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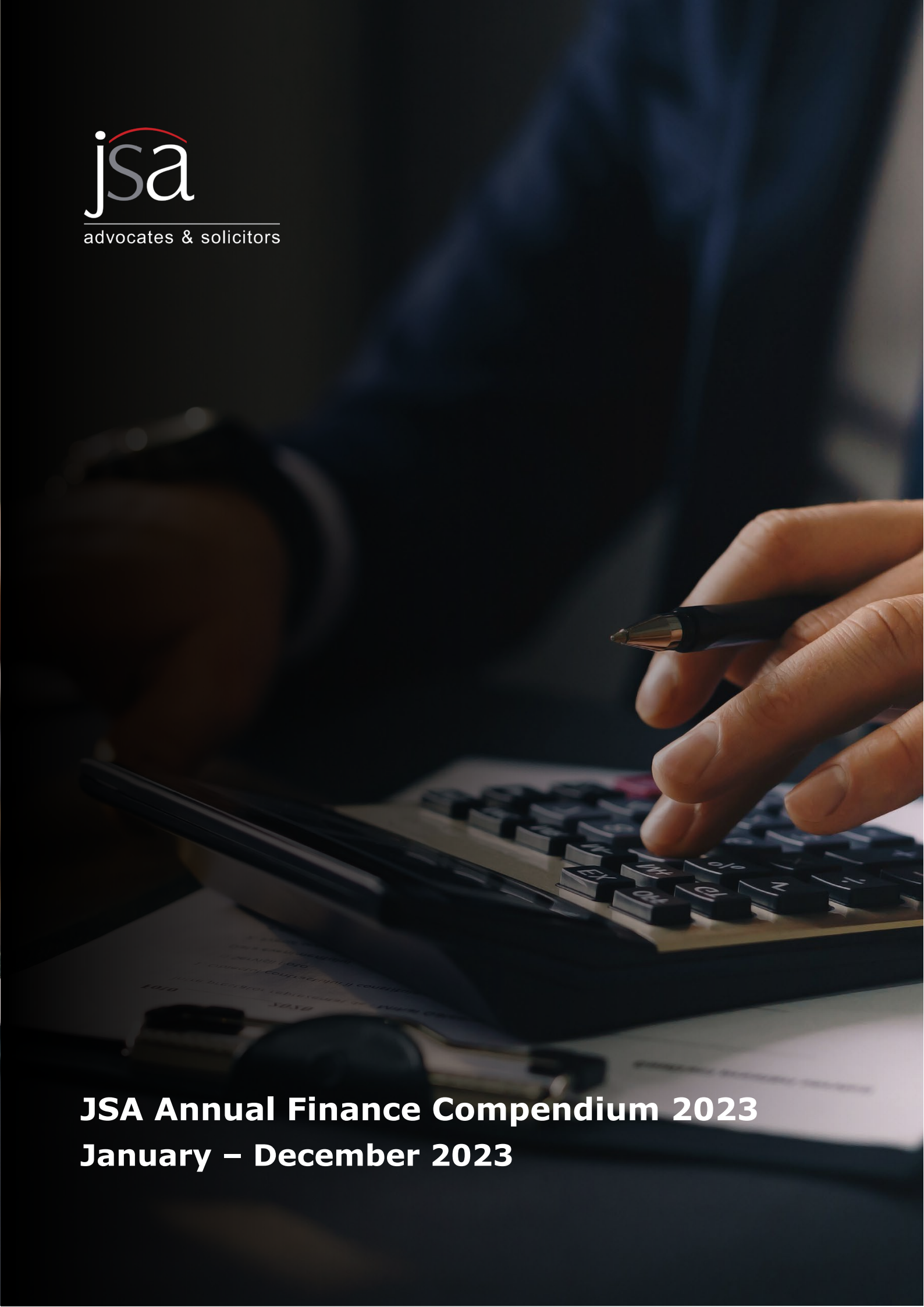


JSA Annual Finance Compendium 2023

January – December 2023

This compendium sets out some of the key legislative and regulatory updates in the banking and finance space for the year 2023. The updates have been arranged with respect to each of the various regulators and authorities as mentioned below.

The Reserve Bank of India (RBI)

The RBI Guidelines on acquisition and holding of shares/ voting rights in banking companies

The RBI on January 16, 2023, issued (a) RBI (Acquisition and Holding of Shares or Voting Rights in Banking Companies) Directions, 2023; and (b) the Guidelines on Acquisition and Holding of Shares or Voting Rights in Banking Companies dated January 16, 2023 (collective "**RBI Guidelines**"). The key provisions of the RBI Guidelines are as follows:

1. The RBI Guidelines are applicable to all banking companies including local area banks, small finance banks and payments banks operating in India.
2. Any person who intends to make an acquisition which is likely to result in major shareholding in a banking company is required to obtain prior approval of the RBI as per the prescribed procedure. RBI will then undertake due diligence to assess the 'fit and proper' status of the applicant and then grant or deny permission (or grant permission for a lower percentage holding) to the applicant and may impose conditions on the applicant and the concerned banking company as deemed fit. If at any time the aggregate holding falls below 5% of the aggregate paid up share capital or voting rights of the banking company, a fresh approval from the RBI will be required if the person intends to increase its aggregate holding to 5% or more.
3. Persons from Financial Action Task Force non-compliant jurisdictions are not permitted to acquire major shareholding.
4. After issue and allotment of shares, a banking company must report the details.
5. A banking company must establish a continuous monitoring mechanism to ascertain that a major shareholder has obtained prior approval of the RBI for the shareholding/voting rights, any violation with respect to the same must be immediately brought to the notice of the RBI.
6. **Limits to shareholding:** Permission of the RBI to acquire shares or voting rights in a banking company are subject to the following limits:
    a) Non-promoter:
        i) 10% of the paid-up share capital or voting rights of the banking company in case of natural persons, nonfinancial institutions, financial institutions directly or indirectly connected with Large Industrial Houses and financial institutions that are owned to the extent of 50 % or more or controlled by individuals (including the relatives and persons acting in concert); and
        ii) 15% of the paid-up share capital or voting rights of the banking company in case of financial institutions (excluding those mentioned in para (i) above), supranational institutions, public sector undertaking and central/state government.
    b) For promoters - 26% of the paid-up share capital or voting rights of the banking company after the completion of 15 (fifteen) years from commencement of business of the banking company. During the period prior to the completion of 15 (fifteen) years, the promoters of banking companies may be permitted to hold a higher percentage of shareholding as part of the licensing conditions or as part of the shareholding dilution plan approved by the RBI.
        i) **Lock-in:** (a) In case of a person having shareholding of 10% or more (after the permission of the RBI) of the paid-up equity share capital of the banking company but less than 40% of the paid-up

equity share capital, the shares acquired will remain under lock-in for first 5 (five) years from the date of completion of acquisition; and (b) in case of any person (after the permission of the RBI) having a shareholding of 40% or more, only 40% of paid-up equity share capital will remain under lock-in for first 5 (five) years from the date of completion of acquisition. These locked-in shares cannot be encumbered under any circumstances.

ii) **Ceiling on voting right:** No shareholder in a banking company can exercise voting rights on poll in excess of 26% of the total voting rights of all the shareholders of the banking company.

Fully Accessible Route ("FAR") for investment by non-residents in government securities

The RBI in March 2020 introduced FAR for investing by non-residents in government securities which enabled non-residents to invest in specified government securities without any restrictions. Now the RBI has extended the above benefit to all sovereign green bonds issued by the government in fiscal year 2022-23. This is in furtherance to the plan of the central government (as highlighted in the union budget of 2022-23) to issue sovereign green bonds to further develop the green infrastructure.

Non-Banking Financial Companies ("NBFCs")

Outsourcing of Information Technology ("IT") services

The RBI *vide* notification dated April 10, 2023, issued Master Directions to regulate the outsourcing of IT services by banks, NBFCs, EXIM Bank, National Bank for Agriculture and Rural Development, National Bank for Financing Infrastructure and Development, National Housing Bank, Small Industries Development Bank of India Credit Information Companies, and select financial institutions (such regulated entities, collectively, "**RE**"). REs typically outsource a substantial portion of their IT and IT enabled services to third party service providers. Such dependency on third parties exposes REs to significant risks as the autonomy of its IT systems could be compromised and thereby their operational integrity could be threatened. In order to mitigate such risks, the RBI has also ramped up its checks on the soundness of cyber security practices of various institutions in the ecosystem. The key provisions are as follows:

1. REs must evaluate the need for outsourcing of IT services based on comprehensive assessment of attendant benefits, risks and availability of commensurate processes to manage those risks;
2. REs must have a robust grievance redressal mechanism that must not be compromised in any manner on account of outsourcing;
3. the board of the RE will be responsible, inter alia, for: (a) putting in place a framework for approval of IT outsourcing activities depending on risks and materiality; (b) approving policies to evaluate the risks and materiality of all existing and prospective IT outsourcing arrangements; and (c) setting up suitable administrative framework of senior management for the purpose of these Master Directions; and
4. The broad aspects that need to be considered in the agreement between the RE and the service provider have been detailed in the Master Direction.

Please also see the JSA Prism of April 24, 2023.

Acceptance of Green Deposits

With a view to fostering and developing a green finance ecosystem in the country, the RBI, *vide* notification dated April 11, 2023, issued a framework for acceptance of green deposits by scheduled commercial banks, including small finance banks (excluding regional rural banks, local area banks and payments

banks) and all deposit taking NBFCs registered with the RBI ("**GD RE**"). The key provisions are as follows:

1. GD REs must issue green deposits as cumulative /non-cumulative deposits, denominated in Indian Rupees only, and on maturity, the green deposits can be renewed or withdrawn at the option of the depositor;
2. GD REs must put in place a comprehensive board-approved policy laying down all aspects in detail for the issuance and allocation of green deposits;
3. GD REs must put in place a board- approved financing framework for effective allocation of green deposits;
4. The allocation of funds raised through green deposits by GD REs during a financial year ("**FY**") must be subject to an independent third-party verification/ assurance on an annual basis; and
5. GD REs are required to upload a copy of the policy on 'green deposits', 'financing framework', opinion of the external reviewer and the third-party verification/assurance and impact assessment report on their websites.

Guidelines on Default Loss Guarantees ("DLGs") in Digital Lending ("DLG Guidelines")

The RBI *vide* circular dated June 8, 2023, published the DLG Guidelines, which enable Financial Technology ("**FinTechs**") to extend DLGs to banks and NBFCs (collectively, "**DREs**"). DLGs are contractual arrangements between FinTechs and DREs, where the FinTech guarantees to compensate the DRE for default losses up to a certain percentage of the loan portfolio of the DRE. DLG arrangements were common practice for the disbursement of digital loans until the RBI published the Guidelines on Digital Lending, which created regulatory uncertainty regarding the permissibility of such arrangements. In view of the DLG Guidelines, this regulatory uncertainty has largely been put to an end.

For a detailed analysis, please refer to the JSA Prism of July 13, 2023.

Transition from LIBOR and MIFOR

The RBI *vide* its notification on 'LIBOR Transition' dated May 12, 2023, advised all banks and financial institutions to refrain from entering new transactions with interest benchmarks as US$ London Interbank Offered Rate ("**LIBOR**") or the Mumbai Interbank Forward Outright Rate ("**MIFOR**"). The RBI also advised that fallbacks should be inserted in all remaining legacy financial contracts that have reference to US$ LIBOR or MIFOR, at the earliest, and well before the end of June 2023. Synthetic LIBOR rates are not to be used as a substitute for fallbacks in legacy contracts. All banks and financial institutions were required to develop the necessary system and processes to fully transition away from LIBOR by July 1, 2023.

Expanding the scope of Trade Receivables Discounting System ("TReDS")

The RBI, *vide* circular dated June 7, 2023, expanded the scope of the guidelines for TReDS dated December 3, 2014 ("**Guidelines**") by authorising insurance companies to operate in the TReDS. TReDS facilitates parties like sellers, buyers and financiers in the financing of Micro Small and Medium Enterprises ("**MSMEs**"). The Guidelines allow financing / discounting of MSME trade receivables on "without recourse" basis by permitted financiers. The enhanced Guidelines will provide further impetus to TReDS platforms and will help in further improving the cash flows of MSMEs. Some of the key enhancements to the Guidelines are as follows:

1. insurance companies will now be permitted to participate as a "fourth participant" on TReDS. Insurance facility is permitted for TReDS transactions, which would aid financiers to hedge default risks. The business / operational rules of the TReDS platform operators may specify the stage at which insurance facility can be availed;
2. all entities/ institutions allowed to undertake factoring business under the Factoring Regulation Act, 2011 and the rules/ regulations made thereunder are now permitted to participate as financiers in TReDS;
3. to overcome the inconvenience caused to MSME sellers and buyers as well as to enable secondary market for Factoring Units ("**FUs**"), TReDS platform operators may enable a secondary market for transfer of FUs within the same TReDS platform; and

4. TReDS platform operators will now be permitted to undertake settlement of all FUs, financed, discounted or otherwise, using the National Automated Clearing House mechanism used for TReDS.

