Swift e-Bulletin

Week – May 08th to May 13th

Quote for the week:

"You can't cross the sea merely by standing and staring at the water"

– Rabindranath Tagore *(Indian poet and writer)*

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**"), Reserve bank of India(**"RBI"**) and International Financial Services Authority ("**IFSCA**").

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

- ❖ **SEBI vide circular dated July 08, 2024, Ease of doing business -Streamlining of prudential norm for passive schemes regarding exposure to securities of group companies of the sponsor of Mutual Funds.**

- ❖ **IFSCA vide circular dated July 08, 2024 issued Direct Market Access (DMA) facility and Sponsored Access (SA) facility for Bullion Exchange participants".**

We have prepared a comprehensive summary for quick reference of the aforesaid updates and Judgements/ orders issued during the week of July 08th to July 13th.

Thank you, Swift team

SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI)

1. **SEBI vide circular dated July 08, 2024, issued ease of doing business -Streamlining of prudential norm for passive schemes regarding exposure to securities of group companies of the sponsor of Mutual Funds.**

    - SEBI has constituted a working group to review the present regulatory framework under SEBI (Mutual Fund) Regulations, 1996 **("MF Regulations")** and recommend measures to promote ease of doing business for Mutual Fund.

    - Pursuant to public consultation on the recommendations of the working group and deliberations in the Mutual Funds Advisory Committee (MFAC), it was decided to streamline the extant prudential norm applicable to investments by passively managed Mutual Fund schemes in the group companies of their sponsors.

    - Further pursuant to said amendment, clause9 of Seventh Schedule of the MF Regulations, inter alia mandates that no Mutual Fund scheme shall make any investment in the listed securities of group companies of the sponsor which is in excess of 25 per cent of the net assets of the scheme, except for investments by equity oriented exchange traded funds(ETFs)and Index Funds and subject to such conditions as may be specified by SEBI.

    - The circular is applicable to All Mutual Funds (MFs)/All Asset Management Companies (AMCs)/All Trustee Companies/ Board of Trustees of Mutual funds/Association of Mutual Funds in India (AMFI).

    To read the circular in detail, please click here.

2. **SEBI vide circular dated July 09, 2024 issued on Information to be filed by schemes of AIFs availing dissolution period/additional liquidation period and conditions for in-specie distribution of assets of AIFs.**

    - **A. Information Memorandum for schemes of AIFs entering into Dissolution Period –**

        - Vide Securities and Exchange Board of India (Alternative Investment Funds) (Second Amendment) Regulations 2024, notified on April 25, 2024 flexibility has been provided to schemes of AIFs to opt for dissolution period to deal with their unliquidated investments that are not sold due to lack of liquidity.

        - In terms of regulation 29 B (2) of SEBI (Alternative Investment Funds) Regulations, 2012 ('AIF Regulations'), scheme of an AIF entering into dissolution period shall file an information memorandum with SEBI through a merchant banker in the manner as may be specified by SEBI.

    - **B. Information to be submitted by schemes of AIFs availing additional liquidation period**

        - In terms of regulation 29(9A) of AIF Regulations, if the liquidation period for a scheme of an F has expired or is expiring within three months from the date of notification of the Securities and Exchange Board of India (Alternative Investment Funds) (Second Amendment) Regulations, 2024 such schemes may be granted an additional liquidation period, subject to conditions and in the manner as may be specified by SEBI.

- C. In specie distribution of investments of AIFs –

  - Specify conditions and modalities for carrying out in specie distribution of unliquidated investments of a scheme of an AIF during liquidation period and for carrying out mandatory in specie distribution of unliquidated investments, respectively.

  - Further, with respect to carrying out in specie distribution of investments of a scheme of an AIF in terms of Regulation 29(8) of AIF Regulations, It is clarified that such in specie distribution (other than the aforesaid mandatory in specie distribution), shall be carried out after obtaining approval of at least seventy-five percent of the investors by value of their investment in the scheme of the AIF.

To read the circular in detail, please click here.

