



RESERVE BANK OF INDIA

Foreign Exchange Management (Overseas Investment) Directions, 2022 - Investments in Overseas Funds

The Reserve Bank of India (RBI) vide notification dated June 07th 2024 in view of the diverse regulatory framework governing investment funds across various jurisdictions and to provide clarity, the following amendments are carried out in the Foreign Exchange Management (Overseas Investment) Directions, 2022:

a) Existing Paragraph 1(ix)(e) of FEM (OI) Directions, 2022 is replaced with the following:

“The investment (including sponsor contribution) in units or any other instrument (by whatever name called) issued by an investment fund overseas, duly regulated by the regulator for the financial sector in the host jurisdiction, shall be treated as OPI. Accordingly, in jurisdictions other than IFSCs, listed Indian companies and resident individuals may make such investment. Whereas in IFSCs, an unlisted Indian entity also may make such OPI in units or any other instrument (by whatever name called) issued by an investment fund or vehicle, in terms of schedule V of the OI Rules subject to limits, as applicable.

Explanation: ‘investment fund overseas, duly regulated’ for the purpose of this para shall also include funds whose activities are regulated by financial sector regulator of host country or jurisdiction through a fund manager.”

b) Existing Paragraph 24(1) of FEM (OI) Directions, 2022 is replaced with the following:

“A person resident in India, being an Indian entity or a resident individual, may make investment (including sponsor contribution) in units or any other instrument (by whatever name called) issued by an investment fund or vehicle set up in an IFSC, as OPI. Accordingly, in addition to listed Indian companies and resident individuals, unlisted Indian entities also may make such investment in IFSC.”

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

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12691&Mode=0>

Amendment to Master Direction - Reserve Bank of India (Interest Rate on Deposits) Directions, 2016

The Reserve Bank of India (RBI) vide notification dated June 07th 2024 amended the paragraph 3(a)(i) of the Master Direction - Reserve Bank of India (Interest Rate on Deposits) Directions, 2016 dated March 03, 2016, wherein the definition of “Bulk Deposits” has been defined, it has

been decided to revise the definition of bulk deposits for all Scheduled Commercial Banks (excluding RRBs), Small Finance Banks and Local Area Banks. The term “Bulk Deposit” would now mean:

- i. Single Rupee term deposits of Rupees three crore and above for Scheduled Commercial Banks (excluding RRBs) and Small Finance Banks.
- ii. Single Rupee term deposits of Rupees one crore and above for Local Area Banks as applicable in case of Regional Rural Banks.

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

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12690&Mode=0>

Withdrawal of ₹2000 Denomination Banknotes – Status

The Reserve Bank of India (RBI) vide press release dated June 03rd 2024 released the data 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 ₹7755 crore at the close of business on May 31, 2024. Thus, 97.82% 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://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=58023

Monetary Policy Statement, 2024-25 Resolution of the Monetary Policy Committee (MPC) June 5 to 7, 2024

The Reserve Bank of India (RBI) vide press release dated June 07th 2024 released the monetary policy statement wherein RBI has Kept the policy repo rate under the liquidity adjustment facility unchanged at 6.50 per cent. Consequently, the standing deposit facility rate remains unchanged at 6.25 per cent and the marginal standing facility rate and the Bank Rate at 6.75 per cent.

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

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=58050

Governor’s Statement: June 7, 2024

The Reserve Bank of India (RBI) vide press release dated June 07th 2024 released the governor’s statement.

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

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=58049

Reserve Bank of India launches its Third Global Hackathon – HaRBInger 2024

The Reserve Bank of India (RBI) vide press release dated June 07th 2024 informed about organising its third global hackathon – ‘HaRBInger 2024 – Innovation for Transformation’. The Hackathon invites participants to develop solutions using technology and innovative approaches under the following themes and problem statements:

- a. Theme 1: “Zero Financial Frauds”
- b. Theme 2: “Being Divyang Friendly”

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

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=58059

MINISTRY OF FINANCE

Finance Ministry caps dispute value at ₹10 Crore for arbitration

In order to streamline arbitration process to resolve commercial dispute having government or PSE is one party, Finance Ministry has set an upper limit of ₹10 Crore for cases to be brought in. It has also said that arbitration clause should not be automatically included in large contracts. However, keeping in mind various practical difficulties, the Ministry has come out with detailed guidelines for contracts of domestic procurement by the Government and by its entities and agencies (including Central Public Sector Enterprises, Public Sector Banks etc. and Government companies). As per one of the guidelines arbitration (if included in contracts) may be restricted to disputes with a value less than ₹10 Crore. This figure is with reference to the value of the dispute (not the value of the contract, which may be much higher). Further, a specific mention is required in contracts that in cases having value of more than ₹10 crore, arbitration will not be a method of dispute resolution in the contract. All the government entities have been advised to avoid amicably settle as many disputes as possible using mechanisms available in the contract. Decisions should be taken in a pragmatic manner in overall long-term public interest, keeping legal and practical realities in view, without shirking or avoiding responsibility or denying genuine claims of the other party. It has been said that government entities should be encouraged to adopt mediation under the Mediation Act, 2023 and/ or negotiated amicable settlements for resolution of disputes. The guidelines also call for setting up a High-Level Committee to resolve high value cases. The committee should have a retired judge and a retired top official or technical expert. in cases where a HLC is constituted, effort should be negotiated directly with the other party and place a tentative proposed solution before the HLC. Alternatively, the committee can also be used as mediator. This shall enable decisions taken for resolving disputes in appropriate matters to be scrutinized by a high-ranking body at arms-length from the regular decision-making structure, thereby promoting fair and sound decisions in public interest, with probity. Giving arguments for new guidelines, the Expenditure Department said that beside a time taking exercise, the arbitration process is an expensive one. The reduced formality, combined with the binding nature of decisions, has often led to wrong decisions on facts and improper application of the law. It is also said that arbitrators are not necessarily subject to the high standards of selection which are applied to the judiciary and to judicial conduct. Further, proceedings are conducted behind closed doors and not in open court.

