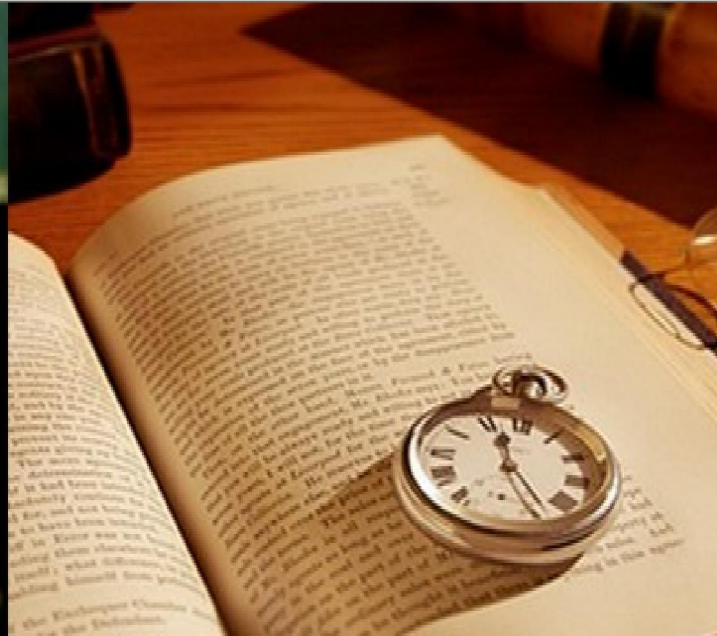
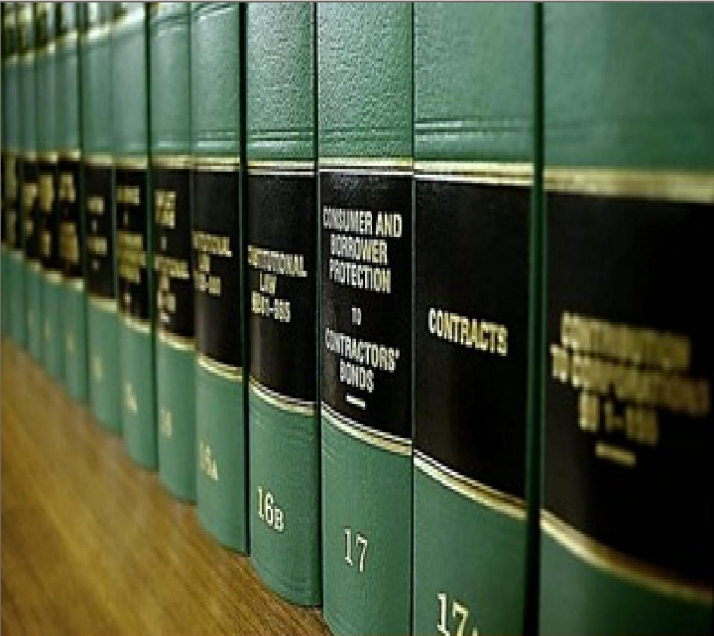


CORPORATE AND RELATED LAWS REVIEW

OCTOBER 2020



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Amendment to the rules of Companies (Prospectus and Allotment of Securities)

The MCA has eased the Private Placement norms for Qualified Institutional Buyers vide its notification dated October 16, 2020. With this Amendment the MCA has inserted the provision that in case of offer or invitation of any securities to qualified institutional buyers, it shall be sufficient if the company passes a previous special resolution only once in a year for all the allotments to such buyers during the year.

Extension of Special Measures under Act in view of COVID- 19 outbreak



Ministry of Corporate Affairs in continuation to General Circular No. 11/2020 dated March 24, 2020, has clarified that non-compliance of minimum residency in India for a period of at least 182 days in a year, by at least one director in every company shall not be treated as noncompliance for the financial year 2020-2021 also.

