



**Sanjay Grover &  
Associates**  
Company Secretaries

# SGA LEGAL NEWSLETTER

For the month of October, 2024



# About us

**Sanjay Grover & Associates** is a Firm of Company Secretaries, established in 2001, whose constant endeavor is to craft a premier professional practice providing high quality services and integrating value added knowledge, for its people, clients and society as a whole.

The Organization is backed by a team of multi- disciplinary professionals who possess the inherent qualities of converting the challenges into opportunities by sincerity, passion and determination.

The dynamic professionals of the organization are very well exposed in dealing with various regulatory authorities like Registrar of Companies (ROC), Regional Director (RD), Ministry of Corporate Affairs (MCA), National Company Law Tribunal (NCLT), National Company Law Appellate Tribunal (NCLAT), Insolvency and Bankruptcy Board of India (IBBI), Competition Commission of India (CCI), Securities & Exchange Board of India (SEBI), Stock Exchanges, Reserve Bank of India (RBI) etc. The firm works with a progressive mindset and serves its clients with results and quality; it has the zeal and potential to handle challenging and wide range of assignments.

*Disclaimer: This Legal Newsletter for the month of July, 2024 has been prepared by team SGA (i.e. Sanjay Grover & Associates, Company Secretaries) solely for knowledge purpose and should not be construed as any professional advice or opinion. We expressly disclaim all liability for actions/inactions based on this newsletter.*

# Overview

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## I MINISTRY OF CORPORATE AFFAIRS ('MCA')

### Companies (Adjudication of Penalties) Second Amendment Rules, 2024 ([Click here for accessing the Circular](#))

- **Date of Applicability:** From the date of publication in the official gazette i.e. October 9, 2024
- **Brief on Amendment:**
  - o On October 9, 2024, the MCA issued Notification No. G.S.R. 630(E), introducing the Companies (Adjudication of Penalties) Second Amendment Rules, 2024. This amendment clarifies the prospective application of the previous amendment moving all adjudication proceedings online
  - o In August this year, the MCA notified the Companies (Adjudication of Penalties) Amendment Rules, 2024, amending the Companies (Adjudication of Penalties) Rules, 2014. The amendment had added subrule 3A providing for mandatory online adjudication of all proceedings, including notices, replies, hearings, orders, penalties, etc., through the e-adjudication platform developed by the Central Government for this purpose. The amendment came into effect on September 16, 2024
  - o The same sub-rule has been further amended to add a proviso to restrict the application of the sub- rule to proceedings pending before the Adjudicating Officer or Regional Director on the date of such commencement, clarifying that they shall continue as per provisions of these rules existing prior to such commencement
- **SGA View:** This provision ensures that any ongoing proceedings are not disrupted by the new amendment, allowing them to proceed under the rules that were in effect prior to this change. By allowing existing cases to continue under the prior rules, the MCA seeks to provide stability and predictability for companies facing penalties, thus minimizing disruptions in the enforcement process
- **Actionable, if any:** Noting for future compliance.



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**Investor Education and Protection Fund Authority (Form of Annual Statement of Accounts) Amendment Rules, 2024.** ([Click here for accessing the Circular](#))

- **Date of applicability** : October 03, 2024
- **Brief on Amendment:**
  - This amendment updates Rule 5 of the IEPFA (Form of Annual Statement of Accounts) Rules, 2018
  - Previously, the balance sheet, income and expenditure account, and receipt and payment account were approved by the Authority or an authorized committee and signed by the Chairperson and one Member of the Authority
  - With the 2024 amendment, the requirement has changed, and these documents must now be signed by the **Chairperson and the Chief Executive Officer (CEO) of the Authority instead of a member.**
- **SGA View:** This change aligns the approval and authentication process with a more streamlined approach by involving the CEO in the financial reporting and governance of the Authority

## II. SECURITIES EXCHANGE BOARD OF INDIA

### Relaxation from compliance with certain provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

([Click here for accessing the Circular](#))

