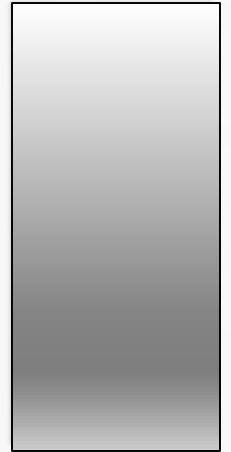


LEGALITE ADVISORS

IMPORTANT LEGAL UPDATES FOR JUNE, 2020



Companies Act

- ❑ **The Ministry of Corporate Affairs (“MCA”) – notification G.S.R. __ (E). on the Companies (Removal of Names of Companies from the Registrar of Companies) Amendment Rules, 2020 (“Amendment Rules”) dated June 29, 2020 (“Notification”).**
 - MCA *vide* the Notification has further amended the Companies (Removal of Names of Companies from the Registrar of Companies) Rules, 2016 (“**Principal Rules**”) which shall come into force from the date of publication in the official gazette.
 - The Notification adds a proviso in rule 4(3)(i) of the Principal rules to provide that – in case of
 - ✓ Government company in which the entire paid up share capital is held by the Central Government, or by any State Government or Governments or by the Central Government and one or more State Governments; or
 - ✓ subsidiary of a Government company, referred to in clause (a), in which the entire paid up share capital is held by that Government company,
- form STK-3A (for notarized indemnity bond), shall be given by authorized representative, **not below the rank of Under Secretary or its equivalent, in the administrative Ministry or Department of the Government of India or the State Government, as the case may be, on behalf of the company.**
- An application for removal of name of the company under sub-section (2) of section 248 shall be made in e-Form STK-2 (Application by company to ROC for removing its name from register of Companies) along with indemnity bond duly notarised by every director in e-Form STK-3.

Companies Act (Contd...)

- An application for removal of name of the company under sub-section (2) of section 248 shall be made in e-Form STK-2 (Application by company to ROC for removing its name from register of Companies) along with indemnity bond duly notarised by every director in e-Form STK-3.
- The Notification also provides for the template form STK-3.
- **Link of the Notification.**
http://www.mca.gov.in/Ministry/pdf/Rule3_30062020.pdf

Companies Act (Contd...)

- **The Ministry of Corporate Affairs (“MCA”) – notification G.S.R. 395(E) on the Companies (Meetings of Board and its Powers) Second Amendment Rules, 2020 (“Amendment Rules”) dated June 23, 2020 (“Notification”).**
 - MCA *vide* the Notification has further amended the Companies (Meetings of Board and its Powers) Rules, 2014 (“**Principal Rules**”) which shall come into force from the date of publication in the official gazette i.e. June 23, 2020.
 - Accordingly to the Amendment Rules, all the board meetings on matters referred to in rule 4(1) of the Principal Rules (as stated hereunder), may be held through video conferencing or other audio visual means until September 30, 2020 as against the erstwhile relaxation upto June 30, 2020.
 - ✓ The matters given under rule 4(1) of the Principal Rules are:
 - (i) the approval of the annual financial statements;
 - (ii) the approval of the Board’s report;
 - (iii) the approval of the prospectus;
 - (iv) the audit committee meetings for consideration of financial statement including consolidated financial statement if any, to be approved by the board under sub-section (1) of section 134 of the Companies Act, 2013; and
 - (v) the approval of the matter relating to amalgamation, merger, demerger, acquisition and takeover.

Companies Act (Contd...)

- **Link of the Notification.**

http://www.mca.gov.in/Ministry/pdf/Rule1_25062020.pdf

Companies Act (Contd...)

- **The Ministry of Corporate Affairs (“MCA”) – notification G.S.R. 396(E). on Companies (Appointment and Qualification of Directors) Third Amendment Rules, 2020 (“Amendment Rules”) dated June 23, 2020 (“Notification”).**
 - MCA *vide* the Notification has further amended the Companies (Appointment and Qualification of Directors) Rules, 2014 (“**Principal Rules**”) which shall come into force from the date of publication in the official gazette i.e. June 23, 2020.
 - The Notification has amended rule (6)(1)(a) of the Principal Rules, according to which an independent director who is appointed in a company, shall within a period of 10 (Ten) months (as against erstwhile 7 (Seven) months) apply online to the institute for inclusion of his name in the data bank for a period of 1 (One) year or 5 (Five) years or for his life-time and from time to time shall take steps to renew it as long as he continues hold the office as an independent director in any company.
 - **Link of the Notification.**
http://www.mca.gov.in/Ministry/pdf/Rule2_25062020.pdf

Companies Act (Contd...)

- **The Ministry of Corporate Affairs (“MCA”) – general circular no. 24/2020 on clarification with regard to creation of deposit repayment reserve of 20% u/s. 73(2)(c) of the Companies Act, 2013 (“Act”) and to invest or deposit 15% of amount of debentures u/r.18 of Companies (Share Capital and Debentures) Rules 2014 (“Rules”) – COVID-19 – Extension of time-regarding, dated June 19, 2020 (“Circular”).**
 - MCA has, on receipt of requests from various stakeholders seeking extension of time, decided to further extend the time in respect of matters stated below, which is in continuation to general circular no. 11/2020 dated March 24, 2020:
 - ✓ The requirement under section 73(2)(c) of Act to create a deposit repayment reserve of 20% (Twenty Percent) of deposits maturing during the financial year 2020-21 before April 30 2020 shall be allowed to be complied with till by September 30 2020, instead of June 30, 2020.
 - ✓ The requirement under rule 18 of the Rules to invest or deposit at least 15% (Fifteen Percent) of amount of debentures maturing in specified methods of investments or deposits before April 30 2020, may be complied with till by September 30 2020, instead of June 30, 2020.
 - **Link of the Circular.**
http://www.mca.gov.in/Ministry/pdf/Circular24_20062020.pdf

Companies Act (Contd...)

