



ACQUISORY

Your Growth, Our Business

BULLETIN – OCTOBER 2024

SEBI

SEBI extends exemption from sending hard copies of reports to shareholders

- SEBI extends the relaxation given to listed companies from sending physical copies of financial statements to shareholders for annual general meetings (AGMs) by one more year till September 30, 2025.

Timelines for Disclosures by Social Enterprises on Social Stock Exchange (SSE) for FY 2023-24

- SEBI vide Circular dated May 27, 2024 had prescribed outer timelines for annual disclosures and annual impact report under Regulation 91C (1) and Regulation 91E (1) respectively of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 by Social Enterprises on Social Stock Exchange for FY 2023-24.
- SEBI has extended the outer timeline for annual disclosures under Regulation 91E(1) of LODR Regulations by Social Enterprises on Social Stock Exchange, for FY 2023-24 upto January 31, 2025.

SEBI calls for stricter review of AIF Investors

- SEBI has asked Alternative Investment funds (AIFs) and their managers to exercise due diligence on their investors and investments, to prevent sidestepping of rules.
- At present, AIFs have been designated as qualified institutional buyers (QIB) and can avail certain benefits under SEBI Rules.
- SEBI in this circular has said that AIFs should not facilitate investors who are ineligible for QIB status on their own from availing the benefits.

Specific Due Diligence of investors and investments of AIFs

- In terms of Regulation 20(20) of SEBI (Alternative Investment Funds) Regulations, 2012 (AIF Regulations), inserted vide Notification dated April 25, 2024, every AIF, Manager of the AIF and Key Management Personnel of the Manager and the AIF shall exercise specific due diligence to be carried out by AIFs, managers of AIFs and their Key Management personnel, with respect to investors and investments of the AIF, to prevent facilitation of circumvention of the regulatory frameworks, are being specified in this circular.

Monitoring Shareholding of Market Infrastructure Institutions (MIIs)

- SEBI has announced a comprehensive framework to oversee shareholding limits, public shareholding requirements, and the “fit and proper” criteria for Market Infrastructure Institutions (MIIs), which encompass stock exchanges, clearing corporations and depositories. This framework applies to both listed and unlisted MIIs, mandating them to disclose their shareholding patterns quarterly on the websites in accordance with SEBI Listing Obligations and Disclosure Requirements (LODR) norms.
- Every MII is required to appoint a non – associated Designated Depository (DD) to ensure adherence to shareholding limits, with the other depository serving as the DD for Depositories. The DD will monitor breaches of the 5% and 15% threshold limits as specified under the Securities Contracts (Regulation) Act, 1956 and the Depositories Participants Regulations, respectively.
- Furthermore, the DD will notify the MII and the relevant stock exchange when the combined holding of 49% by non-residents is breached, facilitating appropriate actions.
- The provisions of this circular shall come into effect from 90th day from the date of issuance of this circular.

Process Improvements under SEBI's initiative make the sale process available to Foreign Portfolio Investors (FPIs) on settlement day itself.

- SEBI has introduced measures to speed up the availability of sale proceeds for Foreign Portfolio Investors (FPIs) bringing them on par with domestic institutional investors to boost operational efficiency. Under the new

system, in place since September 9, 2024, tax certificates for FPI sale trades executed on T day are issued by tax consultants by 9:00 AM IST on T+1 day.

- This allows FPIs to access sale proceeds, either for repatriation or for reinvestment, on the same T+1 day. It is broadly estimated that efficiency gains on account of these revised processes would be around INR 2,000 Crore per annum.

