NOVEMBER 2022 | ISSUE

VEDANAM

FOR MCA AND SEBI UPDATES

WHY VEDANAM?

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

Sharing knowledge can seem like a burden to some, but on the contrary, it is a reflection of teamwork and leadership.

INDEX

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I. MINISTRY OF CORPORATE AFFAIRS ("MCA") UPDATES:

1. MCA NOTIFICATION

1. Companies (Registered Valuers and Valuation) Amendment, Rules, 2022 – 21st November, 2022

MCA vide its notification dated 21st November, 2022, made amendments to the Companies (Registered Valuers and Valuation) Rules, 2017. These rules may be called as Companies (Registered Valuers and Valuation) Amendment, Rules, 2022. This Notification will come into force from the date of publication in Official Gazette.

Sr. No.	Part/Chapter/Section/ Sub-section(s) in the Companies Rules, 2014 Modifications	Part/Chapter/Section/ Sub-section(s) in the Companies Rules, 2017 Modifications	Analysis
1.	in rule 3, - in sub-rule (2), (i) in clause (c), for the word "ineligible", the word "eligible" shall be substituted;	All the partners or directors, as the case may be, are not ~~ineligible~~ eligible under clauses (c), (d), (e),2[(f)], (g), (h), (i), (j) and (k) of sub-rule (1);	Self explanatory
2.	(ii) after clause (e), the following clause shall be inserted, namely:- "(f) it is not a member of a registered valuers organisation: Provided that it shall not be a member of more than one such registered valuers organisation at a given point of time: Provided further that the partnership entity or company, already registered as valuers,	"(f) it is not a member of a registered valuers organisation: Provided that it shall not be a member of more than one such registered valuers organisation at a given point of time: Provided further that the partnership entity or company, already registered as valuers, on the date of commencement of the Companies (Registered Valuers and Valuation) Amendment Rules, 2022, shall comply	With this amendment, one more criteria has been added under non-eligibility to be a registered valuer. The new criteria says any partnership entity or company shall not be eligible it is not a member of a registered valuer organization

Sr. No.	Part/Chapter/Section/ Sub-section(s) in the Companies Rules, 2014 Modifications	Part/Chapter/Section/ Sub-section(s) in the Companies Rules, 2017 Modifications	Analysis
	on the date of commencement of the Companies (Registered Valuers and Valuation) Amendment Rules, 2022, shall comply within six months of such commencement with the conditions specified under this clause."	within six months of such commencement with the conditions specified under this clause.".	or if it is member of more than one such registered valuer organization or it is already registered as valuers.
3.	In the said rules, after rule 7, the following rule shall be inserted, namely:- "7A. Intimation of changes in personal details etc., by registered valuer to authority. – A registered valuer shall intimate the authority for change in the personal details, or any modification in the composition of partners or directors, or any modification in any clause of the partnership agreement or Memorandum of Association, which may affect registration of registered valuer, after paying fee as per	"7A. Intimation of changes in personal details etc., by registered valuer to authority. – A registered valuer shall intimate the authority for change in the personal details, or any modification in the composition of partners or directors, or any modification in any clause of the partnership agreement or Memorandum of Association, which may affect registration of registered valuer, after paying fee as per the Table -I in Annexure V.".	With this amendment, one more condition has been added for registration as registered valuer which is that a registered valuer shall intimate the authority for any change in the personal details, or any modification in the composition of partners or directors clause of the partnership agreement or Memorandum of Association, which may affect registration of registered

Sr. No.	Part/Chapter/Section/ Sub-section(s) in the Companies Rules, 2014 Modifications	Part/Chapter/Section/ Sub-section(s) in the Companies Rules, 2017 Modifications	Analysis
	the Table -I in Annexure V.".		valuer, after paying fee as per the Table - I in Annexure V.
4.	In the said rules, in rule 8, in the proviso, in clause (a), for the word, "standards;", the words, "standards; or" shall be substituted.	8(1) The registered valuer shall, while conducting a valuation, comply with the valuation standards as notified or modified under rule 18: Provided that until the valuation standards are notified or modified by the Central Government, a valuer shall make valuations as per- (a) internationally accepted valuation standards; or (b) valuation standards adopted by any registered valuers organisation.	With this amendment, MCA has inserted word "or" which results in conducting valuation in any of the following standard : (a) internationally accepted valuation standards; or (b) valuation standards adopted by any registered valuers organisation.
5.	In the said rules, after rule 14, the following rule shall be inserted, namely:- "14A. Intimation of changes in composition of governing board, etc. by the registered valuers organisations to the authority.-	"14A. Intimation of changes in composition of governing board, etc. by the registered valuers organisations to the authority.- A registered valuers organisation shall intimate the authority for change in	With this amendment, ROC has added one more condition in recognition of registered valuer organization by adding sub-rule that a registered valuers

Sr. No.	Part/Chapter/Section/ Sub-section(s) in the Companies Rules, 2014 Modifications	Part/Chapter/Section/ Sub-section(s) in the Companies Rules, 2017 Modifications	Analysis
	A registered valuers organisation shall intimate the authority for change in composition of its governing board, or its committees or appellate panel, or other details, after payment of fee as per the Table II in Annexure V.".	composition of its governing board, or its committees or appellate panel, or other details, after payment of fee as per the Table II in Annexure V.".	organization shall intimate the authority for change in composition of its governing board, or its committees or appellate panel, or other details, after payment of fee as per the Table II in Annexure V.
6.	In the said rules, in Annexure-III, in Part II, in serial number XI, relating to SURRENDER OF MEMBERSHIP AND EXPULSION FROM MEMBERSHIP, in clause 26, in sub-clause (1), in item (b), the following Explanation shall be inserted, namely:- "Explanation.– For the removal of doubts, it is hereby clarified that a member functioning as a whole time director in the company registered as valuer shall not be treated as taking up employment for the	(1) A member shall make an application for temporary surrender of his membership of the Organisation at least thirty days before he- (a) becomes a person not resident in India; (b) takes up employment; or "Explanation.– For the removal of doubts, it is hereby clarified that a member functioning as a whole time director in the company registered as valuer shall not be treated as taking up employment for the purpose of this provision.".	With this amendment, ROC has provided an explanation under condition form surrender of membership and expulsion from membership in clause 26, in sub-clause (1), in item (b) which a member shall make an application for temporary surrender of his membership of the Organisation at least thirty days before he takes up employment.

Sr. No.	Part/Chapter/Section/ Sub-section(s) in the Companies Rules, 2014 Modifications	Part/Chapter/Section/ Sub-section(s) in the Companies Rules, 2017 Modifications	Analysis
	purpose of this provision.".	(c) starts any business, except as specifically permitted under the Code of Conduct; and upon acceptance of such temporary surrender and on completion of thirty days from the date of application for temporary surrender, the name of the member shall be temporarily struck from the registers of the Organisation, and the same shall be intimated to the authority.	Here, for the removal of doubts, it is hereby clarified that a member functioning as a whole time director in the company registered as valuer shall not be treated as taking up employment for the purpose of this provision

7. **Part/Chapter/Section/Sub-section(s) in the Companies Rules, 2014 Modifications**

In the said rules, in Annexure IV, the existing Note shall be numbered as Note 1 thereof, and after the Note 1, as so numbered, the following Note shall be inserted, namely:-

"Note 2: In case of asset classes namely, the „plant and machinery" and „land and building", the corresponding relevant nomenclature for the branches of the engineering and technology of graduate and post-graduate courses referred to in the notification number F. No. 27/RIFD/Pay/01/2017-18, dated the 28th April, 2017, issued by the All India Council for Technical Education, shall also be considered."

Part/Chapter/Section /Sub-section(s) in the Companies Rules, 2017 Modifications

Note 1 :

[1][ANNEXURE-IV

Eligibility Qualification and Experience for Registration as Valuer

(See Explanation II to rule 4)

Asset Class	Eligibility	Experience in specified discipline
	Qualifications	
Plant and Machinery	(i) Graduate in Mechanical, Electrical, Electronic and Communication, Electronic and Instrumentation, Production, Chemical, Textiles, Leather, Metallurgy, or Aeronautical Engineering, or Graduate in Valuation of Plant and Machinery or equivalent; (ii) Post Graduate on above courses	(i) Five years (ii) Three years
Land and Building	(i) Graduate in Civil Engineering, Architecture, Town Planning or equivalent; (ii) Post Graduate on above courses and also in valuation of land and building or Real Estate Valuation (a two-year full time post-graduation course).	(i) Five years (ii) Three years
Securities or Financial Assets	(i) Member of institute of Chartered Accountants of India, Member of Institute of Company Secretaries of India, Member of the Institute of Cost Accountants of India, Master of Business Administration or Post Graduate Diploma in Business Management (specialisation in finance). (ii) Post Graduate in Finance	Three years

"Note 2:

In case of asset classes namely, the, plant and machinery" and „land and building", the corresponding relevant nomenclature for the branches of the engineering and technology of graduate and post-graduate courses referred to in the notification number F. No. 27/RIFD/Pay/01/2017-18, dated the 28th April, 2017, issued by the All India Council for Technical Education, shall also be considered.".

Comment:

With this amendment, ROC has issued to consider the corresponding relevant nomenclature for the branches of the engineering and technology of graduate and post-graduate courses referred to in the notification number F. No. 27/RIFD/Pay/01/2017-18, dated the 28th April, 2017, issued by the All India Council for Technical Education in case of classes of assets namely the, plant and machinery" and „land and building.

8.Part/Chapter/Section/Sub-section(s) in the Companies Rules, 2014 Modifications

"ANNEXURE-V (See rule 7A and 14A) TABLE-I (Fees to be paid to the authority for change in details of a registered valuer):

2.	Transfer of membership of Registered Valuers Organisation.	500/-	1,000/-
3.	Change in composition of Board of Directors, or partners, in the company or partnership entity, as the case may be.	Nil	2,000/-
4.	Change in Memorandum of Association of company or partnership agreement of the partnership entity, as the case may be.	Nil	2,000/-
5.	Any other details	250/-	500/-

* plus Goods and Services Tax/other taxes as may be applicable.

TABLE-II

[Fees to be paid to the authority for change in details of a registered valuers organisation (RVO)]:

Sl No. (1)	Particulars of change (2)	Fee (in rupees)* (3)
1.	Composition of Governing Board of an RVO	5,000/-
2.	Chief Executive Officer/ Managing Director of an RVO	2,000/-
3.	Name of an RVO	10,000/-
4.	Registered Office address of an RVO	2,000/-

* plus Goods and Services Tax/other taxes as may be applicable.".

Comment :

ROC has inserted Annexure V where detailed regarding payment of fees to be paid to authority for change in details of a registered valuer under rule 7A and 14A has been provided.

Link to the Notification:

https://www.mca.gov.in/bin/dms/getdocument?mds=jf9MSWpybbeJiak1ynOMQQ%253D%253D&type=open

GO UP

II. SECURITIES AND EXCHANGE BOARD OF INDIA ("SEBI") UPDATES:

1. SEBI CIRCULARS AND NOTIFICATION

1. SEBI Master Circular on the redressal of investor grievances through the SEBI Complaints Redress System (SCORES) platform – November 07, 2022

SEBI vide its Master Circular dated November 07, 2022 made it mandatory for investors to first take up their grievances for redressal with the entity concerned, through their designated persons/officials who handle issues relating to compliance and redressal of investor grievances. In case, the entity concerned fails to redress the complaint within the timeline provided herein, the investor may then file their complaint in SCORES.

Further, the complainant may use SCORES to submit the complaint or grievance directly to the listed companies/intermediaries/MIIs for resolution. Such a complaint is called a "Direct Complaint" and shall be redressed by the entity within 30 days without any intervention of SEBI, failing which the complaint shall be registered on SCORES. Thereafter, SEBI shall take it up with the entity concerned.

SEBI in the further circular added that in order to enhance ease, speed and accuracy in the redressal of grievance, the complaint shall be lodged on SCORES within one year from the date of cause of action.

The condition where the complaint shall be lodged on SCORES within one year from the date of cause of action in cases where the complainant has approached the listed company or registered intermediary/MII, as the case may be, for redressal of the complaint and it has been rejected or no communication has been received or complainant is not satisfied with the reply received.

The circular further said that SEBI reserves its right to reject a complaint lodged on SCORES, if the date of cause of action is more than one-year-old and/or the complainant has not taken up the complaint with the concerned entity prior to the said date.

Further, in order to enhance investor satisfaction on complaint redressal, a one-time 'Review' option is also available under SCORES wherein a complainant, if not satisfied with the extent of redressal of grievance by the concerned listed company/ intermediary/ MII, opts for review of the extent of the redressal, within 15 days from the date of closure of the complaint on SCORES. Thereafter, the complaint shall be escalated to the supervising official of the dealing officer of SEBI.

Further, upon receipt of the complaint through SCORES, the Designated Stock Exchange (DSE) shall take up the complaint with the company. The

company is required to redress the complaint and submit an ATR to DSE within 30 days from the date of receipt of such complaint.

In case the ATR is not submitted by the company within 30 days or the DSE is of the opinion that the complaint is not adequately redressed and the complaint remains pending beyond 30 days, a reminder shall be issued by the DSE to the listed company through SCORES, directing expeditious redressal of the grievance within another 30 days. On being adequately satisfied with the response of the company with respect to the complaint, the DSE shall submit an ATR to SEBI.

For any failure to redress investor grievances pending beyond 60 days by listed companies, DSE shall initiate appropriate action against the listed company as detailed below. DSE shall levy a fine of Rs. 1000 per day per complaint on the listed company for violation of Regulation 13 (1) of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 (LODR Regulations) read with SEBI circular no. SEBI/HO/CFD/CMD/CIR/P/2020/12 dated 22 January, 2020.

This circular is applicable to all Companies whose securities are listed on SEBI recognized Stock Exchanges (Through the Stock Exchanges), all Intermediaries registered with SEBI (Through the Stock Exchanges for Stock Brokers, Depositories for Depository Participants, AMFI for Mutual Funds and Asset Management Companies), all recognized Stock Exchanges, all Depositories Association of Mutual Funds in India (AMFI), all Investor Associations and all Investors.

Link to the Circular:
https://www.sebi.gov.in/legal/master-circulars/nov-2022/master-circular-on-the-redressal-of-investor-grievances-through-the-sebi-complaints-redress-system-scores-platform_64742.html

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GO UP

2. SEBI Master Circular on issuance of No Objection Certificate (NOC) for release of 1% of Issue Amount – November 07, 2022

SEBI vide its Master Circular dated November 07, 2022 has issued a Master Circular on issuance of No Objection Certificate (NOC) for release of 1% of Issue Amount before the opening of the subscription list, which is deposited with the designated stock exchange (DSE), 1% of the issue size available for subscription to the public. This amount of 1% shall be released to the issuer after obtaining the NOC from SEBI.

For the purpose of obtaining the NOC from SEBI, the issuer is required to submit an application on its letter head addressed to SEBI in the format specified in Annexure – A of this circular, after the expiry of 2 months from the date of listing on the latest stock exchange which permitted listing.

The application for NOC shall be filed by the Post Issue Lead Merchant Banker (PILMB), provided that all issue related complaints have been resolved by the PILMB/issuer, with the concerned designated office of SEBI under which the registered office of the issuer falls, as specified in Annexure – B of this circular.

On the date of application for NOC, the bank guarantees, if any, which form part of the 1% deposit by issuer shall have a residual validity of minimum of 2 months.

The PILMB shall submit a certificate confirming that all the Self-Certified Syndicate Banks (SCSBs) involved in Application Supported by Blocked Amount (ASBA) have unblocked ASBA accounts. The application for NOC shall be considered incomplete by SEBI if the application for NOC is not accompanied by a confirmation by PILMB that all the accounts in ASBA have been 'unblocked'.

SEBI shall issue the NOC after satisfying itself that the complaints arising from the issue received on SEBI Complaint Redress System (SCORES) against the issuer have been resolved to its satisfaction, the issuer has been submitting Action Taken Reports on the complaints in the format as specified in Annexure – C of this circular and the fees due to intermediaries associated with the issue process including ASBA Banks have been paid by the issuer.

All companies whose securities are listed on the stock exchanges and all registered merchant bankers are advised to comply with the aforesaid terms and conditions.

This circular is applicable to all Companies whose securities are listed on SEBI recognized Stock Exchanges (Through the Stock Exchanges), all recognized Stock Exchanges and all registered Merchant Bankers.

Link to the Circular:
https://www.sebi.gov.in/legal/master-circulars/nov-2022/master-circular-on-issuance-of-no-objection-certificate-noc-for-release-of-1-of-issue-amount_64744.html

GO UP

3. **SEBI Circular on Applicability of GST on fees remitted to SEBI- Revision in Chapter - XX of Operational Circular for issue and listing of Non-convertible Securities, Securitised Debt Instruments, Security Receipts, Municipal Debt Securities and Commercial Paper – November 10, 2022**

SEBI vide its Circular dated November 10, 2022 made amendment to Chapter – XX (Bank account details for payment of fees) of the NCS Operational Circular dated 10th August, 2021.

Chapter XX of the Operational Circular dated August 10, 2021 (NCS Operational Circular), regarding 'Bank account details for payment of fees', inter alia, provides the procedure to be followed for payment of fees, as applicable. Further, SEBI vide circular dated 18th July, 2022 informed that 18% of GST will be levied on the fees payable to SEBI.

Accordingly, the following amendment is being made to Chapter -XX (Bank account details for payment of fees) of the NCS Operational Circular :

Paragraph b of the said chapter shall be replaced with the following:

"Provide the remittance particulars by email at od-ddhs@sebi.gov.in, immediately after the remittance is made, in the following format:

भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

Sl. No.	Particulars	Remarks
1	Date of remittance	
2	Amount remitted (break-up of fee and GST thereof) *(Amount in INR)*	Fees amount GST@18% Total amount paid
3	Remitter account number	
4	Name of the Origin Bank	
5	Remitter IFSC code	
6	UTR No./ Transaction Reference No.	
7	Payment product code (NEFT, RTGS, etc.)	
8	Registered name of remitter	
9	Registered office address of remitter including State/ UT	
10	Email address	
11	Complete address from where the money is being remitted including State/ UT	
12	GST Registration Number of Remitter	
13	Purpose for which remittance is made	

The provisions of this circular shall come into force with immediate effect and is applicable to all Issuers who have listed and/ or propose to list Non-convertible Securities, Securitised Debt Instruments, Security Receipts or Commercial Paper; Registered Merchant Bankers; and Recognised Stock Exchanges.

