Swift India
CORPORATE SERVICES LLP

Swift e-Bulletin
Edition 15th 22-23
Week – July 11th to July 15th

<u>Quote for the week:</u>

"Happiness does not come from doing easy work but from the afterglow of satisfaction that comes after the achievement of a difficult task that demanded our best."

- Theodore Isaac Rubin.

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 hope that you liked our previous editions and found it to be of great value in its content. 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 Reserve Bank of India ("**RBI**"), International Financial Services Centers Authority ("**IFSCA**") and critical judgements/orders passed by various authorities like High Court & SEBI.

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

- **RBI vide notification dated July 11, 2022 introduced a framework for International Trade Settlement in Indian Rupees (INR).**

- **IFSCA vide circular dated July 13, 2022 added Module no. 17 in Conduct of Business (COB) directions of IFSCA banking handbook and issued "The IFSCA Banking Handbook Conduct of Business Directions- v 4.0 (COB)".**

We have prepared a comprehensive summary for quick reference of the aforesaid updates and Judgements / orders issued during the week of July 11^{th} to July 15^{th}, 2022.

Thank you,
Swift team

Table of Contents

REGULATORY UPDATES

RBI

1. **RBI vide notification dated July 11, 2022 introduced a framework for International Trade Settlement in Indian Rupees (INR)**

- To promote the growth of global trade focusing on exports from India a system of invoicing, payment and settlement has been devised.

- The AD Banks however, need to seek the approval of Foreign Exchange Department of RBI to implement the said mechanism.

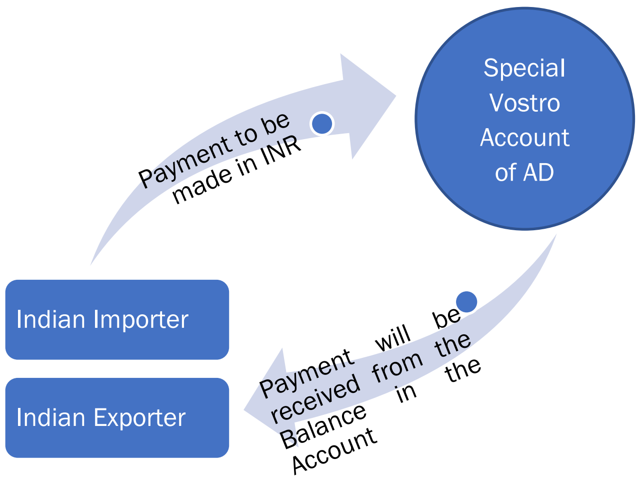
- This framework is divided into 3 phases:

INVOICING: The imports and exports will be INR denominated.

EXCHANGE RATE: Diversions in exchange rate will be market rate denominated.

SETTLEMENT: Trade transactions shall be INR denominated through Special Rupee Vostro Accounts.

- In terms of Regulation 7(1) of Foreign Exchange Management (Deposit) Regulations, 2016, AD banks in India have been permitted to open Rupee Vostro Accounts and accordingly Import-Export Mechanism for entities undertaking any transaction under this mechanism is represented below:



- This Framework also deals with the following aspects:

  - **Documentation:** The entire documentation process remains unchanged as it was prior to the said notification and the parties to the transaction have the liberty to decide the mode of settlement like Letter of Credit, Bank guarantee (if in accordance with the requisite provisions) etc.

  - **Advance against exports**: Indian exporters are allowed the facility of accepting advances in INR against their exports after seeking permission from the bank. The banks need to make sure the balance in the Vostro accounts are first utilized towards the payment due to the Indian exporters before permitting the advance.

  - **Setting-off of export receivables**: In case the parties to the said overseas transaction are same the provision of set-off is available; the exports receivables can be settled against the imports payable.

  - **Bank Guarantee:** Issue of Bank Guarantee for trade transactions, undertaken through this arrangement, is permitted subject to adherence to provisions of FEMA Notification No. 8

  - **Utilization of Surplus balance**: Surplus in the said Special Vostro Account can be utilized for the permissible capital and current account transactions as maybe mutually decided. Amount in the Special Vostro Account can be used for:

    - Payments for projects and investments.
    - Export/Import advance flow management
    - Investment in Government Treasury Bills, Government securities, etc. subject to FEMA and other statutory provisions.

  - **Reporting:** Reporting of cross-border transactions be done as per its provisions of FEMA.

To read the notification in detail, please click here.

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IFSCA

1. **IFSCA vide circular dated July 13, 2022 added Module no. 17 in Conduct of Business (COB) directions of IFSCA banking handbook and issued "The IFSCA Banking Handbook Conduct of Business Directions- v 4.0 (COB)".**

- COB directions are aimed at ensuring that IFSC Banking Units (IBUs) meet the minimum standards of conduct expected, particularly with regard to the treatment of their clients, their dealings with counterparties and other market participants. It also includes directions to ensure that the behavior of IBUs contributes to fostering and maintaining the integrity of financial markets in the IFSC and will assist the International Financial Services Centers Authority to meet the regulatory objectives, including and particularly those related to:
    - Protecting the interests of investors and users of financial services; and
    - Ensuring that the financial markets under IFSCA's purview are fair, efficient, transparent and orderly; and
    - Fostering and maintaining confidence in the IFSC's financial system and regulatory regime.

