Swift India
CORPORATE SERVICES LLP

Swift e-Bulletin

Week – July 01st to July 06th

Quote for the week:

“Out of your vulnerabilities will come your strength”

– Sigmund Freud (Austrian neurologist)

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 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**”), International Financial Services Centres Authority (“**IFSCA**”) and Ministry of Corporate Affairs (“**MCA**”).

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

- **SEBI issues Circular dated July 01, 2024 for dispatch of Consolidated Account Statement (CAS) for all securities assets.**

- **MCA issues Circular dated July 04, 2024 on migration of Form BEN-2, -MGT-6 from V2 Version to V3 Version.**

We have prepared a comprehensive summary for quick reference of the aforesaid updates and Judgements/ orders issued during the week of July 01st to July 06th.

Thank you, Swift team

SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI)

1. **SEBI issues Circular dated July 01, 2024 on charges levied by Market Infrastructure Institutions – True to Label.**

   - SEBI vide this Circular inform that Market Infrastructure Institutions (MIIs) being public utility institutions act as first level Regulator and are entrusted with the responsibility of providing equal, unrestricted, transparent and fair access to all market participants. The principle of equal, fair and transparent access by MIIs is highlighted in Regulation 39 (3) of Securities Contracts (Regulations) (Stock Exchange and Clearing Corporations) Regulations, 2018 and Regulation 82 of SEBI (Depositories and Participants) Regulations, 2018.

   - Further SEBI upon examination of existing processes related to charges levied by MIIs on their members (i.e. stockbrokers, depository participants, clearing members), it was observed that a volume-based slab-wise charge structure is followed by some MIIs.

   - These charges are levied in lieu of various services offered by MIIs and are recovered from the end clients by members and generally recover such charges from the end clients on daily basis. MIIs receive aggregate charges from the members on monthly basis.

   - The aforesaid matter was deliberated with the Secondary Market Advisory Committee (SMAC) of SEBI, wherein it was observed that in addition to impacting transparency, the existing slab-wise charge structure of MIIs can also create a hindrance for the MIIs in ensuring equal and fair access to all market participants.

   - In views of foresaid concern and as per deliberations with SMAC, it has been decided that the MIIs would comply with following additional principles while designing the processes for charges levied on their members which are to be recovered from the end clients:

     - The MII charges which are to be recovered from the end client should be True to Label if certain MII charge is levied on the end client by members (i.e. stock brokers, depository participants, clearing members) it should be ensured by MIIs that the same amount is received by them;

     - The charge structure of the MII should be uniform and equal for all its members instead of slab-wise viz. dependent on volume/activity of members.

     - To begin with, the new charge structure designed by MIIs should give due consideration to the existing per unit charges realized by MIIs so that the end clients are benefitted with the reduction of charges.

   - Accordingly, MII are directed to:

     - Redesign the existing charge structure and associated processes comply with the aforesaid principles;

- Take necessary steps to put in place requisite infrastructure and systems for implementation of the circular, including necessary amendments to the relevant bye-laws, rules and regulations;

- Bring the provisions of this Circular to the notice of their members and also disseminate the same on their website;

- Communicate to SEBI, the status of implementation of the provisions of this Circular.

▪ The said Circular should be applicable to all Stock Exchanges, Clearing Corporations, Depositories.

To read the Circular in detail, please click here.

2. SEBI issues Circular dated July 01, 2024 for dispatch of Consolidated Account Statement (CAS) for all securities assets.

▪ SEBI has decided to revisit the regulatory provisions and provide for emails as default mode of dispatch for CAS by Depositories, Mutual Fund – Registrar and Transfer Agents and holding statement by Depositories Participants, considering the increasing reach of digital technology, electronic mode now being the preferred mode of communication and as a green initiative measure and to streamline the regulatory guidelines on mode of dispatch of account statements.

▪ Accordingly, certain paragraphs under the head "Statement of Account' in Annexure 3 of SEBI Master Circular on Depositories dated October 06, 2023 stands modified as per the annexure attached to the said Circular.

▪ The said Circular shall be ***effective from August 01, 2024***.

▪ The Circular shall be applicable to the depositories, asset management companies, mutual fund – registrar and transfer agents and depository participants.

To read the Circular in details, please click here.

3. SEBI issues Circular dated July 03, 2024 on reduction in denomination of debt securities and non-convertible redeemable preference shares.

▪ As per Chapter V (Denomination of issuance and trading of Non-convertible Securities) of the Master Circular dated May 22, 2024, (hereinafter referred as '**Master Circular'**) issued by SEBI, prescribes provisions pertaining to denomination of issuance and trading of non-convertible securities.

▪ Market participants have expressed that lower ticket size of debt securities may encourage more non-institutional investors to participate in the corporate bond market which in turn may also enhance liquidity.