- **The Ministry of Corporate Affairs (“MCA”) – general circular no. 23/2020 on scheme for relaxation of time for filing forms related to creation or modification of charges under the Companies Act, 2013 (“Act”), dated June 17, 2020 (“Circular”).**
 - In wake of COVID–19 pandemic, the MCA has notified a 7 (seven) month relaxation in the timelines for filings relating to creation or modification of charges, which comes as a major relief to companies that raised funds via the debt route.
 - Under the Companies Fresh Start Scheme, 2020 as laid out in the general circular no. 12/2020, dated March 30, 2020 the benefit of waiver of additional fees was not extended to the charge related documents.
 - In view of the above, the Central Government vide the Circular has introduced a scheme, viz. ‘Scheme for relaxation of time for filing forms related to creation or modification of charges under the Act’ (“**Scheme**”) for the purpose of condoning the delay in filing certain forms pertinent to creation/ modification of charge.
 - **Major highlights of the Scheme are enumerated hereunder:**
 - ✓ The Scheme shall come into effect from June 17, 2020.
 - ✓ **Applicability** - The Scheme shall be applicable in respect of filing of e-Form CHG-1 and e-Form CHG-9 (collectively referred as '**Form**' or '**Forms**’):

Companies Act (Contd...)

- **e-Form No. CHG-1:** This e-form is filed by companies for creation or modification of any charge to the concerned RoC.
- **e-Form No. CHG-9:** This e-form is filed by companies for creation or modification of charge for debentures to the concerned RoC.
- ✓ It applies to the following alternative cases:
 - The date of creation or modification of charge is before March 01, 2020 but the timeline for filing , i.e. 120 days has not expired as on March 01, 2020. Therefore, it is not applicable to cases whose creation or modification of charges was before November 03, 2019.
 - The date of creation or modification of charges falls on or in between March 01, 2020 and September 30, 2020.
- ✓ **Relaxation of Time:**

[Continued on next slide]

Companies Act (Contd...)

Dates	Period of exclusion	Fees applicable
<p>In the case where the date of creation or modification of charge is before March 01, 2020</p>	<p>The period starting from March 01, 2020 to the date of September 30, 2020 will not be included for the purpose of calculating the 120 days.</p>	<ol style="list-style-type: none"> 1. If the form is filed on or prior to September 30, 2020, the normal fee charged shall depend upon the slab of share capital. Additional or Ad Valorem fee will be charged depending upon the period of delay beyond 30 days. 2. If the form is filed post September 30, 2020, the pertinent fees will be charged under the applicable rules after adding the number of days starting from 01.10.2020 and, ending on the date of filing plus the period elapsed from the date of the creation of charge till February 29, 2020. The fee will be dependent upon the slab of share capital, and an additional fee or ad valorem fee will apply in case of delay beyond 30 days.

Companies Act (Contd...)

Dates	Period of exclusion	Fees applicable
In the case where the date of creation or modification of charge is during the exclusion period, i.e. from March 01, 2020 to September 30, 2020.	The period starting from the date of creation or modification of charge to the date of September 30, 2020 will not be taken into account for the calculation of the 120 days.	<ol style="list-style-type: none"> 1. In the case where the form is filed during the exclusion period, only normal charges will be imposed. 2. In the case where the form is filed after the exclusion period, the applicable fee shall be charged additional or ad valorem as the case may be.

✓ Non- applicability:

- The e-forms CHG-1 and CHG-9 have already been filed before June 17, 2020.
- The timeline for filing the form has already expired under section 77 or section 78 of the Act prior to March 01, 2020.
- The timeline for filing the form expires at a future date, despite exclusion of the time provided in sub-point hereinabove i.e. **Relaxation of Time**.
- The relaxations provided in the Scheme does not extend to e-Form CHG-4 filed for satisfaction of charges.

Companies Act (Contd...)

- **Link of the Circular.**

http://www.mca.gov.in/Ministry/pdf/Circular23_17062020.pdf

Companies Act (Contd...)

- **The Ministry of Corporate Affairs (“MCA”) – general circular no. 22/2020 regarding clarification on passing of ordinary and special resolutions by companies under the Companies Act, 2013 and rules made thereunder (“Act”) on account of COVID–19 – Extension of time, dated June 15, 2020 (“Circular”).**
 - MCA had issued general circular no. 14/2020 on April 08, 2020 (“**Circular-1**”) and general circular no. 17/2020 on April 13, 2020 (“**Circular-2**”), wherein the companies were allowed to convene extra-ordinary general meetings (“**EGMs**”) through video conferencing (“**VC**”) or other audio visual means (“**OAVM**”) or transact relevant business through postal ballots (as per procedure specified in the said circulars) upto June 30, 2020 or till further orders, as stated in Circular-1 and Circular-2.
 - MCA has, on receipt of several representations for extension of the period of framework provided in Circular-1 and Circular-2, *vide* the Circular, allowed the companies to conduct their EGMs through VC or OAVM or transact items through postal ballot in accordance with the aforesaid circulars upto September 30, 2020 as against the erstwhile relaxation upto June 30, 2020.
 - **Link of the Circular.**
http://www.mca.gov.in/Ministry/pdf/Circular22_15062020.pdf

Companies Act (Contd...)

