



OCTOBER 2022 | ISSUE

VEDANAM

For MCA and SEBI Update

Why Vedanam?

We, Mehta & Mehta present you with our monthly newsletter which cover regulatory updates, case laws and study articles. We hereby release our October, 2022 issue.

**KNOWLEDGE IS
LIKE PAINT.**

**IT DOES NO GOOD
UNLESS IT'S
APPLIED**

INDEX

I. SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI) UPDATES	
A.	SEBI CIRCULARS AND NOTIFICATIONS
1.	<u>SEBI circular on Extension of timeline for entering the details of the existing outstanding non-convertible securities in the 'Security and Covenant Monitoring' system hosted by Depositories - 03rd October, 2022</u>
2.	<u>SEBI circular on Execution of 'Demat Debit and Pledge Instruction' (DDPI) for transfer of securities towards deliveries / settlement obligations and pledging / re-pledging of securities-Clarification - 06th October, 2022</u>
3.	<u>SEBI circular on Review of provisions pertaining to Electronic Book Provider platform - 10th October, 2022</u>
4.	<u>SEBI circular on Suspension, Cancellation or Surrender of Certificate of Registration of a Credit Rating Agency - 13th October, 2022</u>
5.	<u>SEBI Circular on Governing Council for Social Stock Exchange ("SSE") - 13th October, 2022</u>
6.	<u>SEBI circular on Request for Quote (RFQ) platform for trade execution and settlement of trades in listed Non-convertible Securities, Securitised Debt Instruments, Municipal Debt Securities and Commercial Paper - 19th October, 2022</u>
7.	<u>SEBI circular on Block Mechanism in demat account of clients undertaking sale transactions - Clarification - 27th October, 2022</u>
8.	<u>SEBI circular on reduction in denomination for debt securities and non-convertible redeemable preference shares- 28th October, 2022</u>
9.	<u>Addendum to SEBI Circular on development of Passive Funds - 28th October, 2022</u>
10.	<u>SEBI circular on Standardisation of Rating Scales Used by Credit Rating Agencies (CRAs) - 31st October, 2022</u>
11.	<u>SEBI circular on Review of provisions pertaining to specifications related to International Securities Identification Number (ISIN) for debt securities issued on private placement basis - 31st October, 2022</u>
B.	<u>ORDERS/ CASE LAWS/ ANOUNCEMENT</u>
1.	<u>ROC Penalty order in the matter of Elanco India Private Limited</u>
2.	<u>ROC Penalty order in the matter of Topfun Technologies Private Limited</u>
3.	<u>SEBI order in the matter of Bombay Dyeing and Manufacturing Company Limited</u>
4.	<u>SEBI settlement order in the matter of Dish TV India Limited</u>

II. <u>KNOWLEDGE SHARING</u>	
1.	<u>LOAN AND INVESTMENT BY COMPANY - SECTION 186 OF COMPANIES ACT, 2013</u>

Disclaimer: All views in this Newsletter are expressed by the concerned individuals only and are not the views of the Department or the Company.

I. SECURITIES AND EXCHANGE BOARD OF INDIA UPDATES:

1. SEBI CIRCULARS AND NOTIFICATION

1. SEBI circular on Extension of timeline for entering the details of the existing outstanding non-convertible securities in the 'Security and Covenant Monitoring' system hosted by Depositories - 03rd October, 2022

SEBI vide its circular dated 03rd October, 2022 decided to provide an extension of one month and modified para 8.d of the SEBI Circular dated 29th March, 2022, for existing outstanding non-convertible securities, issuers shall ensure that they enter the details into the DLT system on or before 31st October, 2022; DTs shall verify the same by 31st December, 2022.

It is to be noted that SEBI vide Circular dated 13th August, 2021, specified the manner of recording of charges by Issuers and manner of monitoring and other responsibilities of Debenture Trustees (DTs), Credit Rating Agencies, etc. for 'Security and Covenant Monitoring' using Distributed Ledger Technology (DLT) and vide Circular dated 29th March, 2022, specified the Operating Guidelines of the said system using DLT, including roles and responsibilities of the various stakeholders involved.

It is to be noted that extension has been provided in consideration of receipt of representations from depositories that issuers have requested for extension in the timeline of entering the legacy data, viz. details of the existing outstanding non-convertible securities.

This circular is applicable to all Issuers who have listed and/ or propose to list Non-Convertible Securities, Securitised Debt Instruments, Security Receipts, Municipal Debt Securities or Commercial Paper; Recognized Stock Exchanges; All Debenture Trustees registered with SEBI; All Credit Rating Agencies registered with SEBI; All Depositories registered with SEBI.

Link to the Circular:

https://www.sebi.gov.in/legal/circulars/oct-2022/extension-of-timeline-for-entering-the-details-of-the-existing-outstanding-non-convertible-securities-in-the-security-and-covenant-monitoring-system-hosted-by-depositories_63648.html

GO UP

2. **SEBI circular on Execution of 'Demat Debit and Pledge Instruction' (DDPI) for transfer of securities towards deliveries / settlement obligations and pledging / re-pledging of securities-Clarification - 06th October, 2022**

SEBI vide its Circular dated 06th October, 2022 modified guidelines regarding execution of 'Demat Debit and Pledge Instruction' (DDPI) for transfer of securities towards deliveries / settlement obligations and pledging / re-pledging of securities.

In view of the representations by and consultations with Broker Associations and Depositories, it has been decided to widen the scope of DDPI to include:

- 2.1. Mutual Fund transactions being executed on Stock Exchange order entry platforms; and
- 2.2. Tendering shares in open offers through Stock Exchange platforms

Sr. No.	Part/Chapter/Section /Sub-section(s)
1.	Modification in para 3 of SEBI Circular dated 04 th April, 2022
Old guidelines (SEBI Circular 04th April, 2022) 1.2.1. For transfer of securities held in the beneficial owner account of the client towards Stock Exchange related deliveries / settlement obligations arising out of trades executed by such a client on the Stock Exchange through the same stock broker. 1.2.2. For pledging / re-pledging of securities in favour of the trading member (TM) / clearing member (CM) for the purpose of meeting margin requirements of the client in connection with the trades executed by such a client on the Stock Exchange. 1.2.3. For the limited purposes as specified in paragraph 1(iii) and 2 of the Enclosure to the POA Guidelines, 2010.	

