



NEWSLETTER ^{Weekly}

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MINISTRY OF CORPORATE AFFAIRS

1. India's Corporate Affairs Regulator Seeks Public Feedback on 7 Regulations under Insolvency and Bankruptcy Code.

The Ministry of Corporate affairs (MCA) has chalked out a plan for the first 100 days of the new government to assume office after the elections. Besides a clutch of changes to the Insolvency and Bankruptcy Code (IBC) aimed at expediting the resolutions and expanding the ambit of the mechanism, the action plan includes streamlining of the existing rules under the Companies Act, 2013 and bolstering the National Company Law Tribunal (NCLT). As per the official source The MCA shall engage in increasing the number of members at NCLT beyond the current sanctioned strength. Besides, the proposal by the industry to create separate benches for IBC (insolvency and bankruptcy code), and company law-related matters within the NCLT will also be taken up. The plan also covers finalising a stricter governance framework for large unlisted firms, especially in the backdrop of alleged irregularities at firms like Byju's. Currently NCLT consists of 53 members, including judicial and technical members, as against the sanctioned strength of 63 members. "It's expected that the member strength could be increased in proportion to the number of registered companies. The proposal to increase the NCLAT strength is also part of the plan. The added members would give more time for NCLT to deal in matters related to Companies Act," said the official. As per MCA data 1.67 million companies are registered in the country as on February 2024. As per the action plan, the MCA shall fast-track the process of amendments to IBC under the new government. "It's top priority for the ministry. Though there have been several amendments in IBC already, there's a need to speed up the resolution process further. There's an urgent requirement for amendments related to real estate projects, reverse insolvency, group insolvency, treatment of EPFO claims, and priority of claims of government authorities in terms of Rainbow Papers judgment of the Supreme Court. As on September 2023, there was a backlog of over 13,000 cases stuck at various stages of IBC resolution with the average resolution time of 653 days versus the stipulated 330 days, as per a CRISIL report. The governance framework at unlisted firms which have systemic implications will be tackled on an urgent basis. The ministry is preparing a proposal to mandate unlisted firms to set up risk management committee (RMC) in addition to the existing committees that they are required to form. This will help mitigate the risks to a large extent," said the official. Certain proposals related to the Companies Act 2013 amendments will be taken up in the first few days, including allowing the companies to hold AGMs/EGMs through electronic mode, and to ease the requirement of raising capital in distressed companies. "For the past three years, companies have been holding their AGMs virtually. MCA has allowed this by way of circulars which have been extended on yearly basis. The IBC amendments on the cards include introduction of cross-border and group insolvency mechanisms. The amendment also includes removal of the interim moratorium provision for personal guarantors' assets, introduction of project-wise insolvency under real-estate, and introduction of creditor-led resolution plan (CLRP) mechanism, a method to settle cases out-of-court.

SECURITIES AND EXCHANGE BOARD OF INDIA

1. Relaxation in requirement of intimation of changes in the terms of Private Placement Memorandum of Alternative Investment Funds through Merchant Banker

The Securities and Exchange Board of India (SEBI) vide circular dated April 29th 2024, has issued a circular on the relaxation in requirement of intimation of changes in the terms of Private Placement Memorandum (PPM) of Alternative Investment Funds (AIF) through Merchant Banker.

In this regard, based on the feedback received from the market participants, the aforesaid requirement was reviewed to identify changes in the terms of PPM which may not be required to be submitted through a merchant banker and may be filed directly with SEBI, thereby, facilitating ease of doing business and rationalising cost of compliance for AIFs.

For more information, you can access the SEBI circular here:

<https://www.sebi.gov.in/legal/circulars/apr-2024/relaxation-in-requirement-of-intimation-of-changes-in-the-terms-of-private-placement-memorandum-of-alternative-investment-funds-through-merchant-banker-83091.html>

2. Ease of doing business- Fund manager for Mutual fund schemes investing in commodities and overseas securities

The Securities and Exchange Board of India (SEBI) vide circular dated April 30th 2024 aimed at simplifying regulations for mutual funds venturing into commodities and overseas securities. SEBI constituted working groups to review existing regulatory frameworks and propose measures to streamline operations for mutual funds. The focus was particularly on enhancing flexibility and reducing compliance burdens. Following recommendations from these groups, SEBI conducted public consultations to gather feedback and insights from stakeholders.

