



## SECURITIES AND EXCHANGE BOARD OF INDIA

### **1. Ease of Doing Business in the context of Standard Operating Procedure for payment of “Financial Disincentives” by Market Infrastructure Institutions (MIIs) as a result of Technical Glitch**

On September 20, 2024, SEBI issued a circular revising the Standard Operating Procedure (SOP) related to financial disincentives imposed on Market Infrastructure Institutions (MIIs) due to technical glitches. The previous policy allowed penalties to be levied on individuals, such as the Managing Director (MD) and Chief Technology Officer (CTO). However, based on recommendations from various committees, SEBI has decided to limit these disincentives to the MIIs themselves. This change acknowledges the complexities of modern MII operations, which rely heavily on various IT systems and vendors. Under the revised guidelines, MIIs are required to monitor their systems and pay disincentives for downtime beyond a specified threshold. They will also have the opportunity to present their case before any penalties are enforced. Additionally, MIIs must submit compliance reports and disclose disincentives on their websites and annual reports. The circular aims to streamline compliance processes while ensuring accountability for operational disruptions. These amendments will be effective immediately, aligning with SEBI’s mandate to protect investor interests and regulate the securities market.

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

<https://www.sebi.gov.in/legal/circulars/sep-2024/ease-of-doing-business-in-the-context-of-standard-operating-procedure-for-payment-of-financial-disincentives-by-market-infrastructure-institutions-miis-as-a-result-of-technical-glitch-86878.html>

### **2. Flexibility in participation of Mutual Funds in Credit Default Swaps (CDS)**

Securities and Exchange Board of India (SEBI) has issued a circular permitting mutual funds greater flexibility in participating in Credit Default Swaps (CDS). Previously, mutual funds could only use CDS to hedge against credit risks on corporate bonds, but the updated regulations now allow them to buy and sell CDS as an additional investment option. This change aims to enhance liquidity in the corporate bond market. The circular outlines various conditions, including exposure limits, requirements for investment-grade ratings, and risk management protocols. Specifically, mutual fund schemes can buy CDS to hedge their debt securities but must ensure that CDS exposure does not exceed the corresponding debt security exposure. Additionally, mutual funds can sell CDS only when backed by cash or government securities. The new rules aim to support the development of the CDS market while ensuring proper risk management and compliance with existing regulations. These changes are effective immediately and align with ongoing efforts to regulate and protect the interests of investors in the securities market.

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

<https://www.sebi.gov.in/legal/circulars/sep-2024/flexibility-in-participation-of-mutual-funds-in-credit-default-swaps-cds-86871.html>

### **3. Modification in framework for valuation of investment portfolio of AIFs**

SEBI has issued modifications to the valuation framework for Alternative Investment Funds (AIFs) under the SEBI (Alternative Investment Funds) Regulations, 2012. The changes, effective immediately, are intended to ensure consistency and transparency in the valuation of AIF portfolios. According to the revised framework, the valuation of securities not covered under specific provisions must follow guidelines endorsed by an AIF industry association representing at least 33% of registered AIFs. The endorsed guidelines are based on recommendations from SEBI's Alternative Investment Policy Advisory Committee (AIPAC). SEBI also extended the timeline for AIFs to report valuation data based on audited accounts of investee companies from six to seven months. Further changes include harmonizing valuation norms for thinly traded and non-traded securities by March 31, 2025. The circular clarifies that any changes in valuation methodology or approach will not be considered a "Material Change," but transparency must be maintained through investor disclosures. Additional guidelines have been introduced for independent valuers, ensuring that valuation is conducted by authorized individuals with relevant credentials. These revisions aim to enhance regulatory oversight and protect investor interests.

