Swift India
CORPORATE SERVICES LLP

Swift e-Bulletin

Week – July 15th to July 20th

Quote for the week:

"The season of failure is the best time for sowing the seeds of success"

– Paramahansa Yogananda *(the Messenger of Kriya Yoga)*

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

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

- **MCA issued Circular dated July 17, 2024, in relation to merger of Forms IEPF-3 With IEPF-4 and IEPF-7 with IEPF-1, along with change in the payment process thereof, in MCA Version 3-Reg.**

- **IFSCA vide Notification dated July 15, 2024 issued International Financial Services Centres Authority (Banking) (Amendment) Regulations, 2024.**

We have prepared a comprehensive summary for quick reference of the aforesaid updates and Judgements/ orders issued during the week of July 15th to July 20th.

Thank you, Swift team

SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI)

1. SEBI vide Circular dated July 19, 2024, issued enabling ESG Rating Providers (ERPs) to undertake ESG rating activities under IFSCA.

- As per Regulation 28E(d)of SEBI (Credit Rating Agencies) Regulations, 1999 (‘CRA Regulations’) provides that ERPs may undertake or offer ESG rating of any product or issuer, as may be required by another financial sector regulator or authority, under the guidelines of such regulator or authority.

- In terms of Regulation 9(f) of SEBI (Credit Rating Agencies) Regulations, 1999(‘CRA Regulations’), Para 25 of the Master Circular for CRAs dated May 16, 2024provides that CRAs may undertake the rating of financial instruments under the respective guidelines of the financial sector regulators/ authorities. To enable CRAs to undertake rating activities in the International Financial Services Centre -Gujarat International Finance Tech-city (IFSC-GIFT City), International Financial Services Centres Authority (IFSCA) is hereby added to the list of financial sector regulators/ authorities as specified in Annexure 19of the aforesaid Master circular.

- To enable ERPs to undertake ESG rating activities in the International Financial Services Centre -Gujarat International Finance Tech-city (IFSC-GIFT City), International Financial Services Centres Authority(IFSCA) is hereby added to the list of financial sector regulators/ authorities as specified in Annexure 4 of the aforesaid Master Circular for ERPs

- Further in above provision, it is specified that the ESG ratings undertaken by an ERP under the guidelines of IFSCA shall be under the purview of IFSCA. Accordingly:

  - Any issue arising from the activities of such SEBI registered ERPs in the IFSC shall be dealt with by IFSCA under the powers exercisable under Section 12 and 13 of IFSCA Act and regulations and subsidiary instructions made thereunder.

  - IFSCA shall be responsible for dealing with complaints, enforcement actions and furnishing information to third parties, including statutory or judicial bodies, in respect to the services provided by the ERPs in the IFSC.

- The said Circular shall be applicable to all registered ESG Rating Providers (ERPs).

To read the Circular in detail, please click here.

MINISTRY OF CORPORATE AFFAIRS (MCA)

1. **MCA vide Circular dated July 16, 2024, issued filings under section 124 and section 125 of the Companies Act 2013 read with IEPFA (Accounting, Audit, Transfer and Refund) Rules 2016 in view of transition from MCA 21 version 2 to version 3.**

   - In view of the transition of form from MCA 21 V2 to MCA 21 V3 and in order to provide opportunity to make compliances thereof, additional fee on filing of various IEPF e-forms (IEPF -1, IEPF-1A, IEPF-2, IEPF-4) and e- verification of claims filed in e-form IEPF-5 has been waived till 16th August, 2024.

   - Similarly, onetime relaxation for filing of e-verification under third proviso to sub-rule (3) of rule 7 of IEPFA (Accounting, Audit, Transfer and Refund) Rules has also been provided till 16th August 2024.

   - The said Circular shall be applicable to all Stakeholders, Nodal Officers (IEPF) of Companies, All Regional Directors and Registrar of Companies.

   To read the Circular in detail, please click here.

2. **MCA issued Circular dated July 17, 2024, in relation to Merger of Forms IEPF-3 With IEPF-4 and IEPF-7 with IEPF-1, along with change in the payment process thereof, in MCA Version 3-Reg.**

   - Form No IEPF-7 is required to be filed when various amounts needs to be transferred to the Investor Education and Protection Fund Authority as due on the shares transferred by the companies under sub- section (6) of section 124 of the Companies Act, 2013.

   - Form No. IEPF-3 is required to be filed by the company when shares and unpaid dividend not transferred to the Authority.

   - To ease compliance burden and simplify filings, Form IEPF-3 merged with Form IEPF-4 and & IEPF-7 merged with Form IEPF-1 in MCA Version 3 and the forms will be made will be made STP (Straight through process).

   - the amount required to be transferred as mentioned in para 1 is required to be transferred online through MCA 21 through "Pay Miscellaneous Fee" service after selecting option "Investor Education and Protection Fund".

   To read the Circular in detail, please click here.

