



NEWSLETTER ^{Weekly}

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MINISTRY OF LAW AND JUSTICE **(Legislative Department)**

1. THE FINANCE (No.2) ACT, 2024

The President has promulgated an Act on the 16th August, 2024, The Finance (No.2) Act 2024. An Act to give effect to the financial proposals of the Central Government for the financial year 2024-25.

Notification can be accessed from here:

<https://egazette.gov.in/WriteReadData/2024/256436.pdf>

SECURITIES AND EXCHANGE BOARD OF INDIA

1. Guidelines for borrowing by Category I and Category II AIFs and maximum permissible limit for extension of tenure by LVFs

The Securities and Exchange Board of India (SEBI) vide circular dated August 19th 2024 released guidelines for borrowing by Category I and Category II AIFs and maximum permissible limit for extension of tenure of LVFs. Under the rule, Category I and II AIFs are not allowed to borrow or use leverage for investments, except in limited cases for temporary needs. These AIFs are allowed to borrow funds to address temporary funding needs or manage day-to-day operational expenses, with specific limitations. Such borrowing is permitted for up to 30 days, can occur no more than four times in a calendar year, and must not exceed 10 per cent of the investable funds.

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

<https://www.sebi.gov.in/legal/circulars/aug-2024/guidelines-for-borrowing-by-category-i-and-category-ii-aifs-and-maximum-permissible-limit-for-extension-of-tenure-by-lvfs-85909.html>

2. Modalities for migration of Venture Capital Funds registered under erstwhile SEBI (Venture Capital Funds) Regulations, 1996 to SEBI (Alternative Investment Funds) Regulations, 2012

The Securities and Exchange Board of India (SEBI) vide circular dated August 19th 2024 has released modalities for migration to venture capital funds registered under erstwhile SEBI (Venture Capital Funds) Regulations, 1996 vide exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992, read with Regulation 36, Regulation 39(2) of AIF Regulations and Regulations under Chapter III D of AIF Regulations, to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

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

https://www.sebi.gov.in/legal/circulars/aug-2024/modalities-for-migration-of-venture-capital-funds-registered-under-erstwhile-sebi-venture-capital-funds-regulations-1996-to-sebi-alternative-investment-funds-regulations-2012_85914.html

MINISTRY OF FINANCE

1. Department of Economic Affairs amends Foreign Exchange Management (Non-debt Instruments) Rules, 2019 in pursuance of Union Budget 2024-25 announcement Amendments aim to simplify cross-border share swaps for greater Ease of Doing Business Amendments to allow issue or transfer of Indian company equity instruments in exchange for foreign company equity instruments.

In pursuance of the Union Budget 2024-25 announcement by Union Minister for Finance and Corporate Affairs Smt. Nirmala Sitharaman to simplify rules and regulations for Foreign Direct Investment and Overseas Investment, as one of the initiatives, the Department of Economic Affairs (DEA), Ministry of Finance, has amended Foreign Exchange Management (Non-debt Instruments) Rules, 2019 vide notification dated 16.08.2024.

The amendments aim to simplify cross-border share swaps and provide for the issue or transfer of Indian company equity instruments in exchange for foreign company equity instruments. This will facilitate the global expansion of Indian companies through mergers, acquisitions, and other strategic initiatives, enabling them to reach new markets and grow their presence worldwide. Another key change brings further clarity on the treatment of downstream investments made by Overseas Citizen of India (OCI)-owned entities on a non-repatriation basis, aligning it with the treatment of Non-Resident Indian (NRI)-owned entities.

Other changes include:

- Standardizing the definition of 'control' to ensure consistency with other Acts and laws.
- Enabling Foreign Direct Investment (FDI) in White Label ATMs to boost financial inclusion nationwide Harmonizing the definition of 'startup company' with the Government of India's notification G.S.R. 127 (E) dated February 19, 2019, issued by the Department for Promotion of Industry and Internal Trade.
- These amendments underscore the Government's commitment to creating a foreign-investor-friendly climate, with continued measures to simplify rules and promote Ease of Doing Business.

For more information you can access the GOI release along with the gazette notification on the below mentioned links:

<chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://static.pib.gov.in/WriteReadData/specificdocs/documents/2024/aug/doc2024816377701.pdf> & <https://pib.gov.in/PressReleaseDetail.aspx?PRID=2046086>

RESERVE BANK OF INDIA

1. Review of regulatory framework for HFCs and harmonisation of regulations applicable to HFCs and NBFCs

The Reserve Bank of India (RBI) vide notification dated August 12th 2024 reviewed the extant regulations applicable to HFCs prescribed vide Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021, and has decided to issue revised regulations as detailed in the Part A of Annex. As part of the exercise, certain regulations applicable to NBFCs have also been reviewed and revised regulations are detailed in Part B of Annex. The revised regulations shall be applicable with effect from January 01, 2025.

