

RBI

Issuance of Guidelines on Default Loss Guarantee (DLG) in Digital Lending – default loss cover to be provided upto 5% of the loan portfolio

- a. Arrangements between Regulated Entities (REs) and Lending Service Providers (LSPs) or between two REs involving default loss guarantee (DLG), commonly known as FLDG, has since been examined by the Bank and it has been decided to permit such arrangements subject to the guidelines.
- b. As per the new framework, the default cover could be provided for up to 5% of the loan portfolio and shall be invoked within a maximum overdue period of 120 days
- c. DLG arrangements conforming to these guidelines shall not be treated as ‘synthetic securitisation’ and/or shall also not attract the provisions of ‘loan participation’.

Remittances to International Financial Services Centres (IFSCA) under the Liberalised Remittance Scheme (LRS)

RBI has now allowed Authorised Persons to facilitate remittances by resident individuals under purpose ‘studies abroad’ as mentioned in Schedule III of Foreign Exchange Management (Current Account Transactions) Rules, 2000 for payment of fees to foreign universities or foreign institutions in IFSCs for the courses as mentioned in the gazette notification.

SEBI

Release of Compliance Rules for REITs and InvITs – disclosure formats for compliance reports on governance and annual secretarial for REITs and InvITs

- SEBI came out with disclosure formats for compliance reports on governance and annual secretarial for emerging investment vehicles – REITs and InvITs. These would come into effect in the FY 24.
- Under the format for compliance report on governance, infrastructure investment trusts (InvITs) and real estate infrastructure trusts (REITs) will have to disclose the name of the investment managers, the composition of the board of directors of the investment managers as well as the composition of committees, meetings of the board of directors, along with meetings of committees, on a quarterly basis.
- For the governance report, such investment managers are required to submit a quarterly compliance report to the stock exchanges within 21 days from the end of each quarter.
- The report needs to be signed either by the compliance officer or the chief executive officer of the investment manager.

Introduction of SEBI (Listing Obligations and Disclosure Requirements) Second Amendment Regulations, 2023

The following amendments has been introduced:

- Regulation 30A, to focus on disclosure requirements for certain types of agreements binding listed entities.
- Regulation 31B, special rights to shareholders, requiring shareholder approval through a special resolution every five years.
- Regulation 33 now mandates the submission of financial results for the quarter or financial year following the period disclosed in the IPO offer document.
- Regulation 34, introduction of Business Responsibility and Sustainability Report for the top one thousand listed entities based on market capitalization.
- Regulation 37A pertains to sale, lease or disposal of an undertaking outside the scheme of arrangement, requiring prior shareholder approval.
- Other amendments, cover intimation of investor meets, payment status disclosures, and revisions to Schedule III, specifying disclosure requirements for various events and agreements.

CORPORATE NEWSFLYER

June 2023





Formation of framework for stock brokers, clearing members to upstream client funds

- SEBI has decided on upstreaming of all client funds held by stock brokers (SBs) and clearing members (CMs) to protect client funds.
- The client funds can be upstreamed to the clearing corporation (CC) only in cash, lien on fixed deposits receipts (FDRs) or the pledge of units of Mutual Fund Overnight Schemes (MFOs).

Mutual Funds allowed to participate in repos on Commercial Paper and Certificate of Deposits

- SEBI has allowed asset management companies to participate in repos on Commercial Papers (CPs) and Certificate of Deposits (CDs).
- Repo is borrowing or lending on collateral of a security such as a bond. So, when a security is being bought or sold today, it will be reversed tomorrow or as per the contract, and the rate is decided today.
- Further, CP is an unsecured, short-period debt tool issued by a company, usually for the finance and inventories and temporary liabilities, while the CD is a fixed-income financial instrument governed under the Reserve Bank and India (RBI) issued in a dematerialized form.

Guidelines for Investor Protection Fund and Investor Service fund

- SEBI came out with exhaustive guidelines for Investor Protection Fund (IPF) and Investor Services Fund (ISF) maintained by stock exchanges and depositories.
- The detailed guidelines are about the constitution and management of the IPF, contribution to IPF by exchanges as well as depositories, and utilization of IPF. In addition, SEBI has issued a detailed Standard Operating Procedure (SOP), indicating the process and timelines for the declaration of default of a trading member (TM), processing of investor claims out of IPF, and review of claims.
- All stock exchanges and depositories to establish IPF.
- The IPF of the stock exchange and depository to be administered through separate trusts created for the purpose.

Issuance of New Regulations for Dematerialization of AIFs

SEBI has made a significant change with an aim to enhance transparency and investor protection, SEBI issued new rules for the issuance of units of Alternative Investment Funds (AIFs) in a dematerialized form.

- The amended AIF regulations necessitate all AIF schemes to dematerialize their units.
- The timeline for this is categorized based on the size of the AIF Corpus. For schemes with a corpus equal to or more than INR 500 crore, the deadline is October 31, 2023, while for those with a corpus less than INR 500 crore, the deadline extends to April 30, 2023.
- An exception to this rule exists for schemes whose tenure (excluding permissible extensions) ends on or before April 30, 2024. The terms of transfer of AIF units held by an investor in dematerialized form are to be governed by the Private Placement Memorandum (PPM), AIF-investor agreements, and other fund documents.
- The onus of implementation and compliance falls not only on AIFs but also on depositories who are instructed to update their Bye-laws, Rules, and Regulations and set up necessary systems. AIF managers are also required to submit a compliance report on the SEBI Intermediary Portal.

