Swift e-Bulletin

Week – November 18th to November 23rd

Quote for the week:

"Do what you can, with what you've got, where you are."

– Teddy Roosevelt (U.S. president)

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 Securities and Exchange Board of India ("**SEBI**"), & International Financial Services Centres Authority **("IFSCA").**

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

- **SEBI vide circular dated November 21, 2024 issued circular on withdrawal of Master Circular on issuance of No Object Certificate (NOC) for release of 1% of Issue Amount**

- **IFSCA vide notification dated November 22, 2024 issued modifications under the International Financial Services Centres Authority (Anti Money Laundering, Counter – Terrorist Financing and Know Your Customer) Guidelines, 2022**

We have prepared a comprehensive summary for quick reference of the aforesaid updates and Judgements/ orders issued during the week of November 18th to November 23rd.

Thank you, Swift team

SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI)

1. **SEBI vide circular dated November 21, 2024 issued circular on withdrawal of Master Circular on issuance of No Object Certificate (NOC) for release of 1% of Issue Amount**

   - SEBI in order to facilitate ease of doing business to Issuer company, has dispensed the requirement to deposit 1% of the issuer size available for subscription to the public with the designated stock exchange by the Issuer company under regulation 38 (1) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.

   - The Master circular dated November 07, 2022, on Issuance of No Objection Certificate for release of 1% of Issue amount stands withdrawn consequent to amendment of ICDR Regulations vide gazette notification dated May 17, 2024.

   - Further, the Stock Exchanges shall frame a joint standard operating procedure for release of 1% security deposit that were deposited with stock exchanges by the issuer prior to abovementioned amendments in ICDR Regulations, 2018.

   - The said circular shall be applicable to all listed entities, all recognized stock exchanges and all registered merchant bankers.

   - The said circular shall be applicable with immediate effect.

   To read the circular in detail, please click here.

2. **SEBI vide circular dated November 18, 2024, issued circular amendment to Para 15 of Master Circular for Credit Rating Agencies (CRAs) dated May 16, 2024 ("Master Circular")**

   - SEBI vide Annexure 11 of the Master Circular, definition of default for debentures bonds is specified as "A delay of 1 day even of 1 rupee (of principal or interest) from the scheduled repayment date". No exemption is provided from the above, except in case of rescheduling of the debt instrument by the lenders prior to the due date of payment. Therefore, any other instance of a one - day delay in payment or one rupees shortfall in payment shall be recognized by the CRA as default. Such requirement is reiterated and remains unchanged from since the notification of the SEBI (Credit Rating Agencies) Regulations, 1999.

   - In the wake of COVID -19 pandemic, with a view to providing some flexibility to CRAs in taking appropriate view in case of defaults corrected by the rated entity with a relatively shorter span of time, the following provision on post-default curing period was introduced vide SEBI Circular dated May 21, 2020 which is contained in Para 15 of the Master circular.

   - Further it has been decided that in the aforesaid scenario, the CRA shall confirm and verify the availability of adequate fund with the issuer and also confirm and verify the proof of failure of the required payment of debt, the reasons for failure being as specified above and amount duly paid intor separate escrow account.

   - Accordingly, the term "technical default" is hereby omitted from Para 15.3 of the Master circular and the said para stands modified as under:

"The policies framed as above may include scenarios like change in management, acquisition by another firm, sizeable inflow of long - term funds or benefits arising out of a regulatory action etc, which fundamentally after the credit risk profile of the defaulting firm."

- The circular shall be applicable with immediate effect.

- The provision is applicable to All Registered Credit Rating Agencies, All Registered Debenture Trustees, Issuers who have listed and/or proposed to be listed Non – Convertible Securities, Securitized Debt Instruments, Security Receipts, Municipal Debt Securities or Commercial Paper Recognized Stock Exchanges, All Depositories registered with SEBI.

- The said circular shall be applicable with immediate effect.

To read the circular in detail, please click here.

