Swift India
CORPORATE SERVICES LLP

Swift e-Bulletin

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Week – August 07th to August 12th

<u>Quote for the week:</u>

"Strive not to be a success, but rather to be of value."

– ***Albert Einstein*** *(Theoretical physicist)*

Introduction

We welcome you to our weekly newsletter!

The 'Swift e-Bulletin' - weekly newsletter, covers all regulatory updates and critical judgements passed during the week. We hope that you liked our previous editions and found it to be of great value in its content. We want this newsletter to be valuable for you so, please share your feedback and suggestions to help us improve.

Further, various regulatory authorities have been proactive in bringing significant regulatory changes in recent challenging times. This week's newsletter covers various circulars/notifications issued by certain regulatory authorities such as the Securities and Exchange Board of India ("SEBI"), Reserve Bank of India ("RBI") and International Financial Services Centres Authority ("IFSCA")

The Regulatory authorities provided various updates/relaxations, some of which being:

- SEBI issued Circular dated August 08, 2023 on Facility to remedy erroneous transfers in demat accounts.
- RBI vide Notification dated August 10, 2023 has issued Requirement for maintaining additional Cash Reserve Ratio under Section 42(1A) Reserve Bank of India Act, 1934.

We have prepared a comprehensive summary for quick reference of the aforesaid updates and Judgements / orders issued during the week of August 07th to August 12th 2023.

Thank you,
Swift team

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REGULATORY UPDATES

SEBI

1. **SEBI issued Circular dated August 08, 2023 on Facility to remedy erroneous transfers in demat accounts.**

- SEBI vide Circular dated May 17, 2023, titled "Master Circular for Stock Brokers" inter alia had specified the following as below:-

    - All off-market transfer of securities shall be permitted by the Depositories only by execution of Physical Delivery Instruction Slip (DIS) duly signed by the client himself or by way of electronic DIS. The Depositories shall also put in place a system of obtaining client's consent through One Time Password (OTP) for such off market transfer of securities from client's demat account.

- Depositories have requested SEBI to address the issue w.r.t challenges being faced with regards to obtaining OTP in case of reversal of erroneous transfers in the demat accounts.

- SEBI considering the challenges involved and in order to facilitate the reversal of erroneous transfers, has decided that a well – balanced and operational mechanism for exemption from OTP may be provided for reversal of such erroneous transfers in the demat account.

- Depositories shall constitute an internal and a joint committee for examining the intra-depository erroneous transfers respectively. Such committee shall be headed by a Public Interest Director of Depository and have a minimum of three members including the head. The depositories shall place before the committee all such instances of erroneous transfers pending for reversal.

- The committee shall examine such erroneous transfers and provide an opportunity of hearing to both the parties in the interest of principles of natural justice. The committee shall, based on the documentary evidence and the hearing, take a decision on the basis of reasons to be recorded in writing.

- Depositories shall subsequently act based on the decision of the committee and shall send an email to the registered email ID of the transferee, informing about the decision of the committee.

- Further, Para 35.11 of the SEBI "Master Circular for Stock Brokers" dated May 17, 2023 stands supplemented to the extent of provisions of the said Circular.

- Depositories shall provide a facility for the investors and DPs to add and verify the beneficiaries before execution of off-market transfers including inter-depository transfers to minimize such erroneous transfers and this shall come into ***effect from January 01, 2024***.

- Depositories shall put in place appropriate systems and procedures to ensure compliance with the provisions of this circular and disseminate the SoP on their websites and bring to the notice of their participants.

- The circular is applicable to all recognized depositories and all depository participants through recognized depositories

- The said Circular shall come into force with immediate effect.

To read the Circular in detail, please click here

2. **SEBI issued Circular dated August 07, 2023 on Transactions in Corporate Bonds through Request for Quote (RFQ) platform by FPIs.**

- SEBI has been taking steps to increase the liquidity on RFQ platform of stock exchanges and to enhance the transparency and disclosure pertaining to trading in secondary market in corporate bonds. Certain stipulations have been prescribed for transactions by SEBI registered intermediaries on RFQ platform.

