

SEBI UPDATES

1. SEBI (Intermediaries) (Amendment) Regulations, 2022:

On **August 01, 2022**, SEBI vide Notification No. **SEBI/LAD-NRO/GN/2022/91** has notified SEBI (Intermediaries) (Amendment) Regulations, 2022 to further amend SEBI (Intermediaries) Regulations, 2008 ("the Regulations"). This Notification shall be effective from August 01, 2022.

The following amendments have been made to the Regulations:

1. The words "**designated member**", occurring throughout the regulation shall be substituted with the words "**competent authority**".
2. Due to the above amendment, in Regulation 22, the definition of the designated member is substituted with the definition of Competent Authority who shall be ***a Whole Time Member or an officer of the Board who is not below the rank of Chief General Manager, as may be designated by the Board.***
3. Regulation 24 relating to the appointment of Designated Authority, sub-regulation (1) is substituted stating that the ***Board may initiate proceedings against any person who has been granted a certificate of registration under the Act and Regulations for failure in compliance of conditions subject to which certificate was granted or contravenes provisions of the securities laws or directions, instructions or circulars as mentioned in regulation 23.***

Link for the aforesaid Notification is as follows:

https://www.sebi.gov.in/legal/regulations/aug-2022/securities-and-exchange-board-of-india-intermediaries-amendment-regulations-2022_61681.html

2. Announcements may be submitted by Listed Companies using Digital Signature:

In accordance with Regulation 10 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR), all Listed Companies are required to file the reports, statements, documents, filings and any other information with the recognized Stock Exchange(s) on the electronic platform as specified by SEBI or the recognized Stock Exchange(s).

In wake of covid-19 pandemic, SEBI vide its various circulars dated April 17, 2020, July 31, 2020 and April 29, 2021 had permitted the use of digital signature certification for authentication/certification of filings/ submissions made to Stock Exchanges. This measure was received well by the market participants.

Considering the advantages of using digital signature certifications for authentication of documents/ filings, National Stock Exchange (NSE), in consultation with other stock exchanges and SEBI, vide Circular No. **NSE/CML/2022/39** ("the Circular") dated **August 02, 2022**, decided to make it **mandatory to file announcements using digital signature certification to the Stock Exchange** except for following disclosures/events:

1. Outcome of Board meeting which includes only financial result.
2. Any disclosure in which document(s) issued by entity/ies other than Listed Company is/ are included (For e.g., Auditors certificate, NCLT/ other court's order, Credit Rating, etc.);

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3. Newspaper advertisement.
4. Any other disclosure(s) as specified by Stock Exchanges from time to time.

The circular shall be effective from **September 01, 2022**.

Link for the aforesaid Circular is as follows:

<https://static.nseindia.com/s3fs-public/inline-files/Circular%20on%20use%20of%20digital%20signature%20certificate.pdf>

3. SEBI (Mutual Funds) (Second Amendment) Regulations, 2022:

On **August 03, 2022**, SEBI vide Notification No. **SEBI/LAD-NRO/GN/2022/92** notified SEBI (Mutual Funds) (Second Amendment) Regulations, 2022 to further amend the SEBI (Mutual Fund) Regulations, 1996 ("the Regulations"). This Notification shall be effective from **September 02, 2022**.

The following amendments have been made to the Regulations:

1. In Regulation 2 relating to Definitions, a proviso has been inserted in the definition of Associate stating that ***the definition of associate shall not be applicable to such sponsors, which invest in various companies on behalf of the beneficiaries of insurance policies or such other schemes as may be specified by the Board from time to time.***
2. In Part B Fifth Schedule relating to the Code of Conduct for the Fund Managers and Dealers, the meaning of *Asset Management Company and a Sponsor shall be as per the definition of the associate as mentioned in Regulation 2 (amendment stated above).* Also, the meaning of associate for sponsor has been deleted.

Link for the aforesaid Notification is as follows:

https://www.sebi.gov.in/legal/regulations/aug-2022/securities-and-exchange-board-of-india-mutual-funds-second-amendment-regulations-2022_61565.html

4. Enhanced Guidelines for Debenture Trustee and Listed issuer companies on security creation and initial due diligence:

SEBI on **August 04, 2022**, vide Circular No. **SEBI/HO/DDHS/DDHS_Div1/P/CIR/2022/106** issued Enhanced Guidelines for Debenture Trustees and Listed Issuer Companies on security creation and initial due diligence

SEBI Board, in its meeting on **September 28, 2020**, approved changes to the regulatory framework relating to Debenture Trustees (DTs), enhancing their role. Resultant amendments were made in the SEBI (Debenture Trustees) Regulations, 1993, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and erstwhile SEBI (Issue and Listing of Debt Securities) Regulations, 2008, pursuant to which a circular on the creation of security and due diligence by DTs was issued on **November 03, 2020**.

