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CORPORATE NEWSFLYER

January 2023

RBI

RBI extends time for renewal of agreements for existing safe Deposit Locker/Safe Custody Article Facility provided by Banks till December 31, 2023

The Reserve Bank of India (RBI) had issued revised instructions with respect to Safe Deposit Locker/ Safe Custody Article Facility that inter-alia required banks to enter into revised agreements with the existing locker holders by January 1, 2023.

It has been decided to extend the deadline for banks to complete the process of renewal of agreements for the existing safe deposit lockers in a phased manner by December 31, 2023, with intermediate milestones of 50 percent by June 30, 2023, and 75 percent by September 30, 2023.

Periodic Updation of KYC details of Customers

The Reserve Bank has, from time to time, taken measures to rationalise the KYC related instructions taking into account the available technological options for enhancing customers' convenience within the framework prescribed under the Prevention of Money Laundering Act, 2002 (PMLA) and rules framed thereunder.

The process for the periodic updation of KYC (re-KYC) was simplified in May 2021. As the banks are mandated to keep their records up-to-date and relevant by undertaking periodic reviews and updations, a fresh KYC process / documentation may have to be undertaken in certain cases including where the KYC documents available in bank records do not conform to present list of the Officially Valid Documents or where the validity of the KYC document submitted earlier may have expired.

In such cases, the banks are required to provide an acknowledgement of the receipt of the KYC documents / self-declaration submitted by the customer. Fresh KYC process can be done by visiting a bank branch, or remotely through a Video based Customer Identification Process (V-CIP) (wherever the same has been enabled by the banks).

RBI prior approval now a must for picking up over 5% stake in banks

RBI issues Guidelines on Acquisition and Holding of Shares or Voting Rights in Banking Companies, providing that any person looking to acquire more than 5 per cent stake in a bank will need prior approval from the regulator.

The RBI has defined "major shareholding" as "aggregate holding" of 5 per cent or more of the paidup share capital or voting rights in a banking company by a person. Following the due diligence of the entity which plans to acquire a stake in banks, the decision of the regulator to permit or deny or to permit to acquire lower number of shares will be binding on the applicant and the bank, the RBI said. After an acquisition, if the shareholding falls below 5 per cent, the person will be required to seek fresh approval from the RBI if the person intends to again raise the aggregate holding to 5 per cent or more.

Foreign Investment in India – Rationalisation of reporting in Single Master Form (SMF) on FIRMS portal

The Reserve Bank of India has issued notification for rationalisation of reporting in SMF on FIRMS Portal. It is advised that the following changes are being implemented with respect to the reporting of foreign investment in SMF on FIRMS portal:

i. The forms submitted on the portal will be auto-acknowledged. The AD banks shall verify the same within five working days based on the uploaded documents, as specified.

ii. In cases of delayed reporting, the AD banks shall either advise the Late Submission Fee (LSF) to the applicants, which will be computed by the system or advise for compounding of contravention, as the case may be.

For detailed guidelines, the FIRMS manual available at https://firms.rbi.org.in may be referred to, and the version of manual available at the portal will have the finality in case of any mismatch.

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SEBI

SEBI launches information database on municipal bonds.

SEBI has launched an information database including a repository of information pertaining to municipal bonds on its website to assist municipal debt issuers and other stakeholders in the municipal debt market. The information database will also be accessible by using a QR Code.

Users will gain access to a wide range of information in the form of statistics and regulations, circulars, guidance note, and FAQs issued by SEBI concerning municipal debt securities. The repository also contains various checklists for pre-listing requirements and sample letters and certificates from various intermediaries to be obtained by an issuer who plans to tap the municipal bond market; templates for agreements between various stakeholders and an indicative due diligence questionnaire for merchant bankers are also included.

Markets to shift to T+1 settlement system.

The Indian stock market will shift to a shorter trading cycle, T+1 settlement, on January 27, 2023. This would allow the buyers and sellers to get shares and money in their accounts one day after the trade ends.

Currently, the market follows the T+2 settlement system. Under this, the buyers and sellers get their shares and funds in the Demat account on the third working day. This includes the day of trade as well. After the new rule, if an investor buys 50 shares on Monday, these will be received in their Demat account on Tuesday. A shorter settlement cycle could give the investors the freedom to trade more as the rolling of funds would be faster, the report added.

SEBI allows stock exchanges to launch multiple contracts in same commodity.

SEBI allowed stock exchanges to launch multiple contracts in the same commodity in a bid to encourage broader participation of investors in commodity derivatives market. This would come into force with immediate effect, the Securities and Exchange Board of India (SEBI) said in a circular.

