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ANNUAL RETURN ON FOREIGN LIABILITIES AND ASSETS (FLA RETURN) - REPORTING BY LLP



RBI through its circular RBI/2015-16/210 vide A.P. (DIR Series) Circular No. 22 has prescribed the format for filing of FLA return by Indian Companies. In order to capture the statistics relating to Foreign Direct Investments (FDI), both inward and outward, by Limited Liability

Partnerships (LLPs) in India, it has been decided that henceforth, all LLPs that have received FDI and/or made FDI abroad (i.e. overseas investment) in the previous year(s) as well as in the current year, shall submit the FLA return to the Reserve Bank of India by July 15 every year, in the format as prescribed in the A.P (DIR Series) Circular No. 145 dated June 18, 2014. Since, LLPs do not have 21 digit CIN (Corporate Identity Number), they are advised to enter “A99999AA9999LLP999999” against CIN in the FLA Return.

Reserve Bank has since amended the subject Regulations accordingly through the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) (Seventh amendment) Regulations, 2015 which have been notified through notification No. FEMA 351/2015-RB dated September 30, 2015 vide G.S.R. No. 745(E) dated September 30, 2015.

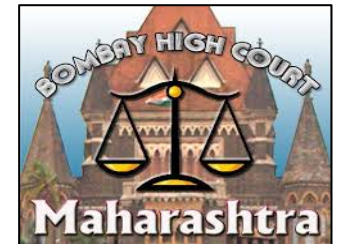
The directions contained in this circular has been issued under section 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of

1999) and are without prejudice to permissions/ approvals, if any, required under any other law.

BOMBAY HIGH COURT ORDER ON CA2013: RULES NOT VALID FROM 1ST APRIL, 2014 IF NOT NOTIFIED IN OFFICIAL GAZETTE

Bombay high court in scheme of amalgamation between Wadala Commodities Limited with Godrej Industries Limited has passed a judgment on postal ballot and e-voting. Court has observed that postal ballot and e-voting is an additional facility and cannot have the effect of dispensing the general meeting at all. Further, the court stated that gazetted copy of many MCA rules is not available. Hence in the opinion of the court they are not binding so far or at least from 1st April 2014.

The Court noted that the website of the Ministry of Corporate Affairs has a link to a single scanned PDF file entitled “COMPANIES ACT 2013 – STATEMENT OF NOTIFICATION OF RULES” on its front page where about 21 rules are listed. They are all said to be effective 1st April 2014. Several of these are not yet gazette. The Court Hon’ble Judge expressed his concern as to how such rules can be made effective on a basis where a ministry simply puts up some scanned document under the signature of one of its officers but without any publication in the official gazette. The Court noted that publication is not an idle formality and has fact a well-established legal purpose. That purpose is not and cannot be achieved in such an ad-hoc manner. Therefore, the Court ruled that, till such time as these rules are gazetted, or there is some provision made for the dispensation of official gazette notification, none



of the rules in the Ministry of Corporate Affairs PDF document that are not yet gazetted can be said to be in force.

DISCLOSURE IN THE ABRIDGED PROSPECTUS AND PRICE INFORMATION OF PAST ISSUES HANDLED BY MERCHANT BANKERS

- SEBI vide its circular no. CIR/CFD/DIL/7/2015 dated October 30, 2015 has prescribed the disclosure requirements in the abridged prospectus in accordance with the provisions of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 and the Companies Act, 2013.
- It has been observed that the abridged prospectus has become voluminous and thereby defeats the very purpose of abridged prospectus. With a view to address the issue, the disclosure requirements in the abridged prospectus have been rationalized in consultation with Investor Associations and market participants. The revised abridged prospectus improves the readability and contains relevant information for the investor to take well informed investment decision. Also, the investor has the option to obtain full prospectus from the market intermediaries associated with the public issue and can also download from the websites of stock exchanges, merchant bankers and SEBI.
- The revised format of abridged prospectus as per Regulation 58 (1) and Part D of Schedule VIII of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, is placed at Annexure I.