- **The Ministry of Corporate Affairs (“MCA”) – notification no G.S.R. 372 (E) on the Companies (Share Capital and Debentures) Amendment Rules, 2020 (“Amendment Rules”) dated June 05, 2020 (“Notification”).**
 - MCA *vide* the Notification has further amended the Companies (Share Capital and Debentures) Rules, 2014 (“**Principal Rules**”) which shall come into force with effect from publication of the Notification in the official gazette i.e. June 5, 2020.
 - The Notification has amended second proviso of rule 8(4) of the Principal Rules, which earlier provided that the start-up company could issue sweat equity shares not exceeding 50% (Fifty Percent) of its paid up capital upto 5 (Five) years from the date of its incorporation or registration. The Amendment Rules now allows a start-up company to issue sweat equity shares not exceeding 50 % (Fifty Percent) of its paid up capital up to 10 (Ten) years from the date of its incorporation.
 - Further, rule 18(7)(b)(v), has been substituted to read that a company shall on or before the April 30 each year, in respect of debentures issued by such a company, invest or deposit, as the case may be, a sum which shall not be less than 15% (Fifteen Percent) of the number of its debentures maturing during the year, ending on the 31st day of March of the next year in any one or more methods of investments or deposits as provided in sub-clause (vi) (“**DRF**”). The amount remaining invested or deposited, as the case may be, shall not any time fall below 15% (Fifteen Percent) of the amount of the debentures maturing during the year ending on March 31 of that year.

Companies Act (Contd...)

- Thus the Notification has included the following class of companies for compliance of the creation of DRF as aforesaid:
 - ✓ in case of public issue of debentures:
 - NBFCs registered with Reserve Bank of India under section 45- IA of the RBI Act, 1934 and for Housing Finance Companies registered with National Housing Bank; and
 - other listed companies,
 - ✓ Unlisted companies.
- **Link of the Notification.**
http://www.mca.gov.in/Ministry/pdf/Rule_08062020.pdf

Micro, Small and Medium Enterprises Development Act

- **The Ministry of Micro, Small and Medium Enterprises (“MMSME”) – notification no S.O. 2119(E) on classification and procedure for registration of micro, small and medium enterprises dated June 26, 2020 (“Notification”).**
 - MMSME *vide* the Notification has effected supersession of the earlier notifications on the captioned; including the recent notification dated June 01, 2020, which laid down the criteria for defining the micro, small and medium enterprises.
 - The Notification not only specifies the criteria for classifying the enterprises as micro, small and medium enterprises (“**MSMEs**”) but also the form and procedure for filing the memorandum (“**Udyam Registration**”), and the said provisions shall be effective from July 01, 2020.
 - As per the new definition, an enterprise, whether engaged in manufacturing or service sector, shall be considered:

[Continued on next slide]

Micro, Small and Medium Enterprises Development Act (Contd...)

Micro Enterprise	Small Enterprise	Medium Enterprise
where the investment in plant and machinery or equipment < INR 1 crore;	where the investment in plant and machinery or equipment < INR 10 crores;	where the investment in plant and machinery or equipment < INR 50 crores;
and	and	and
Turnover < INR 5 crores.	Turnover < INR 50 crores.	Turnover < INR 250 crores.

- The Notification, apart from specifying the limits as above for determining the criteria for the MSMEs, also explains various aspects around calculation of turnover and investment in plant and machinery, procedure around registration of existing and new enterprises, provisions around updation of information during transition period of reclassification and redressal of complaints as under. These finer aspects were previously not dealt with and led to a lot of ambiguity.

✓ **Registration as an MSME.**

Micro, Small and Medium Enterprises Development Act (Contd...)

Any person may file Udyam Registration online in the Udyam Registration portal, based on self-declaration with no requirement to upload documents as proof for registering as an MSME and on registration, the enterprise (referred to as Udyam) will be assigned a permanent identity number to be known as —Udyam Registration Number and an e-certificate, namely, —Udyam Registration Certificate shall be issued on completion of the registration process.

✓ **Composite criteria of investment and turnover for classification.**

A composite criterion of investment and turnover shall apply for classification of an enterprise as MSME. It has been further clarified that if an enterprise breaches either of the criterion, i.e. of turnover **OR** investment in plant and machinery it will go one level up in the ladder of classification but an enterprise has to breach both the criterion, i.e. of turnover **AND** investment in plant and machinery if it were to go one level down in the level of classification, as tabulated above.

✓ **When will an enterprise be treated as ONE** - When all units with Goods and Services Tax Identification Number (“**GSTIN**”) are listed against the same Permanent Account Number (“**PAN**”) and the turnover, investment figures for all of such entities shall be seen together and only the aggregate values should be considered for deciding the category as MSME.

✓ **Calculation of investment in plant and machinery or equipment.**

The calculation of investment in plant and machinery or equipment will be linked to the Income Tax Return (“**ITR**”) of the previous years filed under the Income Tax Act, 1961.

Micro, Small and Medium Enterprises Development Act (Contd...)

What if not previous ITR history? - In this case, the investment will be based on self-declaration of the promoter of the enterprise until 1st ITR is filed

What constitutes plant and machinery or equipment? - It shall have the same meaning as assigned thereto in the Income Tax Rules, 1962 framed under the Income Tax Act, 1961 (“**IT Act**”) and shall include all tangible assets (other than land and building, furniture and fittings).

The purchase (invoice) value of a plant and machinery or equipment, (excluding GST), on self-disclosure basis, if the enterprise is a new one without any ITR.

The cost of items specified in the Explanation I to sub-section (1) of section 7 of the Micro, Small and Medium Enterprises Development Act, 2006, shall be excluded from the calculation of the amount of investment in plant and machinery.

✓ **Calculation of turnover.**

Exports of goods or services or both, shall be excluded while calculating the turnover of an MSME and the said information for turnover for an enterprise shall be linked to the IT Act or the Central Goods and Services Act, 2017 and the GSTIN.

