AMC shall provide the **option to the unit holder(s)** to submit either the Nomination Form or the Declaration Form for opting out of Nomination, in physical or online as per the choice of the unit holder(s). In case of physical option, the forms shall carry the **wet signature** and in case of online option, the forms shall be using **e-Sign facility** recognized under Information Technology Act, 2000, instead of wet signature(s) of all the unit holder(s).

Now on **July 29, 2022**, SEBI vide Circular No. **SEBI/HO/IMD/IMD-I DOF1/P/CIR/2022/105** has amended the above-mentioned circular as follows:

- i. The date **“August 1, 2022”** in Point 1 above shall be read as **“October 1, 2022”**.
- ii. In Point 2 above, for validation of online forms, in addition to e-Sign facility recognized under Information Technology Act, 2000, the option of through two factor authentication (2FA) in which one of the factors shall be a One-Time Password sent to the unit holder at his/her email/phone number registered with the AMC, may be used by the AMC.

The link for the aforesaid Circular is as below:

https://www.sebi.gov.in/legal/circulars/jul-2022/nomination-for-mutual-fund-unit-holders-extension-of-timelines_61395.html

19. Framework for automated deactivation of trading and demat accounts in cases of inadequate KYCs

SEBI has vide circulars issued from time to time mandated that addresses form a critical part of the Know Your Client (“KYC”) procedures.

Thus, every address recorded for the purpose of compliance with KYC procedure has to be accurate and an intermediary registered with SEBI has to update the address from time to time.

However, it has been observed that in some cases accurate/updated addresses of clients are not maintained and this is borne out of the fact that when SEBI issues any notices, etc. during the course of any enforcement proceedings on such addresses, the same remain unserved.

Hence, to ensure that the client furnishes accurate/updated details of address and to ensure that KYC details are correct, SEBI on **July 29, 2022**, vide Circular No. **SEBI/HO/EFD1/EFD1_DRA4/P/CIR/2022/104**, has prescribed a framework involving stock exchanges (except Commodity Derivatives Exchanges) and depositories.

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The framework prescribed in the above-mentioned circular shall come into effect from August 31, 2022.

The link for the aforesaid Circular is as below:

https://www.sebi.gov.in/legal/circulars/jul-2022/framework-for-automated-deactivation-of-trading-and-demat-accounts-in-cases-of-inadequate-kycs_61407.html