Link to the Circular:
https://www.sebi.gov.in/legal/circulars/nov-2022/applicability-of-gst-on-fees-remitted-to-sebi-revision-in-chapter-xx-of-operational-circular-dated-august-10-2021_64852.html

GO UP

4. SEBI Circular on Handling of Clients' Securities by Trading Members (TM)/Clearing Members (CM) – November 11, 2022

SEBI vide its Circular dated November 11, 2022 in order to further streamline the process of handling of unpaid securities by TM/CM and also to prevent any kind of misuse of such unpaid securities, after extensive consultations with Exchanges, Depositories and Clearing Corporations, the following is decided:

Provisions with regard to client unpaid securities account, specified in SEBI Circular dated June 20, 2019 :	**Provisions with regard to client unpaid securities account, specified in SEBI Circular dated June 20, 2022 :**
"With regard to securities that have not been paid for in full by the clients (unpaid securities), a separate client account titled – "client unpaid securities account" shall be opened by the TM/CM. Unpaid securities shall be transferred to such "client unpaid securities account" from the pool account of the concerned TM/CM. The securities kept in the 'client unpaid securities account' shall either be transferred to the demat account of the respective client upon fulfilment of client's funds obligation or shall be disposed off in the market by TM/CM within five trading days after the pay-out. The unpaid securities shall be sold from the Unique Client Code (UCC) of the respective client. Profit/loss on the sale transaction of the unpaid securities, if any, shall be transferred to/adjusted from the respective client account. In case the clients' securities are kept in the 'client unpaid securities account' beyond seven trading days after the pay-out, the depositories shall under their bye-laws levy appropriate penalties upon such TM/CM which shall not	All the securities received in pay-out, shall be transferred to the demat account of the respective clients directly from the pool account of the TM/CM within one working day of the pay-out. With regard to the unpaid securities (i.e., the securities that have not been paid for in full by the clients), such securities shall be transferred to respective client's demat account followed by creation of an auto-pledge (i.e., without any specific instruction from the client) with the reason "unpaid", in favor of a separate account titled –"client unpaid securities pledgee account", which shall be opened by TM/CM. After the creation of pledge, a communication (email / SMS) shall be sent by TM/CM informing the client about their funds obligation and also about the right of TM/CM to sell such securities in event of failure by client to fulfill their obligation. If the client fulfills its funds obligation within five trading days after the pay-out, TM/CM shall release the pledge so that the securities are available to the client as free balance. If the client does not fulfill its funds obligation, TM / CM shall dispose off

be permitted to be recovered from the client."	such unpaid securities in the market within five trading days after the pay-out. TM/CM, before disposing the securities, shall give an intimation (email /SMS) to the client, one trading day before such sale. The unpaid securities shall be sold in the market with the Unique Client Code (UCC) of the respective client. Profit/loss on the sale transaction of the unpaid securities, if any, shall be transferred to/adjusted from the respective client account. TM / CM shall invoke the pledge only against the delivery obligation of the client. On invocation, the securities shall be blocked for early pay-in in the client's demat account with a trail being maintained in the TM/CM's client unpaid securities pledgee account. Once such securities are blocked for early pay-in in client's demat account, the depositories shall verify the block details against the client level obligation in accordance with the SEBI Circular No. SEBI/HO/MIRSD/DOP/P/CIR/2021/595 dated July 16, 2021 and SEBI/HO/MIRSD/DoP/P/CIR/2022/109 dated August 18, 2022. In case, such pledge is neither invoked nor released within seven trading days after the pay-out, the pledge on securities shall be auto released and the securities shall be available to the client as free balance without encumbrance. Such unpaid securities pledged in client's account shall not be considered for the margin obligations of the client. All the existing "client unpaid securities accounts" shall be wound up on or before April 15, 2023. The securities lying in such accounts shall

	either be disposed off in the market or be transferred to the client's demat account by the TM/CM accordingly, failing which such accounts shall be frozen for debit and credit.

The provisions of this circular shall come into force from March 31, 2023 and is applicable to all Depositories, all Recognized Stock Exchanges and all Recognized Clearing Corporations.

Link to the Circular:
https://www.sebi.gov.in/legal/circulars/nov-2022/handling-of-clients-securities-by-trading-members-tm-clearing-members-cm-_64900.html

GO UP

5. SEBI Consultation Paper on Review of disclosure requirements for material events or information under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – November 12, 2022

SEBI vide its Consultation Paper dated November 12, 2022 made review on disclosure requirements for material events or information as required under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Regulation 30 of LODR Regulations, requires listed entities to disclose material events or information to the stock exchanges.

Background and need for review :

In the recent years, SEBI has been receiving many complaints / references regarding inadequate / inaccurate / misleading / delayed disclosures made by the listed entities. Listed entities from their end have also expressed that uniformity in the guidance to the listed entities is required for determining materiality of events or information. While the regulatory actions against non-disclosure of material events or information act as a deterrent, it cannot undermine the importance of ensuring timely disclosure of material events by all listed entities at all times.

It is also observed that while timelines have been specified under various provisions of the LODR for dissemination of information, there have been frequent non-compliances of such timelines by the listed entities thereby inviting fines/penalties. Needless to emphasize here is that timely dissemination of information would help in reducing information asymmetry.

Highlights of Proposals made by SEBI :

Guidelines for materiality for events specified under Para B:

Materiality Threshold : It is proposed that the listed entities shall disclose an event or information specified under Para B whose threshold value or the expected impact in terms of value exceeds the lower of the following:

a. two percent of turnover, as per the last audited standalone financial statements of the listed entity;

b. two percent of net worth, as per the last audited standalone financial statements of the listed entity;

c. five percent of three-year average of absolute value of profit/loss after tax, as per the last three audited standalone financial statements of the listed entity.

Materiality Policy : It is proposed to specify the following under clause (ii) of regulation 30(4) of LODR Regulations:

a. Materiality Policy of the listed entity shall not dilute any requirements specified under this regulation.

b. Materiality Policy of the listed entity shall be framed in a manner so as to assist employees in identifying potential material event or information which shall be escalated and reported to the relevant Key Managerial Personnel for determining materiality of the event or information and for making disclosure to stock exchange(s).

Timeline for disclosure : It is proposed that for the material events or information which emanate from the listed entity, the timeline for disclosure by the entity shall be reduced from twenty-four hours to twelve hours. The proposed timeline for disclosure of events specified under Part A of Schedule III of LODR is placed as Annex II.

Additionally, in case of those events or information which emanate from a decision taken in a meeting of board of directors, the disclosure shall be made within 30 minutes from the closure of such meeting.

In case of those events for which specific timelines have already been provided under Part A of Schedule III of LODR, disclosure of those events would be required to be done as per the said specified timelines.

Verification of market rumours : It is proposed to add a proviso to regulation 30(11) as below:

Additionally, in case of those events or information which emanate from a decision taken in a meeting of board of directors, the disclosure shall be made within 30 minutes from the closure of such meeting.

"Provided that top 250 listed entities shall necessarily confirm or deny any event or information reported in the mainstream media, whether in print or digital mode, which may have material effect on the listed entity under this regulation.

Explanation – The top 250 listed entities shall be determined on the basis of market capitalization, as at the end of the immediate previous financial year."

Disclosure of communication from any regulatory, statutory, enforcement or judicial authority: It is noted that some of these communications may contain confidential information or may have regulatory restriction on disclosure and hence, it may pose a challenge for some companies to make upfront disclosure of such communications. However, it is proposed that a provision may be added in Regulation 30 of LODR for enabling SEBI to come out with a guidance for disclosure of such communications.

The events specified under Para A and Para B were reviewed based on the suggestions/feedback received from the stock exchanges and the industry. In order to address the gaps identified, remove ambiguity and to enhance transparency and availability of information to the investors, it is proposed to include certain additional events and also to modify certain events specified under Para A and Para B.

Events proposed to be added in Para A :

"Announcement or communication to any form of mass communication media by directors or promoters or key managerial personnel or senior management of a listed entity, in relation to the listed entity, which is not already made available in the public domain by the listed entity."

"Action(s) taken or initiated by any regulatory, statutory, enforcement or judicial authority against the listed entity or its directors or key managerial personnel or senior management or promoter or subsidiary, in relation to the listed entity, towards the following: suspension; imposition of fine/penalty; settlement of proceedings; debarment; disqualification; closure of operations; sanctions imposed; warning or caution; search or seizure; inspection; investigation into affairs of the entity; and re-opening of accounts under section 130 of the Companies Act, 2013."

It is also proposed to specify disclosure of the following details along with the disclosure of the above mentioned event :

i. Name of the authority.
ii. Nature and details of the action(s) taken or initiated.
iii. Date of receipt of direction or order, including any ad-interim or interim orders, or any other communication from the authority.
iv. Details of the violation(s) committed.
v. Impact on financial, operational or other activities of the listed entity.

"Voluntary revision of financial statements or the report of the board of directors of the listed entity under section 131 of the Companies Act, 2013."

The following event is proposed to be added as sub-para 7C in Para A: "In case of resignation of a key managerial personnel or a senior management or a director other than independent director, the letter of resignation along with detailed reasons for the resignation as given by the key managerial personnel or the senior management or the director shall be disclosed to the stock exchanges by the listed entities within seven days from the date of resignation."

The following event is proposed to be added as sub-para 7D in Para A: "The Managing Director or the Chief Executive Officer of the listed entity is in disposed or unavailable to fulfil requirements of his/her role in a regular and consistent manner for more than one month."

Events proposed to be modified in Para A : As per Circular

Events proposed be added in Para B : The following event is proposed to be added in Para B: "Delay or default in payment of fines, penalties, dues, etc. to any regulatory, statutory, enforcement or judicial authority."

Events proposed be modified in Para B : As per Circular

Disclosure of cyber security incidents or breaches and loss of data/ documents :

It is proposed that the listed entities may be required to make disclosures in relation to "cyber security incident" or "cyber security breaches" or loss of data/documents of the listed entity in the quarterly CG Report.

Comments may be sent by email to consultationcfd@sebi.gov.in no later than November 27, 2022. While sending the email, kindly mention the subject as "Comments on consultation paper on review of disclosure requirements for material events or information under LODR Regulations."

Link to the Consultation Paper:
https://www.sebi.gov.in/reports-and-statistics/reports/nov-2022/review-of-disclosure-requirements-for-material-events-or-information-under-sebi-listing-obligations-and-disclosure-requirements-regulations-2015_64962.html

GO UP

6. SEBI Circular on Registration and regulatory framework for Online Bond Platform Providers (OBPPs) – November 14, 2022

SEBI vide its Circular dated November 14, 2022 in order to streamline the operations of these OBPs and to facilitate the participation of investors in the bond market prescribed framework for entities operating/ desirous of operating as OBPPs under regulation 51A of the SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 ('NCS Regulations') :

- Such entity shall be a company incorporated in India and register itself as a stock broker in the debt segment of the Stock Exchange(s);

- An entity acting as an OBPP on or prior to this circular coming into force, shall cease to offer products or services or securities on its OBP other than the following:

  - Listed debt securities and

  - Debt securities proposed to be listed through a public offering.

  Such OBPP shall divest itself of offerings of other products or services or securities.

- Such entities, in addition to complying with regulation 51A of the NCS Regulations, shall ensure compliance with the requirements specified in Annex – A to this circular.

This circular shall come into force with immediate effect and is applicable to all Entities operating/desirous of operating as online bond platform providers, Issuers who have listed and/ or propose to list debt Securities, Recognised Stock Exchanges and Clearing Corporations, Registered Depositories and Stock Brokers and Depository Participants.

An OBPP who fails to comply with any of the provisions of this circular, shall be liable for action under the SEBI Act and any rules, regulations and circulars issued thereunder.

Link to the Circular:
https://www.sebi.gov.in/legal/circulars/nov-2022/registration-and-regulatory-framework-for-online-bond-platform-providers_65014.html

GO UP

7. SEBI Notification on Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2022 – November 14, 2022

SEBI vide its notification dated November 14, 2022 amended the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. These Regulations may be called the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2022. The amended regulations will come into force on the date of their publication in the Official Gazette.

Sr. No. : 1
Part/ Regulation /Chapter/Section /Sub-section(s) : In regulation 25
Old Regulation : The appointment, re-appointment or removal of an independent director of a listed entity, shall be subject to the approval of shareholders by way of a special resolution.
Amendment : In regulation 25, in sub-regulation (2A), the following provisos shall be inserted, namely,
Amended Regulation : 25(2A). The appointment, re-appointment or removal of an independent director of a listed entity, shall be subject to the approval of shareholders by way of a special resolution. "Provided that where a special resolution for the appointment of an independent director fails to get the requisite majority of votes but the votes cast in favour of the resolution exceed the votes cast against the resolution and the votes cast by the public shareholders in favour of the resolution exceed the votes cast against the resolution, then the appointment of such an independent director shall be deemed to have been made under sub-regulation (2A): Provided further that an independent director appointed under the first proviso shall be removed only if the votes cast in favour of the resolution proposing the removal exceed the votes cast against the resolution and the votes cast by the public shareholders in favour of the resolution exceed the votes cast against the resolution."
Comment : SEBI has introduced a mechanism for appointment, re-appointment and removal of independent directors by amending regulation 25 (2A). Under the amended regulation, appointment and removal of independent directors could be done by availed two options – threshold for ordinary resolution and threshold for majority of minority shareholders. At present, the appointment, re-appointment or removal of independent directors can be made through a special resolution by getting 75% of votes.

Under the alternate mechanism, if the special resolution for appointment of an independent director does not get the requisite majority, then two other thresholds – for ordinary resolution and for majority of minority shareholders – would be tested.

If the resolution crosses the above two thresholds in the same voting process, then such a resolution for appointment of the independent director would be deemed to be approved by shareholders.

Sr. No. : 2

Part/ Regulation /Chapter/Section /Sub-section(s) : In regulation 32, sub-regulation (6) and sub-regulation (7) has been substituted

Old Regulation:

Sub-regulation 6:

Where the listed entity has appointed a monitoring agency to monitor utilisation of proceeds of a public or rights issue, the listed entity shall submit to the stock exchange(s) any comments or report received from the monitoring agency [within forty-five days from the end of each quarter].

Sub-regulation 7:

Where the listed entity has appointed a monitoring agency to monitor the utilisation of proceeds of a public or rights issue, the monitoring report of such agency shall be placed before the audit committee on [a quarterly basis], promptly upon its receipt.

Explanation,—[For the purpose of sub-regulations (6) and (7), "monitoring agency" shall mean the monitoring agency as specified in the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.]

(7A) Where an entity has raised funds through preferential allotment or qualified institutions placement, the listed entity shall disclose every year, the utilization of such funds during that year in its Annual Report until such funds are fully utilized]

Amendment : In regulation 32, sub-regulation (6) and sub-regulation (7) has been substituted, the words "public or rights issue" shall be substituted with the words "public issue or rights issue or preferential issue or qualified institutions placement"

Amended Regulation:

(6) Where the listed entity has appointed a monitoring agency to monitor utilisation of proceeds of a **public or rights issue preferential issue or qualified institutions placement**, the listed entity shall submit to the stock exchange(s) any comments or report received from the monitoring agency [within forty-five days from the end of each quarter].

(7) Where the listed entity has appointed a monitoring agency to monitor the utilisation of proceeds of a **public or rights issue preferential issue or qualified institutions placement**, the monitoring report of such agency shall be placed before the audit committee on [a quarterly basis], promptly upon its receipt.

Explanation,—[For the purpose of sub-regulations (6) and (7), "monitoring agency" shall mean the monitoring agency as specified in the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.]

[(7A) Where an entity has raised funds through preferential allotment or qualified institutions placement, the listed entity shall disclose every year, the utilization of such funds during that year in its Annual Report until such funds are fully utilized.]

Comment:

With this amendment, appointment of monitoring agency to monitor utilization of proceeds will now be covered for preferential issue as well as for qualified institutions placement. Further, it is to be noted that the listed entity shall submit to the stock exchanges any comments or reports received from the monitoring agency for preferential issue or qualified institutions as well along with public or right issue.

Along with that, the listed entity also needs to place before audit committee on quarterly basis monitoring report for preferential issue or qualified institutions placement along with public or right issue.

Sr. No. : 3

Part/ Regulation /Chapter/Section /Sub-section(s) : in regulation 52, in sub-regulation (1),

Old Regulation :

(1) The listed entity shall prepare and submit un-audited or audited quarterly and year to date standalone financial results on a quarterly basis in the format as specified by the Board within forty- five days from the end of the quarter, other than last quarter, to the recognised stock exchange(s):

Provided that in case of entities which have listed their debt securities, a copy of the financial results submitted to stock exchanges shall also be provided to Debenture Trustees on the same day the information is submitted to stock exchanges.

Amendment : the following proviso shall be inserted before the existing proviso, namely, - "Provided that for the last quarter of the financial year, the listed entity shall submit un-audited or audited quarterly and year to date standalone financial results within sixty days from the end of the quarter to the recognised stock exchange(s):" (ii) in the existing proviso, A. after the word "provided" and before the words "that in case of entities which have listed", the word "further" shall be inserted. B. the words "the information is submitted to stock exchanges" shall be deleted.
Amended Regulation: **52 (1) The listed entity shall prepare and submit un-audited or audited quarterly and year to date standalone financial results on a quarterly basis in the format as specified by the Board within forty-five days from the end of the quarter, other than last quarter, to the recognised stock exchange(s):** **Provided further that in case of entities which have listed their debt securities, a copy of the financial results submitted to stock exchanges shall also be provided to Debenture Trustees on the same day.** **"Provided that for the last quarter of the financial year, the listed entity shall submit un-audited or audited quarterly and year to date standalone financial results within sixty days from the end of the quarter to the recognised stock exchange(s):"**
Comment: With this amendment, SEBI has now added a requirement for the listed entities to submit un-audited or audited quarterly and year to date standalone financial results within sixty days from the end of the quarter to the recognised stock exchanges.

Sr. No. : 4
Part/ Regulation /Chapter/Section /Sub-section(s): In regulation 52, in sub-regulation (2), under clause (d)
Old Regulation : (d) The annual audited standalone and consolidated financial results for the financial year shall be submitted to the stock exchange(s) within sixty days from the end of the financial year along with the audit report: Provided that issuers, who are being audited by the Comptroller and Auditor General of India, shall adopt the following two step process for disclosure of the annual audited financial results: (i) The first level audit shall be carried out by the auditor appointed by the Comptroller and Auditor General of India, who shall audit the financials of the listed entity and such financial results shall be submitted to the Stock Exchange(s) within sixty days from the end of the financial year. (ii) After the completion of audit by the Comptroller and Auditor General of India, the financial results shall be submitted to the Stock exchange(s) within nine months from the end of the financial year.
Amendment : In sub-regulation (2), (i) under clause (d), the existing proviso shall be substituted with the following, namely – "Provided that issuers, which are required to be audited by the Comptroller and Auditor General of India under applicable law, shall submit: (i) un-audited financial results along with the limited review report issued by the Comptroller and Auditor General of India or an auditor appointed by the Comptroller and Auditor General of India or a Practising Chartered Accountant, to the stock exchange(s), within sixty days from the end of the financial year; and (ii) the financial results, audited by the Comptroller and Auditor General of India, to the stock exchange(s), within nine months from the end of the financial year.".
Amended Regulation: (d) The annual audited standalone and consolidated financial results for the financial year shall be submitted to the stock exchange(s) within sixty days from the end of the financial year along with the audit report: Provided that issuers, who are being audited by the Comptroller and

Auditor General of India, shall adopt the following two step process for disclosure of the annual audited financial results: **"Provided that issuers, which are required to be audited by the Comptroller and Auditor General of India under applicable law, shall submit:** **(i) un-audited financial results along with the limited review report issued by the Comptroller and Auditor General of India or an auditor appointed by the Comptroller and Auditor General of India or a Practising Chartered Accountant, to the stock exchange(s), within sixty days from the end of the financial year; and** **(ii) the financial results, audited by the Comptroller and Auditor General of India, to the stock exchange(s), within nine months from the end of the financial year."**
Comment: With this amendment, the listed entity which are required to be audited by the Comptroller and Auditor General of India shall now submit to the stock exchanges within sixty days from the end of the financial year unaudited financial results along with the limited review report. Further, the listed entity shall within nine months from the end of the financial year shall submit audited financial results.

Sr. No. : 5
Part/ Regulation /Chapter/Section /Sub-section(s): In regulation 52, clause (f) shall be omitted.
Old Regulation : (f) The listed entity shall also submit as part of its standalone or consolidated financial results for the half year, by way of a note, a statement of assets and liabilities and statement of cash flows as at the end of the half year.
Amendment : In regulation 52, clause (f) shall be omitted.
Amended Regulation: ~~(f) The listed entity shall also submit as part of its standalone or consolidated financial results for the half year, by way of a note, a statement of assets and liabilities and statement of cash flows as at the end of the half year.~~
Comment: With this amendment, the requirement for listed entity to submit as part of its standalone or consolidated financial results for the half year,

by way of a note, a statement of assets and liabilities and statement of cash flows as at the end of the half year has been removed.

