Swift India
CORPORATE SERVICES LLP

Swift e-Bulletin
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Week – October 10th to October 14th

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

“In business three things are necessary; knowledge, temper and time”

– Owen Feltham.

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**”), Securities and Exchange Board of India (“**SEBI**”) and International Financial Services Centres Authority (“**IFSCA**”).

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

- ❖ RBI vide Notification dated October 11, 2022 modified the Reserve Bank of India (Financial Statements - Presentation and Disclosures) Directions, 2021.

- ❖ SEBI vide Circular dated October 10, 2022 reviewed the provisions pertaining to Electronic Book Provider ("EBP") Platform.

We have prepared a comprehensive summary for quick reference of the aforesaid updates and Judgements / orders issued during the week of October 10 to October 14, 2022.

Thank you,
Swift team

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REGULATORY UPDATES

1. RBI vide Circular dated October 11, 2022 notified the classification of NBFCs into Middle Layer.

- RBI vide Master Directions on NBFCs dated 2016 specified that the NBFCs who are part of a same group owing to the floatation by the same promoters will have their assets valued on a consolidated basis.

- If the above mentioned consolidation is more than equal to INR. 1,000 crores, then each of then each of the Investment and Credit Company (NBFC-ICC), Micro Finance Institution (NBFC-MFI), NBFC-Factor and Mortgage Guarantee Company (NBFC-MGC); forming a part of that group will be classified into the Middle layer of NBFC and hence all the rules of Middle layer NBFC will be subsequently applicable.

- Statutory Auditors will provide a yearly certification of the asset size on the end of the financial year, which is further to be submitted to Department of Supervision of the Reserve Bank of the respective jurisdiction.

- These guidelines shall be effective from ***October 01, 2022***.

To read the Circular in detail, please click here.

2. RBI vide Notification dated October 11, 2022 modified the Reserve Bank of India (Financial Statements - Presentation and Disclosures) Directions, 2021

- RBI vide Notification dated October 11, 2022 modified the Disclosure of Divergence in Asset Classification and Provisioning in Reserve Bank of India (Financial Statements - Presentation and Disclosures) Directions, 2021.

- All the commercial banks except the Regional rural banks are now required to disclose details of divergence in asset classification and provisioning in case such divergence exceeds the limit has been specified.

- The Financial Statements to be submitted as on March 31, 2023 will be in the manner as specified through this notification if either or both of the conditions are satisfied

    - Additional provisioning for NPAs exceeds 10% of reported profits before considering the provisions and contingencies.
    - The additional Gross NPAs exceeds 10% of reported incremental NPA for the period.
    - The reported incremental Gross NPAs shall be 15% will shall further be reduced in a phased manner.

- The above mentioned thresholds shall be revised in the Financial Statements pertaining to March 31, 2024 as follows:

    - Reported profit before provisions and contingencies and reported incremental Gross NPA for Banks – 5%
    - For UCBs, Reported profit before provisions and contingencies – 5% and reported incremental Gross NPA -15%

To read the Notification in detail, please click here.

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SEBI

1. **SEBI vide Circular dated October 10, 2022 reviewed the provisions pertaining to Electronic Book Provider ("EBP") Platform.**

- SEBI vide Circular dated October 10, 2022 reviewed the provisions pertaining to EBP Platform.

- Pursuant to various representations received by SEBI urging them to review the EBP provisions in order to address the 'fastest finger first' i.e., Allotment based on priority of bidding.

- The issues faced by the bidders were:

    - Securities not being allotted in spite of working pre-issuance;
    - high ratio of green shoe to base issue size;
    - limits on arrangers placing bids on behalf of clients; and
    - Introduction of "anchor investor" concept.

- After due discussion, it was noted that it is essential to modify the book building process to ensure allocations based on the 'best bid' rather than the bidder with the best technology for placing the fastest bid.

- The Operational Circular mentioned in Annexure-A of this Circular subsequently introduces a new chapter to modify all the existing issues.

To read the Circular in detail, please click here.

