Swift India
CORPORATE SERVICES LLP

Swift e-Bulletin

Week – December 09th to December 14th

Quote for the week:

"The Mind is not a vessel to be filled but a fire to be ignited."

– Plutarch (Greek Philosopher and Historian)

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 December 10, 2024, issued revised guidelines for capacity planning and real time performance monitoring framework of Market Infrastructure Institutions (MIIs)**

- ❖ **IFSCA vide notification dated December 13, 2024 issued Directions to IBUs for operations of the Foreign Currency Accounts (FCA) of Indian resident individuals opened under the Liberalised Remittance Scheme (LRS)**

We have prepared a comprehensive summary for quick reference of the aforesaid updates and Judgements/ orders issued during the week of December 09th to December 14th.

Thank you, Swift team

SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI)

1. **SEBI vide circular dated December 10, 2024, issued revised guidelines for capacity planning and real time performance monitoring framework of Market Infrastructure Institutions (MIIs)**

   - SEBI Master Circular dated October 16, 2023 inter-alia prescribes capacity planning framework for Stock Exchanges, Clearing Corporations. Further, SEBI Master Circular dated December 03, 2024 prescribes capacity planning framework for Depositories.

   - Over the years, owing to the growth of the securities market, MIIs have experienced increase in volumes, which necessitated augmenting their infrastructure relating to trading, clearing and settlement etc.

   - SEBI in consultation with the Technical Advisory Committee (TAC) of SEBI reviewed the framework adopted by the MIIs for their capacity planning. Based on the recommendations of the Committee and in consultation with MIIs, it has been inter alia decided to advise MIIs ensure the following requirements while formulating the framework of capacity planning and real time performance monitoring of their Critical Information Technology (IT) systems and supporting infrastructure components.

     - All MIIs should ensure adequate system capacity in place to handle high volumes to ensure high level of service availability.

     - The installed capacity shall be at least 1.5 times of the projected peak load.

     - MIIs shall conduct comprehensive stress testing on quarterly basis to identify the impact on throughput/performance/latency metrics when compared to lean period by stressing the existing load scenarios to various multiples.

     - MIIs shall ensure that application design should have horizontal and vertical scalability and the same shall be tested on periodic basis.

     - MIIs shall have guidelines/Standing Operating Procedures (SOPs) to identify and understand the performance of each application/process, capacity, utilization of each individual IT component, within the entire system/network architecture, used to support their IT services.

     - While devising the capacity planning and real time performance monitoring methodology, MIIs should not consider each IT component/application/process in isolation and must consider inter-dependency of the IT components/applications/processes.

     - Alerts generated from the monitoring and detection systems shall be dealt proactively including necessary actions such as infrastructure up-gradation, addition of IT resources etc. shall be taken immediately to address the issue effectively.

     - All IT systems shall be considered in this process which shall, inter-alia, include network, hardware, software, security devices, network devices, memory utilization, CPU utilization, disks, network links, third party vendor systems, supporting infrastructure etc., and shall be adequately sized to meet the capacity and real time performance requirements to support the business activities of the MII.

     - All MIIs shall assess impact of all changes to existing IT systems or introduction of new IT systems/applications/processes on capacity planning and real time system performances.

     - All MIIs shall also appropriately include the capacity planning and real time performance monitoring and alert resolution requirements in the service level agreement (SLA) with the third-party vendors, as applicable, to meet the current and future business requirements.

   - The provision at para 3.1 of the said circular shall come into effect 3 months from the date of this circular. The remaining provisions of this circular shall come into force with immediate effect.

- The circular shall be applicable to all stock exchanges, all clearing corporations (except commodity derivate segment) and all depositories.

To read the circular in detail, please click here.

2. SEBI vide circular dated December 10, 2024, issued circular for enhancement in the scope of optional T + 0 rolling settlement cycle in addition to the existing T + 1 settlement cycle in Equity Cash Market.

- SEBI vide circular dated March 21, 2024 introduced the beta version of T+0 rolling settlement cycle on optional basis in addition to the existing T+1 settlement cycle in Equity Cash Markets, for a limited set of 25 scrips and with a limited number of brokers.

