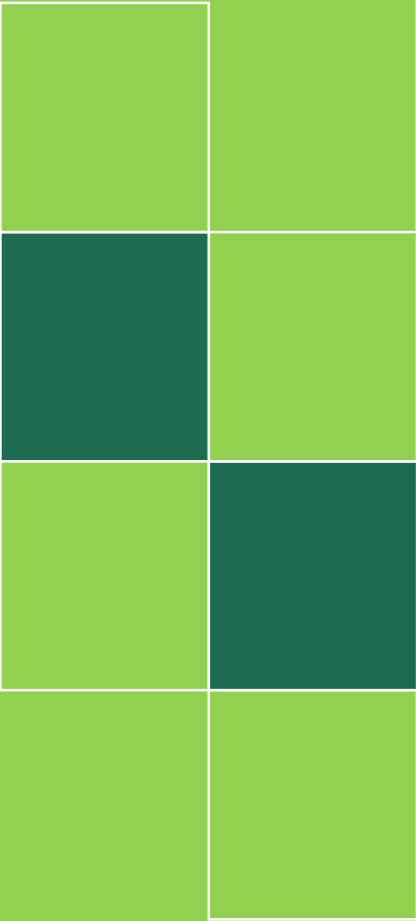




Regulatory Update Letters

May 01, 2020 to May 30, 2020



MINISTRY OF CORPORATE AFFAIRS

Update under Companies Act, 2013

DISPATCH OF NOTICE BY LISTED COMPANIES FOR RIGHT ISSUE

(MCA circular no. 21/2020 dated May 11, 2020)

The Ministry of Corporate Affairs (MCA) vide its circular no. 21/2020 dated May 11, 2020 clarified that listed company's inability to dispatch the notices for right issue through postal or courier service shall not be consider as violation of sec 62(2) of the Companies Act, 2013, if company is in compliance with the provision of **SEBI circular *SEBI/HO/CFDDIL2/CIR/P2020/78** dated May 06, 2020.

Applicability: On Right Issue opening till July 31, 2020

*SEBI circular SEBI/HO/CFDDIL2/CIR/2020/78 – it is requested to refer update on this circular in portion **“Update under SEBI (ICDR) 2018” of this Update Letter at page 1.**

SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI)

Update under SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENT), 2018

SEBI VIDE CIRCULAR DATED MAY 06, 2020 PROVIDES VARIOUS ONE TIME RELAXATIONS FROM STRICT ENFORCEMENT OF SEBI (ICDR), 2018 PERTAINING TO RIGHT ISSUE.

Circular No. **SEBI/HO/CFDDIL2/CIR/P2020/78**

1. Service of the abridged letter of offer, application form and other issue material to shareholders **may be undertaken by electronic transmission** as provided under Reg 77(2) of the ICDR Regulation.
2. Failure of dispatch through post or courier services due to prevailing COVID-19 related conditions **will not be treated as non-compliance during the said period.**
3. **Mandatory** - publish the aforesaid documents on the website of the company, RTA, stock exchange and the lead manager(s).

4. The issuer may publish the dispatch advertisement in additional newspapers, over and above those required in Regulation 84.
5. The advertisement should also be made available on the website of the Issuer, Registrar, Lead Managers, and Stock Exchanges.
6. The Issuer shall make use of advertisements in television channels, radio, internet etc. to disseminate information relating to the application process. Such advertisements can be in the form of crawlers/ tickers as well.
7. Shareholders with physical shares (who have not been able to open a demat account or are unable to communicate their demat details,) such physical shareholders may be allowed to submit their application subject to following conditions:
 - i. Issuer along with lead manager(s) and other recognized intermediary shall institute a mechanism to allow physical shareholders to apply in the rights issue.
 - ii. Issuer along with lead manager(s) shall ensure to take adequate steps to communicate such a mechanism to physical shareholders before the opening of the issue.
 - iii. Such shareholder shall not be eligible to renounce their rights entitlements.
- iv. Such physical shareholders shall receive shares, in respect of their application, only in demat mode
8. Although Reg. 76 of the ICDR Regulations, an application for a rights issue shall be made only through ASBA facility. But in view of the difficulties faced due to COVID-19 pandemic the issuer shall along with lead manager(s) to the issue, the registrar, and other recognized intermediaries *institute an optional mechanism (non- cash mode only) to accept the applications of the shareholders subject to ensuring that no third party payments shall be allowed in respect of any application.*
9. In respect of aforesaid mechanisms the issuer along with Lead Manager(s) shall ensure the following:
 - a. The mechanism(s) shall only be an additional option and not a replacement of the existing process.
 - b. The mechanism(s) shall be transparent, robust and have adequate checks and balances.
 - c. An FAQ, online dedicated investor helpdesk, and helpline shall be created by the issuer company along with lead manager(s) to guide investors in gaining familiarity with the application process and resolve difficulties faced by investors on priority basis.

