Swift e-Bulletin

Edition 11th 23-24

Week – June 26th to July 01st

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

"If you look at the world with an open mind, anything can happen"

- *Min Yoongi.*

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 orders from SEBI.

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

- SEBI issued Press Release dated June 27, 2023 for online remittance of fees Payable to SEBI by the market participants.
- SEBI vide Circulars dated June 26, 2023 issued the format of the Compliance Report on Governance of InvITs and REITs.

We have prepared a comprehensive summary for quick reference of the aforesaid updates and Judgements / orders issued during the week of June 26th to July 01st, 2023.

Thank you,

Swift team

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REGULATORY UPDATES

SEBI

1. **SEBI issued Press Release dated June 27, 2023 for online remittance of fees Payable to SEBI by the market participants.**

- SEBI in order to facilitate the market participants to remit fees online, has provided a link on its Homepage under the head "**Click here to make payment of SEBI Fees**".

- In order to remit the fees online; SEBI has provided certain way the fees can be remitted

    - Net Banking
    - NEFT/RTGS
    - Debit Cards / Rupay Debit Cards
    - UPI

- While the remittances are made online, the entities are required to furnish requisite information like name, email id, mobile number, address, PAN, nature of fees, GST details (if applicable), etc.

- The above facilities are available to all the market participants other than registered intermediaries as the SEBI registered intermediaries and applicants for fresh registration will continue to remit fees through SEBI Intermediaries Portal i.e. siportal.sebi.gov.in.

To read the Circular in detail, please click here.

2. **SEBI vide Circulars dated June 26, 2023 issued the format of the Compliance Report on Governance of InvITs and REITs.**

- Regulation 26K of the SEBI (Infrastructure Investment Trusts) Regulations, 2014 ("InvIT Regulations") and Regulation 26E of the SEBI (Real Estate Investment Trusts) Regulations, 2014 ("REIT Regulations") requires the following

    - The Manager to submit the "**Quarterly Compliance Report**" on governance to the recognized stock exchange(s) within 21 days from the end of the respective quarter.
    - The above-mentioned report shall be signed by the either the Compliance Officer or the Chief Executive Officer of the Manager.

- For the said purpose, the Circular has provided for the formats of the various reportings

    - Report to be sent within 21 days from the end of each quarter – **Annexure - I.**
    - Report to be sent within 21 days from the end of the financial year on an annual basis – **Annexure – II.**

- Report to be sent within 3 months from the end of financial year on an annual basis – **Annexure - III.**

- The Manager to submit the Compliant Report on governance in the aforesaid format to the Stock Exchanges within the timelines as stipulated above and the above shall form a part of the Annual Report of the InvIT and REIT respectively.

- The Stock Exchanges shall monitor the compliance of the above requirements and take the appropriate actions as specified by SEBI from time to time.

- The above Circulars shall come into effect from FY 2023-24; thus, the first quarterly report shall be made for the quarter ended June 30, 2023.

To read the Circular for InvITs in detail, please click here.

To read the Circular for REITs in detail, please click here.

3. SEBI vide Circular dated June 27, 2023 issued circular on Disclosure of Information on Issuers Not Cooperating (INC) with CRAs

- Every CRA is required to carry out periodic reviews of all published ratings during the lifetime of the securities unless the rating is withdrawn. In case a client does not cooperate with the CRA, the review shall be carried out on the basis of the best information or in the manner specified by SEBI.

- To overcome the increase in the number of non-cooperative issuers with CRAs and vast majority of INC issuers being unlisted and small entities, SEBI has provided the following enhanced transparency and information regarding non-cooperative issuers to various stakeholders, market participants and investors as below: -

  - CRAs shall disclose two lists of issuers who are non-cooperative separately for securities that are listed, or proposed to be listed, on a recognized stock exchanges and Other ratings.

  - The abovementioned lists shall be disclosed in the format prescribed in the circular and shall be updated on daily basis.

  - The circular shall be applicable with effect from July 15, 2023 and CRAs shall report on their compliance with this circular to SEBI within one quarter from the circular being appliable.

- The said circular shall be monitored in the half-yearly internal audit for CRAs, mandated under Regulation 22 of the CRA Regulations and applicable circulars.

