Swift India

CORPORATE SERVICES LLP

Swift e-Bulletin

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Week – June 19th to June 24th

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

"I think a simple rule of business is, if you do the things that are easier first, then you can actually make a lot of progress."

- *Mark Zuckerberg*

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 Securities and exchange Board of India ("**SEBI**"), Reserve Bank of India ("**RBI**").

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

- SEBI issued Circular dated June 21, 2023 Standardized approach to valuation of investment portfolio of Alternative Investment Funds.
- SEBI vide Circular dated June 21, 2023 has issued Modalities for launching Liquidation Scheme and for distributing the investments of Alternative Investment Funds (AIFs) in-specie.

We have prepared a comprehensive summary for quick reference of the aforesaid updates and Judgements / orders issued during the week of June 19th to June 24th, 2023.

Thank you,

Swift team

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REGULATORY UPDATES

SEBI

1. **SEBI issued Circular dated June 21, 2023 Standardised approach to valuation of investment portfolio of Alternative Investment Funds.**

- SEBI vide Circular dated June 21, 2023 issued standardized approach to valuation of investment portfolio of Alternative Investment Funds (“**AIFs**”).

- The Circular contains the following:

  - Manner of valuation of AIF’s investments;

    - Valuation of securities for which valuation norms have already been prescribed under SEBI (Mutual Funds) Regulations,1996 (‘MF Regulations’), shall be carried out as per the norms prescribed under MF Regulations.

    - Valuation of securities which are not covered in para above, shall be carried out as per valuation guidelines endorsed by any AIF industry association, which in terms of membership represents at least 33% of the number of SEBI registered AIFs. The eligible AIF industry association shall endorse appropriate valuation guidelines after considering recommendations of Alternative Investment Policy Advisory Committee of SEBI.

    - The manager shall also disclose in PPM, the details of the valuation methodology and approach adopted under the stipulated guidelines for each asset class of the scheme of the AIF.

  - Responsibility of manager of AIF about valuation of investments of AIF;

    Regulation 23 (5) % (6) of SEBI (AIF) Regulations talks about Responsibility of manager of AIF about valuation of investments of AIF, in this regard this Circular has bought in the following changes.

    - At each asset level, in case there is a deviation of more than 20% between two consecutive valuations or a deviation of more than 33% in a financial year, the manager shall inform the investors the reasons/factors for the same, both generic and specific, including but not limited to changes in accounting practices/policies, assumptions/projections, valuation methodology and approach etc. and reasons thereof.

    - Any change in the methodology and approach for valuation of investments of scheme of AIF, shall be construed as material change significantly influencing the decision of the investor to continue to be invested in the scheme of the AIF and the AIF shall adhere to process to be complied with in such cases as mentioned in SEBI circular No. CIR/IMD/DF/14/2014 dated June 19, 2014 and SEBI Circular No. CIR/IMD/DF/16/2014 dated July 18, 2014.

- The manager shall disclose the following as part of changes in PPM to be submitted annually to SEBI and investors:

  > Details of changes in the valuation methodology and approach, if any, for valuation of each asset class of the scheme of the AIF;

  > Details of changes in accounting practices/policies, if any, of the investee company and the scheme of the AIF; and

  > Details of impact of the aforesaid changes in terms of valuation of the investments of the scheme of the AIF.

– Eligibility criteria for Independent Valuer

– Reporting of valuation of investments of AIF to performance benchmarking agencies

To read the Circular in detail, please click here.

2. SEBI on June 20, 2023 issued Master Circular on Scheme of Arrangement by Listed Entities and Relaxation under Sub-rule (7) of rule-19 of the Securities Contracts (Regulation) Rules, 1957.

- SEBI has from time to time issued Circulars to facilitate the stakeholders to have easy access to all the Circulars at one place the Master Circular has been issued having a compilation of all the Circulars in Annexures.

- This Master Circular is divided in to Two parts, summary of the same is below:

  – Requirements before the Scheme of arrangement is submitted for sanction by the National Company Law Tribunal (NCLT):

    - Requirements to be fulfilled by Listed Entity;
    - Obligations of Stock Exchange(s);
    - Processing of the Draft Scheme by SEBI;
    - Fractional entitlements, if any.

  – Application for relaxation under Sub-rule (7) of rule19 of the Securities Contracts (Regulation) Rules,1957:

    - Requirements to be fulfilled by Listed Entity for Listing of Equity Shares;
    - Application by a listed entity for Listing of warrants Offered Along with Non-Convertible Debentures (NCDs);
    - Requirements to be fulfilled by Stock Exchange(s);

- Processing of the Scheme by SEBI.