INTERNATIONAL FINANCIAL SERVICES CENTRES AUTHORITY (IFSCA)

1. **IFSCA vide circular dated July 08, 2024, issued Direct Market Access (DMA) facility and Sponsored Access (SA) facility for Bullion Exchange participants".**

   - IFSCA vide circular dated June 21, 2023, has prescribed guidelines and provisions for Direct Market Access (DMA) facility and Sponsored Access (SA) facility offered by broker dealers to their clients for trading on the stock exchanges in the IFSC.

   - In continuation of the same it is hereby informed that the aforementioned IFSCA Circular shall also apply, mutatis mutandis, to Bullion Exchange, Bullion Trading Members and Bullion Clearing Members.

     - The Bullion Exchange is advised to:

       (a) make necessary amendments to the relevant bye - laws, rules and regulations for the implementation of the above, and

       (b) bring the provisions of this circular to the notice of the Bullion Trading Members and Bullion Clearing Members and disseminate the same on its website.

   To read the circular in detail, please click here.

2. **IFSCA vide circular dated July 11, 2024, issued permission to participate in the synthetic securitisation program of parent bank.**

   - Definition:

     A 'synthetic securitisation is a structure wherein credit risk of an underlying pool of exposures is transferred, in whole or in part, through the use of funded or unfunded credit derivatives or guarantees that serve to hedge the credit risk of the portfolio while the exposure continues to remain on the balance sheet of the lender.

   - General Directions

     Subject to following conditions IBU's are permitted to participate in the synthetic securitisation program of its Parent bank

     - Basel III framework has been adopted by Home Regulator of the IBU and banks are not prohibited under its jurisdiction from undertaking such transactions.

     - IBU shall notify the Authority before the exposures of the IBU are incorporated in the Parent bank's program for synthetic securitization.

     - PRU Direction, IFSCA Banking Handbook as revised from time to time are required to be complied by IBU

     - The Authority may require the IBU to submit a copy of the reports being submitted to its Home Regulator for such transactions to the extent such report pertains to the assets of the IBU included in the program on synthetic securitisation.

- The above directions shall be complied by IBU’s while entering such transactions
- The said notification shall be applicable to all the IFSC Banking Units (IBUs).

To read the circular in detail, please click here.

RESERVE BANK OF INDIA (RBI)

1. **RBI vide notification dated July 10, 2024 issued Basel III Capital Regulations - Eligible Credit Rating Agencies ("ECAI")**

   - RBI vide notification dated April 1, 2024 on Basel III Capital Regulations the list of domestic credit rating agencies accredited for the purpose of risk weighting banks' claims for capital adequacy purposes has been prescribed.

   - The Press Release: 2022-2023/1033 dated October 12, 2022 in which regulated entities/market participants were advised in respect of ratings/credit evaluations required in terms of any guidelines issued by the Reserve Bank, no such fresh ratings/evaluations shall be obtained from Brickwork Ratings India Private Limited (the CRA)

   - Subject to following conditions banks are permitted to use the ratings of the CRA for risk weighting their claims for capital adequacy purposes:

     - In respect of fresh rating mandates for bank loans not exceeding Rs.250 crore, rating may be obtained from the CRA.

     - In respect of existing ratings irrespective of the rated amount CRA may undertake rating surveillance, till the residual tenure of such loans.

   - All the provisions in the Master Circular ibid regarding external credit ratings shall remain unchanged.

   - The said notification shall be applicable to all Scheduled Commercial Banks including Small Finance Banks, excluding Local Area Banks, Payments Banks and Regional Rural Banks.

   To read the notification in detail, please click here.

2. **RBI vide notification dated July 10, 2024 issued Remittances to International Financial Services Centres (IFSCs) under the Liberalised Remittance Scheme (LRS)**

   - At present, remittances under LRS to IFSCs can be made only for:

     - Investment in IFSC's in securities except those issued by entities/ companies' resident in India (outside IFSC), and

     - Payment of fees for education to foreign universities or foreign institutions in IFSCs for pursuing specified courses.

   - Authorised Persons may facilitate remittances for all permissible purposes under LRS to IFSCs for:

     - Availing financial services or financial products as per the International Financial Services Centres Authority Act, 2019 within IFSCs; and

- All current or capital account transactions, in any other foreign jurisdiction (other than IFSCs) through an FCA held in IFSCs.

To read the in-notification detail, please click here.

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About Swift

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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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