- **Date of applicability:** October 03, 2024,
- **Brief on Amendment:** The key insights of the amendment are as follows:
  - The SEBI *vide* this circular dated October 3, 2024 has announced a temporary relaxation of regulation 36(1)(b) for AGMs and regulation 44(4) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 for general meetings (in electronic mode) till **September 30, 2025**
  - The listed entities are no longer required to send physical copies of financial statements as per section 136 of the Companies Act, 2013 till the date mentioned above
  - Moreover, listed entities are no longer required to send proxy forms to security holders for every case, indicating whether they may vote for or against each resolution. This relaxation will remain in effect until September 30, 2025
  - This decision aligns with the MCA general circular dated September 19, 2024, which has also extended the exemption from sending physical copies of financial statements—including the Board’s report, Auditor’s report, and other necessary documents—to shareholders for AGMs taking place until September 30, 2025
  - It is reiterated that the listed entities shall ensure compliance with the conditions stipulated at para 5.1 and 5.2 of section VI- J of chapter VI of the [Master Circular dated July 11, 2023](#) on compliance with the provisions of the LODR Regulations while availing the relaxations specified above.
- **SGA View:** SEBI aims to modernize regulatory practices, reduce costs, and promote efficiency in corporate governance while ensuring that stakeholders remain engaged in the process. This relaxation encourages the continued use of digital formats, reducing the reliance on physical copies.
- **Actionable, if any:** Listed entities should update their communication strategies to inform shareholders about the shift to electronic formats and provide access instructions. They need to organize AGMs in electronic mode and simplify proxy voting processes.


**Change in timing for securities payout in the Activity schedule for T+1 Rolling Settlement and applicability of direct payout of securities to client's account: ([Click here for accessing the Circular](#)):**

- **Date of Applicability: October 10,2024**
  
- **Brief on Amendment:**
  - **Direct payout of securities to client account:** On October 10, 2024, the SEBI announced an extension for the implementation of its circular (SEBI/HO/MIRSD/MIRSD-PoD1/P/CIR/2024/75) dated June 5, 2024, which mandates the direct pay-out of securities to clients' demat accounts. Initially scheduled for October 14, 2024, the new effective date is now set for November 11, 2024
  - This extension follows the late issuance of final operational guidelines by Clearing Corporations (CCs) due to extensive consultations with the Brokers' Industry Standards Forum. SEBI's review meeting with Market Infrastructure Institutions (MIIs) and feedback from the Brokers' ISF prompted the decision to delay implementation to facilitate smoother execution and minimize disruptions for market players and investors
  - **Change in timing for securities payout for T+1 rolling settlement:** In addition to the direct payout extension, SEBI also announced adjustments to the timing of securities receipt under the 'T+1' settlement system. With this new framework, shares will be credited to clients' accounts by 3:30 PM on the day of settlement, a shift from the previous timing of 1:30 PM the following day. This expedited process is designed to provide investors with quicker access to their securities, further improving the overall trading experience.
  
- **SGA View:** The extension aims to ensure a smooth transition to the new system, allowing market players and investors to adapt without disruption. The forthcoming direct-payout system represents a significant shift in the way securities are transferred. Under this model, clearing corporations will directly transfer securities to investors' demat accounts, eliminating the intermediary step where brokers hold securities in a pooled account before they are credited to clients. This change is anticipated to enhance efficiency and transparency in the settlement process.