To read the Master Circular in detail, please click here.

3. **SEBI on dated June 21, 2023 issued Master Circular containing updates for Issue of Capital and Disclosure Requirements.**

- SEBI has from time to time issued Circulars to facilitate the stakeholders to have easy access to all the Circulars at one place the Master Circular has been issued having a compilation of all the Circulars relating to Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("**ICDR Regulations 2018**").

- This Master Circular Contains amendments made by SEBI in the following chapters of **ICDR Regulations 2018:**

  – **Chapter 1:** Non-compliance with certain provision of SEBI ICDR Regulations 2018.

  – **Chapter 2**: Streamlining the process of Rights Issue.

  – **Chapter 3**: Disclosures in offer document.

  – **Chapter 4**: Online Filing System

  – **Chapter 5**: Compensation to Retail Individual Investors (RIIs) in an IPO

  – **Chapter 6**: Guidelines on issuance of non-convertible debt instruments along with warrants (NCDs with Warrants') in terms of Chapter VI - Qualified Institutions Placement of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018

  – **Chapter 7**: Framework for the process of recognition of investors for the purpose of Innovators Growth Platform.

  – **Chapter 8**: Issue Summary Document (ISD) and dissemination of issue advertisements.

- This Master Circular also contains annexures relating procedural part of the ICDR Regulations 2018.

To read the Master Circular in detail, please click here.

4. **SEBI vide Circular dated June 21, 2023 issued Circular asking AIFs to issue units in Dematerialised form.**

- Referring SEBI Notification dated June 15, 2023 on "*Securities and Exchange Board of India (Alternative Investment Funds) (Second Amendment) Regulations, 2023*".

- Regulation 10 (aa) of above-mentioned Regulations, AIFs shall issue units in Dematerialised form subject to the conditions specified by SEBI from time to time.

- *Vide this Circular SEBI issues guidelines to issue Units of AIFs in Dematerialised form which are mentioned below:*

– All schemes of AIFs shall *dematerialise* their units in the following time frame:

Particulars	**Schemes of AIFs with corpus ≥Rs 500 Crore**	**Schemes of AIFs with corpus < Rs 500 Crore**
Dematerialisation of all the units issued	Latest by October 31, 2023	Latest by April 30, 2024
Issuance of units only in dematerialised	November 01, 2023 onwards	May 01, 2024 onwards

– The requirement of dematerialisation of units of AIFs as specified above, shall not be applicable for schemes whose tenure (excluding permissible extensions in tenure) ends on or before April 30, 2024.

– The terms of transfer of units of AIF held by an investor in Dematerialised form shall continue to be governed by the terms of private placement memorandum ("**PPM**"), agreements entered between the AIF and the investors and any other fund documents.

To read the Circular in detail, please click here.

5. **SEBI vide Circular dated June 21, 2023 has issued Modalities for launching Liquidation Scheme and for distributing the investments of Alternative Investment Funds (AIFs) in-specie.**

- SEBI on June 21, 2023 has issued Modalities for launching Liquidation Scheme and for distributing the investments of Alternative Investment Funds (AIFs) in-specie. During the liquidation period of an AIF's original scheme, if the decision to launch a Liquidation Scheme is made, the AIF must obtain consent from at least 75% of investors based on the value of their investments in the original scheme. This ensures that a significant majority of investors agree with the liquidation process. The following process shall be followed:

  – Launching the Liquidation Scheme

  – Bid Arrangements for Unliquidated Investments

  – Disclosure of Bid Value and Valuation

  – Dissenting Investors and Exit Options

  – In-Specie Distribution of Unliquidated Investments

  – Reporting and Compliance

To read the Circular in detail, please click here.

RBI

1. **RBI vide Notification dated June 22, 2023 issued additions to Remittances to International Financial Services Centres (IFSCs) under the Liberalised Remittance Scheme (LRS).**

- Referring to A.P. (DIR Series) Circular No. 11 dated February 16, 2021 and A.P. (DIR Series) Circular No. 03 dated April 26, 2023 on "Remittances to International Financial Services Centres (IFSCs) in India under the Liberalised Remittance Scheme (LRS).

- Vide this Notification RBI directs Authorised Persons may facilitate remittances by resident individuals under purpose 'studies abroad' as mentioned in Schedule III of Foreign Exchange Management (Current Account Transactions) Rules, 2000 for payment of fees to foreign universities or foreign institutions in IFSCs for pursuing courses mentioned in the gazette notification "Gazette Notification no. SO 2374(E) dated May 23, 2022"

To read the Notification 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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