- The said circular shall be applicable to all Credit Rating Agencies registered with SEBI

To read the circular in detail, please click here

4. SEBI vide circular dated June 26, issued circular on Format for Annual Secretarial Compliance Report for Real Estate Investment Trusts ("REITs")

- As per regulation 26D of SEBI (Real Estate Investment Trusts) Regulations, 2014 requires the manager to submit a secretarial compliance report given by a practicing company secretary to the stock exchange within sixty days from the end of financial year in such form as specified along with the annual report of the REIT.

- Accordingly, SEBI has prescribed the following which shall be complied regarding annual secretarial compliance report as below:

  - The Manager of the REIT shall appoint a practicing company secretary on an annual basis to examine the compliance of all applicable SEBI Regulations and circulars/ guidelines issued thereunder, consequent to which, the practicing company secretary shall submit a report to the Manager of the REIT.

  - The manager shall provide all such required documents/information as may be requested by the practicing company secretary.

  - The format for the annual secretarial compliance report is prescribed in the said circular.

- The Manager shall submit the annual secretarial compliance report in the prescribed format to the stock exchange within sixty days from the end of each financial year. The annual secretarial compliance shall also be made part of annual report of the REIT.

- The stock exchange shall monitor the compliance of the above requirement and take appropriate action as specified by the Board from time to time.

- The Circular shall come into effect from the financial year 2023 – 24.

- The said circular shall be applicable to REITs, parties to REITs, Depositories and all recognized stock exchanges.

To read the circular in detail, please click here.

5. SEBI vide circular dated June 26, 2023 issued circular on Format for Annual Secretarial Compliance Report for Infrastructure Investment Trusts ("InvITs")

- As per regulation 26J of SEBI (Infrastructure Investment Trusts) Regulation 2014 the investment manager is required to submit a secretarial compliance report given by practicing company secretary to the stock exchanges within sixty days from the end of each financial year in the specified format along with the annual report of the InvITs.

- Accordingly, SEBI has prescribed the following which shall be complied regarding annual secretarial compliance report as below: -

  - The Investment Manager of the InvIT shall appoint a practicing company secretary on an annual basis to examine the compliance of all applicable SEBI Regulations and circulars/ guidelines issued thereunder, consequent to which, the practicing company secretary shall submit a report to the Investment Manager of the InvIT.

- The manager shall provide all such required documents/information as may be requested by the practicing company secretary.

- The format for the annual secretarial compliance report is prescribed in the said Circular.

- The Investment Manager shall submit the annual secretarial compliance report in the prescribed format to the stock exchange within sixty days from the end of each financial year. The annual secretarial compliance shall also be made part of annual report of the InvIT.

- The stock exchange shall monitor the compliance of the above requirement and take appropriate action as specified by the Board from time to time.

- The Circular shall come into effect from the financial year 2023 – 24

- The said Circular shall be applicable to InvITs, parties to all InvITs, all Depositories and all recognized stock exchanges.

To read the circular in detail, please click here.

6. SEBI issued Circular dated June 27, 2023 facilitating methods to achieve Minimum Public Unit holding for Infrastructure Investment Trusts ("InvITs") & Real Estate Investment Trusts ("REITs").

- SEBI vide Circular No. *SEBI/HO/DDHS/PoD2/P/CIR/2023/106* & *SEBI/HO/DDHS/PoD2/P/CIR/ 2023/ 107* issued methods that can be adopted by InvITs and REITs to achieve minimum public unitholding compliance as mandated by SEBI (Infrastructure Investment Trusts) Regulations, 2014 and regulations and SEBI (Real Estate Investment Trusts) Regulations, 2014 ("**regulations**").

- These regulations allow InvITs and REITs **to increase its public unitholding** to at least twenty-**five percent** within a period of **three years** from the date of listing of units pursuant to initial offer.

- Vide this Circular SEBI mandates the following methods to increase the minimum public unit holding to twenty five Percent:

  – Issuance of units to public through offer document.

  – Offer for sale of units held by Sponsor(s) / Manager / and their associates/related parties and Sponsor Group to public through offer document.

  – Offer for sale of units held by Sponsor(s) / Manager / and their associates/related parties and Sponsor Group through the Stock Exchange -mechanism i.e., the secondary market, in terms of circular reference No. SEBI/HO/MRD/MRD-PoD-3/P/CIR/2023/10 dated January 10, 2023.