## Introduction of Liquidity Window facility for investors in debt securities through Stock Exchange mechanism ([Click here for accessing the Circular](#))

- **Date of applicability:** November 01, 2024, The Liquidity Window facility can be provided only for prospective issuances of debt securities through public issue process or on a private placement basis (proposed to be listed).
- **Brief on Amendment:**
  - SEBI has introduced a Liquidity Window facility for debt securities through its latest circular, effective November 1, 2024.
  - This facility aims to enhance liquidity in the corporate bond market, which is often perceived as illiquid due to institutional investors holding bonds until maturity.
  - The Liquidity Window facility is introduced under Regulation 15 of SEBI's Issue and Listing of Non-Convertible Securities Regulations, 2021. This regulation enables issuers of debt securities to offer a put option to investors, allowing them to redeem their bonds before maturity. The new framework sets out clear and uniform norms for issuers to adopt when offering this facility, aiming to create a more liquid and dynamic market for corporate bonds.
- **Key Features of the Liquidity Window Facility:**
  - **Issuer's Choice:** The Liquidity Window facility is optional for issuers of debt securities, who can offer it at their discretion at the time of issuance. The facility can be made available on an ISIN basis, with the issuer determining eligible investors.
  - **Eligibility:** Issuers may offer this facility to all investors or limit it to retail investors. To participate, investors must hold the debt securities in a demat form.
  - **Aggregate Limit:** Issuers must set an aggregate limit for the exercise of the put option, which cannot be less than 10% of the total issue size of the debt securities. A sub-limit may also be imposed for each liquidity window session, ensuring that redemptions are managed in an orderly manner.



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- **Designated Stock Exchange:** Issuers must designate one stock exchange for operating the Liquidity Window, with the window being open for three working days on a monthly or quarterly basis.
  - **Valuation and Payment:** Debt securities will be valued on the first day of the Liquidity Window, with payments made to investors within one working day of the window closing. The settlement process will be completed within four working days.
  - **Transparency and Disclosure:** Issuers are required to maintain transparency by disclosing detailed information regarding the liquidity window schedule, outstanding amounts, and redemption activities on their websites and other relevant platforms
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- **SGA View:** By allowing early redemption options, the facility aims to create a more liquid corporate bond market, making it easier for investors to exit their investments when needed




**Clarification with regard to usage of 3 –in –1 type accounts for making an application in public issue of securities ([Click here for accessing the Circular](#))**

- **Date of applicability:** October 18, 2024
- **Brief on Amendment:**
  - SEBI has received feedback about the need to clarify the use of 3-in-1 accounts for applying to public issues of debt securities, non-convertible redeemable preference shares, municipal debt securities, and securitized debt instruments
  - As a result, it has been confirmed that, in addition to the existing application methods mentioned in the SEBI’s Master Circular dated May 22, 2024 and the September 2024 update by SEBI in this regard, investors can continue to submit their bid-cum-application forms online using linked 3-in-1 accounts that combine trading, demat, and bank accounts
- **SGA View:** By explicitly allowing 3-in-1 accounts for applications, SEBI seeks to make the process more accessible and convenient for investors, potentially increasing participation in public issues

## Inclusion of Mutual Fund units in the SEBI (Prohibition of Insider Trading) Regulations, 2015 ([Click here for accessing the Circular](#))

- **Background:** SEBI issued a circular on October 22, 2024 for strengthening the regulatory framework for insider trading in mutual fund (MF) units. These circular addresses mutual funds, asset management companies (AMCs), trustees, stock exchanges, depositories, and related entities. It expands on prior amendments made to the SEBI (Prohibition of Insider Trading) Regulations, 2015 (PIT Regulations), especially those that were announced in November 2022 (“November 2022 notification”).
- **Brief on Amendment:**
  - **Inclusion of Mutual Fund Units in PIT Regulations:** The PIT Regulations, traditionally applied to trading in shares, bonds, and other securities, now include mutual fund units. The November 2022 notification marks a significant shift by bringing mutual funds under insider trading scrutiny. This change, effective from November 1, 2024, ensures that those with privileged information regarding mutual fund schemes are subject to insider trading prohibitions, just as they would be for other financial securities. The aim is to uphold market integrity and fairness for all investors
  - **Reporting Requirements:** AMCs must now disclose the holdings of designated persons, trustees, and their immediate relatives on a quarterly basis starting from November 1, 2024. The initial disclosure of holdings as of October 31, 2024, must be made by November 15, 2024. For all subsequent quarters, AMCs must submit this information within 10 days of the quarter’s end. This will ensure transparency about the investments made by key personnel within the asset management ecosystem.
  - **Transaction Reporting Threshold:** SEBI has set a threshold for reporting transactions in mutual fund units. Any transaction (or series of transactions) by designated persons, trustees, or their immediate relatives, aggregating over INR 15 lakhs per quarter across all schemes, must be reported. The report should be submitted to the AMC’s compliance officer within two business days of the transaction
  - **Format and Disclosure of Violations:** SEBI has outlined specific formats for reporting holdings and transactions. It has also emphasized the reporting of any violations under the PIT Regulations in a prescribed format. This ensures a streamlined and standardized approach to reporting across the mutual fund industry.