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Since the issue of the circular dated November 03, 2020, SEBI has received feedback from market participants on the aspects of due diligence and security creation.

Hence this Enhanced Guidelines are issued by SEBI on security creation and initial due diligence which provides for the following:

- A. Manner of change in security/creation of additional security/conversion of unsecured to secured in case of already listed non-convertible debt securities;
- B. Encumbrance on securities for issuance of listed debt securities;
- C. Due Diligence Certificate in case of Shelf Prospectus/Memorandum;
- D. Empanelment of External Agencies by Debenture Trustee(s);
- E. Compliance with SEBI Circulars on 'Security & Covenant Monitoring System'.

Link for the aforesaid Circular is as follows:

https://www.sebi.gov.in/legal/circulars/aug-2022/enhanced-guidelines-for-debenture-trustees-and-listed-issuer-companies-on-security-creation-and-initial-due-diligence_61629.html

5. Consultation Paper on Green and Blue Bonds as a mode of Sustainable Finance:

Sustainable Finance is the process of taking due account of environmental, social and governance (ESG) considerations while making investment decisions in the financial sector, leading to increased longer-term investments into sustainable economic activities and projects.

Corporate finance being driven purely by profit motives and corporate governance norms being followed as the exception rather than the norm, the need for sustainable finance was felt in the aftermath of repeated environmental disasters and extreme weather events.

In the year 2021, the United Nations Climate Change Conference, more commonly referred to as **COP26**, held in Glasgow, Scotland, 197 Countries, including India, have made enhanced commitments toward mitigating climate change and promising more climate finance for developing countries to adapt to climate impacts.

SEBI introduced the concept of '**green debt securities**' under the erstwhile Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 vide circular dated May 30, 2017. Since the framework of green debt securities was laid down by SEBI, there have been multiple events in the sustainable finance space around the world, thereby necessitating a review in the Indian context.

On **August 04, 2022**, SEBI published Consultation Paper on Green and Blue Bonds as a mode of Sustainable Finance. SEBI, through this consultation paper, inter-alia, is seeking public comments on a proposed regulatory framework:

- a. to amplify the definition of green debt securities
- b. to introduce the concept of blue bonds
- c. to reduce the compliance cost for issuers of green debt securities with while not creating any perverse incentives that may lead to 'greenwashing'.

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Suggestions are also solicited towards the following:

- a. increasing avenues for sustainable finance in India;
- b. scope of financing through green bonds, schemes/policies of the Government of India (GoI) initiated in pursuit of commitments made towards climate change goals at COP26 summit in Glasgow and additional schemes / policies that can be undertaken in pursuit of the said commitment;
- c. potential for sustainable financing in emerging areas;
- d. potential for blue bonds;
- e. scope of blue bonds in India and various initiatives that have scope for financing through blue bonds;
- f. need to revisit the existing green bond framework in order to align with the updated Green Bond Principles (GBP) published by the International Capital Market Association (ICMA);
- g. greenwashing viz. practice of channelling proceeds from green bonds towards projects or activities having negligible or negative environmental benefits

The public comments may be sent via email to pradeepr@sebi.gov.in; nikhilc@sebi.gov.in; and vikramj@sebi.gov.in or through post on the address mentioned in the consultation paper, latest by August 31, 2022.

The link for the aforesaid Consultation Paper is as below:

https://www.sebi.gov.in/reports-and-statistics/reports/aug-2022/consultation-paper-on-green-and-blue-bonds-as-a-mode-of-sustainable-finance_61636.html

6. Framework for restricting trading by Designated Persons (“DPs”) by freezing PAN at security level under SEBI (Prohibition of Insider Trading) Regulations, 2015 (“PIT Regulations”):

Schedule B Clause 4 (1) read with Regulation 9 of PIT Regulations, states that “Designated Persons” (DP) may execute trades subject to compliance with PIT Regulations. Towards this end, a notional trading window shall be used as an instrument of monitoring trading by the DP.