- In order to enable smooth implementation and avoid any disruptions in the implementation of beta version of optional T+0 settlement cycle, the mechanism was enabled only for non-custodian clients with effect from March 28, 2024.

- Based on the feedback received from various stakeholders to increase the efficiency of optional T+0 settlement cycle and approval of the Board, it has been decided to enhance the scope of optional T+0 settlement cycle, inter alia with the following measures:

  - Optional T+0 settlement cycle shall be made available to top 500 scrips in terms of market capitalization as on December 31, 2024. The scrips shall be made Page 2 of 4 available for trading and settlement starting with scrips at bottom 100 companies out of the aforesaid 500 companies and gradually include the next bottom 100 companies every month till top 500 companies are available for trading in optional T+0 settlement cycle.

  - All stock brokers are allowed to participate in the optional T+0 settlement cycle. Stock Brokers are permitted to charge differential brokerage for T+0 and T+1 settlement cycles, within the regulatory limit.

  - Stock brokers who are designated as QSBs and meet the parameter of minimum number of active clients for qualification as QSB as on December 31, 2024 shall put in place necessary systems and processes for enabling seamless participation of investors in optional T+0 settlement cycle.

  - The Stock Exchanges, Clearing Corporations and Depositories (collectively referred as Market Infrastructure Institutions (MIIs)); and Custodians shall put in place necessary systems and processes for seamless participation of institutional investors in optional T+0 settlement cycle.

  - A mechanism for Block Deal window shall be put in place by the Stock Exchanges under the optional T+0 settlement cycle.

- MIIs shall provide a fortnightly report on the activities under optional T+0 settlement cycle till further direction.

- The provisions in paragraphs 3.1, 3.2, 4 and 5 of the said circular shall be applicable with effect from January 31, 2025.

- The provision at paragraphs 3.3, 3.4 and 3.5 of the said circular shall be applicable with effect from May 01, 2025.

- Further Paragraph 5 of SEBI Circular dated March 21, 2024 shall stand modified and paragraphs 7, 8 and 9 of SEBI Circular dated March 21, 2024 shall be rescinded, with effect from January 31, 2025.

- All other provisions of SEBI circular dated March 21, 2024 shall remain applicable.

- The said circular shall be applicable to all recognized stock exchanges, all recognized clearing corporations, all depositories, all qualified stock brokers and all custodians.

To read the circular in detail, please click here.

3. SEBI vide circular dated December 04, 2024, issued Securities and Exchange Board of India (Prohibition of Insider Trading) (Third Amendment) Regulations, 2024

- SEBI on December 04, 2024 issued Securities and Exchange Board of India (Prohibition of Insider Trading) (Third Amendment) Regulations, 2024 by amending the issued Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015.

- The following has been amended as below:-

  - Under regulation 2(1)(d) “connected persons” shall be substituted with the following any person who is or has been, during the six months prior to the concerned act, associated with a company, in any capacity, directly or indirectly, including by reason of frequent communication with its officers or by being in any contractual, fiduciary or employment relationship or by being a director, officer or an employee of the company or holds any position including a professional or business relationship, whether temporary or permanent, with the company, that allows such a person, directly or indirectly, access to unpublished price sensitive information or is reasonably expected to allow such access.

  - New clause (hc) under regulation 2 after clause (hb) has been inserted as “relative” shall mean the following:

    (i) spouse of the person;

    (ii) parent of the person and parent of its spouse;

    (iii) sibling of the person and sibling of its spouse;

    (iv) child of the person and child of its spouse;

    (v) spouse of the person listed at sub - clause (iii); and

    (vi) spouse of the person listed at sub - clause (iv)

  Note: It is intended that the relatives of a “connected person” too become connected persons for the purpose of these regulations. It is a rebuttable presumption that a connected person had UPSI.

To read the amendments in detail, please click here.