- d. The issuer along with lead manager(s), registrar, and other recognized intermediaries (as incorporated in the mechanism) shall be responsible for all investor complaints.

RELAXATION - SEBI (Listing Obligation and Disclosure Requirements) Regulation, 2015

SEBI VIDE ITS CIRCULAR DATED MAY 12, 2020 HAS PROVIDED RELAXATION IN RELATION TO COMPLIANCE WITH CERTAIN PROVISIONS OF SEBI (LODR) REGULATIONS 2015.

A. Relaxations necessitating out of MCA circulars (Virtual Meeting Circulars)

Regulation 36 and 58 of SEBI (LODR) 2015: The requirements of Regulations 36 (1)(b) and (c) and Regulation 58 (1)(b) &(c) of the LODR are dispensed with for listed entities who conduct their AGMs during the calendar year 2020 (i.e. till December 31, 2020).

Cruz: *Listed entities are not require to send hard copy of the statement containing salient features of all the documents, as prescribed in Section 136 of the Companies Act, 2013.*

Requirement of proxy for general meetings: Requirement for send proxies from under regulation 44 (4) of the LODR is dispensed with temporarily, in case of meetings held through electronic mode only.

This relaxation is available for listed entities who conduct their AGMs through electronic mode during the calendar year 2020 (i.e. till December 31, 2020).

Requirement of dividend warrants/cheque:

Requirement under regulation 12 of SEBI (LODR), 2015 for issuance of 'payable at par' warrants or cheque in case it is not possible to use electronic modes of payment. Further, in case the amount payable as dividend exceeds Rs.1500/-, the 'payable-at-par' warrants or cheque by speed post shall be apply upon normalization of postal services.

However, listed entities shall endeavor to obtain bank account details of shareholders and use the electronic modes of payment specified in Schedule I of the LODR

B. Relaxation from publication of advertisements in the newspapers:

Exemption from publication of advertisements in newspapers, as required under regulation 47, as provided under SEBI circular dated March 26, 2020 and under regulation 52(8) as provided under SEBI circular dated April 17, 2020 has been extended for all events till June 30, 2020.

C. Relaxation from publishing quarterly consolidated financial results under regulation 33(3)(b) of the LODR for certain categories of listed entities :

Listed entities which are banking and / or insurance companies or having subsidiaries which are

banking and / or insurance companies may submit consolidated financial results under regulation 33(3)(b) for the quarter ending June 30, 2020 on a **voluntary basis**. However, they shall continue to submit the standalone financial results as required under regulation 33(3)(a) of the LODR.

If such listed entities choose to publish only standalone financial results and not consolidated financial results, they shall give reasons for the same.

CruX: Banking and/or insurance companies or having subsidiaries which are banking and/or insurance companies shall not **mandatorily** require to submit quarterly consolidated financial statements under regulation 33(3) of SEBILODR, 2015.

SEBI VIDE CIRCULAR DATED MAY 20, 2020 ADVISORY ON DISCLOSURE OF MATERIAL IMPACT OF COVID-19 PANDEMIC ON LISTED ENTITIES.

SEBI vide circular SEBI/ HO/ CFD/ CMD1CIR/ P2020/ 84 dated May 20, 2020 advises that listed entities should endeavor to ensure that all investors have access to timely, adequate and updated information and listed entities shall make disclosure of Covid 19 Impact on their businesses as required under various provision of SEBI (LODR), 2015 viz. Regulation 30(3) and 51(1) of SEBI (LODR), 2015.

