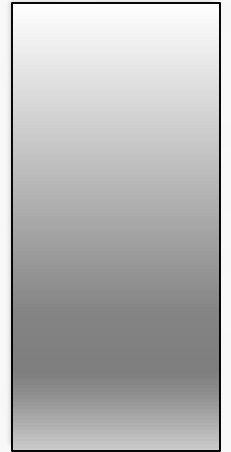


LEGALITE ADVISORS

IMPORTANT LEGAL UPDATES FOR JULY, 2022



Companies Act

- **Reference.** General Circular No. 08/2022 (“**Circular**”).
- **Circular Date.** July 26, 2022
- **Subject of the Circular.** Clarification on spending of CSR funds for ‘*Har Ghar Tiranga*’ campaign.
- **Analysis.**
 - ✓ The Circular states that spending of CSR funds for the activities related to ‘*Har Ghar Tiranga*’ campaign, such as **mass scale production and supply of the National Flag, outreach and amplification efforts and other related activities**, will now be eligible as CSR activities under Schedule VII, item no. (ii) of the Companies Act, 2013 which pertains to promotion of education relating to culture. The Centre is organising the said campaign, as part of the ‘Azadi Ka Amrit Mahotsav’, to invoke the feeling of patriotism in the hearts of the people and to promote awareness about the Indian National Flag.
 - ✓ The Companies may now undertake the above mentioned activities, subject to fulfilment of the Companies (CSR Policy) Rules, 2014 and other related circulars/clarifications issued by the Ministry of Corporate Affairs thereof, from time to time.
- **Link of the Circular.**
<https://www.mca.gov.in/bin/dms/getdocument?mds=FxLtnC%252BBrJLe5uwHqNILRg%253D%253D&type=open>

Ministry of Corporate Affairs

- **Reference.** Notification No. 04/2022 (“**Notification**”).
- **Notification Date.** July 26, 2022
- **Subject of the Notification.** Procedure for PAN application & allotment through Simplified Proforma for incorporating Limited Liability Partnerships (“**LLP**”) electronically (“**Form FiLLiP**”) of Ministry of Corporate Affairs (“**MCA**”).
- **Analysis.**
 - ✓ The Central Board of Direct Taxes (CBDT) *vide* the Notification, has allowed the newly incorporated LLP to make application for allotment of PAN in the Simplified Proforma for incorporating LLP in Form FiLLiP itself.
 - ✓ The Notification clarifies that Form FiLLiP shall apply only to a newly incorporated LLP.
 - ✓ The said Form FiLLiP has already been notified by the MCA *vide* notification G.S.R. 173(E), dated March 04, 2022 (“**FiLLiP Notification**”).
- **Link of the Notification.**
<https://www.mca.gov.in/bin/dms/getdocument?mds=kvBTyn49INIMUOv%252B38VTDg%253D%253D&type=open>

Ministry of Corporate Affairs (Contd...)

- **Link of the FiLLiP Notification.**

<https://www.mca.gov.in/bin/ebook/dms/getdocument?doc=MTk1NzI3MTA=&docCategory=Notifications&type=open>

Securities Law

- **Reference.** SEBI/HO/DDHS/DDHS_Div1/P/CIR/2022/0000000103
- **Operational Circular Date.** July 29, 2022 (“**Operational Circular**”)
- **Effective Date.** August 1, 2022
- **Subject.** Operational Circular for listing obligations and disclosure requirements for non-convertible securities, securitized debt instruments and/or commercial papers.
 - ✓ Securities and Exchange Board of India (“**SEBI**”) has, over the years, issued multiple circulars prescribing continuous disclosures for issuers of listed non-convertible securities, securitized debt instruments and commercial paper in accordance with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
 - ✓ SEBI, in order to facilitate effective regulation of the corporate market bond and to enable the issuers and other market stakeholders to get access to all the applicable circulars at one place has prepared this Operational Circular which is a compilation of the relevant existing circulars, with consequent changes.

Securities Law (Contd...)

