



NEWSLETTER ^{Weekly}

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SECURITIES AND EXCHANGE BOARD OF INDIA

1. SEBI study finds that 7 out of 10 individual intraday traders in equity cash segment make losses

The Securities and Exchange Board of India (SEBI) vide press release dated July 24th 2024 informed that its study has found:

- Share of young intraday traders (age less than 30 years) has grown to 48% in FY 2022-23 as compared to 18% in FY 2018-19.
- 7 out of 10 individual intraday traders (71%) in equity cash segment incurred net loss in FY 2022-23.
- Proportion of loss-makers increased to 80% for traders with very frequent (more than 500 trades in a year) trading activity.
- The percentage of loss-makers among younger traders (age less than 30 years) was higher (76% in FY 2022-23) as compared to other age groups.
- Average number of trades by loss-makers was higher than the profit-makers.
- Over and above the trading losses incurred, loss makers expended an additional 57% of their trading losses as trading costs in FY 2022-23;
- Profit makers spent 19% of their trading profits as trading costs in FY 2022-23.

MINISTRY OF CORPORATE AFFAIRS

1. CSR provision Violation – Section 135(5): MCA Imposes Penalty of Rs. 1.06 Crore – Ganesh Green Bharat Limited.

The Ministry of Corporate Affairs, through its Registrar of Companies in Gujarat, Dadra & Nagar Haveli, has adjudicated a penalty against Ganesh Green Bharat Limited for violations of Section 135(5) of the Companies Act, 2013. This penalty stems from the company's failure to transfer unspent CSR funds within the stipulated time frame. Ganesh Green Bharat Limited, registered under the Companies Act, 2013, was found in default regarding its Corporate Social Responsibility (CSR) obligations for the financial years 2021-22 and 2022-23. The adjudicating officer, Shri Keerthi Thej N examined submissions from both the company and its directors, assessing the extent of non-compliance and mitigating factors presented. The company's representatives, including Mr. Nirav Soni of Nirav Soni & Co., argued on behalf of the company, citing genuine oversight and subsequent rectification of the CSR non-compliance. Despite the company's rectification efforts and contributions to a charitable trust, the adjudicating officer imposed penalties as per the provisions of Section 135(7) of the Companies Act, 2013. In conclusion, the adjudication order emphasizes the importance of

timely adherence to CSR obligations under the Companies Act, 2013. The penalty, totalling Rs. 1,02,47,548 for the company and Rs. 4,00,000 for Mr. Rajendrakumar Narsinhbhai Patel, stands as a deterrent against future non-compliance. Parties aggrieved by the decision have the option to appeal within sixty days from the date of receipt of the order, ensuring due process in corporate governance. This adjudication highlights the meticulous enforcement of corporate regulations by the Ministry of Corporate Affairs, reinforcing accountability and transparency within corporate entities.

RESERVE BANK OF INDIA

1. Master Direction - Overseas Investment

The Reserve Bank of India vide master direction dated July 24th 2024 compiles the rules and regulations governing overseas investments by residents in India under the Foreign Exchange Management (Overseas Investment) Rules and Regulations, 2022. It outlines the procedures and definitions for various investment types, including Overseas Direct Investment (ODI) and Overseas Portfolio Investment (OPI), and provides reporting instructions. The direction aims to ensure compliance and effective implementation of these rules by authorized dealers in their foreign exchange dealings.

For more information, you can access the RBI master direction here:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12710&Mode=0>

2. Domestic Money Transfer – Review of Framework

The Reserve Bank of India vide notification dated July 24th 2024 informed that with regard to the concept of domestic money transfer – A review was recently undertaken of various services facilitated in the current framework. Based on the review, the following changes are being made:

a) Cash Pay-out Service

- i. The remitting bank shall obtain and keep a record of the name and address of the beneficiary.

b) Cash Pay-in Service

- i. Remitting banks / Business Correspondents (BCs) shall register the remitter based on a verified cell phone number and a self-certified 'Officially Valid Document (OVD)' as per the [Master Direction – Know Your Customer Direction 2016](#), as amended from time to time.
- ii. Every transaction by a remitter shall be validated by an Additional Factor of Authentication (AFA).
- iii. Remitting banks and their BCs shall conform to provisions of the Income Tax Act, 1961 and the rules / regulations framed thereunder (as amended from time to time), pertaining to cash deposits.
- iv. Remitter bank shall include remitter details as part of the IMPS / NEFT transaction message.

- v. The transaction message shall include an identifier to identify the fund transfer as a cash-based remittance.

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

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12707&Mode=0>

3. Bank Finance against Shares and Debentures

The Reserve Bank of India vide notification dated July 25th 2024 issued a directive altering the ceiling on loans against shares and debentures for Urban Co-operative Banks (UCBs). Previously set at 20% of owned funds, the new regulation will link this ceiling to the Tier I capital of UCBs as of March 31 of the preceding financial year. This change, effective January 1, 2025, aligns with the guidelines outlined in the Master Circular on Prudential Norms for UCBs. The updated ceiling is aimed at enhancing financial stability by correlating the loan limits with the bank's Tier I capital, while all other provisions from the previous circulars remain unchanged.

