NEWSLETTER Weekly

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SECURITIES AND EXCHANGE BOARD OF INDIA

1. Circular on Revise and Revamp Nomination Facilities in the Indian Securities Market.

SEBI has issued a circular revising the nomination norms for demat accounts and mutual fund folios to streamline asset transmission and reduce unclaimed investments. The updated framework focuses on two key sections: reiterating existing norms and implementing revamped guidelines. Key updates include the rule of survivorship for joint accounts, the process for simultaneous passing of joint holders, and nomination requirements for single and joint accounts. Notably, investors can now nominate up to 10 individuals, specifying their shares, with digital and physical modes for submission. For incapacitated investors, SEBI introduced standard procedures, including medical verification and nominee empowerment. Transmission of assets will require minimal documentation, such as a death certificate and nominee KYC updates. Additionally, nominees receive assets as trustees for legal heirs, safeguarding regulated entities from liability. These changes, effective March 1, 2025, aim to enhance investor confidence, ensure seamless asset transfers, and address operational inconsistencies in the securities market. Regulated entities, including AMCs and depositories, are required to adopt these changes and report their implementation status to SEBI by May 2025.

For more information, you can access the SEBI circular here:
https://www.sebi.gov.in/legal/circulars/jan-2025/circular-on-revise-and-revamp-nomination-facilities-in-the-indian-securities-market_90698.html

2. Procedure for seeking waiver or reduction of interest in respect of recovery proceedings initiated for failure to pay penalty.

Securities and Exchange Board of India (SEBI) issued a circular providing the procedure for seeking a waiver or reduction of interest in cases where recovery proceedings are initiated for failure to pay penalties. The circular is based on relevant provisions of the SEBI Act, the Securities Contracts (Regulation) Act, and the Depositories Act, and mirrors the provisions of the Income Tax Act concerning recovery processes. The power to waive or reduce interest has been delegated to SEBI's panel of Executive Directors or Whole-time Members, depending on the amount involved. However, the waiver or reduction does not apply in cases involving interest on failure to remit fees or disgorgement orders. To apply for a reduction or waiver, the defaulter must submit an application to the Recovery Officer along with supporting documentation to demonstrate genuine hardship, the circumstances beyond their control leading to default, and cooperation in related inquiries. The application must be made after the principal amount has been fully paid, and the decision must be made within 12 months from the receipt of a complete application. The circular provides detailed guidelines for submitting the application and emphasizes that incomplete applications will be returned. The circular, effective immediately, aims to streamline the process and offer relief to defaulters under specific conditions.

For more information, you can access the SEBI circular here:
https://www.sebi.gov.in/legal/circulars/jan-2025/procedure-for-seeking-waiver-or-reduction-of-interest-in-respect-of-recovery-proceedings-initiated-for-failure-to-pay-penalty-_90689.html

3. Guidelines for Research Analysts.

The Securities and Exchange Board of India (SEBI) has revised its framework for regulating Research Analysts (RAs) through the SEBI (Research Analysts) (Third Amendment) Regulations, 2024, effective December 16, 2024. Key updates include revised qualification requirements, deposit mandates based on client count, and provisions for dual registration as both investment advisers and research analysts. Compliance deadlines for existing RAs vary, with deposit requirements due by April 30, 2025, and client fee-related provisions effective by June 30, 2025. SEBI has also introduced client-level segregation for research and distribution activities, clarified guidelines for recommending model portfolios, and updated KYC record-keeping and interaction documentation standards. Additional directives cover fee limits, refund mechanisms, grievance redressal, and mandatory disclosures, including Most Important Terms and Conditions (MITC). SEBI emphasizes maintaining transparency, adhering to client consent protocols, and avoiding conflicts of interest. The updated framework aims to enhance accountability, ensure client protection, and standardize practices in the research and advisory industry. Compliance audits will integrate these guidelines, ensuring adherence across all levels by set deadlines.

