Swift India
CORPORATE SERVICES LLP

Swift e-Bulletin
Edition 40th 22-23
Week – January 16th to January 20th

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

"I believe that there's no improvement if you have an inferiority complex and victim mentality."

– Kim Namjoon.

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 Centre ("IFSCA") and orders by SEBI.

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

- RBI vide notification dated January 16, 2023 notified the guidelines for acquiring and holding the shares in the Banking Companies.

- IFSCA vide Circular dated January 18, 2023 issued detailed framework for Disclosure by Fund Management Entities for Environmental, Social or Governance ("ESG") Schemes.

We have prepared a comprehensive summary for quick reference of the aforesaid updates and Judgements / orders issued during the week of January 16th to January 20th, 2023.

Thank you,
Swift team

REGULATORY UPDATES

RBI

1. **RBI vide notification dated January 16, 2023 notified the guidelines for acquiring and holding the shares in the Banking Companies.**

- RBI vide this notification stated that the prior approval is needed from the RBI to acquire the shareholding in the banking companies for all the shareholders who intend on being the major shareholders.

- The person seeking the approval; from RBI needs to apply to RBI with a declaration in Form A, post which RBI will carry out due diligence to see if the person is fit and proper to be a major shareholder.

- If the shareholding falls below 5% at any time, the said person will be required to take approval again if he intends on increasing his shareholding.

- Persons who are FATF non-complaint jurisdictions will be debarred from making an application for being the major shareholders.

- The major shareholders are liable to report to the banking company of any change in the information provided by them in the Form A while applying to the TBI.

- This notification also provides for the limits on shareholding

  - Non-promoter:

    a. 10% of the paid up capital or voting rights by natural persons, non-financial and financial institutions that are owned to the extent of 50% or more or controlled by individuals or their relatives.
    b. 15% of the paid up capital or voting rights by financial institutions not included above.

  - Promoter: 15% of the paid up capital or voting rights post completion of 15 years from the commencement of the business.

- The said notification also stipulates the lock-in requirements and the ceiling limits on voting rights.

To read the circular in detail, please click here.

IFSCA

1. **IFSCA vide Circular dated January 18, 2023 issued detailed framework for Disclosure by Fund Management Entities for Environmental, Social or Governance ("ESG") Schemes.**

- IFSCA with an aim to promote consistency, comparability and reliability in disclosure concerning ESG schemes and to insure ESG is reliable issued a circular requiring ESG schemes to make certain initial and periodic disclosures.

- The circular shall be applicable to retail schemes, exchanges traded funds (ETFs), restricted schemes and venture capital schemes which has terms such as Environment, Social, ESG, Green, Sustainability or any combination or similar terms incorporated in their names and represent and market themselves as ESG focused schemes.

- Every ESG scheme launched by FME shall ensure certain initial disclosures such as the name of the ESG scheme should reflect ESG focus, must transparently disclose the nature and extent of the scheme's related to investment objectives, must provide detailed explanation of type of investment strategy, must disclose the methodology for processes deemed relevant for ESG investment (specifically towards initial investments, monitoring, engagement and exits).

- The FME managing and ESG scheme shall be required to disclose all the specific risks that arise on account of the scheme's pursuit of ESG-related investment objectives, related investment strategies and processes in addition to all the other material risks faced by the scheme.

- FME whenever feasible shall designate a reference benchmark for the ESG scheme to measure the attainment of its ESG focus and/or financial performance vis-à-vis the benchmark.

- The ESG scheme launched by FME shall be subjected to periodic disclosures to authority and investors on half-yearly basis for a retail scheme and on annual basis for other types of schemes.

- The FME shall undertake monitoring and compliance, on half yearly basis for a retail scheme and on annual basis for other types of schemes and submit a declaration.

- ETFs or Schemes tracking an ESG Index shall comply with the requirements under this Circular to the extent applicable and provide complete details of the chosen Index, including its methodology and composition, along with the rationale for choosing the Index.

To read the circular in detail, click here

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JUDGEMENTS/ ORDERS

SEBI

1. **Adjudication Order in the matter of Vintron Informatics Limited.**

Securities and Exchange Board of India **("SEBI")** observed non-compliances and delayed compliances of Chapter V of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 ("SEBI SAST Regulations, 2011") while examining Draft Letter of Open Offer filed with SEBI for acquisition of equity shares of Vintron Informatics Limited **("Target Company")** by Good worth Build Invest (P) Ltd. **("Noticee 1"),** Vintron Computers Pvt. Ltd. **("Noticee 2"),** Ritika Electronics Pvt. Ltd. **("Noticee 3")** and Vintron Electronics Pvt. Ltd. **("Noticee 4")** (hereinafter collectively referred to as **"Noticees").**

SEBI initiated adjudication proceedings against the Noticees for the aforesaid alleged violations. The Adjudicating Officer (**"AO"**) issued Show Cause Notice (**"SCN"**) to the Noticee to show cause as to why an inquiry should not be held against it and why penalty, if any, should not be imposed for the alleged violation.

During the proceedings, it was observed that the Noticees were part of promoter group of Target Company. The Noticees did not make disclosures of their Shareholdings and Voting rights to the Target Company and Stock exchanges in time and thus violated the provisions of Regulation 29 and Regulation 30 of SEBI SAST Regulations, 2011.

After receiving the reply from the Noticee and after considering all the facts and material available on record and also taking into account judgement of the Hon'ble Supreme Court in SEBI vs. Bhavesh Pabari (2019) 5 SCC 90, the AO imposed the penalty of Rs. 14,00,000 on the Noticees.

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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