  – Rights issue & Bonus issue to public unitholders.

  – Allotment of units under Institutional placement.

- Transfer of units held by Sponsor(s) / Manager / and their associates/related parties and Sponsor Group to an Exchange Traded Fund ("**ETF**") managed by a SEBI-registered mutual fund, subject to a **maximum of 5% of the paid-up unit capital** of the REIT.

- Sale of units held by Sponsor(s) / Manager / and their associates/related parties and Sponsor Group in the open market in any one of the following ways, as specified in the respective Circulars of InvIT & REIT (**Links Mentioned below**).

- Any other method as may be approved by the Board on a case to case basis.

- Apart from the above list SEBI has also given additional conditions that are to be complied while adopting any of the above methods for increasing minimum public unit holding.

To read the Circular in detail, please click here for InvIT & REIT.

7. **SEBI vide Press release dated June 28, 2023 issued the result of the board meeting held by SEBI on various matters of the securities markets and other related aspects.**

- SEBI Board met in Mumbai on June 28, 2023 and, inter-alia, approved the following:

  - **Primary Market related**

    - Reduction of timeline for listing of shares in Public Issue from existing T+6 days to T+3 days.

  - **Debt and Hybrids related**

    - Introduction of provisions in respect of (a) listing of non-convertible debt securities and (b) voluntary delisting of non-convertible debt securities.

    - Enablement of direct participation by participants (clients) in the Limited Purpose Clearing Corporation ("**LPCC"**).

    - Revision of minimum unitholding requirement for Sponsor(s) and introduction of provision for Self-Sponsored Investment Manager/ Manager of InvITs/ REITs.

    - Introduction of board nomination rights to unitholders of InvITs and REITs.

  - **FPI related**

    - Introduction of provisions for additional disclosures from Foreign Portfolio Investors ("**FPIs"**) that fulfil certain objective criteria.

  - **Investor Grievances Redressal related**

    - Strengthening of investor grievance handling mechanism through SCORES and linking the new platform with the Online Dispute Resolution Mechanism.

To read the Press Release in detail, please click here.

8. **SEBI issued Press release dated June 27, 2023 for amendment in the Securities and Exchange Board of India (Informal Guidance) Scheme 2003 ('Scheme') which was issued on June 24, 2003.**

- SEBI vide its Press release dated June 24, 2023 has decided to do away with the acceptance of a demand draft with respect to the fee charged for making a request under the Scheme.

- The Press release contains the following:

  - The paragraph 6 (ii) of the scheme is modified as below;

    - It shall be accompanied with a fee of **Rs.25,000** by way of direct credit into the bank account of the Board through NEFT/RTGS/IMPS or online payment using the SEBI payment gateway or any other mode as may be specified by SEBI from time to time.

    - The confirmation of payments made electronically through NEFT/RTGS/IMPS modes or online payment using the SEBI payment gateway should be sent to the concerned department and also to e-mail id: -tad@sebi.gov.in in the format as given in this press release.

To read the Press release in detail, please click here.

9. **SEBI vide Circular dated June 26, 2023 issued additional compliances to be observed by the Investor Service Centers of Stock Exchange.**

- SEBI has from time to time issued circulars advising for opening and maintaining of at least one Investor Service Center (**"ISC"**) by the stock exchanges for providing counseling services and provide certain basic minimum facilities to the investors

- The SEBI based on consultation with the stock exchange has decided the following:

  - The stock exchanges shall make use of the existing ISCs at locations mentioned in the paragraph-2 of the circular and open additional ISCs wherever required or as specified or to be specified by the Board from time to time.

  - The major basic minimum facilities to be provided by ISCs under this circular are as follows:

    - Four financial daily newspapers with at least one in the regional language of the place where the ISC is situated.;

    - A dedicated desktop or laptop with internet connectivity to enable the investors to access various relevant information available in public domain and to access SEBI's and stock exchange's grievance redressal portals;

    - Facilities for receiving investor complaints in both physical and electronic form;

    - A meeting room for at least 5 to 6 persons and additional sitting space for at least 5 to 6 persons.

