Swift India
CORPORATE SERVICES LLP

Swift e-Bulletin
Edition 42nd 22-23
Week – January 30th to February 03rd

__Quote for the week:__

"All our dreams can come true—if we have the courage to pursue them."
—Walt Disney

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") and ("IFSCA") and judgments/ order from ("SEBI").

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

- SEBI issued a Circular dated February 01, 2023 on transaction in corporate bonds through Request for Quote (RFQ) platform by Alternative Investment Funds (AIFs).

- SEBI issued a Circular dated February 01, 2023 on changes to the framework to enable verification of upfront collection of margins for clients in cash and derivatives segments.

We have prepared a comprehensive summary for quick reference of the aforesaid updates and Judgements / orders issued during the week of January 30th to February 03rd , 2023.

Thank you,
Swift team

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REGULATORY UPDATES

SEBI

1. **SEBI issued a Circular dated February 01, 2023 on transaction in corporate bonds through Request for Quote (RFQ) platform by Alternative Investment Funds (AIFs)**

- SEBI with an aim to increase the liquidity on RFQ platform of stock exchanges and to enhance the transparency and disclosure with respect to trading in secondary market in Corporate Bonds, in past prescribed stipulations for transactions on RFQ platform by Mutual Funds, Portfolio Management Services and Stock Brokers.

- Further, based on Alternative Investment Policy Advisory Committee, it is stipulated that AIFs shall undertake atleast 10% of their total secondary market traders in corporate bonds by value in a month by placing /seeking quotes on the RFQ platform.

- RFQ platform can be placed to an identified counterparty or to all participants.

- All transaction in corporate bonds wherein AIFs is on both sides of trade shall be executed through RFQ platform in 'one-to-many' mode. However, any transaction entered by an AIF in Corporate Bonds in 'one-to-many' mode which gets executed with another AIF ,shall be counted in 'one-in-many' mode and not in 'one-to one' mode.

- ***The said Circular shall come into effect from April 01, 2023.***

To read the Circular in detail, click here

2. **SEBI issued a Circular dated February 01, 2023 on changes to the framework to enable verification of upfront collection of margins for clients in cash and derivatives segments**

- SEBI vide Circular dated July 20, 2020 had prescribed the framework to enable verification of upfront collection of margins from clients in cash and derivatives segments.

- SEBI vide Circular dated December 16,2021 modified the aforesaid framework by providing for additional snapshots for commodity derivatives segment.

- Further, the said framework was again modified on May 10,2022 and specified that the margin requirements to be considered for the intra-day snapshots, in derivatives segments (including commodity derivatives), shall be calculated based on the fixed Beginning of Day (**BOD**) margin parameters. It was also specified therein that there shall be no change in the methodology of determination and collection of End of Day margin (**EOD**) obligation of the client.

- SEBI now after taking into consideration the representations received from market participants and deliberation with various stakeholders, it has now been decided that EOD margin collection requirement from clients, in derivatives segments (including commodity derivatives), shall also be calculated based on the fixed BOD margin parameters

- The said changes are only for the purpose of verification of upfront collection of margins from clients. The margin parameters applicable for collection of margin obligation by Clearing Corporations shall continue to be updated on intra -day and EOD basis, as per the extant provisions.

- SEBI Circulars dated July 20, 2020, December 16, 2021 and May 10, 2022 shall stand modified to the above extent. All other provisions shall remain to be applicable.

To read the Circular in detail, click here

IFSCA

1. **IFSCA issued a Circular dated January 27, 2023 on bullion trading members and clearing members in IFSC.**

- The said Circular is issued with an aim to develop and regulate the financial products, financial services and financial institution in IFSCA.

- IFSCA in the said Circular has referred to a circular dated September 17, 2021 on bullion trading member and clearing members in GIFT-IFSC.

- IFSCA vide the Circular has granted ***6 month extension*** with respect to net worth criteria requirement and base minimum capital requirements for bullion exchange.

To read the Circular in detail, click here

JUDGEMENTS/ ORDERS

SEBI

1. **Adjudication Order in the matter of JSG Leasing Limited.**

SEBI conducted an examination of the acquisition of shares of JSG Leasing Limited By the Promoter group (hereinafter collectively referred to as "Noticees") to determine the violation of Regulations of SEBI (Substantial Acquisition of shares and Takeovers) Regulations, 2011 (referred as "SAST Regulation").

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 under obligation to make a public announcement of an offer, pursuant to change of management and control in the target company as per Regulations 3 and 4 of SAST Regulations as the consolidated holdings of the Noticees exceeded 25% pursuant to acquisition.

After receiving the reply from the Noticee and considering all the facts and material available on records, Adjudicating Officer is of the view that the violation of regulation 3(1) and regulation 4 of SAST Regulations as alleged against the Noticees stands established and imposed the penalty of Rs. 10,00,000/- jointly or severally on the Noticees.

To read the Order in detail, please click here.

2. **Adjudication Order in the matter of complaint by Pushpaben Rasiklal Patel**

SEBI received a complaint from Ms. Pushpaben Rasiklal Patel regarding fraudulent transfer of shares and duplicate issuance of shares to the person who is not real owner of the shares of HLE Glascoat Limited (referred as "Noticee 1").

SEBI initiated adjudication proceedings against the Noticee 1 and Link Intime India Pvt. Ltd., Registrar to an Issue/Transfer Agents (referred as "Noticee 2") for the alleged violations of Clause 23 of SEBI Circular dated May 09, 2021 and SEBI (Registrar to an Issue and Share Transfer Agents) Regulations, 1993. 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 there has been negligence on the part of Noticee 1 and Noticee 2. Noticees have failed to carry our proper Due diligence and have issued duplicate shares to a person who is not the original shareholder.

After receiving the reply from both the Noticees and considering all the facts and material available on records, Adjudicating Officer is of the view that there was no loss suffered by the investor as Noticee 1 had settled the matter and no penalty was imposed on Noticee 1. However, due to lack of due diligence by Noticee 2, a genuine investor has to face mental harassment and undue hardship. In view of above, a penalty of Rs. 1,00,000 was imposed on Noticee 2.

To read the Order in detail, please click here.

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Call us toll free to explore a topic or let us answer your questions

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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