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IFSCA

1. **IFSCA vide Notification dated October 11, 2022 issued International Financial Services Centres Authority (Setting up and Operation of International Branch Campuses and Offshore Education Centres) Regulations, 2022.**

- The objective of this Regulation are quoted below:

  - To enable Foreign Universities to establish International Branch Campuses in GIFT International Financial Services Centre (hereinafter referred to as the GIFT IFSC) either on stand-alone basis, or in such other form as may be permitted by the Authority.

  - To enable a Foreign Educational Institution other than a Foreign University to establish an Offshore Educational Centre in the GIFT IFSC.

  - To make the GIFT IFSC an international educational centre catering to both Indian and foreign students in the specified disciplines.

  - To encourage research in Banking, Insurance, Capital Market, Funds Management, FinTech, Longevity Finance, Sustainable Finance, Quantum Computing, etc., to provide high-end human resources in finance, technology and related fields.

  - To encourage executive education in the specified disciplines and related areas.

  - To ensure world-class education in GIFT IFSC.

  - To safeguard the interests of the student community pursuing such courses in GIFT IFSC.

  - To put in place an objective and transparent process for registration of a Foreign University/ Foreign Educational Institution for offering courses including research programmes in the permissible subject areas and executive education programmes, that are accredited in their respective home jurisdiction, and duly recognized by the Authority for being offered in the GIFT IFSC.

- These Regulations shall broadly cover the following aspects:

  - Permissible subject areas;

  - Eligibility;

  - Application for Registration;

- Procedure for grant of registration;
- Course Recognition;
- Non-Permissible Activities;
- Other Conditions;
- Action in case of default; and
- Inspection etc.

To read the Notification in detail, please click here.

2. IFSCA vide Circular dated October 12, 2022 issues Standard Operating procedure ("SOP") for Inter-operable Regulatory Sandbox ("IoRS").

- The Inter-Regulatory Technical Group on FinTech (IRTG on FinTech) has been constituted under the aegis of Sub-Committee of the Financial Stability and Development Council (FSDC- SC) for inter-regulatory co-ordination among the financial sector regulators on FinTech-related issues including **IoRS**. The Group is chaired by Chief General Manager of the FinTech Department, RBI with representation from other financial sector regulators, viz., SEBI, IRDAI, IFSCA and PFRDA and one representative each from DEA and MeITY.

- This SOP covers the following aspects:
  - IoRS – A process;
  - Participants in the IoRS;
  - Product / Services to be admitted in IoRS; and
  - Governance.

- IFSCA also released vide Circular dated October 12, 2022 has also released an Inter-Operable Regulatory Sandbox (IoRS) Application Form.

To read the Circular in detail, please click here.

SEBI Order

1. **In respect of Late Mr. Raj Kumar Rathi, the Adjudication proceedings by SEBI against the Noticee was disposed of.**

- SEBI observed large scale reversal of trades in stock options segment of Bombay Stock Exchange (hereinafter referred to as “**BSE**”) which lead to creation of artificial volume at BSE.

- SEBI conducted an investigation into the trading activities of certain entities for the period April 1, 2014 to September 30, 2015 (hereinafter referred to as "**IP**") and observed that total of 2,91,744 trades comprising substantial 81.40% of all the trades executed Stock Options Segment of BSE during the IP were non genuine trades and were alleged to be manipulative, deceptive in nature.

- Further, it also observed that Raj Kumar Rathi [PAN- ACHPR3556R] (hereinafter referred to as the “**Noticee**”) was one of the various entities who indulged in execution of reversal trades in stock options segment of BSE during the IP.

- SEBI initiated adjudication proceedings against the Noticee for violation of the provisions of Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003 (hereinafter referred to as “**PFUTP Regulations, 2003**”) and issued SCN on August 04, 2022.

- With regard to above, Ms. Neha Rathi daughter of Late Shri Raj Kumar Rathi informed about the death (passed away on August 04, 2020) of the Noticee and provided the death certificate.

- On consideration of evidences and facts, AO noted that the since the Noticee was deceased the adjudication proceedings against the Noticee be abated without going into the merits of the case qua him and the SCN dated August 04, 2022, stands disposed of without imposition of any penalty.

To read the Order in detail, 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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