- IFSCA vide circular dated July 13, 2022 made an addition of Module No. 17 to the existing COB Directions and issued "The IFSCA Banking Handbook Conduct of Business Directions- v 4.0".

- The newly added Module No. 17 deals with framework for setting up and permitted activities for Global Administrative Office (GAO) in IFSC.

- The framework for the GAO contains the following aspects:
    - Definitions;
    - Who can open a GAO;
    - Conditions to Open a GAO;
    - Procedure for application and grant/rejection of letter of permission;
    - Penalties for non-compliance with the directions;
    - Activities that a GAO may undertake;
    - Code of Conduct;
    - Administration Structure of the GAO.

- The annexure to this framework also contains the format of Application for permission to establish a global administrative office (GAO) at gift-IFSC and also enlists the documents and information required to be submitted to IFSCA to set up an GAO.

To read the updated COB Directions in detail, please click here.
To read the Circular in detail, please click here.

JUDGEMENTS AND ORDERS

SEBI Order

1. In the matter of Cameo Corporate Services Ltd. SEBI disposed of the Adjudicating Proceedings initiated against the Noticee.

- SEBI conducted special purpose inspection of the books of accounts of Cameo Corporate Services Ltd (hereinafter referred to as "Noticee") in respect of unclaimed shares, issue of duplicate shares and rectification of Register of Members.

- In this regard, SEBI conducted inspection including but not limited to the due diligence adopted by the Noticee in respect of unclaimed shares, the procedure being followed for issue of duplicate shares, the steps taken by the Noticee with regard to the rectification of the register of members pertaining to wrong transfer of shares etc. for the period April 01, 2014 to November 25, 2019 Investigation Period. (hereinafter referred to as "Investigation Period").

- SEBI issued Show Cause Notice **("SCN")** to Noticee on observations mentioned under various 8 heads pertaining to 329 requests of shareholders in the SCN. Considerable extension was provided for submission in form of reply and also an opportunity of personal hearing was provided in this matter on May 30, 2022.

- Adjudicating officer **("AO")** considered the facts, circumstances and perused the allegations levelled against the Noticee in the SCN and the material/documents available on record and the supporting evidence provided against each observation. Basis the findings and considering the provisions of Section 15 - I of the SEBI Act read with Rule 5 of Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995, AO disposed of the Adjudication Proceedings initiated against the Noticee.

To read the order in detail, please click here.

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HIGH COURT

1. **Dispute between parties were settled by the Delhi High Court Mediation and Conciliation Centre wherein the parties remain bound in terms of the Settlement Agreement.**

Great Eastern Energy Corporation Limited	Appellant
Executive Access (India) Private Limited	Respondent

Date of Judgement: July 13, 2022

- The dispute between the parties was settled and disposed of with the intervention of the Delhi High Court Mediation and Conciliation Centre, as nothing survives for adjudication in the present appeal.

- The appeal stands disposed, that the parties to the dispute being the Great Eastern Energy Corporation Limited and Executive Access (India) Private Limited, in view of the Settlement Agreement by which they would continue to remain bound in terms of the Settlement Agreement with following terms:

- The First Party has agreed to pay to the Second Party and the Second Party has agreed to receive from the First Party the settled amount of Rs. 7,00,000/- Rupees Seven Lakhs only) in full and final.

- That during the hearing of the above said appeal, an order dated 26.04.2019 was passed by Hon'ble Mr. Justice V. Kameswar Rao, directing the appellant to deposit two-third of RFA 379/2019 Page 2 of 3 decretal amount in the Registry and in compliance of order dated April 26, 2019 passed by Hon'ble Mr. Justice V. Kameswar Rao, the First Party has deposited an amount of INR 5,60,063/- (Indian Rupees Five Lakh Sixty Thousand and Sixty-Three Only) being two-third of decretal amount with interest on May 22, 2019 by way Demand Draft No. 506795 before the Registry of the Hon'ble Delhi High Court.

- In order to pay the settled amount INR 7,00,000 (INR Seven Lakh Only), it is agreed between the parties that out of the amount lying deposited in the registry as explained in above para an amount of INR 5,50,000/- (INR Five Lakh Fifty Thousand Only) may be released in favour of Second Party and balance amount may be released along with accrued interest in favour of First Party. The First Party shall also hand over a demand draft of INR 1,50,000/- (INR One Lakh Fifty Thousand Only) in favour of Second Party to the Second Party on the date of hearing. By this way the total Settled Amount INR 7,00,000 (INR Seven Lakh Only) shall be paid to the Second Party.

- It is further agreed that within one week from obtaining the Copy of this Settlement Agreement from the Samadhan, the parties shall move an appropriate application before Hon'ble High Court of Delhi with a prayer to dispose of the matter in terms of the Settlement Agreement.

- By signing this Agreement, the parties hereto state that they have no further claims or demands against each other and all the disputes and differences have been amicably settled by the Parties hereto through the process of Mediation.

- That the parties undertake before the Hon'ble Court to abide by the terms and conditions set out in the agreement and not to dispute the same hereinafter in future."

To read the complete judgement, please click here.

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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 associate entity of Nishith Desai Associates — Legal & Tax Counseling Worldwide (legal and tax consulting firm).

We are a team of professionals with rich corporate, legal and secretarial backgrounds. We are a premier corporate compliance firm that caters to the needs and demands of our global clients. Swift aims to provide quick and pragmatic corporate solutions alongside high-quality compliances.

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