



# JSA Corporate InVision

July 2022

## RESERVE BANK OF INDIA (RBI)

### **Prior approval for takeover or control of non-bank Payment System Operators**

The RBI, *vide* notification dated July 4, 2022, has provided that the non-bank Payment System Operators (“PSO”) (authorised to operate any payment system) are required to seek the prior approval of the RBI in case of (a) takeover or acquisition of control which may or may not result in change of management of non-bank PSO; and (b) sale or transfer of payment system activity to an entity not authorised for undertaking similar activity. Further, non-bank PSOs are required to inform RBI within 15 (fifteen) days in the following cases: (a) change in management/directors; and (b) sale or transfer of payment activity to an entity authorised for undertaking similar activity. For a detailed analysis, please refer to [JSA Prism of July 13, 2022](#).

### **Extension of timeline for obtaining authorisation by payment aggregators**

The RBI had issued the ‘Guidelines on Regulation of Payment Aggregators and Payment Gateways’ *vide* circulars dated March 17, 2020 and March 31, 2021 (“PA Guidelines”). As per the terms of the PA Guidelines, online non-bank Payment Aggregators (“PAs”), existing as on March 17, 2020, were required to apply to the RBI by September 30, 2021, to obtain authorisation under the Payment and Settlement Systems Act, 2007 (“PSS Act”). However, several applications were rejected by the RBI due to non-compliance with the eligibility criteria, including the minimum net worth of INR 15,00,00,000 (Indian Rupees Fifteen Crores) by March 31, 2021. Rejection of applications meant that such entities were also required to discontinue their operations within a period of 6 (six) months from the date of return of application. In view of the disruption caused by the COVID-19 pandemic and to ensure smooth functioning of the payments ecosystem, the RBI, *vide* circular dated July 28, 2022, has offered another opportunity to PAs (existing as on March 17, 2020) to apply to the RBI by September 30, 2022, provided they have a net worth of INR 15,00,00,000 (Indian Rupees Fifteen Crores) by March 31, 2022. Such entities are permitted to continue their operations till they receive communication from the RBI regarding the fate of their application. The timeline of March 31, 2023, for achieving the net worth of INR 25,00,00,000 (Indian Rupees Twenty Five Crores) continues to remain.

## MINISTRY OF COMMERCE AND INDUSTRY (MCI)

### Special Economic Zones (Third Amendment) Rules, 2022

The MCI, *vide* notification dated July 14, 2022, has published the Special Economic Zones (Third Amendment) Rules, 2022 (“**SEZ Amendment Rules**”), inserting a new provision by way of Rule 43A to the Special Economic Zones Rules, 2006 pertaining to working from home. The SEZ Amendment Rules provide that Special Economic Zones (“**SEZ**”) units may permit their employees, including contractual employees, to work from home or from any place outside the SEZ, provided a permission is obtained from the jurisdictional Development Commissioner. The categories of employees covered under Rule 43A are: (i) employees of information technology/information technology enabled services units, (ii) temporarily in-capacitated employees; (iii) employees who are travelling; and (iv) employees working offsite. The SEZ unit’s proposal for work from home can cover up to 50% of the total employees. For a detailed analysis, please refer to [JSA Prism of July 20, 2022](#).

## SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI)

### Implementation of guidelines on execution of Demat Debit and Pledge Instruction

The SEBI, *vide* circular dated April 4, 2022, issued guidelines regarding execution of ‘Demat Debit and Pledge Instruction’ (“**DDPI**”) for transfer of securities towards deliveries/ settlement obligations and pledging/re-pledging of securities. The guidelines are aimed at curbing possible misuse of Power of Attorneys (“**POAs**”) given by clients to the stock brokers. The use of DDPI will be limited to only 2 (two) purposes, namely (i) transfer of securities held in the beneficial owner account of the client towards stock exchange-related deliveries or settlement obligations arising out of trades executed by such a client; and (ii) pledging or re-pledging securities in favour of the trading member or clearing member for the purpose of meeting the margin requirements of the client. With the implementation of the guidelines, the POAs would be replaced with the DDPI document for the above purposes.

The provisions of this circular were to come into effect from July 1, 2022. In view of the representation received from depositories and that the changes to the systems are still under process, SEBI issued a circular dated June 30, 2022 extending the date of implementation of the guidelines on execution of DDPI to September 1, 2022.

### Disclosure of shareholding pattern by a listed entity

Under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**LODR Regulations**”), a listed entity is required to disclose the holding of securities and shareholding pattern to the stock exchange(s) in the format prescribed as per circular dated November 30, 2015 issued by the SEBI. On June 30, 2022, the SEBI issued a circular for providing more clarity and transparency in disclosure of shareholding pattern by listed entities. With effect from the quarter ending September 30, 2022, listed entities must make the following disclosures in the new formats:

- statement showing the shareholding pattern of public shareholders;
- statement showing the shareholding pattern of non-promoter – non-public shareholder;
- details pertaining to foreign ownership limits.