4. SEBI vide circular dated December 13, 2024, issued relaxation from the ISIN restriction limit for issuers desirous of listing originally unlisted ISINs (outstanding as on December 31, 2023)

- SEBI in order to encourage issuers to list their grandfathered outstanding unlisted ISINs, it has been decided that unlisted ISINs outstanding as on December 31, 2023, Page 3 of 3 converted to listed ISINs, subsequent to introduction of Regulation 62A, shall be excluded from the maximum limit of ISINs specified in clause 1 of Chapter VIII of the NCS Master Circular.

- Accordingly, clause 4A is hereby inserted in Chapter VIII of the NCS Master Circular:

    - "4A. Unlisted ISINs outstanding as on December 31, 2023 which are converted to listed ISINs, pursuant to the provision of Regulation 62A(2) of LODR Regulations shall be excluded from the maximum limit of ISINs to mature in a financial year."

- The said circular shall be applicable to issuers of listed non-convertible debt securities, recognized Stock Exchange and Registered Depositories.

To read the circular in detail, please click here.

5. SEBI vide circular dated December 13, 2024, issued classification of Corporate Debt Market Development Fund (CDMDF) as Category I Alternative Investment Fund

- The CDMDF has has been set-up under Chapter III-C of SEBI (Alternative Investment Funds) Regulations, 2012 (AIF Regulations) to act as a Backstop Facility for purchase of investment grade corporate debt securities, to instill confidence amongst the participants in the Corporate Debt Market during times of stress and to enhance secondary market liquidity by creating a permanent institutional framework for activation in times of market stress.

- SEBI in this regard has received representation to provide clarity on classification of CDMDF under one of the defined categories under the AIF Regulations.

- While a separate framework has been laid down for CDMDF under chapter III-C of Regulation 19 of AIF Regulations, the fund has been set-up with the broader economic objective of development of corporate bond market, inter-alia, to act as a Backstop facility during times of market stress. In view of the above, it is clarified that CDMDF falls under Category I AIF in terms of Regulation 3(4)(a) of AIF Regulations.

- To said circular shall be applicable to Asset Management Companies, Trustee Companies/ Board of Trustees of Mutual Funds/ Trustee Company of CDMDF and Association of Mutual Funds in India

To read the circular in detail, please click here.

INTERNATIONAL FINANCIAL SERVICES CENTRES AUTHORITY (IFSCA)

1. **IFSCA vide notification dated December 13, 2024 issued Directions to IBUs for operations of the Foreign Currency Accounts (FCA) of Indian resident individuals opened under the Liberalised Remittance Scheme (LRS)**

- IBUs may permit opening of Foreign Currency Accounts by RI for purposes other than LRS in compliance with the provisions of the Foreign Exchange Management (Foreign currency accounts by a person resident in India) Regulations, 2015 (as amended).

- IBUs shall permit the use of funds remitted to FCA for availing financial products or financial services, as defined in section 3 (1) (d) and 3(1) (e), respectively, of the International Financial Services Centres Authority Act, 2019 (IFSCA Act), within IFSCs.

- IBUs shall permit RIs to open FCA for inter alia receiving remittances under LRS from onshore India, receiving remittances from locations other than onshore India subject obtain a declaration from the RI, with respect to remittances into the FCA from locations other than onshore India, that such remittance represents funds duly remitted earlier under LRS or income earned on the investments made from funds duly remitted earlier under LRS, monitor that remittance into the FCA are made within a reasonable period of time from the date of its opening;

- IBUs shall obtain a declaration from the RI, confirming that amount being remitted from its FCA is for the purpose declared while remitting the money under LRS.

- IBUs opening FCA under the dispensation provided vide RBI Circular dated July 10, 2024, shall notify the Authority by way of a letter, including a description of the arrangements put in place for complying with the conditions specified under the provisions of this Circular, which shall be signed by its Branch Head and addressed to the Department of Banking, IFSCA.

- IBUs shall furnish the data about operations in FCAs in the form and manner, as may be specified by the Authority.

- This Circular is applicable to IBUs opening Foreign Currency Accounts (FCA) of resident individuals ('RI') as permitted vide A.P. (DIR Series) Circular No.15 pertaining to '*Remittances to International Financial Services Centres (IFSCs) under the Liberalised Remittance Scheme (LRS)*' dated July 10, 2024, issued by the Reserve Bank of India (RBI).

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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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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