Sr. No. : 6
Part/ Regulation /Chapter/Section /Sub-section(s) : In regulation 52, after sub-regulation (2) and before sub-regulation (3)
Old Regulation : None
Amendment : after sub-regulation (2) and before sub-regulation (3), the following shall be inserted, namely – "(2A) The listed entity shall submit a statement of assets and liabilities and statement of cash flows as at the end of every half year, by way of a note, along with the financial results."
Amended Regulation: **"(2A) The listed entity shall submit a statement of assets and liabilities and statement of cash flows as at the end of every half year, by way of a note, along with the financial results."**
Comment: With this amendment, a sub-regulation under regulation 52(2) has been inserted, the listed entity shall submit a statement of assets and liabilities and statement of cash flows as at the end of every half year, by way of a note, along with the financial results.

Sr. No. : 7
Part/ Regulation /Chapter/Section /Sub-section(s) : In regulation 52, sub-regulation 4 shall be substituted
Old Regulation : The listed entity, while submitting quarterly / annual financial results, shall disclose the following line items along with the financial results: (a) debt-equity ratio; (b) debt service coverage ratio; (c) interest service coverage ratio; (d) outstanding redeemable preference shares (quantity and value); (e) capital redemption reserve/debenture redemption reserve; (f) net worth; (g) net profit after tax; (h) earnings per share: (i) current ratio;

(j) long term debt to working capital;
(k) bad debts to Account receivable ratio;
(l) current liability ratio;
(m) total debts to total assets;
(n) debtors' turnover;
(o) inventory turnover;
(p) operating margin percent;
(q) net profit margin percent;
~~(r) Sector specific equivalent ratios, as applicabe;~~

~~Provided that the requirement of disclosures of debt service coverage ratio 275[***] and interest service coverage ratio shall not be applicable for banks or 276 [non banking financial companies/housing finance companies] registered with the Reserve Bank of India.~~

~~The requirement of this sub-regulation shall not be applicable in case of unsecured debt instruments issued by regulated financial sector entities eligible for meeting capital requirements as specified by respective regulators.~~

Amendment :

In regulation 52, sub-regulation 4 shall be substituted with the following, namely -

Amended Regulation:

"(4) The listed entity, while submitting quarterly and annual financial results, shall disclose the following line items along with the financial results:

(a) debt-equity ratio;
(b) debt service coverage ratio;
(c) interest service coverage ratio;
(d) outstanding redeemable preference shares (quantity and value);
(e) capital redemption reserve/debenture redemption reserve;
(f) net worth;
(g) net profit after tax;
(h) earnings per share:
(i) current ratio;
(j) long term debt to working capital;
(k) bad debts to Account receivable ratio;
(l) current liability ratio;
(m) total debts to total assets;
(n) debtors' turnover;
(o) inventory turnover;
(p) operating margin percent;
(q) net profit margin percent:

Provided that if the information mentioned in sub-regulation (4) above is not applicable to the listed entity, it shall disclose such other

ratio/equivalent financial information, as may be required to be maintained under applicable laws, if any."
Comment: With this amendment, the listed entity no longer need to submit sector specific equivalent ratios. Further, a new proviso has been added where if sub-regulation 4 is not applicable to the listed entity, it shall disclose such other ratio/equivalent financial information, as may be required to be maintained under applicable laws, if any.

Sr. No. : 8
Part/ Regulation /Chapter/Section /Sub-section(s) : In regulation 52, sub-regulation (7)
Old Regulation : (7) The listed entity shall within forty-five days from the end of every quarter submit to the stock exchange, a statement indicating the utilization of issue proceeds of non-convertible securities, which shall be continued to be given till such time the issue proceeds have been fully utilised or the purpose for which these proceeds were raised has been achieved. (7A) In case of any material deviation in the use of proceeds as compared to the objects of the issue, the same shall be indicated in the format as specified by the Board.
Amendment : In regulation 52, sub-regulation (7) and (7A) shall be substituted.
Amended Regulation: "(7). The listed entity shall submit to the stock exchange(s), along with the quarterly financial results, a statement indicating the utilisation of the issue proceeds of nonconvertible securities, in such format as may be specified by the Board, till such proceeds of issue have been fully utilised or the purpose for which the proceeds were raised has been achieved." "(7A). The listed entity shall submit to the stock exchange(s), along with the quarterly financial results, a statement disclosing material deviation(s) (if any) in the use of issue proceeds of non-convertible securities from the objects of the issue, in such format as may be specified by the Board, till such proceeds have been fully utilised or the purpose for which the proceeds were raised has been achieved."
Comment:

With this amendment, requirement to submit statement of utilization of the issue proceeds of within forty five days has been removed. Now, statement of utilization shall be submitted along with financial results. Further, Under regulation 7(A) With this amendment, listed entity needs to submit financial results along with statement disclosing material deviation.

Sr. No. : 9
Part/ Regulation /Chapter/Section /Sub-section(s) : In regulation 52, in sub-regulation (8)
Old Regulation : The listed entity shall, within two working days of the conclusion of the meeting of the board of directors, publish the financial results and statement referred to in sub-regulation (4), in at least one English national daily newspaper circulating in the whole or substantially the whole of India.
Amendment : in sub-regulation (8), (i)the word "statement" shall be substituted with the words "the line items". (ii)the symbol "." after the words "substantially the whole of India" shall be substituted with the symbol ":". under sub-regulation (8), the following proviso shall be inserted, namely – "Provided that if the listed entity has submitted both standalone and consolidated financial results, to the stock exchange(s), it shall publish consolidated financial results along with the line items referred to in sub-regulation (4), in the newspaper."
Amended Regulation: The listed entity shall, within two working days of the conclusion of the meeting of the board of directors, publish the financial results and the line items referred to in sub-regulation (4), in at least one English national daily newspaper circulating in the whole or substantially the whole of India : **"Provided that if the listed entity has submitted both standalone and consolidated financial results, to the stock exchange(s), it shall**

publish consolidated financial results along with the line items referred to in sub-regulation (4), in the newspaper."

Comment:

With this amendment, listed entity needs to publish standalone along with consolidated financial results in the newspaper.

Sr. No. : 10

Part/ Regulation /Chapter/Section /Sub-section(s) : In regulation 59, sub-regulation shall be inserted

Old Regulation :

Not Applicable

Amendment :

after regulation 59 and before regulation 60, the following regulation shall be inserted, namely, -

"Draft Scheme of Arrangement and Scheme of Arrangement.

59A. (1) Without prejudice to the provisions of regulation 11, the listed entity that has listed nonconvertible debt securities or non-convertible redeemable preference shares, intends to undertake a scheme of arrangement or is involved in a scheme of arrangement under sections 230-234 and section 66 of the Companies Act, 2013, shall file the draft scheme of arrangement with the stock exchange(s), along with a non-refundable fee as specified in Schedule XI, for obtaining the No-objection letter, before filing of such scheme with the National Company Law Tribunal, in terms of the requirements specified by the Board or stock exchange(s) from time to time.

(2) The listed entity shall not file any scheme of arrangement under sections 230-234 and section 66 of the Companies Act, 2013, with the National Company Law Tribunal unless it has obtained a No-objection letter from the stock exchange(s).

(3) The listed entity shall place the No-objection letter of the stock exchange(s) before the National Company Law Tribunal at the time of seeking approval for the scheme of arrangement in the manner as may be specified by the Board from time to time:

Provided that the validity of the No-objection letter of the stock exchange(s) shall be six months from the date of issuance, within which the draft scheme of arrangement shall be filed by the listed entity with the National Company Law Tribunal.

(4) Upon sanction of the Scheme by the National Company Law Tribunal, the listed entity shall submit such documents, to the stock exchange(s), as may be specified by the Board and/ or stock exchange(s) from time to time.

(5) The listed entity shall ensure compliance with such other requirements as may be specified by the Board from time to time.
(6) The requirements as specified under this regulation and under regulation 94A of these regulations shall not apply to a restructuring proposal approved as part of a resolution plan by the National Company Law Tribunal under section 31 of the Insolvency Code, subject to the details being disclosed to the recognized stock exchanges within one day of the resolution plan being approved."

Amended Regulation:

Structure of non convertible debt securities and non convertible redeemable preference shares.

59. (1) The listed entity shall not make material modification without prior approval of the stock exchange(s) where the non convertible debt securities or non-convertible redeemable preference shares, as applicable, are listed, to :

(a)the structure of the 313 [non-convertible debt securities] debenture in terms of coupon, redemption, or otherwise.

(b)the structure of the non-convertible redeemable preference shares in terms of dividend , redemption, or otherwise.

(2) The approval of the stock exchange referred to in sub-regulation (1) shall be made only after:

(a) approval of the board of directors and the debenture trustee and

(b)obtaining consent in writing of the holders of not less than three-fourths, by value of holders of that class of securities:

Provided that the listed entity shall provide the facility of remote e-voting to facilitate such consent.

"Draft Scheme of Arrangement and Scheme of Arrangement.

59A. (1) Without prejudice to the provisions of regulation 11, the listed entity that has listed nonconvertible debt securities or non-convertible redeemable preference shares, intends to undertake a

scheme of arrangement or is involved in a scheme of arrangement under sections 230-234 and section 66 of the Companies Act, 2013, shall file the draft scheme of arrangement with the stock exchange(s), along with a non-refundable fee as specified in Schedule XI, for obtaining the No-objection letter, before filing of such scheme with the National Company Law Tribunal, in terms of the requirements specified by the Board or stock exchange(s) from time to time.

(2) The listed entity shall not file any scheme of arrangement under sections 230-234 and section 66 of the Companies Act, 2013, with the National Company Law Tribunal unless it has obtained a No-objection letter from the stock exchange(s).

(3) The listed entity shall place the No-objection letter of the stock exchange(s) before the National Company Law Tribunal at the time of seeking approval for the scheme of arrangement in the manner as may be specified by the Board from time to time:

Provided that the validity of the No-objection letter of the stock exchange(s) shall be six months from the date of issuance, within which the draft scheme of arrangement shall be filed by the listed entity with the National Company Law Tribunal.

(4) Upon sanction of the Scheme by the National Company Law Tribunal, the listed entity shall submit such documents, to the stock exchange(s), as may be specified by the Board and/ or stock exchange(s) from time to time.

(5) The listed entity shall ensure compliance with such other requirements as may be specified by the Board from time to time.

(6) The requirements as specified under this regulation and under regulation 94A of these regulations shall not apply to a restructuring proposal approved as part of a resolution plan by the National Company Law Tribunal under section 31 of the Insolvency Code, subject to the details being disclosed to the recognized stock exchanges within one day of the resolution plan being approved."

Comment :

With this amendment, a new regulation has been inserted where NOC is required to be obtained by non convertible debt securities/non-convertible redeemable preference shares for listed companies who wants to undertake a scheme of arrangement under section 230-234 of Companies Act, 2013 or under reduction under Section 66 of Companies Act, 2013. Further, procedure for application of NOC has been provided by SEBI vide its circular dated November 17, 2022.

Sr. No. : 11
Part/ Regulation /Chapter/Section /Sub-section(s) : In regulation 61(A),
Old Regulation : 61A. (1) The listed entity shall not forfeit unclaimed interest/ dividend/redemption amount. (2) Where the interest/dividend/redemption amount has not been claimed within thirty days from the due date of interest/ dividend / redemption payment, a listed entity shall within seven days from the date of expiry of the said period of thirty days, transfer the amount to an escrow account to be opened by the listed entity in any scheduled bank: Provided that the interest/ dividend/ redemption amount that is unclaimed and outstanding for a period of less than seven years as on the date of notification of this sub-regulation shall be transferred to the escrow account within thirty days, where it shall remain for the intervening period up to seven years. (3) Any amount transferred to the escrow account that remains unclaimed for seven years shall be transferred to the 'Investor Education and Protection Fund' constituted in terms of section 125 of the Companies Act, 2013.
Amendment : In regulation 61A, (a) in sub-regulation (3), the symbol ".", after the words "section 125 of the Companies Act, 2013", shall be substituted with the symbol ":". (b) under sub-regulation (3), the following proviso shall be inserted, namely, - "Provided that for listed entities which do not fall within the definition of "company" under the Companies Act, 2013 and the Rules made thereunder, any amount in the escrow account that remains unclaimed for seven years shall be transferred to the Investor Protection and Education Fund created by the Board in terms of section 11 of the Act."
Amended Regulation: 61A. (1) The listed entity shall not forfeit unclaimed interest/ dividend/redemption amount.

(2) Where the interest/dividend/redemption amount has not been claimed within thirty days from the due date of interest/ dividend / redemption payment, a listed entity shall within seven days from the date of expiry of the said period of thirty days, transfer the amount to an escrow account to be opened by the listed entity in any scheduled bank: Provided that the interest/ dividend/ redemption amount that is unclaimed and outstanding for a period of less than seven years as on the date of notification of this sub-regulation shall be transferred to the escrow account within thirty days, where it shall remain for the intervening period up to seven years.
(3) Any amount transferred to the escrow account that remains unclaimed for seven years shall be transferred to the 'Investor Education and Protection Fund' constituted in terms of :

"Provided that for listed entities which do not fall within the definition of "company" under the Companies Act, 2013 and the Rules made thereunder, any amount in the escrow account that remains unclaimed for seven years shall be transferred to the Investor Protection and Education Fund created by the Board in terms of section 11 of the Act."

Comment :

With this amendment, SEBI clarified that for entities not defined as "company" under the Companies Act, 2013 and the Rules made thereunder, any amount in the escrow account that remains unclaimed for seven years shall be transferred to the Investor Protection and Education Fund created by the Board in terms of section 11 of the Act.

Sr. No. : 12

Part/ Regulation /Chapter/Section /Sub-section(s) : In regulation 94

Old Regulation :

Draft Scheme of Arrangement & Scheme of Arrangement.

94. (1) The designated stock exchange, upon receipt of draft schemes of arrangement and the documents prescribed by the Board, as per sub-regulation (1) of regulation 37, shall forward the same to the Board, in the manner prescribed by the Board.

(2) The stock exchange(s) shall submit to the Board its No-Objection Letter on the draft scheme of arrangement after inter-alia ascertaining whether the draft scheme of arrangement is in compliance with securities laws within thirty days of receipt of draft scheme of arrangement or within seven days of date of receipt of satisfactory reply on clarifications from the listed entity and/or opinion from

independent chartered accountant, if any, sought by stock exchange(s), as applicable. (3) The stock exchange(s), shall issue No-objection letter to the listed entity within seven days of receipt of comments from the Board, after suitably incorporating such comments in the No-objection letter: Provided that the validity of the No-objection letter of stock exchanges shall be six months from the date of issuance. (4) The stock exchange(s) shall bring the objections to the notice of Court or Tribunal at the time of approval of the scheme of arrangement. (5) Upon sanction of the Scheme by the Court or Tribunal, the designated stock exchange shall forward its recommendations to the Board on the documents submitted by the listed entity in terms of sub-regulation (5) of regulation 37.
Amendment : In regulation 94, in the heading after the words "Draft Scheme of Arrangement and Scheme of Arrangement", the words "in case of entities that have listed their specified securities" shall be inserted. **after regulation 94 and before regulation 95, the following shall be inserted, namely,** - "Draft Scheme of Arrangement & Scheme of Arrangement in case of entities that have listed their non-convertible debt securities or non-convertible redeemable preference shares. 94A. (1) Upon receipt of the draft schemes of arrangement and the documents under sub regulation (1) of regulation 59A, the designated stock exchange shall forward the same to the Board, in such manner as may be specified by the Board. (2) The stock exchange(s) shall submit to the Board its No-Objection Letter on the draft scheme of arrangement, after ascertaining whether the draft scheme of arrangement is in compliance with securities laws, within the timelines as may be specified by the Board from time to time. (3) The stock exchange(s), shall issue No-objection letter to the listed entity in the manner and within the timelines, as may be specified by

the Board from time to time: Provided that the validity of the No-objection letter of stock exchanges shall be six months from the date of issuance. (4) The stock exchange(s) shall bring the objections to the notice of National Company Law Tribunal at the time of approval of the scheme of arrangement by the National Company Law Tribunal. (5) Upon sanction of the Scheme by the National Company Law Tribunal, the stock exchange shall forward its recommendations to the Board on the documents submitted by the listed entity in terms of sub-regulation (4) of regulation 59A."
Amended Regulation: **"Draft Scheme of Arrangement & Scheme of Arrangement in case of entities that have listed their specified securities"** 94. (1) The designated stock exchange, upon receipt of draft schemes of arrangement and the documents prescribed by the Board, as per sub-regulation (1) of regulation 37, shall forward the same to the Board, in the manner prescribed by the Board. (2) The stock exchange(s) shall submit to the Board its No-Objection Letter on the draft scheme of arrangement after inter-alia ascertaining whether the draft scheme of arrangement is in compliance with securities laws within thirty days of receipt of draft scheme of arrangement or within seven days of date of receipt of satisfactory reply on clarifications from the listed entity and/or opinion from independent chartered accountant, if any, sought by stock exchange(s), as applicable. (3) The stock exchange(s), shall issue No-objection letter to the listed entity within seven days of receipt of comments from the Board, after suitably incorporating such comments in the No-objection letter: Provided that the validity of the No-objection letter of stock exchanges shall be six months from the date of issuance. (4) The stock exchange(s) shall bring the objections to the notice of Court or Tribunal at the time of approval of the scheme of arrangement. (5) Upon sanction of the Scheme by the Court or Tribunal, the designated stock exchange shall forward its recommendations to the

Board on the documents submitted by the listed entity in terms of sub-regulation (5) of regulation 37.

"Draft Scheme of Arrangement & Scheme of Arrangement in case of entities that have listed their non-convertible debt securities or non-convertible redeemable preference shares."

94A. (1) Upon receipt of the draft schemes of arrangement and the documents under sub regulation (1) of regulation 59A, the designated stock exchange shall forward the same to the Board, in such manner as may be specified by the Board.

(2) The stock exchange(s) shall submit to the Board its No-Objection Letter on the draft scheme of arrangement, after ascertaining whether the draft scheme of arrangement is in compliance with securities laws, within the timelines as may be specified by the Board from time to time.

(3) The stock exchange(s), shall issue No-objection letter to the listed entity in the manner and within the timelines, as may be specified by the Board from time to time: Provided that the validity of the No-objection letter of stock exchanges shall be six months from the date of issuance.

(4) The stock exchange(s) shall bring the objections to the notice of National Company Law Tribunal at the time of approval of the scheme of arrangement by the National Company Law Tribunal.

(5) Upon sanction of the Scheme by the National Company Law Tribunal, the stock exchange shall forward its recommendations to the Board on the documents submitted by the listed entity in terms of sub-regulation (4) of regulation 59A."

Comment:

With this amendment, certain regulations has been inserted under regulation 94 in reference to obtaining NOC by NCDs/NCPS listed entities in case of scheme of arrangement. Further, SEBI has also issued detailed procedure on this vide its circular dated November 17, 2022.

Sr. No. : 13

Part/ Regulation /Chapter/Section /Sub-section(s) : In Schedule II, in Part C, in Paragraph A, in clause (6)

Old Regulation :

Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential

issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the board to take up steps in this matter;
Amendment : In Schedule II, in Part C, in Paragraph A, in clause (6), the words "public or rights issue" shall be substituted with the words "public issue or rights issue or preferential issue or qualified institutions placement".
Amended Regulation: Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a **public issue or rights issue or preferential issue or qualified institutions placement**, and making appropriate recommendations to the board to take up steps in this matter;
Comment: With this amendment, requirement for submission of statement of funds utilized for purposes other than those stated other than those stated in the offer document / prospectus / notice has been added to preferential issue and qualified institutions placement as well. The statement shall be submitted along with the report submitted by the monitoring agency monitoring the utilisation of proceeds.