- SEBI considering the above and with a view to increase liquidity on RFQ platform vis-à-vis trading in corporate bonds by FPIs, decided that FPIs shall undertake at least 10% of their total secondary market trades in Corporate Bonds by value by placing/seeking quotes on the RFQ platform of stock exchanges, on a quarterly basis.

- The Circular shall be applicable to all Foreign Portfolio Investors ("**FPIs**") and all Designated Depository Participants ("**DDPs**") and Custodians.

- The said Circular shall come into ***effect from October 01, 2023***.

To read the Circular in detail, please click here.

3. **SEBI issued Circular dated August 09, 2023 on Reduction of timeline for listing shares in Public Issue for existing T+6 days to T+3 days.**

- As consequent to extensive consultation with the market participants and considering the public comments, it has been decided to reduce the time taken for listing of specific securities after the closure of public issue to 3 working days (T+3 days) as against the present requirement of 6 working days (T+6 days), "T" being issue closing date.

- Accordingly, the revised timelines for listing of specific securities and various activities involved in the public issue process are specified in an Annexure to the said Circular.

- The T+3 timeline for listing shall be appropriately disclosed in the Offer Documents of public issues.

- The timelines for submission of application, allotment of securities, unblocking of application monies and listing shall prominently be made a part of pre-issue, issue opening and issue closing advertisements issued by the Issuer for public issues in terms of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("ICDR Regulations").

- For Direct Bank ASBA and Syndicate ASBA applications, prior to blocking of ASBA application monies in the bank account of the applicant, the SCSBs shall ensure the measures provided under the said Circular.

- The Registrar to an Issue shall undertake third-party verification of the applications by matching the PAN available in the demat account with the PAN available in the bank account of the applicant. In instances of mismatch, such applications shall continue to be considered as invalid applications for finalising the basis of allotment.

- Lock-in of pre-issue shares shall be made effective in compliance with ICDR Regulations. Further, the operationalization of lock-in shall be in line with the Standard Operating Procedure (SOP) of Depositories issued vide circular/communique dated August 08, 2023

- In partial modification to Circulars dated March 16, 2021 and April 20, 2022, the compensation to investors for delay in unblocking of ASBA application monies (if any) shall be computed from T+3 day.

- Notwithstanding anything contained in Schedule VI of the ICDR Regulations, the provisions of this circular shall be applicable, On voluntary basis for public issues opening on or after September 1, 2023 and Mandatory for public issues opening on or after December 1, 2023.

- The said Circular shall be applicable to Recognized Stock Exchanges, Depositories, Registered Stock Brokers, Registered Merchant Bankers, Registered Registrars to an Issue and Share Transfer Agents, Registered Depository Participants, Registered Bankers to an Issue, Self Certified Syndicate Banks ("SCSBs") and National Payment Corporation of India.

- The timelines prescribed for public issues as mentioned in SEBI Circulars dated November 1, 2018, June 28, 2019, November 8, 2019, March 30, 2020, March 16, 2021, June 2, 2021, and April 20, 2022 shall stand modified to the extent stated in said Circular.

To read the Circular in detail, please click here.

4. **SEBI updated Master Circular on Online Resolution of Disputes in the Indian Securities Market as on August 11, 2023**

- SEBI dated July 31, 2023 has issued Master Circular on Online Resolution of Disputes in the Indian Securities Market.

- The said Circular has now been updated as on August 11, 2023.

- SEBI vide the said Circular has rescinded few of the contents issued by various Circulars inter alia Circular dated October 28, 2013, July 4, 2022, June 3, 2022, May 30, 2022, April 08, 2022 etc.

- SEBI after extensive public consultations and in furtherance of the interests of investors ,consequent to the gazette notification dated July 3, 2023 w.r.t SEBI (Alternative Dispute Resolution Mechanism) (Amendment) Regulations, 2023 the existing dispute resolution mechanism in the Indian securities market is being streamlined under the aegis of Stock Exchanges and Depositories (collectively referred to as Market Infrastructure Institutions "MIIs"), by expanding their scope and by establishing a common Online Dispute Resolution Portal ("ODR Portal") which harnesses online conciliation and online arbitration for resolution of disputes arising in the Indian Securities Market.