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- **Harmonization with the Master Circular:** SEBI also took steps to align the PIT Regulations with the existing guidelines outlined in the [Master Circular dated June 27, 2024](#) for Mutual Funds. Notably, the Master Circular's Clause 6.6, which governs the investment and trading restrictions for AMC employees, trustees, and directors, has been modified. This modification clarifies that while the previous Master Circular applied to investments in various securities, the PIT Regulations will now specifically govern transactions involving mutual fund units
  - **Cooling-Off Period for Securities Transactions:** In cases of transactions involving securities, the circular emphasizes that employees must refrain from engaging in the purchase and sale, or sale and purchase, of any security within 30 calendar days of their personal transaction. If an employee violates this rule, they must provide a suitable explanation to the compliance officer, and the matter will be reported to the board of the AMC and the trustees
  - **Actionable, if any:** AMCs should prepare to comply with the new disclosure requirements by updating their processes and systems to aggregate and report holdings and transactions accurately. Training staff on these regulations and updating reporting templates is essential and a monitoring system should be established to ensure compliance
  - **SGA View:** The circular aligns AMC practices with updated PIT Regulations, ensuring consistent compliance across the industry. SEBI aims to enhance transparency in the holdings and transactions of Designated Persons and trustees within AMCs, promoting accountability and prevent insider trading.

## RESERVE BANK OF INDIA (RBI)

### **Guidelines for compounding of contraventions under FEMA, 1999** ([Click here for accessing the Circular](#))

- **Date of Applicability:** Immediate effect
- **Brief On Amendment:**
  - On September 12, 2024, the Government of India notified the Foreign Exchange (Compounding Proceedings) Rules, 2024 (“New Rules”) in supersession of the erstwhile Foreign Exchange (Compounding Proceedings) Rules, 2000 (“Erstwhile Rules”) .
  - The New Rules are designed to bring greater clarity, efficiency, and uniformity to the compounding proceedings, aligning them with contemporary business practices and regulatory expectations. The focus is on enabling quicker resolution of contraventions, thereby reducing the backlog of cases and allowing businesses to regularize their affairs without delay.

**I. Enhanced Monetary Limits:** The monetary limits on the sum involved in contravention, which determines the powers of RBI compounding officers to compound the contraventions (other than the contravention of Section 3(a) of FEMA) are rationally enhanced under New Rules

- As per enhanced limits, an officer not below the rank of AGM of the RBI is now authorised to compound the contravention involving a sum upto INR 60 lakhs (earlier, it was upto INR 10 lakhs). The contraventions involving a sum beyond this and upto INR 2.5 crores (earlier, it was upto INR 40 lakhs) will be compounded by the Deputy General Manager (DGM). Similarly, the General Manager (GM) can now compound the contraventions involving amount upto INR 5 crores (earlier, upto INR 1 crore) and an officer not below the rank of Chief General Manager (CGM) can compound any contravention of any amount above INR 5 crores
- The monetary limits determining the powers of compounding officers of the Directorate of Enforcement (ED) to compound the contraventions under Section 3(a) of FEMA however continues to remain unchanged



**II. Compounding Filing Fee & Penalty:** Every application for compounding any contravention should be made to the Foreign Exchange Department of the RBI or the Director of the ED, as applicable.

