Swift e-Bulletin
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Week – March 13th to March 17th

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

"Branding is the process of connecting good strategy with good creativity."
- Marty Neumeier

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 and order issued by Securities Exchange Board of India ("**SEBI**").

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

- **SEBI vide Circular dated March 10, 2023 issued clarification with respect to Qualified RTAs (QRTAs).**

- **SEBI vide notification dated March 14, 2023 amended the Foreign Portfolio Investor Regulations.**

We have prepared a comprehensive summary for quick reference of the aforesaid updates and Judgements / orders issued during the week of March 13th to March 17th, 2023.

Thank you,
Swift team

REGULATORY UPDATES

SEBI

1. **SEBI vide Circular dated March 10, 2023 Issued Clarification with respect to Qualified RTAs (QRTAs).**

- SEBI vide circular dated September 08, 2017 issued a framework for RTA's relating to Cyber Security and Cyber Resilience where in QRTAs are defined as RTAs Serving more than 2 Crore folios.

- Owing to the enhanced responsibilities on RTAs through adoption and implementation of an internal policy framework and periodic reporting requirements as specified in various SEBI circulars issued from time to time, SEBI Vide this circular clarified the following:

  - **Categorization of an RTA as QRTA**:

    An RTA shall be categorized as a QRTA if at any time during a financial year, the combined number of physical and demat folios being serviced by the RTA for listed companies exceeds 2 crores.

    In case of an RTA being categorized as a QRTA, an intimation to this effect shall be sent by the RTA within 5 working days to SEBI.

  - **Period for which an RTA shall be recognized as QRTA**:

    An RTA shall be considered as a QRTA from the date of categorization as a QRTA as mentioned above and shall be considered as such for the next 3 financial years, irrespective of subsequent fall in number of folios and shall be liable to comply with all requirements specified from time to time.

  - **Initial relaxation**:

    Considering the various systems and procedures to be put in place by a new QRTA, a period of 60 days from the date of its categorization as a QRTA as per procedure mentioned above shall be provided to the new QRTA for complying with the enhanced requirements mandated for QRTAs.

To read the circular in detail, please click here.

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2. **SEBI vide circular dated March 16, 2023 issued Common and Simplified norms for processing investor's services requests by RTAs and norms for furnishing PAN, KYC details and Nomination.**

- SEBI in order to enhance the ease of doing business for investors in the securities market issued circulars dated November 03, 2021 and December 14, 2021 and had prescribed the common and simplified norms for processing investor's service request by Registrars to an Issue and Share Transfer Agents "RTAs" and norms for furnishing PAN, KYC details and Nomination.

- SEBI after receiving representation from investors and based on their feedback and consultation with Registrars Association of India revised the norms/procedural requirements for processing service requests of investors as below:-

  – All holders of physical securities in listed companies shall be required to mandatorily furnish the PAN, KYC details and Nomination as mentioned under Annexure - A of the said circular.

  – The Folios where documents such as PAN, Nomination, Contact details, Bank A/c details and Specimen signature, KYC details if not available on or after October 01,2023 shall be frozen by the RTA.

  – The security holders whose folios are frozen shall be eligible to lodge grievance or avail any service request from the RTA after furnishing the document and make any payment including dividend, interest or redemption payment in respect of such frozen folios.

  – The frozen folios will be referred to the administrating authority under the Benami Transactions (Prohibitions) Act, 1988 and/or Prevention of Money Laundering Act, 2002, by RTA/Listed company if they remain frozen as on December 31, 2025.

  – The RTA shall accept self-attested copies of documents for processing of service requests, unless otherwise prescribed in the Companies Act, 2013 or SEBI Regulations or Circulars.

  – The documents/details shall be provided in person verification or post or electronic mode with e-sign, unless otherwise prescribed in the Companies Act, 2013 or SEBI Regulations or Circulars as mentioned under Annexure- B of the said circular.

  – The details with respect to simplified, standardized and common norms along with operational guidelines for processing investors service requests are as mentioned under Annexure-C of the said circular.

- The forms for availing various Investors services such as registering/updating the KYC details and for the processing of various service requests is as mentioned under Annexure-D of the said circular.