- The provision of the said Circular will be implemented in phases as i.e., First phase and Second Phase as mentioned under the said Master Circular.

- The said Circular shall be applicable to all recognized stock exchanges (including commodity derivatives, all clearing corporations, all depositories, all stock brokers, all depository participants, all listed companies, all SEBI registered Intermediaries / all SEBI Regulated Entities.

- The Market Participants are directed to bring the provisions of this circular to the notice of the investors/clients and also to disseminate the same on their website.

To read the Circular in detail, please click here.

5. **SEBI vide Circular dated August 10, 2023 issued the procedure for the seeking of the approval for change in control.**

- SEBI vide Circular no. CIR/MIRSD/14/2011 dated August 02, 2011 specified the procedure for seeking prior approval for change in control of intermediaries.

- Regulation 9A(1)(a) of SEBI (Merchant Bankers) Regulations, 1992 specifies that Merchant Bankers and Regulation 8A(1)(a) of SEBI (Bankers to an Issue) Regulations, 1994 specifies that Bankers to an issue shall be needed to seek prior approval from SEBI in case of change in Control.

- The process to obtaining the approval for proposed change in control of the Merchant Bankers and the Bankers to an issue is streamlined as follows

    - Intermediary to make an application to SEBI Intermediary Portal ('SI Portal') at https://siportal.sebi.gov.in.
    - The online application shall be accompanied by inter-alia the following information/declaration undertaking about itself, the acquirer(s)/the person(s) who shall have the control and the directors/partners of the acquirer(s)/ the person(s) who shall have the control

        (i) Current and proposed shareholding pattern of the intermediary;
        (ii) Whether prior application was made and rejected;
        (iii) Whether any action has been initiated/taken under Securities Contracts (Regulation)Act, 1956 (SCRA)/Securities and Exchange Board of India Act, 1992 (SEBI Act) or rules and regulations made thereunder;
        (iv) Details about pending investor complaints, if any;
        (v) Details of litigation, if any;
        (vi) Declaration cum undertaking on matters in the Circular of the intermediary and the acquirer(s)/person(s) in control duly stamped as per Format specified in Annexure A.
        (vii) In case the incumbent intermediary is a registered stock broker, clearing member, depository participant, in addition to the above, it shall obtain approval/NOC from all the stock exchanges/clearing corporation/depositories, where the incumbent is a member/depository participant and submit self-attested copy of the same to SEBI.

    - The prior approval shall be valid for a period of 6 months from the date of issue of SEBI approval within which the applicant shall file application for fresh registration pursuant to change in control.

- In order to streamline the approval process in matters which involve scheme(s) of arrangement which needs sanction from NCLT in line with Companies Act, 2013; following has been decided

    - Application to be filed with SEBI prior to filling with NCLT
    - SEBI to grant in-principle approval which shall be valid for a period of 3 months from issuance
    - Within 15 days of NCLT approval, intermediary to submit to SEBI for final approval all the documents mentioned below

        (i) NCLT order approving the scheme
        (ii) Copy of approved scheme

(iii) Statement explaining the modifications, if any

(iv) Details of compliance with conditions/observations, if any mentioned in in-principle approval granted by SEBI.

- This Circular supersedes the circular no. CIR/MIRSD/14/2011 dated August 02, 2011 with respect to the Merchant Bankers and Bankers to an issue.

- This Circular shall come into effect from September 01, 2023.

To read the Circular in detail, please click here.

6. **SEBI issued Circular on Simplification of KYC process and rationalisation of Risk Management Framework at KYC (Know Your Client) Registration Agencies (KRAs) vide Circular dated August 11, 2023.**

- Based on the feedback received from the market participants and the ease of doing business with respect to circular SEBI/HO/MIRSD/DoP/P/CIR/2022/46 dated April 06, 2022 which specified the framework for validation of records by KRAs in securities market, the provisions of the circular have been reviewed in order to simplify the KYC process and rationalise the risk management framework.

- KYC process consists of obtaining the PAN being the unique identity number of the participants and Proof of address (PoA) of the clients.

- As soon as the KYC Process is completed, the client shall be allowed to open an account with the intermediaries.