Inclusion of Mutual Fund units in the SEBI (Prohibition of Insider Trading) Regulations, 2015

- In order to strengthen the regulatory framework in relation to prohibition of insider trading in units of mutual funds, vide notification dated November 24, 2022, mutual funds units were included under the SEBI (Prohibition of Insider Trading) Regulations, 2015. The amendments notified through the notification dated November 24, 2022 shall be applicable from November 01, 2024.
- AMCs shall disclose the details of the holdings of Designated Persons of AMCs, trustees and their immediate relatives on aggregate basis from November 1, 2024 on quarterly basis in the format prescribed in the circular.
- The holdings as on October 31, 2024 shall be disclosed on the platform of the Stock Exchanges by November 15, 2024. Thereafter, for all subsequent calendar quarters AMCs shall provide the information within 10 calendar days from the end of the quarter
- Further, the details of all the transactions in the units of its own mutual funds, above the threshold amount which aggregates to a value in excess of INR 15 Lakhs, in one transaction or a series of transactions over any calendar quarter, per PAN across all schemes excluding the exempted schemes, executed by the Designated Persons of asset management company, trustees and their immediate relatives shall be reported by the concerned person to the Compliance Officer of AMC within two business days from the date of transaction in the format prescribed in the circular.

Association of Persons regulated by the Board and their agents with certain persons

- SEBI has advised that the persons regulated by the Board (including recognized stock exchanges, clearing corporations and depositories), and their agents to terminate their existing contracts, if any, with persons engaged in the activities (to provide advice or any recommendation, directly or indirectly; or makes any claim or returns) mentioned in clause (i) and (ii) of paragraph 2 of this circular within three months from the date of issuance of this circular.

Modification in Annexure to Common Application Form (CAF)

- SEBI has modified its master circular on June 27, 2024 which was issued on May 30, 2024 to provide flexibility of having up to 100% aggregate contribution by NRIs, OCIs and RI individuals in the corpus of FPIs based in IFSCs in India and regulated by IFSCA. SEBI has further modified its master circular to provide the flexibility to existing and new FPIs, following additional information clause is inserted and shall be applicable only in case of applicants based in IFSCs in India.
- “We confirm that NRIs/OCIs/RIs as investors in the FPI and contributions by single NRI/OCI/RI including those of NRI/OCI/RI controlled Investment Manager are below 25 percent of the corpus of the FPI. The aggregate contributions by NRI/OCI/RI are intended to be above 50% / are above 50% of the corpus of the FPI and we shall at all times be in compliance with the SEBI (Foreign Portfolio Investors) Regulations, 2019 and Master Circular for Foreign Portfolio Investors, Designated Depository Participants and Eligible Foreign Investors as amended from time to time. [Applicable only in case of eligible applicants from International Financial Services Centres in India]”

Annual Compliance Certificate for client level segregation by non – individual Investment Adviser and Timeline for submission of periodic reports

- ❑ SEBI has already specified that a non-individual investment adviser (IA) shall maintain on record an annual certificate from its statutory auditor confirming compliance with the client level segregation requirements as specified in Regulation 22 of the IA Regulations.
- ❑ Now, it has been decided to allow a nonindividual IA to obtain annual compliance certificate from any auditor.
- ❑ Further, SEBI has specified periodic reporting format for IAs. As a step towards ease of doing business, it has been decided to grant a period of 30 days from the end of the half-yearly period to make submission of periodic reports to Investment Adviser Administration and Supervisory Body (IAASB).

MCA

Investor Education and Protection Fund Authority (Form of Annual Statement of Accounts) Amendment Rules, 2024

- ❑ As per the amendment, in rule 5(2) of the Investor Education and Protection Fund Authority (Form of Annual Statement of Accounts) Rules, 2018 the balance sheet, Income and Expenditure account and receipt and payment account and the Schedules referred to in sub-rule (1) shall be approved and adopted by the Authority or a committee Authorised by the Authority on its behalf and for the purpose of authentication, the same shall now be signed by the Chairperson and the Chief Executive Office of the Authority instead of one member.