Sr. No. : 14
Part/ Regulation /Chapter/Section /Sub-section(s) : Schedule XI shall be substituted
Old Regulation : **Schedule XI – Fee in respect of draft scheme of arrangement** 1. The listed entity shall, along with the draft scheme of arrangement, remit fee at the rate of 0.1% of the paid-up share capital of the listed/transferee/resulting company, whichever is higher, post sanction of the scheme, subject to a cap of five lakh rupees. 2. The fee specified in clause 1 shall be paid by way of direct credit to the bank account of the Board through NEFT/RTGS/IMPS or any

other mode allowed by RBI or by means of a demand draft in favour of "Securities and Exchange Board of India" payable at Mumbai.
Amendment : Schedule XI shall be substituted with the following
Amended Regulation: **"Schedule XI – Fee in respect of draft scheme of arrangement** **1. An entity with listed specified securities, or listed specified securities and listed nonconvertible debt securities or non-convertible redeemable preference shares, shall, along with the draft scheme of arrangement, remit a fee at the rate of 0.1% of the paid-up share capital of the listed/ transferee/ resulting company, whichever is higher, post the sanction of the scheme by the National Company Law Tribunal:** **Provided that the total amount of fees payable shall not exceed five lakh rupees.** **2. An entity with only listed non-convertible debt securities or non-convertible redeemable preference shares, shall, along with the draft scheme of arrangement, remit a fee at the rate of 0.1% of the amount of outstanding debt of the listed/ transferee/ resulting company, whichever is higher, post the sanction of the scheme by the National Company Law Tribunal:** **Provided that the total amount of fees payable shall not exceed five lakh rupees.** **3. The fees shall be paid by way of direct credit to the bank account of the Board through NEFT/ RTGS/ IMPS or any other mode allowed by RBI or by means of a demand draft in favour of "Securities and Exchange Board of India" payable at Mumbai."**

Link to the Notification:
https://egazette.nic.in/WriteReadData/2022/240248.pdf

GO UP

8. **SEBI Notification on Securities and Exchange Board of India (Alternative Investment Funds) (Fourth Amendment) Regulations, 2022 – November 15, 2022**

SEBI vide its notification dated November 15, 2022 amended Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2015. These Regulations may be called the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2022. The amended regulations will come into force on the date of their publication in the Official Gazette.

Sr. No.	Part/Regulation/ Chapter/Section/ Sub-section(s)	Under Old Regulation	Under New Regulation	Comment
1.	**In sub-regulation (1) of regulation 2 :** In clause (p), in the Explanation, a) the words "day of its launch" shall be replaced with "date of first close"; and b) the words "last day" shall be replaced with "last date";	2(1)(p) "investable funds" means corpus of the scheme of Alternative Investment Fund net of expenditure for administration and management of the fund estimated for the tenure of the fund. Explanation. — For the purpose of this clause, the expression "tenure" means the duration of scheme from the day of its launch till last day of the term as specified in	2(1)(p) "investable funds" means corpus of the scheme of Alternative Investment Fund net of expenditure for administration and management of the fund estimated for the tenure of the fund. Explanation.— For the purpose of this clause, the expression "tenure" means the duration of scheme from the date of first close till last date of the term as specified in the fund documents; (2)(1)(pa) "large value fund for	With this amendment, SEBI have made changes in the expression "tenure". The duration period of scheme will now be from the date of first close till last date of the term as specified in the fund documents which previously was the day of its launch till last day of the term as specified in the fund documents.

Sr. No.	Part/Regulation/ Chapter/Section/ Sub-section(s)	Under Old Regulation	Under New Regulation	Comment
		the fund documents; (2)(1)(pa) "large value fund for accredited investors" means an Alternative Investment Fund or scheme of an Alternative Investment Fund in which each investor (other than the Manager, Sponsor, employees or directors of the Alternative Investment Fund or employees or directors of the Manager) is an accredited investor and invests not less than seventy crore rupees;	accredited investors" means an Alternative Investment Fund or scheme of an Alternative Investment Fund in which each investor (other than the Manager, Sponsor, employees or directors of the Alternative Investment Fund or employees or directors of the Manager) is an accredited investor and invests not less than seventy crore rupees;	
2.	In regulation 12, after sub-regulation (3), the following new sub-	(1) The Alternative Investment Fund may launch	1) The Alternative Investment Fund may launch schemes	With this amendment, requirements for

Sr. No.	Part/Regulation/ Chapter/Section/ Sub-section(s)	Under Old Regulation	Under New Regulation	Comment
	regulations shall be inserted "(4) The first close of the scheme shall be declared by an Alternative Investment Fund in the manner as may be specified by the Board from time to time. (5) Notwithstanding the proviso to sub-regulation (2), if the Alternative Investment Fund fails to declare the first close of the scheme in the specified manner, it shall be required to file a fresh application for launch of the scheme by paying the requisite scheme fee under the Second Schedule."	schemes subject to filing of placement memorandum with the Board. (2) Such placement memorandum shall be filed with the Board through a merchant banker atleast thirty days prior to launch of scheme along with the fees as specified in the Second Schedule: Provided that payment of scheme fees shall not apply in case of launch of first scheme by the Alternative Investment Fund. (3) The Board may communicate its comments,	subject to filing of placement memorandum with the Board. (2) Such placement memorandum shall be filed with the Board through a merchant banker atleast thirty days prior to launch of scheme along with the fees as specified in the Second Schedule: Provided that payment of scheme fees shall not apply in case of launch of first scheme by the Alternative Investment Fund. (3) The Board may communicate its comments, if any, to the merchant banker prior to launch of the scheme and the merchant	declaration of first close scheme have been made on Alternative Investment Fund and if Alternative Investment Fund fails to declare the first close of the scheme in the specified manner, it shall be required to file a fresh application for launch of the scheme.

Sr. No.	Part/Regulation/ Chapter/Section/ Sub-section(s)	Under Old Regulation	Under New Regulation	Comment
		if any, to the merchant banker prior to launch of the scheme and the merchant banker shall ensure that the comments are incorporated in the placement memorandum prior to launch of the scheme: Provided that the requirements under sub-regulation (2) and (3) shall not apply to large value fund for accredited investors.	banker shall ensure that the comments are incorporated in the placement memorandum prior to launch of the scheme: Provided that the requirements under sub-regulation (2) and (3) shall not apply to large value fund for accredited investors. (4) The first close of the scheme shall be declared by an Alternative Investment Fund in the manner as may be specified by the Board from time to time. (5) Notwithstanding the proviso to sub-regulation (2), if the Alternative Investment Fund fails to declare the first close of the scheme in the	

Sr. No.	Part/Regulation/ Chapter/Section/ Sub-section(s)	Under Old Regulation	Under New Regulation	Comment
			specified manner, it shall be required to file a fresh application for launch of the scheme.	
3.	In regulation 13, i) after sub-regulation (3), the following new sub-regulation shall be inserted, namely, - "(4) The manner of calculating the tenure of a close ended scheme of an Alternative Investment Fund, including the manner of modification of the tenure, may be specified by the Board from time to time." ii) the existing sub-regulations (4) and (5) shall be renumbered as (5) and (6) respectively.	(1) Category I Alternative Investment Fund and Category II Alternative Investment Fund shall be close ended and the tenure of fund or scheme shall be determined at the time of application subject to sub-regulation (2) of this regulation. (2) Category I and II Alternative Investment Fund or schemes launched by such funds shall have a minimum tenure of three years.	(1) Category I Alternative Investment Fund and Category II Alternative Investment Fund shall be close ended and the tenure of fund or scheme shall be determined at the time of application subject to sub-regulation (2) of this regulation. (2) Category I and II Alternative Investment Fund or schemes launched by such funds shall have a minimum tenure of three years. (3) Category III Alternative Investment	With this amendment, a new sub-regulation has been inserted under Regulation 13 which puts requirement on Board to specify from time to time the manner of calculating the tenure of a close ended scheme of an Alternative Investment Fund, including the manner of modification of the tenure.

Sr. No.	Part/Regulation/ Chapter/Section/ Sub-section(s)	Under Old Regulation	Under New Regulation	Comment
		(3) [Scheme of] Category III Alternative Investment Fund may be open ended or close ended. (4) Extension of the tenure of the close ended Alternative Investment Fund may be permitted up to two years subject to approval of two-thirds of the unit holders by value of their investment in the Alternative Investment Fund: Provided that large value funds for accredited investors may be permitted to extend its tenure beyond two	Fund may be open ended or close ended. (4) The manner of calculating the tenure of a close ended scheme of an Alternative Investment Fund, including the manner of modification of the tenure, may be specified by the Board from time to time. (5) Extension of the tenure of the close ended Alternative Investment Fund may be permitted up to two years subject to approval of two-thirds of the unit holders by value of their investment in the Alternative Investment Fund: Provided that large value funds for accredited investors may be permitted to	

Sr. No.	Part/Regulation/ Chapter/Section/ Sub-section(s)	Under Old Regulation	Under New Regulation	Comment
		years, subject to terms of the contribution agreement, other fund documents and such conditions as may be specified by the Board from time to time. (5) In the absence of consent of unit holders, the Alternative Investment Fund shall fully liquidate within one year following expiration of the fund tenure or extended tenure.	extend its tenure beyond two years, subject to terms of the contribution agreement, other fund documents and such conditions as may be specified by the Board from time to time. (6) In the absence of consent of unit holders, the Alternative Investment Fund shall fully liquidate within one year following expiration of the fund tenure or extended tenure.	
4.	In regulation 20, In sub-regulation (12), the words and symbols "any change in the Sponsor,	All Alternative Investment Funds shall inform the Board in case of any change in the Sponsor,	All Alternative Investment Funds shall inform the Board in case of any change ~~in the Sponsor, Manager or designated~~	With this amendment, a requirement has been revised to inform Board of any change

Sr. No.	Part/Regulation/ Chapter/Section/ Sub-section(s)	Under Old Regulation	Under New Regulation	Comment
	Manager or designated partners or any other" shall be replaced with the word "any";	Manager or designated partners or any other material change from the information provided by the Alternative Investment Fund at the time of application for registration.	~~partners or any other material change~~ from the information provided by the Alternative Investment Fund at the time of application for registration.	from the information provided by the Alternative Investment Fund at the time of application for registration.
5.	In regulation 20, in sub-regulation (13), a) after the words "In case of", the words and symbols "change of Sponsor or Manager, or" shall be inserted; and b) after the words "taken by the Alternative Investment Fund", the words and symbol ", subject to levy	In case of change in control of the Alternative Investment Fund, Sponsor or Manager, prior approval from the Board shall be taken by the Alternative Investment Fund.	In case of change of Sponsor or Manager in control of the Alternative Investment Fund, Sponsor or Manager, prior approval from the Board shall be taken by the Alternative Investment Fund, "subject to levy of fees and any other conditions as may be specified by the Board from time to time."	With this amendment, a requirement have been availed to take approval in case of change in Sponsor or Manager of the Board with subject to fees and other conditions.

Sr. No.	Part/Regulation/ Chapter/Section/ Sub-section(s)	Under Old Regulation	Under New Regulation	Comment
	of fees and any other conditions as may be specified by the Board from time to time" shall be inserted.			
5.	In regulation 20, after sub-regulation (15), the following new sub-regulation shall be inserted, namely, - "(16) The Manager and either the trustee or the trustee company or the Board of Directors or designated partners of the Alternative Investment Fund, as the case may be, shall ensure that the assets and liabilities of each scheme of an Alternative Investment	-----	(16) The Manager and either the trustee or the trustee company or the Board of Directors or designated partners of the Alternative Investment Fund, as the case may be, shall ensure that the assets and liabilities of each scheme of an Alternative Investment Fund are segregated and ring-fenced from other schemes of the Alternative Investment Fund; and bank accounts and securities accounts of each scheme are	With this amendment, the Manager and either the trustee or the trustee company or the Board of Directors or designated partners of the Alternative Investment Fund, as the case may be, shall ensure that the assets and liabilities of each scheme of an Alternative Investment Fund

Sr. No.	Part/Regulation/ Chapter/Section/ Sub-section(s)	Under Old Regulation	Under New Regulation	Comment
	Fund are segregated and ring-fenced from other schemes of the Alternative Investment Fund; and bank accounts and securities accounts of each scheme are segregated and ring-fenced."		segregated and ring-fenced."	

Link to the Notification:
https://www.sebi.gov.in/legal/regulations/nov-2022/securities-and-exchange-board-of-india-alternative-investment-funds-fourth-amendment-regulations-2022_65161.html

GO UP

9. SEBI circular on Scheme(s) of Arrangement by entities who have listed their Non-convertible Debt securities (NCDs)/Non-convertible Redeemable Preference shares (NCRPS) – November 17, 2022

SEBI, vide its circular dated November 17, 2022 came out operational guidelines on 'scheme of arrangement' for entities who have listed their Non-convertible Debt securities (NCDs)/Non-convertible Redeemable Preference shares (NCRPS). Further, it is to be noted that this circular is in reference to SEBI Notification dated November 14, 2022 where SEBI inserted Regulation 59A and 94A with respect to Scheme(s) of Arrangement by entities who have listed NCDs/NCRPS.

The newly inserted Regulation 59A of the Listing Regulations provides that the listed entity that has listed NCDs or NCRPS, which intends to undertake a scheme of arrangement or is involved in a scheme of arrangement shall file the draft scheme with Stock Exchange(s) for obtaining the No-Objection Letter, before filing such scheme with any court or Tribunal. Regulation 94 of the Listing Regulations requires the designated Stock Exchange to forward such draft schemes to SEBI in the manner prescribed by SEBI.

It is pertinent to note that Regulation 11 of the Listing Regulations, inter-alia, provides that any scheme of arrangement/ amalgamation/ merger/

reconstruction/ reduction of capital etc. to be presented to any Court or Tribunal, does not in any way violate, override or limit the provisions of securities laws or requirements of the Stock Exchanges.

An entity that has listed only NCDs/ NCRPS, shall file the draft scheme of arrangement in terms of Regulation 59A along with fees as specified in Clause 2 of Schedule XI of the Listing Regulations. In case an entity has listed both specified securities and NCDs/ NCRPS, a single filing of the draft scheme of arrangement in terms of Regulations 37 and 59A of the Listing Regulations would suffice. However, fees shall be paid in terms of clause 1 of Schedule XI of the Listing Regulations.

This circular contains the operational aspects with reference to scheme(s) of arrangement by entities who have listed their NCDs/ NCRPS. The details of the requirements to be complied with are as given under:

Part I: Requirements to be complied by the "listed entities" which intend to undertake a scheme of arrangement or are involved in a scheme of arrangement
➢ In case of entities that are debt listed and have raised money by way of a public issue or private placement of NCDs/NCRPS, shall comply with these requirements before the scheme of arrangement is filed with the National Company Law Tribunal (NCLT). ➢ As per operational guidelines, listed entities shall choose one of the Stock Exchange(s) having nationwide trading terminals as the designated Stock Exchange for the purpose of coordinating with SEBI. ➢ The listed entity shall submit draft scheme, valuation report, fairness opinion on the valuation of assets done by a registered valuer, report from the board of directors of the listed entity recommending the draft scheme, audited financials for the last 3 years, auditor's certificate to the stock exchange. ➢ The listed entity shall submit a detailed compliance report as per format specified in Annex V duly certified by the Company Secretary, Chief Financial Officer and the Managing Director, confirming compliance with various regulatory requirements specified for scheme of arrangement and all accounting standards. ➢ The listed entity shall declare on any past default of listed entity, whether the listed entity or any of its promoters or directors is a willful defaulter. ➢ No Objection Certificate (NOC) from the debenture trustee(s). Provided that if such NOC is obtained from a debenture trustee, then such NOC shall be submitted before the receipt of the No-Objection Letter from Stock Exchange in terms of proposed new Regulations 59A of the Listing Regulations.

Conditions for schemes of arrangement involving unlisted entities

- In case of scheme of arrangement between listed and unlisted entities, the following conditions shall be satisfied:

  The listed entity shall include information pertaining to the unlisted entity involved in the scheme in the format specified for abridged prospectus as provided in Part B of Schedule I of the SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021, in the notice or proposal to be sent to the holders of NCDs/NCRPS while seeking approval for the scheme. The accuracy and adequacy of such disclosures shall be certified by the SEBI registered merchant banker after following the due diligence process.

- **Valuation Report**

  All listed entities are required to submit a valuation report from a Registered Valuer. In case of scheme of arrangement between listed and unlisted entities, the listed entity is required to submit a valuation report on behalf of unlisted entity, from a Registered Valuer.

- **Auditor's certificate**

  An auditor's certificate shall be filed certifying the payment/ repayment capability of the resultant entity. This certificate shall also certify that the accounting treatment contained in the scheme is in compliance with all the Accounting Standards specified by the Central Government under Section133 of the Companies Act, 2013 read with the rules framed thereunder or the Accounting Standards issued by ICAI, as applicable, and other generally accepted accounting principles.

- **Report of Complaints/ Comments received by the listed entity on the draft scheme of arrangement**

  The Listed entity shall submit to Stock Exchange(s) a 'Report on Complaints/ Comments' received by the listed entity on the draft scheme of arrangement which shall contain the details of complaints/comments received by it on the draft scheme from various sources (complaints/comments written directly to the listed entity or forwarded to it by the Stock Exchange(s)/SEBI) as per Annex-III of this Circular prior to obtaining No-Objection Letter from Stock Exchange(s) on draft scheme.

- **Report on the Unpaid dues/ fines/ penalties**

  All listed entities shall ensure that all dues to, and/or fines/ penalties imposed by SEBI, Stock Exchange(s)and the Depositories

have been paid/settled before filing the draft scheme with the designated Stock Exchange.

In case of unpaid dues/ fines/ penalties, the listed entity shall submit to Stock Exchange(s) a 'Report on the Unpaid dues/ fines/ penalties' which shall contain the details of such unpaid dues/ fines / penalties in the format given in Annex-IV to this Circular, along with the draft scheme.

- **Disclosure on the Website**

The listed entity shall disclose the draft scheme of arrangement and all the documents specified under para (2) above on its website simultaneously while filing it with the Stock Exchange(s).

The listed entity shall also disclose the No-Objection Letter of the Stock Exchange(s)on its website within 24 hours of receiving the same.

- **Notice or proposal sent to the holders of NCDs/ NCRPS for seeking approval of scheme**

The listed entity shall send by email/ speed post(where e-mail is not available), the No-Objection Letter of the Stock Exchange(s), to the holders of NCDs/ NCRPS seeking approval for the Scheme.

The listed entity shall ensure that in the notice or proposal, it shall disclose pre and post-arrangement details in respect of the following:

(a)Expected debt structure ; and
(b)Fairness opinion obtained in terms of para 2(c) mentioned above.

The listed entity shall upload the Report on Complaints/ Comments received by the listed entity on the draft scheme of arrangement as provided in Para 7 and the Compliance Report as provided in Para 2(g) above, on the company's website and websites of Stock Exchange(s).

The listed entity shall disclose the following information in the draft scheme of arrangement including but not limited to Face Value, Dividend/Coupon, Credit Rating, Tenure/Maturity, Redemption terms, Safeguards for protection of NCDs/NCRPS, Exit offer for dissenting holders of NCDs/NCRPS, latest audited financials, auditor's certificate certifying the payment/repayment capacity of the resultant entity, Fairness report, etc.

The listed entities shall ensure that wherever the approval by holders of NCDs/ NCRPS for scheme of arrangement submitted with NCLT for sanction is required at any stage, the facility for e-voting shall be provided after the disclosure of all material facts in the notice including No-Objection Letter.

Obligations of the Stock Exchange :

- The designated Stock Exchange upon receipt of the draft s arrangement and documents shall :

  -Forward the same to SEBI within three working days from the date of receipt of the draft scheme and
  - Send the first set of queries, seeking clarifications, if any, from the registered valuer or the statutory auditors/listed entity, as applicable within ten working days from the date of receipt of the draft scheme.

  The Stock Exchange(s) shall provide the 'No-Objection' Letter to SEBI on the draft scheme of arrangement in co-ordination with each other in terms of Regulation 94A of the Listing Regulations within seven working days from the date of receipt of satisfactory reply from an expert/entity if any, on clarifications, sought by Stock Exchange(s), as applicable.

  The Stock Exchanges shall ensure that the maximum number of days taken for providing the 'No-Objection' Letter to SEBI shall not exceed thirty days from the date of receipt of the draft scheme of arrangement.

  The Stock Exchange(s), shall issue 'No-Objection' Letter to the listed entity within seven days of the receipt of comments from SEBI, after suitably incorporating such comments in the No-Objection Letter.