Sr. No.	Part/Chapter/Section /Sub-section(s)
	<p data-bbox="405 264 1150 297">New guidelines (SEBI Circular dated 26th August, 2022)</p> <p data-bbox="405 338 1337 405">3. Accordingly, the following amendments are being made to the said Circular:</p> <p data-bbox="405 448 1337 589">3.1. Para 3 shall stand modified as under: “In order to make the process more transparent and simpler, the following conditions shall be made part of a separate document viz. ‘Demat Debit and Pledge Instruction’ (DDPI) (Annexure-A):</p> <p data-bbox="405 629 1337 770">3.1.1. Transfer of securities held in the beneficial owner accounts of the client towards Stock Exchange related deliveries / settlement obligations arising out of trades executed by clients on the Stock Exchange through the same stock broker.</p> <p data-bbox="405 810 1337 952">3.1.2. Pledging / re-pledging of securities in favour of trading member (TM) / clearing member (CM) for the purpose of meeting margin requirements of the clients in connection with the trades executed by the clients on the Stock Exchange.</p> <p data-bbox="405 992 1337 1240">3.1.3. Mutual Fund transactions being executed on stock exchange order entry platforms and which shall be in compliance with SEBI circulars SEBI/HO/IMD/IMD-I DOF5/P/CIR/2021/634 dated October 04, 2021, SEBI/HO/IMD/IMD-I DOF5/P/CIR/2021/635 dated October 04, 2021 and SEBI/HO/IMD/IMD-I DOF5/P/CIR/2022/29 dated March 15, 2022 or any other circular which may be issued in this regard; and</p> <p data-bbox="405 1281 1337 1391">3.1.4. Tendering shares in open offers which shall be in compliance with SEBI circular SEBI/HO/CFD/DCR-III/CIR/P/2021/615 dated August 13, 2021 or any other circular which may be issued in this regard.</p> <p data-bbox="405 1431 1337 1532">The DDPI shall serve the same purpose of PoA and significantly mitigate the misuse of PoA. The use of DDPI shall be limited only for the purposes as mentioned in paragraphs 3.1.1, 3.1.2, 3.1.3 and 3.1.4.”</p>
	<p data-bbox="405 1536 544 1570">Comment</p> <p data-bbox="405 1610 1337 1751">Due to this amendment, with DDPI clients can authorize the stock broker and depository participant to access their beneficial owners’ account for the limited purpose of meeting pay-in obligations for the settlement of trades executed by them.</p>

Sr. No.	Part/Chapter/Section /Sub-section(s)
1.	Modification in Para 8 of SEBI Circular dated 04 th April, 2022
Old guidelines (SEBI Circular 04th April, 2022)	
<p>Securities transferred on the basis of the DDPI provided by the client shall be credited only to client's trading member pool account. The DDPI provided by the client shall be registered in the demat account of the client by TM /CM. Stock Exchanges and Depositories shall ensure that stock broker/stock broker and depository participant providing DDPI facility, has enabled its clients to revoke / cancel the DDPI provided by them.</p>	
New guidelines (SEBI Circular dated 26th August, 2022)	
<p style="color: red;">"Securities transferred on the basis of the DDPI provided by the client shall be credited to client's TM pool account / CM pool account / demat account of clearing corporation, as the case may be. The DDPI provided by the client shall be registered in the demat account of the client by TM /CM. Stock Exchanges and Depositories shall ensure that stock broker/stock broker and depository participant providing DDPI facility, has enabled its clients to revoke / cancel the DDPI provided by them."</p>	
Comment	
<p>Due to this amendment, the DDPI provided by the client shall be credited to client's TM pool account / CM pool account / demat account of clearing corporation, as the case may be. The DDPI provided by the client shall be registered in the demat account of the client by TM /CM..</p>	

Sr. No.	Part/Chapter/Section /Sub-section(s)
1.	Modification in Para 9 of SEBI Circular dated 04 th April, 2022
Old guidelines (SEBI Circular 04th April, 2022)	
<p>For the clients who issue the DDPI to stock broker/stock broker and depository participant, the following provisions of the SEBI circulars issued with respect to PoA shall stand replaced with DDPI with effect from July 01, 2022:</p> <p>9.1.Paragraph 4.2.1 and 4.2.2 of SEBI circular no. SEBI/HO/MIRSD/DOP/CIR/P/2020/158 dated August 27, 2020, and</p> <p>9.2. Paragraphs 1(i) and 1(ii) of Enclosure to the SEBI circular no. CIR/MRD/DMS/13/2010 dated April 23, 2010.</p>	

Sr. No.	Part/Chapter/Section /Sub-section(s)
	<p data-bbox="406 264 1152 297">New guidelines (SEBI Circular dated 26th August, 2022)</p> <p data-bbox="406 338 1339 443">“For the clients who issue the DDPI to stock broker/stock broker and depository participant, the following provisions of the SEBI circulars issued with respect to PoA shall stand replaced with DDPI:</p> <p data-bbox="406 483 1339 658">9.1 Paragraphs 4.2.1 and 4.2.2 of SEBI circular no. SEBI/HO/MIRSD/DOP/CIR/P/2020/158 dated August 27, 2020, and Paragraphs 1(i) and 1(ii) of Annexure to the SEBI circular no. CIR/MRD/DMS/13/2010 dated April 23, 2010, with effect from September 1, 2022.</p> <p data-bbox="406 698 1339 840">9.2 Paragraph 1 (iii) to the extent applicable for Mutual Fund transactions and tendering shares in open offers, of Annexure to the SEBI circular no. CIR/MRD/DMS/13/2010 dated April 23, 2010, with effect from November 18, 2022.”</p>

Annexure-A of the SEBI circular dated 04th April, 2022 is modified to the extent of para 3.1 above. All other provisions specified in SEBI circular dated 04th April, 2022 shall continue to remain applicable.

This circular shall be applicable from 18th November, 2022 and shall be applicable to all Depositories and all Recognised Stock Exchanges.

<i>Link to the Circular:</i>
https://www.sebi.gov.in/legal/circulars/oct-2022/execution-of-demat-debit-and-pledge-instruction-ddpi-for-transfer-of-securities-towards-deliveries-settlement-obligations-and-pledging-re-pledging-of-securities-clarification_63724.html

GO UP

3. **SEBI circular on Review of provisions pertaining to Electronic Book Provider platform - 10th October, 2022**

SEBI vide its Circular dated 10th October, 2022 made revision in Chapter VI of the Operational Circular dated 10th August, 2021 for issue and listing of Non-convertible Securities, Securitised Debt Instruments, Security Receipts, Municipal Debt Securities and Commercial Paper.

