



ACQUISORY

Your Growth, Our Business

BULLETIN – APRIL 2024

SCORES 2.0 New Technology to strengthen SEBI Complaint Redressal System for Investors

- ❑ SEBI has launched the new version of the **SEBI Complaint Redress System (SCORES 2.0)**.
- ❑ The new version of SCORES strengthens the investor complaint redress mechanism in the securities market by making the process more efficient through auto-routing, auto escalation, monitoring by the 'Designated Bodies and reduction of timelines.
- ❑ The new SCORES system has also been made more user friendly. SCORES is an online system where investors in securities market can lodge their complaints through web URL and an App.
- ❑ Investors can lodge complaints only through new version of SCORES i.e. <https://scores.sebi.gov.in> from April 01, 2024.
- ❑ In the old SCORES i.e. <https://scores.gov.in> investors would not be able to lodge any new complaint. However, Investors can check the status of their complaints already lodged in old SCORES and pending in the old SCORES. Further, the disposed of complaints filed in **the old SCORES can be viewed at SCORES 2.0**.

SEBI Circular on Standardization of the Private Placement Memorandum (PPM) Audit Report

- ❑ In order to have uniform compliance standards and for ease of compliance reporting, standard reporting format for PPM Audit Report applicable to various categories of AIF has been prepared by SEBI in consultation with pilot Standard Setting Forum for AIFs (SFA).
- ❑ The said reporting format shall be hosted on the websites of the AIF Associations which are part of SFA within 2 working days of issuance of this circular.
- ❑ The associations shall assist all AIFs in understanding the reporting requirements and in clarifying or resolving any issues which may arise in connection with reporting to ensure accurate and timely reporting.
- ❑ The PPM audit reports shall be submitted to SEBI by AIFs online on the SEBI Intermediary Portal (SI Portal) as per the aforesaid format. The reporting requirement mentioned above shall be applicable for PPM audit reports to be filed for the Financial Year ending **March 31, 2024 onwards**.

SEBI Board Meeting

The SEBI in its Board Meeting held on April 30, 2024 has approved, the following:

- ❑ Amendments to SEBI (Infrastructure Investment Trusts) Regulations, 2014 and SEBI (Real Estate Investment Trusts) Regulations, 2014 in order to provide a framework for Unit based employee benefit scheme.
- ❑ Flexibility to Venture Capital Funds, registered under the erstwhile SEBI (Venture Capital Regulations), 1996, to deal with unliquidated investments of their schemes upon expiry of tenure by opting to migrate into SEBI (Alternative Investment Funds) Regulations, 2012.
- ❑ Amendments to SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 to modify provisions relating to disclosure of Financial results in the offer documents, record date, due diligence certificate and reduction in face value of debt securities and Non Convertible Redeemable preference shares.
- ❑ Amendments to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 for providing flexibility regarding publication of financial results in newspapers for entities that have listed only Non-Convertible Securities

- ❑ Flexibility for increased participation by Non-Resident Indians, Overseas Citizens of India and Resident Indian individuals in SEBI registered Foreign Portfolio Investors based out of International Financial Services Centres in India and regulated by the International Financial Services Centres Authority.
- ❑ Streamlining of prudential norms for passive schemes with respect to exposure to securities of group companies of the sponsor to facilitate a level playing field for mutual funds.
- ❑ AMC's to have an institutional mechanism for deterrence of potential market abuse including front-running.
- ❑ Various proposals for Market Infrastructure Institutions (MIIs) with the objective of easing compliance requirements and removing redundant provisions applicable to MIIs under Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018.

SEBI Circular – Flexibility for AIFs on Unliquidated Investments

SEBI has introduced a significant amendment to the Alternative Investment Funds (AIFs) regulations, providing enhanced flexibility to AIFs and their investors in managing unliquidated investments. This circular aims to empower AIFs to navigate the challenges posed by unliquidated investments effectively.