  The Stock Exchange(s), where the NCDs/ NCRPS are listed/ proposed to be listed shall also disclose on their websites. They shall also disclose the No-Objection Letter on their websites immediately upon issuance.

Processing of the Draft Scheme by SEBI :

- The designated Stock Exchange upon receipt of the draft scheme of arrangement and documents shall:

  Upon receipt of the 'No-Objection' Letter from the Stock Exchange(s), SEBI shall provide comments on the draft scheme of arrangement to the Stock Exchange(s). While processing the draft scheme, SEBI may seek clarifications from any person relevant in this regard including the listed entity or the Stock Exchange(s)and may also seek an opinion from an Expert such as Practicing Company Secretary, Practicing Chartered Accountant, Lawyer, etc.

  SEBI shall provide comments on the draft scheme to the Stock Exchange(s)within thirty days from the later of the following:

a. date of receipt of satisfactory reply on clarifications, if any, sought from the listed entity by SEBI; or
b. date of receipt of opinion from expert, if sought by SEBI; or
c. date of receipt of 'No-Objection' Letter from the Stock Exchange(s).

All complaints/comments received by SEBI on the draft scheme of arrangement shall be forwarded to the designated Stock Exchange, for necessary action and resolution by the listed entity.

Part II: Requirements by listed entity/ resultant entity post sanction of scheme of arrangement by NCLT

- The designated Stock Exchange upon receipt of the draft scheme of arrangement and documents shall:

  The listed entity/ resultant entity shall ensure that steps for listing of NCDs/ NCRPS issued pursuant to the scheme of arrangement, are completed and trading commences within sixty days of receipt of the order of the NCLT, simultaneously on all the Stock Exchange(s)where the NCDs/ NCRPS are listed. Before the commencement of trading, the listed entity/ resultant entity, in addition to disclosing the information in the form of an information document on the websites of the Stock Exchange(s)where NCDs/NCRPS are listed, shall also give an advertisement in an English national daily and a regional daily having wide circulation at the place where the registered office of the transferee entity is situated, giving the following details:

  a) Name of the Company;
  b) Address of Registered Office and Corporate Office of Company;
  c) Details of change of name and/or object clause;
  d) Capital structure -pre and post scheme of arrangement. This shall provide details of the authorized, issued, subscribed and paid up capital (Number of instruments, description, and aggregate nominal value);
  e) Debt structure -pre and post scheme of arrangement. This shall provide for details such as face value, coupon, tenure, no. of NCDs/ NCRPS issued etc.
  f) Name and details of Promoters -educational qualifications, experience, address;
  g) Name and details of board of directors (experience including current / past position held in other firms);
  h) Business Model / Business Overview and Strategy;
  i) Rationale for scheme of arrangement/ amalgamation/ merger/ reconstruction etc.
  j) Latest restated audited financials along with notes to accounts and any audit qualifications. (Financial statements should not be later than six months prior to the date of listing);

k) Outstanding material litigations and defaults of the transferee entity, promoters, directors or any of the group companies;
l) Regulatory Action, if any -disciplinary action taken by SEBI or Stock Exchange(s) against the Promoters in last five financial years;
m) Brief details of outstanding criminal proceedings against the Promoters;
n) Any material development after the date of the balance sheet; and
o) Such other information as may be specified by SEBI from time to time.

Any misstatement or furnishing of false information with regard to the said information shall make the listed entity liable for punitive action as per the provisions of applicable laws and regulations.

Applicability: Chapter XV of the Companies Act, 2013 deals with compromises, arrangements and amalgamations by companies. This circular is applicable to all listed entities that have listed NCDs/ NCRPS and intend to undertake or are involved in a scheme of arrangement as per Chapter XV of the Companies Act, 2013.The provisions of this circular shall be applicable with immediate effect.

Link to the Circular:
https://www.sebi.gov.in/legal/circulars/nov-2022/scheme-s-of-arrangement-by-entities-who-have-listed-their-non-convertible-debt-securities-ncds-non-convertible-redeemable-preference-shares-ncrps-_65220.html

GO UP

10. SEBI Circular on guidelines for AIFs for declaration of first close, calculation of tenure and change of sponsor/manager or change in control of sponsor/manager– November 17, 2022

SEBI, vide its circular dated November 17, 2022 came out with guidelines for AIF for declaration of first close of a scheme, calculation of the tenure of a close-ended scheme and prescribed fee for change in control of sponsor/manager. It is to be noted that this circular is in reference to SEBI Notification dated November 15, 2022 where SEBI amended EBI (Alternative Investment Funds) Regulations, 2012 ("AIF Regulations"). The new guidelines will come into force with immediate effect.

SEBI Notification on Securities and Exchange Board of India (Alternative Investment Funds) (Fourth Amendment) Regulations, 2022 – Notification link - https://www.sebi.gov.in/legal/regulations/nov-2022/securities-and-exchange-board-of-india-alternative-investment-funds-fourth-amendment-regulations-2022_65161.html

2. Timeline for declaration of First Close of schemes of AIFs:

In terms of Regulation 12(4) of AIF Regulations, the first close of the scheme shall be declared by an AIF in the manner as may be specified by SEBI from time to time. In this regard, the following is specified:

2.1. **The First Close of a scheme shall be declared not later than 12 months from the date of SEBI communication for taking the PPM of the scheme on record.**

2.2. In case of open ended schemes of Category III AIFs, the First Close shall refer to the close of their Initial Offer Period.

2.3. Corpus of the scheme at the time of declaring its First Close shall not be less than the minimum corpus prescribed in AIF Regulations for the respective category/sub-category of the AIF.

2.4. The commitment provided by sponsor or manager at the time of declaration of First Close, to the extent to meet the aforesaid minimum corpus requirement, shall not be reduced or withdrawn or transferred, post First Close.

2.5. Existing schemes of AIFs, who have not declared their First Close, shall declare their First Close not later than 12 months from the date of this circular.

2.6. Existing schemes of AIFs, whose PPMs were taken on record prior to 12 months from the date of this circular and have not declared their First Close, shall submit updated PPM with SEBI in the format specified in SEBI circular SEBI/HO/IMD/DF6/CIR/P/2020/24 dated February 05, 2020, through a SEBI registered merchant banker along with due diligence certificate from the merchant banker as specified in Annexure A of SEBI Circular SEBI/HO/IMD/IMD-I/DF6/P/CIR/2021/645 dated October 21, 2021 and such updated PPM shall be circulated to investors before declaration of First Close.

2.7. The First Close of Large Value Fund for Accredited Investors ("LVF") scheme shall be declared not later than 12 months from the date of grant of registration of the AIF or date of filing of PPM of scheme with SEBI, whichever is later.

2.8. Existing LVF schemes shall declare their First Close not later than 12 months from the date of this circular.

2.9. In case the First Close of a scheme is not declared within the timeline prescribed above, the AIF shall file a fresh application for launch of the said scheme as per applicable provisions of AIF Regulations by paying requisite fee to SEBI.

3. Calculation of tenure of close-ended schemes of AIFs:

In terms of Regulation 13(4) of AIF Regulations, the manner of calculating the tenure of a close ended scheme of an AIF, including the manner of modification of the tenure, may be specified by SEBI from time to time. In this regard, the following is specified:

3.1. **The tenure of close ended schemes of AIFs shall be calculated from the date of declaration of the First Close.**

3.2. AIF may modify the tenure of a scheme at any time before declaration of its First Close. Prior to declaration of the First Close, the investor may withdraw or reduce commitment provided to such scheme of an AIF.

3.3. Existing schemes of AIFs which have declared their First Close, may continue to calculate their tenure from the date of Final Close in terms of SEBI Circular CIR/IMD/DF/7/2015 dated October 1, 2015. Such existing schemes of AIFs, which are yet to declare Final Close, shall declare their Final Close as per the timeline provided in the PPM of the scheme and the AIF/manager shall not have any discretion to extend the said timeline provided in the PPM.

4. Fee for change in control of manager/sponsor or change in manager/sponsor of AIFs:

In terms of Regulation 20(13) of AIF Regulations, in case of change of Sponsor or Manager, or change in control of the AIF, Sponsor or Manager, prior approval from the Board shall be taken by the AIF, subject to levy of fees and any other conditions as may be specified by SEBI from time to time. In this regard, the following is specified:

4.1. **A fee equivalent to the registration fee applicable to the respective category / sub-category of the AIF, shall be levied in case of change in control of manager/sponsor and in case of change in manager/sponsor. The cost paid towards such fee by manager/sponsor shall not be passed on to the investors of the AIF in any manner.**

4.2. In case change in control of manager/change of manager and change in control of sponsor/change of sponsor of an AIF is proposed simultaneously, aforesaid fee equivalent to single registration fee shall be levied.

4.3. The aforesaid fee shall not be levied in the following cases for change in sponsor or change in control of sponsor:

i) The manager is acquiring control in or replacing the sponsor and
ii) Exit of sponsor(s) in case of AIF having multiple sponsors.

4.4. The aforesaid fee shall be paid within 15 days of effecting the proposed change in manager/sponsor or change in control of manager/sponsor.

4.5. In case of the applications pending with SEBI as on the date of this circular, for change in control of manager/sponsor or change in manager/sponsor, the requirement of fee shall be applicable only in those applications where none of the schemes of AIFs managed/sponsored by manager/sponsor have declared their First Close.

4.6. The prior approval granted by SEBI in this regard shall be valid for a period of 6 months from the date of SEBI communication for the approval.

Link to the Circular:

https://www.sebi.gov.in/legal/circulars/nov-2022/guidelines-for-aifs-for-declaration-of-first-close-calculation-of-tenure-and-change-of-sponsor-manager-or-change-in-control-of-sponsor-manager_65216.html

GO UP

11. SEBI Circular on schemes of AIFs which have adopted priority in distribution among investors – November 24, 2022

SEBI, vide its circular dated November 24, 2022 came out with an examination on schemes of AIFs which have adopted priority in distribution among investors. As per SEBI (Alternative Investment Funds) Regulations, 2012 ('AIF Regulations'), "Alternative Investment Fund" is a privately pooled investment vehicle, which collects funds from investors, for investing it in accordance with a defined investment policy for the benefit of its investors.

Further it is to be noted that as per clause 3 (c) of SEBI circular no. CIR/ IMD/DF/14/2014 dated June 19, 2014, with respect to investment by the sponsor/manager in the AIF, the sharing of loss by the sponsor/manager shall not be less than pro rata to their holding in the AIF vis-à-vis other unit holders.

SEBI in the circular further added that it has not been explicitly restricted in AIF Regulations that the sharing of loss by a class of investors shall not be less than pro rata to their holding in the AIF vis-à-vis other classes of investors/unit holders, it has been brought to SEBI's attention that certain schemes of AIFs have adopted a distribution water fall in such a way that one class of investors (other than sponsor/manager) share loss more than pro rata to their holding in the AIF vis-à-vis other classes of investors/unit holders, since the later has priority in distribution over former('priority distribution model').

Therefore, SEBI said that the aforesaid matter is being examined by SEBI in consultation with Alternative Investment Policy Advisory Committee, AIF industry associations and other stakeholders. Meanwhile, it has been decided that schemes of AIFs which have adopted aforesaid priority distribution model, shall not accept any fresh commit mentor make investment in a new investee company, till a view is taken by SEBI in this regard.

This circular shall come into force with immediate effect.

Link to the Circular:
https://www.sebi.gov.in/legal/circulars/nov-2022/circular-schemes-of-aifs-which-have-adopted-priority-in-distribution-among-investors_65393.html

GO UP

12. SEBI Circular on disclosures and compliance requirements for Issuance and Listing of Municipal Debt Securities under SEBI (Issue and Listing of Municipal Debt Securities) Regulations, 2015, which fall within the definition of "green debt security"– November 24, 2022

SEBI, vide its Circular dated November 24, 2022 have issued guideline on disclosures and compliance requirements for Issuance and Listing of Municipal Debt Securities under SEBI (Issue and Listing of Municipal Debt Securities) Regulations, 2015, which fall within the definition of "green debt security".

It is to be noted that SEBI (Issue and Listing of Municipal Debt Securities) Regulations, 2015 (ILMDS Regulations) and circulars provide the framework for issuance and listing of municipal debt securities. SEBI has also specified the continuous disclosure and compliance requirements to be complied with by issuers of Municipal Debt Securities.

Further, it to be noted that the ILMDS Regulations do not define 'green debt security'. It is pertinent to mention that Regulation 2(1)(q) of the SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 (NCS Regulations), defines "green debt security". Further, Chapter IX of the Operational Circular dated August 10, 20212, inter alia, provides the initial and continuous disclosure requirements for entities issuing/ proposing to issue green debt securities.

"green debt security" *means a debt security issued for raising funds that are to be utilised for project(s) and/or asset(s) falling under any of the following categories, subject to the conditions as may be specified by the Board from time to time:* *(i)Renewable and sustainable energy including wind, solar, bioenergy, other sources of energy which use clean technology,* *(ii)Clean transportation including mass/public transportation,* *(iii)Sustainable water management including clean and/or drinking water, water recycling,*

(iv)Climate change adaptation,
(v)Energy efficiency including efficient and green buildings,
(vi)Sustainable waste management including recycling, waste to energy, efficient disposal of wastage,
(vii)Sustainable land use including sustainable forestry and agriculture, afforestation,
(viii)Biodiversity conservation, or
(ix)a category as may be specified by the Board, from time to time.

SEBI has received representations from market participants on the compliances an issuer under the ILMDS Regulations would have to undertake in case it is desirous of issuing a green debt security, in the absence of similar provisions in the ILMDS Regulations.

Accordingly, an issuer under the ILMDS Regulations may issue a green debt security if it falls within the definition of "green debt security", as per Regulation 2(1)(q) of the NCS Regulations.

Such issuer, shall, in addition to the requirements prescribed under the ILMDS Regulations and circulars issued thereunder, comply with the provisions for 'green debt security', as specified under the NCS Regulations and circulars issued thereunder.

This circular shall come into force with immediate effect and is applicable to all Issuers who have listed/propose to list municipal debt securities, Recognized Stock Exchanges, Registered Depositories, Registered Credit Rating Agencies, Debenture Trustees and Merchant Bankers.

Link to the Circular:

https://www.sebi.gov.in/legal/circulars/nov-2022/issue-of-green-debt-securities-by-an-issuer-under-securities-and-exchange-board-of-india-issue-and-listing-of-municipal-debt-securities-regulations-2015_65404.html

GO UP

13. SEBI Circular on reporting of trades in non-convertible securities under SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021– November 24, 2022

SEBI, vide its circular dated November 24, 2022 came out with a format for reporting of OTC trades in non-convertible securities shall be made by all person(s) dealing in such securities by replacing paragraph 1.3 of Chapter XVI, titled, "Reporting of Trades", of the Operational Circular dated August 10, 2021.

SEBI, vide Operational Circular No. SEBI/HO/DDHS/P/CIR/2021/613 dated August 10, 2021(as amended from time to time), has prescribed the requirements pertaining to operational and other aspects relating to the issue and listing of Non-convertible Securities. In the said Operational

Circular, Chapter XV Ion 'Reporting of Trades', inter alia, contains provisions relating to reporting, clearing and settlement of OTC trades by all person(s) dealing in non-convertible securities.

It is observed that information on OTC trades in listed Non-convertible Securities provided to the Stock Exchange(s) by the investors is incomplete and/ or inaccurate. This, in turn, amounts to incorrect and distorted information being displayed on the Stock Exchanges' websites. In order to address the issue, it has been decided all OTC trades shall be reported in a uniform format specified in (3) below.

Sr. No.	Part/Regulation/ Chapter/Section /Sub-section(s)	Under Old Regulation	Under New Regulation	Comment
1.	paragraph 1.3 of Chapter XVI, titled, "Reporting of Trades", of the Operational Circular shall be replaced as follows:	The reporting of trades in non-convertible securities shall be made by all person(s) dealing in such securities irrespective of whether they are SEBI registered intermediaries or otherwise.	"1.3. The reporting of OTC trades in non-convertible securities shall be made by all person(s) dealing in such securities irrespective of whether they are SEBI registered intermediaries or otherwise, as per below mentioned format:	With this amendment, now reporting of OTC trades in non-convertible securities shall be made in format as provided by SEBI along with this circular.

Format for reporting of OTC trades in non-convertible securities shall be made by all person(s) dealing in such :

Table 1: Trade and Settlement data of debt securities

Deal type* (brokered/ direct/ IST)	ISIN	Listed/ unlisted security	Issuer name	Coupon (%)	Issue description	Traded price in Rs.	Trade yield (%)	Yield type (YTC/ YTP/YTM)#	Trade value in Rs. lakh (in face value term)	Trade date & time	Settlement date	Settlement status^ (settled/ not settled/ pending	Reported trade/ trade executed on RFQ platform

**Deal Type: Direct - Deals among participants done directly and reported by participants; Brokered - deals done/ transacted through broker and reported by participants;*
IST – Inter-Scheme Transfers - Deals within schemes of same mutual fund/ Insurance Company;
#Yield Type: The dealer/ user calculate yield and select the type at the time of reporting;
^Settlement status will be updated at EOD.

Further, Stock Exchanges shall monitor the compliance of this circular/chapter XVI of the Operational circular and bring to the notice of SEBI, periodically, discrepancies in reporting of OTC trades by investors.

The provisions of this circular shall come into force from January 01, 2023 and is applicable to all Entities buying, selling, trading or otherwise dealing in listed Non-convertible Securities.

Link to the Circular:
https://www.sebi.gov.in/legal/circulars/nov-2022/reporting-of-trades-in-non-convertible-securities-chapter-xvi-of-operational-circular-issued-under-sebi-issue-and-listing-of-non-convertible-securities-regulations-2021_65434.html

GO UP

14. Securities and Exchange Board of India (Prohibition on Insider Trading) (Amendment) Regulations, 2022 – November 24, 2022

SEBI vide its notification dated November 24, 2022 amended the Securities and Exchange Board of India (Prohibition on Insider Trading) Regulations, 2015. These Regulations may be called the Securities and Exchange Board of India (Prohibition on Insider Trading) (Amendment) Regulations, 2022. They shall come into force on such date as the Board may by notification in the Official Gazette, appoint.

SEBI at its Board meeting dated October 03, 2022 had decided to include mutual fund (MF) units under the ambit of insider trading regulations. Regulation says that no insider shall trade in the units of a scheme of a mutual fund, when in possession of unpublished price sensitive information, which may have a material impact on the net asset value of a scheme or may have a material impact on the interest of the unit holders.

With this amendment, SEBI specified a list of people who will be considered as insiders and restrictions pertaining to trading by Designated person, handling of UPSI, Formulation of code of conduct, etc.

Sr. No.	Part/Regulation/ Chapter/Section /Sub-section(s)	Under Old Regulation	Under New Regulation	Comment
1.	in regulation 2, in sub-regulation (1), in clause (i), the words "except units of a mutual fund" shall be omitted.	"securities" shall have the meaning assigned to it under the Securities Contracts (Regulation) Act, 1956 (42 of 1956) or any modification thereof except units of a mutual fund;	"securities" shall have the meaning assigned to it under the Securities Contracts (Regulation) Act, 1956 (42 of 1956) or any modification thereof ~~except units of a mutual fund~~;	With this amendment, mutual fund units will come under the ambit of insider trading regulations and will result in applicability of SEBI PIT Regulations to mutual fund units.
2.	in regulation 2, in sub-regulation (1), in clause (l), after the word and symbol "subscribing," and before the word "buying" the words and symbol "redeeming, switching," shall be inserted and after the word and symbol "subscribe," and before the	"trading" means and includes subscribing, buying, selling, dealing, or agreeing to subscribe, buy, sell, deal in any securities, and "trade" shall be construed accordingly;	"trading" means and includes subscribing, redeeming, switching, buying, selling, dealing, or agreeing to subscribe, redeem, switch, buy, sell, deal in any securities, and "trade" shall be construed accordingly;	With this amendment, definition of trading has been amended by including redeeming and switching of securities in it.