For more information, you can access the SEBI circular here:
https://www.sebi.gov.in/legal/circulars/jan-2025/guidelines-for-research-analysts_90634.html

4. **Guidelines for Investment Advisers.**

Securities and Exchange Board of India (SEBI) has revised its regulatory framework for Investment Advisers (IA) through amendments effective December 16, 2024. Key updates include new deposit requirements based on client numbers, provisions for part-time IAs, and dual registration for Research Analysts as IAs under specific conditions. Non-individual IAs must appoint compliance officers and meet qualification standards. Fee-related provisions allow flexibility in charging modes and revise fixed fee limits. Disclosure and segregation requirements apply to IAs using Artificial Intelligence or offering non-SEBI-regulated products. Enhanced audit, record maintenance, and website requirements aim to ensure transparency and compliance. The circular also mandates functional websites for all IAs and enforces detailed terms for agreements with clients. Provisions come into immediate effect unless specified otherwise, with deadlines for compliance varying by clause.

For more information, you can access the SEBI circular here:
https://www.sebi.gov.in/legal/circulars/jan-2025/guidelines-for-investment-advisers_90632.html

5. **Measures for Ease of Doing Business for Credit Rating Agencies (CRAs) – Timelines.**

Securities and Exchange Board of India (SEBI) issued a circular on January 7, 2025, revising timelines for Credit Rating Agencies (CRAs) under its Master Circular dated May 16, 2024. The modifications, aimed at promoting ease of business and enhancing uniformity, redefine specified timelines from “days” to “working days” for various rating review and press release requirements. Key changes include revised deadlines for press releases on rating actions, prompt reviews of delayed debt servicing reports, and consistent practices for migrating ratings to the “Issuer Not Cooperating” (INC) category. For instance, CRAs must now publish press releases within 7 working days of relevant events instead of 7 calendar days. Similarly, in cases of delayed debt servicing, CRAs must issue press releases within 2 working days of receiving related statements. The changes account for challenges faced by CRAs in obtaining confirmations during non-working weekends and holidays. The circular, effective immediately, is issued under SEBI’s regulatory powers to safeguard investor interests and streamline securities market operations. Stakeholders, including CRAs, debenture trustees, issuers, stock exchanges, and depositories, are advised to comply with the revised guidelines. Full details are available on SEBI’s official website under the “Legal” section.

For more information, you can access the SEBI circular here:
https://www.sebi.gov.in/legal/circulars/jan-2025/measures-for-ease-of-doing-business-for-credit-rating-agencies-cras-timelines_90618.html

6. **Measure for ease of doing business - Settlement of Account of Clients who have not traded in the last 30 days.**

Securities and Exchange Board of India (SEBI) has revised its rules for settling client accounts that remain inactive for over 30 days. Previously, trading members were required to settle such accounts within three working days, leading to inefficiencies. Based on industry feedback, SEBI now mandates that funds from inactive accounts be settled on the next monthly running account settlement date, as notified in annual stock exchange calendars. If a client resumes trading before the settlement date, the original preference for quarterly or monthly settlement applies. These changes aim to streamline processes while ensuring investor protection. Stock exchanges must update their regulations and inform members promptly. The circular is effective immediately and can be accessed on SEBI's website.

For more information, you can access the SEBI circular here:
https://www.sebi.gov.in/legal/circulars/jan-2025/measure-for-ease-of-doing-business-settlement-of-account-of-clients-who-have-not-traded-in-the-last-30-days_90552.html

MINISTRY OF FINANCE

1. DFS Secretary chairs meeting with Micro Finance Institutions (MFIs).

The meeting laid special emphasis on reaching the low-income households in villages. Discussions also held on special focus on lending in the North East.

Key outcomes of the meeting include:

- The engagement with MFIs was designed to foster an open exchange of ideas aimed at elevating the MFI sector. The emphasis was on reaching the low-income households in villages and uplifting their lives by providing them hassle-free financial assistance, if needed.

- Participating MFIs apprised that the business of MFI industry has risen from Rs. 17,264 crores in March'12 to Rs. 3.93 lakh crore as on November'24. The industry operates in over 723 districts including 111 aspirational districts across 28 states and 8 Union Territories. They also cater to the financial needs of almost 8 crore borrowers. MFIs contributes 2.03% of the gross value added to GDP and supports 1.3 crore jobs.

Challenges & issues being faced by MFIs

- Raising low-cost long-term funds, the quality of MFI portfolio is being impacted on account of various issues including reduction in lending to the sector.