List of the information, entities may consider to disclose:

- Impact of the CoVID-19 pandemic on the business;

- Ability to maintain operations including the factories/units/office spaces functioning and closed down;
- Schedule, if any, for restarting the operations;
- Steps taken to ensure smooth functioning of operations;
- Estimation of the future impact of CoVID-19 on its operations;
- Details of impact of CoVID-19 on listed entity's -
 - Capital and financial resources;
 - Profitability;
 - Liquidity position;
 - Ability to service debt and other financing arrangements;
 - Assets;
 - Internal financial reporting and control;
 - Supply chain;
 - demand for its products/services;

- Existing contracts/agreements where non-fulfilment of the obligations by any party will have significant impact on the listed entity's business;
- Other relevant material updates about the listed entity's business.

Note:

i. While submitting financial statements under Regulation 33 of the LODR, listed entities may specify/include the impact of the CoVID-19 pandemic on their financial statements, to the extent possible.

ii. Listed entity should make disclosure related to impact of Covid-19 with keeping in mind the principles governing disclosures and obligations of a listed entity as prescribed in LODR Regulations, more specifically, having regard to the requirements of Regulation



4(2)(e) of the LODR on disclosure and transparency. Depending on circumstances peculiar to a listed entity and on account of passage of time, the listed entity shall revisit, refresh, or update its previous disclosures.

SEBI VIDE ITS CIRCULAR DATED MAY 14, 2020 HAS PROVIDED RELAXATION FROM MINIMUM PUBLIC SHAREHOLDING (MPS) REQUIREMENTS.

***SEBI circular dated October 10, 2017 (MPS Circulars) is relaxed for listed entities for whom the deadline to comply with MPS requirements falls between the period from March 1, 2020 to August 31, 2020.*

Further, Recognized Stock Exchanges are advised not to take any penal action as envisaged in the October 10, 2017 circular against such entities in case of non-compliance during the said period. Penal actions, if any, initiated by Stock Exchanges from March 1, 2020 till date for non-compliance of MPS requirements by such listed entities may be withdrawn.

*****SEBI circular dated October 10, 2017 lays down the procedure to be followed by the recognized stock exchanges / depositories with respect to MPS non-compliant listed entities, their promoters and directors, including levy of fines, freeze of promoter holding etc.***

SEBI/CIR/CFD/DCR1/CIR/P/2020/83 dated May 14, 2020

Relaxations relating to procedural matters – Takeovers and Buy-back pertaining to open offers and buy-back tender offers opening upto July 31, 2020.

Service of the letter of offer and/or tender form and other offer related material to shareholders may be undertaken by electronic transmission.

The Acquirer/Company shall:

- Publish the letter of offer and tender form on the websites of the company, registrar, stock exchanges and the manager(s) to offer.
- Along with lead manager(s) shall undertake all adequate steps to reach out to the/its shareholders through other means.
- Publish advertisement containing details regarding the dispatch of the letter of offer electronically and availability of such letter of offer along with the tender form on the website of the company, registrar and manager to the offer. Advertisement shall be made in the same newspapers in which detailed public statement was published as per regulation 14(3) of Takeover Regulation or public announcements was published as per regulation 7(i) of Buy-back regulation.

SEBI VIDE CIRCULAR DATED MAY 15, 2020 RELAXES IN TIMELINES FOR COMPLIANCE WITH REGULATORY REQUIREMENTS BY TRADING MEMBERS/CLEARING MEMBERS

Exclusion of time period provided in SEBI circular SEBI/HO/MIRSD/DOP/CIR/P/2020/62 dated April 16, 2020 for trading members/clearing members is further excluded as follows:

Requirements	Existing timeline	Period of exclusion under circular dated Apr-16-2020	Extension in period of exclusion	Reference SEBI Regulation / Circular
KYC application form and supporting documents of the clients to be uploaded on system of KRA within 10 working days.	10 days	From March 23, 2020 till May 17, 2020.	From March 23, 2020 till June 30, 2020	SEBI circular no. MIRSD/Cir-26/2011 dated December 23, 2011

