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SEBI (LODR) (SECOND AMENDMENT) REGULATIONS, 2023, NOTIFIED BY SEBI

Securities and Exchange Board of India ("**SEBI**"), *vide* notification dated June 14, 2023, has amended the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**LODR**").

The amendments mentioned in the SEBI (LODR) (Second Amendment) Regulations, 2023, pertains to: (a) filling the vacancy of the compliance officer, director and certain KMPs (MD, WTD, CEO, CFO, Manager) within a maximum period of 3 months from the date of respective vacancy; (b) applicability of the corporate governance provisions extended to a high value debt listed entity on a "comply or explain basis" till March 31, 2024 (previously March 31, 2023); (c) requirement of shareholders' approval for continuation of a director to be taken at least once in every 5 years with effect from April 1, 2024; (d) disclosure of cyber security incident or loss of data in corporate governance report; (e) introduction of materiality threshold for determining materiality of event or information, expanding the list of material events or information and reduction in timelines for disclosure of material event or information; (f) responding to rumours of reported event or information in the mainstream media (which includes print or electronic mode like newspapers, news channels, etc.) within 24 hours of the reported event by top 100 listed entities (with effect from October 1, 2023) and top 250 listed entities (with effect from April 1, 2024); (g) disclosure to stock exchanges of communication from regulatory authorities pertaining to material event/ information; (h) disclosure of agreements where listed entity is not a party and such agreements are executed by the promoters, related party, shareholders, etc., which impacts the control or management of the listed entity; (i) passing of special resolution once in every 5 years for special rights granted to shareholders; (j) dissemination of schedule of investors meet on website at least 2 clear working days in advance; and (k) passing of prior special resolution (including majority favourable votes by public shareholders) for sale, lease or disposal of an undertaking outside scheme of arrangement.

To read the notification [click here](#) & to read the LODR [click here](#)

SEBI TIGHTENS DISCLOSURE AND OWNERSHIP NORMS FOR FPIs AND HALVES IPO LISTING TIME TO 3 DAYS

SEBI, *vide* its board meeting held on June 28, 2023, *inter alia* introduced provisions for additional disclosures from certain Foreign Portfolio Investors ("**FPIs**") by amending the SEBI (Foreign Portfolio Investors) Regulations, 2019, in a bid to get a handle on FPIs and to prevent possible circumvention of regulations such as the requirement for minimum public shareholding or disclosures under Substantial Acquisition of Shares and Takeovers Regulations, 2011, etc., or possible misuse of FPI route to circumvent the requirement of Press Note 3 of 2020.

SEBI has mandated additional granular disclosures regarding ownership, economic interest, and control of FPIs who have more than half of their holdings in a single Indian corporate group or such FPIs who along with the investors hold assets of more than INR 25,000 Crores in Indian markets. Government and government related investors, pension funds and public retail funds, certain listed exchange traded funds have been exempted from making additional disclosures.

In another key reform, SEBI has prescribed a shorter IPO timeline of 3 days after the closure of the issue. Going ahead, a company coming out with an IPO will be able to list its shares in 3 days from the date of issue closure (as against the previously set out 6 days). This change has been effected to enable: (a) issuers and allottees to receive funds and securities, respectively, in a shorter time period; (b) ensure prompt receipt of money to subscribers who are not allotted securities; and (c) deploy resources of all stakeholders for a shorter period, etc.

Other decisions approved by SEBI include:

- facilitating participation by entities desiring direct participation (not through a clearing member) in repo transactions in corporate bonds of the Limited Purpose Clearing Corporation.
- revision of minimum unitholding requirement for sponsor(s) of Infrastructure Investment Trusts (“InvITs”) and Real Estate Investment Trusts (“REITs”) and introduction of provision for self-sponsored investment manager/ manager of InvITs/ REITs to create an opportunity for mature and independent, professionally managed investment managers to emerge and to provide an additional exit option for the sponsor of InvIT/ REIT.
- amendments to the SEBI (Infrastructure Investment Trusts) Regulations, 2014 and SEBI (Real Estate Investment Trusts) Regulations, 2014 towards providing board nomination rights to unitholders of InvITs and REITs.