- For up-gradation of knowledge of officials at ISCs, stock exchanges shall ensure that all the officials at ISCs have been provided adequate training including the training on securities market which should inter-alia, cover the following areas:
  - Overview of securities market (both primary and secondary markets
  - Functions and operations of Stock Exchanges, Clearing Corporations and depositories
  - Functions and operations of market intermediaries dealing with various investors
  - The officials at ISCs should also have requisite NISM certification covering the areas mentioned above
- The provisions of this circular, except provisions of upgradation of knowledge of officials as mentioned above shall come into effect from the 90th day of issuance of this circular whereas the requirements of the provisions of upgradation of knowledge of officials as mentioned above shall be complied within a phased manner.
- The existing provisions on ISCs issued through various SEB circulars as mentioned in this circular shall be rescinded with effect from the date of implementation of this circular.
- All recognized stock exchanges are advised to:
  - Take necessary steps and put in place necessary systems for implementation of the above
  - Make necessary amendments to the relevant byelaws, rules and regulations, wherever required, for the implementation of the above
  - Bring the provisions of this circular to the notice of market participants (including investors) and to disseminate the same on their website

To read the Circular in Detail please click here.

10. SEBI vide Circular dated June 30, 2023 issued Implementation on upstreaming of client's funds by Stockbrokers (SBs) / Clearing Members (CMs) to Clearing Corporations (CCs)

- SEBI vide circular no. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/084 (hereinafter referred to as the circular) dated June 08, 2023 has specified the framework for upstreaming of clients funds by SBs/CMs to CCs,
- Based on representations received from various stakeholders and certain practical difficulties arising in implementation of the proposed framework the provision of the circular stand modified as under:
  - SBs/CMs may receive funds from clients beyond the prescribed cutoff time for upstreaming subject to the condition that there shall not be any further movement of funds from that account (i.e., a debit freeze) till the opening of upstreaming window on the next day.

- The tenor of such FDRs shall not be more than one year and one day; and the FDRs should be pre-terminable on demand.
- It is clarified that existing FDRs (created out of clients' funds and having tenor of more than one-year) created prior to issuance of the circular shall be allowed to be grandfathered till maturity. Such FDR sat the time of renewal shall meet the conditions specified at clause 3.A.I of the circular.
- The provisions of the circular stated at clause 3. C. II, 3.C.III, 3. C. V, 3. C. IX, 3.C.XI shall come into effect from September 01, 2023.

To read this Circular in detail, please click here.

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JUDGEMENTS/ ORDERS

SEBI ORDER

1. **Adjudication order in the matter of Cyquator Media Services Pvt Ltd.**

- Securities Exchange Board of India ("**SEBI**") has undertaken examination pursuant in the scrip of Zee Entertainment Enterprises Ltd ("**ZEEL**") to ascertain any possible violation of the provisions Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 ("**PIT Regulations**") by Cyquator Media Services Pvt Ltd ("**Noticee**").

- During the examination, It was observed that Noticee being a promoter has made delayed disclosure with respect to creation of pledge and also failed/made delayed disclosures with w.r.t. invocation and sale of pledge to ZEEL and Exchanges and therefore, it was alleged that Noticee has violated regulation 7(2)(a) of the PIT Regulations. Accordingly, SEBI has initiated adjudication proceedings under section 15A(b) of the SEBI Act against the Noticee.

- Accordingly, Adjudicating Proceedings were initiated against the Noticee and a Show cause notice was issued to the Noticee, requiring the Noticee to show cause as to why and inquiry should not be held, and penalty be not imposed.

- After considering the reply made by the Noticee and material available on records, Adjudicating Officer ("**AO**") is of the view that PIT Regulations and SAST Regulations are meant to ensure timely dissemination of material and price sensitive information to enable investors to make well-informed investment decisions. By requiring timely disclosure of material information, it helps prevent insider trading and ensures that investors have access to relevant information to make informed investment decisions.

- Further the AO was of the view that timely, adequate and accurate disclosure of information on an ongoing basis by listed entities is to ensure compliance in letter and spirit. It is one of the basic tenets of governance in the listed companies and are essential for maintaining the integrity of the securities market

- After taking into consideration the nature and gravity of the violations established, the AO imposed penalty on Noticee of INR 4,00,000/-.

To read the order in detail, please click here.

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About Swift

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