The trading window shall be closed when the compliance officer determines that a DP or class of DP can reasonably be expected to have possession of unpublished price sensitive information (“UPSI”) and such closure shall be imposed on such securities to which the UPSI relates. DPs and their immediate relatives shall not trade in securities when the trading window is closed.

Clause 4(2) of Schedule B read with Regulation 9 of PIT Regulations provides for one of the instances of closure of trading window which inter-alia states that ***“trading restriction period shall be made applicable from the end of every quarter till 48 hours after the declaration of financial results”***.

In order to rationalize the compliance requirement under Schedule B Clause 4 read with Regulation 9 of PIT Regulations, improve ease of doing business and prevent inadvertent non-compliances of provisions of PIT Regulations by DPs, SEBI after having deliberations with Stock Exchanges and Depositories and listed companies, on **August 05, 2022**, vide its Circular No. **SEBI/HO/ISD/ISD-SEC-4/P/CIR/2022/107** (“the Circular”), had decided that Stock Exchanges and Depositories shall develop a system to restrict trading by DPs of Listed Company during trading window closure period.

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The procedure for implementation of the system and flow chart of the procedure is as mentioned the circular.

To begin with, the provisions of the Circular shall be applicable to declaration of financial results of the listed company that is or was part of benchmark indices i.e., NIFTY 50 and SENSEX from the date of implementation of this circular.

Further, the restriction on trading shall be for on-market transactions, off-market transfers and creation of pledge in equity shares and equity derivatives contracts (i.e. Futures and Options) of such listed companies.

This circular shall come into force with effect from the quarter ending **September 30, 2022**.

Till further communication from SEBI, the Compliance Officer and DPs of listed companies shall continue to independently comply with the obligations under PIT Regulations, as applicable to them.

Link for the aforesaid Circular is as follows:

<https://www.sebi.gov.in/legal/circulars/aug-2022/trading-window-closure-period-under-clause-4-of-schedule-b-read-with-regulation-9-of-sebi-prohibition-of-insider-trading-regulations-2015-framework-for-restricting-trading-by-designated-persons-b-61781.html>

7. FPI Advisory Committee:

On **August 05, 2022**, SEBI vide **Press Release No. 26/2022** informed the public that in order to provide recommendations and advise SEBI on policy matters relating to Foreign Portfolio Investors ('FPIs'), it has constituted a Standing Committee called '**FPI Advisory Committee**' (**FAC**) for facilitation of FPI Investments. The terms of reference of the Committee include:

- (a) To advise on issues related to investments and operations of FPIs in the Indian financial markets, including measures to facilitate ease of doing business by FPIs in India;
- (b) To review investment avenues available for FPIs and to advise on feasibility of new investment avenues;
- (c) To advise SEBI on measures required to encourage FPI participation in the bond market, legal framework for simplification of FPI regulations & enhance transparency;
- (d) To advise SEBI on measures required, if any, in the legal framework for simplification of FPI regulations;
- (e) To advise SEBI on measures required, if any, in the legal framework to enhance transparency;
- (f) To advise SEBI on Custodian related matters pertaining to FPIs;
- (g) To discuss any other issues pertaining to FPIs.

Several high-profile dignitaries as named in the said press release have been appointed as members of FAC.

Link for the aforesaid Press Note is as follows:

<https://www.sebi.gov.in/media/press-releases/aug-2022/sebi-constitutes-fpi-advisory-committee-fac-61783.html>

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8. Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2022:

On **August 11, 2022**, SEBI vide Notification No. **SEBI/LAD-NRO/GN/2022/93** notified the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2022 ("Amendment Regulations") to further amend the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 ("the Regulations").

The following changes have been made vide the Amendment Regulations:

1. In '**Regulation 22C** – For a "**Recognized Limited Purpose Clearing Corporation**" (RLPCC) it has been made mandatory to have Nominee Directors, Independent Directors, Managing Director & such other Directors as may be specified by the RBI or the SEBI on the governing board. Additionally, Representative of the issuers of debt securities may be appointed on the governing board of a RLPCC a **rotational basis** and such a director shall be **deemed to be a nominee director**;

Now the substituted Regulation 22C reads as under:

"(1) The governing board of a recognized limited purpose clearing corporation shall include:

(a) nominee directors;

(b) independent directors;

(c) managing director; and

(d) such other directors as may be specified by the Reserve Bank of India or the Board from time to time.