Sr. No.	Part/Regulation/ Chapter/Section /Sub-section(s)	Under Old Regulation	Under New Regulation	Comment
	word "buy", the words and symbol "redeem, switch," shall be inserted.			
3.	in regulation 7A, in clause (d), i. in sub-clause (iv), the word "and" shall be omitted. ii. After sub-clause (iv) and before sub-clause (v), the following sub-clause shall be inserted, namely,- "iv(a) regulations 5A to 5G of these regulations; and"	'insider trading laws' means the following provisions of securities laws- i. Section 15G of the Act; ii. regulation 3 of these regulations; iii. regulation 4 of these regulations; iv. regulation 5 of these regulations; **and** v. regulation 9 or regulation 9A of these regulations, in so far as they pertain to trading or communication of unpublished	'insider trading laws' means the following provisions of securities laws- i. Section 15G of the Act; ii. regulation 3 of these regulations; iii. regulation 4 of these regulations; iv. regulation 5 of these regulations; ~~**and**~~ iv(a). regulations 5A to 5G of these regulations; and v. regulation 9 or regulation 9A of these regulations, in so far as they	Detailed analysis provided under regulations 5A to 5G.

Sr. No.	Part/Regulation/ Chapter/Section /Sub-section(s)	Under Old Regulation	Under New Regulation	Comment
		price sensitive information.	pertain to trading or communication of unpublished price sensitive information.	

After Chapter II and before Chapter III, the following Chapter shall be inserted, namely-

CHAPTER – II A

RESTRICTIONS ON COMMUNICATION IN RELATION TO AND TRADING BY INSIDERS IN THE UNITS OF MUTUAL FUNDS

Applicability (Regulation 5A):
(1) The provisions of this Chapter shall apply only in relation to the units of a mutual fund. (2) All the provisions of Chapter IIIA and V shall also apply in relation to the units of a mutual fund.

Definitions (Regulation 5B):
5B. (1) For the purpose of this Chapter, (a) **"associate"** shall have the same meaning assigned to it under the Securities and Exchange Board of India (Mutual funds) Regulations, 1996;
(b) **"connected person"** shall mean: (i) any person who is or has during the two months prior to the concerned act been associated with the mutual fund, asset management company and trustees, directly or indirectly, in any capacity including by reason of frequent communication with its officers or by being in any contractual, fiduciary or employment relationship or by being a director, officer or employee of the asset management company and trustee or holds any position including a professional or business relationship with the mutual fund or asset management company or the trustees, whether temporary or permanent, that allows such a

person, direct or indirect access to unpublished price sensitive information or is reasonably expected to allow such access;

(ii) Without prejudice to the generality of the foregoing, the persons falling within the following categories shall be deemed to be connected persons unless the contrary is established,

(a) an immediate relative of connected persons specified in clause (i); or

(b) Sponsor, holding company or associate company or subsidiary company of the Sponsor or Asset management company and Trustees; or

(c) Board of Directors and key management personnel of sponsor of the mutual fund; or

(d) Directors or employees of registrar and share transfer agents, custodians or valuation agencies of the mutual fund who have access or are reasonably expected to have access to unpublished price sensitive information relating to a mutual fund scheme or its units in the course of business operations; or

(e) an official or an employee of fund accountant providing services to a mutual fund who have access or are reasonably expected to have access to unpublished price sensitive information relating to a mutual fund scheme or its units in the course of business operations; or

(f) an official or an employee of a self-regulatory organization recognised or authorized by the Board; or

(g) an official of a stock exchange for dissemination of information; or

(h) Directors or employees of auditor, legal advisor or consultants of the mutual fund or asset management company who have access or are reasonably expected to have access to unpublished price sensitive information relating to a mutual fund scheme or its units in the course of business operation; or

(i) an intermediary as specified in section 12 of the Act or an employee or director thereof who have access or are reasonably expected to have access to unpublished price sensitive information relating to a mutual fund scheme or its units in the course of business operations; or

(j) a banker of the mutual fund or asset management company; or

(k) a concern, firm, trust, HUF, company or association of persons wherein a director of an asset management company and Trustees or his immediate relative or banker of the company, has more than ten per cent of the holding or interest;

(c) **"generally available information"** means information that is made available to the unitholders or made accessible to the public on a non-discriminatory basis; *NOTE: Generally available information is intended to be defined to crystallize and appreciate its meaning. Information published on the website of a stock exchange would ordinarily be considered generally available.* *Explanation: The asset management companies/trustees shall immediately disseminate all material information on the platform of the stock exchange or in any other manner as may be specified by the Board, whenever the same needs to be communicated to the unitholders or a public notice needs to be made;*
(d) **"insider"** means any person who is: i. a connected person; or ii. in possession of or having access to unpublished price sensitive information pertaining to a scheme;
(e) **"systematic transactions"** in the units of mutual fund are those transactions which are automatically triggered for execution on a periodic basis as instructed by the investor including Systematic Investment Plans, Systematic Transfer Plans or Systematic Withdrawal Plans;
(f) **"unpublished price sensitive information"** shall mean any information, pertaining to a scheme of a mutual fund which is not yet generally available and which upon becoming generally available, is likely to materially impact the net asset value or materially affect the interest of unit holders and shall include the instances where there is a likelihood of: i. a change in the accounting policy; ii. a material change in the valuation of any asset or class of assets; iii. restrictions on redemptions, winding up of scheme(s); iv. creation of segregated portfolio; v. the triggering of the swing pricing framework and the applicability of the swing factor; vi. material change in the liquidity position of the concerned mutual fund scheme(s); vii. default in the underlying securities which is material to the concerned mutual fund scheme(s). *Note: All other definitions in Chapter-I shall mutatis mutandis be applicable to transactions in the units of mutual funds.*

Communication or procurement of unpublished price sensitive information and maintenance of a structured digital data base:

5C. (1) No insider shall communicate, provide, or allow access to any unpublished price sensitive information to any person including other insiders except where such communication is in furtherance of legitimate purposes, performance of duties or discharge of legal obligations.

5C. (2) No person shall procure from or cause the communication by any insider of unpublished price sensitive information, except in furtherance of legitimate purposes, performance of duties or discharge of legal obligations.

5C. (3) The board of directors of an asset management company with the approval of the Trustees shall make a policy for determination of "legitimate purposes".

5C. (4) Any person in receipt of unpublished price sensitive information pursuant to a "legitimate purpose" shall be considered an "insider" for purposes of this chapter and due notice shall be given to such persons to maintain confidentiality of such unpublished price sensitive information in compliance with these regulations.

5C. (5) For the purpose of sub-regulation (4), the board of directors of an asset management company shall require the parties to execute agreements to contract confidentiality and non-disclosure obligations on the part of such parties and such parties shall keep information so received confidential, except for the purpose specified herein and shall not otherwise deal in the units of a mutual fund when in possession of unpublished price sensitive information.

5C. (6) The board of directors or head(s) of the organisation of every person required to handle unpublished price sensitive information shall ensure that a structured digital database is maintained containing the nature of unpublished price sensitive information and the names of such persons who have shared the information and also the names of such persons with whom information is shared under this regulation along with the Permanent Account Number or any other identifier authorized by law where Permanent Account Number is not available. Such database shall not be outsourced and shall be maintained internally with adequate internal controls and checks such as time stamping and audit trails to ensure non-tampering of the database.

5C. (7) The board of directors or head(s) of the organisation of every person required to handle unpublished price sensitive information shall ensure that the structured digital database is preserved for a period of not less than eight years after completion of the relevant transactions and in the event of receipt of any information from the Board regarding any investigation or enforcement proceedings, the relevant information in the structured digital database shall be preserved till the completion of such proceedings.

Summary:

With this amendment, following actions needs to be taken:

The board of directors of an asset management company needs to make a policy for determination of "legitimate purposes". Such policy shall be made with the approval of trustees. On basis of that policy, access of UPSI shall be provided by insiders.

The board of directors of an asset management company shall provide notice to any person who is in receipt of UPSI to maintain confidentiality. Further, the board of directors of an asset management company shall require parties to execute agreements to contract confidentiality and non-disclosure obligations which are expected from the parties who have received such information. Other than that, such persons shall also not deal in the units of mutual funds when in possession of UPSI.

The board of directors of the organization shall ensure that a structured digital database is maintained which contains name and PAN of persons who have shared along with persons to whom UPSI has been shared. Such database shall be maintained with adequate internal controls such as time-stamping, audit trails to ensure non-tampering of the database. Further, such data shall be preserved for a period not less than 8 years.

Trading when in possession of unpublished price sensitive information.

5D. (1) No insider shall trade in the units of a scheme of a mutual fund, when in possession of unpublished price sensitive information, which may have a material impact on the net asset value of a scheme or may have a material impact on the interest of the unit holders of the scheme:

Explanation *–The dealings of a person in the units of a mutual fund when in possession of unpublished price sensitive information, shall be presumed to have been motivated by the knowledge and awareness of such information in his possession:*

Provided that the insider may prove his innocence by demonstrating the circumstances including the following: –

(i) the transaction is an off-market inter-se transfer between insiders who were in possession of the same unpublished price sensitive information and both parties had made a conscious and informed trade decision:

Provided that such off-market trades shall be reported by the insiders to the asset management company within two working days. Every asset management company shall notify the particulars of such trades to the stock exchange or in any other manner as may be specified by the

Board within two trading days from receipt of the disclosure or from becoming aware of such information;

(ii) such transaction in question was carried out pursuant to a statutory or regulatory obligation including subscription or investment in mutual fund units pursuant to the mandatory requirement specified by the Board for "Alignment of interest of Designated Employees of asset management companies with the Unit holders of the mutual fund schemes";

(iii) such transaction in question is triggered by systematic transactions, where such systematic transactions are registered at least two months prior to such transaction;

(iv) such transaction in question is triggered by irrevocable trading plans, where such plan has been approved by the Compliance Officer and disclosed on the Stock Exchange platform or in any other manner as may be specified by the Board, at least sixty days before the commencement of trades:

Provided that the trading period for each plan shall be at least six months with no overlapping of different trading plans:

Provided further that for the trading as per the approved plan, no requirements/ norms related to pre-clearance of trading or closure period or contra trade shall be applicable.

(2) In the case of connected persons, the onus of establishing that they were not in possession of unpublished price sensitive information, shall be on such connected persons and in other cases, the onus would be on the Board.

Summary:

No insider in possession of UPSI shall trade in the units of a scheme of a mutual fund, which may have a material impact on the net asset value of a scheme or may have a material impact on the interest of the unit holders of the scheme:

Insider may prove his innocence by demonstrating the circumstances:

Transaction is an off-market transfer;
Such transaction in question was carried out pursuant to a statutory or regulatory obligation;
Such transaction in question is triggered by systematic transactions;
such transaction in question is triggered by irrevocable trading plans;

Disclosures by certain persons

5E. (1) An asset management company shall, on such date as may be specified by the Board and on a quarterly basis thereafter, disclose the details of holdings in the units of its mutual fund schemes, on an aggregated basis, held by the Designated Persons of asset management company, trustees and their immediate relatives on the platform of Stock Exchanges or in any other manner as may be specified by the Board.

(2) Details of all the transactions in the units of its own mutual funds, above such thresholds as may be specified by the Board, executed by the Designated Persons of asset management company, trustees and their immediate relatives shall be reported by the concerned person to the Compliance Officer of asset management company within two business days from the date of transaction:

Provided that with respect to systematic transactions through any mutual fund scheme, Designated Persons may report the same only at the time of making the first installment of the transaction along with the period of such transaction and on modifications thereof, if any:

Provided further that no reporting is required if such transaction was pursuant to

a. subscription/investment in the mutual fund units pursuant to mandatory requirement specified by Board for "Alignment of interest of Key Employees („Designated Employees") of Asset Management Companies with the Unitholders of the mutual fund Schemes" or otherwise, where separate records are maintained by the Asset management company in this regard. Such transactions may be governed by Circulars/guidelines issued by the Board from time to time;

b. Any trading in overnight schemes, Index funds and Exchange Traded Funds.

(3) Transactions mentioned in sub-regulation (2), shall be disclosed by the asset management company on Stock Exchange or any other manner as may be specified by the Board within two business days of receipt of the same.

(4) The above disclosures shall be made in such form and such manner as may be specified by the Board from time to time.

Summary:

An asset management company shall disclose on quarterly basis holdings of mutual fund units by the Designated persons, trustees and their immediate relatives on the Stock Exchanges.

Details of all transactions in the units of mutual fund above threshold as specified by Board executed by Designated persons, trustees and

their immediate relatives shall be reported to the compliance officer of asset management company within two business days from the date of transaction.

Code of Conduct

5F. (1) The board of directors of every asset management company shall ensure that the chief executive officer or managing director shall formulate a code of conduct with their approval to regulate, monitor and report dealings in mutual fund units by the Designated Persons and immediate relatives of the Designated Persons towards achieving compliance with these regulations and, adopting the minimum standards set out in Schedule B1 to these regulations, without diluting the provisions of these regulations in any manner.

(2) The board of directors or head(s) of the 73rganization, of every other person who is required to handle unpublished price sensitive information relating to a mutual fund scheme or its units in the course of business operations shall formulate a code of conduct to regulate, monitor and report trading by their Designated Persons and immediate relative of Designated Persons towards achieving compliance with these regulations, adopting the minimum standards set out in Schedule C to these regulations, without diluting the provisions of these regulations in any manner.

Explanation – Professional firms such as auditors, accountancy firms, law firms, analysts, consultants, banks, valuation agencies, fund accountants, assisting or advising Asset Management Companies, Trustees, Registrars and share transfer agents, Custodians and Credit Rating Agencies shall be collectively referred to as "fiduciaries" for the purpose of Schedule C of these regulations.

(3) Every asset management company, intermediary and other persons formulating a code of conduct shall identify and designate a compliance officer to administer the code of conduct and other requirements under these regulations.

Summary:

The asset management company shall ensure that the code of conduct formulated aligns with the requirements set out in Schedule B1 and Schedule C and Insider trading regulations.

Designated Person

5G. (1) The board of directors of the asset management company and trustees shall in consultation with the compliance officer specify the Designated Persons to be covered by the code of conduct on the basis of their role and function in the organisation and the access that such role and function would provide to unpublished price sensitive

information in addition to seniority and professional designation and shall include:

i. Head of the asset management company (designated as Chief Executive Officer/Managing Director/President or by any other name),
ii. Directors of the asset management company or the trustee company,
iii. Chief Investment Officer, Chief Risk Officer, Chief Operation Officer, Chief Information Security Officer, Fund Managers, Dealers, Research Analysts, all employees in the Fund Operations Department, Compliance Officer and Heads of all divisions and/or departments or any other employee as designated by the asset management company and/or trustees.

Explanation: Non-Executive Directors of the asset management company/trustee company or trustees who are in possession of/have access to any "unpublished price sensitive information", shall also be deemed to be Designated Persons.

(2) Every other Intermediary and other persons shall in consultation with the compliance officer specify the Designated Persons to be covered by the code of conduct on the basis of their role and function in the organisation and the access that such role and function would provide to unpublished price sensitive information in addition to seniority and professional designation.

Summary:

The list of individuals mentioned above under Regulation 5G shall be covered under the definition of Designated Persons pertaining to Insider Trading restrictions for the units of mutual fund.

"SCHEDULE B1
(See Regulation 5F of Chapter – IIA)

Minimum Standards of Code of Conduct for Mutual Funds to regulate, monitor and report trading by the Designated Persons in the units of own mutual fund schemes

1. The compliance officer shall report to the board of directors of asset management company and provide reports to the Chairman of the Audit Committee and to the trustees as may be stipulated by the board of directors, in any case not less than once in a year.
2. The information shall be handled within the 74rganization on a need-to-know basis and no UPSI shall be communicated to any person except in furtherance of legitimate purpose.
3. Designated Persons and immediate relatives of designated persons in the 74rganization shall be governed by an internal code of conduct governing dealings in units of the mutual fund.
4. The compliance officer of the asset management company shall determine closure period during which Designated person is expected to have possession of UPSI. Such closure period shall be

imposed. During such time, any requests to transact in the units of the mutual funds by the Designated Persons and/or their immediate relatives shall not be processed by the asset management company. The closure period restrictions mentioned in sub-clause (1) shall not apply in respect of transactions specified in clauses (i) to (iii) of the proviso to sub-regulation (1) of regulation 5D and in respect to the pledge of mutual fund units for a bonafide purpose, subject to pre-clearance by the compliance officer.

5. The timing for re-opening of the closure period shall be determined by the compliance officer.
6. When the closure period is not applicable, trading in the mutual fund units by Designated Persons and their immediate relatives including at the time of initiation of systematic transactions shall be subject to pre-clearance by the compliance officer, if the value of the proposed trades is above such thresholds.
7. Prior to approving any trades, the compliance officer take a declaration that the applicant for pre-clearance is not in possession of any UPSI.
8. The code of conduct formulated by the of the asset management company shall have pre-clearance for Designated Person to execute trade which shall not be more than seven business days, failing which fresh pre-clearance shall be required.
9. The code of conduct shall also specify the period, which in any event shall not be less than two months, within which a Designated Person who is permitted to trade shall not execute a contra trade. The compliance officer may be empowered to grant relaxation from the strict application of such restriction for reasons to be recorded in writing provided that such relaxation does not violate these regulations or other requirements specified by the Board.
10. The code of conduct shall also stipulate such formats for making applications for reporting of trades executed and for reporting level of holdings in units of mutual funds at such intervals as may be determined.
11. The code of conduct shall stipulate the internal sanctions and disciplinary actions that may be imposed by the asset management company for the contravention of the code of conduct. Any amount collected under this clause shall be disgorged by the asset management company and credited to the Investor Protection and Education Fund established by the Board under the Act.
12. The code of conduct shall specify that in case it is observed by the asset management company that there has been a violation of these regulations, it shall promptly inform to the stock exchange(s), in such form and such manner as may be specified by the Board from time to time.
13. Designated Persons shall be required to disclose names and Permanent Account Number or any other identifier authorized by law of the following persons to the mutual fund on an annual basis and as and when the information changes:
    a) immediate relatives
    b) persons with whom such Designated Person(s) shares a material financial relationship
    c) Phone, mobile and cell numbers

In addition, the names of educational institutions from which Designated Persons have graduated and names of their past employers shall also be disclosed on a one time basis.

14. Mutual funds shall have a process that would determine how an individual is brought, inside " to access sensitive transactions and shall be made aware of the duties and responsibilities attached to the receipt of such Inside Information and the liability that is attached to the misuse or unwarranted use of such information."

Sr. No.	Part/Regulation/ Chapter/Section, Sub-section(s)	Under Old Regulation	Under New Regulation	Comment
1.	In Schedule C, In Clause 8 after the words and symbol "contra trade.", and before the words "The compliance officer" the following words and symbol shall be inserted, namely,- "In case of dealing in the units of mutual funds, the code of conduct shall specify the period, which in any event shall not be less than two months, within which a Designated Person who is a connected person of the mutual fund/asset management	The code of conduct shall specify the period, which in any event shall not be less than six months, within which a designated person who is a connected person of the listed company and is permitted to trade in the securities of such listed company, shall not execute a contra trade.	The code of conduct shall specify the period, which in any event shall not be less than six months, within which a designated person who is a connected person of the listed company and is permitted to trade in the securities of such listed company, shall not execute a contra trade. In case of dealing in the units of mutual funds, the code of conduct shall specify the period, which in any event shall not be less than two	With this amendment, SEBI has stipulated restriction on a Designated Person who is a connected person of the mutual fund/ asset management company/trustees and is permitted to trade in the units of such mutual fund **and** shall not execute a contra trade.