Framework for compromise settlements and technical write-offs

The RBI, *vide* circular dated June 8, 2023, issued a comprehensive regulatory framework governing compromise settlements and technical write-offs covering all the regulated entities ("**RE**s"), including base layer NBFCs. Compromise settlement means any negotiated arrangement with the borrower to fully settle the claims of the RE against the borrower in cash. Therefore, any compromise settlement where the facility due to the RE is not fully settled or where the facility is converted into another facility, will not be covered under the framework. Technical write-off are cases where the non-performing assets remain outstanding at borrowers' loan account level but are written-off (fully or partially) by the RE only for accounting purposes. The key provisions of the framework are as follows:

1. REs must put in place board-approved policies for undertaking compromise settlements with the borrowers as well as for technical write-offs;
2. in respect of compromise settlements, the policy must inter alia contain provisions relating to permissible sacrifice for various categories of exposures while arriving at the settlement amount, after prudently reckoning the current realisable value of security/collateral, where available;
3. the policy must also cover the delegation of powers for approval/sanction of compromise settlements and technical write-offs;
4. compromise settlements where the time for payment of the agreed settlement amount exceeds 3 (three) months must be treated as restructuring as defined in terms of the Prudential framework on Resolution of Stressed Assets dated June 7, 2019; and
5. the cooling period in respect of exposures other than farm credit exposures will be subject to a floor of 12 (twelve) months. REs are free to stipulate higher cooling periods in terms of their board-approved policies.

Operation of pre-sanctioned credit lines at banks through Unified Payments Interface ("UPI")

RBI *vide* directive dated September 4, 2023, authorised scheduled commercial banks to link pre-sanctioned credit lines with UPI. The scope of UPI has been expanded to include credit lines as a funding account. Under this facility, payments through a pre-sanctioned credit line issued by a scheduled commercial bank to individuals are enabled for transactions using the UPI system. Banks can develop their own board-approved policies regarding the terms and conditions for the use of credit lines. Such policies can cover various aspects, including the credit limit, period of credit and rate of interest, for credit lines issued to fund UPI payments.

Release of property documents on closure of loan account

The RBI, *vide* circular[1] dated September 13, 2023, issued further directions to promote responsible

[1] RBI/2023-24/60DoR.MCS.REC.38/01.01.001/2023-24

lending conduct amongst REs. REs must comply with the directions for the release of all documents pertaining to movable / immovable property ("**Documents**") due on or after December 1, 2023, upon receiving full repayment of the loan and closure of the loan account. Some of the key provisions of the directions are set out below:

1. REs must release all the original Documents and remove charges registered with any registry within a period of 30 (thirty) days after full repayment/ settlement of the loan account;
2. the borrower must be given the option to collect the original Documents either from the banking outlet/ branch servicing the loan account, or any other office of the RE where the Documents are available, as per her / his preference;
3. where there is a delay in releasing of original Documents or failure to file the charge satisfaction form with relevant registry beyond 30 (thirty) days after full repayment/ settlement of loan, the RE must communicate to the borrower reasons for such delay. Where the delay is attributable to the RE, the RE must compensate the borrower at the rate of INR 5,000 (Indian Rupees five thousand) for each day of delay;
4. upon loss/damage to original Documents, either in part or in full, the REs must assist the borrower in obtaining duplicate/certified copies of the Documents and must bear the associated costs, in addition to paying compensation as indicated above; and
5. to address the contingent event of demise of the sole borrower or joint borrowers, REs must have a well laid out procedure for the return of original Documents to the legal heirs.

Secured assets possessed under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest ("SARFAESI Act, 2002")

RBI, *vide* circular[2] dated September 25, 2023, directed REs acting as secured creditors under the terms of the SARFAESI Act, 2002, to display information in respect of the borrowers whose secured assets have been taken into possession by such REs. The REs must upload the information on the respective websites in the prescribed format by March 25, 2024, and thereafter update such information on a monthly basis.

The RBI notifies Master Direction on Scale-Based Regulation of NBFCs

On October 19, 2023, the RBI issued the 'Master Direction – RBI (NBFC – Scale Based Regulation) Directions 2023' ("**SBR Master Direction**"). The SBR Master Direction comes into immediate effect and replaces the erstwhile framework of NBFCs, viz. Master Direction – NBFC – Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016 and Master Direction – NBFC – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 (collectively, "**Previous Framework**"). The SBR Master Direction aims to harmonize the Previous Framework with the scale-based regulation of NBFCs, published by the RBI on October 22, 2021 ("**SBR Framework**").

Under the SBR Master Direction, the earlier classification of NBFCs based on asset size (i.e., systemically important and non-systemically important NBFCs) is brought to an end, while the classification of NBFCs based on: (a) acceptance of public deposits (i.e., deposit-taking and non-deposit taking); and (b) specialisation (factoring business, housing finance, microfinance, account aggregation, etc.) continues to be in force. Further, as classified by the RBI under the SBR Framework, the SBR Master Direction also continues to classify NBFCs into 4 (four) layers, namely, the Base Layer, the Middle Layer, the Upper Layer and the Top Layer.

[2] RBI/2023-24/63 DoR.FIN.REC.41/20.16.003/2023-24

For a detailed analysis, please refer to the JSA Prism of November 2023.

Permissible transactions for rupee account by persons resident outside India

The RBI, *vide* notification dated October 16, 2023, issued the Foreign Exchange Management (Debt Instruments) (Second Amendment) Regulations, 2023 granting permission to persons resident outside India who maintain a rupee account, to purchase or sell dated government securities/ treasury bills, as per the prescribed terms. The amount of consideration for purchase of such instruments must be paid out of funds held in their rupee account and the sale/ maturity proceeds (net of taxes, as applicable) of instruments must be credited to the said rupee account.

Review of Financial Information Provider ("FIP") under Account Aggregator ("AA") Framework

The RBI, *vide* circulars dated October 26, 2023, decided:

1. to replace 'Pension Fund' with 'Central Recordkeeping Agency' as the FIP in the AA ecosystem; and
2. that REs of the RBI joining the AA ecosystem as 'Financial Information User' must necessarily join as FIP also if they hold the specified financial information and fall under the definition of FIP.

Accordingly, the Master Directions – NBFC – AA (Reserve Bank) Directions, 2016, have been modified.

Appointment of whole-time directors by banks

On October 25, 2023, the RBI directed the private sector banks and wholly owned subsidiaries of foreign banks (excluding payment banks and local area banks) to strengthen their senior management by having at least two whole-time directors, including the managing director and chief executive officer. Further, the banks that do not meet the minimum requirement as aforesaid submitted proposals for appointments within four months of the date of the circular.

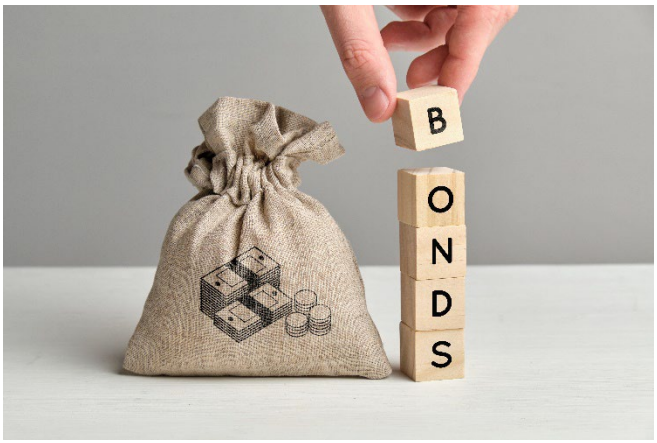
RBI's new guidelines to govern payment aggregators in cross-border transactions

On October 31, 2023, the RBI notified new guidelines ("**PA-CB Guidelines**") to regulate entities that process online cross-border payments for import and export of goods and services. Until now, these entities were called online payment gateway service providers ("**OPGSP**"). Now, they will be regulated as 'Payment Aggregators – Cross Border' ("**PA-CB**"). PA-CB activities are classified into the following 3 categories: (a) export only PA-CB; (b) import only PA-CB; and (c) export and import PA-CB.

Most notably, PA-CBs will need RBI's license to operate. Existing OPGSPs need to apply for the license by April 30, 2024. Interestingly, non-bank PA-CBs are also required to register with the Financial Intelligence Unit-India before registering with the RBI. The PA-CB Guidelines replace the draft Online Export Import Facilitators Directions issued in April 2022 which was abandoned by RBI post consultations with industry stakeholders.

For a detailed analysis, please refer to the JSA Prism of November 2023.

Sovereign Green Bonds included in FAR for investment by Non-residents



RBI on March 30, 2020, had introduced the FAR for investment by non-residents in securities issued by the Government of India. Under the FAR, non-resident investors were allowed to invest only in certain specified categories of Central Government securities without any restrictions, like any domestic investors.

Now, by way of a notification dated November 8, 2023, RBI designated all Sovereign Green Bonds issued by the Government of India in the fiscal year 2023-24 as

'specified securities' under the FAR. Thus, the said Sovereign Green Bonds will be fully open for investment by non-resident investors without any restrictions.

Opening of additional current account for exports proceeds

RBI, *vide* circular dated November 17, 2023, allowed the settlement of India's international trade in rupee. In this regard, the Authorised Dealer Category – I banks maintaining Special Rupee Vostro Account Account as per the provisions of RBI notification dated July 11, 2022, on '*International Trade Settlement in Indian Rupees*', are permitted to open an additional special current account for its exporter constituent exclusively for settlement of their export transactions.

Regulatory measures towards consumer credit and bank credit to NBFCs

RBI, *vide* circular dated November 16, 2023, issued regulatory measures towards consumer credit and bank credit to NBFCs. Pursuant to Governor's Statement dated October 6, 2023, the following key measures have come into effect:

1. **Consumer credit exposure of commercial banks/ NBFCs and credit card receivables:** The risk weights in respect of consumer credit exposure of commercial banks, including personal loans, but excluding housing loans, education loans, vehicle loans and loans secured by gold and gold jewelry, is increased by 25%, i.e., from 100% it is now 125%. The risk weights on such consumer credit exposures of scheduled commercial banks and NBFCs are increased by 25% to 150% and 125% respectively. The risk weights on such exposures of scheduled commercial banks to NBFCs is increased by 25% points in all cases where the extant risk weight as per external rating of NBFCs is below 100%.
2. **Bank credit to NBFCs:** The risk weights of scheduled commercial banks are increased by 25 % points (over and above the risk weight associated with the given external rating) in all cases where the extant risk weight as per external rating of NBFCs is below 100%. For this purpose, loans to housing finance companies, and loans to NBFCs which are eligible for classification as priority sector in terms of the extant instructions will be excluded.
3. **Strengthening credit standards:** REs will review their existing sectoral exposure limits for consumer credit. Limits are to be prescribed for all unsecured consumer credit exposures and these limits will be strictly adhered to and monitored on an ongoing basis by the Risk Management Committee. All top-up loans extended by REs against movable assets which are inherently depreciating in nature, such as vehicles, will be treated as unsecured loans for credit appraisal, prudential limits and exposure purposes.

Restrictions on investments in Alternate Investment Fund ("AIFs") by REs

The RBI *vide* circular dated December 19, 2023, issued instructions ("**Instructions**") for regulating investments in AIFs by RE. The key provisions are as follows:

1. REs are prohibited from making investments in any scheme of AIFs which has 'downstream investments' either directly or indirectly 'in a debtor company of the RE'. Debtor company of the RE, for this purpose, means any company to which the RE currently has or previously had a loan or investment exposure anytime during the preceding 12 (twelve) months;
2. if an AIF scheme, in which the relevant RE is already an investor, makes a 'downstream investment' in any such debtor company, then the RE must liquidate its investment in the scheme within 30 (thirty) days from the date of such downstream investment by the AIF. If investment by the REs into such schemes has already been done as on the date of the Instructions, then the 30 (thirty) days period for divestment will be counted from the date of the Instructions. In case the REs are not able to liquidate their investments within the time limit prescribed under the Instructions, then they are required to make 100 % provisions on such investments; and
3. investment by REs in the subordinated units of any AIF scheme with a 'priority distribution model', i.e., where one class of investors bear more loss pro rata than their holding in the AIF vis-à-vis other

classes of investors / unit holders, since the later have priority with respect to distribution over former, will be subject to full deduction from RE's capital funds. These priority distribution models are currently pending consideration by Securities and Exchange Board of India ("**SEBI**"). While the RBI has not prohibited REs from subscribing to these subordinated units, however, have prescribed a significant economic disincentive against such investments.

For a detailed analysis, please refer to the JSA Prism of December 21, 2023.

Manner of receipt and payment in foreign exchange

RBI, *vide* circular dated December 20, 2023, has issued the Foreign Exchange Management (Manner of Receipt and Payment) Regulations, 2023. The key provisions are as follows:

1. no person resident in India must make or receive payment from a person resident outside India, provided that the RBI may, on an application made to it, permit a person resident in India to make or receive payment under the Foreign Exchange Management Act, 1999;
2. the receipt and payment between a person resident in India and a person resident outside India must, unless provided otherwise, be made through an authorised bank or authorised person and in the prescribed manner; and
3. receipt and payment must be made as follows: (a) Nepal and Bhutan - In Indian rupees provided that in case of overseas investment in Bhutan, payment may also be made in foreign currency; and (b) Other Countries – In Indian rupees or any foreign currency.

Minimum Holding Period ("MHP") exemption for transfer of receivables by banks

RBI, *vide* circular dated December 28, 2023, has clarified that the transfer of receivables (loans) by eligible transferors will be exempt from the MHP requirement, i.e., minimum period for which a transferor is required to hold the loan exposures before the same is transferred to transferee(s); in order to develop secondary market operations of receivables acquired as part of 'factoring business'. This will be subject to fulfilment of the following conditions:

1. the residual maturity of such receivables, at the time of transfer, should not exceed 90 (ninety) days; and
2. the transferee should conduct a proper credit appraisal of the drawee of the bill, before acquiring such receivables.