(2) The representative of the issuers of debt securities may be appointed on the governing board of the recognized limited purpose clearing corporation on a rotational basis and such a director shall be deemed to be a nominee director

Explanation — For the purpose of sub-regulation (2), the representative of the issuers of debt securities during a financial year shall be one of the top three issuers, which are public sector undertakings, based on their issue size in the preceding financial year"

2. In '**Regulation 22F - Dispute Resolution Mechanism**' the RLPCC shall put in place dispute resolution mechanism for settlement of disputes or claims arising out of transactions cleared and settled by it. Further, SEBI in consultation with RBI shall specify the manner in which disputes or claims shall be settled;

Now the substituted Regulation 22F reads as under:

"The recognized limited purpose clearing corporation shall put in place a dispute resolution mechanism, for settlement of disputes or claims arising out of transactions cleared and settled by it, in the manner as specified by the Board in consultation with the Reserve Bank of India"

3. SEBI has inserted two (2) new sub-regulations namely **Regulation 22G & 22H** containing General Provisions providing that *limited purpose clearing corporation* is required **to ensure compliance with RBI regulations and directions**. In case of different compliance requirements under these regulations and directions issued by RBI, the compliance requirements shall be made applicable to the *limited purpose clearing corporation* after consultation with RBI. Further, in case *limited purpose clearing corporation* is required to obtain prior approval of SEBI and RBI then it shall obtain approval of SEBI before seeking approval of RBI.

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Now the sub-regulation 22G & 22H reads as under:

"22G. (1) The limited purpose clearing corporation shall ensure compliance with the provisions of these regulations as well as directions issued by the Reserve Bank of India.

(2) In cases of different compliance requirements as specified under the provisions of these regulations and the directions issued by the Reserve Bank of India, the compliance requirements shall be made applicable to the limited purpose clearing corporation after consultation with the Reserve Bank of India.

22H. In case the limited purpose clearing corporation is required to obtain the prior approval of the Board and the Reserve Bank of India, the limited purpose clearing corporation shall obtain the prior approval of the Board before seeking approval from the Reserve Bank of India"

4. Regulation 23 relating to Composition of the governing board, states that managing director shall be included in the category of shareholder directors. However, a new proviso has been inserted **stating that for the purpose of limited purpose clearing corporation, Managing Director shall not be included in the category of shareholder directors.**
5. Regulation 24 relating to Conditions of appointment of directors' states that public interest directors shall be nominated for a term of 3 years which may be extendable by another term of 3 years, subject to performance review. A new proviso has been inserted, restricting the age limit to 70 years for appointment of public interest directors or as specified by RBI or SEBI from time to time.
6. Regulation 27 relating to compensation and tenure of key management personnel (KMP) states that the report submitted by Stock Exchange shall **consist of (earlier it was shall comprise of)** ratio of compensation paid to each KMP, vis-à-vis median of compensation paid to all employees of the recognized stock exchange or recognized clearing corporation.
7. In Schedule II Part H relating to Appointment of Directors, in general conditions for appointment of Directors a new para 1A has been inserted stating that **the limited purpose clearing corporation shall complete the appointment process for the managing directors within 30 days from the date of approval of the RBI and submit a compliance report within 1 week from the date of appointment.**

Link for the aforesaid Notification is as follows:

https://www.sebi.gov.in/legal/regulations/aug-2022/securities-contracts-regulation-stock-exchanges-and-clearing-corporations-amendment-regulations-2022_62028.html

9. Guidelines for Overseas Investment by Alternative Investment Funds (AIFs)/ Venture Capital Funds (VCFs)

In terms of Regulation 12(ba) of erstwhile SEBI (Venture Capital Funds) Regulations, 1996 and Regulation 15(1)(a) of SEBI (Alternative Investment Funds) Regulations, 2012, AIFs/VCFs may invest in securities of companies incorporated outside India subject to such conditions or guidelines that may be stipulated or issued by the Reserve Bank of India and SEBI from time to time.

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In this regard SEBI on **August 17, 2022**, SEBI vide its Circular No. **SEBI/HO/AFD-1/PoD/CIR/P/2022/108** ("the Circular") has issued guidelines for overseas investment by AIFs/ VCFs specifying the following. This Circular shall come into force with effect from August 17, 2022. This Circular is game changer for AIF / VCF.