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

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12708&Mode=0>

4. Small Value Loans – Primary (Urban) Co-operative Banks (UCBs)

The Reserve Bank of India vide notification dated July 25th 2024 informed that UCBs were required to have at least 50 per cent of their aggregate loans and advances comprising of Small Value Loans, i.e., loans of value not more than ₹25 lakh or 0.2 per cent of their Tier I capital, whichever is higher, subject to a maximum of ₹1 crore, per borrower. The target date for complying with the above requirement was March 31, 2024. Now, RBI has decided to extend the glide path to achieve the aforementioned target by two years as given below:

Target Date →	March 31, 2025	March 31, 2026
Minimum percentage of Small Value Loans in aggregate loans and advances	40%	50%

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

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12709&Mode=0>

5. Prompt Corrective Action (PCA) Framework for Primary (Urban) Co-operative Banks (UCBs)

The Reserve Bank of India vide notification dated July 26^h 2024 introduced a revised Prompt Corrective Action (PCA) Framework for Primary (Urban) Co-operative Banks (UCBs), replacing the previous Supervisory Action Framework (SAF). Effective from April 1, 2025, this new framework will apply to UCBs in Tier 2, Tier 3, and Tier 4 categories, focusing on Capital, Asset Quality, and Profitability indicators such as CRAR, Net NPA Ratio, and net profit. The framework aims to ensure timely supervisory intervention and necessitates corrective measures to restore financial health. Tier 1 UCBs will be under enhanced monitoring but are exempt from PCA for now. The framework outlines specific actions and thresholds for capital adequacy, asset quality, and profitability, with potential corrective actions including restrictions on capital expenditures and expansion. Banks currently under SAF will transition to PCA or remain under SAF based on individual assessments. The RBI will review and adjust

the framework as necessary and expects banks to adhere to these revised regulations to maintain stability and improve financial performance.

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

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12711&Mode=0>

6. RBI releases draft circular on Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR) – Review of Haircuts on High Quality Liquid Assets (HQLA) and Run-off Rates on Certain Categories of Deposits

The Reserve Bank of India vide draft circular dated July 25^h 2024 released the draft circular on 'Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR) – Review of Haircuts on High Quality Liquid Assets (HQLA) and Run-off Rates on Certain Categories of Deposits'. Comments on the draft circular are invited from banks and other stakeholders by August 31, 2024.

For more information, you can access the RBI draft circular here:

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=58367

7. Regulatory Sandbox – Fifth Cohort (Theme Neutral) – Test Phase

The Reserve Bank of India vide press release dated July 26^h 2024 announced opening of the Fifth Cohort (Theme Neutral) under Regulatory Sandbox vide Press release dated October 27, 2023. RBI received twenty-two applications of which five have been selected for the 'Test Phase'. The entities, as per details below, shall commence testing of their solutions from August 2024.

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

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=58377

MINISTRY OF FINANCE

1. Budget 2024-25

The budget prioritizes nine areas including agriculture, employment, human resource development, manufacturing, services, urban development, energy security, infrastructure, innovation, research & development, and next-generation reforms.

Priority 1: Productivity and Resilience in Agriculture

- i. Measures include releasing new 109 high-yielding crop varieties, promoting natural farming among 1 crore farmers, establishing 10,000 need-based bio-input bio-input centres, and enhancing production, storage, and marketing of pulses and oilseeds (achieve 'atmanirbharta' for oil seeds).
- ii. A provision of Rs 1.52 lakh crore has been announced for agriculture and allied sectors this year.

Government along with the states, will facilitate the implementation of the Digital Public Infrastructure (DPI) in agriculture for coverage of farmers and their lands in 3 years.

Priority 2: Employment & Skilling:

- i. The budget introduces schemes like Employment Linked Incentive and initiatives to boost skilling with a focus on skilling 20 lakh youth over a 5-year period and upgrading 1,000 Industrial Training Institutes.
- ii. Financial support for higher education and loans for skilling are also announced.
- iii. The Model Skill Loan Scheme will be revised to facilitate loans up to Rs 7.5 lakh with a guarantee from a government promoted fund, which is expected to help 25,000 students every year.

Priority 3: Inclusive Human Resource Development and Social Justice:

- i. Enhanced support for economic activities among marginalised groups, including tribal communities and women entrepreneurs, is emphasized.
- ii. The government's Purvodaya initiative aims to comprehensively develop the eastern region of India- including Bihar, Jharkhand, West Bengal, Odisha, and Andhra Pradesh, focusing on human resource development, infrastructure enhancement, and economic growth to advance towards a developed nation.
- iii. The Finance Minister announced the launch of the Pradhan Mantri Janjatiya Unnat Gram Abhiyan to enhance the socio-economic conditions of tribal communities, covering 63,000 villages in tribal-majority areas and aspirational districts, benefiting approximately 5 crore tribal people.
- iv. Over 100 branches of India Post Payment Bank will be established in the North East region to enhance banking services, alongside a provision of Rs 2.66 lakh crore allocated for rural development and infrastructure this year.