For more information, you can access the SEBI circular here:

<https://www.sebi.gov.in/legal/circulars/apr-2024/ease-of-doing-business-fund-manager-for-mutual-fund-schemes-investing-in-commodities-and-overseas-securities-83120.html>

3. Nomination for Mutual Fund unitholders – exemption for jointly held folios

The Securities and Exchange Board of India (SEBI) vide circular dated April 30th 2024 regulating the securities market, ensuring investor protection, and fostering market development addressed the nomination requirements for mutual fund unit holders.

For more information, you can access the SEBI circular here:

<https://www.sebi.gov.in/legal/circulars/apr-2024/nomination-for-mutual-fund-unitholders-exemption-for-jointly-held-folios-83122.html>

4. Framework for administration and supervision of Research Analysts and Investment Advisers

The Securities and Exchange Board of India (SEBI) vide circular dated May 02nd 2024 introduced a comprehensive framework for the administration and supervision of Research

Analysts and Investment Advisers. This framework aims to streamline processes, enhance investor protection, and promote market development.

For more information, you can access the SEBI circular here:

https://www.sebi.gov.in/legal/circulars/may-2024/framework-for-administration-and-supervision-of-research-analysts-and-investment-advisers_83145.html

5. Facilitating collective oversight of distributors for Portfolio Management Services (PMS) through APMI

The Securities and Exchange Board of India (SEBI) vide circular dated May 02nd 2024, informed that any person or entity involved in the distribution of portfolio management services shall obtain registration with APMI. Portfolio Managers shall ensure that any person or entity engaged in the distribution of its services has obtained registration with APMI, in accordance with the criteria laid down by APMI. This circular shall come into effect from January 01, 2025. APMI shall issue the criteria for registration of distributors by July 01, 2024.

For more information, you can access the SEBI circular here:

https://www.sebi.gov.in/legal/circulars/may-2024/facilitating-collective-oversight-of-distributors-for-portfolio-management-services-pms-through-apmi_83146.html

6. Portfolio Managers - Facilitating ease in digital on-boarding process for clients and enhancing transparency through disclosures

The Securities and Exchange Board of India (SEBI) vide circular dated May 02nd 2024, addresses key concerns regarding the digital onboarding process for clients and aims to enhance transparency through comprehensive disclosures. SEBI has been proactive in streamlining regulations to foster ease of doing business for portfolio managers.

For more information, you can access the SEBI circular here:

https://www.sebi.gov.in/legal/circulars/may-2024/portfolio-managers-facilitating-ease-in-digital-on-boarding-process-for-clients-and-enhancing-transparency-through-disclosures_83147.html

7. SEBI Board Meeting

The Securities and Exchange Board of India (SEBI) vide press release dated April 30th 2024, released the minutes of the 205th SEBI board meeting, wherein the board inter-alia approved the following: Amendments to SEBI (Infrastructure Investment Trusts) Regulations, 2014 and SEBI (Real Estate Investment Trusts) Regulations, 2014 in order to provide a framework for Unit Based Employee Benefit Scheme, Flexibility to Venture Capital Funds, registered under the erstwhile SEBI (Venture Capital Regulations), 1996, to deal with unliquidated investments of their schemes upon expiry of tenure by opting to migrate into SEBI (Alternative Investment Funds) Regulations, 2012 etc.

For more information, you can access the SEBI press release here:

https://www.sebi.gov.in/media-and-notifications/press-releases/apr-2024/sebi-board-meeting_83115.html

RESERVE BANK OF INDIA

1. Fair Practices Code for Lenders – Charging of Interest

The Reserve Bank of India (RBI) vide notification dated April 29th 2024 has issued a directive aimed at ensuring fairness and transparency in the charging of interest by lenders. This directive, titled “Fair Practices Code for Lenders – Charging of Interest,” addresses concerns regarding various unfair practices observed during the onsite examination of regulated entities (REs) for the period ended March 31, 2023.

For more information, you can access the RBI notification here:

<https://rbi.org.in/Scripts/NotificationUser.aspx?Id=12678&Mode=0>

2. Guidance Note on Operational Risk Management and Operational Resilience

The Reserve Bank of India (RBI) vide notification dated April 30th 2024 released an updated “Guidance Note on Operational Risk Management and Operational Resilience” to promote and further improve the effectiveness of lenders’ operational risk management. The note is also aimed at enhancing lenders’ operational resilience given the interconnections and interdependencies, within the financial system, that result from the complex and dynamic environment in which they operate.