- ✓ The Operational Circular consists of the following chapters:

Chapter I	Formats for filing financial information
Chapter II	Formats for limited review report/ audit report for issuers of non-convertible securities.
Chapter III	Disclosure of the impact of audit qualifications by listed entities
Chapter IV	Format of statement indicating utilisation and statement indicating deviation/ variation in the use of proceeds of issue of listed non-convertible securities
Chapter V	Disclosures by listed entities of defaults on payment of interest/ repayment of principal amount on loans from banks/ financial institutions and unlisted debt securities
Chapter VI	Schemes of arrangement involving NCDs/NCRPS issued in lieu of specified securities
Chapter VII	Formats specifying disclosure of corporate governance by 'high value debt listed entities
Chapter VIII	Disclosure obligations of listed entities in relation to its related party transactions
Chapter IX	Non-compliance with provisions related to continuous disclosures
Chapter X	Format for statements/reports to be submitted to stock exchange(s) by listed entity which has listed its securitised debt instruments
Chapter XI	Formats relating to review of rating and payment obligations

- **Link of the Operational Circular.**

https://www.sebi.gov.in/legal/circulars/jul-2022/lodr-single-operational-circular-for-listing-obligations-and-disclosure-requirements-for-non-convertible-securities-securitized-debt-instruments-and-or-commercial-paper_61345.html

Securities Law (Contd...)

- **Reference.** SEBI/LAD-NRO/GN/2022/90
- **Regulation Date.** July 25, 2022
- **Effective Date.** Date of publication in the Official Gazette i.e. July 25, 2022
- **Subject.** Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Third Amendment) Regulations, 2022 (“**Amendment Regulations**”).
 - ✓ Securities and Exchange Board of India (“**SEBI**”) has *vide* the Amendment Regulations further amended the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (“**Regulations**”) to introduce a new Chapter X-A - Social Stock Exchange (“**SSE**”), outlining the framework for the SSE’s which inter alia provides social enterprises with an additional avenue to raise funds.
 - ✓ The key highlights of the Amendment Regulations are as under:
 - The Amendment Regulations shall apply to:
 - a) Not for Profit Organization seeking to only get registered with a SSE;
 - b) Not for Profit Organization seeking to get registered and raise funds through a SSE;
 - c) a For Profit Social Enterprise seeking to be identified as a Social Enterprise under the provisions of the said Chapter X-A.

Securities Law (Contd...)

- A SSE shall be accessible only to institutional investors and non-institutional investors.
 - Every SSE will constitute a 'Social Stock Exchange Governing Council' to have an oversight on its functioning.
 - The said Chapter X-A of the Amendment Regulations also provides for the eligibility conditions for being identified as a Social Enterprise.
 - A Not-for-Profit Organization must mandatorily seek registration with a SSE before it raises funds through a SSE.
 - Other features covered under Chapter X-A of the Amendment Regulations include - fund raising by social enterprise, ineligibility for raising of funds, issuance of zero coupon zero principal instruments, eligibility for issuance of zero coupon zero principal instruments, procedure for public issuance of zero coupon zero principal instruments by a not-for-profit organization, procedure for private issuance of zero coupon zero principal instruments by a not-for-profit organization, contents of the fund-raising document, deemed compliance with Securities Contracts (Regulation) Rules, 1957, termination of listing of zero coupon zero principal instruments from the SSE.
- **Link of the Amendment Regulation.**
https://www.sebi.gov.in/legal/regulations/jul-2022/securities-and-exchange-board-of-india-issue-of-capital-and-disclosure-requirements-third-amendment-regulations-2022_61171.html

Securities Law (Contd...)

- **Reference.** SEBI/LAD-NRO/GN/2022/89
- **Regulation Date.** July 25, 2022
- **Effective Date.** Date of publication in the Official Gazette i.e. July 25, 2022
- **Subject.** Securities And Exchange Board Of India (Listing Obligations and Disclosure Requirements) (Fifth Amendment) Regulations, 2022 (“**Amendment Regulations**”).
- ✓ Securities and Exchange Board of India (“**SEBI**”) has *vide* the Amendment Regulations, further amended the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, which inter alia prescribes the following obligations required to be fulfilled by the Social Enterprises under Chapter IX-A:
 - The provisions of Chapter IX-A shall apply to:
 - For Profit Social Enterprise whose designated securities are listed on the applicable segment of the Stock Exchange(s); and
 - Not for Profit Organization that is registered on the Social Stock Exchange(s) (“**SSE**”).

Securities Law (Contd...)

