

**RBI**

**Omnibus Framework for recognition of Self – Regulatory Organizations for Regulated Entities of the Reserve Bank**

Reserve Bank of India (RBI) has issued the framework for recognizing Self-Regulatory Organizations for its Regulated Entities.

- The omnibus framework contains broad parameters viz, objectives, responsibilities, eligibility criteria, governance standards, application process and other basic conditions for grant of recognition, which will be common for any SRO proposed to be recognized by the RBI.
- Other sector specific guidelines like number of SROs, membership etc. shall be issued separately by the Respective Departments of the RBI wherever a sectoral SRO is intended to be set up.

**RBI Circular on Investments in Alternative Investment Funds (AIFs) Guidelines**

- Circular excludes investments in equity shares of the debtor company of the regulated entity (RE) from downstream investments but includes all other investments, including hybrid instruments.
- Provisioning is required only for the RE's investment in the AIF scheme, which is further invested by the AIF in the debtor company, rather than on the entire investment in the AIF scheme.
- Proposed deductions from capital will occur equally from both Tier-1 and Tier-2 capital.
- Investments by REs in AIFs through intermediaries like fund of funds or mutual funds are not covered in this circular.

**Appointment / re-appointment of Director/Managing Director/CEO in Asset Reconstruction Companies**

- Specific amendments are outlined in the Master Direction, where enterprises in terms of Section 3(6) of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, ARCs were required to obtain prior approval of the Reserve Bank for appointment / re-appointment of any Director, Managing

- In order to have uniformity in the information submitted by ARCs for obtaining such approvals, a form for furnishing the requisite information about the candidate and an indicative list of documents required to be submitted along with the application enclosed as Annex I and Annex II.
- ARCs are advised to submit applications, complete in all respect, along with duly signed Annex I and the documents / information mentioned in Annex II to the Department of Regulation at least ninety days before the vacancy arises/the proposed date of appointment or re-appointment.
- Reserve Bank may call for additional information/documents for processing the application, if required.

**Amendment to Master Direction on Prepaid Instruments**

To provide convenience, speed, affordability and safety of digital modes of payment to commuters for transit services, it has been decided to permit authorised banks and non-bank Prepaid Instruments (PPI) issuers to issue PPIs for making payments across various public transport systems.

**100% FDI allowed in Space Sector**

The government has approved amendment in the Foreign Direct Investment (FDI) policy on Space Sector. Now, the Space Sector has been liberalized for foreign direct investment in prescribed sub-sectors / activities.

The FDI policy reform will enhance Ease of Doing Business in the country, leading to greater FDI inflows and thereby contributing to growth investment, income and employment.

The entry route for the various activities under the amended policy are as follows:

1. Upto 74% under automatic route- Satellites Manufacturing & Operation, Satellite Data Products and Ground Segment & User Segment. Beyond 74% of these activities are under government route (approval route).
2. Upto 49% under automatic route – Launch Vehicles and associated systems or subsystems, Creation of Space Sports for launching and receiving Spacecraft. Beyond 49% of these activities are under government route.
3. Upto 100% under automatic route – Manufacturing of components and systems/sub-systems for satellites, ground segment and user segment.



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## Master Direction – Reserve Bank of India (Bharat Bill Payment Services) Directions, 2024

- The earlier/current regulations covering Bharat Bill Payment System provided for a tiered structure with (a) NPCI Bharat Bill Pay Ltd (NBBL) as a Central Unit (BBPCU) (b) Bharat Bill Payment Operating Units (BBPOUs) and (c) Agent Network/s of the BBPOUs.
- In view of significant developments in the payments landscape, it has been decided to put in place a revised regulatory framework – Bharat Bill Payment Systems Directions, 2024.
- These Directions seek to streamline the process of bill payments, enable greater participation, and enhance customer protection among other changes.
- These Directions shall be applicable from April 1, 2024 and shall supersede the earlier regulations. This is issued under Section 18 read with Section 10(2) of the Payment and Settlement Systems (PSS) Act, 2007.

