Swift India
CORPORATE SERVICES LLP

Swift e-Bulletin

Week – May 13th to May 18th

Quote for the week:

"The road to success and the road to failure are almost exactly the same."

– Colin R. Davis *(English Conductor)*

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 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 SEBI Orders ("**Orders**")

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

- **SEBI vide circular dated May 13, 2024, issued Certification requirement for key investment team of manager of AIF.**

- **SEBI vide circular dated May 14, 2024 issued circular on Review of validation of KYC records by KRAs under Risk Management Framework.**

We have prepared a comprehensive summary for quick reference of the aforesaid updates and Judgements/ orders issued during the week of May 13th to May 18th.

Thank you, Swift team

SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI)

1. SEBI vide circular dated May 13, 2024, issued Certification requirement for key investment team of manager of AIF

- As per regulation 4(g)(i) of SEBI (Alternative Investment Funds) Regulations, 2012, the key investment team of the Manager of an Alternative Investment Fund (AIF) shall have at least one key personnel with relevant certification as may be specified by SEBI from time to time, as an eligibility criterion for obtaining certification of registration as an AIF. The said Regulation has come into with effect from May 10, 2024.

- Further, as on May 10, 2024 SEBI (Certification of Associated Persons in the Securities Markets) Regulations, 2007 have also been amended and notified as below:-

    - ‘At least one key personnel, amongst the associated persons functioning in the key investment team of the Manager of an Alternative Investment Fund, shall obtain certification from the National Institute of Securities Market by passing the NISM Series-XIX-C: Alternative Investment Fund Managers Certification Examination as mentioned in the communiqué No. NISM/ Certification/ Series-XIX-C: Alternative Investment Fund Managers/2024/01 dated January 10, 2024 issued by the National Institute of Securities Market.’

- SEBI in this regard has specified the requirement for at least one key personnel of the key investment team of manager of AIF to obtain the aforesaid certification, shall be applicable as an eligibility criterion to all the applications for registration of AIFs and launch of schemes by AIFs filed after May 10, 2024.

- The aforementioned requirement of obtaining the certification shall be complied with on or before May 09, 2025, for the following: -

    - Existing schemes of AIFs; and
    - Schemes of AIFs whose application for launch of scheme pending with SEBI as on May 10, 2024.

- As the case may be the trustee/sponsor of AIF, shall ensure that the ‘Compliance Test Report’ prepared by the manager in terms of SEBI Master Circular dated May 07, 2024.

- The said circular shall be applicable to all alternative Investment Funds.

- The circular shall come into force with immediate effect.

To read the circular in detail, please click here.

2. **SEBI vide circular dated May 14, 2024 issued circular on Review of validation of KYC records by KRAs under Risk Management Framework**

- SEBI vide circular dated October 12, 2023, has specified the Risk Management Framework at KRAs wherein the attributes for verification by KRAs have been mentioned.

- Based on the feedback received from the stakeholders in securities market and for ease of transacting by clients, the provisions of the Master Circular dated October 12, 2023 have been reviewed and it has been decided to simplify the risk management framework.

- Considering the above, the following clauses of the master circular shall stand modified:-

  - Para 96 shall read as follows "As a part of risk management framework, the KRAs shall verify the certain attributes of records of all clients within 2 days of receipt of KYC records such as Permanent Account Number, Name, Address"

  - Para 100 shall be read as "The records of those clients in respect of which all attributes mentioned in para 96 / 97 above are verified by KRAs with official databases (such as Income Tax Department database on PAN, Aadhaar XML / Digilocker / M-Aadhaar) and PAN-Aadhaar linkage has also been verified as referred to in Rule 114 AAA of the Income Tax Rules, 1962 shall be considered as Validated Records.

- Further, the Exchanges / Depositories / concerned intermediaries shall complete the necessary technical change in their systems by May 31, 2024.

To read the circular in detail, please click here.

SEBI ORDERS

1. ADJUDICATION ORDER IN THE MATTER OF MUZALI ARTS LIMITED

Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") conducted examination into the regular compliances of Muzali Arts Limited (hereinafter referred to as Noticee 1). During the examination, SEBI observed the non-compliances of Regulation 160(f) of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (hereinafter referred to as **'ICDR Regulations'**) by Noticee 1 and Regulation 6(2)(b) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as **LODR Regulations**) by Mr. Rohit Raghunath Jadhav (hereinafter referred to as **Noticee 2**) (Noticee 1 and Noticee 2 hereinafter collectively referred to as **Noticees**).

