

SNR & COMPANY
CHARTERED
ACCOUNTANTS



Corporate Law Bulletin

June 2023



Content

A. MINISTRY OF CORPORATE AFFAIRS	
• Professionals under the scanner for unethical conduct	1
• Companies (Removal of Names of Companies from the Register of Companies) Second Amendment Rules, 2023 notified	1
• Individuals acting as formation agents for Companies, LLPs to be covered under Anti Money Laundering Law	2
• The Companies (Compromises, Arrangements and Amalgamations) Amendment Rules, 2023 notified	2
B. BANKING	
• Amendment to the Master Direction (MD) on KYC	3
• Reserve Bank launches '100 Days 100 Pays' Campaign for Return of Unclaimed Deposits	3
• RBI's credit on UPI plan can create a win-win situation for all	4
• RBI mandates all wire transfers to have complete info about originator, beneficiary	4
• Levy of charges on forex prepaid cards/store value cards/travel cards, etc.	4
• RuPay goes live on CVV-less payments for tokenised cards	5
• Russian firms investing rupee surplus in Govt. bonds	5
• Credit card spend in forex to come under RBI's remittance scheme	5
• Withdrawal of Rs. 2000 to have favorable impact on deposits, interest rates: SBI study	6
• Banks saw highest number of frauds in digital payments in FY23: RBI	6
C. SECURITIES LAW AND CAPITAL MARKET	
• SEBI introduces legal identifier system for issuers with listed NCDs, securitized debt, security receipts.	7
• SEBI comes out with testing framework for IT systems of stock exchanges.	7
• SEBI revises requirements for issuance, listing of transition bonds	8
• SEBI proposes special rights to certain unitholders of REITs and InVITs	8
• SEBI wants mutual funds to catch front running, insider trading frauds.	9
• Model Tripartite Agreement between the Issuer Company, Existing Share Transfer Agent and New Share Transfer Agent as per Regulation 7(4) of SEBI (Listing Obligation and Disclosure Requirements) Regulation, 2015	9
• SEBI reconstitutes Intermediary Advisory Committee	9
D. COMPLIANCE CALENDAR FOR THE F.Y. 2023-24	

A. MINISTRY OF CORPORATE AFFAIRS

Professionals under the scanner for unethical conduct

The Ministry of Corporate Affairs has taken a serious view of professionals who help companies incorporate by issuing false certification of their physical visit of the registered office premises. This is linked to formation of shell companies, and the government wants field officers and regulators like the Institute of Company Secretaries of India (ICSI), Institute of Chartered Accountants of India (ICAI) and Institute of Cost Accountants of India to be vigilant and to sensitize professionals about this requirement.

For more details: <https://www.livemint.com/news/india/indias-corporate-ministry-cracks-down-on-false-premises-certification-by-professionals-for-company-incorporation-11682964736059.html>

Companies (Removal of Names of Companies from the Register of Companies) Second Amendment Rules, 2023 notified

The Ministry of Corporate Affairs (MCA) vide its notification dated May 10, 2023 has notified “the Companies (Removal of Names of Companies from the Register of Companies) Second Amendment Rules, 2023” which shall come into force on the date of its publication in the Official Gazette. According to the amendment, under rule 4(1) [Application for removal of the name of company] following three provisos are inserted:

- a) The company shall not file an application for removal of name unless it has filed overdue financial statements and overdue annual returns, up to the end of the financial year in which the company ceased to carry out its business operations;
- b) In case a company intends to file the application for removal of name after the action under section 248(1) has been initiated by the Registrar, it shall file all pending financial statements and all pending annual returns, before filing the application;
- c) Further, once the notice of strike-off under section 248(5) has been issued by the Registrar for publication in Official Gazette pursuant to the action initiated under section 248(1), a company shall not be allowed to file the application under this sub-rule.

For more details: <https://www.mca.gov.in/bin/dms/getdocument?mcs=kV7N%252BydDIO%252BwXcp%252BAuuahw%253D%253D&type=open>

Individuals acting as formation agents for Companies, LLPs to be covered under Anti Money Laundering Law

The Government has amended the Anti-Money Laundering Law to bring individuals acting as formation agents of companies and others under its ambit. The Finance Ministry has notified five activities undertaken by individuals on behalf of other persons under the Prevention of Money Laundering Act (PMLA). These activities include functioning as formation agents of companies or LLPs and acting as or arranging for another person to act as a director or secretary of a company or partner of a firm. The notification, however, exempts from its purview advocates, chartered accountants, cost accountants, and company secretaries, who are engaged in the formation of a company to the extent of only filing a declaration form.