Chapter VI of the Operational Circular no. SEBI/HO/DDHS/P/CIR/2021/613 dated 10th August, 2021
Chapter VI of the Operational Circular no. SEBI/HO/DDHS/P/CIR/2021/613 dated 10 th August, 2021, issued by SEBI, prescribes provisions pertaining to Electronic Book Provider (EBP) platform. The said circular stipulates the issuances which have to necessarily be made through EBP, the eligible participants, obligations/ responsibilities of various entities, provision to issuer to withdraw offer, process of bidding and allotment, etc.

Purpose of revision
SEBI has received representations from various market participants, requesting for review of the provisions pertaining to EBP platform, in order to address the issues of 'fastest finger first' (viz. allotment based on time priority in bidding for issuances with fixed parameters), certain bidders not getting allocations despite having worked on the issuance pre-listing, high ratio of green shoe to base issue size, limits on arrangers placing bids on behalf of clients, etc.
The said issues were discussed with market participants including issuers, arrangers, investors (e.g. banks, mutual funds), stock exchanges, depositories, and also at the Corporate Bonds and Securitization Advisory Committee (CoBoSAC) meetings. It was observed that in order to address the concern of 'fastest finger first', it is essential to modify the book building process to ensure allocations based on the 'best bid' rather than the bidder with the best technology for placing the fastest bid. Further, certain issuers have expressed the need for introduction of the concept of 'anchor investor' as an option, in order to enable them to assess the demand and receive assurance from certain prospective investors towards subscription.

Revision
The other stipulations of the existing EBP framework like threshold limits for applicability, Bidding limits for arrangers, Penalty in case of default etc. have also been modified after consultation.
Accordingly, it is proposed to replace the extant Chapter VI (Electronic Book Provider platform) of the aforementioned Operational Circular with a revised Chapter, as enclosed herewith, Annex -A.

Applicability

The provisions of this circular shall come into effect from 01st January, 2023 and are applicable to all Issuers who have listed and/ or propose to list Non-convertible Securities, Municipal Debt Securities or Commercial Paper; Recognised Stock Exchanges; Registered Depositories; Registered Credit Rating Agencies, Debenture Trustees, Depository Participants, Stock Brokers, Merchant Bankers, Registrars to an Issue and Share Transfer Agents, Bankers to an Issue; Sponsor Banks; and Self-Certified Syndicate Banks.

Link to the Circular:

https://www.sebi.gov.in/legal/circulars/oct-2022/review-of-provisions-pertaining-to-electronic-book-provider-platform-replacement-of-chapter-vi-to-operational-circular-dated-august-10-2022_63807.html

GO UP

4. SEBI circular on Suspension, Cancellation or Surrender of Certificate of Registration of a Credit Rating Agency – 13th October, 2022

SEBI vide its Circular dated 13th October, 2022 came out with guidelines for Credit rating agencies (CRAs) who have or intend to surrender its registration or whose registration is suspended or cancelled.

2.1 On and from the date of the Order, or the date of submission of request for surrender of certificate of registration (“the Request”) to SEBI, as applicable, the concerned CRA shall

- 2.1.1. disclose prominently on its website, the Order or the Request, as the case may be, and communicate the same to its clients within 15 days of the Order or the Request;
- 2.1.2. not take any new clients or fresh mandates;
- 2.1.3. allow its clients to withdraw any assignment given to the CRA, without any additional cost to such clients;
- 2.1.4. facilitate an orderly migration of assignments as desired by clients to other CRA(s) holding a certificate of registration under CRA Regulations;
- 2.1.5. continue to comply with the provisions of the CRA Regulations and circulars thereunder, till the time the CRA holds the certificate of registration;
- 2.1.6. continue to co-operate with SEBI with regard to sharing of information when requested and payment of fees as required under CRA Regulations;
- 2.1.7. take such other action including providing any records or documents within the time period and in the manner, as may be required under the CRA regulations or as may be directed by SEBI.

2.2. The CRA, on and from the date of acceptance of the Request, or when it is commencing the winding up process, shall -

- 2.2.1. return the certificate of registration so cancelled to SEBI,
- 2.2.2. not represent itself to be a holder of certificate for carrying out the activity for which such certificate had been granted;
- 2.2.3. suspend undertaking activity for which such certificate had been granted;
- 2.2.4. until it is wound up, continue to co-operate with SEBI on matters pertaining to the activities of the CRA undertaken by it till it held the certificate of registration under CRA Regulations;
- 2.2.5. make provisions as regards liability incurred or assumed by it;
- 2.2.6. until it is wound up, take such other action including providing any records or documents within the time period and in the manner, as may be required under the CRA regulations or as may be directed by SEBI

2.3. Additionally, in case of suspension of the certificate of registration, the CRA, during such period of suspension, shall -

- 2.3.1. suspend undertaking activity for which such certificate of registration had been granted;
- 2.3.2. continue to co-operate with SEBI on matters pertaining to the activities of the CRA undertaken by it under CRA Regulations;
- 2.3.3. make provisions as regards liability incurred or assumed by it;
- 2.3.4. take such other action including providing any records or documents within the time period and in the manner, as may be required under the CRA regulations or as may be directed by SEBI.

2.4. In case of cancellation of certificate of registration, the credit ratings assigned by the CRA shall be valid till such time the client withdraws the assignment and/or migrates the assignment to other CRA as specified or the CRA is wound-up, whichever is earlier.

2.5. In case of surrender of certificate of registration, the credit ratings assigned by the CRA whose certificate of registration is being surrendered, shall be valid till such time the client withdraws the assignment and/or migrates to another CRA, or the date of acceptance of surrender by SEBI, whichever is earlier.

2.6. In case of suspension of certificate of registration, the credit ratings assigned by the CRA, whose certificate of registration is suspended, shall not be valid during the period of suspension.

2.7. Upon cancellation or surrender or suspension of certificate of registration of a CRA, the concerned CRA's services cannot be used by listed entities or issuers for compliance with requirements of various SEBI regulations which require credit ratings from a CRA registered with SEBI.

2.8. Listed entities or issuers who have obtained credit rating from a CRA whose registration is cancelled or suspended or surrendered, desirous of obtaining credit rating for regulatory purposes, shall obtain credit rating(s) from another SEBI-registered CRA(s) holding a valid certificate of registration under CRA Regulations.