Regulation Reference	Particulars	Obligations
Regulation 91B	Disclosure by For Profit Social Enterprise	A For Profit Organisation having its designated securities listed on the Stock Exchanges are required to comply with the regulations applicable to the issuers whose specified securities are listed on the Main Board or the SME Exchange or the Innovators Growth Platform, as the case may be.
Regulation 91C	Disclosure by Not For Profit Social Enterprise	A Not For Profit Organisation is required to make annual disclosures to the SSE(s) on matters specified by SEBI, within 60 days from the end of the financial year or within such period as may be specified by SEBI.

Securities Law (Contd...)

Regulation Reference	Particulars	Obligations
Regulation 91D	Intimation Disclosures	<p>and The Social Enterprises shall inter alia:</p> <ul style="list-style-type: none"> • frame a materiality policy, duly approved by its board of directors or management and disclose on the SSE or Stock Exchange; • authorise a key managerial enterprise for determining materiality of an event for making disclosures to SSE or Stock Exchange and his contact details shall be disclosed to the Stock Exchange; • disclose to the SSE(s) or the Stock Exchange(s) where it is registered or has listed its specified securities, as the case may be, any event that may have a material impact on the planned achievement of outputs or outcomes as soon as reasonably possible but not later than 7 days or within such period as may be specified by SEBI from occurrence of the event;

Securities Law (Contd...)

Regulation Reference	Particulars	Obligations
Regulation 91D	Intimation and Disclosures	<ul style="list-style-type: none"> • provide updates on a regular basis along with relevant explanations in respect of the disclosures required in point no (c) till the time the concerned event remains material; • provide specific and adequate reply to all queries raised by the SSE(s) or the Stock Exchange(s); • suo moto confirm or deny any reported event or information to SSE(s) or the Stock Exchange(s), as the case may be; and • disclose on its website all such events or information which have been disclosed to the SSE(s) or the Stock Exchange(s), as the case may be.

Securities Law (Contd...)

Regulation Reference	Particulars	Obligations
Regulation 91E	Disclosures by a Social Enterprise in respect of social impact	A Social Enterprise, either registered with or which has raised funds through a Social Stock Exchange or a Stock Exchange shall submit an annual impact report duly audited by Social Audit Firm employing Social Auditor to the SSE or the Stock Exchange.
Regulation 91F	Statement of utilisation of funds	A listed Not for Profit Organization shall submit to the Social Stock Exchange(s) a statement containing (i) category-wise amount of monies raised (ii) category-wise amount of monies utilised (iii) balance amount remaining unutilised, on a quarterly basis.

Securities Law (Contd...)

- **Link of the Amendment Regulations.**

https://www.sebi.gov.in/legal/regulations/jul-2022/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-fifth-amendment-regulations-2022_61169.html

Securities Law (Contd...)

- **Reference.** SEBI/LAD-NRO/GN/2022/89
- **Regulation Date.** July 25, 2022
- **Effective Date.** Date of publication in the Official Gazette i.e July 25, 2022
- **Subject.** Securities And Exchange Board of India (Alternative Investment Funds) (Third Amendment) Regulations, 2022 (“**Amendment Regulations**”).
 - ✓ Securities and Exchange Board of India (“**SEBI**”) has *vide* the Amendment Regulations further amended the SEBI (Alternative Investment Funds) Regulations, 2012 (“**Regulations**”) to inter alia introduce the definitions viz. not for profit organization, social enterprise, social impact fund, social stock exchange and social units, brief details whereof have been enumerated in table A hereunder.
 - ✓ SEBI has further, *vide* the Amendment Regulations, carved out the limits for the investments to be made by the social impact funds in unlisted securities or partnership interest of social ventures or in units of social ventures or in securities of social enterprises and has also laid down the investment limits for investment in securities of not for profit organizations registered or listed on a social stock exchange with the prior consent of at least 75% of the investors by value of the investment by the existing social impact fund.
 - ✓ *Vide* the Amendment Regulations, the following definitions have been inserted under sub-regulation 1 of regulation 2 of the Regulations:

Securities Law (Contd...)

Table A:

Sl. No.	Definitions	Particulars
1	not for profit organization	shall have the same meaning as assigned to it in clause (e) of regulation 292A of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.
2	social enterprise	shall have the same meaning as assigned to it in clause (h) of regulation 292A of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018
3	social impact fund	means an Alternative Investment Fund which invests primarily in securities, units or partnership interest of social ventures or securities of social enterprises and which satisfies the social performance norms laid down by the fund

Securities Law (Contd...)

