



ACQUISORY

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RBI

RBI tightens rules for deposit taking HFCs

RBI has revised rules for deposit taking Housing Finance Companies (HFCs), requiring them to maintain 15% liquid assets against public deposits held by them in a phased manner, up from 13% at present. The new rule, which will be applicable from January 1, are aimed at bringing deposit taking HFCs on par with Non – Banking Financial Companies (NBFCs).

Framework for Recognition of Self Regulatory Organizations (SROs) in Financial Markets – Invitation of applications

- ❑ In view of the potential role of Self-Regulatory Organisations (SROs) in strengthening compliance culture among their members and also providing a consultative platform for policy making, the Reserve Bank of India has issued the Framework for recognition of SROs in Financial Markets.
- ❑ The framework is based on the ‘Omnibus Framework for recognition of Self-Regulatory Organisations for Regulated Entities of the Reserve Bank’ and specifies the broad parameters, viz., objectives, responsibilities, eligibility criteria, membership, governance standards and application process for the recognition of SROs in financial markets.

RBI Introduces Scheme for Sovereign Green Bonds in IFSC

- ❑ RBI has introduced a new scheme for the trading and settlement of Sovereign Green Bonds (SGRBs) in the International Financial Services Centre (IFSC) in India. This scheme, effectively immediately, allows eligible foreign investors to invest in SGRBs issued by the Government of India.
- ❑ It involves amendments to existing Foreign Exchange Management regulations and outlines the scope, eligible investors, participation procedures, and settlement processes within the IFSC.
- ❑ The scheme stipulates that only authorized entities like depositories and clearing corporations in the IFSC Banking Units (IBUs) and sets guidelines for Know Your Customer (KYC) and Anti Money Laundering (AML) practices.
- ❑ The scheme requires strict data management and reporting protocols to ensure transparency and compliance.
- ❑ The scheme terms also clarify taxation, trading procedures, and the applicability of other relevant Indian Laws.
- ❑ The RBI emphasizes that any violations or disruptions in the settlement process will be subject to penalties, and it maintains the right to share anonymized trade data with relevant authorities.

SEBI

Amendment to Master Circular for Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) – Board Nomination rights to unit holders of REITs/InvITs

- ❑ SEBI vide these circulars has revised the board nomination rights to unitholders of REITs and InvITs. As per the master circulars Eligible Unitholder(s) shall be entitled to nominate only one Unitholder Nominee Director, subject to the unitholding of such Eligible Unitholder(s) exceeding the specified threshold.
- ❑ If the right to nominate one or more directors on the Board of Directors of the Manager is available to any entity (or to an associate of such entity) in the capacity of shareholder of the Manager or lender to the Manager or the REIT (or its HoldCo(s) or SPVs), then such entity in its capacity as unitholder, shall not be entitled to nominate or participate in the nomination of a Unitholder Nominee Director.
- ❑ These circulars have relaxed the above restrictions if the right to appoint a nominee director is available in terms of clause (e) of sub-regulation (1) of regulation 15 of the SEBI (Debenture Trustees) Regulations, 1993.

SEBI (Alternative Investment Funds) (Fourth Amendment) Regulations, 2024

- ❑ SEBI vide this notification amended Regulation 13(5) of SEBI (Alternative Investment Funds) Regulations, 2012 by permitting a large value fund for accredited investors to extend its tenure up to five years subject to the approval of two-thirds of the unit holders by value of their investment in the large value fund for accredited investors.
- ❑ However, the extension in tenure of any existing scheme of a large value fund for accredited investors shall be subject to such conditions as may be specified by the SEBI from time to time.
- ❑ Also, the investment conditions for Category I and II of Alternative Investment Funds as provided in Regulation 16(1)(c) and Regulation 17 (c) have also been modified with ‘Category I Alternative Investment Funds [Regulation 16(1)(c)]/ Category II Alternative Investment Funds [Regulation 17(c)]/ shall not borrow funds directly or indirectly or engage in any leverage for the purpose of making investments or otherwise, except for borrowing funds to meet temporary funding requirements and day-to-day operational requirements for not more than thirty days, on not more than four occasions in a year and not more than ten percent of the investable funds and subject to such conditions as may be specified by the SEBI from time to time’.

Modalities for migration of Venture Capital Funds registered under erstwhile SEBI (Venture Capital Funds) Regulations, 1996 to SEBI (Alternative Investment Funds) Regulations, 2012

- ❑ SEBI has issued the modalities for migration of Venture Capital Funds registered under erstwhile SEBI (Venture Capital Funds) Regulations, 1996 to SEBI (Alternative Investment Funds) Regulations, 2012 and stipulates that the application for seeking registration as a Migrated Venture Capital Fund shall be made to SEBI and while applying to SEBI for migration to AIF Regulations as “Migrated VCFs”, VCFs shall submit the original certificate of registration issued under VCF Regulations and requisite information as per the format specified in Annexure I to the circular.
- ❑ In terms of Regulation 19V(1) of AIF Regulations, “Migrated Venture Capital Fund” means a fund that was previously registered as a Venture Capital Fund under the VCF Regulations and subsequently registered under AIF Regulations as a sub-category of Venture Capital Fund under Category I - Alternative Investment Fund.
- ❑ While opting for migration to AIF Regulations, VCFs having only schemes whose liquidation period (in terms of Regulation 24(2) of VCF Regulations) has not expired and shall be subject to the prescribed conditions.