1. For allocation of overseas investment limit, AIF/ VCF need to make an application to SEBI in the format specified in **Annexure A** to the circular which shall consist of:
 - (a) Details of the proposed overseas investment;
 - (b) Details of overseas investments made by the Scheme in the past;
 - (c) Undertaking to be submitted by the Trustee/Board/Designated Partners of the AIF/VCF (as applicable depending on the form of AIF/VCF);
 - (d) Undertaking to be submitted by the Manager of the AIF/VCF.
2. The Overseas investee company **is not required to have an Indian connection**.
3. Overseas investee company **shall be incorporated in a country whose securities** market regulator is a signatory to the International Organization of Securities Commission's Multilateral Memorandum of Understanding or a signatory to the bilateral Memorandum of Understanding with SEBI.
4. AIFs/VCFs shall not invest in an overseas investee company, which is incorporated in a country identified in the public statement of Financial Action Task Force (FATF) as:
 - (a) a jurisdiction having a strategic Anti-Money Laundering or Combating the Financing of Terrorism deficiencies to which counter measures apply; or
 - (b) a jurisdiction that has not made sufficient progress in addressing the deficiencies or has not committed to an action plan developed with FATF to address the deficiencies.
5. If an AIF/VCF **liquidates investment** made in an Overseas investee company previously, **the sale proceeds received** from liquidation, to the extent of investment made in the said Overseas investee company, shall be available to all AIFs/VCFs (including the selling AIF/VCF) for reinvestment.
6. AIFs/VCFs shall transfer/sell the investment in Overseas investee company only to the entities eligible to make Overseas investments, as per the extant guidelines issued under the Foreign Exchange Management Act, 1999
7. AIFs/VCFs shall furnish the sale/divestment details of the Overseas investments to SEBI within three (3) working days of the divestment in the format given at **Annexure B** to the circular, by emailing to aifreporting@sebi.gov.in, for updating the overall limit available for overseas investment by AIFs/VCFs.
8. All the Overseas investments sold/divested by AIFs/VCFs till date, shall also be reported to SEBI in the format given at **Annexure B** to the circular within 30 days from the date of the circular, by emailing to aifreporting@sebi.gov.in.

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9. The Trustee/Board/Designated Partners of the AIFs/VCFs shall submit an undertaking as specified in **Annexure A** to the circular, to SEBI with respect to the proposed overseas investment.

Link for the aforesaid Circular is as follows:

<https://www.sebi.gov.in/legal/circulars/aug-2022/guidelines-for-overseas-investment-by-alternative-investment-funds-aifs-venture-capital-funds-vcfs-62020.html>

10. Block Mechanism in demat account of clients undertaking sale transactions:

On **July 16, 2021**, SEBI vide Circular No. **CIR/HO/MIRSD/DOP/P/CIR/2021/595**, had introduced block mechanism in the Demat account of clients undertaking sale transactions, for ease of operations in Early Pay-in mechanism. The Clause 5 of the aforementioned circular provided that the proposed facility of block mechanism is on optional basis for the purpose of Early Pay-in mechanism.

Now, on **August 18, 2022**, SEBI vide its Circular No. **SEBI/HO/MIRSD/DoP/P/CIR/2022/109** ("the Circular"), pursuant to extensive consultation with Depositories, Clearing Corporations and Stock Exchanges, and considering the benefits of block mechanism, has amended the Clause 5 of the circular dated July 16, 2021, thereby making the facility of block mechanism mandatory for all Early Pay-in transactions. All other provisions in the Circular dated July 16, 2021, shall continue to remain applicable.

The circular shall be applicable with effect from November 14, 2022.

Link for the aforesaid Circular is as follows:

<https://www.sebi.gov.in/legal/circulars/aug-2022/block-mechanism-in-demat-account-of-clients-undertaking-sale-transactions-62131.html>

11. Participation as Financial Information Providers in Account Aggregator Framework:

On **August 19, 2022**, SEBI vide its circular **SEBI/HO/MRD/DCAP/P/CIR/2022/110** ("the Circular") has issued a guideline for **Participation as Financial Information Providers in Account Aggregator framework**. The circular shall come into force with effect from August 19, 2022.

- (1) An Account Aggregator (AA), is RBI regulated Non-Banking Finance Company (NBFC) that facilitates retrieval or collection of financial information, pertaining to a customer, from Financial Information Providers (FIP) on the basis of explicit consent of the customer.
- (2) RBI on **September 02, 2016** had issued Account Aggregator Master Directions ("RBI Master Directions") for compliance by every Non-Banking Financial Company (NBFC-Account Aggregator) undertaking the business of AA. Out of the list of entities mentioned as FIPs in the RBI master directions, the Asset Management Companies (AMCs) through their Registrar and Transfer Agents (RTAs) and Depositories are inter-alia specified as FIPs for the purpose of sharing of information and are referred as FIPs in the securities markets.

