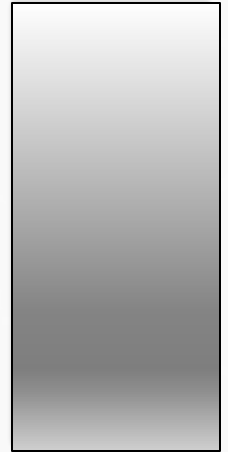


LEGALITE ADVISORS

IMPORTANT LEGAL UPDATES FOR MARCH, 2024



Ministry of Corporate Affairs

- ❑ **Notification No.:** S.O. 1131(E) (“**Notification**”)
- ❑ **Notification Date:** March 07, 2024
- ❑ **Notification Effective Date:** March 08, 2024
- ❑ **Notification Subject:** Revision of De-minimis threshold limit pursuant to section 54(a) of the Competition Act, 2002 (“**Act**”)
- ❑ **Link to Analysis:**
https://legalite.co.in/wp-content/uploads/2024/03/LA_Update-on-CCI-notifications_March-2024.pdf

Ministry of Corporate Affairs (Contd...)

- ❑ **Notification No.:** S.O. 1130(E) (“**Notification**”)
- ❑ **Notification Date:** March 07, 2024
- ❑ **Notification Effective Date:** March 08, 2024
- ❑ **Notification Subject:** Revision of threshold limit pursuant to section 20(3) of the Competition Act, 2002 (“**Act**”)
- ❑ **Link to Analysis:**
https://legalite.co.in/wp-content/uploads/2024/03/LA_Update-on-CCI-notifications_March-2024.pdf

Securities Law

- ❑ **Circular No.:** SEBI/HO/MRD/MRD-PoD-3/P/CIR/2024/20 (“Circular”).
- ❑ **Circular Date:** March 21, 2024
- ❑ **Effective date of the Circular:** March 28, 2024
- ❑ **Subject of the Circular:** Introduction of beta version of T+0 rolling settlement cycle on optional basis in addition to the existing T+1 settlement cycle in equity cash markets.
 - **Background.**
 - ✓ Subsequent to the circular dated September 07, 2021 for the introduction of T+1 rolling settlement cycle which was fully implemented with effect from January 27, 2023 by all the stock exchanges, clearing corporations and depositories (collectively referred to as the “Market Infrastructure Institutions” (“**MIIs**”)), there has now been an introduction of optional T+0 settlement cycle facilitating real time transfer of funds.

Securities Law (Contd...)

▪ Analysis.

- ✓ Pursuant to the approval of the Securities and Exchange Board of India (“**Board**”), optional T+0 settlement cycle, in addition to the existing T+1 settlement cycle is being introduced. Meaning, it has been decided to put in place a framework for introduction of the beta version of **T+0** settlement cycle (“**Beta Version**”) on **optional basis** in addition to the existing T+1 settlement cycle in equity cash market, for a limited set of 25 (twenty-five) scrips and with limited number of brokers.
- ✓ A shortened settlement cycle will promote:
 - cost and time efficiency;
 - transparency in charges to investors; and
 - strengthen risk management at clearing corporations/ overall securities market ecosystem.
- ✓ The basic operational guidelines provided for the same in the Circular can be accessed through the link below. The MIs are required to publish other operational guidelines, FAQs along with the list of 25 (twenty-five) scrips/ brokers participating (*through Beta Version*) and also, disseminate the same on their respective websites.

Securities Law (Contd...)

- ✓ Further, MIs shall provide a **fortnightly report** on the progress of the said Beta Version till further direction of the Board. Also, they shall continue to do stakeholder consultation on a timely basis, including with the users of the Beta Version.
- ✓ In addition to the above, MIs are also advised to take all such steps as may be necessary for smooth implementation of the same, including but not limited to make amendments to the relevant bye-laws; rules and regulations; bring the provisions of this circular to the notice of market participants and disseminating the same on their websites.
- **Link of the Circular.**
https://www.sebi.gov.in/legal/circulars/mar-2024/introduction-of-beta-version-of-t-0-rolling-settlement-cycle-on-optional-basis-in-addition-to-the-existing-t-1-settlement-cycle-in-equity-cash-markets_82455.html

Securities Law (Contd...)