Sr. No.	Part/Regulation/ Chapter/Section, Sub-section(s)	Under Old Regulation	Under New Regulation	Comment
	company/trustees and is permitted to trade in the units of such mutual fund, shall not execute a contra trade."	The compliance officer may be empowered to grant relaxation from strict application of such restriction for reasons to be recorded in writing provided that such relaxation does not violate these regulations. Should a contra trade be executed, inadvertently or otherwise, in violation of such a restriction, the profits from such trade shall be liable to be disgorged for remittance to the	months, within which a Designated Person who is a connected person of the mutual fund/asset management company/trustees and is permitted to trade in the units of such mutual fund, shall not execute a contra trade." The compliance officer may be empowered to grant relaxation from strict application of such restriction for reasons to be recorded in writing provided that such relaxation does not violate these regulations. Should a contra trade be executed, inadvertently or otherwise, in violation of	

Sr. No.	Part/Regulation/ Chapter/Section, Sub-section(s)	Under Old Regulation	Under New Regulation	Comment
		Board for credit to the Investor Protection and Education Fund administered by the Board under the Act. Provided that this shall not be applicable for trades pursuant to exercise of stock options.	such a restriction, the profits from such trade shall be liable to be disgorged for remittance to the Board for credit to the Investor Protection and Education Fund administered by the Board under the Act. Provided that this shall not be applicable for trades pursuant to exercise of stock options.	
2.	In Schedule C, After clause 11, the following clause shall be inserted, namely- "11A. In case of dealing in the units of mutual funds, the code of conduct shall specify that in case it is observed by the intermediary or fiduciary required to	----	11A. In case of dealing in the units of mutual funds, the code of conduct shall specify that in case it is observed by the intermediary or fiduciary required to formulate a code of conduct under sub-regulation (2) of regulation 5F, that there	In case of any violation of the code of conduct formulated by asset management company, it shall inform the same to the Stock Exchanges in such manner and form as specified by board from time to time.

Sr. No.	Part/Regulation/ Chapter/Section, Sub-section(s)	Under Old Regulation	Under New Regulation	Comment
	formulate a code of conduct under sub-regulation (2) of regulation 5F, that there has been a violation of these regulations, such intermediary or fiduciary shall promptly inform the same to the stock exchange(s) in such form and such manner as may be specified by the Board from time to time."		has been a violation of these regulations, such intermediary or fiduciary shall promptly inform the same to the stock exchange(s) in such form and such manner as may be specified by the Board from time to time.	

Link to the Notification:
https://egazette.nic.in/WriteReadData/2022/240553.pdf

GO UP

15. SEBI Circular on timelines for transfer of dividend and redemption proceeds to unitholders – November 25, 2022

SEBI, vide its circular dated November 25, 2022 reduced the timelines for dividend pay-out, redemption amount pay-out to unitholders of mutual fund by Asset Management Company (AMC).

SEBI reduced the timeline for **dividend pay-out will now be seven working days** which at present is **fifteen days** and the record date will be **two working days** from the issue of public notice, wherever applicable, for the purpose of payment of dividend.

SEBI further reduced the timeline for redemption pay-out to **three working days** from the existing **ten working days.**

It is to be noted that for schemes investing atleast 80% of total assets in such permissible overseas investments, the transfer of redemption or repurchase proceeds to the unitholders shall be made within five working days from the date of redemption or repurchase.

AMFI, in consultation with SEBI, shall publish a list of exceptional circumstances for schemes unable to transfer redemption or repurchase proceeds to investors within time as stipulated at II (a) and II (b) above, along with applicable time frame for transfer of redemption or repurchase proceeds to the unitholders in such exceptional circumstances. The list shall be published within 30 days of issuance of this circular.

SEBI further added that interest for the period of delay in transfer of redemption or repurchase or dividend shall be payable to unitholders at the rate of 15% per annum along with the proceeds of redemption or repurchase or dividend, as the case may be. Such Interest shall be borne by AMCs. The details of such payments shall be sent to SEBI as part of Compliance Test Reports in the format placed at Annexure A.

Link to the Circular:
https://www.sebi.gov.in/legal/circulars/nov-2022/timelines-for-transfer-of-dividend-and-redemption-proceeds-to-unitholders_65455.html

GO UP

16. SEBI Circular on framework to address the 'technical glitches' in Stock Brokers' Electronic Trading Systems – November 25, 2022

SEBI, vide its circular dated November 25, 2022 came out with framework to address the 'technical glitches' in Stock Brokers' Electronic Trading Systems.

Rapid technological developments have increased the ease of electronic trading in securities markets. Technology related interruptions and glitches (technical glitches) and their impact on the investors' opportunity to trade constitutes major technology related risk. Considering the growing number of such incidents, SEBI constituted a working group to recommend suitable measures to address the issue. Based on the recommendations of working group and views obtained from stakeholders & industry experts, it has been decided to put in place the following framework to deal with technical glitches occurring in the trading systems of stock brokers.

2. Definition of Technical Glitch:

2.1 Technical glitch shall mean any malfunction in the systems of stock broker including malfunction in its hardware, software, networks, processes or any products or services provided by the stock broker in the electronic form. The malfunction can be on account of inadequate Infrastructure / systems, cyber-attacks / incidents, procedural errors and omissions, or process failures or otherwise, in their own systems or the one outsourced from any third parties, which may lead to either stoppage, slowing down or variance in the normal functions / operations / services of systems of the stock broker for a contiguous period of five minutes or more.

3. Reporting Requirements:

3.1 Stock brokers shall inform about the technical glitch to the stock exchanges immediately but not later than 1 hour from the time of occurrence of the glitch.

3.2 Stock brokers shall submit a Preliminary Incident Report to the Exchange within T+1 day of the incident (T being the date of the incident). The report shall include the date and time of the incident, the details of the incident, effect of the incident and the immediate action taken to rectify the problem.

3.3 Stock brokers shall submit a Root Cause Analysis (RCA) Report (as per Annexure I) of the technical glitch to stock exchange, within 14 days from the date of the incident.

3.4 RCA report submitted by the stock brokers shall, inter-alia, include time of incident, cause of the technical glitch (including root cause from vendor(s), if applicable), duration, chronology of events, impact analysis and details of corrective/ preventive measures taken (or to be taken), restoration of operations etc.

3.5 Stock brokers shall submit information stated in para 3.1, 3.2 and 3.3 above, by e-mail at infotechglitch@nse.co.in, a common email address for reporting across all stock exchanges.

3.6 All technical glitches reported by stock brokers as well as independently monitored by stock exchanges, shall be examined collectively by the stock exchanges along with the report/RCA and appropriate action shall be taken.

4. Capacity Planning:

4.1 Increasing number of investors may create additional burden on the trading system of the stock broker and hence, adequate capacity planning is prerequisite for stock brokers to provide continuity of services to their clients. Stock brokers shall do capacity planning for entire trading infrastructure i.e. server capacities, network availability, and the serving capacity of trading applications.

4.2 Stock brokers shall monitor peak load in their trading applications, servers and network architecture. The Peak load shall be determined on the basis of highest peak load observed by the stock broker during a calendar quarter. The installed capacity shall be at least 1.5 times (1.5x) of the observed peak load.

4.3 Stock brokers shall deploy adequate monitoring mechanisms within their networks and systems to get timely alerts on current utilization of capacity going beyond permissible limit of 70% of its installed capacity.

4.4 To ensure the continuity of services at the primary data center, stock brokers as may be specified from time to time by stock exchange (hereafter referred to as specified stock brokers) shall strive to achieve full redundancy in their IT systems that are related to trading applications and trading related services.

4.5 Stock exchanges shall issue detailed guidelines with regard to frequency of capacity planning to review available capacity, peak load, and new capacity required to tackle future load on the system.

5. Software testing and change management:

5.1 Software applications are prone to updates/changes and hence, it is imperative for the stock brokers to ensure that all software changes that are taking place in their applications are rigorously tested before they are used in production systems. Software changes could impact the functioning of the software if adequate testing is not carried out. In view of this, stock brokers shall adopt the following framework for carrying out software related changes / testing in their systems:

5.2 Stock brokers shall create test driven environments for all types of software developed by them or their vendors. Regression testing, security testing and unit testing shall be included in the software development, deployment and operations practices.

5.3 Specified stock brokers shall do their software testing in automated environments.

5.4 Stock Brokers shall prepare a traceability matrix between functionalities and unit tests, while developing any software that is used in trading activities.

5.5 Stock brokers shall implement a change management process to avoid any risk arising due to unplanned and unauthorized changes for all its information security assets (hardware, software, network, etc.).

5.6 Stock brokers shall periodically update all their assets including Servers, OS, databases, middleware, network devices, firewalls, IDS/ IPS desktops etc. with latest applicable versions and patches.

5.7 Stock exchanges shall issue detailed guidelines with regard to testing of software, testing in automated environments, traceability matrix, change management process and periodic updation of assets etc.

6. Monitoring mechanism:

6.1 Proactively and independently monitoring technical glitches shall be one of the approaches in mitigating the impact of such glitches. In this context, the stock exchange shall build API based Logging and Monitoring Mechanism (LAMA) to be operated between stock exchanges and specified stock brokers' trading systems. Under this mechanism, specified stock brokers shall monitor key systems & functional parameters to ensure that their trading systems function in a smooth manner. Stock exchanges shall, through the API gateway, independently monitor these key parameters to gauge the health of the trading systems of the specified stock brokers.

6.2 Stock Exchanges shall identify the key parameters in consultation with stock brokers. These key parameters shall be monitored by specified stock brokers and by stock exchanges, on a real time or on a near real time basis.

6.3 Stock exchanges shall maintain a dedicated cell for monitoring the key parameters and the technical glitches occurring in stock brokers' trading systems. The cell also shall intimate the specified stock broker concerned immediately about the breach of the key parameters monitored under LAMA.

6.4 Stock brokers and stock exchanges shall preserve the logs of the key parameters for a period of 30 days in normal course. However, if a technical glitch takes place, the data related to the glitch, shall be maintained for a period of 2 years.

7. Business Continuity Planning (BCP) and Disaster Recovery Site (DRS):

7.1 Stock brokers with a minimum client base across the exchanges, as may be specified by stock exchanges from time to time, shall mandatorily establish business continuity/DR set up.

7.2 Stock brokers shall put in place a comprehensive BCP-DR policy document outlining standard operating procedures to be followed in the event of any disaster. A suitable framework shall be put in place to constantly monitor health and performance of critical systems in the normal course of business. The BCP-DR policy document shall be periodically reviewed to minimize incidents affecting the business continuity.

7.3 The DRS shall preferably be set up in different seismic zones. In case, due to any reasons like operational constraints, such a geographic separation is not possible, then the Primary Data Centre (PDC) and DRS shall be separated from each other by a distance of at least 250 kilometers to ensure that both of them do not get affected by the same natural disaster. The DR site shall be made accessible from primary data center to ensure syncing of data across two sites.

7.4 Specified stock brokers shall conduct DR drills / live trading from DR site. DR drills / live trading shall include running all operations from DRS for at least 1 full trading day. Stock exchanges in consultation with specified stock brokers shall decide the frequency of DR drill / live trading from DR site.

7.5 Stock brokers, shall constitute responsible teams for taking decisions about shifting of operations from primary site to DR site, putting adequate resources at DR site, and setting up mechanism to make DR site operational from primary data center etc.

7.6 Hardware, system software, application environment, network and security devices and associated application environments of DRS and PDC shall have one-to-one correspondence between them. Adequate resources shall be made available at all times to handle operations at PDC or DRS.

7.7 Stock exchanges in consultation with stock brokers shall decide upon Recovery Time Objective (RTO) i.e. the maximum time taken to restore operations from DRS after declaration of Disaster and, Recovery Point Objective (RPO) i.e. the maximum tolerable period for which data might be lost due to a major incident.

7.8 Replication architecture, bandwidth and load consideration between the DRS and PDC shall be within stipulated RTO and the whole system shall ensure high availability, right sizing, and no single point of failure. Any updates made at the PDC shall be reflected at DRS immediately.

7.9 Specified stock brokers shall obtain ISO certification as may be specified by stock exchanges from time to time in the area of IT and IT enabled infrastructure/processes of the stock brokers.

7.10 The System Auditor, while covering the BCP – DR as a part of mandated annual System Audit, shall check the preparedness of the stock broker to shift its operations from PDC to DRS and also comment on documented results and observations on DR drills conducted by the stock brokers.

7.11 Stock exchanges shall define the term 'critical systems', 'disaster' and issue detailed guidelines with regard to review of BCP document, DR drill/live trading, operating DR site from PDC, timeline for obtaining ISO certification etc.

Stock exchanges shall put in place a structure of financial disincentives applicable to stock brokers for technical glitches occurring in their trading systems and non-compliance of the provisions made in this regard.

Stock exchanges shall disseminate on their websites the instances of Technical glitches occurred in the trading system of stock brokers along with Root Cause Analysis (RCA) on such glitches.

Stock exchanges shall build necessary systems for implementation of the provisions of this circular and issue appropriate guidelines to the stock brokers for compliance with the provisions of this circular.

This circular shall come into effect from April 01, 2023 and all recognized Stock Exchanges and Registered Stock Brokers through Recognized Stock Exchanges.

Link to the Circular:
https://www.sebi.gov.in/legal/circulars/nov-2022/framework-to-address-the-technical-glitches-in-stock-brokers-electronic-trading-systems_65466.html

GO UP

17. SEBI Circular on extension of timelines for implementation of SEBI circulars SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2022/137 and SEBI/HO/MIRSD/DoP/P/ CIR/2022/119 – November 25, 2022

- SEBI, vide its circular dated November 25, 2022 extended timelines for implementation of following SEBI Circulars:

  1. SEBI had issued circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2022/137 dated October 06, 2022 on "Execution of 'Demat Debit and Pledge Instruction' (DDPI) for transfer of securities towards deliveries/ settlement obligations and pledging/re-

pledging of securities – Clarification". The provisions of the same were to come into effect from November 18, 2022.

2. SEBI had issued circular SEBI/HO/MIRSD/DoP/P/CIR/2022/119 dated September 19, 2022 on "Validation of Instructions for Pay-In of Securities from Client demat account to Trading Member (TM) Pool Account against obligations received from the Clearing Corporations". The provisions of the same were to come into effect from November 25, 2022.

- In this regard, based on representation from depositories and further consultations, it has been decided that:

  - The provisions of the circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2022/137 dated October 06, 2022 shall come into effect on or before January 20, 2023.

  - The provisions of the circular SEBI/HO/MIRSD/DoP/P/CIR/2022/119 dated September 19, 2022 shall come into effect from January 27, 2023.

- The provisions of the respective circulars stand modified to this extent and is applicable to all Depositories, recognized Stock Exchanges and Clearing Corporations.

Link to the Circular:
https://www.sebi.gov.in/legal/circulars/nov-2022/extension-of-timelines-for-implementation-of-sebi-circulars-sebi-ho-mirsd-mirsd-pod-1-p-cir-2022-137-and-sebi-ho-mirsd-dop-p-cir-2022-119_65464.html

GO UP

18. <u>SEBI Circular on Procedure for seeking prior approval for change in control – November 28, 2022</u>

SEBI vide its Circular dated November 28, 2022 in order to streamline the process to change in control of stock broker/clearing member, depository participant, investment adviser, research analyst or research entity, registrar to an issue and share transfer agent and KRA (hereinafter referred as intermediary or applicant).

Process of providing approval to the proposed change in control of stock broker/clearing member, depository participant, investment adviser, research analyst or research entity, registrar to an issue and share transfer agent and KRA (hereinafter referred as intermediary or applicant):
i. The Intermediary shall make an online application to SEBI for prior approval through the SEBI Intermediary Portal ('SI Portal') (https://siportal.sebi.gov.in). ii. The online application in SI portal shall be accompanied by the following information/declaration/undertaking about itself, the acquirer(s)/the person(s) who shall have the control and the directors/partners of the acquirer(s)/ the person(s) who shall have the control: a. Current and proposed shareholding pattern of the applicant. b. Whether any application was made in the past to SEBI seeking registration in any capacity but was not granted? If yes, details thereof. c. Whether any action has been initiated/taken under Securities Contracts (Regulation) Act, 1956 (SCRA)/Securities and Exchange Board of India Act, 1992 (SEBI Act) or rules and regulations made thereunder? If yes, the status thereof along with the corrective action taken to avoid such violations in the future. The acquirer/the person who shall have the control shall also confirm that it shall honour all past liabilities/obligations of the applicant, if any. d. Whether any investor complaint is pending? If yes, steps taken and confirmation that the acquirer/ the person who shall have the control shall resolve the same. e. Details of litigation(s), if any. f. Confirmation that all the fees due to SEBI have been paid. g. Declaration cum undertaking of the applicant and the acquirer/ the person who shall have the control (in a format enclosed at Annexure A), duly stamped and signed by their authorized signatories that: i. there will not be any change in the Board of Directors of incumbent, till the time prior approval is granted;

ii. pursuant to grant of prior approval by SEBI, the incumbent shall inform all the existing investors/clients about the proposed change prior to effecting the same, in order to enable them to take informed decision regarding their continuance or otherwise with the new management; and

iii. the 'fit and proper person' criteria as specified in Schedule II of SEBI (Intermediaries) Regulations, 2008 are complied with.

h. In case the incumbent is a registered stock broker, clearing member, depository participant, in addition to the above, it shall obtain approval/NOC from all the stock exchanges/clearing corporations/ depositories, where the incumbent is a member/depository participant and submit self-attested copy of the same to SEBI.

iii. The prior approval granted by SEBI shall be valid for a period of six months from the date of such approval within which the applicant shall file application for fresh registration pursuant to change in control.

Process of providing approval to the proposed change in control of an intermediary in matters which involve scheme(s) of arrangement which needs sanction of the National Company Law Tribunal ("NCLT") in terms of the provisions of the Companies Act, 2013:

i. The application seeking approval for the proposed change in control of the intermediary shall be filed with SEBI prior to filing the application with NCLT.

ii. Upon being satisfied with compliance of the applicable regulatory requirements, an in-principle approval will be granted by SEBI;

iii. The validity of such in-principle approval shall be three months from the date issuance, within which the relevant application shall be made to NCLT.

iv. Within 15 days from the date of order of NCLT, the intermediary shall submit an online application in terms of paragraph 3 of this circular along with the following documents to SEBI for final approval:

a. Copy of the NCLT Order approving the scheme;

b. Copy of the approved scheme;

c. Statement explaining modifications, if any, in the approved scheme vis-à-vis the draft scheme and the reasons for the same; and

d. Details of compliance with the conditions/ observations, if any, mentioned in the in-principle approval provided by SEBI.

The above mentioned intermediaries are advised to ensure compliance with the provisions of this circular, Stock Exchanges/Clearing Corporations and Depositories are directed to:
i. Bring the provisions of this circular to the notice of their members/participants and also disseminate the same on their websites. ii. Make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the above directions. iii. Communicate to SEBI, the status of the implementation of the provisions of this circular in their monthly development reports.

With respect to stock brokers/clearing members, depository participants and RTAs, this circular shall supersede the circular no. CIR/MIRSD/14/ 2011 dated August 02, 2011 with effect from the date of applicability of this circular.

The provisions of this circular shall be applicable with effect from December 01, 2022 and is applicable to all Recognized Stock Exchanges and Clearing Corporations, Registered Depositories, Registered Stock Brokers and Clearing Members through Stock Exchanges and Clearing Corporations, Registered Depository Participants through Depositories,

Registered Investment Advisers, Registered Research Analysts, Registered Registrars to an Issue and Share Transfer Agents (RTA) and Registered KYC (Know Your Client) Registration Agencies (KRA).

Link to the Circular:
https://www.sebi.gov.in/legal/circulars/nov-2022/procedure-for-seeking-prior-approval-for-change-in-control_65523.html

GO UP

19. SEBI Circular on Introduction of credit risk based single issuer limit for investment by mutual fund schemes in debt and money market instruments – November 29, 2022

SEBI vide its Circular dated November 29, 2022 introduced a similar credit rating based single issuer limit for actively managed mutual fund schemes.