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- (3) The FIPs in the securities market will provide the “Financial Information” as specified in the RBI Master Directions, to the customers and Financial Information User (FIU) who furnish the consent artefact (electronic consent as defined in RBI Master Guidelines) through any of the Account Aggregators registered with RBI. For this purpose, FIPs in the securities market shall enter into a contractual framework with AAs.
- (4) The FIPs in the securities markets shall share the “Financial Information” pertaining to securities markets, through the AA only on receipt of a valid consent artefact from the customer through the Account Aggregator.
- (5) FIPs after due verification of the consent artefact shall digitally sign the financial information and securely transmit the same to the AA in accordance with the terms contained in consent artefact.
- (6) All responses of FIPs shall be in real time and to enable these data flows FIPs shall put in place systems as specified in the circular.
- (7) FIPs are expected to adopt the technical specifications published by ReBIT, as updated from time to time as specified by Reserve Bank of India and adopt required scalable Information Technology (IT) framework and interfaces to ensure secure data flows to all the AA. There shall be adequate safeguards built in IT systems of FIPs in the securities markets to ensure that it is protected against unauthorized access, alteration, destruction, disclosure or dissemination of records and data.
- (8) FIPs shall abide by Code of Conduct and all the regulatory provisions under the SEBI Act, 1992, Depositories Act, 1996 and the regulations framed thereunder.
- (9) The participation of depositories as FIPs in the AA ecosystem shall not impact the existing mechanism as per circular dated November 12, 2014 of issuances of Consolidated Account Statement to the investors by depositories or AMCs/MF-RTAs providing consolidated information of the mutual fund investments and holdings of investors in demat accounts.
- (10) All the FIPs must disclose prominently on their websites the names of the Account Aggregators through which the FIP shares the information about assets held with respect to securities markets with the customers and Financial Information Users (FIUs).

Link for the aforesaid Circular is as follows:

https://www.sebi.gov.in/legal/circulars/aug-2022/participation-as-financial-information-providers-in-account-aggregator-framework_62157.html

12. Enhanced Disclosure by Credit Rating Agencies (CRAs) and Norms on Rating Withdrawal:

SEBI (Credit Rating Agencies) Regulations, 1999 (“CRA Regulations”) provide for a principle-based regulation of CRAs focusing inter alia on enhanced transparency and disclosures by CRAs. Over time, SEBI has prescribed various disclosures under different circulars under the CRA Regulations.

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Now, on **August 25, 2022**, SEBI vide Circular No. **SEBI/HO/DDHS/DDHS-RACPOD2/P/CIR/2022/113** ("the Circular") to allow investors and other stakeholders to properly use such disclosures in a fair assessment of CRAs, suggested changes for disclosures made by CRAs.

The circular shall be applicable to credit ratings of securities that are listed, or proposed to be listed, on a recognized stock exchange, and other credit ratings that are required under various SEBI Regulations or circulars thereunder.

Changes in the following disclosures made by CRAs have been suggested vide the circular:

1. Methodology for Computation of Sharp Rating Action – Applicable from H1 of FY 2022-23.
2. Issuers Not Cooperating (INC) and information required for rating – To be applicable latest by March 31, 2023.
3. Rating Withdrawal Norms. – Applicable for Ratings withdrawn after September 30, 2022
4. Rating Withdrawal of Perpetual Debt Securities – Applicable for Ratings withdrawn after September 30, 2022.
5. Disclosure of Average Rating Transition Rates for Long-Term Credit Ratings – Applicable for Disclosures for FY 2022-23.
6. Enhanced Disclosure by CRAs on their websites – Applicable for Website Disclosures made after March 31, 2023.

Link for the aforesaid Circular is as follows:

https://www.sebi.gov.in/legal/circulars/aug-2022/enhanced-disclosures-by-cras-and-norms-on-rating-withdrawal_62361.html

13. Disclosure Requirement for Asset Management Companies:

SEBI vide Gazette Notification No. **SEBI/LAD-NRO/GN/2022/92** dated **August 03, 2022**, had amended the definition of "associate" as per clause (c) of sub-regulation (1) of regulation (2) of SEBI (Mutual Funds) Regulations, 1996.

