Swift e-Bulletin

Edition 30th 23-24

Week – December 11 to December 16

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

"I don't believe in mistakes. Everything happens for a reason."

– *Kim Namjoon (Musician, one of the youngest recipient of Order of Cultural Merit)*

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**") and Reserve Bank of India ("**RBI**")

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

- SEBI vide circular dated December 11, 2023 issued a Circular on Credit of units of Alternative Investment Funds (AIFs) in dematerialized form.

- SEBI vide circular dated December 12, 2023 issued a Circular on upstreaming of clients' funds by Stockbrokers (SBs) / Clearing Members (CMs) to Clearing Corporations (CCs).

We have prepared a comprehensive summary for quick reference of the aforesaid updates and Judgements / orders issued during the week December 11th to December 16th.

Thank you,
Swift team

REGULATORY UPDATES

SEBI

1. **SEBI vide circular dated December 11, 2023 issued a Circular on Credit of units of Alternative Investment Funds (AIFs) in dematerialized form.**

- SEBI vide Circular no. SEBI/HO/AFD/PoD1/CIR/2023/96 dated June 21, 2023 mandated to dematerialize units of all schemes of AIFs in the prescribed timeline.

- Basis the Corpus the timelines for dematerialization were stipulated

  - Having Corpus of more than equal to INR 500 Crore: Dematerialize the units by October 31, 2023 and issue units only in dematerialized form November 01, 2023 onwards;

  - Having less than INR 500 Crore: Dematerialize the units by April 30, 2024 and issue units only in dematerialized form May 01, 2024 onwards.

- Basis the feedback received from the stakeholders as the AIFs with corpus more than INR 500 Crore have already started the process of dematerialization, it has been decided to specify the process to be followed for dematerialization as well as for crediting the units issued as a reference for the investors proposed to provide Demat account details.

- Managers will continue to reach out to existing investors to obtain their Demat account details and credit the units issued to them to their respective Demat accounts with the assistance of Depositories.

- Units already issued to investors who have not yet provided their Demat Account details, shall be credited to a separate Demat Account which goes by the name "*Aggregate Escrow Demat Account*", which shall solely hold Demat Units of AIFs on behalf of the investors.

- Pursuant to the investors providing the Demat Account details, their units shall be transferred from Aggregate Escrow Demat Account to their respective Demat Accounts within 5 working days.

- This Circular also gives a timeline for AIFs to transfer the Units to respective Accounts

	AIF Corpus more than equal to INR 500 Crore as on October 31, 2023	AIF Corpus less than INR 500 Crore as on October 31, 2023 and for schemes launched after October 31, 2023

Existing Investors who haven't provided their details	Units shall be credited into Aggregate Escrow Demat Account latest by January 31, 2024	Shall credit into Aggregate Escrow Demat Account latest by May 10, 2024
Existing Investors who have provided their details	Units shall be credited into respective Investors' Demat Account latest by January 31, 2024	Shall credit into respective Investors' Demat Account latest by May 10, 2024

- Managers of AIFs shall maintain investor-wise KYC details of units held in Aggregate Escrow Demat Account, including name, PAN and bank account details, along with audit trail of the transactions. The same shall also be reported to Depositories and Custodians on a monthly basis.

- Managers shall adhere to the implementation standards formulated by the SFA, in consultation with SEBI, which are ought to be published on the websites of Depositories and the industry associations which are part of the SFA, i.e., Indian Venture and Alternate Capital Association (IVCA), PEVC CFO Association and Trustee Association of India, within 45 days of issuance of the said Circular.

- Depositories are directed to make necessary amendments to the Bye-Laws, Rules and Regulations along with bringing the provisions of this Circular to the notice of the stakeholders.

- The said Circular shall come into effect immediately.

To read the Circular in detail, please click here.

2. **SEBI vide circular dated December 12, 2023 issued a Circular on upstreaming of clients' funds by Stockbrokers (SBs) / Clearing Members (CMs) to Clearing Corporations (CCs).**

- SEBI vide circular no. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/084 dated June 08, 2023, and vide circular no. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/110 dated June 30, 2023 (collectively hereinafter referred to as "June Circulars"), had specified the framework requiring SB/CMs to upstream (i.e. placed with) clients' funds to CCs.

- Subsequently representations were received from various stakeholders viz. stockbrokers, and Brokers' associations citing certain operational difficulties in implementation and in order to address the issue, SEBI advised the industry associations to consult with MIIs under the aegis of Broker's Industry Standards Forum (**"ISF"**) and submit a proposal to SEBI so that the principle of upstreaming is complied with and operational difficulties are suitably addressed.