Applicability: The circular shall be applicable all Credit Rating Agencies (CRAs) registered with SEBI, Issuers who have listed and/or propose to list Non-Convertible Securities, Securitised Debt Instruments, Security Receipts, Municipal Debt Securities or Commercial Paper Recognized Stock Exchanges and all Depositories registered with SEBI.

Link to the Circular:

https://www.sebi.gov.in/legal/circulars/oct-2022/suspension-cancellation-or-surrender-of-certificate-of-registration-of-a-credit-rating-agency_63998.html

GO UP

5. SEBI Circular on Governing Council for Social Stock Exchange ("SSE") - 13th October, 2022

SEBI, vide its circular dated 13th October, 2022 came out with Composition and Terms of Reference of Social Stock Exchange Governing Council ("SGC"). This is in reference to Regulation 292D of the SEBI ICDR Regulations where every Social Stock Exchange shall constitute a Social Stock Exchange Governing Council to have an oversight on its functioning, with composition and terms of reference as specified by the Board. Aspects related to the Social Stock Exchange Governing Council ("SGC") are specified below:

Composition of SGC :

- a) The SGC shall comprise of individuals with relevant expertise who can contribute to the development of SSE. It shall have a balanced representation, drawing from various categories of stakeholders such as:-
- i. Philanthropic and social sectors including public / private sector donors,
 - ii. Non-profit organizations
 - iii. Information Repositories
 - iv. Social Impact Investors
 - v. Social Audit Profession / self-regulatory organization for social auditors,
 - vi. Capacity Building Fund
 - vii. Stock Exchange.

- b) SGC will have a minimum of 7 members having representation from each of the said categories (i to vii above).
- c) SGC shall be supported by administrative staff from the SSE.
- d) The Board of the Stock Exchange shall prescribe the procedure, frequency, quorum etc for the meetings of SGC as well as guidelines for handling potential conflict of interest, if any.
- e) SGC shall meet as frequently as required with minimum of four meetings in a financial year.

Terms of Reference :

The SGC is expected to provide oversight and guidance to facilitate the smooth functioning of the operations of the Social Stock Exchange, with regard to registration, fund raising and disclosures by Social Enterprises. Accordingly, the terms of reference of the SGC shall include the following:

- a) Provide expertise towards development of the SSE including growth of registration/ listing of social enterprises and number of investors.
- b) Oversee the listing function of SSE and provide guidance in laying down procedures for on-boarding and listing of Social Enterprises.
- c) Facilitate effective oversight on the adequacy of disclosures made by Social Enterprises and guide development of necessary systems and processes towards the same.
- d) Review the functioning of the SSE, including feedback received from stakeholders.
- e) Any other matter related to governance and development of SSE.

It is to be noted that Stock Exchange shall constitute a Governing Council for the Social Stock Exchange prior to seeking final approval from SEBI for introduction of Social Stock Exchange as a separate segment.

This circular is applicable to all Recognized Stock Exchanges.

Link to the Circular:

<https://www.sebi.gov.in/legal/circulars/oct-2022/governing-council-for-social-stock-exchange-sse-64000.html>

GO UP

6. **SEBI circular on Request for Quote (RFQ) platform for trade execution and settlement of trades in listed Non-convertible Securities, Securitised Debt Instruments, Municipal Debt Securities and Commercial Paper - 19th October, 2022**

SEBI vide its Circular dated 19th October, 2022 decided to allow stock brokers registered under the debt segment of the Stock Exchange(s) to place/ seek bids on the RFQ platform on behalf of client(s), in addition to the existing option of placing bids in a proprietary capacity.

In February 2020, the RFQ platform was introduced as a 'participant-based' model wherein all regulated entities, listed bodies corporate, institutional investors and all India financial institutions were eligible to register, access and transact. To enhance liquidity on the RFQ platforms of the stock exchanges, SEBI has, Inter alia, mandated registered Mutual Funds and Portfolio Management Services, to undertake a specified percentage of their total secondary market trades in Corporate Bonds through RFQ platform of stock exchanges. IRDAI has also prescribed similar stipulations for Insurers.

SEBI has been receiving representations from market participants to permit stock brokers to place bids on behalf of their clients to facilitate wider market participation in the corporate bond market. After consideration and deliberations, it has been decided to allow stock brokers registered under the debt segment of the Stock Exchange(s) to place/ seek bids on the RFQ platform on behalf of client(s), in addition to the existing option of placing bids in a proprietary capacity.

Basic features of the RFQ platform :

- The RFQ platform is a system or interface for inviting and/ or giving quotes on an electronic platform.
- A participant who seeks quote(s) is termed as an Initiator and a participant who acts/ responds to the quote requests of the Initiator is termed as a Responder.
- A participant may request other participants for a quote for eligible securities.
- The Initiator has the option to place quote(s) by disclosing its name or anonymously.
- The quote can be placed to an identified counterparty (i.e. 'One to One'(OTO) mode) or to all the participants (i.e. 'One to Many'(OTM) mode).
- The platform provides the participants a range of options to seek a quote and to respond to a quote, while keeping an audit trail of all interactions i.e. quoted yield, mutually agreed price, deal terms etc.
- The quotes will be bilaterally negotiated between the counterparties, based on specified parameters. The acceptance of a quote by a participant will be considered as mutual agreement between the parties for the given deal.

The following securities are eligible for being traded on the RFQ platform:

- Non-convertible securities;
- Securitised Debt Instruments;
- Municipal Debt Securities;
- Commercial Paper;
- Certificate of Deposit;
- Government Securities;
- State development Loans;
- Treasury Bills; and
- Any other instrument, as may be specified by Stock Exchanges in consultation with SEBI

This Circular shall come into force with effect from 01st January, 2023.

Link to the Circular:

https://www.sebi.gov.in/legal/circulars/oct-2022/request-for-quote-rfq-platform-for-trade-execution-and-settlement-of-trades-in-listed-non-convertible-securities-securitised-debt-instruments-municipal-debt-securities-and-commercial-paper_64215.html

GO UP

7. SEBI circular on Block Mechanism in demat account of clients undertaking sale transactions – Clarification - 27th October, 2022

SEBI vide its circular dated 27th October, 2022 clarified that the block mechanism shall not be applicable to clients having arrangements with custodians registered with SEBI for clearing and settlement of trades after receiving representations from Depositories and Custodians.

This is in reference to SEBI Circular dated 18th August, 2022 where SEBI made the facility of block mechanism mandatory for all Early Pay-In transactions by amending clause 5 of circular dated 16th July, 2021 where the mechanism was introduced on optional basis.