The move came after the stock exchanges expressed their concerns before SEBI that due to the requirement of a single contract on a particular commodity, except for gold, silver and precious metals, the participation of investors, especially in metal contracts, is limited. Also, the stock exchanges have suggested SEBI to launch multiple contracts on same commodity to cater to all value chain participants.

Non-promoter shareholders allowed to sell stake via OFS.

SEBI has modified the existing framework for conducting an offer for sale (OFS) of securities by companies by allowing non-promoter stakeholders to opt for the same. Until now, only promoter and promoter group entities were allowed to sell stake through the offer for sale on bourses. In case a non-promoter shareholder of a company offers scrips through the OFS mechanism, promoter or promoter group entities can participate in the same to purchase shares subject to compliance of certain provisions.

SEBI amends rules for Alterative Investment Funds

SEBI has amended the rules governing Alternative Investment Funds (AIFs), Registrars to an Issue and Share Transfer Agents. Under the new rules, SEBI said Category I AIFS may engage in hedging, including credit default swaps. Further, Category II and Category III AIFs may buy or sell credit default instruments. The sponsor or manager of the Category I and Category I AIF transacting in credit default swaps will have to appoint a custodian registered with the SEBI, according to a notification.

SEBI permits AMCs to provide advisory services to all FPIs at IFSC

SEBI permitted asset management companies (AMCs) to provide management and advisory services to all Foreign Portfolio Investors (FPIs) operating from International Financial Services Centres (IFSCs). This is subject to certain conditions, including that such FPIs will be allowed to invest in mutual fund schemes other than the schemes in the category of "thematic".

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For investment in equity and equity derivative securities listed on recognised stock exchanges in India, the FPIs will not be allowed to take contra-position for six months from the date of purchase or sale of such securities. Earlier in December 2019, SEBI had allowed AMCs to provide management and advisory services to appropriately regulated FPIs that include pension funds, insurance companies and banks.

SEBI proposes standard approach for valuation of AIF Investments

SEBI has proposed a standard approach for valuing the investment portfolio of Alternate Investment Funds (AIFs)to bring convenience to investors. In a consultation paper floated on, the capital markets regulator has proposed that AIFs will be mandated to carry out valuation as per International Private Equity and Venture Capital Valuation Guidelines (IPEV guidelines). These guidelines specify that the techniques can determine value on market approach based on financials or market prices, income approach based on discounted cash flows or replacement cost approach based on net asset valuation techniques.

SEBI extends relaxation on dispatching hard copies of financial statements

SEBI extended the relaxation to listed companies from dispatching of physical copies of financial statements till September 30, 2023. The earlier extension was till December 31, 2022. SEBI extension comes after the Ministry of Corporate Affairs has also provided similar relaxations to companies dispatching physical copies of financial statements, including board's report, auditor's report or other documents to shareholders through a circular on December 28, 2022. However, firms will be required to send hard copy of annual reports to those shareholders who request for the same. SEBI also requires companies to disclose the web-link to the annual report so as to enable shareholders to have access to the full annual report.

MCA

MCA amends various Rules

MCA vide notification dated January 21, 2023, has notified the below mentioned amended rules-

i. The Companies (Management and Administration) Amendment Rules, 2023
ii. The Companies (Share Capital and Debentures) Amendment Rules, 2023
iii. The Companies (Appointment and Remuneration of Managerial Personnel) Amendment Rules, 2023
iv. The Companies (Incorporation) Amendment Rules, 2023
v. The Companies (Prospectus and allotment of securities) Amendment Rules, 2023
vi. The Companies (Authorised to Register) Amendment Rules, 2023, and
vii. The Companies (Accounts) Amendment Rules, 2023

The amended rules shall come into force with effect from January 23, 2023.
According to the amendments, Form No.MGT-3, Form SH-7, Form SH-8, Form No. 9, Form No. MR-1, Form No. MR-2, Form No. RUN, INC-4, INC-6, INC-9, INC-12, INC-13, INC-20, INC-20A, INC-22, INC-23, INC-24, INC-27, INC-28, INC-31, SPICE+ (INC-32), INC-33, INC-34, INC-35, RD-1, Form PAS-2, Form PAS-3, PAS-6, URC-1, and Form AOC-5 has been substituted. Various other changes in rules/sub-rules are also made pursuant to migration of set of forms from MCA V2 to MCA V3 portal.

OTHER

Disclosures by Fund Management Entities for Environmental, Social or Governance (ESG) schemes

International Financial Services Centres Authority (IFSCA) specified the framework for disclosures by the Fund Management Entities (FMEs) which intend to launch ESG scheme(s). With this framework, IFSCA laid down standards and practices (including guidance) for FMEs launching and managing ESG schemes. This framework is principle-based and largely aligned with international best practices. IFSCA will continue to monitor the developments in this area and may supplement / update from time to time.