The turnover related figures of such enterprise which do not have PAN will be considered on self-declaration basis for a period up to 31st March, 2021 and thereafter, PAN and GSTIN shall be mandatory.

Micro, Small and Medium Enterprises Development Act (Contd...)

✓ Registration process.

1. The form for registration shall be as provided in the Udyam Registration portal.
2. There will be no fee for filing Udyam Registration.
3. Aadhaar number shall be required for Udyam Registration.
4. The Aadhaar number shall be of the proprietor in the case of a proprietorship firm, of the managing partner in the case of a partnership firm and of a karta in the case of a hindu undivided family.
5. In case of a company or a limited liability partnership or a cooperative society or a Society or a trust, the organisation or its authorised signatory shall provide its GSTIN and PAN along with its Aadhaar number.
6. In case an enterprise is duly registered as an Udyam with PAN, any deficiency of information for previous years when it did not have PAN shall be filled up on self-declaration basis.
7. No enterprise shall file more than 1 (One) Udyam Registration, provided that any number of activities including manufacturing or service or both may be specified or added in one Udyam Registration.
8. Misrepresentation and suppression of information shall be punishable.

✓ Registration of existing enterprises.

1. All existing enterprises registered under EM–Part-II or UAM shall register again on the Udyam Registration portal on or after the 1st day of July, 2020.

Micro, Small and Medium Enterprises Development Act (Contd...)

2. All enterprises registered till 30th June, 2020, shall be re-classified in accordance with this notification.
3. The existing enterprises registered prior to 30th June, 2020, shall continue to be valid only for a period up to the 31st day of March, 2021.

An enterprise registered with any other organisation under the MMSME shall register itself under Udyam Registration.

✓ **Updation of information and transition period in classification.**

1. An enterprise, having Udyam Registration Number shall, on a self-declaration basis, update its information online in the Udyam Registration portal, including the details of the ITR and the GST Return for the previous financial year and failure to update the information within the period specified in the online Udyam Registration portal will render the enterprise liable for suspension of its status.
2. The classification of the enterprise will be updated based on the information furnished or gathered from Government's sources including ITR or GST return,
3. Communication is slated to trigger to the enterprise about the change in the status, i.e. when it shifts from one category to other as tabulated above.
4. In case of an upward change in terms of investment in plant and machinery or equipment or turnover or both, and consequent re-classification, an enterprise will maintain its prevailing status till expiry of 1 (One) year from the close of the year of registration.

Micro, Small and Medium Enterprises Development Act (Contd...)

5. In case of reverse-graduation of an enterprise, for whatsoever reason, the enterprise will continue in its present category till the closure of the financial year and will be given the benefit of the changed status with effect from the commencement of the ensuing financial year.

✓ **Facilitation and grievance redressal of enterprises.**

Procedure for redressal of grievances as specified in the Notification has been introduced to ensure seamless procedure of registration and/or transition of an MSME.

▪ **Link of the Notification.**

https://msme.gov.in/sites/default/files/IndianGazzate_0.pdf

Securities Law

- **The Securities and Exchange Board of India (“SEBI”) – circular no. SEBI/HO/MIRSD/DOP/CIR/P/2020/112 on relaxation in timelines for compliance with regulatory requirements and other SEBI circulars due to the COVID-19 pandemic, dated June 30, 2020 (“Circular”).**
- Further to various circulars issued by SEBI during the COVID-19 pandemic, granting relaxations under various regulations, SEBI vide the Circular has further extended the timeline/ due dates for depository participants (“**DP**”)/ Registrars to an Issue & Share Transfer Agents (“**RTAs**”).
- All other conditions specified in the below mentioned circulars shall continue to remain applicable.

[Continued on next slide]

Securities Law (Contd...)

<p>Compliance requirements for which timelines were extended <i>vide</i> SEBI circular No.</p> <p>SEBI/HO/MIRSD/DOP/CIR/P/2020/62 dated April 16, 2020 (“Circular – I”).</p>	<p>S. No. in circular for which timeline is extended further</p>	<p>Extended timeline / Period of exclusion</p>
<p>Processing of the demat request form by Issuer / RTA.</p>	<p>I</p>	<p>Period of exclusion shall be from March 23, 2020 till July 31, 2020.</p>
<p>Processing of the demat request form by the Participants.</p>	<p>II</p>	<p>A 15-day time period after July 31, 2020 is allowed to Depository / DPs, to clear the back log.</p>
<p>Submission of half yearly Internal Audit Report (IAR) by DPs for half year ended on 31st March 2020.</p>	<p>II</p>	<p>July 31, 2020, for half year ended on March 31, 2020.</p>

Securities Law (Contd...)

Compliance requirements for which timelines were extended vide SEBI circular No. SEBI/HO/MIRSD/DOP/CIR/P/2020/72 dated April 24, 2020 (“Circular – II”).	S. No. in circular for which timeline is extended further	Extended timeline / Period of exclusion
Redressal of investor grievances.	III	Period of exclusion shall be from March 23, 2020 till July 31, 2020.
Transmission of securities.	IV	A 15-day time period after July 31, 2020 is allowed to
Closure of demat account.	V	Depository / DPs, to clear the back log.

Securities Law (Contd...)

- **Link of the Circular.**
https://www.sebi.gov.in/legal/circulars/jun-2020/relaxation-in-timelines-for-compliance-with-regulatory-requirements_46967.html
- **Link of Circular – I.**
https://www.sebi.gov.in/legal/circulars/apr-2020/relaxation-in-time-period-for-certain-activities-carried-out-by-depository-participants-rtas-issuers-kras-stock-brokers_46524.html
- **Link of Circular – II.**
<https://www.sebi.gov.in/legal/circulars/apr-2020/relaxation-in-timelines-for-compliance-with-regulatory-requirements-by-depository-and-depository-participants-46557.html>

Securities Law (Contd...)

