



LEGAL NEWSLETTER FOR THE MONTH OF JANUARY 2024

Contents

I. MINISTRY OF CORPORATE AFFAIRS	2
1. Companies (Listing of equity shares in permissible jurisdictions) Rules, 2024	2
II. RESERVE BANK OF INDIA	3
1. Credit/Investment Concentration Norms- Credit Risk Transfer	3
III. SECURITIES EXCHANGE BOARD OF INDIA	4
1. Framework for Offer for Sale of Shares to Employees through Stock Exchange Mechanism	4
2. Extension of timeline for verification of market rumours by listed entities.....	5



I. MINISTRY OF CORPORATE AFFAIRS

1. Companies (Listing of equity shares in permissible jurisdictions) Rules, 2024

- **Date of Applicability:** January 24, 2024
- **Applicable Entities:** These rules shall apply to:
 - Unlisted public companies;
 - Listed public companies.
- **Brief on Amendment:** The Ministry of Corporate Affairs *vide* these Rules have allowed Applicable Entities to list their equity shares in a permissible jurisdiction (currently the exchange of **International Financial Services Centre** as notified in Schedule 1 of these Rules) provided it does not fall in either of the following criteria as provided in Rule 5 of the Rules and does not have any partly paid-up equity shares:
 - It is registered under Section 8 or declared as Nidhi under Section 406 of the Companies Act, 2013;
 - It is a company limited by guarantee and also having share capital;
 - It has any outstanding deposits accepted from public as per Chapter V of the Companies Act, 2013 and the Rules made thereunder;
 - It has a negative net worth.

Compliances: -Applicable Entities intending to list their equity shares in the notified permissible jurisdiction shall:

- Comply with the requirements of the Scheme
 - File the prospectus in *e form LEAP 1* as specified in the Second Schedule of these Rules within a **period of 7 days** after the same has been filed in the permitted exchange.
 - Post listing they shall comply with the Accounting Standards in preparing their financial statements in addition to the other accounting standard as notified by the offshore regulator.
- **SGA View:** The framework pertaining to offshore listing was in the pipeline for quite some time. The debate around this offshore listing mechanism was initiated in the year 2018 when SEBI came out with a [working group report](#) discussing such possibility. However, that could not be materialized back then, but with these Rules coming into picture the route of offshore listing will finally create traction amongst the Applicable Entities. Moreover, given that IFSC as a jurisdiction derives a lot of incentives and benefits it is believed that this framework is certainly a move in the right direction.
 - **Actionable if any:** The Applicable Entities must take note of this framework

II. RESERVE BANK OF INDIA

1. Credit/Investment Concentration Norms- Credit Risk Transfer

- **Date of Applicability:** January 15, 2024
- **Applicable Entities:** All types of Non-Banking Financial Companies including Housing Finance Companies
- **Brief on Amendment:** The credit/investment concentration norms for NBFC Upper Layer are governed by the Large Exposure framework, however Middle layer and Base layer NBFCs and the Housing Finance Companies are governed by their respective master directions read with the Circular on Scale Based Regulation dated October 21, 2021. Accordingly, in order to bring uniformity and consistency in application this Notification has been issued which provides for the following key points:
 - **For NBFC Middle Layer:** An additional set of credit risk transfer instruments have been notified which are as follows:
 - Cash margin/caution money/security deposit held as collateral on behalf of the borrower against the advances for which right to set off is available
 - Central Government guaranteed claims which attract 0 per cent risk weight for capital computation;
 - State Government guaranteed claims which attract 20 per cent risk weight for capital computation;
 - Guarantees issued under the Credit Guarantee Schemes of Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), Credit Risk Guarantee Fund Trust for Low Income Housing (CRGFTLIH) and individual schemes under National Credit Guarantee Trustee Company Ltd (NCGTC) subject to meeting the conditions of [circular on 'Review of Prudential Norms – Risk Weights for Exposures guaranteed by Credit Guarantee Schemes \(CGS\)' dated September 07, 2022](#), as amended from time to time
 - **For NBFC Base Layer:** They shall put in place an internal board approved policy for credit/investment concentration limits for both single borrower/party and single group of borrowers/parties.

Further *vide* this notification the RBI has notified an additional set of exemptions from computation towards credit/investment norms which are as follows:

- Exposure to the Government of India and State Governments which are eligible for zero percent risk weight under capital regulations applicable to NBFC.
 - Exposure where the principal and interest are fully guaranteed by the Government of India.
- **Actionable If any:** The Applicable Entities shall take note of these additional set of credit risk transfer instruments and accordingly consider their credit/investment norms

III. SECURITIES EXCHANGE BOARD OF INDIA

1. Framework for Offer for Sale of Shares to Employees through Stock Exchange Mechanism

- **Date of Applicability:** February 22, 2024
- **Brief on Amendment:** The SEBI *vide* Master Circular dated October 16, 2023 has provided for a framework for offer for sale of shares by promoters to their employees, however this mechanism was largely undertaken outside of the stock exchanges which is quite time consuming and involves additional cost. Accordingly, the SEBI through this Circular has notified an additional route for undertaking such transaction between a promoter and an employee. The procedure provides for the following important points:
 - Offer for sale ('OFS') to employees shall be on T+1 basis along with the retail category;
 - While bidding the specified employee shall select the 'Employee' category for bidding;
 - There shall be reservation of the employee category of Employee OFS;
 - Employee shall place their bids only at cut off price of T+1 day;
 - The maximum bid amount shall be INR 5,00,000;
 - Each Employee shall be eligible for allotment of equity shares to INR 2,00,000;
 - The bid book of employee category shall be different from the retail category.
- **Actionable if any** The Entities intending to undertake OFS shall take note of this Circular

2. Extension of timeline for verification of market rumours by listed entities.

- **Date of Applicability:** January 25, 2024
- **Applicable Entities:** All Listed Entities
- **Brief on Amendment:** The SEBI *vide* this Circular has extended the obligation of Applicable Entities to comply with Regulation 30(11) of SEBI (Listing Obligation and Disclosure Requirements) Regulations 2018. This particular regulation *inter alia* mandated certain entities to verify, deny and confirm any market rumours within 24 hours from the reporting of the event or information. However, considering the industry standards in this regard are under finalization and certain further amendments are still required to be undertaken, the SEBI has decided through this Circular to extend the timeline for effective implementation of the said obligation as follows:

Class of Listed Entity	Current Timeline	Previous Timeline
For Top 100 Listed Entities	By June 01, 2024	February 01, 2024
For Top 250 Listed Entities	By December 01, 2024	August 01, 2024

- **SGA View:** Post the inception of this obligation by SEBI the Applicable Entities were having a lot of issues in terms understanding the required intent behind this mandate. The extension provided coupled with the assurance of further clarification in terms of amendments in SEBI(LODR) Regulations will certainly draw out the required intent and make it easier for Applicable Entities to comply with this particular obligation.
- **Actionable if any:** The Applicable Entities shall take note of this relaxation in timelines and accordingly undertake required actions.

For more information on this or any further enquiries

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