Sl. No.	Definitions	Particulars
4	social stock exchange	shall have the same meaning as assigned to it in clause (i) of regulation 292A of the Securities and Exchange Board of India(Issue of Capital and Disclosure Requirements) Regulations, 2018
5	social units	means units issued by a social impact fund or schemes of a social impact fund to investors who have agreed to receive only social returns or benefits and no financial returns against their contribution

Securities Law (Contd...)

- ✓ *Vide* the Amendment Regulations, the following provisos have been included after clause (a), clause (b) and clause (c) of regulation 10 of the Regulations respectively:

Table B:

SI No.	Clause Reference	Proviso Inserted
1.	After clause (a)	provided that a social impact fund or schemes of a social impact fund may also issue social units.
2.	After clause (b)	Provided that each scheme of the social impact fund shall have a corpus of at least five crore rupees.
3.	After clause (c)	Provided further that in case of a social impact fund which invests only in securities of not for profit organizations registered or listed on a social stock exchange, the minimum value of investment by an individual investor shall be two lakh rupees.

- ✓ Further, *vide* the Amendment Regulations the following clauses *inter alia* have been substituted/inserted under sub-regulation (4) of regulation 16:

Securities Law (Contd...)

Table C:

SI No.	Clause Reference	Clause Substituted
1.	clause (a)	<p>at least seventy-five percent of the investable funds shall be invested in unlisted securities or partnership interest of social ventures or in units of social ventures or in securities of social enterprises:</p> <p>Provided that an existing social impact fund may invest the remaining investable funds in securities of not for profit organizations registered or listed on a social stock exchange with the prior consent of at least 75% of the investors by value of their investment.</p>
2.	In first proviso to clause (b)	the words "twenty five lakh rupees" shall be substituted with the words "ten lakh rupees"
3.	after the provisos to clause (b), the following clause (ba) shall be inserted	Provided further that in case of a social impact fund which invests only in securities of not for profit organizations registered or listed on a social stock exchange, the minimum value of investment by an individual investor shall be two lakh rupees.

Securities Law (Contd...)

- **Link of the Amendment Regulations.**

https://www.sebi.gov.in/legal/regulations/jul-2022/securities-and-exchange-board-of-india-alternative-investment-funds-third-amendment-regulations-2022_61156.html

Reserve Bank of India

- **Reference.** RBI/2022-23/87 A.P.(DIR Series) Circular No.07
- **Notification Date.** July 07, 2022
- **Effective Date.** July 07, 2022.
- **Subject of the Notification.** Investment by Foreign Portfolio Investors (FPI) in Debt – Relaxations.
- **Analysis.** The Reserve Bank of India (“**RBI**”) issued a press release on ‘Liberalisation of Forex Flows (Revised)’ on July 06, 2022 in its endeavour to enhance forex inflows while ensuring overall macroeconomic and financial stability. The FPI pertinent relaxations granted by the RBI are stated as under:
 - ✓ All short-term investments by an FPI in government securities (Central Government securities, including Treasury Bills and State Development Loans) and corporate bonds (“**Short-term Investments**”). shall not exceed 30% of the total investment of that FPI in any category (“**30% Limit**”).
 - ✓ The Notification provides relaxation to FPIs from the aforesaid 30% Limit for any Short-term Investments by a FPI made between ‘*July 08, 2022 and October 31, 2022 (both dates included)*’ (“**Limited Window**”) till maturity or sale of such investments.

Reserve Bank of India (Contd...)

- ✓ The FPI investments in corporate bonds were subject to a minimum residual maturity requirement of 1 year. The Notification, had granted relaxation to the said minimum residual maturity requirement of 1 year for investments by FPI in corporate money market instruments viz. commercial paper and non-convertible debentures during the Limited Window. These investments shall be exempted from the 30% Limit.
- **Link of the Notification.**
<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12355&Mode=0>

Insolvency And Bankruptcy Code

- **Reference.** Notification No. IBBI/2022-23/GN/REG088 (“**Notification**”).
- **Notification Date.** July 04, 2022.
- **Effective Date.** July 04, 2022
- **Subject.** The Insolvency and Bankruptcy Board of India (Insolvency Professionals) (Amendment) Regulations, 2022 amending the Insolvency and Bankruptcy Board of India (Insolvency Professionals) Regulations, 2016 (“**Principal Regulations**”).
- **Analysis.**
 - ✓ Substitution of Regulation 11 in the Principal Regulations:
 - In the erstwhile regulation 11, the manner of conducting the disciplinary proceedings were provided. Further, substitution provides the regulation by which the disciplinary proceedings shall be governed viz., the disciplinary proceedings shall be conducted in accordance with the provisions of Insolvency and Bankruptcy Board of India (Inspection and Investigation) Regulations, 2017.
 - ✓ Insertion of clause 8B, 8C and 8D in the First schedule of the Principal Regulations:

Insolvency And Bankruptcy Code (Contd...)