INTERNATIONAL FINANCIAL SERVICES CENTRES AUTHORITY (IFSCA)

1. **IFSCA vide notification dated November 22, 2024 issued modifications under the International Financial Services Centres Authority (Anti Money Laundering, Counter – Terrorist Financing and Know Your Customer) Guidelines, 2022**

   - IFSCA has drawn reference to the International Financial Services Centres Authority (Anti Money Laundering, Counter-Terrorist Financing and Know Your Customer) Guidelines, 2022 vide notification dated October 28, 2022.

   - Further ISFCA under section 12 of the International Financial Services Centres Authority Act, 2019, read with Rule 9 (14) of Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, hereby specifies the below modifications to the Guidelines:

   - After sub-clause (c) of clause 11.1 of the Guidelines, the following sub-clause shall be inserted: "(d) the Regulated Entity shall adhere to the countermeasures when called upon to do so by any international or intergovernmental organisation of which India is a member and accepted by the Central Government."

   - The sub-clause (e) of clause 12.2 of the Guidelines, shall be substituted as under: "(e) provides its Group-wide compliance, audit and AML/CFT functions of customer, account, and transaction information from its branches and subsidiaries, including information and analysis of transactions or activities which appear unusual, if such analysis has been conducted, when necessary for the purposes of ML/TF risk management. Similarly, branches and subsidiaries should receive such information from these group-level functions when it is relevant and appropriate for effective risk management."

   - Further, all other provisions of the Guidelines and Circulars issued thereunder from time to time shall remain unchanged.

   - The said circular shall be applicable to the regulated entities in IFSCA.

   To read the notification in detail, please click here.

2. **IFSCA vide notification dated November 18, 2024 issued Exemption to certain entities/activities from the applicability of International Financial Services Centres Authority (Anti Money Laundering, Counter-Terrorist Financing and Know Your Customer) Guidelines, 2022**

   - On the basis of representations received to examine the applicability of the Guidelines to certain entities/activities in International Financial Services Centre from market participants IFSCA exempts following entities / activities from the applicability of the International Financial Services Centres Authority (Anti Money Laundering, Counter-Terrorist Financing and Know Your Customer) Guidelines, 2022 (hereinafter referred as 'Guidelines').

     - 'Global-in-House Centre' registered under IFSCA (Global In-House Centres) Regulations, 2020

     - International Branch Campus' ("IBC") or an 'Offshore Educational Centre' ("OEC") of a Foreign University or a Foreign Educational Institution registered under IFSCA (Setting up and Operation of International Branch Campuses and Offshore Education Centres) Regulations, 2022

- Financial Crime Compliance Services Provider' registered under IFSCA (Book-keeping, Accounting, Taxation and Financial Crime Compliance Services) Regulations, 2024

- A Financial Institution providing services only to the entities in its 'Financial Group' which are located in a country not identified in the public statement of FATF as 'High-risk jurisdictions subject to call for action'. Any financial institution undertaking transactions through third-party business / service providers in the course of their operations, shall undertake business risk assessment and comply with incidental provisions of the Guidelines.

▪ All above exempted entities shall transact or receive the monetary consideration (i.e. funds/fees/amount) only through an account maintained with a Banking Unit in IFSC.

▪ All exempted entities shall comply with Business Risk Assessment and document the same & If any AML/CTF risk arises then such entities shall comply with the Guidelines.

To read the circular in detail, please click here.

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+91 22 6669 5000

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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 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.

Swift India Corporate Services LLP

Regd. Office: 91-92 B, Mittal Court, Nariman Point, Mumbai 400 021, India
LLPIN: AAH-4705, registered under the Limited Liability Partnership Act, 2008
Tel +91 22 6669 5000, Fax +91 22 6669 5001

Website:
https://swiftindiallp.com/

Contact:
swift@nishithdesai.com

Core Team:
Ms. Hetal Pandya - hetal.pandya@nishithdesai.com
Mr. Maulin Salvi – maulin.salvi@nishithdesai.com
Mr. Santosh Gangavati – santosh.gangavati@nishithdesai.com
Mr. Chandrashekar K – chandrashekar.k@nishithdesai.com

Principal Advisor:
Mr. Janak C. Pandya – janak.pandya@nishithdesai.com