Now, on **August 25, 2022**, SEBI vide Circular No. **SEBI/HO/IMD/DOF2/P/CIR/2022/111**, has decided that AMCs shall ensure **scheme wise disclosure of investments**, as on the last day of each quarter, in securities of such entities that are excluded from the definition of associate which was amended by SEBI on **August 03, 2022**.

Disclosures shall include **ISIN wise value of investment and value as percentage of AUM of scheme**. Such disclosure shall be made on the websites of respective AMCs and on the website of AMFI, within one month from the close of each quarter.

Link for the aforesaid Circular is as follows:

<https://www.sebi.gov.in/legal/circulars/aug-2022/disclosure-requirement-for-asset-management-companies-amcs-62345.html>

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14. Amendments to guidelines for preferential issue and institutional placement of units by a listed InvIT/ REIT:

On August 26, 2022, SEBI vide Circular No. SEBI/HO/DDHS/DDHS_Div3/P/CIR/2022/0115 for InvIT and SEBI/HO/DDHS/DDHS_Div3/P/CIR/2022/0116 for REIT ("the Circular") modified the guidelines for preferential issue and institutional placement of units by listed InvIT and REIT ("Guidelines") issued on November 27, 2019, and subsequently revised vide circulars dated March 13, 2020, September 28, 2020 and November 17, 2020.

The modifications made in the guidelines are as under:

1. Clause 3.5 of the Circular dated November 27, 2019 (as amended) relating to manner of issuance of unit is modified and states that *post allotment, InvIT/ REIT to make an application for listing of the units to the stock exchange(s) and the units shall **be listed within 2 working days** from the date of allotment. However, if InvIT/ REIT fail to list the units within the specified time, InvIT/REIT shall **refund the monies received through verifiable means within 4 working days** from the date of the allotment, and if any such money is not repaid within such time after the issuer becomes liable to repay it, the InvIT/REIT, investment manager of the InvIT/ REIT and its director or partner who is an officer in default shall, on and from the expiry of the 4th working day, be jointly and severally liable to **repay that money with interest at 15% p.a.***
2. In Annexure I relating to manner of preferential issue of units by a listed InvIT/ REIT, **pricing** of frequently traded units is amended as under:
 - 2.1** *Where the units of the InvIT/ REIT **are frequently traded**, the price of units to be allotted under preferential issue shall not be less than higher of the following:*
 - 2.1.1. *the **90 trading days' volume** weighted average price of the related units quoted on the recognised stock exchange preceding the relevant date; or*
 - 2.1.2. *the **10 trading days' volume** weighted average prices of the related units quoted on a recognised stock exchange preceding the relevant date.*
 - 2.2** *A preferential issue of units to "institutional investors" not exceeding 5 in number, shall be made at a **price not less than the 10 trading days' volume** weighted average prices of the related units quoted on a recognised stock exchange preceding the relevant date.*

Various terms have been explained:

- a) **"Relevant date"** related to preferential issue of units shall be 30 days prior to the date of meeting of unitholders in which preferential issue was considered. Where the relevant date falls on a weekend or a holiday, the day preceding the weekend or the holiday will be reckoned to be the relevant date.
- b) **"Relevant stock exchange"** shall mean the recognised stock exchange in which the units of the InvIT/REIT are listed and in which the highest trading volume in respect of the units of the InvIT/ REIT has been recorded during the preceding 90 trading days prior to the relevant date.
- c) **"Frequently traded units"** for purposes of these guidelines shall mean InvIT/ REIT units, in which the traded turnover on any recognised stock exchange during 240 trading days preceding the relevant date, is at least 10% of the total number of issued and outstanding units of such class of units of the issuer. However, if the number of issued and outstanding units of a particular class of units of the issuer is not identical throughout such period, the weighted average number of total units of such class of the issuer shall represent the total number of units.