SEBI Board Meeting

SEBI in the recent board meeting has given approval to critical decisions aimed at bolstering market efficiency and investor protections.

Key decisions-

- **Reduction of timeline for listing of shares in Public Issue:** The revised timeline of T+3 days shall be made applicable in two phases i.e., voluntary for all public issues opening on or after September 01, 2023, and mandatory on or after December 01, 2023.
- **Provisions for non-convertible debt securities (NCDs):** SEBI has approved amendments to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, requiring listed entities with outstanding listed NCDs to list subsequent issuances of NCDs at stock exchanges.

- **Enablement of direct participation in Limited Purpose Clearing Corporation (LPCC):** The proposal to additionally facilitate participation by entities desiring direct participation (not through a clearing member) in repo transactions in corporate bonds of the Limited Purpose Clearing Corporation (LPCC), which is expected to widen the market and improve liquidity.
- **Revision of minimum unitholding requirement for Sponsors and introduction of Self-Sponsored Investment Manager:** The sponsor of InvIT/REIT be required to hold a certain minimum unitholding on a reducing scale for the entire life of the InvIT/REIT. The mandatory minimum unitholding shall be locked-in and be unencumbered. The proposal for the introduction of Self-Sponsored Investment Manager/Manager i.e., an Investment Manager/ Manager who also takes on the responsibilities of the Sponsor of InvIT/REIT.
- **Introduction of board nomination rights for InvITs and REITs unitholders:** The amendments to the SEBI (Infrastructure Investment Trusts) Regulations, 2014 and SEBI (Real Estate Investment Trusts) Regulations, 2014 to provide nomination rights to unitholders holding ten percent or more of the total outstanding units of the InvIT/REIT, either individually or collectively, on the board of directors of the Investment Manager/Manager. This ensures pro-rata rights to all unitholders.
- **Additional Disclosures from Foreign Portfolio Investors (FPIs):** The amendment to SEBI (Foreign Portfolio Investors) Regulations, 2019, inter-alia covering to mandate enhanced disclosures from certain class of foreign portfolio investors (FPIs), including furnishing granular level details about ownership and economic interests.
- **Strengthening of investor grievance handling mechanism:** Strengthening of investor grievance handling mechanism through SCORES and linking the new platform with the Online Dispute Resolution Mechanism.

MCA

Relaxation in paying additional fees in case of delay in filing DPT – 3 for Financial Year ended March 31, 2023 upto July 31, 2023

MCA has allowed companies to file Form DPT-3 for the financial year ended March 31, 2023, without paying additional fees upto July 31, 2023.

Companies (Accounts) Second Amendment Rules, 2023

The amendment has been made w.r.t. filing of Form CSR-2 separately for the Financial Year 2022-23 on or before March 31, 2024 after filing Form No. AOC-4 or Form No. AOC – 4 NBFC (Ind-AS) or Form No. AOC -4 XBRL as specified in the Companies (Filing of Documents and Forms in Extensible Business Reporting Language) Rules, 2015 as the case may be.

TAX

Gift Tax Exemption to buyers of PSUs Shares under disinvestment push

The Central Board of Direct Taxes (CBDT) has exempted buyers from gift tax when they acquire equity shares in Public Sector Units (PSUs) through strategic disinvestment. Earlier the exemption was applied only in case of sale of a PSU. The change has been made in order to make strategic disinvestment in PSUs attractive.

CORPORATE NEWSFLYER

June 2023

IRDAI guidelines on Remuneration of Directors and Key Managerial Persons of Insurers

The Insurance Regulatory & Development Authority (IRDAI) has issued guidelines on the remuneration of directors and key managerial persons of insurers.

- These guidelines are designed to promote effective governance of compensation, alignment with prudent risk taking, supervisory oversight, and the protection of policyholder's interests.
- They replace the previous guidelines issued in 2016 and provide more clarity on variable pay, deferral, Clawback provisions, accounting, disclosures and more.
- The guidelines emphasize the importance of sound remuneration policies in the corporate governance framework of insurers.
- They aim to align remuneration policies with long term interests of insurers, prevent excessive risk-taking and ensure fair treatment of customers.
- The Insurer's Board is responsible for adopting and implementing a written remuneration policy that considers the insurer's objectives, risk appetite and the interests of policyholders and stakeholders.
- The guidelines also address the management of conflicts of interest and the remuneration of staff involved in control functions.

Monitoring Requirements for Insurers' Investments in AIF

IRDAI issued a circular outlining monitoring requirements for insurers' investments in Alternative Investment funds (AIFs). The following is the brief analysis of the Circular;

- **Quarterly Declaration of NAVs:** Insurers are now required to declare the Net Asset Values (NAVs) of AIFs on a quarterly basis. This provision ensures transparency and enables the monitoring of AIF investments' performance.
- **Approval for Rollovers:** It is now mandatory to rollover of investments in AIFs must be approved by the Board or Investment Committee of the insurer. This requirement ensures that investment decisions related to rollovers are made with appropriate oversight and due diligence.
- **Submission of Quarterly returns:** Insurers are obliged to submit a quarterly return for their investments in AIFs, following the specified format. The reporting requirement aims to enhance regulatory oversight and enable the monitoring of insurer's exposure to AIFs.