Timeline for listing of Securities issued on a private placement basis



SEBI has prescribed the time period within which securities issued on private placement basis under SEBI (Issue and Listing of Debt Securities)

Regulations, 2008, SEBI (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013, SEBI (Public Offer and Listing of Securitized Debt Instruments and Security Receipts) Regulations, 2008 and SEBI (Issue and Listing of Municipal Debt Securities) Regulations, 2015, need to be listed after completion of allotment. Further, it was provided that the depositories shall activate the ISINs of debt securities issued on private placement basis only after the Stock Exchange(s) have accorded approval for listing of such securities. Following are the timelines:

S.no	Details of Activities	Due Dates
1	Closure of Issue	T day
2	Receipt of Funds	To be completed by T+2 trading day
3	Allotment of Securities	To be completed by T+2 trading day
4	Issuer to make listing application to stock exchange(s)	To be completed by T+4 trading day
5	Listing permission from stock Exchange(s)	To be completed by T+4 trading day

Dividend option(s)/Plan(s) in case of Mutual Fund Schemes



The regulatory requirements mandate that when units are sold, and sale price (NAV) is higher than face value of the unit, a portion of sale price that represents realized gains shall be credited to an Equalization Reserve Account and which can be used to pay

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dividend. SEBI in this regard has further clarified that there is a need to clearly communicate to the investor and stipulates that offer documents shall clearly disclose that the amounts can be distributed out of investors capital (Equalization Reserve), which is part of sale price that represents realized gains. Further, Asset Management Companies shall ensure that the said disclosure is made to investors at the time of subscription of such options/plans. SEBI has also renamed the Dividend option(s) in all the existing and proposed Schemes of Mutual Funds.

Product Labeling in Mutual Fund Schemes

SEBI has reviewed the guidelines for product labelling in mutual funds and provided that Risk Level of a scheme will be depicted by “Risk-o-meter. Risk-o-meter shall have the following six levels of risk for mutual fund schemes:

1. Low Risk
2. Low to Moderate Risk
3. Moderate Risk
4. Moderately High Risk
5. High Risk
6. Very High Risk



SEBI has further instructed that Mutual Funds shall assign risk level for schemes at the time of launch of scheme/New Fund Offer. All the schemes must be disclosed on AMFI website within 10 days from the close of each month.

Amendment to SEBI (Listing Obligations and Disclosure Requirements) Regulations



SEBI has amended the provisions of the SEBI (LODR) Regulations, 2015, which provides that the listed entity, in respect of its listed non-convertible debt securities, shall maintain 100 percent asset cover or asset cover as per the terms of offer document/ Information Memorandum and/or Debenture Trust Deed, sufficient to discharge the principal amount at all times for the non-convertible debt securities issued. SEBI has further amended regulations inserted a new clause under Schedule III namely “Initiation of Forensic audit” which provides the disclosures which shall be made to the stock exchanges by listed entities in case of initiation of forensic audit.

Amendment to Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations



SEBI has amended the provisions of the SEBI (Issue and Listing of Debt Securities) Regulations, 2008 by inserting a new regulation that the issuer shall give an undertaking in the Information Memorandum that the assets on which charge is created are free from any encumbrances and in cases where the assets are already charged to secure a debt, the permission or consent to create a second or paripassu charge on the assets of the issuer has been obtained from the earlier creditor.

SEBI further added that the issuer shall create a recovery expense fund in specified manner by the Board from time to time and inform to the Debenture Trustee about the same.

Guidelines on Inter Scheme Transfers of Securities



In order to ensure that Inter Schemes Transfers (ISTs) of securities are in conformity with its objective, the additional safeguards have been prescribed in case of Close Ended Schemes and Open-Ended Schemes. It has been provided that in case of Close Ended Schemes, IST purchases would be allowed within “three” business days of allotment pursuant to New Fund Offer (NFO) and thereafter, no ISTs shall be permitted to/from Close Ended Schemes.

Amendment to SEBI (Prohibition of Insider Trading) Regulations



SEBI vide its notification amends the provisions of SEBI (Prohibition of Insider Trading) and inserted an explanation which says that timely information shall be considered only if as on the date of receipt of the duly completed Voluntary Information Disclosure Form by the Board and a period of not more than three years has elapsed since the date on which the first alleged trade constituting violation of insider trading laws was executed.

Extension of facility for conducting extraordinary meeting(s) of unit holders of InvITs and REITs through Video Conferencing or Other Audio-Visual Means (VC/OAVM)



After receiving the representation for extension of the facility of VC or OAVM for conducting extraordinary meetings(s) due to the pandemic, SEBI has extended the facility of VC or OAVM for conducting extraordinary meetings(s) of unit holders by InvITs/ REITs up to December 31, 2020 due to the COVID-19 pandemic.

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