- **The Securities and Exchange Board of India (“SEBI”) – circular no. SEBI/HO/CFD/CMD1/CIR/P/2020/110 on relaxation of maximum time gap between two board/audit committee meetings as provided by circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/38 dated March 19, 2020 (“Principal Circular”), dated June 26, 2020 (“Circular”).**
 - SEBI *vide* the Circular has extended the relaxation given to the compliance requirement of maximum time gap between two board or audit committee meetings for listed companies till July 31, due to COVID-19 pandemic, which shall come into effect immediately.
 - SEBI *vide* Principal Circular, had relaxed the requirement of the maximum stipulated time gap of 120 (One Hundred and Twenty) days between two meetings of the board and audit committees of listed entities as required under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**LODR Regulations**”). This relaxation was provided for the meetings held or proposed to be held between the period December 1, 2019 to June 30, 2020.
 - However, through this Circular, SEBI has extended the relaxation till July 31, 2020. The board of directors and audit committees of listed entities shall, however, ensure that they meet at least four times a year, as stipulated under regulations 17(2) (board of directors to meet at least four times a year, with a maximum time gap of one hundred and twenty days between any two meetings) and 18(2)(a) (audit committee to meet at least four times in a year and not more than one hundred and twenty days shall elapse between two meetings) of the LODR Regulations.

Securities Law (Contd...)

- **Link of the Circular.**

https://www.sebi.gov.in/legal/circulars/jun-2020/relaxation-of-time-gap-between-two-board-audit-committee-meetings-of-listed-entities-owing-to-the-covid-19-pandemic_46945.html

Securities Law (Contd...)

- **The Securities and Exchange Board of India (“SEBI”) – press release no. 36/2020 for amendments to various regulations as decided at its meeting, dated June 25, 2020 (“PR”).**
 - SEBI *vide* its Board Meeting held on June 25, 2020 took the following decisions under various SEBI regulations:
 - ✓ **Pricing of preferential issues –Temporary relaxation due to COVID-19 pandemic:**
 - In the wake of serious challenges faced by the corporate sector due to developments related to COVID-19, SEBI has decided to provide an additional option to the existing pricing methodology for preferential issuance as under:
 - ❖ In case of frequently traded shares, the price of the equity shares to be allotted pursuant to the preferential issue shall be not less than higher of the following:
 - a) the average of the weekly high and low of the volume weighted average price of the related equity shares quoted on the recognised stock exchange during the 12 (twelve) weeks preceding the relevant date; or
 - b) the average of the weekly high and low of the volume weighted average prices of the related equity shares quoted on a recognised stock exchange during the 2 (two) weeks preceding the relevant date.

Securities Law (Contd...)

- ❖ The specified securities allotted on preferential basis using the above pricing formula shall be locked-in for a period of 3 (three) years.

The existing pricing guideline for preferential issue, for frequently traded shares, as prescribed under regulation 164(1) (pricing of frequently traded shares) of the Issue of Capital And Disclosure Requirements) Regulations, 2018 (“ICDR Regulations”) shall also continue to remain in force and the issuer may choose any one of the formula. The said option in pricing shall be available for the preferential issues made between July 1, 2020 or date of notification of amendment to the ICDR Regulations, whichever is later and December 31, 2020.

- ✓ **Amendments to the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (“Takeover Regulations”):**
 - Acquisition through stock exchange settlement process through bulk and/or block deals shall be permitted during the open offer, subject to conditions mentioned in regulation 22(2A) (acquisition of shares through preferential issue) of Takeover Regulations.
 - In case of indirect acquisitions where public announcement of an open offer has been made, an amount equivalent to 100% (hundred percent) of the consideration payable under the open offer must be deposited 2 (two) working days before the date of detailed public statement. The escrow account shall be in the form of cash and/or bank guarantee.

Securities Law (Contd...)

- In case of delays in making open offer attributable to the acts of omission or commission of the acquirer, a simple interest of 10% (ten percent) shall be paid to all the shareholders who have tendered the shares in the open offer.
- ✓ **Amendments to Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 (“PIT Regulations”).**
 - The amendments include maintaining a structured digital database containing nature of unpublished price sensitive information and the names of persons who have shared the information; automation of process of filing disclosures to stock exchanges, restriction on trading window not to be made applicable for transactions as prescribed by SEBI, entities to file the non-compliances of code of conduct with the stock exchanges and amounts if any collected for such non compliances shall be credited to investor protection education fund administered by SEBI under the SEBI Act, 1992.
- **Link of the PR.**
https://www.sebi.gov.in/media/press-releases/jun-2020/sebi-board-meeting_46929.html

Securities Law (Contd...)

- **The Securities and Exchange Board of India (“SEBI”) – circular no. SEBI/HO/CFD/CMD1/CIR/P/2020/109 on further extension of time for submission of Annual Secretarial Compliance (“ASC”) Report by listed entities due to the continuing impact of the COVID-19 pandemic, dated June 25, 2020 (“Circular”).**
 - In view of the prevailing situation, SEBI *vide* the Circular has decided to provide further extension for submission of ASC for the F.Y. 2019-20, which shall come into effect immediately. Pursuant to the Circular, the timeline for submission of ASC for the year 2019-20 is now extended upto July 31, 2020.
 - **Link of the Circular.**
https://www.sebi.gov.in/legal/circulars/jun-2020/further-extension-of-time-for-submission-of-annual-secretarial-compliance-report-by-listed-entities-due-to-the-continuing-impact-of-the-covid-19-pandemic_46933.html

Securities Law (Contd...)