The Companies (Compromises, Arrangements and Amalgamations) Amendment Rules, 2023 notified

The Ministry of Corporate Affairs (MCA) vide its notification dated May 15, 2023 has notified "the Companies (Compromises, Arrangements, and Amalgamations) Amendment Rules, 2023" which shall come into force with effect from June 15, 2023. According to the amendment, rule 25(5) and (6) are substituted.

As per the amendment, where no objection or suggestion is received within a period of 30 days of receipt of a copy of the scheme under section 233(2), from the RoC/official liquidator and the Central Government is of the opinion that the scheme is in the public interest then, it may, within a period of 15 days after the expiry of 30 days, issue a confirmation order of such scheme in Form No. CAA12.

However, if Central Government does not issue the confirmation order within a period of 60 days of receipt of the scheme under section 233(2), then, it shall be deemed that it has no objection to the scheme, and a confirmation order shall be issued accordingly. Further, where objections and suggestions are received within a period of 30 days of receipt of an order under section 233(2) from the RoC/Official Liquidator (OL) or both by the Central Government (CG) and

- such objections or suggestions of RoC/OL are not sustainable, and CG is of the opinion that the scheme is in public interest/creditors' interest, then, it may issue a confirmation order in the form No. CAA-12.
- the CG is of the opinion that the scheme is not in public interest/creditors interest, then, it may file an application before the Tribunal in Form No. CAA-13 by stating its objections/opinion and requesting Tribunal may consider the scheme. In case CG does not issue a confirmation order or does not file any application to Tribunal, then, it shall be deemed that it has no objection to the scheme and a confirmation order shall be issued accordingly.

For more details:

<https://www.mca.gov.in/bin/dms/getdocument?mds=bQNP84llb3yud%252F3R3VZhuw%253D%253D&type=open>

B. BANKING

Amendment to the Master Direction on KYC

The Regulated Entities (REs) have to undertake Customer Due Diligence (CDD), as per the process laid out in Master Directions on Know Your Customer (KYC). RBI has amended the aforesaid Master Directions in order to:

- (a) align the instructions with the recent amendments carried out in the Prevention of Money Laundering (Maintenance of Records) Rules, 2005,
- (b) incorporate instructions in terms of the Government Order dated January 30, 2023, titled "Procedure for Implementation of Section 12A of the Weapons of Mass Destruction (WMD) and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005 (WMD Act, 2005)";
- (c) update certain instructions in accordance with FATF Recommendations; and
- (d) refine certain extant instructions post review.

For more details:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12497&Mode=0>

Reserve Bank launches '100 Days 100 Pays' Campaign for Return of Unclaimed Deposits

Balances in savings / current accounts which are not operated for 10 years, or term deposits not claimed within 10 years from date of maturity are classified as "Unclaimed Deposits". These amounts are transferred by banks to "Depositor Education and Awareness" (DEA) Fund maintained by the Reserve Bank of India. Recently, the Reserve Bank has also announced the setting up of a Centralised Web portal for public to search unclaimed deposits across multiple banks. The Reserve Bank of India announced a '100 Days 100 Pays' campaign for banks to trace and settle the top 100 unclaimed deposits of every bank in every district of the country within 100 days.

The banks will commence the campaign from June 01, 2023.

For more details:

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=55675

RBI's credit on UPI plan can create a win-win situation for all

India's financial inclusion will soon add another successful case study. This time, the second iteration of India's financial inclusion program is poised to connect millions of businesses and billions of individuals to quick-lending services thanks to the Unified Payments Interface (UPI). And the impact of this second iteration would be more impactful than previous banking innovations such as Automated Teller Machines (ATMs), the ubiquitous Quick Response (QR) code, or the ability to transfer money by simply keying in a ten-digit mobile phone number.

For more details:

<https://economictimes.indiatimes.com/industry/banking/finance/banking/view-rbiscredit-on-upi-plan-can-create-a-win-win-situation-for-all/articleshow/99975636.cms>

RBI mandates all wire transfers to have complete info about the originator, beneficiary

The RBI on May 04, 2023 asked all banks, and financial institutions in the country to ensure that all wire transfers—domestic as well as international wire transfers—to contain complete information about the originator and beneficiary to prevent them from being used as a channel for money laundering, terrorist financing platforms.