The Securities and Exchange Board of India (SEBI)

Alternate Investment Funds

Participation of AIFs in Credit Default Swaps ("CDS")

SEBI on January 9, 2023, notified the SEBI (AIFs) (Amendment) Regulations, 2023, and subsequently vide circular dated January 12, 2023, prescribed the terms and conditions to allow participation of AIFs in CDS. The key conditions for purchase and sale of CDS by AIFs are as follows:

1. Category I AIFs and Category II AIFs may buy CDS on underlying investment in debt securities, only for the purpose of hedging;
2. Category III AIFs may buy CDS for the purpose of hedging or otherwise, within permissible leverage as specified in SEBI circular dated July 29, 2013 on Operational, Prudential and Reporting Norms for AIFs ("**AIF Circular**");
3. Category III AIFs may sell CDS, subject to the condition that effective leverage undertaken is within the permissible limits as specified in AIF Circular;
4. Category II AIFs and Category III AIFs may sell CDS, by earmarking unencumbered Government bonds/ Treasury bills equal to the amount of the said CDS exposure;
5. Category I AIFs and Category II AIFs cannot borrow funds directly or indirectly and engage in leverage except for meeting temporary funding requirements for not more than 30 (thirty) days, not more than 4 (four) occasions in a year and not more than 10 %of the investable funds. Further such AIFs which transact in CDS will have to maintain a 30 (thirty) day cooling off period

between the 2 (two) periods of borrowing or engaging in leverage.

6. Total exposure to an investee company, including exposure through CDS, will be within the applicable limit of concentration norm as specified in SEBI (AIFs) Regulations, 2012; and
7. Any unhedged position, which will result in gross unhedged positions across all CDS transactions exceeding 25 % of investable funds of the scheme of an AIF, will be taken only after intimating all unit holders of the scheme.

Definition of 'change in control' amended for intermediaries

On January 17, 2023, the SEBI notified the SEBI (Change in Control in Intermediaries) (Amendment) Regulations, 2023, pursuant to which amendments were made to several SEBI intermediaries' regulations regarding the scope of 'change in control' of several SEBI intermediaries including AIFs, debenture trustees, credit rating agencies, merchant bankers, stock brokers, registrars to an issue and share transfer agent, custodian and Depositories and Participants.

The definitions of 'change in control' under the intermediaries' regulations have been amended as follows:

1. in case of a body corporate, the term 'change in control' will be construed: (a) if its shares are listed on any recognised stock exchange, with reference to the definition of control in terms of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011; and (b) if its shares are not listed on any recognised stock exchange, with reference to the definition of control as provided under Section 2(27) of the Companies Act, 2013.
2. in a case other than that of a body corporate, it will be construed as any change in its legal formation or ownership or change in controlling interest.

Transaction in Corporate Bonds ("CBs") by AIFs through Request for Quote ("RFQ") platform

SEBI, *vide* circular dated February 1, 2023, stipulated that AIFs must undertake at least 10% of their total secondary market trades in CBs by value in a month by placing/seeking quotes on the RFQ platform. All transactions in CBs wherein AIF(s) is on both sides of the trade will be executed through RFQ platform in one-to-one ("**OTO**")mode. However, any transaction entered by an AIF in CBs in one-to-many ("**OTM**") mode which gets executed with another AIF, will be counted in OTM mode and not in 'OTO' mode.

Excluding an investor from an investment of AIFs

SEBI, *vide* circular dated April 10, 2023, issued guidelines with respect to excusing or excluding an investor from an investment of an AIF. An AIF may excuse its investor from participating in a particular investment in the following circumstances:

1. if the investor, based on the opinion of a legal professional/ legal advisor, confirms that its participation in the investment opportunity would be in violation of an applicable law or regulation;
2. if the investor, as part of contribution agreement or any other agreement signed with the AIF, had disclosed to the manager that, participation of the investor in such investment opportunity would be in contravention to the internal policy of the investor;
3. if the manager of the AIF is satisfied that the participation of such investor in the investment opportunity would lead to the scheme of the AIF being in violation of applicable law or regulation or would result in material adverse effect on the scheme of the AIF; and
4. if the investor of an AIF is also an AIF or any other investment vehicle, such investor may be partially excused or excluded from participation in an investment opportunity, to the extent of the contribution of the said fund/investment vehicle's underlying investors who are to be excused or excluded from such investment opportunity.

Direct plan for schemes of AIFs and trail model for distribution commission

SEBI, *vide* circular dated April 10, 2023, issued clarifications regarding the direct plan for schemes of AIF and trail model for distribution commission in AIFs to bring transparency in expenses. For investors on-boarded in AIFs/ schemes of AIFs from May 1, 2023, onwards, it is specified that:

1. schemes of AIFs will have an option of 'Direct Plan' for investors, which will not entail any distribution fee/placement fee;
2. AIFs must disclose distribution fee/ placement fee, to the investors of AIF/ scheme of AIF at the time of on-boarding;
3. category I AIFs and Category II AIFs may pay upto one-third of the total distribution fee/ placement fee to the distributors on upfront basis, and the remaining fee must be paid on equal trail basis over the tenure of the fund; and
4. category III AIFs must charge distribution fee/ placement fee to investors only on equal trail basis over the tenure of the fund and no upfront distribution fee/ placement fee can be charged, directly or indirectly. Any distribution fee/ placement fee paid will be only from the management fee received by the managers of such Category III AIFs.

Amendments to AIFs regulations

SEBI, v*ide* circular dated June 15, 2023, issued the SEBI (AIF) (Second Amendment) Regulations, 2023 amending the SEBI (AIF) Regulations, 2012. The amendments include the addition of a new category of AIF, modifications to the winding-up process and valuation norms, compulsory appointment of a compliance officer, and the requirement of issuing units in dematerialized (demat) form. Some of the key amendments are as follows:

1. introduction of Corporate Debt Market Development Fund ("**CDMDF**"), a new type of AIF in that can purchase investment-grade corporate debt securities from the specified debt-oriented schemes of MFs during periods of market dislocation;
2. AIFs must issue of units in dematerialised form subject to the conditions specified by the SEBI;
3. appointment of a compliance office by the manager of an AIF who will be responsible for monitoring compliance;
4. valuation of investments must be in accordance with the manner as specified by the SEBI and by an independent valuer appointed by the manager of the AIF; and
5. introduction of liquidity scheme to provide flexibility to AIFs to deal with investments of their schemes which are not sold due to lack of liquidity during the winding up process, by either selling such investments to a new scheme of the same AIF ("**Liquidation Scheme**") or distributing such unliquidated investments in-specie.

Pursuant to the SEBI (AIF) (Second Amendment) Regulations, 2023, the SEBI issued several circulars dated June 21, 2023 to give effect to the amendments. These include:

1. a circular prescribing the modalities for launching the Liquidation Scheme and for distributing the investments of AIFs in-specie;
2. a circular prescribing the timelines for dematerialising units of all schemes of AIFs. Schemes of AIFs with corpus of INR 500,00,00,000 (Indian Rupees five hundred crore) or more must dematerialise all units issued latest by October 31, 2023, and from November 1, 2023, issuance of units will only be in dematerialised form. Schemes of AIFs with corpus less than INR 500,00,00,000 (Indian Rupees five hundred crore) must dematerialise all units issued latest by April 30, 2024, and from May 1, 2024, issuance of units will only be in dematerialised form;
3. a circular specifying the manner of valuation of the investment portfolio of AIFs and appointment of an independent valuer. It provides that the valuation of securities for which valuation norms have already been prescribed under MF Regulations must be carried out as per the norms prescribed thereunder. Valuation of securities not covered in the MF Regulations must be carried out as per valuation guidelines endorsed by any AIF industry association, which in terms of membership represents at least 33% of the number of SEBI registered AIFs. Further, the manager must disclose the details of the valuation methodology and approach adopted under the stipulated guidelines for each asset class of the scheme of the AIF.

Reduction in validity period of approval granted by SEBI to AIFs and Venture Capital Funds ("VCFs") for overseas investment

SEBI, *vide* circular dated August 4, 2023, reduced the time limit for making overseas investments by AIFs/VCFs from 6 (six) months to 4 (four) months from the date of prior SEBI approval. In case the applicant AIF/VCF does not utilize the investible fund limits allocated to them within the prescribed time, then SEBI may allocate such unutilized limit to other applicant AIFs/VCFs. The reason for the change is to ensure that the allocated limit is utilised efficiently and, if unutilised, the same is again available to the AIF industry in a shorter time span.

Dematerialisation of units issued by AIFs

SEBI circular dated December 11, 2023, specifies process and stipulates timelines to be followed for crediting the existing units or new units that are to be issued, in demat form, in cases where investors are yet to provide their demat account details to AIFs and also in cases where investors have provided their demat account details to AIFs. The circular inter alia provides that units already issued by schemes of AIFs to existing investors who have not provided their demat account details, are required to be credited to a separate demat account named "Aggregate Escrow Demat Account". This account is permitted for the sole purpose of holding demat units of AIFs on behalf of investors. New units to be issued in demat form must be allotted to such investors and credited to the Aggregate Escrow Demat Account. As and when such investors provide their demat account details to the AIF, their units held in Aggregate Escrow Demat Account should be transferred to the respective investors' demat accounts within 5 (five) working days. No transfer of units of AIFs from/within Aggregate Escrow Demat Account will be allowed, except as above.

For a detailed analysis, please refer to the JSA Prism of January 5, 2024.

Amendment to the definition of senior management and key managerial personnel under the ICDR Regulations

The ICDR Regulations have been amended vide SEBI (ICDR) (Amendment) Regulations, 2023 dated January 13, 2023, to amend the definitions of (a) 'Senior Management' to include functional heads which includes all members of the management one level below the chief executive officer or managing director or whole time director or manager, as well as the company secretary and chief financial officer; and (b) 'key managerial personnel' to have the same meaning as to the term in sub-section (51) of section 2 of the Companies Act, 2013. Further, in several provisions of the ICDR Regulations where there was requirement of disclosing information in relation to the (a) directors of a company, additional requirement is now placed to disclose information in relation to the key managerial personnel of a company; and (b) key managerial personnel of a company, additional requirement is now placed to disclose information in relation to the 'Senior Management' of a company.

Real Estate Investment Trusts ("REITs") and Infrastructure Investment Trusts ("InvITs")

Relaxations on the compliances, amendments and clarifications under the SEBI Listing Obligations and Disclosure Requirements ("LODR") Regulations, 2015 ("LODR Regulations")

The LODR Regulations have been amended vide the SEBI (LODR) (Amendment) Regulations, 2023 dated January 17, 2023, to provide:

1. Relaxation on the compliance requirement of corporate governance standards by REITs and InvITs. Now, InvITs and REITs are not required to comply with the compliances mentioned under chapter IV of the LODR Regulations, and instead have to follow the governance norms specified under the SEBI (REIT) Regulations 2014 and the SEBI (InvITs) Regulations, 2014 respectively. These amendments are aimed at streamlining the corporate governance requirements of REITs and InvITs;
2. the definition of 'Senior Management' has been amended to include functional heads which includes which all members of the management one level below the chief executive officer or managing director or whole time director or manager, as well as the company Secretary and Chief Financial Officer to align the definition under

LODR Regulations with the SEBI (Issue of Capital and Disclosure Requirements) Regulations 2018 ("**ICDR Regulations**") (which has a wider definition).

3. clarified that shareholder approval is applicable for both appointment and re-appointment of a person of the Board of Directors or as a manager. In case of a public sector company, the approval of the shareholders can be taken at the next general meeting.
4. The details of material subsidiaries of a listed entity have to be reported in the annual report of the listed entity.

Compliances and disclosures by listed entities

SEBI, *vide* notification dated June 14, 2023, issued the SEBI LODR (Second Amendment) Regulations, 2023 amending the LODR Regulations. These amendments bring about significant changes in various aspects of corporate governance, disclosure requirements, director appointments and shareholder rights. The amendments came into force on July 14, 2023. Some of the key amendments are as follows:

1. vacancy in office of key managerial personnel: any vacancy in the office of the compliance officer, director, chief executive officer, managing director, whole time director, manager or chief financial officer must be filled by the listed within 3 (three) months from the date of such vacancy;
2. appointment of directors: with effect from April 1, 2024, the continuation of a director serving on the board of directors of a listed entity will be subject to the approval by the shareholders in a general meeting at least once in every 5 (five) years from the date of their appointment or reappointment. This does not apply in case of a whole-time director, managing director, manager, independent director or director retiring by rotation if the approval of the shareholders has been duly sought under the Companies Act, 2013 and the LODR Regulations;
3. disclosure of material events or information: additional criteria are inserted for determining the materiality of events or information. An event or information will be considered as material if the value or the expected impact in terms of value due to the omission of such an event or information exceeds the lower of the following:
   a) 2% of turnover, as per the last audited consolidated financial statements of the listed entity;
   b) 2% of net worth, as per the last audited consolidated financial statements of the listed entity;
   c) 5% of the average of absolute value of profit or loss after tax, as per the last 3 (three) audited consolidated financial statements of the listed entity.
4. listed entities must make disclosure of the material event or information to the stock exchange within 30 (thirty) minutes from closure of the board meeting, 12 (twelve) hours from the occurrence of information in case the event is originating from within the listed entity and 24 (twenty four) hours from the occurrence of the event in case the event is not originating from within the listed entities;
5. special rights to shareholders: any special right granted to the shareholders of a listed entity will be subject to the approval by the shareholders in a general meeting by way of a special resolution once in every 5 (five) years starting from the date of grant of such special right. This is does apply to the special rights made available by a listed entity to a financial institution under a lending arrangement in the normal course of business or to a debenture trustee registered with the SEBI under a subscription agreement for the debentures issued by the listed entity, if such financial institution or the debenture trustee becomes a shareholder of the listed entity as a consequence of such lending arrangement or subscription agreement for the debentures;
6. sale or disposal of undertaking outside of scheme of arrangement: any sale, lease or otherwise disposal of the whole or substantially the whole of the undertaking(s) of the listed entity will require the prior approval of shareholders by way of special resolution and the listed entity must disclose the object of and commercial rationale for carrying out such disposal and the use of the proceeds arising therefrom, in the statement annexed to the notice to be sent to the shareholders. These provisions do not apply to a

transaction between a holding company and its wholly owned subsidiary;

7. details of cyber security incidents or breaches or loss of data or documents must be disclosed along with the quarterly compliance report on corporate governance.