- **The Securities and Exchange Board of India (“SEBI”) – circular no. SEBI/HO/CFD/CMD1/CIR/P/2020/106 on further extension of time for submission of financial results for the quarter/half year/financial year ending 31st March 2020 due to the continuing impact of the COVID-19 pandemic, dated June 24, 2020 (“Circular”).**
 - In view of the prevailing situation, SEBI *vide* the Circular has decided to provide further extension of time for submission of financial results for the quarter/half year/financial year ending 31st March 2020, as required under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**LODR Regulations**”), which shall come into effect immediately.
 - Pursuant to the Circular, the timeline for submission of financial results under regulation 33 (financial results) for entities that have listed specified securities and regulation 52 (financial results) for entities that have listed non-convertible debentures, non-convertible redeemable preference shares, commercial papers, municipal debt securities can now submit their financial results for the quarter/half year/financial year ending 31st March 2020 upto July 31, 2020.
 - **Link of the Circular.**
https://www.sebi.gov.in/legal/circulars/jun-2020/further-extension-of-time-for-submission-of-financial-results-for-the-quarter-half-year-financial-year-ending-31st-march-2020-due-to-the-continuing-impact-of-the-covid-19-pandemic_46924.html

Securities Law (Contd...)

- **The Securities and Exchange Board of India (“SEBI”) – circular no. SEBI/HO/MIRSD/DOP/CIR/P/2020/101 on relaxation in timelines for compliance with regulatory requirements and other SEBI circulars due to the COVID-19 pandemic, dated June 19, 2020 (“Circular”).**
 - In furtherance to various circulars as issued by SEBI during the COVID-19 pandemic phase, granting relaxations under various regulations, SEBI vide the Circular has further extended the timeline/ due dates for trading members / clearing members / depository.
 - All other conditions specified in the below mentioned circulars shall continue to remain applicable

[Continued on next slide]

Securities Law (Contd...)

Compliance requirements for which timelines were extended vide SEBI circular No. SEBI/HO/MIRSD/DOP/CIR/P/2020/61 dated April 16, 2020 (“Circular – I”).	S. No. in circular for which timeline is extended further	Extended timeline / Period of exclusion
Client Funding Reporting	I	Till July 31, 2020 for the months of April, May and June 2020.
Reporting for Artificial Intelligence (AI) and Machine Learning (ML) applications.	II	Till July 31, 2020 for the quarter ended on March 31, 2020
Compliance certificate for Margin Trading for CM Segment.	III	Till July 31, 2020.
Risk based supervision.	IV	

Securities Law (Contd...)

Internal Audit Report for half year ending (HYE) March 31, 2020.	V	Till July 31, 2020 for the half year ended on March 31, 2020.
Net worth certificate in Margin Trading for CM Segment for HYE March 31, 2020.	VIII	
Net worth certificate for all members for HYE March 2020.	IX	
Penalty for non-collection / short collection of upfront margins in cash segment.	X	Till July 31, 2020.
Maintaining call recordings of orders/instructions received from clients.	XI	

Securities Law (Contd...)

Compliance requirements for which timelines were extended vide SEBI circular No. SEBI/HO/MIRSD/DOP/CIR/P/2020/62 dated April 16, 2020 (“Circular – II”).	S. No. in circular for which timeline is extended further	Extended timeline / Period of exclusion
KYC application form and supporting documents of the clients to be uploaded on system of KRA within 10 working days.	III	Period of exclusion shall be from March 23, 2020 till July 31, 2020.

Securities Law (Contd...)

Compliance requirements for which timelines were extended vide SEBI circular No. SEBI/HO/MIRSD/DOP/CIR/P/2020/68 dated April 21, 2020 (“Circular – III”).	S. No. in circular for which timeline is extended further	Extended timeline / Period of exclusion
Submission towards weekly monitoring of client funds under the provisions of Enhanced Supervision.	I	Till July 31, 2020.
Submission of data on monthly basis towards clients’ and fund balance under the provisions of Enhanced Supervision.	II	
Daily margin trading reporting.	III	
Update in Income Tax Permanent Account Number of Key Management Personnel / Directors.	IV	Three months from the due date.
Issue of Annual Global Statement to clients.	V	

Securities Law (Contd...)

- **Link of the Circular.**

https://www.sebi.gov.in/legal/circulars/jun-2020/relaxation-in-timelines-for-compliance-with-regulatory-requirements_46899.html

- **Link of Circular – I.**

https://www.sebi.gov.in/legal/circulars/apr-2020/relaxation-in-timelines-for-compliance-with-regulatory-requirements-by-trading-members-clearing-members_46523.html

- **Link of Circular – II.**

https://www.sebi.gov.in/legal/circulars/apr-2020/relaxation-in-time-period-for-certain-activities-carried-out-by-depository-participants-rtas-issuers-kras-stock-brokers_46524.html

- **Link of Circular – III.**

https://www.sebi.gov.in/legal/circulars/apr-2020/relaxation-in-timelines-for-compliance-with-regulatory-requirements-by-trading-members-clearing-members_46539.html

Securities Law (Contd...)