For more details:

<https://www.livemint.com/industry/banking/rbi-mandates-all-wire-transfers-to-havecomplete-info-about-originator-beneficiary-11683218287158.htm>

Levy of charges on forex prepaid cards/store value cards/travel cards, etc.

A few Authorised Persons are levying certain fees/charges, which are payable in India on such instruments, in foreign currency. It is advised that fees/charges payable in India have to be denominated and settled in Rupees only.

For more details:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12502&Mode=0c>

RuPay goes live on CVV-less payments for tokenized cards

The National Payments Corporation of India (NPCI) has said that RuPay has now introduced the CVV (Card Verification Value) free payment experience for its debit, credit, and prepaid cardholders who have tokenized their cards on the merchant application or webpage. This new CVV-less experience ensures that the cardholder will not have to reach out to their wallet or remember any card details if they have saved (tokenized) their card on the e-commerce merchant which supports this feature, NPCI said in a statement.

For more details:

<https://indianexpress.com/article/business/banking-and-finance/rupay-goes-live-cvvless-payments-tokenised-cards-8610140/>

Russian firms investing rupee surplus in Govt. bonds

Russian banks and companies that have trade surpluses with Indian lenders are using those funds to invest in government bonds, according to Sunil Mehta, Chairman of the Indian Banking Association (IBA). "The Reserve Bank of India (RBI) has opened the window for investing in government bonds with whatever trade surplus they have," Mehta said on the sidelines of the Fintech Festival India event. Initially, Russian entities are investing in short-duration bonds.

For more details:

<https://www.financialexpress.com/industry/banking-finance/russian-firms-investingrupee-surplus-in-govt-bonds/3090414/>

Credit card spend in forex to come under RBI's remittance scheme

Spending in foreign exchange through international credit cards will be covered under the RBI's Liberalised Remittance Scheme (LRS), under which a resident can remit money abroad up to a maximum of USD 2.50 lakh per annum without the authorization of the Reserve Bank, as per a Finance Ministry notification. The Ministry on May 16, 2023 notified the Foreign Exchange Management (Current Account Transactions) (Amendment) Rules, 2023, to include international credit card payments in the LRS. Earlier, the usage of international credit cards (ICCs) for making payments for meeting expenses during travel outside India was not included in the LRS limit.

For more details:

<https://www.financialexpress.com/industry/banking-finance/credit-card-spend-in-forexto-come-under-rbis-remittance-scheme/3091643/>

Withdrawal of Rs. 2000 to have favorable impact on deposits, interest rates: SBI study

A SBI study issued on May 23, 2023 has said that the withdrawal of an Rs. 2000 currency note is likely to be a non-event but it will have a favorable bearing on liquidity, bank deposits, and interest rates. The 131-day window to exchange junked 2000 rupee currency notes opened with a mixed bag of small queues and confusion at some banks over the requirement of officially valid identity cards like PAN or Aadhaar, and official forms. Unlike November 2016, when old 500 and 1000 rupee notes - constituting some 86 percent of the currency in circulation - were banned overnight, resulting in ques outside bank branches across the country, this time no crowding is being witnessed.

For more details:

<https://economictimes.indiatimes.com/industry/banking/finance/banking/withdrawal-ofrs-2000-to-have-favourable-impact-on-deposits-interest-rates-sbistudy/articleshow/100454542.cms>

Banks saw the highest number of frauds in digital payments in FY23: RBI

Banks have witnessed a maximum number of frauds in the digital payment category during the fiscal ended on 31 st March 2023, according to the RBI annual report 2022-23. The total number of fraud cases in the banking system was 13,530. In the last two years, the highest number of fraud cases were in loan portfolios of banks. There was a 49 percent reduction in the amount involved in the total frauds reported during FY2023 over FY2022.

For more details:

<https://indianexpress.com/article/business/banking-and-finance/digital-paymentfrauds-in-fy23-rbi-report-8637607/>

C. SECURITIES LAWS AND CAPITAL MARKET

SEBI introduces a legal identifier system for issuers with listed NCDs, securitised debt, and security receipts.