- The recommendations made by ISF were considered by SEBI and with a view of taking ease of doing business, the revised framework has been specified in this circular which inter-alia contains the following points:

  - Receipt/payment of funds by SBs and CMs from/to their clients
  - Upstreaming via FDRs created out of clients' funds
  - Upstreaming via pledge of units of Mutual Fund Overnight Schemes (**"MFOS"**)
  - Eligibility of bank instruments as collateral
  - Monitoring mechanisms

- The provisions of this framework shall not be applicable to bank-CMs (including Custodians that are banks), and for proprietary funds of SBs/CMs in any segment and SB's proprietary funds deposited with CM in the capacity of a client.

- This revised framework supersedes the framework issued by SEBI in June Circulars.

- The provisions of this circular shall come into force with immediate effect.

To read the Circular in detail, please click here.

RBI

1. **RBI vide notification dated December 12, 2023 issued Processing of e-mandates for recurring transactions**

- RBI vide circular dated June 16, 2022 on Processing of e-mandates for recurring transactions had granted relaxation in terms of Additional Factor of Authentication by permitting processing of e-mandates/standing instructions on cards, Prepaid Payment and Unified Payments Interface, for subsequent recurring transactions with value up to INR 15,000/-, subject to conditions listed therein.

- Further in this regard, RBI has decided to increase the limit from INR 15,000/- to INR 1,00,000/- per transaction for the following categories as below: -

  - Subscription to mutual funds
  - Payment of insurance premiums
  - Credit card bill payments

- RBI has issued the circular under the Payment of Settlement Systems Act, 2007.

- The said circular shall come into effect immediately.

To read the circular in detail, please click here.

2. **RBI vide notification dated December 11, 2023 have issued Sovereign Gold Bond (SGB) Scheme 2023-24.**

- The Ministry of Finance vide its notification dated December 08, 2023 has announced Series III and IV of Sovereign Gold Bonds Scheme 2023-2024. Under the said scheme there will be a distinct series (Series III and IV) which will be indicated on the Bond issued to the investor.

- RBI vide the said notification has issued the terms and conditions of the issuances of the Bonds.

- The Series III 2023-2024 bonds shall be open for subscription from December 18, 2023 to December 22, 2023 and the date of issuance shall be December 28, 2023.

- The Series IV 2023-2024 bonds shall be open for subscription from February 12, 2024 to February 16, 2024 and the date of issuance shall be February 21, 2024.

- The Subscription of the Gold Bonds under the scheme shall be open from Monday to Friday as per the dates specified, provided the Central Government may with prior notice, close the Scheme at any time before the specified period.

- Subscription for the Bonds may be made in the prescribed application form **FORM A** or in any other form as near as thereto, stating clearly the units (in grams) of gold and the full name and address of the applicant.

- Every application required to be accompanied by valid 'PAN details' issued by the Income Tax Department to the investor(s)

- Designated Schedule Commercial Banks, Designated Post Offices, Stock Holding Corporation of India Ltd, Clearing Corporation of India Ltd. and the recognized stock exchanges, viz National Stock Exchange of India Ltd. and Bombay Stock Exchange Ltd. shall be the receiving offices who are authorized to receive applications for the Bonds either directly or through agents or render all services to the customers.

- The receiving office shall issue an acknowledgement receipt in **Form B** to the applicant.

- All online applications shall be accompanied by email Id of the investor/s which shall be uploaded on the Ekuber portal of Reserve Bank of India along with the subscription details.

- Further, in addition to receipt of application, the Receiving Offices are also entrusted with the responsibility of providing service to the investors of the SGB and are required to be guided by the instructions issued by the Reserve Bank of India in this regard from time to time.

- With a view to facilitate availability of all current operative instructions regarding servicing of these bonds at one place, RBI has issued Consolidated Procedural Guidelines vide circular dated October 22, 2021 (updated as on October 04, 2022).

- Further, all other terms and conditions specified in the notification of the Ministry of Finance (Department of Economic Affairs) on Sale of Government of India Securities dated March 27, 2018 shall be applicable to the Bonds.

To read the notification in detail, please click here.

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About Swift

Swift India Corporate Services LLP ("Swift") (Formerly known as SwiftIndiaInc Corporate Services Private Limited) established in the year 2005, is an associate entity of Nishith Desai Associates — Legal & Tax Counseling Worldwide (legal and tax consulting firm).

We are a team of professionals with rich corporate, legal and secretarial backgrounds. We are a premier corporate compliance firm that caters to the needs and demands of our global clients. Swift aims to provide quick and pragmatic corporate solutions alongside high-quality compliances.

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