Framework for voluntary delisting of non-convertible debt securities/ non-convertible redeemable preference shares

SEBI, *vide* notification dated August 23, 2023 ("**Notification**"), amended the LODR Regulations and introduced a specific framework for voluntary delisting of non-convertible debt securities/ non-convertible redeemable preference shares.

Prior to the Notification, neither NCS Regulations nor the LODR Regulations had any specific provisions dealing with the voluntary delisting of non-convertible debt securities/ non-convertible redeemable preference shares. In the absence of any specific provisions, Regulation 59 of the LODR Regulations which deals with restructuring of non-convertible debt securities was used by certain issuers for delisting non-convertible debt securities.

The Notification seeks to address that concern and provides for a specific framework in relation to voluntary delisting of non-convertible debt securities/ non-convertible redeemable preference shares and specifically provides for exclusion of Regulation 59 of LODR Regulations for voluntary delisting of non-convertible debt securities/ non-convertible redeemable preference shares under the new chapter. A new Chapter VIA has been added to the LODR Regulations which deals with the voluntary delisting of non-convertible debt securities or non-convertible redeemable preference shares from any or all the stock exchanges where they are listed. The broad framework contemplated by the Notification (along with timelines) is as under:

Sr. No	Nature of event	Timeline (in working days) latest by
1.	Approval of proposal for delisting of NCS by board of directors of the listed entity	X
2.	Application for seeking in-principle approval from the stock exchange	X+15
3.	Grant of in-principle approval by the stock exchange	(X+15) + 15
4.	Disclosure of the prescribed information on the website of the listed entity as well as to the stock exchanges	[(X+15)+15] + 2
5.	Notice of delisting to be sent to holders of non-convertible debt securities	[(X+15)+15] +3
6.	Receipt of approval from all holders of non-convertible debt securities/ no-objection letter from the Debenture Trustee	{[(X+15)+15] +3} +15
7.	Final application to the stock exchange for delisting	({[(X+15)+15] +3} +15) + 5
8.	Disposal of final application by the stock exchange	({[(X+15)+15] +3} +15) +5) + 15
9.	Intimation to the stock exchange in the event of failure of delisting proposal	1 day from the date of event of failure

The above framework is not applicable in the following cases:

1. a listed entity that has outstanding listed non-convertible debt securities or non-convertible redeemable preference shares issued by way of a public issue; or
2. a listed entity has more than 200 (two hundred) security holders (other than qualified institutional buyers); or

3. non-convertible debt securities or non-convertible redeemable preference shares have been delisted by the stock exchanges as a consequence of any penalty or action initiated against the listed entity or on any grounds as specified under Rule 21 of the SCRR; or
4. non-convertible debt securities or non-convertible redeemable preference shares have been delisted by the stock exchanges pursuant to redemption of such securities or shares; or
5. non-convertible debt securities or non-convertible redeemable preference shares have been delisted pursuant to a resolution plan as per Section 31 of the of the IBC.

Listing of subsequent issuances of non-convertible debt securities

SEBI, *vide* notification dated September 19, 2023, issued the SEBI (LODR) (Fourth Amendment) Regulations, 2023, to amend the LODR Regulations. This amendment introduced Regulation 62A which provides for the listing of subsequent issuances of non-convertible debt by listed entities. Some of the key provisions are as follows:

1. a listed entity, whose non-convertible debt securities are listed must list all non-convertible debt securities, proposed to be issued on or after January 1, 2024;
2. a listed entity, whose subsequent issues of unlisted non-convertible debt securities made on or before December 31, 2023, are outstanding on the said date, may list such securities, on the stock exchange(s);
3. a listed entity that proposes to list the non-convertible debt securities on the stock exchange(s) on or after January 1, 2024, must list all outstanding unlisted non-convertible debt securities previously issued on or after January 1, 2024, on the stock exchange(s) within 3 (three) months from the date of the listing of the non-convertible debt securities proposed to be listed; and
4. a listed entity is not required to list the following securities:
    a) bonds issued under section 54EC of the Income Tax Act, 1961;
    b) non-convertible debt securities issued pursuant to an agreement between the listed entity of such securities and multilateral institutions, provided these securities are locked in, held till maturity by the investors and are unencumbered; and
    c) non-convertible debt securities issued pursuant to an order of any court or tribunal or regulatory requirement as stipulated by a financial sector regulator, provided these securities are locked in, held till maturity by the investors and are unencumbered.

Amendments to InvITs and REITs Regulations

On February 14, 2023, the SEBI amended the SEBI (InvITs) Regulations, 2014 and the SEBI (REIT) Regulations, 2014. The amendments deal primarily with obligations of the investment manager/ manager of InvITs and REITs. The key amendments are as follows:

1. the investment manager/ manager of the InvIT/ REIT must appoint an individual or a firm as the auditor, who will hold office from the date of conclusion of the annual meeting in which the auditor has been appointed till the date of conclusion of the sixth annual meeting of the unitholders. The investment manager/ manager cannot appoint or re-appoint as the auditor (a) in case of an individual, for more than one term of 5 (five) consecutive years; and (b) in case of an audit firm, for more than 2 (two) terms of 5 (five) consecutive years;
2. the auditors have to undertake a limited review of the audit of all the entities or companies whose accounts are to be consolidated with the accounts of the InvIT/REIT;
3. amounts remaining unclaimed or unpaid out of distributions declared by InvITs/REITs must be transferred to the Investor Protection and Education Fund constituted by the SEBI;
4. leverage calculation has been amended to clarify that (a) overnight MFs, characterized by investments in overnight securities and having maturity of one day, will be considered cash and cash equivalents; and (b) the amount of cash and

cash equivalent will be excluded from the value of the REIT/ InvIT assets;

5. certain provisions of the LODR Regulations have been made applicable to InvITs and REITs, such as constituting an audit committee, nomination and renumeration committee, risk management committee and stakeholders relationship committee, obligations with reference to employees including senior management and obligations with respect to independent directors;
6. further, SEBI has prescribed additional compliances by the investment manager/ manager. These additional compliances include placing minimum information before the board of the directors of the investment manager/ manager, the requirement of a woman independent director on the board of the investment manager/ manager, establishing a vigil and submission of compliance reports.

Dematerialisation of securities of holding companies and special purpose vehicles

On May 22, 2023, the SEBI issued 2 (two) circulars on 'Dematerialization of securities of Hold Cos and SPVs held by InvITs' and 'Dematerialization of securities of Hold Cos and SPVs held by REITs'. pursuant to these circulars, InvITs and REITs are now required to hold the securities of holding companies and special purpose vehicles (as defined in the relevant regulations) solely in dematerialized form. The SEBI has directed the managers of the InvITs and REITs to ensure compliance with this requirement and to dematerialise any existing securities held in physical form by InvITs and REITs, of holding companies and special purpose vehicles, on or before June 30, 2023.

Amendments to the pricing of units and filing of annual secretarial compliance report by InvITs and REITs

SEBI, *vide* 2 (two) circulars dated July 5, 2023, have amended the provisions relating to the pricing of units in an institutional placement of units by listed REITs and InvITs, respectively. It provides uniform pricing for frequently and infrequently traded units. The institutional placement must be made at a price not less than the average of the weekly high and low of the closing prices of the units of the same class quoted on the stock exchange during the 2 (two) weeks preceding the relevant date. The InvIT/ REIT may, however, offer a discount of not more than 5% on the price so calculated, subject to approval of unitholders through a resolution.

On June 26, 2023, the SEBI issued 2 (two) circulars on '*Formats for annual secretarial compliance report by InvITs*' and '*Formats for annual secretarial compliance report by REITs*', regarding the annual secretarial compliance report to be filed with the stock exchanges. It provides that the manager of the InvIT/ REIT must, on an annual basis, appoint a practicing company secretary to examine the compliance of all applicable SEBI regulations and circulars/ guidelines, who must then submit a report to the manager of the InvIT/ REIT. The manager of the InvIT/ REIT must submit the annual secretarial compliance report in the prescribed format to the stock exchanges within 60 (sixty) days from the end of each FY. This report must also be made part of the annual report of the InvIT/ REIT.

On June 26, 2023, the SEBI also issued 2 (two) circulars on '*Format of compliance report on governance for InvITs*' and '*Format of compliance report on governance for REITs*', regarding the compliance report on governance. It provides for the format of the reports and the timelines as follows:

1. the report on governance to be submitted by the manager on a quarterly basis must be submitted within 21 (twenty-one) days from the end of each quarter (consequently, the first reporting must be made for the quarter ended June 30, 2023); and
2. the reports to be submitted by the manager for the FY must be submitted within 21 (twenty one) days and 3 (three) months from the end of FY on an annual basis respectively.
3. These compliance reports must also be made part of the annual report of the InvIT/ REIT.
4. In addition to the reporting compliances, the SEBI, *vide* circular dated June 27, 2023, has issued 2 (two) circulars on 'The methods to facilitate minimum public unitholding under InvITs and 'The methods to facilitate minimum public unitholding under REITs', regarding achieving minimum public unitholding compliance. It provides that the manager of the InvITs/ REITs must adopt the following methods to achieve minimum public unitholding compliance:

5. for rights issue or bonus issue to public unitholders, sponsor(s)/ manager/ and their associates/related parties and sponsor group unitholders must forgo their entitlement to units that may arise from such issue; and
6. for any other method as may be approved by the SEBI on a case-to-case basis, the manager of the InvITs/ REITs must approach the SEBI with an application containing relevant details to obtain prior permission.

Board nomination rights to unitholders of REITs/ InvITs

SEBI, *vide* 2 (two) circulars[3], both dated September 11, 2023, prescribed the framework to be followed for the exercise of rights by unitholders to nominate directors to the board of directors of the manager of the REIT/ InvIT ("**Board**"). Under Regulation 4(2)(h) of the SEBI (InvITs) Regulations, 2014 and Regulation 4(2)(g) of the SEBI (REIT) Regulations, 2014, unitholders holding not less than 10% of the total outstanding units of the REIT/ InvIT, either individually or collectively, are entitled to nominate 1 (one) director on the Board. Accordingly, a framework to exercise such right to nominate a director to the Board has been set out in the aforementioned circulars. Some of the key provisions of the framework are as follows:

1. eligible unitholders will have the right, but not the obligation, to nominate any person for appointment as unitholder nominee director;
2. the Board must formulate and adopt a policy in relation to the qualification and criteria for appointment and evaluation parameters of individuals nominated by a unitholder as a director;
3. the trust deed and investment management agreement will stand amended or be deemed to incorporate provisions to provide such rights of nomination;
4. the manager must send a written intimation to all unitholders within 10 (ten) days from the end of each FY requesting unitholders to inform the manager if any eligible unitholders wish to exercise the right to nominate a nominee director; and
5. eligible unitholders will be determined based on the unitholding pattern of the REIT/InvIT as on March 31st of the relevant FY.

Special rights to unitholders and role of sponsor in REITs and InvITs

The REIT Regulations and The InvIT Regulation were notified on September 26, 2014. The underlying principle of various provisions in both the REIT Regulations and the InvIT Regulations is that the units of REIT and InvIT are equal in all respects and hence all unitholders should have equal rights and no special rights should exist with any unitholder based on the units held in REIT/InvIT. It was noted by SEBI that certain REITs/InvITs have provided the right to nominate directors on the board of Manager/Investment manager to unitholders holding certain percentage of units of REIT/InvIT. Such rights provided to the unit holders above certain percentage of units were not envisaged in the REIT Regulations and InvIT Regulations and appears to be unequal. In this context, it has been represented before SEBI that the special rights are required by institutional investors to protect their investments in the REIT/InvIT. It was further argued that these rights are in the nature of protective rights typically sought by minority unitholders to protect their investment and would not impact the day-to-day functioning, business or operations of the REIT/InvIT. It has also been represented that such investors do not seek to control the manager/investment manager or REIT/InvIT in any manner. Taking the above into consideration, SEBI issued the following notifications amending the REIT and InvIT Regulations to provide regulatory framework for the special rights in REITs and InvITs:

1. SEBI (REIT) (Second Amendment) Regulations, 2023 dated August 16, 2023. The key amendments are as follows:
   a) new definitions, such as, "group entities of the Manager", "Self-Sponsored Manager", have been added;

[3] SEBI/HO/DDHS-PoD-2/P/CIR/2023/153 and SEBI/HO/DDHS-PoD-2/P/CIR/2023/154

b) unitholders holding at least 10% of the total outstanding units can nominate a director on the board of directors of the Manager;

c) Schedule IX inserted which specifies the stewardship code. Unitholders with substantial holdings are now obligated to act in the best interests of the REIT and its unitholders, formulate stewardship policies, manage conflicts of interest, and periodically monitor and intervene when necessary;

d) the sponsor(s) and sponsor group(s) collectively must hold a specified percentage of units for varying periods, ensuring a sustained commitment to the REIT's success; and

e) transition from a Manager to a Self-Sponsored Manager is allowed.