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

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12719&Mode=0>

2. Review of Risk Weights for Housing Finance Companies (HFCs)

The Reserve Bank of India (RBI) vide notification dated August 12th 2024 reviewed the Risk Weights for Housing Finance Companies and stated that it has been decided to carry out the following modifications:

- i. Risk weighted assets for undisbursed amount of housing loans/other loans – In order to address a potential anomaly in computation of risk weighted assets for undisbursed amount of housing loans/other loans vis-à-vis that for an equivalent disbursed amount of similar exposures, it has been decided that the risk weighted assets computed for undisbursed amount of housing loans/other loans as per step 1 and step 2 of paragraph 6.3.1 of the Master Direction *ibid*, shall be capped at the risk weighted asset computed on a notional basis for equivalent amount of disbursed loan.
- ii. Risk weight for Commercial Real Estate – Residential Building – With reference to Sr. No. 3(d)(i)(a) under paragraph 6.2, the risk weight of fund- based and non-fund based exposures to ‘Commercial Real Estate-Residential Building’, which are classified as standard, shall be 75 per cent. For exposures under this category, which are not classified as standard, the risk weight shall be as per the category ‘Other Assets (Others)’ as indicated at Sr. No. 6(d) of paragraph 6.2 of the Master Direction *ibid* (which presently is at 100 per cent).

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

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12720&Mode=0>

3. Review of Master Direction - Non-Banking Financial Company – Peer to Peer Lending Platform (Reserve Bank) Directions, 2017

The Reserve Bank of India (RBI) vide notification dated August 16th 2024 reviewed the Master Direction-Non-Banking Financial Company- Peer to Peer Lending Platform (Reserve Bank) Directions 2017 to elaborate and clarify certain provisions with some modifications for proper implementation of the Directions. The amended provisions of the Directions are enclosed in the Annex to this circular. The amended provisions contained in this circular

except item I(f)(ii) of the enclosed Annex shall come into effect immediately. Item I(f)(ii) of the Annex shall be effective from ninety days of the date of this circular.

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

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12721&Mode=0>

4. RBI announces constitution of an Expert Committee on Benchmarking of its Statistics

The Reserve Bank of India (RBI) vide press release dated August 12th 2024 constituted an Expert Committee to: (a) benchmark the statistics regularly disseminated by it against global standards / best practices; (b) study the quality of other regular data, where such benchmarks do not exist (e.g., sectors of national priority); and (c) provide guidance on the scope for any further data refinement.

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

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=58476

5. Framework for Recognition of Self-Regulatory Organisations (SROs) in Financial Markets – Invitation of applications

The Reserve Bank of India (RBI) vide press release dated August 19^h 2024 in view of the potential role of Self-Regulatory Organisations (SROs) in strengthening compliance culture among their members and also providing a consultative platform for policy making, the Reserve Bank of India has, today, issued the Framework for recognition of SROs in Financial Markets. The framework is based on the 'Omnibus Framework for recognition of Self-Regulatory Organisations for Regulated Entities of the Reserve Bank' issued on March 21, 2024 and specifies the broad parameters, viz., objectives, responsibilities, eligibility criteria, membership, governance standards and application process for the recognition of SROs in financial markets. Interested entities seeking recognition as an SRO in financial markets may submit their application through email or to the Chief General Manager, Financial Markets Regulation Department, Reserve Bank of India, Central Office, 9th Floor, Shahid Bhagat Singh Marg, Mumbai – 400 001.

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

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=58523

6. RBI Bulletin – August 2024

The Reserve Bank of India (RBI) vide press release dated August 19^h 2024 the August 2024 issue of its monthly Bulletin. The Bulletin includes monetary policy statement, five speeches, seven articles, and current statistics.

The seven articles are: I. State of the Economy; II. Are Food Prices Spilling Over?; III. Union Budget 2024-25: An Assessment; IV. Estimate of Spare Capacity for India's Services Sector; V. Evolution of FinTech and Central Banks: A Text Mining-Based Survey; VI. Private Corporate Investment: Growth in 2023-24 and Outlook for 2024-25; and VII. Measuring Progress in Sustainable Development Goals (SDGs): An Application of Natural Language Processing (NLP) on Budget Documents.

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

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=58524

You may send your suggestions at kartikey@asalegal.in

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