All other provisions in the SEBI circular dated 18th August, 2022 and SEBI circular dated 16th July, 2021 shall continue to remain applicable.

It is to be noted that this circular is applicable to all Depositories and recognized Stock Exchanges and Clearing corporations.

Link to the Circular:

https://www.sebi.gov.in/legal/circulars/oct-2022/block-mechanism-in-demat-account-of-clients-undertaking-sale-transactions-clarification_64384.html

GO UP

8. SEBI circular on reduction in denomination for debt securities and non-convertible redeemable preference shares- 28th October, 2022

(Revision in Chapter V of the Operational Circular for issue and listing of Non-convertible Securities, Securitised Debt Instruments, Security Receipts, Municipal Debt Securities and Commercial Paper)

SEBI vide its Circular dated 28th October, 2022 made amendments in Chapter V (Denomination of issuance and trading of Non-convertible Securities) of the Operational Circular:

Sr. No.	Part/Chapter/Section /Sub-section(s)	Chapter V of Operational Circular revised dated 28 th October, 2022	Chapter V of Operational Circular dated 10 th August, 2022	Comment
1.	Paragraph 1.1 of Chapter V of Operational Circular dated 10 th August, 2022 shall be replaced with the following:	The face value of each debt security or non-convertible redeemable preference share issued on private placement basis shall be Rs. One lakh.	The face value of each debt security or non-convertible redeemable preference share issued on private placement basis shall be Rs. Ten lakh.	Due to this amendment, limit for issue of the face value of each debt security or non-convertible redeemable preference share issued on private placement basis has been reduced to Rs. One lakh which

Sr. No.	Part/Chapter/Section /Sub-section(s)	Chapter V of Operational Circular revised dated 28 th October, 2022	Chapter V of Operational Circular dated 10 th August, 2022	Comment
				previously was of Rs. Ten lakh.
2.	Paragraph 2.1 of Chapter V of Operational Circular dated 10 th August, 2022 shall be replaced with the following:	The face value of the listed debt security and non-convertible redeemable preference share issued on private placement basis traded on a stock exchange or OTC basis shall be Rs. One lakh.	The face value of the listed debt security and non-convertible redeemable preference share issued on private placement basis traded on a stock exchange or OTC basis shall be Rs. Ten lakh.	Due to this amendment, the face value of the listed debt security and non-convertible redeemable preference share issued on private placement basis traded on a stock exchange or OTC basis has been reduced to Rs. One lakh which previously was of Rs. Ten lakh.

SEBI in the circular said that it has received representations from various market participants, including issuers, requesting for review of the said denominations. In particular, non-institutional investors consider the high ticket size as a deterrent which restricts their ability to access the market for corporate bonds. If the face value and trading lot is reduced, more investors can participate, which in turn will enhance the liquidity in the corporate bond market.

It is to be noted that the provisions of this circular shall be applicable to all issues of debt securities and non-convertible redeemable preference

shares, on private placement basis, through new ISINs, on or after 01st January, 2023.

Provided that with respect to a shelf placement memorandum which is valid as on 01st January, 2023, the issuer thereof shall have the option while raising funds through tranche placement memorandum, to keep the face value at Rs. Ten lakhs or Rs. One Lakh. Necessary addendum shall be issued by such issuer to the shelf placement memorandum.

This circular shall be applicable to all Issuers who have listed and/ or propose to list Non-convertible Securities; Recognised Stock Exchanges; Registered Depositories; Registered Credit Rating Agencies, Debenture Trustees, Merchant Bankers, Registrars to an Issue and Share Transfer Agents and Bankers to an Issue.

Link to the Circular:

https://www.sebi.gov.in/legal/circulars/oct-2022/reduction-in-denomination-for-debt-securities-and-non-convertible-redeemable-preference-shares_64429.html

GO UP

9. Addendum to SEBI Circular on development of Passive Funds - 28th October, 2022

Synopsis :- SEBI, vide its Circular dated 28th October, 2022 extended timelines from 01st November, 2022 to 01st May, 2023 for applicability of Clause 2(IV)(A) of the circular dated 23rd May, 2022 which prescribed that in respect of units of ETFs, direct transaction with AMCs shall be facilitated for investors only for transactions above a specified threshold of INR 25 Cr.

SEBI, further added that extension has been provided based on feedback received from stakeholders.

This circular is applicable to all Recognized Stock Exchanges, Clearing Corporations, Depositories, Custodians, Mutual Funds, Asset Management Companies (AMCs), Trustee Companies, Boards of Trustees of Mutual Funds, Registrar and Transfer Agents (RTAs), Stock Brokers cum Market Makers, Association of Mutual Funds in India (AMFI).

Link to the Circular:

https://www.sebi.gov.in/legal/circulars/oct-2022/addendum-to-sebi-circular-on-development-of-passive-funds_64432.html

GO UP

10. SEBI circular on Standardisation of Rating Scales Used by Credit Rating Agencies (CRAs) - 31st October, 2022

SEBI vide its Circular dated 31st October, 2022 issued following guidelines with regard to rating scales used by CRAs:

i. Issuer Rating/ Corporate Credit Rating:

- Issuer Rating/ Corporate Credit Rating indicates the degree of safety of the issuer or the rated entity with regard to timely servicing of all its debt obligations.
- Pursuant to the consultation with the CRAs, standardized symbols and their definitions have been devised for Issuer Rating/ Corporate Credit Rating. The new symbols and definitions as given in Annexure shall henceforth be used for the new ratings/ reviews by the CRAs for Issuer Rating/ Corporate Credit Rating.

ii. Standard descriptors for Rating Watch & Rating Outlook:

- A 'rating outlook' indicates CRA's view on the expected direction of the rating movement in the near to medium term, whereas a 'rating watch' indicates a CRA's view on the expected direction of the rating movement in the short term.
- SEBI vide circular No. SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dated November 1, 2016 mandated the CRAs to frame detailed guidelines on policy for placing ratings on credit watch. The circular also mandates each CRA to assign a rating outlook and disclose the same in the press release.
- In furtherance to the above guidelines, and in consultation with CRAs, the following standard descriptors shall be specified for "Rating Watch" and "Rating Outlook":
 - "Rating Watch with Positive Implications"
 - "Rating Watch with Developing Implications"
 - "Rating Watch with Negative Implications"
- Standard descriptors to be used for when an issuer / security is placed on "Rating Watch":
 - "Rating Watch with Positive Implications"
 - "Rating Watch with Developing Implications"
 - "Rating Watch with Negative Implications"

➤ Standard descriptors to be used for when an issuer / security is placed on “Rating Outlook”:

- Stable
- Positive
- Negative

iii. **Ratings of Capital Protection Oriented Schemes:** Pursuant to the consultation with stakeholders, and in line with the industry practice, it is reiterated that for ratings of Capital Protection Oriented Schemes, as required under Regulation 38A of SEBI (Mutual Fund) Regulations, 1996, CRAs shall use rating scales (i.e. symbols and their definitions) for ‘structured finance (SO)’ instruments as prescribed vide SEBI circular CIR/MIRSD/4/2011 dated June 15, 2011.