2. SEBI (InvIT) (Second Amendment) Regulations, 2023 dated August 16, 2023. The key amendments are as follows:

a) new definitions, such as, "group entities of the Investment Manager", "Self-Sponsored Investment Manager", "sponsor group", have been added;

b) "Self-Sponsored Investment Manager" is now recognized, referring to an Investment Manager with dual responsibilities as the Investment Manager and sponsor;

c) unitholders holding at least 10% of the total outstanding units can nominate a director on the board of directors of the Investment Manager;

d) units held to fulfil the minimum unitholding requirements will be locked in and cannot be encumbered;

e) Schedule VIII inserted which specifies the stewardship code. This code is applicable to unitholders holding a minimum of 10% of the outstanding units and are obligated to act in the best interests of the InvIT and its unitholders, formulate stewardship policies, manage conflicts of interest, and periodically monitor and intervene when necessary; and

f) transition from a Manager to a Self-Sponsored Investment Manager is allowed.

Introduction of procedural framework by SEBI for dealing with unclaimed amounts lying with entities issuing securities

SEBI issued 3 (three) circulars all dated November 8, 2023, on procedural framework for dealing with unclaimed amounts lying with (a) entities having listed NCS , (b) REITs, and (c) InvITs, and also the manner in which such amounts can be claimed by investors / unitholders (collectively the "**Circulars**").

According to (a) the LODR Regulations, (b) the REIT Regulations, and (c) the InvITs Regulations, any unclaimed amount of investors / unitholders lying with listed entities / REITs / InvITs, respectively (collectively the "**Issuing Entities**"), should be transferred to SEBI's '*Investor Protection and Education Fund*' ("**IPEF**") in accordance with the provisions of the respective regulations.

Further, the SEBI (Investor Protection and Education Fund) Regulations, 2009, provides that in case any Issuing Entity processes claim of an eligible investor for the entitled amounts which have been transferred to IPEF, then such Issuing Entity may file an application to SEBI for refund of such amount that has been processed out of the IPEF.

By way of these Circulars, SEBI issued a framework for defining the abovementioned procedures, i.e., (a) for transfer of unclaimed amounts initially to an escrow account, (b) subsequently, for transfer of such amounts to the IPEF, and (c) lastly, for claim thereof by an investor / unitholder. Format has been prescribed by SEBI filing of application for refund by the Issuing Entities to the IPEF. The key provisions for procedural framework dealing with unclaimed amounts lying with entities having listed NCS are as follows:

1. this framework is applicable to entities having listed NCS with interest/ dividend/ redemption amount which has not been claimed within 30 (thirty) days from the due date of interest/ dividend/ redemption payment;

2. the listed entity must, within 7 (seven) days from the date of expiry of the said period of 30 (thirty) days, transfer the unclaimed amounts to an escrow account to be opened by it in any scheduled bank;

3. the listed entity must designate a 'Nodal Officer' who may either be a Director, Chief Financial Officer, Company Secretary or Compliance Officer

of the listed entity as the point of contact for (a) investors entitled to claim their unclaimed amounts and (b) SEBI, stock exchange(s) and depositories; and

4. the listed entity must provide a search facility on its website for investors to verify if there is any unclaimed amount due to them and lying in the escrow account of the listed entity.

The key provisions for procedural framework for dealing with unclaimed amounts lying with REITs/ InvITs are as follows:

1. where a distribution has been made by the manager, but the payment to any unitholders has remained unpaid or unclaimed, up to 15 (fifteen) days from the date of declaration, the manager must, within 7 (seven) working days from the date of expiry of such period of 15 (fifteen) days, transfer such unclaimed amounts to an escrow account to be opened by it on behalf of the InvIT/ REIT in any scheduled bank;
2. the manager, must, within a period of 30 (thirty) days of transferring the unclaimed amount to the 'Unpaid Distribution Account', upload the details on the website of InvIT/ REIT in the prescribed format;
3. the manager must provide a search facility on the website of InvIT/ REIT for unitholders to verify if there is any unclaimed amount due to them and lying in the 'Unpaid Distribution Account' of the InvIT/ REIT; and
4. the manager of the InvIT/ REIT must formulate a policy specifying the process to be followed.

Revised framework for computation of Net Distributable Cash Flow ("NDCF") by InvITs/ REIT

SEBI, *vide* circular dated December 6, 2023, has revised the framework for calculation of NDCF by InvITs/ REITs and their HoldCo/ SPVs to standardize the calculation of NDCF. The InvIT/ REIT along with its SPVs will also need to ensure that minimum 90% distribution of NDCF is met for a given FY on a cumulative periodic basis as specified for mandatory distributions in the InvIT/ REIT regulations. Further, any restricted cash (disclosed as such) should not be considered for NDCF computation by the SPV, REITs or InvITs. The revised framework will be effective from April 1, 2024 and supersede the earlier framework dated July 6, 2023.

Issuance and listing of Green Debt Securities ("GDS")

SEBI, *vide* circular dated February 3, 2023, issued guidelines to address the concerns of investors regarding greenwashing with regards to GDS. 'Greenwashing', as it is generally understood is making false, misleading, unsubstantiated, or otherwise incomplete claims about the sustainability of a product, service, or business operation.

Non-Convertible Securities ("NCS")

Amendment to regulations on issue and listing of Non-Convertible Securities ("NCS")

SEBI, *vide* circular dated February 2, 2023 ("**SEBI Amendment**"), amended the SEBI (Issue and Listing of NCS) Regulations, 2021 ("**NCS Regulations**"). The key amendments are as follows:

1. the definition of Green Debt Security ("**GDS**") has been widened to include the debt securities issued for:(a) pollution prevention and control (including reduction of air emissions, greenhouse gas control, soil remediation, waste prevention, reduction and recycling, and energy or emission efficient waste to energy) and sectors specified under the India Cooling Action Plan launched by the Ministry of Environment, Forest and Climate Change; (b) circular economy adapted products, production technologies and processes and/or eco efficient products; (c) blue bonds; (d) yellow bonds, and (e) transition bonds;
2. the issuer must send a notice regarding recall or redemption of NCS, prior to maturity, to all the eligible holders of such securities and the debenture trustee(s) at least 21 (twenty-one) days before the date from which such right is exercisable. Further, the requirement to make an advertisement in an English national daily and regional daily indicating the details of such right of the eligible debenture holders by the issuer at the place of its registered office address is done away with;
3. the trust deed must contain a provision, mandating the issuer to appoint the person nominated by the

debenture trustee(s), as a director on its board of directors at the earliest but not later than 1 (one) month from the date of receipt of nomination from the debenture trustee(s); and

4. a public issue of debt securities or, non-convertible redeemable preference shares must be kept open for a minimum of 3 (three) working days and a maximum of 10 (ten) working days.

For a detailed analysis, please refer to the JSA Prism of February 10, 2023.

Clarifications on issue and listing of perpetual debt instruments, perpetual non-cumulative preference shares and similar instruments under the NCS Regulations

SEBI, *vide* circular dated February 8, 2023, clarified that only securities which have the following characteristics, will necessarily be required to comply with the provisions for issuance and listing as specified under Chapter V of the NCS Regulations:

1. the issuer is permitted by the RBI to issue such instruments;
2. the instruments form part of non-equity regulatory capital;
3. the instruments are perpetual debt instruments, perpetual non-cumulative preference shares or instruments of similar nature; and
4. the instruments contain a discretion with the issuer/ RBI for events including but not restricted to all or any of the below events: (a) conversion into equity; (b) write off of interest/ principal; (c) skipping/ delaying payment of interest/principal; (d) making an early recall; and (e) changing any terms of issue of the instrument.

Compliance by the first-time issuers of debt securities under the NCS Regulations

With reference to the aforementioned SEBI Amendment, the newly added regulation 23(6) read along with regulation 2(1)(r) of the NCS Regulations mandates the issuer that is a company, which is issuing NCS , to ensure that its articles of association ("**AoA**") is amended to include provisions with respect to the requirement for the board of directors to appoint the person nominated by the debenture trustee in terms of clause (e) of regulation 15(1) of the SEBI (Debenture Trustee) Regulations, 1993, as a nominee director on its board of directors. The said regulation also provides a time period up to September 30, 2023, for existing debt listed issuers to amend their AoA.

Further to the SEBI Amendment, the SEBI, *vide* circular dated February 9, 2023, issued a clarification in respect of compliance by first time issuers of debentures with this amendment. In its clarification, SEBI advised the stock exchanges to obtain an undertaking from first-time issuers who are in the process of listing non-convertible debentures ("**NCDs**") for the first time either by way of private placement or public issue, that they will ensure that their AoA are amended within a period of 6 (six) months from the date of the listing of the NCDs. This undertaking may be obtained by the stock exchanges at the time of granting the in-principle approval.

Contribution by eligible issuers of debt securities for repo transactions

SEBI, *vide* circular dated April 13, 2023, prescribed a framework for collection of charges from "eligible issuers" of debt securities at the time of allotment of such securities. These charges are contribution towards building the settlement guarantee fund of the Limited Purpose Clearing Corporation ("**LPCC**") for repo transactions in debt securities. An amount of 0.5 basis points of the issuance value of debt securities per annum must be collected by the stock exchanges and placed in an escrow account prior to the allotment of the debt securities. This is applicable on a public issue or private placement of debt securities under the SEBI (Issue and Listing of NCS) Regulations, 2021. Stock exchanges will transfer these amounts to the bank account of the LPCC within one (1) working day of the receipt of the amount and inform the details of the same to the LPCC.

Introduction of Legal Entity Identifier ("LEI") for issuers of listed NCS,

securitized debt instruments and security receipts

SEBI issued a circular dated May 3, 2023 ("**LEI Circular**") which mandates that issuers with outstanding listed NCS , securitized debt instruments or security receipts (collectively referred to as "**Listed Securities**") as of August 31, 2023, should obtain (as applicable) and report the LEI code to the centralized database of CBs (for NCS) and / or depositories (for securitized debt instruments or security receipts), on or before September 1, 2023. Issuers who are proposing to issue the Listed Securities, on or after September 1, 2023, must report their LEI code in the database of CBs and / or depositories (as applicable), at the time of allotment of ISIN. SEBI has also mandated the depositories to map the LEI code to existing ISINs by September 30, 2023, and for all future issuances, map the LEI code with ISIN at the time of its activation.

Regulatory Framework for Online Bond Platform Providers ("OBPPs")

SEBI, *vide* circular June 16, 2023, issued guidelines to ensure compliance with the provisions of SEBI (Issue and Listing of NCS) Regulations, 2021 and the framework for OBPPs dated November 14, 2022. It is advised that:

1. a holding company, subsidiary or associate of an OBPP or any third party must not utilise the name/ brand name/ any name resembling to that of the OBPP or the Online Bond Platforms ("**OBPs**") for undertaking any activity or offering products/ securities or services (including offering of unlisted securities) that are not regulated by a financial sector regulator;
2. an OBPP must not have on its OBP or any other platform/ website, any link or tab to websites/ platforms of its holding company, subsidiary or associate, undertaking any activity or offering products/ securities or services (including offering of unlisted securities) that are not regulated by a financial sector regulator; and
3. OBPPs can offer securities such as listed Government securities, State development loans, treasury bills and listed sovereign gold bonds on their OBP.

Modified procedures for listed entities making private placements of NCS

SEBI, *vide* notification dated July 3, 2023, issued the SEBI (Issue and Listing of NCS) (Second Amendment) Regulations, 2023 ("**NCS Amendment Regulations**"), amending the NCS Regulations. The key amendments are as follows:

1. **Introduction of a key information document ("KID") and general information document ("GID")**: The process of filing information with stock exchanges for private placement of NCS has been altered. Previously, an issuer seeking to list privately placed NCS had to file a placement memorandum with the stock exchange (in accordance with and by disclosing the information contained in Schedule II of the SEBI NCS Regulations). Now, an issuer seeking to list privately placed NCS will have to file:
   a) a one-time yearly comprehensive GID (which will be valid for 1 (one) year from the date of opening of the first offer of NCS made under that GID), which is akin to the erstwhile placement memorandum, containing the detailed disclosures prescribed in the amended Schedule I (as explained in detail in the point below) and the general details of the NCS proposed to be issued by the issuer within a period of 1 (one) year from the date of the GID; and
   b) a KID with limited disclosures and information, specific to the particular offer for issuance of NCS.
2. In case the issuer proposes to make any second or subsequent private placement offers of NCS during the validity of the GID, it will only be required to file a fresh KID containing limited details since the issue of the GID which is relevant to the offer. This change was brought about to avoid a multiplicity of placement memorandums filed by issuers for listed non-convertibles securities in the same year and to reduce the costs involved in the transactions.
3. **Alignment of disclosures for private placements and public issues**: The existing Schedule II to the SEBI NCS Regulations, which dealt with disclosure requirements for issuance and listing of privately placed NCS has now been deleted. Instead, the existing Schedule I, which previously dealt with disclosure requirements for issuance and listing of publicly issued NCS has been

modified to make it applicable to both public issuance and private placement of NCS. This has led to new disclosure requirements for issuance of privately placed NCS which were previously applicable to only public issuance.

4. **Commencement of new formats**: The issuers are required to disclose the information in the new format (i.e., GID and KID) on a 'comply or explain' basis until March 31, 2024, and on a mandatory basis thereafter.