- Within 2 days of receipt of KYC Form; the KRAs shall verify the records along with the mobile numbers and email id as a part of the Risk Management Framework.

- Clients in whose case, attributes of records cannot be verified, shall not be allowed to transact further in securities market until the attributes are verified and for those whose records are verified shall be considered as "Validated Records".

- The records which are validated shall be allowed "portability"; which means the client need not undergo KYC every time they change the intermediary and the same shall be fetched from the KRA database.

- The KRAs shall develop systems/mechanism, in co-ordination with each other, and shall follow uniform internal guidelines/standards detailing aspects of identification of attributes and procedures for verification/ validation, in consultation with SEBI.

- SEBI circular SEBI/HO/MIRSD/DoP/P/CIR/ 2022/46 dated April 06, 2022 will be rescinded from September 01, 2023 and the August, 2023 Circular shall be effective.

To read the Circular in detail, please click here.

7. **SEBI vide Circular dated August 11, 2023 issued the Timeline for the Exit Option Window Period for Change in Control of Asset Management Companies (AMC).**

- Procedure for the change in the control of AMC has been prescribed in Master Circular no.SEBI/HO/IMD/IMD-PoD-1/P/CIR/2023/74 dated May 19, 2023; however considering the growth in technological communication has enabled faster dissemination of information to unitholders request has been made to review the timelines.

- Para 17.8.1 (III) of the above mentioned Master Circular shall be read as under

  "*The unitholders are given an option to exit on the prevailing Net Asset Value (NAV) without any exit load within a time period not less than 15 calendar days from the date of communication. However, in case of change in control resulting in consolidation or merger of schemes, the unitholders are given an option to exit on the prevailing Net Asset Value (NAV) without any exit load within a time period not less than 30 calendar days from the date of communication.*"

- The other provisions of the Master Circular shall remain unchanged; while AMCs are being directed to make necessary changes in the facilities till September 10, 2023.

To read the Circular in detail, please click here.

RBI

1. **RBI vide Notification dated August 10, 2023 has issued Requirement for maintaining additional Cash Reserve Ratio under Section 42(1A) Reserve Bank of India Act, 1934.**

- As per Section 42(1) of the Reserve Bank of India Act, 1934, all Schedule Banks are required to maintain with RBI a Cash Reserve Ratio of 4.50 per cent of Net Demand and Time Liabilities ("**NDTL**")

- On a review of the current liquidity conditions, it has been decided to issue a directive under Section 42(1A) of the Reserve Bank of India Act, 1934 requiring all Scheduled Commercial Banks / Regional Rural Banks / all Scheduled Primary (Urban) Co-operative Banks / all Scheduled State Co-operative Banks to maintain with the Reserve Bank of India, effective from the fortnight beginning August 12, 2023, an incremental CRR (I-CRR) of 10 per cent on the increase in NDTL between May 19, 2023 and July 28, 2023. The I-CRR will be reviewed on September 8, 2023 or earlier.

- The said Notification shall be applicable to The Chairperson / CEOs of all Scheduled Commercial Banks / Regional Rural Banks / All Scheduled Primary (Urban) Co-operative Banks / All Scheduled State Co-operative Banks.

To read the Notification in detail, please click here.

IFSCA

1. **IFSCA issued Circular on Bullion Trading Members and Clearing Members in IFSC dated August 07, 2023 issued.**

- IFSCA's Circular F.No.329/IFSCA/Bullion MIIs/2021 dated September 17, 2021 detailed about the criteria for the on-boarding of the existing registered embers in GIFT-IFSC and the entry of new entities.

- Point 3 and 4 of the 2021 Circular specifies the Net Worth Criteria and the Base Minimum Capital required for the members for initial 6 months from the date of operationalization of Bullion Exchange.

- Pursuant to the Circular dated January 27, 2023; the period of 6 months stated above has been increased by a further period of 6 months ie. till July 28, 2023.

- The aforesaid Circular dated August 07, 2023 extends the tenure till the time IFSCA issues revised guidelines/handbook/circular specifying the requirements of minimum Net worth and Base Minimum Capital for Bullion intermediaries subject to a further period of 6 months ie. till January 28, 2023.

To read the Circular in detail, please click here.

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About Swift

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