- Further, the format for disclosure of price information of past issues handled by the merchant bankers as specified vide SEBI Circular no. CIR/CFD/DIL/5/2011 dated September 27, 2011, has been revised and is placed at Annexure II. Pursuant to applicability of this Circular, the aforesaid SEBI Circular dated September 27, 2011 shall stand rescinded.
- This Circular shall be applicable on issues opening for subscription from December 1, 2015 and a copy of abridged prospectus shall be filed with SEBI.
- This Circular is issued in exercise of the powers conferred under Section 11 and Section 11A of the Securities and Exchange Board of India Act, 1992 read with Regulation 58(1) of SEBI (ICDR) Regulations, 2009 and Section 33 read with Section 2(1) of the Companies Act, 2013.
- This Circular is available on SEBI website at www.sebi.gov.in under the categories “Legal Framework” and “Issues and Listing”.

NO FRESH PERMISSION/ RENEWAL OF PERMISSION TO LIAISON OFFICES OF FOREIGN LAW FIRMS- SUPREME COURT DECISION

RBI has issued circular through its circular no. RBI/2015-16/215 vide A.P. (DIR Series) Circular No. 23 dated October 29, 2015.

- The Hon’ble Supreme Court vide its interim orders dated July 4, 2012 and September 14, 2015 passed in the case of the Bar Council of India vs A. K. Balaji & Ors., has directed RBI not to grant any permission to any



foreign law firm, on or after the date of the said interim order, for opening of Liaison Office (LO) in India. Hence, no foreign law firm shall be permitted to open any LO in India till further orders/notification in this regard. However, foreign law firms which have been granted permission prior to the date of interim order for opening LOs in India may be allowed to continue provided such permission is still in force. No fresh permission/ renewal of permission shall be granted by RBI/AD banks respectively till the policy is reviewed based on, among others, final disposal of the matter by the Hon'ble Supreme Court.

- AD Category – I banks may bring the contents of this circular to the notice of their constituents and customers concerned.
- The directions contained in this Circular have been issued under Section 10 (4) and 11 (1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

INVESTMENT BY FOREIGN PORTFOLIO INVESTORS (FPI) IN GOVERNMENT SECURITIES

RBI has issued circular through its circular no. RBI/2015-16/198 vide A.P. (DIR Series) Circular No. 19 dated October 06, 2015 in which:

- Attention of Authorized Dealer Category-I (AD Category-I) banks is invited to Schedule 5 to the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 notified vide Notification No. FEMA.20/2000- RB



dated May 3, 2000, as amended from time to time. The limits for investment by foreign portfolio investors (FPI) in Government securities were last increased to USD 30 billion vide A.P. (DIR Series) Circular No.111 dated June 12, 2013. Subsequently, the allocation of limits between long term investors¹ and other FPIs was modified and the requirement of investment by FPIs in securities with minimum residual maturity of three years was put in place vide A.P. (DIR Series) Circular No.99 dated January 29, 2014 and A.P. (DIR Series) Circular No. 13 dated July 23, 2014.

- Attention of AD Category-I banks is also invited to para 30 of the fourth bi-monthly Monetary Policy Statement for the year 2015-16 issued on September 29, 2015, in terms of which a Medium Term Framework (MTF) for FPI limits in Government securities was announced to provide a more predictable regime. The features of the MTF are as under:
 - i) The limits for FPI investment in debt securities will henceforth be announced/ fixed in Rupee terms.
 - ii) The limits for FPI investment in the Central Government securities will be increased in phases to reach 5 per cent of the outstanding stock by March 2018. In aggregate terms, this is expected to open up room for additional investment of ₹ 1,200 billion in the limit for Central Government securities by March 2018 over and above the existing limit of ₹ 1,535 billion for all Government securities.
 - iii) Additionally, there will be a separate limit for investment by all FPIs in the State Development Loans (SDLs), to be increased in phases to reach 2 per cent of the outstanding stock

by March 2018. This would amount to an additional limit of about ₹ 500 billion by March 2018.