5. **New Terms**: the terms 'Key Managerial Personnel' and 'Senior Management' have now been specifically defined in the SEBI NCS Regulations. 'Senior Management'' is defined to mean members of the core management team of an issuer excluding the board of directors and includes the members of the management one level below the chief executive officer or managing director or whole-time director or manager and financial heads. Senior management is now also required to make certain disclosures relating to their financial or other material interest. 'Key Managerial Personnel' is defined to have the meaning ascribed to the said term under sub-section (51) of section 2 of the Companies Act, 2013. This is done to align the terms with ICDR Regulations, and SEBI (LODR) Regulations, 2015 and to ensure uniformity in the identification of Key Managerial Personnel and Senior Management Personnel, both during pre-listing and post-listing of NCS.

Appointment of director nominated by the debenture trustee on boards of issuers that are not companies

SEBI, *vide* its circular dated July 4, 2023, instructed issuers that are not companies to submit an undertaking to the debenture trustees, to designate a non-executive/ independent director/ trustee/ member of its governing body as a nominee director for the purposes of Regulation 23(6) of NCS Regulations**,** 2021 in consultation with the relevant debenture trustee(s). Such undertaking must be submitted if any event occurs under Regulation 15(1)(e) of SEBI (Debenture Trustees) Regulations, 1993 (*relating to appointment of nominee director*).

Revisions to the format of abridged prospectus for non-convertible debt securities

SEBI, *vide* circular dated September 4, 2023, published a new format of the abridged prospectus for public issue of non-convertible debt securities and/or non-convertible redeemable preference shares opening on or after October 1, 2023. The new format provides consistency in disclosure across documents and includes additional critical information.

Revised framework for fund raising by issuance of debt securities by Large Corporates ("L-Corps")

Regulation 50B of the NCS Regulations read with Chapter XII of the Master Circular for issue and listing of NCS, Securitised Debt Instruments, Security Receipts, Municipal Debt Securities and Commercial Paper dated August 10, 2021 on 'Fund raising by issuance of debt securities by large corporates', *inter alia*, mandates L-Corps to raise a minimum 25% of their incremental borrowings in a FY through issuance of debt securities to be met over a contiguous block of 3 (three) years from FY 2022 onwards. SEBI, *vide* circular dated October 19, 2023, issued a revised framework in relation to issuance of debt securities by L-Corps. The key provisions of the revised framework are as follows:

1. the framework will come into effect:
   a) from April 1, 2024, for L-Corps following April-March as their FY, and
   b) from January 1, 2024, for L-Corps which follow January-December as their FY;
2. the framework will be applicable for all listed entities (except for scheduled commercial banks), which as on last day of their FY (i.e., March 31 or December 31):
   a) have their specified securities or debt securities or non-convertible redeemable preference shares listed on a recognised stock exchange(s),
   b) have outstanding long-term borrowings of INR 1000,00,00,000 (Indian rupees one thousand crore) or above, and
   c) have a credit rating of "AA"/"AA+"/AAA ", where the credit rating relates to the

unsupported bank borrowing or plain vanilla bonds of an entity, which have no structuring/ support built in;

3. L-Corps will raise a minimum of 25% of their qualified borrowings[4] through debt securities in the financial years subsequent to the FY in which they are identified as L-Corps;
4. L-Corps must endeavor to comply with the requirement of raising 25% of their incremental borrowings done during FY 2022, FY 2023 and FY 2024 respectively by way of issuance of debt securities till March 31, 2024, failing which, such L-Corps must provide a one-time explanation in their Annual Report for FY 2024; and
5. from FY 2025 onwards, the requirement of mandatory qualified borrowing by an L-Corp in a FY must be met over a contiguous block of 3 (three) years.

In an issuance of GDS, an issuer must ensure the following to avoid occurrence of greenwashing

1. while raising funds for transition towards a greener pathway, it must continuously check whether the path undertaken towards more sustainable form of operations is resulting in reduction of the adverse environmental impact and contributing towards sustainable economy;
2. it must not utilize funds raised through green bonds for purposes that would not fall under the definition of GDS under the NCS Regulations. However, if it does, the issuer must disclose the same to the investors and, if required, by majority of debenture holders, undertake early redemption of such debt securities;
3. it will not use misleading labels, hide trade-offs or cherry pick data from research to highlight green practices while obscuring others that are unfavourable in this behalf;
4. it will maintain the highest standards associated with issue of GDS while adhering to the rating assigned to it;
5. it will quantify the negative externalities associated with utilization of the funds raised through GDS; and
6. it will not make untrue claims giving false impression of certification by a third-party entity.

Considering the increasing interest in sustainable finance in India, SEBI, *vide* circular dated February 6, 2023, revised the regulatory framework for GDS under the operational circular dated August 10, 2021, as amended for issue and listing of NCS. The provisions of this circular will come into force for all issues of GDS launched on or after April 1, 2023. An issuer desirous of issuing GDS must make the following key/ initial disclosures in the offer document for public issues/ private placements: (a) details of taxonomies, green standards or certifications (both Indian and global), and the alignment of projects with said taxonomies, and related criteria; (b) details of the alignment with the India's 'Intended Nationally Determined Contributions' when the proceeds are raised though issuance of transition bonds; (c) details of an indicative estimate of distribution of proceeds raised though issuance of GDS between financing and refinancing of project(s)/ asset(s); (d) details of the intended types of temporary placement of the unallocated and unutilised net proceeds; and (e) details related to the perceived social and environmental risks and proposed mitigation plan associated with the GDS financed/ refinanced project(s) Additionally, the issuer is required to (a) appoint independent third-party reviewer/ certifier for reviewing/ certifying the processes on a 'comply or explain' basis for two years; (b) report on the environmental impact of the projects financed by GDS, on a project-by-project basis; (c) disclose major elements of Business Responsibility and Sustainability Reporting in the annual report; and (d) disclose details of the deployment of the mitigation

[4] *For the purposes of the framework, the expression "qualified borrowings" means incremental borrowing between two balance sheet dates having original maturity of more than one year but excludes the following: i. external commercial borrowings; ii. inter-corporate borrowings involving its holding company and/ or subsidiary and/ or associate companies; iii. Grants, deposits or any other funds received as per the guidelines or directions of Government of India; iv. borrowings arising on account of interest capitalization; and v. borrowings for the purpose of schemes of arrangement involving mergers, acquisitions and takeovers. It is also clarified that the qualified borrowings for a FY will be determined as per the audited accounts for the year filed with the stock exchanges.*

plan for the perceived social and environmental risks in the annual report.

Operational guidance on buy-back through stock exchange route

SEBI, *vide* circular dated March 8, 2023, released guidelines chalking out restrictions on placements of bids, price and volume for a company seeking to buy back its shares through the exchange route. Restrictions placed on companies undertaking buy-back through stock exchange route are as follows:

1. the company must not purchase more than 25% of the average daily trading volume (in value) of its shares or other specified securities in the 10 (ten) trading days preceding the day on which such purchases are made;
2. the company must not place bids in the pre-open market, the first 30 (thirty) minutes, and the last 30 (thirty) minutes of the regular trading session; and
3. the company's purchase order price should be within the range of ±1% from the last traded price.

Foreign Portfolio Investors ("FPI")

Revised timelines for disclosures by FPI

SEBI amended the SEBI (FPI) Regulations, 2019 ("**FPI Regulations**"), by notifying the SEBI (FPI) (Amendment) Regulations, 2023 ("**Amendment Regulations**"). Brought into effect from March 15, 2023, the Amendment Regulations, have, *inter alia*, revised the timelines for making certain disclosures to the SEBI, stock exchange and the designated depository participant.

1. A FPI must, within 7 (seven) working days, inform the SEBI and designated depository participant:
   a) if any information or particulars previously submitted to the SEBI or designated depository participant are found to be false or misleading, in any material respect;
   b) if there is any material change in the information including any direct or indirect change in its structure or common ownership or control or investor group previously furnished by the FPI to the SEBI or designated depository participant; and
   c) if there is any penalty, pending litigation or proceedings, findings of inspections or investigations for which action may have been taken or is in the process of being taken by an overseas regulator against such FPI.
2. All designated depository participants who have been granted approval by the SEBI must, within 2 (two) working days, inform the SEBI in writing:
   a) if any information or particulars previously submitted to the SEBI are found to be false or misleading, in any material respect; and
   b) if there is any material change in the information previously furnished to the SEBI.
3. All designated depository participants who have been granted approval by the SEBI must, inform the SEBI, depositories and stock exchange within 2 (two) working days, in case of any penalty, pending litigation or proceedings, findings of inspections or investigations for which action may have been taken or is in the process of being taken by any regulator against a designated depository participant.

Provisions relating to enhanced transparency in ownership of FPIs

SEBI, *vide* notification dated August 10, 2023 ("**August 10 Notification**"), amended FPI Regulations, to enhance transparency in ownership of FPIs.

August 10 Notification seeks to address the concerns in relation to:

1. Certain FPIs hold concentrated portion of their equity portfolio in a single investee company/ corporate group. Such concentrated investments raise the possibility that promoters of such investee companies/ corporate groups, or other investors acting in concert, could be using the FPI route for circumventing regulatory requirements like disclosures required under the SEBI (Substantial Acquisition of Shares and Takeovers Regulations), 2011 or maintaining the prescribed minimum public shareholding in the listed company.
2. Entities with large Indian equity portfolios potentially disrupting the orderly functioning of Indian securities markets by utilizing the FPI route to circumvent Press Note 3 dated April 17, 2020

(Press Note 3 dated April 17, 2020, is not applicable to FPI investments).

3. Non identification of natural persons as Beneficial Owners ("**BO**") of several FPIs. While the thresholds for identification of BOs of FPIs are specified in Prevention of Money Laundering (Maintenance of records) Rules, 2005 ("**PMLR**"), it is often observed that no natural person is identified as the BO of several FPIs based on economic interest or ownership interest, since each investor entity in the FPI may be below the threshold prescribed in the PMLR. However, there is a possibility that the same natural person may hold a significant aggregate economic interest in the FPI via various investment entities, each of which are individually below the threshold for identification as a BO as prescribed in PMLR.

To allay the above concerns, August 10 Notification added certain additional obligations in the Regulation 22 of FPI Regulations. The additional obligations provide for provision of such information or documents in relation to the persons with any ownership, economic interest or control, as specified by SEBI, by certain objectively identified FPIs. While August 10 Notification laws down the substantial law, the procedural law including the criteria of FPIs and the documents has been detailed *vide* circular dated August 24, 2023 ("**Circular**"). The Circular provides that granular details of all entities holding any ownership, economic interest, or exercising control in the FPI must be provided by FPIs that fulfil any of the following criteria:

1. FPIs holding more than 50% of their Indian equity Assets Under Management ("**AUM**") in a single Indian corporate group;
2. FPIs that individually, or along with their investor group hold more than INR 25,000 crore (Indian Rupees twenty five thousand crore) of equity AUM in the Indian markets.

The following FPIs are not required to make the disclosures:

1. government and government related investors registered as FPIs under Regulation 5 (a) (i) of the FPI Regulations;
2. public retail funds as defined under Regulation 22(4) of the FPI Regulations;
3. exchange traded funds (with less than 50% exposure to India and India-related equity securities) and entities listed on specified exchanges of the permissible jurisdictions as may be notified by SEBI; and
4. pooled investment vehicles registered with/ regulated by a Government/ regulatory authority in their home jurisdiction/ country of incorporation/ establishment/ formation.

Mutual Fund ("MF")

Revised time limit for disclosure of Net Asset Value ("NAV") of MFs schemes investing overseas

SEBI *vide* circular dated March 29, 2023, revised the time limit for disclosure of NAV of MF schemes investing overseas. With effect from July 1, 2023, the revised timelines for declaration of NAV for the following schemes are as follows:

1. for (a) schemes investing at least 80% of total assets in permissible overseas investments; and (b) index funds and exchange traded funds investing at least 80% of total assets in permissible overseas investments - 10 AM on T+1 day (earlier it was 11 PM on T day); and
2. for schemes unable to disclose NAV as per the prescribed timelines, due to inability in capturing same day valuation of underlying investments- Such time as per disclosure made in the Scheme Information Document along with reasons for such delayed disclosure (earlier it was 11 PM on T day or 10 AM on T+1 day).

While complying with the new timelines, asset management companies must ensure that NAV of schemes are disclosed based on the value of underlying securities/ funds as on the T-day (i.e., date of investment in MFs units in India).

Modifications in the requirement of filing of offer documents by MFs

SEBI, *vide* circular dated April 21, 2023, modified the requirement of filing of offer documents by MFs. With effect from May 1, 2023, asset management companies must file all final offer documents (final Scheme Information Document and final Key Information Memorandum) at least 2 (two) working days prior to

the launch of the scheme in digital form only. The requirement of making any physical filing has been done away with. Further, all new fund offers must remain open for subscription for a minimum period of 3 (three) working days.

MF participation in commercial papers and certificate of deposits

SEBI, *vide* circular dated June 8, 2023, modified the provisions of its circulars dated November 11, 2011, and November 15, 2012, dealing with participation in repo transactions in corporate debt securities. MFs can now participate in repo transactions on commercial papers and certificate of deposits, as well as "AA" and above rated corporate debt securities.