- ❑ **Circular No.:** SEBI/HO/AFD/AFD-POD-2/P/CIR/2024/19 (“**Circular**”).
- ❑ **Circular Date:** March 20, 2024
- ❑ **Effective date of the Circular:** March 20, 2024
- ❑ **Subject of the Circular:** Amendment to circular for mandating additional disclosures by Foreign Portfolio Investors (“**FPIs**”) that fulfil certain objective criteria.
 - **Background.**
 - ✓ Securities and Exchange Board of India (“**SEBI**”) had *vide* its circular no. SEBI/ HO/ AFD/ AFD-PoD-2/CIR/P/2023/148 dated August 24, 2023 (“**August 24 Circular**”) mandated additional disclosures for FPIs that fulfill the criteria specified therein. The August 24 Circular had exempted the FPIs satisfying the criteria listed under paragraph 8 from providing additional disclosures. In addition to the aforesaid, it has been now decided to provide an exemption for providing of additional disclosures under paragraph 7 of the August 24 Circular subject to some conditions.

Securities Law (Contd...)

▪ Analysis.

- ✓ The Circular provides that, it has been decided that an FPI having more than 50% of its Indian equity Asset Under Management (“**AUM**”) in a corporate group shall not be required to make the additional disclosures as specified in Para 7 of the said August 24 Circular subject to the following conditions:
 - The apex company of such corporate group has no identified promoter and such list containing the list of corporate groups published by the stock exchange(s) shall be made public by depositories;
 - The FPI holds not more than 50% of its Indian equity AUM in the corporate group, after disregarding its holding in the apex company (with no identified promoter); and
 - The composite holdings of all such FPIs (that meet the 50% concentration criteria excluding FPIs which are either exempted or have disclosed) in the apex company is less than 3% of the total equity share capital of the apex company.
- ✓ Custodians and depositories shall track the utilization of this 3% (three percent) limit for apex companies, without an identified promoter, at the end of each day and when the said limit is met or breached, depositories shall make this information public before start of trading on the next day.

Securities Law (Contd...)

- ✓ Thereafter, for any prospective investment in the apex company by FPIs, that meet the 50% (fifty percent) concentration criteria in the corporate group, the FPIs shall be required to either realign their investments below the 50% (fifty percent) threshold within 10 (ten) trading days or make additional disclosures prescribed in the circular dated August 24, 2023. Provided no such requirement, to realign or make disclosure, shall be applicable unless the 3% (three percent) cumulative limit for the apex company continues to be met through the said 10 (ten) trading days.
- ✓ All other provisions specified in the August 24 Circular shall remain unchanged.
- ✓ For FPIs that met the objective criteria specified under para 7(a) of the August 24 Circular, as on October 31, 2023 and neither realigned their portfolio within the specified time-period nor were exempted to do so, additional disclosures were required to be made on or before March 12, 2024. It is clarified that such FPIs who met the above conditions, as on March 12, 2024, shall not be subjected to actions consequent to non-disclosures, as specified in Para 12 and Para 13 of said August 24 Circular.
- **Link of the Circular.**
https://www.sebi.gov.in/legal/circulars/mar-2024/amendment-to-circular-for-mandating-additional-disclosures-by-fpis-that-fulfil-certain-objective-criteria_82418.html
- **Link of the August 24 Circular.**
https://www.sebi.gov.in/legal/circulars/aug-2023/mandating-additional-disclosures-by-foreign-portfolio-investors-fpis-that-fulfil-certain-objective-criteria_75886.html

Securities Law (Contd...)

- ❑ **Circular No.:** SEBI/HO/MRD/MRD-PoD-2/P/CIR/2024/18 (“**Circular**”).
- ❑ **Circular Date:** March 20, 2024
- ❑ **Effective date of the Circular:** April 01, 2024
- ❑ **Subject of the Circular:** Safeguards to address the concerns of the investors on transfer of securities in dematerialized mode.
 - **Background.**
 - ✓ To prevent fraud and curb practices of the misappropriation of the inoperative demat accounts, the Securities and Exchange Board of India (“**SEBI**”), based on consultation with depositories and the recommendations of Secondary Market Advisory Committee (SMAC), has decided to amend paragraph 1.12 of the SEBI master circular for Depositories dated October 06, 2023 (“**Master Circular**”).

Securities Law (Contd...)

▪ Analysis.

- ✓ Some safeguards already existing in the Master Circular have been amended. The said amendments are as follows:
 - The Depository Participant(s) (“**DP**”) shall ensure that, in case a request for issuance of Delivery Instruction Slip (“**DIS**”) is received from an inactive/ dormant account, the same shall be delivered at the registered address of the beneficial owner (“**BO**”).
 - The DP shall mandatorily verify with the BO before acting upon any DIS received from:
 - (a) Inactive/ dormant account(s): whenever any security is transferred. Such verification by the DP shall consist of a recorded phone call from the authorised official of the DP, who shall record the details of the process on the DIS. Additionally, this shall be authorised by the compliance officer/ designated senior official of the DP.
 - (b) Active account(s): the aforesaid verification shall be mandatory, when the BO has securities of 5 (five) or more International Securities Identification Numbers (“**ISINs**”), and the securities of all the ISINs are transferred at a time.
 - Here, an inactive/ dormant account would mean an account where no transaction has taken place for a continuous period of 12 (twelve) months.