India-Qatar Joint Task Force on Investment Convenes in New Delhi.

In a significant step towards enhancing investment cooperation between India and Qatar, the inaugural meeting of the Joint Task Force on Investment (JTFI) took place in New Delhi. Co-chaired by Ajay Seth, Secretary of India’s Department of Economic Affairs, and Mohamed bin Hassen Al-Malki, Undersecretary of Qatar’s Ministry of Commerce and Industry, the meeting aimed to fortify bilateral relations and explore avenues for accelerated growth and collaboration across sectors like infrastructure, energy, technology, and innovation.

- i. Reaffirming Commitment to Bilateral Strengthening

The JTFI reiterated the commitment of both nations to bolstering their economic ties, recognizing the potential for mutual growth and prosperity. Emphasizing shared values and a common vision for inclusive development, the task force underscored the robust economic relationship between India and Qatar.

ii. Exploring Diverse Investment Opportunities

During the meeting, discussions focused on leveraging the collective potential of both countries to tap into investment opportunities across various sectors. From infrastructure development to advancements in technology and innovation, the task force sought to identify synergies that would benefit both nations.

iii. Shared Vision for Inclusive Development

With a shared goal of fostering inclusive development, India and Qatar expressed their dedication to working together towards achieving sustainable economic growth and prosperity. The meeting highlighted the importance of collaboration in realizing this vision and strengthening the economic partnership between the two countries.

For more information you can access the GOI release over here-
<file:///C:/Users/Admin/Downloads/PIB2023280.pdf>

CBIC invites suggestions on draft 'Central Excise Bill, 2024' in pre-defined format from stakeholders by 26th June 2024.

The Central Board of Indirect Taxes & Customs (CBIC), has prepared a draft 'Central Excise Bill, 2024.' Once enacted, the Bill shall replace the Central Excise Act, of 1944. The Bill aims to enact a comprehensive modern central excise law repealing old and redundant provisions and promote ease of doing business.

About excise duty:

- i. The excise duty is an indirect tax collected from a customer by a retailer or an intermediary.
- ii. It is paid when goods are transferred from the manufacturing unit to a warehouse.
- iii. The excise duty is governed by two sets of acts:
 - a. Central Excise Act, 1944: It governs the levy and collection of excise duties on goods manufactured/produced in the country.
 - b. Central Excise Tariff Act, 1985: It classifies the goods on which central excise duty is levied and the rates of duty payable.
- iv. Goods and Services Tax (GST), subsumed many types of excise duty. Today, excise duty applies only on petroleum and liquor.
- v. Excise duty was replaced by central GST.
- vi. Excise duty on alcohol, alcoholic preparations, and narcotic substances is collected by the State Government and is called "State Excise" duty.

For more information you can access the GOI release over here-
[file:///C:/Users/Admin/Downloads/PIB2022728%20\(1\).pdf](file:///C:/Users/Admin/Downloads/PIB2022728%20(1).pdf)

SECURITIES AND EXCHANGE BOARD OF INDIA

Master Circular for Portfolio Managers

The Securities and Exchange Board of India (SEBI) vide master circular dated 07th June 2024 aims to streamline the regulations governing Portfolio Managers by consolidating various circulars issued by SEBI until November 30, 2022. This consolidation is intended to provide stakeholders with easy access to all applicable requirements in one document. The previous Master Circular for Portfolio Managers, dated March 20, 2023, incorporated provisions from previous circulars up to that date. Now, in light of subsequent guidelines and directions issued to Portfolio Managers, the current Master Circular has been updated to include all relevant circulars issued until March 31, 2024. Consequently, this new Master Circular supersedes the previous one from 2023.

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

https://www.sebi.gov.in/legal/master-circulars/jun-2024/master-circular-for-portfolio-managers_84026.html

Guidelines on Anti-Money Laundering (AML) Standards and Combating the Financing of Terrorism (CFT) /Obligations of Securities Market Intermediaries under the Prevention of Money Laundering Act, 2002 and Rules framed there under.