As per Regulation 44(1) read with clause 1 of Seventh Schedule of SEBI (Mutual Funds) Regulations, 1996 ("MF Regulation"), a mutual fund scheme shall not invest more than 10% of its NAV in debt instruments, issued by a single issuer, comprising money market securities and non-money market securities rated investment grade or above by a Credit Rating Agency (CRA). This overall investment limit may be extended to

12% of the NAV of the scheme with the prior approval of the Board of Trustees and Board of Directors of the Asset Management Company.

In order to avoid inconsistency in investment by mutual funds in debt instruments of an issuer, irrespective of the scheme being actively or passively managed, it has been decided to introduce a similar credit rating based single issuer limit for actively managed mutual fund schemes.

Accordingly, within the limits specified in the clause 1 of Seventh Schedule of the MF Regulation, following prudential limits shall be followed, for schemes other than Credit risk funds:
i. A mutual fund scheme shall not invest more than: a. 10% of its NAV in debt and money market securities rated AAA; or b. 8% of its NAV in debt and money market securities rated AA; or c. 6% of its NAV in debt and money market securities rated A and below issued by a single issuer.

The above investment limits may be extended by up to 2% of the NAV of the scheme with prior approval of the Board of Trustees and Board of Directors of the AMC, subject to compliance with the overall 12% limit specified in clause 1 of Seventh Schedule of MF Regulation.

The long term rating of issuers shall be considered for the money market instruments. However, if there is no long term rating available for the same issuer, then based on credit rating mapping of CRAs between short term and long term ratings, the most conservative long term rating shall be taken for a given short term rating. Exposure to government money market instruments such as TREPS on G-Sec/T-bills shall be treated as exposure to government securities.

The circular shall be applicable for all the new schemes to be launched with effect from date of issuance of the circular. Existing schemes shall be grandfathered from these guidelines till the maturity of the underlying debt and money market securities.

Link to the Circular:
https://www.sebi.gov.in/legal/circulars/nov-2022/introduction-of-credit-risk-based-single-issuer-limit-for-investment-by-mutual-fund-schemes-in-debt-and-money-market-instruments_65574.html

GO UP

20. <u>SEBI Circular on review of timelines for listing of securities issued on a private placement basis – November 30, 2022</u>

SEBI vide its Circular dated November 30, 2022 reduced timelines for listing of debt securities issued on a private placement basis to three days which at present is four days. SEBI added that the reduction has been made in order to bring about efficacy in the listing process and to expedite the availability of securities for trading by the investors.

Further, in order to bring about clarity and standardization in the process of issuance and listing of such securities, on private placement basis, a list of the steps involved, pre-listing and post-listing, and relevant timelines have been detailed, both through Electronic Book Provider (EBP) platform and otherwise.

The above changes have been brought about by SEBI on the basis of the feedback received from market participants to standardise the pre-listing processes and revise the time gap between credit confirmation and ISIN activation. This will help to bring about efficiency in the market.

The timelines for each of the steps involved, from submission of the application for in-principle approval to the listing of the security on the stock exchange(s), are given below (In detailed timelines as per Annexure I):
In-principle approval - Prior to T-2/ T-5 (EBP); Prior to T (Non-EBP) Bidding announcement - On or before T-1 Day of bidding/ Issue period – T ISIN allocation/ assignment/ confirmation by Depository - On or before T+1 Settlement - On or before T+1/ T+2 (as per settlement cycle chosen by the Issuer)(EBP); On or before T+2(Non-EBP); Listing - On or before T+3;

Stock Exchanges shall inform the listing approval details to the Depositories whenever the listing permission is granted to securities issued on private placement basis.

Depositories shall activate the ISIN only after the stock exchange has given approval for listing.

In case of delay in listing beyond the timelines specified, the issuer shall **pay penal interest of 1% p.a. over the coupon/dividend rate for the period of delay to the investor.**

The provisions of this circular shall come into effect from January 1, 2023 and is applicable to all Issuers who have listed and/ or propose to list Non-convertible Securities, Securitised Debt Instruments, Security Receipts or Municipal Debt Securities; 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/nov-2022/review-of-timelines-for-listing-of-securities-issued-on-private-placement-basis-chapter-vii-of-the-operational-circular-issued-under-sebi-issue-and-listing-of-non-convertible-securities-regulation-_65659.html

GO UP

21. SEBI Circular on Net Settlement of Cash segment and Futures & Options (F&O) segment upon expiry of stock derivatives – November 30, 2022

SEBI vide its Circular dated November 30, 2022 introduced the mechanism of Net Settlement of cash segment and F&O segment upon expiry of stock derivatives with a view to provide better alignment of cash and derivatives segment, mitigation of price risk and bringing in netting efficiencies for market participant. SEBI said the decision has been made in consultation with its Secondary Market Advisory Committee (SMAC).

It is to be noted that SEBI, vide circular no. SEBI/HO/MRD/DP/CIR/P/2018/67 dated April 11, 2018, had inter-alia mandated physical settlement of stock derivatives, upon expiry of such derivatives, in a phased manner. Further, it mentioned that the risk management framework, settlement mechanism and other procedures of the cash segment shall be applicable when a stock derivative devolves into physical settlement.

The details of the said Net Settlement Mechanism are as under:

1 The obligations arising out of cash segment settlement and physical settlement of F&O segment, upon expiry of stock derivatives, shall be settled on net basis as against the current approach of settling such obligations separately.

2 The benefit of netting (merged settlements) shall be available to investors whose trading member (TM) clears trades in F&O segment and cash segment through the same clearing member (CM).

3 Netting of settlement obligations of cash segment and physical settlement of F&O segment shall not be available for the institutional investors (including all categories of Foreign Portfolio Investors).

4 Netting of settlement shall be available for non-institutional Custodial Participants (CPs) clearing through the same entity registered both as a custodian in cash market and as a CM in F&O segment.

5 Under the Net Settlement mechanism, netting of delivery obligations shall be only for the purpose of settlement. Therefore, Securities Transaction Tax (STT) and Stamp Duty shall continue to be computed, levied and reported on a segment wise level.

6 CCs shall continue to settle obligations on net basis at CM level. Further, CCs shall continue to maintain segment-wise default waterfalls.

3.7 An illustration highlighting the benefit of Net Settlement is placed as Annexure 1 of the circular. The circular shall come into force from March 2023 expiry of F&O contracts and is applicable to all Recognized Stock Exchanges and Clearing Corporations.

Link to the Circular:
https://www.sebi.gov.in/legal/circulars/nov-2022/review-of-timelines-for-listing-of-securities-issued-on-private-placement-basis-chapter-vii-of-the-operational-circular-issued-under-sebi-issue-and-listing-of-non-convertible-securities-regulation-_65659.html

GO UP

22. SEBI Circular on Inclusion of Equity Exchange Traded Funds as list of eligible securities under Margin Trading Facility– November 30, 2022

SEBI, vide its circular dated November 30, 2022 allowed brokers to extend margin trading facility to units of Equity Exchange Traded Funds (Equity ETFs) categorized as Group-I security as per provisions of SEBI Circular No. MRD/DoP/SE/Cir-07/2005 dated February 23, 2005. Further, such funds can be used for collateral as well.

1.	**Part/Regulation/ Paragraph/ Chapter/Section /Sub-section(s):** **Securities Eligible for Margin Trading** Paragraph-3 of the aforesaid circular has been modified as under:
Under old guidelines: Equity Shares that are classified as 'Group I security' as per SEBI Master circular No. SEBI/HO/MRD/DP/CIR/P/2016/135 dated December 16, 2016, shall be eligible for margin trading facility.	
Under new guidelines: *"Equity shares and units of Equity ETFs that are classified as 'Group I security' as per SEBI circular MRD/DoP/SE/Cir 07/2005 dated February 23, 2005 shall be eligible for MTF."*	

Comment:

SEBI has allowed brokers to extend the margin trading facility (MTF) to equity exchange traded funds (ETFs) and such funds can be used as collateral as well. Currently, only select stocks that come under Group 1 securities are offered the MTF facility by brokers.

2.	**Part/Regulation/ Paragraph/ Chapter/Section /Sub-section(s):** **Margin Requirement** Paragraph-4 of the aforesaid circular has been modified as under:

Under old guidelines:

"In order to avail MTF, initial margin required shall be as under;

Category of Stock	**Applicable Margin**
Group I stocks available for trading in the F&O Segment	VaR + 3 times of applicable ELM*
Group I stock other than F&O stocks and units of Equity ETFs	VaR + 5 times of applicable ELM*

*For aforesaid purpose, the applicable VaR and ELM shall be as in the cash segment for a particular stock."

Under new guidelines:

"In order to avail MTF, initial margin required shall be as under:

Category of Stock	***Applicable Margin***
Group I stocks available for trading in the F&O Segment	*VaR + 3 times of applicable ELM**
Group I stock other than F&O stocks and units of Equity ETFs	*VaR + 5 times of applicable ELM**

**For aforesaid purpose, the applicable VaR and ELM shall be as in the cash segment for a particular stock."*

Comment:

The initial margin requirement shall be applicable as per above table in reference to Category of stock and applicable margin.

3.	**Part/Regulation/ Paragraph/ Chapter/Section /Sub-section(s):** **Margin Requirement** Paragraph-5 of the aforesaid circular has been modified as under:
Under old guidelines: The initial margin payable by the client to the Stock Broker shall be in the form of cash, cash equivalent or Group I equity shares, with appropriate hair cut as specified in SEBI Master circular no. SEBI/HO/MRD/DP/CIR/P/ 2016/135dated December 16, 2016.	
Under new guidelines: *"The initial margin payable by the client to the stock broker shall be in the form of cash, cash equivalent, or Group I equity shares or units of Group I Equity ETFs, with appropriate haircut as specified in SEBI Circular No.MRD/DoP/SE/Cir-07/2005dated February 23, 2005."*	
Comment: The initial margin payable by the client to the stock broker should be in the form of cash, cash equivalent or equity ETFs.	

4.	**Part/Regulation/ Paragraph/ Chapter/Section /Sub-section(s):** **Margin Requirement** Paragraph-6(i) of the aforesaid circular has been modified as under:
Under old guidelines: The stocks deposited as collateral with the stock broker for availing margin trading facility (Collaterals) and the stocks purchased under the margin trading facility (Funded stocks) shall be identifiable separately and no comingling shall be permitted for the purpose of computing funding amount;	
Under new guidelines: *"The stock brokers shall be required to comply with the following conditions:* *(i) The stocks or units of Equity ETFs deposited as collateral with the stock broker for availing MTF('Collaterals') and the stocks or units of Equity ETFs purchased under the MTF('Funded stocks') shall be identifiable separately and no comingling shall be permitted for the purpose of computation of funding amount."*	
Comment: The stocks or units of equity ETFs deposited as collateral with the stock broker for availing collaterals and the stocks or units of equity ETFs	

purchased under the funded stocks should be identifiable separately and no co-mingling would be permitted for the purpose of computation of funding amount.

4.	**Part/Regulation/ Paragraph/ Chapter/Section /Sub-section(s):** **Leverage and Exposure Limits** Paragraph-18(b) of the aforesaid circular has been modified as under:
Under old guidelines: Exposure towards stocks purchased under margin trading facility and collateral kept in the form of stocks are well diversified. Stock brokers shall have appropriate Board approved policy in this regard.	
Under new guidelines: *"While providing the MTF, the stock broker shall ensure that:* *b). exposure towards stocks and/or units of Equity ETFs purchased under MTF and collateral kept in the form of stocks and/or units of Equity ETFs are well diversified. Stock brokers shall have appropriate Board approved policy in this regard."*	
Comment: While providing the MTF, stock brokers will have to ensure that exposure towards stocks and units of equity ETFs purchased under MTF and collateral kept in the form of stocks and units of equity ETFs are well diversified.	

5.	**Part/Regulation/ Paragraph/ Chapter/Section /Sub-section(s):** **Disclosure Requirement**
Under old guidelines: The stock broker shall disclose to the stock exchanges details on gross exposure towards margin trading facility including name of the client, Category of holding (Promoter/promoter group or Non-promoter), clients' Permanent Account Number ("PAN"), name of the scrips(Collateral stocks and Funded stocks)and if the stock broker has borrowed funds for the purpose of providing margin trading facility, name of the lender and amount borrowed, on or before 12 noon on the following trading day. The format for this disclosure by the stock broker to the stock exchange is enclosed at Annexure 1.	

Under new guidelines: The format for disclosure by the stock broker to the stock exchange on gross exposure towards MTF as prescribed under paragraph-19 of the aforesaid circular has been modified to include information with regard to MTF for units of Equity ETFs and enclosed at *Annexure 1* and *Annexure 2*.
Comment: Format for disclosure by the stock broker to the stock exchange on gross exposure towards MTF for units of Equity ETFs is enclosed at Annexure 1 and Annexure 2 of this circular.

6.	**Part/Regulation/ Paragraph/ Chapter/Section /Sub-section(s):** **Source of Funds**
Under old guidelines: 14. For the purpose of providing the margin trading facility, a stock broker may use own funds or borrow funds from scheduled commercial banks and/or NBFCs regulated by RBI. A stock broker shall not be permitted to borrow funds from any other source. Accordingly, it is clarified that Stock brokers may borrow funds by way of issuance of CP and by way of unsecured long term loans from their promoters and directors. The borrowing by way of issuance of CPs shall be subject to compliance with appropriate RBI Guidelines. The borrowing by way of unsecured long term loans from the promoters and directors shall be subject to the appropriate provisions of Companies Act. A stock broker shall not be permitted to borrow funds from any other source, except the sources stated at para 3 above.	
Under new guidelines: Paragraphs-3 and 4 of SEBI Circular No. CIR/MRD/DP/86/2017 dated August 01, 2017 read with paragraph-14 of SEBI Circular No. CIR/MRD/DP/54/2017 dated June 13, 2017 has been modified as under: *"For the purpose of providing the MTF, a stock broker may use own funds, borrow funds from scheduled commercial banks and/ or NBFCs regulated by RBI, borrow funds by way of issuance of Commercial Papers (CPs) and by way of unsecured long term loans from their promoters and directors. The borrowing by way of issuance of CPs shall be subject to compliance with relevant RBI Guidelines. The borrowing by way of unsecured long term loans from the promoters and directors shall be subject to the compliance with appropriate provisions of Companies Act, 2013.*	

A stock broker shall not be permitted to borrow funds from any other source, other than the sources stated above."
Comment: Stock brokers will be required to have appropriate board-approved policy in this regard. For the purpose of providing the MTF, a stock broker may use own funds, borrow funds from scheduled commercial banks or NBFCs regulated by RBI, borrow funds by way of issuance of Commercial Papers (CPs) and by way of unsecured long term loans from their promoters and directors.

The provisions of this circular shall come into force with effect from 30th day of issuance of this circular and is applicable to all Recognized Stock Exchanges, Recognized Clearing Corporations and Registered Stock Brokers.

Link to the Circular:
https://www.sebi.gov.in/legal/circulars/nov-2022/inclusion-of-equity-exchange-traded-funds-as-list-of-eligible-securities-under-margin-trading-facility_65683.html

GO UP

A. ORDERS/ CASE LAWS/ ANNOUNCEMENT

1. ROC Penalty order in the matter of Hotel Rajhans Private Limited

ROC, vide its order imposed penalty for violation of provisions of Section 137 of the Companies Act, 2013 in the matter of Hotel Rajhans Private Limited.

Facts about the case:

The Company has filed application for adjudication for violation of provisions of Section 137 of the Companies Act, 2013. Whereas, the company is in default for filing its Financial Statements for financial years 2015-16 to 2020-21 with the office of Registrar of Companies, Patna.

Order :

The Company failed to file financial years 2015-16, 2016-17, 2017-18, 2018-19, 2019-20 and 2020-21 thereby contravening the provisions of Section 137 of the Companies Act, 2013. Having considered the facts and circumstances of the case, ROC imposed penalty on Company and its Officers in default.

Link to the Order:
https://www.mca.gov.in/bin/dms/getdocument?mds=yD8ewHVuVrxhdBP90PlJFg%253D%253D&type=open

GO UP

2. SEBI imposed fine on 21 entities for manipulating share price of Sunstar Realty Development

SEBI imposed fine of Rs 1.05 crore on 21 entities for manipulating the share price of Sunstar Realty Development Limited (SRDL). SEBI has imposed a penalty of Rs 5 lakh each on these 21 entities and directed them to pay the amount within 45 days.

SEBI conducted an investigation in the scrip of Sunstar Realty Development Ltd (SRDL) during June, 2015 to March, 2016 to ascertain whether there were any violations of the PFUTP (Prohibition of Fraudulent and Unfair Trade Practices) rules.

It found that these entities were involved in executing manipulative trades and carrying out trades with the connected parties. Through such acts, they contributed to decreasing the price of the scrip and also increase the volume substantially during the investigation period.

SEBI in the order added that these 21 entities were not acting as genuine traders and had no bona fide intention to trade in the scrip of SRDL.

Link to the Order:
https://www.sebi.gov.in/enforcement/recovery-proceedings/oct-2022/certificate-no-5886-of-2022-notice-of-demand-in-respect-of-19-entities-adjudication-order-in-the-matter-of-sunstar-realty-development-ltd-_64485.html

GO UP

3. SEBI penalises entity, directors for violating regulatory norms

SEBI imposed penalty of Rs 50 lakh on an entity and its directors for violating the regulatory norms in the case of CapitalVia Global Research Ltd.

SEBI slapped a fine of Rs 50 lakh on CapitalVia Global Research Ltd and its directors -- Kiran Ravindra Kumar Choudhary, Rohit Gadia and Prem Prakash.

The penalty has to be paid jointly and severally.

The order came after SEBI conducted an inspection of CapitalVia Global Research Ltd from April 2016 to September 2017 to verify whether CapitalVia and its directors had complied with regulatory requirements prescribed under IA (Investment Advisers) norms.

Sebi had issued two orders against the company and its directors.

In the first order vide dated November 2016, it directed CapitalVia Global Research Ltd not to solicit or undertake any fresh advisory business from the date of order till further directions.

In its second order, which was passed on January 2017, CapitalVia Global Research Ltd were further directed not to solicit or undertake any fresh advisory business for another period of four months from the date of the order.

Thus CapitalVia Global Research Ltd was restrained from soliciting or undertaking any advisory business from November 2016 to May 2017.

However, the regulator observed that CapitalVia Global Research Ltd had solicited fresh subscriptions of its services from existing as well as new clients and had received advisory fees for undertaking new assignments for providing advisory services during the restrained period i.e November 2016 to May 2017.

It also observed that 625 clients had transferred Rs 2.08 crore towards fees charged by CapitalVia Global Research Ltd for its various services, which was in violation of the Sebi orders, thereby violating IA regulations.

As a SEBI-registered investment adviser, CapitalVia Global Research Ltd along with its directors were under a statutory obligation to abide by the

provisions of IA regulations and act honestly and fairly in the best interests of their clients.

However, CapitalVia Global Research Ltd failed to comply with the norms and the directions contained in Sebi orders dated November 2016 and January 2017.

GO UP

II. KNOWLEDGE SHARING

PASSING OF RESOLUTION BY CIRCULATION – SECTION 175 OF COMPANIES ACT, 2013

175. (1) No resolution shall be deemed to have been duly passed by the Board or by a committee thereof by circulation, unless the resolution has been circulated in draft, together with the necessary papers, if any, to all the directors, or members of the committee, as the case may be, at their addresses registered with the company in India by hand delivery or by post or by courier, or through such electronic means as may be prescribed and has been approved by a majority of the directors or members, who are entitled to vote on the resolution:

Provided that, where not less than one-third of the total number of directors of the company for the time being require that any resolution under circulation must be decided at a meeting, the chairperson shall put the resolution to be decided at a meeting of the Board.

(2) A resolution under sub-section (1) shall be noted at a subsequent meeting of the Board or the committee thereof, as the case may be, and made part of the minutes of such meeting

5. Passing of Resolution by Circulation

A resolution in draft form may be circulated to the directors together with the necessary papers for seeking their approval, by electronic means which may include E-mail or fax.

GO UP

THANKYOU

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