DFS emphasized that MFIs in India need to be more robust, vibrant and financially sound, catering to the needs of rural masses. MFIs need to draw a roadmap to strengthen the sector and become more viable, he said. It was also pointed out that like digital disbursements, MFIs should encourage repayment of loans digitally while at the same time focus on cybersecurity & resilient IT infrastructure. They should also strengthen their governance standards.

For more information, you can access the GOI press release here:
https://pib.gov.in/PressReleasePage.aspx?PRID=2091298

2. Finance Secretary, Shri Tuhin Kanta Pandey takes charge as Secretary, Department of Revenue, Ministry of Finance.

The current Finance Secretary, Shri Tuhin Kanta Pandey, took charge as the Secretary, Department of Revenue (DoR), Ministry of Finance. The Appointments Committee of the Cabinet on Wednesday appointed Shri Pandey as the Secretary, D/o Revenue, Ministry of Finance. The Order also stated that Shri Pandey will continue to be designated as the Finance Secretary. Previously, Shri Pandey, a 1987-batch Indian Administrative Service (IAS) officer of the Odisha cadre, held the charge of Secretary of three Departments, i.e., Department of Investment & Public Asset Management (DIPAM), since 24.10.2019, Department of Public Enterprises (DPE) since 01.08.2024 and Department of Personnel and Training since 04.11.2024. Both the DIPAM and DPE function under the Ministry of Finance.

For more information, you can access the GOI press release here:
https://pib.gov.in/PressReleasePage.aspx?PRID=2091449

MINISTRY OF CORPORATE AFFAIRS

1. **NFRA releases the first part of Auditor-Audit Committee Interaction Series titled: Audit of Accounting Estimates and Judgments.**

   The National Financial Reporting Authority (NFRA) has released the first in the series of its Auditor-Audit Committee Interactions, titled, Audit of Accounting Estimates and Judgments – Part 1: Expected Credit Losses (ECL) under Ind AS 109. In the course of NFRA's enforcement, review and monitoring activities, the auditor's communication with those Charged with Governance (TCWG) (including the Audit Committees) has been variously highlighted. A need has been felt through these activities towards reinforcing the ways and means of communication between the Statutory Auditors and the Audit Committees in particular drawing upon the requirements in the Companies Act 2013 (CA 2013), the two relevant Standards on Auditing (SA 260 (R) and 265), other related SAs and the Standard on Quality Control (SQC). Therefore, in accordance with NFRA's obligations to suggest measures for improvement in overall audit quality and to promote awareness and significance of accounting and auditing standards, auditor's responsibilities, audit quality, and keeping in view NFRA's objectives of protecting public interest and investor protection, NFRA is commencing with this series of Auditor-Audit Committee Interactions, which will be issued on significant areas of accounting and auditing, from time to time. This Auditor-Audit Committee Interactions Series 1 draws the attention of the auditors to the potential questions the Audit Committees/Board of Directors may ask them in respect of accounting estimates and judgments. Within that, this communication being the first in this series, includes aspects pertaining to the audit of Expected Credit Losses (ECL) for financial assets and other items as required by Ind AS 109, Financial Instruments.

   For more information, you can access the GOI press release here:
   https://nfra.gov.in/nfra-auditor-audit-committee-interaction-series-1-accounting-estimates-ecl/
   https://pib.gov.in/PressReleasePage.aspx?PRID=2091900

INSOLVENCY AND BANKRUPTCY

1. **IBBI mandates eBKray auction platform for selling assets under liquidation.**

   The Insolvency and Bankruptcy Board of India (IBBI) has mandated the exclusive use of the eBKray auction platform to sell assets under the liquidation process from April 1. The eBKray (now known as Bank Asset Auction Network) is a property listing and e-auction platform designed for banks and lending institutions, addressing recovery of non-performing asset (NPA) loans through efficient property auctions. "The IPs were directed that they shall exclusively list the details of all the unsold assets in respect of the ongoing liquidation processes on the eBKray platform and that they may utilize the eBKray auction platform for the sale of assets in respect of ongoing cases for auctions."