- ❑ **Dissolution Period:**
 - The amendment introduces a dissolution period following the expiry of the liquidation period of the scheme, allowing AIFs to liquidate unliquidated investments.
 - AIFs can distribute such investments in-specie to investors or enter the dissolution period with the approval of at least **a 75% of investors**.
 - Conditions such as arranging bids for a minimum of 25% of unliquidated investments, disclosing proposed tenure and bid values, and notifying SEBI before seeking investor consent are specified.
- ❑ **Mandatory In-Specie Distribution:**
 - In case AIFs fail to obtain investor consent for entering the dissolution period, unliquidated investment must be mandatorily distributed in-specie during the liquidation period.
 - The value of such investments distributed in-specie is recognized at one rupee for performance benchmarking.
- ❑ **One time Flexibility for Expired Liquidation Periods:**
 - AIFs whose liquidation periods have expired or are expiring within three months from the notification of the amendment are granted a fresh liquidation period.
 - Schemes with pending investor complaints must resolve them before availing the fresh liquidation period.
- ❑ **Compliance Responsibility**
 - AIF managers, trustees and key management personnel are responsible for compliance with the circular.
 - Managers must submit compliance report on the SEBI Intermediary Portal.
- ❑ **Discontinuation of launching Liquidation Scheme:**
 - AIFs are prohibited from launching new liquidation schemes after the amendment's notification.

List of RBI Master Circulars and RBI Master Directions issued by RBI on April 1, 2024 and April 2, 2024

The Reserve Bank of India (RBI) has issued following master circulars and master directions on April 1, 2024.

S.No.	Particulars
1.	Master Circular – Prudential Norms on Capital Adequacy – Primary (Urban) Co-operative Banks (UCBs)
2.	Master Direction on Counterfeit Notes, 2024 – Detection, Reporting and Monitoring
3.	Master Circular – Basel III Capital Regulations
4.	Master Circular on Conduct of Government Business by Agency Banks – Payment of Agency Commission
5.	Master Circular – Disbursement of Government Pension by Agency Banks
6.	Master Circular on SHG – Bank Linkage Programme
7.	Master Direction on Penal Provisions in reporting of transactions/balances at Currency Chests
8.	Master Direction on Framework of incentives for currency Distribution & Exchange Scheme for Bank branches including currency chests
9.	Master Direction – Scheme of Penalties for bank branches and Currency Chests for deficiency in rendering customer service to the members of public
10.	Master Circular – Lead Bank Scheme
11.	Master Circular on Board of Directors – UCBs
12.	Master Circular – Income Recognition, Asset Classification, Provisioning and Other related matters
13.	Master Circular – Prudential norms on Income Recognition, Asset Classification and provisioning pertaining to Advances
14.	Master Circular – Housing Finance
15.	Master Circular – Housing Finance for UCBs

Master Direction for Asset Reconstruction Companies (ARCs)

The Reserve Bank of India has issued the Master Direction – Reserve Bank of India (Asset Reconstruction Companies) Directions, 2024. The Master Direction consolidates the exiting regulatory guidelines issued to ARCs vide Master Circular on ARCs and Master Direction – Fit and Proper Criteria for Sponsors – Asset Reconstruction Companies (Reserve Bank) Directions, 2018.

FEMA (Mode of Payment and Reporting of Non-Debt Instruments) (Amendment) Regulations, 2024

In exercise of the powers conferred by **Section 47 of the Foreign Exchange Management Act, 1999** and consequent to the Foreign Exchange Management (Non-Debt Instrument) Rules, 2019, the Reserve Bank of India notified the Foreign

Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) (Amendment) Regulations, 2024.

The Amendment Regulations inter alia provides the amount of consideration for purchase / subscription of equity shares of an Indian company listed on an International Exchange shall be paid, -

- through banking channels to a foreign currency account of the Indian company held in accordance with the Foreign Exchange Management (Foreign currency accounts by a person resident in India) Regulations, 2015, as amended from time to time; or
- as inward remittance from abroad through banking channels.