- In view of the above, the following amendments are being made in Chapter V (Denomination of issuance and trading of Non-convertible Securities) of the Master Circular:

  - Clause 1.3 shall be inserted with the following:

    “1.3 The issuer may issue debt security or non-convertible redeemable preference share on private placement basis at a face value of INR 10,000/-, (i)Subject to the following conditions:

    a) The issuer shall appoint at least one Merchant Banker. Provided that the role, responsibilities and obligations of the Merchant Banker(s) shall be same as they would be in case of public issue of debt security or non-convertible redeemable preference share.

    b) Such debt security or non-convertible redeemable preference share shall be interest/ dividend bearing security paying coupon/ dividend at regular intervals with a fixed maturity without any structured obligations."

- In respect of the credit enhancements specified above, Credit Rating Agencies (‘**CRAs**’) shall verify the documentation related to the specified support considerations to ensure the following,

  - a) The support is unconditional, irrevocable, and legally enforceable till all the obligations of the security has been paid to the investors.

  - b) The support provider has a lower probability of default on a continuous basis, compared with the issuer, till the time such instruments are outstanding.

- The provisions of this Circular shall be applicable to all issues of debt securities and non-convertible redeemable preference shares, on private placement basis that are proposed to be listed from the date of issuance of this Circular.

- The said Circular should be applicable issuers who have listed and/ or propose to list non-convertible securities; recognised stock exchanges; registered depositories; registered credit rating agencies, debenture trustees, merchant bankers, registrars to an issue and share transfer agents and bankers to an issue.

To read the Circular in detail, please click here.

4. SEBI issues Circular dated July 04, 2024 on measures to instil confidence in securities market –brokers institutional mechanism for prevention and detection of fraud or market abuse.

- Stock Brokers are required to put in place an institutional mechanism for prevention and detection of fraud or market abuse as per Chapter IVA of the Securities and Exchange Board of India (Stock Brokers) (Amendment) Regulations, 2024 (hereinafter referred to as the “Broker Regulations”). Accordingly following obligations/mechanisms:

  - Systems for surveillance of trading activities and internal controls;

- ➢ Obligations of the stockbroker and its employees;
- ➢ Escalation and reporting mechanisms;
- ➢ Whistle Blower Policy;

▪ In consultation with SEBI, broker's Industry Standards Forum **("ISF")** shall formulate the standards for implementation of the above obligations including operational modalities.

▪ The provisions of this Circular shall come into force in a risk-based, staggered manner to ensure smooth adoption and effective implementation for all the stockbrokers by providing enough time for stock brokers, based on their size, for making necessary changes.

▪ The effective date for implementation for different stockbrokers has been prescribed as below:

Number of active UCCs of stockbroker (as on last day of the preceding month of the date of issuance of the circular)	**Applicability of Operational / working Modalities & Guidance Note**
> 50,000	January 01, 2025
2,001 to 50,000	April 01, 2025
Upto 2,000	April 01, 2026

- ➢ In case of Qualified Stock Brokers **("QSB's")** the effective date for implementation of the Circular is ***<u>August 01, 2024</u>*** (irrespective of number of UCCs).

▪ Stock Exchanges are directed to bring provisions, amend the provisions for implementation of above circular, issue a joint notice indicating the date of applicability of the Circular, communicate to SEBI, the status of the implementation of the provisions of this circular in their monthly development report.

▪ The said Circular shall be applicable to all recognized stock exchanges and stock brokers through recognized stock exchanges.

To read the Circular in detail, please click here.

5. SEBI issues Circular dated July 04, 2024 on modification to enhanced supervision of stock brokers and depository participants.

▪ SEBI vide the Circular dated September 26, 2016 and Master Circular for stock brokers dated May 22, 2024 inter alia had specified timelines for submission of annual audited accounts/net worth certificate by stock brokers / depository participants as part of monitoring criteria.

▪ The details of the specified timelines are as below: -

- Para 6.1.1.c Annexure to Circular and Para 15.8.1.1.c of Master Circular – Failure to furnish Annual Audited Accounts by September 30th of the relevant year.

- Para 6.1.2.a Annexure to Circular and Para 15.8.12 - Failure to furnish Net worth certificate to Depository for year ending March 31st by September 30th.

- SEBI as a step towards ease of doing business, has decided to revise the timeline to October 31st of the relevant year. Accordingly, the said paras shall be read as under:

  - Para 6.1.1.c Annexure to Circular and Para 15.8.1.1.c of Master Circular – Failure to furnish Annual Audited Accounts by October 31st of the relevant year.

  - Para 6.1.2.a Annexure to Circular and Para 15.8.12 – Failure to furnish Net worth certificate to Depository for year ending March 31st by October 31st.

- The provisions of the said Circular shall come into force with ***immediate effect***.

- The Circular shall be applicable to all recognized stock exchanges and all depositories.

To read the Circular in detail, please click here.

6. SEBI issues Master circular dated July 04, 2024 on measures for ease of doing business for Credit Rating Agencies (CRAs) –Timelines and Disclosures.