SEBI has introduced Legal Entity Identifier (LEI) system for issuers that have listed or planning to list non-convertible securities, securitized debt instruments, and security receipts. LEI, a unique global identifier for legal entities participating in financial transactions, is designed to create a global reference data system that uniquely identifies every legal entity, in any jurisdiction, that is party to a financial transaction. It is a unique 20-character code to identify legally distinct entities that engage in financial transactions. Presently, the Reserve Bank of India (RBI) mandates non-individual borrowers having aggregate exposure of above Rs 25 crore to obtain the LEI code. In view of this, SEBI said that issuers having outstanding listed non-convertible securities as on August 31, 2023 will have to obtain and report the LEI code in the centralized database of corporate bonds by September 1, 2023 according to a circular.

For more details:

<https://www.moneycontrol.com/news/business/sebiintroduces-legal-identifier-system-for-issuers-withlisted-ncds-securitised-debt-security-receipts10522021.html>

SEBI comes out with testing framework for IT systems of stock exchanges.

SEBI put in place a comprehensive testing framework for the information technology (IT) systems of the stock exchanges and other market infrastructure institutions (MIIs). The framework will be for the IT systems of MIIs -- stock exchanges, clearing corporations, and depositories -- throughout their lifecycle, which can assist the MIIs in performing thorough risk assessment before deploying any IT systems in production or live environment. Under the framework, all MIIs have been asked to do extensive testing, validation, and documentation whenever new systems or changes to existing systems are introduced before the deployment in the production/live environment, according to a circular. Further, they have to set up a comprehensive methodology for system testing, functional testing, and application security testing, and the same need to be approved by the Standing Committee on Technology (SCOT) of respective MIIs. The scope of testing includes covering business logic, system function, security controls, and system performance under load and stress conditions. Moreover, any dependency on the existing systems shall be properly tested.

For more details:

<https://economictimes.indiatimes.com/markets/stocks/news/sebi-comes-out-withtesting-framework-for-it-systems-of-stock-exchanges/articleshow/100017823.cms>

SEBI revises requirements for issuance, listing of transition bonds

To facilitate transparency and informed decision-making among the investors, market regulator SEBI has mandated additional requirements for the issuance and listing of transition bonds. The move is also aimed at ensuring that the funds raised through transition bonds are not being misallocated, the Securities and Exchange Board of India (SEBI) said in a circular. Transition bond is one of the sub-categories of 'green debt security'. These bonds are generally used for raising funds for transitioning to a more sustainable form of operations in line with India's intended nationally determined contributions. In its circular, SEBI said that an issuer wishing to issue transition bonds will have to make additional disclosures in the offer document for public issues or private placements of such transition bonds. To differentiate transition bonds from other categories of green debt security, the issuer of transition bonds will have to use a denotation 'GB-T'. Such denotation would be disclosed in the offer documents on the cover page and in the type of instrument field in the term sheet.

For more details:

https://www.business-standard.com/markets/news/sebi-revises-requirements-for-issuance-listing-of-transition-bonds-123050500767_1.html

SEBI proposes special rights to certain unitholders of REITs and InvITs

The market regulator has proposed special rights to certain unitholders of Real Estate Investment Trusts (REIT) and Infrastructure Investment Trusts (InvITs), in a consultation paper released on May 16, 2023. Under the current regulations, no unitholder of these trusts can enjoy superior voting rights. But certain REITs and InvITs allow investors who own a certain percentage of units to nominate directors on the board of the manager/investment manager of these trusts. REITs and InvITs are initiated and set up by sponsors, managed by investment managers, and have trustees who ensure that the unitholders' interests are taken care of. While these trusts are not meant to give special privileges to any category of unitholders, they do so—through offer documents or placement memorandum—to inspire confidence among large institutional investors or investors with a significant minority interest. Recognizing this practical necessity, SEBI has suggested that such privileges should not be restricted to large institutional investors but should be open to other investors as well. Therefore, they have invited comments on whether special rights such as the right to nominate directors on the Board of Manager/Investment Manager of REIT/InvIT should be allowed and, if yes, what should be a percentage of units should the investors hold to have a say in the constitution of the board or in the running of the trusts.

For more details:

<https://www.moneycontrol.com/news/business/markets/sebi-proposes-special-rights-to-certain-unitholders-of-reits-and-invits-10600401.html>

SEBI wants mutual funds to catch front-running, insider trading frauds.