Calculation of asset allocation limits in relation to investment by MF schemes in units of CDMDF

SEBI had issued an earlier notification regarding the creation of the CDMDF *vide* circular[5] dated July 27, 2023, as a backstop facility for the purchase of investment grade corporate debt securities. The Association of the MFs in India requested SEBI to exclude investments by any MF in the CDMDF while calculating asset allocation limits of such MF schemes. Consequently, SEBI issued circular[6] dated September 6, 2023, to clarify that, for the calculation of asset allocation limits of MF schemes, in accordance with Part IV (*Categorisation and Rationalisation of MF Schemes*) of Chapter 2 (*Conversion and Consolidation Of Schemes, Launch of Additional Plan and Categorization and Rationalization of MF Schemes*) of the Master Circular[7] for MFs dated May 19, 2023, the value of investment in units of the CDMDF will be excluded from the base of net assets of the relevant MF scheme.

Extended compliance period for large corporates raising funds through debt securities

SEBI, *vide* circular dated March 31, 2023, extended the compliance period for fund raising by large corporates. Currently, large corporates must raise a minimum of 25% of their incremental borrowings in a FY through issuance of debt securities over a contiguous block of 2 (two) years from the FY 2021-22. It has been decided to extend the compliance period from the contiguous block of 2 (two) years to a contiguous block of 3 (three) years reckoned from the FY 2021-22. In case a large corporate is unable to comply with the requirement, such entities are required to provide an explanation for the shortfall to the stock exchanges in the manner prescribed.

Additional disclosure requirements for the issuers of transition bonds

SEBI outlined additional requirements for the issuers of transition bonds[8] by way of a circular on 'Additional Requirements for the Issuers of Transition Bonds' dated May 4, 2023. The key requirements are as follows:

1) **Disclosures in the offer document**

   a) A denotation of '**GB-T**' should be used, and it should be mentioned on (i) the cover page of the offer document, and (ii) the field marked as 'type of instrument' in the term sheet,

   b) A 'Transition Plan' must be included, providing details of (i) interim targets and timelines, (ii) project implementation strategy, (iii) technology used for project implementation, and (iv) a mechanism for overseeing fund utilisation and plan implementation.

2) **Disclosures in the centralized database for CBs**

   The issuer should file the denotation, i.e., GB-T, in Sub Point 6 (*Others (Please specify)*) of Point 10 (*Type of Instrument*) of Annex-XIV-A to Chapter XIV (*Centralized Database for CBs / debentures*) of the

[5] SEBI/HO/IMD/PoD2/P/CIR/2023/129
[6] SEBI/HO/IMD/PoD2/P/CIR/2023/152
[7] SEBI/HO/IMD/IMD-PoD-1/P/CIR/2023/74
[8] Pursuant to the SEBI (Issue and Listing of NCS) (Amendment) Regulations, 2023, SEBI has revised the definition of 'green debt security' (as provided in the SEBI (Issue and Listing of NCS) Regulations, 2021). Transition bonds is one of the subcategories of the revised definition of 'green debt security' (sub section (xii) of the definition) which comprises of 'funds raised for transitioning to a more sustainable form of operations, in line with India's Intended Nationally Determined Contributions (INDCs)'. INDCs refer to the climate targets determined by India under the Paris Agreement.

Operational Circular[9]. The depositories should update the aforesaid denotation as a prefix in the 'instrument details' field in the database.

3) **Disclosures to the stock exchanges**

Issuers must annually report any revisions to the Transition Plan, accompanied by an explanatory statement.

4) **Disclosures in the annual report**

The annual report should include the Transition Plan along with a brief on the progress of implementation.

SEBI directed stock exchanges to monitor the ongoing disclosures by issuers as mentioned in paragraphs 3 and 4 above. These provisions have been appended as new Chapter IX-B of the operational circular.

Transactions in CBs through RFQ platform by Stockbrokers ("SBs")

SEBI, *vide* circular dated June 2, 2023, announced the following measures to enhance liquidity and promote transparency in the trading of CBs on the RFQ platform of stock exchanges. These steps aim to facilitate secondary market transactions in CBs and improve price discovery.

1. with effect from July 1, 2023, for all the trades in proprietary capacity, SBs must undertake at least 10% of their total secondary market trades by value in CBs in that month by placing/seeking quotes through OTO or OTM mode on the RFQ platform of stock exchanges;
2. with effect from April 1, 2024, for all the trades in proprietary capacity, SBs must undertake at least 25% of their total secondary market trades by value in CBs in that month by placing/seeking quotes through OTO or OTM mode on the RFQ platform of stock exchanges; and
3. SBs must consider the trades executed by value through OTO or OTM mode of RFQ with respect to the total secondary market trades in CBs, during the current month and immediately preceding 2 (two) months on a rolling basis.

Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Second Amendment) Regulations, 2023

Under Regulation 37 of Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018, every recognized clearing corporation is required to establish and maintain a fund for each segment to guarantee the settlement of trades executed in respective segment of a recognised stock exchange ("**Fund**"). SEBI *vide* notification dated July 24, 2023, prescribed that participants of debt securities are mandated to contribute to the Fund to guarantee settlement of trades, in the prescribed manner. Further, in the event a participant fails to honour its settlement obligations, the Fund will be utilized to complete the settlement and the corpus of the Fund must be adequate to meet the settlement obligations arising on account of failure of such participants.

Regulations governing the Investor Protection and Education Fund ("IEPF")

SEBI, *vide* notification dated October 20, 2023, issued the SEBI (IEPF) (Second Amendment) Regulations, 2023. The said regulations amend the SEBI (Investor Protection and Education Fund) Regulations, 2009 ("**IEPF Regulations**") *inter alia* as follows:

1. the following amounts must be credited to the IEPF: (a) monies transferred in accordance with the regulation 61A (3) of the LODR Regulations (b) monies transferred in accordance with regulation 18 (16) (f) of the REIT Regulations; (c) monies transferred in accordance with regulation 18 (6) (e) of the InvIT Regulations; and
2. the amounts disgorged and credited to the IEPF in accordance with regulation 4 (1) (h) of the IEPF Regulations and the interest accrued thereon must, in cases where the SEBI deems fit to make restitution to eligible and identifiable investors who have suffered losses resulting from violation of securities laws or for rewarding informants who provide original information to the SEBI to recover

[9] 'Operational Circular' refers to the 'Operational Circular for issue and listing of NCS, Securitised Debt Instruments, Security Receipts, Municipal Debt Securities and Commercial Paper' dated August 10, 2021, issued by the SEBI.

amounts directed to be disgorged, be utilised only for the purposes of such restitution or reward.

Zero Coupon Zero Principal Instruments

SEBI, *vide* notification dated December 21, 2023, has issued the SEBI (ICDR) (Third Amendment) Regulations, 2023. The amendment provides that the procedure of public issuance of Zero Coupon Zero Principal Instruments by a Not-for-Profit Organization ("**NPO**") as well as the contents of the fund raising document will be as per the conditions specified by SEBI.

The International Financial Services Centres Authority (IFSCA)

Enhancing the reporting norms for Fund Management Entities ("FMEs") under the IFSCA framework

The IFSCA, *vide* notification dated May 31, 2023, also specified the reporting norms for FMEs under IFSCA (Fund Management) Regulations, 2022, as follows:

1. FMEs must submit information to the IFSCA in the new prescribed formats on half-yearly basis;
2. the half-yearly report to the IFSCA must include: (i) quantitative information about the fund management operations of the FME (in excel format); and (ii) a 'Compliance Report', the signed copy of which must be submitted as a scanned PDF file; and
3. the first report under this circular, corresponding to the period October 1, 2022, to March 31, 2023, must be submitted latest by June 21, 2023, and the subsequent reports for each half-year period must be submitted within 21 (twenty one) calendar days from the end of the half-year.

Enhancing the regulatory framework governing banking activities under the IFSCA framework

The IFSCA, *vide* notification dated July 7, 2023, issued the IFSCA (Banking) (Amendment) Regulations, 2023 ("**IFSCA Amendment Regulations**") amending several provisions of the IFSCA (Banking) Regulations, 2020 ("**IFSCA Banking Regulations**"). In India, IFSCA Banking Regulations is the principal legislation governing the banking activities in an International Financial Services Centre ("**IFSC**"). The IFSCA Amendment Regulations made significant changes to the parent regulations and introduced *inter alia* new types of banking units that can operate in an IFSC, licensing norms and capital provisioning norms to be followed by banking units in an IFSC.

1. **Introductions of new banking units**: The IFSCA Amendment Regulations have introduced concepts of 'IFSC Banking Company' ("**IB Company**") and 'IFSC Banking Unit' ("**IB Unit**"). 'IB Company' means 'a banking unit licensed or permitted by the IFSCA to operate in an IFSC as a subsidiary company of the parent bank' and 'IB Unit' means a banking unit licensed or permitted by the IFSCA to operate in an IFSC as a branch of the parent bank. Parent Bank can be either a foreign bank or an Indian bank as defined in the IFSCA Banking Regulations;
2. **Licensing requirements**: An application has to be made by the parent bank with the IFSCA in a prescribed manner to open 'IB Company' or 'IB Unit' in an IFSC. Such 'IB Company' and 'IB Unit' will have to satisfy the conditions provided in the IFSCA Banking Regulations, including (i) minimum capital requirement (USD 20,000,000 (US Dollars twenty million) for IB Unit and USD 50,000,000 (US Dollars fifty million) for IB Company or such other amount as may be specified by IFSCA), (ii) obtaining no objection letter from the home regulator, and (iii) submission of undertaking from parent bank that the parent bank will provide liquidity to its IB Unit whenever needed for the operations of the IB Unit (only for IB Unit). IFSCA may also stipulate additional conditions for granting licensee. A foreign bank, not having its presence in India, wishing to set up a banking unit in an IFSC, will have to comply with additional requirements as may be specified by the Authority.
3. **Option to Change**: A parent bank who has already set up an IB Unit in an IFSC, may be permitted to convert the same to an IB Company, with the prior approval of IFSCA.
4. **Regulatory Requirement**: Banking units including those operating as IB Company or IB Units have to comply with following additional requirements:

a) IB Units have to also comply with the directions and instructions issued by the home regulator of the parent bank, unless otherwise specified by IFSCA;

b) Banking unit have to maintain (i) net stable funding ratio (as and when made applicable by IFSCA); (ii) liquidity coverage ratio (as may be specified by the IFSCA); (iii) leverage ratio (as may be specified by the IFSCA); (ii) exposure ceiling (as may be specified by the IFSCA). In the case of an IB Unit net stable funding ratio and liquidity coverage ratio may be maintained by the parent bank with the prior approval of IFSCA;

c) Banking unit must maintain its books of accounts, records and documents in the specified foreign currencies, as may be declared at the time of making an application to set up a banking unit; and

d) Banking units have to follow the Anti Money Laundering, Counter-Terrorist Financing and Know Your Customer Guidelines issued by IFSCA.

5. **Reserve requirements:**

a) The deposits raised by an IB Unit from individuals resident in India or outside India will be subject to such reserve ratios as may be specified by IFSCA;

b) The liabilities of an IB Unit, other than the deposits raised from individuals resident in India or outside India will be exempted from cash reserve ratio or such other requirements as may be specified by the Authority.

c) An IB Company has to maintain such reserves and in such manner as are mandated under the Banking Regulation Act, 1949 and the RBI, 1934.

6. **Permissible Activities**: Banking units can undertake activities stipulated in Section 3(e) of IFSCA Act, 2019 and Section 6 of the Banking Regulation Act, 1949, including client referral services (referral activities in relation to its clients or clients of the parent bank as potential clients or leads of its parent bank in connection with an arrangement for a financial product or with a financial service provider) and except those which are expressly prohibited either by the home regulator of the parent bank. Further, the Business may be conducted only in specified foreign currencies (including INR) as provided in the First Schedule of the IFSCA Banking Regulations. The accounts in the bank may be opened by individuals, corporate or institutional entities, resident in India or outside India, however, the IFSCA Banking Regulations prohibits cash transactions in foreign currencies.

Clarification on Guidelines on Factoring and Forfaiting of Receivables

The IFSCA provided a clarification regarding the '*Guidelines on Factoring and Forfaiting of Receivables*' issued on August 17, 2021, through a circular on '*Guidelines on Factoring and Forfaiting of Receivables - Clarification*' dated May 22, 2023. The circular clarifies that the due date for recognizing non-performing assets under Clause 24.1 (*Recognition of Non-Performing Assets (NPA)*) of the aforesaid guidelines, will be considered as 90 (ninety) days from the specified due date for payment of the acquired receivables under factoring.

FMEs to seek authorisation for filing schemes

The IFCA (Fund Management) Regulations, 2022 ("**Fund Management Regulations, 2022**"), issued pursuant to the IFSCA Act, 2019, were issued to regulate the landscape for investment funds and fund managers operating in an IFSC. *Vide* circular[10], dated September 15, 2023, IFSCA issued directions setting out the procedure to obtain authorisations for schemes filed under Chapters III, IV, and V of the Fund Management Regulations, 2022, i.e., schemes relating to:

1. fund management such as the venture capital schemes, restricted schemes (non-retail schemes) and retail schemes;
2. exchange traded funds; and
3. environmental, social and governance.

[10] IFSCA-AIF/47/2023-Capital Markets

The Insolvency and Bankruptcy Board of India ("IBBI")

Revised format for serving copy of application for initiating Corporate Insolvency Resolution Process ("CIRP") to the IBBI

The IBBI, *vide* circular dated March 4, 2023, prescribed a revised format for serving a copy of the application for initiating insolvency against a corporate debtor by the applicant before filing it with the adjudicating authority. This ensures filing of authentic information and enables the IBBI to share information with the information utility efficiently. A step-by-step guide for submission of the application has also been provided.

