

CORPORATE NEWSFLYER

March 2023

SEBI

FPIs to inform changes in structure, ownership in 7 working days.

Further tightening the noose around FPIs operating in India, SEBI has directed them to follow stricter timelines to inform custodians and Depository Participants of any material change in their control, ownership and structure, whether direct or indirectly. The word 'forthwith' in the current regulations has now been replaced with "as soon as possible but not later than seven working days".

SEBI sets out the requirement to process investors' service requests.

SEBI has simplified procedural requirements for processing investors' service requests by registrar and share transfer agents (RTAs) to push ease of doing business. In addition, SEBI has issued framework for furnishing PAN, KYC details and nomination by holders of physical securities. The new framework would come into force from April 1, 2023. The regulator has made it mandatory for all holders of physical securities in listed companies to furnish PAN, nomination, contact details, bank account details and specimen signature for their corresponding folio numbers.

SEBI relief for large registrars on enhanced reporting requirements.

- ✓ SEBI provided relaxation of 60 days to large Registrars to an issue/ Share Transfer Agents (RTAs) from complying with the enhanced requirements pertaining to periodic reporting.
- ✓ Under the rules, qualified RTAs or QRTAs are required to comply with enhanced responsibilities through adoption and implementation of an internal policy framework and periodic reporting requirements. In a circular, SEBI clarified that an RTA would be categorized as QRTA if at any time during a financial year, the combined number of physical and demat folios being serviced by the RTA for listed companies exceeds INR 2 crore.
- ✓ In case of the categorization as a QRTA, an intimation needs to be sent by the RTA within five working days to SEBI.

SEBI introduces reward mechanism for informants providing tips on defaulters.

- ✓ With an aim to recover fines from elusive offenders, SEBI on March 09, 2023 introduced a reward system for up to INR 20 lakh to informants for sharing information about the assets of defaulters.
- ✓ The reward may be granted in two stages — interim and final.
 - ✓ While the interim reward amount will not exceed two and a half per-cent of the reserve price of the asset regarding which tips was provided or INR 5 lakh, whichever is less and
 - ✓ the final reward amount will not exceed 10 per cent of the dues recovered or INR 20 lakh, whichever is less.
- ✓ Information and the informant's identity or the reward paid to him/her shall be held in confidence.

SEBI tightens norms for buybacks through stock exchange route.

- ✓ SEBI on March 8, 2023 released a circular chalking out restrictions on placements of bids, price and volume for a company seeking to buy back its shares through the exchange route.
- ✓ Earlier in December, the market regulator unveiled a momentous regulation that laid down the blueprint for a gradual phasing out of share buybacks through the exchange route.
- ✓ At present, a company can exercise the tender offer route and the buyback route to buy its shares listed on the bourses.
- ✓ As far as buyback from the stock exchange route is concerned, the regulator, in an operational guidance circular, has mandated that no company shall purchase more than 25 percent of the average daily trading volume (in value) of its shares or other specified securities in the 10 trading days preceding the day on which such purchases are made.

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SEBI issues Master Circular for Portfolio Managers.

Master Circular shall come into force from the date of its issue. With respect to the directions or other guidance issued by SEBI, as specifically applicable to Portfolio Managers, the same shall continue to remain in force in addition to the provisions of any other law for the time being in force. Terms not defined in this Master Circular shall have the same meaning as provided under the relevant Regulations. Pursuant to issuance of this Master Circular, the entities which are required to ensure compliance with various provisions shall submit necessary reports as envisaged in this Master Circular on a periodic/ continuous basis.

SEBI directs mutual funds to accept investments from KYC compliant e-wallets.

- ✓ SEBI has directed mutual funds (MFs) to accept investments only from such e-wallets that are compliant with KYC norms prescribed by the Reserve Bank of India (RBI). The MF Regulation allows investors to invest up to INR 50,000/- in MFs through cash or e-wallet in a year.
- ✓ The use of e-wallets for MF investments was allowed in 2017 to promote digitization. The permission came with strict guidelines like the investments being made through e-wallet should not have been recharged through credit card or include money received as cashback.

SEBI eases FPIs on boarding process.

- ✓ SEBI has simplified the procedural requirements for onboarding of Foreign Portfolio Investors (FPIs) in a bid to facilitate ease of doing business and to reduce the time taken for their registration.
- ✓ The regulator allowed designated depository participants (DDPs) to grant FPI registration on the basis of scanned copies of application forms and supporting documents, according to a circular dated March 27, 2023. Granting of registration on the basis of scanned copies has been allowed but trading can only be activated following the verification of the physical documents, it said.
- ✓ At present, applicants are required to send both scanned copies as well as physical documents of application forms and supporting documents to the DDPs for obtaining the FPI registration.

