



NEWSLETTER ^{Weekly}

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SECURITIES AND EXCHANGE BOARD OF INDIA

1. Operational Guidelines for Foreign Venture Capital Investors (FVCIs) and Designated Depository Participants (DDPs)

The Securities and Exchange Board of India (SEBI) has issued a circular on September 26, 2024, outlining operational guidelines for Foreign Venture Capital Investors (FVCIs) and Designated Depository Participants (DDPs). This follows amendments to the SEBI (Foreign Venture Capital Investors) Regulations, 2000, made effective from January 1, 2025. The amendments include provisions related to the registration process for FVCIs via DDPs, eligibility conditions, and renewal of registration. To ensure a smooth transition into the amended FVCI framework, SEBI has provided detailed operational guidelines, which can be accessed in Annexure-1 of the circular. These new regulations are aimed at protecting investors and regulating the securities market effectively.

For more information, you can access the SEBI circular here: <https://www.sebi.gov.in/legal/circulars/sep-2024/operational-guidelines-for-foreign-venture-capital-investors-fvcis-and-designated-depository-participants-ddps-87032.html>

2. Reduction in the timeline for listing of debt securities and Non-convertible Redeemable Preference Shares to T+3 working days from existing T + 6 working days (as an option to issuers for a period of one year and on a permanent basis thereafter such that all listings occur on a T+3 basis)

The Securities and Exchange Board of India (SEBI) has announced a new circular aimed at shortening the timeline for listing debt securities and non-convertible redeemable preference shares (NCRPS) from the existing T+6 days to T+3 days. This change is intended to enhance liquidity and provide issuers and investors with quicker access to funds. Initially, the T+3 timeline will be optional for issuers for one year starting November 1, 2024, after which it will become mandatory from November 1, 2025. The circular outlines a detailed schedule of activities related to the public issue process, including timelines for bid modifications, fund confirmations, allotments, and trading commencement. SEBI's regulation mandates that if the securities are not listed within the specified timeline, issuers must refund application moneys promptly, along with interest. This initiative aligns the listing process with private placements and aims to improve operational efficiency within the securities market.

For more information, you can access the SEBI circular here: <https://www.sebi.gov.in/legal/circulars/sep-2024/reduction-in-the-timeline-for-listing-of-debt-securities-and-non-convertible-redeemable-preference-shares-to-t-3-working-days-from-existing-t-6-working-days-as-an-option-to-issuers-for-a-period-of-87014.html>

3. Parameters for Performance Evaluation of Market Infrastructure Institutions

The Securities and Exchange Board of India (SEBI) issued a circular on September 24, 2024, detailing the framework for the performance evaluation of Market Infrastructure Institutions (MIIs), including stock exchanges, clearing corporations, and depositories. In compliance with SECC Regulations, 2018, and D&P Regulations, 2018, SEBI mandates that MIIs appoint independent external agencies for performance evaluations every three years, beginning with the financial year 2024-25. The evaluation criteria include resilience in technology (40% weightage), investor protection (17%), regulatory compliance (15%), and

governance practices (8%). SEBI also introduced a rating framework to ensure consistency and transparency in assessments across MIIs. Additionally, guidelines for the appointment of independent external agencies were established, emphasizing no conflict of interest and domain expertise. The roles and responsibilities of Key Management Personnel (KMPs), including managing directors, must be clearly defined and evaluated, with a minimum 50% weightage on regulatory and risk management outcomes. MIIs must implement these systems by making necessary amendments to their rules and regulations and informing market participants. This initiative is aimed at enhancing the efficiency and governance of MIIs.

For more information, you can access the SEBI circular here: https://www.sebi.gov.in/legal/circulars/sep-2024/parameters-for-performance-evaluation-of-market-infrastructure-institutions_86974.html

4. Usage of UPI by individual investors for making an application in public issue of securities through intermediaries

The Securities and Exchange Board of India (SEBI) issued a circular mandating the use of Unified Payments Interface (UPI) by individual investors for applying in public issues of debt securities, non-convertible redeemable preference shares, municipal debt securities, and securitized debt instruments. This applies to applications made through intermediaries like syndicate members, stock brokers, registrars, and depository participants where the application amount is up to ₹5 lakh. Investors must provide a UPI ID linked to their bank accounts in the bid-cum-application form. The move aims to streamline and align the application process for these securities with that of equity shares and convertibles. However, other modes of application, such as using Self Certified Syndicate Banks (SCSBs) or stock exchange platforms, will continue to be available. This regulation is effective for public issues opening on or after November 1, 2024. The circular is issued under SEBI's regulatory authority to safeguard investor interests and promote market regulation.