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

<https://www.sebi.gov.in/legal/circulars/sep-2024/modification-in-framework-for-valuation-of-investment-portfolio-of-aifs-86803.html>

### **4. Enabling T+2 trading of Bonus shares where T is the record date**

Securities and Exchange Board of India (SEBI) has issued Circular No. CIR/CFD/PoD/2024/122 on September 16, 2024, aimed at improving the efficiency of bonus share issues. Effective from October 1, 2024, the circular mandates a reduction in the time for trading bonus shares from the record date. Issuers must apply for approval of the bonus issue within five working days of the board meeting and fix the record date (T day), with the deemed date of allotment being T+1. Stock exchanges will notify the record date and allotment date, while issuers are required to submit documents to depositories by noon the next working day (T+1). Bonus shares will be available for trading on T+2. Additionally, the requirement for temporary ISINs for bonus shares is exempted, allowing direct credit into the permanent ISIN. Exchanges and depositories must update their regulations accordingly. Non-compliance will result in penalties as outlined in SEBI's previous circular on non-compliance. This initiative is part of SEBI's efforts to streamline processes and protect investor interests. Securities and Exchange Board of India.

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

<https://www.sebi.gov.in/legal/circulars/sep-2024/enabling-t-2-trading-of-bonus-shares-where-t-is-the-record-date-86714.html>

## **MINISTRY OF ECONOMIC AFFAIRS**

### **1. Government to kick-off FY 26 Budget making exercise from second week of next month**

The Ministry of Finance has issued a relaxation in the norms for expenditure surpassing Rs 500 crore to help boost the capital expenditure (capex) which is set at Rs 11.11 lakh crore for the current 2024-25 fiscal year (FY25). The revisions in the norms would help boost government spending which has been weakened in the recent months owing to general elections.

Finance Minister Nirmala Sitharaman suggested raising the Capex estimate in the 2024-25 budget by 11%, to a record Rs 11.11 lakh crore. The ministry stated in an official memorandum released on September 2, 2024, that the decision was made to loosen the regulations governing the release of funds above Rs 500 crore for use in the present fiscal year in order to promote the seamless execution of the budget recommendations.

The Ministry of Finance will start preparing the annual budget for 2025-26 from the second week of October 2024. The focus will be on reforms to boost growth, job creation, and demand. This will be Finance Minister Nirmala Sitharaman's eighth budget presentation, scheduled for 01.02.2025.

The Ministry of Finance will commence the exercise to prepare the annual budget for 2025-26 from the second week of next month in the backdrop of the Indian economy recording 7 per cent growth rate for the fourth consecutive year. The budget for the next financial year would focus on reforms to be pushed to further accelerate growth momentum and measures to generate jobs and boost demand in the economy.

## **MINISTRY OF CORPORATE AFFAIRS**

### **1. MCA grants five-year dematerialisation breather for producer companies.**

In an important move, the Corporate Affairs Ministry (MCA) has granted relief for “producer companies”, extending the compliance window on mandatory dematerialisation of their existing shares. Producer companies, who were earlier required to complete dematerialisation of their shares by 30.09.2024 have now been given time till end March 2028 to achieve full compliance. In October last year, MCA had mandated that all private companies (other than small companies) will have to dematerialise existing shares by the end of September 2024. Also the private companies were mandated to issue new securities only in dematerialised form. A “Producer Company” is a corporate entity designed for farmers and producers, primarily involved in agriculture and related activities. As a legal entity, they are recognised as a company under the Companies Act, facilitating more accessible credit, and better post-harvest management. Ownership and membership of such entities is held only by ‘Primary Producers’ or ‘Producer Institution’, and member equity cannot be publicly traded.

## RESERVE BANK OF INDIA

### **1. Implementation of Section 12A of the Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005: Designated List (Amendments)**

The RBI issued a notification on September 19, 2024, regarding the implementation of Section 12A of the Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005. This notification mandates all Regulated Entities (REs) to comply with the updated procedures for implementing sanctions related to designated individuals and entities under the UNSC Resolution 1718 Sanctions List. The RBI emphasizes the need for daily verification against this list to account for any modifications, as informed by the Ministry of External Affairs. Amendments to the sanctions list were made effective as of September 17, 2024, and REs are required to ensure strict adherence to these updates.