- **The Securities and Exchange Board of India (“SEBI”) – circular no. SEBI/HO/CFD/CIR/CFD/DIL/85/2020 on relaxation from certain provisions of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (“Regulations”), in respect of Further Public Offer (“FPO”), dated June 09, 2020 (“Circular”).**
 - In view of the prevailing situation due to COVID-19 pandemic, SEBI *vide* the Circular has decided to provide some temporary relaxations in the eligibility conditions related to fast track rights issue (“FPO”) as contained in the Regulations.
 - Pursuant to the Circular, sub-regulations (1), (2), (3), (4) and (5) and (9) of regulation 123 (filing of the draft offer document and offer documents) shall not apply if the issuer satisfies the conditions mentioned under regulation 155 (eligibility conditions for FPO) of the Regulations for making a FPO. Certain temporary relaxations with respect to regulation 155 of the Regulations granted as follows:
 - ✓ average market capitalisation of public shareholding of the issuer is modified from at least INR 1,000 crores (Indian Rupees One Thousand Crores) to INR 500 crores (Indian Rupees Five Hundred Crore) in case of public issue;
 - ✓ further, no show-cause notices, excluding under adjudication proceedings, have been issued by SEBI and pending against the issuer or its promoters or whole-time directors as on the reference date. However, in cases where against the issuer or its promoters/ directors/ group companies:

Securities Law (Contd...)

- a show cause notice(s) has been issued by SEBI in an adjudication proceeding;
or
- prosecution proceedings have been initiated by SEBI;

necessary disclosures in respect of such action(s) along-with its potential adverse impact on the issuer shall be made in the offer documents.

The aforesaid point emphasizes that the issuer need not feel the complexity of disclosing such show cause notices which are not grave in nature and the provide the impact of material show cause notices in the issue related documents.

✓ sub-regulation 155 (i) will temporarily read as under:

- the issuer or promoter or promoter group or director of the issuer has fulfilled the settlement terms or adhered to directions of the settlement order(s) in cases where it has settled any alleged violation of securities laws through the consent or settlement mechanism with SEBI;

✓ sub-regulation 155 (l) will temporarily read as under:

- impact of audit qualifications, if any and where quantifiable, on the audited accounts of the issuer in respect of those financial years for which such accounts are disclosed, shall be appropriately disclosed and accounts accordingly restated, in the offer documents. Further, that for the qualifications wherein impact on the financials cannot be ascertained the same shall be disclosed appropriately in the offer documents.

Securities Law (Contd...)

- These temporary relaxations are applicable for FPOs that open on or before March 31, 2021.
- The aforesaid relaxations mentioned in this Circular are not applicable for issuance of warrants.
- This Circular shall come into force with immediate effect.
- **Link of the Circular.**
https://www.sebi.gov.in/legal/circulars/jun-2020/relaxations-from-certain-provisions-of-the-sebi-issue-of-capital-and-disclosure-requirements-regulations-2018-in-respect-of-further-public-offer_46791.html

Securities Law (Contd...)

The Securities and Exchange Board of India (“SEBI”) – circular no. SEBI/HO/DDHS/CIR/P/2020/098 on relaxation from compliance with certain provisions of the SEBI (Issue and Listing of Debt Securities) Regulations, 2008, SEBI (Non-Convertible Redeemable Preference Shares) Regulations, 2013 and other SEBI circulars due to the COVID-19 pandemic, dated June 08, 2020 (“Circular”).

- In partial amendment to SEBI circular no. SEBI/HO/DDHS/ON/P/2020/41 dated March 23, 2020 (“**Principal Circular**”), SEBI vide the Circular, has extended the relaxation provided in the Principal Circular for issuers who intend/propose to list their Non- Convertible Debentures (“**NCDs**”) /Non-Convertible Redeemable Preference Share (“**NCRPS**”)/Commercial Papers (“**CPs**”) for disclosure of financial results, for another 1 (one) month.
- Accordingly, clause 5 of the Principal Circular stands modified as under:

Particulars	Available Financials	Date for issuance	Extended date for issuance	Period of relaxation
Cut-off date for issuance of NCDs/NCRPS/CPs	As September 30, 2019	On or before March 31, 2020	On or before June 30, 2020	91 days

Securities Law (Contd...)

- The Circular shall come into force with immediate effect.
- **Link of the Circular.**
<https://www.sebi.gov.in/legal/circulars/jun-2020/relaxation-from-compliance-with-certain-provisions-of-the-sebi-issue-and-listing-of-debt-securities-regulations-2008-and-sebi-non-convertible-redeemable-preference-shares-regulations-2013-and-ce-46788.html>

Reserve Bank of India

- The Reserve Bank of India (“RBI”) – notification no. RBI/2019-20/258 DOR(NBFC)(PD)CC.No.112/03.10.001/2019-20, on Loans Sourced by Banks and NBFCs over Digital Lending Platforms: Adherence to Fair Practices Code and Outsourcing Guidelines dated June 24, 2020 (“Notification”).
 - The RBI, *vide* the Notification has issued directions on “Loans Sourced by Banks and NBFCs over Digital Banking Lending Platforms: Adherence to Fair Practices Code and Outsourcing Guidelines” (“**Directions**”) to scheduled commercial banks (“**Banks**”) and non-banking financial companies (“**NBFCs**”) to make digital lending more transparent.
 - These Directions have been issued against the backdrop of several complaints against the lending platforms which primarily relate to exorbitant interest rates, non-transparent methods to calculate interest, harsh recovery measures, unauthorised use of personal data and bad behaviour.
 - The Notification states that Banks and NBFCs, irrespective of whether they lend through their own digital lending platform or through an outsourced lending platform, must adhere to the ‘Fair Practices Code’ guidelines in letter and spirit and must also meticulously follow regulatory instructions on outsourcing of financial services and IT services.
 - It further envisages that, outsourcing of any activity by Banks/ NBFCs does not diminish their obligations, as the onus of compliance with regulatory instructions rests solely with them.

Reserve Bank of India (Contd...)