Home buyers exempt from regulatory fees

IBBI, *vide* notification dated July 20, 2023, amended the IBBI (Insolvency Resolution Process for Corporate Persons) Regulations, 2016, clarifying that the regulatory fee of 0.25% on corporate insolvency resolution plans which is payable to the IBBI where the realizable value is more than the liquidation value, will not be payable in cases where the approved resolution plan is in respect of insolvency resolution of a real estate project from an association or group of allottees in such real estate project.

Amendment to the CIRP

The IBBI, *vide* notification dated September 18, 2023, issued the IBBI (Insolvency Resolution Process for Corporate Persons) (Second Amendment) Regulations, 2023 ("**Amending Regulations**") amending the IBBI (Insolvency Resolution Process for Corporate Persons) Regulations, 2016 ("**Principal Regulations**"). Some of the key provisions of the Amending Regulations are set out below:

1. while filing an application under Section 7 (claims by operational creditors) or Section 9 (claims by workmen and employees) of the Principal Regulations, the financial creditor or the operational creditor, must also submit along with evidence, the chronology of debt and default including the date when the debt became due, the date of default, dates of part payments, if any, the date of last acknowledgment of debt, and the limitation applicable;
2. the interim resolution professional or resolution professional, must take custody and control from the personnel of the corporate debtor, its promoters or any other person associated with the management of the corporate debtor of: (i) the records of information relating to the assets, finances and operations of the corporate debtor; and (ii) the assets recorded in the balance sheet of the corporate debtor or in any other records;
3. while appointing the authorised representative for any class of creditors, the financial creditors in the class, representing not less than 10% voting share, may seek replacement of the authorised representative with an insolvency professional of their choice by making a request to the interim resolution professional or resolution professional;
4. increase in the timelines to file claims to the adjudicating authority up to the date of issue of request for resolution plans;
5. committee members may propose an audit of the corporate debtor and include the cost of such audit in the CIRP cost;
6. substitution of Form G (*Invitation for expression of interest*) to provide more information to prospective resolution applicants;
7. changes in Form H (*Compliance certificate*) to include minutes of the meeting of the committee of creditors in which resolution plan is approved to enable the adjudicating authority to understand the rationale of the decision of the committee of creditors; and
8. for assignment of debt by a creditor to another person, the details of such assignment are required to be provided to the resolution professional within 7 (seven) days.

Clarification on liquidators' fee calculation

The IBBI, *vide* circular dated September 28, 2023[11], issued clarifications regarding the interpretation and

[11] IBBI/LIQ/61/2023

computation of the liquidators' fee under Regulation 4 (*Appointment and remuneration of liquidator*) of the IBBI (Liquidation Process) Regulations, 2016. While earlier, Regulation 4(2)(b) of the IBBI (Liquidation Process) Regulations, 2016, provided that the liquidator will be entitled to a fee *as a percentage of the amount realised net of other liquidation costs, and of the amount distributed, for the balance period of liquidation*, the new regulations have clarified that:

1. the 'amount realised' will mean the amount realised from assets other than liquid assets such as cash and bank balance including term deposits, MF investments, quoted shares available on start of the process after exploring compromise and arrangement, if any, and 'amount distributed to stakeholders' will mean distributions made to the stakeholders, after deducting CIRP and liquidation cost;
2. all components of liquidation costs, except the liquidator's fee, should be considered as part of 'other liquidation costs'; and
3. exclusions for fee calculation should only apply if explicitly authorised by the National Company Law Tribunal, National Company Law Appellate Tribunal, or other courts of law.

The Ministry of Corporate Affairs (MCA)

Central government amends the Securities Contracts (Regulation) Rules, 1957

On January 2, 2023, the MCA notified the Securities Contracts (Regulation) Amendment Rules, 2022, pursuant to which certain provisions of the Securities Contracts (Regulation) Rules, 1957 ("**SCRR**") stand amended.

The definition of "Government Company" is amended to mean "a company as defined in Section 2(45) of the Companies Act, 2013." Instead of "a company in which not less than 51% of the share capital is held by the Central Government, State Government or partly by Central Government and partly by State Government." Therefore, it also recognises a company which is a subsidiary company of a Government Company as 'Government Company'. This is to align the definitions "government company" under the Companies Act, 2013 and SCRR.

Further, in Rule 19A of the SCRR which deals with continuous listing requirements and obligation on the listed entity to maintain public shareholding of at least 25 %, a new sub-rule (6) has been substituted. Earlier Rule 19A stated that the Central Government in the public interest, had the power to exempt any public sector company from any/ all provisions of Rule 19A. The new Rule 19A states that the Central Government, in the public interest, can exempt any listed company in which the Central Government/ State Government / public sector company, individually or in combination, holds direct or indirect, majority of shares/ voting rights/ control of listed entity from any/ all provisions of Rule 19A. Further, a new explanation to the Rule 19A clarifies that the exemption by the Central Government will continue to be valid for the period specified therein, irrespective of any change in control of such listed entity subsequent to issuance of such exemption. This appears to be an amendment to facilitate the disinvestment programme of the Government of India.

Transactions or arrangements outside the scope of moratorium

The MCA, *vide* a notification dated June 14, 2023, prescribed changes to the moratorium provisions under Section 14 of the Insolvency and Bankruptcy Code, 2016 ("**IBC**") to exclude certain transactions from its scope. Section 14 of the IBC provides that on the insolvency commencement date, the Adjudicating Authority can declare moratorium for prohibiting the following:

1. institution of suits, continuation of pending suits or execution of judgments against the corporate debtor ("**CD**");
2. transferring/disposing off assets by the CD;
3. recovery or enforcement of security interest created by the CD or any action under the SARFAESI Act, 2002;
4. recovery of property in possession of the CD.

Pursuant to the notification, the moratorium provisions will not apply to the following transactions, arrangements or agreements:

1. production sharing contracts, revenue sharing contracts, exploration licenses and mining leases made under the Oilfields (Regulation and Development) Act, 1948 and rules thereunder; and

2. any transactions, arrangements or agreements, including joint operating agreement, connected or ancillary to the transactions, arrangements or agreements referred above.

Exemptions from moratorium under Section 14(1) of the IBC

On October 3, 2023, the MCA issued a notification exempting transactions, arrangements or agreements under the Convention on International Interests in Mobile Equipment together with Protocol on Matters Specific to Aircraft Equipment ("Cape Town Convention"), relating to aircraft, aircraft engines, airframes and helicopters from moratorium under Section 14(1) of the IBC.

The Cape Town Convention is an international instrument that *inter alia* establishes a set of minimum guarantees reflecting the principles of asset-based financing and leasing agreements pertaining to mobile equipment, including "airframes, aircraft engines and helicopters". India became a signatory to the Cape Town Convention in 2008. Notably, though India acceded to the Cape Town Convention in 2008, it has not yet ratified it.

Limited Liability Partnership ("LLP") to report about significant beneficial owners to the Registrar of Companies ("Registrar")

The MCA, *vide* notification dated November 9, 2023, issued the LLP (Significant Beneficial Owners) Rules, 2023 ("**Rules**"). The key provisions are as follows:

1. each LLP required to report must take necessary steps to find out if there is any individual who is a significant beneficial owner, in relation to that reporting LLP, and if so, identify him and cause such individual to make a declaration in Form No. LLP BEN- I;
2. every individual who is a significant beneficial owner in a reporting LLP, must file a declaration in Form No. LLP BEN-I to the reporting LLP within 90 (ninety) days from the commencement of the Rules. Subsequent changes in significant beneficial ownership must be reported within 30 (thirty) days;
3. on receiving declarations, reporting LLPs must file a return in Form No. LLP BEN-2 with the Registrar within 30 (thirty) days. Additionally, LLPs are required to maintain a register of significant beneficial owners as prescribed in Form No. LLP BEN-3;
4. each LLP required to report must notify its partner (other than an individual), holding at least 10% of its (a) contribution; (ii) voting rights; or (iii) right to receive or participate in the distributable profits or any other distribution payable in a FY, as per Form no. LLP BEN -4; and
5. these Rules do not apply to specific entities, such as contributions held by the Central Government, State Government, local authorities, or certain regulated investment vehicles.

Ministry of Commerce and Industry

Foreign Trade Policy ("FTP") 2023

The Ministry of Commerce and Industry, *vide* press release dated March 31, 2023, issued the FTP. The Export Promotion Capital Goods Scheme ("**EPCG Scheme**"), which allows import of capital goods at zero customs duty for export production, has been further rationalised. The FTP will be adopted with a 'long-term' focus and there will not be an end date. Some key provisions are as follows:

1. Prime Minister Mega Integrated Textile Region and Apparel Parks (PM MITRA) scheme has been added as an additional scheme eligible to claim benefits under the Common Service Provider Scheme of the EPCG Scheme;
2. the FTP benefits have been extended to e-commerce exports, which are estimated to grow to US$ 200,000,000,000 (US Dollars two hundred billion) to US$ 300,000,000,000 (US Dollars three hundred billion), by 2030. The value limit for exports through courier service has been increased from INR 5,00,000 (Indian Rupees five lakh) to INR 10,00,000 (Indian Rupees ten lakh) per consignment;
3. the dairy sector is to be exempted from maintaining Average Export Obligation – to support upgrade of the technology in the sector; and
4. Battery Electric Vehicles of all types, Vertical Farming Equipment, Wastewater Treatment and Recycling, Rainwater Harvesting Systems and Rainwater Filters, and Green Hydrogen have been

included in Green Technology products and will now be eligible for reduced Export Obligation requirement under EPCG Scheme.

Amendment to Special Economic Zones Rules, 2006 ("SEZ Rules")

The SEZ Rules have been amended through the SEZ (Second Amendment) Rules, 2023, as published in a gazette notification dated May 1, 2023. By way of the amendment, a new Rule 53A (*Exemption*) has been introduced in the SEZ Rules. The said Rule 53A of the SEZ Rules exempts units providing financial services in an International Financial Service Centre from the requirements outlined in Rule 53 of the SEZ Rules. Rule 53 (*Net Foreign Exchange Earnings*) of the SEZ Rules stipulates that all units set up in an International Financial Service Centre should achieve positive net foreign exchange within a period of 5 (five) years from the commencement of production.

Ministry of Finance

Guarantee Scheme for Corporate Debt ("GSCD")

The Ministry of Finance, *vide* notification dated July 26, 2023, introduced the GSCD to provide a guarantee cover against debt raised/ to be raised by the CDMDF. CDMF is a new category of AIF created under the SEBI (AIFs) Regulations, 2012, for investing in corporate debt securities at times of market dislocation.

The guarantee will cover debt raised, along with interest accrued and other bank charges thereon, and must not exceed INR 30,000,00,00,000 (Indian Rupees thirty thousand crores). The GSCD will be initially for a period of 15 (fifteen) years from the initial closing date of CDMDF, extendable at the discretion of the Department of Economic Affairs in consultation with the SEBI. SEBI specified debt-oriented MF schemes and existing/ new asset management companies of specified debt-oriented MF can be eligible unitholders of CDMDF.

The framework for CDMDF is detailed in the notification as also in the SEBI circular dated July 27, 2023. CDMDF must deal only in the following securities during normal times: (a) low duration Government Securities; (b) Treasury bills; (c) Tri-party Repo on G-sec; and (d) Guaranteed corporate bond repo with maturity not exceeding 7 (seven) days. The securities purchased by CDMDF must have an investment grade credit rating and residual maturity not exceeding 5 (five) years on the date of purchase. CDMDF will not buy unlisted or below investment grade or defaulted debt securities or securities in respect of which there is a material possibility of default or adverse credit news or views.

Finance Practice

JSA has a widely recognised market leading banking & finance practice in India. Our practice is partner led and is committed to providing quality professional service combining domain knowledge with a constructive, consistent, comprehensive and commercial approach to issues. Clients trust our banking lawyers to take a practical and business-oriented approach to achieving their objectives. Our lawyers have a clear understanding of the expectations and requirements of both sides to a financing transaction and provide tailored advice to each client's needs. The practice is especially praised for its accessibility and responsiveness and its ability to work well with international firms and clients. We represent a variety of clients including domestic and global banks, non-banking finance companies, institutional lenders, multi-lateral, developmental finance and export credit institutions, asset managers, funds, arrangers and corporate borrowers in different sectors on a wide range of financing transactions.

Our full spectrum of services includes advising clients on corporate debt transactions (including term and working capital debt), acquisition finance, structured finance, project finance, asset finance, real estate finance, trade finance, securitisation, debt capital markets and restructuring and insolvency assignments.

Our practice has been consistently ranked in the top-tier for several years, and several of our partners are regarded highly, by international publications such as Chambers and Partners, IFLR, Asia Law, Legal 500, Asia Legal Business, IBLJ and Leaders League.

This Compendium has been prepared by:

Aashit Shah
Partner

Anish Mashruwala
Partner

Probir Roy Chowdhury
Partner

Soumitra Majumdar
Partner

Tirthankar Datta
Partner

Utsav Johri
Partner

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12 Practices and 42 Ranked Partners **IFLR1000 APAC Rankings 2023** --- Banking & Finance Team of the Year --- Fintech Team of the Year --- Restructuring & Insolvency Team of the Year	Among Top 7 Best Overall Law Firms in India and 9 Ranked Practices --- 11 winning Deals in IBLJ Deals of the Year --- 12 A List Lawyers in IBLJ Top 100 Lawyer List	Innovative Technologies Law Firm of the Year 2023 --- Banking & Financial Services Law Firm of the Year 2022 --- Dispute Resolution Law Firm of the Year 2022 --- Equity Market Deal of the Year (Premium) 2022 --- Energy Law Firm of the Year 2021 --- Employer of Choice 2021
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For more details, please contact km@jsalaw.com

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