For more information, you can access the SEBI circular here: https://www.sebi.gov.in/legal/circulars/sep-2024/usage-of-upi-by-individual-investors-for-making-an-application-in-public-issue-of-securities-through-intermediaries_86972.html

5. SEBI Issues Master Circular on Securities Market Surveillance

The Securities and Exchange Board of India (SEBI) issued Master Circular No. SEBI/HO/ISD/ISD-PoD-2/P/CIR/2024/126 on September 23, 2024, consolidating guidelines related to surveillance of the securities market. The circular serves as a comprehensive compilation of previous circulars, aiming to provide a unified set of rules for market participants. The Master Circular covers trading rules, shareholding in dematerialized form, and monitoring of unauthorized news circulation by SEBI-registered intermediaries. This latest circular supersedes previous ones, effective from its issuance date, while preserving any ongoing actions or obligations from the rescinded circulars. The circular addresses key topics, such as trading regulations in cases of mergers, demergers, and restructuring under the Companies Act and Insolvency and Bankruptcy Code. Additionally, it introduces a trade-for-trade segment for certain securities. SEBI emphasizes compliance with disclosure requirements before starting trading in listed companies' scrips. These steps ensure transparency, enabling investors to make informed decisions, particularly when companies undergo significant structural changes.

SEBI also focuses on combating the circulation of unauthenticated news by market intermediaries. Intermediaries must implement internal controls and closely monitor employee activities on social media, instant messaging services, and other communication platforms. Any unverified information must be reported to compliance officers before dissemination. Failure to adhere to these guidelines could result in penalties for both employees and compliance officers, reinforcing SEBI's stance on maintaining market integrity. Furthermore, the circular reinforces the rules under SEBI's Prohibition of Insider Trading Regulations (PIT), 2015. It mandates companies to disclose Unpublished Price Sensitive Information (UPSI) and report violations related to insider trading. The automation of continual disclosures for designated individuals is also emphasized. This Master Circular ensures that SEBI's regulatory framework is up to date and reflects evolving market conditions, safeguarding investors' interests and promoting a transparent securities market.

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

https://www.sebi.gov.in/legal/master-circulars/sep-2024/master-circular-on-surveillance-of-securities-market_86929.html

MINISTRY OF CORPORATE AFFAIRS

1. Bharat Electronics secures MCA approval for joint venture with Israel Aerospace Industries.

Bharat Electronics Ltd (BEL) on 27.09.2024 said it has received approval from the Ministry of Corporate Affairs (MCA) for the incorporation of a new joint venture company, "BEL IAI Aero-Systems Private Limited," in collaboration with Israel Aerospace Industries (IAI). The approval was granted on 25.09.2024. The establishment of BEL IAI Aero-Systems marks an important step for BEL in the aerospace and defence sector. The joint venture aims to provide comprehensive product support, including repair and maintenance services, for the Medium-Range Surface to Air Missile (MRSAM) System, which is actively deployed in India. This venture is expected to enhance the operational capabilities of the MRSAM system, ensuring that it remains at the forefront of defence technology. Importantly, the incorporation of this joint venture does not fall under related party transactions, as neither the promoters nor the promoter group have any interests in the newly formed entity. However, once established, the joint venture will be considered a related party to Bharat Electronics. For the successful incorporation and operation of the joint venture, BEL will need to secure additional regulatory approvals from the Ministry of Defence in India, as well as from the Committee of Ministries for Social & Economic Affairs in Israel.

RESERVE BANK OF INDIA

1. Status of Digital Financial Literacy in Lakshadweep Islands: Bottlenecks and Way Forward

The Reserve Bank of India has released a research study titled "Status of Digital Financial Literacy in Lakshadweep Islands: Bottlenecks and Way Forward," which evaluates digital financial literacy and inclusion across the ten inhabited islands of Lakshadweep. The study, based on primary data collected from various community members, reveals that while access to bank deposit accounts is universal, usage patterns differ significantly by gender; 91% of men operate their accounts independently compared to only 71% of women. High levels of basic and digital literacy were noted, with ATMs being the most utilized banking method—90% of respondents possessed ATM cards. However, challenges remain, particularly concerning internet connectivity, which hampers the adoption of mobile banking (only 38% usage). Furthermore, only 30% of respondents demonstrated familiarity with essential digital hygiene practices. The findings underscore the critical role of banks in fostering financial inclusion in these remote islands and highlight the need for improved internet infrastructure to enhance digital financial participation.

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

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=58760

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

It has been decided, in consultation with the Government of India, that the limit for Ways and Means Advances (WMA) for the second half of the financial year 2024-25 (October 2024 to March 2025) will be ₹50,000 crore. The Reserve Bank of India may trigger fresh floatation of market loans when the Government of India utilises 75 per cent of the WMA limit. The Reserve Bank of India, in consultation with the Government of India, retains the flexibility to revise the limit at any time taking into consideration the prevailing circumstances. The interest rate on WMA/Overdraft will be as under:

1. WMA: Repo Rate;
2. Overdraft: Two percent above the Repo Rate

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

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=58764

You may send your suggestions at niyati@asalegal.in

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