Applicability: The circular shall be applicable with effect from January 1, 2023 to all Credit Rating Agencies (CRAs) registered with SEBI and CRAs shall report on their compliance with the same (as ratified by their respective board of directors) to SEBI within one quarter from the specified date of applicability.

Monitoring: Monitoring of this circular shall be done in terms of the half-yearly internal audit for CRAs, mandated under Regulation 22 of the SEBI (Credit Rating Agencies) Regulations, 1999 and Circular SEBI/ MIRSD/CRA/Cir-01/ 2010 dated January 06, 2010 issued thereunder.

[Link to the Circular:](#)

<https://www.sebi.gov.in/legal/circulars/oct-2022/standardisation-of-rating-scales-used-by-credit-rating-agencies-cras-64506.html>

GO UP

11. **SEBI circular on Review of provisions pertaining to specifications related to International Securities Identification Number (ISIN) for debt securities issued on private placement basis - 31st October, 2022**

SEBI, further added that extension has been provided based on feedback received from stakeholders.

Ref: Operational Circular for issue and listing of Non-Convertible Securities (NCS), Securitised Debt Instruments (SDI), Security Receipts (SR), Municipal Debt Securities and Commercial Paper (CP) dated August 10, 2021 as amended from time to time (‘Operational Circular’)

SEBI vide its Circular dated 31st October, 2022 decided to further cap the number of ISINs maturing in a financial year for debt securities issued on private placement basis by modifying the Chapter VIII of the Operational Circular dated 10th August, 2021.

Sr. No.	Part/Chapter/Section /Sub-section(s)	Under SEBI Operational Circular dated 10 th August, 2021	Under SEBI Operational Circular dated 31 st October, 2022
1.	Modification in paragraph 1 of SEBI Operational Circular dated 10 th August, 2021	1. A maximum number of seventeen ISINs maturing in any financial year shall be allowed for an issuer of debt securities. In addition, a further twelve ISINs shall also be available for the issuance of the capital gains tax debt securities by the authorized issuers under section 54EC of the Income Tax Act, 1961 on private placement basis	1. A maximum number of fourteen ISINs maturing in any financial year shall be allowed for an issuer of debt securities. In addition, a further six ISINs shall also be available for the issuance of the capital gains tax debt securities by the authorized issuers under section 54EC of the Income Tax Act, 1961 on private placement basis.
2.	Modification in paragraph 2 of SEBI Operational Circular dated 10 th August, 2021	2. Out of the seventeen ISINs maturing in a financial year, the bifurcation of ISINs shall be as under: 2.1. A maximum of twelve ISINs maturing per financial year shall be allowed for plain vanilla debt securities. Within this limit of twelve ISINs,	2. Out of the fourteen ISINs maturing in a financial year, the bifurcation of ISINs shall be as under: 2.1 A maximum of nine ISINs maturing per financial year shall be allowed for plain vanilla

Sr. No.	Part/Chapter/Section /Sub-section(s)	Under SEBI Operational Circular dated 10 th August, 2021	Under SEBI Operational Circular dated 31 st October, 2022
		<p>the issuer can issue both secured and unsecured debt securities</p> <p>2.2. A maximum of five ISINs maturing per financial year shall be allowed for structured debt securities and market linked debt securities</p>	<p>debt securities. Within this limit of nine ISINs, the issuer can issue both secured and unsecured debt securities. Provided where the total outstanding amount across the nine ISINs, maturing in a given financial year, reaches Rs. 15,000 crore, then three additional ISINs would be permitted to mature in the same financial year. The same should be intimated by the issuer to the stock exchanges and depositories.</p> <p>2.2 A maximum of five ISINs maturing per financial year shall be allowed for structured debt securities and market linked debt securities.</p>
3.	Modification in paragraph 3 of SEBI Operational Circular	3. Where an issuer issues only structured/market linked debt securities,	3. Where an issuer issues only structured/ market linked

Sr. No.	Part/Chapter/Section /Sub-section(s)	Under SEBI Operational Circular dated 10 th August, 2021	Under SEBI Operational Circular dated 31 st October, 2022
	dated 10 th August, 2021	the maximum number of ISINs allowed to mature in a financial year shall be twelve.	debt securities, the maximum number of ISINs allowed to mature in a financial year shall be nine."

SEBI in the circular further added that this modification is being made in continuation to the measures taken to deepen and boost the liquidity in the corporate bond market and based on the trends observed in the market pursuant to the issuance of circulars dated 30th June, 2017 and 28th March, 2018, capping of ISINs has reduced fragmentation in the primary market and enhanced liquidity in the secondary market. Thus, it has been decided to further cap the number of ISINs maturing in a financial year for debt securities issued on private placement basis by modifying the said Chapter of the Operational Circular.

Other provisions of Chapter VIII (Specifications related to ISIN for debt securities) of the aforementioned Operational Circular shall remain unchanged. The above threshold may be reviewed periodically to further reduce fragmentation in the corporate bond market.

The provisions of this circular shall be applicable to all ISINs utilised to issue debt securities from April 1, 2023. The newly capped limits shall not be applicable to ISINs utilised for issuance of debt securities upto March 31, 2023 and maturing in later years.

Further, with respect to the debt securities issued on or after April 01, 2023, all the ISINs corresponding to these issues (including ISINs issued prior to April 01, 2023), maturing in any financial year, shall adhere to the limit specified in this circular.

<u>Link to the Circular:</u>
https://www.sebi.gov.in/legal/circulars/oct-2022/review-of-provisions-pertaining-to-specifications-related-to-international-securities-identification-number-isin-for-debt-securities-issued-on-private-placement-basis-modification-to-chapter-viii-64522.html

GO UP

A. ORDERS/ CASE LAWS/ ANNOUNCEMENT

1. ROC Penalty order in the matter of Elanco India Private Limited

ROC, vide its order imposed penalty for violation of provisions of Section 203 of the Companies Act, 2013 read with Rule 8A of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 in the matter of Elanco India Private Limited.