RESERVE BANK OF INDIA (RBI)

1. **RBI vide Notification dated July 15, 2024, issued Master Directions on Fraud Risk Management in Urban Cooperative Banks (UCBs) / State Cooperative Banks (StCBs) / Central Cooperative Banks (CCBs).**

   - The said Master Directions shall be applicable to all Primary (Urban) Cooperative Banks and Rural Cooperative Banks i.e. State Cooperative Bank and Central Cooperative Bank licensed or permitted to carry on banking business in India by the Reserve Bank of India.

   - RBI has issued these Directions with a view to providing a framework to Cooperative Banks for prevention, early detection and timely reporting of incidents of fraud to Law Enforcement Agencies (LEAs), Reserve Bank of India (RBI) and NABARD and dissemination of information by RBI and matters connected therewith or incidental thereto.

   - There shall be a Board Approved Policy on fraud risk management delineating roles and responsibilities of Board / Board Committees and Senior Management of the Cooperative Bank. The Fraud Risk Management Policy shall be reviewed by the Board at least once in three years, or more frequently, as may be prescribed by the Board.

   - Cooperative Banks shall constitute a Committee of the Board to be known as 'Special Committee of the Board for Monitoring and Follow-up of cases of Frauds' (SCBMF) with a minimum of three members of the Board, consisting of the Chief Executive Officer and two directors.

   - Cooperative Banks shall put in place a transparent mechanism to ensure that Whistle Blower complaints on possible fraud cases / suspicious activities in account(s) are examined and concluded appropriately under their Whistle Blower Policy.

   - UCBs categorised as Tier 3 & 4 and StCBs / CCBs having deposits above ₹1000 crore (i.e. Applicable Cooperative Banks for the purpose of this Chapter) shall have a framework for Early Warning Signals (EWS) under the overall Fraud Risk Management Policy approved by the Board.

   - The EWS framework shall be subject to suitable validation in accordance with the directions of the Board Level Committee so as to ensure its integrity, robustness and consistency of the outcomes.

   - Cooperative Banks shall monitor activities in credit facility / loan account / other banking transactions and remain alert on activities which could potentially turn out to be fraudulent.

   - Persons / Entities classified and reported as fraud by Cooperative Banks and also Entities and Persons associated with such Entities, shall be debarred from raising of funds and / or seeking additional credit facilities from financial entities regulated by RBI, for a period of five years from the date of full repayment of the defrauded amount / settlement amount agreed upon in case of a compromise settlement.

- Cooperative Banks shall report instances of theft, burglary, dacoity and robbery (including attempted cases), to Fraud Monitoring Group (FMG), Department of Supervision, Central Office, Reserve Bank of India, immediately (not later than seven days) from their occurrence.

- The said Master Directions shall supersede the Master Circular on Classification and Reporting dated July 01, 2015.

To read the Notification in detail, please click here.

2. RBI vide Notification dated July 15, 2024, issued Master Directions on Fraud Risk Management in Commercial Banks (including Regional Rural Banks) and All India Financial Institutions

- The said Master Directions shall be applicable to the Chairman / Managing Director / Chief Executive Officer, All Commercial Banks (including Regional Rural Banks), All India Financial Institutions (AIFIs).

- RBI has issued these Directions with a view to providing a framework to banks for prevention, early detection and timely reporting of incidents of fraud to Law Enforcement Agencies (LEAs), Reserve Bank of India (RBI) and NABARD and dissemination of information by RBI and matters connected therewith or incidental thereto.

- There shall be a Board Approved Policy on fraud risk management delineating roles and responsibilities of Board / Board Committees and Senior Management of the Cooperative Bank. The Fraud Risk Management Policy shall be reviewed by the Board at least once in three years, or more frequently, as may be prescribed by the Board.

- Banks shall put in place a transparent mechanism to ensure that Whistle Blower complaints on possible fraud cases / suspicious activities in account(s) are examined and concluded appropriately under their Whistle Blower Policy.

- Persons / Entities classified and reported as fraud by Banks and also Entities and Persons associated with such Entities, shall be debarred from raising of funds and / or seeking additional credit facilities from financial entities regulated by RBI, for a period of five years from the date of full repayment of the defrauded amount / settlement amount agreed upon in case of a compromise settlement.

- Banks shall report instances of theft, burglary, dacoity and robbery (including attempted cases), to Fraud Monitoring Group (FMG), Department of Supervision, Central Office, Reserve Bank of India, immediately (not later than seven days) from their occurrence.

To read the Notification in detail, please click here.

INTERNATIONAL FINANCIAL SERVICES CENTRES AUTHORITY (IFSCA)

1. IFSCA vide Notification dated July 15, 2024 issued International Financial Services Centres Authority (Banking) (Amendment) Regulations, 2024.

- IFSCA vide the said Notification have amended the International Financial Services Centres Authority (Banking) Regulations, 2020.

- Under First Schedule in the list of specified foreign currencies after Russian Rouble the following currencies has been included as below: -

  - Swedish Krone (SEK)
  - Norwegian Krone (NOK)
  - New Zealand Dollar (NZD)
  - Danish Krone (DKK)

To read the Notification in detail, please click here.

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Call us to explore a topic or let us 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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