Cyber Security and Cyber Resilience Framework (CSCRF) for SEBI Regulated Entities (REs)

- ❑ In order to strengthen the cybersecurity measures in Indian securities market, and to ensure adequate cyber resiliency against cybersecurity incidents/ attacks, Cybersecurity and Cyber Resilience Framework (CSCRF) for SEBI REs has been formulated in consultation with the stakeholders.
- ❑ The CSCRF aims to provide standards and guidelines for strengthening cyber resilience and maintaining robust cybersecurity of SEBI REs. This framework shall supersede existing SEBI cybersecurity circulars, guidelines, advisories, letters.
- ❑ The framework provides a structured methodology to implement various solutions for cybersecurity and cyber resiliency.
- ❑ CSCRF highlights the importance of governance and supply chain risk Management and at the same time, it focuses on evolving security guidelines such as data classification and localization, Application Programming Interface (API) security, Security Operations Centre (SOC) and measuring its efficacy, Software Bill of Materials (SBOM), etc.

- ❑ CSCRf mandates that all REs are required to establish appropriate security monitoring mechanisms through Security Operation Centre (SOC) and contains provisions with respect to various areas such as requirements of IT services, Software as a Service (SaaS) solutions, hosted services, classification of data, audit for software solutions/ applications/ products used by REs, etc. SEBI has provided a glidepath for adoption of CSCRf provisions.

Amendment to Master Circular for Real Estate Investment Trust (REITs) and Infrastructure Investment Trusts (InvITs) dated May 15, 2024 – Review of Statement of investor complaints and timeline for disclosure of statement of deviation(s)

- ❑ To improve ease of doing business related to activities of InvITs and REITs and to align with the provisions of SEBI LODR Regulations, SEBI has amended its Master Circular for Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) dated May 15, 2024.
- ❑ It is prescribed that the Trustee and the Board of Directors/Governing Body of the Manager shall ensure that all investor complaints are redressed by the Manager in timely manner and statement shall be placed, on a quarterly basis, before the Board of Directors/Governing Body of the Manager and the Trustee for review.
- ❑ Further provided that statement of deviation shall also be placed before the Trustee and the Board of Directors/Governing Body of the Manager for review. Pursuant to such review, the statement shall be submitted to the stock exchange. Such submission to the Stock Exchange shall be made along with the submission of financial results.

MCA

Limited Liability Partnership (Amendment) Rules, 2024

- ❑ In exercise of the powers conferred by sub-sections (1) and (2) of section 79 of the Limited Liability Partnership Act, 2008, the Central Government notified the Limited Liability Partnership (Amendment) Rules, 2024.
- ❑ Centre for Processing Accelerated Corporate Exit or C-PACE was established vide MCA Notification dated 17th March, 2023 which shall be situated at Indian Institute of Corporate Affairs for faster closure of Companies & LLP.
- ❑ Accordingly, the amendments are made in Limited Liability Partnership Rules, 2009 in clause (b) and the first proviso of rule 37, sub-rule (1), sub-rule (3) and sub-rule (4) to empower the Centre for Processing Accelerated Corporate Exit (C-PACE) to undertake the necessary actions for striking off name of defunct LLP from the register.

Companies (Adjudication of Penalties) Rules, 2024

- ❑ A new section 3A is being inserted after Rule 3 in Companies (Adjudication of Penalties) Rules, 2014 which states that all proceedings of adjudicating officer and Regional Director under these rules shall take place in electronic mode only through the eadjudication platform developed by the Central Government for this purpose.
- ❑ It also mentions the mode of notice or summons to be issued were the E-mail address or address of the concern person is not available in the records.
- ❑ The Annexure in the said rules shall be substituted by Form No. ADJ (Memorandum of Appeal).

Companies (Registration of Foreign Companies) Amendment Rules, 2024

- ❑ MCA has operationalized Central Processing Centre (CPC) for Centralized Processing of Corporate Filings that processes applications in time – bound and faceless manner on the lines of Central Registration Centre (CRC). In order to implement the same amendments are made in Companies (Registration of Foreign Companies) Rules, 2024.
- ❑ As per the amendment, in rule 3, in sub-rule (3) a foreign company within a period of thirty days of the establishment of its place of business in India shall now file with the Registrar, Central Registration Centre Form FC-1 with such fee as provided in Companies (Registration Offices and Fees) Rules, 2014.
- ❑ Accordingly, changes are also made in in rule 8, in sub-rule (1), by inserting the following proviso: “Provided that the documents for registration by a foreign company referred to in sub-rule (3) of rule (3) shall be delivered in Form FC-1 to the Registrar, Central Registration Centre.”

Companies (Indian Accounting Standards) Amendment Rules, 2024

The following amendments have been made in Companies (Indian Accounting Standards) Rules, 2015:

- ❑ Indian Accounting Standard (Ind AS) 117 which relates to Insurance Contracts is being inserted to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity’s financial position, financial performance and cash flows.
- ❑ In order to correspond with Indian Accounting Standard (Ind AS) 117, modifications are also made to Indian Accounting Standard (Ind AS) 101, (Ind AS) 103, (Ind AS) 105, (Ind AS) 107, (Ind AS) 109, and (Ind AS) 115.

TAX

CBDT relaxes provisions of TDS/TCS in event of death of deductee/collectee, before linkage of PAN and Aadhar

The Government has relaxed the provisions of TDS/TCS as per the Income Tax Act, 1961 in the event of death of deductee/collectee before linking of PAN and Aadhar.