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3. In Annexure I relating to Manner of preferential issue of units by a listed InvIT/ REIT, clause 4.1 relating to allotment is modified and states that

*preferential issue of units shall not be made to any person **who has sold or transferred any units of the issuer during the 90 trading days preceding the relevant date.** Further, where any person belonging to the sponsor(s) has sold/ transferred their units of the issuer during the 90 days preceding the relevant date, all sponsors shall be ineligible for allotment of units on a preferential basis. However, it states that this restriction on preferential issue of units shall not apply to a sponsor(s), in case any asset is being acquired by the InvIT/ REIT from that sponsor(s), and preferential issue of units is being made to that sponsor, as full consideration for the acquisition of such asset.*

Link for the aforesaid Circular for InvIT is as follows:

<https://www.sebi.gov.in/legal/circulars/aug-2022/amendments-to-guidelines-for-preferential-issue-and-institutional-placement-of-units-by-a-listed-invite-62399.html>

Link for the aforesaid Circular for REIT is as follows:

<https://www.sebi.gov.in/legal/circulars/aug-2022/amendments-to-guidelines-for-preferential-issue-and-institutional-placement-of-units-by-a-listed-reit-62396.html>

15. Corrigendum to Master Circular for Depositories dated February 05, 2021 on Opening of demat account in case of HUF:

On **August 26, 2022**, SEBI vide Circular No. **SEBI/HO/MRD/MRD-POD-2/P/CIR/2022/114** issued corrigendum to Master Circular for Depositories dated February 05, 2021 with regards to opening of demat account in case of HUF.

In partial modification of the Master Circular dated February 05, 2021, sub-section 1.2(a) of section 1.4 of the said circular, shall be replaced with the following:

“In the event of death of Karta of HUF, the name of the deceased Karta in the Beneficial Owner (BO) account shall be replaced by the new Karta of the HUF who in such a case shall be eldest coparcener in the HUF or a coparcener who is appointed as Karta by an agreement reached amongst all the coparceners of the HUF.”

Link for the aforesaid Circular is as follows:

<https://www.sebi.gov.in/legal/circulars/aug-2022/corrigendum-to-master-circular-for-depositories-dated-february-05-2021-on-opening-of-demat-account-in-case-of-huf-62387.html>

16. Circular for Portfolio Managers:

On **August 26, 2022**, SEBI vide **Circular No. SEBI/HO/IMD/IMD-I/DOF1/P/CIR/2022/112** (“the Circular”), pursuant to amendment to SEBI (Portfolio Managers) Regulations, 2020 (“PMS Regulations”) inter-alia mandating prudential limits on investments in associates/related parties of Portfolio Manager, the requirement of taking prior consent of client for such investments and restrictions based on the credit rating of securities, issued compliance requirements with regards to the following:

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- A. Limits on investment in securities of associates / related parties of Portfolio Managers
- B. Prior consent of the client regarding investments in the securities of associates/related parties as per format specified at **Annexure A** of the Circular.
- C. Minimum credit rating of securities for investments by Portfolio Managers.
- D. Disclosure of details of investments by Portfolio Managers.

All the requirements specified above and in Regulations 22 (1A), 22(4) (da) & (db), 24 (3A) to 3(E) of PMS Regulations shall not be applicable for **advisory portfolio management services, co-investment portfolio management services** and for client categories who in turn manage funds under government mandates and/or are governed under specific Acts of State and/or Parliament.

Notwithstanding the above, for advisory portfolio management services, Portfolio Managers shall make suitable disclosure to the client regarding **conflict of interest** with respect to investments in the securities of the associates/related parties, while giving advice.

The term “associate” for this purpose shall have the same meaning as defined under explanation to Regulation 24 (3C) of PMS Regulations. Further, Portfolio Managers shall disclose the credit rating of all securities, while giving advice.

The Circular shall come into effect from September 20, 2022 and the requirements with respect to Disclosure Document under D above viz. Disclosure of details of investments by Portfolio Managers, shall come into effect from the quarter ending September 2022.

Link for the aforesaid Circular is as follows:

https://www.sebi.gov.in/legal/circulars/aug-2022/circular-for-portfolio-managers_62374.html

17. Extension of timeline for submission of public comments on the consultation paper for Green and Blue Bonds as a mode of Sustainable Finance:

SEBI on **August 26, 2022** extended the timeline for submission of public comments on the Consultation Paper for Green and Blue Bonds as a mode of Sustainable Finance which was placed on its website for public comments on **August 04, 2022**. The extended date for submission of comment in the prescribed format is **September 30, 2022** to the prescribed email ids or postal address.

Link for the aforesaid Extension is as follows:

https://www.sebi.gov.in/reports-and-statistics/reports/aug-2022/extension-of-timeline-for-submission-of-public-comments-on-the-consultation-paper-on-green-and-blue-bonds-as-a-mode-of-sustainable-finance_62406.html

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