To read the press release [click here](#)

SEBI (ALTERNATIVE INVESTMENT FUNDS) (SECOND AMENDMENT) REGULATIONS, 2023 NOTIFIED BY SEBI

SEBI, *vide* notification dated June 15, 2023, has notified the SEBI (Alternative Investment Funds) (Second Amendment) Regulations, 2023 to further amend the SEBI (Alternative Investment Funds) Regulations, 2012.

Few of the key amendments are: (a) introduction of a new category of Alternative Investment Funds (“AIFs”) known as ‘Specified Alternative Investment Fund’; (b) requirement of issuing AIFs units in dematerialized form; (c) modifications in the winding-up process by introduction of liquidation scheme of AIF; (d) requirement for investor consent for buying/ selling investments from/to certain persons: approval of 75% of the investors to be obtained for buying or selling investments, from or to (i) associates, or (ii) schemes of AIFs managed or sponsored by its manager, sponsor or associates of its manager/sponsor, or (iii) an investor who has committed to invest at least 50% of the corpus of the scheme of AIF; (e) notification of a new Chapter III - C, introducing ‘Corporate Debt Market Development Fund’; (f) mandatory appointment of a compliance officer who shall be responsible for monitoring compliance and report any

non-compliance to SEBI; and (g) modification to the valuation procedure and the methodology for valuing assets.

To read the notification [click here](#)

SEBI PROPOSES MANDATORY DEMATERIALISATION OF UNITS OF AIFS

SEBI, *vide* its circular dated June 21, 2023, has mandated all schemes of AIFs (except for schemes whose tenure (excluding permissible extensions) ends on or before April 30, 2024) to issue or convert their units in dematerialised form subject to conditions specified by SEBI from time to time and in compliance with the below mentioned time frame:

Particular	Schemes of AIFs with corpus \geq INR 500 Crore	Schemes of AIFs with corpus < INR 500 Crore
Dematerialisation of all the units issued	Latest by October 31, 2023	Latest by April 30, 2024
Issuance of units only in dematerialised form	November 1, 2023, onwards	May 1, 2024, onwards

Terms of transfer of units of AIF held in dematerialised form shall continue to be governed by the terms of private placement memorandum (“PPM”), agreements entered between the AIF and investors and any other fund documents.

The circular also directs depositories to take steps towards implementation of the provisions thereof.

To read the circular [click here](#)

SEBI PROVIDES FLEXIBILITY TO AIFS TO DEAL WITH ILLIQUID INVESTMENTS DURING THE WINDING-UP PROCESS

SEBI, *vide* its circular dated June 21, 2023, has sought to provide flexibility to AIFs to deal with their scheme’s investments that remain unsold due to lack of liquidity during the winding-up process by either:

- selling such investments to a new scheme of the same AIF, specifically for liquidating the unliquidated investments of an original scheme that’s winding-up; or
- distributing such unliquidated investments in-specie.

Both of the above processes are subject to consent of 75% of investors by value of their investment in the original scheme. Pertinently, the circular also provides that it would be mandatory to do in-specie

distribution of unliquidated investments if the AIF fails to obtain requisite investor consent for launch of liquidation scheme or in-specie distribution of unliquidated investments.

Further, the circular throws light on valuation norms for unliquidated investments, responsibilities of compliance and the process of writing-off such investments if requisite investor consent has not been obtained.

To read the circular [click here](#)

SEBI PRESCRIBES STANDARDISED APPROACH TO VALUATION OF INVESTMENT PORTFOLIO OF AIFS

SEBI, vide its circular dated June 21, 2023, has proposed that AIFs must adopt a standardized methodology for valuation of investment portfolios managed by them.