Facts about the case:

The Company has filed application for adjudication for violation of provisions of Section 203 of the Companies Act, 2013 read with Rule 8A of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. Whereas, it has been observed from the application and records of this office, that the Whole-time Company Secretary resigned w.e.f. 20.03.2021. As per provisions of Section 203(4) of the Companies Act, 2013 the Company was required to appoint Whole time Company Secretary within a period of six months from the date of such vacancy i.e. latest by 20.09.2021. However, the Company appointed Whole-time Company Secretary on 20.01.2022 with a delay of 122 days, as it could not find a suitable candidate. This delay of appointment of Company Secretary resulted in violation of provisions of Section 203 of the Companies Act, 2013.

Order :

The Company failed to appoint a Whole time Company Secretary from 20.09.2021 till 20.01.2021 with a delay of 122 days thereby contravening the provisions of Section 203 of the Companies Act, 2013.

Further, Section 203(5) of the Companies Act, 2013 prescribes a penalty of Rs. 50,000/- and Rs. 1000/- per day for continuing offence for every director and KMP. Section 203(4) of the Companies Act, 2013, states that *"If the office of any whole-time key managerial personnel is vacated, the resulting vacancy shall be filled-up by the Board at a meeting of the Board within a period of six months from the date of such vacancy."* Thus, appointment of Key Managerial Person is the collective responsibility of the entire Board. Further, a Whole-time Director is included in the definition of "Officer in Default" and Key Managerial Personnel as per Section 2(60) read with Section 2(51) and thus the Managing Director and Whole-time Director are liable for penalty.

Having considered the facts and circumstances of the case, ROC imposed penalty on Company and its Officers in default of Rs. 6,22,000 and Rs. 1,72,000 each totalled to Rs. 11,38,000 for violation of provisions of Section 203 of the Companies Act, 2013.

Link to the Order:

<https://www.mca.gov.in/bin/dms/getdocument?mds=3iJa4y7qPpT6fYcxovIojA%253D%253D&type=open>

GO UP

2. ROC Penalty order in the matter of Topfun Technologies Private Limited - 26th October, 2022

ROC, vide its order dated 26th October, 2022 imposed penalty for violation of section 92 and section 137 of the Companies Act, 2013 read with Companies (Adjudication of penalties), 2014 in the matter of Topfun Technologies Private Limited.

Show Cause Notice, Reply and Personal Hearing :

The Show Cause Notices (SCN) under Section 92(5) and 137(3) of the Companies Act, 2013 were issued to Company and its Directors for non-filing of Annual Return and Financial Statement to Section 92(5) and 137(3) of Act respectively.

Order :

The Company has not filed Annual Return and Financial Statement pursuant to sub-section (4) of Section 92 and sub-section (1) of Section 137 of the Act respectively. The offence is of serious nature since non-filing of Annual Accounts of the Company put itself out of reach of stakeholders/ regulatory authorities and other concerned.

Having considered the facts and circumstances of the case, ROC imposed penalty on Company and its Directors for violation of section 92 and section 137 of the Companies Act, 2013.

Link to the Order:

<https://www.mca.gov.in/bin/dms/getdocument?mds=WYsPBuA5BpCse9EsYHnLCQ%253D%253D&type=open>

GO UP

3. **SEBI order in the matter of Bombay Dyeing and Manufacturing Company Limited**

SEBI, vide its order barred Bombay Dyeing and Manufacturing Company Limited and its promoters Nusli Wadia, Jehangir Wadia and Ness Wadia from the securities market for indulging in an allegedly fraudulent scheme of misrepresenting the company's financial statements.

Show Cause Notice, Reply and Personal Hearing :

On the basis of certain complaints, SEBI has conducted a detailed investigation into the affairs of Bombay Dyeing and Manufacturing Company Ltd. (hereinafter referred to as 'BDMCL') for the period covering FY 2011-12 to FY 2018-19 (hereinafter referred to as "Investigation Period" or "IP"). On the basis of the findings of investigation, a show cause notice dated June 11, 2021 (hereinafter referred to as the SCN') was issued to the Noticees, calling upon them, to inter alia show cause as to why they should not be held liable for violation of Regulation 3(b), 3(c), 3(d), 4(1), 4(2)(e), 4(2)(f), (4)(2)(k) and 4(2)(r) of SEBI (Prevention of Fraudulent and Unfair Trade Practices relating to securities market) Regulations, 2003(hereinafter referred to as 'the PFUTP Regulations, 2003') r/w Section 12A(a), 12A(b), 12A(c) of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "SEBI Act, 1992").

Order :

Further, on the basis of finding and having regard to the facts and circumstances of the case, SEBI barred Bombay Dyeing and its promoters Nusli Wadia, Jehangir Wadia and Ness Wadia from the securities market for a period up to two years. Further, SEBI also penalized Scal Services Ltd, a Wadia Group company, its former directors.

Link to the Order:

<https://www.sebi.gov.in/enforcement/orders/oct-2022/final-order-in-the-matter-of-the-bombay-dyeing-and-manufacturing-company-ltd-64296.html>

GO UP

4. **SEBI settlement order in the matter of Dish TV India Limited**

SEBI, vide its settlement order settled matter pertaining to non-disclosure of AGM voting results with SEBI after collectively paying Rs. 65.34 lakh as settlement amount. SEBI in the order have said that settlement have been made after Dish TV proposed to settle without admitting or denying the findings of fact and conclusions.

Show Cause Notice, Reply and Personal Hearing :

SEBI received complaints alleging that the Company had wrongfully withheld the results of voting on various proposals put forth in its Annual General Meeting held on 30th December, 2021 (hereinafter referred to as "the AGM"). Upon receipt of the complaints, and examination of the same, SEBI advised the Company vide letter dated 17th January, 2022 to disclose the voting results/outcome of the AGM immediately. Separately, vide another letter dated January 17, 2022, SEBI also sought an explanation from the Company for the non-compliance with the provision of Regulation 44(3) of the LODR Regulations. In response to the same, the Company vide letter dated January 18, 2022 submitted that the issue of declaration of results of the AGM was sub-judice before the Hon'ble Bombay High Court and requested SEBI to suspend its advisory pending a decision in the Interim Application filed by it before the Bombay High Court. Since the Hon'ble Bombay High Court had not passed any order restraining the Company from disclosing the outcome of the AGM, vide another letter dated February 09, 2022, SEBI once again reminded the Company about its statutory obligations towards shareholders and other stakeholders and advised the Company to immediately disclose the voting results of the AGM. In response to the aforesaid letter, the Company vide letter dated 10th February, 2022 once again reiterated its earlier stand and refused to comply with the advice of SEBI. It is relevant to note that the Hon'ble Bombay High Court vide its order dated February 17, 2022 clarified that the pendency of interim applications have no bearing on the requirement reiterated by SEBI. Despite this clarification and repeated advisories issued by SEBI, the company did not disclose the results of voting in the AGM and hence the enforcement proceedings referred to in paragraph 1 was initiated.