Securities Law (Contd...)

- ✓ Other safeguards as provided in paragraph 1.12 in the Master Circular can be accessed through the link below.
- ✓ Accordingly, the depositories are advised to make amendments to the relevant bye-laws; rules and regulations; bring the provisions of this circular to the notice of DPs; disseminate the same on their websites; monitor compliance of the DPs and communicate to SEBI the status of implementation of the provisions of this circular in the monthly development report.
- **Link of the Circular.**
https://www.sebi.gov.in/legal/circulars/mar-2024/safeguards-to-address-the-concerns-of-the-investors-on-transfer-of-securities-in-dematerialized-mode_82417.htm

Securities Law (Contd...)

- ❑ **Press Release No.:** PR No.05/2024 (“**Press Release**”).
- ❑ **Press Release Date:** March 15, 2024
- ❑ **Subject of the Circular:** Securities and Exchange Board of India (“**SEBI**”) Board meeting (“**Meeting**”).
 - **Background.**
 - ✓ SEBI had at its Meeting held on March 15, 2024, discussed a number of matters, some of which have been covered in these updates. For detailed content of the Meeting for other matters, the Press Release can be accessed through the link below.
 - **Link of the Press Release.**
https://www.sebi.gov.in/media-and-notifications/press-releases/mar-2024/sebi-board-meeting_82286.html

Securities Law (Contd...)

- ❑ **Circular No.:** SEBI/HO/CFD/PoD-1/P/CIR/2024/ 016 (“**Circular**”).
- ❑ **Circular Date:** March 13, 2024
- ❑ **Effective date of the Circular:** September 13, 2024
- ❑ **Subject of the Circular:** Repeal of circular(s) outlining procedure to deal with cases where securities are issued prior to April 01, 2014, involving offer / allotment of securities to more than 49 but up to 200 investors in a financial year.
 - **Ref:** *Circular No. CIR/CFD/DIL3/18/2015 dated December 31, 2015 and Circular No. CFD/DIL3/CIR/ P/2016/53 dated May 03, 2016.*
 - **Background.**
 - ✓ Under the Companies Act, 1956 (“**Old Act**”), prior to April 01, 2014, in cases involving issuance of securities to more than 49 (forty-nine) persons would deem to be a public offer. However, under the Companies Act, 2013 (“**New Act**”) i.e. post April 01, 2014, any offer or allotment of securities shall be deemed to be a public issue if the number of offerees/ allottees exceeds 200 (two hundred) persons in a financial year, excluding certain class of subscribers specified therein.

Securities Law (Contd...)

- ✓ Accordingly, the aforesaid circulars were issued specifying the procedure to deal with cases where securities are issued prior to April 01, 2014 to person(s) exceeding 49 (forty-nine) but up to 200 (two hundred).

- **Analysis.**

- ✓ Given that considerable time has elapsed since the repeal of the Old Act, it has now been decided to repeal the aforesaid circulars and the same shall stand rescinded with effect from 6 (Six) months from the date of issue of this circular. However, the option to avoid penal action shall only be available only to those companies who have completed the entire procedure and submitted the certificate in terms of aforesaid circulars.
- ✓ Accordingly, all cases involving an offer or allotment of securities to more than the permissible number of investors in a financial year shall be dealt with in line with the provisions contained under the extant applicable laws i.e as per the New Act.

- **Link of the Circular.**

<https://www.sebi.gov.in/legal/circulars/mar-2024/repeal-of-circular-s-outlining-procedure-to-deal-with-cases-where-securities-are-issued-prior-to-april-01-2014-involving-offer-allotment-of-securities-to-more-than-49-but-up-to-200-investors-in-a-82230.html>

Deets / Disclaimer

❑ Deets.

Legalite Advisors LLP | LLPIN : AAJ 8514 | E-mail : la.mumbai@legalite.co.in | Corporate office: 705, 7th Floor, Simran Plaza, Hasnabad Lane, Ram Krishna Nagar, Khar West, Mumbai 400052, Maharashtra, India | 📞: +91 9769022955/ +91 8454846257.

❑ Disclaimer.

This article is for informational purposes only, and is not intended to provide, and should not be relied on for legal advice. Readers are advised to seek independent legal advice in accordance with their peculiar facts and circumstances.

Thank You



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