



NEWSLETTER ^{Weekly}

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MINISTRY OF FINANCE

1. Ministry of Finance modifies compounding rules for offences under FEMA

The Finance Ministry on Thursday modified the compounding rules for offences under the Foreign Exchange Management Act (FEMA) by raising the monetary limits for adjudications by RBI officials and allowing online payments. The amended Rules will supersede the existing Foreign Exchange (Compounding Proceedings) Rules, which were issued in 2000.

As per the Foreign Exchange (Compounding Proceedings) Rules, 2024, the fees for filing a compounding application have been doubled to Rs 10,000 plus GST, up from Rs 5,000 previously. Furthermore, the Assistant General Manager rank officials of the RBI are now authorized to decide on compounding applications of up to Rs 60 lakh, a substantial increase from the previous limit of Rs 10 lakh and for Deputy GM and General Manager rank officers, the monetary limits have been raised to Rs 2.5 crore and Rs 5 crore respectively. The Chief General Manager in the RBI will now be empowered to decide on compounding cases exceeding Rs 5 crore.

This move is a part of a larger effort to simplify and rationalize existing laws and regulations in order to facilitate ease of doing business. The Ministry went on to say that the changes show how committed the government is to encouraging "ease of investment" for investors and "ease of doing business" for businesses. Angali Malhotra, Partner-Regulatory at Nangia Andersen India, highlighted the noteworthy adjustment of the monetary limits for violations that are subject to compounding, showing a higher degree of accountability at different levels of authority.

One of the major changes to the Rules, according to Angali Malhotra of Nangia Andersen India, Partner - Regulatory, is a noteworthy increase in the maximum amount that can be fined for violations that are subject to compounding. The redesigned structure offers a more streamlined and effective process for all concerned parties, taking into account the change of both the regulatory environment and payment technologies.

2. 2nd India-Japan Finance Dialogue held in Tokyo on 6th September, 2024

- Mr. Atsushi Mimura, Vice Minister of Finance for International Affairs, Japan, and Mr. Ajay Seth, Secretary, Department of Economic Affairs, Ministry of Finance, India held the 2nd India-Japan Finance Dialogue in Tokyo on 6th September 2024
- The meeting was co-chaired by Mr. Atsushi Mimura, Vice Minister of Finance for International Affairs, Japan, and Mr. Ajay Seth, Secretary, Department of Economic Affairs, Ministry of Finance, India.

- During the dialogue, representatives from both countries discussed various topics, including the macroeconomic situation, financial sector issues, and policy initiatives.
- They also explored cooperation in third countries and shared views on financial digitalization and regulation.
- The participants included officials from the Ministry of Finance, Reserve Bank of India, Securities and Exchange Board of India, and other financial regulatory bodies.

3. Ministry of Finance extended exports incentive schemes to exports through courier

The Union Finance Ministry on Friday extended export-related benefits, including Duty Drawback, Remission of Duties or Taxes on Exported Products, and Rebate of State and Central Taxes and Levies on Export of Goods, to give a major boost to courier exports and strengthen India's position in the era of the emerging global e-commerce sector.

The Central Board of Indirect Taxes and Customs (CBIC) under the Department of Revenue, Ministry of Finance (MoF), has decided to use the Indian Customs EDI System (ICES) at International Courier Terminals (ICTs) to process these payments. The move aims to provide a level playing field and a conducive environment for inclusive growth of exports through courier mode and enhance the competitiveness of MSME exporters. The e-commerce business in India has seen exponential growth over the last decade and is expected to witness a steep increase in revenues in the coming years. In FY 2022-23, the total value of courier exports stood at Rs 7,995 crore, with e-commerce exports accounting for Rs 3,510 crore. The decision to leverage ICES at ICTs will streamline the processing of export-related payments and enhance the efficiency of customs clearance for authorized couriers.

