Swift India
CORPORATE SERVICES LLP

Swift e-Bulletin

Week – June 10th to June 15th

Quote for the week:

“You are what you believe yourself to be”

– *Paulo Coelho (Brazilian lyricist and Novelist)*

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 SEBI Orders.

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

- **SEBI vide Circular dated June 10, 2024 issued ease of doing investments by doing away with Non – submission of “Choice of Nomination”.**

- **RBI vide Circular dated June 11, 2024 issued international trade settlement in Indian Rupees (INR) – Opening of additional current account for settlement of trade transactions.**

We have prepared a comprehensive summary for quick reference of the aforesaid updates and Judgements/ orders issued during the week of June 10th to June 15th.

Thank you, Swift team

SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI)

1. **SEBI vide Circular dated June 10, 2024 issued ease of doing investments by doing away with Non – submission of "Choice of Nomination".**

    - Earlier, it was mandatory to submit nomination for demat account and mutual fund folios by December 27, 2023, which was further extended to June 30, 2024, failing which demat accounts/folios were to be frozen. Further, the security holders holding securities in physical form whose folio do not have PAN, Choice of Nomination, Contact details, Bank account details and Specimen signature updated could lodge grievance or avail services request from RTA or receive any payment including dividend, interest only upon furnishing PAN, KYC details and nomination.

    - However, considering the representation received from the market participants, SEBI has decided the following for the existing investors/unitholders:

        - Non-submission of choice of nomination shall not result in freezing of demat accounts as well as Mutual Fund Folios.

        - Security holders holding securities in physical form shall be eligible for receipt of any payment including dividend, interest as well as to lodge grievance or avail any service request from the RTA even if 'choice of nomination is not submitted by these security holders.

        - Payments withheld presently by the Listed Companies/RTAs only for want of 'choice of nomination' shall be processed accordingly.

    - It is to be noted that the above consideration by SEBI is only for the existing investors/unitholders and all new investors/unitholders shall continue to be required to mandatorily provide the 'Choice of Nomination' for demat accounts/MF Folios (except for jointly held Demat Accounts and Mutual Fund Folios).

    To read the Circular in detail, please click here.

2. **SEBI vide Circular dated June 14, 2024 issued modification in framework for Offer for Sale (OFS) of Shares to Employees through Stock Exchange Mechanism.**

    - SEBI vide Master Circular dated October 16, 2023 has specified the comprehensive framework on Offer for Sale (OFS) of shares through stock exchange mechanism. Further, SEBI vide Circular dated January 23, 2024 issued framework for Offer for Sale (OFS) of Shares to Employees through Stock Exchange Mechanism.

    - Further SEBI Circular dated January 23, 2024 prescribed the procedure for offering of shares to the employees in OFS through stock exchanges.

        - Paragraphs 5 (i) and (vi)of the said Circular states as under:

          "5. (i) OFS to employees shall be on T+1 day along with the retail category under a new category called as "Employee".

(vi)Employees shall place bids only at cut-off price of T+1day. The allotment price shall be based on the Cut-off of the retail category, subject to discount, if any."

- Based on the feedback received from certain stakeholders and deliberations in the Secondary Market Advisory Committee of SEBI (SMAC), it has been decided that employees shall place bids on T+1 day at cut-off price of T day.

- Accordingly, paragraph5(vi) of SEBI Circular dated January 23, 2024 shall be read as under: "5. (vi) Employees shall place bids only at cut-off price of T day. The allotment price shall be based on the Cut-off of the T day, subject to discount, if any."

- The provisions of this Circular shall come into **effect from 30th day of issuance of this Circular**.

- All MIIs are advised to: i. take necessary steps and put in place necessary systems for implementation of the above. ii. make necessary amendments to the relevant byelaws, rules and regulations, wherever required, for the implementation of the above; and. iii. bring the provisions of this circular to the notice of the market participants (including investors) and disseminate the same on their website.

To read the Circular in detail, please click here.

RESERVE BANK OF INDIA ("RBI")

1. **RBI vide Circular dated June 11, 2024 issued international trade settlement in Indian Rupees (INR) – Opening of additional current account for settlement of trade transactions.**

   - Earlier, AD Category-I banks maintaining Special Rupee Vostro Account on International Trade Settlement in Indian Rupees (INR) were permitted to open an additional special current account for its constituents, exclusively for settlement of export transactions.

   - However, RBI vide this Circular enabled AD Category-I banks (maintaining Special Rupee Vostro Account to provide the facility of opening an additional special current account for its constituents for settlement of their export as well as import transactions.

   - This is issued by RBI in order to provide operational flexibility.

   To read the Circular in detail, please click here.

SEBI ORDERS

1. **Adjudication Order in the matter of trading activities by certain entities in the scrip of Ascom Leasing and Investments Ltd.**

SEBI conducted an investigation in the matter of M/s Ascom Leasing and Investments Ltd (hereinafter referred to as the (**"Noticee"**), a company listed on SME platform of National Stock Exchange of India Ltd **("NSE").** The investigation was to ascertain whether there was any violation of the provisions of the Securities Contracts (Regulation) Act, 1956 (hereinafter referred to as the "**SCRA**") and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, (hereinafter referred to as **"LODR Regulations")** by the Noticee. During the Investigation, it was observed that the Noticee had allegedly not classified M/s Saffron Hitech Equipment Pvt Ltd (hereinafter referred to as the "**Saffron**") as part of promoter group and therefore, allegedly provided wrong shareholding details to NSE w.r.t to its promoter group.

SEBI initiated the Adjudication proceedings and the Adjudicating Officer ("**AO**") was appointed to inquire into and adjudge for the aforesaid alleged violations by the Noticees. Accordingly, a Show Cause Notice was issued to the Noticees to show cause as to why an inquiry should not be held and penalty be not imposed under section 15-I of the SEBI Act for the aforesaid alleged violations.

During the Adjudication proceedings, it was observed that despite Mr Tushar Pandya and Mrs Rupalben Pandya who were the promoters of Noticee and being 100% shareholders of Saffron, the Noticee had allegedly not disclosed Saffron as part of its promoter group in terms of Regulation 2(1)(pp)(iv)(A) of SEBI (Issue of Capital And Disclosure Requirements) Regulations, 2018 (hereinafter referred to as the "**ICDR Regulations**"). Hence, Noticee has violated the provisions of Regulation 31(1) & 31(4) of the LODR Regulations read with Section 21 of SCRA by not classifying Saffron as part of its promoter group and allegedly provided wrong shareholding details to NSE regarding the promoter group shareholding

After considering all the facts and the circumstances of the case, and the material available on record, the AO is of the view that it is not possible to ascertain the exact monetary loss to the investors on account of non-compliance by the Noticee. However, it is important for every entity/ person who is to file correct information to SEBI, in the instant matter, SEBI is duty-bound to enforce compliance of these regulations. It is also observed from the records that the Noticee has not been penalized by SEBI in the past.

AO imposed a penalty of INR 2,00,000/- on Noticee for violation of SEBI Regulations.

To read the Order in detail, please click here.

DISCLAIMER:

The contents of this newsletter should not be construed as a legal opinion. View detailed disclaimer.

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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.

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