Through this circular, which will be effective from November 1, 2023, SEBI has specified that:

- the valuation of securities for which valuation norms have been prescribed under SEBI (Mutual Funds) Regulations, 1996 (“**MF Regulations**”) must be carried out as per MF Regulations;
- the valuation of securities for which no valuation norms have been prescribed under MF Regulations shall be carried out as per valuation guidelines endorsed by an AIF industry association, which in terms of membership must represent at least 33% of the number of SEBI registered AIFs; and
- the manager shall also disclose in PPM, the details (*including any change and its impact*) of the valuation methodology and approach adopted under the stipulated guidelines for each asset class of the scheme of AIF. Any change in the methodology and approach for valuation of investments of scheme of AIF shall be construed as material change significantly influencing the decisions of the investor to continue to be invested in the scheme of AIF and accordingly relevant procedure prescribed by SEBI must be adhered to.

This circular also provides the eligibility criteria for independent valuer and standards for reporting valuation of investments of AIF to performance benchmarking agencies.

To read the circular [click here](#)

SEBI SUGGESTED METHODS TO ACHIEVE MINIMUM PUBLIC SHAREHOLDING IN REITS AND INVITS

SEBI, *vide* circulars dated June 27, 2023, has provided various methods (with or without conditions) for the Manager/ Investment Manager of listed REITs and listed InvITs to increase the public shareholding to achieve minimum public unitholding as per the extant law.

The methods proposed are as below:

(a) Issuance of units to public via offer document, without any condition; (b) offer for sale of units held by Sponsors/ Manager/ Investment or Project Manager/ and their related parties etc. ("**Class of Persons**"), either through (i) offer document or through stock exchange mechanism, without any condition or (ii) through open market sale, subject to compliance with conditions specified in the circulars; (c) rights/ bonus issue to public unitholders, subject to forgo of entitlement of units by the Class of Persons; (d) allotment of units under institutional placement, without any condition; (e) transfer of units held by the Class of Persons to an Exchange Traded Fund managed by SEBI registered mutual fund up to maximum 5% of paid-up unit capital of the REIT/ InvIT; and (f) any other method as may be approved by SEBI on case to case basis.

To read the circular on REITs [click here](#) & to read the circular on InvITs [click here](#)

IMPLEMENTATION OF INCREASED RATE OF TCS AND CLASSIFICATION OF INTERNATIONAL CREDIT CARD USED OVERSEAS UNDER LRS

The Ministry of Finance, *vide* its circular dated June 30, 2023, has:

- deferred the implementation of the increased Tax Collection at Source ("**TCS**") for remittances under the Liberalized Remittance Scheme ("**LRS**") and for purchase of overseas tour program package from July 1, 2023, to October 1, 2023. Accordingly, for the first INR 7 Lakhs remittance per financial year per individual under the LRS (other than for purchase of overseas tour program package) there shall be no TCS. Beyond the INR 7 Lakhs threshold, TCS shall be applicable at 0.5% (for education financed by education loan), 5% (for remittance of education/ medical treatment), and 20% (for others). For purchase of overseas tour program package, the TCS shall continue to apply at the rate of 5% for the first INR 7 Lakhs per financial year per individual; the 20% rate will only apply for purchase of overseas tour program package above this limit; and
- postponed the classification of 'use of international credit card while being overseas' as a transaction under the cap of LRS.

To read the circular [click here](#)

RBI NOTIFIES FRAMEWORK FOR COMPROMISE SETTLEMENT AND TECHNICAL WRITE-OFFS UNDER PRUDENTIAL FRAMEWORK

The Reserve Bank of India (“**RBI**”), *vide* notification dated June 8, 2023, has issued a Framework for Compromise Settlement and Technical Write-offs (“**CSTW Framework**”) in order to rationalise and harmonize instructions across all the Regulated Entities (for example: (a) all commercial banks, including small finance banks; and (b) primary (urban) co-operatives banks, etc.) (“**REs**”) and to provide further impetus to the Prudential Framework for Resolution of Stressed Assets dated June 7, 2019 (“**Prudential Framework**”), which recognises compromise settlement as a valid resolution plan.

The CSTW Framework defines: (a) ‘**compromise settlement**’ as any negotiated arrangement with the borrower to fully settle the claims of the REs against the borrower in cash; and (b) ‘**technical write-off**’ to cases where the non-performing assets remain outstanding at borrowers’ loan account level, but are written-off (fully or partially) by the REs only for accounting purposes, without involving any waiver of claims against the borrower and without prejudice to the recovery of the same.

