

# KNOWLEDGE UPDATE

Dear Professionals,

We are happy to present our July edition of Knowledge Update on the recent developments in the field of Corporate Laws and other allied laws.

Now, we have gradually gotten used to Covid being around, work from home and other changes, however we are longing for the social life and travel plans.

On the professional front, most companies have closed or nearing the closure of financials for FY 2019-20 and are gearing for the virtual AGMs- first of its kind.

Amidst, the frequent lockdown, unlock by the Government, Entrepreneurs are disoriented and their resilience is challenged. Nonetheless, we have to remain focused and prepare ourselves for the new normal.

The latest announcement by the Government has included more business and individuals facing Covid related stress like Doctors, lawyers, Chartered Accountants and others into its Rs 3 lakh crore loan guarantee scheme announced for MSMEs in May, which a welcome move, however, the criteria for the credit policies as announced needs to be more transparent to help the Covid effected businesses.

We look forward to your valuable feedback and comments on the updates.

Best Regards,  
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# KNOWLEDGE UPDATE

## TABLE OF CONTENTS

### COMPANY LAW

1. Amendments to Indian Accounting standards
2. Extension of last date of filing NFRA 2- Annual return to be filed by Auditor with National Financial Reporting Authority
3. Notification of Form PAS – 6- Reconciliation of Share Capital Audit Report (Half-yearly)

### SECURITIES LAW

1. SEBI's settlement scheme to entities generating artificial trade volumes
2. Relaxations relating to procedural matters – Takeovers and Buy back
3. Relaxations relating to procedural matters – Issues and Listing
4. Use of digital signature certifications for authentication / certification of filings / submissions made to Stock Exchanges
5. Clarification by SEBI on participation by shareholders holding shares in physical mode to open offers, buybacks and delisting of securities of listed entities
6. Relaxation in timelines for compliance with regulatory requirements
7. Extension of time for submission of financial results for quarter/ half year/financial year ended 30<sup>th</sup> June 2020
8. Format of reporting to stock exchanges regarding violation under Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 (PIT) relating to the Code of Conduct (CoC).
9. Allowing offer for sale (OFS) and Rights entitlements (RE) transactions during window closure period
10. Amendment to SEBI (Prohibition to Insider Trading) (PIT) Regulations 2015
11. Securities Contracts (Regulation) (Second Amendment) Rules, 2020.

### FOREIGN DIRECT INVESTMENT (FDI)

1. Amendment to FDI Rules

### MEASURES BY RESERVE BANK OF INDIA (RBI)

1. Onetime Restructuring of Loans

## COMPANY LAW



### 1. Amendments to Indian Accounting Standards

- Amendments can be followed by lessees for annual reporting periods beginning on or after April 1, 2020
- Ind-AS 103, 116 and some other standards have been amended by the Corporate Affairs Ministry.
- Amended Ind-AS 103- These are aimed at helping entities to determine whether a transaction needs to be accounted as a business combination or as an asset acquisition
- Amended Ind-AS 116 will provide significant relief to lessees for accounting for rent concessions from lessors specifically arising from the COVID-19 pandemic

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### 2. Extension of time for filing of NFRA 2

- Extension of time for filing of NFRA 2 for FY 2018-19 will be 270 days from deployment of this form on NFRA website.

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### 3. PAS 6- Reconciliation of share capital audit report

- Applicable for unlisted public companies
- To be filed within 60 days from conclusion of each half year
- ISIN mandatory to file PAS 6, therefore every unlisted public company has to get its shares dematerialized which was made mandatory since 2<sup>nd</sup> October 2018.

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## SECURITIES LAW



### 1. SEBI's settlement scheme to entities generating artificial trade volumes

- a one-time settlement opportunity to entities that have executed trade reversals in the stock options segment of BSE during the period from April 1, 2014 to September 30, 2015, against whom any proceedings are pending
- settlement period shall commence on August 01, 2020 and end on October 31, 2020

# KNOWLEDGE UPDATE

- a uniform consolidated Settlement factor of 0.55 in all cases wherein the entities had executed reversal trades
- After the expiry of the Scheme, entities who do not avail the onetime settlement opportunity shall be liable for action as per section 15-I of the [SEBI](#) Act, 1992  
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## 2. Relaxation in procedural matters- Takeovers and Buy backs

- Validity of relaxations, as provided by Circular No. SEBI/CIR/CFD/D CR1/CIR/P/2020/83 dated May 14, 2020 is further extended upto December 31, 2020
- Relaxations are as under:
  - Service of the letter of offer and/or tender form and other offer related material to shareholders may be undertaken by electronic transmission like television channels, radio, internet, SMS, audio video advertisement etc
  - publish the letter of offer and tender form on the websites of the company, registrar, stock exchanges and the manager(s) to offer

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## 3. Relaxation in procedural matters- Issues and Listing

- Circular No. SEBI/HO/CFD/DIL2/CIR/P/2020/78 dated May 6, 2020 is further extended and shall be applicable for Rights Issues opening upto December 31, 2020
- Relaxations are as under:
  - Service of the abridged letter of offer, application form and other issue material to shareholders may be undertaken by electronic transmission like television channels, radio, internet, SMS, audio video advertisement etc
  - Issue related advertisement be published on the websites of the issuer, registrar, Lead managers and stock exchanges
  - Issuer along with lead manager(s) and other recognized intermediary shall institute a mechanism to allow physical shareholders to apply in the rights issue.
  - Institute an optional mechanism (non- cash mode only) to accept the applications of the shareholders instead of ASBA facility.