SEBI initiated the Adjudication proceedings and the Adjudicating Officer ("**AO**") was appointed to inquire into and adjudge for the aforesaid alleged violations by the Noticees. Accordingly, a show cause notice was issued to the Noticees to show cause as to why an inquiry should not be held and penalty be not imposed under section 15HB of the SEBI Act for the aforesaid alleged violations.

During the investigation, it was observed that the Noticee 1 made an application for in-principle approval to BSE for the proposed preferential issue of equity shares with a delay of 10 days, hence violated the above-mentioned regulations.

After considering all the facts and the circumstances of the case, and the material available on record, the AO imposed a penalty of INR 2,00,000/- on the Noticee 1 for violation of SEBI Regulations.

To read the order in detail, please click here.

2. ADJUDICATION ORDER IN THE MATTER OF TRADE 26 RESEARCH, UNREGISTERED INVESTMENT ADVISORY ACTIVITY CARRIED OUT BY ABID ALI

Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") conducted examination in the matter of unregistered investment advisory activities carried out by Shri Abid Ali of Trade 26 Research (hereinafter referred to as the "**Noticee**"), an Authorized Person (Registration No. AP01061201151994 dated May 17, 2023) of Angel One Limited (hereinafter referred to as the **"AOL"**) to ascertain possible violations of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "**SEBI Act"**), Rules and Regulations thereunder.

SEBI initiated the Adjudication proceedings and the Adjudicating Officer ("**AO**") was appointed to inquire into and adjudge for the aforesaid alleged violations by the Noticee. Accordingly, a show cause notice was issued to the Noticee to show cause as to why an inquiry should not be held and penalty be not imposed under section 15HB of the SEBI Act for the aforesaid alleged violations.

During the investigation, it was observed that the Noticee was allegedly offering the Investment Advisory services without obtaining SEBI Registration in lieu of the fee through its website Trade 26 Research and was disseminating false and misleading information through its website, which was likely to influence the decision of investor in securities market and was allegedly mis-selling the securities by making false assurances/promises along with claims of assured return.

After considering all the facts and the circumstances of the case, and the material available on record, the AO imposed a penalty of INR 9,00,000/- on the Noticee for violation of SEBI Regulations.

To read the order in detail, please click here.

3. ADJUDICATION ORDER IN THE MATTER OF RELIANCE HOME FINANCE LIMITED

Securities and Exchange Board of India (hereinafter being referred to as "**SEBI**") had carried out examination in the matter of Reliance Home Finance Limited (hereinafter referred to as "**Noticee**"), regarding inadequate disclosures / non-disclosure pertaining to NCLT Order dated June 21, 2021. The examination was conducted to check compliance of provisions of regulations of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as "**LODR Regulations, 2015**") read with Clause 2 of Listing Agreement.

SEBI initiated the Adjudication proceedings and the Adjudicating Officer ("**AO**") was appointed to inquire into and adjudge for the aforesaid alleged violations by the Noticee. Accordingly, a show cause notice was issued to the Noticee to show cause as to why an inquiry should not be held and penalty be not imposed under section 15HB of the SEBI Act for the aforesaid alleged violations.

During the investigation, the following allegations were levelled against the Noticee:

- Non-disclosure of NCLT Order dated June 21, 2021 and subsequent events;
- Delayed disclosure of information regarding approval of resolution plan by lenders of the Noticee.

After considering all the facts and the circumstances of the case, and the material available on record, the AO is of the view that disclosures requirements under the respective regulations serve very important purposes. The stock exchange is informed via disclosures so that the investing public can take informed decision regarding the company. Further, timely and accurate disclosures are also the pillars of good corporate governance. Hence, the AO imposed a penalty of INR 8,00,000/- on the Noticee for violation of SEBI Regulations.

To read the order in detail, please click here.

DISCLAIMER:

The contents of this newsletter should not be construed as a legal opinion. View detailed disclaimer.

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answer your questions

About Swift

Swift India Corporate Services LLP ("Swift") (Formerly known as SwiftIndiaInc Corporate Services Private Limited) established in the year 2005, is an affiliate entity of Nishith Desai Associates ("NDA"), a preeminent India centric law firm. We are a premier and boutique firm specialized in meeting with the global standard corporate governance aspirations of our clients operating in India.

Our team comprises of professionals with a prolific corporate, legal and secretarial compliance background. We aim to provide pragmatic and business-oriented solutions in governance and compliance matters, through a unique holistic approach that blends our expertise and decades of experience in compliance and regulatory areas.

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