The CSTW Framework enables REs to undertake compromise settlements or technical write-offs in respect of accounts categorised as willful defaulters or fraud without prejudice to the criminal proceeding underway against such debtors. Further, the CSTW Framework, *inter alia* provides that REs’ Board-approved policy for undertaking compromise settlement/ technical write-offs (containing comprehensive and specific guidance on the necessary condition precedents) shall be put across by the REs. The compromise settlement/ technical write-offs shall be without prejudice to any mutually agreed contractual provision between the REs and the borrower relating to any future contingent realization or recovery by the REs, subject to the claim not being recognized in any manner in the balance sheet of the REs. The notification states that in case where the REs had commenced recovery proceedings under a judicial forum and the same is pending adjudication, then in that case a settlement can be arrived at with the borrower subject to obtaining a consent decree from the concerned judicial authority. The notification also lists down other provisions related to reporting mechanism, cooling-off period, etc.

To read the notification [click here](#) & to read the Prudential Framework [click here](#)

RBI GUIDELINES ON DEFAULT LOSS GUARANTEE IN DIGITAL LENDING

RBI, *vide* notification dated June 8, 2023, issued Guidelines on Default Loss Guarantee in Digital Lending (“**DLG Guidelines**”). The DLG Guidelines facilitates Default Loss Guarantee (“**DLG**”) arrangement between the REs and lending service providers (“**LSPs**”) under which the (eligible) LSPs guarantees shall compensate the REs for the loss due to default up to a certain percentage of the loan portfolio of the RE specified upfront.

The DLG Guidelines also *inter alia* states that: (a) the DLG arrangement must be backed by an explicit legally enforceable contract containing necessary details for instance, extent of DLG cover, timeline for DLG invocation, etc.; (b) the REs shall accept DLG in only one or more of the following forms viz., cash deposited with the REs, fixed deposits maintained with the scheduled commercial banks with a lien marked in favour of the REs, and/or bank guarantee in favour of the REs; (c) total amount on DLG cover for any outstanding portfolio which is specified upfront shall not exceed 5% of the amount of that loan portfolio; (d) REs shall invoke DLG within a maximum overdue period of 120 days, unless made good by the borrower before that; and (e) the period of which the DLG arrangement will remain in force shall not be less than the longest tenor of the loan in the underlying loan portfolio, etc. It has also been specified that DLG arrangement under the DLG Guidelines shall not be treated as 'synthetic securitisation' and/or shall also not attract the provisions of 'loan participation'.

To read the notification [click here](#)

RBI PERMITS BANKING UNITS IN IFSC TO DEAL IN NDDC INVOLVING INR FOR RESIDENT NON-RETAIL USERS

RBI, with a view to develop the onshore INR Non-Deliverable Derivative Contracts ("**NDDC**") and in order to provide more flexibility to residents to effectively design their hedging programmes, *vide* notification dated June 6, 2023, has permitted the Authorised Dealer Category-I Banks ("**AD Cat-I Banks**") operating International Financial Service Centre Banking Units to offer NDDCs involving INR to resident non-retail users for the purpose of hedging, with the condition that such transaction has to be settled in INR and in cash. The notification further grants permission for cash settlement of NDDCs transaction between two AD Cat-I Banks and/or an AD Cat-I Bank and a person resident outside India in INR or any foreign currency.

To read the notification [click here](#)

PAYMENT OF FEES TO FOREIGN UNIVERSITIES IN THE GIFT CITY PERMITTED UNDER LRS

Government of India, in its endeavour to develop the Gujarat International Finance Tec-City ("**GIFT City**") as a world class smart city, has recently facilitated the setting up of foreign universities and institution in the GIFT City, and had also notified exemption to such foreign universities and institution offering courses in FinTech, Science, Technology, Engineering and Mathematics ("**Exempted Courses**") from the purview of University Grants Commission Act, 1956 and All India Council for Technical Education Act, 1987, *vide* notification dated May 24, 2023 ("**Exemption Notification**").