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## 4. Use of digital signature certifications for authentication/certification of filings/submissions made to stock exchanges

In view of the effect of pandemic, the use of digital signature for submissions to stock exchanges extended till 31<sup>st</sup> December 2020.

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## 5. Clarification by SEBI on shareholders holding physical shares to open offers, buybacks and delisting of securities of listed entities

In order to protect the interest of shareholders even those shareholders holding securities in physical form has been permitted by SEBI to tender shares in open offers, buy backs through tender offer route and exit offers in case of voluntary or compulsory delisting.

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## 6. Relaxation in timelines for compliance with regulatory requirements

- It has been further decided to extend the timelines for compliance with the regulatory requirements by DPs / RTAs/ KRAs in view of the impact of the lockdown till 30<sup>th</sup> September 2020 or 15<sup>th</sup> October 2020 depending on the activity.

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# KNOWLEDGE UPDATE

- It has been further decided to extend the timelines for compliance with the regulatory requirements by Trading Members/Clearing Members/Depository Participants in view of the impact of the lockdown.

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## **7. Extension of time for submission of financial results for the quarter/half year/financial year ended 30th June 2020**

Extension of deadline for submission of financial results for the quarter, half-year, and financial year ended 30 June 2020 to September 15 due to the shortened time gap between the extended deadline for submission of financial results for the period-ended 31 March 2020 and the quarter or half year-ended June 30, 2020.

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## **8. Format for Reporting to stock exchanges regarding violation of Code of Conduct under PIT**

Standard format for reporting of violations related to Code of Conduct has been suitably modified and placed at Annexure A to the Circular.

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## **9. Allowing offer for sale (OFS) and Rights Entitlements (RE) transactions during trading window closure period**

Trading window restrictions shall not apply in respect of OFS and RE transactions carried out in accordance with the framework specified by the Board from time to time.

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## **10. Amendments to PIT Regulations**

- requirement of maintaining structured digital database is extended to other entities i.e. Intermediaries or Fiduciaries with whom Un Published price sensitive information (UPSI) is shared
- structured digital database also to include additional information on the nature of UPSI and the names of such persons who have shared the information
- database is now required to be maintained internally by the listed company/intermediaries/ fiduciaries and same cannot be outsourced.
- Database required to be maintained for a period of 8 years
- in case of a violation by a Designated Person, any amount collected by the Listed Company from such person, the Company is now required to remit the same to SEBI for credit to IEPF established by SEBI. (not IEPF of under MCA)
- Listed Company shall now promptly inform the Stock Exchanges (and not to SEBI, as earlier required) about such violation

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## **11. Securities Contracts (Regulation) (Second Amendment) Rules, 2020.**

Vide notification dated 31st July, 2020, extension of time for listed public companies to increase their public shareholding to at least 25% by 1 year.

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## FDI RULES



Changes in foreign direct investment (FDI) rules which permit non-resident Indians (NRIs) to acquire upto 100% in Air India

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## MEASURES BY RBI- ONE TIME RESTRUCTURING



- Central Bank will also form an expert committee headed by former ICICI Bank CEO KV Kamath to suggest ways in which the restructuring will be implemented
- Personal loans have also been included
- March 1 has been set as the reference date for the outstanding amount of debt for restructuring
- Accounts which were standard, but not in default for more than 30 days as on March 1, 2020 will be considered
- the restructuring has to be invoked not later than December 31, 2020 and must be implemented within 90 days from the date of invocation & for corporate borrowers within 180 days.
- resolution plans may inter alia include rescheduling of payments, conversion of any interest accrued, or to be accrued, into another credit facility, or, granting of moratorium, based on an assessment of income streams of the borrower, subject to a maximum of two years
- in case of corporate borrowers with multiple lending institutions, the resolution process shall be treated as invoked if lending institutions representing 75% by value of the total

## KNOWLEDGE UPDATE

outstanding credit facilities (fund based as well non-fund based) , and not less than 60% of lending institutions by number agree to invoke the same & all transactions to be routed through an escrow account maintained with one of the lending institutions.

- not available for exposures to financial sector entities as well as governments bodies  
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### Due Date

Foreign Liabilities and Assets Information Reporting (FLAIR) with RBI- 14<sup>th</sup> August 2020

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