## RBIs revises Credit/Investment Concentration Norms for NBFCs

### Key Changes and Highlights

- Credit Risk Transfer Instruments for NBFC-ML – Introduces a new set of regulations for NBFC – Middle Layer (NBFC-ML). focusing on the computation of exposure through credit risk transfer instruments.
- The following instruments are now eligible for offsetting exposures:
  - a. Cash margin/caution money/security deposit held as collateral with the right to set off.
  - b. Central and State Government guaranteed claims.
  - c. Guarantees issued under Credit Guarantee Schemes, subject to specific conditions.
- Exemptions from Credit/Investment Concentration Norms - Additional exemptions are granted from credit/investment concentration norms for NBFC-ML, including exposures to:
  - a. Government of India and State Governments eligible for zero percent risk weight.
  - b. Exposures fully guaranteed by the Government of India.

- Disclosure Requirements - NBFCs exceeding prudential exposure limits during the year are now required to disclose these exposures in the Notes to Accounts.
- Internal Policies for NBFC-BL - NBFC-Base Layer (NBFC-BL) is directed to establish internal Board-approved policies for credit/investment concentration limits for both single borrowers and groups of borrowers. The computation of exposure for NBFC-BL aligns with the methodology for NBFC-ML.
- Clarifications for NBFC-UL - The circular clarifies credit risk transfer instruments for NBFC-Upper Layer (NBFC-UL), emphasizing that guarantees must be direct, explicit, irrevocable, and unconditional.

**SEBI**

**Listed Companies to Notify NSE of change in Corporate Grouping within 2 days of the effective date**

- Companies listed on NSE to notify exchange about the change in their corporate group which may related to corporate restructuring, takeovers, mergers, demergers, acquisitions or delistings within 2 days of the effective date.
- NSE through NEAPS has introduced an online portal for submission of such information.

**SEBI launches SCORES 2.0: Strengthening Investor Complaint Redressal**

- SEBI has unveiled SCORES 2.0, the upgraded version aims to fortify the securities market's complaint redressal system through enhanced efficiency and user – friendliness.
- With array of features and user-friendly interface, SCORES 2.0 ensures timely resolution of complaints, instilling confidence and trust among investors.
- Reduced and uniform timelines for redressal of investor complaints across the Securities Market i.e. 21 Calendar days from date of receipt of complaint.
- SEBI continues to innovate and adapt to evolving market dynamics, SCORES 2.0 stands as testament to its commitment to investor protection and market integrity.

**SEBI Board Meeting**

The SEBI in its board meeting, approved the following-

- Launch of Beta version of Optional T+0 settlement, for a limited set of 25 scrips, and with a limited set of brokers.
- Exemptions to additional disclosures requirements for certain FPIs. SEBI has also approved the relaxations in the timelines for disclosure / documentation related to material changes by FPIs.

- Amendments to SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 to facilitate ease of doing business for Companies coming for IPOs/fund raising.
- Amendments to SEBI (Listing Obligations and Disclosure Requirements) Regulations to facilitate ease of doing business for listed companies – on going compliance requirements.
- Facilitating a uniform approach to verification of market rumors by equity listed entities.
- Flexibility provided to Category I and II AIFs to create encumbrance on their holding of equity in infrastructure sector investee companies.
- Enhancing trust in the AIF ecosystem by introducing due diligence measures with respect to investors and investments, thereby paving the way for introduction of other Ease of Doing Business measures.
- Extension in the timeline for mandatory applicability of Listing norms for High Value Debt Listed Entities (HVDLEs)
- Additional flexibility to AIFs and their investors to deal with unliquidated investments of their schemes beyond expiry of tenure.
- Framework for issuance of subordinate units by a privately placed InvITs to facilitate purchase of infrastructure assets.
- 'Stock exchanges' to be recognized as a body for administration and supervision of Research Analysts and Investment Advisers.

**Amendments to FPI Disclosure Requirements**

- Introduction of new condition exempting FPIs with over 50% of their Indian Equity AUM in a corporate group from certain disclosure requirements.
- Imposition of limitation on FPI holdings in the corporate group and mandates monitoring of cumulative FPI holdings in the apex company.
- Specific procedures for tracking the utilization of limits for apex companies without identified promoters and stipulates action to be taken if these limits are met or breached.
- FPIs failing to meet the criteria must realign their investments or make additional disclosures within a specified timeframe.