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

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12733&Mode=0>

### **2. Interest Equalization Scheme (IES) on Pre and Post Shipment Rupee Export Credit**

The Reserve Bank of India (RBI) issued a notification on September 20, 2024, extending the Interest Equalization Scheme (IES) for Pre and Post Shipment Rupee Export Credit until September 30, 2024. This extension applies specifically to MSME manufacturer exporters, with a cap of ₹5 Crore per Importer-Exporter Code (IEC) for the financial year starting April 1, 2024. For non-MSME manufacturer and merchant exporters, the cap is set at ₹2.5 Crore per IEC until June 30, 2024. The notification reiterates that other existing provisions of the scheme remain unchanged.

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

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12734&Mode=0>

### **3. Rate of interest on Government of India Floating Rate Bond 2033**

The RBI vide press release dated 20.09.2024 informed that the rate of interest on Government of India Floating Rate Bond 2033 (GOI FRB 2033) applicable for the half year September 22, 2024 to March 21, 2025 shall be 7.93 percent per annum. It may be recalled that FRB 2033 carries a coupon, which has a base rate equivalent to the average of the Weighted Average Yield (WAY) of last three auctions (from the rate fixing day, i.e., September 22, 2024) of 182 Day T-Bills, plus a fixed spread (1.22 percent).

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

[https://www.rbi.org.in/Scripts/BS\\_PressReleaseDisplay.aspx?prid=58742](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=58742)

### **4. September 2024 Bulletin of the Reserve Bank of India**

The Reserve Bank of India (RBI) vide press release dated September 20<sup>th</sup> 2024 released the bulletin for the month of September, 2024. The bulletin, featured eleven speeches, four articles, and current economic statistics.

- **State of the Economy:** The article discusses a slowdown in global economic activity and sluggish disinflation, while highlighting robust domestic drivers such as private

consumption and gross fixed investment in India. It notes that CPI inflation fell below the RBI's target for the second consecutive month, with expectations for increased household consumption as rural demand revives.

- **Business Cycle Synchronisation:** This article analyses the synchronization of business cycles among Indian states over the last four decades, revealing increased co-movement particularly in western and southern regions. It emphasizes the impact of geographical proximity and common economic shocks on regional cycles.
- **Priority Sector Lending (PSL):** The article evaluates PSL in India as a tool for directing credit to needy sectors. It finds that banks with a strong physical presence are more effective in extending priority credit, and that higher PSL growth positively influences overall asset quality.
- **Review of the NBFC Sector:** This article assesses the Non-Banking Financial Companies (NBFC) sector under the new Scale Based Regulation framework. It highlights steady credit expansion and improved asset quality, while noting ongoing regulatory challenges and differences in treatment compared to banks.

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

[https://www.rbi.org.in/Scripts/BS\\_PressReleaseDisplay.aspx?prid=58739](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=58739)

**You may send your suggestions at [niyati@asalegal.in](mailto:niyati@asalegal.in)**

**Disclaimer:**

*The content in this mail is offered only as updates in Financial, Capital Market, Corporate etc. sectors. This mail should not be used as a substitute for obtaining legal advice from an attorney licensed or authorized to practice in your jurisdiction. Nothing in this mail is intended to create an attorney-client relationship and nothing posted constitutes legal advice.*

---

**DELHI**

3, Birbal Road, Ground & First Floor,  
Jangpura Extension, New Delhi 110014.  
Phone: +91-11-43108998, 45661440,  
43552440, +91-11-24327050-52,  
9311052521

**MUMBAI**

404-405, 4<sup>th</sup> Floor, Magnum Opus,  
Near Grand Hyatt,  
Behind Mudra Group,  
Santacruz (East),  
Mumbai – 400 055.  
Phone: +91-22-62368654, 26661979

**BENGALURU**

1007, A-Wing, 10<sup>th</sup> Floor,  
Mittal Tower, M.G. Road,  
Bengaluru – 560001.  
Phone: +91-80-48536504

**AHMEDABAD**

Office No.10, Business Centre,  
5<sup>th</sup> Floor, Kalapurnam Complex,  
Near Municipal Market,  
C.G. Road, Navrangpura,  
Ahmedabad-380009.  
Phone: +91-079-66660888,  
+91-9173660088