- Compounding application filing fee has been revised from the earlier INR 5,000 to INR 10,000 plus GST now. Regarding the mode of payment of application filing fee and compounding penalty amount, Erstwhile Rules required this to be paid only by demand draft (DD). New Rules have now allowed such payment even through National Electronic Fund Transfer (NEFT), or other permissible online modes of payment, in favour of the compounding authority.
- Pertinent to note that when the compounding penalty is imposed, the concerned person should pay it strictly within 15 days from the date of issuance of order, failing which, it is deemed that such compounding application was never made. This had posed practical difficulties in certain cases in the past as such payment could only be made by DD which is a time-consuming process. Allowing NEFT and other online modes for paying compounding penalty should help overcome any such consequences.

**III. Discontinuation of adjudication:** New Rules clarify that in respect of contravention which is already compounded prior to adjudication of such contravention under Section 16 of FEMA, no inquiry or further inquiry can be initiated or continued against the person. There was always a bar on holding or initiating an inquiry for adjudication of contravention which has been successfully compounded however, this revised provision clarifies also to discontinue any existing inquiries by the adjudicating authority.

- **Powers of Compounding Authority:** Apart from the powers to call for further information, records or any other documents conferred upon the compounding authority under Erstwhile Rules, New Rules also empower the authority to require the applicant to take any necessary actions with respect to transactions involved in the contravention. As a process, compounding of contravention is allowed after completing all the administrative actions like obtaining requisite approval of the Government or RBI, completion of pending filings, unwinding of transaction etc. The compounding authority is now authorised to require completion of any other actions necessary to compound the contravention without having to return the application and at the same time, complete the process within the prescribed timeline

**IV. Non-Compoundable Cases:** A dedicated new rule 9 is introduced in New Rules, as against proviso to Rule 8(2) of Erstwhile Rules, to specifically list out the cases which cannot be compounded as under :

- Money Laundering and Terror Financing: Offenses that have implications for national security and financial integrity.
- Cases falling under Rule 9 of Foreign Exchange (Compounding Proceedings) Rules, 2024, are not eligible for compounding by the Reserve Bank.
- Section 3(a) Violations: Contraventions under this section relate to unauthorized dealings in foreign exchange or foreign securities, which are strictly non-compoundable.
- Adjudicated Cases: Cases where an order imposing a penalty has already been passed by an adjudicating authority are excluded from compounding.

**V. Revision in Compounding Application Format:** New Rules have revised the application format making it more structured and clearer. New format requires specific disclosures under each head and aims to provide compounding authority with the clear understanding of facts and nature of contravention. The ED investigation related undertaking has also been revised in line with New Rules and as per this, the applicant should also undertake to immediately inform the compounding officer where the order is passed by the adjudicating authority on or before the issuance of the compounding order.

- Also, to avoid any inconvenience in implementing these new requirements, it is clarified that New Rules would apply only for new applications and not for compounding matters pending on the date of their commencement.

- **SGA View:** By increasing monetary limits, RBI aims to streamline the compounding process, allowing for quicker resolution of cases and reducing backlog. Further, electronic payment methods make the process more user-friendly, facilitating easier compliance for individuals and businesses facing contraventions. The objective is to encourage voluntary compliance, reduce the burden on legal and enforcement bodies, and align India's regulatory practices with global standards.
- **Actionable, if any:** Noting for future compliance

#### IV. COMPLIANCE CALENDAR FOR THE MONTH OF NOVEMBER 2024

S.N o	COMPLIANCE	PROVISION OF LAW/ACT / RULES/ REGULATIONS	Due Date
1.	PAS – 6	Under Rule 9A of Companies (Prospectus and Allotment of Securities) Rules, 2014  Reconciliation of Share Capital Audit Report (Half-Yearly)	29 <sup>th</sup> November (For Apr-Sep)  Within 60 days from the conclusion of each half-year
2.	IEPF-2	Filing of statement of Unpaid and Unclaimed Amounts as specified in section 125	Within 60 days after holding of the AGM