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## SEBI (Real Estate Investment Trusts) Amendment Regulations, 2024

- Introduction of new chapter - A new chapter of Small and Medium REITs introduced.
- Registration process for SM REITs - The regulations outline the procedure for the registration of SM REITs, requiring an application by the investment manager on behalf of the Trust, accompanied by a non-refundable application fee.
- Eligibility criteria for SM REITs - Criteria include a minimum net worth for investment managers, experience requirements, and independence criteria for directors. The investment manager must have a net worth of at least twenty crore rupees, with a significant portion in positive liquid net worth.

## Centralization of certifications under Foreign Account Tax Compliance Act (FATCA) and Common Reporting System (CRS) at KYC Registration Agencies (KRAs)

- The reporting financial institution (RFI) [as defined under rule 114F (7) of the Income Tax Rules, 1962] is required to obtain a self-certification from the client, as part of the account opening documentation, to determine the client's residence for tax purpose.
- With an aim to promote ease of doing business and compliance reporting, it is provided that the intermediaries, who are RFI, shall upload the FATCA and CRS Certifications obtained from the clients onto the system of KRAs with effect from July 1, 2024.
- The existing certifications obtained from clients prior to July 1, 2024, shall be uploaded by the intermediaries onto the systems of KRAs within a period of 90 days of implementation of this circular.

## SEBI repeals circulars related to Private Placement of Securities

- SEBI has decided to repeal certain circulars that provided relaxation in cases involving the allotment of securities through private placement route. Under the Companies Act, 1956, the issuance of securities to 49 people was considered a private placement and the limit was increased to up to 200 under the Companies Act, 2013.
- In respect of cases under the Companies Act, 1956 involving the issuance of securities to more than 49 persons but up to 200 persons in a financial year, SEBI said that companies may avoid penal action, subject to certain conditions.
- Provide the investors with an option to surrender the securities and receive the refund amount at a price not less than the amount of subscription money paid along with 15% interest p.a. thereon or such higher return as promised to investors.
- Citing that considerable time has elapsed since the repeal of the Companies Act, 1956, SEBI has decided to repeal the circular in this regard.
- It shall stand rescinded with effect from 6 months from the date of issue of the circular.

## SEBI revises Foreign Investment Rules for AIF

- SEBI to ensure that the investor or its beneficial owner, as defined by rule 9 of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005, does not appear in the Sanction list issued by United Nations Security Council.
- Also, investors should not be residents of countries identified by the Financial Action Task force for AML/CFT deficiencies.
- The amendment shall also have an impact on the existing investors, who fail to meet the revised conditions, in such cases AIF managers are prohibited from drawing down further capital contributions from these investors until compliance with the specified conditions is achieved.

**TAX**

**CBDT amends India-Spain Double Taxation Avoidance Agreement (DTAA)**

- The Central Board of Direct Taxes (CBDT) has issued a significant amendment to paragraph 2 of Article 13 of the India-Spain DTAA, affecting the taxation of royalties and fees for technical services.
- The CBDT has substituted paragraph 2 of Article 13 in the India-Spain DTAA. The amended paragraph now stipulates that royalties and fees for technical services may be taxed in the Contracting State in which they arise, subject to the law of that State.
- However, if the recipient is the beneficial owner of the royalties or fees for technical services, the tax charged shall not exceed ten percent of the gross amount of royalties or fees for technical services.

**Maintenance of net worth by Fund Management Entity**

IFSCA has issued clarification regarding Maintenance of net worth by Fund Management Entity. In case the net worth of any FME falls below the specified net worth, such FME shall not –

1. Launch new schemes in IFSC;
2. Onboard new clients towards any of the activities or undertake new business activities permitted under the IFSCA (Fund Management) Regulations, 2022

**MCA**

**MCA operationalizes Central Processing Centre (CPC) for Centralised Processing of Corporate Filings**

- CPC will process applications in time-bound and faceless manner on the lines of Central Registration Centre (CRC) and Centralised Processing for Accelerated Exit (C-PACE). 12 forms/applications will be processed at CPC from February 16, 2024 followed by other forms from April 1, 2024 onward.