RBI Circular: Limits for Investment in debt & Sale of Credit Default Swaps by FPIs

- ❑ **Investment Limits for 2024-25** – The Circular outlines the investment limits for FPIs (Foreign Portfolio Investments) in various debt instruments for the Financial Year 2024-25. Notable mentions include unchanged limits for government securities (g-secs), state government securities (SGSs) and Corporate Bonds.
- ❑ **Fully Accessible Route (FAR)** - Investments in 'specified securities' are to be considered under the Fully Accessible Route, ensuring ease of investment for eligible investors as per previous directives.
- ❑ **Allocation of Incremental Change** - The circular maintains the allocation ratio of incremental changes in the g-sec limit between 'General' and 'Long term' categories at 50:50 for the fiscal year.
- ❑ **Credit Default Swaps (CDS)** – The circular imposes guidelines regarding CDS, restricting the aggregate limit of the notional amount of CDS sold by FPIs to 5% of the outstanding stock of corporate bonds, with a specific additional limit for the year 2024-25.
- ❑ **Compliance and Communication** – AD Category - I banks are instructed to communicate the contents of the circular to their constituents and customers, ensuring widespread awareness and compliance.

FEMA (Foreign Currency Accounts by a person resident in India) (Amendment) Regulations, 2024

The Amendment Regulations inter alia provides that subject to compliance with the conditions in regard to raising of External Commercial Borrowings (ECB) or raising of resources through American Depository Receipts (ADRs) or Global Depository Receipts (GDRs) or through direct listing of equity shares of companies incorporated in India on International Exchanges, the funds so raised may, pending their utilization or repatriation to India, be held in foreign currency accounts with a bank outside India.

Guidance Note on Operational Risk Management and Operational Resilience

RBI has issued the Guidance note on Operational Risk Management and Operational Resilience. The note aligns with the Reserve Bank of India's regulatory guidance with the Basel Committee on Banking Supervision (BCBS) Principles, viz.,

- Revisions to the Principles for the sound management of Operational Risk
- Principles for Operational Resilience

(both issued in March 2021), while adopting the global best practices including those on Operational resilience.

Relief for TDS Deductors on PAN – Aadhar Linkage

- ❑ The CBDT, aiming to address grievances of deductors/collectors who collected TDS/TCS at the normal rate but were required to deduct/collect at double the rate due to the deductee's PAN being inoperative (unlinked with Aadhar) since **April 1, 2023**, issued **Circular No. 6 on April 23, 2024**.
- ❑ This circular prevents treating such TDS deductors as in default (for short deduction) if, by May 31, 2024, the deductee's PAN is linked to Aadhar, rendering it operative for transactions until March 31, 2024.
- ❑ Consequently, no liability arises for deductors/collectors to deduct/collect **tax under sections 206AA/206CC** at double the rate due to PAN inoperability, and they need not pay the difference.

CII brings new Corporate Governance Charter for Startups

- ❑ The Confederation of India Industry (CII) has launched a corporate governance charter for startups. It will provide suggestions on Corporate Governance tailored for startups and offer guidelines suitable for different stages of a startup which is aiming to enhance governance practices.
- ❑ The Charter includes an online self-evaluative governance scorecard that startups can use to evaluate their current governance status and its improvement over time.
- ❑ The tool allows startups to measure their governance progress, with score changes indicating improvements in governance practices as assessed against the scorecard from time to time.

Filing of Schemes or funds under IFSCA (Fund Management) Regulations, 2022

- ❑ International Financial Services Centres Authority, to promote Ease of doing business, has launched Filing of Schemes or funds under IFSCA (Fund Management) Regulations 2022.
- ❑ The Fund Management Entity (FME) shall submit the Private Placement Memorandum (PPM) along with other documents ensuring minimum disclosures and other requirements as outlined in this circular, to the Authority.
- ❑ After filing these documents along with the disclosures and complying with other requirements stipulated in this circular FMEs may launch the respective schemes. IFSCA will also, in due course establish a web-portal for filing of scheme documents before an offer is made.

International Financial Services Centres Authority (Payment Services) (Amendment) Regulations, 2024

The amendment substitutes the Regulation 2(1)(1) which allows payment system providers to provide “escrow service” under an agreement, whereby money is held by such payment service provider in an escrow account with an IFSC Banking Unit ('IBU') or an IFSC Banking Company ('IBC') for and on behalf of one or more parties that are in the process of completing a transaction.