



ACQUISORY

Your Growth, Our Business

BULLETIN – JULY 2024

RBI

Online Submission of Form A2: Removal of limits on amount of remittance

- ❑ In order to improve ease of doing business, it is now decided to permit all Authorised Dealers (AD Category – I banks and AD Category – II entities) to facilitate remittances on the basis of online/physical submission of Form A2 and other related documents, if and as may be necessary, subject to the conditions laid down in Section 10(5) of FEMA 1999. Accordingly, there shall not be any limit on the amount being remitted on the basis of 'online' Form A2.
- ❑ Authorised Dealers shall frame appropriate guidelines for the purpose, with the approval of their Board within the ambit of extant statutory and regulatory framework. The Authorised Dealers shall continue to comply with the relevant provisions of FEMA 1999 and 'Master Direction – Know Your Customer (KYC) Direction, 2016' as updated from time to time, issued by Department of Regulation, RBI, for all transactions. It may be further noted that reporting of transactions in FETERS shall continue, as hitherto, by the Authorised Dealer banks.

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

- ❑ RBI has now decided that Authorised persons may facilitate remittances for all permissible purposes under LRS to IFSCs for:
 - I. Availing financial services or financial products as per the International Financial Services Centres Authority Act, 2019 within IFSCs; and
 - II. All current or capital account transactions, in any other foreign jurisdiction (other than IFSCs) through an FCA held in IFSCs.
- ❑ For these permissible purposes, resident individuals can open Foreign Currency Account (FCA) in IFSCs.

Master Directions on Cyber Resilience and Digital Payments Security Controls for non-bank Payment System Operators

- ❑ The Reserve Bank of India (RBI) has issued Master Directions on Cyber Resilience and Digital Payments Security Controls for non-bank payment system operators. These Directions aim to improve safety security of the payment systems operated by PSOs by providing a framework for overall information security preparedness with an emphasis on cyber resilience.
- ❑ Direction shall be effective from July 30, 2024
- ❑ These directions cover areas including information security policies, cyber crisis management plans, risk assessment, network security, application security, vendor risk management, data security, incident response and business continuity planning.
- ❑ Implementation timelines vary by PSO size, with large PSO's to comply by April 1, 2025, medium PSOs by April 1, 2026 and small PSOs by April 1, 2028.
- ❑ Existing Security and risk mitigation instructions for card payments, prepaid instruments, and mobile banking remain applicable.

Master Direction on Treatment of Wilful Defaulters and Large Defaulters

The Reserve Bank of India has issued Master Direction on Treatment of Wilful Defaulters and Large Defaulters. This Master Direction on wilful defaulters serves as a comprehensive guideline delineating the regulatory framework and procedures for classification of borrowers as wilful defaulters. This directive plays a crucial role in maintaining the integrity of the financial system by outlining the measures and consequences for those borrowers who deliberately default on their financial obligations.

SEBI

Reduction in denomination of debt securities and non-convertible redeemable preference shares

The amendment provides that the issuer may issue debt security or non-convertible redeemable preference share on private placement basis at a face value of Rs. Ten Thousand subject to that the issuer shall appoint at least one Merchant Banker. Such debt security or non-convertible redeemable preference share shall be interest/ dividend bearing security paying coupon/ dividend at regular intervals with a fixed maturity without any structured obligations.

SEBI tweaks norms for passive mutual fund schemes

- ❑ SEBI has revised norms on investments by passively managed mutual fund schemes in the group companies of their sponsors. The new rules mandate that no mutual fund scheme should make any investment in the listed securities of group companies of the sponsor in excess of 25% of the net assets of the scheme, except for investments by equity-oriented exchange traded funds (ETFs) and index funds.
- ❑ Equity oriented ETFs and index funds, based on widely tracked and non-bespoke indices, can make investments in line with the weightage of the constituents of the underlying index.

SEBI sets new filing requirements for AIFs opting for dissolution period

- ❑ SEBI issued a circular outlining the filing requirements for alternative investment funds (AIFs) schemes that opt for a dissolution period to deal with their unliquidated investments.
 - ❑ The move aims to provide flexibility to AIFs and their investors in managing such investments that are not sold due to lack of liquidity.
 - ❑ AIFs scheme entering into dissolution period must file an information memorandum with it through a merchant banker before expiry of the liquidation period or additional liquidation period of the scheme.
 - ❑ The format for this information memorandum and the due diligence certificate to be submitted by the merchant banker.
- ### SEBI (Real Estate Investment Trusts) (Second Amendment) Regulations, 2024 and SEBI (Infrastructure Investment Trusts) (Second Amendment) Regulations, 2024
- ❑ SEBI vide gazette notifications dated July 09, 2024, notified the SEBI (Real Estate Investment Trusts) (Second Amendment) Regulations, 2024 and SEBI (Infrastructure Investment Trusts) (Second Amendment) Regulations, 2024 which shall come into force on the date of their publication in the Official Gazette.
 - ❑ Vide this notification, SEBI has brought out the framework for Unit Based Employee Benefit Scheme and inserted "Chapter IVB - Framework for Unit Based Employee Benefit Scheme" in the SEBI (Infrastructure Investment Trusts) Regulations, 2014 and "Chapter IVA - Framework for Unit Based Employee Benefit Scheme" in the SEBI (Real Estate Investment Trusts) Regulations, 2014.

- ❑ The provisions of these chapters shall be applicable for all unit-based employee benefit scheme introduced on or after the date of these chapters coming into force. A definition of employee unit option scheme has also been inserted which means a scheme under which the investment manager/manager grants unit options to its employees through an employee benefit trust.