- more transparency by way of disclosure within the specified time by an insolvency professional and the professional engaged by an insolvency professional has been inserted vide insertion of clause 8B and clause 8C, respectively in the First schedule of the Principal Regulations.
- an insolvency professional shall make disclosure to the insolvency professional agency within 3 days of the event mentioned herein:

Clause 8B of First Schedule of the Principal Regulations reads as:

Relationship of the insolvency professional with Corporate Debtor	Disclosure to be made within three days of his appointment
Registered valuers / accountants / legal professionals/ other professionals appointed by him	appointment of the professionals
Financial creditors	the constitution of committee of creditors
Interim finance providers	the agreement with the interim finance provider
Prospective resolution applicants	the supply of information memorandum to the prospective resolution applicant
If relationship with any of the above, comes to notice or arises subsequently	of such notice or arising

Insolvency And Bankruptcy Code (Contd...)

Clause 8C of First Schedule of Principal Regulations reads as:

Relationship of the insolvency professional with	Disclosure to be made within three days of
Insolvency professional	the appointment of the other professional
Corporate debtor	the appointment of the other professional
Financial creditors	constitution of committee of creditors
Interim finance providers	the agreement with the interim finance provider or three days of the appointment of the other professional, whichever is later

Insolvency And Bankruptcy Code (Contd...)

- vide insertion of clause 8D in the First schedule of the Principal Regulations, the responsibility has been created on the insolvency professional to make a disclosure to an insolvency professional agency of which he is a member *w.r.t.* the engagement of professional by and insolvency professional has been made at an arms' length relationship.
- ✓ Insertion of clause 15A in the First Schedule of the Principal Regulations:
 - mandatory disclosure to be made by an insolvency professional in all the communications which is being made to the stakeholders *w.r.t.* his name, address, email id, registration number and validity of authorisation for assignment, if any issued by the insolvency professional agency of which he is a member.
- ✓ Insertion of Regulation 25B and 25C in the First Schedule of the Principal Regulations Principal Regulations:
 - an insolvency professional and an insolvency professional entity or the professional engaged by an insolvency professional shall raise the bills and invoices for the fees in his/their own name and it shall be paid through banking channel only.
- ✓ Insertion of Regulation 27A and 27B in the First Schedule of the Principal Regulations Principal Regulations:
 - an insolvency professional while undertaking the assignment or at the time of conducting the process shall ensure that the corporate person complies with all the applicable laws.

Insolvency And Bankruptcy Code (Contd...)

- **Link of the Notification.**

<https://ibbi.gov.in/uploads/legalframework/11dcaa983423cb22743089cf13aec4d6.pdf>

Insolvency And Bankruptcy Code (Contd...)

- **Reference.** Notification No. IBBI/2022-23/GN/REG089 (“**Notification**”).
- **Notification & Effective Date.** July 04, 2022.
- **Subject.** The Insolvency and Bankruptcy Board of India (Insolvency Professional Agencies) (Amendment) Regulations, 2022 amending the Insolvency and Bankruptcy Board of India (Insolvency Professional Agencies) Regulations, 2017 (“**Principal Regulations**”).
- **Analysis.**
 - ✓ Substitution of Regulation 8 (Disciplinary proceedings) in the Principal Regulations:
 - In the erstwhile regulation 8, the manner of conducting the disciplinary proceedings were provided. Further, substitution provides the regulation by which the disciplinary proceedings shall now be governed viz., the disciplinary proceedings shall be conducted in accordance with the provisions of Insolvency and Bankruptcy Board of India (Inspection and Investigation) Regulations, 2017.
- **Link of the Notification.**
<https://ibbi.gov.in/uploads/legalframework/7ed6c5fe677e5114ec5d1e0ccf5d2704.pdf>

Deets / Disclaimer

❑ Deets.

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Thank You



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