SEBI Board Meeting Highlights

SEBI in its Board Meeting held on March 29, 2023 has taken the following decisions-

a. Institutional Mechanism to detect Fraud:

Announced a surveillance system on brokers to detect fraud and protect frauds with stockbrokers at their helm. The system shall be established by Senior Management of broker and a detailed policy on this will be issued by the broking firm. The decision shall come in effect from October 1, 2023.

b. ASAB – like facility for Secondary Market:

- ✓ Application Supported by Block Amount (ASBA) like facility is now proposed to be implemented in secondary market.
- ✓ Previously it was in primary market like it can be used while applying for IPO / FPO which are directly issued by companies.
- ✓ This facility enables that at the time of applying for any market instrument money will be blocked in your saving or current account rather than transferring to broker. It will provide benefit in two ways, first is you can earn interest on that amount for some time and second it will facilitate the direct dealing of client with clearing corporation of India.

c. Changes regarding Mutual Fund:

- ✓ SEBI proposes to add Private Equity Firms and other entities as Sponsors of Mutual Funds.
- ✓ Board has set a number of Pre-Requisite conditions for becoming a sponsor of Mutual Fund.
- ✓ In addition, trustees are to be given responsibility for resolving any conflict arising between Asset Management Companies and unit holders.

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d. Disclosure of Material Agreements:

- ✓ Per latest amendments, all material agreements, regardless of the fact that the Company is privy to them, will now have to be disclosed as long as they have an impact on the control and management of the Company.
- ✓ Time limit for disclosing the events is 30 minutes in case event is arising from a meeting otherwise 12 hours in case issue arising within company.
- ✓ Along with this companies also require to respond to the rumors regarding company either through confirmation or denial. For top 100 listed entities this will be applicable from October 1, 2023 and top 250 listed entities from April 1, 2024.

e. Review of Special Rights, Board Permanency

In other key changes to listing obligations, SEBI has approved proposals that allow a review of certain special rights enjoyed by some of the shareholders. It has also approved some changes that will impact the permanence of the board.

f. Online Dispute Mechanism for redressal of companies

SEBI has brought certain changes to existing infrastructure for online dispute redressal for bringing more transparency and increase investor participation.

g. Regulation for Index Provider

Applicable to institutions who manages indices in India. Their duty is to identify which stocks are required to add in a particular index. They provide a snapshot of the market. Previously there were no regulations but now SEBI has proposed to bring a set of regulations to regulate index providers.

h. Measures to prevent misuse of funds

Presently brokers and clearing members usually retain some amount of clients funds before transferring to clearing corporation of India. SEBI proposes a measure that all the Brokers and clearing members are required to report the details of money that are held with them to clearing corporation at the end of each day. This upstreaming will be done in the form of cash, lien on fixed deposit or pledge of mutual funds.

i. Framework for ESG Disclosures:

SEBI has introduced a balanced framework for ESG disclosures. A Business Responsibility and Reliability Report will be introduced in order to enhance the reliability of ESG Disclosures. The report will contain certain Key Performance Indicators that listed companies will have to obtain for reasonable assurance. This will be initially applicable for top 150 listed companies from FY 24 and will be extended to top 1000 listed companies by FY 27.

j. Tightening Regulations for Issuance of Bonus Shares

In order to reduce information asymmetry and the mismatch between issued shares and listed shares, SEBI has proposed some changes to the Issue of Capital and Disclosure Requirements. Only such entities that have gotten approval to list their pre-bonus securities will be eligible to issue bonus shares, according to the latest changes. The bonus shares can only be issued in dematerialized form.

MCA

[Companies to Disclose material accounting policy information in financial statements – The Companies \(Indian Accounting Standards\) Amendment Rules, 2023 – March 31, 2023](#)

- ✓ MCA has notified Companies (Indian Accounting Standards) Amendment Rules, 2023 amending the Companies (Indian Accounting Standards) Rules, 2015. The amendments come into force with effect from April 1, 2023 i.e. Financial Year 2023-24. One of the major change is that Companies, in their financial statements shall disclose material accounting policy information as against hitherto requirement of disclosing “significant accounting policies”.
- ✓ With the latest MCA rule change, India has aligned itself with the ‘Material’ concept already required under International Financial Reporting Standards (IFRS). This could lead to more meaningful disclosure of Accounting Policies and will improve the readability and usefulness of Financial Statements.

TAX

Income Tax Department launches 'AIS for Taxpayer' mobile app.

The Income Tax Department has launched a free Mobile app, namely, 'AIS for Taxpayer' to facilitate taxpayers to view their information as available in the Annual Information Statement (AIS) or Taxpayer Information Summary (TIS). AIS for Taxpayer is available on Google Play and App Store.