SECURITIES AND EXCHANGE BOARD OF INDIA

1. Allowing securities funded through cash collateral as maintenance margin for Margin Trading Facility (MTF).

The Securities and Exchange Board of India (SEBI) vide circular dated September 11th 2024 issued guidelines regarding allowing securities funded through cash collateral as maintenance margin for Margin Trading Facility (MTF). SEBI noted that the stocks or units of Equity ETFs deposited as collateral with the stock broker for availing margin trading facility (Collaterals) and the stocks or units of Equity ETFs purchased under the margin trading facility (Funded stocks) shall be identifiable separately and no comingling shall be permitted for the purpose of computing funding amount. Further, in case the broker has collected cash collateral from the client in form of margin for availing margin trading facility and the Trading Member has given the said cash collateral to the Clearing Corporation (CC) towards settlement obligation of the said client, then same can be considered as maintenance margin to the extent of securities received from CC against such cash collateral given to CC and such shares are pledged in favor of trading member in form of funded stock.

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

<https://www.sebi.gov.in/legal/circulars/sep-2024/allowing-securities-funded-through-cash-collateral-as-maintenance-margin-for-margin-trading-facility-mtf- 86590.html>

2. Modifications in Guidelines for Business Continuity Plan (BCP) and Disaster Recovery (DR) of Market Infrastructure Institutions (MIIs)

The Securities and Exchange Board of India (SEBI) vide circular dated September 12th 2024 issued modifications to the existing guidelines for Business Continuity Plans (BCP) and Disaster Recovery (DR) for Market Infrastructure Institutions (MIIs) such as Stock Exchanges, Clearing Corporations, and Depositories. These changes amend the relevant clauses in three prior SEBI Master Circulars issued in 2023. Key updates include the requirement for MIIs to maintain a Near Site (NS) alongside their Disaster Recovery Sites (DRS) to ensure minimal or zero data loss. The circular specifies that Stock Exchanges must implement systems that ensure near-zero data loss, while Clearing Corporations and Depositories are expected to have zero data loss. The revised guidelines also emphasize that MIIs must ensure their Disaster Recovery Sites (DRS) are capable of running operations independently, with trained staff ready to manage operations at short notice. Moreover, MIIs must establish synchronous replication between Primary Data Centers (PDC) and NS to avoid data loss, while asynchronous replication is allowed between PDC, DRS, and NS. SEBI has asked MIIs to collaborate and standardize the definition of “near zero data loss.” Most provisions of the circular will come into effect within two months, while some provisions are effective immediately. The goal is to enhance operational resilience and safeguard data integrity in market operations.

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

<https://www.sebi.gov.in/legal/circulars/sep-2024/modifications-in-guidelines-for-business-continuity-plan-bcp-and-disaster-recovery-dr-of-market-infrastructure-institutions-miis-86601.html>

3. Optional mechanism for fee collection by SEBI registered Investment Advisers (IAs) and Research Analysts (RAs)

The Securities and Exchange Board of India (SEBI) vide circular dated September 13th 2024 has introduced an optional Centralized Fee Collection Mechanism (CeFCoM) for registered Investment Advisers (IAs) and Research Analysts (RAs). This mechanism aims to create a transparent and secure payment system for clients, ensuring that fees are paid solely to registered IAs and RAs. Developed with the involvement of stakeholders and administered by a recognized Administration and Supervisory Body (ASB), the mechanism has been co-created by BSE Limited. BSE will provide the operational framework by September 23, 2024, and make the system functional from October 1, 2024. Although the mechanism is optional, SEBI encourages IAs, RAs, and their clients to use the system for enhanced transparency.