- Indemnity shall not be required for any service request except transmission and request for issuance for duplicate security certificates.

- The RTAs is required to update the PAN and KYC details across of all folios of the holders managed by it and details.

- The service request shall be processed by RTAs as per the timelines mentioned under the circular named- "Publishing Investor Charter and Disclosure of Complaints by Registrar and Share Transfer Agents (RTAs) on their Websites"

- The RTAs shall be required to provide their complete contact details (viz. postal address, phone numbers and e-mail address etc.) on their respective websites. The same shall also be provided on the websites of the listed companies and the stock exchanges on which such company is listed.

- The RTAs shall raise all objections, if any, in one instance only While processing service requests and related complaints.

- RTA shall also process the queries and complaints Electronic interface i.e., e-mail address of the security holder which is already registered with the RTA.

- Listed companies, RTAs and Stock Exchanges shall disseminate the requirements to be complied with by holders of physical securities of all listed companies on their respective websites.

- RTAs is required to provide a certificate of compliance from a practicing Company Secretary, within 30 days from the date of this circular coming into effect, certifying the changes carried out, systems put in place / new operating procedures implemented etc. to comply with the provisions of this circular and a report to SEBI by May 31, 2023, on the steps taken by them towards sensitizing their security holders regarding mandatory furnishing of PAN, KYC, and nomination details.

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

To read the circular in detail, please click here.

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3. **SEBI vide notification dated March 14, 2023 amended the SEBI (Foreign Portfolio Investors) Regulations 2019.**

- Pursuant to the amendment these regulations will be called SEBI (Foreign Portfolio Investors (Amendment) Regulations, 2023.

- Following are inter-alia the amendments vide this notification

  - **Regulation 3(2)** has been amended to include replace/ substitute certain words in regulations / sub regulations / clauses etc.

  - **Regulation 22 (1)(C):** The foreign portfolio investor to intimate not later than 7 working days any material change be it direct or indirect to the Board and Designated depository participant.

  - **Regulation 22 (1) (k) :-** The clause shall be inserted to ensure that accurate details regarding the investor group is maintained with its designated depository participant at all time.

  - **Regulation 22(5):** Any change in the structure, common ownership or control of the Foreign Portfolio investor to be intimated to the designated depository participant not later than 7 working days.

  - **Regulation 31 (1):** The word "*forthwith*" is substituted with words "*as soon as possible but not later than two working days" for subclause (b) (c) and (g).*

To read the notification in detail, please click here.

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JUDGEMENTS/ ORDERS

SEBI

1. Adjudication Order in the matter of S.B. Securities Private Limited (SEBI registered Stockbroker).

- S.B Securities is a Securities and Exchange Board of India ("**SEBI**") registered stockbroker.

- SEBI conducted a comprehensive joint inspection with the exchanges, of S.B. Securities Private Limited (hereinafter referred as "**Noticee**"), which is a trading member of Bombay Stock Exchange Ltd. (hereinafter referred as "**BSE**") to verify the compliance status of Noticee with various Regulations and Circulars issued in respect of the Stock broking activities.

- Based on the findings of inspection, certain alleged non-compliances were observed of Securities Contracts (Regulation) Act, 1956, SEBI (Stockbrokers) Regulations, 1992, SEBI (Certification of Associated Persons in the Securities Markets) Regulation, 2007, Circulars issued by SEBI and notice issued by BSE.

- SEBI initialed adjudicating proceedings against Noticee and issued show cause notice for alleged violation of provisions of securities law as given below:

  - Misutilization of clients' funds;
  - Settlement of client funds and securities;
  - Clients Funding;
  - Non-Issuance of Contract Notes;
  - Requirement related to Brokerage;
  - Client Registration Process (KYC and KRA Process);
  - Analysis of Enhanced Supervision Data;
  - Clients Order Recording;
  - Exchange level Internal Alerts generated; and
  - Control System over AP/Branch.

- After considering all the facts and material available on records, the Adjudicating Officer ("**AO**") is of the view that Noticee had acted in deliberate disregard of its obligations towards its clients and had put the interest of lakhs of investors in jeopardy. Hence, the AO imposed penalty of Rs. 19,00,000 on Noticee.

To read the order in detail, please click here.

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