Last date for Linking of PAN-Aadhar extended till June 30, 2023

In order to provide some more time to the taxpayers, the date of linking PAN and Aadhar has been extended to June 30, 2023, whereby persons can intimate their Aadhaar to the prescribed authority for Aadhaar-PAN linking without facing repercussions.

From July 1, 2023, the PAN of taxpayers who have failed to intimate their Aadhaar, as required, shall become inoperative and the consequences during the period that PAN remains inoperative will be as follows:

- i. no refund shall be made against such PANs;
- ii. interest shall not be payable on such refund for the period during which PAN remains inoperative; and
- iii. TDS and TCS shall be deducted /collected at higher rate, as provided in the Act.

Procedure, format and standards for filing an application in Form 15C or Form 15D for grant of certificate for no – deduction of income tax under Section 195(3) of the Income Tax Act, 1961 through TRACES

The Director General of Income Tax (Systems) has specified Form No. 15C and Form 15D for electronic furnishing at TRACES website under digital signature or through electronic verification code, and the procedure, format and standards for the purpose of electronic filing of Form No. 15C and Form No. 15D and generation of certificate through TRACES. which will be applicable from April 1, 2023

UPI merchant transactions of more than INR 2,000/- to be charged at 1.1% interchange fee from April 1, 2023

- ✓ The National Payments Corporation of India (NPCI) has recommended an interchange fee of 1.1% on Unified Payments Interface (UPI) transactions of over INR 2,000/- made through Prepaid Payment Instruments (PPIs).
- ✓ The move is aimed at increasing revenue for banks and payment service providers, who have been struggling with the high cost of UPI transactions. The interchange pricing will be reviewed by September 30, 2023.

OTHER

Crypto assets now under PMLA, wrongdoing can be probed by ED

- ✓ The Government has brought the trading of cryptocurrency and digital assets within the ambit of the Prevention of Money Laundering Act (PMLA) through a gazette notification dated March 7, 2023.
- ✓ This means that any financial irregularities involving cryptocurrency assets can now be investigated by the Enforcement Directorate.
- ✓ The Ministry of Finance's Department of Revenue stated that activities related to the trading of cryptocurrency and digital assets would be covered within the ambit of PMLA. These include an exchange between virtual digital assets and fiat currencies, between one or more forms of virtual digital assets, transfer of virtual digital assets, safekeeping or administration of virtual digital assets or instruments enabling control over such assets, and participation in and provision of financial services related to an issuer's offer and sale of a virtual digital asset.
- ✓ The definition of 'virtual assets' would be the same as that in the Income-Tax Act, the notification stated. The definition includes cryptocurrencies and non-fungible tokens.

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FCRA – Extension of Validity of Registration Certificate till September 30, 2023

In continuation to Ministry's Public Notice of September 23, 2022 the Government of India, in public interest, has decided that,

- the FCRA registration certificates whose validity was extended till March 31, 2023 and whose renewal application is pending, shall stand extended up to September 30, 2023 or the date of disposal of renewal application, whichever is earlier.
- The FCRA registration certificates which are expiring during the period between April 1, 2023 to September 30, 2023 and have applied/ will apply for renewal before the expiry of 5 years validity period shall stand extended up to September 30, 2023 or the date of disposal of renewal application, whichever is earlier.

In case of refusal of application for renewal, the validity of the certificate shall be deemed to have been expired on the date of such refusal and the entity shall not be eligible to either receive or utilize foreign contribution.

Foreign Trade Policy, 2023

The new Foreign Trade Policy 2023 has been released on March 31, 2023. The Foreign Trade Policy 2023 announced to provide the policy continuity and a responsive framework.

Key Foreign Trade Policy 2023 highlights as under:

- Online approvals without physical Interface: Automatic approval of various permissions under Foreign Trade Policy based on process simplification and technology implementation.

- Reduction in user charges for MSMEs under Advance Authorization and Export Promotion Capital Goods (EPCG) Scheme.
- E-certificate of Origin: Revamp of the e-certificate of Origin platform proposed-to-provide for self-certification of COOs as well as automatic approval of COOs, where feasible.
- Paperless filing of Export Obligation Discharge Applications
- Status Holder Export Thresholds Rationalized
- Rupee Payment to be accepted under FTP Schemes
- Four new towns of export excellence declared.
- States and Districts as Partners in Export Promotion
- Capacity building at District Level
- Infrastructure and Logistics Development Intervention
- All FTP benefits to be extended to e-commerce exports
- Designated hubs with warehousing facility to be notified, to help e-commerce aggregators for easy stocking, customs clearance and returns processing.
- Special one time Amnesty Scheme for Default in Export Obligations.
- Focus of FTP 2023 on Special Chemicals, Organisms, Materials, Equipment and Technologies (SCOMET)