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

<https://www.sebi.gov.in/legal/circulars/sep-2024/optional-mechanism-for-fee-collection-by-sebi-registered-investment-advisers-ias-and-research-analysts-ras-86668.html>

4. Reporting by Foreign Venture Capital Investors (FVCIs).

The Securities and Exchange Board of India (SEBI) vide circular dated September 13th 2024 revised the quarterly reporting format for Foreign Venture Capital Investors (FVCIs), effective for the quarter ending September 30, 2024. Under Regulation 13(1) of SEBI (FVCI) Regulations, 2000, FVCIs are required to submit quarterly reports, irrespective of whether

any investments were made during the quarter. The new reporting format, enclosed as Annexure-1, covers general information about the FVCI, cumulative funds raised, and industry-wise investment details. Custodians are responsible for ensuring timely submission of the reports, as mandated by Regulation 14(2). The reports for the quarters ending September and December 2024 must be submitted in Excel format by November 15, 2024, and January 15, 2025, respectively, via email. From the quarter ending March 2025 onwards, submissions will be made through SEBI's intermediary portal within 15 days after each quarter. This circular, issued under Sections 11(1) and 11A of the SEBI Act, aims to protect investors and promote market transparency.

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

<https://www.sebi.gov.in/legal/circulars/sep-2024/reporting-by-foreign-venture-capital-investors-86680.html>

INSOLVENCY AND BANKRUPTCY BOARD OF INDIA

1. Kulwant Singh takes charge as Executive Director of regulatory body IBBI

Kulwant Singh, a 1999 batch officer of the Indian Audit and Accounts Service, has taken charge as Executive Director of the Insolvency and Bankruptcy Board of India (IBBI). Mr. Singh has a graduate degree in law. He has completed more than 25 years in various capacities in the office of Comptroller & Auditor General of India. He was also posted as Principal Director of Audit in Embassy of India, Washington DC and Director of Audit in High Commission of India, London. IBBI announced in December, 2023, that Jithesh John had taken charge as its new executive director. Previous to that, the Insolvency and Bankruptcy Board stated in October, 2023, that Sandip Garg had taken on the role of Whole Time Member.

RESERVE BANK OF INDIA

1. Premature redemption under Sovereign Gold Bond (SGB) Scheme - Redemption Price for premature redemption due on September 17, 2024 (Series IV of SGB 2016-17)

The Reserve Bank of India vide press release dated September 13th 2024 stated that in terms of [GOI Notification F. No. 4\(16\) – \(W&M\) /2016 dated February 23, 2017](#) (SGB 2016-17 Series IV - Issue date March 17, 2017) on Sovereign Gold Bond Scheme, premature redemption of Gold Bond may be permitted after fifth year from the date of issue of such Gold Bond on the date on which interest is payable. Accordingly, the next due date of premature redemption of the above tranche shall be September 17, 2024. Further, the redemption price of SGB shall be based on the simple average of closing gold price of 999 purity of the week (Monday–Friday), preceding the date of redemption, as published by the India Bullion and Jewellers Association Ltd (IBJA). Accordingly, the redemption price for premature redemption due on September 17, 2024 shall be **₹7196/- (Rupees Seven Thousand One Hundred and Ninety-Six only)** per unit of SGB based on the simple average of closing gold price for the week i.e., September 09 – September 13, 2024.

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

https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=58711

2. Directions under Section 35A read with Section 56 of the Banking Regulation Act, 1949 – Sawantwadi Urban Co-operative Bank Ltd., Sawantwadi – Extension of period

The Reserve Bank of India vide press release dated September 13th 2024 had placed Sawantwadi Urban Co-operative Bank Ltd., Sawantwadi under Directions for a period of six months from the close of business on June 14, 2023. The validity of the directions was extended from time-to-time, the last being up to September 14, 2024. It is hereby notified for the information of the public that, the Reserve Bank of India, in exercise of powers vested in it under sub-section (1) of Section 35 A read with Section 56 of the Banking Regulation Act, 1949, hereby directs that the aforesaid Directions shall continue to apply to the bank from close of business on September 14, 2024 till close of business on December 14, 2024 as per the directive DOR.MON/D-54/12-22-283/2024-25 dated September 11, 2024, subject to review.

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

https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=58709

You may send your suggestions at kartikey@asalegal.in

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