Order :

The Company has not filed Annual Return and Financial Statement pursuant to sub-section (4) of Section 92 and sub-section (1) of Section 137 of the Act respectively. The offence is of serious nature since non-filing of Annual Accounts of the Company put itself out of reach of stakeholders/ regulatory authorities and other concerned.

The authorized representatives of the applicants had a meeting with the Internal Committee of SEBI on 30th May, 2022 and deliberated on the terms of settlement. Thereafter, the applicants proposed the Revised Settlement Terms to settle the proceedings initiated against them.

The applications along with the revised settlement terms were considered by the High Powered Advisory Committee (HPAC) in its meeting held on 21st July, 2022, which recommended the case for settlement on the following terms of settlement:

Name of Applicant	Settlement Terms formulated as per SEBI (Settlement Proceedings) Regulations, 2018
Dish TV India Ltd. and Mr. Ranjit Singh	Rs. 45,54,000/- (Rupees Forty Five Lakh Fifty Four Thousand only) as the Indicative Amount for Dish TV India Ltd. and Mr. Ranjit Singh on the basis of joint and several liability.
Mr. Jawahar Lal Goel, Mr. Anil Kumar Dua, and Mr. Ashok Mathai	Rs. 19,80,000/- (Rupees Nineteen Lakh Eighty Thousand only) as the Indicative Amount for Mr. Jawahar Lal Goel, Mr. Anil Kumar Dua and Mr. Ashok Mathai on the basis of joint and several liability.

Link to the Order:

https://www.sebi.gov.in/enforcement/orders/oct-2022/settlement-order-in-respect-of-dish-tv-india-ltd-and-4-other-applicants-in-the-matter-of-dish-tv-india-ltd_63931.html

GO UP

II. KNOWLEDGE SHARING

LOAN AND INVESTMENT BY COMPANY - SECTION 186 OF COMPANIES ACT, 2013

(1) A company shall unless otherwise prescribed, make investment through not more than two layers of investment companies:

Provided that the provisions of this sub-section shall not affect, –

(i) a company from acquiring any other company incorporated in a country outside India if such other company has investment subsidiaries beyond two layers as per the laws of such country;

(ii) a subsidiary company from having any investment subsidiary for the purposes of meeting the requirements under any law or under any rule or regulation framed under any law for the time being in force.

(2) No company shall directly or indirectly –

(a) give any loan to any person or other body corporate;

(b) give any guarantee or provide security in connection with a loan to any other body corporate or person; and

(c) acquire by way of subscription, purchase or otherwise, the securities of any other body corporate,

exceeding sixty per cent. of its paid-up share capital, free reserves and securities premium account or one hundred per cent. of its free reserves and securities premium account, whichever is more.

(3) Where the giving of any loan or guarantee or providing any security or the acquisition under subsection (2) exceeds the limits specified in that sub-section, prior approval by means of a special resolution passed at a general meeting shall be necessary.

(4) The company shall disclose to the members in the financial statement the full particulars of the loans given, investment made or guarantee given or security provided and the purpose for which the loan or guarantee or security is proposed to be utilised by the recipient of the loan or guarantee or security.

(5) No investment shall be made or loan or guarantee or security given by the company unless the resolution sanctioning it is passed at a meeting of the Board with the consent of all the directors present at the meeting and the prior approval of the public financial institution concerned where any term loan is subsisting, is obtained:

Provided that prior approval of a public financial institution shall not be required where the aggregate of the loans and investments so far made, the amount for which guarantee or security so far provided to or in all other bodies

corporate, along with the investments, loans, guarantee or security proposed to be made or given does not exceed the limit as specified in sub-section (2), and there is no default in repayment of loan instalments or payment of interest thereon as per the terms and conditions of such loan to the public financial institution.

(6) No company, which is registered under section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992) and covered under such class or classes of companies as may be prescribed, shall take inter-corporate loan or deposits exceeding the prescribed limit and such company shall furnish in its financial statement the details of the loan or deposits.

(7) No loan shall be given under this section at a rate of interest lower than the prevailing yield of one year, three year, five year or ten year Government Security closest to the tenor of the loan.

(8) No company which is in default in the repayment of any deposits accepted before or after the commencement of this Act or in payment of interest thereon, shall give any loan or give any guarantee or provide any security or make an acquisition till such default is subsisting.

(9) Every company giving loan or giving a guarantee or providing security or making an acquisition under this section shall keep a register which shall contain such particulars and shall be maintained in such manner as may be prescribed.

(10) The register referred to in sub-section (9) shall be kept at the registered office of the company and –

(a) shall be open to inspection at such office; and

(b) extracts may be taken therefrom by any member, and copies thereof may be furnished to any member of the company on payment of such fees as may be prescribed.

(11) Nothing contained in this section, except sub-section (1), shall apply –

(a) to a loan made, guarantee given or security provided by a banking company or an insurance company or a housing finance company in the ordinary course of its business or a company engaged in the business of financing of companies or of providing infrastructural facilities;

(b) to any acquisition –

(i) made by a non-banking financial company registered under Chapter IIIB of the Reserve Bank of India Act, 1934 (2 of 1934) and whose principal business is acquisition of securities:

Provided that exemption to non-banking financial company shall be in respect of its investment and lending activities;

(ii) made by a company whose principal business is the acquisition of securities;

(iii) of shares allotted in pursuance of clause (a) of sub-section (1) of section 62.

(12) The Central Government may make rules for the purposes of this section.

(13) If a company contravenes the provisions of this section, the company shall be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to two years and with fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees.

Explanation. – For the purposes of this section, –

(a) the expression –investment company¹ means a company whose principal business is the acquisition of shares, debentures or other securities;

(b) the expression –infrastructure facilities¹ means the facilities specified in Schedule VI.

GO UP

THANKYOU