S.No	COMPLIANCE	PROVISION OF LAW/ACT / RULES/ REGULATIONS	Due Date
3.	MGT-7 /MGT-7A	<p>Under Section 92(1) of the Companies Act, 2013 and Rule 11(1) of the Companies (Management and Administration) Rules, 2014, every company is required to prepare an annual return in Form MGT-7, reflecting the details as on the date they stood at the end of the financial year.</p> <p>However, for every One Person Company (OPC) and small company, the annual return should be prepared in Form MGT-7A.</p>	<p>Within 60 days from the date on which the AGM is held or where no AGM is held in any year, within 60 days from the date on which the AGM should have been held</p>
4.	Regulation 33 (3) (a) of SEBI (LODR) Regulations, 2015	<p>The listed entity to submit quarterly and year-to-date standalone financial results to the stock exchange and Consolidated financial results in case listed entity has subsidiaries along with the Limited review report, and XBRL version.</p>	<p>Within 45 days from the end of the quarter except the last quarter</p>

S.No	COMPLIANCE	ACT / RULES/ REGULATIONS	Due Date
5.	Regulation 32(1) of SEBI (LODR) Regulations, 2015 read with Circular No. <a href="#">CIR/CFD/CMD1/162/2019, DATED 24-12-2019</a>	Statement of deviation(s) or variation(s) in the use of proceeds from public, rights, or preferential issues to the Stock exchanges	Within 45 days from the end of the quarter
6.	MGT-14  Para 3A(XV) of the <a href="#">General Circular No. 14/2020</a>	All the resolutions passed in accordance with this mechanism (i.e. meetings held through VC or OAVM mechanism) shall be filed with ROC	Within 60 days of the Meeting
7.	ECB -2 Return	ECB-2 return should be filled in for all categories of ECB	Within 7 working days from the close of the month through AD Bank to the RBI

S.No	COMPLIANCE	PROVISION OF LAW/ACT / RULES/ REGULATIONS	Due Date
8.	Regulation 23 of SEBI (LODR) Regulations, 2015	Submission of Half-yearly compliance certificate for dealing with Related party transactions	On the date of publication of its standalone and consolidated financial results
9.	Regulation 29 of SEBI (LODR) Regulations, 2015	Prior Intimation to stock exchange about the meeting of the board of directors in PDF and XBRL formats	At least two working days in advance (excluding the date of the intimation and date of the meeting)

S.No	COMPLIANCE	PROVISION OF LAW/ACT / RULES/ REGULATIONS	Due Date
10.	Regulation 30(6)(i) of SEBI (LODR) Regulations, 2015	Disclosure to the Stock Exchange(s) and on its website of all events or information which are material in terms of the provisions of this regulation	<ul style="list-style-type: none"> <li>- 30 minutes from the closure of the meeting of the board of directors in which the decision pertaining to the event or information has been taken</li> <li>- 12 hours from the occurrence of the event or information, in case the event or information is emanating from within the listed entity</li> <li>- 24 hours from the occurrence of the event or information, in case the event or information is not emanating from within the listed entity</li> </ul>
11.	Regulation 46 of SEBI (LODR) Regulations, 2015	The website must be updated with specific information such as shareholding pattern, CG Report and other disclosures in a timely manner	Within two working days of any content change



S.No	COMPLIANCE	PROVISION OF LAW/ACT / RULES/ REGULATIONS	Due Date
12.	Regulation 47(3) SEBI (LODR) Regulations, 2015	The listed entity shall publish the information specified in Regulation 47(1) in the newspaper simultaneously with the submission of the same to the stock exchange(s)	The financial results at Regulation 47(1) (b) of SEBI LODR, shall be published in one English and one vernacular newspaper within 48 hours of conclusion of the meeting of board of directors at which the financial results were approved..



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# THANK YOU!

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