For more information, you can access the RBI notification here:

<https://rbi.org.in/Scripts/NotificationUser.aspx?Id=12679&Mode=0>

3. Master Direction – Risk Management and Inter-Bank Dealings: Amendments

The Reserve Bank of India (RBI) vide notification dated May 03rd 2024 recently issued amendments to the Master Direction – Risk Management and Inter-Bank Dealings. The circular primarily addresses amendments related to standalone primary dealers (SPDs) and reporting requirements for over-the-counter (OTC) foreign exchange derivative contracts. Notable changes include the incorporation of provisions applicable to SPDs, updates in reporting directions, and clarifications on compliance standards.

For more information, you can access the RBI notification here:

<https://rbi.org.in/Scripts/NotificationUser.aspx?Id=12680&Mode=0>

4. Banks' Exposure to Capital Market - Issue of Irrevocable Payment Commitments (IPCs)

The Reserve Bank of India (RBI) vide notification dated May 03rd 2024 issued guidelines revising the rules concerning Banks’ Exposure to Capital Market – specifically focusing on the issuance of Irrevocable Payment Commitments (IPCs) by custodian banks. Under the new instructions, custodian banks issuing IPCs must have clauses in agreements with clients granting the banks an inalienable right over securities to be received as pay out in any settlement. Exceptions to this clause are made for pre-funded transactions, where clear INR funds are available in the customer’s account or, in the case of FX deals, the bank’s nostro account has been credited before IPC issuance.

For more information, you can access the RBI notification here:

<https://rbi.org.in/Scripts/NotificationUser.aspx?Id=12681&Mode=0>

5. RBI releases Draft Master Direction – Reserve Bank of India (Electronic Trading Platforms) Directions, 2024

The Reserve Bank of India (RBI) vide press release dated April 29th 2024, placed on its website Draft Master Direction – Reserve Bank of India (Electronic Trading Platforms) Directions, 2024. Comments/feedback on the draft Directions are invited from Electronic Trading Platform operators, banks, market participants and other interested parties by May 31, 2024.

For more information, you can access the RBI press release here:

https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=57809

6. Withdrawal of ₹2000 Denomination Banknotes – Status

The Reserve Bank of India (RBI) vide press release dated May 02nd 2024 informed that the total value of ₹2000 banknotes in circulation, which was ₹3.56 lakh crore at the close of business on May 19, 2023, when the withdrawal of ₹2000 banknotes was announced, has declined to ₹7961 crore at the close of business on April 30, 2024. Thus, 97.76% of the ₹2000 banknotes in circulation as on May 19, 2023, has since been returned. The ₹2000 banknotes continue to be legal tender.

For more information, you can access the RBI press release here:

https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=57832

7. RBI Working Paper No. 04/2024: Assessing the Impact of Macroprudential Policies on Housing Credit Dynamics: Evidence from India

The Reserve Bank of India (RBI) vide press release dated May 03rd 2024 placed on its website a Working Paper titled “Assessing the Impact of Macroprudential Policies on Housing Credit Dynamics: Evidence from India” under the Reserve Bank of India Working Paper Series. This paper examines the effectiveness of macroprudential (MaP) policy in controlling bank credit growth to the housing sector in India using a dynamic panel regression model and quarterly bank-level data. The paper finds that the MaP policies were effective in influencing housing credit growth. Tightening policy actions had a greater impact than easing actions. The impact of MaP policy was not weakened by business cycle booms. A combination of tighter MaP policy and a tighter monetary policy could bring down the non-performing assets (NPAs) in the housing sector.

For more information, you can access the RBI press release here:

https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=57838

8. RBI releases draft guidelines on ‘Prudential Framework for Income Recognition, Asset Classification and Provisioning pertaining to Advances - Projects Under Implementation’

The Reserve Bank of India (RBI) vide press release dated May 03rd 2024 released the draft Direction on the prudential framework applicable to financing of project loans. Given the complexities involved in project finance, the revised guidelines seek to provide an enabling framework for the regulated entities for financing of project loans, while addressing the

underlying risks. The Comments on the draft Direction are invited from public/stakeholders by June 15, 2024.

For more information, you can access the RBI press release here:

https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=57841

9. Buyback of Government of India Dated Securities

The Reserve Bank of India (RBI) vide press release dated May 03rd 2024 informed that recently the Government of India announced the buyback of its Securities through auction for an aggregate amount of ₹40,000 crore (face value).

For more information, you can access the RBI press release here:

https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=57845

You may send your suggestions at kartikey@asalegal.in

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