- iv) The effective increase in limits for the following two quarters will be announced every half year in March and September.
- v) The existing requirement of investments being made in G-sec (including SDLs) with a minimum residual maturity of three years will continue to apply to all categories of FPIs.
- vi) Aggregate FPI investments in any Central Government security would be capped at 20% of the outstanding stock of the security. Investments at existing levels in the securities over this limit may continue but not get replenished through fresh purchases by FPIs till these fall below 20%.
- Accordingly, for the current financial year, it has been decided to enhance the limit for investment by FPIs in Government Securities in two tranches from October 12, 2015 and January 1, 2016 respectively.
- For the present, the security-wise limit for FPI investments will be monitored on a day-end basis and those Central Government securities in which aggregate investment by FPIs exceeds the prescribed threshold of 20% will be put in a negative investment list. No fresh investments by FPIs in these securities will be permitted till they are removed from the negative list. There will be no security-wise limit for SDLs for now.
- All other existing conditions, including investment of coupons being permitted outside the limits and investments being restricted to securities with a minimum residual maturity of three years, will continue to apply.

- Further operational guidelines relating to allocation and monitoring of limits will be issued by the Securities and Exchange Board of India (SEBI).
- AD Category – I banks may bring the contents of this circular to the notice of their constituents and customers concerned.
- The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

NON BANKING FINANCIAL COMPANY-MICRO FINANCE INSTITUTIONS (NBFC-MFIS) – DIRECTIONS – MODIFICATIONS

RBI has issued circular through its circular no. RBI/2015-16/196 DNBR.CC.PD.No. 069/03.10.01/2015-16 which states that:

- In terms of extant instructions on pricing of credit by MFIs, the maximum variance between the minimum and maximum interest rate on loans cannot exceed 4 per cent.
- The National Scheduled Castes Finance & Development Corporation (NSFDC) under the Ministry of Social Justice & Empowerment, Government of India, has proposed to expand its outreach by channelizing funds through select NBFC-MFIs at lower rate of interest. The objective of NSFDC is to work for the economic empowerment of persons belonging to Scheduled Castes living below the Double Poverty Line.



- In order to enable NBFC-MFIs to act as channelizing agents of NSFDC, it has been decided that the condition relating to the maximum variance permitted shall not be applicable to loans extended by NBFC-MFIs against funding by NSFDC. The on-lending to individuals by NBFC-MFIs out of funds of NSFDC shall only be through direct credit to their accounts with banks. Further, NBFC-MFIs shall exclude borrowing from NSFDC in arriving at the average cost of funds of the company for the purpose of pricing of credit, other than to the beneficiaries targeted by NSFDC. For this, NBFC-MFIs shall maintain proper record of funds received from NSFDC and the lending out of those funds.
- Appropriate disclosures in this regard shall be made in the balance sheet of such NBFC-MFIs. The minimum disclosures should include quantum of funds received from NSFDC, cost of such funds, loans disbursed therefrom, rate of interest on such loans and the number of beneficiaries.
- NBFC-MFIs shall inform the concerned Regional Office of the Reserve Bank of India of their appointment as a channelising agent by NSFDC within one month from the date of such appointment.

MCA ANNUAL FILING DATE EXTENDED

In Continuation of this Ministry's General Circular No. 10/2015 dated 13.07.2015 and keeping in view the request from various stakeholders MCA vide its circular 14/2015 dated 28.10.2015 has decided to relax the additional fee payable on Forms AOC 4 and AOC 4 XBRL upto 30th



November, 2015. The additional fee requirement for MGT 7 E-Form is also relaxed for all such forms filled till 30.11.2015, wherever additional fee is applicable.

NEW FORM AOC 4 CFS AVAILABLE

New Form AOC 4 CFS a Form for filing consolidated financial statements and other documents with the Registrar is available on MCA portal for filing w.e.f. 01.11.2015.

VERSIONS OF FORMS MODIFIED

Versions of Form AOC 4 XBRL and AOC attachments are modified w.e.f. 01.11.2015.

Further, version of Form 8 LLP has been modified w.e.f. 28.10.2015. Stakeholders are requested to plan accordingly.

VERENDRA KALRA & CO

CHARTERED ACCOUNTANTS

CONTACT DETAILS:

Head Office

75/7 Rajpur Road, Dehradun

T +91.135.2743283, 2747084, 2742026

F +91.135.2740186

E info@vkalra.com

W www.vkalra.com

Branch Office

80/28 Malviya Nagar, New Delhi

E info@vkalra.com

W www.vkalra.com

For any further assistance contact our team at

kmt@vkalra.com

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