- Specific timelines for dealing with appeals made by the issuer in respect of rating actions carried out pursuant to periodic surveillance of ratings has been provided to promote ease of doing business and bring about uniformity in dealing with appeals. Accordingly following stand modified:

  Periodic surveillance

Scenario	Timeline -immediately but not later than
Communication of the rating to the issuer	1 working day of the Rating Committee meeting
Request for review/ appeal of rating by the Issuer	3 working days of the Rating Committee meeting
Dissemination of Press Release on CRA's website and intimation of the same to Stock Exchange/ Debenture Trustee	7 working days of the Rating Committee meeting

- The disclosures mentioned below shall be made as per the period/ frequency specified for the respective disclosure

  - ***Disclosure of list of non-cooperative issuers–Daily.***
  - ***Disclosures in case of rating not accepted by an issuer –12 Months.***
  - ***Disclosure in case of delay in periodic review –12 Months.***

- CRA’s shall continue to maintain records in respect of the said disclosures for a period of 10 years, which may be shared with Debenture Trustees upon request. Further, disclosures shall also be made on their website.

- As per Regulation 22 of the CRA Regulations and Circulars issued thereunder CRAs are mandatorily required to done half- yearly internal audit.

- The provisions of the said Circular shall come into force with effect from ***August 01, 2024***.

- The Circular shall be applicable to all registered Credit Rating Agencies (**“CRA’s”**).

To read the Circular in detail, please click here.

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MINISTRY OF CORPORATE AFFAIRS (“MCA”)

1. MCA issues Circular dated July 04, 2024 on migration of Form BEN-2, MGT-6 from V2 Version to V3 Version.

- MCA is introducing e-Form MGT-6 (Form of return to be filed with the registrar under Section 89) and e-Form BEN-2 (Return to the registrar in respect of declaration under Section 90) in MCA -21 Version 3.0 on July 15, 2024.

- The above e- Forms will not be available in MCA 21 Version-2 from July 04, 2024 to July 14, 2024.

- An additional time of 15 days, without levying additional fees, has been allowed to the stakeholders in case the due dates for filing of these forms fall during the period between July 04, 2024 and July 14, 2024.

- The said Circular shall be applicable to the DGCoA, all Regional Directors, all Registrar of Companies, all Stakeholders.

To read the Circular in detail, please click here.

RESERVE BANK OF INDIA ("RBI")

1. **RBI issues Notification dated July 03, 2024 on release of foreign exchange for miscellaneous remittances.**

- As per RBI direction issued under Circular No. 16 &.55 dated September 12, 2002 and December 23, 2003, authorized dealers are permitted to release foreign exchange for any current account transaction, on the basis of a simple letter containing basic information and subject to an upper limit of USD 25,000 or its equivalent.

- Further it was also advised that authorized dealers need not obtain any other documents, including Form A2, and that the payment was to be made by the applicant through a demand draft or a cheque drawn on his / her bank account.

- With a view on streamlining the regulatory compliances and operational procedures, it is now decided that authorized dealers shall obtain Form A2 in physical or digital form for all cross-border remittances irrespective of the value of transaction.

- Consequently, the above-mentioned Circulars stand withdrawn with immediate effect. Authorized Dealers shall continue to take necessary steps, in terms of Section 10(5) of Foreign Exchange Management Act, 1999, to assure themselves that such transactions do not involve any contravention of the provisions of FEMA.

- Authorized dealers may bring the contents of this Circular to the notice of their constituents.

- The Circular is applicable to all authorized dealers in foreign exchange.

To read the Notification in detail, please click here

INTERNATIONAL FINANCIAL SERVICES CENTRES AUTHORITY ("IFSCA")

1. **IFSCA issues Circular dated July 03, 2024 on fee structure for the entities undertaking or intending to undertake permissible activities under IFSCA (Book-keeping, Accounting, Taxation and Financial Crime Compliance Services) Regulations, 2024 in IFSC.**

    - In Schedule 1 of the said Circular, an entry for various fees applicable for BATF Service Providers to be registered under the IFSCA (Book-keeping, Accounting, Taxation and Financial Crime Compliance Services) Regulations, 2024. as indicated in Annexure attached with Circular.

    - The said Circular shall be applicable to all regulated entities in IFSC and all applicants to the IFSCA.

    - Clarification for existing BATF service providers under IFSCA ancillary service framework

        - Who are currently undertaking book keeping, accounting, taxation or financial crime compliance services from IFSC and have communicated to IFSCA about their willingness to operate under BATF regulations for the same activity, are not required to pay application fees for the same activity.

        - Further, for the above-mentioned entities, applicable annual fees/recurring fees under the BATF regulation will be adjusted to the extent of fees already paid by the entity under the ancillary services framework from the date of submission of willingness.

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

To read the Circular in detail, please click here.

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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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