TAX

No TCS on RBI Payments

- ❑ The Central Government specifies that no tax collection at Source (TCS) under sub-section (1F) of Section 206C of the Income Tax Act 1961, will be applied to any payments received from the Reserve Bank of India (RBI).
- ❑ This decision, exercised under the powers conferred by sub-section (12) of Section 206C, exempts such payments from the scope of TCS.
- ❑ This regulatory change simplifies the compliance burden related transactions involving the RBI, particularly for those subject to TCS provisions under the Income Tax Act.

CBDT Notifies Amendments in Income Tax Rules for Ease in claiming Credit for TCS Collected / TDS Deducted for Salaried Employees and Enabling claiming TCS Credit of Minors in the Hands of Parents

- ❑ The Central Board of Direct Taxes (CBDT) has recently issued amendments to the Income-tax Rules aimed at simplifying the process for salaried employees to claim tax credit for Tax Collected at Source (TCS) and Tax Deducted at Source (TDS).
- ❑ With this amendment, it can be inferred that various individuals will now have the option to claim TCS credits in lieu of the original payer. Thus, it will prove particularly advantageous for individuals encountering expenses pertaining to overseas travel and education.

Extension of due date for furnishing return of income for the Assessment Year 2024-25.

- ❑ The Central Board of Direct Taxes (CBDT), extends the due date of furnishing of Return of Income under sub-section (1) of section 139 of the Act for the Assessment Year 2024-25 in the case of assessee referred to in clause (a) of Explanation 2 to sub-section (1) of section 139 of the Act, which is 31st October, 2024 to 15th November, 2024.

IFSCA

Guidelines for Utilization of office space or manpower or both by Finance Company (ies) / Unit (s) undertaking ship leasing activity in the International Financial Services Centre (IFSC)

Pursuant to the notification from the Ministry of Commerce and Industry, which amended the Special Economic Zones (SEZ) Rules to include ship leasing, IFSCA has released guidelines regarding the utilization of office space or manpower for finance companies engaged in ship leasing activities within the IFSC. This circular aims to streamline operations for finance companies in the ship leasing sector while ensuring compliance with Regulatory framework.

Format and manner of seeking authorization to commence or carry on a Payment System in an International Financial Services Centre

IFSCA vide this circular specifies the format and manner for applying to the Authority for commencing or carrying on a Payment System in an IFSC. Every person desirous of commencing or carrying on a Payment System in an IFSC shall submit the application form and additional information/submissions to the Authority as per Schedule I and II respectively given in the circular.

Framework for ESG Ratings and Data products providers in the IFSC

- ❑ Globally, the role of Environmental, Social and Governance Ratings and Data products Providers has seen a significant rise due to factors such as net zero targets in several jurisdictions and companies having their own targets to reduce carbon footprints, demand from investors for businesses to have a positive social impact and pervasiveness of transparency and governance.
- ❑ Further, various regulatory frameworks internationally require disclosures of ESG reports including sustainability reports by entities, thereby increasing the role of ESG Ratings and Data Products Providers.

IFSCA Circular on Retail Schemes Investment Limits

- ❑ The circular specifies that certain investment limits on retail schemes will not apply when investing in unlisted securities issued by open-ended investment funds regulated in their home jurisdictions.
- ❑ Specifically, 15% ceiling on investments in unlisted securities for open ended schemes, the minimum investment requirement of USD 10000 for close ended schemes, the 50% investment ceiling for close ended schemes, and the 25% limit on investments in associates are waived.
- ❑ Additionally, fund management entities (FMEs) must disclose details about underlying schemes in fund-of-funds structures within their offer documents.
- ❑ This circular comes into effect immediately.

OTHERS

India reduces arbitration time for foreign investors in UAE Agreement

- ❑ India has reduced the time period for foreign investors to seek international arbitration from five years to three years as part of the recently signed investment pact with the United Arab Emirates (UAE), a departure from its model Bilateral Investment Treaty (BIT)
- ❑ Under the Investor – State Dispute Settlement (ISDS) mechanism, if the Indian Judicial system is unable to resolve a dispute within this shortened period, investors can resort to international arbitration.