SEBI has proposed setting up surveillance and internal control systems to catch frauds like front setting up surveillance and internal control systems to catch frauds like front running and insider trading. At the minimum, SEBI has said that such a system should be able to catch front-running, insider trading, mis-selling of products, misuse of information by the asset the management company (AMC), its employees, distributors, brokers dealers, and so on, and delay in execution of orders by their brokers and dealers.

For more details:

<https://www.moneycontrol.com/news/business/markets/amcs-must-set-up-robust-surveillance-internal-controlsystem-to-prevent-fraud-sebi-paper-10629221.html>

Model Tripartite Agreement between the Issuer Company, Existing Share Transfer Agent and New Share Transfer Agent as per Regulation 7(4) of SEBI (Listing Obligation and Disclosure Requirements) Regulation, 2015

As per regulation 7(4) of SEBI LODR Regulations, 2015, "in case of any change or appointment of a new share transfer agent, the listed entity shall enter into a tripartite agreement between the existing share transfer agent, the new share transfer agent, and the listed entity, in the manner as specified by the Board from time to time." In this respect, a model Tripartite Agreement has been prepared by SEBI in consultation with the Registrar Association of India (RAIN) and some issuer companies. The format of the Tripartite Agreement is placed in Annexure-A to this circular.

For more details:

https://www.sebi.gov.in/legal/circulars/may-2023/modeltripartite-agreement-between-the-issuer-company-existingshare-transfer-agent-and-new-share-transfer-agent-as-perregulation-7-4-of-sebi-lodr-regulation-2015_71657.html

SEBI reconstitutes Intermediary Advisory Committee

SEBI has reconstituted its intermediary advisory committee, which suggests matters pertaining to changes in the legal framework and enhancing transparency in systems and procedures of market intermediaries including stock-brokers, depository participants, and clearing members.

For more details:

<https://economictimes.indiatimes.com/markets/stocks/news/sebi-reconstitutes-intermediary-advisorycommittee/articleshow/100589968.cms>

Compliance Calendar For the F.Y. 2023-24

Form	Particulars	Due Date
DPT-3	Return of Deposits	Extended till 30.07.2023
Foreign Liabilities and Assets- FLA	Annual Return to RBI	15.07.2023
AOC-4 (OPC)	Form for filing of Financial Statement	27.09.2023
DIR-3 KYC	KYC of director/designated partner	30.09.2023
MGT-14	To be filed by the Public Company after passing Resolution of Approval of Financials Statement and Board Report in Board Meeting	within 30 days of passing of board resolution
ADT-1	Notice to Registrar for appointment of Auditor	within 15 Days of AGM
AOC-4/AOC-4XBRL	Form for filing of Financial Statement	within 30 Days of AGM
MGT-7/MGT-7A	Annual Return	within 60 Days of AGM
LLP-8	Statement of Account & Solvency	30.10.2023
MGT-7 OPC	Annual Return	28.11.2023

SNR is a firm of Chartered Accountants offering assurance, tax, accounting and consulting services to its national and international clients across the globe. The firm has its head office at New Delhi with branches at Pune & Bengaluru. SNR has experienced a considerable growth since its inception in 1996 and is empanelled with reputed banks and with the office of the comptroller and auditor general of India. The firm through its team of experts consisting of Chartered Accountants, Company Secretaries and Management professionals provides professional services to a large number of clients viz. Companies, Banks and NGOs etc.

OUR LOCATION

DELHI

A-15, Second Floor, Hauz Khas,
New Delhi- 110016
Tel: +91-11 41655801, 41655802

PUNE

Office No. 5, Kalashree Apartment,
Opposite Bank of Maharashtra,
Karve Road, Pune 411004
Ph: +91 20 25435788

BANGALORE

No. 5A, Second Floor, 6th Main,
KHB Colony, Basaveshwaranagar,
Bangalore - 560079
Tel: +91 80 42064178

Disclaimer:

While every care has been taken in the preparation of this Bulletin to ensure its accuracy at the time of publication, SNR & Company assumes no responsibility for any errors which despite all precautions, may be found therein. Neither this bulletin nor the information contained herein constitutes a contract or will form the basis of a contract. The material contained in this document does not constitute/ substitute professional advice that may be required before acting on any matter. All logos and trademarks appearing in the bulletin are the property of their respective owners. The information transmitted is intended only for the person or entity to which it is addressed and may contain confidential and/or privileged material. Any review, re-transmission, dissemination, or other use of, or taking of any action in reliance upon, this information by persons or entities other than the intended recipient is prohibited.