### Framework for Social Stock Exchanges

The SEBI, *vide* notifications dated July 25, 2022, has amended the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (“**ICDR Regulations**”), the SEBI (Alternative Investment Funds) Regulations, 2012 (“**AIF Regulations**”) and the **LODR Regulations**, to include provisions in relation to the Social Stock Exchanges (“**SSE**”). SSE is recognised as a separate segment of a recognized stock exchange which will be permitted to register Not for Profit

Organizations (“**NFPOs**”) and / or list the securities issued by NFPOs. The key provisions of this framework are as follows:

- The ICDR Regulations are amended to define terms such as SSE and Social Enterprise (“**SE**”). SE means a NFPO or a For Profit Social Enterprise (“**FPSE**”), provided they establish social intent as their primary objective and meet the eligibility criteria prescribed under the ICDR Regulations. A NFPO can raise funds on the SSE through issuance of zero coupon zero principal instruments, donations through specified mutual fund schemes or as otherwise specified by SEBI. A FPSE may raise funds through the issuance of equity shares on the main board, SME platform or innovators growth platform, issuance of equity shares issued to an Alternative Investment Fund (“**AIF**”) (including a Social Impact Fund (“**SIF**”)), issuance of debt securities or as otherwise specified by SEBI. Further, it also details provisions on the issuance of zero coupon zero principal instruments;
- The concept of SIF has been introduced in the AIF Regulations. It is essentially an AIF which invests primarily in securities, units or partnership interest of social ventures or securities of SEs. Each scheme of a SIF must have a corpus of at least INR 5,00,00,000 (Indian Rupees Five Crores). In case of an SIF which invests only in securities of NFPOs registered or listed on a SSEs, the minimum value of investment by an individual investor must be INR 2,00,000 (Indian Rupees Two Lakhs). SIF or schemes of a SIF launched exclusively for a NFPO registered or listed on a SSE, can deploy or invest 100% of the investable funds in the securities of the NFPO;
- The LODR Regulations have been amended to include disclosure, intimation and other obligations of FPSE whose designated securities are listed on the applicable segment of the stock exchange(s) and NFPO that is registered on the SSEs. The SEs are required to make regular disclosures including submitting a social impact report and statement in respect of utilisation of the funds raised.

## **Applicability of SEBI (Prohibition of Insider Trading) Regulations, 2015 to mutual funds**

The SEBI released a consultation paper on July 8, 2022 proposing applicability of SEBI (Prohibition of Insider Trading) Regulations, 2015 (“**PIT Regulations**”) to ‘units of a mutual fund’. The PIT Regulations currently apply to dealings in ‘securities’ of listed and to be listed entities. The definition of ‘securities’ in the PIT Regulations specifically excludes ‘units of a mutual fund’. The Consultation Paper proposes the insertion of a separate chapter in the PIT Regulations which will apply exclusively to mutual funds. This proposed insertion will achieve the purpose of regulating the trading by employees of asset management companies / trustees in units of own mutual fund as well as prescribing similar requirements for the persons with whom the information relating to mutual fund schemes is shared for legitimate purpose.

## **MINISTRY OF FINANCE**

### **Financial Services Institutions Bureau**

The Central Government, *vide* resolution dated July 1, 2022, constituted the Financial Services Institutions Bureau (“**FSIB**”). The FSIB will replace the Banks Board Bureau and will recommend candidates for appointment as whole-time directors and non-executive chairpersons on the board of directors of financial services institutions, including public sector banks, financial institutions and public sector insurers. In addition to advising on selection and performance of management, it will also build a databank related to the performance of financial services institutions and advise the Central Government on formulation and enforcement of a code of conduct and ethics for whole-time directors. It prescribes the functions and composition, nomination of members, and management of FSIB.

### **Zero coupon zero principal instruments**

The Ministry of Finance (Department of Economic Affairs) *vide* a gazette notification dated July 15, 2022, declared zero coupon zero principal instruments as securities under the Securities Contracts (Regulation) Act, 1956. These

instruments will be issued by a NFPO registered with a SSE segment of a recognised stock exchange in accordance with the ICDR Regulations.

## CENTRAL CONSUMER PROTECTION AUTHORITY

### Sale of Ayurvedic, Siddha and Unani drugs on e-commerce platforms

The Central Consumer Protection Authority issued an advisory dated July 14, 2022 to e-commerce entities concerning the sale of Ayurvedic, Siddha and Unani drugs containing ingredients listed in Schedule E (1) (list of poisonous substances under the Ayurvedic (including Siddha) and Unani Systems of medicine) of the Drugs and Cosmetics Rules, 1945 (“Rules”). E-commerce platforms have been advised that the sale or facilitating the sale of such drugs must be done only after a valid prescription of a registered Ayurveda, Siddha or Unani practitioner respectively is uploaded by the user on the platform. As per Rule 161(2) of the Rules, the container of a medicine for internal use for the treatment of human ailments, if made up of a substance specified in Schedule E (1), must be labelled conspicuously with the words “Caution: To be taken under medical supervision” both in English and Hindi language.