Enabling Credit Rating Agencies (CRAs) to undertake rating activities under IFSCA

- ❑ In terms of Regulation 9(f) of SEBI (Credit Rating Agencies) Regulations, 1999, Para 25 of the Master Circular for CRAs dated May 16, 2024 provides that CRAs may undertake the rating of financial instruments under the respective guidelines of the financial sector regulators/ authorities. To enable CRAs to undertake rating activities in the International Financial Services Centre - Gujarat International Finance Tech-city (IFSC-GIFT City), International Financial Services Centres Authority (IFSCA) is added to the list of financial sector regulators/ authorities as specified in Annexure 19 of the aforesaid Master circular.

- ❑ Any issue arising from the activities of such SEBI registered CRAs in the IFSC shall be dealt with by IFSCA under the powers exercisable under Section 12 and 13 of IFSCA Act and regulations and subsidiary instructions made thereunder.
- ❑ IFSCA shall be responsible for dealing with complaints, enforcement actions and furnishing information to third parties, including statutory or judicial bodies, in respect to the services provided by the CRAs in the IFSC.

Enabling ESG Rating Providers (ERPs) to undertake ESG Rating activities under IFSCA

- ❑ In terms of Regulation 28E(d) of SEBI (Credit Rating Agencies) Regulations, 1999, Para 7.1 of the Master Circular for ERPs dated May 16, 2024 provides that ERPs may undertake or offer ESG rating of any product or issuer, as may be required by another financial sector regulator or authority, under the guidelines of such regulator or authority. To enable ERPs to undertake ESG rating activities in the International Financial Services Centre - Gujarat International Finance Tech-city (IFSC-GIFT City), International Financial Services Centres Authority (IFSCA) is added to the list of financial sector regulators/ authorities as specified in Annexure 4 of the aforesaid Master Circular for ERPs.
- ❑ Any issue arising from the activities of such SEBI registered ERPs in the IFSC shall be dealt with by IFSCA under the powers exercisable under Section 12 and 13 of IFSCA Act and regulations and subsidiary instructions made thereunder.
- ❑ IFSCA shall be responsible for dealing with complaints, enforcement actions and furnishing information to third parties, including statutory or judicial bodies, in respect to the services provided by the ERPs in the IFSC.

MCA

Extension of time for filing of PAS – 7

- ❑ In accordance with Rule 9(2)(a) of the Companies (Prospectus and Allotment of Securities) Rules, 2014, every public company which had issued share warrants prior to commencement of the Companies Act, 2013 (18 of 2013) and not converted such warrants into shares should have informed the Registrar about the details of such share warrants in Form PAS-7 within a period of three months of the commencement of the Companies (Prospectus and Allotment of Securities) Second Amendment Rules, 2023. In terms of the said rule, Ministry of Corporate Affairs has prescribed Web-form PAS-7 for submitting the details of share warrants to the Registrar
- ❑ Web-Form PAS-7 Form has now been deployed on MCA-21 Portal. Stakeholders may file requisite details in terms of Companies (Prospectus and Allotment of Securities) Second Amendment Rules, 2023 through this Web-Form without payment of additional fees up to August 5, 2024.

Companies (Significant Beneficial Owners) Amendment Rules, 2024

In exercise of the powers conferred by section 90 read with sub-sections (1) and (2) of section 469 read with section 90 of the Companies Act, 2013 the Central Government issued Companies (Significant Beneficial Owners) Amendment Rules, 2024 According to the Amended Rules, Form No. BEN-2 shall be substituted in the Companies (Significant Beneficial Owners) Rules, 2018.

TAX

Exemption from filing annual return

Annual return in GSTR 9 is exempted to the registered person whose aggregate turnover in the financial year 2023-24 is upto INR 2 Crores, from filing annual return for the said financial year.

OTHERS

Amendment to Maharashtra Shop & Establishment Act, 2024

- ❑ The Government of Maharashtra has issued an amendment to the Maharashtra Shops and Establishments (Regulation of Employment and Conditions of Service) Rules, 2018, under Notification No.MS&EA-08/2021/C.R.153/Labour-10, dated July 22, 2024.
- ❑ This amendment, introduces the requirement for establishments to include an insurance certificate in various forms and schedules. The amendment mandates the inclusion of insurance certificate details in Forms A, D, F, and R, and requires copies of the insurance certificate to be appended in the relevant parts of the Schedule. This change aims to ensure that establishments comply with insurance requirements to better safeguard their operations and employees.

IFSCA

Issuance of International Financial Services Centre Authority (Banking) (Amendment) Regulations, 2024

The amendment adds four new currencies – Swedish Krone (SEK), Norwegian Krone (NOK), New Zealand Dollar (NZD) and Danish Krone (DKK)- to the first schedule of the Banking Regulations, which aims to enhance the regulatory framework and facilitate broader currency options for transactions within the International Financial Services Centres.

Credit Rating Agencies in the IFSC

- ❑ SEBI vide circular dated July 19, 2024 on “Enabling Credit Rating Agencies (CRAs) to undertake rating activities under IFSCA” permitted credit rating agencies registered with SEBI to undertake rating activities in the IFSC in accordance with regulation 9(f) of the SEBI (Credit Rating Agencies) Regulations, 1999 (“SEBI CRA Regulations”) and para 25 of the Master Circular for CRAs dated May 16, 2024.
- ❑ Accordingly, a CRA registered with SEBI, desirous of providing rating services in the IFSC, shall apply for registration with IFSCA in accordance with the requirements provided under the IFSCA (Capital Market Intermediaries) Regulations, 2021 (“CMI Regulations”).
- ❑ The activities of the CRAs operating in the IFSC shall be subject to the requirements in the IFSCA Act, 2019, CMI Regulations and other applicable regulations and circulars notified by IFSCA from time to time