- Banks and NBFCs must follow the following instructions before engaging digital lending platforms as their agents to source borrowers and/ or to recover dues:
 - ✓ Names of digital lending platforms engaged as agents shall be disclosed on the website of Banks/ NBFCs.
 - ✓ Digital lending platforms engaged as agents shall be directed to disclose upfront to the customer, the name of the Bank/ NBFC on whose behalf they are interacting with him.
 - ✓ Immediately after sanction but before execution of the loan agreement, the sanction letter shall be issued to the borrower on the letter head of the Bank/ NBFC concerned.
 - ✓ A copy of the loan agreement along with a copy each of all enclosures quoted in the loan agreement shall be furnished to all borrowers at the time of sanction/ disbursement of loans.
 - ✓ Effective oversight and monitoring shall be ensured over the digital lending platforms engaged by the banks/ NBFCs.
 - ✓ Adequate efforts shall be made towards creation of awareness about the grievance redressal mechanism.
- **Link of the Notification.**
<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11920&Mode=0>

Reserve Bank of India (Contd...)

- **The Reserve Bank of India (“RBI”) – notification no. RBI/2019-20/251 DPSS.CO.PD.No.1897/02.14.003/2019-20, on extension of timeline for compliance with various payment system requirements dated June 4, 2020 (“Notification”).**
 - The RBI, referring to instruction issued in the following directions:
 - a) DPSS.CO.PD.No.1164/02.14.006/2017-18 dated October 11, 2017 (as updated from time to time) on Master Direction on Issuance and Operation of Prepaid Payment Instruments (PPI-MD),
 - b) DPSS.CO.PD No.1343/02.14.003/2019-20 dated January 15, 2020 on Enhancing Security of Card Transactions,
 - c) DPSS.CO.PD No.629/02.01.014/2019-20 dated September 20, 2019 on Harmonisation of Turn Around Time (TAT) and Customer Compensation for Failed Transactions using Authorised Payment Systems, and
 - d) DPSS.CO.PD.No.1810/02.14.008/2019-20 dated March 17, 2020 on Guidelines on Regulation of Payment Aggregators and Payment Gateways,

has, *vide* the Notification directed all scheduled commercial banks, including regional rural banks/urban co-operative banks/state co-operative banks/district central co-operative banks/payments banks/small finance banks/local area banks/non-bank ppi issuers/authorised payment system participants/ operators, on extension of timeline for compliance with various payment system requirements accorded by it.

Reserve Bank of India (Contd...)

- The relaxations have been granted in view of the prevailing COVID-19 pandemic situation.
- The compliance requirements along with extended dates are mentioned below:

Sr. No.	Instruction / Circular	Present Timeline	Revised Timeline
1.	<p><u>PPI-MD dated October 11, 2017 (as updated from time to time):</u></p> <p>(i) All existing non-bank PPI issuers (at the time of issuance of PPI-MD) to comply with the minimum positive net-worth requirement of INR 15 crores for the financial position as on March 31, 2020 (audited balance sheet).</p> <p>(ii) Authorised non-bank entities shall submit the System Audit Report, including cyber security audit conducted by CERT-IN empanelled auditors, within two months of the close of their financial year to the respective Regional Office of DPSS, RBI.</p>	<p>Financial position as on June 30, 2020</p> <p>By August 31, 2020</p>	<p>Financial position as on September 30, 2020</p> <p>By October 31, 2020</p>

Reserve Bank of India (Contd...)

2.	Implementing provisions of circular on “Enhancing Security of Card Transactions”.	w.e.f. June 16, 2020	By September 30, 2020
3.	“Harmonisation of Turn Around Time (TAT) and customer compensation for failed transactions using authorised Payment Systems”, “calendar days” to be read as “working days”.	w.e.f. March 24, 2020	Until December 31, 2020
4.	“Guidelines on Regulation of Payment Aggregators and Payment Gateways”, the activities for which specific timelines are not mentioned and were supposed to come into effect from April 1, 2020.	w.e.f. June 01, 2020	By September 30, 2020

- **Link of the Notification.**

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11910&Mode=0>

Insolvency And Bankruptcy Code

- ❑ **The Ministry of Law and Justice – Insolvency and Bankruptcy (Amendment) Ordinance, 2020 to amend the Insolvency and Bankruptcy Code, 2016 (“Principal Act”), dated June 6, 2020 (“Ordinance”).**
 - In the wake of situation of COVID-19 prevalent in India, the Ordinance was promulgated to shield corporate persons who may default in discharge of their debt obligation, albeit helplessly.
 - Pursuant to the Ordinance a new section – section 10A has been introduced in the Principal Act, which provides that no application for initiation of corporate insolvency resolution process (“**CIRP**”) of a corporate debtor shall be filed, for any default arising on or after March 25, 2020, for a 6 (six) months or such further period, not exceeding 1 (one) year from such date as may be notified in this behalf under section 7 (Initiation of corporate insolvency resolution process by financial creditor), 8 (Insolvency resolution by operational creditor) and 10 (Initiation of corporate insolvency resolution process by corporate applicant) of the Principal Act.
 - The Ordinance has further barred resolution professionals from initiating applications wrt to fraudulent trading or wrongful trading against directors of companies where the CIRP is suspended pursuant to section 10A as aforesaid.
 - Overall, the said omnibus protection to the defaulters from getting subjected to the CIRP and prohibiting the resolution professionals from initiating applications may not only shut the doors for expeditious resolution of stressed companies but will also give an easy escape route to the wrongdoers.

Insolvency And Bankruptcy Code (Contd...)

- **Link of the Ordinance**

<https://ibbi.gov.in/uploads/legalframework/741059f0d8777f311ec76332ced1e9cf.pdf>.

Deets / Disclaimer

❑ Deets.

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Thank You



There is no wealth like knowledge and no poverty like ignorance - Buddha