



ACQUISORY

Your Growth, Our Business

BULLETIN – NOVEMBER 2024

SEBI

Investments in Overseas Mutual Funds/Unit Trusts by Indian Mutual Funds

- ❑ SEBI has permitted mutual funds (MFs) to invest in overseas mutual funds or unit trusts that invest a portion of their assets in Indian securities, aims to ease investments in overseas mutual funds and bring transparency to investments.
- ❑ The total exposure of such funds should not be more than 25% of their assets. Fund houses will have to ensure that the contribution of all the investors of the overseas mutual fund is pooled into a single investment vehicle, with no side – vehicles including segregated portfolios, sub-funds or protected cells.
- ❑ Besides the corpus of the Overseas mutual fund is a common portfolio and all investors have pro-rata rights in the fund, wherein they receive gains from the fund in proportion to their contribution and have “pari passu” rights.

SEBI prescribes procedure for reclassification of FPI Investment to FDI

- ❑ SEBI vide this circular has modified the Procedure for reclassification of FPI investment to FDI. In case the investment made by a Foreign Portfolio Investor (along with its investor group) reaches 10% or more of the total paid up equity capital of a company on a fully diluted basis and the FPI (along with its investor group) intends to reclassify its FPI holdings as Foreign Direct Investment (FDI), it shall follow extant FEMA Rules and circulars issued thereunder in this regard.
- ❑ Pursuant to receipt of such intent from the FPI, the respective Custodian shall report the same to the Board and freeze purchase transactions by such FPI in equity instruments of such Indian company, till completion of the reclassification
- ❑ On receipt of request from the FPI for transfer of the equity instruments of such Indian company from its FPI demat account to its demat account maintained for holding FDI investments, the Custodian shall process the request if the reporting for reclassification, as prescribed by RBI, is complete in all respects.

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

- ❑ SEBI has now prescribed that the investors of a scheme of an Alternative Investment Fund (AIF) shall have rights, pro-rata to their commitment to the scheme, in each investment of the scheme and in the distribution of proceeds of such investment, except as may be specified by the SEBI from time to time.
- ❑ Further provided that the rights of investors of a scheme of an Alternative Investment Fund, other than that specified above, shall be pari-passu in all aspects. The amendments have been made with an objective to clarify the regulatory intent of Alternative Investment Funds being pooled investment vehicles and to ensure fair and equal treatment of investors of an AIF.

SEBI (Buy – Back of Securities) (Second Amendment) Regulations, 2024

- ❑ Key amendments to the 2018 regulations include changes in disclosure norms, entitlement calculations, and the record date definition
- ❑ A new proviso mandates excluding shares of promoters opting out of the buy-back from entitlement calculations.

- ❑ The “record date” has been redefined as the “date of public announcement,” and disclosure requirements for subsisting obligations, including their impact, must be included in public announcements.
- ❑ Amendments to schedules II, III, and IV introduce additional content requirements, such as detailing entitlement ratios, Registrar and Share Transfer Agent web links, and impacts of subsisting obligations on cover pages of offer letters.
- ❑ The updates aim to enhance transparency and ensure stakeholders are informed of material changes and entitlements.

RBI

RBI unveils framework for FPI to FDI investment reclassification

- ❑ RBI has introduced an operational framework for the reclassification of investments made by Foreign Portfolio Investors (FPIs) to Foreign Direct Investment (FDI).
- ❑ Currently, FPIs are allowed to hold less than 10% of the total paid-up equity capital of an Indian Company on a fully diluted basis. If this limit is breached, the FPI has the option to either divest its excess holdings or reclassify them as FDI.
- ❑ This reclassification must be done within five trading days from the date of settlement of the trades that caused the breach, subject to conditions set by the RBI and SEBI.

TAX

Cabinet approves the PAN 2.0 Project

- ❑ The PAN 2.0 Project enables technology driven transformation of Taxpayer registration services and has significant benefits including:
 - Ease of access and speedy service delivery with improved quality;
 - Single Source of Truth and data consistency
 - Eco-friendly processes and cost optimization; and
 - Security and optimization of infrastructure for greater agility

PAN 2.0 Project is an e-Governance project for re-engineering the business processes of taxpayer registration services through technology driven transformation of PAN/TAN services for enhanced digital experience of the taxpayers.

<https://pib.gov.in/PressReleaseDetail.aspx?PRID=2077608®=3&lang=1>

CBDT extends Section 92E Income Tax Return due date to December 15, 2024.

- ❑ CBDT extends due date for filing Income Tax Return under Section 92E to December 15, 2024
- ❑ Notification ensures compliance flexibility for assesseees who need to adhere to transfer pricing regulations.

IFSCA

International Financial Services Centres Authority (IFSCA) (Market Infrastructure Institutions) (Amendment) Regulations, 2024

- ❑ IFSCA has amended the Market Infrastructure Institutions Regulations inter-alia covering the insertion code of conduct for recognized market infrastructure institution; code of conduct for the governing board, directors, committee members and key management personnel; Compensation of key management personnel etc. Definition of Clearing Corporation and key Managerial Personnel has been substituted.

Modifications to IFSCA AML Guidelines

- ❑ The International Financial Services Centres Authority (IFSCA) has issued a circular w.r.t. amending Anti-Money Laundering (AML), Counter – Terrorist Financing (CFT) and Know Your Customer (KYC) guidelines.
- ❑ The two key amendments-
 - a. A new sub clause under clause 11.1 mandates regulated entities to adhere to counter measures as required by International or inter-governmental organizations, if accepted by the Indian government.
 - b. Clause 12.2 is revised to require regulated entities to provide group-wide compliance, audit and AML/CFT functions with detailed customer, account and transaction data, especially in cases where unusual activities have been analyzed

IFSCA Exempts Certain Entities from AML/CFT Guidelines

- ❑ IFSCA exempts the following entities from the applicability of the Anti-Money Laundering (AML), Counter Terrorist Financing (CTF) and Know Your Customer (KYC) Guidelines, 2022
 - a. Global in house Centres
 - b. International Branch Campuses of Foreign Universities
 - c. Financial Crime Compliance Services Providers
 - d. Financial Institutions serving only their Financial Group.
- ❑ These entities must conduct a business risk assessment and continue to comply with other relevant regulations, including the Prevention of Money Laundering Act, 2002, if any risks are identified.

OTHERS

Registration of Companies & CPSEs on Trade Receivables Discounting System platforms

- ❑ All companies registered under the Companies Act 2013 with a turnover of more than INR 250 crore and all Central Public Sector Enterprises shall be required to get themselves on boarded on the Trade Receivables Discounting System platforms, set up as per the notification of the RBI
- ❑ The onboarding process on the Trade Receivables Discounting System platforms shall be completed by 31st March, 2025.