Earlier, the Ministry of Ayush had also issued a public notice on February 1, 2016 informing stakeholders that the aforementioned drugs must be taken under medical supervision and purchasing them online without medical consultation should be avoided.

## MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION

### Legal Metrology (Packaged Commodities) (Second Amendment) Rules, 2022

The Department of Consumer Affairs issued the Legal Metrology (Packaged Commodities) (Second Amendment) Rules, 2022 on July 14, 2022, to allow declaration of certain information on a package of any electronic product through the QR Code, if not declared on the package itself. Pursuant to the amendment, a package of any electronic product, which is manufactured or packed or imported after the July 15, 2022, must, for a period of 1 (one) year from such date:

- declare the name of the manufacturer or packer or importer as well as the telephone number and e-mail address on the package itself. Such declaration must also inform the consumers to scan the QR code for the address and other related information where such information is not declared on the package itself; and
- inform the consumers to scan the QR code for the size and dimension of the commodity, the name and number/quantity of each product (where the package contains more than one product) as well as the common or generic name of the commodity.

## MINISTRY OF HOME AFFAIRS (MHA)

### Foreign Contribution (Regulation) Amendment Rules, 2022

The MHA issued the Foreign Contribution (Regulation) Amendment Rules, 2022 by a notification dated July 1, 2022. The amendments have been introduced to reduce compliance burden under the Foreign Contribution (Regulation) Rules, 2011. The key changes are as follows:

- foreign contributions upto to INR 10,00,000 (Indian Rupees Ten Lakhs) can be received from relatives in a financial year without intimating the Central Government (earlier this was INR 1,00,000 (Indian Rupees One Lakh));
- for foreign contributions beyond INR 10,00,000 (Indian Rupees Ten Lakhs), the Central Government is required to be informed within 3 (three) months of receipt of contribution (earlier this was 30 (thirty) days);
- a person seeking ‘registration’ or ‘prior permission’ to receive foreign contribution must inform the MHA of the opening of any bank account(s) for utilising the foreign contribution within 45 (forty five) days of opening any account (earlier this was 15 (fifteen) days);

- any change in the designated bank account, name, address, aims, objectives or key members of an association must be intimated to the Central Government in the prescribed form within 45 (forty five) days of such change (earlier this was 15 (fifteen) days).

## Corporate Practice

JSA's corporate practice is centered around transactional and legal advisory services including day-to-day business, regulatory issues, corporate and governance affairs. We have an expert team of attorneys who advise on legal issues concerning inbound and outbound investments, strategic alliances, collaborations and corporate restructurings. We advise clients through all stages of complex and marquee assignments including restructuring, mergers and acquisitions (including those in the public space) to private equity and joint ventures. Our vast clientele includes multinational corporations and large Indian businesses in private, public and joint sector. We work closely with in-house counsel teams, investment banks, consulting and accounting firms along with multilateral agencies and policy making institutions on development of policy and legal frameworks. We provide assistance and counsel to start-ups and venture backed companies by drawing upon our in-depth understanding of how companies are incorporated, financed and grown. With an in-depth understanding of the industry combined with years of expertise, our attorneys provide innovative and constructive solutions to clients in complex transactional engagements. We emphasize teamwork across our wide network of offices across India. This allows us to benefit from the various specialisations available for the ultimate benefit of our clients. We also provide assistance in dealing with diverse corporate governance and compliance issues including FCPA /Anti-Bribery/Anti-Corruption matters and investigations.

### This Newsletter has been prepared by:



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14 Practices and  
23 Ranked Lawyers



15 Practices and  
18 Ranked Lawyers



7 Practices and  
2 Ranked Lawyers



IFLR1000 India Awards 2021



Among Top 7 Best Overall  
Law Firms in India and  
10 Ranked Practices



Banking & Financial Services  
Law Firm of the Year 2022

10 Practices and  
34 Ranked Partners  
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Banking & Finance Team  
of the Year  
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Fintech Team of the Year  
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Restructuring & Insolvency  
Team of the Year

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13 winning Deals in  
IBLJ Deals of the Year  
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6 A List Lawyers in  
IBLJ Top 100 Lawyer List

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Dispute Resolution Law  
Firm of the Year 2022  
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Equity Market Deal of the  
Year (Premium) 2022  
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Energy Law Firm of the Year 2021

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