The Securities and Exchange Board of India (SEBI) vide master circular dated 07th June 2024 stipulate the essential principles for combating Money Laundering (ML) and Terrorist Financing (TF) and provide detailed procedures and obligations to be followed and complied with by all the registered intermediaries

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

<https://www.sebi.gov.in/legal/master-circulars/jun-2024/guidelines-on-anti-money-laundering-aml-standards-and-combating-the-financing-of-terrorism-cft-obligations-of-securities-market-intermediaries-under-the-prevention-of-money-laundering-act-2002-a-83942.html>

Master Circular for Bankers to an Issue

The Securities and Exchange Board of India (SEBI) vide master circular dated 03rd June 2024 consolidating all previous SEBI directives and instructions related to BTIs into a single document for easier stakeholder access. This new circular rescinds previous ones but maintains the validity of actions taken under them, preserving any rights, obligations, or penalties incurred. Issued under Section 11(1) of the SEBI Act, 1992, the circular is accessible on SEBI's website, and is intended to streamline regulatory guidance for BTIs.

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

https://www.sebi.gov.in/legal/master-circulars/jun-2024/master-circular-for-bankers-to-an-issue_83899.html

Uploading of KYC information by KYC Registration Agencies (KRAs) to Central KYC Records Registry (CKYCRR)

The Securities and Exchange Board of India (SEBI) vide circular dated 06th June 2024 addresses to various entities, including intermediaries registered with SEBI, stock exchanges, the

Association of Mutual Funds in India (AMFI), the Association of Portfolio Managers in India (APMI), and BSE Administration & Supervision Ltd. (BASL) regarding uploading of Know Your Customer (KYC) information by KYC Registration Agencies (KRAs) to the Central KYC Records Registry (CKYCRR).

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

<https://www.sebi.gov.in/legal/circulars/jun-2024/uploading-of-kyc-information-by-kyc-registration-agencies-kras-to-central-kyc-records-registry-ckycrr-84006.html>

Framework of “Financial Disincentives for Surveillance Related Lapses” at Market Infrastructure Institutions

The Securities and Exchange Board of India (SEBI) vide circular dated 06th June 2024 regarding framework for imposing financial penalties on Market Infrastructure Institutions (MIIs) for surveillance-related lapses. This initiative aims to bolster the integrity and safety of the securities market. The framework will come into effect from July 1, 2024.

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

<https://www.sebi.gov.in/legal/circulars/jun-2024/framework-of-financial-disincentives-for-surveillance-related-lapses-at-market-infrastructure-institutions-83984.html>

Framework for providing flexibility to Foreign Portfolio Investors in dealing with their securities post expiry of their registration

The Securities and Exchange Board of India (SEBI) vide circular dated 05^h June 2024 addressing the framework for providing flexibility to Foreign Portfolio Investors (FPIs) regarding their securities after the expiry of their registration. This circular was issued in light of recent amendments to the SEBI (Foreign Portfolio Investors) Regulations, 2019, aimed at facilitating smoother processes for FPIs dealing with their securities.

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

<https://www.sebi.gov.in/legal/circulars/jun-2024/framework-for-providing-flexibility-to-foreign-portfolio-investors-in-dealing-with-their-securities-post-expiry-of-their-registration-83940.html>

Disclosures of Material Changes and Other Obligations for Foreign Portfolio Investors

The Securities and Exchange Board of India (SEBI) vide circular dated 05^h June 2024 addressed disclosures of material changes and other obligations for Foreign Portfolio Investors (FPIs). This circular, in conjunction with the recent amendments to the SEBI (Foreign Portfolio Investors) Regulations, 2019, aims to streamline the disclosure process and enhance regulatory flexibility for FPIs.

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

<https://www.sebi.gov.in/legal/circulars/jun-2024/disclosures-of-material-changes-and-other-obligations-for-foreign-portfolio-investors-83939.html>

Enhancement of operational efficiency and Risk Reduction - Pay-out of securities directly to client demat account

The Securities and Exchange Board of India (SEBI) vide circular dated 05^h June 2024 to enhance operational efficiency and reduce the risk to clients' securities, markets regulator SEBI decided to make the process of direct payout of such securities to the client's account mandatory. This will become effective from October 14, 2024. Currently, the clearing corporation credits the pay-out of securities in the pool account of the broker, who then credits the same to the respective client's demat accounts.

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

<https://www.sebi.gov.in/legal/circulars/jun-2024/enhancement-of-operational-efficiency-and-risk-reduction-pay-out-of-securities-directly-to-client-demat-account-83930.html>

Launch of Saa᳚thi 2.0 SEBI's Mobile App on Personal Finance for investors

The Securities and Exchange Board of India (SEBI) vide press release dated 03rd June 2024 announced the launch of "Saa᳚thi 2.0," a mobile application designed to empower investors with essential financial tools and guidance.

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

<https://www.sebi.gov.in/media-and-notifications/press-releases/jun-2024/launch-of-saa-thi-2-0-sebi-s-mobile-app-on-personal-finance-for-investors-83836.html>

You may send your suggestions at kartikey@asalegal.in

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