   For more information, you can access the article here:
   https://www.business-standard.com/finance/news/ibbi-mandates-ebkray-auction-platform-for-selling-assets-under-liquidation-125011001290_1.html

RESERVE BANK OF INDIA

1. **Master Direction – Reserve Bank of India (Credit Information Reporting) Directions, 2025.**

   The Reserve Bank of India (RBI) has, from time to time, issued several instructions / directives to its regulated entities (REs) on credit information reporting. The enclosed Master Direction – Reserve Bank of India (Credit Information Reporting) Directions, 2025 consolidates the instructions issued to REs on reporting of the credit information. These Directions are issued by RBI in exercise of the powers conferred under Section 11 of the Credit Information Companies (Regulation) Act, 2005.

   For more information, you can access the RBI notification here:
   https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12764&Mode=0

2. **Master Direction - Reserve Bank of India (Non-resident Investment in Debt Instruments) Directions, 2025.**

The Prudential Framework for Resolution of Stressed Assets dated June 7, 2019, read with the Framework for Compromise Settlements and Technical Write-offs dated June 08, 2023, provides a principle-based resolution framework to the regulated entities (REs) for addressing any stress in borrower accounts. In exercise of the powers conferred under section 6, read with section 47 of the Foreign Exchange Management Act, 1999, the Reserve Bank has issued the following regulations to regulate non-resident investment in debt instruments in India:

a. Foreign Exchange Management (Permissible Capital Accounts Transactions) Regulations, 2000 notified vide Notification No. FEMA 1/2000-RB dated May 03, 2000, as amended from time to time;

b. Foreign Exchange Management (Borrowing and Lending) Regulations, 2018 notified vide Notification No. FEMA 3(R)/2018-RB dated December 17, 2018, as amended from time to time; and

c. Foreign Exchange Management (Debt Instruments) Regulations, 2019 notified vide Notification No. FEMA. 396/2019-RB dated October 17, 2019, as amended from time to time.

The Reserve Bank has also been issuing necessary directions in the form of A.P. (DIR Series) Circulars under the aforesaid regulations as also directions under Section 45W of the Reserve Bank of India Act, 1934, at various times relating to non-resident investment in debt instruments in India. Such Directions issued through various circulars, as set out in Annex – 1 to these Directions, have been consolidated and issued in this Master Direction. AD Category-I banks may bring the contents of the Master Direction to the notice of their constituents. The Master Direction has been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and Section 45W of the Reserve Bank of India Act, 1934 and are without prejudice to permissions/ approvals, if any, required under any other law.

For more information, you can access the RBI notification here:
https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12765&Mode=0

3. **RBI launches Quarterly Order Books, Inventories and Capacity Utilisation Survey: October - December 2024 (Round 68).**

The Reserve Bank of India has launched the 68th round of its Order Books, Inventories and Capacity Utilization Survey (OBICUS). The survey is for the reference period October – December 2024 (Q3:2024-25). The Reserve Bank has been conducting the Order Books, Inventories and Capacity Utilization Survey (OBICUS) of the manufacturing sector on a quarterly basis since 2008. The information collected in the survey includes quantitative data on new orders received during the reference quarter, backlog of orders at the beginning of the quarter, pending orders at the end of the quarter, total inventories with a breakup between finished goods (FG), work-in-progress (WiP) and raw material (RM) inventories at the end of the quarter, item-wise production in terms of quantity and value during the quarter vis-à-vis the installed capacity from the targeted group and the reasons for changes in production / installed capacity during the quarter. The level of capacity utilization (CU) is estimated from these responses. The survey provides valuable input for monetary policy formulation. The survey findings are released on the website of the Bank regularly. During this quarter, selected manufacturing companies will be approached by the Bank. Other manufacturing companies may also participate in the survey by downloading the survey questionnaire from the Reserve Bank's website https://www.rbi.org.in. The survey questionnaire is placed under the head 'Forms' (available under the 'More Links' at the bottom of the home page) and sub-head 'Survey'. The duly authenticated filled-in survey schedule may be e-mailed as per contact details provided in the survey schedule. Company level data are treated as confidential and never disclosed.

For more information, you can access the RBI press release here:
https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=59458

You may send your suggestions at niyati@asalegal.in

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