SEBI/HO/IMD/DF3/CIR/P/2020/086

May 20, 2020

Listing of Mutual Fund schemes that are in the process of winding up

Presently - Regulation 32 of SEBI (Mutual Funds) Regulations, 1996 and SEBI Circular no. SEBI/HO/IMD/DF2/CIR/P/2018/160 - **every close-ended scheme and units of segregated portfolio shall be listed on recognized stock exchanges.**

- As per MF Regulations, there are several steps envisaged with respect to winding up of Mutual Fund schemes before the scheme ceases to exist.
- During this process, such units can be listed and traded on a recognized stock exchange, which may provide an exit to investors.
- In terms of Regulation 31B(1) of the MF Regulations, the units of Mutual Fund schemes can be listed in the recognized stock exchange.
- Accordingly, the units of Mutual Fund schemes which are in the process of winding-up in terms of Regulation 39(2)(a) of MF Regulations, shall be listed on recognized stock exchange, subject to compliance with listing formalities as stipulated by the stock exchange.
- However, pursuant to listing, trading on stock exchange mechanism will not be mandatory for investors, rather, if they so desire, may avail an optional channel to exit provided to them.

REVISION OF THE PROVISION ON POST-DEFAULT CURING PERIOD.

SEBI/ HO/MIRSD/ CRADT/ CIR/ P/ 2020/ 87

May 21, 2020

A need has been felt to review the existing policy on post-default curing period with a view to providing some flexibility to CRAs in taking appropriate view in such cases.

SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dated November 1, 2016 the revised policy in this regard is as under:

After a default is cured and the payments regularized, a CRA shall generally upgrade the rating from default to non-investment grade after a period of 90 days based on the satisfactory performance by the company during this period. CRAs *may deviate from the said period of 90 days on a case to case basis, subject to the CRAs framing a detailed policy in this regard.*

The said policy shall also be placed on CRA's website.

Cases of deviations from stipulated 90 days, if any, shall be placed before the Ratings Sub-Committee of the board of the CRA, on a half yearly basis, along with the rationale for such deviation.

SEBI/HO/MIRSD/DOP/CIR/P/2020/88

May 25, 2020

Implementation of Circular on 'Margin obligations to be given by way of Pledge / Re-pledge in the Depository System'—Extension.

SEBI, vide circular no. SEBI/ HO/ MIRSD/ DOP/ CIR/ P/ 2020/ 28 dated February 25, 2020, specified guidelines with regard to Margin obligations to be given by way of Pledge/ Re-pledge in the Depository System.

The provisions of this circular were to come into effect from June 01, 2020 which has been Extended upto August 01, 2020

EXTENSION OF TIME PERIOD PROVIDED IN SEBI CIRCULAR SEBI/HO/MIRSD/DOP/CIR/P/2020/61 AND SEBI/HO/MIRSD/DOP/CIR/P/2020/68 DATED APRIL 16, 2020 AND APRIL 21, 2020 RESPECTIVELY IS FURTHER EXTENDED AS FOLLOWS:

#	Compliance	Extended through circular dated April 16, 2020	Extended date
I.	Client Funding Reporting.	31-May-20	30-June-20
II.	Reporting for Artificial Intelligence (AI) and Machine Learning (ML) applications.	31-May-20	30-June-20
III.	Penalty for non- collection / short collection of upfront margins in cash segment.	May-17-2020	30-June-2020
IV.	Maintaining call recordings of orders/instructions received from clients.		
V.	Submission towards weekly monitoring of client funds under the provisions of Enhanced Supervision		
VI.	Submission of data on monthly basis towards clients' and fund		

	balance under the provisions of Enhanced Supervision.		
VII.	Daily margin trading reporting.		
VIII.	Update in Income Tax Permanent Account Number of Key Management Personnel / Directors.	Extended by one month from the due date	Extended by two month from the due date
IX.	Issue of Annual Global statement to clients		

Note:

All other conditions specified in the circulars dated 16 April 2020 and 21 April, 2020 shall continue to remain applicable.

Our Insight:

Ministry of Corporate Affairs (MCA) and Securities and Exchange Board of India (SEBI) are also joining the Indian Government in the fight against Covid 19 by providing such steps like allowing dispatching of various documents only through online mode and relaxation in timelines to prevent the companies from un-intentional violations of provisions under Companies Act, 2013 and SEBI Regulations.



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