In furtherance to the Exemption Notification, RBI, *vide* notification dated June 22, 2023, permitted the AD Cat-I Banks and AD Category II Banks to facilitate remittances by resident individuals for the purpose of payment of fees to foreign universities or foreign institution in Internal Financial Service Centres for pursuing courses offered in the Exempted Course under LRS.

To read the notification [click here](#) & to read the Exemption Notification [click here](#)

UGC'S REVISED NORMS FOR DEEMED UNIVERSITY STATUS

The University Grants Commission, *vide* notification dated June 2, 2023, has notified the University Grants Commission (Institutions deemed to be Universities) Regulations, 2023 ("**UGC 2023 Regulations**") in supersession of the University Grants Commission (Institutions deemed to be Universities) Regulations, 2019. The new and simplified UGC 2023 Regulations are built on the principle of a 'light but tight' regulatory framework aligned with the National Education Policy, 2020 and will facilitate creation of many more quality-focused deemed to be universities in an objective and transparent manner.

UGC 2023 Regulations set out the following eligibility criteria: (a) being a multi-disciplinary institution (with minimum 5 departments) or a cluster of institutions offering 5 programmes (with minimum 5 departments); (b) National Assessment And Accreditation Council (NAAC) 'A' grade with at least a 3.01 cumulative grade point average (CGPA) for 3 consecutive cycles; (c) National Board of Accreditation (NBA) for two-thirds of eligible technical programmes for 3 consecutive cycles; (d) figuring among the top 50 rankings of any specific category of National Institutional Ranking Framework (NIRF) for 3 consecutive years; or (e) figuring among the top 100 rankings in the overall NIRF ranking for 3 consecutive years. Accordingly, criteria of having existence of 20 years has been done away with.

Few of the other salient features are: (a) cluster of institutions managed by more than 1 sponsoring body can apply for deemed university status; (b) 'distinct institutions' i.e., institutions which are engaged in teaching and research in unique disciplines, preservation of Indian culture etc., are exempted from the eligibility criteria; (c) setting up of off-campus centres for certain institutions; (d) deemed universities to follow rules and regulations regarding fee structure, number of seats, etc., of all applicable statutory bodies; (e) compulsory creation of Academic Bank of Credits, creation of identity and uploading credit scores, etc.; and (f) collaboration with foreign higher educational institutions.

To read the notification [click here](#)

EPFO EXTENDS TIME FOR EMPLOYEES TO SUBMIT OPTIONS TO GET PENSION ON HIGHER WAGES AND FOR EMPLOYERS FOR UPLOADING WAGE DETAILS ONLINE

The Employees' Provident Funds Organisation ("**EPFO**"), *vide* press release dated June 26, 2023, has extended the last date for submission of applications for validation of option/ joint options by employees till July 11, 2023. The online facility for submitting applications for validation of option/ joint options has been provided by EPFO for availing pension on higher wages. This facility is available for eligible pensioners/ members in compliance with the Hon'ble Supreme Court order dated November 4, 2022, in the matter of *Employees Provident Fund Organisation & Another vs. Sunil Kumar B. & Others*.

The timeline for uploading wage details of applicant pensioners/ members for the employers has also been extended till September 30, 2023.

To read the press release [click here](#)

MCA EXCLUDES CERTAIN TRANSACTIONS FROM THE AMBIT OF MORATORIUM UNDER IBC

Ministry of Corporate Affairs ("**MCA**"), *vide* notification dated June 14, 2023, has notified that provisions of section 14(1) of the Insolvency and Bankruptcy Code, 2016 shall not apply where the corporate debtor has entered into any of the following transactions, arrangements or agreements, namely:

(a) the production sharing contracts, revenue sharing contracts, exploration licenses and mining leases made under the Oilfields (Regulation and Development) Act, 1948 and rules made thereunder; and (b) any transactions, arrangements or agreements, including joint operating agreement, connected or ancillary to the transactions, arrangements or agreements referred to in point (a).

To read the notification [click here](#)

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