Priority 4: Manufacturing & Services:

- i. The budget emphasises support for MSMEs, focusing on labour-intensive manufacturing, with a new self-financing guarantee fund offering up to Rs 100 crore per applicant.
- ii. Public sector banks will enhance their internal assessment capabilities for MSME credit. Additionally, Mudra loan limits will increase to Rs 20 lakh for previous 'Tarun' category borrowers.
- iii. The budget also includes initiatives like setting up 50 food irradiation units, establishing 100 food quality labs, and creating E-Commerce Export Hubs.
- iv. Furthermore, a scheme for internships in 500 top companies aims to benefit 1 crore youth over 5 years.

Priority 5: Urban Development:

- i. PM Awas Yojana Urban 2.0, has been allocated Rs 10 lakh crore to address housing needs of 1 crore urban poor and middle-class families, with Rs 2.2 lakh crore in central assistance over 5 years.

- ii. The government will also collaborate with State Governments and Multilateral Development Banks to promote water supply, sewage treatment, and solid waste management in 100 large cities through bankable projects.
- iii. Additionally, building on the success of PM SVANidhi, the government plans to establish 100 weekly street food hubs (haats) annually over the next five years.

Priority 6: Energy Security:

- i. PM Surya Ghar Muft Bijli Yojana aims to install rooftop solar plants for free electricity to 1 crore households (up to 300 units every month).
- ii. Nuclear energy is highlighted as a significant part of India's energy mix.

Priority 7: Infrastructure:

- i. Government will try to maintain strong fiscal support for infrastructure over the next 5 years on this line Rs 11,11,111 crore for capital expenditure has been allocated this year, which is 3.4% of our GDP.
- ii. Phase IV of Pradhan Mantri Gram Sadak Yojana (PMGSY) to connect 25,000 rural habitations with all-weather roads due to population growth has been announced.
- iii. For Bihar, under the Accelerated Irrigation Benefit Programme and other sources, the government will allocate Rs 11,500 crore for projects like the Kosi-Mechi intra-state link and 20 other schemes including barrages, river pollution abatement, and irrigation.
- iv. Additionally, financial assistance will be provided to Assam, Himachal Pradesh, Uttarakhand, and Sikkim for flood management, landslides, and related projects.

Priority 8: Innovation, Research & Development:

- i. The government will establish the Anusandhan National Research Fund to support basic research and prototype development, allocating Rs 1 lakh crore to spur private sector-driven research and innovation at a commercial scale.
- ii. To expand the space economy fivefold in the next decade, a venture capital fund of Rs 1,000 crore will be established.

Priority 9: Next Generation Reforms:

- i. Plans for an Economic Policy Framework, labour reforms, and simplification of FDI regulations are outlined to spur economic growth.
- ii. Jan Vishwas Bill 2.0 to improve Ease of Doing Business will be introduced by the government.

Other Highlights:

a. Economic Policy Framework:

The government will formulate an Economic Policy Framework to guide economic development and reforms for enhancing employment.

b. Labour related reforms:

Implementing comprehensive labour reforms through integrated portals like e-shram portal, Shram Suvidha and Samadhan portals will be revamped to enhance ease of compliance for industry and trade. Government will come up with a taxonomy for climate finance for enhancing the availability of capital for climate adaptation and mitigation.

c. Foreign Direct Investment and Overseas Investment:

The rules and regulations for Foreign Direct Investment and Overseas Investments will be simplified to facilitate foreign direct investments, nudge prioritisation, and promote opportunities for using Indian Rupee as a currency for overseas investments.

d. NPS Vatsalya

A plan for contribution by parents and guardians for minors and on attaining the age of majority, the plan can be converted seamlessly into a normal NPS account.

e. New Pension Scheme (NPS)

A Committee to review the NPS has been constituted to addresses the relevant issues while maintaining fiscal prudence to protect the common citizens.

f. Direct Tax Reforms:

Comprehensive review and simplification of direct and indirect tax regimes are proposed. Changes include revised income tax slabs and deductions, simplification of tax compliance, and reforms in capital gains taxation.

g. Custom Duty Reforms:

Rationalization of GST and custom duty rates, exemptions for essential medicines and critical minerals, and measures to promote domestic manufacturing are highlighted.

h. Dispute Resolution:

Initiatives like Vivad se Vishwas Scheme, increased monetary limits for appeals, and measures to streamline transfer pricing assessments are aimed at reducing litigation and providing tax certainty.

You may send your suggestions at kartikey@asalegal.in

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