- On the lines of continuous endeavor to provide Ease of Doing Business in pursuance to Union Budget Announcement 2023-24, Central Processing Centre (CPC) has been established to process forms filed as part of various regulatory requirements under Companies Act, and Limited Liability Partnership Act (LLP Act) in a centralized manner, requiring no physical interaction with the stakeholders.
- The Central Registration Centre (CRC), Centralised Processing for Accelerated Corporate Exit (C-Pace), and CPC will ensure speedy processing of applications and forms filed for incorporation, closure and for meeting the regulatory requirements so that companies are incorporated, closed, can alter and raise capital, and are able to complete their various compliances under the Corporate laws with ease.

**The Companies (Registration Offices and Fees) Amendment Rules, 2024**

MCA has issued the Companies (Registration offices and Fees) Amendment Rules, 2024. The amendment provides that-

- New Rule 10A has been inserted to the Companies (Registration Offices and Fees) Rules, 2014 establishing a Central Processing Centre (CPC).
- The CPC shall be examining every applications, e-forms, or documents for approval, registration or taking on record by the Registrar.
- The Registrar shall take a decision on the application, e-forms or documents within thirty days from the date of its filing excluding the cases in which an approval of the Central Government or the Regional Director or any other competent authority is required.
- The Registrar of CPC shall exercise jurisdiction all over the India in respect of the examination of the certain enlisted applications/e-forms/documents.
- Further, in case of multiple applications/e-forms/documents are filed at a same time, then all such applications/e-forms/documents shall be examined and decided by the Registrar of CPC.

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## Relaxation of additional fees and extension of last date of filing of Form No. LLP BEN-2 and LLP Form No. 4D under the Limited Liability Partnership Act, 2008 upto May 15, 2024

- MCA stated that it has notified LLP (Significant Beneficial Owners) Rules, 2023 and prescribed E Form LLP BEN-2 to file return to the Registrar in respect of declaration under Section 90 of the Companies Act, 2013.
- Similarly, MCA has notified LLP (Third Amendment) Rules, 2023 and prescribed E Form LLP No. 4D to file return to the Registrar in respect of declaration of beneficial interest in contribution received by the LLP.
- In view of the transition of MCA 21 from version -2 to version-3 and to promote compliance on part of reporting LLPs, it is informed that such LLPs may file form LLP BEN-2 and LLP Form No.4D, without payment of any additional fees upto May 15, 2024.

### **OTHERS**

## Government notifies new Financial Services in International Financial Centers

- The Ministry of Finance has expanded the spectrum of financial services under the IFSCA.
- Services added are – Bookkeeping Services, Accounting Services, Taxation Services and Financial crime compliance services.
- These financial services must be provided by units within International Financial Service Centers, ensuring non-residents are not involved in splitting, reconstructing, or reorganizing existing businesses in India.
- Additionally, these units are prohibited from transferring or receiving services through existing contracts or work arrangements from their group entities in India.

## Extension of validity of FCRA registration certificates till June 30, 2024

Entities with pending renewal applications whose validity was extended till March 31, 2024 will now have their validity extended till June 30, 2024 or until the renewal is processed, whichever is earlier.

## GIFT City may see India's first regulated global realty, infra-asset tokenization platform.

- India's first regulated real estate and infrastructure asset tokenization platform is likely to be set up at Gujarat International Finance Tec-City (GIFT City).
- With the help of blockchain technology the platform will seek to unlock investments in the sector by allowing small investors to have fractional ownership in real estate and infrastructure projects using asset tokens while providing liquidity to global asset owners.

## PFRDA notifies amendments to National Pension System Trust (NPST) and Pension Fund Regulations for Good Governance

The Pension fund Regulatory and Development Authority (PFRDA) has notified the National Pension System Trust (Second Amendment) Regulations, 2023 and Pension Fund (Amendment) Regulations 2023 on February 5, 2024 and February 9, 2024 respectively.

Amendments to Pension Fund Regulations simplify the provisions related to governance of Pension Funds in line with Companies Act, 2013 and enhanced disclosure by Pension Funds.

The other notable amendments include:

1. Clarity of roles of Sponsor of Pension Fund & Pension Fund along with compliance to 'fit and proper person' criteria.
2. Constitution of additional Board committees by Pension Funds such as Audit Committee and Nomination and Remuneration Committee.
3. Inclusion of name 'Pension Fund' in name clause and requirement of existing pension fund (s) to comply with these provisions within a period of 12 months.
4. The annual report of schemes managed by the pension fund to include Director's responsibility statement.

The amendments in key areas aim at simplification and reducing compliance.

